



January 26, 2017

Mr. Patrick Déry, Chair
Canadian Council of Insurance Regulators (CCIR)
5160 Yonge St., Toronto, ON, M2N 6L9

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Dear Mr. Déry,

The Canadian Association of Direct Relationship Insurers 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.

We appreciate the opportunity to contribute to the development of the CCIR's Strategic Plan: first through our presentation to the Council on December 12, 2016 and, secondly, through this submission.

CCIR Strategic Plan

Reviewing CCIR's *2014 – 2017 Strategic Plan*, we compliment the organization on setting concrete goals, and moving to achieve them in the timeframe identified. We are reminded that CCIR also allocated a priority for each stakeholder community: consumers, regulators and industry.

CADRI's recommendations for CCIR's *2017 – 2020 Strategic Plan* seek to:

- equally benefit those communities,
- roll over some of the priorities and initiatives from the CCIR's previous plan, and
- adopt new activities to respond to evolving consumer expectations.

CADRI's Strategic Planning

CADRI and its members operate in the same environment as the CCIR and its provincial, regulatory members.

That environment could be characterized as:

- rife with technological change,
- shaped by high consumer expectations,
- continuing a trend of mergers and acquisitions,
- creating new, unforeseen business models, and
- challenging business and regulators alike to be forward thinking.

In this context, CADRI has a new vision:

That Canadians can choose from a variety of insurance products and services offered directly to them through modes of distribution that suit their preferences. Those products and services are designed based on modern data collection and risk modelling and enabled by nimble, flexible government supervision from coast to coast to coast

In December, we agreed that CADRI and CCIR both embrace the general principle of serving the consumer and the public interest. To do so, CADRI has set out three strategic priorities: to modernize, to harmonize and to engage. These strategic priorities can equally apply to the CCIR's framework.

The CCIR 2017 – 2020 Strategic Plan

Modernization

Netflix, iTunes, Expedia, Trivago, Turo, Uber and Zipcar are all 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.

As we noted in our submission to the CCIR for electronic proof of insurance in June 2016, according to the Canadian Radio Television and Telecommunications Commission (CRTC), and based on Statistics Canada Household Survey figures, 81.4 percent of Canadians had a wireless phone in 2012¹. Catalyst research shows that 68 percent of Canadians had a smart phone in 2015 – representing a year-over-year growth of 24 percent.² By 2018, penetration rates for smart phones in demographic bands between 18 and 54 will range from 98 percent to 85 percent.³ Many households, particularly in the 18-to-34-year age bracket use only mobile 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 the CCIR and its members to adapt quickly to changes in consumer behaviour so the industry and regulators can keep pace with demands.

Therefore, CADRI recommends that CCIR roll over some of its initiatives identified in the *2014 – 2017 Strategic Plan* including:

- Electronic Commerce: *Review and address issues arising from evolving use of technology*

¹ <http://www.crtc.gc.ca/eng/publications/reports/PolicyMonitoring/2014/cmr2.htm> Table 2.0.7

² <http://catalyst.ca/2015-canadian-smartphone-market/> Figure 1

³ <http://www.emarketer.com/Article/Over-Half-of-Canadas-Population-Use-Smartphones-2015/1011759>

CADRI would like to explore, with the CCIR, the advantages of enabling more authority at the regulatory level to provide for nimbler, timely regulatory response to consumer behaviour.

CADRI also recommends industry-regulator collaboration by using new business ‘sandboxes’, to test innovative and pilot projects. CCIR might consider using the Joint Forum of Financial Market Regulators as a vehicle for testing concepts that might be new to insurance but have been adopted by others in the financial sector.

By innovating in a collaborative manner, business and regulators can better meet consumers’ expectations for service while protecting the public interest. At the same time, by reducing the gap between what consumers expect and what the industry delivers, the risk of disruptive forces entering the market without appropriate regulatory oversight will diminish.

Harmonization

CADRI respects the Canadian constitution and its division of powers between federal and provincial jurisdictions.

