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Standing Committee on Public Accounts

Comité permanent des comptes publics

2022 Annual Report,
Auditor General:

Ministry of Finance

Financial Services Regulatory Authority of Ontario

Rapport annuel 2022,
vérificatrice générale :

Ministère des Finances

Autorité ontarienne de réglementation des services financiers

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Monday 25 September 2023

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Lundi 25 septembre 2023

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Clerk: Tanzima Khan

Président : Tom Rakocevic
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Monday 25 September 2023

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Monday 25 September 2023

Lundi 25 septembre 2023

The committee met at 1345 in committee room 1, following a closed session.

2022 ANNUAL REPORT, AUDITOR GENERAL

MINISTRY OF FINANCE

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Consideration of value-for-money audit: Financial Services Regulatory Authority: regulation of private passenger automobile insurance, credit unions and pension plans.

The Chair (Mr. Tom Rakocevic): I would like to call this meeting of the Standing Committee on Public Accounts to order. We are here to begin consideration of the value-for-money audit, Financial Services Regulatory Authority, regulation of private passenger automobile insurance, credit unions and pension plans, from the 2022 Annual Report of the Office of the Auditor General.

Joining us today are officials from the Ministry of Finance and the Financial Services Regulatory Authority. You will have 20 minutes, collectively, for an opening presentation—

Interjection.

The Chair (Mr. Tom Rakocevic): MPP Fife?

Ms. Catherine Fife: Thank you, Chair. I just have a motion for the committee's consideration before we start.

The Chair (Mr. Tom Rakocevic): I will just finish reading and then you will be recognized.

You will have 20 minutes, collectively, for an opening presentation to the committee. We will then move into the question-and-answer portion of the meeting, when we will rotate back and forth between the government and the official opposition caucuses in 20-minute intervals, with some time for questioning allocated for the independent member.

MPP Fife, I recognize you.

Ms. Catherine Fife: Thank you very much, Chair. I have provided the Clerk with copies of the motion. It reads as follows:

I move that the Office of the Auditor General of Ontario's Special Report on Changes to the Greenbelt be selected by the committee for review; that the next meeting of the Standing Committee on Public Accounts be reserved for an open session briefing by the Auditor General on this report; and that the scheduling of subsequent hearings on this selection be prioritized over existing committee selections.

I'm happy to speak briefly to the motion, if I can, Chair.

The Chair (Mr. Tom Rakocevic): Please proceed.

Ms. Catherine Fife: The reason I brought forward this motion today—and my apologies to those from FSRA, but there are three reasons why this motion has great relevance for this committee.

The first is that we did receive an unprecedented report by the Auditor General—the Special Report on Changes to the Greenbelt—which has destabilized trust in our democracy. Understanding how this even happened is worth pursuing, and it must be an open and transparent discussion. In the Auditor General's report, just in the table of contents, she noticed that the government imposed greenbelt removals without evidence that they were needed to meet housing goals; that the selection of land sites for removal from the greenbelt was biased and lacked transparency; that the greenbelt boundary changes were inconsistent with the greenbelt's planned vision and goals; and that the proposal to cabinet did not clearly explain how land sites were identified, assessed or selected for removal. She noted in 4.5 that most of the land removed from the greenbelt may not be ready for housing development in time to meet government goals; and that the government's exercise to alter the greenbelt did not factor in financial impacts or costs, or clarify fiscal responsibilities, including the fact that the public and municipalities were not effectively consulted on the greenbelt boundary changes. There are going to be financial consequences. So that's the first reason.

The second reason is that this is an important opportunity for us to learn together in a very open way, not only to protect our environment but the economy. And while I do realize that the OPP has passed consideration over to the RCMP and they are reviewing grounds for a criminal investigation, that said, these greenbelt transactions are also connected to a number of other transactions, including Highway 413 and the Bradford Bypass in awarding MZOs, and the fundamental matter of how well government is lobbied and the way that they interact with unregistered lobbyists. This is well within the scope of the public accounts committee.

The third reason is that with the apology late last week, the Premier has stated that the land will be put back in the greenbelt, and I think that was comforting to some people; however, this is a statement that has potentially massive financial impact for Ontario. Land parcels have already been sold, transferred out of the greenbelt and commodified by land speculators who received insider information and whose goal was to profit from buying transitional greenbelt land. Now that this land is protected again, its value has—

Mr. Stephen Crawford: Point of order.

The Chair (Mr. Tom Rakocevic): Sorry, MPP Fife. Point of order.

Mr. Stephen Crawford: I think I would caution the member on the language. Suggesting that there's insider trading is speculation, and I would be careful of the language.

The Chair (Mr. Tom Rakocevic): I'm listening.

1350

Ms. Catherine Fife: Okay. I'm getting used to being cautioned around here.

Now that the land is protected again, though, its value has decreased—in one instance, one parcel, by $115 million. If the Premier thinks that these land speculators are just going to accept this financial loss and not pursue restitution—I don't think you guys know who you're dealing with. Current landowners, which includes some of the largest developers in the province, are part of these deals.

So a full costing of these transactions and walking back this flawed situation, I think, should be of great interest to all of us, to protect ourselves and to learn. Certainly, Ontario citizens want this to happen, and I believe that it is a part of our roles to make the report actionable.

We absolutely have the ability today to say, "We're going to call the Auditor General's staff back in. They're going to review the special report on the greenbelt. We're going to evaluate what it's going to cost as a committee"—which is a very important aspect of this.

So I move this motion in the interest of transparency and openness, and I hope that the government, after the mea culpa from the Premier last week, will agree to embrace this work together.

The Chair (Mr. Tom Rakocevic): Further debate? MPP Collard.

M^me^ Lucille Collard: I didn't know the motion was coming forward, but actually I do think it's a timely motion. It's part of the mandate of the committee to review these kinds of reports. It's also in the public interest, clearly, and I'm sure the public would appreciate some clarification. If the government has nothing to hide, I think it's in their best interest, as well, to appear before committee and answer those questions so that everybody gets the time of day.

Most of us, or a good portion of us, were at the conference in Whitehorse on public accounts committees and the work that we should be doing, and following the money is definitely at the core of what we need to do. So I will support that motion, which I think is timely, in the public interest and in the government's interest.

The Chair (Mr. Tom Rakocevic): Any further debate? MPP Crawford.

Mr. Stephen Crawford: I appreciate both members' commentary. I'm sure that in due course we will study that. I would just suggest that this be brought up in the subcommittee, which is typically where the calendar of topical meetings is brought up. I would suggest that we carry on with the schedule we've already prepared well in advance and that this could be discussed at the subcommittee. I'm sure, in due course, it will be brought to the committee.

The Chair (Mr. Tom Rakocevic): MPP Vaugeois.

MPP Lise Vaugeois: I'd love to support the motion. I think it's timely; time is of the essence with the situation and the need to actually follow the money and find out what it is going to cost Ontario taxpayers. I think now is the time to be doing this.

The Chair (Mr. Tom Rakocevic): MPP Fife.

Ms. Catherine Fife: Thanks for the comments.

While I do know how this committee works, I do want to cite that this is truly an unprecedented report. The Premier has indicated that certain actions are going to happen, but there is a lack of transparency in how those decisions are made.

I will also point out that a bill was just brought forward on the floor of the Legislature to reverse all of the land transfers that happened since the legislation has passed, and the government voted it down at first reading. So if the government is not going to deal with the greenbelt situation through legislation and in an open forum, which is the people's House, then I feel like that responsibility falls to us.

I know there are government members who have concerns about what happened—for good reason. If you read the Auditor General's report, this is an incredible departure from the way a government should operate, under many levels of ethics testing.

I'm just giving the committee an opportunity, in a very open and transparent way, to have the staff come and walk through this report with us so that we can learn together, and then we can actually make recommendations.

Honest, this is a "let us help you" kind of moment, a "help us help you" kind of moment. If you're out there—

Interjection.

Ms. Catherine Fife: I know; it's coming from a good place.

But there certainly is no good reason to not vote for this and bring the report and prioritize a very serious departure in government business and the way we do business and the way we interact on the housing file.

I'd like it to go to a vote, though, and I'd like a recorded vote, please.

The Chair (Mr. Tom Rakocevic): Any further debate? So we're prepared to move to a vote? Okay.

Ayes

Collard, Fife, Vaugeois.

Nays

Bouma, Byers, Crawford, Cuzzetto, Kanapathi, Quinn, Skelly.

The Chair (Mr. Tom Rakocevic): The motion is lost.

We'll return to the hearing that's scheduled. Before you begin, the Clerk will administer the oath of witness or affirmation.

The Clerk of the Committee (Ms. Tanzima Khan): Good afternoon. I will start with the deputy minister.

Do you solemnly affirm that the evidence that you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth?

Mr. Greg Orencsak: I affirm.

The Clerk of the Committee (Ms. Tanzima Khan): Thank you.

Mr. White, you've got a Bible in front of you to do the oath. Do you solemnly swear that the evidence you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. Mark White: I do.

The Clerk of the Committee (Ms. Tanzima Khan): Thank you.

You can decide who is going to begin.

Mr. Greg Orencsak: Good afternoon, Chair and committee members. My name is Greg Orencsak. I am Deputy Minister of Finance. It's good to join you this afternoon. I am joined by some of my colleagues from the Ministry of Finance, as well as the Financial Services Regulatory Authority, which, as you will often hear this afternoon, we will just refer to affectionately as FSRA.

From the ministry, I am joined by Francisco Chinchon, the assistant deputy minister of the financial services policy division, and Nicole Stewart, the assistant deputy minister of the income security and pension policy division of the ministry. Nicole and Francisco are some of my lead executives who are responsible for the oversight, analysis and advice on the financial services sector, including auto insurance and pension programs.

Mark will introduce his team later on, I'm sure, as well.

Let me say that it's a privilege to be here. It's always good to not only receive the reports from the Auditor General but to have an opportunity to discuss those with you, as members of the Legislative Assembly. I do look forward to our discussion because the report covers a wide variety of areas that we work on and we work on in partnership with the regulator at the Ministry of Finance—so, specifically, the regulation of private passenger automobile insurance, credit unions and pension plans.

