



**Statutory Accident Benefits Schedule (SABS)  
Risk-Based Market Conduct Assessment Report**

**Financial Services Commission of Ontario  
Market Conduct Branch**

**September 2007**

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## EXECUTIVE SUMMARY

The Financial Services Commission of Ontario (FSCO), an arm's-length agency of the Ministry of Finance, regulates Ontario insurance companies. Part of FSCO's mandate is to enhance consumer confidence in the insurance sector. FSCO works to ensure companies are treating insurance claimants fairly by complying with the Statutory Accident Benefits Schedule (SABS), a regulation under the *Insurance Act*.

In the past, FSCO performed transactional audit reviews of randomly selected individual claims files to ensure automobile insurance companies were complying with the SABS. This transaction-based approach proved to be limited in scope and costly.

In 2004, FSCO adopted a risk-based approach for the regulation of the SABS. This approach examines Ontario automobile insurance companies' SABS processing mechanisms as well as fundamental elements found in corporate governance practices.

In consultation with stakeholders, FSCO developed a risk-based market conduct assessment questionnaire focusing on the SABS. The questionnaire also examined the governance and internal controls that influence the way automobile insurance companies deal with claimants, customers and the public in general.

This new approach proved beneficial to:

- **Insurance Claimants**: This approach was designed to determine whether there was a system in place to ensure that there are reasonable and fair practices governing the handling of claims in accordance with regulations and best practices. In addition, it ensures that there are mechanisms within companies to improve or change their systems and practices when problems arise.
- **The Insurance Industry**: Transaction-based audits were costly and time consuming for the insurance industry and focused on transactions that had already taken place. The new risk-based approach allowed companies to reduce cost while ensuring that there were systems in place to handle SABS claims according to good corporate governance and insurance regulations.
- **FSCO**: It focused FSCO's compliance efforts by directing regulatory resources to higher risk companies and the higher risk areas of their operations.

FSCO tested the newly developed risk-based market conduct assessment questionnaire in 2005. In 2006, FSCO used it to perform assessments of the automobile insurance companies' compliance with the SABS. Information collected as a result of these assessments is retained by FSCO and protected under the *Insurance Act* and the *FSCO Act*. Requests for this information are subject to the *Freedom of Information and Protection of Privacy Act*.

FSCO analyzed the companies' responses to the questionnaire. Based upon an assessment of each company's risk of not complying with the SABS regulation, FSCO then visited the companies to verify their responses. FSCO identified areas where a company's procedures could be improved and required the companies to make changes as necessary.

The SABS risk-based market conduct review was completed in December 2006. FSCO found that most automobile insurance companies have sufficient SABS related governance and internal controls. It should be noted that the results cannot provide a guarantee that all companies would comply with the SABS at all times. However, the results allowed FSCO to identify higher risk companies that may require further attention.

Overall, FSCO gained greater confidence that most companies representing the majority of the market share were complying with the SABS. As noted, FSCO identified areas where companies' procedures could be improved and required companies to make changes as necessary.

The success of the SABS risk-based market conduct review encourages FSCO to extend this risk-assessment technique to other areas.

## **BACKGROUND**

The Financial Services Commission of Ontario (FSCO) is an arm's-length agency of the Ministry of Finance. FSCO regulates the activities of pensions, insurance, loan and trust corporations, trust companies, credit unions, caisses populaires, co-operatives and mortgage brokers. Its broad mandate includes enhancing consumer confidence and public trust in the regulated sectors and making recommendations to the Minister of Finance on matters affecting the regulated sectors.

FSCO is responsible for the market conduct of automobile insurance companies doing business in Ontario. The Statutory Accident Benefits Schedule (SABS), a regulation under the *Insurance Act*, prescribes rules of conduct for companies doing automobile insurance business in Ontario. One of the aims of FSCO's compliance program is to ensure that these companies are treating consumers fairly by meeting their obligations under the SABS.

## **TRANSACTION-BASED AUDITS**

From 1998 to 2003, FSCO used transaction-based audits to gain assurance that automobile insurance companies were complying with the SABS.

