
FINANCIAL SERVICES COMMISSION OF ONTARIO

STATEMENT OF PRIORITIES

JUNE 2001

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INTRODUCTION

The Financial Services Commission of Ontario (FSCO) is a regulatory and adjudicative agency established under the *Financial Services Commission of Ontario Act, 1997* (the *FSCO Act*). It reports to the Minister of Finance.

Under section 11 of the *FSCO Act*, FSCO is required to deliver to the Minister of Finance and publish by June 30 of each year a statement setting out its proposed priorities for the year ahead. This is FSCO's fourth Statement of Priorities. It outlines proposed Strategic Priorities, sketches the regulatory environment the priorities are designed to address, notes recent progress and describes the initiatives planned for the coming year.

FSCO regulates insurance, pension plans, loan and trust companies, credit unions, caisses populaires, mortgage brokers and co-operative corporations in Ontario. Its mandate is to protect the public interest and enhance public confidence in the regulated sectors. To do this, FSCO provides regulatory services that protect consumers and pension plan beneficiaries, and support a healthy and competitive financial services industry.

FSCO comprises:

- a five-member Board with specific responsibilities under the *FSCO Act*, such as making recommendations to the Minister of Finance on matters affecting the regulated sectors;
- the Chief Executive Officer and Superintendent of Financial Services – responsible for the general supervision of the regulated sectors, the administration and enforcement of the *FSCO Act* and other statutes governing the regulated sectors, and FSCO's financial and administrative affairs – and FSCO staff, who support the Chief Executive Officer and Superintendent of Financial Services in carrying out these roles; and
- the Financial Services Tribunal (FST), an adjudicative body that conducts hearings arising from regulatory and proposed regulatory decisions of the Superintendent.

FINANCIAL SERVICES COMMISSION OF ONTARIO (FSCO)

In pursuing its mandate, FSCO continually assesses issues affecting marketplace participants as well as its own response to these issues. To gather input and feedback, FSCO works with many stakeholders – such as financial services providers and consumers, pension plan administrators and beneficiaries, professional advisors and consultants and other federal and provincial regulators. A variety of committees and other channels have been established to facilitate ongoing dialogue.

FSCO's offices are located in north Toronto. The agency has approximately 385 full-time employees and had a budget of \$36 million for the 2000-2001 fiscal year. FSCO is committed to delivering value for the resources entrusted to it, in terms of both effective consumer and pension plan beneficiary protection and a favourable business climate.

Merger with OSC Proposed

In May 2000, the Minister of Finance announced the next stage in the integration of financial services regulation in Ontario – a proposal to merge FSCO with the Ontario Securities Commission (OSC) into a single agency to regulate capital markets and financial services sectors. The legislation required to create the new organization and specify its regulatory responsibilities and powers is expected to be introduced during 2001. The consolidated agency is intended to provide strong protection for consumers, investors and pension plan beneficiaries, implement timely regulatory responses to changing market structures and foster a competitive, healthy financial services industry in Ontario.

In September 2000, the government released a discussion paper on the merger. The paper proposed the creation of the Ontario Financial Services Commission as a self-funded Crown corporation with rule-making authority to be responsible for regulating financial services in the province. A Pension Tribunal to hear pension matters was also proposed. In April 2001, the Minister of Finance released draft legislation for another round of consultation on the merger.

FSCO is committed to keeping all stakeholders informed of the progress of the merger, and to ensuring that the new organization responds to the needs of the sectors FSCO regulates. During the period leading up to the merger, FSCO will continue to adopt efficiency improvements within its own operations and will maintain uninterrupted service to stakeholders.

REGULATORY ENVIRONMENT

As of March 31, 2001, FSCO's regulatory responsibilities encompass 6,312 pension plans, 318 credit unions and caisses populaires, 390 mortgage brokers, three loan and trust companies, 1,485 active co-operative corporations, 430 insurance companies, 34,304 insurance agents, 1,186 insurance adjusters and approximately 3,074 corporate insurance agencies. The regulated sectors represent a significant, dynamic and evolving industry that has a vital impact on the provincial economy and on the financial security of individuals and families.

In recent years, the Canadian financial services and pension landscape has been dramatically altered by changing industry structures and shifting consumer and pension-plan-beneficiary expectations.

