



# CADRI

CANADIAN ASSOCIATION  
OF DIRECT RELATIONSHIP  
INSURERS

18 November 2019

Mr. Mark White  
CEO  
Financial Services Regulatory Authority (FSRA)  
5160 Yonge St., Toronto, ON M2N 6L9

Via:

<https://www.fsrao.ca/engagement-and-consultations/draft-2020-21-fsra-priorities-and-budget#comment>

Dear Mr. White,

**Re: 2019-7: Draft F2020-21 FSRA Priorities and Budget**

## **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 appreciates the opportunity to comment on FSRA's proposed Priorities and Budget for its second year of operation. Our comments will focus on the priorities and planning which impact direct-relationship property and casualty insurance companies and their customers.

## **Improving options for Ontario drivers**

It was a momentous year for the insurance sector in Ontario. First there was the vision laid out for improving the accessibility and affordability of auto insurance for Ontario's 9 million drivers in the provincial budget – "Putting Drivers First: A Blueprint for Ontario's Auto Insurance System". Then the official launch of the new regulator with its ambitious transformation mandate. Both spurred increased attention to, and activity on, the pricing, provision and regulation of auto insurance in the province.

CADRI members appreciate FSRA's focus on effectiveness and efficiency through principle- and outcomes-based regulation. We also value the regulator's efforts to engage consumers and stakeholders through transparent consultation processes.

CADRI recommended several key priorities for FSRA in its first year, comprising:

- Embracing innovation to meet consumer expectations,
- Streamlining regulatory processes – specifically moving away from prior-approval rate regulation,
- Adopting the Canadian Council of Regulators' (CCIR's) Fair Treatment of Customers' Guidance, and
- Taking leadership with other provincial regulators to make licensing processes more efficient and effective.

In alignment with these priorities, we note that FSRA has taken important steps toward these goals including:

- Authorizing long-overdue driver access to electronic proof of insurance,
- Streamlining processes for standard auto rate filings that build in a realistic framework for less costly and more timely simplified filings,
- Promising to align its expectations of fair treatment of customers with the CCIR's national code, and
- Supporting the Ministry of Finance's transformation of the auto insurance system.

### **Overview of Draft FSRA 2020 – 21 Priorities**

CADRI supports FSRA's proposed cross-sectoral and sector-specific priorities for the property and casualty (auto) insurance sector for 2020-21. Those of key interest to CADRI appear in brackets below.

As nation-wide entities whose customer service agents comply to internal corporate policies as well as external regulatory standards, CADRI members welcome efforts that transition the sector to principle-based regulation (3.1), enable innovation (2.2) and harmonize regulations across jurisdictions.

CADRI welcomes FSRA's focus on innovation. As direct-relationship insurers, we understand that consumers increasingly expect our sector to provide the same, technology-driven experience as offered elsewhere such as in banking and telecommunications. We are pleased to work with FSRA and the Ministry of Finance to identify barriers to innovation and propose workable solutions which will increase competition and consumer choice.

CADRI members have participated in many of the auto insurance reform consultations led by the Ministry of Finance. We look forward to working with FSRA and the Ministry to expand FSRA's rule-making authority and shape a new auto insurance system that benefits Ontario drivers (4.2).

CADRI acknowledges FSRA's challenges in establishing processes and in attracting and retaining talent during its start-up year. In particular, the effectiveness and efficiency of FSRA's Market Conduct and Licensing department directly and immediately impacts CADRI members' abilities to ensure an excellent consumer experience throughout their service centres. In this regard, we are pleased to support FSRA's cross-sectoral priorities for establishing meaningful service standards (1.2) and modernizing its systems (2.3). Truly updating its licensing operations will entail significant investment in information process design and technology. CADRI members offer their expertise in other jurisdictions to assist FSRA in creating an efficient, effective online licensing platform.

CADRI would also welcome formal adoption of the CCIR Fair Treatment of Customers code to protect the public interest (2.1) and empower and protect auto insurance consumers (4.1).

There are two areas of FSRA's business plan about which we have questions and potentially some concerns. In both cases, we recommend FSRA take a step back to focus on the measures' objectives before moving ahead.

The first issue is FSRA's intention to monitor the 'take-all-comers' auto insurance requirements (4.1). We understand that FSRA intends to investigate potential circumvention of the take-all-comers rule. We are concerned that such circumventions, if frequent enough to justify a special initiative on the part of FSRA, have a root cause which indicates a broader problem with the rule itself. CADRI members are of the view that the take-all-comers rules, as currently formulated, runs counter to many other priorities cited by FSRA, especially as they relate to regulatory effectiveness, principle-based regulation and encouraging a competitive marketplace. They also believe that the take-all-comers rule negatively affects direct relationship insurers in a more direct way.

We would suggest that FSRA should take a broader view and seek to determine the effectiveness of the current take-all-comers rule in promoting affordable and accessible auto insurance for Ontario's licensed drivers; a competitive marketplace, and a level-playing field for all participants. FSRA should set a goal of identifying a more optimal way of dealing with the issues that the take-all-comers rule was intended to address.

The second issue of concern CADRI would like to explore is FSRA's intention to develop a comprehensive auto insurance data and analytics strategy (4.3). CADRI agrees that a review of the need for a comprehensive auto insurance data strategy is important. We hope that such review will be deep in scope and not be limited to identifying current unmet data needs. Experience has taught us that previous initiatives across the country to address auto insurance data requirements have invariably led to more complexity and costs without necessarily materially improving the usefulness and timeliness of the data.

CADRI believes that there is a need for a broader review of the whole approach to meeting auto insurance data requirements. This includes not only determining what data is critical for the regulator, recognizing today's rapidly changing technological and pricing environment, but also the manner in which such data is collected, managed and reported, including the effectiveness of a centralized transaction-level reporting requirement, as exists today under the mandatory statistical plan. There is an opportunity to rethink how the system works based on today's immensely different technology capabilities than the very limited ones that were available at the time the statistical plans were conceived a long time ago in a different century. Other approaches to providing more relevant and timely data at a much reduced cost should be explored.

## Conclusion

CADRI appreciates the opportunity to comment on FSRA's 2020 - 2021 priorities.

In sum, we are largely supportive of those highlighted above which affect direct-relationship insurers. We encourage FSRA to take our comments into consideration for the upcoming fiscal year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alain Thibault', written in a cursive style.

Alain Thibault  
CEO and Chairman  
CADRI

**cc:**

CADRI Board of Directors  
CADRI Licensing Task Force  
CADRI Ontario Committee  
CADRI Risk Classification Task Force