

# **FSRA 2022-2023 Priorities and Budget**

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Mark White  
Chief Executive Officer  
Financial Services Regulatory Authority of Ontario  
25 Sheppard Avenue West, Suite 100  
Toronto, Ontario M2N 6S6  
[mark.white@fsrao.ca](mailto:mark.white@fsrao.ca)



## Introduction

The Co-operators Group Limited (“The Co-operators”) is a leading Canadian, diversified, integrated, multi-line insurance and financial services organization. As a co-operative, our 46 members include co-operatives and credit union centrals representing a combined membership of millions of Canadians.

Our footprint in Ontario is strong: we insure approximately 704,000 private passenger vehicles, 363,200 homes, 10,200 farms and 45,000 businesses, and employ over 3,700 staff. The insurance and financial products and services provided by The Co-operators are delivered primarily through our independently contracted but exclusive financial advisor channel. We have independent distribution contracts with 250 financial advisors in the province, who operate agencies in 310 locations. In turn, these independent financial advisors hire their own office staff and employ or independently contract with over 1,028 associate insurance and financial advisors.

We are proud to provide insurance and financial services to more than two million Canadians. We are even prouder that we provide financial security to Canadians in their communities while staying true to our co-operative values.

We appreciate the opportunity to provide feedback on FSRA’s draft 2022-23 priorities and budget.

## Cross-Sectoral Priorities

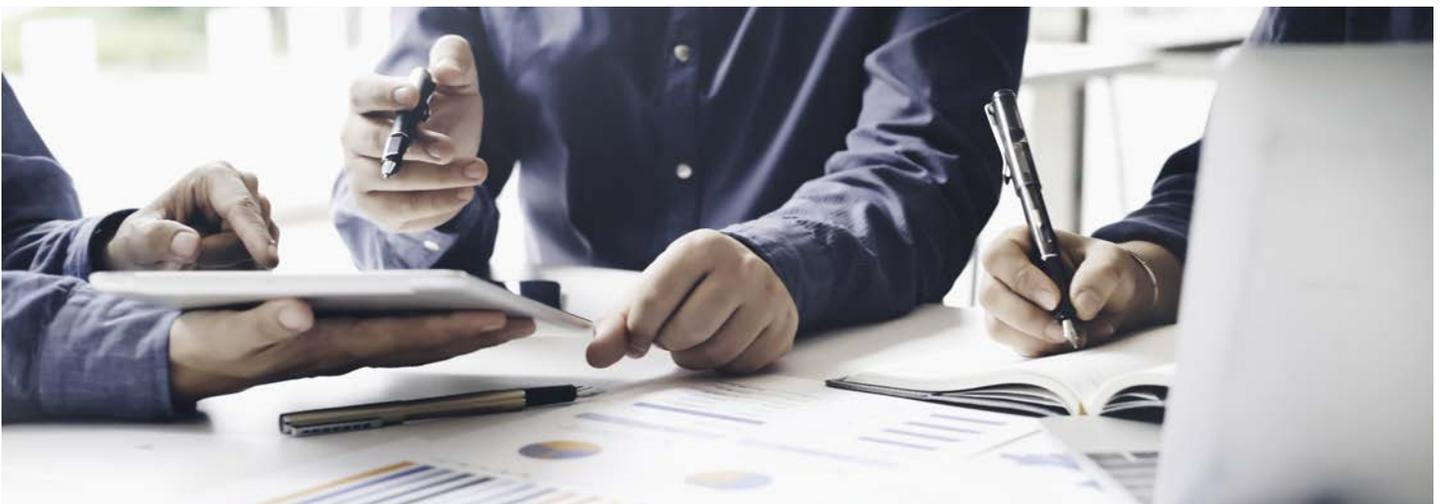
We commend FSRA for the work that has gone into developing the 2022-23 proposed priorities. The past year and a half have presented unique and pressing challenges for FSRA, the industry and all Ontarians, and we have collectively worked to ease financial pressures through immediate relief measures and longer-term discounts and refunds. With a forward-looking view, we can continue to improve the financial services system, including the auto insurance system, to best serve Ontario clients.

We support FSRA's three identified cross-sectoral priorities: strengthen consumer focus, enable innovation and modernize systems and processes.

**Delays in the processing of new licence applications and the renewals of licences are a serious challenge**, impacting our agents' ability to work with clients. Given the ultimate client impact, we are pleased to see FSRA's focus on modernizing its systems and processes, with a key deliverable of improving turnaround time for licensing processes. Improving the licensing process and modernizing other key systems such as ARCTICS will enable us to best serve our clients.

