



An Innovation Agenda for Ontario's Insurance Industry

2018

About Insurance Bureau of Canada

Insurance Bureau of Canada (IBC) represents Canada's private property and casualty (P&C) insurance companies.



8,000 insurance agencies, brokerages and related firms are spread throughout the province



55,800 industry jobs are based in Ontario. These jobs:

- » Require **high skill** and **specialized knowledge**
- » Pay **above-average salaries**



\$14 billion in claims is paid out annually; this includes **\$8 billion in auto insurance claims**



IBC's members represent approximately **88%** of the market share in Ontario



In 2016, the P&C insurance industry contributed **over \$2.5 billion in taxes and levies** in Ontario

Sources: IBC, Statistics Canada, Conference Board of Canada, MSA

Executive Summary

To meet consumer expectations and provide personalized products, insurers need to be on the frontlines of innovation. Insurers, however, cannot innovate without the Ontario government's commitment to modernize existing insurance laws and regulatory frameworks. These rules should provide insurers with the flexibility to react and adapt when new technological innovations shift consumer expectations.

This submission sets out ways to achieve this flexibility, which will ultimately benefit Ontarians. The recommendations include:

1

Allowing all insurance communications and **transactions to be completed and delivered electronically** if the consumer provides the necessary consent

2

Allowing insurers to provide consumers with the option of selecting **usage-based insurance (UBI)** to help determine the cost of their auto insurance

3

Integrating the **sharing economy** – specifically, technology-enabled ride- and vehicle-sharing services – into the auto insurance system so that insurers can offer new products to cover the risks that individuals face while using sharing economy platforms

4

Granting both incumbent insurers and new market entrants access to the **regulatory super sandbox** to encourage new innovations that will benefit consumers

These recommendations have been tried and proven successful in other jurisdictions around the world. If implemented in Ontario, they would make the province a Canadian leader in innovation-friendly insurance regulations that put the needs of consumers first.

What Consumers Want

74%

of Ontarians want the option of receiving their insurance documents (proof of insurance card, insurance renewal) online or electronically.

68%



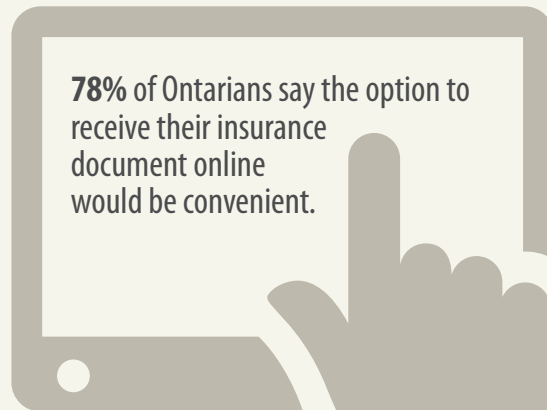
of Ontarians would elect to receive their insurance documents online or electronically **today** if the option were available.

79%

of Ontarians agree that insurance information available online or electronically is **as safe as paper-based communication**.



78% of Ontarians say the option to receive their insurance document online would be convenient.



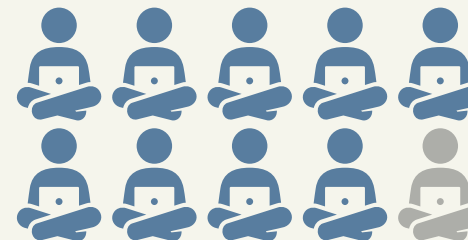
37% of Ontarians have unknowingly carried expired insurance "pink slips" in their cars.



21% of Ontarians have discovered their insurance "pink slips" were either expired or not in the glove box when pulled over by police.

90%

of Ontarians find the ability to access their bills and financial information **online to be convenient**.



70% of Ontarians receive their bank statements in electronic form.



63% of Ontarians receive their credit card statements in electronic form.



48% of Ontarians receive their utility bills in electronic form.



