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Re: Insurance Regulations expiring April 30th, 2018 – Fair Practices Consultation & Insurance Agents and Adjusters Regulation

Introduction

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.

CADRI appreciates the opportunity to participate in any consultation that seeks to modernize existing legislation and regulations as well as harmonize rules across jurisdictions. These measures allow CADRI members to provide efficient service to their customers and to meet their needs and expectations.

This is not the first time that CADRI has provided input to regulations governing the provision of insurance to consumers in Alberta. We made submissions relative to auto insurance rate regulation in the fall of 2016, and on Insurance Council matters, as recently as November 2015. It is CADRI's position that the consumer's interest is truly served when regulations are reviewed strategically, and holistically.

Today, we would like to focus on: *Fair Practices Regulation* and an aspect of the *Insurance Agents and Adjusters Regulations*, and how to ensure that they can be updated and modernized to reflect the current operating environment.

Comments on *Fair Practices and Insurance Agents and Adjusters Regulations*

Fair Practices Regulation

Consumers have embraced digital technology in many aspects of their lives. With 88 percent of Canadians using the internet, we rank among the highest internet utilization rates in the world.¹ Moreover, 76 percent of Canadian own a smart phone, that's up from 55 percent in 2015.² With these tools in hand, Canadians are shopping and buying online and increasingly using mobile devices to do so. Close to 60 percent of Canadians buy products online weekly or monthly.³ Needless to say, they expect a consistent customer experience across channels.

Influenced by their experience in other sectors, insurance customers expect ready access to content that is personally relevant, at anytime, anywhere, and in the format and on the device of their choosing. They expect a seamless customer experience, encouraging companies – and regulators – to simplify products and processes.

Traditionally, insurance has lagged behind other sectors in terms of relative adoption of digital technology. In some cases, the industry bears responsibility for this: having been focused on risk management without enough emphasis on meeting consumers' expectations. However, there have been regulatory impediments as well.

To date, Canadians' use of online channels for insurance has largely been at the research stage⁴, decreasing in practice as they move to purchasing, modifying their policies and renewal. However, our research shows that insurance consumers say they are digitally ready to change their behaviour. Some 70 percent of Canadian consumers would be willing to download and use an app from their insurance provider.⁵

In this rapidly evolving environment, we need flexible regulatory approaches to the insurer-customer relationship, and to innovation, that put customers' needs and interests at the forefront. Approaches which update and modernize regulations to enable consumers to experience insurance the same way they experience other services.

This includes:

- Using technology to improve service,
- Engaging customers in new and better ways to consider their risks and how to mitigate them,
- Acknowledging that the current regulatory framework is strong enough to ensure customer protection regardless of the sales or communications channel they use, and
- Understanding that insurers already work to ensure appropriate consents are obtained from customers so that transactions are secure, and will continue to do so as channels evolve.

As these observations pertain to the *Alberta's Insurance Act* and the consultation at hand, we support amendments that will not restrict insurers from distributing notices to customers via electronic/digital means so long as it is done in accordance with the *Electronic Transactions Act*. Further, we submit that there should be no exemptions from the province's *Electronic Transactions Act* as set out in s. 5.4 of the *Fair Practices Regulation*. In particular, notice of liability, dispute resolution, and cancellation of a policy should be allowed by electronic means, rather than paper-based.

¹ International Telecommunications Union (2015)

² comScore, PricewaterhouseCoopers (2016, 2017).

³ CIRA (2016)

⁴ Forrester (2015)

⁵ Deloitte (2015)

Insurance Agents and Adjusters Regulation

CADRI has had ongoing dialogue with Treasury Board about the *Insurance Agents and Adjusters Regulations*, most recently during the province's *Stakeholder Dialogue* in the fall of 2015. We would like to update Treasury Board on several issues here.

Consistent with our previous comments, the insurance landscape is changing, especially with respect to how people buy insurance and the prevalence of the direct-relationship model. This means that entities, like those represented by CADRI, can now provide for people's needs directly. Our members, including Aviva, belairdirect, CAA, Cooperators, Desjardins, and TD Insurance, employ representatives within corporate structures which conform to corporate compliance, risk and consumer experience standards. In addition, many of these representatives provide service to customers in more than one province, and, therefore, are highly trained, and accustomed to understanding different regulatory environments.

In this context, the current regulations outlining that there can only be one, Licence-III level, designated representative as the formal point of contact with the Insurance Council and overseeing applications to the Insurance Council for agent licences, and their renewals, is not reflective of current operational needs. Moreover, giving one individual such a quantum of responsibility increases rather than decreases risks for the consumer. When the representative takes vacation, or has other unplanned absences, it makes business continuity challenging for CADRI members.

A proposed solution, put in place a few years ago, which sees the designated representative switch every two years, has not proved operationally practical.

CADRI has proposed that there be multiple Licence-III-level supervisors, "deputy representatives", to relieve the pressure on the designated representative, as a preferred approach. This practice, as it exists in Saskatchewan and Ontario, provides insurance agencies with operational peace of mind, and experienced back-up personnel. From a consumer protection standpoint, the knowledge and competency of Licence-III licence holders is maintained through continuing education and requirements. Encouraging a larger pool of agents to acquire the higher licensing levels is beneficial to both the insurer and the consumer.

Once again, CADRI believes that taking a wide-angled view of the regulatory landscape serves Canadian consumers. We seek a business environment where customers' interests are protected, and their needs and expectations are met. We appreciate having the opportunity to advocate for electronic transmission of documents through a modernization of the *Fair Practices Regulation*, and for the province to take another look at *Insurance Agents and Adjusters Regulations* in the course of its review.

Yours truly,



Alain Thibault,
Chairperson & CEO

cc:

CADRI Board of Directors

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