Within the cross-sectoral priorities, we are **concerned to see the removal of the priority to transition to principles-based regulation** and would appreciate an explanation of why it has not been an included priority for 2022-23. Given the work FSRA has underway—including the development of the new Unfair or Deceptive Acts or Practices (UDAP) rule—and your commitment to flexibility and innovation to support consumer protection, we firmly believe an ongoing commitment to transition to principles-based regulation with associated outcomes and deliverables is necessary to achieve an effective transition and maintain collaboration with industry on this fundamental shift in regulatory approach.

To facilitate continued partnership and collaboration, in line with FSRA's *engagement strategy that proactively engages sector participants*, we would appreciate a **detailed roadmap of the milestones and key deliverables linked to individual cross-sectoral and below-mentioned sector priorities**. This will help to plan out our approach to consultations and any necessary change management.



## Property and Casualty (Auto) Priorities

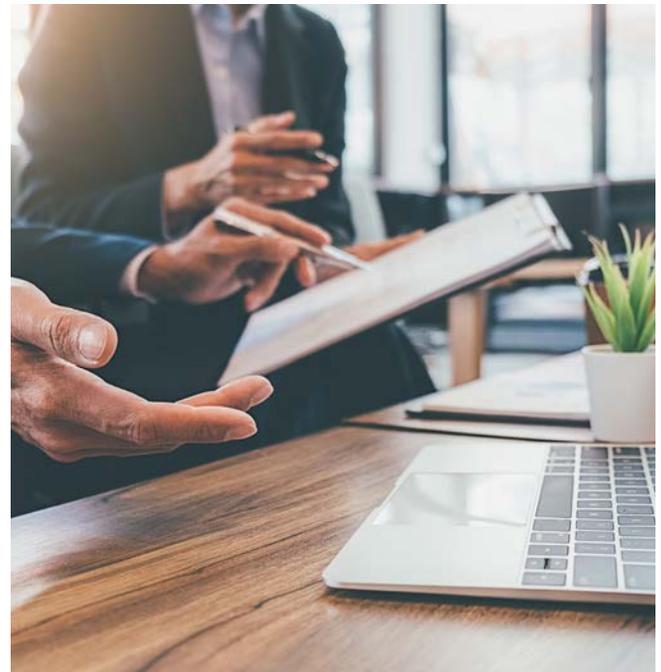
With respect to the specific property and casualty sector priorities, we recognize FSRA's overarching priority to improve the auto insurance system. This is an important objective that will enable insurers to best serve our clients, and we look forward to continuing to work in collaboration to achieve the key outcomes and deliverables.

We recognize the impact COVID-19 has had on all Ontarians and have worked to help mitigate financial challenges by offering relief on auto insurance premiums. Within the economic outlook section of the statement of priorities, FSRA has acknowledged the work of The Co-operators and the industry as a whole in providing rate rebates and discounts and recognized the reduction in the number of collision and claims during the pandemic. We support FSRA's role in broadening both consumer awareness and education by explaining how profits are assessed, how short-term changes impact prices (e.g. COVID-19, major events, etc.) and the fundamentals of rate level setting, which includes setting prices that align with the expected costs of the current product model.



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

We are pleased to have worked with FSRA on positive transformation of the regulation of auto insurance rates and underwriting, and have observed progress in the form of reduced rate filing review times, the file-and-use approach for standard filings with an associated service standard, and the introduction of emergency filings to allow us to offer pandemic-related relief measures to our clients. In our submission last year, we recommended adding a priority to transform auto insurance rate regulation and are glad to see the regulation of auto insurance rates and underwriting identified in this year's priorities document. Increasing competition can be driven by transforming the rate regulation process, enabling insurers to bring changes to market quicker through less regulatory red tape. This is key to FSRA's focus on regulatory effectiveness and efficiency to better serve Ontario drivers.



We would be interested to learn more about the proposed new strategy identified within this priority and better understand its direction, anticipated approach and opportunity for insurer collaboration. As part of this strategy, and in line with FSRA's principles-based regulatory approach, a key deliverable of this strategy should be the **transformation of Regulation 664 into a FSRA rule**, which will allow for greater innovation, allowing insurers to develop new client-focused changes and bring them to the market quickly, benefiting consumers. There is also opportunity for further action to improve regulatory transparency, improve the benchmark review process and extend the standard filing to commercial and recreational vehicles.

