



29 October 2021

Mr. Mark White
CEO
Financial Services Regulatory Authority of Ontario (FSRA)
25 Sheppard Avenue West, Suite 100
Toronto, ON, M2N 6S6

Via: <https://www.fsrao.ca/engagement-and-consultations/consultation-proposed-2022-2023-statement-priorities>

Dear Mr. White,

Re: 2021-16: FSRA Proposed 2022-2023 Statement of Priorities and Financial Plan

INTRODUCTION

The Canadian Association of Direct Relationship Insurers (CADRI) is the voice of insurance enterprises that offer automobile, home and commercial insurance directly to Canadians. We advocate for flexible and evolving regulatory and legislative frameworks governing automobile, property and commercial insurance to enable product and service innovation so that Canadians can easily choose insurance that serves their needs through the delivery channels of their choice.

CADRI is pleased to review and comment on FSRA's *Proposed 2022 - 2023 Statement of Priorities and Financial Plan*. We welcome FSRA's progress towards creating a modern, principle-based framework for Ontario drivers and the insurers that offer them auto insurance.

Overview

The COVID-19 pandemic continues to influence the way our members do business. All but the most essential employees continue to work remotely, and many employees may only return to the office for a few days each week, starting next year. This evolving operating environment underlines the need for streamlined, efficient regulatory processes which are adaptive – whether in response to innovation or unforeseen global circumstances.

CADRI supports FSRA's intention to operationalize principle-based regulation and that its new and updated priorities reflect an enhanced focus protecting consumers. Customer service drives CADRI members' own business plans.

In addition, CADRI supports FSRA's commitment to promote a national dialogue on a harmonized approach to regulation. FSRA's leadership at pan-Canadian regulatory groups such as the Canadian Auto Insurance Rate Regulators Association (CARR), Canadian Council of Insurance Regulators (CCIR), and the Canadian Insurance Services Regulatory Organizations (CISRO) is well respected. CADRI supports FSRA continuing this level of leadership nationally. Championing for harmonized, principle-based and consumer outcome-focused regulatory approaches at interjurisdictional fora, such as CARR, CCIR and CISRO, will help insurers and regulators adapt to changing situations and provide superior service to customers and citizens.

Turning our attention to the *Proposed 2022-2023 Statement of Priorities*, CADRI generally supports FSRA's cross-sectoral priorities to:

- strengthen consumer focus,
- enable innovation, and
- modernize systems and processes.

Specifically, we will focus our comments on priorities directed to Property and Casualty (Auto) Insurance. Our input to FSRA's Innovation Framework will be addressed through a separate process with comments due 18 November 2021.

SECTOR-SPECIFIC: PROPERTY AND CASUALTY (AUTO) INSURANCE

4.1 Implement a new strategy for reforming the regulation of auto insurance rates and underwriting

CADRI members are large national companies with strong internal policies and procedures to ensure regulatory compliance and enhance their corporate reputations. Our members' rating systems are complex and seek to best reflect their customers' risk and experience.

In addition to the steps outlined in its *Statement of Priorities*, CADRI encourages FSRA to embrace a new perspective on the regulation of rating criteria with the goal of being less prescriptive on a variety of factors including modernizing territory-rating frameworks, using credit information, and reforming Regulation 664. These are topics CADRI would be pleased to discuss with FSRA directly.

On the matter of take all comers, as we observed in our June 2020 response to the *2020-4: Request for Comment – Auto Insurance Take-All-Comers Rule*, CADRI members are of the view that if there are issues with the application of the *Take-All-Comers* rule, they are reflective of an overall regulatory framework that is unnecessarily restrictive and does not promote a truly competitive market. Ontario is only one of three jurisdictions in North America that have a *Take-All-Comers* rule. CADRI believes that moving to a principle-based, outcome-focused regulatory environment would best serve consumers and eliminate the need for the current rule by creating a more competitive environment.

4.2 Develop recommendations and act on reforms of the auto insurance system

CADRI and its members participated in many of the auto insurance reform consultations led by the Ministry of Finance including one expanding FSRA's exemptive authority to facilitate test-and-learn or regulatory sandboxes. We continue to believe that FSRA brings valuable insight and expertise to reform exercises and encourage FSRA to proactively advise the Ministry. CADRI would welcome and support moves by the Ministry to expand FSRA's rule-making authority and shape a new auto insurance system that benefits Ontario drivers.

4.3 Ensure fair treatment of P&C/auto consumers

CADRI appreciates FSRA taking an outcomes-focused approach to monitoring conduct. We strongly support a principle-based approach to enable insurers to flexibly manage risk and meet consumers' needs.

4.4 Implement insurance prudential supervision

CADRI's members' input on these issues will be communicated directly or through other stakeholder groups.

PROPOSED FINANCIAL PLAN

As we have expressed previously, the effectiveness and efficiency of FSRA's Market Conduct and Licensing group directly and immediately impacts CADRI members' abilities to ensure an excellent customer experience. CADRI members appreciate recent efforts by FSRA to increase the number of people in the Licensing branch while planning to overhaul its digital platform is in early stages. We have also offered to work with Licensing to provide advice as to how to streamline existing processes.

CONCLUSION

CADRI appreciates the opportunity to review FSRA's *Proposed 2022-2023 Statement of Priorities and Financial Plan*.

Overall, we support FSRA's general intentions to increase transparency for consumers and efficiency for both the regulator and industry. Specifically, we will continue to emphasize that a transformation of auto insurance is necessary and that a less-prescriptive, outcome-driven system will bring more benefits to the consumer by creating a more competitive and responsive marketplace.

Yours sincerely,



Geoffrey Beechey
Chairman and CEO, CADRI

cc:

CADRI Board of Directors

CADRI Licensing Task Force

CADRI Market Conduct Task Force

CADRI Ontario Committee

CADRI Risk Classification Task Force

Tim Bzowey, EVP, Auto/Insurance Products, FSRA

Huston Loke, EVP, Market Conduct & Licensing, FSRA

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