As always, I'm grateful for the Auditor General and the team at the Office of the Auditor General for their thorough and diligent work.

The report was released last November, as you know, and it's the first audit of some of the work that FSRA does since the agency was launched in June 2019. So the report is notable in that context, as well. We will, I'm sure, have a chance to talk to you about the work that we're doing to address some of the audit findings, as well.

In terms of a bit of an update on auto insurance, as announced in the government's previous budgets, the government is continuing to make adjustments to the auto insurance system in this province, and it's doing so by creating more choice for consumers, including by helping to provide consumers with more options when they purchase mandatory auto insurance. The government has also taken steps to crack down on fraud by requiring insurers to provide FSRA with fraud information on an ongoing basis. The government is also looking at reviewing how drivers access benefits when extended health care plans are involved.

1400

Let me say a few words about credit unions, as well. More than 1.7 million Ontarians are members of a credit union or a caisse populaire in our province. In March 2022, the Legislative Assembly passed new, more modern legislation to support credit unions and caisse populaires that removed red tape and compliance costs and also increased options for consumers. This new legislation also helped provide the regulator, FSRA, with more tools and authorities to effectively regulate the sector.

Last but not least, the government, along with the regulator, is working continuously to modernize the administration of pension plans in the province of Ontario. For example, the development of a permanent target benefit framework for Ontario's pension sector has and continues to be a key priority for us at the Ministry of Finance. In March of this year, the government launched consultations on regulations necessary to implement the permanent target benefit framework for these pension plans, and these consultations continue into the fall. The ministry is, as well, working with the Financial Services Regulatory Authority to assess these proposals and the feedback that we get from the consultation process.

With that, I'd like to thank you once again for the opportunity to be here. I'm looking forward to a good discussion with you this afternoon. But before we begin, I want to hand the floor over to Mr. White to speak a little bit about the work that FSRA is doing as well.

Mr. Mark White: Thank you, Deputy.

My name is Mark White. I'm the CEO of FSRA. With me today are a few folks—but Glen Padassery, our executive vice-president of policy and our acting executive vice-president of auto insurance products, is here with me as well.

I'd like to thank you, Madam Chair, for having us here today, and all the committee members for your interest in FSRA. I appreciate the opportunity to discuss the value-for-money recommendations. I'll comment on the steps we've taken and our key actions moving forward.

I'd also like to thank the AGO and her team for their diligent review. They demonstrated professionalism and a desire to understand our activities in all their complexity, and we appreciated their collaborative approach. While we try to be self-aware, and I think we have shown continuous improvement, there is value in independent reviews. They strengthen our ability to deliver on our legislative mandate.

Let me tell you just a bit about our organization. FSRA has been operational for just over four years. We were formed by the FSRA act in 2016, after the government received an expert panel on improving Ontario's regulation of non-securities financial services. We're an independent, board-governed regulatory agency, and I was its first CEO—still am. We merged with the Financial Services Commission of Ontario, which we call FSCO, and the Deposit Insurance Corp. of Ontario, which we call DICO, in June 2019.

We oversee non-securities financial services and pensions in Ontario. Our regulated sectors, more specifically, are property and casualty insurance, including automobile insurance rates and underwriting rules, and along with that, overseeing the billing practices of health service providers that use a centralized billing system for auto insurance. Other sectors we oversee: life and health insurance, credit unions, mortgage brokers, financial planners and advisers, and pensions.

We differ from our predecessor in many ways. We are committed to a vision of financial safety, fairness and choice for Ontarians, and we achieve this through serving the public with a dynamic, principles-based and outcome-focused regulation. Given the complex and fast-changing sectors we oversee and the broad range of business models and entities we supervise, we take a principles-based approach. This enables our supervision to be outcomes-based, proportional and situational, rather than prescriptive.

In addition to supervision, our objects include broad responsibilities such as monitoring and evaluating developments and trends; fostering strong, sustainable, competitive and innovative financial services sectors; and protecting the rights and interests of consumers in all sectors, and members of credit unions and pension plans. At the heart of everything we do is protecting consumers. This is a serious responsibility, and we work dynamically with consumers, regulated entities, government and other regulators to help ensure that Ontarians get the financial products and services that meet their needs.

I'm pleased to say that we have made substantial progress in our four years. We've incorporated principles-based regulation into our first insurance rule to protect consumers from unfair or deceptive acts or practices. We launched our title protection framework for financial planners and advisers. We established an innovation office and an innovation framework and recently launched our first innovation trial in the commercial insurance sector. We reviewed life and health insurance distribution channels and found unacceptable practices, and we have undertaken real remediation steps at the current time. We also uncovered systemic non-compliance in the automobile insurance area with the take-all-comers rule, and that has now been successfully remediated. We've introduced things like electronic pink slips and telematics or user-based insurance for driver convenience, and we've worked with the ministry to introduce a whistle-blower program, which will help identify misconduct early. We make our enforcements public through announcements and through our database.

With respect to the AGO recommendations, we've been working with the ministry to address them, and we're making progress. Let me give you a quick overview. The report considered FSRA's role in regulating Ontario's auto insurance system, including fair and reasonable rates for consumers. This is a priority for FSRA—making sure that rates are fair and reasonable and not excessive.

The first recommendation on auto insurance reforms: We provide expert views to the ministry on transit opportunities and how to improve consumer outcomes, and we've worked with the Ministry of Transportation to obtain additional information on tow truck operators and costs. FSRA acknowledges the importance of understanding and building on the automobile insurance work of others, and we're informed by the learning from reports that preceded us in Ontario and, frankly, elsewhere.

With respect to insurance brokerages, their conduct is actually regulated by the Registered Insurance Brokers of Ontario, known as RIBO. We review RIBO annually for legislative compliance, including its progress in modernizing its IT and transitioning to risk-based supervision, and we coordinate with RIBO on matters such as take-all-comers and national regulatory harmonization. We work with the ministry and RIBO and will do this in the future to identify potential gaps related to their disclosures of insurer financial interests in brokerages.

With health service providers, which we call HSPs, we oversee their compliance and participation in an automated billing system known as HCAI. FSRA's off-site examinations have successfully focused on higher-risk HSPs to identify billing system issues and licensing issues, and we've been able to require remediation or remove those non-compliant HSPs. At the AGO's request, we will resume on-site examinations on a trial basis. We'll then compare the costs and benefits of on-site reviews and other supervisory techniques. We'll also engage with stakeholders to determine how to best verify that HSPs have corrected prior issues.

Regarding coordinating with the Licence Appeal Tribunal, we've reviewed our practices on the use of information from the LAT to enhance our conduct regulation and will also engage with Tribunals Ontario to update our information-sharing agreement and the quarterly information we receive.

We're working towards the development of a new core of regulatory IT solutions, and this will include a new licensing system. The new licensing system should enable automated licensing and improve our ability to efficiently review applicants for eligibility and for suitability. The new licensing tool will be implemented in phases. After some recent delays, the licensing system for insurance is in phase 2, and we target to get that done by the end of 2025.

With respect to the recommendations on criminal background checks, as of July I'm pleased to say the insurance licence applicants must all complete a third-party criminal verification check, and we plan to implement such checks on renewals as well by the end of 2025.

My final comment on auto concerns the recommendations on underwriting variables used to determine auto insurance premiums. FSRA approves auto insurance rates and underwriting rules, and in our FSRA 2023-24 priorities, we committed to develop a strategy for reforming the regulation of automobile insurance rates and underwriting rules. I'm pleased to say this work has begun and includes a review of using postal-code-based territories, and this satisfies the direction we received from the minister in April 2022. The territory rating study reviewing the legacy postal code territories established by FSCO has been completed by FSRA's external consultant. The first report has been published. The second report has been received and will be published in the next few months. FSRA has reported to the minister in response to his letter on our conclusions from this review. While the details of ministerial advice are, of course, confidential, we have concluded that the inflexible postal-code-based territory guidance is outdated, and we are developing a plan to successfully transition to a more flexible and fair system of how to use geography when underwriting.

1410

Turning to credit unions: The supervision of credit unions, the protection of deposits, and the stability of the credit union sector are all priorities for FSRA. We've made important strides in collecting data and assessing key governance and risk management processes at credit unions, and we've implemented, with the government's support, the sound business and financial practices rule, which underlines the importance of good governance and risk management. Further, we've implemented a risk-based supervisory framework, and we're currently implementing an enhanced data collection process. We're developing a framework to levy monetary penalties against credit unions when they contravene the act, and we've recently consulted on draft guidance in this area.

As to staffing, our credit union supervision leadership team is complete, our complement of relationship managers is full, and we'll continue to add specialists and more junior team members.

With respect to PACE Credit Union—an administration commenced by our predecessor DICO and the resolution completed by FSRA last year—we've learned a great deal. While the resolution successfully transferred all members to a new credit union without disruption of services and without any loss on deposits, we did learn that proactive supervision of governance, risk management and controls is required to minimize the chances of failure; early intervention is required when governance and controls are inadequate; and speedy resolution is essential to minimizing losses to the Deposit Insurance Reserve Fund, and to maintaining sector stability.

In 2022, we engaged an independent expert third party to review the supervisory practices we inherited from DICO and to make recommendations. We're addressing all the recommendations. Implementation is well under way and should be fully implemented by the end of the year.

We agree that the Deposit Insurance Reserve Fund, called the DIRF, should be adequately funded so it can be reasonably expected to protect eligible credit union member deposits in the event of a credit union insolvency. FSRA is improving the analytics underlying our annual DIRF report to the minister and, while our views may still evolve, last year we communicated to the sector that the DIRF target is within the range of reasonable, plausible stress losses. Further, after consultations, we are implementing a new methodology to determine the DIRF assessments paid by credit unions. This better incorporates riskiness so that assessments will better reflect that.

Under our credit union deposit insurance advertising rule, all credit unions are required to provide members both physical and electronic website copies of FSRA's description of deposit insurance coverage. Last September, our disclosures were updated to include the express limitation of deposit insurance coverage of the assets in the fund.

