



29 June 2016

Canadian Council of Insurance Regulators
Secretariat
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Re: "Electronic Proof of Automobile Insurance Project – Issues Paper"

Introduction

The Canadian Association of Direct Relationship Insurers (CADRI) is a trade association representing insurance companies who offer automobile, home and commercial insurance products to Canadians on a direct basis. Whether through the web, on the phone or face-to-face, CADRI members provide end-to-end service and are in direct relationships with their customers through all steps of the sales and service process.

CADRI monitors the insurance regulatory environment in all provinces and territories and supports regulation that encourages distribution accessibility and efficiency, technological innovation and other measures necessary for a healthy and competitive insurance market for the benefit of all Canadians.

CADRI is pleased to provide comments on the Canadian Council of Insurance Regulators' (CCIR's) May 2016 issues paper on electronic proof of automobile insurance project (EPAI).

CADRI supports steps which would see the acceptance of EPAI as a standard practice across Canada. In the interim, we recommend that provincial jurisdictions move to accept consumer-printed versions of their proof of automobile insurance. We understand that change, and new practices, inevitably raise questions about how to manage the implications of the change. Some of these questions, relative to privacy and the consequences for the law enforcement community, are outlined in CCIR's issues paper. We submit that the implementation of EPAI by some 43 US jurisdictions mitigates many of these concerns.

Benefits of e-proof

Canadians are increasingly comfortable doing a myriad of transactions online and on their smart phones. In fact, customers are now expecting to do more online and with their phones. They are demanding this kind of evolution from service providers such as insurance companies.

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 – up 24 percent from the previous year.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.

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>

With this increasingly high penetration of mobile internet access, Canadians are banking, submitting insurance claims, receiving airline boarding passes, and applying for employment through their mobile devices. We would argue that electronic versions of documents have become the norm as most companies move away from paper to offer digital versions available in every type of format and platform (email, pdf, images, on desktop, on website, SMS, on app, etc).

Yet currently, when it comes to proof of auto insurance, consumers take a step back in time. Each year they wait for their new insurance package to arrive in the mail, so that they can pull out their 'pink slip' and place it in a safe location in their vehicles or wallets.

From a consumer perspective there are numerous benefits to being able to print their own proof of auto insurance, or having the option to use EPAI. With an enabling regulatory framework, EPAI would allow customers to email the e-proof certificate among the users of their vehicles, and speed the process of insuring a new vehicle. Currently, when a customer buys a new vehicle, they call their insurance company and receive an email with an updated card which can be printed at home and is valid for 30 days. If this practice works on a temporary basis now, and is acceptable to all the provinces, it could easily become the norm.

It's important to note, the traditional, hard-copy proof of insurance is not a necessity for insurers. When a customer makes a claim, they cite the number of their policy, as opposed to scanning or photographing and sending in a visual of their proof of insurance certificate. The document is largely produced for the law enforcement community.

Precedents for use

The CCIR's May 2016 issues paper on electronic proof of automobile insurance project outlined some stakeholder concerns about the transition to EPAI. The Property Casualty Insurers Association of America (PICCA) reports that 43 US states have enacted legislation which permit some form of EPAI including electronic delivery and use of an electronic image of evidence of coverage.⁴ The US experience provides useful precedents for overcoming concerns about EPAI.

Privacy issues

Privacy is an important issue. People store a lot of personal information on their smart phones. It is a reasonable question to ask whether everyone would be comfortable handing all this information to an enforcement officer in the course of demonstrating that they hold valid automobile insurance. New Jersey, for one, managed this issue by embedding protection for the consumer in its legislation: "The use of a cellular telephone, tablet, computer or any other electronic device to display proof of insurance does not constitute consent for the police officer or judge to access other content on the device."

In addition, numerous US-based insurance companies have developed features on their mobile applications to allow customers to file their e-proof of insurance securely on a device, separate from other information, access and file, view and email it as necessary. These include AllState, Esurance, Geico, Progressive, and State Farm.

If law enforcement questions the validity of EPAI, we recommend that they are not allowed to confiscate the device. In such instances in the US, Michigan authorizes the police officer to require the person to electronically send the digital insurance card to a specified location. In many US jurisdictions, if a driver is unable to provide proof of insurance because their battery has died, law enforcement will give a ticket or a minimal fine. Some state officials issue warnings instead.