These transaction-based audits employed a "bottom up" approach. Compliance review efforts focused on a limited number of randomly selected individual accident benefits claims files. The files were reviewed for compliance against a comprehensive checklist of requirements found in the SABS. The results were then extrapolated to determine the level of compliance for the company as a whole.

Transaction-based audits allowed FSCO to gain a high level of confidence that files had been handled in compliance with the SABS. However, these transaction-based audits proved to be limited in scope and costly to perform.

## **THE RISK-BASED APPROACH TO REGULATION**

As a regulator of a large and dynamic financial services marketplace, FSCO uses methods to prioritize its many regulatory activities. Since its creation in 1998, FSCO has increasingly based these decisions on risk, deploying regulatory efforts to areas where the potential risks to the financial services marketplace are the highest.

In an effort to improve its market conduct compliance program, FSCO moved to a risk-based approach for SABS audits in 2004. This approach to regulation focuses regulatory resources on higher risk companies and the higher risk areas of their SABS claims handling operations. It employs a "top down" approach that looks at the major factors that could lead to non-compliance with the SABS regulations.

Rather than examining individual claims files, FSCO used a self-assessment risk-based market conduct questionnaire to review the quality of a company's governance systems

over their entire SABS claims operations. These reviews were designed to determine whether the systems in place at the companies reviewed are reasonable and fair and to ensure that claims are handled in accordance with regulations and best practices. The reviews also examined whether or not there were mechanisms in place within companies to improve or change their systems and practices where problems are found.

The information obtained from the questionnaire allowed FSCO to rank companies as low, medium or high risk for non-compliance with the SABS. The assignment of the risk rankings provided FSCO with a method to identify and focus its regulatory resources on companies that are at a higher risk for non-compliance with the SABS. At the same time, the self-assessment nature of the questionnaire encouraged companies to adopt higher standards of practice, which in turn, can lead to better treatment for consumers.

### **REVIEW PERFORMED BY FSCO**

In 2005, FSCO tested the market conduct assessment questionnaire and determined that it was a robust tool capable of assessing the risks for non-compliance with the SABS.

The questionnaire developed by FSCO focused on corporate governance as it relates to the following elements of a company's SABS claims operations:

- The policies and procedures in place to deal with SABS claims handling;
- Approval of the policies by an appropriate level of management;
- Monitoring for compliance with the policies in place; and
- The existence of a process to take corrective action if policies are inadequate or non-compliant.

In 2006, FSCO sent the questionnaire to all automobile insurance companies in Ontario requiring them to complete and return it. Collected information is retained by FSCO and protected under the *Insurance Act* and the *FSCO Act*. Requests for this information are subject to the *Freedom of Information and Protection of Privacy Act*.

Examiners from FSCO then reviewed and analyzed the responses to the questionnaires before assigning preliminary risk ratings to each company. FSCO selected a number of companies for further field reviews, based on the results of the preliminary risk ratings. The field reviews were intended to verify the responses to the questionnaires. FSCO visited all companies that were rated as a "high risk" and a sample of companies that were rated as a "medium risk" or "low risk." Where deficiencies were noted in the companies' systems, they were required to make the appropriate improvements and modifications.

## CONCLUSION

The transition from transaction-based methods of auditing SABS-related market conduct to methods focused on assessing risk has been successful for FSCO.

The SABS self-assessment questionnaire allowed FSCO to evaluate the automobile insurance companies' risk of non-compliance with the SABS. FSCO found that most private automobile insurance companies operating in Ontario had sufficient controls and procedures in place for SABS claims. The results are not a guarantee that all companies complied with the SABS at all times. However, the questionnaire proved to be a useful tool that allowed FSCO to obtain confidence that most of these companies were at a low risk for non-compliance with the SABS.

The ability to expand the coverage of compliance reviews from a limited number of randomly selected SABS claims files to the companies' entire SABS claims operations allowed FSCO to better use its regulatory resources.

In addition, the self-assessment nature of the questionnaire encouraged companies to adopt higher standards of practice for serving customers. Since these higher standards of practices were applicable to areas outside of the SABS, this demonstrates the potential for deploying the risk-based approach as a means to assess market conduct in other areas.