Just a couple of moments on pension recommendations: Our objects here are about promoting efficient administration of plans and protecting and safeguarding the benefits and rights of beneficiaries. With respect to the supervision of defined benefit multi-employer pension plans, called MEPPs, in 2021 we completed the first review ever of MEPP governance and issued a leading practice guideline including member communications on benefit variability. MEPPs have generally embraced or are adopting these leading practices. We're now assessing them against it, and we expect to have this work completed this fiscal year.

As the Auditor General acknowledged, FSRA does have a different approach to supervision than our predecessor FSCO. We're a principles-based regulator. We focus on the outcomes of protecting beneficiary entitlements and good plan administration. Our supervisory approach considers the facts and focuses on where the risks are. Our pilot of the pension examination process is well under way and progressing, with good results, and the revisions are resulting in enhanced collaboration with plans and a greater focus on the outcomes aligned with national guidelines. The pilot is on target to be completed this year and should be fully implemented next year.

We acknowledge, as the AGO suggested, the need to improve our information technology and pension systems and, where practicable, to increase automation. Our multi-sectoral IT upgrade project should enhance our ability to automate identification and notification of late pension filings, and we should finalize these benefits and receive them by 2025. With the pandemic, we paused our filing compliance processes, including the use of administrative monetary penalties, but these processes have now resumed.

We also now directly engage with pension plans that submit filings to FSRA which are more than one month late. We use education and, if necessary, sanctions, and we're developing and implementing guidelines and standardized processes on enforcement actions.

I am the administrator of the Pension Benefits Guarantee Fund, called the PBGF. The PBGF is the only fund in Canada to protect pension benefits if there's a planned deficiency when the sponsor is insolvent. FSRA is developing—

The Vice-Chair (Ms. Donna Skelly): You have two minutes remaining.

Mr. Mark White: Thank you, Chair—a many-scenario modelling tool to provide confidence in the long-term adequacy of the PBGF. This complements the deterministic stress-testing, which, again, looked at it and found it to be adequate.

We're assessing the impact of this spring's federal bill, C-228, which gives a pension super-priority for deficits. When implemented, this has the potential to change the demands on the PBGF. This year, we also released an infographic report on the PBGF.

To conclude: At FSRA, protecting consumers is at the heart of everything we do. Every day, we work to identify and address issues in the financial services sectors, to build our capabilities, and to require regulated entities to better serve the public. We do this to protect the rights and interests of consumers through regulation, supervision, guidance, rule-making and enforcement. We've come a long way in four years, but we continue to learn and grow so that we can better fulfill our mandate.

Again, I'd like to thank the Auditor General and her team for their attention, diligence and collaboration.

We look forward to continuing to work with the ministry to execute our action plans.

Thank you to the committee for your time. I look forward to your questions.

The Vice-Chair (Ms. Donna Skelly): Thank you. It is now time for questions, and we will proceed this week in the following rotation: 20 minutes to the official opposition members, 20 minutes to the government members, and three minutes to the independent member. That will follow a rotation of two rounds.

We begin with the official opposition. MPP Rakocevic.

Mr. Tom Rakocevic: As the official opposition critic for auto insurance, I'm very happy and honoured to be able to have this friendly conversation today.

Respectfully, I reserve the right to interrupt when I feel that answers are taking a little too long in terms of what I'm looking at, because of course we all have limited time. I say that with great respect.

I'd like to begin with some Ministry of Transportation statistics that I have brought here. I noted that in the report there was some interest in there being greater conversations between the Ministry of Finance, FSRA, and the Ministry of Transportation. I haven't provided that yet, but I'm going to read out to you the fact that if you look from the year 2002 to the year 2019, prior to the lockdown—what we saw was that in the year 2002, personal injuries as a result of collisions were around 150,000; when you look at the year 2019, they were just over 100,000. You can do the math in your head—it's a one-third difference in terms of collisions resulting in personal injury. Over that same period of time—and I've circulated this diagram; I think this is a very powerful diagram, and it says a lot—you'll note that from 2002, with the exception of a small portion between 2008 and 2010, we've seen that inflation-adjusted premiums, of course, as expected, are rising. But the actual premiums versus the actual claim costs—the claim costs have always been far below what you would expect the adjusted premium to be, and the actual premiums were far above the inflation-adjusted premiums. No more did you see the greater discrepancy than at the outset of the pandemic itself. In 2020, you see the greatest distance between those two lines—the orange and the grey. What does this say? This says to me that at the time of greatest difficulty in this province, when so many people were having issues—losing money, you name it—leading to the inflationary problems that we're facing to this day, auto insurance companies were doing the best; in fact, they benefited from this.

You are the regulator. You have the power to cap their rates. In fact, they posted profits of 27.6% at a time when Ontarians were in their greatest need. Why did the regulator allow this to occur?

1420

Mr. Greg Orencsak: I'll begin and then hand it over to Mark.

Thank you for your question and the data points, and I think this is a very helpful chart as well. Hopefully, we'll get a chance to talk about how claims costs have evolved over time and what's adding to claims costs these days, including increases in the cost to repair vehicles, for example.

I would want to consult the preparer of this chart as to whether to the premiums reflect the rebates that insurance companies provided to consumers during the course of the pandemic; my suspicion is—but it's not my chart—that wouldn't be included in here. I think it was really important for the government, at the time of the pandemic—when, as the data shows, accidents and claims decreased because fewer people were driving, because people were staying at home—that insurance companies did rebate consumers for some of the premiums that they paid.

I will turn it over to Mark to speak to your question further.

Mr. Mark White: Thank you, Deputy. And thank you for the question.

I will say that this chart ends in 2020, so it would not include almost any of the $1.8 billion in consumer relief that was arranged through rebates, relief and, frankly, a change in law by the government which supported us in our efforts to make sure that Ontario consumers got money back during the time when accident severity went up but frequency went way down because people were driving less. I believe that Ontario actually performed better in that period—about getting more relief back to consumers—than any other province in Canada and maybe even better than any jurisdiction in North America. The chart that's shown does show actual claims costs. Some of the dip is actually because of reforms that happened. And you'll notice that the 2020 year is the first year of the pandemic, when, as I said, frequency of accidents was way down because of fewer people on the road and, frankly, less accidents.

To respond to the question directly—so we do spend a great deal of time focusing on that rates are just and reasonable and not excessive. That is our role; it is not to cap rates. We have a rigorous approval and challenge process. We use external resources—actuarial—and internal. We make sure that the numbers are actuarially sound, and that there is no discrimination, and that will achieve fair outcome for the rates. And we publish, very transparently, independent cost benchmarks, so—that not only are about the historic costs which are shown here, but rates are set on prospective costs. So it's a forward-looking exercise and—

Mr. Tom Rakocevic: Sir, I appreciate it. I think you've answered, for the most part, what I've asked.

Actually, I would strongly disagree. The minister himself was referring to the fact that many drivers moved to comprehensive coverage, meaning that they made an agreement with their insurer—"I'm not going to drive the car. I'm going to keep it in my garage"—and this was listed as savings. This is something that anyone can do at any time of the day with their insurer—and that was partly listed.

I know that different insurance companies offered different levels of rebates—some, nothing; one which is a very, very small market shareholder did offer a decent rate, but that was one with the smallest market share, and I'm not here to do advertising for any of the companies, so I won't mention it.

But if you take the period of 2017-21, which includes the pandemic, it was listed that insurance rates actually went up. So you would imagine, coming out of that pandemic, when claims costs were much lower etc.—that the actual claims costs went up.

You say that everything here is looked at rigorously and you're trying to do everything to make sure that it's fair—but I have more information from the transportation data.

When compared to the rest of the country, Ontarians, who pay the highest rates on auto insurance in Canada and thereby in North America, are second per 100,000 population in lowest fatalities in 2021, third in injuries; second in vehicle kilometres per billion, so we're second best, and first when it comes to injuries, in terms of injuries when you look at kilometres driven—sorry, fourth in that; first in fatalities per 100,000 licensed drivers and second in terms of injuries. So compared to the rest of this country, we are at the top and, in some cases, first place, yet we pay the highest rates of auto insurance. You are the regulator.

As well, the one thing I do want to mention with regard to this graph, which is very disturbing to me, is the fact that insurance companies constantly approach governments, twist their arms and tell them to do things like, "Increase the tort deductible, because we're paying too much. Decrease the total catastrophic amount that you can give out. Reduce it in half."

Every single thing that this government, the last government, any government ever implements at the behest of these insurance companies results in premiums consistently going up, year after year, above the rate of inflation—posting profits year after year. How is this possibly defensible?

The final thing I want to add to that is, you say that cars are becoming more and more expensive to fix. Cars are also becoming a lot safer for drivers. Cars are bringing in technologies that tell you someone is in your blind spot—a camera on the back of your car. Everything is being done to reduce the possibility of accidents, and we are seeing it with all the statistics. Yet these rates rise above the rate of inflation and are rising at such a high rate, considering the total number of collisions and bodily harm is reduced. How is this in any way remotely justifiable? I don't understand that.

Mr. Mark White: Thank you for the question.

Costs are driven by accident severity, the cost to repair, and the cost to rehabilitate the accident victims. And there is no doubt that vehicle costs as increasing, as I think your question noted, because vehicles are becoming more expensive and sophisticated and there's more modular technology. Those aren't the only costs, though. There are also the costs of theft, which has been going up, and the costs of fraud and abuse in the system.

I think it's noteworthy, for the period you talked about—and I'm not sure this is exact overlap, but in the last five years, which is the stat I have at hand, there was a 12% cumulative rate increase in Ontario versus 21% in Alberta and 25% in Atlantic Canada. That's more than twice as much. Those are the most comparable jurisdictions for their auto insurance product, compared to Ontario. And in the last quarter, our increase was 4%, against 6.5% to almost 7%, again, for those comparable jurisdictions. So while individual changes can differ—and yes, you do hear stories; sometimes people's rates do go up more than that average, it could be higher—overall, that is the fact, that it's a 12% cumulative increase over the last five years.