71% of Ontarians receive their phone bills in electronic form.



80% of Ontarians support paperless billing and communication as a means to combat climate change.



88%

receive at least one of the documents listed above electronically!



Source: An online survey of 1,210 Ontarians was completed between January 24 and 26, 2018, using Leger's online panel, LegerWeb. The margin of error for this study was +/-2.8%, 19 times out of 20.

List of Recommendations

- 1 IBC recommends amending the *Insurance Act* and the corresponding regulations to explicitly state that all insurance communications and transactions, including cancellation notices, can be completed electronically if the consumer provides the necessary consent, as required in the *Electronic Commerce Act*.
- 2 IBC recommends that Financial Services Commission of Ontario (FSCO) issue a bulletin that permits insurers to offer an electronic option for proof of auto insurance. Given the privacy concerns, IBC also recommends a provision be added to the *Compulsory Automobile Insurance Act* to prohibit law enforcement officers from viewing, accessing or using any other content on the electronic device.
- 3 IBC recommends that FSCO amend the prescribed insurance forms to include the necessary data collection and consent provision disclosure statements that would allow consumers to make an informed decision on whether to enter into contracts and deliver and/or receive information electronically. This approach should include the use of e-signatures, which are already the legal equivalent to pen and paper in real estate transactions due to recent amendments to the *Electronic Commerce Act*.
- 4 IBC recommends that FSCO allow insurers to provide consumers the option to select UBI to determine the price of their auto insurance.
- 5 IBC recommends that the government implement a legislative framework for integrating the sharing economy into the auto insurance system.
- 6 IBC recommends that the government make the regulatory super sandbox accessible to incumbent insurers and new market entrants. If the objective of the sandbox is to encourage new innovations, then all parties should be allowed to participate in the exercise.

Introduction

Consumers are embracing technology and incorporating it into their social and commercial activities. Online environments in other industries influence consumer expectations, with customers increasingly expecting the same kind of easy, transparent experience from their insurers. However, outdated insurance laws hamper the ability of insurers to innovate and meet their customers' expectations for ease of service, and for new products and services.

Ontario has the opportunity to be a Canadian leader in modernizing insurance laws and regulations. This modernization starts with recognition that innovation and regulation are not opposing forces; they can exist in unison to meet evolving consumer demands for safe, fair products and services.

Although insurance laws exist to achieve important public policy objectives, they should not prevent insurers from delivering positive consumer outcomes. To enable insurers to improve their products and services, and more easily interface with their consumers, the insurance industry is advocating for Ontario to update its laws to focus on outcomes instead of specific business practices.

This document contains reform proposals that would modernize insurance laws so that insurers can better meet customer expectations.

COMPETITION BUREAU

In a report entitled, *Technology-led Innovation and Emerging Services in the Canadian Financial Services Sector*, the Competition Bureau makes a series of recommendations to policymakers and regulators that will better encourage competition and innovation. Reforms to the insurance laws proposed by IBC align with the Competition Bureau's recommendations. The highlights from the Competition Bureau report include the following recommendations.

- Regulations should be technology-neutral and device-agnostic: Prescriptive rules regarding how a firm must comply with a regulation are often written with the technology of the day in mind.
- To the extent possible, regulations should be principle based: Policymakers should aim to create regulations based on expected outcomes rather than on strict rules of how to achieve those outcomes.
- Regulations should be based on the function an entity carries out: Function-based regulation ensures that all entities have the same regulatory burden and consumers have the same protections when dealing with competing service providers.
- Regulators and policymakers should ensure regulation is proportionate to the risks that the regulation aims to mitigate.
- Policymakers should continue to review their regulatory frameworks frequently and adapt regulation to changing market dynamics. Reviewing regulatory frameworks ensures they remain relevant in the context of future innovation and can achieve their objectives in a way that does not unnecessarily inhibit competition.



