

November 14, 2024

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

**Re: Automobile Insurance Rating and Underwriting Supervision Guidance**

Dear Sir/Madam;

Thank you for the opportunity to comment on FSRA’s draft Rate and Underwriting Supervision Guidance. Aviva is supportive of FSRA’s increased focus on fairness and consumer outcomes while moving away from the historically strict rules-based rate regulation system. This move will allow insurers to adjust premiums with a more regular cadence thereby ensuring that premiums better reflect underlying costs and consumers avoid shock increases. A simpler, more flexible rate regulation framework will also encourage innovation as insurers can move to quickly introduce new innovations into the market and adjust as needed. However, it is important that the benefits associated with accreditation and a simpler rate regulation framework outweigh the regulatory burden. Aviva is concerned that its overall regulatory burden will be increased, and the costs are ultimately borne by consumers. Aviva requires more detail about the accreditation process and the proposed rate regulation framework to comment on the regulatory burden.

Aviva offers the following additional comments with respect to the draft Guidance.

**Scope**

The draft Guidance states that it “affects the following entities regulated by FSRA:

- All Insurance companies and their intermediaries providing automobile insurance in Ontario, including but not limited to those underwriting private passenger automobile (“**PPA**”), non-private passenger automobile (“**non-PPA**”) and fleet.” (emphasis added).

It is not clear what FSRA means by “the Guidance affects.... Intermediaries”. If the Guidance is meant to apply to brokers, who are regulated by RIBO, the Guidance should specifically set out how it applies and FSRA should align with RIBO on requirements.

The reference to fleets should be removed. FSRA does not currently regulate rates for fleets and there is no compelling reason to change. Fleets are generally owned by businesses that are experienced in business transactions and do not require the same level of protection as individual insurers.

## Chapter 1 – Fair Consumer

Aviva generally supports the principles associated with Fair Consumer Outcomes with the exception of the following:

- “Accessible products and coverages”, the second bullet under Fair Consumer Outcome should be deleted. That bullet reads “Rating and underwriting decisions, if applied across the sector, would not unfairly impact the ability of consumers to access critical automobile insurance coverages”. This bullet is redundant as there is already a provision regarding protected human rights grounds.
- The section on profitability should be removed in its entirety. Profitability and fairness are distinct concepts and should not be co-mingled. Profitability (or lack of profitability) should not be an outcome of fairness as this suggests that unprofitable companies are fairer than profitable companies. Canadian regulators need to move away from their historical focus on profitability so that a competitive market can flourish.

## Chapter 2- Automobile Insurance Rating and Underwriting Operations, Controls and Governance Guidance

Aviva agrees with the chapter on Operations, Controls and Governance. It is important that FSRA acknowledge that larger P&C insurers, like Aviva, have well established controls and governance that apply to the company’s entire operation. It is not reasonable or practical for FSRA to expect insurers to establish operations, controls and governance specific only to Ontario auto insurance. This would include an Ontario auto insurance specific risk appetite, risk committee or data governance model.

On Page 17, The Guidance states “Insurers’ Board of Directors and Senior Management are accountable for ensuring rates are reasonable and fair, in accordance with their fiduciary obligations as specified in *Sections 166(1) and 166(2) of the Insurance Companies Act*, as well as the Fair Consumer Outcomes outlined in Chapter 1 of this Guidance”. Aviva agrees that Boards of Directors have a duty to ensure compliance through oversight but disagrees with FSRA’s interpretation that Boards of Directors have a specific duty to ensure rates are reasonable and fair. This paragraph should be revised.

## Chapter 3: Accreditation, Proactive Supervision and Assessment Approach Guidance

As previously mentioned, Aviva urges FSRA to ensure that the costs of the accreditation process and ongoing supervision not outweigh the benefits of a revised rate regulation system. Aviva would like to see more detailed information regarding the accreditation process, including:

- The length of time that the accreditation process will take;

- Who will be conducting the accreditation process;
- How outcomes and any short fallings will be communicated, and whether there is a remediation process; and
- The duration of the accreditation status.

The draft Guidance proposes that an insurer might lose accreditation status for several different reasons, including a change in an insurer's business strategy or a change in senior leadership. These grounds are too broad and should be removed.

#### **Chapter 4- Underwriting and Rate Regulation**

The draft Guidance does not include the chapter pertaining to Underwriting and Rate Regulation. Aviva and the industry have provided FSRA with feedback on an earlier draft. It is Aviva's expectation that a significant amount of rate and underwriting filings will be eligible for a simplified rate filing process. This is critical to the cost-benefit case associated with this change.

Thank you for considering our feedback. We are supportive of FSRA's direction and would be pleased to discuss further.

Yours very truly,

**AVIVA CANADA INC.**

Karin Ots  
Senior Vice-President, Regulatory and Government Relations