# Bulletin

No. A-02/97

Property & Casualty

- Auto

## Pre-insurance inspection procedures and monitoring

**To the attention of all insurance companies in the Province of Ontario**

**licensed to transact auto insurance**

As a follow-up to OIC Bulletin No. A-19/96, entitled "Implementing Bill 59: Pre-insurance inspection Regulation for Reducing Insurance Claim Fraud," the Ontario Insurance Commission (OIC) is introducing a monitoring and evaluation program for the pre-insurance inspection activities of automobile insurers.

*Ontario Regulation 530/96* which came into effect on January 1, 1997, requires all insurance companies to conduct pre-insurance inspection of all private passenger vehicles, unless the vehicle is exempted by the regulation.

The industry-government committee on automobile insurance that oversees the implementation of *Bill 59*, the *Automobile Insurance Rate Stability Act, 1996*, has endorsed the need for proper monitoring and evaluation of pre-insurance inspection activities to support a commitment to eliminate automobile insurance fraud. The monitoring and evaluation program requires insurers to file, within specific time frames, their pre-insurance inspection procedures as well as pre-insurance inspection monitoring reports.

Moreover, a broad cross-section of the insurance industry, including the Canadian Coalition Against Insurance Fraud, has deemed automobile insurance fraud unacceptable and preventable. It has been projected that insurers can save an average of $4 on every $1 that they spend on pre-insurance inspection and other anti-fraud measures.

**Filing of pre-insurance inspection procedures**

Under Section 29 of the Insurance Act, R.S.O. 1990, c.I.8, as amended, the Superintendent or a person designated by the Commissioner may direct to any insurer an inquiry related to the contracts, financial affairs or the acts and practices of the insurer, and the insurer shall answer promptly, explicitly and completely.

I am directing that all automobile insurers file with the Director - Rates, Classifications and Actuarial Services Branch, a written description of the procedures that the insurer has implemented in order to comply with the pre-insurance inspection regulation. A signed statement made by an officer of the company certifying that the procedures described in the filing are in place and are operational must accompany the filing.

The filing should be sent to: Director - Rates, Classifications and Actuarial Services Branch, OIC, 5160 Yonge Street, 16th Floor, Box 85, North York, ON M2N 6L9 by **March 22, 1997.** In the event that insurers change their procedures, I am directing that the insurer file the revised procedures with the OIC as soon as they take effect.

**Pre-insurance inspection activity report**

In order to establish a database for use in evaluating pre-insurance inspection, I am directing that insurers file a report of pre-insurance inspection activity every four months in the form provided (see attached *Pre-Insurance Inspection Activity Report* form). The reporting periods run from January to April, May to August and September to December. The reports should be received by the OIC no later than the 15th of the month following the end of the reporting period. The **first report** covering activity from January to April 1997 **is due on May 15, 1997.**

The filing should be sent to: Director - Rates, Classifications and Actuarial Services Branch, OIC, 5160 Yonge Street, 16th Floor, Box 85, North York, ON M2N 6L9

**How to obtain copies of the report forms:**

The form is available in English or French versions via the Internet or on diskette.

Download the form from OIC's WWW Site:

http://www.gov.on.ca/OIC

[go to the Bulletin page]

Form Available on Diskette in PageMaker Format:

fax a request for form RC/AS1 to:

Administrative Officer

Public Affairs Branch, OIC

fax: (416) 590-7070

**Next steps**

The next step in monitoring and evaluation of pre-insurance inspection activities is to introduce qualitative measures. The industry-government committee is currently considering possible courses of action. We will keep you updated in future bulletins.

Dina Palozzi

Commissioner





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