

February 27, 2023

Mr. Mark White, CEO
Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
Toronto, Ontario
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RE: Proposed FSRA Rule 2022 – 001: ASSESSMENTS AND FEES

Dear Mr. White:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks the Financial Services Regulatory Authority (FSRA) of Ontario for the opportunity to provide feedback comments on proposed *FSRA Rule 2022 – 001: Assessments And Fees*.

Our feedback will be relatively brief, largely because only certain aspects of the proposed amendments to Rule 2019 – 001 – Assessments and Fees (the 2019 Fee Rule) are germane to the life and health insurance sector in which CAFII members operate; and because we have previously communicated our support for FSRA's foundational approach to assessments and fees (as established in the 2019 Fee Rule).

That said, we have the following points of feedback to offer.

As an overarching feedback comment, CAFII notes, with some concern, that Rule 2022 – 001 proposes to remove the 'Principle of Predictability' from the 2019 Fee Rule's Vision & Principles. We view that particular Principle as a foundational, cornerstone feature of a transparent and fair regulatory fees regime; and we therefore strongly encourage FSRA to retain it.

Predictability is one of the guiding principles in Ontario's *Burden Reduction Directive*, a government-wide imperative that "sets out the Ontario government's burden reduction and regulatory modernization expectations, requirements, and responsibilities." Predictability is also the *sine qua non* of a sound regulatory regime, an essential aspect which encourages compliance and helps business entities in the regulated sectors to plan for change.

With respect to Part 2 – Sectoral Assessment Process, the proposed amendments include the following: "With respect to the preparation of budgets by FSRA, the requirement to post a draft budget on the FSRA website has been removed and replaced with a requirement to consult with the regulated sectors as part of FSRA's annual business plan process (Vision & Principles 1.2; 6.1)."

CAFII strongly encourages FSRA to reconsider the removal of the requirement for the Authority to post a draft budget on the FSRA website. In the interests of full transparency, we believe that it should be incumbent upon FSRA both to post a draft budget – in the first instance, before consulting with the regulated sectors on the annual business plan process (which is a related but separate area for review/scrutiny and feedback) – and then to consult with the regulated sectors on it.

In other words, it is our view that this annual process can only be optimal and produce a good, mutually beneficial outcome if it is not an 'either, or' between those two elements, but rather a 'both' and in the right sequential order. After all, how can the regulated sectors be in a position to provide constructive, meaningful feedback to FSRA on the proposed budget for the ensuing year, and on the related annual business plan priorities which the budget is intended to fund, if the draft budget has not been made public and shared with them – in advance, prior to the consultation phase occurring – typically via publication on the Authority's website?

Also in Part 2 – Sectoral Assessment Process, CAFII supports the addition of a new provision whereby "if funds are used from the operating reserve for a specific variable fee sector, then that sector shall include that cost for replacing such funds in the operating reserve as a sector-specific cost for calculating a future assessment following the withdrawal of those funds (Vision & Priorities 2.1; 3.1; 3.2)." We believe that FSRA's stated intention to avoid cross-sector subsidization with respect to replenishment of utilized operating reserve funds – and to take a user/causer-pay approach -- is the only fair and proper way to proceed.

With respect to Part 4 – Insurance Sector Assessments and Fees, CAFII supports the following amendment as a change that will provide greater precision and certainty for the regulated sectors: *"The definition of "direct written premiums" for the insurance sectors has been amended to now be recorded as they are reflected in the insurer's most recent annual audited financial statements presented to the insurer's prudential regulator (Vision & Priorities 4.2; 5.1)."*

With respect to Part 10 – Innovation Office Fees, CAFII supports the fee table set out therein and concurs with FSRA that the proposed fees are modest and reasonable and will serve "to prevent barriers to entry for innovation opportunities (Vision & Priorities 2.1)." In addition, such reasonable fee-for-service rates should incentivize fintechs, insurtechs, and other innovators to approach the FSRA Innovation Office to take advantage of its "Test and Learn Environment."

In a parallel vein, CAFII encourages FSRA to communicate regularly with the regulated sectors with respect to the activities of its Consumer Office and how it is funded.

More generally, we feel that FSRA continues to "walk the talk" in terms of its commitment to transparency, collaboration, and open communication with stakeholders.

Conclusion

CAFII again thanks FSRA for the opportunity to provide key industry stakeholder feedback on the Authority's *Proposed FSRA Rule 2022 – 001: Assessments And Fees*. We extend our Association's appreciation for FSRA's continued commitment to open and transparent communication and consultation. Should you require further information from CAFII or wish to meet with representatives from our Association on this submission or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com or 647-460-7725.

Sincerely,



Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Insurance; National Bank Insurance; RBC Insurance; Scotia Insurance; and TD Insurance – along with major industry players Assurant; Canada Life Assurance; Canadian Tire Bank; Chubb Life Insurance Company of Canada; CUMIS Services Incorporated; Manulife (The Manufacturers Life Insurance Company); Securian Canada; and Valeyo.