



Financial Services Regulatory
Authority of Ontario

Terms of Reference: FSRA Rate Regulation Advisory Group

Name: Rate Regulation Advisory Group

Date: 27 February 2019

Mandate

The FSRA Rate Regulation Advisory Group (the Advisory Group) is a special purpose group being established to provide insurance industry insight on:

- FSRA's proposed approach to streamlining the auto insurance rate regulation filing process within the existing framework based on a principled approach; and
- Future mechanisms for consultation and collaboration with industry, along with consumers and other stakeholders, regarding auto insurance rate regulation, after FSRA has been launched.

Overview

On January 21, 2019 FSRA proposed its inaugural budget and priorities to enable its transformation to a forward-looking, flexible, self-funded, principles-based regulator capable of responding to the dynamic pace of change in the marketplace, industry and consumer expectations. The consultation document for the proposed 2019-20 FSRA priorities and budget identified streamlining the auto insurance rate regulation process as one of FSRA's proposed priorities for its first year of operation, and noted that FSRA proposed to consult with industry on its approach prior to launch.

The Advisory Group is being formed to facilitate consultation with industry on FSRA's approach to streamlining the existing auto insurance rate regulation process, including consultation on guiding principles FSRA uses as a basis for its approach and the detailed proposed changes to guidelines and processes FSRA develops based on those principles.

FSRA's proposed 2019-20 priorities also included enhancing stakeholder collaboration. FSRA plans to use the special purpose, ad hoc Advisory Group to, with a focus on auto insurance rate regulation, support its work to:

- define and implement mechanisms for stakeholder collaboration at different levels of the organization;
- seek opportunities to improve stakeholder relationships; and
- use technology to reach more stakeholders effectively and efficiently.

Representation

FSRA is seeking assistance from industry associations to ensure appropriate outreach and representation that reflects a breadth of executive perspectives regarding the current rate regulation process. In particular, FSRA is seeking representation with direct experience as decision makers in the current rate regulation process from different points of view, including:

- consumer focus and perspective;
- underwriting and product development;
- rate making (e.g. actuarial science and data analytics);
- rate setting (e.g. pricing decisions based on actuarial indications);
- marketing, consumer behaviour (e.g. rating and pricing decisions based on customer impact), and
- operations (e.g. strategy and business planning, implementation and technology)

FSRA will be represented on the Advisory Group by its Executive Vice President Auto/Insurance Products and Senior Leadership.

While the existence of the Advisory Group process will be public, FSRA will be treating Advisory Group input as privately expressed views and does not intend to publicly communicate or attribute the views expressed to it by the Advisory Group. However, Advisory Group members are advised that the Freedom of Information and Protection of Privacy Act, R.S.O. 1990, c.F.31, as amended, applies to information provided to FSRA by the Advisory Group members. An Advisory Group member should identify any information or any accompanying documentation supplied in confidence for which confidentiality is to be maintained by FSRA. The confidentiality of such information will be maintained by FSRA, except as otherwise required by law or by order of a court or tribunal. The Advisory Group is permitted to communicate its views to its industry as it feels is most appropriate.

The Advisory Group will have a maximum of 12 members, to allow for dialogue and discussion. The following industry associations are being invited to participate in the Advisory Group:

- Canadian Association of Direct Relationship Insurers
- Canadian Institute of Actuaries
- Insurance Bureau of Canada
- Ontario Mutual Insurance Association

Frequency, Duration and Deliverables

The Advisory Group will be invited to participate in at least three meetings with FSRA:

- 1) Late March: After consultation period on FSRA's priorities has closed, FSRA will meet with the Advisory Group to review any changes in its priorities based on feedback received and seek input on proposed guiding principles, including identified priorities, for streamlining rate regulation.

- 2) April: FSRA will meet with the Advisory Group to seek input on proposed changes to rate regulation guidelines and processes developed based on the guiding principles, including changes to be effective at FSRA launch.
- 3) June: After FSRA launches, it will meet with the Advisory Group to seek input on future mechanisms for stakeholder collaboration related to rate regulation.

It is anticipated that the Advisory Group will conclude its work after the third meeting, but it may be asked for further input by FSRA as required.

Core Responsibilities

Specific responsibilities of the Advisory Group in providing advice and feedback to FSRA include, but are not limited to:

- Determining its own internal membership, governance (e.g., Chair; spokespersons) and industry liaison processes;
 - Attending meetings with FSRA staff and reviewing background material in preparation for meetings;
 - Using its best efforts to develop an industry consensus and express representative industry views to FSRA; and
 - Providing feedback to FSRA on the functioning of the Advisory Group to facilitate continuous improvement in stakeholder consultation and collaboration.
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