

29 April 2022

Mr. Mark White, CEO,  
Financial Services Regulatory Authority (FSRA)  
25 Sheppard Avenue West, Suite 100  
Toronto, ON M2N 6S6

Via: <https://www.fsrao.ca/engagement-and-consultations/seeking-input-proposed-principles-based-regulation-approach-guidance>

Dear Mr. White,

**Re: Public Consultation: [2022-06] – Proposed Principle-based Regulation**

### **Introduction**

The Canadian Association of Direct Relationship Insurers (CADRI) is the voice of insurance enterprises that offer automobile, home, and commercial insurance directly to Canadians. We advocate for flexible and evolving regulatory and legislative frameworks governing automobile, property, and commercial insurance to enable product and service innovation so that Canadians can easily choose insurance that serves their needs through the delivery channels of their choice.

CADRI and its members supported the creation of a principle-based regulator and have followed with interest FSRA's development of a framework. We recognize the research, outreach and resources that underpin FSRA's proposed Approach Guidance.

We agree that principle-based regulation (PBR) enables regulated entities to innovate and serve their clients more effectively and at a lower cost.

### **Framework principles**

CADRI supports the six outlined principles:

- Outcome-focused
- Innovative
- Consumer-centric
- Risk-based
- Transparent, and
- Collaborative.

Additionally, we recommend that FSRA add Efficient to this list. The UK's Financial Conduct Authority is a leading regulatory agency. Its principles place Efficiency and Economy first to be able to meet value-for-money reviews of its operations. <https://www.fca.org.uk/about/principles-good-regulation>

Being centred on efficiency speaks to avoiding or reducing regulatory burden. This has positive effects on consumers and the entities regulated. Prioritizing actions, rules and inquiries minimizes response efforts for insurers. We also expect that timeliness would be a component of efficiency, wherein the regulator would respond promptly to consumer and industry trends, expectations, and innovations.

### **Approach to regulation and supervision**

CADRI members support a shift to PBR where FSRA will set high-level, broadly stated principles, and identify desired outcomes. Placing greater reliance on a regulated entity's senior management and Board fits with the nature of CADRI's members – pan-Canadian and global companies with sophisticated governance and compliance systems. We expect that organizations that demonstrate oversight processes that are proportional, reasonable and in good faith, will be alleviated from current process-focused reviews and ad hoc data information requests.

CADRI's members understand in principle that FSRA will not be a purely principles-based regulator. We recommend that FSRA publish clear evaluation criteria that will be used going forward to determine when PBR approaches will be used and when they will not. CADRI members welcome the opportunity to provide feedback when FSRA chooses to pursue detailed rules and prescriptive requirements. Consultation will enable regulated entities to understand the rationale and justification in these instances.

### **Implementation and Enforcement**

The transition from current state to future state is a challenge for any organization, as it must be for a regulatory agency with such a broad portfolio affecting millions of Ontarians and significant sectors of the Ontario economy.

In this context, we believe it is crucial for FSRA and its regulated entities to have a common understanding of the regulator's roadmap for change. Moreover, we recommend that FSRA incorporate an evaluation of its transition to PBR in its annual Business Plan and service level commitments to measure its progress.


CADRI welcomes a specific guidance for FSRA's approach to investigations and enforcement. From our perspective, it will be important for FSRA to demonstrate a progressive enforcement approach that focuses on education and consensus building rather than solely upon penalties.

### **Conclusion**

CADRI supports FSRA's aims to put in place a principle-based approach to regulating auto insurance in Ontario. One that serves the public interest.

The balance between principle-based regulation and prescriptive rules is a delicate one. The industry itself must also adjust to working within principle and risk-based frameworks rather than requesting prescriptive direction. Therefore, CADRI welcomes further dialogue, consultation, and opportunities to comment on proposed guidance.

Yours sincerely,



Geoff Beechey  
Chair and CEO, CADRI

cc:  
CADRI Board of Directors  
CADRI Ontario Committee

Kim Donaldson, IBC, VP, Ontario