



Regulatory Affairs Symposium

Remarks

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Check against delivery



Good morning, everyone, and welcome.

There are a number of terrific panels lined up for us today – so I want to begin by thanking Robin and the committee for their hard work. I know everyone's eager to get started, so I'll jump right into it.

I'm here this morning to share with you the latest on our strategic priorities – and the work we are doing across the country on your behalf.

Let's start by taking a look at the big-picture financial numbers for our industry.

Comparing half-year results with 2017, we're seeing deteriorating conditions in the P&C market.

Combined loss ratio has risen – from just over 100% in 2017 to over 103%.

ROI was low – ROE has fallen substantially.

Natural catastrophes are largely responsible for the underwriting loss. That's clearly indicated by the sharply higher loss ratio for property lines.

Most recently, we saw the effects of tornadoes in Ottawa and Gatineau – but Canadians across our country have also been impacted by wildfires and flooding.

I believe it's crucial that IBC's strategic priorities reflect – and respond to – this current period of financial challenge. As an organization, we need to focus on the things that keep CEOs up at night.

That's why we've been advocating for a whole-of-society approach to confronting the risk posed by the increasing number of natural disasters.

Flood risk, for example, can most effectively be reduced if we bring everyone to the table – industry leaders, Indigenous leaders, and officials from all levels of government.

That's because mitigation includes making the right land-use and permit decisions – and choosing to stop putting people in harm's way in higher-risk locations across our country.

Spreading that message is important. That's part of the reason why we helped to organize a national roundtable on flood – hosted by Ralph Goodale, Canada's Minister of Public Safety and Emergency Preparedness.

IBC now sits on the National Advisory Council on Flood Risk and chairs the National Working Group on the Financial Risk of Flood.

Minister Goodale has asked the working group for financial options for consumers at the highest risk of flood – and for consumer awareness and engagement strategies for all Canadians ahead of a ministers' meeting in January.

We also recently introduced a report on natural infrastructure, which sets out a framework to measure the return on investment for green infrastructure.

Taken together, these efforts represent a tangible effort on the part of our industry to encourage better planning, better policy and a greater awareness of the challenges posed by our changing climate.

So that's one of our priorities – because we know it's important to member companies. Another priority is auto insurance reform.

I'll focus first on Ontario.

We've spent the last several months meeting with representatives of the new government – MPPs and officials, as well as the Minister of Finance.

It has become clear that government's top priority as it relates to auto insurance is addressing high premiums in areas like Brampton and parts of Toronto.

We, in turn, have been emphasizing the importance of location as a rating factor. This conversation is continuing.

On rate regulation reform, I think it's safe to say that the new government is more aligned with our thinking than the old one. Premier Ford is eager to cut red tape and reduce unnecessary burdens on business. And that's exactly how we're framing the existing rate regulation system – as an inefficient relic that benefits no one. Not consumers. Not government. Not our industry.

Our message to the new government is clear: Reducing this burden will allow insurers to better serve their customers – and build a more successful and innovative industry.

When it comes to product reform, we are very much engaged in encouraging the new government to be guided by the 2017 report of David Marshall – and its prescription for meaningful, pro-consumer change to a system in dire need of it.

As the new government begins its mandate, we certainly see value in maintaining an open line of communication and emphasizing how our proposed approach works for consumers and industry alike.

In fact, we were at our annual Queen's Park Advocacy Day just two days ago (Nov. 13) to make our case. We also co-hosted a Red Tape Summit to advocate for regulatory modernization that will allow us to serve people better.

Now to Alberta, where the situation is increasingly difficult. Ninety-nine per cent of private passenger vehicle insurers in Alberta have a combined loss ratio of 100 per cent or more. Some are operating with ratios approaching 130 per cent.

In other words, the crisis continues – and so does our work to try to stabilize the market.

We have engaged with government on a number of fronts. We have made our case with passion and with math. We have stressed the gravity of the situation – and the dire effects of the rate cap not only on insurers, but absolutely on consumers.

A few weeks ago, it was announced that the 5% rate cap would be extended until August 2019. This 5% limit can be used between December 1, 2018, and August 30, 2019.

IBC had been pressing the government to include provisions in the Ministerial Order that would allow insurers to find some relief from the cap. The government did indicate that they understand the industry's very serious concerns about sustainability and will consider exemptions from the 5% cap on a case-by-case basis.

They also remain open to allowing insurers to use market rates for new business and applying the cap to renewals only.

While positive, none of this changes the reality of the situation. We are headed for a cliff. And when this happens, no one wins – not government, not industry and certainly not consumers.

We continue to work to pinpoint cost pressures and outline potential reform scenarios with the Notley government and are fully prepared to engage with whichever party wins the next election – which is less than six months away.

