



FSRA 2021-22 Priorities and Budget

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INTRODUCTION

The Co-operators Group Limited (“The Co-operators”) is a leading Canadian, diversified, integrated, multi-line insurance and financial services organization. As a co-operative, our 46 members include co-operatives and credit union centrals representing a combined membership of millions of Canadians.

Our footprint in Ontario is strong: we insure approximately 580,000 private passenger vehicles, 350,200 homes, 9,400 farms and 37,000 businesses. We employ over 2,700 staff and have independent distribution contracts with 250 advisors, who in turn operate their own agencies.

We are proud to provide insurance and financial services to more than two million Canadians. We are even prouder that we provide financial security to Canadians in their communities while staying true to our co-operative values.

We appreciate the opportunity to provide feedback on FSRA’s draft 2021-22 priorities and budget.




PROPERTY AND CASUALTY SECTOR PRIORITIES

We support FSRA's outlined cross-sectoral priorities of protecting the public interest, enabling innovation, modernizing systems and processes, and transitioning to principles-based regulation, and look forward to continued collaboration to implement these actions in all aspects of FSRA's regulatory oversight.

With respect to the specific property and casualty sector priorities, we recognize FSRA's intent to enhance consumer choice, increase transparency, promote innovation and foster a competitive and stable auto insurance marketplace. These are important objectives that will enable insurers to best serve our clients.

5.1 Empower and protect P&C and auto insurance consumers


Empowering and protecting P&C consumers, and auto insurance consumers specifically, is an integral aspect of FSRA's role, and we support this sustained priority.



In order to empower and protect consumers, we believe a clear focus on affordability through mechanisms including product design and reform, as will be further discussed, must be incorporated into the deliverables and outcomes of this priority.

While we note one of the included key deliverables of this priority includes “protecting consumers by ensuring auto insurance rates are reasonable through improved use of benchmarks and developing additional tools for identifying unreasonable rates”, our experience to date suggests that the time and effort insurers dedicate to participate in consultations on benchmarks does not result in significant changes or increased transparency.

As part of the goal to *improve the use of benchmarks*, we recommend FSRA work with insurers to understand each insurer's individual trends, specifically why and how they differ from the benchmarks.



If an individual trend is supported by credible data, the actuarial judgement applied is reasonable, and the model fit is strong based on relevant statistical measures, the individual trend should be accepted, leaving the benchmark to serve as a guide.

We also believe there is opportunity to redirect the significant effort spent within our collective actuarial teams, and the associated costs incurred to hire an independent actuarial firm to complete studies of industry loss data, to focus on other more pressing activities.

A number of the deliverables and outcomes associated with this priority relate to increased oversight and accountability, which suggests the potential introduction of new rules, controls, audits and enforcement. In general, we support replacing regulation with FSRA rules as this will assign more authority to the insurance experts and rules can more quickly adapt to emerging business models, innovation and changing consumer preferences. However, we would appreciate further discussion on the intent of these enhanced expectations. For example, with respect to “improved data analytics”, it would be helpful to understand what FSRA is looking to monitor and assess so the industry can determine whether this data could be provided in a more effective manner. Moreover, with respect to increased monitoring of the *Take All Comers rule*, we recommend FSRA work with the industry to understand the processes being used across various channels to detect risk and protect consumers.

With regard to the “improved regulatory effectiveness and remove barriers to competition and innovation” outcome, we have consistently worked towards this goal in the interest of our clients, recommending the government and FSRA implement changes and reform to improve regulatory effectiveness and remove barriers to competition. Our recommendations include **rating territory reform to allow for further geographical segmentation, and a revised list of prohibited risk classification elements that does not include, most notably, credit score**. We recommend FSRA commit to these action items as a means to achieve innovation, competition, and ultimately, a stable auto insurance marketplace.

Given this priority’s focus on increased transparency, we must highlight our concerns with the manner in which FSRA recently presented its COVID-19 rate relief survey findings to consumers. We do not believe the information necessary to fully understand FSRA’s representation of insurers’ response efforts was provided, and we are disappointed that the disclaimer provided to industry cautioning against comparing components of relief among insurers was not cascaded to the public.

Within FSRA’s guidance on consumer relief during a declared emergency, it is stated:

“In developing a framework for emergency relief for auto insurance consumers, FSRA was guided by all six principles with a particular emphasis on *Consumer Focus and Transparency & Disclosure*.”