Industry Convergence

Not long ago, each of the four financial services pillars – banks, trust companies, insurers and securities firms – was covered by separate legislation. Cross-ownership between pillars was restricted, and there was little overlap between the products and services offered by each pillar. Deposit-taking institutions, insurers and securities firms operated entirely different businesses. Now business lines have blurred and financial conglomerates are commonplace, producing intense competition for a common customer base.

As the various sectors converge, financial institutions are developing products and services that cross traditional sectoral boundaries and are becoming almost indistinguishable. However, since the regulatory framework is still largely based on the four pillars, similar products performing similar functions may receive different regulatory treatment.

The traditional way of doing things has also resulted in different regulatory regimes in different jurisdictions. Financial institutions operating in various provinces and territories may have to deal with several regulatory authorities. This regulatory patchwork increases costs for the industry and ultimately for the consumer.

The Modern Consumer

From the consumer's perspective, expectations of the financial services industry are changing with demographic trends such as the aging of the baby boom generation. Consumers increasingly seek wealth management in addition to traditional financial protection. One illustration: according to the Canadian Life and Health Insurance Association, segregated fund sales were almost 40 per cent of total premiums in 1999, up from less than 10 per cent in 1990.

Demand for integrated financial services planning is on the upswing and sales representatives often hold multiple licences, with access to a wide range of products. About 70 per cent of life agents in Ontario, for instance, are registered to sell securities.

More Pension Choices

The pension area is also changing. According to the Statistics Canada *Pension Plans in Canada* report at January 1, 1999, defined benefit plans, which provide a predetermined benefit level during retirement, have seen membership decline from 4,582,000 to 4,347,000 from 1995 to 1999. Membership in defined contribution plans has, however, increased from 519,000 to 667,000 members over the same period. Participation has also increased in other capital accumulation plans (CAPs) not regulated by FSCO – such as group registered retirement savings plans, deferred profit-sharing plans and employee profit-sharing plans. Defined contribution plans and other CAPs give members choices about how to invest assets. This marks a departure from the traditional role of the plan administrator with sole fiduciary responsibility for investing funds.

New Distribution and Communications Channels

Also shaping the financial services landscape is the growth of new distribution channels. Today financial products are marketed not only face-to-face but also through direct mail, telephone and the Internet. According to the Canadian Bankers Association, 85 per cent of routine consumer banking transactions are now done electronically.

As e-business advances, financial services providers are not only marketing products like insurance and mortgages online, but are also dealing with suppliers and partners electronically. With online business-to-business transactions increasing exponentially, the financial services industry expects regulators to increase their capacity for electronic interaction with the private sector.

Regulatory Challenges

These trends point to the emergence of a single financial services marketplace in Canada, linked by e-business and cutting across both sectoral and jurisdictional boundaries. However, the current regulatory structure continues to segment the financial services industry into product lines based on the four pillars, geographically split, and still paper-intensive.

Disclosure requirements and consumer protections can vary widely across sectors and jurisdictions, potentially leaving consumers ill-equipped to make informed choices. Industry efficiency may also be compromised by a regulatory structure designed for a past era and not flexible enough to adapt quickly to new issues and expectations. A consensus is developing that financial services regulation should be based on functions or activities – not on institutions or distribution channels. This shift in approach is essential if regulation is to keep in step with the changing realities of the marketplace.

International Responses

In response to this imperative, a number of countries are moving to integrate regulatory structures within their borders. For example, in 1999 Australia brought all financial institutions under the supervision of three regulators. One of these agencies regulates the market conduct of the securities, pensions, insurance and banking industries. The United Kingdom is moving in stages to merge several of its financial services regulatory agencies. Ontario joins this international trend with the proposed merger of FSCO and the OSC.

STRATEGIC PRIORITIES

FSCO is committed to being a vigilant, fair-minded and forward-looking regulatory agency with a constructive and responsive presence in Ontario's financial services marketplace. Its mission is to protect consumers and pension plan members and foster a competitive, healthy financial services industry. To meet the challenges of a complex and evolving environment, FSCO's proposed Strategic Priorities for the coming year are to:

- **Provide a fair and balanced regulatory approach**
- **Be a leader in financial services regulation in Canada**
- **Promote and vigorously enforce compliance**
- **Deliver a high standard of customer service.**

The following sections outline the initiatives FSCO proposes in order to implement these Strategic Priorities over the coming year. In many cases, the actions planned build on progress achieved in the previous year. Where this is so, the text notes recent accomplishments as well as indicating the further measures to be taken in the year ahead.