Conducting Consumer Transactions Electronically

There are several provisions in insurance laws (Appendix A) that are unclear about or prohibit insurers from delivering insurance documents to consumers online. These provisions prescribe how insurance documents are to be communicated and transmitted.

Insurers in Ontario are trying to meet customer demands for online service as much as possible. Online insurers are emerging in the province that allow consumers to obtain quotes and buy insurance using a computer or smartphone. However, insurance laws and regulations still prevent insurers from modernizing many of their processes to reflect current and emerging technological capabilities that would allow insurers to give customers a more comprehensive online experience. These rules not only dictate what is expected, but are technology-prescriptive in how insurers must comply. This is especially true concerning the transmission of insurance information and documents, such as the Ontario auto insurance policy and proof of auto insurance, both of which have to be sent annually and are only valid in paper format.

Preventing insurers from fully applying current and emerging online capabilities prevents them from improving the insurance experience for their customers. The provincial government recognized this limitation in its 2017 budget by announcing a commitment to allowing consumers to choose to receive their insurance documentation electronically. This commitment has not yet been implemented.

The Lemonade logo, featuring the word "Lemonade" in a white, cursive script font on a bright pink rectangular background.

As far as regulators are concerned, **Lemonade** is a traditional insurer. But founded by two “techies” and backed by venture capital, it is anything but traditional. Lemonade’s founders describe it as a “tech company doing insurance, not an insurance company doing an app.”

The completely online experience means **customers can sign up for insurance in 90 seconds and get compensated for a claim in 3 minutes.** Policies are sent via email and all other interactions, including cancellations and claims, can be done through the app or the website.

Lemonade has turned the insurance policy into a ‘live’ document that can easily be modified. With Live Policy, Lemonade customers can make changes to their coverages and more, instantly.

This New York-based licensed insurer is currently offering a combination of tenant’s, condo and homeowner’s insurance in eight states.

Electronic Communications and Transactions

The *Insurance Act* and the corresponding regulations still require that insurers and customers communicate certain information only by mail, registered mail, delivery or personal delivery.

This requirement persists despite the Ontario government passing the *Electronic Commerce Act* in 2000 to remove barriers to electronic commerce. This act gives electronic contracts the same legal status as their paper counterparts and sets out how businesses collect, deliver and use information and documents electronically. Although the act applies to almost all businesses that operate in the province, it does not override provisions in other acts, such as the *Insurance Act*, which prescribes the means by which insurers and their customers may interact. For consumers who prefer electronic over traditional communication, these limitations can be frustrating.

There are **36 states, plus Washington D.C.**, that permit insurers and their customers to **conduct all transactions online**, with the customer's consent.



In the United States, more than two-thirds of jurisdictions allow consumers to choose to receive all insurance documentation electronically. This ability to choose also applies to the more sensitive insurance documents, such as cancellation notices. That is because for many consumers, receiving even sensitive documents electronically is preferable to, and more reliable than, traditional mail or in-person delivery. In several states, there are no specific provisions that place additional obligations on insurers when it comes to sending cancellation notices. However, in several other states, there are additional requirements for these notices.

ELECTRONIC COMMUNICATIONS AND TRANSACTIONS IN U.S. JURISDICTIONS

In **Georgia**, when a consumer chooses to receive insurance documentation electronically, the *Georgia Code* mandates that insurers use prescribed language, which specifies that this choice applies to cancellation notices. The prescribed language includes the following.

(2) *The insured agrees to receive mailings electronically by signing a statement which reads: "I agree to receive all mailings and communications electronically. Such electronic mailing or communications may even include cancellation or nonrenewal notices."*

A consumer can sign this agreement physically or electronically.

In **California**, the additional requirements for cancellation notices consist of insurers being able to demonstrate proof of delivery. The *California Insurance Code* prescribes that an insurer may demonstrate delivery and receipt by any of the following means.

