

February 21, 2019

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

Dear Mr. White:

Re: Revised FSRA Fee Rule consultation

Insurance Bureau of Canada (IBC) appreciates FSRA's detailed report on the consultation regarding the draft Fee Rule. We are particularly pleased with the decisions that the variable fee model will be utilized in establishing the FSRA's annual budget, and that direct written premiums will be used as the basis for allocating assessments within the insurance sector for market conduct regulation. We believe the consultation outcomes signal the new regulator's commitment to sound, fair, and realistically flexible management of its budgetary responsibilities.

The purpose of this letter is to comment on the sole proposed change to the draft rule that relates to the P&C insurance sector. This is the proposal not to provide an exemption from regulatory charges for Health Service Provider (HSP) clinics that report to have served no more than six insured motor vehicle collision victims during the preceding year. We agree with the decision not to provide an exemption.

Consistent with the principle that regulated industries should bear their own costs, we believe that the costs of overseeing HSPs should be fairly shared among the participants in the sector. The frequency of improper business practices in the medical rehabilitation (med/rehab) sector, which prompted the licensing of these businesses in the first place, is not size specific. Small-scale med/rehab operators form a significant portion of the HSP sub-sector, and to turn away from it leaves an exposure for the insurance industry.

We note that the formula FSRA will use to determine the amount to be charged fairly relates fees to the size of the med/rehab business, and will result in very limited costs for smaller enterprises. Furthermore, clinics providing health services to collision victims will continue to have the option of not applying for licensing if they choose to forgo the more consumer-friendly processes that comes with billing auto insurers directly; in these situations, insurers are obliged to reimburse patients for the costs to them of approved med/rehab services.

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As noted elsewhere by IBC, because of the licensing regime's role in ensuring compliance with public interest requirements, we believe it is an important tool of the overall effort to protect the auto insurance system against fraud and abuse. We respect FSRA's due diligence approach to reviewing the current HSP licensing system and have previously signaled our desire to participate in this review. If another equally effective and more efficient process is found to achieve the same outcome, the industry would expect to view it positively.

Sincerely,

A handwritten signature in blue ink, appearing to read "K. Donaldson", with a long horizontal flourish extending to the right.

Kim Donaldson
Vice President, Ontario