FAIR AND BALANCED REGULATORY APPROACH

A key FSCO objective is to ***sustain public confidence*** in the regulated sectors. A fair and balanced regulatory approach is crucial – an approach that strengthens consumer protection while being flexible enough to foster competition and innovation. In continuing to provide such an approach in the coming year, FSCO will:

- recommend legislative and policy changes to the government to enhance the regulatory framework;
- continue to improve the efficiency and effectiveness of regulatory processes;
- work with automobile insurance stakeholders to maintain a fair and stable system; and
- monitor FSCO's fee and assessment structure and consider adjustments as needed.

Enhancing the Regulatory Framework

- The government has announced it will hold a public consultation on ***new pension surplus rules***, and has extended the existing regulation concerning surplus withdrawal on plan windup until December 31, 2001. FSCO will work with the Ministry of Finance to develop options for consultation with the pension stakeholders on new surplus rules.
- FSCO will propose regulatory amendments to permit ***flexible pension plans***, which allow members to purchase ancillary benefits through optional tax-deductible contributions.
- In conjunction with its Accounting and Assurance Advisory Committee, FSCO will review ***financial information reporting requirements for pension plans***.
- In the insurance sector, FSCO is continuing its review of ***licensing and supervision requirements***. With the help of a stakeholder working group, proposals have been developed for changes to requirements on such topics as: specialized licence categories; referrals and commission splitting; an indemnity fund; group contract distribution; accountability; supervision; ownership requirements for corporate distributors; and part-time employment. FSCO will bring recommendations to the government for improving consumer protection in a changing insurance industry.
- Following the passage of amendments to the *Insurance Act* contained in the *Red Tape Reduction Act, 2000*, FSCO is designing a proposal for a regulatory system for ***viatical settlement business***. Consultations with consumers and other stakeholders on proposals for the regulatory system will take place.
- As announced in the May 9, 2001 Ontario Budget, FSCO will develop proposed legislative amendments to implement a more flexible ***prudent portfolio approach to investment by insurers***. Extensive stakeholder consultations have been completed on this initiative.
- FSCO has drafted proposals to amend the *Insurance Act* to enhance the role of the ***appointed actuary*** in preserving the financial stability of insurance companies, and will recommend these changes to the government. Extensive stakeholder consultations have also been completed on this initiative.

- To support a balanced regulatory environment for auto insurance, FSCO will work with the Ministry of Finance in any review of auto insurance legislation and regulations. FSCO will also propose changes in regulations regarding **group auto insurance marketing and rating** to clarify the rights and responsibilities of consumers, insurers, brokers and group plan sponsors.
- **The Motor Vehicle Accident Claims Fund (MVACF)**, administered by FSCO, provides compensation to victims of automobile accidents involving uninsured or unidentified vehicles. In the coming year, FSCO will update financial projections and review options for ensuring stable long-term funding, so MVACF continues to meet its consumer protection mandate.
- The *Red Tape Reduction Act, 1999* requires the Superintendent to review the **Mortgage Brokers Act**. An ongoing Mortgage Broker Advisory Committee has been established, and one of its first tasks will be to assist the Superintendent with the review. The Superintendent will submit recommendations to improve the Act's effectiveness and administration to the Minister of Finance by September 30, 2001.
- In line with a commitment in the 2000 Ontario Budget, FSCO will continue to work with the Ministry of Finance to streamline the **regulatory framework for co-operative corporations**.

Efficient and Effective Processes

- In the coming year, FSCO will continue discussions on the possible transfer of FSCO's **prudential examination work** to the federal regulator. This shift may make better use of regulatory resources and enable FSCO to concentrate on its market conduct responsibilities.
- Automobile insurers are required to obtain FSCO approval to change their rates or systems for classifying risks. In February 2001, FSCO issued updated filing guidelines, based on an external consultant's report and a review of the recommendations by an industry working group. The new guidelines introduce an additional streamlined process for filing private passenger rate changes, known as **Respond to Market (R2M)**, for insurers meeting certain criteria. The new process will enable insurers to respond more rapidly to market conditions, as less detailed filing information is required and FSCO's review process will be quicker. R2M criteria are to be updated annually and FSCO will retain a financial expert to assist with the filing criteria for 2002.

- The ***Pension Benefits Guarantee Fund*** maintains a minimum level of protection for members of defined benefit pension plans. In consultation with appointed administrators, FSCO last year streamlined the process for ordering wind-ups of plans of insolvent companies.

