



Insurance Brokers Association of Alberta

Don Forgeron

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Check against delivery



Good morning, everyone – it's a pleasure to be here with you. I look forward to our conversation today.

I've always felt a kinship with the people of Alberta. Early in my career, I lived in Vegreville, home of the pysanka – the world's largest Ukrainian Easter egg. And my son was born in Edmonton. So coming back to Alberta is always special to me.

I'm thankful to be here in like-minded company to discuss our industry, its challenges and its future. And really, that's where our focus needs to be: on the future.

The insurance industry is going through tough times across Canada – and especially here in Alberta. More than ever before, we need to work together. That's the quickest way to get back to where we want to be.

Because make no mistake: Right now, the system isn't working for consumers, even with a rate cap on auto insurance.

It's not working for insurance companies. It's certainly not working for brokers.

Albertans still pay higher insurance premiums than drivers in similar systems. There's too much litigation. There are fewer competitors and less product innovation.

Now... as I'm sure many of you know, Alberta is not alone. The auto insurance system is broken – or deeply flawed – in almost every province in Canada.

But many of the challenges here are more intense. Costs are rising more rapidly due to bodily injury claims, property damage and theft.

Clearly, it's time for a change. And here's the one piece of good news: The problems that exist are within government's control to fix.

Let me step back for a moment and give you the big-picture perspective on how the industry is doing.

Last year's numbers were sobering.

Insured catastrophic losses across Canada took another huge jump – to almost \$2 billion, or close to twice what we experienced in 2017. That number doesn't begin to capture the disruption and devastation felt in affected communities.

Net income declined by \$1.3 billion compared to the previous year.

More serious is that the combined loss ratio increased from just over 99% in 2017 – to more than 101% in 2018.

It gets much worse when we look at Alberta alone.

In many ways, the challenge here can be reduced to an amount: One dollar and 12 cents. That's how much insurers are paying out for every dollar they collect in premiums. Some are paying as high as \$1.29.

At the risk of stating the obvious: This is unsustainable. Every small business owner in this room – and in this province – understands what these numbers mean. Companies are essentially being forced to lose money.

No company can afford to do this over the long term. And no marketplace is served by a reduction in competition.

It's also been difficult for brokers. You are on the front lines with consumers. I know there are hard feelings in this room. It's important to acknowledge that this has been a stressful time. Many of you have had your issues with insurers.

Meanwhile, insurers are frustrated by a system that sets a rate cap – yet forces them to insure anyone who asks... and to pay ever-higher settlements for injury cases.

None of it is ideal. A lot needs to change.

But here's what I want to emphasize today: We have a much better chance of achieving change if we are united in our efforts and in our message.

Insurer and broker alike – speaking out and speaking up for the industry we share. And to some extent we've done that over the last six months. We – IBC and IBAA – have teamed up to share our collective message that it's beyond time for change.

And we have an opportunity now to make progress.

The previous government here in Alberta understood the challenge. They even understood how to fix it. Instead, they chose to keep kicking the problem down the road.

But an election is a fresh start – for governments and for the people they represent. New faces, new thinking, new priorities.

To make the most of this opportunity, we need to deliver our message with a single voice – so it is clear and loud and powerful.

And in making our case, we need to show that we understand two things:

First, we need to understand that average people either don't know or don't care about our problems.

Believe me: We've done research. It shows that most people think insurance companies are making huge profits – even when they're losing money. Folks think everyone associated with the insurance business is doing just fine.

Second, we still need to get Albertans on board. We need them on our side. Government has little incentive to give us a fair shake unless we can demonstrate that the changes we want will also benefit the people of Alberta.

We can't afford to think of this as a zero-sum game – or us versus them. We need to demonstrate that the changes we're proposing represent a win-win-win outcome – a win for government, for industry and for people.

So how do we do that?

We do it by advocating for consumer-friendly regulatory changes – the kinds of things that will make a positive difference in people's lives.

Alberta has a well-deserved reputation across our country for capitalist drive and maverick tendencies. Which makes it somewhat ironic that this is one of the most heavily regulated insurance markets in Canada.

Two regulators. A cap on rate increases. An expensive rate-regulation system. And, as a result, fewer competitors. Fewer choices. Higher costs. Antiquated rules. And little innovation.

Think about it: Today, any one of us can fly anywhere in the world using a boarding pass we keep on our phone. But we can't use that same device to store and show our insurance pink slip.

That's just one of the ways in which Alberta's regulations are out of date and unfriendly to consumers. Again, it's time for change.

There are a number of improvements we can propose that would help create a better system for all – Albertans included.

Let's allow customized insurance pricing by removing the restrictions on innovative usage-based insurance technology. Good drivers should get rewarded. They shouldn't have to subsidize bad drivers.

Let's make the system affordable for consumers and sustainable for insurers. That means focusing more on care in the wake of an accident – and strengthening the cap on cash-based pain and suffering payments. It should be about helping injured people get back on their feet – not a big cash payout, with much of it going to the lawyer.

Let's streamline the legal system so that accident victims don't have to wait as long to settle their claim.

Let's allow Alberta drivers to choose an online experience. As customers, we should all be able to research, manage and purchase our insurance however we want.

As insurers, in an age of instant communication, we shouldn't have to transact with our customers by Canada Post. We are dealing in paper in a digital world.

Let's smooth the way for accident victims by introducing a direct compensation property damage framework – so they only have to deal with their own insurance company.

And let's replace the province's complex rate-regulation framework – and allow consumers the benefits of a more competitive marketplace with more companies fighting for their business.

That's how we arrive at a triple-win outcome:

The industry gets the ability to reduce costs, have a greater say in market rates and offer more choice to consumers.

Alberta's 3 million drivers get better service and more innovative products at a reasonable price.

And government gets credit for making smart changes that benefit consumers.

As we make our case to government, brokers will play an essential role.

Because brokers are most closely connected to the people we serve.

You play an important role in people's lives. You help protect them as they drive to and from work. You offer peace of mind to home owners. You're there for them in times of flood and fire.

You can share our goals with your customers. And you can share their feedback with us.

Our research shows that consumers in Alberta are beginning to worry about availability and affordability. At the same time, they have no interest in doing us any favours – nor should they.

They need to know that the changes we seek will benefit them: Affordable rates, better service, less hassle and more innovative products tailored to their individual needs and circumstances.

Before I sit down with Peter, let me conclude by saying: None of us can get this done on our own. Not IBC. Not insurers. Not brokers or agents. We need to stand together.

We need to make progress toward that triple-win outcome:

Consumers get affordable rates, more and better products to choose from, and a modern online experience.

Government – a brand new government -- gets the benefit of introducing reforms that are popular with consumers – who also happen to be voters.

And our brokers and insurers get the opportunity to better serve our customers and operate in a sustainable way over the long term.

There are better days ahead – and we'll get there more quickly if we work together and with the new government.

Thank you.