



March 18, 2021

Submitted by e-mail

Financial Services Regulatory Authority of Ontario
Auto Insurance Sector
5160 Yonge Street, 16th Floor
Toronto, Ontario
M2N 6L9

Re: Proposed Rule [2020-002] Unfair or Deceptive Acts or Practices

On behalf of CAA Insurance, I am pleased to share our comments in response to the Financial Services Regulatory Authority of Ontario's (FSRA) *Proposed Rule [2020-002] Unfair or Deceptive Acts or Practices*.

While CAA Insurance supports FSRA's two stage process in transforming the Unfair or Deceptive Acts or Practices (UDAP) regulation into a principles-based rule, we would like to take this opportunity to offer comment for consideration as FSRA enters the next phase in this process.

We support FSRA's intent to continue prohibiting the use of credit information as a rating factor for auto insurance in the proposed rule. CAA Insurance believes that enabling the use of credit information as a rating factor is unnecessary. Recognizing that some jurisdictions allow the use of credit scores as a rating factor for auto insurance, we believe the risks far outweigh the reward for Ontario drivers.

The struggles that many Ontarians have faced during this pandemic have impacted their credit ratings. Enabling credit as a rating factor could be seen as punitive, and adversely impact many consumers while the global pandemic continues to cause financial hardship for many Ontarians.

Throughout the pandemic, FSRA has allowed the insurance industry the opportunity to provide relief to consumers in ways that would have otherwise been prohibited. CAA Insurance leveraged these options and provided industry-leading relief that benefitted our policyholders both in the form of a rate reduction and two financial relief measures.

Although some may argue the pandemic response validates the need to remove the prohibition around incentives, it was a necessary measure for a specific and unprecedented time in our history. That said, based on the current environment, CAA Insurance does not believe that loosening restrictions around incentives is the direction that FSRA should embark on. The proposed changes could be seen as a slippery slope and negatively impact the broker industry. Many Ontarians prefer to use brokers, and an unintended consequence of the proposal could adversely affect brokers across the province should insurers be able to offer incentives and/or rebates direct to consumers.

Should FSRA opt to permanently remove the prohibition on incentives, it is imperative that any changes made are not only in the consumer's best interest, but reflective of the impact on the insurance industry at large, as any loosening of rules should not disproportionately benefit or hinder companies. Specifically, FSRA must ensure that any changes implemented benefit

companies of all sizes equally, otherwise the changes could have long term implications for smaller insurers, thereby having a negative impact on consumers.

While the Summary of Key Changes in FSRA's document suggests removing the prohibition on incentives as they have "acted as a barrier to new and innovative consumer offerings", CAA Insurance disagrees with this assessment. Over the last few years, CAA Insurance has shown that innovation is not only possible but has been publicly supported without requiring the removal of prohibitions that were installed to protect consumers.

CAA Insurance applauds FSRA for embarking on these reviews to both modernize and improve Ontario's auto insurance system.

Given CAA's extensive history in advocating for motorists across the province, we appreciate the opportunity to provide comment on these issues, and welcome further discussions with FSRA representatives should you have any questions.

Sincerely,

Elliott Silverstein
Director, Government Relations
CAA Insurance Company