Supporting a Stable Auto Insurance System

- With FSCO's support, Hon. George Adams assisted the auto insurance industry and health care providers to negotiate ***fee and utilization guidelines*** last year. Agreements were reached with psychologists and with audiologists and speech-language pathologists. Chiropractors, nurses and massage therapists did not conclude agreements, and FSCO will continue to work on establishing guidelines for these groups in the year ahead. FSCO also plans to establish an ongoing system for introducing or updating fee and utilization guidelines, to help stabilize medical and rehabilitation costs.
- Auto insurers and health care providers have received a report commissioned by FSCO concerning a ***standardized billing form*** for use by providers. FSCO will continue to co-operate with the industry to introduce a paper and electronic billing form for the invoicing of medical and rehabilitation services.
- In recent years, extensive guidelines have been developed for the efficient operation of ***Designated Assessment Centres*** (DACs), which provide impartial assessments of automobile accident injuries. In the coming year, increased emphasis will be placed on monitoring adherence to the guidelines. FSCO will complete compliance reviews on all DACs over the next two years and develop a protocol for on-site examinations.
- FSCO will work with the industry to bring about changes to the ***auto insurance statistical plans***, which support fair rates and classification systems. One objective will be to capture more detailed data on how companies rate by territory. FSCO received a consulting study on territorial rating in the summer of 2000, but more statistical information is required to determine how to protect consumers. FSCO will also seek to have a statistical database developed on medical and rehabilitation costs.
- The ***Canadian Loss Experience Automobile Rating*** (CLEAR) system underpins the auto insurance industry's vehicle rating process. CLEAR groups cars by their actual claims experience so insurance premiums can be accurately aligned with risks. FSCO will closely review proposals to update the CLEAR methodology.
- The ***Facility Association*** (FA) provides mandatory auto insurance coverage to

high-risk drivers. Following up on a study prepared by a consultant last year, FSCO will work with the FA to maintain the balance between the needs of the insuring public and those of the industry.

- FSCO supports the industry's emphasis on fighting **insurance fraud**. FSCO is represented on the Canadian Coalition Against Insurance Fraud, and will continue to work with stakeholders to examine the costs of fraud and measures to prevent it.

Fair Assessments and Fees

- FSCO is committed to achieving full cost recovery and to apportioning its costs fairly among the regulated sectors while reflecting a user-pay principle. Following extensive sectoral consultations, FSCO in 2000-2001 expanded its **cost-recovery program** to include a new assessment system for the loan and trust and credit union and caisse populaire sectors, and adopted a new fee schedule. FSCO will review the cost accounting framework and consider revisions to the allocation methodology as needed. As well, insurance licensing and mortgage broker fees will be reviewed. FSCO will also monitor the impact of the changes to ensure effectiveness, especially with respect to transaction-based fees.

LEADER IN FINANCIAL SERVICES REGULATION IN CANADA

FSCO is playing a lead role in developing a co-ordinated national regulatory system for the financial services industry. With the strong support of FSCO and other regulators, Canadian financial services regulation has entered a new phase in harmonization and coordination. In the coming year, FSCO will continue to provide leadership and support for national co-ordination through three national bodies:

- » The Joint Forum of Financial Market Regulators (Joint Forum), which is a forum representing the Canadian Association of Pension Supervisory Authorities (CAPSA), the Canadian Council of Insurance Regulators (CCIR) and the Canadian Securities Administrators (CSA) that pro-actively facilitates and coordinates the development of harmonized cross-sectoral and cross-jurisdictional solutions to financial services regulatory issues;
- » CCIR, which advances consumer protection and regulatory harmonization in the insurance sector; and

- » CAPSA, which works to enhance the security of the pension plan promise and to simplify and harmonize regulatory requirements for pension plans.

National Co-ordination

- The three national bodies address key issues through committees and projects led by various regulators from around the country. To support ongoing co-ordination and harmonization efforts, CCIR and CAPSA have established permanent secretariats. The Joint Forum is supported by a project management office. FSCO looks forward to building on these national collaborative links in the coming year and beyond.