Mr. Tom Rakocevic: In spite of what you're saying, we still pay the highest. So aside from comparatives in terms of how the other provinces are raising their rates or not raising their rates, we still pay the highest.

I'd like to move on now to the fact that the territorial differences—and I noticed you cited in your presentation that you are looking at that. In fact, I have co-authored multiple bills to address the fact that we have what I call postal code prejudice, and it's affecting many different people. You know, we all know that these locations don't necessarily have the accidents, because if you live in a particular jurisdiction and you have an accident anywhere in Ontario, if you make the claim, your neighbours are affected by this. Why is it, and what is the justification that certain regions are essentially stereotyped—that every single person is going to then be more likely to issue a claim because people who happen to live in that jurisdiction issue claims? What is the rationale for that? And if you say it's fraud, do you then believe that just living in a particular neighbourhood would make you more prone to actually commit fraud—because what could it possibly be?

Mr. Greg Orencsak: Maybe you'll let me start—and I will ask for your help, Mark.

I think the issue you raise is a really good example as to why we always need to look at improving the way we regulate all of the sectors. So I think that's a reflection of why the ministry and the minister asked FSRA to review the territorial ratings framework that it inherited from FSCO at the time and to come back with some advice to the ministry and some findings in terms of what it found. I think during the process of working with the regulator, in terms of both those findings and what we can do in the future to consider geography—as you said, Mark, in your opening remarks. I will turn it over to you to speak more specifically about your findings as well.

Mr. Mark White: Thank you, Deputy, and thank you for the question.

Geography—territories, in particular—is one of the variables that go into a rating. There are many variables—driving records being a very important one. All of insurance is about grouping risks together for a pooling of risk.

As I said in my opening remarks, the minister did ask us to look at territories. We've done the work with a very good external actuary, one of the best in the business, and we've advised the minister that the territories that are in the FSCO guidance—they're postal-code-based territories—are outdated and they need to be revised. So it is very important that we do that, because we have to make sure that the rates are fair to the people in the jurisdictions. What happens when you have inflexible territories is, insurers are not able to group risks in a way that they think will actually result in fairer rates, and you don't have competition between the insurers about what is the right way to take geography into account. There may be some insurers that want to go with user-based insurance, for example, where geography becomes an unimportant or minor factor in their ratings, and we want to allow that flexibility to start to happen.

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The key thing is that geography is an important determinant, because it drives—sorry to use the word "drive" twice here—where you drive, and your predisposition to having an accident is going to be based on how busy the roads are, how many people are on the road, where you drive your car. It will also be a determinant of theft, which is also another major cost—

Mr. Tom Rakocevic: Apologies, but I have limited time before I share with my colleague. I think you've provided an answer, and I want to thank you again. The official opposition—I and many of my colleagues—have been asking for years. I'm glad to see finally that this is actually being looked at, and I hope something positive results. We have bills that are there, on the order paper, to take a look at and will actually bring the relief that's needed.

Moving on to statutory accident benefit schedules: It has been revealed that individuals are being asked, when you have an accident—you have rates for health care workers like PSWs that are actually under minimum wage. How can a person who is injured hope to now bring on a PSW or other health care front-line worker to help them recover and then expect that they're going to be paid less than minimum wage? How is this justified? Why aren't these SABS being updated so that this cannot occur any longer?

Mr. Mark White: Thank you for the question.

Health service providers, or HSPs, help accident victims. We think that they're essential and very important to the system. People need care so that they can resume their life that they had before. We, as a regulator, only rate their billing practices, but one part of that, as the question alluded to, is setting some of the guidelines for what they can bill.

I will distinguish—the question suggested that we set hourly rates for the people who provide health care services, and we don't do that. What we do is, we set minimum charges—sorry, the maximum charge; we do not set minimums—that may be charged to an insurer, but insurers are free to agree to pay more, and individuals, if they prefer to go to a service provider that charges more than minimums, can also pay up.

The important thing that we look at is whether there is a supply shortage of those critical health care services to help individuals, and so we look at the balance in the marketplace, recognizing that if we increase the amount that insurers must be willing to pay towards health and service coverage, then that will increase the cost of insurance to everybody in Ontario. So we will continue to look at this, but we are trying to balance the costs—

Mr. Tom Rakocevic: Thank you for that.

The Vice-Chair (Ms. Donna Skelly): MPP Rakocevic, you have four minutes.

Mr. Tom Rakocevic: Okay. I was going to ask a question; I won't.

I do hope you'll continue to look into the Licence Appeal Tribunal and why, in particular, as pointed out by the Auditor General, one company in particular that represents only 12% of the market share is 19% of the tribunal hearings, way above anybody else. There should be definitely something looked into with that, as well as some of the medical specialists that are involved, especially on the insurer side, around some of these things.

I pass on my time to my colleague.

The Vice-Chair (Ms. Donna Skelly): I recognize MPP Vaugeois.

MPP Lise Vaugeois: My first question is regarding the best-practice document for defined-benefit multi-employer pension plans. This is the best-practice document, but will it be enforceable, or is it merely just an extension ad infinitum of exploration, when we need solutions?

Mr. Mark White: I'll be pleased to answer that question.

In FSRA's groundbreaking work in 2021, for the first time—and it has actually been recognized throughout the country—on multi-employer pension plans, or MEPPs, we recognized that the governance of these organizations is very unique. They cover a million to a million and a half members in Ontario, so it's very important, and there is the ability—this is very crucial. It's not like a defined benefit contribution plan, let's say, with the government or major employers, where it is set; their benefits can vary. So the governance of these organizations is very, very important, and we made recommendations on communicating to the members the risk of variability of benefits. We do have the ability, as a supervisor, to hold the fiduciaries in the pension plans to account, and that's why we put out those guidelines after doing extensive research. We're now doing the assessment of all those multi-employer pension plans, and more than half are complete, so we can identify where those fiduciaries in the plans are not living up to the standards of protecting their members and communicating about the risks to their benefits.

The Vice-Chair (Ms. Donna Skelly): Two minutes.

MPP Lise Vaugeois: I understand that if the person has an extended health care plan, they're required to use that up first, before the benefits come from the insurance company. Is that correct? If that is correct, and I understand that it is—I've seen it in reports—then it means that people have used up their health care plans, and if anything else happens to them they've got nothing left.

Mr. Greg Orencsak: I'm sorry; can you repeat your question?

MPP Lise Vaugeois: People are being required, if they have a private health care plan, to use up the benefits from that plan before they draw on the insurance benefits, meaning that if anything else happens to them later on, they have already used up all their private benefits. This doesn't seem fair.

Mr. Greg Orencsak: My understanding is that as it relates to the auto insurance system, that's how the current system works, yes. Your understanding is correct.

MPP Lise Vaugeois: So, unlike WSIB, people are required to use up their own. That seems like an injustice to me.

The other thing I'd like to know about is the tort system—where a jury is not allowed to know that there is a $47,000 deductible that an accident victim would not receive. If juries making the decisions actually knew that, then they would probably be giving higher awards to accident victims. As it is, accident victims are taken completely by surprise in being short $47,000.

Mr. Greg Orencsak: We can't speak to issues that are within the jurisdiction of, for example, the court of justice or the Ministry of the Attorney General, so I'm not sure that we can comment on your statement, MPP Vaugeois.

The Vice-Chair (Ms. Donna Skelly): And that is all the time we have for the opposition side.

We'll turn to the government side. I recognize MPP Crawford.

Mr. Stephen Crawford: Thank you, gentlemen, for coming out today. We appreciate you being here.

I'd like to start off with auto insurance and just get a sense of what sort of formula is used to ensure both fairness for drivers but also some level of profitability for insurance companies, because it's a balance we want to see. Obviously, we want to see companies make money; on the flip side, we want to see consumers make sure they're not paying exorbitant fees. How is that formula calculated in terms of what the rates are?

Mr. Greg Orencsak: Maybe I'll start and turn it over to you, Mark.

I think you raise some important issues from a policy perspective as well as from a regulatory perspective.

As the policy-setter within the ministry, we constantly look at ways in which we can continue to improve the system and improve the policies that are being used, to make sure that we can have an effective system that is available, so that insurers want to come to Ontario to write policies, so that there is healthy competition between insurers; but also so that we look at ways in which we can simplify things, and make sure that the regulatory burden is balanced, that we have appropriate policies in place, and that we review those policies on a regular basis. I think that's what has been informing some of the government's work in respect of helping to improve the auto insurance system and some of the commitments that the government has been making and implementing through the course of the last number of years.

I will turn it over to you, Mark, to speak more specifically to the regulatory aspect of rate setting.

Mr. Mark White: Thank you, Deputy. And thank you for the question.

I already described earlier how important it is to us that we make sure that rates are just and reasonable and not excessive, so that consumers don't pay any more than the necessary costs. This does require an important balancing of the cost to consumers, but making sure that we have availability of insurance in Ontario—because some jurisdictions actually do lose insurers, and that tends to drive rates up and sometimes results in consumers who have difficulty finding insurance.

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So we are not a rate of return regulator, but what we do is, we allow an element of 5% profit margin. We call that, sometimes, a return on premium, but it's essentially a profit margin in their prospective rates. The important thing is that they're not actually achieving that. If you look over the last five, seven or 10 years, they only actually achieve 3% to 4% of this return on premium or profit margin. Although the ROEs were high during the pandemic—there was a year or two when they were low double digits—the five-, seven-, and 10-year averages are actually around mid-7% ROE, which is, from a financial markets perspective, not considered to be a stellar performance, but it is a reasonable level. Although, as I said, we're not a profit regulator and we don't regulate return on equity, we do, of course, bear this in mind. When we think about what are just and reasonable rates, we do have to balance that cost to the consumers, but making sure that there's a reasonable prospect of return. And the fact that that 5% margin, which was set after, frankly, another AGO report in 2011—that turned the regulator of the day away from an ROE, looking at this 5% return on premium.

Mr. Stephen Crawford: That's helpful.

