



May 31st, 2016

Mr. Brian Mills,
Chief Executive Officer and Superintendent Financial Services (Interim) priorities@fSCO.gov.on.ca
Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto, Ontario M2N 6L9

Dear Mr. Mills,

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 Financial Services Commission of Ontario's (FSCO's) Draft 2016 Statement of Priorities. We commend FSCO for its work in 2015 and value the opportunity for input and exchange.

We are also aware that the provincial government has committed to making public the report and recommendations of the three-member Expert Advisory Panel who have examined the mandates of FSCO, the Financial Services Tribunal, and the Deposit Insurance Corporation of Ontario. That report, and the government's response to it, will likely change the landscape, and may mean Ontario's financial services (insurance) regulator, should re-examine its priorities should its mandate change during this fiscal year.

Influence - harmonization of regulatory policy across the provinces

CADRI members believe that consumers are best served in a healthy and competitive insurance market with a regulatory framework that focuses on ensuring positive consumer outcomes and allows for appropriate recognition of risk factors.

Taking a principles-based approach, CADRI believes that consumer protection rules should result in the following outcomes:

- Consumers can make informed decisions on the features of the product that meet their important needs.
- Consumers can access affordable products in a competitive market.
- Appropriate information and advice is available from regulated insurers or licensed representatives.
- Information and advice can be accessed online, in person or over the phone.

- Individual privacy is protected.
- All communication is clear and transparent.

In this context, CADRI supports FSCO exerting its influence in the development of provincial, national and international policy to promote regulatory coordination and greater consistency among jurisdictional partners. Doing so fosters a healthy financial services sector; facilitates technological innovation in products, distribution and customer service; provides similar levels of consumer protection across Canada; increases compliance, and reduces the burden on those that operate in multiple jurisdictions.

Direct insurers have a specific interest in efficient and effective licensing mechanisms in all jurisdictions. The direct insurance business model requires that companies employ agents who are licensed in multiple jurisdictions. Unfortunately, this can mean jurisdictions with different requirements, timelines and continuing education standards. CADRI members have long advocated for harmonization and coordination of licensing mechanisms across the country in order to increase efficiencies, reduce costs and better serve our customers. It is important to note that FSCO has a good system and CADRI members believe that it can lead by example with its licensing successes.

Market intelligence – focusing on results

CADRI is supportive of activities that will assist regulatory bodies, FSCO among them, to be better informed about insurer activities and market practices. That said, before moving to request more data from the insurance sector, CADRI recommends FSCO develop, in collaboration with the industry, a clear set of objectives it seeks to achieve. With these objectives in hand, FSCO and the industry could collaboratively determine whether expanding the current exchange of information would be productive for the regulator, consumers and the industry.

Raising awareness of FSCO – channels of communications

Any entity in the financial services sector, including public agencies, has an obligation to strive to communicate effectively with its stakeholders. As a member of FSCO's (Auto) Reform Information Working Group, CADRI is aware of the thought, effort and degree of collaboration that went into developing and publicizing the current round of auto insurance reforms.

Increasingly audiences are relying on electronic channels of communications. Efforts to modernize FSCO's enterprise infrastructure, and its website, to automatically and efficiently inform stakeholders of news, updates and bulletins, is appreciated.

As a trade association, CADRI's mandate is to monitor the insurance regulatory environment in all provinces and territories and promote a fair, healthy and competitive insurance market for the benefit of Canadians. As a voice for our members, we articulate their perspectives to help inform policy decisions and develop a regulatory framework that is responsive to the needs of today's insurance companies.

Our members are large, complex entities, comprised of professionals that include actuarial, compliance, customer service, human resources, and legal expertise. CADRI's work complements our members' monitoring and interaction with regulators. As key issues arise, we share information; provide a perspective, and facilitate exchanges among members, and between them and government decision-makers. Subject to direction from our Board of Directors, it is not currently in CADRI's mandate, nor does it have the capacity, to educate its members on regulatory requirements.

Adequate disclosure of information – formalizing efforts

CADRI members want to highlight the importance of continuing to combat insurance fraud. Since the report of the Anti-Fraud Task Force in 2012, the government has moved forward on several key initiatives to reduce the risk of fraud including the creation of and funding for a Serious Fraud Office.

CADRI supports an environment which encourages firms to self-report compliance issues. The indiscriminate expansion of communications about noncompliance may mislead the public into thinking an otherwise reputable company is a poor consumer choice, while discouraging firms from maintaining an open, cooperative dialogue with the regulator. CADRI recommends that the regulator review the need for expanded communications and publication on a case-by-case basis, and publish details of enforcement actions when doing so serves the public interest by increasing consumer awareness and protection.

CADRI appreciates the opportunity to provide input and feedback to FSCO as it refines its annual priorities. We encourage FSCO to exert its influence in encouraging further coordination among regulators across the country especially in areas such as licensing. This will improve efficiencies and reduce costs for consumers. Over the longer term, we are optimistic we will see regulators move towards harmonization in other matters.

Yours truly,

A handwritten signature in black ink, appearing to read 'Alain Thibault', written in a cursive style.

Alain Thibault,
President & Chair, CADRI