



CADRI
CANADIAN ASSOCIATION
OF DIRECT RELATIONSHIP
INSURERS

7 February 2019

Mr. Mark White
CEO
Financial Services Regulatory Authority (FSRA)
130 Adelaide Street West, Suite 800
Toronto ON M5H 3P5

Via: <https://www.fsrao.ca/en/consultations/form?rule=draft-2019-20-priorities-budget>

Dear Mr. White,

Re: FY2019-20BP: Draft 2019-20 Priorities and Budget

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 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 FSRA's proposed Priorities and Budget for its first year of operation. Our comments will focus on the priorities and planning which impact direct-relationship property and casualty insurance companies and their customers.

Launching a transformed regulator

In the run up to FSRA's launch later this year, CADRI has been impressed by its efforts to consult with industry and consumers about their current experience with auto insurance regulation and listen to ideas as to how to improve it for everyone. We were pleased to see that FSRA's new Office of the Consumer will be well integrated into its policy development and implementation alongside responsibilities for innovation. In our experience, insurance consumers' expectations are that industry embrace innovation and to do so the regulator must be both up to speed on developments and invested in reflecting new ways of doing business in its own work.

CADRI agrees with FSRA’s assessment that the “varied and complex legacy systems and processes” it is inheriting from the Financial Services Commission of Ontario (FSCO) are dated and an immediate and significant investment is needed to both maintain and improve the regulator’s function. We look forward to providing input to the blueprint for renewing that information technology in so far as it touches on rate regulation, fees and assessments and licensing of agents.

CADRI supports FSRA’s efforts for increased transparency. We have appreciated serving on one of its inaugural consultation bodies, the ad hoc Industry Advisory Group for property and casualty insurance. Streamlining the seven groups is a good idea and we would be pleased to work with FSRA in its efforts to design new means of gathering the information and expertise it needs.

Finally, as the insurance regulator in Canada’s most populous province and largest auto insurance market, CADRI calls on FSRA to demonstrate its leadership role among other jurisdictions. Collaboration, information sharing and other pan-Canadian initiatives at Canadian Auto Insurance Rate Regulators (CARR), Canadian Council of Insurance Regulators (CCIR) and Canadian Insurance Services Regulatory Organizations (CISRO) allow CADRI members to envision a day when the rules for operating in one jurisdiction will be the same as the next. This evolution would have a profound impact on CADRI members’ operations and their ability to provide consumer-centric insurance products in a streamlined and easily accessible manner.

5. Proposed budget

CADRI continues to support FSRA’s efforts to balance its start-up requirements, including attracting and retaining new talent, and necessary infrastructure investment, with a ‘right-size’ budget.

6. Proposed priorities

CADRI supports the new regulator’s across-the-board focus on burden reduction and regulatory effectiveness. Improvements in both these areas will enable insurers to optimize how they run their businesses. Delivering increased certainty and efficiency is sure to benefit their customers.

Turning to the sector-specific, targeted, high-impact priorities, CADRI will focus on those for auto insurance and insurance conduct.

8.1 Auto Insurance Sector

8.1.1 Streamline Rate Regulation Process

CADRI members agree that the current processes are “inflexible, lengthy and overly complex” and “create barriers to innovation and prevent insurance companies from responding quickly to changes”. While we welcome streamlining of rate regulation processes, we would like to ensure that FSRA is “doing the right things and doing things right.” Changes to regulatory processes should benefit consumers in such a way that justifies the internal and external costs of regulation. CADRI will work with other industry players to provide informed contributions to FSRA’s consultations on options for improvement.

8.1.2 Support Auto Reform Strategy

CADRI supports an auto reform strategy that results in more choice, competition and product availability for consumers.

We appreciate the degree of collaboration required between Queen’s Park, the regulator, industry stakeholders and customer interests in moving this complex strategy ahead.

The two remaining priorities for the Auto insurance sector – 8.1.3 Review Health Service Provider Regulation and 8.1.4 Develop Fraud Reduction Strategy – are admirable and necessary. It is likely CADRI members will work through other stakeholder groups on these projects.

8.3 Insurance Conduct

CADRI supports the FSRA’s proposed priorities including: adopting effective conduct standards, improving licensing effectiveness and efficiency, and harmonizing *Treating Consumers Fairly* codes.

8.3.1 Adopt Effective Conduct Standards & 8.3.3 Harmonize Treating Consumers Fairly

The province of Ontario, individually, and, Ontario with other jurisdictions across Canada, has engaged in a thorough process which resulted in the creation of Fair Treatment of Consumer guidelines in 2018. Given the existence of the two layers, we welcome FSRA’s commitment to reduce the “uncertainty and potential inconsistency” between jurisdictions in Canada. In the context of CCIR meetings with the industry late last year, FSCO suggested that insurers licensed in Ontario could choose between the two codes: Ontario’s and CCIR’s. CADRI believes this is a fair and effective approach.

Relative to efforts to adopt effective conduct standards, we would like to point out that Ontario contributed to a new, more comprehensive annual statement on market conduct launched in 2017. CADRI members are not convinced that this annual statement is collecting information that is vitally useful to regulators. We encourage FSRA to take a ‘less-is-more’ look at the data requested and its usefulness to Ontario before developing new supervisory requirements.

8.3.2 Improve Licensing Effectiveness and Efficiency

CADRI members’ licensed agent employees and exclusive agents are held to the highest standards. Given the direct-relationship business model, CADRI members’ customer service representatives’ ongoing training includes both industry curriculum and companies’ corporate risk, compliance and reputational information and education.

Because these licensed agent employees and exclusive agents are often working in customer care centres which serve customers in several jurisdictions, harmonizing the licensing expectations among the jurisdictions is among CADRI’s top priorities. This pan-Canadian experience also positions CADRI well to provide valuable contributions to FSRA as it moves to modernize its information technology involved in licensing and renewals.

Further, we submit that the launch of FSRA presents an opportunity for the new regulator to streamline the process for regulating licensed insurance agents. We seek to continue the conversation to simplify the licensing regime for agents, in the context of corporate oversight, while maintaining consumer protection, effectiveness and efficiency.

Conclusion

CADRI appreciates the opportunity to comment on FSRA's 2019 – 2020 priorities.

In sum, we are largely supportive of those which affect direct-relationship insurers highlighted above.

In addition, we would like FSRA to assess the effectiveness of the market conduct measures in place prior to requiring new data from the insurance sector.

Finally, we welcome leadership from FSRA in pan-Canadian umbrella groups like CARR, CCIR and CISRO.

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 Licensing Task Force
CADRI Ontario Committee
CADRI Risk Classification Task Force