

ONTARIO'S AUTO INSURANCE CHANGED ON SEPTEMBER 1, 2010

Over the last few years automobile insurance in Ontario has been a hot topic for both the insurance industry and consumers as rates increase with no relief in sight. In response to increasing costs associated with Accident Benefits claims, Ontario's Minister of Finance introduced a host of reforms effective September 1, 2010.

Ontario drivers pay, on average, over 50% more for automobile insurance than drivers in other provinces. Throughout 2009 about half of all insurers in Ontario filed for at least one rate increase. In the first quarter of 2010, over 97% of Ontario insurers filed for a rate increase of 5% or more. In this chart Ontario clearly stands out in comparison to other provinces (statistics were based on average premiums in 2008).

AVERAGE INSURANCE PREMIUMS BY PROVINCE	
BC	\$1400.00
Ontario	\$2300.00
Manitoba	\$833.00
Alberta	\$1700.00
NFLD	\$947.00
SASK	\$1100.00
Nova Scotia	\$1500.00

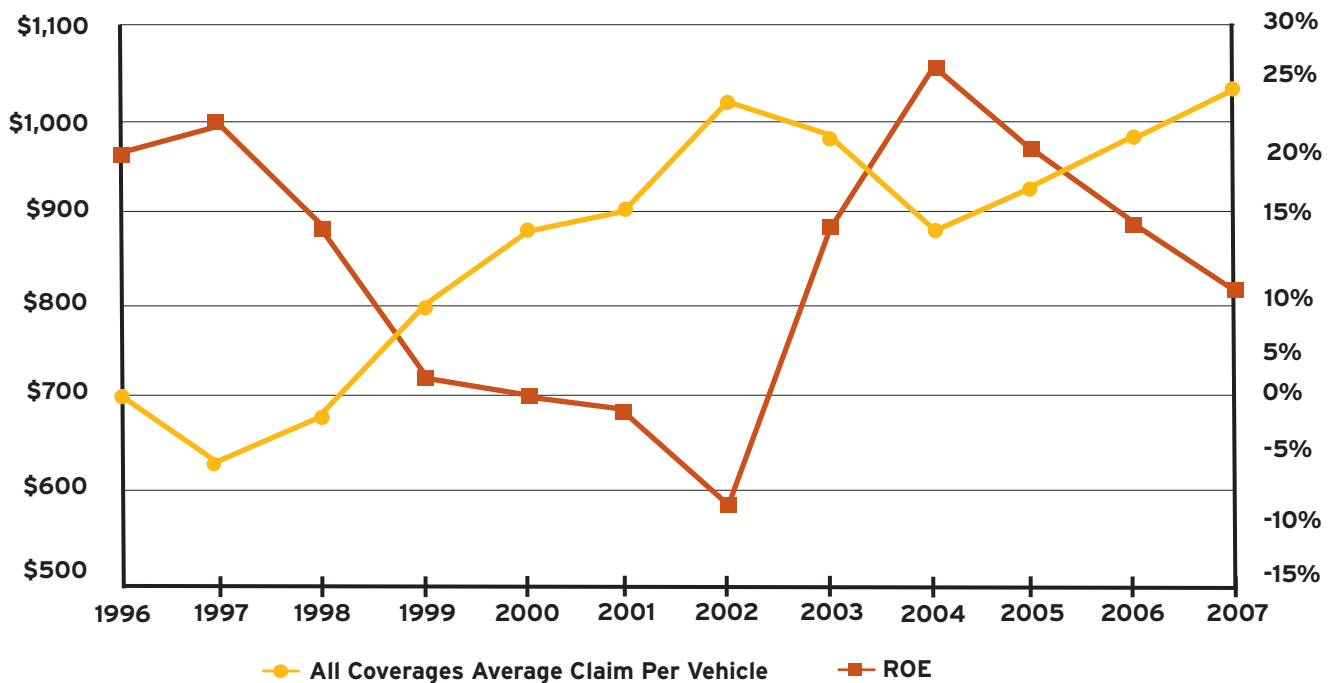


In Ontario the average cost per claim is approximately \$53,000, up from about \$30,000 in 2005, an increase of 53% in just five years. In other provinces the average cost per claim is a fraction of that cost. In Alberta, for example, the average claim costs less than \$4,000.

For every dollar of premium collected by Ontario insurers, \$1.24 is paid out on claims. One major factor contributing to inflated claim costs is the generous basic Accident Benefits coverage provide to all drivers. In many cases this coverage is more than twice the limits of other provinces. Another contributing factor is the cost of medical assessments. Out of every \$1.00 spent on medical treatment, \$0.60 cents is spent on medical assessments alone.

When you consider these claim statistics, rate increases are not only justified but inevitable, unless major changes are made to the existing system. From 1996 to 2007 insurers have been fighting a losing battle; as long as profitability continues in this pattern, there will be little stability in the automobile insurance market.