Joint Forum Projects

- The Joint Forum broke new ground in the fall of 2000 with the decision to create a ***Task Force on Consumer Dispute Resolution*** made up of senior representatives from the private and public sectors. The Task Force has a mandate to design an integrated approach to the management of complaints and the resolution of disputes for all financial services consumers across Canada. The Task Force began work in February 2001 and expects to develop recommendations over the coming year.
- FSCO co-chairs a subcommittee co-ordinating implementation of a Joint Forum Plan to harmonize the ***regulation of mutual funds and individual variable insurance contracts*** (segregated funds), including the development of a consumer's guide to mutual funds and segregated funds. FSCO expects to recommend revised insurance industry guidelines for approval as an Ontario regulation in 2001-2002.
- Also under the auspices of the Joint Forum, insurance and securities regulators have developed uniform proficiency requirements for financial services intermediaries holding themselves out as ***financial planners***. In Ontario, a securities rule and an insurance regulation containing similar proficiency requirements have been developed in consultation with stakeholders. Amendments to improve the clarity and scope of the rule are being discussed with stakeholders and the expectation is that the new proficiency requirements will be in place in 2002.
- The Joint Forum is developing ***nationwide practice standards*** – a code of

conduct – to apply to all financial services intermediaries, so consumers of all financial products will have a comparable level of protection. The Joint Forum expects to release a draft code of conduct for consultation in the summer of 2001.

- A discussion paper was released in April 2001 on national **investment disclosure standards for capital accumulation plans** providing retirement benefits to employees. After considering the responses, the Joint Forum expects to finalize recommendations later this year.

CCIR Initiatives

- In June 2000, CCIR adopted a series of **Principles for Consumer Protection** including five high-level standards – Disclosure, Consumer Education, Effective Regulators, Educated and Ethical Intermediaries and Consumer Remedies – plus 15 specific commitments. These principles will guide all of CCIR's consumer protection projects and set a benchmark for gauging progress.
- In April 2000, FSCO was instrumental in securing endorsement by the other regulators of a national consumer protection strategy on **point-of-sale disclosure** and **policy contract wording** in the life industry. A CCIR working group chaired by FSCO will further develop these proposals, plus recommendations for **errors and omissions coverage**, in the coming year.
- CCIR and the Canadian Insurance Services Regulatory Organizations have proposed a new national, harmonized entry **proficiency standard for life agent education**. In the year ahead, FSCO plans to seek Ontario government approval of regulatory changes necessary for some aspects of the new proficiency model and an enhanced licensing examination.
- A further harmonization measure by CCIR is to develop a series of nationally accepted, flexible and fewer **classes of insurance**, as well as a streamlined approval process for adding or deleting classes. Proposals were released for industry consultation in November 2000, and FSCO will support implementation of this initiative in the coming year.
- Another CCIR project is developing a revised set of **minimum capital test requirements** for property and casualty insurers. CCIR expects to finalize the package for introduction for year-end 2001 reporting across the country.

- In addition to its contribution to national regulatory initiatives, FSCO will continue to be an active member of the ***International Association of Insurance Supervisors***, an organization of about 100 insurance regulators from around the world.

CAPSA Initiatives

- In an effort to find lasting solutions regarding the regulation of multi-jurisdictional pension plans, CAPSA has developed ***principles for a model pension law*** and will hold wide-ranging consultations in the coming year. Following these consultations, CAPSA will submit the principles for consideration by governments across Canada. As a short-term response to the issue of multi-jurisdictional plans, CAPSA intends to develop a revised reciprocal agreement by December 31, 2001, and submit it for consideration by the appropriate authorities across Canada. FSCO is a key player in both these initiatives.
- Common guidelines for ***pension plan governance*** as well as an implementation tool have been prepared with industry input. The guidelines and implementation tool were released for consultation with pension stakeholders in May, 2001. FSCO will work with CAPSA to finalize these materials in the coming year based on input received during the stakeholder consultations.
- CAPSA has established an ***Investment Policy Committee*** to resolve investment issues on behalf of CAPSA jurisdictions that have adopted the federal investment regulations. Ontario is one of these jurisdictions and FSCO takes an active part in the committee, which plans to develop solutions to investment issues in consultation with the pension industry for recommendation to CAPSA.

PROMOTE AND VIGOROUSLY ENFORCE COMPLIANCE

FSCO works to ensure that the regulated sectors conduct business in accordance with legislation. A high rate of compliance protects consumers and pension plan beneficiaries, preserves a level playing field across the industry and reduces the need for regulatory intervention. To increase compliance, FSCO in the coming year will:

- continue to shift toward a risk-based approach that concentrates resources on pension plans requiring closer supervision;

- actively promote pension plan compliance; and
- increase the focus on the market conduct of insurers.

