

25 June 2018

CADRI response to the Government of British Columbia's *Financial Institutions Act & Credit Union Incorporation Act Review – Preliminary Recommendations* paper, March 2018

INTRODUCTION

The Canadian Association of Direct Relationship Insurers (CADRI) is the voice of insurance enterprises that offer automobile, home and commercial insurance directly to Canadians. We advocate for flexible and evolving regulatory and legislative 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.

We appreciate the opportunity to respond to the government of BC's *Preliminary Recommendations* on its review of the *Financial Institutions* and *Credit Union Incorporation Acts*.

In 2015, we provided input to this review on the following issues:

- Financial consumer protection
- Market discipline/public disclosure
- Financial literacy
- Disaster Relief programs
- Technological change, and
- Regulation of financial intermediaries.

Our remarks today will remain focused on these issues relative to the *Preliminary Recommendations* paper's proposed approach.

Financial Consumer Protection

CADRI believes that Canadians are best served in a healthy, competitive insurance marketplace with regulatory frameworks that focus on ensuring positive outcomes for consumers. We have recently provided comments to the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organization (CISRO) on their draft joint *Guidance – Conduct of Insurance Business and Fair Treatment of Customers*. To that end, we are pleased to support the province's *Preliminary Recommendations* paper recommendation #48 that the BC Financial Institutions Commission (FICOM) be delegated the authority to develop a code of conduct – with the expectation it would adopt CCIR's.

Market Discipline/Public Disclosure

CADRI holds that information on BC-regulated insurance companies should not be less than what is available for federally-regulated insurers. Therefore, we strongly believe that FICOM should have the authority to collect such information and make it publicly available.

In this context we support the *Preliminary Recommendations* paper's recommendations #8, 9, 10, 51 and 52 as balancing federal-regulatory expectations and the necessity to conduct confidential risk assessments that are in consumers' interests.

Financial Literacy/Disaster Relief Program

CADRI's "Canadian Homeowner's Property Insurance 2015 Survey Report" demonstrated that Canadians, when provided with factual information, are more likely to make informed decisions based on their property's risks than those who are not provided with information. That survey, appended here, also found that Canadians believe that industry and government have a shared role in mitigating the risks of climate change and natural catastrophes.

Therefore, CADRI supports the *Preliminary Recommendations* paper's recommendations #17, 18 and 20 as they pertain to the industry's voluntary contributions to financial literacy and increasing the government's role.

Technological Change

CADRI's members are on the forefront of the adoption of new technologies and understand that consumers' expectations of financial services are changing and insurers must change with them. To that end, CADRI shared "Perspectives on Innovation" with the CCIR in October 2017, and has appended that research here.

As we stated in previous phases of this consultation, consumers should be able to conduct all their interactions with their insurers through the channel of their choice. Customers are increasingly comfortable with, and expecting, digital options.

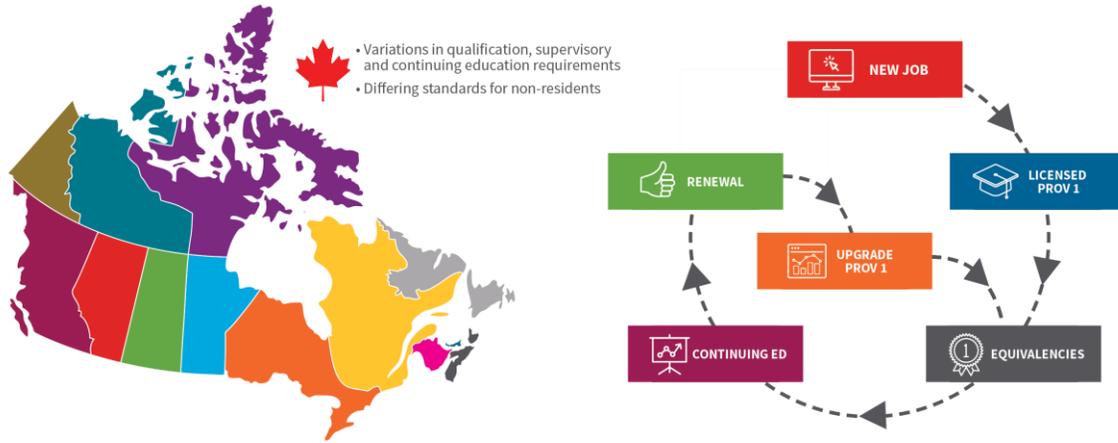
Therefore, we support the *Preliminary Recommendations* paper's recommendation #57 wherein the province commits to put in place a flexible legal framework to keep pace with change and cites the CCIR's report on e-commerce.

Regulation of Financial Intermediaries

CADRI submits that, in the interest of consumer protection and fairness to all market participants, BC harmonize its prudential and governance regulations with those of the federal government and where possible coordinate regulations with provincial regulators across the country.

CADRI's members operate across Canada and, as one can see in Figure 1., licensing regimes vary considerably across the country.

Figure 1. Customer Care: agent licensing in a pan-Canadian context



	BC	AB	SK	MB	ON (FSCO)	ON (RIBO)	QC	PEI	NS	NL	NB	NU	NT	YT
LICENSING LEVELS	Three	Three	Three	Three	One	Four	One	One	Three	Three	Three	One	One	One
ONLINE APPLICATIONS	-	✓	✓	✓	✓	-	✓	-	-	-	✓	-	-	-
PAPER APPLICATIONS	✓	-	✓	-	-	✓	✓	✓	✓	✓	-	✓	✓	✓
INDIVIDUAL ADJUSTER LICENSING	-	✓	-	-	-	-	✓	✓	-	✓	✓	-	-	-
PROCESSING TIME	-	-	-	-	-	-	-	>30 days	-	>30 days	-	>30 days	>30 days	>30 days
PAYMENT OPTIONS	Cheque & Credit Card	Cheque & Credit Card	Cheque & Credit Card	Cheque	Cheque, Money Order, Credit Card	Cheque	Cheque & Credit Card	Cheque	Cheque & Credit Card	Cheque	Cheque & Credit Card	Cheque	Cheque	Cheque

* Levels are not harmonized between jurisdictions and equivalencies vary

Distinctions in regulations, without a substantially different impact, are in effect barriers to entry and costs to business which can trickle down to the consumer. In this context, we have encouraged BC, the Insurance Council of British Columbia itself, and all provinces through the CCIR, to streamline and better coordinate with other jurisdictions on licensing processes.

While the *Preliminary Recommendations* paper calls in recommendation #54 for an expansion of the number of representatives on the Insurance Council’s Board, it is not clear to CADRI that these members would represent direct-relationship insurers, their agents and their customers. CADRI submits that when Insurance Council board members are appointed, the Insurance Council solicit recommendations from representatives of the direct-relationship industry including this trade association.

We note that recommendation #60 calls for capping rebates at the lesser of 25 percent of the initial year’s commission and 25 percent of the initial year’s premium. However, as CADRI submitted in previous consultations, we believe rebating should be allowed to continue and the threshold be dropped.

CONCLUSION

CADRI appreciates the transparency of the government's review of the *BC Financial Institutions and Credit Union Incorporation Acts*.

Generally, we see that the province seeks to amend its legal framework to adapt to consumer expectations, industry and technological change. We have cited recommendations in the *Preliminary Recommendations* paper which support these principles.

However, the specific characteristics of direct-relationship insurers and the service to their customers could be better reflected in the leadership and voluntary advisory groups of the Insurance Council of BC. CADRI would be pleased to discuss these issues further with you.

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