## **APPENDIX 1 RISK-BASED MARKET CONDUCT ASSESSMENT QUESTIONNAIRE**



Financial Services 5160 Yonge Street  
Commission of Box 85  
Ontario Toronto, ON, M2N 6L9

### **FINANCIAL SERVICES COMMISSION OF ONTARIO RISK-BASED MARKET CONDUCT ASSESSMENT QUESTIONNAIRE FOCUSING ON ONTARIO STATUTORY ACCIDENT BENEFITS SCHEDULE (SABS)**

#### **INSTRUCTIONS**

In November 2005, as part of a risk-based approach to regulation, FSCO is introducing a self-assessment questionnaire related to the Statutory Accident Benefit Schedule (SABS). The questionnaire, developed through consultation with stakeholders, is being rolled-out to all automobile insurers across the province except those insurers who participated in the test project.

The questionnaire focuses on SABS, as well as the corporate governance and internal controls that have a bearing on the way companies deal with consumers and the public in general. The SABS survey will replace the transactional audit that focused on individual claim reviews, a method that has proven complex, costly and does not address corporate governance issues of concern to the public.

The questionnaire is available in both a fillable MSWord and PDF format on our website at: [www.fSCO.gov.on.ca/english/insurance/auto/sabs\\_questionnaire.asp](http://www.fSCO.gov.on.ca/english/insurance/auto/sabs_questionnaire.asp). In addition copies are attached to our e-mail. The completed questionnaire, together with copies of your company's organization charts, which include both the corporate and claims department levels, is to be completed and returned to the Financial Services Commission of Ontario (FSCO) by January 16, 2006.



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Based on experience garnered in the test phase, we suggest that you review the questionnaire in its entirety, prior to completing it. On initial reading, it may seem that there are duplicate questions. Please note that different information is being requested. The Table of Contents on page 4 outlines the various sections in the questionnaire which are: Definitions; Background Planning Information; Development of Policy; Content of Policy; Other Controls; Monitoring and Management Reporting; Independent Review, Outsourcing and Comments.

As the questionnaire focuses on SABS claims-related, corporate governance and internal controls within the company, several departments may be involved in completing the questionnaire. For example, the questionnaire may be completed as follows: SABS related questions by a representative from claims, complaint handling question by your consumer complaint officer (CCO) or Company Ombudsman, privacy question by your Privacy Officer, and monitoring and independent review questions by internal audit or by a representative at a senior level in the company.

The name of the main contact person is to be listed on page three. This person will be responsible to coordinate and introduce FSCO staff to other departments.

Most of the questions require a **Yes** or **No** answer. Some questions require comments. There is a "COMMENTS/NOTES" column in the questionnaire. This column should be used to reference the responses to documents available at the company. Also, for questions that require a narrative response, the response should be written in this column. This column is not expandable, therefore if the response does not fit in the space provided, please attach a separate sheet and cross-reference it to the applicable question.

Any supporting documentation, e.g., policies, procedures etc. should be retained at the company. These will be referred to by FSCO's staff when they visit the company.

After receipt of the completed questionnaire by FSCO, an examiner will be assigned, who will contact you to schedule a field visit.



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Name of \_\_\_\_\_  
Company: \_\_\_\_\_  
Name of Contact Person: \_\_\_\_\_  
\_\_\_\_\_  
Telephone #: \_\_\_\_\_  
Fax#: \_\_\_\_\_  
E-mail Address: \_\_\_\_\_  
\_\_\_\_\_

**Certification**

I have knowledge of the information provided in this self assessment questionnaire. The information provided fairly represents the policies followed by the company as of the date this questionnaire is being signed.

**Signature of Officer:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
\_\_\_\_\_

**Name of Officer:** \_\_\_\_\_  
(PLEASE PRINT)  
**Title:** \_\_\_\_\_

**If the response contains information that you consider being confidential trade, commercial or financial information, you may wish to specify that the information is being provided in confidence.**



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**DEFINITIONS**

***Employees** mean employees of the company and its subsidiaries/affiliates.*

***Formal Training** is a structured training course in a classroom or on-line setting.*

***Independent Review** is an impartial, objective review conducted by someone outside of the section. Its objective should be to achieve the most efficient and effective administration of the claims procedures and practices and to ensure compliance. Findings or recommendations should be reported to a senior level outside of the section.*

