



October 28, 2021

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

Re: FSRA Statement of Priorities and Budget 2022-2023

Dear Mr. White,

On behalf of Intact Financial Corporation, I am pleased to provide comments to FSRA's proposed priorities for 2022-2023 with respect to the Property & Casualty (Auto) Insurance sector as outlined in FSRA's 2022-2023 priorities and financial plan.

Implement a new strategy for reforming the regulation of auto insurance rates and underwriting

We understand that key deliverables relating to this proposed priority include:

- Exploring opportunities to develop a rule and guidance to define fairness in rates, risk classification and underwriting;
- Developing guidance to improve operational efficiency, including filing management and decision-making processes;
- Transitioning to a new supervisory framework that monitors and enforces compliance with requirements for rates and underwriting;
- Applying lessons learned from the Take All Comers Thematic Review; and
- providing data analytics support for the regulatory reform of rates and underwriting by developing new supervisory tools and monitoring market health and consumer outcomes.

We applaud FSRA's focus on reforming the regulation of auto insurance underwriting rules, risk classification systems and rates, and FSRA's approach to regulate these matters in a rule and guidance, instead of across multiple pieces of legislation and regulations. Similar to FSRA's use of its rule-making authority to replace the currently outdated Ont. Reg. 7/00 with the recently proposed UDAP rule, we support consolidating the requirements around prohibited underwriting rules and rating variables in Regulation 664, and the approval criteria for underwriting rules and risk classification systems in the *Insurance Act* and the *Automobile Insurance Rate Stabilization Act, 2003* into one principles-based rule.

Any filing requirement stipulated in such rule or guidance should remain high-level. We applaud FSRA's efforts so far in simplifying filing processes, and perhaps more operational flexibility and efficiencies, such as the file-and-use system that FSRA introduced in April 2020 for the emergency filings in the context of the pandemic, can be achieved where insurers propose rate decreases or minor rate increases.

With respect to the new supervisory framework that monitors and enforces compliance with rates and underwriting requirements, we need more clarification from FSRA on what they are in order to provide feedback. We are committed to working collaboratively with FSRA on this, and we believe the industry needs a transition plan to avoid potential negative impact on customer experience.



With respect to the lessons learned from the Take All Comers Thematic Review, we look forward to FSRA providing transparent and timely communication to the auto insurance sector.

Finally, with respect to data analytics strategy, this was identified as a standalone key priority in FSRA's 2021-2022 Statement of Priorities, but more of a deliverable in support of a priority in the 2022-2023 Statement of Priorities. As mentioned in our feedback last year, FSRA should have the right tools to leverage collected data to support underwriting regulation transformation and auto insurance reform. It should also take advantage of this data and analytics capability to proactively provide advise to government on ongoing auto product policy reforms. Furthermore, with greater data collection comes greater expectation around data protection, which includes clear guidance and transparency around the use of industry data by authorized third parties.

Develop recommendations and act on reforms of the auto insurance system

We understand key deliverables relating to this proposed priority include working with the Ontario Ministry of Finance to support the development and implementation of initiatives to reduce fraud and abuse in the system, enhancing the effectiveness of FSRA's regulation over health service providers, improving HCAI, and acting on the next steps in the Three-Year Review.

We support ongoing measures to address auto insurance fraud and agree FSRA should play a more active role in auto insurance reforms and be involved in developing recommendations, in addition to acting on the government's reforms. As we already mentioned in our feedback last year on the proposed 2021-2022 priorities, there is real opportunity in Ontario to deliver meaningful auto product reform that meets consumer expectation for affordability and fairness. While we recognize that the government has much control over product reform policy, FSRA must act as a key and active stakeholder in these reforms.

In particular, we believe one key priority from the Ontario Fall 2020 Budget Bill for our sector is the electronic notice of termination. Prioritizing this reform aligns with FSRA's overall cross-sectoral priority for both 2021-2022 and 2022-2023 – i.e. enable innovation, and also reflects business practices and consumer behaviour in a post-pandemic reality.

We would appreciate more details on the next steps in the Three-Year Review, including which of the ten recommendations will be the focus.

Ensure the Fair Treatment of P&C/Auto Consumers

We support continued focus on protection of insurance consumers. At Intact, we believe insurance is about people, not things, and this value is core to our brand.

We understand key deliverables relating to this proposed priority include: exploring opportunities in risk-based targeting to prioritize compliance initiatives and address consumer harms and completing the Take All Comers Thematic Review.

As discussed above, we need clarification and details on such risk-based compliance initiatives and we look forward to hearing from FSRA regarding its lessons learned and action plan for the Take All Comers Thematic Review.



We believe another important pillar for this priority is consumer-focused innovation, which aligns with one of FSRA's proposed cross-sectoral priorities – enable innovation. We understand there are more consultations relating to innovation including from the Technical Advisory Committee, but any regulatory sandbox must be accessible to incumbent insurers and new market entrants. FSRA must also 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.

As a member of the Stakeholder Advisory Committee, I look forward to our continued collaboration in helping build 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