In terms of changes that you've put through in the last four or five years that have helped consumers or given choice or lowered fees—could you touch on that?

Mr. Greg Orencsak: Let me speak to some of the things that are both meant to help increase choice and convenience for consumers as well as enable consumers to better control their premiums.

As of January 1, 2022, the government enabled electronic communications to help fully digital insurers operate in the province, which is also supportive in terms of the cost for insurers to operate their business, and is helping with convenience for consumers in terms of convenience.

The government has enabled changes that will support drivers by increasing consumer choice, by making some aspects of the policies be optional to purchase—for example, not-at-fault property damage coverage—so that people can make an informed choice about that and whether that's worth it for them.

The other thing that we're quite excited about that the government has enabled is to create greater opportunities for innovation in this very, very complex system, through an auto insurance test and learn environment, which is known in technical circles as a regulatory sandbox. Through that kind of an environment, insurers are able to innovate and pilot products in the real-life marketplace, which helps spur both innovation and competition. A good example of that are products that insurers are offering in terms of usage-based insurance, where people's premiums are very directly tied to where they drive, when they drive, how they drive, so that there is, I think as Mark spoke to earlier, a more fair assessment and distribution of costs that's reflected in premiums.

With respect to fraud and abuse, we're always concerned about that. Again, it comes back to both fairness and trying to drive costs out of the system. The regulator is an important partner in that, and the government has enabled changes to the Insurance Act that require insurers to provide fraud information to FSRA on an ongoing basis.

The last thing I'll say is, with auto thefts rising, that's obviously a concern, because it has an impact on premiums. So even outside the direct four corners of the auto insurance system, the government has moved ahead to make significant investments and take action in respect of curbing auto theft and prosecuting auto thefts. I'm happy to speak more about that if that's of interest to any of you.

Mr. Stephen Crawford: Yes, theft is definitely an important topic throughout Ontario. We've seen auto theft skyrocket. I was at a meeting in my community just two weeks ago—municipal politicians organized a meeting, and residents really want action on this from all levels of government. It's a problem that's not going away.

What is FSRA, what is the regulator—how are you working with insurance companies to see that we can reduce auto theft here in the province of Ontario?

Mr. Mark White: Thank you for the question.

Theft, of course, is a scourge for the inconvenience, the cost to the individuals—even if they are insured—and it does result in higher rates, because there is loss to the system when the vehicles are taken away or chopped up. It is, of course, a criminal activity. Greg already alluded to some of the ministry policy actions which are being taken, but we view this as an important opportunity because, to take cost out of the system, you have to mitigate risks.

We have been in discussions with insurers and have actually approved some incentives and some rate increases, and let me explain how those work together. Some insurers are basically saying, for certain vehicles in certain areas, it is a cost which will be imposed on all the consumers in Ontario when maybe more in that territory—if theft occurs. There are simple devices, be they tracking devices or devices that block a steering wheel so the car can't be stolen, which don't cost a lot but actually dramatically bring down the cost of theft. So they're asking consumers to take those opportunities, and many of the insurers are actually willing to fund the cost of those protective elements. This will actually bring down cost in the system, because there will be less theft.

On the other hand, we have approved some surcharges because, for consumers who choose not to do that—and it's at their renewal, so it's not done retroactively—they are actually creating more cost for the system. We think that is good, and that's one reason why—Greg mentioned user-based insurance, for example. We always look for opportunities to take cost out of the system, and one of the main ways to do that is to mitigate risk.

Mr. Stephen Crawford: Deputy, I know your point about the usage-based changes you made—they have been beneficial. I know my father saved $800 a year because of the low kilometres he drives, so that's just one example, I think, of how that's benefiting consumers here.

I just wanted to get a sense, looking forward to the future—I don't want to get into autonomous vehicles; that's probably too far out. But in terms of electric vehicles, are there any trends that we should be aware of? Are there additional thefts? Are there additional costs? Are there additional accidents, or is it less? I just wondered how that's going to affect the system.

Mr. Mark White: I think it's too early for us to see a lot of trends with that. Obviously, they are more expensive vehicles, so that does tend to increase the cost. They don't tend to come up on the theft radar screen. I have seen listings of vehicles that are the most prone to theft, and they don't tend to be there yet. But I think it is still early days where they're getting widespread.

The Vice-Chair (Ms. Donna Skelly): Further questions? I recognize MPP Kanapathi.

Mr. Logan Kanapathi: Thank you for that presentation. I have a couple of questions.

In 2022, the Auditor General made a recommendation on how to fix auto insurance in Ontario. I personally—it's not only my constituents; I can speak about my own experience as a vehicle owner, a driver for many, many decades. With that in mind, I would certainly love to hear an update on whether or not our government is continuing to improve on auto insurance. Do you have a road map? I'd like to hear more detail about the road map we have to improve auto insurance in Ontario, based on the Auditor General's last report in 2022.

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Mr. Greg Orencsak: Thank you for your question, MPP Kanapathi.

I think the government has remained committed to continue to take action on auto insurance, and it has made progress in terms of improving the system.

Even before the Auditor General's recommendations in 2019, the government released a blueprint for improving auto insurance. Some of the things that we've spoken to directly stem from that, such as enabling electronic communications, for example.

Let me speak to some of the more recent changes that have been made. In the spring of 2022, FSRA's unfair or deceptive acts or practices rule came into effect, and that rule addressed some key stakeholder issues, including removing prohibitions against incentives, while also improving FSRA's investigation and enforcement authority within the insurance sector. In addition to that, that rule removes some barriers to innovation and helps ensure fair treatment of consumers, including through improved transparency and risk disclosure, which, as we've talked about earlier, is really important to us.

There have been measures, as well, to, again, help drivers in terms of increasing consumer choice. We have the ability for drivers to make it optional to purchase not-at-fault property damage coverage for their policies, which will begin on January 1, 2024.

What we've been paying a lot of attention to is oversight—greater oversight within the system in respect of fraud and abuse. I think the changes to the Insurance Act in terms of providing fraud information to the regulator on an ongoing basis are foundational to that and will hopefully continue to bear fruit.

Some of the more recent actions in respect of auto theft: Mark spoke to some of the things that are happening on the regulatory front and from the perspective from government—significant new partnerships and funding to enable both the OPP and other police forces to more directly allocate resources to curbing auto theft across the province.

Mr. Logan Kanapathi: Thank you, Deputy, for that answer.

I have a follow-up question. Based on the Auditor General's report, Ontario has a lower rate of auto injuries compared to most provinces, but the highest private passenger auto insurance premiums in Canada—so the lowest injuries, the reported injuries have declined, and the highest private passenger auto insurance premiums. It doesn't make any sense. How do I justify that to my residents—the lower crime and highest premiums in all of Canada?

Mr. Greg Orencsak: It's a good question, and we appreciate that.

Every time you are comparing auto insurance rates and products across different territories and provinces, it's important to keep in mind that the way that auto insurance is delivered and the product that forms the basis of auto insurance will differ across the country.

For example, Ontario has some of the most generous mandatory coverages as part of its auto insurance product, and that's also reflected in some of the premiums that people pay and some of the benefits that consumers derive from their policies. So when you look at those comparisons, they're not strictly comparing apples to apples. Some of the things that are useful to look at are the rate of increase in premiums—I think Mark spoke to what that looked like over the last five years and how that compares across provinces and territories as well. It's also useful to look at some of the options that consumers have in terms of being able to customize their product to help improve choice and convenience and to help protect themselves but also have a greater ability to decide what product is best for them. User-based insurance is a good example of that as well because it puts a lot of control and creates some incentives with consumers in terms of what that looks like for them and how they can have a direct influence over their premium costs.

Mr. Logan Kanapathi: Sometimes I call it highway robbery when it comes to insurance premiums.

The Vice-Chair (Ms. Donna Skelly): You have a minute left.

Mr. Logan Kanapathi: My final question is, if FSRA and the Ministry of Finance have not acted on the recommendations from the past report that could result in lower rates—that was a concern that was raised by the committee. That's my question too—why we didn't act on it.

Mr. Greg Orencsak: We're constantly taking action in respect of working with both the government and the regulator in terms of ongoing reforms to the system. The auditor's recommendations were far-reaching, and I think we've been pretty transparent with the committee in terms of reporting back on where we are with acting on the recommendations of the auditor and what the areas are where recommendations will take a little bit of time to implement, for example, because there may be complementary initiatives being looked at or implemented across government that—

The Vice-Chair (Ms. Donna Skelly): That is all the time we have for the government side.

We'll now turn to the independent member, Madame Collard, for three minutes.

Mme Lucille Collard: I do have very limited time, so I'll ask one question and I'll put a couple of elements into it.

Obviously, the concern that is central is really the cost of insurance and premiums. There is a recommendation for FSRA to work with the ministry to identify and prioritize recommendations and reforms to reduce those costs.

We've talked a little bit about what you've done over the past years. I would like to know what's in the plan going forward to try to reduce those costs, because I have to say, I hear a lot of concerns from residents in my riding who are really concerned about the cost of life and the cost of insurance. Is there an intent to better control or at least standardize the variables that the insurance companies use to determine the premiums?

We've talked about the territories—but there's also the sex, the driving history and all that. Why isn't the ministry standardizing those? If you could answer that in the time we have, that would be appreciated.

Mr. Greg Orencsak: I'll be brief and ask Mark to help me out as well.

Some of the things we've talked about here today help inform what might be ahead in terms of the future. So I think the work that's being done on territorial ratings and transitioning away from that rigidity that Mark spoke to to a system that more appropriately apportions risk is a good indication of some of the work that we'll be doing in the future. I think when it comes to that regulatory sandbox, it's again a good indication of being open to looking at innovative ideas that are market-tested, so that we can have some certainty and comfort that can be implemented in the marketplace and can help reduce costs.

You'll appreciate, though, that as public servants, I'm not able to speculate on what future decisions may be made by government in that respect, but I think the work that we're doing to help inform some of those decisions is a good indication of the direction that we may be going in.

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The Vice-Chair (Ms. Donna Skelly): You have 45 seconds.

