



CADRI

CANADIAN ASSOCIATION
OF DIRECT RELATIONSHIP
INSURERS

24 July 2019

Ms. Tara Richards
Superintendent
Financial Institutions Commission (FICOM)
2800 – 555 Hastings St., Vancouver, BC V6B 4N6

feedback@ficombc.ca

Dear Superintendent,

Re: FICOM Insurance Fees Consultation Paper June 2019

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 FICOM's consultation on insurance fees. Our input focuses on the issues which impact direct-relationship property and casualty insurance companies and their customers.

CADRI supports the creation of a self-funded, arm's-length agency to regulate insurance practices in BC. Consumers expect the same fast, transparent, competitive services from insurers as they receive from other financial sectors. Modernizing the regulator and its processes is an important step toward meeting consumers' expectations.

Understanding that the current regime has been in place since 1990, CADRI agrees it's time for an update. We support FICOM's principles of simplicity, fairness, service commitment, transparency and competitiveness.

From the perspective of CADRI's members, who are extra-provincial insurers, the proposal to levy a flat fee based on non-consolidated assets and 0.019 percent of direct premiums would mean fees are easy to calculate and have a low administrative burden. However, the proposed approach raises some issues. For one, moving from the current system to the proposed regime will lead to an increase in what our members pay to FICOM.

Moreover, the proposed approach also means that extra-provincial companies will be underwriting a larger portion of FICOM's overall budget. This burden of contribution may be disproportionate to the work undertaken by the regulator. For instance, the regulator will be justifiably focused on the solvency of BC-based companies, which are likely to be carrying proportionately less of FICOM's overall budget. CADRI's members believe that their contribution to funding FICOM should be commensurate with the proportion of regulatory oversight generated.

In addition, CADRI's members wish to be assured that the regulator's proposed fee framework will not cause any cross-subsidization among sectors. Insurance customers should not be responsible for subsidizing those of other financial services.

Taking these issues into account, we encourage FICOM to examine the impact of its proposed approach. Should it proceed as proposed, we recommend that FICOM phase in the levy and set a reasonable date to review the fee structure.

Finally, we appreciate FICOM's interest in increasing its engagement levels. We encourage the agency to focus its efforts on activities that benefit consumers through effective, risk-based rulemaking and supervision.

We would be pleased to discuss our position with FICOM. Once again, we appreciate both the province's moves to modernize its regulator and the opportunity to be consulted on this significant change to how fees are calculated by the province.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alain Thibault', written in a cursive style.

Alain Thibault
CEO and Chairman
CADRI

cc:
CADRI Board of Directors
CADRI Western Committee

Harry James, Senior Regulatory Advisor, FICOM
Aaron Sutherland, VP, Pacific, IBC