Canada’s 35 million people are spread across an immense territory and our members comply with rules and regulations set out in 13 separate provincial and territorial jurisdictions.

In this context, CADRI seeks to encourage consistent rules, regulations, processes and administrative practices across the country.

Therefore, CADRI recommends that CCIR retain its priority from its *2014 – 2017 Strategic Plan: “Partner with industry stakeholders to identify opportunities to reduce interjurisdictional barriers”*. CCIR should continue to:

- *“Work with CISRO to harmonize licensing requirements”*

CADRI members frequently cluster customer service personnel in hubs or call centres which serve customers in several provinces. To do so, each employee must obtain the appropriate accreditation for each and every province they serve. Each province may well have different criteria for accreditation or licensing.

CADRI has called for the harmonization of licensing rules for these agents. Harmonization would mean the rules in one province 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.

As a starting point for insurance, this could be pursued on a regional basis. We note that the Atlantic Council of Premiers has recently enabled adjudicators to move more freely between provinces to speed up the claims processes in Atlantic Canada.

Another approach would be to license the parent corporation or entity, rather than each and every employee for the territory it serves.

Efficiencies in this administrative area would make business operations more scalable and flexible. We also anticipate cost savings to be reflected in consumers' premiums.

CADRI recommends CCIR make regulatory harmonization a strategic priority of its 2017 – 2020 Strategic Plan.

Engagement

CADRI seeks to partner with stakeholders to ensure consumers are in a position to make informed decisions.

In that context, CADRI recommends that another strategic initiative that should be rolled over from CCIR's 2014 – 2017 Strategic Plan is:

- *“Financial Literacy: consider messages and delivery methods to help consumers make informed decisions.”*

CADRI's lengthy submission to CCIR's review of personal property insurance and natural catastrophes in September 2016 provided an overview of the extensive consumer communications undertaken by CADRI members.

In addition, we wrote, “...it appears that the industry must continue its work to simplify the presentation of insurance documents and the development of tools enabling consumers to quickly access essential information about the coverage they hold, those they don't, and how to purchase them.” We provided a “Summary of Coverage” as Figure 1. as an example of a tool that could be used to raise awareness and improve the understanding of coverage by consumers.

CADRI recommends that CCIR work with the industry to encourage the use of communications and other tools which will enhance Canadians' financial literacy and should also lead to increased understanding and awareness of homeowners of the risks of natural catastrophes and how well their insurance meets their needs.

Conclusion and Summary of Recommendations

CADRI appreciates the opportunity to contribute to CCIR's planning process. We believe there are ample opportunities for industry and regulators to work together and serve Canadian consumers and the public interest.

Our recommendations fall into three categories: modernization, harmonization and engagement.

In sum, CCIR should:

Modernization

1. Roll over its current strategic initiative in the *2014 – 2017 Strategic Plan: Electronic Commerce: Review and address issues arising from evolving use of technology*
2. Explore with CADRI and industry stakeholders, the advantages of enabling more authority at the regulatory level.
3. Collaborate with industry to create new business ‘sandboxes’ to pilot projects and test regulations.
4. Use the Joint Forum of Financial Market Regulators as a vehicle for testing concepts that might be new to insurance but have been adopted by others in the financial sector.

Harmonization

5. Retain its priority from its *2014 – 2017 Strategic Plan: “Partner with industry stakeholders to identify opportunities to reduce interjurisdictional barriers”*.
6. Continue to: *“Work with CISRO to harmonize licensing requirements”*. This could be pursued on a regional basis or another approach would be to license the parent corporation or entity, rather than each and every employee for the territory it serves.

Engagement

7. Retain its initiative on *“Financial Literacy: consider messages and delivery methods to help consumers make informed decisions.”*
8. Work with the industry to encourage the use of communications and other tools which will enhance Canadians’ financial literacy and lead to increased understanding for homeowners of the risks of natural catastrophes and how well their insurance meets their needs.

Thank you for your consideration of these recommendations.

Yours truly,



Alain Thibault
Chairman and CEO