

January 3, 2019

Delivered by email to: inquiries@fsrao.ca

Mr. Mark White
Chief Executive Officer
Financial Services Regulatory Authority (FSRA)
130 Adelaide Street West, Suite 800
Toronto ON M5H 3P5

Re: Request for comment on proposed FSRA rule

Dear Mr. White,

On behalf of Desjardins General Insurance Group (DGIG), I am pleased to respond to your request for comment on the proposed rule regarding FSRA assessments and fees.

As members of the Insurance Bureau of Canada (IBC) and Canadian Association of Direct Response Insurers (CADRI) we have contributed to their comments on this topic made within industry advisory group meetings that you have conducted. We would like to build upon those comments by highlighting a few key points.

FSRA is on the right path

The ambition of FSRA is to be an innovative, flexible, self-funded regulator capable of responding to the dynamic pace of change in marketplace, industry and consumer expectations. It will play a key role in setting regulatory direction and ensuring efficient, responsive regulation to protect consumers; encourage innovation and competition for incumbents and new entrants and promote market integrity and stability.

This is the right direction and our interactions with you and the FSRA Board provide us significant confidence that you will be able to deliver this vision.

Transforming a regulator will require an initial start-up investment

It is reasonable to incur some additional costs to attract and retain the right talent to achieve this transformation. The start-up period will create some cost pressure for your new organization.

We note that the provinces' auto insurance system requires approximately \$14 billion in premiums. On that size of system cost base, an effective regulator, generating even a small percentage improvement to the underlying aggregate costs, could deliver a significant return on investment for the public and to our industry.

Opportunities exist to lower the cost of regulation and improve consumer protection

FSRA's creation offers immediate opportunities to refine current approaches to align with an improved future state. We believe that one of those opportunities would be to recognize the power of consumers in a competitive marketplace to regulate auto insurance rates.

When considering new approaches to auto insurance, we recommend that FSRA and the Ministry of Finance look for inspiration at the competitive market driven regulatory framework used successfully with property insurance.

We note that the amount we pay to FSCO in annual fees and assessments is approximately five times what we pay to Autorité des marchés financiers (AMF) or the Office of the Superintendent of Financial Institutions (OSFI). While recognizing the need for some temporary additional start up costs, insurance consumers should expect a "least cost" regulatory mindset to achieve consumer-focused outcomes that include product affordability.

The auto insurance system needs a proactive and effective regulator

The auto insurance system is not providing sufficient value to Ontarians. The current regulatory framework demands a proactive and effective regulator. In this context, we are supportive of the proposed FSRA Rule 2019-001 including a variable rate fee model. It would be our expectation that there would be a robust and transparent budgeting process and that the fee model would be reviewed within 3 years.

However, we also note that the context differs for each regulated sector. Some other sectors may have a very different current reality and thus different expectations of FSRA. Given the uncertainty in these early days, they may prefer a more cautious initial approach offered by the Interim Fee Rule 2019-001B option. This option would also be acceptable to us assuming that it would not significantly hinder FSRA's ability to improve the auto insurance system for Ontarians.

Thank you for the opportunity to provide our commentary.

Sincerely,



Denis Dubois
President and Chief Operating Officer
Desjardins General Insurance Group