



18 November 2019

Mark White
CEO
Financial Services Regulatory Authority
5160 Yonge St 17th Floor
North York, ON, M2N 6L9

Re: FSRA Priorities and Budget 2020-2021

Dear Mr. White,

On behalf of Intact, I would like to congratulate you on the successful launch of FSRA. We have been impressed with the progress that has been made to date and look forward to continuing to work collaboratively on advancing insurance priorities that deliver for consumers and reduce regulatory burden for business.

Intact is pleased to provide comments on the FSRA Priorities and Budget 2020 – 2021.

Reducing regulatory burden

We support FSRA's continued focus on red tape burden reduction and regulatory effectiveness. The stated goal to eliminate up to 40 per cent of inherited guidance is a target that we see as consistent with becoming a world class, principle - based regulator. Recent successes, including the launch of electronic proof of auto insurance and introduction of simplified filings procedure, are examples of steps in the right direction when it comes to cutting red tape in Ontario's auto insurance regulatory environment.

Through 2020 and beyond, we recommend that FSRA continue to undertake a comprehensive review of rate regulation. Rate filings remain an onerous exercise that presents an incredible opportunity for FSRA to achieve burden reduction and regulatory cost-savings.

An eventual transition to a *use-and-file* rate system should be the goal for a principles-based regulator and will also reduce the amount of resources needed in this area. In our view, removing the need to analyze every rate filing and instead only focusing on the rates that may appear as 'outliers' will lead FSRA to achieve true burden reduction for the auto insurance industry, while delivering better outcomes for consumers and reducing operating costs.

Auto product reforms

There is currently a real opportunity in Ontario to deliver meaningful auto product reform that meets consumer expectation for affordability and fairness. FSRA is a key stakeholder in these reforms, and we believe that its macro-level industry perspective is critical to ongoing policy discussions. Once FSRA further develops its policy and data analytics



capabilities, we think it should consider taking on a more central role in auto product reform discussions.

Moreover, we strongly agree that FSRA should have an active responsibility to establish “consumer understanding” of auto insurance. In line with progress on auto product reforms being led by the Ministry of Finance, FSRA should begin developing a strategy to communicate anticipated changes to the public.

Innovation in auto insurance

We are hopeful that FSRA can get the Innovation Office up and running as soon as possible. The insurance industry is ready to deliver consumer-focused innovation and FSRA should remain open to considering these opportunities on an ongoing basis, while at the same time working on developing a forward-looking innovation framework. A focus on innovation, however, should not come at the expense of delays associated with approval of regular auto rate filings or product reform.

The insurance industry supports regulatory sandboxes that create safe and conducive spaces for innovative ideas, enabling companies to experiment while containing the fallout of any failure. Any regulatory sandbox must be accessible to incumbent insurers and new market entrants.

In addition, FSRA must ensure financial fairness when new entrants wish to participate in Ontario’s auto insurance market. This means a review of fees and assessments associated with innovation, as to make sure that incumbents are not unfairly subsidizing new entrants utilizing FSRA’s resources.

Fee structure based on direct written premium

As noted in our previous submission to the 2019 Assessments and Fees Second Consultation, we do not believe that the cost required to review a rate filing, or the costs associated with market conduct activities are in any way correlated with the size of the insurer. The current use of Direct Written Premium (DWP) as a basis to charge industry fees unjustly places a bigger financial burden on larger insurance companies and is not consistent with FSRA’s commitment to ensure that regulated sectors’ and participants’ contributions to funding are proportional to the regulatory activities or costs they generate.

In its response to our second consultation submission, FSRA had justified its current fee structure on the basis that “there is currently no data related to the time/cost estimates associated with rate filings of different complexities and frequencies”. We believe that as FSRA moves to compile appropriate data related to filings, it should commit to a review of the fee structure so that it more accurately aligns with FSRA’s stated principle of fairness.

As a member of the recently established Stakeholder Advisory Group, I look forward to our continued collaboration in helping deliver an auto insurance environment that delivers



for Ontario's consumers and reduces unnecessary regulatory burden for business. Should FSRA require additional information, or clarification regarding the contents of this letter, Intact would be pleased to offer additional advice.

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