Mr. Mark White: We are actually looking at how we regulate overall, including the variables that go in. We do both approve underwriting rules as well as rates.

I will say that the idea of restricting rates—obviously, if it's discrimination, so let's say against the Human Rights Code, we would absolutely not allow that. That's prohibited, and we would be very harsh if that occurred. But other rating variables, except for ones that are expressly prohibited—it is good to let insurers experiment as to whether they can find a high correlation or, ideally, causation between variables and risk. Where they do that—

The Vice-Chair (Ms. Donna Skelly): That is all the time that we have.

We're back to the official opposition. I recognize MPP Fife.

Ms. Catherine Fife: Thanks for your comments thus far.

I'm going to start with auto insurance, but then I want to move to credit unions.

I was looking at the mandate for FSRA, and part of your mandate, obviously, is to produce and to ensure that consumers—in this case, drivers—have a product that is quality, that is affordable, and that meets the needs of the province. But when I look at the rates that are being approved by FSRA, it's really problematic. I feel like I'm in a little bit of The Twilight Zone here because there's such a disconnect between your reasonable assertions that 12% is affordable and then also what's actually happening on the ground, Mr. White.

We saw, in Brampton, the average rate of increase for auto insurance in that particular sector went up 37% in 2023; Hamilton was at 16%; Mississauga and Toronto were at 19%. These are huge numbers, and they have a negative impact on drivers, on the economy and on business owners.

When you look at the Auditor General's report, they highlighted that FSRA did not require insurance brokers, for instance, to disclose the information needed for consumers to make informed choices. The Ministry of Finance comes into play in this regard because initial steps have been taken by the ministry, at FSRA's request, for additional powers.

So I'm really just trying to understand the dynamic here. Who's driving the car? Is the ministry supposed to be the checks and balances? The ministry, according to the documents, signs off on these high rates, and FSRA sets those rates based on a number of factors. But does FSRA need more power, Mr. White, in order to ensure that consumers actually have a product in the province of Ontario—if they're drivers—that is affordable and that is quality?

Mr. Greg Orencsak: A multi-part question—

Ms. Catherine Fife: Always.

Mr. Greg Orencsak: Ms. Fife, I always appreciate your questions.

The ministry is responsible for policy setting. So the ministry is responsible for the Insurance Act, and the independent regulator conducts enforcement, administers the act and acts on the responsibility—

Ms. Catherine Fife: I do know that.

So is the Ministry of Finance okay with a policy that makes driving unaffordable in Ontario and that seems, on the ground, to be quite unfair?

Mr. Greg Orencsak: The Ministry of Finance is absolutely not okay with that. We at the ministry—and some of the examples I've talked about earlier—are looking at ways to make the system more efficient and looking at ways to help reduce costs within the system, while ensuring that we have a healthy marketplace, a competitive marketplace where insurers want to come and write policies. That is our objective.

The other thing that I will comment on—and then I will turn it over to Mark—obviously, we work closely with the regulator, and if the regulator comes to us and identifies a specific issue where it may require additional powers to appropriately conduct its mandate, we will certainly consider that and move ahead with that. One of those—

Ms. Catherine Fife: Okay. I'm just trying to understand, what kind of powers are you considering, or what kind of power is FSRA requesting that you need in order to—

Mr. Greg Orencsak: For example, when we talked about the rebates that were provided to consumers in respect of the pandemic—we worked with the regulator around that to enable that to happen.

Let me turn it over to Mark so that you hear from both of us in that regard.

Ms. Catherine Fife: Okay. Do you have all the tools that you need in order to ensure Ontario drivers have a product that is affordable and quality, Mr. White?

Mr. Mark White: The affordability of the product is our focus, because our concern is just and reasonable rates, and they cannot be excessive as well. That's the standard we work to.

To your question about whether the government has given us the powers we need—we have a very constructive dialogue. The deputy has already mentioned some things. The fraud reporting service is another area where we're going to get, for the first time, real information. We've been given whistle-blower powers, which will help us with things like take-all-comers non-compliance, which we found out was systematic.

Innovation: We're being given more powers so we can allow more choice in the marketplace and allow people to come in and try to actually bring the cost down. And the UDAP and the rebates—UDAP is the unfair or deceptive acts or practices rule, which the minister approved for us.

So we've had a very constructive dialogue, and I expect that that will continue, where we continue to identify issues, we bring them to the ministry and we work with them to make sure that we get the powers that we need.

Ms. Catherine Fife: The natural question is, now that you have this dialogue around increasing powers or tools to address some of these cost drivers, can you say with any confidence that you're going to be able to hold the line on these insurance rates? Right now, they're untenable and they rarely get reduced.

Mr. Mark White: Our standard, legally required, is just and reasonable rates and not excessive. I am confident that the actuarial processes we go through, the work we do on rate filings, where there's expert information provided to us—we challenge that internally, we use external resources, we make sure that the rates meet that standard of just and reasonable and not excessive. And as I pointed out earlier, the 12% five-year cumulative increase is twice as good as other jurisdictions which are comparable to Ontario. So I do think we are keeping to that just and reasonable and not excessive standard.

Ms. Catherine Fife: Based on what we're seeing, there's a disconnect between the goals of FSRA and the Ministry of Finance and how that plays out in communities.

Because I don't have a lot of time, I'm going to move on to credit unions, but before I do, I want to say, your enforcement page for FSRA, enforcement actions and warnings—this is where you would notify the public of bad actors, if you will, those companies that are not following the law. Right now, you have to go searching for it. If companies are not following the law, then they should be posted openly on this page. People shouldn't have to look for it. It should be more proactive, because you actually said in your own comments that the recommendations are only valuable if they're acted upon. So I firstly would like to see a more proactive enforcement page listing the bad actors, because I think that would actually serve as a deterrent.

My final question for you has to do with credit unions. Why does it take so long for a credit union in the province of Ontario to be approved? Have you identified this as an issue?

Mr. Mark White: Actually, we have approved new credit unions in Ontario. I think we were responsible for approving the first one in quite some time. My understanding from the people who have applied for that is, they didn't think it did take a long time; they thought it was a reasonable process.

Ms. Catherine Fife: There is one group from the Muslim community who have been advocating for an Islamic Credit Union for Community, the ICUC. This process started in 2017. This is a unique application, because they do not charge interest as an organization, so I could see why that would be a challenge—because it's a religious-based credit union.

The question is, what is happening at FSRA to support religion-compliant banking alternatives for the Muslim community, including those put forward by the Islamic Credit Union for Community?

Mr. Mark White: I'm not aware of that application, so I will have to inform myself—

Ms. Catherine Fife: You're going to have to go digging back to 2017, because it has taken a long time.

Mr. Mark White: I'm not aware that we've actually received a formal application. There are, in many cases, early discussions with people who want to apply.

I will say that we are totally supportive of community-based, bonds-of-affinity credit unions—including based on religious affiliation. That is no barrier to becoming a credit union in Ontario. And the last one that we approved actually met that profile.

1510

Ms. Catherine Fife: Well, you'll be getting a letter from me tomorrow—so now we've actually met, so when you get the letter, the background is there.

I look forward to seeing another credit union established in the province of Ontario.

I'll pass it over to my colleague.

The Vice-Chair (Ms. Donna Skelly): I recognize MPP Gélinas.

Mme France Gélinas: I will start with a question about car insurance, but then I want to move to multi-employer pension plans.

The first question really has to do with—I've been in public accounts for a long time—there have been recommendations made to look at how we reduce costs in auto insurance, and a big one is standardization of the medical care of accident victims. This is something that has been talked about for a long time. This is something that happens in Ontario, right here, right now—the person will be asked, "Are you paying yourself? Is it your insurance paying, or is it a car accident?" and you get different care. That's not how you provide quality care. Quality care is based on standard of practice. We know what the best care looks like, no matter who is paying the bill. What would need to happen for this to change in Ontario, for those recommendations to be taken seriously and implemented?

Mr. Greg Orencsak: Thank you for the question.

The care that people receive is obviously an important cost driver, and I think we always look at ways in which we can more effectively ensure that care is provided to the accident victims. I'm aware of some of the reports that you speak to, in terms of some recommendations for fairly significant structural changes, in terms of those specific guidelines. I think various governments have considered that, and those continue to be things that we are looking at, in terms of ways in which we can make changes to the auto insurance products. But we're also looking at, when is the appropriate time to make changes, and how do we work to ensure that if changes are made, those can be successfully implemented as well?

Mme France Gélinas: Have any other provinces made those changes?

Mr. Greg Orencsak: I'm not aware of that—but that's something that I would like to take back and look at some of the other provincial systems as well.

Mme France Gélinas: You're not giving me much hope in your answer. And yet, you acknowledge that those recommendations have been made, that they need to be looked at, that they would have a significant impact on the payouts—therefore, how much we have to pay for.

How come there is such low interest in something that would have such a huge impact on the money we pay and the money that is paid out?

Mr. Greg Orencsak: I haven't said that there is little interest or no huge impact on cost. I think when you look at any system, including our complex auto insurance system, there are many competing interests and pressures within that system. Part of our policy work at the ministry has been to help manage how we implement changes to that system, and I think for government decision-makers, it's always important to understand how parts of the system could come into conflict with one another. That's a really important consideration as well, as decisions are made and potential options are prioritized for governments to consider and implement. There's no single solution, there's no silver bullet that can fix a system in one fell swoop, and that just happens to apply very much to auto insurance, not only in our province, but, frankly, across Canada.

Mme France Gélinas: I agree with you. I'm not saying that this is a silver bullet that will fix anything. All I'm saying is, we could look next door at what Quebec does. I realize it's a bit different—they don't have private. But the way care is delivered is very much standardized, very much has—doesn't compare in cost to what it costs Ontarians to care about the exact same type of care needs. Ontarians are not different from Quebecers; we're all human beings. Yet in Ontario, it will cost you a heck of a lot more to get the same care. Do you know where I'm going?

Mr. Greg Orencsak: Yes.