(7) (A) *The person acknowledges receipt of the electronic transmission of the record by returning an electronic receipt or by executing an electronic signature.*

(B) *The record is made part of, or attached to, an email sent to the email address designated by the person, and there is a confirmation receipt, or some other evidence that the person received the email in his or her email account and opened the email.*

(C) *The record is posted on the licensee's secure Internet Web site, and there is evidence demonstrating that the person logged onto the licensee's secure Internet Web site and downloaded, printed, or otherwise acknowledged receipt of the record.*

In the event that the insurer is unable to demonstrate delivery and receipt of the notice, the insurer is required to resend the notice by regular mail to the customer.

(D) *If a licensee is unable to demonstrate actual delivery and receipt pursuant to this paragraph, the licensee shall resend the record by regular mail to the person in the manner originally specified by the underlying provision of this code.*

RECOMMENDATION:

IBC recommends amending the *Insurance Act* and the corresponding regulations to explicitly state that all insurance communications and transactions, including cancellation notices, can be completed electronically if the consumer provides the necessary consent, as required in the *Electronic Commerce Act*.

A specific addition to the *Insurance Act* could be as follows:

33(1.1) For the purposes of Section 125, Section, 134(3), Section 135(1), Section 148(5)(1) and (15), Section 228, Section 232(1),(2),(3) and (5), Section 237, Section 238, Section 269(1) and (2), Section 273(1) and (2), Ontario Regulation 283/95 Disputes Between Insurers, Ontario Regulation 676 Uninsured Automobile Coverage, Ontario Regulation 7/00 Unfair or Deceptive Acts or Practices, and Ontario Regulation 777/93, a record, document or notice that is required to be delivered or furnished by these sections to a person, in a prescribed approved form or personally, by mail or by registered mail is deemed to have been provided by registered mail if provided to the person in electronic form in accordance with the *Electronic Commerce Act*.

33(1.2) A period of time that, under this Act, starts to run when that record, or notification of it, is delivered to the addressee's postal address starts to run when the record is deemed received in accordance with the *Electronic Commerce Act*.

If deemed necessary for cancellation notices, the Ontario government could amend the *Insurance Act* to include disclosure requirements like those in Georgia, or proof of delivery requirements similar to those in California. A specific addition could be made to the proposed general electronic communications and transactions provisions described above.

Electronic Proof of Auto Insurance

The *Compulsory Automobile Insurance Act* authorizes the FSCO to define the form of the proof of auto insurance card through a Superintendent of Insurance's bulletin. FSCO currently requires insurers to print proof of auto insurance cards and mail them to their customers.

ENVIRONMENTAL COSTS

IBC estimates that

31 million

pieces of paper are used every year on proof of insurance and policy renewal documents alone.



CONSUMER CONVENIENCE

In Ontario, failure to show proof of auto insurance is not only inconvenient, **it could also result in a fine and impact a driver's insurance rates.**



FSCO has the authority to allow insurers to offer an electronic option for displaying proof of auto insurance. However, Ontario's Privacy Commissioner advises that without additional privacy protections, an individual who gives his or her electronic device to a law enforcement officer to show proof of auto insurance could be vulnerable to that officer searching other content on the device.

Almost every U.S. jurisdiction allows consumers to receive proof of auto insurance electronically. Several of them prescribe additional privacy protections in their insurance legislation that expressly outline the scope of law enforcement's authority when checking proof of auto insurance on an electronic device. Nova Scotia has become the first province to give consumers the option to receive their proof of insurance electronically.

According to the Centre for Study of Insurance Operations, nearly **half of Canadian consumers have expressed an interest** in receiving their proof of auto insurance electronically.

There are **46 U.S. states, plus Washington D.C.**, that permit drivers to present their proof of auto insurance cards to police officers **on their smartphones.**



PROOF OF AUTO INSURANCE IN U.S. JURISDICTIONS

Below are examples of how U.S. jurisdictions have addressed privacy concerns relating to law enforcement officers examining proof of auto insurance on a mobile electronic device.

