



August 30, 2016

Ms. Nila Jetha  
Acting Assistant Deputy Minister, Financial Sector Regulation &  
Superintendent of Pension, Insurance and Financial Institutions  
Treasury Board and Finance  
Ninth Floor, 9820 - 107 Street  
Edmonton, Alberta, T5K 1E7

marissa.brown@gov.ab.ca

Dear Assistant Deputy Minister,

**Re: Automobile Insurance Premiums Regulation – Consultation Paper**

The Canadian Association of Direct Relationship Insurers (CADRI) is a trade association representing insurance companies that 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. [www.cadri.ca](http://www.cadri.ca)

CADRI appreciates the opportunity to provide feedback on ***Automobile Insurance Premiums Regulation Consultation Paper*** published July 4, 2016.

As an overriding principle, CADRI encourages the Treasury Board to consider emerging and evolving technologies in the automobile and automobile insurance sectors. These would include, but not be limited to: user based insurance, ride-sharing applications and transportation network companies, and autonomous vehicles. By being agile today, the regulatory framework will be able to anticipate and respond to future developments which serve the public interest.

In its consultation paper, Treasury Board and Finance posed a number of questions. CADRI's responses to those questions follow.

**1. a. What offences should be included in Schedule 4 which are not currently listed?**

CADRI submits that Schedule 4 should be consistent with provisions in the *Criminal Code*, and *Traffic Safety Act* including distracted driving offences such as the use of mobile phones, electronic devices, display screens and drafting of their corresponding regulations. Other offences to be considered include underage driving, allowing underage drivers to ride without restraints, or driving without a valid licence.

**2. a. What is your opinion on removing Schedule 4 from the regulation and providing the Superintendent with the authority to maintain and publish this schedule?**

CADRI supports the removal of Schedule 4 from the regulation and enabling the Superintendent to maintain and publish the schedule. This is consistent with our support for regulation that is agile and can be updated to reflect new developments in the marketplace in a timely fashion.

### **3. Other considerations: prohibition of negative capping and territories**

#### **Negative capping**

On the matter of negative rate capping, CADRI supports the continued use of its practice. While it could be argued that a prohibition is of short-term benefit to the consumer, CADRI submits that rate consistency provides rate stability for customers and fosters consumer confidence.

#### **Territories**

CADRI appreciates the invitation to participate in the consultation on the non-grid territories this fall.

The grid territory structure has been in place for almost twelve years. CADRI members have advocated for a re-examination and expansion of the two grid-rating territories as they are no longer reflective of the province's population. For instance, cities with sizeable populations are regulated as rural according to the existing grid. CADRI believes that rates for drivers in these areas should reflect experience. CADRI members submit that Alberta's largest cities – Calgary and Edmonton – should be divided into more than a single territory. The current approach is unfair to consumers as it promotes the subsidy by one territory of another, and should be updated using current actuarial evidence to reflect the different risk experience between them. If the province is concerned about the impact of these changes on individuals, we encourage a dialogue about capping rates to mitigate the effects.

We look forward to learning more about the Automobile Insurance Rate Board's options to refine the non-grid territories, and to providing input from the perspective of direct relationship insurers.

#### **Grid steps**

In addition, CADRI respectfully submits that the province should revisit previous commitments to eliminate Grid steps -11 to -15, inclusive. While a structural change to the grid, it would not have an immediate impact on prices, as it would simply move drivers in those steps to Grid step -10, which carries a 50% discount from the base premium. After 10 years of claim-free driving, a customer should be able to choose among competitive insurance options.

#### **Other issues**

CADRI suggests that other issues to be explored should include single vehicle accidents in the context of grid calculations; consideration of direct compensation property damage coverage and the inclusion of offences which relate to ride-sharing and transportation network companies.

CADRI appreciates the opportunity to work with the Alberta Treasury Board and Finance and the Alberta Insurance Rating Board to refine and modernize the premium rate grid through this process and stakeholder consultations in September 2016.

Yours sincerely,



Alain Thibault  
CEO and Chairperson

cc: CADRI Board of Directors; CADRI Western Committee