
Submission to the Financial Services Regulatory Authority of Ontario on its Consultation on an Innovation Framework

November 2021



Canadian Life & Health
Insurance Association
Association canadienne des
compagnies d'assurances
de personnes

The Canadian Life and Health Insurance Association (CLHIA) is a voluntary association with member companies which account for 99 per cent of Canada's life and health insurance business. The life and health insurance industry is a significant economic and social contributor in Canada.



\$2.7 billion in provincial tax contributions

- \$197 million in corporate income tax
- \$348 million in payroll and other taxes
- \$590 million in premium tax
- \$1.64 billion in retail sales tax collected



Investing in Ontarians

- \$357 billion in total invested assets
- 97% held in long-term investments

The industry also plays a key role in providing a social safety net to Ontarians.



Protecting 11 million Ontarians

- 10.2 million with drug, dental and other health benefits
- 8.4 million with life insurance averaging \$242,000 per insured
- 4.9 million with disability income protection



\$43.5 billion in payments to Ontarians

- \$22.5 billion in annuities
- \$14.8 billion in health and disability claims
- \$6.2 billion in life insurance policies

OVERVIEW

Our industry is pleased to provide its comments to the Financial Services Regulatory Authority of Ontario on its consultation on *FSRA, the Innovation Office, and an Innovation Framework for a More Innovative Ontario Financial Services Sector* (“consultation paper”).

The life and health insurance industry has been a leader in offering innovative products to Ontarians. For years, the life and health insurers have invested in internal innovation to develop technology and other solutions that will make their businesses more efficient and meet changing customer expectations. For example, the industry has developed innovative solutions to assist Ontarians with access to mental health supports and other virtual care services, which were especially important during the COVID-19 crisis. The ability to innovate enables life and health insurers to better provide clients and policyholders with affordable and convenient services.

The CLHIA is encouraged by FSRA’s intent to make Ontario the go-to place for financial innovation in Canada. We believe that for innovation in the financial services market to best serve customers there needs to be well developed policies and regulation in place. Any regulatory framework must ensure that businesses are able to innovate and offer customized products and services while at the same time ensuring consumer protections are in place.

Below you will find our industry's comments on the specific questions within the consultation paper for your consideration. We would be pleased to discuss any of our comments with you further.

QUESTIONS IN CONSULTATION PAPER

Do the principles outlined by the Innovation Office resonate with you as a stakeholder?

The CLHIA is generally supportive of the guiding principles outlined in the consultation paper. We believe that they strike an appropriate balance between driving new innovation in the province while ensuring principles are in place to mitigate any risks to consumers. We also believe that the guiding principles appropriately set out the role of the regulator as not being the entity that creates new innovation but instead is in place to set out a regulatory framework for how innovation can be encouraged and brought to market.

We do however have one comment for your consideration. On the principle of lowering barriers for new entrants to drive innovation and competition, we would ask that FSRA ensure that new entrants are held to the same standards with respect to responsible innovation and consumer protection as existing regulated entities.

What does successful innovation look like?

The CLHIA believes that in order to have successful innovation, there must be a regulatory environment that allows for companies to test and implement new technologies in a timely manner. We believe that any risk framework should not slow innovation and should not be overly prescriptive such that technology outpaces regulation. Any regulatory framework should also be technology neutral and not single out a specific type of technology innovation as companies should have the flexibility to adopt technology that is most suitable to allow for a competitive market.

What role do the sectors want to see FSRA play in facilitating innovation?

CLHIA members believe that FSRA can best facilitate innovation outcomes by having a better understanding of the new products and services that are available in other jurisdictions and sectors so that less time is spent on proving the solution viable. Now more than ever customer expectations are high for innovation solutions. We believe FSRA can be a leader in financial innovation by building up its knowledge in this space.

What are your most relevant touchpoints with FSRA on new opportunities and what can be improved to facilitate innovation?

In our experience, the current process in working with FSRA on new opportunities has been relatively ad-hoc. It has not been clear where or how to bring innovative ideas to FSRA. Our experience throughout the pandemic has been that even small changes require going through a lengthy process before changes can be made. We believe that improvements can be made by creating a framework that does not slow innovation and is not overly prescriptive.

Do you see any gaps in our Innovation Process in the development of an innovation opportunity?

Under the proposed process, there does not appear to be opportunities to allow for companies to modify their proposals or offerings. Innovation is an iterative process and, as such, there should be room for companies to be able to adjust their offerings as needed without having to go through the application process all over again from the start.

How useful is the intake questionnaire?

We believe that it would be helpful if the Innovation Office established expectations regarding the test and learn process. For example, clear expectations on how long a test is expected to take. In addition, it would be helpful to have a better understanding of FSRA's prioritization criteria (e.g. what innovative approaches FSRA would support). This would allow companies to prioritize their efforts and help manage resources.

How can we successfully appraise and manage risks from innovation?

As outlined in the consultation paper, the risk framework would establish a confidence level on the innovative product/service early on in the process before determining whether the innovation opportunity can proceed. We believe that establishing a confidence level of the new product or service based on a proposal without testing may be premature. As noted above, innovation is an iterative process and there needs to be room for adjustments. We would recommend that FSRA look to other jurisdictions where risk assessments have been successful and have not hindered innovation.

Are the regulatory tools currently available to FSRA sufficient in allowing FSRA to facilitate innovation while protecting the public interest? If not, what else is needed?

The CLHIA believes that the regulatory tools currently available to FSRA are sufficient and that no additional consumer protection measures are required. We would reiterate that FSRA ensure that new entrants are held to the same standards with respect to responsible innovation and consumer protection as existing regulated entities.

Do you see any roadblocks to innovators being inclined towards and comfortable with participating in FSRA Test and Learn Environments (TLEs)?

One issue for consideration is most companies will be looking for opportunities to test and launch innovations that are proprietary. It is important that details on these new innovations are kept confidential during the test and learn process to ensure proprietary innovation is not made public before launch.

What are some meaningful ways the Innovation Office can engage with your sector?

The CLHIA believes there are changes that can be made now to legislation that should not have to go through the Innovation Office. For example, the acceptance of digital signatures should not be considered new innovation but simply an evolution of the way the life and health insurance industry provides services to customers. As such, we would recommend a better definition of what is considered "innovation" within the province.

In addition, we believe that if a product or service has already been taken to market by one company, other companies should not have to go through the review process again but instead should be able to bring these products/services straight to market.

CONCLUSION

The industry greatly appreciates this opportunity to provide comments on the proposed framework. We understand that FSRA will be developing an Approach Guidance with more details on TLEs. We would encourage you to consider developing the Approach Guidance with consultation from stakeholders to ensure that it does not stifle existing innovative processes.

We are encouraged that FSRA's Innovation Office understands the need for proactive and ongoing engagement with stakeholders. We look forward to further engagement with the regulator as more details are developed in both the Innovation Framework and the risk assessment process. In the meantime, should you have any questions, please contact Susan Murray, Vice President of Policy and Government Relations at smurray@clhia.ca.



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