The New Jersey legislation states the following:

The use of a cellular telephone, tablet, computer, or any other electronic device to display proof of insurance does not constitute consent for a police officer or judge to access any other content on the device.

The Texas legislation states the following:

The display of an image that includes financial responsibility information on a wireless communication device... does not constitute effective consent for a law enforcement officer, or any other person, to access the contents of the wireless communication device except to view the financial responsibility information.

The Rhode Island legislation states the following:

Proof of financial responsibility may be provided using a mobile electronic device; provided, however, that the police officer requiring the proof of financial responsibility shall be prohibited from viewing any other content on the mobile electronic device.

RECOMMENDATION:

IBC recommends that, as in Nova Scotia, FSCO issue a bulletin that permits insurers to offer an electronic option for proof of auto insurance.

Given the privacy concerns, if the government deems it necessary, IBC also recommends a provision be added to the *Compulsory Automobile Insurance Act* to prohibit law enforcement officers from viewing, accessing or using any other content on the electronic device.

Specifically, the provision could be as follows:

3(1.1) For the purposes of Section 3(1) proof of financial responsibility may be provided using a mobile electronic device provided, however, that absent reasonable and probable cause incidental to another investigation, a law enforcement officer requiring the proof of financial responsibility shall be prohibited from viewing, accessing or using any other content on the mobile electronic device.

Electronic Prescribed Insurance Forms

For many transactions, the *Insurance Act* and corresponding regulations require insurers to use certain FSCO-approved forms. Insurers are prohibited from deviating from these prescribed forms, unless the deviations in the document do not affect the substance of the form. This requirement prevents insurers from adapting certain forms, such as the auto insurance policy, and some claims forms, to an online environment.

RECOMMENDATION:

IBC recommends that FSCO amend the prescribed insurance forms to include the necessary data collection and consent provision disclosure statements that would allow consumers to make an informed decision on whether to enter into contracts and deliver and/or receive information electronically. This approach should include the use of e-signatures, which are already the legal equivalent to pen and paper in real estate transactions due to recent amendments to the *Electronic Commerce Act*.



Usage-Based Insurance (UBI)

There are several provisions in the insurance laws that prevent consumers from realizing all the benefits of UBI. FSCO's Bulletin No. A-16/16 imposes restrictions on the ways in which consumers can be enrolled in UBI and the ways in which insurers can use the data collected through the UBI device.

Consumers are driving the demand for easy, flexible and tailored products with dynamic pricing being offered in sectors as diverse as entertainment, retail and banking. UBI provides an opportunity for insurers to customize insurance to their customers' unique driving behaviours and vehicle usage patterns.

UBI typically consists of a device installed in a customer's vehicle or an app downloaded on a smartphone that allows insurers to track distance driven and driving behaviours, and to collate this information to determine a price for insurance. UBI provides insurers the opportunity to engage more frequently and meaningfully with customers. It gives customers access to information about their driving performance. And it provides them with more control over their auto insurance costs because their usage patterns, mileage and driving behaviour can directly influence the price. UBI also generates significant societal benefits by promoting safer driving habits.

UBI has the potential to more accurately price risk. For many customers, it could result in insurance that costs less than that priced through traditional means. With the current rules, however, an insurer can only use UBI to offer a discount on the price set through its traditional pricing formula. The insurer cannot use the data regarding the individual's actual driving habits to determine the premium price.

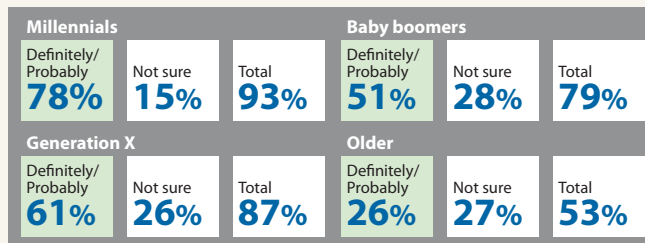
RECOMMENDATION:

IBC recommends that FSCO allow insurers to provide consumers the option to select UBI to determine the price of their auto insurance.

