



2018 IBC Annual General Meeting

Remarks of IBC President and CEO Don Forgeron, delivered by David McGown, IBC
Senior Vice-President, Strategic Initiatives

April 26, 2018
10:00 – 10:30 a.m.

Vantage Venues
27th Floor, Sun Life Financial Tower, Inverness Room
150 King Street West, Toronto

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Thank you, Kenn. I'm here on behalf of Don, who is representing the industry elsewhere today. He has asked me to send his regards to all of you.

I'm also bringing his personal thanks to Kenn for his leadership and his wise counsel over the past year and a half as board chair. Kenn continues to ensure that the voices of all IBC members are heard around the board table and in committee rooms.

In his remarks, Kenn shared some of our organization's recent successes and efforts to manage challenges facing our industry.

My role today is to drill down on our strategic priorities with an eye to what we're aiming to accomplish this year and in the near future.

Let's begin with **Auto**.

As Kenn said, there are structural problems with each of the six private auto insurance systems in the country. Some are downright broken and all face cost pressures.

IBC, on behalf of our members, is working closely with each province to help fix these problems. We believe there is promise in Newfoundland and Labrador. The government's closed claims study released last week is generally supportive of our views, and it looks like we are making headway.

The government, having received its closed claims study and one on industry profitability, will now consider how to best improve the system for drivers.

In Ontario, the government announced the Fair Auto Insurance Plan in December, which promises to deliver the most significant reforms in a decade. We are hopeful but still very much in the anticipatory stage.

And the new regulator, the Financial Services Regulatory Authority or FSRA, continues to set up its operations. FSRA now has seven highly qualified board members, a CEO and is expected to be operational as of April 1 next year.

Ahead of the upcoming June election, IBC is building industry awareness among candidates of the three major parties and current MPPs. Whoever forms the government will be well briefed on auto insurance issues. They will need to be -- the system continues to experience high annual inflation for physical damage claims.

In Alberta, IBC is pressing the Notley government to return stability to the system by clarifying its minor injury definition and changing how pre-judgment interest is calculated.

And we're making the business case – loudly – that Alberta's current cap on rates is not a solution. Regulatory interventions that defer a problem may appear to be a solution but, over time, have actually been shown to make the underlying problem worse. That's not what anyone wants.

We're cautiously optimistic that the government recognizes the business case for change and will implement those changes soon.

The next priority is adaptation to natural catastrophes. Kenn covered the climate change and flood file in his remarks. I'll focus on earthquake – always top of mind – and the existential risk to our industry.

We have made strides in advancing the issue of earthquake risk. It is now firmly on Finance Canada's agenda and was included in the first iteration of Finance Canada's Financial Legislation Review.

We are also talking to the federal government about some form of backstop to protect the liquidity of Canadian insurers.

We continue our consumer education efforts to raise awareness of the need for protection. But more work is needed. Market penetration for earthquake insurance ranges from 70% in high-risk Victoria to 60% in the Lower Mainland of British Columbia to a dismal 3% in Quebec.

The last priority I'll discuss is one we call **Regulatory Balance**. If I covered everything we're working on around regulation, we would be here all morning. So, let me focus for a moment on innovation – a key topic for us all.

As Kenn mentioned, our industry must work collectively with governments to create a robust regulatory environment that supports innovation, not just for new market entrants, but, more importantly, for insurers already deploying capital in Canada.

We all know the automated vehicle revolution is coming with major ramifications for auto insurance. In the new paradigm, product failure rather than human error will become the key factor for liability coverage. And we must prepare for a messy transition during a time when fully automated vehicles will share the road with less automated ones.

IBC is working closely with members to develop an integrated insurance framework for this brave new world.

One question we should all be asking is whether provinces are prepared to match automated vehicles with electronic documentation. Because they certainly aren't today.

At the moment, only Nova Scotia has taken steps to allow drivers the convenience of an electronic pink slip. We're hopeful that Ontario will follow suit shortly.

And this is but one small step toward allowing insurers to communicate and interact with their customers in new ways – ways that consumers have said they want.

We're also encouraging provincial governments to revise their regulations to allow for broader application of telematics in usage-based pricing. Currently, Canadian insurers can only use telematics to offer discounts on a price that has been determined by their traditional pricing formula.

Going forward, we're asking regulators to make any new rules “technology agnostic.” In other words, a rule shouldn't dictate whether insurers use paper or smartphones or some other technology not yet invented when meeting their obligations.

Technological disruption is also creating demand and opportunities for new insurance products. Certainly this is the case with the increase in cyber risk and the need for better cyber security.

On November 1 of this year, reporting of some data breaches involving personal information will become mandatory under the federal government's

Digital Privacy Act. The new rules, similar to some in the U.S. and Europe, will drive further demand for cyber insurance in Canada.

As our industry gears up to meet the increased demand for cyber insurance products, we're also advocating for better public-private collaboration to share data on cyber incidents.

In this changing world, it's crucial to share knowledge on disruption and innovation widely within our industry to create a level playing field for all. A key function of IBC's new committee structure is to ensure that all insurers have a seat at the table and the information they need.

On behalf of Don and all of us at IBC, I'd like to thank the Board for their continued support and our member companies for trusting us with their reputation and brand.

And I'd like to thank all my IBC colleagues for their dedication on our members' behalf. Don asked to give a special shout-out to all IBC staff who work incredibly hard and are fully invested in professionally representing the industry to governments and Canadians in every region of the country.

Thank you.