



Input on the New Saskatchewan Growth Plan

Wednesday, June 26, 2019

Background

As the Government of Saskatchewan works toward the development of a new action plan for growth, it is important to consider the role of both insurance and insurance brokers in the economic and social fabric of our province.

While insurance itself does not necessarily *create* new economic wealth, it does play a vital role in *protecting* it. Insurance is the mechanism that safeguards the financial wellbeing of consumers, families, and businesses alike; it is also a means by which risk is transferred away from taxpayers and onto the private market, enabling governments to invest in other growth priorities.

In Saskatchewan, insurance brokers are the preeminent distribution channel for this protection, delivering impartial, independent, and customer-centric advice. The Insurance Brokers Association of Saskatchewan (IBAS) alone represents 206 independent members (more than 98% of brokerages province-wide), operating 379 branch locations across 249 different Saskatchewan cities, towns, villages, and hamlets. These small businesses are often as recognizable on 'main street' as hockey rinks and grain elevators — true pillars of the community that provide employment, facilitate the flow of commerce, and contribute countless dollars and man-hours to worthwhile local causes.

Our members, our sector, and our communities prosper when the economy prospers around us. Together, let's keep Saskatchewan growing.

Recommendations

1. Leverage Saskatchewan Crown corporations as levers to enhance peripheral competition.

Over the past several years, there has been extensive dialogue around the appropriate function of Crown corporations — whether they should exist, in what form, and with what mandate. But, recently, that debate has at least *seemed* to subside, with little-to-no appetite for contentious public or political litigation.

IBAS believes, however, there is a significant opportunity to better leverage Crown corporations in their present-day form — SGI and SaskTel, in particular — as *enablers* of private sector competition and competitiveness.



a. **Saskatchewan Government Insurance**

SGI has a unique structure compared to other provinces, with two distinct but related arms: The Auto Fund and SGI CANADA.

SGI CANADA remains the only government-controlled insurer in the country to sell general property and casualty (P&C) insurance products beyond automotive coverage. That said, it functions — with a few notable exceptions — much like any other P&C carrier, and is arguably amongst the most innovative, technologically advanced, affordable, and best managed. For these reasons, IBAS feels SGI CANADA has served Saskatchewan consumers well, and would not advocate for a substantive departure from the status quo (except related to its adherence to *The Insurance Act*).

The SGI Auto Fund, on the other hand, while also very well managed, is in a notably different position as a legislated monopoly — operating under the same management and in tandem with a business that competes with other insurers. This has resulted in diminished consumer choice and limited external competition in the provision of extension auto coverage, also known as *package policies*.

As outlined in the IBAS Extended Auto Committee Recommendations released on May 15, 2019, we believe the SGI Auto Fund has a responsibility to proactively work with *all* insurers, of all sizes, to create a level playing field with respect to how driver information is used in the insuring process. It should *not* be used, or limited in its usage (including through unreasonable cost burdens), to create unfair advantages amongst carriers — especially small Saskatchewan-based insurers, such as Saskatchewan Mutual Insurance (Saskatoon) and My Mutual Insurance (Waldheim), or others with minimal market share.

b. **SaskTel**

There are few industries in North America undergoing the breadth of transformation as insurance. The adoption of advanced technologies is quickly becoming a pillar to success, and integrated, real-time connectivity and communication is now a requisite for doing business.

Unfortunately, many rural brokers (and even one Saskatchewan insurer) do not have the same affordable, ready access to high-speed fibre optic internet as their urban counterparts. In an increasingly digital marketplace, where competition is no longer defined by geography, each day that passes without the right infrastructure decreases their chances of short- to medium-term survival.

Of course, insurance is not the only sector where high-speed connectivity is rapidly becoming an economic imperative. Agriculture, manufacturing, and mining are all heavily rural-based industries that are more digitally dependent now than ever before. If Saskatchewan wants to not only compete in these

spaces, but hold or strengthen its leadership position, there is a strong case for SaskTel to accelerate infrastructure investments in a manner or pace than may otherwise be untenable for a strictly private or non-Crown entity. The profitability of SaskTel will be all for not if it is at the expense of the competitiveness — foregone *or* delayed — of other economic drivers.

2. Further embed financial literacy education into Saskatchewan schools.

Saskatchewan has taken marked strides in recent years to better prepare young people with the financial literacy and life skills needed to succeed. Understanding the vital role insurance plays as an instrument to protect personal finances and quality of life is an essential part of that equation. But there is still much more work left to do.