Mme France Gélinas: Okay, so it's not the silver bullet. But I'm hopeful that after 16 years on public accounts and seeing the same recommendations come to your predecessor and to you, I would actually see movement forward; I do not. If you are working on it, I would love to see anything that you've done to show me that you are working on it—a person who has led this file; an idea that has been put forward—because so far, I have seen zip.

I will now go to the multi-employer pension plans. The auditor made it clear that in the five years between 2014 and 2019, there were 55 instances of multi-employer pension plans with member benefit reductions. How many have we had between 2019 and 2023?

Mr. Mark White: I don't have that statistic at hand. I will say, though, that this is a very important area. That's why we did the benchmarking and set out the leading practices guidelines. That's why we're now currently assessing all multi-employer pension plans in Ontario against those leading practices, including how they assess the risk of benefit variability and how they're proactively communicating with their members at both the risk of variability—because it is, of course, a concern if a pensioner is planning on getting a certain amount of money and they have their financial plan for retirement based on that. To actually have that change after the fact is a serious issue, and that's why we're dealing with it.

Mme France Gélinas: Is it that you don't have it right here, right now, to share with me or is it that you do not keep track as to how many pension plans have actually had members benefits reductions?

Mr. Mark White: I'm sure we can get that information for you, if you'd like. We'd be pleased to provide that.

Mme France Gélinas: I would appreciate it.

I'll go to my colleague.

Mr. Tom Rakocevic: Time on the clock?

The Vice-Chair (Ms. Donna Skelly): We have three minutes and 18 seconds.

Mr. Tom Rakocevic: Okay. I'll try to wrap it up in the extra bonus time that I have, and I really appreciate that opportunity.

One of the things that I mentioned before was the Licence Appeal Tribunal and the fact that some insurance companies—in particular, one was super-overrepresented versus others. It appears that it could be a business model to, essentially—for some of these insurers—continue to deny and delay injured people. Certainly, the longer it takes for them to pay out, the better it is for their bottom line. Do you have any concerns about this? Is there anything you're doing with regard to that?

Mr. Mark White: Thank you for the question.

Unlike our predecessor, we are not directly involved in the work of the LAT. That is a separate tribunal and a separate process. We do have an information-sharing agreement. Because we are a conduct regulator, not a complaints or contractual dispute regulator, we do use the LAT as an important source of information. We try to identify if there are trends. For example, is there a particular insurer or type of claim that's going to LAT, with the LAT finding in favor of the consumer, which would be indicative that, in fact, an insurer or a series of insurers are actually not honouring their obligations, so it then rises to a conduct issue rather than a matter of contractual dispute?

I will say that the LAT information is not a great source, to date, on identifying those conduct trends, but we will continue to monitor that to see if there are those trends.

Mr. Tom Rakocevic: But isn't it strange that one particular insurer is always there and others are way less represented based on their market share?

Mr. Mark White: That is exactly what we monitor—whether there actually are trends, whether it is just a legitimate contractual dispute, or whether that is a pattern of behaviour where claims are not being honoured. And it's actually getting beyond just auto insurance—an area where we're planning on doing additional work on claims handling.

Mr. Tom Rakocevic: I know there has been some conversation around jury trials versus judge trials when it comes to this. I know that it's a different ministry—but have you thought of this? Do you have any opinion on that matter, in terms of what that would have on the overall possibilities that people will have payouts in terms of their injuries, if they're actually compensated as they should be, and the overall cost of insurance? Has this ever come to your attention, and do you have any quick thoughts on that?

1520

Mr. Mark White: I'm afraid that's outside my mandate. I'm not—

Mr. Tom Rakocevic: Okay. Time?

The Vice-Chair (Ms. Donna Skelly): You have 48 seconds.

Mr. Tom Rakocevic: Okay. One thing that I was concerned about was credit rating—that was being considered. I know it was mentioned in the report that there was a contemplation of using credit rating of an individual to determine risk. Already, postal code is affecting many groups, many racially marginalized individuals, and you have many people struggling to pay the bills, who this could extremely adversely affect—by considering credit rating in addition to everything else. I don't think this is very fair. Is this still being considered?

Mr. Greg Orencsak: Credit ratings cannot be used, currently, as part of our rating criteria. So it's currently not available. I think if—

The Vice-Chair (Ms. Donna Skelly): That's all the time we have.

Now we'll move to the government side. MPP Bouma.

Mr. Will Bouma: It's a pleasure to be here. Mr. White, Mr. Orencsak, and your entire teams, thank you for being here today.

I'll start with Mr. White, because I've never been able to stump Mr. Orencsak yet in a question—back when I used to wander over to his half of the building, when I was up on the seventh floor.

Mr. White, how long have you been with FSRA?

Mr. Mark White: Since May 2018. I was the first employee.

Mr. Will Bouma: That's awesome.

I like to boil things down to their essence, because a lot of this stuff that we talk about seems to go over so many people's heads. If I was talking to an average constituent and they happened to have been watching this afternoon—and for that person's benefit: What's one good thing that has happened through FSRA that impacts the average Ontarian?

Mr. Mark White: I think there have been many, but I'll talk about one: the take-all-comers report. This was something that identified systemic-wide non-compliance by the 12 major insurers, which are the vast majority of the market in Ontario. Consumers didn't know it, but they were not getting quotes that were available to them—and for consumers to get the lowest rate, they have to be able to get those quotes. There was a variety of different techniques being used, most of them inadvertent, so it wasn't that senior management at the insurers tried to do it, but things about how they gave signals to their brokers, how they set up their own call centres, how they had their own or third-party algorithms to basically send people—so it didn't give a direct quote, but referred them to a paper-based process, which basically meant the consumers went away and never got their quote.

For consumers to get the best price for their insurance—and we always encourage them to shop—they need to have a market where those approved rates—and the take-all-comers rule, which means that an approved insurer for a qualifying customer must offer to insure. That was a harm that had been going on, we think, for many years in Ontario, and we were able to identify that, and all the insurers—it took time, it took a lot of work, but they have all remediated that issue. One of them was slow in the remediation, and we had to bring enforcement proceedings against them, and they were successful.

Mr. Will Bouma: I appreciate that, because that's something that pays off. That doesn't show up so well in figure 8 that I have here, which shows insurance rates over time. Despite all government actions from 1990 through till 2020, they just keep doing the exact same thing, and I think we all hear that—when I speak to my colleagues from different jurisdictions about auto insurance. And we had the same thing through COVID. I know I've quoted that number to constituents—that we saved $1.8 billion, and it's unfortunate that we can't see that here on the chart of savings, because I would hear from people, "Well, you say that number, but that number means nothing to me because I haven't seen a reduction in my auto insurance rates at all." So I'm wondering if you or Mr. Orencsak can tell the committee when that extended through 2021—that $1.8 billion—will be seen on this chart, and what do you expect that to look like? Will there have actually been a decrease in insurance rates through COVID for people even though they weren't driving their cars? On the ground, I can tell you, in Brantford and Brant—and from members in Mississauga and Peel, they don't hear that from their constituents. So I'm just wondering what you think that looks like. Or was it just not an increase—it was an increase that didn't happen, so that the numbers didn't go down?

Mr. Mark White: Definitely, the rate of increase came way down—in many areas, it would have been flat, even against cost pressures that were actually rising. In some very specific areas, some territories—or types of consumers—they may have went down. But overall, that goes back to—I've quoted the figure that a 12% cumulative increase over a five-year period ending at the end of 2022. That's one of the reasons why Ontario is much lower, half the rate of comparable provinces in Canada, our rate of increase was—because of that $1.8 billion. We did encourage all companies to communicate that. We actually tried to get the message out as well. The consumers in some cases, yes, needed to say, "The car isn't being driven anymore. I used to drive from point A to point B, going 50 kilometres both ways a day. I'm at home now, so it's not being driven; the use has changed."

It was important for consumers to take action. We did encourage insurers to try to make that available to their customers. I think it's good business to make that type of opportunity available to their customers.

Mr. Will Bouma: So the key message, going back to that, appears to be that my insurance didn't go up as much as it would have if that savings hadn't been there?

Mr. Mark White: It's important to remember that even if all rates in Ontario were flat in a particular year, that doesn't mean your insurance won't go up. Your driving record, the area where you live in—the rating variables that drive your particular insurance could still go up when others are going down.

So the averages are basically a zero-sum game. That still means some people are going up potentially double digits, while others are staying flat and some are going down. That is actually to get more fairness so that people are paying their costs within the system.

Mr. Will Bouma: I can remember in the last term of government, and I think maybe in this government too—I've seen opposition bills before regarding the territorial rating system that should be eliminated. It's called postal code discrimination. On the other hand, if I'm in an area of the province that doesn't have the rate of thefts, the rate of insurance fraud, or the rate of whatever it is—medical claims on auto accidents—how does that work?

If it costs more to insure in a set area of the province, what would re-looking at—I remember when we gave that direction to look at the territories in the province. If you live in an area where it costs more to insure, you pay more insurance. How will that—looking at the fairness across the territories—change that variable?

Mr. Mark White: It goes to the nature of the risks that go into the rating. The rating variables are sometimes causal, but most cases are correlation. It's a relationship between your age or your gender to the risks, just as it is with territories. What we've done with territories is, we've said we're taking postal code-based territories, which are inflexible.

Within a higher-rate area—let's say, Brampton—there could actually be some neighbourhoods where the risk of theft is low and because of where they are and their driving patterns in local roads, their accident record isn't as bad, but they're being grouped in.

You want to actually have the insurers being able to—because they collect data and they assess it. They try to find the rates that will reflect the cost, because that gives them a strategic advantage, because customers will go to them, because they'll have lower rates for better drivers or lower risks. By removing that territory, the inflexible system—and we'll probably look at the GTA first, because that's the biggest area of impact—we will try to find a way the insurers will come to us and say, "Here is how we think we want to take geography into account in a way that will be fairer for consumers."

Mr. Will Bouma: Will that still be territory-based, then—or if I'm a very safe driver and I drive a car that's not stolen or whatever it happens to be and I don't get into accidents, I could be potentially paying some of the lowest insurance premiums in the province even if I happen to live in Brampton?

