



October 15, 2024

Financial Services Regulatory Authority of Ontario  
Auto Insurance Sector  
25 Sheppard Avenue West, Suite 100  
Toronto, ON M2N 6S6

Dear Sir / Madame:

**Subject: Consultation on Proposed Fraud Reporting Service Rule and Guidance**

TD Insurance ("TDI") appreciates the opportunity to respond to the current Consultation on Proposed Fraud Reporting Service Rule and Guidance initiated by Ontario's Financial Services Regulator ("FSRA") with stakeholders on future statutory fraud reporting requirements.

TDI overall supports FSRA's outcomes to reduce the costs to consumers & industry borne as a result of fraud.

**Data and Privacy Concerns**

TDI is always committed to ensuring compliance and transparency and we fully understand the importance of data in fighting fraud. Since much of our industry already provides fulsome data to Equite we suggest that FSRA consider leveraging this already established route to avoid duplication of effort.

Consumers trust insurers with sensitive information, and any regulation mandating the sharing of such data must ensure robust protections are in place. It would be appreciated that FSRA share with the Insurance Industry the security measures it will implement to safeguard; and furthermore to protect, any insurer from the release of personal information and to prevent identity theft and other privacy concerns. We also suggest that FSRA provide limited liability protections to insurers for any cybersecurity data breaches.

**Key Concerns & Recommendations**

TDI is committed to working with all stakeholders to effectively tackle fraud within the auto insurance sector. The phase one strategy of data collection is a significant step in building a Fraud Prevention Strategy, however it needs to be combined with other tools and resources to be effective. An over-reliance on quantitative metrics, that do not accurately capture the nuances of fraudulent activity, may therefore miss context and intent.

We recommend that FSRA first provide guidance to mandate that all auto insurers in the province design and implement a robust fraud framework to include policies and procedures, monitoring,

audits and governance for their respective book of business. Furthermore, FSRA should then inquire with all auto insurers about what their respective experiences were with law enforcement regarding the actioning of white-collar insurance fraud matters including whether fraud charges ever laid, convictions and whether the sentencing judge order restitution.

### *Clarity and Ambiguity*

One of our primary concerns is the use of the term "fraud event" and how its proposed definition may lead to inconsistent interpretations within the industry. Specifically, the words *reasonable grounds for the insurer to believe that a fraud event has occurred or is likely to occur*.

We recommend that the words *likely to occur* be removed from the definition of fraud event. We suggest that only fraud events where there is confirmed evidence of fraud be reported to FSRA as this will provide a clearer picture of the actual fraud trends impacting the industry and expose the bad actors who bolster auto fraud.

### **Recommendations**

We advocate for a collaborative approach that emphasizes information sharing among industry stakeholders (i.e. insurers/law enforcement) and regulatory bodies. Engaging in partnerships to share best practices, insights and trends could lead to more effective fraud prevention strategies without compromising operational integrity.

In addition, insurers need to have the tools to allow them to act on the information developed during the course of an investigation. We recommend that FSRA confirm that insurers have the right to cancel or refuse to renew a policy under appropriate circumstances including:

- providing false information on the approved application form
- making any misrepresentation in the information provided for the purposes of obtaining, updating, or renewing an automobile insurance policy, including on the application form;
- a history of fraudulent activity in relation to an automobile insurance policy and the most recent instance of such an activity occurred less than 7 years before the day of the request to obtain, update or renew an automobile insurance policy.

There is also a noticeable lack of resources allocated to investigating and prosecuting insurance fraud cases. This underfunding hampers the ability of law enforcement and regulatory bodies to effectively combat fraud, allowing dishonest practices to proliferate.

Fraudsters are becoming increasingly sophisticated in their tactics, yet our legal framework remains stagnant. Laws must evolve to address new methods of fraud and provide clear guidelines for insurers on how to identify and report suspicious activities.

**Conclusion**

We appreciate your dedication to addressing fraud in the auto insurance industry and acknowledge the challenges that come with it. We are committed to work with FSRA and other relevant stakeholders to promote collaboration and efficiency to properly prevent and detect insurance fraud, while maintaining consumer protection.

Thank you for your attention to our concerns.

Yours truly,

TD Insurance