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February 8, 2019

FSRA  
Financial Services Regulatory Authority  
130 Adelaide Street West, Suite 800  
Toronto ON M5H 3P5

**Re: Reference # FY209-20BP**

Please find enclosed Aviva's response to FSRA's proposed 2019-2020 Priorities and Budget.

Sincerely,

Aviva Canada Inc.

A handwritten signature in black ink, appearing to read "Karin Ots".

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# **Aviva Canada's Response to FSRA's Proposed 2019-2020 Priorities and Budget**

February 8, 2019

## **Aviva Canada Response to FSRA's Proposed 2019-2020 Priorities and Budget**

Aviva Canada Inc. ("Aviva") thanks FSRA for the opportunity to comment on its 2019-2020 Proposed Priorities and Budget. Aviva is very impressed by the quality of the individuals appointed or hired to the Board, CEO and executive management positions. We are fully supportive of the journey to transform the regulator. Aviva believes that there is a great opportunity to modernize the regulation of financial services in Ontario and improve auto insurance for Ontario drivers.

We would like to congratulate FSRA on the very thorough and well thought out Proposed Budget and Plan. We are in agreement with the proposed priorities and will offer some additional feedback and recommendations which we hope you will find helpful.

### **About Aviva Canada Inc.**

Aviva Canada is the second largest property and casualty insurance group in Canada with over 4,000 employees across Canada. We provide insurance to over 3 million Canadians with 10.6% of the market share in Canada and over 15% market share in Ontario. Ontario auto insurance is key to Aviva because we insure over 1.05 million Ontario drivers.

Aviva Canada is a wholly owned subsidiary of Aviva plc, one of the world's largest insurers with 33 million customers worldwide. Our global presence gives us unique insight into regulation in different international markets.

### **Overall Priorities**

We agree with FSRA's proposed overall priorities of burden reduction and regulatory effectiveness and offer comments on a couple of the strategies:

#### Data Collections

Historically, the data that regulators receive is often irrelevant or outdated by the time it is received. We would encourage FSRA to engage with insurers to determine the most appropriate data to collect. We would also suggest more focus on forward looking data (lead indicators) that would enable FSRA to address trends earlier and more proactively.

The Fair Treatment of Customers Guideline was introduced in 2018. We would be pleased to work with FSRA in identifying the most appropriate data to support this work.

We would also encourage FSRA to collect more information directly from consumers especially with the creation of the Office of the Consumer. This will help FSRA understand consumer preferences and may also identify areas where consumers need more protection.

## Innovation

We are pleased to see a focus on innovation and the recognition that older, inflexible regulatory frameworks hold back innovators and limit consumer choice and the economic benefits of industry competition and innovation. Aviva has created many new products for customers throughout our global operation. In other Canadian provinces, we have introduced a number of stand-alone policies for auto insurance related coverages. Ontario has been the most difficult jurisdiction to deal with and this has hurt Ontario consumers. We look forward to introducing more products to our Ontario customers once regulatory barriers are lessened.

We also encourage FSRA to move forward with a Regulatory Sandbox where insurers could test new business approaches and products. This would allow new ideas to come into the marketplace more quickly while legislative/ regulatory amendments are being made.

## **Sector Specific Priorities**

We agree with the four priorities that have been identified for the auto insurance sector:

1. Streamline Rate Regulation
2. Support Auto Reform Strategy
3. Review Health Service Provider Regulation
4. Develop Fraud Reduction Strategy

### **Streamline Rate Regulation**

Modernizing rate regulation is a necessity for Ontario auto insurers. The current prior approval system is outdated, costly and produces poor results. It does nothing to control rising costs and instead contributes to chronic underpricing, instability of auto insurance and impacts insurers' solvency. We urge FSRA to go beyond the proposed process review and commit to a plan for change. At the appropriate time, we will provide FSRA with a list of recommendations and a three year plan to get to use and file.

### **Support Auto Reform Strategy**

We would like to see FSRA play a key role in the development and implementation of auto reforms. We also would like FSRA to be more engaged than its predecessor in understanding loss trends and taking action to mitigate rising costs. We understand that many changes to the auto product may require legislative or regulatory amendment but we believe that FSRA should be actively recommending reforms to Government. Aviva thinks that it would be beneficial to

have regular touchpoints with FSRA in order to discuss loss trends, cost drivers, claims inflation with a view of developing possible solutions.

### **Review of Health Service Provider (HSP) Regulations**

We understand that health care providers are questioning the cost and effectiveness of the current licensing regime for health service providers in Ontario's auto insurance system. We believe that regulation of health service providers is required given the significant amount of money paid for treatment and assessments. However, the current system of licensing and regulation should be improved because the problems in the system continue. FSCO's own compliance audits found a 34% compliance rate from on-site examinations and 63% from on-line reviews and FSCO has suspended/ terminated 250 clinics since 2004.

### **Develop a Fraud Reduction Strategy**

Aviva fully supports this priority. We currently have 70 staff dedicated full-time to fighting fraud with a budget of \$11.3 million (including Canatics). We recommend that FSRA and the industry work together to develop an anti-fraud framework would define "insurance fraud", enable the measurement of fraud and warn consumers about fraud/ fraudsters. Aviva would also like to discuss the removal of regulatory barriers that prevent insurers from effectively pooling data and information to detect and investigate fraud. We would also like to explore additional types of penalties for fraud so that there is less reliance on the police and Crown.

### **Insurance Conduct- Adopt Effective Conduct Standards**

At Aviva, we put the customer at the heart of everything we do. We understand and support a greater regulatory focus on insurance conduct. We would like to see FSCO's Treating Consumers Fairly Guideline harmonized with the CCIR guideline so that there is one national guideline for P&C insurers. We do not believe that FSRA needs to focus on reviewing market conduct standards. Instead, we would encourage FSRA to focus on implementation and specifically how they will determine whether insurers are compliant with the Guideline. Significant data is already being collected through the Annual Statement on Market Conduct. Let's make sure that the data being collected is the most relevant data.

In conclusion, Aviva thanks FSRA for the opportunity to comment on the proposed 2019-2020 Priorities and Budget. We would be happy to discuss any of the recommendations in this document.