Mr. Mark White: It would surprise me if insurers come to us without geography as an element, because it is the biggest driver of—where you drive is where you park your car, because that's the place where all your trips begin.

Something like theft, actually, is also driven by your geography. I'm not precluding that, if an insurer wanted to come to us and say, "We think we could do it; maybe it's more of a user-based insurance," for example—it will be so much based on your driving distance and your driving behaviour. They may say, "Geography doesn't matter that much for me. I think I can actually offer a rate that doesn't actually have geography." But when you go to correlation versus causation—it's pretty close to being causation for some of those risks, just because you have to drive where your vehicle is parked.

1530

Mr. Will Bouma: So it sounds like what you're trying to do is to open it up a little bit more, put a little bit more choice into the system and try to find some of those variables that can help reduce rates for people. Would you agree?

Mr. Mark White: Yes. It doesn't make sense to somebody when they move, let's say, from Mississauga to Brampton, and they're literally just moving a few streets over, then all of a sudden, their rates might change dramatically. So you actually want to have it that it's—maybe that whole area should have been grouped together, parts of Mississauga and part of Brampton, because it's a lower-risk area for theft, for accident, based upon the actual driving data that comes out. So insurers removing the inflexible territories they have right now, and allowing them to use their powerful data to find out what are the real costs that should be associated with the driver, and making sure that their rates charged to those drivers are based upon that—I think that's a very powerful notion.

Mr. Will Bouma: I was intrigued by the Auditor General's report basically stating that right now Ontario uses a cash payment model versus a care-based model for insurance claims handling, contributing to higher legal costs. If I'm not mistaken, I believe the actual legislation says that the goal of auto insurance is to have someone made whole as quickly as possible—that's my paraphrase of that.

I guess I'm asking how you feel about the Auditor General's stating that it would be better for us to get away from just giving people money to giving them the care that they need. Would you agree with that?

Interjections.

Mr. Will Bouma: Maybe that's a question for Mr. Orencsak, by the—

Mr. Greg Orencsak: Those are some things that we look at pretty intently, in terms of how our system works and what are some of the incentives and disincentives within the system. I think, as an overall broad policy objective, it's really important that people do receive adequate care and that they are able to do that quickly and effectively, but then we have to balance that against making sure that people also have recourse if they don't. That's where our access to the tort system is important as well. I think I've talked to balancing competing objectives here, and I think that's one of the things, from a policy perspective, that we are always looking at.

Mr. Will Bouma: I would love to ask you what your thoughts are on the Marshall report, because I read that quite keenly, but I think that's asking you to speculate on things outside of where you are right now.

I'd like to thank you both very much for being here, and your teams. I appreciate the answers to the questions this afternoon.

I'll cede my time to member Byers.

The Vice-Chair (Ms. Donna Skelly): Member Byers, you have eight minutes.

Mr. Rick Byers: Thank you both for appearing this afternoon.

I want to talk a little bit about the multi-employer pension plan area and just get a little context about how long this framework has been in Ontario—whether it's a fairly recent trend or whether it's something that has been going on for a long time.

I spent a chunk of my career at the OMERS pension plan, which, effectively, is a multi-employer—many hundreds—but a different framework.

Multi-employer pension plans—have they been in our province a long time, but they're increasing in frequency more these days? Let's start there.

Mr. Mark White: Multi-employer pension plans: I don't know exactly when they began, but they have been around for quite a long time, and I believe that they will continue, even though they are only about $50 billion, I think, in assets, of the $870 billion in pension plan assets that we look at. It still is, as I said, over a million members—it could even be close to a million and a half, so a significant number of people. The reason why they are so important—I believe they will continue structurally—is that, where you have a collective group of employers, let's say, Electrical Contractors Association of Ontario, and then a union on the other side, or unions, it is the natural way for them to come together to be able to offer benefits. So I think it is a very important part of income security, that people who are in that type of unionized trade environment—and they may change employers or they may be contracting—still have the ability to save for a pension plan through a fiduciary-bound plan where that investment is professionalized. I think it's a very important part of our system. That's why we care greatly about it, why we did the initial work we did and issued the guidelines. I think the government is doing an important consultation now on its new target-benefit funding framework.

Mr. Rick Byers: You mentioned $50 billion. Scale is so important in pension plans, both on the investment side and on the administration side. The $50 billion—is this one effective central administration or are there two or three or four? Give me a sense of that, if you could. How many, in effect, administrative plans are there?

Mr. Mark White: No, it is actually multi-employer pension plan by multi-employer pension plan. So they have their own fiduciary-based board. It's usually composed of—the example I gave you, where it was the contractors on one side and the unions on the other; they both put people on the board. They have the opportunity to bring in professional expertise through actuaries, investment advisors, professional plan administrators to do that work. But yes, it is not a consolidated group. That $50 billion is all together into one house where we get common investment synergies.

Mr. Rick Byers: So, effectively, these are still reasonably small, even though—got it. Do you think there's a movement afoot at some point to have some more consolidation in the industry? Who knows? It's speculation, but I'm just curious because, again, scale in the pension world is so important.

Mr. Mark White: Because of the nature of the groups of employers and the groups of usually unionized, but certainly members, who have their own bonds of affinity, to see them actually join together would be surprising, although some of the joint-sponsored pension plans have been offering alternatives, too, in certain areas. So there is the possibility of that and there, of course, could be shared investment models. But I'm not aware—for example, IMCO, which is a government—shared for other purposes. I'm not aware of anybody moving along that line on the multi-employer pension plans.

Mr. Rick Byers: With that, though, can you give me a sense of that $50 billion, where—there seems to be growth in this area in the province. Is that fair to say? Or is it still about the scale it was a while back? As we look forward, with our government's emphasis on skilled trades and apprentices, all the skilled labour, there would be—I think this is an attractive part of all that, to have employees get the benefit of a defined pension plan which may not have existed before. So are we seeing growth in the industry because of this framework?

Mr. Mark White: I'd say it's stable. As to the number of multi-employer pension plans—I don't think that number is changing a lot. There are new members in certain areas because of, let's say, the growth of a construction industry, so they're getting more members into it. As I say, the member growth is there. We would like to see more asset growth, as well, because that means more money is put away for income security for those members of the plan.

Mr. Rick Byers: As you look forward on that front, are there other things that we, as government, can do to partner with the industry to continue the increasing scale and scope of these pension plans? Are there things that we can do to a greater degree going forward?

Mr. Mark White: On the defined benefit—I think the target benefit regime is the big initiative, and it's very important that we're doing everything we can to support that. There are multi-employer pension plans which are defined contribution, and there, the big issue is how to decumulate the assets—so, basically, make sure that you are having someone who then gets their piece of the pot and can actually manage it well, because it has to last their life. On the other hand, people often tend to be too conservative—and this is what we call longevity risk. So there are some potential opportunities for that in the future, because that may be more of a growth area for some multi-employer pension plans—going to defined contribution from the traditional and still-predominant defined benefit.

The Vice-Chair (Ms. Donna Skelly): You have a minute and 30 seconds.

Mr. Rick Byers: Thank you.

Ontario and Canada don't get enough credit, in my view, for the scale and scope of our pension plan framework.

When I was at OMERS, they had raised some third-party capital and I was involved in that. I went over to the UK, for example, and met with the city of Manchester and they were banging the table—"We are a huge plan. We have £5 billion in assets"—and I thought, "Wow." OMERS, at the time, was about $100 billion. It was in the 1960s that the government brought all the municipalities together under one roof—just a brilliant approach.

Again, anything we can do on the private employer side—you've mentioned it, in the targeting of changes that was made, continue to be creative, and is the goal of having these skilled trades men and women—having a defined, a good pension plan is such an important benefit for them.

The Vice-Chair (Ms. Donna Skelly): With just 20 seconds left, I think it would be fair to say it's time to pass it over to the independent member.

MPP Collard, three minutes.

M^me^ Lucille Collard: I'll end with a simple question.

First, I would like to know if there is an obligation for insurance companies to collect data and to adjust the rate accordingly. Is there a legal obligation for them to do that?

More generally, and I guess this is a general and a practical question that—your answer, I could take back to my constituent. What do I tell people to do if they're complaining that their insurance rate is too high? What is available? Just shop around until you find a better rate? Or is there some other advice that you can provide?

Mr. Greg Orencsak: I think it's really important to shop around. I think we have a competitive market. As with anything— if you're doing a home renovation, you're not just going to talk to one contractor. Insurance costs are an important component of a household's budget. It's important to shop around and be informed about what choices you have in terms of product and what steps you can take to reduce your risks.

I will ask Mark for help in respect of the data collection question because he might be better able to answer that.

Mr. Mark White: I would also add user-based insurance—MPP Crawford gave us an example. That is a very powerful way for people who believe that their driving patterns are not reflecting their rates—telematics is another word for it; it actually allows you to make sure you're linking that.

As to data requirements, we require quite detailed rate-filing packages before we will approve a rate. So an insurer that does not have data to back up their rates—and they have some freedom to collect the data in a way that make sense for them, but they will not get their rate changes approved. We do public benchmarking with an independent actuarial firm. We put that out there. So the expectation of what type of information you would have to have to justify your changes in cost is very well known. I can't point to a piece of legislation where it says, "Here is all the data you have to have," but the process effectively requires that, and I think that's the flexible process you want.

M^me^ Lucille Collard: Do they have to do that regularly—there is a review that has to be done?

Mr. Mark White: Every rate filing has to be supported by full actuarial studies. We challenge the data with our internal actuaries plus with an external actuarial resource that we use.

The Vice-Chair (Ms. Donna Skelly): You have 30 seconds.

M^me^ Lucille Collard: Thank you very much for being here today.

The Vice-Chair (Ms. Donna Skelly): That concludes the time for questions this afternoon.

I would like to thank all of you for appearing before the committee today. You are now dismissed.

We will now pause briefly as we go into closed session so that the committee may commence report-writing.

The committee recessed at 1544 and later continued in closed session.

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