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Mr. Mark White  
CEO, Financial Services Regulatory Authority of Ontario (FSRA)  
Suite 100, 25 Sheppard Avenue West  
Toronto, ON, M2N 6S6

Via: <https://www.fsrao.ca/engagement-and-consultations/fsra-releases-its-innovation-framework-public-consultation>

Dear Mr. White:

**Re: 2021-17 All Together Now: FSRA, the Innovation Office and an Innovation Framework for a More Innovative Ontario Financial Services Sector (Innovation Framework)**

Thank you for the thoughtful consultation on FSRA's Innovation Framework. We greatly encourage FSRA's policy intentions of providing flexibility and safe testing grounds for insurers to innovate. Aviva supports the government's move to create a Regulatory Sandbox and encourage innovation within the industry to supply better options and offerings to consumers. This can be a useful tool in the development of innovative offerings and allow insurers to push their creativity whilst keeping the government confident there are some regulatory guardrails.

The value of a sandbox is to promote innovation while retaining protection – unfortunately in our current regulatory environment, we still operate with considerable constraints. Putting strict limits on innovation is a lost opportunity to evolve Ontario's regulatory environment to the kinds of advances that other international jurisdictions have. FSRA's Framework document cites examples from Singapore and the UK that are very helpful from a vision standpoint, but the point should be noted that their regulatory environments are structured very differently – in that there is considerably more flexibility from both a product and rate regulation standpoint.

We would like to temper expectations that insurers do not have the ability to innovate and compete in the same manner and thus the proposals you will receive will be vastly different. However, if this is seen as a "sandbox for a sandbox" perhaps there is value in building comfort within FSRA and the Ministry of Finance that industry is a constructive partner, and we can look to broaden our playing field in the near-medium future.

Ultimately, we would like the sandbox to be as broad as possible. Our activities will still require FSRA's approval, and we trust our Regulator to oversee activities in a conscientious manner. We maintain that modernization to the rate regulation environment and changes in product offerings, is one of the key ways to drive innovation.

### **1. What can FSRA do to better facilitate better innovation outcomes through more adaptable rules, regulations, and legislation?**

This is the most constraining part of this exercise. Whilst we appreciate the development of the sandbox and expanding of FSRA CEO's discretionary powers, there is simply not enough flexibility in the current regulatory environment. Given that fact, insurers will be able to innovate on the fringes of what is acceptable. You may not see the activity that you were hoping for given this reality.

The CEO exemptive powers should be considerably broader to include changes to the mandatory auto product and the current regulations and rules around rate setting

### **2. Have you felt comfortable bringing innovation ideas to FSRA? Through what channels? Did you feel your ideas were actioned and engaged?**

Yes, we do feel comfortable working with FSRA and discussing new ideas. We genuinely feel they are interested in improving the options available to customers in the market and have listened to new ideas we have brought them. However, there is more of a challenge in the actioning of ideas.

Firstly, FSRA's hands are often tied due to regulation/legislation. While FSRA management may have been receptive to an idea, they historically did not have the power to action it – and/or changes can be incredibly slow to work through process of approval within government. Innovation should be allowed to work more “real time” rather than close to 6-12 months for approvals.

Secondly, they have sometimes put their own restrictions on themselves due to their guidelines. FSRA seems to follow their guidelines very rigorously and have taken the approach that if a guideline exists there is no way around it (often the stated rationale is a level playing field for all insurers in the market). An alternative approach is that it is a guideline not a rule.

Thirdly, while FSRA management is often receptive, the challenge lies in execution. Front line staff have been very black and white approach and resistant to change. For example, when working through the approval process for launching telematics, the underwriting filing was painful. Staff were offering stylistic changes, red lining our documents and wording. This does not reflect the concept of principles-based regulation that we are looking for.

### **3. Do you see gaps in the innovation process intake?**

It would be helpful to understand the capacity of the intake – how much can FSRA manage (i.e., how many projects at once) and whether there will be new staff and talent directing this work. Being nimble and quick is essential for the sandbox.

It must also be underlined that the process needs to be relatively simple, streamlined, and timely. If the intake is cumbersome, slow, and frustrating you will likely see engagement and participation to be lacking.

