



25 February 2019

Mark White  
CEO  
Financial Services Regulatory Authority  
130 Adelaide Street West, Suite 800  
Toronto ON M5H 3P5

**Re: FSRA Fee Rule - Assessments and Fees**

Dear Mr. White,

Thank you for FSRA's timely response to our original letter commenting on the FSRA fee rule and assessment fees. We are encouraged to see that FSRA has decided not to exempt certain Health Service Providers from paying their fair share of assessments and fees. We are also pleased to see that FSRA has considered our suggestion to not build a contingency reserve amount into its budget for its first assessment period.

While we are grateful for the changes FSRA has already proposed in its reply paper, we remain concerned with the increasing budgetary costs for the insurance sector. The automobile insurance business continues to experience deteriorating results and without appropriate reforms to product and rate regulation, our industry's ability to shoulder a steep rise in regulatory costs remains limited. Ultimately, regulatory cost increases must be considered in the context of affordability of the auto product in Ontario, which is why we encourage FSRA to not delay necessary reforms and to review the Fee Rule after the reforms have been implemented.

In addition, we strongly believe that FSRA should further consider Intact's concerns in the following two areas that we believe go against the stated principles of fairness:

*1. Fixed Rate for Automobile Rate Filings*

Review of rate filings is an onerous exercise that presents an incredible opportunity for FSRA to achieve regulatory cost-savings by cutting burdensome red tape. As a principles-based regulator, FSRA should quickly transition to a *use-and-file* rate system, which will reduce the amount of resources needed in this area; thereby leading to a reduction in fees charged to the insurance sector.

In the meantime, we strongly reaffirm our position that automobile rate approval fees should be charged on a fixed rate basis, as opposed to the variable rate basis proposed by FSRA. As noted in our prior submission, we do not believe that the cost required to review a rate filing is in anyway correlated with the size of the insurer. Therefore, the proposed approach unjustly places a bigger financial burden on larger insurance companies instead of being a direct correlation to the number of filings submitted by any single insurer.



We acknowledge FSRA's comment that there is currently no "data related to the time/cost estimates associated with rate filings of different complexities and frequencies". However, adopting an approach that uses Direct Written Premium (DWP) as a basis to charge variable rate fees will result in larger players subsidizing rate filing costs for smaller players. We believe that this goes against FSRA's stated vision of fairness, specifically the commitment by FSRA to ensure that "regulated sectors' and participants' contributions to funding should be proportional to the regulatory activities or costs they generate".

## *2. Adjusted Fees for Insurance Market Conduct Activities*

We remain unsure as to why FSRA anticipates that large insurers are likely to proportionally generate more market conduct issues than smaller insurers. As mentioned in our past submission, we are supportive of the variable rate approach for calculating fees associated with market conduct activities. However, we believe that a scaling approach would be more appropriate since we don't see market conduct regulatory activities as being directly proportionate to DWP of an insurer. Fees charged by the Insurance Bureau of Canada – the industry trade association - is an example of insurers being assessed using a step-scale approach, which could be used by FSRA as a model. Noting again FSRA's principle of fairness cited above, we would encourage FSRA to further discuss and review the proposed approach to make sure it is aligned to this principle.

Once again, thank you for the attention paid to our concerns. Should FSRA require additional information, or clarification regarding the contents of this letter, Intact would be pleased to offer additional assistance.

Thank you and regards,

A handwritten signature in black ink that reads "Julie Nolette". The signature is written in a cursive, flowing style.

Julie Nolette  
Vice President, Intact Insurance Personal Lines, Ontario and Atlantic