



March 2, 2023

Mark White
CEO
Financial Services Regulatory Authority
130 Adelaide Street West, Suite 800
Toronto, ON M5H 3P5

Dear Mr. White,

Thank you for the opportunity to comment on the proposed FSRA 2022 Fee Rule. Intact Financial Corporation (Intact) values the opportunity to be a part of discussions on the proposed Fee Rule changes.

We acknowledge the proposed 2022 Fee Rule aligns with FSRA's previous commitment to review and update the fees initially introduced in 2019 and Intact is generally supportive of the proposed changes. Please find below written feedback on behalf of Intact.

I. Fixed Rate vs Variable Rate

As we communicated in our 2019 Fee Rule submission, Intact believes that **a fixed rate approach should be considered for activities where the cost is not a function of size.** For example, we recommend that automobile rate approval fees be charged on a fixed rate, given that the effort required to review a rate filing is not influenced by the size of the insurer but rather by the number of companies operating in the marketplace. In this instance, a variable rate approach to automobile rate approval fees is perceived to unfairly penalize large payers because it incorrectly assumes that bigger companies generate greater cost expenditures. Therefore, we propose that a fixed rate approach to fees associated with the automobile rate approval process be used.

We are supportive of the variable rate approach for calculating costs associated with market conduct activities on a direct written premium basis. As part of this approach, we suggest that FSRA incorporate a "step-scale" rate structure for P&C insurance market conduct activities, whereby a decreasing scale would be applied proportional to direct written premium earned (i.e., $X = \text{Rate} \times \text{Level of DWP} (<500\text{m}; 500-750\text{m}, \text{etc.})$).

II. Required Capital vs Base Variable

Intact is supportive of the proposed change from direct written premiums to the use of required capital as the base variable for prudential insurance fees, as the approach better reflects the supervisory activities and risks associated. However, we continue to advocate for the Fee Rule to address and ensure fairness between new market entrants and incumbents in the industry.

III. Innovation Office

Intact supports FSRA's initiative to create an Innovation Office for the insurance industry and we are in support of the proposed fee structure being introduced that would help avoid cross-subsidization by non-innovators in regulated sectors and to create appropriate incentives for innovators to engage with the office.

Once again, thank you for the opportunity to respond to the FSRA Fee Rule consultation. Should you require additional information, Intact would be pleased to offer additional support.

Sincerely,

Julie Nolette
VP Personal Lines, Intact Insurance West, Ontario & Atlantic Divisions