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January 4, 2019

Mr. Mark White
CEO
Financial Services Regulatory Authority (FSRA)
130 Adelaide Street West, Suite 800
Toronto ON M5H 3P5

Via: <https://www.fsrao.ca/en/consultations/form?rule=assessment-and-fees>

Dear Mr. White,

Aviva appreciates the opportunity to comment on FSRA's proposed rules for assessments and fees on an interim and longer-term basis.

Aviva Canada is the second largest property and casualty insurance group in the country providing home, automobile, leisure/lifestyle and business insurance to approximately three million customers. A wholly-owned subsidiary of UK-based Aviva plc, the company has more than 4,000 employees, 27 locations across Canada and approximately 1,500 independent broker partners.

Aviva Canada is a member of the Insurance Bureau of Canada and we support the recommendations as put forth by the industry. It is our intention in making a submission to emphasize our key concerns.

May we begin by underlining the importance and value we place on building FSRA into a high-quality regulator and as a responsive and nimble authority for Ontario's financial sector. We support FSRA building out a talented staff with the experience and innovative approaches that will best reflect and action FSRA's mandate. The first year and upcoming years will be difficult. Start-up IT costs and personnel costs will be more significant.

It is important to Aviva that FSRA retain independence from government, regulate with a principles-based and evidence-based approach, monitor the industry and act swiftly and

decisively if the industry is threatened. Monitoring costs and staying ahead of trends in order to effectively steer and course-correct is essential.

Although Aviva feels optimistic regarding the change FSRA can bring to overall industry health, it is important to note that presently the business is very much challenged. Ontario auto insurance is a sizeable piece of our business and it has not been performing well for some time. In addition, auto insurance across the country is operating at a loss in many jurisdictions and natural catastrophes have challenged the property line of business. All that to say, Aviva is already in a cost-reduction mode and capacity is limited.

With regard to the proposed \$90 M - \$115 M regulatory budget, this proposal would add costs to Aviva and other insurers. This is why it is imperative for us to emphasize the need for FSRA and the government to act immediately on comprehensive reforms to the auto insurance product and cost of regulation.

We have several detailed recommendations and the Insurance Bureau of Canada is also working on refining their recommendations. For many years, cost pressures in the Ontario auto insurance market have been studied but there has been nearly nothing accomplished as results continue to deteriorate.

Aviva would be pleased to meet with FSRA in the short-term to discuss some of the reforms that FSRA could assist with.

Aviva would request that transparency and accountability in FSRA's budgeting would be open and include detailed reporting that match activity areas and priorities. We request that priority be placed on reforming those regulatory activities that are known to be inefficient and unduly expensive. The best and most prominent example we give at this time is the current rate regulation scheme. Most jurisdictions have moved away from this slow and cumbersome method of prior approval rate setting that is detrimental to industry and does not help customers in any way. Aviva has developed detailed recommendations regarding rate regulation that we would be pleased to present it to you at a suitable time.

In closing, it is our assumption that FSRA will bring positive change to the regulatory environment in Ontario and we look forward to working with the new team. The main reason that Aviva can support a reasoned fee increase is because we believe that things will change. For too long problems were not addressed and the operating environment has only deteriorated.

*Aviva Letter to FSRA Fee Consultation
January 4, 2019*

While FSRA has many new adventures and challenges ahead, Aviva looks forward to working with our new regulator and contributing to positive change with the best of our collective abilities.

Yours very truly,
Aviva Canada Inc.

A handwritten signature in black ink, appearing to read 'Karin Ots', is centered on the page.

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