



January 30, 2015

Mr. David Sorensen  
Deputy Superintendent of Insurance Regulations  
And Market Conduct  
Treasury Board and Finance  
402 Terrace Bldg  
9515-107 Street  
Edmonton, Alberta  
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Dear Mr. Sorensen:

On behalf of the Canadian Association of Direct Relationship Insurers (CADRI), I am writing to provide comments on the draft notice for the Private Passenger Usage Based Insurance Implementation Process. CADRI members believe that usage based insurance (UBI) has the potential to improve driver behavior, reduce accidents and make our roads safer. We are pleased that the Superintendent has set out a proposed process to allow insurers to offer UBI to Alberta consumers. We recognize that this draft process is driven by efforts to protect the consumer and would like to thank the Superintendent for consulting with the industry on the proposed details of the process. However, we are concerned that the draft notice will add administrative complexity to an approval process that is already time consuming and that the proposed steps in this process may mean that Alberta consumers will not be able to fully benefit from the implementation of UBI in a timely manner.

CADRI members are strong proponents of a balanced regulatory approach and framework that focuses on consumer outcomes and provides a flexible environment for innovation. It is our view that a healthy and competitive marketplace must include innovation and choice. Insurance companies are investing in innovative solutions to improve product choice and service to consumers. Usage based insurance (UBI) is one of these important innovations and in our view it has yet to demonstrate its full potential for all stakeholders. Given its stage of development we believe it is too soon to put significant limits on UBI use as the benefits have yet to be fully explored. CADRI believes that consumers could benefit from a more flexible approach and that regulators will be better placed to make a determination on limits after monitoring its use and implementation. Policy makers, regulators and the industry should work together to ensure UBI is able to reach its full potential.

***Rating Factors:***

The draft sets out an approval process that includes a list of approved rating factors that can be used to build a UBI program. It is our view that insurers should be able to seek approval for any rating factor using the



existing Automobile Rating Factor Framework. By creating an approved list of rating factors as part of the implementation, the Superintendent limits the development of the product as well as the ability of insurance companies to innovate within the product.

It is not clear how the list of seven approved rating factors will be employed and in some specific cases their use may not be fully contemplated. For example, the draft notice states that speed is an approved rating factor but the process itself appears to prohibit the use of GPS location. The apparent prohibition on the use of GPS negates the potential effectiveness of speed as a rating variable. Driving a certain speed on the highway vs. a residential street is very relevant to determining risk. CADRI members would like more clarity on the use of GPS and encourage the Superintendent to broaden its use. Overall, more clarity is required with respect to when and how rating factors can be used.

CADRI members would like to better understand how the Superintendent's office defines a 'Stand alone UBI Program' and the rationale behind its prohibition.

As UBI evolves and use of the product expands, other uses for UBI data may be useful. For example, insurers and policy makers should be able to use UBI data for a variety of areas that can benefit all stakeholders, including reducing fraud or assisting in claims. We encourage the Superintendent to take a broader view with respect to use of UBI data.

### ***Surcharges***

CADRI members are also concerned that the prohibition on surcharging may impede the evolution of UBI as a tool to improve driver behavior. For example, if an insurer develops a competitive offer with clear disclosure of the possibility of a surcharge for specific behaviors or type of vehicle usage, then consumers should be allowed to make informed decisions. We agree that surcharges or any other type of "penalty" must always be clearly defined and disclosed.

### ***Privacy***

The condition on insurance companies to file a Privacy Impact Assessment (PIA) with the Office of the Privacy and Information Commissioner is excessive given that insurers are already subject and comply with privacy laws as part of the selling and servicing of auto insurance. We are concerned that the implementation of a PIA, specific to the UBI product, adds an administrative burden on the initial program approval process that is over and above the standard applied to other products. We understand that currently the PIA process is applied to very sensitive health information. Requiring insurers to file a PIA through a new process and requirements to the insurance industry as part of the approval process for UBI is unnecessary and will not serve Alberta consumer needs. The proposed PIA process for implementation of UBI is not one that is applied to other industry sectors and will add costs and delays to an already price sensitive product. Use of UBI is a



voluntary program and with existing legislation including informed consent we believe that consumers' privacy is adequately protected.

### ***Marketing materials***

The draft notice lists several requirements under the *Informed Consent* section that includes an approval process for marketing/promotional material. Marketing material is already regulated under other frameworks. If the goal is to better understand the UBI product, the Superintendent's office could review the material outside of the approval process.

CADRI members are concerned that the implementation framework for UBI will be different in several jurisdictions across the country. Insurers are developing and implementing national programs and working to meet consumer demand for choice and innovation. With different requirements and parameters across the country, costs and complexity increase making it more difficult to offer this program to all Canadian consumers.

We encourage the Superintendent to make changes to this draft process. CADRI members believe that if the approach to implementation of UBI is too restrictive in Alberta that it will slow down development, have a negative impact on take up rates and Alberta consumers will not be able to fully benefit from this program in a timely manner.

We encourage the Superintendent to work with other jurisdictions as you monitor implementation of this project. As we gather data on this new program, it will help regulators to better protect consumers. CADRI's Western Committee will be in Edmonton on March 12 and we look forward to meeting with the Superintendent's team.

Yours truly,

Alain Thibault  
President, CEO  
Canadian Association of Direct Relationship Insurers