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November 18, 2019

Mr. Mark White
Chief Executive Officer
Financial Services Regulator of Ontario (FSRA)
5160 Yonge St. 17th floor
North York, Ontario M2N 6L9

Re: FSRA Draft 2020-2021 Priorities and Budget

Dear Mr. White:

Aviva Canada Inc. ("Aviva") thanks the Financial Services Regulatory Authority of Ontario (FSRA) for the opportunity to comment on its 2020-2021 Proposed Priorities and Budget. Aviva would like to congratulate FSRA on a successful launch in 2019 as well considerable progress already in 2019. It is so far clear that FSRA is committed to a philosophic and operational shift in how it will regulate financial services in Ontario. We are fully supportive of the journey going forward and wish to support and advise in any manner that we can be of service. 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 hope that FSRA's work will lead change across Canada as other provinces begin to recognize the momentum in Ontario.

We will limit our comments to the aspects that affect our business and appreciate the thought and detail that was put into the strategic plan. Generally agree and support the direction, but we offer comments below on specific areas.

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.

Cross-Sectoral Priorities

4.1 Burden Reduction

Priority 1.1 Review Inherited Guidance

This is important work considering we are moving from rules based to principles based supervision. We are aware that some review has already taken place. A completion date should be set for this work.

Priority 1.2 Establish Meaningful Service Standards

We are happy to see this and appreciate the pro-activity. The whole industry will function more efficiently and ultimately serve the customer better.

4.2 Regulatory Effectiveness

Priority 2.1 Protecting the Public Interest

We agree that FSRA should have a continued focus to embrace the consumer perspective to support innovation, and efficiencies that will benefit consumers while ensuring their interests are properly addressed.

We support the launch of a Consumer Advisory Panel. Consultation should prove to be illuminating.

A new website that provides consumers with clear/ easily accessible information is necessary to FSRA fulfilling its consumer protection mandate. We recommend that FSRA move up the delivery date from 2020-2021 and start to deliver more information to consumers in a phased approach. FSRA should also consider other ways to communicate with consumers including social media.

We also suggest that FSRA should have a function that is pro-active and includes global scanning of trends, technology, products, policy and regulatory development that benefits customers. Relying only on customers may be limiting because they will generally only know what they know. There has already been considerable change in technology and service in other markets.

Priority 2.2 Enable Innovation

We strongly support this priority of enabling innovation. FSRA needs to be empowered to enable innovation. FSRA should have a regulatory sandbox where new products and concepts can be tested. This is particularly true where current laws and regulations present an obstacle to

new products entering the market. In order to run a regulatory sandbox successfully in these circumstances, FSRA needs to be able to exempt the sandbox applicant from compliance with existing laws. This is the model that the OSC and many other regulators have. Without the ability to exempt, any attempts at innovation will be slow.

The proposed timeline is too slow. This suggests that an innovation framework will not be in place until 2021-2022. We recommend accelerating the timeline.

Priority 2.7 Improve Information Sharing with Regulators

We support information sharing with regulators. In addition to OSFI and other members of the CCIR, information sharing should be established between FSRA and regulatory colleges. Information sharing with regulators is needed particularly when it comes to fraud.

Priority 3.1 Transition to Principles-Based Regulation (“PBR”)

The transition from rules-based regulation to principles-based regulation is a journey. We agree that this will require different capabilities both within the regulator and at regulated entities. We look forward to being consulted on the new processes.

Priorities Specific to Auto Insurance

Priority 4.1- Empower and Protect Auto Insurance Consumers

Aviva supports FSRA’s mission to promote safety, fairness and choice in financial services, including P&C insurance.

Rate regulation in Ontario needs to continue to transform. Even though this seems like an issue that affects the insurance company, it really affects the customer considerably. Having more customized prices, more price points, greater flexibility in the market and more choice. Other jurisdictions have moved on to highly competitive and dynamic systems – it keeps insurers on their toes vying for the best price they can achieve for the customer and stay competitive with their industry peers.

We agree that FSRA should enhance auto insurance transparency, disclosure of information and consumer choice. Particular attention should be paid to access to information, understanding the product, and the role and obligations of the distributor. The sales transaction is the transaction that impacts all consumers.

We also agree that FSRA should enhance market conduct oversight with an emphasis on the fair treatment of customers with focused monitoring. While we believe that the “take all comers” rules should be reviewed, as long as it is the law, it must be complied with. Market conduct practices around the sales process should be the subject of oversight. In other words, the oversight should not be limited to the conduct of insurers. Brokers and agents are the single

point of contact for many consumers and their practices must comply with the Fair Treatment of Customers.

Priority 4.2- Support and Implement Transformative Auto Insurance Reforms

We would like to see FSRA play a bigger leadership role in the reform activity given the talent and experience at FSRA. It would be helpful to see a plan for reforms, as FSRA has a transparent method of communicating their steps forward. Aviva would like to continue to help all appropriate government entities in whatever way is helpful but Aviva is concerned about claims inflation and upward pressure on premiums.

Priority 4.3- Develop a Data and Analytics Strategy

We agree that FSRA needs data in order to properly regulate. FSRA already collects a significant amount of data, and one of the challenges is always how to best use it. Before requiring insurers to submit more data, FSRA should aim to eliminate some data reporting requirements.

It will be critical for FSRA to clearly state the purpose of any data collection and then consult with the industry on which data to collect to best fulfil the stated purpose. This did not always happened with FSCO and other regulators.

Data should drive the regulatory supervisory process but it can also create several benefits such as addressing cross-industry issues such as policy and claims fraud. Currently we rely on third-party solutions which either don't work well or we have a challenge with sharing private data. HCAI is an example of a significant data repository which has been underutilized for years. We would like to see FSRA hire the appropriate health care data expert to analyze this data so that it can be used to inform policy and reforms.

FSRA should also explore the use of more granular data collection, but with the goal of driving more surveillance capability and reducing regulatory burden around rate filing and acceptance.

FSRA should also consider investment into modern data collection and delivery technologies so that collected data is useful to stakeholders (even if aggregated). As an example: modern API infrastructure to collect (granular) data and distribute back to stakeholders aggregated data sets. Modern web-based business intelligence type dashboards to drive awareness/insights.

It is critical for FSRA and other regulatory bodies to build basic capabilities in understanding how AI/ML is shaping our industry. This means attracting individuals with different skill sets. Traditional actuarial skills are important, but need to be combined with more technology and AI/ML native backgrounds. FSRA will also need to build out of technical capabilities vis-à-vis modern toolsets. For example, cutting edge models are now being built on more data-science friendly programming languages such as Python & R. Such tools need to be introduced together with individuals skilled in use of modern programming tools.

Budget

FSRA's costs are ultimately borne by consumers. We believe a 2% increase is reasonable. FSRA has done a good job of attracting a lot of good talent. Now it is time for the talent to start really delivering a modern regulatory system.

Conclusion

Aviva appreciates the transparency with which FSRA conducts its activities, the planning foresight and detailed targets laid ahead. The model of collaboration and consultation with industry and customers is good formula- we are definitely stronger pooling our collective expertise to achieve greater results. It has been a good few months of hard work for FSRA and we are confident that 2020 will continue on a strong footing.

If you have any further questions please contact:

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