

Facility Association Annual General Meeting

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Check against delivery

Thank you Karen and good morning everyone.

It's wonderful to be here today - to meet with our members and stakeholders in person, and equally to connect virtually with people everywhere we do business in Canada.

This is my fifth year at FA, and the sixth time I have the honour to speak to you at our Annual General Meeting. A great deal has changed.

We have moved from an in-person event, with votes counted on paper to welcoming attendees both in person and virtually from across the country - and this year we have introduced electronic registration and voting.

These changes not only increase our efficiency, but most importantly, they allow us to come to you, to engage with our members and our stakeholders where you are.

We had started down that path, in small steps, when the pandemic hit in March of 2020. The pandemic certainly supercharged both the need and the willingness for all of us to move into the future.

But it was not the pandemic alone.

There have been other important developments at FA. For example,

- A decade ago FA was writing just over 200 million in premium and 42% of that was private passenger; only 25% of that book was a combination of commercial and interurban trucking. Last year, 2023, the FA Residual Market volume was over 530 million, and commercial and interurban trucking make up \$287 million - more than 50% of the FARM business.
- Five years ago we had three servicing carriers. Now that \$530 million in premium is handled by one - our Servicing Carrier partner Nordic.
- In 2023, FA managed more than a billion dollars in premium through six Risk Sharing Pools in 5 provinces, and our projections for 2024 are that the RSP premium volume will approach 1.5 billion.
- We took on the management of the Newfoundland Judgement Recovery Fund, adding to FA's portfolio of responsibilities in Atlantic Canada around protecting the victims of uninsured drivers. In 2023, 20 new uninsured claims were opened, bringing the total under current stewardship to 132 Uninsured Auto fund claims in Atlantic Canada managed on behalf of the industry.
- We've introduced a telematics program for interurban truck fleets in Alberta, and we are looking to expand the program for taxis to those provinces where we see the potential to promote both safety and depopulation from FA to the regular market.
- We've taken on the responsibility for data governance and stewardship of the UIP, which contains the personal and private policy and claims data that forms the foundation of both Autoplus, and the soon to be launched IBC DASH program;
- And we've continued our commitment to be cost effective, and to continue FA's reputation of stewardship, returning \$80 million this January to members as the fair return on the capital they are required to hold for FA.

Those are just the highlights of an extensive and wide ranging list of initiatives and responsibilities FA has delivered on in recent years. And in each case FA has leaned into our responsibility to work for you.

Looking ahead, our challenges as we head into 2024 remain equally diverse. But we will remain grounded in our Purpose of ensuring the availability of auto insurance, which includes supporting a healthy and competitive insurance market.

There are three initiatives I want to talk about specifically, because they are foundational to our Purpose and central to our Mission - our commitment to improving availability for consumers, access for brokers and agents, and ensuring both cost efficiency and sound governance for our members.

1. Our work on commercial automobile and specifically trucking and fleet;
2. Our work on UIP data, and Data governance
3. Our work on a potential FARM policy systems

Over the past few years, FA's FARM book of business has shifted to a predominately non-private passenger book.

FA became a major player in long haul trucking, and worse, a market of choice for some subsets of that industry. Following consultation with our members and the trucking industry, in 2023 FA introduced new rating rules and practices that allow us to understand where they are operating, and most importantly charge the fair and appropriate price for that risk.

With the support and collaboration of our regulator stakeholders, FA has now introduced a comprehensive set of matrices Canada wide and into the US to ensure that long haul trucking prices reflect where those trucks operate - and this makes pricing fairer for all trucking risks.

In addition, in Nova Scotia, we worked together with the Superintendent, who was then successful in shutting down large numbers of out-of-province fleets who had "relocated" to the Province on paper to get cheaper rates, forcing those fleets back to the province where they actually operate.

In Alberta, we have made it an ongoing priority to engage key stakeholders within government on this issue. We worked closely with the Alberta Superintendent's Office to enforce the IRCA vs Fleet definitions and prevent abuse, and FA has been asked to participate in a multi-stakeholder committee in Alberta to look at the issue of the Commercial Truck Driver shortage.

In 2023, we also undertook a major industry consultation on fleet rating plans, looking to you, our members for your expertise. As always, our members were generous with their time and expertise and, as a result, we were able to establish that frankly there is no one answer, but there are some important insights - about how risks end up in FA, how we need to price them, and also about what they really need to get out of FA and into the regular market.

From this work, we are moving forward to modernize FA's fleet rating system. This year we will be redesigning our fleet rating program, with the goal of bringing it in-house in 2025 and providing our Servicing Carrier, and brokers and customers a faster turnaround on pricing than we have been able to provide to them in the past.