***Outsourcing** is an agreement with a third party that transfers, or contracts-out, functions that would have been conducted in-house.*

***Policy/Policies** may include documented procedures, bulletins, manuals, memoranda, contracts and rules. Policies may be in paper or electronic form, but in all cases must be documented.*



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**BACKGROUND PLANNING INFORMATION**

|                            | Ontario DWP<br>2004     | Percentage%<br>Ontario DWP |
|----------------------------|-------------------------|----------------------------|
| 1. Does the company offer: |                         |                            |
| a. Property                | \$ <input type="text"/> | <input type="text"/> %     |
| b. Automobile              | \$ <input type="text"/> | <input type="text"/> %     |
| c. Liability               | \$ <input type="text"/> | <input type="text"/> %     |
| d. Accident & Sickness     | \$ <input type="text"/> | <input type="text"/> %     |
| e. Other                   | \$ <input type="text"/> | <input type="text"/> %     |

2. Other P&C insurance companies within the group:



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| QUESTIONS  | Yes                      | No                       | COMMENTS/NOTES |
|--|--------------------------|--------------------------|----------------|
| <b>DEVELOPMENT OF POLICY</b>   |                          |                          |                |
| 3.   |                          |                          |                |
| a. Is there a documented claims handling <i>policy</i> in place?                   | <input type="checkbox"/> | <input type="checkbox"/> |                |
| b. Has the <i>policy</i> been reviewed for compliance with statutory requirements? | <input type="checkbox"/> | <input type="checkbox"/> |                |

|   |                          |                          |  |
|---|--------------------------|--------------------------|--|
| 4.  |                          |                          |  |
| a. What position or committee in the company approved this <i>policy</i> ?            |                          |                          |  |
| <input type="checkbox"/> senior claims executive                                      |                          |                          |  |
| <input type="checkbox"/> senior claims manager  |                          |                          |  |
| <input type="checkbox"/> a committee (Please specify)                                 |                          |                          |  |
| <input type="checkbox"/> other (Please specify)                                       |                          |                          |  |
| b. When was the <i>policy</i> last reviewed? (Specify date)                           |                          |                          |  |
| c. Was this review subsequent to the latest change in the Regulations governing SABS? | <input type="checkbox"/> | <input type="checkbox"/> |  |
| d. Was the policy amended as necessary?   | <input type="checkbox"/> | <input type="checkbox"/> |  |



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| <b>CONTENT OF POLICY</b> |   |                          |                          |  |
|--------------------------|---|--------------------------|--------------------------|--|
| 5.                       | Does the <i>policy</i> define a process for:  |                          |                          |  |
| a.                       | confirmation of coverage?   | <input type="checkbox"/> | <input type="checkbox"/> |  |
| b.                       | establishing responsibility for the loss?   | <input type="checkbox"/> | <input type="checkbox"/> |  |
| c.                       | identification of potential fraudulent claims?  | <input type="checkbox"/> | <input type="checkbox"/> |  |
| d.                       | ensuring that appropriate reserves are set up by coverage line/claim code?                            | <input type="checkbox"/> | <input type="checkbox"/> |  |
| 1.                       | Has the <i>policy</i> been reviewed to ensure that it is consistent with SABS requirements regarding: |                          |                          |  |
| a.                       | timelines for:  |                          |                          |  |
| (i)                      | providing required information?   | <input type="checkbox"/> | <input type="checkbox"/> |  |
| (ii)                     | acknowledgment of receipt of claims documentation from the claimant?                                  | <input type="checkbox"/> | <input type="checkbox"/> |  |
| (iii)                    | payment of benefits?  | <input type="checkbox"/> | <input type="checkbox"/> |  |





