Regulatory Affairs Symposium

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[PLAY *MUSEUM OF OUTDATED TECHNOLOGY* VIDEO]

Good morning, everyone. I hope you enjoyed that.

At IBC, we decided it would be worth trying a lighter touch to address an issue that for a number of years now has frustrated insurers and consumers alike.

I can tell you that the video has been very well received. More importantly, I'm happy to report that we are already seeing evidence of some meaningful impact.

The Museum of Outdated Technology, or MOOT, was part of our successful campaign in Alberta – and soon we'll be rolling it out in Nova Scotia and New Brunswick.

We've been at this for quite a while now – talking to regulators, government and Canadians about the critical importance of balanced regulation, so we can make use of modern methods of communication and commerce.

In fact, I happened to come across a copy of a speech I gave back in 2011 – eight long years ago – and it was a bit of a Groundhog Day moment. We've been fighting the same battle. We've been meeting with the same resistance. And although we have recently seen some progress in certain areas, our fight continues. The pursuit of balanced regulation continues.

What do we mean when we talk about balance in regulation?

We mean shielding consumers from undue risk of loss – but not from choice and competition.

We mean encouraging a competitive marketplace – while protecting against failure in any branch of the financial services sector.

And we mean creating a regulatory framework that allows for innovation – while protecting the essential interests of consumers.

Few would seriously contemplate a reality in which the insurance industry is unregulated. That would not be in the interests of Canadians. But, neither is a world in which over-regulation is allowed to run rampant, stifling innovation and raising costs unnecessarily.

What are we talking about when we talk about our regulatory framework?

Well, here's a look at just a few of the bodies, structures and policies that influence the way in which insurance companies are regulated in Canada. Looks like a fun board game for the whole family, right?

A while back, I read an article about how some of the emerging companies in fintech had to hire lawyers not just to handle regulatory issues – but to actually figure out which regulators had jurisdiction over them. That's how complex this kind of stuff can be.

But it's important to always remember that this isn't an academic or theoretical discussion. It's not inside baseball.

The way in which our industry is regulated has a direct effect on the ability of insurers to serve their customers. It can have a direct effect on premiums. It can have a direct effect on whether an insurer chooses to invest and build in Canada – or elsewhere.

Back in 2008, one of the keys to Canada's resilience during the global financial crisis was having the right regulation. Today, we as a country too often act as though the answer is more regulation.

There are consequences to over-regulation, just as there would be consequences to under-regulation. Again, it's all about finding the right balance.

From our point of view, we're not there yet. We've got a fair distance to go.

But there have been encouraging signs of progress over the last little while. I'll focus on two in particular.

First, there is a new streamlined rate regulation process in Ontario. That should open the door to greater price competition – which is good for consumers and healthy for our industry.

Improvements have also been made to the rate regulation process in Alberta. And we're expecting to see a more efficient process beginning next year in Newfoundland and Labrador.

Taken together, these reforms hold the potential to offer immediate benefits to consumers and insurers – and hopefully send a signal to other provinces about the need for positive change. Our work needs to continue on this front. But for the first time in a long time, there is momentum for change.

Second, we are finally seeing some regulators step into the 21st century when it comes to acknowledging the opportunities presented by digital technology.

In Ontario, Alberta, Quebec, Nova Scotia, and Newfoundland and Labrador, drivers can now choose to receive their proof of auto insurance digitally. This is something we've been pushing for on a sustained basis since 2017. We're seeing progress now. Things are starting to move.

In fact, Alberta has gone even further. It has become the first, the only – but hopefully not the last – province in Canada to provide consumers with the option of a fully digital insurance experience.

In a world where we can bank and trade stocks from our phone, where our phone can be a credit card or an airline boarding pass, these changes may seem like only a modest step forward. In many ways, they are.

But they are also symbolically important. They serve as an acknowledgement from some regulators that modern ways of communicating are not to be feared. Instead, they bring us closer to balance.

At IBC, we're going to take a little bit of credit for the changes we're seeing. Our people work hard in advocating for our industry. They make their case with facts and with passion. They don't get discouraged.

Quite often, they get results.

Another good example involves the proposed changes to the reinsurance framework here in Canada.

As many of you know, OSFI some time ago announced a plan to introduce changes to the reinsurance framework that would have substantially increased the amount of capital that companies need to hold in Canada.

The regulator described it as a necessary precaution. We saw it as a classic case of over-regulation – one that would risk isolating Canada from our global competitors.

