



December 6, 2024

Glen Padassery  
Executive Vice President, Policy and Auto/Insurance Products  
Financial Services Regulatory Authority of Ontario  
25 Sheppard Avenue West, Suite 100  
Toronto, Ontario  
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Dear Mr. Padassery,

**Re: Proposed Fiscal Year Statement of Priorities 2025 - 2026**

Intact Financial Corporation (Intact) is pleased to provide feedback on FSRA's Proposed Fiscal Year Statement of Priorities (SOP) for 2025-2026.

As Canada's leading provider of property and casualty (P&C) insurance, Intact is supportive of the priorities as outlined in the SOP and applauds FSRA for its efforts to bring practicality to auto insurance regulation, in particular its recent announcement on optionality reforms clarifying that insurers may offer coverage bundles based on consumers' needs.

To help further the work FSRA does, we believe that additional transparency, a renewed commitment to consultations, and a continued practical, responsive and evidence-based approach will continue to enhance Ontario's regulatory landscape.

Please see our comments below on proposals 4.1, 4.2 and 4.3 from the SOP.

**4.1 Implement Key Reforms for the Regulation of Auto Insurance Rates and Underwriting**

Intact supports FSRA's reform of auto insurance rates and underwriting regulation and we support the broad objective of promoting the Fair Treatment of Customers (FTC) as well as the transition to principles-based regulation (PBR). However, we want to emphasize that the approach should be transparent and with a clear focus on actual harm to consumers.

In Intact's experience, FSRA (and other provincial regulators) have adopted increasingly prescriptive interpretations of core FTC expectations, focusing more on insurers' processes instead of customer experience. We want to ensure that FSRA remains focused primarily on preventing negative customer outcomes, which should be identified based on statistically relevant evidence that demonstrates a real risk of material harm to consumers. To ensure you have the confidence and trust of the industry, we would encourage FSRA to share its evidence of consumer harm with insurers so that we can understand what research and analysis informs FSRA's objectives.

We also want to ensure that the approach FSRA adopts is predictable, and we would like to highlight some key considerations based our observations:

- We have found that FSRA senior management is very aligned with the industry on what is expected to ensure FTC, but there is a continued need to ensure alignment from senior management to front line staff.

- Given that each insurer has a different approach to achieving FTC, it is crucial that FSRA clearly communicates its expectations and provide additional transparency and clarity, particularly during the filing process, to maintain fairness and consistency for insurers.
- Rather than moving away from risk-based pricing, it is important that insurers continue to have the ability to price products based on the insured's actual risk profile. As such, the focus should be on the most predictive variables to ensure insurers capture the most accurate view of risk.

#### **4.2 Support Reforms of the Auto Insurance System**

Intact is fully committed to implementing the government's vision of auto reforms, including optionality and first payor. As FSRA moves into the implementation process, it is important that they continue to consider the operational realities of auto insurance in Ontario. As guidelines are developed, Intact would welcome a consultative process that is responsive to industry feedback. We believe that the approach to guidance should offer insurers the flexibility necessary to implement the reforms in a practical way. Further, the guidelines should take into consideration ease of doing business and consumer vulnerability. Intact does want to thank FSRA for the work it has already done on optionality, and we sincerely look forward to continued collaboration on reforms.

To that end, Intact is confident that the deadlines government has set are achievable. We are also hopeful that FSRA will ensure they have adequate time to review filings for all insurers when setting up the schedule for filings on this reform. During the previous large auto reforms in Ontario, FSCO provided a filing schedule during which time no other filings could be submitted. If FSRA decides to take a similar approach, it should limit the period of time of filing restrictions to ensure sustainability and consistency.

Intact also supports FSRA's priority to develop a Fraud Reporting Service (FRS) Rule and Guidance. We want to reiterate the importance of taking a practical approach to the guidance, one that reflects operational reality. While there is a lot of data collection and risk mitigation already, industry would greatly benefit from more enforcement. We want to echo IBC's recommendation for a phased and strategic approach that clearly delineates the goals for Phase 1 and 2.

Phase 1 should focus on establishing a baseline understanding of fraud, while Phase 2 must outline how the collected data will support industry-wide fraud detection and prevention efforts. It is also critical that FSRA balance data collection with active fraud mitigation, as insurers require effective tools and resources to combat fraud in real time. We also encourage FSRA to actively collaborate with government and other regulators (e.g., RIBO) to ensure detection and enforcement.

#### **4.3 Support the Fair Treatment of P&C Insurance Consumers**

Intact supports FSRA's approach to identifying risks within its planned P&C (non-auto) market conduct supervisory framework by focusing on impact and likelihood. Again, we strongly believe that the P&C supervisory framework needs to be evidence driven. Complaints data and market intelligence need to be statistically relevant and weighed against the customer experience data from the industry. It is important that FSRA share its complaint data, as industry needs to see the evidence that underlies its objectives.



Proportionality is also key to the framework. It should be minimally invasive to achieve its desired goals and permit insurers to chart their own path on FTC in accordance with core guidance.

Thank you again for the opportunity to comment on FSRA's proposed Fiscal Year Statement of Priorities 2025-2026. If you have any questions, please do not hesitate to reach out.