In line with this emphasis on consumer focus, and transparency and disclosure, we believe all rebates and rate reductions from the industry’s emergency filings should be posted to FSRA’s rate filing approval database. In other words, we are asking FSRA to provide the actual filed amounts by insurer for relief measures directly related to rebates and rate reductions. These relief measures provide direct benefit to consumers without changes to their risk level and can be communicated on a comparable basis to approved rate changes from non-emergency filings, providing additional disclosure to consumers to better inform them of all company actions. **We urge FSRA to disclose this information as soon as possible to demonstrate alignment with its guiding principles.**



5.2 Support and implement government's auto insurance priorities



We are concerned about the new language used to describe this priority – namely, the removal of the reference to “transformative auto insurance reforms”, and seek additional clarification from FSRA on the significant change in priority.

We strongly believe FSRA must serve as the preeminent auto insurance expert and advocate to the government, providing recommendations on reform that will increase innovation and competition to benefit consumers. Following the release of the *Putting Drivers First* blueprint, we participated in numerous roundtables and consultations to discuss necessary reform measures to make auto insurance more accessible and available for drivers, but there has been little reform action to date.



This remains a pressing need, and we urge FSRA to maintain a commitment to transformative auto insurance reforms within its 2021-22 priorities.



Within this draft priority, we support the inclusion of building and operationalizing a fraud and abuse strategy, and have been pleased to contribute to the development of this strategy. However, **we urge FSRA to include specific reference and focus on the auto tow, storage and repair sector**, which is a prevalent source of the current fraud and abuse within the system. FSRA has an important role in barring fraudulent entities from participating in the auto insurance sector, and only specifying health service providers within the draft priority deliverable represents a missed opportunity to comprehensively address the fraud and abuse that is contributing to increasing premium rates.

Given the ongoing impacts of COVID-19, now is the time for FSRA and the government to focus on transformative auto insurance reform, including enforcement against fraud and abuse, to ensure the industry is in a position to best serve consumers before these issues develop into a crisis situation.

5.3 Implement auto insurance data and analytics strategy

As a member of **FSRA's Technical Advisory Committee for Auto Insurance Data and Analytics Strategy**, we support FSRA's initiative on this priority. The Committee has only recently been appointed, so it will require time to work through its mandate to provide expert insight to FSRA on the use of data, analytics and technology. We therefore believe it is premature to update this priority from "developing" to "implementing" a strategy given the development is only in preliminary stages and we would expect a consultation with the industry before finalizing and actioning its deliverables.

As this priority is focused on improved access to data and new data sources, we recommend **FSRA work directly with the industry to ensure the strategy takes into account the necessary scope, timing, and outcomes associated with the ability to provide quality data.**



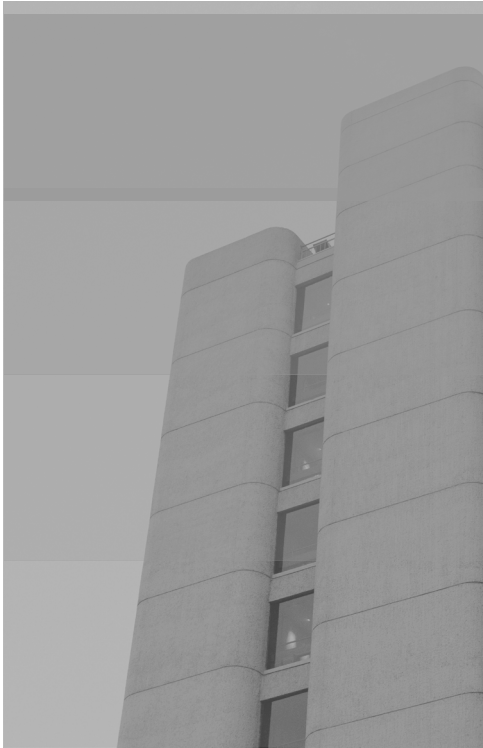
For industry, this will mean appropriate implementation lead time will be required to allow facilitation of the proper processes, reconciliation and associated investment. We would appreciate further clarification on FSRA's intended scope and timeline of this deliverable, and discussion to ensure the strategy balances cost and effort with the value of the resulting data.



To build upon the deliverables and outcomes of this priority, we recommend FSRA consider making data available at the client level for point of sale data input, which would enable greater innovation. We also recommend allowing insurers access to data sources such as the government's odometer reading database.

We are interested to learn more on how FSRA intends to use data to support its fraud and abuse strategy, and would note the industry has an increasingly mature approach on this front and is seeking latitude for more robust use of data to support initiatives targeting fraud. It is critical that FSRA align its objective to use data to support the fraud and abuse strategy with what the industry already has underway in order to sustain effectiveness on both fronts.

Recommended priority addition: Transform auto insurance rate regulation




A transition to principles-based regulation (PBR) is one of FSRA's four cross-sectoral priorities and we are optimistic PBR will be a driving force to transform auto rate regulation. In fact, the transition to PBR should be a paradigm shift for auto rate regulation on its own.

