



4 January 2019

Mr. Mark White
CEO
Financial Services Regulatory Authority (FSRA)
130 Adelaide Street West, Suite 800
Toronto ON M5H 3P5

via: <https://www.fsrao.ca/en/consultations/form?rule=assessment-and-fees>

Dear Mr. White,

Re: Proposed FSRA Rule 2019-001 Assessments and Fees and 2019-001B Fees and Assessments (Interim)

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 appreciates the opportunity to comment on FSRA's proposed rules for assessments and fees on an interim and longer-term basis. Our comments will focus on the impact of the regime on direct-relationship property and casualty insurance companies.

In the consultation leading to the Expert Advisory Panel's report in March 2016, CADRI supported the creation of an independent, arm's-length agency with rule-making authority. Since then, we have appreciated participating in various consultations through FSRA's Industry Advisory Group. We look forward to a smooth transition from the Financial Services Commission of Ontario (FSCO) and the new agency's successful launch in the Spring of 2019.

CADRI seeks a regulator which has a modernized regulatory regime and a contemporary, user-friendly back office in keeping with the pace of change confronting the industry. We understand that any start-up, including a public agency, will have up-front costs. That said, our members continue to advocate for a modernization of Ontario's auto insurance regulatory regime to decrease red tape and increase competition. Until the benefits of some further reforms are put in place, there are financial pressures on the industry in its service to customers. In this context, we are relying on FSRA to budget accurately so that the industry's fees are tightly-tailored to its needs.

Responding to consumer demand

Netflix, iTunes, Expedia, Trivago, Turo, Uber and Zipcar are recognizable brands. They represent businesses that have responded to consumer demand and technological possibility to challenge incumbents and regulators alike. Each has thrived in an increasingly connected environment with the expanding availability of broadband and wireless smart phones.

In this environment, Canadians are increasingly comfortable doing a myriad of transactions online and on their smart phones. In fact, customers are now expecting to do more and more in the wireless, mobile environment. They are demanding this kind of evolution from service providers such as insurance companies. If faced with an impediment to fast, efficient, customer-friendly service, consumers take advantage of new options – whether or not the industry or regulations have caught up.

We seek to work with FSRA to adapt quickly to changes in consumer behaviour so the industry and regulators can keep pace with demands.

Streamlining regulation

The two notices, 19-001 and 19-001B, set out the approach and formulae for insurers to contribute to the self-funding of the new agency. CADRI understands that the creation of FSRA will have start-up costs which will be more significant in the first years. CADRI encourages FSRA to adhere to the principles set out in its Fee Rule Vision and Principles: simplicity, consistency, fairness, transparency, future focus, effectiveness and efficiency in reviewing its proposed approaches to fee setting.

Specifically, as these principles apply to the approach to property and casualty insurance sector in 19-001, CADRI appreciates that the core licensing fees for agents “are the same as under FSCO’s approach”. CADRI agrees that licensing “over 55,000 insurance agents and others potentially presents a significant administrative burden to FSRA...” We do not oppose the model presented for licensing individual agents, and generating flat fees for this service, which carries over from the FSCO. However, the current process is cumbersome and diverts resources, at both the regulator and the insurer, to administratively-complex processes for each and every agent.

Under the direct-relationship business model, the customer service personnel engaged by CADRI’s members are either employees or exclusive agents. The very nature of direct-relationship insurers’ corporate structures provides strict compliance standards and oversight to ensure that all agents have the skills, knowledge and supervision to provide the highest-standard of customer service and consumer protection.

We submit that the launch of FSRA presents an opportunity for the new regulator to streamline the process for regulating licensed insurance agents. We seek to continue the conversation to simplify the licensing regime for agents, in the context of corporate oversight, while maintaining consumer protection, effectiveness and efficiency.

Also, CADRI would be pleased to provide its expertise through input to the design of FSRA’s information technology database and interface as it pertains to licensing agents and other aspects of the direct-relationship business model.

A leadership role for FSRA

Looking exclusively at the qualification criteria of the current licensing regime, CADRI commends Ontario for the simplicity of its approach with one level of licence. We seek to make this a national standard across the country.

Currently each employee or exclusive agent must obtain the appropriate accreditation for each and every jurisdiction they serve. Each province and territory may well have different criteria for accreditation or licensing. Yet, no matter where licensed insurance agents are situated in Canada, their core function is fairly similar.

This current approach to licensing also means that if an agent's application or renewal for a licence is out of sync among the jurisdictions, an agent may sit idle, unable to answer calls and serve customer inquiries coming from that part of the country.

In our experience, the varying levels of insurance licences among the jurisdictions add administrative layers without necessarily contributing significantly to enhanced consumer protection. CADRI seeks to encourage consistent rules, regulations, processes and administrative practices across the country.

CADRI has in the past called for the harmonization of licensing rules for these agents. Harmonization would mean that regulators across Canada recognize the interjurisdictional licensing regime as one system. Thus, the rules in one jurisdiction would be the same as the next. Consumers and other financial services providers, including the investment industry, have benefited from national practices for some time.

Given that close to 40 percent of Canadians live in Ontario, CADRI calls on FSRA to recognize its leadership role in umbrella organizations such as the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organization (CISRO) and to ensure that its commitment to modernization and innovation permeate its contributions to these groups.

In conclusion, CADRI appreciates the opportunity to contribute to FSRA's approach in its inaugural fee and assessment setting process.

Yours sincerely,



Alain Thibault
Chairman and President
CADRI

cc: CADRI Board of Directors
CADRI Ontario Committee
CADRI Licensing Task Force