Figure 1
Ontario Private Passenger Automobile Insurance - Excluding Farmers
Return on Equity (ROE) and Loss Cost Per Vehicle



Because automobile insurance in Ontario is government regulated, changes can only be introduced every five years. A review is conducted by the Superintendent of the Financial Service Commission of Ontario and presented to the Minister of Finance with the intent of providing recommendations to improve the effectiveness and administration of automobile insurance and to ensure consumers have access to adequate and affordable insurance protection. In response to these growing concerns the Ontario Minister of Finance has introduced a packet of 41 reforms that will take effect on September 1, 2010.

As a result of the five-year review, Ontario will have new standard Accident Benefit limits with the opportunity to purchase increased coverage and options. There is a new limit on minor injury claims, and changes to the administration of automobile insurance and claim procedures will streamline these processes and make them more cost effective.

Multinationals with operations in Ontario understand that current insurance policies will not be affected by these changes until policy renewals, on or after September 1, 2010. However, it is important to note that claims occurring on or after September 1, 2010 will be subject to the new claim procedures and the new minor injury limit. If a minor injury is suffered by an employee as a result of an automobile accident, medical and rehabilitation accident benefits coverage is limited to \$3,500.00.

Ontario insurers are mandated to provide their policyholders with more information about the new coverage limits and the options available to them via a separate notification attached to every renewal. A copy of this notification is contained in this bulletin.

Risk managers who expect an immediate reduction in their premiums may be surprised. There is speculation that these changes will initially only have a steadying effect on insurance rates. If these changes have the desired effect, however, insurers should be able to manage claim costs more effectively and with greater predictability. The most positive outcome would be overall stability and the potential to reduce premiums.

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Providing More Choice to Consumers: **What you need to know about changes to auto insurance in Ontario**

The Ontario government is introducing significant reforms to the auto insurance system in order to provide you, the consumer, more choice over the coverage and price you pay for insurance. These additional accident benefit choices will allow you to customize your policy to suit your needs.

Standard Auto Insurance Policy

In Ontario, the Insurance Act determines the standard coverage that consumers must purchase. As a result of the reforms, some of the features under the Standard Auto Insurance Policy have changed. Beginning September 1, 2010, if you are either buying a new auto insurance policy or renewing an existing one, you will have more options to purchase a level of coverage that is right for you.

All auto insurance policies will continue to include the following:

- Third-Party Liability
- Direct Compensation-Property Damage
- Uninsured Auto coverage
- Statutory Accident Benefits

In addition, if you previously purchased Collision and/or Comprehensive coverage, it will still be included in your policy.

Beginning September 1, 2010, if you are buying a new policy or renewing an existing one, you have the following options with respect to Statutory Accident Benefits:*

Coverage	Coverage under your existing auto insurance policy	Coverage under New Standard Auto Insurance Policy	Options available to increase your benefits
Medical, Rehabilitation and Attendant Care benefits – for non-catastrophic injuries	\$100,000 for medical and rehabilitation benefits; \$72,000 for attendant care benefits.	\$50,000 for medical and rehabilitation benefits, including assessment costs; \$36,000 for attendant care benefits.	\$100,000 or \$1,100,000 for medical and rehabilitation benefits including assessment costs; \$72,000 or \$1,072,000 for attendant care benefits.
Medical, Rehabilitation and Attendant Care benefits – for catastrophic injuries	\$1,000,000 for medical and rehabilitation benefits; \$1,000,000 for attendant care benefits.	\$1,000,000 for medical and rehabilitation benefits including assessment costs; \$1,000,000 for attendant care benefits.	An additional \$1,000,000 for medical, rehabilitation and attendant care benefits including assessment costs.
Caregiver Benefit	Up to \$250 per week for the first dependant plus \$50 for each additional dependant; available for all injuries.	Up to \$250 per week for the first dependant plus \$50 for each additional dependant; available only for catastrophic injuries.	Up to \$250 per week for the first dependant plus \$50 for each additional dependant; available for all injuries.

Coverage	Coverage under your existing auto insurance policy	Coverage under New Standard Auto Insurance Policy	Options available to increase your benefits
Housekeeping and Home Maintenance expenses	Up to \$100 per week, available for all injuries.	Up to \$100 per week, available only for catastrophic injuries.	Up to \$100 per week, available for all injuries.
Income Replacement Benefit	80 per cent of net income up to \$400 per week.	70 per cent of gross income up to \$400 per week.	Weekly limit can be increased to \$600, \$800 or \$1000 per week.
Dependant Care benefit	Not provided.	Not provided.	Up to \$75 per week for the first dependant and \$25 per week for each additional dependant to a maximum of \$150 per week.
Dependant Care Benefit Death and Funeral Benefits	\$25,000 lump sum to an eligible spouse; \$10,000 lump sum to each dependant; maximum \$6,000 funeral benefits.	\$25,000 lump sum to an eligible spouse; \$10,000 lump sum to each dependant; maximum \$6,000 funeral benefits.	\$50,000 lump sum to an eligible spouse; \$20,000 lump sum to each dependant; maximum \$8,000 for funeral benefits.
Indexation Benefit – applicable to income replacement benefit, non-earner benefit, caregiver benefit, attendant care benefit or medical and rehabilitation benefit	Not provided.	Not provided.	Annual adjustment according to the Consumer Price Index for Canada.

