

[REDACTED]

July 14, 2008

Mr. Willie Handler  
Senior Manager, Automobile Insurance Policy Unit  
Financial Services Commission of Ontario  
5160 Yonge Street, 15<sup>th</sup> Floor  
P.O. Box 85  
Toronto, Ontario M2N 6L9

Re: 5 Year Review of the Insurance Act: Part VI on Auto Insurance

Dear Mr Handler

Over the last few years, the [REDACTED] has been actively involved in the discussion of the Ontario automobile insurance rules. We therefore welcome the opportunity of reviewing the "5 Year Review of the Insurance Act". Our comments are as follows:

1. AFFORDABILITY AND AVAILABILITY

Affordability and availability are the major issues for consumers with regard to automobile insurance. Affordability was the key concern when double digit rate increases were the norm in the early 2000's. Steps taken at that time reduced rates, but overall the rate gains remained significant.

Currently [REDACTED] believes that the following factors are affecting auto insurance availability and affordability in Ontario.

First is that the years of high rate increases in the early 2000's made auto insurance quite profitable despite mandated rate reduction and therefore ended the retrenchment of companies in the market. Many became more aggressive in attracting market share.

Second is the increased presence of the banks in the insurance market. This increased number of visible providers works to keep auto insurance rates very competitive.

Third is that the current high cost of gasoline is probably of greater concern to driving consumers than the cost of insurance. Intuitively, one would not expect insurers to raise their rates in this market. The anticipated reduction in vehicles on the road due to fuel costs should lead to less traffic volume and fewer accidents, especially in urban areas with available public transit. Accident frequency in a geographic area is a factor in auto insurance rates. Therefore auto insurance rates

[REDACTED]

should remain very stable or even go down. However, if auto insurance rates should start to climb at this time, considerable consumer protest would be expected.

Availability is an issue on which the [REDACTED] has definite and well known opinions on which we will not elaborate in length at this time. We simply wish to restate our position that the current distribution system for auto insurance, which depends on a broker contract with an insurer, lacks transparency and does not serve the consumer interest. The contracts frequently impose performance conditions which we believe impair the independence of the broker. These conditions cannot help but influence the broker in the placement of policies for consumers. The auto insurers' defence of the system indicates that it works in their favour. Any broker publicly criticizing the system would be in danger of losing the contracts held. Obtaining a contract is also a barrier to the entrance of new brokers into the market. [REDACTED] see the solution as the ability of any registered broker to purchase insurance products from any insurer free from performance conditions.

## 2. CONSUMER PROTECTION

The best consumer protection in auto insurance is the independence of the broker and the availability of fair rates and adequate service from insurance providers.

There have been little or no complaints about auto insurance during the last few years. Complaints about rates have always exceeded those about service. The rate complaints that were most common were the escalation of rates even for minor or no accidents and the refusal to issue or renew policies for families with young adult children, especially males, living in the home.

On the issue of consumers fearing rate increases for even small claims, [REDACTED] believes that a continuing climate of suspicion about rate increases for minor accidents has led to a situation where many consumers do not report small accidents as they are required to do.

While [REDACTED] cannot condone the action of those who do this, it is hard not to think that the insurance companies brought this on themselves.

## 3. STATUTORY ACCIDENT BENEFITS SCHEDULE

FSCO lead a recent review of the Pre-approved Guidelines (PAF) under SABS.

Recommendations were made and implementation is scheduled for Oct. 2008. We are not aware of any situation that needs further review of SABS at this time.

## 4. DISPUTE RESOLUTION AT FSCO

[REDACTED] has never had any complaints or experience with the process of Dispute Resolution at FSCO and is unable to offer any comments except to say that the pamphlet from FSCO and the information on the Website is well written in plain English and very informative.

## 5. OTHER ISSUES

### 5a NO FAULT INSURANCE.

█ believes that consumers do not understand no fault insurance. Many believe that no fault accidents are not reflected in their driving record and have no idea that no fault accidents can reflect in their rates. The FSCO Website on auto insurance is excellent and needs more exposure. Would it be unreasonable to ask that auto insurance policies should refer consumers to the FSCO Website for answers to their auto insurance questions?

### 5b GRADUATED LICENSES

Recent coverage of an accident involving young people has raised the issue of graduated licenses, triggering a call for a review. This review is encouraged.

In the past, █ has also raised the issue of reverse graduated licenses for seniors. Currently, senior driving licenses are an all or nothing situation. Consideration could be given to gradual reduction of situations when seniors might be allowed to drive.

Examples would be removal of night driving, removal of 400 series highways driving during the busiest times of day and the requirement to have another licensed driver in the car. This might allow seniors to continue driving for necessary errands like shopping and doctor's appointments. It is our experience that many seniors voluntarily reduce their driving along the lines we have outlined but we think a formalization of this process bears consideration. Of course, the limitations must be for cause and both fair and workable. The loss of the independence that driving affords can be quite limiting for seniors, and particularly so in rural areas.

If you wish any further information on this matter please feel welcome to contact the undersigned.

Yours truly

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