

April 29, 2022

To: Glen Padassery
Executive Vice President, Policy & Chief Consumer Officer
Financial Services Regulatory Authority of Ontario

RE: Intact Financial Corporation's Written Submission to FSRA – Consultation on Proposed Principles-Based Regulation Approach Guidance

Dear Glen,

Please find below written feedback on behalf of Intact Financial Corporation (“IFC”) relating to the proposed principles-based regulation (“PBR”) approach guidance that was released by Financial Services Regulatory Authority of Ontario (“FSRA”) for consultation on March 22, 2022.

IFC supports FSRA’s commitment to use risk-based supervision of regulated entities to enhance innovation and collaboration. Allowing regulated entities to determine the best regulatory compliance approach based on their size, complexity and risk profile will be instrumental in ensuring a competitive property and casualty (“P&C”) insurance industry that delivers positive consumer outcomes.

I. RATIONALE AND BACKGROUND

We welcome FSRA’s outcomes-focussed approach to PBR and are confident that it will positively impact P&C insurers’ ability to respond to changes in technology, consumer needs and disruptions in the industry. IFC looks forward to hearing more about how FSRA plans to provide regulatory flexibility and what that will mean for our operations.

II. FRAMEWORK PRINCIPLES

In terms of the six framework principles FSRA has adopted to guide its approach to PBR, IFC is pleased that FSRA has concentrated on important concepts like facilitating innovation, focusing on consumer impact and collaborating with industry stakeholders.

However, we would like to suggest an addition to this section. The proposed approach guidance refers in several places to PBR being an “efficient” way to supervise the activities of regulated entities. As a result, we suggest that “Efficiency” be added as a seventh framework principle.

III. REGULATORY APPROACH

IFC approves of the general “Regulatory Approach”. In particular, we are interested in FSRA’s statement that “Well-controlled and governed, and effectively managed regulated entities” who engage proactively with FSRA could be subject to “less intensive supervision or a less intensive risk mitigation program”. We understand these benefits will be contingent on entities’ senior management and boards engaging effectively with FSRA, but we hope that further guidance will be provided to offer details on what this will mean in practice and to ensure that expectations for entities to realize these benefits are clearly set out.

The proposed approach guidance also indicates that FSRA will “continue to rely on detailed Rules and prescriptive requirements” and that the different functions at FSRA may adopt unique supervisory methodologies appropriate for the industries those functions regulate. We understand the need to tailor

the mix of PBR and traditional regulation by industry but suggest that these unique methodologies be developed through separate consultations with members of each regulated industry. For example, regulated entities may have valuable feedback on where detailed rules are still preferable for their operations and where a principles-based approach is appropriate.

IV. ENFORCEMENT

We agree with FSRA's plan for the enforcement of PBR, especially the fact that enforcement actions will account for factors such as (i) risk to consumers, (ii) the nature of the regulated entity, (iii) past conduct, as well as (iv) efforts made to mitigate incidents of non-compliance. We are also appreciative that FSRA will assume the good faith of regulated entities.

The proposed approach guidance also states that FSRA will rely on "Interpretation Guidance" and will be "formulating specific guidance to outline its approach to investigations and enforcement to provide enhanced transparency around its enforcement processes and practices". IFC hopes that any such guidance affecting P&C insurers is submitted to the industry for consultation.

We thank FSRA for this consultation and the opportunity to provide feedback, and we look forward to working together on PBR. We are available to discuss further.

Sincerely,

A handwritten signature in black ink that reads "Julie Nolette".

Julie Nolette

Vice President Personal Lines, Intact Insurance West, Ontario & Atlantic