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February 22, 2023

Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
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Submission [on line](#)

RE: IBC response to FSRA's consultation on the proposed Rule 2022 – 001 Assessments and Fees (new 2022 Fee Rule)

Insurance Bureau of Canada (IBC), on behalf of its member property and casualty (P&C) insurance companies, is pleased to participate in the FSRA's consultation on the proposed new 2022 Fee Rule launched November 28, 2022. IBC is the national industry association representing Canada's private home, auto, and business insurers, including insurers prudentially regulated by FSRA. Our member companies account for approximately 90% of Canada's property and casualty (P&C) insurance market.

We acknowledge the proposed 2022 Fee Rule aligns with FSRA's commitment to review and update the fees initially introduced in 2019.

Our comments relate to two proposed changes:

1. The proposed change to projected cost allocated within the Ontario incorporated P&C sector, which will now be based on the share of required capital, as opposed to Direct Written Premium.
2. The introduction of the Innovation Office Fees.

Our comments are below.

1. Change to Base Variable for Assessing Fees for Prudentially Regulated Insurance Companies

We understand that required capital was chosen as the base variable for prudential insurance fees because it better reflects the supervisory activities and risks associated with this regulated sector, and that the cost allocation method would be in line with that used by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurance companies.

Subject to the comments below, we support the change to the use of required capital as the base variable. However, we ask that FSRA consider delaying implementation of the change to 2026 or, if warranted, later.

According to FSRA's findings in the October 2021 Stakeholder Advisory Committee Presentation Materials, there will be a significant impact on individual assessments such that 12 out of 54 companies under prudential supervision would have their fees increased (some by a substantial amount), whilst the remaining 42 companies would see a significant decrease in fees. IBC anticipates the disproportionate impact on insurers may be further distorted by the adoption in 2023 of the new International Financial Reporting Standard 17 and related capital requirement changes. The full impact of the latter changes may not be determined until a period of stability in the reporting of financial results is achieved. The accounting change brings some adjustments to the traditional metrics reported on insurers' regulatory returns, including required capital and direct written premiums (DWP). In addition, our members forecast a multi-year budget, with the 2024/2025 budget being prepared in May 2023. IBC and its members will be in a better position to budget for the change with an implementation date of 2026.

2. Innovation Office Fees

IBC supports FSRA's encouragement of innovative initiatives in the insurance industry. We ask that FSRA consider reviewing the rates charged for individual services on an annual basis to ensure that they do not pose a barrier to innovation and are commensurate with market rates.

In closing, IBC appreciates the opportunity to respond to the FSRA's consultation and welcomes further opportunities for dialogue on this critical issue to the P&C insurance industry.

Sincerely,



Kim Donaldson
Vice-President, Ontario