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Insurance Brokers Association of Ontario
2020 Pre-Budget Submission

WHO WE ARE

The Insurance Brokers Association of Ontario (IBAO) represents over 13,000 licensed brokers who service six million policyholders in the Province of Ontario. These brokers are a direct connection to Ontario consumers.

Brokers are insurance providers who are uniquely positioned to represent the best interests of their customers. They don't work for insurance companies — they shop for policies from multiple companies to find the best product and price. They are consumers' only source of independent, expert insurance advice.

Insurance brokers are highly-trained professionals with strong community ties. They own or are employed by small and medium-sized businesses located across rural and urban Ontario, and often lead social responsibility initiatives that contribute to their local communities.

- **Brokers participate in community initiatives and fund social causes.** Local organizations like sports teams and community service providers benefit from the financial contributions of insurance brokers raised through charity events and volunteering. Brokers donate time, money and resources to causes that are important to them personally and professionally, and brokerages give back to the towns and cities in which they operate.

- **Brokers service Ontarians in multiple languages, promoting diversity and inclusion.** Brokers across the province serve their communities in a variety of languages including English, French, Mandarin, Cantonese, Spanish, Hindi and Italian. Diversity in language, culture and belief helps drive a more vibrant and competitive local and Canadian economy.

- **Brokers provide insurance access and education to remote communities.** The presence of brokers in rural and Indigenous communities provides access and education to individuals who may otherwise face barriers due to geographic, demographic and technological factors, or may lack the financial literacy needed to select appropriate insurance coverage.

- **Brokers support safety education and training.** By partnering with the government to promote safety and training initiatives, brokers help mitigate behaviour that may result in harm or damage, helping to reduce hardship in local communities and reducing burden on public services. The brokers ongoing education requirements demonstrate a constant commitment to learning and expertise.

IBAO is an important voice on a number of policy-related issues that affect consumers and brokers, whose interests are intertwined: both require a transparent market in order to function optimally—one that is accessible, accountable, efficient and fair.

Brokers always work with the best interest of the consumer in mind, and they provide choice and individualized guidance. Insurance brokers have access to a wide variety of products that are able to suit a customer's specific, unique needs and will shop the market to find the best available product. Insurance brokers act as a trusted and objective advisor to the clients they serve.

Ontarians build long lasting relationships with their insurance brokers and look to their brokers to help make complicated decisions easy and provide stress relief when they are making important decisions around their insurance needs. The IBAO not only represents our members, we also advocate on behalf of consumers, as we are not tied to any one specific insurance company.

Over the years, IBAO has been an important voice within the insurance industry and government regarding a number of policy-related issues that affect consumers and brokers, whose interests are intertwined: both require a transparent market in order to function optimally; one that is accessible, accountable, efficient, and fair.

The following four areas of concern are of significant importance to our professions and the consumers we serve around the province. These key areas include a number of recommendations that we look forward to working with the Ministry of Finance on implementing.

KEY ISSUE – MARKET CONDITIONS

In Ontario, the insurance industry is currently in a "hard market". An insurance market hardens when the capital used to fund insurance transactions becomes less readily available. This affects product pricing and/or availability.

Profits ensure that retail insurers' product availability, supply and price can be held stable and currently, they're experiencing reduced profits due to two main factors:

- Auto insurance. There are many elements driving down profitability of the auto product, including the increasing cost of repairing modern vehicles.
- Severe weather events. Once weather events rise to a certain level, insurance companies will be covered by reinsurance. Lately there's been an increase in the number of events that fall just under the level required to qualify for reinsurance.

The hard market is having ripple effects on other lines of insurance coverage. For example, we will highlight two industries that are struggling to find affordable insurance coverage:

- Condominium Corporations: Many insurance companies are no longer offering coverage for condominium corporations for buildings constructed in the last 3 years due to an increase in water damage claims. Not only does this impact the condominium corporations, it also impacts consumers and affordable housing. If condo corporations do find insurance, the cost is extremely high and a condo owners' monthly maintenance fees are skyrocketing as a result.

- Trucking Fleets: Many insurance companies are no longer offering coverage for truck fleets due to an increase in claims costs. Facility Association’s commercial insurance premiums rose an astounding 47% in the 12 months leading up to March 2019, and those linked to inter-urban vehicles were up 200%.

Recommendation: Continuing with reforms to the Ontario auto product and implementing a flood mitigation plan will have a very broad, positive impact to the provincial economy and Ontario businesses.

KEY ISSUE – AUTO INSURANCE

The IBAO remains deeply involved on the issue of auto insurance and bringing meaningful reforms to vehicle owners. There is a universal recognition that the status quo of the current auto product is failing to serve Ontarians, and we commend the government for taking action in a number of areas to work to reform the auto landscape.

- We remain committed to our ongoing work consulting with relevant government departments on ongoing reforms to the auto industry. Announcements like the move to electronic pink slips, which aligns well with other jurisdictions in Canada, are further evidence of the progress we are making.

- In Ontario, there are many inefficiencies within the current system, most of which have been identified and outlined by the current government within the Driver Care Advisory Group.

- We are encouraged by the early work of the Financial Services Regulatory Authority of Ontario (FSRA).

- Auto insurance pricing based on the location you live makes sense.

- Where you live is one of the strongest predictors of how much an insurance company will pay out per claim, and one of the strongest predictors of claims risk

- If you remove this as an available rating variable, your premium would correlate less with actual risk factors

- Removing geographical rating would mean that individuals living in regions where claims costs are less than half of the GTA’s would see their insurance premiums increase by hundreds of dollars per year

Recommendation: Continue with reforms and consultations for auto insurance in Ontario, making decisions based on market evidence and targeted reforms towards addressing issues of fraud and inefficiencies.

KEY ISSUE – FLOODING

The issue of flooding is one of concern to many Ontarians. We have witnessed extreme weather events more frequently over the last several years, of which flooding remains a primary concern. Flooding now costs Canadians more than any other climate issue.

Recommendation: We seek a stronger, more cohesive plan with both federal and provincial governments involved in flood mitigation.

We are recommending the development of a National Flood Action Plan that includes:

- Moving people out of harm's way
- Educating Canadians about flood risk
- Investing in flood defenses
- Providing all Canadians with access to affordable insurance
- Ending the building of infrastructure and homes on flood plains

Across the province, brokers have been stepping up and doing their part to help however they can. Brokers have been speaking with media to get the word out to consumers about different types of coverage, best practices and next steps.

KEY ISSUE – SMALL BUSINESS

- Insurance brokers are massive economic and social contributors to the Ontario economy - $1.6 Billion in GDP.

- Insurance Brokers operate small businesses in virtually every city and town across Ontario, creating employment and contributing to the local economy – 15,000 people are employed within IBAO member brokerage businesses alone.

- Insurance Brokers are community leaders who make a positive difference in the communities where they live and work – 100% of IBAO Members report contributing to local causes and participating in community outreach.

We ask that the provincial government ensure employment laws protect employees while ensuring businesses can thrive economically.

Recommendation: We encourage the government to continue taking steps that support small and medium-sized businesses in Ontario, reducing, or as a minimum, not increasing their tax burden, cutting red tape, and foster additional local hiring.

CONCLUSION

IBAO, in consultation with our members and the broader industry, has always focused on the best interests of Ontario consumers. The four highlighted items and their corresponding recommendations each aim to support that goal. We thank the government of Ontario for its ongoing commitment to address many of the above issues, and look forward to reviewing our recommendations in each area further with an aim to continued reform.