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|  |                          |                          |   |
|--|--------------------------|--------------------------|---|
| <p>7. Does the <i>policy</i> define internal performance benchmarks, standards or other measurable performance expectations set by the company for the evaluation of how efficiently claims are handled?</p> <p>If <b>Yes</b>, please give details of what is measured.</p>      | <input type="checkbox"/> | <input type="checkbox"/> | <div style="border: 1px solid black; height: 150px; width: 100%;"></div>  |
| <p>8. Does the <i>policy</i> have a complaint handling protocol(s)?</p> <p>If <b>Yes</b>, does the complaint protocol specify in which cases claims should be:</p> <p>a. reassigned to or reviewed by a more senior person and/or</p> <p>b. referred to outside consultants?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <div style="border: 1px solid black; height: 100px; width: 100%;"></div> <div style="border: 1px solid black; height: 100px; width: 100%;"></div> |
| <p>9. Is the <i>policy</i> consistent with the regulatory requirements for:</p> <p>a. mediation of disputes?</p> <p>b. arbitration of disputes?</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <div style="border: 1px solid black; height: 100px; width: 100%;"></div>  |



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|   |   |   |   |
|---|---|---|---|
| <p>10. Does the <i>policy</i> address procedures for dealing with suspected fraud?</p> <p><b>If Yes:</b></p> <p>a. Is there an escalation procedure for dealing with suspected fraud?</p> <p>b. Does the <i>policy</i> cover the use of outside investigators?</p> <p>c. Does the company participate in The maintenance of an industry Database for questionable claims?</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <div style="border: 1px solid black; height: 250px;"></div> |
| <p>11.</p> <p>a. Does the <i>policy</i> cover handling of personal information in accordance with PIPEDA legislation?</p> <p>b. Is it linked to your company's privacy code and does the code conform with PIPEDA?</p> <p>c. Are there processes in place to ensure that the company is in compliance with the requirements of PIPEDA?</p>                                    | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>                                 | <div style="border: 1px solid black; height: 250px;"></div> |









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|  |   |   |  |
|--|---|---|--|
| <p>16. Has the company established standards/procedures to deal with the efficient handling of SABS claims relating to the following:</p> <p>a. experience required by SABS adjusters?</p> <p>b. training required by SABS adjusters?</p> <p>c. the number of files which could be capably handled by an adjuster?</p> <p>d. turnover of staff adjusters?</p> <p>e. short term help?</p> <p>f. quality control at branches?</p> <p>g. outsourcing?</p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <div style="border: 1px solid black; height: 400px; width: 100%;"></div> |
| <p>17. Is there a process in place to monitor closed claims to determine whether the claims were adjusted in accordance with statutory requirements?</p> <p><b>If Yes:</b></p> <p>By whom? <input type="text"/></p> <p>How often? <input type="text"/></p>   | <p><input type="checkbox"/></p>   | <p><input type="checkbox"/></p>   | <div style="border: 1px solid black; height: 200px; width: 100%;"></div> |



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|   |                          |                          |   |
|---|--------------------------|--------------------------|---|
| <p>18.</p> <p>a. Is the <i>policy</i> made available to all individuals handling claims?</p> <p>b. How is it made available (e.g., manuals, memoranda, bulletins, etc.)?</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <div style="border: 1px solid black; height: 100%; width: 100%;"></div> |
| <p>19. What position has responsibility for ensuring the <i>policy</i> is followed?</p> <p><input type="checkbox"/> senior claims executive</p> <p><input type="checkbox"/> senior claims manager</p> <p><input type="checkbox"/> a committee (Please specify)</p> <p><input type="checkbox"/> other (Please specify)</p>   |                          |                          | <div style="border: 1px solid black; height: 100%; width: 100%;"></div> |
| <p>20. Do you have a process in place to monitor the effectiveness of the <i>policy</i>?</p>  | <input type="checkbox"/> | <input type="checkbox"/> | <div style="border: 1px solid black; height: 100%; width: 100%;"></div> |
| <p>21. Are reports prepared of the monitoring findings?</p> <p><input type="checkbox"/> for the board</p> <p><input type="checkbox"/> for a senior executive of the company</p> <p><input type="checkbox"/> for a senior management group</p> <p><input type="checkbox"/> other (Please specify)</p> <p>If <b>Yes</b>, what areas are covered (provide brief comments on topics)?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <div style="border: 1px solid black; height: 100%; width: 100%;"></div> |