**Moreover, we continue to strongly recommend FSRA rescind the territory rating bulletin.**

We support a risk-based approach to rating and recommend allowing insurers to segment using a number and distribution of territories that better aligns rates with risk. As FSRA has the unilateral ability to rescind this bulletin, we believe this should be prioritized and completed as soon as possible outside of any new strategy.

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

In 2022-23 and beyond, FSRA will have an important role in supporting the implementation of legislative changes to reform auto insurance regulation and providing expert advice to government on key trends and opportunities to improve regulatory effectiveness, efficiency and outcomes for consumers.

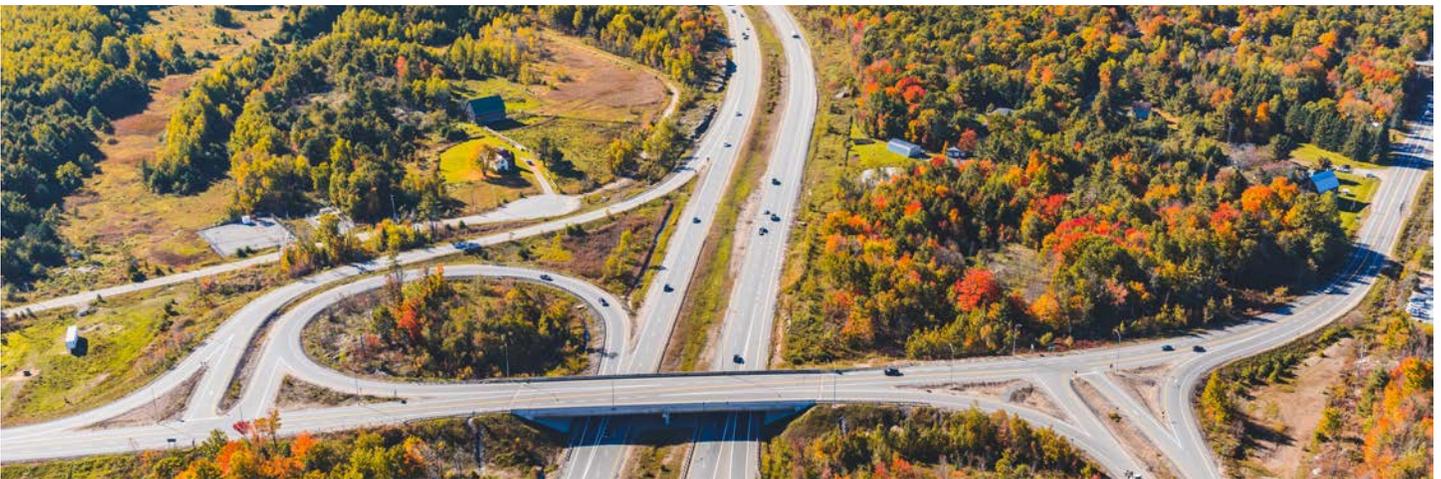
We have been pleased to partner with the Ministry of Finance and FSRA in the ongoing development of a **fraud and abuse strategy**. It was our hope this strategy would evolve at the necessary pace to quickly address the ongoing fraud and abuse within the system, so we would appreciate the opportunity to meet with FSRA to learn more about the status of your fraud strategy and details on your prioritization framework. We note there has been minimal apparent action and outcomes on fraud complaints brought forward by insurers and would also appreciate a clear outline on what FSRA sees as your role in curtailing fraud and abuse within the sector and what investigatory and enforcement powers you have as it relates to auto insurance claims and policy fraud.

Moreover, in the past year, we have experienced a concerning increase in the number and severity of client and service provider threats against our offices and staff. Protecting our staff and agents is of paramount importance, and we believe this growing trend warrants discussion on tools for insurers to address violent threats and intimidation. We remain committed to working together to address the prevalence of fraud, abuse and violence throughout the system to better protect our clients and staff and sustainably reduce system costs that drive up auto insurance premiums.

We are also pleased to see the inclusion of the improvement of the **Health Claims for Auto Insurance (HCAI) system** as a key deliverable. This is a priority for the industry and something The Co-operators has been actively working towards, and we remain committed to working with FSRA on the implementation of an HCAI strategy.

As part of this priority, we are disappointed to see that a number of key priorities related to more **comprehensive auto insurance reform**, including drivers' ability to allow insurers to consider their credit history, which was committed to in the government's 2019 budget, have not been addressed. Credit score is an indicator that is predictive of risk, and its use in other jurisdictions improves insurers' segmentation, allowing insurers to allocate costs more fairly through premiums that are commensurate with risk and therefore reduce rate subsidization. However, within FSRA's purview, the most current version of the draft UDAP rule strengthens the prohibition on the use of credit score/credit information, which stands in contrast to the government's outlined direction.