ATTITUDES TOWARD UBI

A 2017 Willis Towers Watson survey examined how the spread of in-car technologies and connected cars is influencing U.S. consumers' buying behaviours and attitudes toward UBI.

Four out of five drivers are open to sharing their recent driving data* for personalized insurance quotes



*Recent driving data such as the past months data from navigational apps or in-car systems

Most drivers say UBI is a **fairer way to calculate insurance premiums** than traditional risk factors
(e.g., age, gender, vehicle type)

Only 7% of consumers disagree



A popular UBI product comes from the insurer Metromile, which sets premium price solely on the data collected through the device.

Based on the premise that the number one risk to drivers is how often they drive, **Metromile offers a product for low-mileage drivers.** In the U.S., Metromile estimates that 65% of households drive less than 12,000 miles per year and might benefit from the program. The product is a per-mile rate for every mile driven applied to a low monthly base price. If individuals drive fewer miles, they pay less for insurance. Conversely, if they drive more, they pay more for insurance.

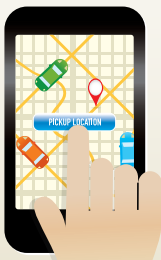


The Sharing Economy

The absence of a legislative framework for addressing the sharing economy has had numerous negative implications for ride- and vehicle-sharing drivers and users. These implications include a lack of structure to support the development of auto insurance products for the sharing economy as well as the complications that could arise following a collision involving a ride- or vehicle-sharing vehicle.

The sharing economy is transforming the way people access and exchange goods and services. Although in its nascent stage, the sharing economy is already creating social and economic disruption by challenging notions of personal and commercial activities, an important distinction on which legal, regulatory and insurance frameworks are based. As the nature of personal and business risks changes, the demand for specific types of products and the buying patterns of consumers will change accordingly.

This is especially true concerning technology-enabled ride- and vehicle-sharing services, which currently operate in Ontario. Insurers want to offer new products to cover the risks facing individuals who use a sharing economy platform to drive other people with their personal vehicle or rent out their personal vehicle for compensation.



From November 2015 to October 2016, an estimated **2.7 million people** aged 18 and older living in Canada participated in the sharing economy by using ride- or home-sharing services. Canadians **spent \$241 million on ride-sharing services** and **\$1.1 billion on home-**

sharing services (both domestically and internationally) in that period.

Approximately **72,000 people** aged 18 and older living in Canada reported offering ride-sharing during the 12 months up to and including October 2016.

A LEGISLATIVE FRAMEWORK FOR THE SHARING ECONOMY

There are several negative implications for drivers and users of ride- and vehicle-sharing services in the absence of a legislative framework for addressing the sharing economy.

- The potential for an individual involved in a collision to file a claim against the vehicle owner's standard personal policy when the vehicle was being used in a sharing economy operation would compel the personal use insurer to pay certain accident benefits such as med/rehab, even if there is a separate insurance policy for the sharing economy operations that could have covered or helped cover those benefits.
- There could be a protracted claims process if the proper information-sharing provisions are not in place. Such provisions could require the sharing economy business to cooperate with the vehicle owner's personal use insurer to help determine which insurer under which insurance policy is responsible for managing the claim.
- FSCO requires the ride-sharing insurer to provide primary coverage for the time when the vehicle is matched with a paying passenger, when the passenger is in the vehicle, and when the driver has the ride-sharing app on and is waiting for a paying passenger but has not been matched with one. Now that there are multiple ride-sharing services in Ontario, many drivers are using multiple platforms. So, if one of these drivers is involved in a collision while waiting to be matched with a paying passenger, multiple insurers could be responsible for the claim, leading to disputes and delays over determining the degrees of each insurer's financial responsibility.

