



October 15, 2024

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

Re: Consultation on Proposed Fraud Reporting Service Rule and Guidance

Definity welcomes FSRA's support in helping auto insurers prevent, detect, and deter fraud. By insurers and FSRA collaborating, we can enhance our collective fraud fighting efforts. However, the fraud reporting service is missing key features for evaluating its effectiveness and might be a more expensive proposition than necessary for a regulator trying to help fight fraud. To address these issues, we recommend that FSRA establish a technical advisory committee of insurer fraud, claims, and analytics executives who can work with FSRA officials to design a fraud strategy that in a cost-effective way, accomplishes the objectives of preventing, detecting, and deterring fraud.

The insurance industry has been leading the fight against fraud so that legitimate customers can obtain affordable auto insurance quickly. Individually, insurers like Definity have developed analytical models to assess fraud risk and invested in special investigations units to examine suspicious policies or claims. Collectively, we contribute to Équité, the industry-wide organization that uses advanced analytics, intelligence best practices, and coordinated investigations to address fraud in the market. A supportive regulator like FSRA can help take the industry's efforts to the next level.

As described in FSRA's draft rule and guidance, the fraud reporting service is missing the key features needed to determine if it will enhance the industry's fraud fighting efforts. Building a portal to submit policy- and claims-level fraud data to FSRA will require a carrier technology investment exceeding \$1M. Such a project consists of automating regular reports from several internal systems, including, but not limited to policy administration, claims, broker management, and the contact centre, for a sole case of fraud. The scope of such a project can be an insurer's largest annual enterprise-wide project. That represents resources that insurers must divert from other initiatives that could help fight fraud or improve the customer experience by streamlining the claims process or enhancing digital interfaces. We also expect that FSRA will incur significant costs to build a portal to accept, aggregate, and analyze insurer data, and then integrate the data in different formats from different insurers. Our customers expect us as well as the government and regulator to invest resources in projects that make insurance better for them.

With the only defined objectives for the fraud reporting service being about quantifying fraud and identifying trends, it will not generate a return in the fight against fraud. We note that in the future, FSRA will share the collected data with insurers to help assess and detect fraud. That might generate a return but, without details about how FSRA will share the data and the timeline associated with this future use case of the fraud reporting service, we cannot assess when and to what degree the investment of our customers' premium dollars will enhance our efforts to prevent, detect, and deter fraud. In addition, by not recognizing the industry's investment in Équité, which is starting to collect much of the same fraud data that FSRA wants to collect with the fraud reporting service, FSRA might be bypassing a cost-effective way of accessing the data for achieving its immediate objectives of measuring fraud as well as supporting the future use case.

FSRA's consultation approach with technical advisory committees has been effective at navigating complex business and public policy matters and producing risk-based and proportionate regulatory responses. The fraud reporting service's complexity warrants the same approach. We recommend establishing a technical advisory committee of insurer fraud, claims, and analytics executives to support FSRA's fraud strategy. The technical advisory committee could discuss ways of improving the fraud reporting service as well as identify other initiatives that FSRA can undertake to complement insurers' fraud fighting efforts. Definity would welcome the opportunity to participate.

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We hope FSRA finds these comments helpful as it advances its fraud strategy. If we can be of further assistance, please do not hesitate to contact me directly or to contact Ryan Stein, AVP of Regulatory and Industry Affairs at ryan.stein@definity.com or Laura Asta, Director of Government Affairs at laura.asta@definity.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stuart Oliver".

Stuart Oliver
Vice-President, Enterprise Fraud & Special Investigations Unit

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