



KINGSWAY GENERAL INSURANCE COMPANY

THE SPECIALTY INSURER

July 11, 2008

Mr. Willie Handler
Senior Manager, Automobile Insurance Policy Unit
Financial Services Commission of Ontario
5160 Yonge Street, 15th floor, Box 85
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Auto Insurance Policy Unit

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Financial Services
Commission of Ontario

Dear Mr. Handler,

Re: Ontario automobile insurance review

I have organized Kingsway's recommendations based on the suggested format included with the letter received from Mr. Christie dated June 3, 2008. The following represents Kingsway high level assessment of insurance reform opportunities.

Affordability

Available public information would suggest that auto insurance cost Ontarians a higher percentage of their disposable income than other Canadians. Affordability of private passenger automobile insurance is a growing problem indicated by an increasing number of Kingsway's automobile policies being cancelled for non-payment of premiums prior to the expiration of the policies. With consumer staples inflation (food and energy) materially exceeding the overall inflation rate, many lower/middle income earners are defaulting on auto policy premiums. This obviously increases the number of individuals driving without insurance, increasing the cost of insurance for premium paying Ontarians. **Cost reductions resulting from product modifications are required to maintain an affordable automobile insurance system for compulsory coverage.**

Statutory Accident Benefit Schedule

Coverage changes must be considered to improve affordability of the automobile insurance product or risk material increase in policy premiums. Cost increases to medical rehabilitation and attendant care (for example) have dramatically altered the overall costs associated with Ontario accident benefit coverage. **An overhaul of administrative procedures and available coverage should be undertaken to ensure longer term affordability while maintaining coverage for essential services.**

Other suggested changes include re-instating the right for insurance companies to provide an offer of settlement of an accident benefit claim to policyholders prior to the one year anniversary of the accident date. Denying the insurance company's ability to offer such settlement options increases the cost of the product. The consumer should have the right to accept or reject such offers based on their own personal circumstances. Now that paralegals are regulated, abuses previously identified due to their involvement in cases should no longer occur.

It is well understood that consumers have a better ability to negotiate treatment costs with health care providers and all of us should permit them to do so. Ontarians will only attend those treatments that are truly necessary versus the chronic over treatment periodically recommended by some health care practitioners due to insurance company funding. **More cost controls need to be vested with injured persons versus health care providers to ensure conflicts of interest don't continue to drive claims costs upward.**

Other - Premium Rate Regulation

It is strongly recommended that the current system of rate regulation be amended to include a file and use system for private passenger vehicle premium rates. Ease of filing rate changes will foster competition and provide insurance companies with the ability to adjust prices up and down to react to changes in claims costs. Premium rate changes within an acceptable range should be implementable without prior FSCO approval while providing the proper notice period to policyholders. Rate changes would still require a full actuarial submission supporting the rate change filed and placed into use even if inside the accepted range established by FSCO. Prior approval would still be required for rate change requests outside an established range. **In the interim, Kingsway recommends Bill 5 be repealed so there is a time limit within which FSCO is required to review rate change applications.**

The cost of premium regulation is a significant one to the insurance industry which is passed along to consumers in the form of increased premiums. Lower regulatory related costs will provide relief to insurers resulting in a suppressing effect on premium rates.

Conclusion

Ontarians enjoy one of the richest (if not the richest) automobile insurance system in Canada (and likely North America). There is no question that increasing claims costs related to injuries have and will continue to have an inflationary effect on premium rates if changes are not implemented to control and reduce such claims costs. A reduction in the regulations associated with pricing and claims administration will also favorably affect the overall cost of delivering the product to Ontarians.

Kingsway recommends that a stakeholder committee (consumers, insurers, lawyers, health care providers, etc.) be formed to consider comprehensive change to the private passenger automobile system prior to the issue becoming a political one at election time. Kingsway would be pleased to participate in such a committee that would be committed to driving change to the benefit of all stakeholders.

As a significant provider of automobile insurance to Ontarians, Kingsway appreciates the opportunity to contribute to the auto insurance system debate. We look forward to hearing more about the Insurance Act review once all interested parties have voiced their opinions.

Sincerely,



John L. McGlynn
President & CEO