



February 25, 2022

Submitted electronically

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

Re: ID 2021-021 – Consultation on Proposed Guidance for Reporting and Resolution of Automobile Insurance Rating and Underwriting Errors

On behalf of CAA Insurance (CAA), I am pleased to share our comments in response to the Financial Services Regulatory Authority of Ontario's (FSRA) consultation (2021-021) on the proposed guidance for reporting and resolution of automobile insurance rating and underwriting errors.

Upon reviewing the proposed guidance, while CAA Insurance agrees largely with the approach and intent presented by FSRA, there are some areas of question and concern.

CAA Insurance agrees with the classification of major errors within the guidance, along with the timelines and thresholds listed. We believe that thresholds of 100 policies or 0.5% of the insurer's total written exposures for the affected category would sufficiently capture any system related issues an insurer may face.

In contrast, we are concerned with the guidance around minor errors as proposed. Based on the broad scope of the guidance, the minor errors category could effectively require an insurer to report any single, one-off human error, as minor as a keystroke error that would be otherwise caught in existing quality assurance (QA) processes. Many insurers have controls and robust QA programs in place to ensure compliance with rules and procedures.

The inclusion of "near miss" in the minor category vastly expands it beyond an error being made, but now potentially incorporates human error situations that are both caught and corrected without impacting the consumer.

In addition, the definition of a "near miss" was not included in the posted guidance. CAA Insurance believes that a definition of what constitutes a "near miss", as well as identifying situations that would be excluded from being categorized as a "near miss" is important for insurers before any guidance is brought into effect. Given the extensive efforts that many insurers undertake internally with QA, the reporting of "near miss" situations could unintentionally overstate an insurer's record, resulting in the potential for a negative impression by the public.

The recommendations proposed within the guidance will have an impact on the operations of insurance companies. Recognizing that FSRA's broad intent is to protect consumers, we are concerned about the financial and human resources required by both FSRA and insurers to potentially report a series of one-off incidents compared to broader, more systemic issues that would lead to better consumer outcomes. We believe that, at the outset, FSRA would be best suited to focus its efforts exclusively on the major errors, as the 100-policy threshold would

capture any system, program or rate, and is still a sufficient sample size to adequately protect the millions of Ontario drivers that would be covered by this guidance.

Thank you for the opportunity to provide these comments. We welcome further discussions with FSRA representatives should you have any questions.

Sincerely,

Elliott Silverstein
Director, Government Relations
CAA Insurance Company