

August 30, 2017

Yvan Baker  
Parliamentary Assistant to the Minister of Finance  
c/o Budget Secretariat  
Frost Building North, 3rd floor  
95 Grosvenor Street  
Toronto ON M7A 1Z1

Dear MPP Baker,

The Toronto Financial Services Alliance (TFSA) is a unique, public-private partnership dedicated to growing the Toronto region's financial services cluster and building it as a "top ten" global financial services centre. Established in 2001, TFSA is a collaboration involving three levels of government, the financial services industry, and academia.

Working collaboratively with industry and government, we build international awareness of the advantages offered by the Toronto region and we work with financial services companies from around the world that are exploring business opportunities in Toronto.

We are writing to express our support for the recommendations identified in the report by David Marshall, *Fair Benefits, Fairly Delivered: A Review of the Auto Insurance System in Ontario*, and to urge the Ontario Government to move quickly in adopting and implementing the recommendations.

As the report notes, the system of regulation and delivery of auto insurance in Ontario is overly onerous and poorly structured. Over time, governments have enacted legislation and increasingly complex and detailed regulations in attempts to solve this structural problem, with limited success.

Ontario has 8,000 insurance agencies, brokerages and related firms spread throughout the province. The property & casualty insurance industry employs 54,000 Ontarians and contributes \$2.7 billion in health care levies and taxes every year. It is a major contributor to Ontario's financial services sector and to the Toronto economy.

Despite its status as an economic driver, the industry faces challenges because of the highly regulated nature of Ontario's insurance marketplace. Further, as the report identifies, the industry is likely to undergo major changes over the next ten years as innovation and competition from non-traditional sources disrupt the market. The current regime of burdensome regulation and price controls are poorly suited to adapt to the future.

As it stands, Ontario has had challenges in attracting investment in its property & casualty insurance market. The concentration of insurers in the auto insurance market in Ontario has increased over the last 5 years. The 5 largest insurance groups controlled 58% of the auto insurance market in 2012 but by 2016 this number had increased to 64%.

To that end, we encourage the government to move quickly to implement the recommendations made by the report. In particular, the new provincial financial services regulator, the Financial Services Regulatory Authority (FSRA), must be the cornerstone of any plan to transform Ontario's auto insurance system.

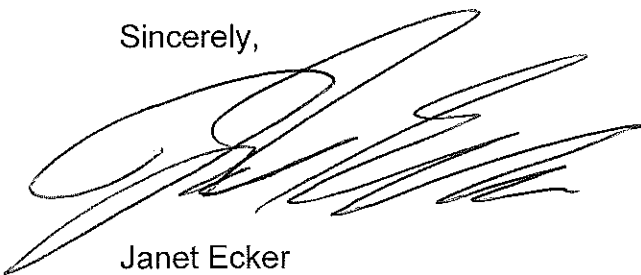
In order to begin the process of fixing Ontario's auto insurance system, the government should, in the immediate term:

- Implement the Marshall report's recommendations for overhauling the auto insurance system in parallel with the implementation of the new financial services regulator;
- Begin drafting an enabling statute for a memorandum of understanding between the Ministry of Finance and the new regulator setting out performance standards for the regulator and a process to measure if they are being achieved; and
- Ensure the new regulator has adequate resources to fully perform its mandate with respect to the regulation of all areas under its jurisdiction.

Insurance firms need improved market fundamentals to sustain and grow their operations. Reforms like those proposed by the Marshall report would help promote a vibrant, competitive marketplace that is good for consumers, supports job creation and spurs innovation. The commissioning the Marshall report was a significant step forward and we encourage the government to take action and implement the report's recommendations.

We would be happy to further discuss our recommendations with you in the coming weeks and months.

Sincerely,

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

Janet Ecker  
President & CEO  
Toronto Financial Services Alliance