These days, large financial companies have many choices for where they invest their capital – and where they base their operations. The OSFI reforms would basically encourage these companies to rethink their presence in Canada.

"Does it make sense anymore? Do the numbers still work? Would our capital produce a better return if we invested it elsewhere?"

We at IBC, along with many of you in the room, encouraged OSFI to slow things down – to take the time to conduct a thorough review of the potential business and economic impacts of their proposed changes.

We commissioned a report outlining the financial impacts and we highlighted the drawbacks of a rule that focuses on policy limits.

Yesterday, OSFI made an announcement: They will be amending their proposal and deferring it to the new year. The focus will be narrower and more precisely defined.

We appreciate OSFI's willingness to re-examine their proposal – and we look forward to continuing to work together going forward.

Even as we take satisfaction in this outcome, we must also acknowledge that there are still areas in which out-of-date regulation is undermining the ability of Canadian insurers to serve their customers to the best of their ability.

For instance, rate regulation.

A moment ago, I talked about some of the progress we've been seeing in a few provinces. It's a positive step – but it's only one step.

In terms of the big picture, we are still well behind most of the United States and Europe. As a country, we still rely too heavily on regulation – and not enough on competition. Drivers in the U.S., for example, have access to products and discounts that don't yet exist in Canada – because our regulators say they can't.

Perhaps the best example is usage-based insurance. Responsible consumers understandably want UBI to serve as the basis for their auto-insurance premium. But the best that insurers can do right now is use it to offer a discount.

It's been said before by leaders in our industry, and it remains true to this day: The only people truly protected by rate regulation are politicians. Rate regulation masks what is truly happening in the marketplace. It can create an illusion of stability.

Meanwhile, consumers and companies alike are shortchanged by an antiquated regulatory framework that hinders new efficiencies and better service.

What regulators should be seeking is an insurance marketplace that is defined by healthy competition and powered by product and service innovation. That's the best way to protect consumers – not by denying them advances that others are enjoying around the world.

So that's a sense of the opportunities and challenge we're seeing across Canada on the regulatory front.

In our industry, it's easy to get frustrated by the complex and – at times – counterproductive aspects of the various regulatory frameworks that govern our operations.

If we're going to be fair about it, it might be useful to imagine what a modern regulator should look like – what it should do to help achieve a real and useful balance that serves consumers and companies.

To begin with, it should be principles-based rather than prescriptive in order to be nimble. It should be willing and able to adapt as times change, new products come on stream and different challenges emerge. It should promote competition – because competition is good for Canadians. It should protect consumers and market stability while encouraging innovation – so Canadians benefit from the latest advances in technology.

Now here's the good news: This imaginary regulator… actually exists.

It's called the Financial Services Regulatory Authority – and it was recently created by the Ontario government to oversee pensions and financial services, including the insurance industry.

It’s early days yet, but FSRA, as it’s known, appears to be genuinely interested in finding a new way forward.

It operates in a manner that is clear and transparent. It is welcoming of feedback and dialogue. It is putting a priority on increasing access and affordability in Ontario auto insurance – and allowing insurers to move more quickly to get new products to market.

As the Minister who oversees the regulator put it: FSRA’s mandate is “to be open – open to new ideas, open to business and open to consumer needs.”

This is exactly the kind of balance we’ve been seeking for years. We hope it’s a model that other provinces seek to duplicate. In an ideal world, the FSRA model would expand and take root across the country.

One way that insurers can help make that happen is by taking advantage of regulatory reforms to better serve their customers through innovation.

I’ll give you an example: Across the country, the electronic transmission of certain documents has been permitted for some time now. But insurers have been slow to make use of this opportunity – in part because the regulators required other documents, such as proof of auto insurance, to be sent in the mail.

If we want to help create a wave of regulatory change across this country, we need to demonstrate as an industry that we will seize any and every opportunity to deliver new products and improved services to consumers.

That’s our part of the bargain. That’s our responsibility. Balanced regulation is a two-way street. We can’t forget that.

I think of it this way: Insurance will always be seen as a duty – a responsibility. An expense in the family budget, and not one of the fun ones! We are the dentists of the financial world. No one looks forward to the dentist. But they feel better after they go.

If we get the regulatory balance right, and if insurers put these new opportunities to use, we can continue to improve the insurance experience – make it easier, make it quicker, make it more immediate and more relevant.

And then, once and for all, we can leave the old ways, the old tools, the old thinking behind in the Museum of Outdated Technology.

Thank you.