



12 March 2021

Consumer Reporting Act Consultation
Consumer Policy and Liaison Branch
Ministry of Government and Consumer Services
56 Wellesley St. W. – 6th Floor
Toronto, ON, M7A 1C1

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Re: The Consumer Reporting Act – Proposals under consideration for providing access to security freezes, credit scores and reports

Introduction

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 are an **industry association** that advocates 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 comment on the government's review of the *Consumer Reporting Act* (the Act.) Our observations and recommendations will be limited to:

- insurance companies' current and potential use of credit score,
- support for ease of access and transparency for consumers to their credit score, and
- enabling consumers to consent to use of their credit score during a security freeze.

Insurers' use of credit score

Today, Ontarians may allow their insurance company to review their credit score to inform a quote for, or an adjustment to, the rate they are paying for home or property insurance. However, the practice of insurers using an individual's credit information for automobile insurance is currently not allowed. Only Ontario and Newfoundland and Labrador continue to ban this practice.

In our members' experience, how an individual manages their finances is more predictive of whether they will make a credit claim than many risk variables. Consumers with good financial habits have higher credit scores, regardless of their income. Credit scores are also demonstrably geographically agnostic: with comparable patterns of distribution in both urban, suburban, and rural settings. A [2011 study](#) commissioned by CADRI using Canadian data concluded that better credit scores correlate with lower claim frequency, lower claim cost, and lower pure premiums.

Right sizing this risk to an individual customer allows companies to provide premiums which are based on a consumer's actual behaviour. Most Canadians have good credit history and can benefit from a discount on their premiums

In April 2019, the government released *Putting Drivers First: A Blueprint for Ontario's Auto Insurance System*. In the Blueprint, the government committed to fixing Ontario's broken auto insurance system and making auto insurance more affordable for Ontario's 10 million drivers. Some of its recommended measures have been put in place. Others remain outstanding, such as allowing consumers to benefit from lower insurance rates by choosing to allow their insurers to use their credit history.

With increased transparency and access by consumers to their credit history, through the updating of the *Act*, CADRI encourages the government to move ahead on its commitment for auto insurance.

Act consultation

CADRI has reviewed the government's consultation document. As mentioned, we will focus our response on aspects which increase a consumer's ability to access their up-to-date credit score and provide them with some transparency to the process. We will also focus specifically on the proposed credit freeze and means to ensure that a security freeze does not disadvantage a consumer in acquiring or renewing insurance.

2. Providing a current score to customers

Question 2: Do you have any concerns about providing consumers with free access to a copy of their current consumer scores on request two times per year?

- Yes - please explain below**
- No**
- Other**

Consumers should be encouraged to periodically check their credit reports to ensure accuracy. If the credit agencies could waive a charge to do so, this would likely be helpful. One free report per year is probably sufficient. The costs of these reports will ultimately be borne by the customers of the credit reporting agency as it embeds its expenses into the prices charged to corporate clients.

For those Ontario consumers who are at a higher risk of identity fraud, due to a privacy breach experienced by an organization they do business with, a free monthly credit monitoring service for that consumer should be an expectation from the organization that experienced the breach.

Additional tools for Consumers – 1. Explanatory statements

Question 8: Do you agree that consumers should be able to place an explanatory statement on their file?

- Yes - please explain below**
- No**
- Other**

Allowing consumers to submit a short explanatory statement to accompany their file could provide the opportunity for people to note an extraordinary event that might have affected their score. Major life events such as a divorce, job loss, short-term disability of the person themselves or a family member or worse are all disruptions that can occur in someone's life cycle and could have a temporary negative effect on their credit rating. The Insurance Bureau of Canada's [Code of Conduct for credit use](#) provides guidance for situations in which customers believe that their credit rating has been adversely affected.

The challenge to allowing such a statement, from an insurers' perspective, is that it may not have access to this information. Therefore, CADRI's members are concerned about prescriptive expectations around taking such statements into account.

2. Right of action

Question 12: Should consumer reporting agencies be required to meet specific timelines to address consumer disputes about the accuracy or completeness of their information?

Yes – please specify below

No – please explain below

Explanation and Additional Comments:

Given the potential financial implications of credit scores, it is important that they are an accurate portrayal of the consumer's financial responsibility history. Consumer inquiries related to accuracy should be addressed during a reasonable period.

Security freezes: Access during a credit freeze

Question 13: Should a security freeze only apply to new credit, increased credit, and new long-term contracts for the lease of goods?

Yes

No – please explain below

Other - please explain below

Explanation and additional comments:

The Ministry of Government and Consumer Services (MGCS) has noted that a security freeze has not been tested in Canada. No other jurisdiction has exercised this mechanism.

The security freeze proposal presents challenges to insurers.

Firstly, we would not want the freeze being fraudulently used or abused as a shield against credit issues. It is important for MGCS to lay out some parameters for the freeze such that it could be activated for legitimate concerns.

Secondly, insurers would like to see some differentiation between there not being a credit record at all and there being a security freeze. Thus, an insurer would be informed that there was "no hit/no record" or a "security freeze".

However, if there is a security freeze, what information is the insurer to utilize? They would already have the consent of the customer to seek out their credit score. To imagine going back to get consent for a security freeze override, so to speak, seems a bit onerous.

We would like to suggest that an insurer could continue to have access to a consumer's credit information if it secures consent from the consumer. This would enable the consumer to secure the best possible rate for their insurance.

In the absence of such consent being permitted, we submit that protections proposed should apply only to the offer of a financing product such as a loan or credit card and not to the offer of property and casualty insurance. The financial risk for the consumer of identity fraud and unwanted credit is highly unlikely when buying or renewing a property and casualty insurance policy. Having an outright freeze on their credit score may delay or prevent an insurer from moving ahead with a new policy or renewal.

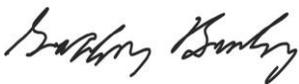
Conclusion

CADRI appreciates the opportunity to comment on some of the proposed changes to the *Act*. Our concerns related to the use of credit scores by insurers for the purpose of pricing and renewing home and property insurance. However, given the government's commitment to include credit history as a variable for auto insurance sometime soon, consumers' timely access to their credit scores, ability to place a statement on the file, and potentially consent to an insurer over-riding a credit freeze, will all provide more transparency and confidence in the system.

We would be pleased to discuss these issues with the Ministry.

Yours sincerely,

Geoffrey Beechey
Chair and CEO



cc:

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