Priority 5.3 is focused on the expected outcomes from the Technical Advisory Committee for Auto Insurance Data and Analytics Strategy, and **we recommend FSRA include an additional priority in its final Statement of Priorities outlining the expected outcomes and deliverables from the Technical Advisory Committee for Transforming Auto Insurance Rate Regulation.** We believe transforming rate regulation should be specifically called out as a priority for the auto insurance sector. Increasing competition can be driven by transforming the rate regulation process, enabling insurers to bring changes to market quicker through less regulatory red tape. This would be an important priority addition given FSRA's focus on regulatory effectiveness and efficiency to better serve Ontario drivers.



LIFE & HEALTH INSURANCE PRIORITIES

7.1 Enhance market conduct oversight to protect consumers

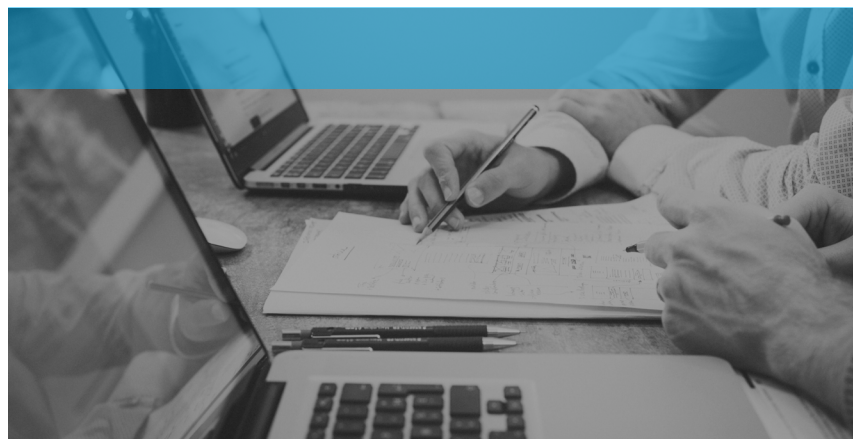


We support FSRA's intent to implement regulation of licensing requirements on managing general agents (MGAs).

Through the **Canadian Life and Health Insurance Association (CLHIA)**—of which we are a member—we have long advocated that unless a company has a career distribution channel, it is not reasonable or possible to have insight into all business an advisor is transacting across multiple markets. While most companies have imposed contractual requirements on MGAs and are conducting regular audits, we are only able to review the business an advisor has transacted with our own respective organization. It is simply not efficient for insurers to be responsible for compliance of advisors who work with multiple companies through an MGA. We therefore support FSRA's anticipated review of MGA oversight and the implementation of a CISRO-harmonized industry code of conduct for advisors. It is our hope that FSRA's regulatory efforts will ensure MGAs can complete a fulsome review of an advisor's business, and that new regulatory tools include requirements to report any inappropriate activity to both companies and the regulator.

As part of this priority, we recommend FSRA consult with industry on potential regulatory tools to assist companies when advisors may not be complying with industry best practices guidelines to ensure greater consumer protection.

We also note our support for additional disclosure requirements for segregated funds, consistent with the mutual fund industry, which will assist consumers in making informed decisions.




PENSIONS PRIORITIES

We offer our support for FSRA's proposed pensions priorities.



FINANCIAL PLANNERS & FINANCIAL ADVISORS PRIORITIES

10.1 Implement the title protection framework for Financial Planners/Financial Advisors



We commend FSRA on the work to regulate the use of the financial planner and financial advisor titles. While we will be sharing our fulsome feedback on the recently proposed rule and guideline in a separate submission, we would reiterate our recommendation that **licensed life insurance agents should be exempt from being required to obtain additional credentials in order to use the title of financial advisor.**

We urge FSRA to engage with the life insurance industry to clarify which components of the **Life License Qualification Program (LLQP)** curriculum do not meet the competency profiles to allow the use of the financial advisor title. We firmly believe the LLQP is as comprehensive as any other program, including the mutual fund licence exam material, and should be accepted as an approved qualification.

While we support FSRA's proposed approach to the credentialing of financial planners, we do have concerns with the upcoming changes to the process of obtaining a CFP designation, which will soon require a candidate to hold a post-secondary degree.



We recommend FSRA retain ultimate discretion to determine whether an individual has the qualifications to use the financial planner title to ensure those who have completed the CFP curriculum and exams, but are prohibited from earning the designation, have the opportunity to become credentialed.



CONCLUDING REMARKS

We appreciate the opportunity to provide feedback on FSRA's draft priorities and look forward to further discussions as you pursue the stated deliverables and outcomes. As a co-operative insurance and financial services organization, we believe we bring a unique perspective to public policy consultations.

If you have any questions or require clarification, please do not hesitate to contact our **Associate Vice-President of Government Relations, Maya Milardovic**, at maya_milardovic@cooperators.ca.

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