Risk-Based Pension Supervision

- FSCO's Pension Plans Branch will continue restructuring to pave the way for ***risk-based supervision*** of plans through better use of technology. Computerized screening of information will give early warning of possible problems, further protecting the pension plan beneficiaries.
- In initial steps last year, the annual information return, actuarial information summary, application for plan registration and application for registration of amendments were redesigned to enable the inputting of essential information in a central database. In 2001-2002, FSCO will overhaul and link ***pension computer systems*** in a single, integrated platform. New business processes will improve compliance monitoring and enable authorized users to access information on pension plans and transactions through the FSCO website.
- All valuation reports filed after July 1, 2000, must be accompanied by an ***actuarial information summary*** (AIS). Computerized screening is in place to identify high-risk plans for closer supervision, based on information in the AIS. FSCO will complete final testing and then implement the new screening system in the coming year.

Pension Plan Compliance

- Last year FSCO undertook more ***enforcement activity in the pension area***, resulting in several successful prosecutions for non-compliance with filing requirements. FSCO will continue to deal promptly with non-compliant plans.
- FSCO also designed an ***audit process for pension plans*** and conducted the first audits. The audit process will continue as an ongoing feature of pension regulation, with a selection of plans to be examined each year.
- FSCO's ***pension policies*** guide the application and interpretation of pension legislation. More than 300 pension policies are now posted on the FSCO website, and approximately 250 of these have been reviewed in recent years. FSCO will complete the review of half of the remaining policies in 2001-2002 and the balance in the following fiscal year. Up-to-date policies foster compliance by helping the industry to better understand its obligations.

Focus on Insurers' Market Conduct

- Last year, FSCO introduced a ***market conduct review program for life and health insurers*** in close collaboration with the industry. CCIR endorsed the program, making it a national initiative to increase consumer confidence in the industry's business practices. The review process has two steps: completion of a self-assessment questionnaire by insurers, followed by on-site audits by each regulator. In the first year, the process measured compliance with regulatory requirements and industry guidelines in the areas of complaints handling, claims handling, and agent screening, monitoring and reporting. In the coming year, the second audit cycle will begin and FSCO will work with the industry and other regulators to undertake reviews in other areas of company operations.
- FSCO is developing a similar approach to streamline the current ***market conduct audits of automobile accident benefits claims operations***. Eventually, market conduct reviews could be applied to other areas of property and casualty insurance. FSCO will work with the industry to develop these initiatives.

DELIVER A HIGH STANDARD OF CUSTOMER SERVICE

FSCO is committed to delivering a high standard of ***customer service to consumers***, businesses and other stakeholders. This commitment reflects the Ontario government's determination to become more customer-centred. In response to changing expectations, FSCO will:

- accelerate the move to e-business and electronic service delivery to facilitate information exchange, expedite transactions and reduce paperwork;
- enhance its performance measurement and Quality Service programs;
- improve service to pension plan stakeholders;
- maintain the commitment to quality and efficiency at the FST;
- increase access to consumer remedies; and
- promote consumer information and education.

Expanding E-Business

In the year ahead, FSCO will work towards the development of an Electronic Service Delivery plan that includes the following initiatives:

- In May 2001, FSCO implemented the initial phase of an ***Internet system for licensing of insurance agents*** – a first in Canada. Agents will be able to renew licences, update personal information, change licence status and pay applicable fees online, 24 hours a day, seven days a week.
- FSCO's web-based, password-protected ***case directory*** provides auto insurance companies with up-to-date information on the status of their active mediation, arbitration and appeal files. Access to the latest information should encourage quicker settlements. In addition, the fourth edition of the ***Dispute Resolution Practice Code***, including all forms, has been published and posted on the FSCO website.
- With the objective of ***eliminating barriers to e-business***, FSCO has undertaken a thorough review of the legislation and regulations it administers. This review is ongoing and in the year ahead will centre on legal analysis of specific e-business plans, particularly regarding privacy and security issues.
- FSCO is collaborating with other regulators to explore opportunities to encourage the growth of e-business and conduct regulatory activities electronically.

In 2000-2001, FSCO supported the creation of ***websites for CCIR and CAPSA***.