**Therefore, we strongly recommend FSRA make it a priority to work with the Ministry of Finance to implement this budget commitment as soon as possible to allow for greater consumer choice.**



### 4.3 Ensure the fair treatment of P&C/auto consumers

Protecting P&C consumers, and auto insurance consumers specifically, and ensuring their fair treatment, is an integral aspect of FSRA's role, and we support the concept of this priority.

Given the importance of the fair treatment of consumers, we suggest the key deliverables and planned outcomes for this priority should be further built out so consumers and industry have a better understanding of FSRA's intended work within this priority area and what potential changes may be under development.

Noting FSRA's ongoing work on the take all comers thematic review, we believe it's important to consider any conclusions through the context of the parallel work on the fraud and abuse strategy to ensure accessibility for consumers while also protecting them from the financial impact of fraud. In complying with the take all comers rule, insurers must be able to conduct necessary due diligence—including verification of information disclosed as part of the process—to identify and address fraud to the benefit of all clients.

Finally, to achieve comprehensive fair treatment of consumers, we believe a clear focus on affordability through mechanisms including product design and reform, as detailed below, must be incorporated into FSRA's priorities.



## Additional considerations

### Comprehensive auto insurance reform

We strongly believe FSRA must serve as the preeminent auto insurance expert and advocate to the government, providing recommendations on reform that will increase innovation and competition to benefit consumers. **Comprehensive reform, including product reform and regulatory reform, remains a pressing need**, and we urge FSRA to maintain a commitment to transformative auto insurance reforms within its 2022-23 priorities.

The anticipated establishment of an auto insurance product technical advisory committee will be an important step in the path to reform. We recommend that for this technical advisory committee, and all of FSRA's stakeholder and technical advisory committees, there must be a focus on alignment with guiding principles to achieve effective collaboration, terms of reference must be clear, and meeting materials should be distributed earlier to allow for sufficient internal collaboration and feedback prior to the committee meeting. Consideration must also be given to how a committee intersects with and drives FSRA's identified priorities; for example, the FSRA Forward concept was presented for the first time to the Data & Analytics Technical Advisory Committee, but the full context was not provided, and committee members did not see the clear connection to their committee's mandate.

**We remain committed to working with both FSRA and the government to achieve reform that will provide affordability, security and choice for drivers.**

## UDAP rule

Since its establishment, FSRA has undertaken important work to reduce regulatory burden by reviewing and consolidating existing guidance. We welcome efforts to transform existing regulation into principles-based rules and have been pleased to contribute to the development of the UDAP rule.

In the initial plan for the UDAP transformation, it was indicated this would be a two-stage process, with the second stage being a full transformation to a principles-based rule. We recognize FSRA has amended the existing regulation, but we still **firmly believe the second-stage review to transition from a prescriptive approach to a principles-based approach is necessary**. There does not appear to be anything within the 2022-2023 priorities that suggests this ongoing work is a priority. We recommend this priority be added to address outstanding concerns within UDAP that restrict innovation, including prohibited conduct in auto insurance quotations, applications or renewals, claims practices and misrepresentation.



## Auto insurance data and analytics strategy

The 2021-22 priority of *develop a comprehensive auto insurance data and analytics strategy* has not been carried over into the 2022-23 priorities. We acknowledge the effort placed on this strategy in 2021, however, as important research and discussions continue within the Data & Analytics Technical Advisory Committee—which suggests implementation of solutions should not be expected until late in 2022 or early 2023—we **do not believe this should be removed as a top priority and urge it should be included in this year's priority document**.

## Credit Union Priorities

### 5.1 Implement the new credit union legislative framework

We support the passage of the *Credit Unions and Caisses Populaires Act, 2020*, allowing credit unions to sell insurance within branches and on their websites. As a co-operative financial services organization with credit union central members, we welcome changes that allow consumers greater access and more choice.

We look forward to continuing to work closely with the Ministry of Finance and FSRA to develop regulations, rules and guidance for the new legislation. We are focused on ensuring greater choice for consumers, the fair treatment of consumers and a level playing field for all industry and credit union stakeholders.