There are many other channels to provide proof of insurance, and timelines to produce proof. We recommend that drivers are given a time period to produce proof of insurance in another format whether hard copy or email. In many jurisdictions in Canada, if a driver has left home without their driver's license, they have a period of time to produce it. This approach could be applied to proof of insurance.

Liability

Several US states have laws which release a police officer from liability if a device is damaged during inspection. Michigan's law reads: a police officer "... is not liable for damage to or loss of an electronic device that occurs as a result of a police officer's viewing an electronic copy of a certificate of insurance ... regardless of whether the police officer or the owner or operator of the vehicle was in possession of the electronic device at the time the damage occurred." Similarly, Missouri law releases the police officer, unless they cause the damage intentionally: "...the person presenting such a mobile electronic device shall assume all liability for any damage that may occur to the mobile electronic device, except for damage willfully of maliciously cause by a department employee or agent."

⁴ <http://www.insblogs.com/auto/electronic-proof-still-not-canada/6426>

Other issues

When travelling in the US to jurisdictions where electronic proof is not yet accepted, insurers operating in the US and US regulators recommend that consumers contact their insurer to request a physical insurance card if they plan to travel to a jurisdiction that does not yet permit EPAI. Allowing customers to print their certificate at home would make this easier and more convenient.

On the question of safeguards against fraud, we do not believe that EPAI will create more cases of fraudulent reproduction of proof of insurance. In our estimation, the risk is higher for the printed version – pink or other. If a law enforcement officer has doubts about the validity of the EPAI, they can ask the consumer to produce valid proof of insurance within a reasonable time period.

Moving forward in Canada

CADRI supports CCIR's stance that Canadian insurance regulators have the legal capacity to authorize EPAI delivery and use in their respective jurisdictions. We note that New Brunswick, Nova Scotia and Quebec have taken steps toward drivers using alternative documentation. New Brunswick explicitly allows drivers to present a photocopy of their registration as proof. Nova Scotia leaves room for a photocopy of an insurance card to be used in the case of multiple drivers who use a car on a regular basis. Quebec focuses primarily on the content that is required to demonstrate proof of insurance over the form of the content, and proof of insurance can be emailed.

We recommend that people holding valid auto insurance should be able to receive proof by email from their insurance company or download it via a secure source on their insurance company's website, and print a copy to have available for checks by the law enforcement community. Generally, it is legal in Canada to provide an electronic copy of documentation if the recipient agrees. By agreeing to this measure as an interim step toward EPAI, the CCIR and its members will enable significant change and convenience for auto insurance customers across the country.

CADRI members have discussed the larger project of creating a bar code system for EPAI. We believe such a system would take a long time to launch and could be costly for both insurance companies and law enforcement agencies to implement. It would require that almost every law enforcement vehicle in Canada would need a working bar code scanner. While CADRI does not know how many bar code scanners would be required by enforcement agencies, according to Statistics Canada, there were close to 70,000 police officers in Canada in 2012.⁵ This does give some indication of the extent and volume of any effort to equip police vehicles with scanners. That said, CADRI is open to participating in ongoing dialogue between the concerned parties about the development of a bar code system.

Conclusion

In sum, CADRI supports a move by Canada's auto insurance regulators toward EPAI. We believe there are many benefits of doing so for drivers, insurance companies, and the law enforcement community.

Many of the stakeholder concerns outlined in the CCIR's May 2016 Electronic Proof of Automobile Insurance Project Issues Paper have been considered and overcome in the US.

As an interim measure, CADRI recommends that regulators set in place a framework that allows insurance companies to email, or provide digital access to, proof of insurance to customers who are open to printing their own certificate.

CADRI is confident that a move to EPAI will be a positive one, as few issues have arisen in the 43 US states which have adopted the practice recently.

As CCIR considers this submission and others it received, CADRI would be pleased to consult further with CCIR and discuss these options and others. In addition, CADRI would be pleased to join industry efforts to meet with the law enforcement community to discuss the transition to customer self-printing and EPAI.

Thanks you for the opportunity to provide comment on EPAI.

Yours truly,



Alain Thibault,
President and Chair

⁵ <http://www.statcan.gc.ca/pub/85-225-x/85-225-x2012000-eng.pdf>