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|  |                          |                          |  |
|--|--------------------------|--------------------------|--|
| <p>22. If <b>Yes</b> to question 21, how often do you prepare such reports?</p> <p><input type="checkbox"/> twice or more a year</p> <p><input type="checkbox"/> annually</p> <p><input type="checkbox"/> other (Please specify)</p>                       |                          |                          | <div style="border: 1px solid black; height: 80px; width: 100%;"></div>  |
| <p>23. Is there a process to take corrective action where there has been non compliance with the <i>policy</i> or with statutory requirements?</p> <p>If <b>Yes</b>, who is responsible for ensuring that the necessary changes have been implemented?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <div style="border: 1px solid black; height: 150px; width: 100%;"></div> |

| QUESTION  | Yes                      | No                       | COMMENTS/NOTES   |
|---|--------------------------|--------------------------|--|
| <b>INDEPENDENT REVIEW</b>   |                          |                          |  |
| <p>24. Is an independent review of the claims handling process conducted periodically?</p> <p>(i) If <b>Yes</b>, by whom:</p> <p style="margin-left: 40px;">a. Internal audit?</p> <p style="margin-left: 40px;">b. Supervisory reviews?</p> <p style="margin-left: 40px;">c. Other (e.g., external consultants, auditors, etc.)?</p> <p>(ii) If <b>Yes</b>, when and by whom were the last two reviews conducted? (Please provide dates)</p> | <input type="checkbox"/> | <input type="checkbox"/> | <div style="border: 1px solid black; height: 250px; width: 100%;"></div> |



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| QUESTION   | Yes                      | No                       | COMMENTS/NOTES |
|--|--------------------------|--------------------------|----------------|
| 25. Are the results of this independent review reported?<br><br>If <b>Yes</b> , to which position or committee is the report made? | <input type="checkbox"/> | <input type="checkbox"/> |                |

| INDEPENDENT REVIEW  |  |  |   |
|---|--|--|---|
| 26. Did any recommendations emanate from the:<br><br>a. Independent review?<br>b. Supervisory reviews?<br>c. Other (Please specify)?<br><br>If <b>Yes</b> , have the recommendations been implemented?<br><br>If <b>No</b> , why not? | <input type="checkbox"/><br><br><br><input type="checkbox"/><br><br><input type="checkbox"/> | <input type="checkbox"/><br><br><br><input type="checkbox"/><br><br><input type="checkbox"/> | <div style="border: 1px solid black; height: 80px; width: 100%;"></div> <div style="border: 1px solid black; height: 40px; width: 100%;"></div> <div style="border: 1px solid black; height: 60px; width: 100%;"></div> |



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|                    |  |                          |                          |
|--------------------|--|--------------------------|--------------------------|
| <b>OUTSOURCING</b> |  |                          |                          |
| 27.                | Does the company outsource any of its SABS claims handling to third parties?   | <input type="checkbox"/> | <input type="checkbox"/> |
|                    | <b>If Yes,</b>   |                          |                          |
| a.                 | Which functions are outsourced?  |                          |                          |
| b.                 | Does the outsourcing contract require the provider to follow the company's <i>policies</i> ?                             | <input type="checkbox"/> | <input type="checkbox"/> |
| c.                 | Does the company monitor the performance of the outsourced functions for compliance with the company's <i>policies</i> ? | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>OUTSOURCING</b> |  |                          |                          |
| 27. (cont'd)       |  |                          |                          |
|                    | <b>If Yes,</b>   |                          |                          |
| a.                 | How often?   |                          |                          |
| b.                 | When was it last done?   |                          |                          |
| c.                 | What were the findings?  |                          |                          |
| d.                 | If applicable, how were they dealt with?   |                          |                          |



**FINANCIAL SERVICES COMMISSION OF ONTARIO  
 RISK-BASED MARKET CONDUCT ASSESSMENT QUESTIONNAIRE  
 FOCUSING ON ONTARIO STATUTORY ACCIDENT BENEFITS SCHEDULE (SABS)**

| <b>COMMENTS</b>   |                          |                          |   |
|---|--------------------------|--------------------------|---|
| <p>28. Are you planning any other significant changes in your claims handling process?</p> <p>If <b>Yes</b>, please attach brief details.</p>   | <input type="checkbox"/> | <input type="checkbox"/> | <div style="border: 1px solid black; height: 100%; width: 100%;"></div> |
| <p>29. How does the company evaluate its own performance? (i.e. <i>expected vs. actual results</i>?)</p>  |                          |                          | <div style="border: 1px solid black; height: 100%; width: 100%;"></div> |
| <p>30. How does the company assess the quality of its claims handling <i>policy(s)</i>? (e.g., does it use past results, employee feedback, arbitration decisions, consumer complaints, satisfaction surveys, etc.)</p> |                          |                          | <div style="border: 1px solid black; height: 100%; width: 100%;"></div> |

