

October 9, 2024

Financial Services Regulatory Authority of Ontario (FSRA)
25 Sheppard Avenue West
Suite 100
Toronto, ON M2N 6S6
Via email: contactcentre@fsrao.ca

Re: Fraud Reporting Services Proposed Rule and Guidance Consultation

Équité Association (“Équité”) acknowledges FSRA as the first provincial insurance regulator to create a Fraud Reporting Service (FRS). We support FSRA’s efforts to combat automobile insurance fraud which impacts honest hardworking Canadians. As a not-for-profit working to eradicate insurance crime on behalf of the Canadian property and casualty (P&C) insurance industry, Équité welcomes the opportunity to participate in the consultation for the proposed Rule and Guidance of the FRS.

The recommendations within this submission support consistent reporting of fraud and compliance with the FRS for the benefit of all automobile insurance stakeholders. The below proposed suggestions have been carefully considered to enrich the outcomes of the FRS’s important Phase I purposes and also provide insurers with the tools needed to reduce fraud.

Équité looks forward to the opportunity to partner with FSRA and make significant strides against automobile fraud in Ontario.

PURPOSE AND USE

Recommendation 1: Support the FRS purposes through Équité Association’s expertise in data collection, advanced analytics, and proven track-record of fraud detection.

FSRA has identified that the FRS will be implemented for the following purposes:

1. Better determine the amount of auto insurance fraud in the province;
2. Identify and address fraud trends; and
3. Establish a baseline for fraud detection and reduce fraud in the future.

Équité Association is well-suited to support the Rule and Guidance. Équité Association holds existing demonstrable expertise in fraud detection, data collection, and advanced analytics.

Équité Association holds the capabilities to support FSRA during both phases of the FRS. We propose that FSRA leverage Équité’s existing data collection and fraud detection expertise to enable further fraud detection in Ontario. As a partner to FSRA, Équité can provide advanced insights into fraud

trends and detection. Équité's ability to provide early aggregated data results would assist FSRA in the purpose of determining the amount of auto insurance fraud in the province while also providing FSRA with trend analysis.

| <i>Purpose</i> | <i>Collection</i> | <i>Équité's Capabilities for Data Use</i> |
|--|--|--|
| Identify and Address Fraud Trends | 1. Aggregate data of identified fraud categories such as underwriting fraud, claims fraud, service provider fraud, selling and distribution of insurance products fraud, and fraud perpetuated by internal employees | 1. Équité can provide FSRA with the prevalence of fraud within the industry 2. Équité can provide FSRA with fraud trends that have the greatest impact on the industry 3. Équité can provide FSRA with distribution-ready materials and resources for industry and consumer awareness. |
| Establish a baseline for fraud detection and reduce fraud in the future. | 1. Aggregate data of identified fraud categories such as underwriting fraud, claims fraud, service provider fraud, selling and distribution of insurance products fraud, and fraud perpetuated by internal employees | 1. Équité is able to alert insurers to bad actors within the industry for investigation at the organizational level; and increase referrals to FSRA for additional enforcement. |

Recommendation 2: Support the reduction of fraud by complementing the existing Take-All-Comers Rule with an Adverse Contractual Actions Regulation.

Locking fraud out of the system is the most effective way to combat it and protect honest hardworking Canadians. Consumer confidence in automobile insurance can be enhanced by ensuring that premiums are used to fund the legitimate claims for which automobile insurance was designed.

Équité aligns with FSRA in the need to combat fraud as a crucial consumer protection. Identification and quantification of fraud is an important first step. Unfortunately, fraud will persist if insurers are unable to take action against confirmed fraud. While regulatory, criminal, and civil remedies may be available to insurers, they are often not timely or cost-efficient solutions to the problem of fraud.

Équité asks FSRA to consider the adoption of an Adverse Contractual Action Regulation ("ACAR") to complement FSRA's existing Take-All-Comers rule. We propose that TAC continue to be maintained

and enforced as intended, while also enhancing consumer protection by empowering insurers with ACAR exceptions strictly for limited cases of fraud. Such exceptions would permit insurers to cancel a contract or refuse to issue / renew a contract in limited fraudulent cases.

TAC would continue to protect the rights and interests of automobile insurance consumers and contribute to public confidence while ACAR would also deter deceptive or fraudulent conduct. This would allow insurers to impact automobile insurance fraud at the organizational level and enhance consumer confidence in the industry by ensuring premiums are being used for the funding of legitimate claims.

We sincerely thank the FSRA for taking the time to review this letter and welcome all opportunities for further consultations.

Yours sincerely,

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About Équité Association

As a not-for-profit, national organization, Équité Association supports Canadian insurers to fight fraud by using advanced analytics, intelligence best practices, and coordinated investigations. By leveraging relationships with law enforcement, partners and industry organizations, Équité delivers improved service and fraud analytics for vehicle, property, and cargo recovery. Équité also serves as a centre point for insurance crime across all property and casualty insurers. While keenly focused on eradicating insurance fraud and crime, Équité is invested in diminishing organized crime in Canada and protecting all Canadians against exploitation.