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of Canada**

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November 15, 2024.

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

Re: Consultation on proposed Automobile Insurance Rating and Underwriting Supervision

By email: contactcentre@fsrao.ca

To whom it may concern,

On behalf of the members of Global Automakers of Canada (GAC), please find our comments related to FSRA consultation 2024-010..

Global Automakers of Canada (GAC) is the national trade association representing the Canadian interests of 16 of the world's most respected automakers. Our members include: BMW Canada Inc, Honda Canada Inc., Hyundai Auto Canada Corp., Jaguar Land Rover Canada ULC, Kia Canada Inc., Maserati Canada Inc., Mazda Canada Inc., Mercedes-Benz Canada Inc., Mitsubishi Motor Sales of Canada, Inc., Nissan Canada Inc., Porsche Cars Canada Ltd., Subaru Canada, Inc., Toyota Canada Inc., Vinfast Auto Canada., Volkswagen Group Canada Inc., and Volvo Car Canada Ltd. Together our members represent more than 25 brands in the Canadian automotive market.

Our members were responsible for 60% of the new vehicles sold in the Ontario market in 2023. and were also responsible for six of the top ten best selling vehicles in the Ontario market in 2023.

In July 2024 officials from FSRA reached out to the GAC indicating that they were considering a new model in which vehicles on Équité's Top 10 Stolen Vehicle List would more accurately reflect full costing for auto theft as opposed to having those costs pooled amongst all insureds. It is unclear if this proposed new costing model would be in addition to the auto theft surcharges as high as \$1500 that some insurers are already charging consumers for vehicles at higher risk of being stolen. These surcharges can be mitigated or eliminated through action taken by the insured to install "insurer approved" theft deterrent devices.

With respect to such devices, it is unclear to our members (and likely to the general public) as to why insurers are recommending the installation of some aftermarket devices vis-à-vis others and the methodology utilized by insurers to make such recommendations. The broader concerns of our members' captive finance companies who lease vehicles to consumers is the awareness of the presence of such an installation, the deactivation, and the removal of such devices at lease-end. There would appear to be significant privacy concerns associated with the installation these devices – required of lessees by the insurers to avoid hefty surcharges – without consideration to the subsequent purchaser. An additional concern often flagged by the insurance industry is the potential for vehicle warranties to be invalidated by the installation of such "recommended" aftermarket devices. While installation in and of itself may not void the warranty, improper installation that causes damage to other vehicle systems and electronics would likely not be covered by the vehicle warranty. If insurers are going to require installation of such devices then it is incumbent upon them to ensure that such devices are installed by trained installers or they or their

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mandatory installer should bear the cost of the damage to the vehicle caused by the device the consumer was required to install at the insurer's request.

Top 10 Best Selling Vehicles in Ontario - 2023	
Vehicle	Ontario Sales Volume
Ford F- Series *	44,883
Ram *	38,561
Toyota RAV4	30,359
Honda CR-V *	25,794
GMC Sierra	19,506
Chevrolet Silverado	17,862
Honda Civic *	13,483
Nissan Rogue	10,890
Toyota Corolla	10,674
Hyundai Tuscon	10,656

*Vehicles on Équité's Top 10 Stolen Vehicle list

Top 10 Most Stolen Vehicles of 2022 Ranking by Number of Thefts

Ontario						
No.	Make/Model	Most Often Stolen Model Year	# of Vehicles Insured	# of Thefts	Theft Frequency (%)	Type
1	Honda CR-V	2020	224,311	2,684	1.2%	SUV
2	Lexus RX Series	2020	57,753	1,707	3.0%	SUV
3	Dodge RAM 1500 Series	2022	195,873	1,405	0.7%	Truck
4	Toyota Highlander	2021	60,326	1,344	2.2%	SUV
5	Land Rover Range Rover	2020	20,743	1,225	5.9%	SUV
6	Ford F150 Series	2020	214,067	901	0.4%	Truck
7	Jeep Grand Cherokee	2021	47,981	766	1.6%	SUV
8	Jeep Wrangler	2021	63,443	689	1.1%	SUV
9	Honda Civic	2019	318,551	630	0.2%	Sedan
10	Acura RDX	2021	37,235	459	1.2%	SUV



Source: <https://www.equiteassociation.com/top-10-most-stolen-vehicles>

Top 10 Most Stolen Vehicles of 2022 Ranking by Theft Frequency (%)

Ontario						
No.	Make/Model	Most Often Stolen Model Year	Theft Frequency (%)	# of Vehicles Insured	# of Thefts	Type
1	Land Rover Range Rover	2021	5.9%	20,743	1,225	SUV
2	Jeep Gladiator	2022	4.1%	3,580	145	Truck
3	Lexus RX Series	2020	3.0%	57,753	1,707	SUV
4	Toyota Highlander	2022	2.2%	60,326	1,344	SUV
5	Jeep Grand Cherokee	2020	1.6%	47,981	766	SUV
6	Acura RDX	2021	1.2%	37,235	459	SUV
7	Honda CR-V	2022	1.2%	224,311	2,684	SUV
8	Dodge Durango	2022	1.2%	11,829	136	SUV
9	Land Rover Discovery	2019	1.1%	4,539	51	SUV
10	Jeep Wrangler	2022	1.1%	63,443	689	SUV

*The minimum threshold for the Top 10 Most Stolen Vehicles in 2022 - Theft Frequency lists is 50 thefts per make/model. 'Most Often Stolen Model Year' is based on a threshold of a minimum of 10 thefts. Theft frequency is based on the '# of Insured Vehicles' of a particular make/model, compared to the '# of Thefts' for that same vehicle make/model. For example, of the 20,743 Land Rover Range Rovers Insured in 2022, 1,225 were stolen, which is a theft frequency of 5.9%.