Last year I told you about a related challenge in commercial, especially long haul trucking for those risks trying to make their way out of FA, and also for the brokers and companies trying to place those risks. And that is the challenge around proving their driving history.

While private passenger risks have had the UIP and its predecessor the UITs since the mid 90's to prove their history and experience, that history doesn't exist to the same extent for fleet drivers. FA has been consulting with GISA, the Alberta government, with the IBC commercial auto working group as well with our members and trucking industry representatives about what might or could be done in this area. Making changes in data and data reporting is not simple, and in this case, we concluded that the best way to get the ball rolling, was to roll it ourselves.

FA risks have the most to gain from better information, so as part of our fleet rating redesign work, we will include the provision of a record of experience history to drivers and owners insured in FA to help them leave FA.

As we establish the data format and governance for this project, we will continue to consult and collaborate with our members and our regulatory stakeholders as we begin to build a template for fleet driver information that we hope can eventually expand into the industry

The beginnings of what we are referring to as a Commercial UIP is only one part of data governance where FA will be involved this year. As Karen mentioned earlier, FA spent a great deal of time energy in 2023 working together with GISA, IBC, and IBM to ensure that the Auto Stat plan continued uninterrupted.

Why FA? Because the data that constitutes the Auto Stat plan also forms the core of FA's operational data, including the calculation of members' share of FAR, and members' use of and share of RSP. On top of that, the UIP data – which forms the backbone of every Autoplus and Dash report absolutely had to continue uninterrupted.

In addition, we worked closely with our colleagues at IBC to establish the legal framework to allow the continued provision of UIP data to CARFAX, and to the provincial governments doing VIN validation. We also continue to work closely with IBC around the launch of their DASH product - and together the organizations are taking every step to ensure consumers' personal and private information is accurate, secure and protected.

This role, to provide a governance framework for UIP, and to protect the personal and private information within it, is a fairly new role for FA, only confirmed in a Plan of Operation amendment from 2017.

But as public attention towards data privacy and security increases, and consumers become more aware of both the value of their data, and the importance of its security, there will be growing expectation on our industry to provide that protection, and to respond on subjects like the accuracy of driving and insurance history.

Data is and always has been the lifeblood of our industry. Yet as we move into 2024 and beyond, consumers and their representatives are looking for a level of individual person accuracy that is unprecedented. Finding the right governance framework to support that accuracy without cost prohibitive systems and re-engineering, is a major part of FA's role for UIP as we move forward.

That balance between technological capability and cost efficiency holds equally true in our third major initiative for 2024.

FA has one Servicing Carrier. Nordic. They are a solid partner, and have provided an improved and maintained service standard over the last year while volumes have continued to rise, and they are committed to maintaining the service levels they have worked so hard to improve. But we are now asking one carrier to manage ½ a billion in written premium, in all our jurisdictions for every licensed broker and agent. That's not optimal risk management, for them or us - and so we continue to work to expand options.

Last year I talked about the discovery exercise we were undertaking on the possibility of building an FA policy management system. What we learned from our extensive consultations, is that the major hurdle for any new carrier was the massive systems investment needed to support a book that is designed to non-renew, as well as the strategic attention such a build requires.

But equally, the cost and risk of building a policy management system for FA is daunting, to say the least, and so, as I always say to our Board, we investigate Plan B. The biggest component of that system barrier is that FA is required to support every class of business, in every jurisdiction with over 100 rate changes almost every year - there is no latitude for a servicing carrier around timing that programming support.

But imagine a scenario where the rating engine, and all the rate change support required is handled by FA head office instead – could that start to redress the cost and commitment of becoming a carrier. And even outside of that consideration such a rating engine, would address some of the major pain points of the brokers and agents who must deal with FA rules and rates to look after their clients. I told you last year we would be reaching out for your expertise and insight and indeed we did, but we are not done yet.

For 45 years FA has remained true to its North Star - ensuring the availability of Auto Insurance while supporting a competitive and robust industry in the process. And while there are new challenges, and new opportunities, some things don't change. The challenge of an ever-evolving market and an ever changing auto product.

The challenge of keeping Canadians protected by making auto insurance available, and our commitment to engaging our members around the best way for FA to achieve its purpose, while also consulting and collaborating with our regulator and industry partners to ensure we can continue to fulfil our purpose, our mission and vision.

To provide availability, capacity, and valued information with the smallest administrative, strategic and cost burden to the industry - and indeed with a continued social, market and financial benefit to the industry and to all our stakeholders. Thank you.