

Recovery of Administration Costs Regulation Consultation Paper

Introduction

Treasury Board and Finance (the department) is reviewing the [Recovery of Administration Costs Regulation](#) (regulation) of the [Insurance Act](#) (Act).

Purpose

The purpose of this consultation paper is to seek comments and feedback from stakeholders, and to provide an opportunity to identify other issues for consideration.

Summary of the regulation

Insurance companies are responsible for paying the operational costs of the Office of the Superintendent and the department as it pertains to insurance oversight. The Regulation allows the Superintendent to recover, from the insurance industry, the costs incurred by government to regulate industry and administer the Act.

While a number of Canadian jurisdictions conduct cost recovery, the manner in which it is calculated and administered varies by jurisdiction. In Alberta, the calculation for cost recovery is based on insurers' written premiums. In British Columbia, it is calculated based on insurers' assets. In Ontario, the Financial Services Commission of Ontario charges the cost of its operation to regulated sectors, which includes provincial insurance companies, through a combination of assessments and fees levied on industry.

Items for consideration

The department has identified some items for consideration. These items have been identified with efficiency, clarity and cost recovery in mind. Applicable excerpts from the Regulation are provided in the Appendix. Please inform the department of any comments you have on these items.

1. Change the date set out in Section 2(2) for when the Superintendent notifies each insurer indicating the amount of administration fees payable for the current fiscal year including the date by which the amount is due.
 - This would align the date administration fees are collected with the date licensing fees are collected by the Superintendent, increasing administrative efficiency.
2. Clarify the language for calculating administration fees in Section 3(1) to specify that non-consolidated premiums (as opposed to consolidated premiums) be used for the purposes of the calculation.
 - Consolidated premiums are the combined premiums of a parent company and its subsidiaries. These let one gauge the overall health of an entire group of companies as opposed to one company's standalone position.

- This would align the Regulation with best practices and the regulatory reporting requirements introduced by International Financial Reporting Standards in 2011.
3. The department is considering requiring all insurers to pay a minimum administration fee of \$250.
- Currently, no administration fee is payable by an insurer if the amount calculated is less than \$250, in accordance with Section 3(2). However, there is still an administration cost associated with each insurer, as they still require regulatory oversight.
 - This would be similar to Alberta's Employment Pension Plans Regulation in which the Superintendent of Pensions collects a minimum annual filing fee of \$250.

Stakeholder comments and feedback

Those interested are invited to submit comments and feedback on this consultation paper. Stakeholders are encouraged to identify any other issues the department should consider while reviewing the Regulation.

If you are identifying a new issue, please consider the following:

- Rationale for the proposed issue/change;
- Evidence to support the issues/changes, including what other jurisdictions are doing (if applicable); and
- Solution to the identified issue, including what implementation would look like.

Please note that all submissions will be subject to the [Freedom of Information and Protection of Privacy Act](#) (FOIP). All information received, including the names of stakeholders consulted in this process and any comments received about the Regulation, may be used or disclosed in the future in accordance with FOIP. Comments will not be publicly attributed to the stakeholder without consent.

Stakeholders interested are invited to submit their comments and feedback to Debbie Manning (debbie.manning@gov.ab.ca or 780-638-4590) by February 2, 2018.

Thank you for your time and comments!

Appendix

Excerpts from the Recovery of Administration Costs Regulation

Authority to charge administration fees

2(2) The Superintendent shall, on or before September 1 of each year, send a notice to each insurer indicating the amount of the administration fee payable under Section 3 for the current fiscal year and indicating the date by which the amount is due.

Calculation of administration fees

3(1) Subject to Subsection (2), the administration fee payable by each insurer in respect of a fiscal year shall be calculated in accordance with the following formula:

$$A = \frac{B}{C} \times (D - E - F)$$

where

A is the amount of the administration fee payable by the insurer;

B is the insurer's total direct premiums written by the insurer in the previous calendar year, as reported under Sections 44 and 46 of the Act;

C is the total of the direct premiums written for all insurers in the previous calendar year, as reported under Sections 44 and 46 of the Act;

D is the annual budget approved by the Minister for the administration of the Act and the regulations for the fiscal year;

E is 1/2 of the amount of the licence fees paid by all insurers for the current calendar year;

F is, with respect to administration fees payable for the 2010 and subsequent fiscal years, the amount by which the administration fees collected from all insurers for the previous fiscal year exceed the actual expenditures for the administration of the Act and the regulations for that same year.

3(2) No fee is payable by an insurer under this Section if the amount calculated for that insurer is less than \$250.