In 2016, FSCO started approving sharing economy auto insurance products. Although this approach filled an immediate insurance gap associated with using vehicles for mixed personal and commercial purposes, it does not integrate the sharing economy into the auto insurance system through legislative change, as the provincial government committed to in its 2016 budget.

In the United States, most jurisdictions have legislative frameworks to confirm sharing economy auto insurance requirements and facilitate the claims management process. The result has been a market with insurers of all sizes offering several different and complementary products for vehicle owners and ride- and vehicle-sharing companies. In 2016, the Alberta government implemented a similar framework through the Transportation Network Companies Regulation 100/2016 under the *Traffic Safety Act*.



As of summer 2017, 48 U.S. states, plus Washington D.C., have enacted **ride-sharing legislation** addressing insurance, and 3 states have enacted **vehicle-sharing legislation** addressing insurance.

Uber has facilitated more than **5 billion rides around the world since 2010**.

Lyft completes 1 million rides a day as of 2017. Yet neither company owns any cars.



RECOMMENDATION:

IBC recommends that the government implement a legislative framework for integrating the sharing economy into the auto insurance system.

As in Alberta and the United States, the framework should consist of the following components:

1. Define the type of vehicle use that is intended to be part of the operations of a sharing economy business.
2. Prescribe the minimum insurance requirements for the vehicles used in the sharing economy that reflect the risk associated with using the vehicles for mixed personal and commercial purposes. Also, as part of the insurance requirements, confirm that the owner of the vehicle, the sharing economy business or a combination of both can obtain the coverage. This component will require changes to the accident benefits priority of payment rules in the Ontario Insurance Act to accommodate a vehicle that has more than one insurance policy.
3. Require the sharing economy business to cooperate in the investigation of a claim and share any information needed to help determine which insurer will be responsible for managing the claim and under which insurance policy.
4. Have the provincial insurance regulator approve standard insurance forms for the different types of products that could be needed in the operations of a sharing economy business.



Regulatory Sandbox

While regulations in the insurance industry exist in large part to protect consumers, governments have a duty to ensure that an appropriate balance exists between regulatory oversight and innovation so as to encourage competition in the interest of customers.

The government is being proactive in recently announcing its intentions to launch a regulatory super sandbox to test innovative ideas in the real market with real consumers on a time-limited and small-scale basis. Regulatory sandboxes in other jurisdictions have proven effective at balancing regulators' objectives while fostering innovation in the market.

Insurers are already hubs for innovation, partnering with innovation labs and universities, investing in startups and collaborating with technology firms to improve insurance products and services. The insurance industry supports regulatory sandboxes that are accessible to all market participants – both incumbents and startups – and that relax specific regulatory requirements to create safe and conducive spaces for innovative ideas, enabling companies to experiment while containing the fallout of any failure.

By overseeing the application of technological innovations, regulatory sandboxes also allow regulators to consider their graduation into the regulatory framework. Regulatory sandboxes offer an opportunity for regulators to see which laws and regulations may need modernization through the trials being tested in the sandboxes.

RECOMMENDATION:

IBC recommends that the government make the regulatory super sandbox accessible to incumbent insurers and new market entrants. If the objective of the sandbox is to encourage new innovations, then all parties should be allowed to participate in the exercise.

REGULATORY SANDBOXES IN OTHER JURISDICTIONS

The Monetary Authority of Singapore (MAS) has a regulatory sandbox for both established financial institutions and new market entrants to experiment with fintech, including insurtech, solutions that can increase efficiency, better manage risk and improve people's lives. However, MAS is balancing requirements that could be relaxed with those that should continue to apply, such as those related to the confidentiality of customer information, the handling of customer money, and the prevention of money laundering and counter-terrorism financing. Recently, PolicyPal, an insurtech company, was accepted into MAS's regulatory sandbox to test its mobile application through a partnership with two established insurance providers.