## **APPENDIX 2**

### **SUMMARY OF FINDINGS FROM RESPONSES TO THE QUESTIONNAIRE**

FSCO sent the risk-based market conduct assessment questionnaire to one hundred and seventy three automobile insurance companies in Ontario. Fifty companies who did not write automobile business in Ontario were excluded from the survey. The aggregate results for all companies who wrote automobile business are presented below under the headings used in the questionnaire.

#### ***Development of Policy***

FSCO found that most of the companies have documented their claims handling policies and procedures in manuals, memoranda, bulletins or various electronic formats. Nearly all of the companies have also reviewed policies and procedures for compliance with statutory requirements.

Some companies used committees composed of operational managers, senior managers and senior executive management to develop and approve any changes to the policies and procedures. The majority of companies approved their policies and procedures at the senior management level or higher.

Most of the companies with documented policies and procedures have conducted annual reviews and then made changes as necessary.

Although most companies had adequate documented policies, the on-site field reviews revealed deficiencies for some companies. For example, some companies had policies covering general claims handling procedures but the policies were not specific to the SABS. Other companies did not have documented policies requiring claims staff to be formally trained in handling SABS claims. Some companies did not have policies in place to require that changes in practice be made as a result of complaints or employee feedback. Where deficiencies were identified, FSCO staff recommended them to the companies for corrective action.

#### ***Content of Policy***

FSCO found that most of the companies have policies and procedures in place to sufficiently address SABS requirements. These include procedures confirming whether a claimant had accident benefits coverage, loss responsibility and fraudulent claims, and the timely provision of payments, mediation, arbitration, forms and information to claimants.

Most of the companies have established performance benchmarks to evaluate claims handling performance.

Most of the companies have documented procedures to protect personal information in accordance with the *Personal Information Protection and Electronic Documents Act* requirements.

Practices among the companies in the area of staff training and staff feedback varied. However, the majority have sufficient staff training policies and procedures to ensure staff handle SABS claims files in accordance with legislative requirements. All companies with documented policies and procedures have made them readily available to all claims staff.

### ***Other Controls, Monitoring and Management Reporting***

Most companies have controls, monitoring and management reporting in order to ensure compliance with SABS requirements.

Most of the companies have performance benchmarks to evaluate how efficiently claims were handled by claims staff. The performance benchmarks varied from company to company. The benchmarks complied with the SABS requirements as a minimum. A majority of the companies gathered statistical information on claims handling and then compared that data to the benchmarks.

Most companies also analyzed and reviewed outstanding claims. The companies looked at areas such as adjuster case load levels, the length of time SABS claims files were open, claims staff experience, claims staff turnover and overall claims staff performance.

Most companies had some process for reporting results to the senior management level or higher on an annual or more frequent basis. Corrective actions were taken by senior management if deficiencies were reported to them.

Although most companies had adequate controls, monitoring and management reporting systems, the on-site field reviews revealed some deficiencies. For example, some companies used benchmarks and statistical information that were not specific to SABS requirements. Other companies did not have computerized periodic payments systems or a process in place to review closed claims files. FSCO staff communicated these deficiencies to the companies for corrective action.

### ***Independent Review***

The majority of companies have some form of independent review for the claims handling process. The survey revealed that most companies used internal auditors or external consultants to perform the independent reviews. Most companies ensured that the results were reported to the senior management level or higher. Most of the companies have acted on or were in the process of implementing recommendations resulting from the independent reviews.

## *Outsourcing*

A majority of companies retained full claims file responsibility but outsourced some functions to third parties. The functions outsourced were usually for specific task assignments such as the initial meeting with claimants and the provision of forms and information. Most of the companies who outsource have contracts and monitoring procedures of some form to ensure adequate compliance with SABS claims handling by third parties.