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

Re: Proposed Guidance: Chapter 4 – Automobile Insurance Filing Guidance

Thank you for providing Insurance Bureau of Canada (IBC) with the opportunity to comment on FSRA's proposed Chapter 4 of its Automobile Insurance Rating and Underwriting Supervision Guidance (guidance document). IBC continues to support FSRA's overall goal of introducing a more streamlined rate filing framework. The proposed fast-tracked framework whereby insurers could implement rating changes in a single business day would be a substantial improvement on the current Major or Simplified guidelines.

The guidance document makes reference to insurers adhering to an accompanying Filing Manual in order to qualify for the fast-tracked framework or make rate filings. Unfortunately, this Filing Manual has not been publicly released for comment. The overall success or failure of FSRA's fast-tracked framework will depend on the criteria contained in the Filing Manual for insurers that wish to apply for Accreditation and for when insurers may use the fast-tracked framework.

Last year, FSRA shared its preliminary criteria with its Technical Advisory Committee for Auto Rates and Underwriting Regulation Reform (TAC). While those details remain confidential, IBC is broadly supportive of the criteria proposed during the meeting. We recommend that FSRA maintain the criteria proposed during the last TAC meeting, and that industry be publicly consulted on the contents of the Filing Manual prior to its implementation.

Regarding the guidance document itself, we have several comments that we believe could strengthen the document. These include:

- The guidance document makes several references to conducting due diligence, both in terms of FSRA's expectations of insurers and of its own due diligence in reviewing filings. These include a reference that insurers should "...contact their FSRA Automobile Insurance Rating and Underwriting Relationship Manager after having conducted **appropriate internal due diligence**" or when FSRA indicates that it will "**...conduct its own due diligence** and reserves the right to request additional supporting information to evaluate whether desired outcomes are being achieved." We recommend that FSRA clearly outline what it considers to be 'due diligence' for both itself and insurers; and
- The guidance document references the continued monitoring of 'excessive ultimate loss projections.' Projected ultimate loss costs are inherently subjective and based on the opinion of the pricing actuary. There is no reason to assume that FSRA's actuary would be more accurate than the insurer pricing



actuary, particularly for those insurers that have received Accredited status. Insurer capital standards and solvency are already strictly regulated by either OSFI or FSRA. FSRA should not enshrine an assumption that ultimate loss projections outside an expected range by FSRA's actuary may justify additional monitoring and enforcement. The same logic applies to the guidance document reference to monitoring 'inconsistencies in trend rate selections.' We recommend that FSRA remove both of these references.

Finally, the document states that *"Insurers will have access to Fast-track and Prior Approval filing processes depending on the purpose and complexity of the proposed Automobile Insurance Filing and their accreditation status. Accredited insurers will have privileged access to **additional** Fast-track processes."* [REDACTED]

[REDACTED] The inclusion of the word 'additional' suggests that there may be multiple fast-track frameworks in place that could apply to either Accredited or non-Accredited insurers. [REDACTED]

Thank you for the opportunity to comment on Chapter 4 of FSRA's Automobile Insurance Rating and Underwriting Supervision Guidance. If you have any questions please don't hesitate to contact me.

Sincerely,

Amanda Dean

AD/jw