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April 29, 2022

Financial Services Regulatory Authority of Ontario
Auto Insurance Sector
25 Sheppard Avenue West, Suite 100
Toronto, ON M2N 6S6

Re: Consultation on Proposed Principles-Based Regulation

Insurance Bureau of Canada (IBC) and its member property and casualty (P&C) insurers welcome the opportunity to comment on the Financial Services Regulatory Authority of Ontario's (FSRA) consultation on proposed Principles-Based Regulation (consultation document). IBC is pleased to see FSRA propose the adoption of a more flexible regulatory approach. Aligned with how other regulators operate internationally, such as those across the U.S. and Europe, the adoption of a principles-based regulatory environment in Ontario should lead to improved outcomes for consumers, such as product innovation, greater market competition, and more manageable premium changes.

Framework Principles

IBC supports the proposed six Framework Principles and their accompanying descriptions outlined in the consultation document. To align with FSRA's Business Plan, we recommend that FSRA include an additional principle on 'Regulatory Efficiency.' This principle would speak to minimizing unnecessary regulatory burden on regulated entities, whose costs are ultimately borne by consumers through higher premiums, or the subsequent restrictions on insurer innovation, market competition, and product choice.

Regulatory Approach

IBC generally agrees with FSRA's proposed regulatory approach to apply the Framework Principles. However, there are a few areas that industry requests clarification and recommends consistency:

- Throughout the consultation document, 'desired outcomes' and 'desired regulatory outcomes' are used interchangeably. IBC recommends that FSRA remove reference to 'desired regulatory outcomes' and use 'desired outcomes' solely to maintain consistency and mitigate confusion from its regulated entities; and
- The consultation document indicates that regulated entities would be required to demonstrate how it is 'achieving adherence' to the proposed Framework Principles. In this capacity, the use of 'achieving adherence' may be subject to misinterpretation without clarity. IBC recommends that FSRA maintain consistent language here and again use 'desired outcomes' throughout this guidance.

The consultation document also outlines that FSRA may refer to industry best practices when assessing the approach chosen by regulated entities. While we understand the importance of utilizing best practices here, it is

unclear which best practices FSRA will leverage. IBC recommends that FSRA indicate which best practices it will reference when assessing regulated entities.

Lastly, the consultation document notes that in certain areas, FSRA will continue to rely on rules and prescriptive requirements. It is crucial that FSRA avoid increasing the regulatory burden among regulated entities by implementing principles-based regulations without removing the related rules and requirements. Doing so would create an uncertain regulatory environment and ultimately diminish the positive consumer outcomes that should result from the shift towards principles-based regulation.

IBC encourages FSRA to remain transparent in its regulatory activities and recommends that it publish the evaluation criteria it will use to determine which areas will follow a principles-based regulatory approach and those that will follow a rules-based approach. To that end, FSRA is encouraged to consult with its regulated entities in its decision-making process to ensure a balanced-approach is used.

Other Considerations

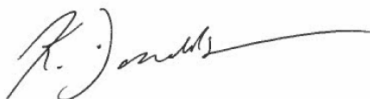
In addition to the proposed Framework Principles and Regulatory Approach outlined in the consultation document, IBC recommends the following additions:

- Indicate the timeframe for which FSRA will continue to rely on rules and prescriptive requirements and communicate a transition plan to move away from a hybrid regulatory framework to a predominately, if not exclusively, principles-based regulatory framework; and
- The primary focus of an effective principles-based regulatory approach should be on consumer outcomes. While IBC supports FSRA's efforts to increase market competition, it is critical that all entities, including new entrants, be held to the same standard when being assessed. IBC recommends that FSRA maintain a consistent leveled playing field for all insurers, irrespective their market share, size, or length of time operating in Ontario, to ensure that consumer outcomes are not negatively impacted.

Finally, while outside FSRA's jurisdiction, we note other areas could benefit from a more principles-based approach, including decisions of the Licence Appeal Tribunal (LAT). We recommend that FSRA monitor decisions of the LAT to identify recurring cases whereby the dispute involves misunderstanding or lack of clarity in specific auto insurance regulations or guidelines. If FSRA determines that it has the authority to issue guidance to remediate the problem, we recommend that it do so. This would help reduce the significant backlog of unresolved cases at the LAT that has grown to over 15,000.

IBC appreciates the opportunity to comment on FSRA's proposed Principles-Based Regulation consultation. FSRA's efforts to reduce regulatory burden and transition to principles-based regulation is encouraging to the P&C industry – we agree that a true principles-based regulatory environment will lead to greater flexibility through a more effective and efficient regulatory approach. If you would like to discuss this further, please contact me.

Yours sincerely,



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