In the United Kingdom, the Financial Conduct Authority (FCA) has a regulatory sandbox that is

available to new market entrants and incumbents experimenting in fintech and insurtech. The objective of the sandbox is to allow companies to test innovative products, services, business models and delivery mechanisms with relaxed regulatory compliance requirements. The FCA has selected for inclusion in the sandbox products being developed by established insurers such as HSBC and Lloyd's.



Conclusion

Online connectivity has ushered in enormous social and economic change. Yet the pace of policy and regulatory changes has failed to match the speed of technological change.

Striking a balance between consumer protection and innovation is not an easy challenge for governments and regulators. However, failing to modernize insurance laws will have negative implications for consumers. There is a substantial opportunity to improve the customer experience by allowing insurers to leverage technology and compete in the online environment.

The insurance industry welcomes the opportunity to partner with the government to update insurance laws and regulations so that insurers can innovate and compete for the benefit of consumers.

Appendix A

The *Insurance Act* and its regulations prescribe that insurers and customers can only communicate certain information using mail, registered mail, delivery or personal delivery. The specific sections are:

- Insurance Act, S. 134(3) – Where note or cheque for premium not honoured;
- Insurance Act, S. 148, Statutory Conditions 6(1) – Termination;
- Insurance Act, S. 148, Statutory Conditions 15 – Notice;
- Reg. 777/93: Statutory Conditions – Automobile Insurance, S. 11(1);
- Reg. 777/93: Statutory Conditions – Automobile Insurance, S. 11(1.1) (a) (b);
- Reg. 777/93: Statutory Conditions – Automobile Insurance, S. 11(1.2) (a) (b);
- Reg. 777/93: Statutory Conditions – Automobile Insurance, S. 11(1.3)(b);
- Reg. 777/93: Statutory Conditions – Automobile Insurance, S. 11(1.7);
- Reg. 777/93: Statutory Conditions – Automobile Insurance, S. 11(5);
- Reg. 777/93: Statutory Conditions – Automobile Insurance, S.12;
- Reg. 676: Uninsured Automobile Coverage, S. 5(1);
- Insurance Act, S. 232(2) – Policy issued where no signed application;
- Insurance Act, S. 232(3) – Insured entitled to copy;
- Insurance Act, S. 269(1) – Particulars of insurance; and
- Insurance Act, S. 269(2) – Demand for particulars.

The *Insurance Act* and its regulations also prescribe that insurers “furnish,” to particular persons or other insurers, certain forms or information. Because there is no definition of “furnish” in the *Insurance Act*, insurers interpret the term to mean delivery of forms and information to the recipient in hard copy. The specific sections are:

- Insurance Act, S. 148, Statutory Conditions 8 – Proof of claim forms;
- Insurance Act, S. 125 – Application or proposal for insurance;
- Insurance Act, S. 135(1) – Proof of loss forms;
- Insurance Act, S. 273(1) – Claimant’s obligation to inform;
- Insurance Act, S. 273(2) – Claim for statutory accident benefits; and
- Reg. 283/95: Disputes Between Insurers, S. 4(1).

The *Compulsory Automobile Insurance Act* authorizes FSCO to define the form of the proof of auto insurance card. FSCO requires insurers to print and mail to their customers the proof of auto insurance cards. This is detailed in the following FSCO bulletin:

- FSCO’s Bulletin No. A-18/93.

For many transactions, the *Insurance Act* and corresponding regulations require insurers to use certain forms that FSCO has approved. Insurers are unable to adapt these forms to an electronic format. The specific sections are:

- Insurance Act, S. 228 – Application form; and
- Reg. 7/00: Unfair or Deceptive Acts or Practices, S. 1(12).

Questions about insurance? Call us.

Insurance Bureau of Canada

Toll-free: 1-844-2ask-IBC
(1-844-227-5422)

ibc.ca

 @InsuranceBureau

 facebook.com/insurancebureau

 youtube.com/insurancebureau

