



August 11, 2021

Submitted by e-mail

Financial Services Regulatory Authority of Ontario
Auto Insurance Sector
5160 Yonge Street, 16th Floor
Toronto, Ontario
M2N 6L9

Re: Proposed Rule [2020-002] Unfair or Deceptive Acts or Practices - Notice of Changes and Request for Further Comment

On behalf of CAA Insurance, I am pleased to share our comments for consideration in response to the Financial Services Regulatory Authority of Ontario's (FSRA) *Proposed Rule [2020-002] Unfair or Deceptive Acts or Practices - Notice of Changes and Request for Further Comment*.

In reviewing the consultation document to FSRA's Proposed Unfair or Deceptive Acts or Practices (UDAP) Rule, CAA Insurance is pleased with many of the proposals outlined and recognizes that FSRA has factored in previous stakeholder comments in releasing this latest document.

The progression towards establishing a rule has many benefits, namely flexibility, and CAA Insurance continues to support FSRA's proposal. By embarking on establishing the proposed rule, we believe it is critical that once instituted FSRA continue to closely monitor the impacts. Specifically, CAA Insurance believes that alongside FSRA's proposal, it is critical for the regulator to regularly monitor the industry for compliance along with assessing the impact of changes on the industry at large.

We recognize that FSRA is not exploring any changes regarding credit information as it relates to auto insurance rating, however CAA Insurance wishes to underscore its position on this issue given its connection to the topics within the consultation. While the concept is receiving attention in other jurisdictions, we remain firmly opposed to it being considered in Ontario, as the risks far outweigh the reward for Ontario drivers, particularly during a pandemic when many Ontarians have faced considerable financial struggles.

With respect to incentives, in our correspondence earlier this year, we disagreed with FSRA's initial comments that suggested the prohibition on incentives have "acted as a barrier to new and innovative consumer offerings". Over the last few years, CAA Insurance has shown that innovation is not only possible but has been publicly supported without requiring the removal of prohibitions that were installed to protect consumers.

The COVID-19 pandemic has been an unprecedented period, and while some may argue the pandemic response validates the need to remove the prohibition around incentives, it was a necessary measure for a specific and unprecedented time. CAA Insurance has and continues to provide industry-leading relief during this time, supporting our policyholders both in the form of a rate reduction and multiple financial relief measures. As noted in our first submission, CAA Insurance does not believe that broadly loosening restrictions around incentives is the direction FSRA should embark upon.

Loosening or removing restrictions on incentives could also negatively impact the industry at large, and disproportionately benefit certain insurance companies based on their size and resource capabilities, thereby creating an uneven playing field. Further, many Ontarians prefer to use brokers, and an unintended consequence of the proposal could adversely affect brokers across the province if insurers are able to offer incentives and/or rebates direct to consumers.

We continue to hold the position that should FSRA opt to permanently remove the prohibition on incentives, it is imperative that any changes made are in the consumer's best interest but also reflects the potential impact on the insurance industry at large.

Specifically, FSRA must ensure that any changes don't disproportionately benefit or hinder companies. Without doing so, the changes could potentially have long term implications for smaller insurers, thereby having a negative impact on consumers. Once again, CAA Insurance believes that consumer choice and control should be paramount. Lastly, should FSRA proceed with removing the prohibition on incentives, we believe it must be contingent on:

- Comprehensive monitoring and ongoing maintenance by the regulator to ensure that consumers are fully protected
- Mitigating any potential for abuse within the system
- Ensuring that companies are operating within set guidelines
- Adjusting the rule where and when necessary.

CAA's long-standing advocacy efforts are rooted in consumer protection. Our feedback throughout the consultation process has focused on ensuring consumers receive greater choice and control, and that consumer protection remains paramount. This includes ensuring that any changes proposed are equitable for companies of all sizes. For many consumers, the subject of insurance is highly complicated, and any reforms must ultimately be in the consumer's best interest.

CAA Insurance applauds FSRA for embarking on these reviews to both modernize and improve Ontario's auto insurance system and providing stakeholders the opportunity to provide comment as the rule is being developed.

Given CAA's extensive history in advocating for motorists across the province, we welcome further discussions with FSRA representatives should you have any questions.

Sincerely,

Elliott Silverstein
Director, Government Relations
CAA Insurance Company