



May 31<sup>st</sup>, 2017

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

Dear Mr. Mills,

CADRI appreciates the opportunity to comment on the Financial Services Commission of Ontario's (FSCO's) *Draft 2017 Statement of Priorities*.

CADRI seeks an operating environment in which Canadians can choose from a variety of insurance products and services offered to them directly through modes of distribution that suit their preferences. These products and services should be designed based on modern data collection and risk modelling and enabled by nimble, flexible government supervision.

CADRI advocates for flexible and evolving regulatory 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 strongly supports FSCO's key themes for 2017:

- Treating consumers fairly, and
- Enabling innovation.

In our experience, the two priorities are inter-related. We have confidence that CADRI's recent research on consumer behaviour in the digital environment and how the industry is shifting gears to meet consumers' expectations would be useful to FSCO's decision-making. We would be pleased to be invited to make a presentation on this operating environment, and the industry and regulator's potential response.

## Treating consumers fairly

As FSCO states, “Treating consumers fairly means putting the interests of consumers first.” CADRI believes this does very much mean “taking the time to understand their needs...”. However, CADRI asserts that industry and the regulator must act more expansively than “putting in the extra effort to make sure that they [consumers] understand the risks and their responsibilities.”

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.<sup>1</sup> Moreover, 76 percent of Canadian own a smart phone, that’s up from 55 percent in 2015.<sup>2</sup> With these tools in hand, Canadians are shopping and buying online and increasingly using mobile devices to do so. Needless to say, they expect a consistent customer experience across channels.

Influenced by their experience in other sectors, insurance customers also expect ready access to content that is personally relevant, anytime, anywhere, in a format, device and channel of their choosing.

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 customer expectations. However, there have been regulatory impediments as well.

To date, Canadians’ use of online channels for insurance has been largely at the research stage. Seventy percent of Canadian consumers use some form of digital research before buying insurance.<sup>3</sup> However, they also tell us they are digitally ready to download an app from their insurance provider and an increasing number are willing to buy insurance online. They are open to new operating models and ways of interacting with the sector. Almost three quarters of insurance consumers worldwide are willing to receive computer-generated advice<sup>4</sup>, and more than a third are open to peer-to-peer insurance for home and auto.<sup>5</sup>

Consumer protection in the current regulatory framework is strong regardless of how they choose to access insurance. Privacy legislation and industry practices are also in place to provide protections. Therefore, technology should be recognized as a positive force that will enable more consumer-centric service.

Digital technology offers:

- convenience, affordability and improved access for underserved groups
- opportunities to engage consumers in new ways to improve awareness and mitigate their risks
- clear information during every touch point
- an ability to increase financial literacy and enrich customer decision-making by providing greater convenience and choice for feedback to insurers.

In this context, treating consumers fairly means updating and modernizing regulation to enable consumers to experience insurance in the same way they experience other financial services. The industry is investing heavily in creating the capabilities to meet these expectations. However, to close the gap, we need flexible regulation rooted in putting consumers’ needs and interests first.

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<sup>1</sup> International Telecommunications Union (2015)

<sup>2</sup> CommScore, PricewaterhouseCoopers (2016, 2017).

<sup>3</sup> Forrester (2015)

<sup>4</sup> Accenture (2016, 2017)

<sup>5</sup> BCG (2014)

## Enabling Innovation

As FSCO states, the marketplace drives “the creation of new and innovative products, services and delivery models.” Relative to the “challenges to everyone involved” of emerging financial technology, CADRI submits that one its members’ greatest challenges is the prospect of competing with businesses who successfully put consumers’ needs and interests first without any regard for the regulator in their consideration and planning.

An environmental scan by CADRI earlier this year, surfaced 50 new and different tools and entities active in the insurance business from telematics tools to peer-to-peer players to ecommerce businesses to on-demand providers and new claims processes. These include relatively new entrants as well as more established players who are innovating and creating new partnerships, thereby carving out their place throughout the supply chain.

With respect, we support the Canadian Council of Insurance Regulators’ and FSCO’s efforts to allow drivers to show electronic proof of insurance, and we understand the challenges presented to move ahead as quickly as planned on this policy change. We submit, however, this is not to be heralded as an innovation. It is a small step toward modernization.

CADRI would be pleased to work more closely with FSCO on meeting the spirit of the Premier’s remit to the Finance Minister, that the province “foster a dynamic, innovative and growing economy”. As we mentioned in our introduction, we are offering to present our findings on the “rapidly evolving digital sphere”, and discuss ways of “modernizing the regulation of financial services” accordingly.

By adopting and adapting to technological innovation, FSCO will truly be able to treat customers fairly.

Yours sincerely,



Alain Thibault  
Chairman and CEO  
Canadian Association of Direct Relationship Insurers

cc: CADRI Board of Directors, Ontario Committee