



10 February 2025

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

Via: <https://www.fsrao.ca/engagement-and-consultations/consultation-chapter-four-proposed-automobile-insurance-rating-and-underwriting-supervision-guidance>

Dear Mr. Power,

**Re: 25-02 FSRA Proposed Guidance: Chapter 4 -
Automobile Insurance Rating and Underwriting Supervision Guidance**

Introduction

The Canadian Association of Direct Relationship Insurers (CADRI) is the voice of insurance enterprises that offer automobile, home, and commercial insurance directly to Canadians. We advocate for flexible and evolving regulatory and legislative frameworks governing automobile, property, and commercial insurance to enable product and service innovation so that Canadians can easily choose insurance that serves their needs through the delivery channels of their choice.

CADRI's members include Allstate, Aviva, belairdirect, Co-operators, Desjardins Insurance, RBC Insurance, Sonnet Insurance, and TD Insurance.

CADRI appreciates the opportunity to review and comment on *FSRA Proposed Guidance: Chapter 4 - Automobile Insurance Rating and Underwriting Supervision Guidance (the Guidance)*. This submission should be read in tandem with our [comments](#) in November 2024 on Chapters 1 – 3 of the Guidance.

Accreditation and fast-track processes

CADRI members appreciate the development by FSRA of an accreditation for qualifying insurers who meet the criteria set out in Chapters 1 – 4 of the Guidance. As we understand, accreditation will provide many benefits including:

- Streamlined filing processes that deliver on consumer outcomes and regulatory supervision,
- Increased speed to market on rate changes to achieve a more accurate relationship between premiums and claims costs, and
- Simplification of filing guidance with the retirement of existing rules.

FSRA's accreditation program should work like the Canadian Border Services Agency's NEXUS program. With NEXUS, people who go through the background check process and get approval can travel through airport customs and security quickly. That leaves security officials to focus on those who have not chosen to go through the background checks and may present a higher level of risk.

With insurer accreditation in place, customers will benefit from insurers innovating and competing for their business, and from the regulator dedicating its supervisor resources to insurers that present a higher risk to customers.

The promise of a one business day turnaround for insurers who have accreditation, and fast-track processes for rate changes, is transformational.

[REDACTED]

Filing Manual

In as much as we acknowledge that the regulator and industry are nearing the finish line for automobile insurance rating and underwriting reform, critical information is absent from Chapter 4. That information comprises the in-detail criteria and documentation required for fast-track filings, among others. FSRA indicates that this information is likely to be housed in a Filing Manual.

In the Guidance, there are numerous references that Chapter 4 and the Filing Manual:

- are complementary,
- should be read in conjunction with each other,
- supplement each other, and that
- filings should be consistent with both, as well as
- the most up to date filing manual should be consulted.

It is, therefore, difficult to provide comprehensive feedback on Chapter 4, without having reviewed the Filing Manual. An absence of understanding about the Filing Manual creates some uncertainty for the insurance industry. For instance, we expect that the eligibility criteria for the fast-track filing process, which is likely set out in the Filing Manual, would reflect the comprehensiveness of FSRA's Guidance including Chapter 2 on operations, controls and governance. For an accredited insurer – almost all rate and underwriting changes should proceed seamlessly.

When FSRA has a draft Filing Manual for consultation, we recommend that the industry be afforded the opportunity to review it and provide meaningful feedback to the regulator through the TAC and trade associations.

Administrative authority

FSRA has indicated that it may request more and different data from insurers:

- “FSRA may use its discretionary authority to address identified issues and align automobile rating and underwriting practices with Fair Consumer Outcomes...requesting changes... suspending insurers from using the Fast-track filing processes, placing insurer accreditation status under review, or withdrawing accreditation.” (p.4) and
- “FSRA may develop policy positions, or request policy and legal opinions regarding compliance to any applicable laws or other issues as they arise in the sector. FSRA will also conduct its own due diligence and reserves the right to request additional supporting information to evaluate whether desired outcomes are being achieved.” (p.5)

While these caveats may be well within FSRA’s administrative authority, CADRI would like to remind the regulator that the benefits of the accreditation process are that the insurers are vetted up front and the processes they enjoy at FSRA would be relatively consistent and streamlined for the duration of their accreditation.

Conclusion

CADRI appreciates the opportunity to review and comment on FSRA’s proposed Guidance. Accreditation presents much promise in allowing previously vetted insurers to more quickly adjust rates and underwriting practices to deliver more accurate premiums and claims costs to customers, as well as enabling the regulator to focus on the supervision of higher risk.

While supportive of the overall direction, we have noted that the absence of a Filing Manual is significant. We encourage the regulator to consult the TAC and trade associations on a draft in a timely fashion.

The allowances made for FSRA to change the rules, and request a greater burden of proof, are cause for concern to insurers considering the costs and benefits of accreditation and the fast-track filing process.

We would be pleased to discuss these and related issues prior to FSRA’s finalization of its Guidance.

Yours sincerely,



Geoffrey Beechey
Chair and CEO

cc:
CADRI Board of Directors
CADRI Ontario Committee
CADRI Risk Classification Task Force

CADRI comments on FSRA Proposed Guidance: 25-2 Auto Insurance Rating & Underwriting Supervision –
Chapter 4

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