IBAS has taken steps on its own to begin to bridge the gap, including forming the Saskatchewan Insurance Workforce Development Coalition, which brings together the broker community, carriers, adjusters, training bodies, business associations, and other industry stakeholders to collaborate on retention and recruitment initiatives, as well as general insurance education. Although this coalition is still in its infancy, its members broadly support:

- a. Embedding basic insurance education into the curriculum offered as an elective in all Saskatchewan high schools;
- b. Introducing mandatory financial literacy education in middle years curriculum across the province; and
- c. Supporting the duplication or expansion of the Saskatoon Industry Education Council model, to provide experiential, hands-on learning opportunities for Saskatchewan youth (with offerings focused on financial literacy and entrepreneurship).

3. Cultivate linkages between Canadian insurers and Saskatchewan’s burgeoning technology community.

The term *InsurTech* — derived from the more mainstream rise of *FinTechs*, or financial technology start-ups — is relatively new in Canada; however, it is reshaping the entire insurance landscape.

According to a recent study from PwC Canada, nine in 10 Canadian insurers fear losing at least part of their traditional business revenues to InsurTechs. This has spawned unprecedented investments in M&A and in-house development, as companies race to adopt new technologies to meet changing consumer expectations, introduce new approaches to understand risk and predict losses, and streamline internal processes. In fact, just last year, 80 per cent of insurance executives surveyed worldwide expected to seek one to three acquisition targets or strategic technology partnerships by the end of 2021.

The acceleration of this activity is, at least in part, due to the limited availability of high-tech talent — especially in proximity to where carriers are headquartered. And while many major players have managed to build robust internal competencies (including through the creation of dedicated *innovation labs*), it simply has not been enough. Companies continue to turn to more nimble start-ups to counter the pressures of disruption.

There is an opportunity for Saskatchewan to answer the call. The province's technology community has blossomed over the past half-decade, with government-supported incubators and incentives spawning a new generation of entrepreneurs and innovators. IBAS would strongly encourage the Province to:

- a. Put in place tangible programs and/or directives to encourage the exploration of partnership opportunities between Saskatchewan-based insurers and Crown corporations (SGI, Saskatchewan Crop Insurance Corporation, etc.) and Saskatchewan-based technology start-ups; and
- b. Earmark resources — including through entities like the Saskatchewan Trade and Export Partnership — to elevate promotion and business development efforts dedicated to helping Saskatchewan technology start-ups tap into the vast opportunity presented by the insurance and financial services industries. IBAS would be open to working alongside other industry partners, such as the Insurance Bureau of Canada and SaskTech, to support these efforts.

4. Adopt a 'whole of society' approach to manage overland flood risk amidst increased population growth and land development.

According to the most recent available statistics (2015), there are approximately 37,000 residential properties in Saskatchewan at risk of flooding, with a total exposure — or insurable value — of \$8.9 billion. Of these, 26,000 homes have a 22%-or-greater chance of flooding over the span of a 25-year mortgage.

Until only a few years ago, losses incurred as a result of flooding were covered entirely through the Provincial Disaster Assistance Program (PDAP). Today, though, roughly three quarters of Saskatchewan homeowners have coverage through SGI CANADA or another private insurer — exponentially higher than many other Canadian jurisdictions.

There are also now more tools available to properly defend at-risk structures against flooding. Unfortunately, in Saskatchewan, only 37% of at-risk homes are properly defended. This creates an additional 40% in unnecessary economic losses each year.

IBAS strongly supports measures to phase down the reliance on taxpayer funded PDAP payments and transfer more risk onto the private insurance market. Yet, this cannot be done in isolation. It will require a forward-thinking partnership between the private sector and all three levels of government to protect current at-risk homes and prevent or mitigate future development in designated flood plains. To accomplish this, stakeholders must:

- a. Define *affordable coverage* and maintain protection for high-risk homes that cannot reasonably access private insurance (may be accomplished through a subsidized high-risk insurance pool or modified PDAP);
- b. Introduce new controls to limit future development on high-risk land or shift liability exposure onto developers through the permitting process;
- c. Improve access to flood maps for municipal governments, developers, and the general public;
- d. Allocate freed-up PDAP funds to incent homeowners to invest in flood defenses (there are innovative models whereby proper defenses are recognized through a certification process to stabilize values of high-risk homes);
- e. Ensure governments consult insurers in the development of land use and water management strategies; and
- f. Invest in a targeted consumer education campaign to raise awareness of flood risks and defenses.

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