# Financial Planners & Financial Advisors Priorities

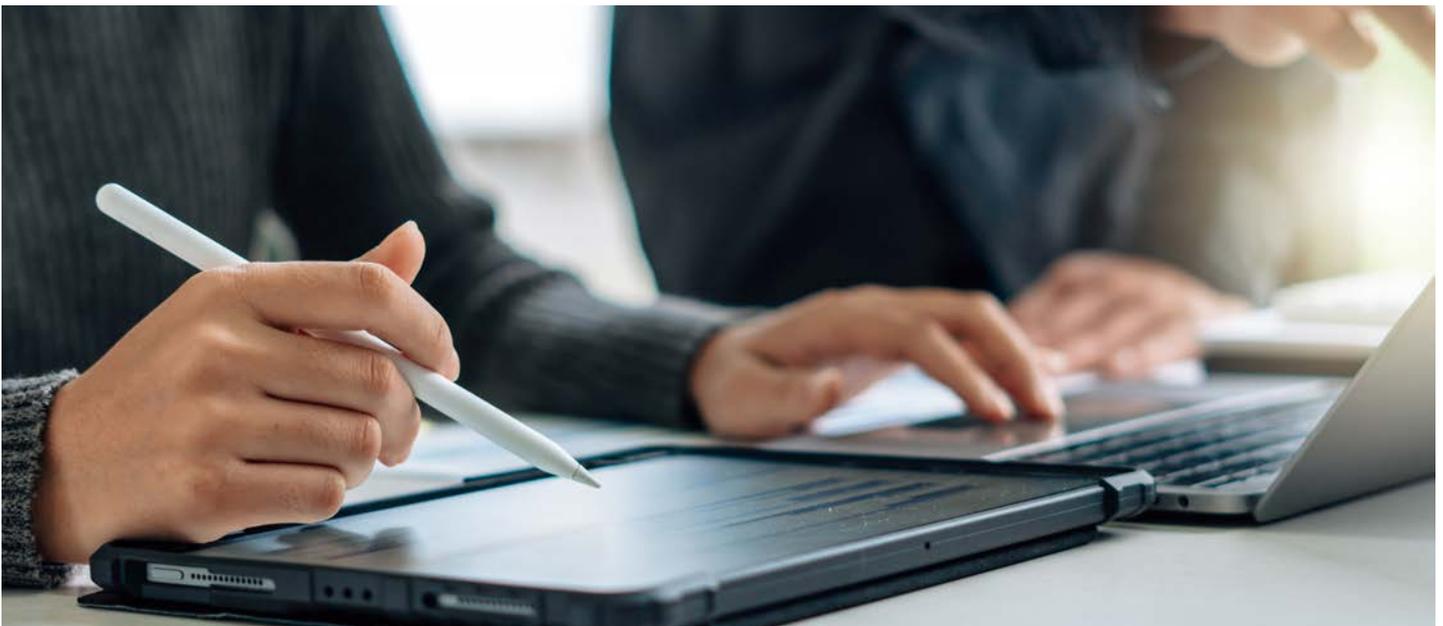
## 9.1 Operationalize the title protection framework for financial planners/financial advisors

Over the last two years, we have been pleased to work closely with FSRA and the Ministry of Finance in the development of the title protection framework for financial planners and financial advisors. We commend the work FSRA has dedicated to protecting consumers through this title protection framework and appreciate that many of our recommendations have been incorporated within the draft rules.

As we have shared in numerous submissions, the sale of life insurance products is already highly regulated in Ontario, and our exclusive financial advisor channel is required to be properly licensed to sell insurance products. We strongly recommend **licensed life insurance agents should be exempt from being required to obtain additional credentials in order to use the title of financial advisor**. If insurance professionals are not recognized as financial advisors under the new framework, Ontario consumers will experience an immediate negative impact, with the potential that their long-time trusted financial experts are no longer able to serve them. We know this is not the intent of the new framework, and therefore urge FSRA to undertake a collaborative approach with the industry to ensure insurance professionals are appropriately credentialed in accordance with their experience, expertise, proficiency and accountability. We request your prompt response and follow up on this issue.

## Budget

We have reviewed the key budget changes and property and casualty financial plan, and are pleased to see FSRA is removing subsidies from the auto sector this year. We look forward to the final steps in this process.





## Concluding Remarks

We appreciate the opportunity to provide feedback on FSRA's draft priorities and look forward to further discussions as you pursue the stated deliverables and outcomes. As a co-operative insurance and financial services organization, we believe we bring a unique perspective to public policy consultations.

If you have any questions or require clarification, please do not hesitate to contact our Associate Vice-President of Government Relations, Maya Milardovic, at [maya.milardovic@cooperators.ca](mailto:maya.milardovic@cooperators.ca).

**Lisa Guglietti**

Executive Vice-President, Chief Operating Officer, P&C Manufacturing  
The Co-operators Group Ltd.