And of course, outreach to the NDP remains an important part of IBC's pre-election strategy. If you've been watching the polls, you'd know that right now Jason Kenney's UCP holds a big lead. I've met with him, and he was interested in our arguments about stabilizing the system and improving the regulatory environment.

One of his primary objectives is to decrease the regulatory burden on the private sector. In fact, he has asked for our input on concrete steps to show Alberta is open for business.

Finally on auto insurance, a quick survey of other jurisdictions.

In Newfoundland and Labrador, we're playing an active role in the province's review of its auto insurance system. We also launched a consumer campaign to take our message directly to the people – and we're engaging with government to ensure our industry's perspective is well understood.

In Nova Scotia, we're focused on working to change the system in two key areas: rate regulation and the cost of injury tort claims, which have been rising steadily since 2010. I recently met with Premier McNeil and he agreed to move forward with a review of the auto insurance system.

And lastly, I'll be in British Columbia next week speaking to a business audience about the importance of bringing competition to the auto insurance market there.

Talk to anyone in BC and you'll learn that rising premium rates are shining a harsh light on the ICBC monopoly.

The provincial government has made some useful reforms of late – to try to get a handle on short-term cost issues. But they don't address the fundamental lack of competition, which has become a top-of-mind issue for drivers.

In fact, we've done public opinion research that shows overwhelming support among British Columbians for ending the monopoly and allowing new entrants into the marketplace.

Needless to say, we are finding a very welcoming atmosphere for our message about the benefits of choice. And that's a message we are going to keep delivering – a message that real competition means lower costs, better service and greater affordability.

The people are with us. And even some political figures have begun to voice an understanding that it's time for new solutions and a new way forward.

Just this month, a policy proposal to end the ICBC monopoly was put forward at the BC Liberal convention. It was by far the most popular proposal, receiving 85% support.

BC Liberal Leader Andrew Wilkinson has compared ICBC to a 1973 Pinto – never a good reference point – suggesting that “It’s time to get a new car rather than drive that 1973 Pinto into the ground.”

Moving on.

Many of you will be aware of OSFI’s focus on reinsurance. On this front, for IBC and our members, these changes are of significant concern.

We recently wrote to OSFI – and urged that they continue to take a principle-based approach to regulation.

In a nutshell, we made the case that OSFI already has at its disposal the tools needed to address the issues outlined in their discussion paper.

In the worst-case scenario, OSFI’s proposals put in question the ability for Canada to manage an efficient reinsurance market. And raise the prospect of capital leaving Canada for markets with better prospects and higher return on capital.

We have called on OSFI to sit down with our industry – in a spirit of collaboration – and consider the full range of impacts in its analysis.

I am pleased to say that on November 26, we will be holding a discussion between IBC members and OSFI staff on how to best move forward.

Finally this morning, I want to share with you our broader efforts to support innovation and balanced regulation.

I’ll start with autonomous vehicles. We’ve got a panel on that topic coming up shortly, so I’ll keep my remarks brief.

But I do want to make certain everyone knows that we are releasing our automated vehicle position paper today. You have a copy of it with your session materials. It's also available on our website.

The paper identifies changes to the provincial insurance laws that will be needed as cars become increasingly autonomous.

In particular, we are recommending the development of a single policy that covers both driver negligence and automated technology failure.

We want to ensure that people injured in collisions involving an automated vehicle receive fair and timely compensation.

We've had preliminary discussions in Ottawa and in some provinces. And now, we're putting our ideas in front of government officials across the country.

In addition to working behind the scenes to advance our priorities in automated vehicle technology and a number of other key areas, we have been taking a clear message about innovation and regulation to decision-makers and influencers across the country.

We've been telling them: Consumers want and deserve more choice and customization.

They want fresh thinking from all parties – from our industry, but also from government and regulators.

They want regulation that protects them from risk, not from change.

Consumers want the insurance industry to maintain its current high standards of security and data protection. But they also want the industry to deliver its products a whole lot faster and more efficiently.

The banks have found a way to achieve this delicate balance. Why can't we?

Right now, regulation is holding us back.

It's standing in the way of new and better services. More customization. And an overall experience that's closer to the ones that people get every day from the apps on their phone.

In our conversations and presentations across Canada, we paint a picture for people – a picture of what's possible if some of the constraints on our industry are lifted, including the innovation that will emerge.

We know that people don't necessarily care about the challenges we face as an industry – but they do care about new products and services, and easier ways of communicating and doing business.

That's what we want to give them.

We're not asking for protection from competition. We don't want preferential treatment.

We seek only the freedom to adapt and innovate – to use the ingenuity of our people to create a better way of doing business.

It's a message we'll keep delivering – on your behalf, and on behalf of the people of Canada.

Thank you, and I hope you all have an informative and productive day.