

October 15, 2024

Submitted electronically

Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
Toronto, Ontario
M2N 6S6

Re: 2024-008 – Consultation on Proposed Fraud Reporting Service Rule and Guidance

On behalf of CAA Insurance, I am pleased to share our responses to the Financial Services Regulatory Authority of Ontario's (FSRA) consultation 2024-008 on the proposed Fraud Reporting Service Rule and Guidance. CAA Insurance commends FSRA for its efforts to explore how to tackle auto insurance related fraud. We appreciate the opportunity to provide feedback and raise questions on this initiative. After reviewing FSRA's documents, we would like to offer the following comments for your consideration.

Reporting Thresholds and Definitions

For the fraud reporting efforts to be effective, it requires clear guidelines and expectations. As a result, we recommend FSRA provide more specific guidelines on the thresholds that should trigger a fraud report, as there is currently a considerable amount of interpretation. While it may not have been FSRA's intent, this measure would help ensure consistency across insurers and prevent any over-reporting of "minor" discrepancies. In addition, we believe FSRA should provide clarification on the definition of "immediate notice" in terms of business days when a correction is required, so it is not subjective.

Looking ahead, we believe there is an opportunity to elaborate on the term fraud, as clarification can help better identify what it specifically pertains to. In addition, we wish to clarify whether there will be a requirement to advise a policyholder when reporting fraud.

Internal Fraud

The consultation materials prompted concerns regarding the inclusion of internal fraud alongside other categories of fraud. Given our internal processes around whistleblowing and the confidentiality of employee information, it is our recommendation that FSRA exclude internal fraud from the proposed definition found in the Appendix. The reason we recommend its removal is that it includes information that may not be disclosed/shared during regular business operations or reporting, as internal employee fraud is managed separately through human resources and/or internal audit practices.

Personal Information

CAA Insurance believes clarification is needed regarding the handling of personal information in fraud reports. There appears to be some contradiction between the guidance document published and FSRA's responses during the Q&A session regarding the reporting of personal information.

Given that the statutory purpose for Section 101.3 of the *Insurance Act* is to quantify and assess fraud in the industry, this can be achieved without an insurer providing personal information about the claimant or other identifiable individuals. Further, it seems that the purpose of assessing,

measuring, and categorizing reported fraud events can be achieved using the rest of the data elements.

Therefore, we recommend FSRA clarify that insurers should anonymize and de-identify all names and identifying numbers, symbols or other particulars assigned to individuals before an insurer provides the prescribed information. By adding the phrase “unless necessary for the purposes set out in the Act” within the document, it unnecessarily adds confusion.

Standardization

We recommend that FSRA create a standardized template for insurers to complete and submit data points to ensure consistency in submissions across the industry.

During the recent webinar, FSRA mentioned that there wasn't a standard template or process for submitting the information as part of phase one. Based on this, how will FSRA ensure there is consistency among insurance companies when reporting? It is important to clarify how insurers are submitting the similar data elements that FSRA deems necessary.

Summary

In conclusion, while we support the objective of establishing a comprehensive fraud reporting service, we believe that addressing the points identified will significantly enhance the effectiveness and efficiency of the proposed system.

As FSRA continues to embark on this file, it is important to recognize the potential duplication of efforts by insurers. For example, Équité Association, a non-profit organization which many Ontario insurers are currently members of, actively collects similar information from members. FSRA may want to explore whether some of the requested information can be obtained via Équité Association or other sources to avoid any duplication of efforts by insurers.

We look forward to further dialogue throughout this process, and we look forward to working with FSRA in tackling automobile fraud in Ontario, including developing a fraud reporting framework that serves the interests of both the industry and consumers.

Thank you for your consideration of our feedback.

Sincerely,



Elliott Silverstein
Director, Government Relations
CAA Insurance Company