FSCO participated in the CAPSA Electronic Commerce Working Committee which has developed guidelines for ***electronic communications between pension plan members and administrators***. These guidelines were released for consultation with pension stakeholders in May 2001. The guidelines will be finalized later this year based on input received during the stakeholder consultations.

In 2001-2002, FSCO will also support ***CCIR e-commerce initiatives*** to develop guidelines based on international principles, assess current and future use of e-commerce by insurers, identify regulatory barriers to doing business online, and propose measures to improve consumer protection in an electronic environment.

Performance Measurement and Quality Service

- Recognizing its accountability to the industry, FSCO in 2000-2001 developed an improved ***performance measurement system***. The new system will be implemented in the coming year and the results of FSCO's performance measurement will be regularly communicated to stakeholders.
- In the year ahead, FSCO will enhance its ***Quality Service program***, established in line with the government-wide initiative, to reinforce its reputation as a customer-focussed, results-driven organization. Standards and best practices will be adopted in key areas.

Improved Pension Stakeholder Service

- FSCO has successfully implemented the provisions of the *Pension Benefits Statute Law Amendment Act, 1999* for ***access to locked-in retirement accounts*** in cases of serious financial hardship. Procedures for handling such applications will be refined as needed over the next few months.
- Last year, FSCO developed ***time lines for the processing of priority pension transactions*** and confirmed these service standards through stakeholder discussion. In 2001-2002, FSCO will put in place an automated system for implementing these time lines.
- FSCO worked with the Canadian Life and Health Insurance Association on a ***standardized wind-up report for defined contribution plans***. In the coming year, FSCO intends to introduce a streamlined process for reviewing wind-up reports based on the standardized format.
- ***Advance FSCO rulings on complex pension issues***, similar to advance taxation rulings, could assist pension plans in meeting regulatory requirements. The industry was consulted on a draft policy last year. Based on significant input received from pension stakeholders, a revised draft policy was released in May 2001 for further consultation with the pension industry. Following these consultations, FSCO will proceed to implement this important client service initiative.

Financial Services Tribunal

- The FST last year introduced ***streamlined procedures*** for responding to requests for hearings on Superintendent decisions regarding access to locked-in funds in cases of financial hardship.
- In the year ahead, the FST's Legal Advisory Committee will continue with the ongoing review of the FST's ***Rules of Practice and Procedure***.
- The FST will also continue to develop ***standards and measures*** to improve quality and efficiency in the hearing and decision-making process.

Increasing Access to Consumer Remedies

- FSCO is working to establish and expand alternatives for resolving consumer complaints and disputes involving the regulated sectors quickly, fairly and inexpensively. FSCO is reviewing options for extending its ***dispute resolution (DR) services*** for auto accident benefits claims to other kinds of disputes.
- FSCO will also test the feasibility of moving beyond the current DR mandate to provide the broader insurance sector as well as other financial services parties with alternatives for ***expedited and low-cost dispute resolution***. FSCO intends to launch pilot projects on these directions in the coming year, in consultation with interested stakeholders.
- In the coming year, the ***Ombudsman's Office*** will take initial steps to expand its services beyond the insurance field. The office will track and report on all written complaints about FSCO's regulated sectors, as well as launch a pilot project to determine the types of pension complaints it could usefully handle. In addition, the office will work with stakeholders to formulate common standards for complaint-handling, based on best practices.

Consumer Information and Education

- FSCO's ***call centre*** will open in 2001 to provide consumers and other stakeholders with one-window telephone access and response to information needs more quickly and effectively. Fine-tuning will take place over the first few months and the tracking of complaint data will identify emerging trends and information needs.

- To help consumers understand the products they buy and the services they use, FSCO released seven new or updated **consumer publications** in May 2000. FSCO also worked with News Canada to place items with community newspapers and local broadcast outlets. **Consumer articles and TV spots** on FSCO will continue to appear in 2001-2002 through News Canada, to provide the information consumers need to make more informed choices about financial products and services.
- FSCO will also support co-ordination and co-operation with other financial services regulators on **consumer information and education initiatives**.

CONCLUSION

This statement has outlined FSCO's proposed Strategic Priorities for the coming year, together with the reasons for their adoption and the steps to implement them. We look forward to working with our many stakeholders to achieve our objectives and thereby sustain a fair, efficient and effective financial services marketplace where consumers are protected and competition thrives.

Dina Palozzi
Chief Executive Officer
Financial Services Commission
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Superintendent of Financial Services

Martha Milczynski
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