Source : <https://www.equiteassociation.com/top-10-most-stolen-vehicles/theft-frequency>

With respect to stolen vehicles there is a reasonable degree of correlation between those vehicles that are best sellers in Ontario and those that are reported on Équité’s Top 10 Stolen Vehicle list. However, a more accurate and useful tool for consumers is the Top 10 Stolen Vehicle list published according to *theft frequency*, which takes into account the number of thefts of a model vehicle with the number of vehicles on the road and paints a different – more accurate - picture for consumers who may be looking to utilize such information to factor into their vehicle purchasing decision.

Moreover, the vehicles listed on the top ten stolen vehicle list are based on information that is two years old, and represent the situation at a moment in time. Thus, consumers with newer vehicles and newer security features would be unfairly paying higher premiums based on out-dated data. Vehicles on the top ten stolen vehicle lists in Ontario are on the least stolen vehicle lists in other provinces and consequently it seems inappropriate to be using this list as the arbiter leading to potentially higher insurance rates, especially since there is no guarantee that rates would go down if the vehicle subsequently did not show up on future top ten lists. Thus, we would suggest that Équité’s Top Ten Stolen Vehicles by Number of Thefts is actually unhelpful and misleading as a tool for consumers who may be using such information to factor into their new vehicle purchasing decision.

The proposed Automobile Insurance Rating and Underwriting Supervision Guidance notes in the Executive Summary that the new model being proposed will provide consumers with the confidence that the system is “trustworthy, transparent and that information is available to support informed decision-making”¹ In our view, much more effort needs to be made to provide consumers with the

¹ <https://www.fsrao.ca/industry/auto-insurance/regulatory-framework/guidance-auto-insurance/proposed-guidance-automobile-insurance-rating-and-underwriting-supervision-guidance> accessed 11/10/24

right information concerning how much their potential choice of vehicle and its susceptibility to theft will potentially cost them as a component of their overall insurance premium than is currently the case. These measures should be undertaken by Ontario's auto insurance industry and/or the Insurance Bureau of Canada, prior to any consideration of changes being made to increase premiums for vehicles on the Top 10 Stolen Vehicle list.

While the Insurance Bureau of Canada (IBC) currently has a section on its website entitled "How Cars Measure Up" which provides very useful information to assist the potential new car purchaser with assessing the insurance costs of the vehicle they might be considering purchasing, the information is both hard to find on IBC's website and it is only accessible in a very unfriendly Excel spreadsheet.

Under the Rationale and Background of the proposed guidance, it is noted that FSRA's role is to ensure that rates proposed by insurers are "just and reasonable in the circumstances and reasonably predictive of risk"² We suggest that there are a host of other externalities related to auto theft making the prediction of risk very challenging. Federal and provincial efforts to combat auto theft, the National Action Plan on Combatting Auto Theft and the tens of millions of dollars spent by government to buttress auto theft mitigation efforts with police forces and at the Port of Montreal for instance, have contributed to auto theft rates in the first half of 2024 dropping by 16% in Ontario, according to the Insurance Bureau of Canada.³ What is clear is that with national focus and attention on the issue of auto theft, and with appropriate resources being applied, auto theft levels are dropping - suggesting it may be difficult to assess what is "reasonably predictive of risk"

Further, vehicle manufacturers are continually hardening their vehicles against various theft vectors once identified, however, there is no meaningful way for manufacturers to obtain detailed data on which models are being stolen. Aside from a manufacturer seeing one of its vehicle models on Équité's Top Ten Stolen Vehicle List, a manufacturer has very little line of sight into auto theft data and manufacturers have, to date, been denied access to such data that would better assist in allowing them to better combat auto theft.

Under the fairness provisions of the proposed guidance, it is noted that "Premiums and coverages charged to consumers are actuarially justified, and closely reflect their individual risk profile Consumers' individual risk profiles are largely determined by consumer driving behaviour, experience, driving distance, location and vehicle, and other relevant risk factors associated with the consumer's driving"⁴ We would contend that consumers require a better understanding of how each of these factors impact their overall auto insurance premium. In the current environment, too often emphasis is placed on the vehicle as opposed to the other more significant factors that impact a consumer's overall auto insurance premium.

In closing, the challenge of not properly and transparently educating consumers as to the auto theft risk and associated premium cost of same on the vehicle they are contemplating purchasing - before making their purchase - is problematic. This leaves consumers in a situation where they are potentially facing higher than expected insurance rates and surcharges along with potentially suffering buyer's remorse over the brand/model of vehicle purchased owing to the lack of available, transparent auto theft insurance information. Nor do we believe that any new funding model that arbitrarily increases the auto theft premium on a vehicle purely on the basis of it being on Équité's Top 10 Stolen Vehicle List is rational and fair, given the myriad of other factors that make up a consumer's risk profile for the purpose of premium setting.

² Ibid

³ <https://www.ibc.ca/news-insights/news/new-data-shows-auto-theft-continues-to-soar-above-historical-levels> accessed 11/10/24

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On behalf of the members of Global Automakers of Canada, I appreciate the opportunity to make this submission to the Financial Services Regulatory Authority of Ontario and we would be pleased to continue the dialogue on the auto theft file

Yours sincerely,

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

David Adams
President and CEO

cc: The Hon, Peter Bethlenfalvy, Minister of Finance
peter.bethlenfalvy@pc.ola.org, minister.fin@ontario.ca