You also have new choices to customize your deductibles – the portion of a loss that you are required to pay.

- Tort deductible – You have the option to reduce the deductible associated with court awarded compensation for pain and suffering to \$20,000 from \$30,000, and for Family Law Act claims to \$10,000 from \$15,000.
- Direct Compensation – Property Damage Coverage – You have the option of a \$500, \$300 or no deductible at all on coverage to repair the auto of the driver who is not at fault.

What else is new?

The government’s reforms lay the foundation for an auto insurance system with greater price stability, and more protection for you, the consumer. Other key changes include:

- Many injuries received in an auto accident are minor. If you have a minor injury due to an auto accident, your medical and rehabilitation accident benefits are limited to \$3,500 regardless of the coverage level you have selected.
- Accidents where you are 25% or less at fault will no longer affect your premium.

- The deductible that is applied to court awards for fatal accidents has been eliminated.
- A new requirement that insurance companies send out benefit statements to their claimants, advising how much has been paid to date, and the additional amounts remaining for medical, rehabilitation and attendant care benefits.
- If your auto has been damaged or written off after an accident and you don’t agree with the value you have been offered or your degree of fault for the accident, you can choose the appraisal process outlined in the Ontario Auto Policy to settle the dispute, and the insurer must agree to participate.

- Coverage is extended to rented autos with a Gross Vehicle Weight Rating (GVWR) of more than 4,500 kilograms, if for personal use and rented for up to seven days.
- Prohibiting use of credit scores in giving quotations for your auto insurance rates.

What do the coverages mean?

Third Party Liability: Claims made by a driver against another driver who causes an accident.

Uninsured Auto Coverage: Protects you and your family if you are injured or killed by a hit-and-run driver or by an uninsured motorist. It also covers damage to your vehicle caused by an identified uninsured driver.

Direct Compensation-Property Damage (DC-PD): Covers damage to your vehicle or its contents if another person was at fault for the accident. It is called direct compensation because even though someone else causes the damage, you collect directly from your own insurer. The accident must also occur in Ontario and both drivers must be insured by an insurance company licensed in the province.

Collision or Upset Coverage: Pays for losses caused when your vehicle is involved in a collision with another object, including another vehicle, or rolls over.

Comprehensive Coverage: Pays for losses for certain perils, such as falling or flying objects, and vandalism.

Medical and Rehabilitation Benefit: Covers the cost of reasonable and necessary medical and rehabilitation expenses (e.g., physiotherapy, prescriptions) that are not covered by OHIP or your disability insurance plan.

Attendant Care Benefit: Pays for an aide or attendant to look after you if you have been seriously injured in an accident.

Catastrophic Injury: If you suffer an injury in an accident, you can apply for a determination of whether your injury qualifies as “catastrophic” (e.g. loss of a limb, paraplegia). If the injury qualifies as “catastrophic,” you are eligible for an increased level of benefits.

Caregiver Benefit: If you are providing full-time care to dependants and can no longer provide that care as the result of an auto accident, you may be eligible for caregiver benefits to reimburse you for your expenses to hire someone to care for your dependants.

Housekeeping and Home Maintenance Expenses: If you are unable to perform your usual duties due to your injuries, this benefit pays for reasonable and necessary additional expenses for someone to complete your usual duties.

Income Replacement Benefit: If you cannot work as the result of an auto accident, you may be eligible for basic weekly income replacement benefits of up to \$400. This benefit commences after one week.

Dependant Care Benefit: Pays for additional expenses incurred to care for your dependants if you are employed and are injured in an auto accident.

Death and Funeral Benefit: If you die as a result of an auto accident, the death benefit provides a lump sum payout to your spouse and your dependant; the funeral benefit provides a lump sum payout to cover the cost of your funeral expenses.

Indexation Benefit: The automatic adjustment of the income replacement benefit, non-earner benefit, attendant care benefit or medical and rehabilitation benefit according to the Consumer Price Index for Canada to compensate for inflation.

Tort Deductible: The amount that is deducted from a settlement or court award for pain and suffering.

OPCF 44R: Covers you for the difference between the at-fault driver's Third Party Liability limit and your own Third Party Liability limit if someone with less liability coverage than you injures you in an accident.

Still have questions?

For more information on your coverage choices, or to modify your policy, contact your local Willis office.

Willis

www.willis.com

For general information about changes to auto insurance in Ontario, contact:

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