

June 16, 2017

2015-2016 Superintendent Update

Looking back on 2015 and 2016, my office has been involved in a number of matters important to the effective regulation of Alberta's insurance industry, and I would like to share with you the highlights.

Natural Disasters

Over the past decade, Alberta has seen an increase in the number of insurable losses related to catastrophic natural disasters.

In May 2016, a forest fire swept through the community of Wood Buffalo destroying approximately 2,400 homes and buildings and forcing the largest wildfire evacuation in Alberta's history. The aftermath of the fire has certainly shown Albertans resilience. This is the costliest natural disaster in Canadian insurance history. The Insurance Bureau of Canada reports the insured damage from the wildfire is \$3.7 billion. Approximately 80 per cent of claims have been closed, with over \$1.5 billion paid to those who filed claims.

I would like to thank insurance companies, adjusters, agents, brokers and the many others who make up our extended insurance industry for their dedication and hard work in helping Albertans recover from the wildfires. To Albertans who have concerns with the way an insurer is handling a claim, I encourage you to use the complaint resolution information found on our [website](#).

The record flooding that inundated parts of Southern Alberta in June 2013 created significant challenges for insurance companies facing claims for losses that included damage both from sewer back up, and from overland water (flood). Traditionally, residential insurance policies included coverage for sewer back-up, but excluded flood. With adversity also comes opportunity, and in the Spring of 2015, a few insurers began offering residential flood coverage, and several other insurers began developing insurance products that will provide Albertans with options to insure against residential losses caused by flood.

As of December 31, 2016, eight insurers in Alberta now offer residential flood insurance. These products typically cover more than just the overflow of lakes and rivers (alluvial flood), they also cover damage from flooding streets and homes following a heavy rainfall

(pluvial flood). I would encourage all Albertans to discuss flood insurance options and needs with their insurance agent or broker.

Usage Based Insurance Discount Programs

Effective April 1, 2016, my office established the process by which an insurance company can implement the [Usage Based Insurance \(UBI\) discount program](#). Amongst other components, this process includes a review by Alberta's Office of Information and Privacy Commissioner. A UBI program uses GPS technology to measure driving behavior for the purpose of determining appropriate discounts to insurance rates. As of December 31, 2016, four insurers have received approval to offer UBI discount programs in Alberta.

Transportation Network Companies

In July 2015, the Superintendent issued a [notice cautioning Albertans](#) on the insurance risks associated with using transportation network services (TNCs). In September 2015, my office began work on an insurance solution for TNCs, and was part of a cross-ministry working group. Government was motivated to ensure public safety, consumer protection and a level playing field between TNCs and taxis. Effective July 1, 2016, in conjunction with new TNC regulations, I approved a new standard automobile insurance policy, the [Transportation Network S.P.F. No. 9](#) designed to cover TNC automobiles while the vehicle is being used for TNC purposes.

Electronic Pink Cards

Electronic capability is an important part of meeting consumer needs in today's society, and I am pleased to report that my office, in conjunction with other Canadian insurance regulators, is moving ahead with plans to add an electronic form to the approved form of financial responsibility (pink) card.

Automobile Insurance Regulation Review

My office is leading the review of four major automobile insurance regulations. Over the past several months my office has consulted with targeted stakeholders across multiple sectors. The feedback we have heard has been tremendously valuable and insightful. I would like to thank those who have submitted feedback. While it is still too early in the process to speculate what changes, if any, are necessary, I am committed to ensuring that any proposed amendments will be evidence-based and in the best interest of Albertans.

Insurer Compliance Initiative

In late 2015, my office launched an initiative to improve Market Conduct compliance amongst insurance companies. Our goal is to improve the quality of service Albertans receive when dealing with their insurance companies. This initiative included steps to educate insurance companies about [common compliance issues](#) that have a direct impact

on Albertans, and is intended to motivate insurers to review and improve their compliance on these issues. In late 2016, my office began an in-depth review of a major property and casualty insurer with a significant operation in Alberta and we expect to continue these in-depth reviews over the coming year.

Online Licensing Access

I am also pleased to report that my office introduced an online filing system for special brokers in 2015 and made significant strides in the next phase of development which includes a new licensing and filing system for insurers.

We are on track to provide insurers on-line access to our system in 2017, in time for 2018 licence renewals. I would like to extend my thanks to the application development staff in our IT department, whose innovation and teamwork have contributed greatly to the success of this project, and to staff member Laurie Balfour for her ongoing management of this project. This team received a Corporate Values Award for their work in 2016.

Prudential Supervision of Provincial Insurance Entities

The risks facing insurance companies are ever changing. My office continues to monitor the risks and solvency concerns that have the potential to impact the provincial insurance companies and reciprocal insurance exchanges that we supervise. This is of particular importance in light of the continued pressures on insurer profitability, increasing cost trends in both automobile and property insurance, and technological advancements in the industry that place competitive pressures on regional insurers. The oversight of our provincial insurers and monitoring of their solvency position is a role my office takes seriously. My office works closely with each regulated entity to ensure we have a clear understanding of their business and risks that may impact solvency in the future.

In closing, I would like to thank the staff of Alberta Treasury Board and Finance as well as our colleagues at the Alberta Automobile Insurance Rate Board and the Alberta Insurance Council, who work to ensure Albertans have access to fair and affordable insurance. I am proud of their achievements.

My office will continue our work on a new insurer licensing system, and on our initiative to improve insurer market conduct compliance. In addition, we will support the Government of Alberta in its review of automobile insurance regulations.

[Original Signed]

Nilam Jetha
Superintendent of Insurance