#### **4. How useful are the intake questions?**

We generally think the intake questions are adequate. It would be helpful to clarify the extent to which an idea brought to FSRA could be a “blue sky” idea versus a detailed proposal. To what extent does an idea need to be “fully baked”? Can we approach with a conceptual question or must it be a bow tied proposal? It would be helpful to understand more clearly FSRA’s bar for entry.

#### **5. How can we successfully appraise and manage risks from innovation given your practical experience?**

Insurers do an excellent job of appraising and managing risks; therefore, we suggest it should be less of a burden on FSRA and more so the responsibility of the insurer. At Aviva, we are incredibly focused on risk from both a corporate regulatory and customer service point of view. We will not propose or develop an idea for the sandbox without having vigorous internal assessments first.

In terms of a sandbox, we would likely approach this by controlling the scope of the project. For example, we would first do a pilot, assess the customer base, and contain the scope of functionality. We would also consider timing.

Insurers will also establish metrics to measure outcomes and set success criteria. FSRA can leverage these metrics.

From the customer point of view, we would consider NPS score, monitor complaints and conduct surveys. With any new offering we want to ensure the customer is purchasing what they intended to purchase, it’s filling the need they expected, and we are servicing them at or above the level that they expect.

This process for us would be very rigorous and considered and would include –financial, conduct, reputational and mitigation tactics. This is how we conduct our business, and we would be particularly focused on this in a sandbox environment.

#### **6. What are some critical innovation opportunities you see in your sector and barriers?**

As already mentioned, our top concerns remain an overall restrictive regulatory environment, implementation timelines and how the sandbox will translate from concept to functionality.

Due to the regulatory constraints, you will likely see insurers playing where they can; UBI, pay per mile, telematics, differentiated customer/claims experience, segmenting risks - but we could be much more creative if given the ability to do so. In the UK and Singapore, it is a very open field – it would be naïve to expect similar results in our jurisdiction.

Again, we want to temper expectations that the 2021 consumer is becoming more and more able to customize an individualized experience in many other areas of retail, technology, and financial services. Would the consumer consider this true innovation?

## **7. Are the regulatory tools currently available to FSRA sufficient to facilitate innovation while protecting the public interest? What else is needed?**

We believe the CEO should have more discretionary power to approve projects that are currently not allowed within our regulatory environment.

We would like to allow choice in the mandatory auto insurance product so that customers can tailor their insurance needs to their individual circumstances. This would open a very large opportunity to offer a tailored customer experience. Choice would be provided, but with professional advice and guidance and maintain legislative “guardrails” so that customers are adequately protected.

In addition, changing the regulations around rating variables would allow a flexibility to price according to risk, and would help quell frustrations customers have about their rates, as there would be considerable variability and more individualized pricing options to ensure the customer is paying according to their personal risk level.

## **8. TLE proposed fee structure**

We support the proposed fee structure. Unlicensed entities should pay a fee that reflects the cost of FSRA’s resources to review their proposal.

## **9. What are some meaningful ways the Innovation office can engage with your sector?**

It might be helpful in consultation of new concepts like a regulatory framework to host presentations or round tables to engage stakeholders in a more direct way. Although the consultation paper is well laid out, it can be helpful to get the verbal context to explain, clarify, frame and answer questions. That way insurers can get their basic questions and assumptions answered and give a more thorough and thoughtful written response.

## **Conclusion**

Aviva appreciates the opportunity to engage on this very important topic. It is imperative to understand that all feedback we give is to manage expectations and lay out the constraints that we see. Ontario is the leader across Canada in the pursuit and development of principles-based and innovative regulation for our sector – and we want to participate in a manner that will allow FSRA to show genuine leadership and success.

There are regulatory limitations that will affect the effectiveness of the regulatory sandbox and expansion within Ontario. We think it is important that FSRA have more authority to work with industry on ways to expand the comfort zone, trust, and imagination of regulators and

government and bring Ontario to be a true leader in Canada, and one day globally. It is our commitment to do our part to partner with FSRA and government on the journey to get there one day.

Yours sincerely,

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