# 2022 Pre-Budget Submission

IBC
Insurance Bureau of Canada

# Dear Minister Bethlenfalvy,

Ontario's home, car and business insurers play a key role in supporting the provincial economy. Insurance products and services allow di¬fferent risks to be managed, enhancing peace of mind and promoting financial stability. Insurance protects the supply chains that support business and economic growth. And when disaster strikes, insurers are the financial first responders that help people and businesses recover.

For more than 50 years, Insurance Bureau of Canada (IBC), the national industry association representing 90% of Canada's property and casualty (P&C) insurers, has worked with governments across the country to help increase the availability of affordable insurance.

There are 157 P&C insurance companies operating in Ontario, employing more than 57,000 people. The P&C insurance industry also generates economic activity for other industries.

An analysis conducted by the Conference Board of Canada in 2019 found that the P&C insurance industry directly contributed $8.8 billion to Ontario's real GDP. For every $1 in economic activity generated within the P&C insurance industry, another $0.81 is generated in other industries in the province, for a total impact of $15.8 billion. P&C insurers also contributed $3.4 billion in various taxes and levies to provincial and federal government revenue in 2020.

Since the COVID-19 pandemic began nearly two years ago, many Ontarians have used their kitchen table or spare bedroom as a home office, and daily commuting has significantly reduced. Many business owners have faced extraordinary challenges due to the difficult economic conditions created by the pandemic, and Canada's P&C insurers have pulled together to find creative solutions to ensure that businesses across all sectors can access the insurance they need.

Insurers acted decisively to support customers during the pandemic, putting $1.4 billion back into the pockets of Ontario drivers when they needed it most. Insurers also provided a further $300 million in premium relief across commercial lines.  IBC and its members have assisted many small businesses in the hospitality sector secure insurance through the Business Insurance Action Team (BIAT). Working directly with brokers and business owners, IBC's risk manager and a committee of insurers assess and review eligible business applications to make loss prevention recommendations. Through this process, many businesses have found coverage in the regular market or were offered coverage by the participating BIAT insurers. This free, one-on-one risk management service will continue in 2022 and benefit businesses for years to come.

The Ontario government has taken strong action to combat COVID-19 over the past two years, including making necessary investments in public health and providing financial supports for businesses and individuals. As the government is increasingly able to expand its focus to include to economic recovery, the P&C insurance industry is ready to help with unique opportunities to improve affordability issues for Ontarians.

IBC and its members are eager to continue working with the government to implement the Putting Drivers First blueprint.  The Blueprint included such cost-saving measures as an improved medical assessment system, a "Care Not Cash" approach to benefits and improved consumer choice. Every dollar of cost that is removed from the auto insurance system is money that Ontario's 10 million motorists can spend on their personal financial priorities. We want to help drivers pay less for insurance and have more to spend on their priorities.

Sincerely,

**Kim Donaldson**
*Vice-President, Ontario, IBC*

# AUTO INSURANCE PRODUCT REFORM

Since being elected in 2018, the government has taken a prudent approach to auto insurance reform – taking time to assess the situation, prioritize improvements, and develop a blueprint to make the system less expensive and a better experience for drivers.

The COVID-19 pandemic has rightly been the government's overwhelming priority. However, as the focus shifts to pandemic recovery, reforms to reduce the cost of auto insurance should be included as measures to support Ontarians.

Auto insurance represents a significant cost for household budgets in Ontario. Bringing auto insurance rates in line with the average premiums of other provinces would represent significant savings for all commuters, drivers and households. These reforms represent meaningful action.

### **Recommendation 1:** Strengthen the focus of accident benefits (AB) injury management on "Care Not Cash"

Consistent with the 2019 Budget, strengthening this focus would ensure that insurance coverage pays for treatment and recovery rather than high legal fees and other costs that provide little value to drivers and collision victims.

### **Recommendation 2:** Improve predictability regarding the duration of AB claims

The 2019 Budget reported consumer frustration with navigating the difficult claims and benefits system. Long claim-processing times and the lack of deadlines directly lead to higher costs and more expensive premiums. Drivers deserve clear timelines for resolving injury claims.

### **Recommendation 3:** Create an authority to establish an independent medical assessment system

In the 2019 Budget, government recognized the critical importance of reforming the "flawed medical assessment process to bring credibility and accountability to the assessments that injured claimants must undergo after an accident." The need for reform remains as strong today as it was then. Government can begin the reform process by creating a legislative framework for a phased-in approach to restore integrity and confidence in the medical assessment system.

## **Recommendation 4:** Implement the Auto Insurance Anti-Fraud and Abuse Strategy

The 2019 Budget included a government commitment to combat auto insurance fraud so that honest drivers do not have to pay for the dishonest actions of fraudsters. The Financial Services Regulatory Authority of Ontario has been consulting with stakeholders on a proposed Auto Insurance Anti-Fraud and Abuse Strategy. IBC and its members recommend that the Ministry of Finance move forward with consultations to implement the Auto Insurance Anti-Fraud and Abuse Strategy.

**Following these four recommendations can create a more predictable insurance system for consumers that focuses on the recovery of individuals who have been injured in a collision. While these recommendations will not solve each and every problem in the auto insurance system, they will make meaningful improvements that are consistent with the government's priority of supporting Ontario drivers.**

# TOWING AND STORAGE

IBC was pleased to see the swift passage of the Towing and Storage Safety Enforcement Act, 2021 (TSSEA), which passed in the legislature in May 2021. When implemented, it will enable provincial oversight of the vehicle towing and storage industry in Ontario. IBC and its member companies commend the Government of Ontario for its bold actions. Unregulated and dishonest practices in the towing and storage industry drive up costs that Ontario drivers ultimately shoulder through higher auto insurance premiums.

The lack of oversight in the towing industry has led to a patchwork of municipal bylaws, including inconsistent towing rates, processes and standards. It has also left motorists unsure of the rules regarding collision tow services and of how to protect themselves from fraudulent activities.

IBC and its member companies support a robust regulatory framework that will repair the dysfunctions in the current system. This new framework should regulate the scene of the collision to ensure that custody of the vehicle always rests with the vehicle owner and the insurer by ending "first-to-scene" chasing.

### This can be accomplished by:

1. Controlling who arrives at the collision scene;
2. Controlling how they arrive to the collision scene;
3. Mandating where a tower must take the vehicle; and
4. Enforcing strict penalties for violations of first-to-scene requirements.

### In addition, IBC and its member companies recommend:

- Stronger consumer protection measures;
- An established towing and storage fee schedule; and
- New enforcement resources and dispute resolution mechanisms to ensure that the new provincial oversight regime is adhered to.

IBC recognizes that it will take time to develop and implement a new regulatory model. As such, interim solutions that address the government's mandate to increase consumer protection and fight crime and fraud in the towing and storage sector are essential.

**IBC recommends that, between now and full implementation of the TSSEA, the Repair and Storage Liens Act be amended to discourage and prevent the fraudulent and predatory practices in the towing, repair and storage sectors.**

# TASK FORCE ON HIGH-RISK RESIDENTIAL FLOOD INSURANCE AND STRATEGIC RELOCATION

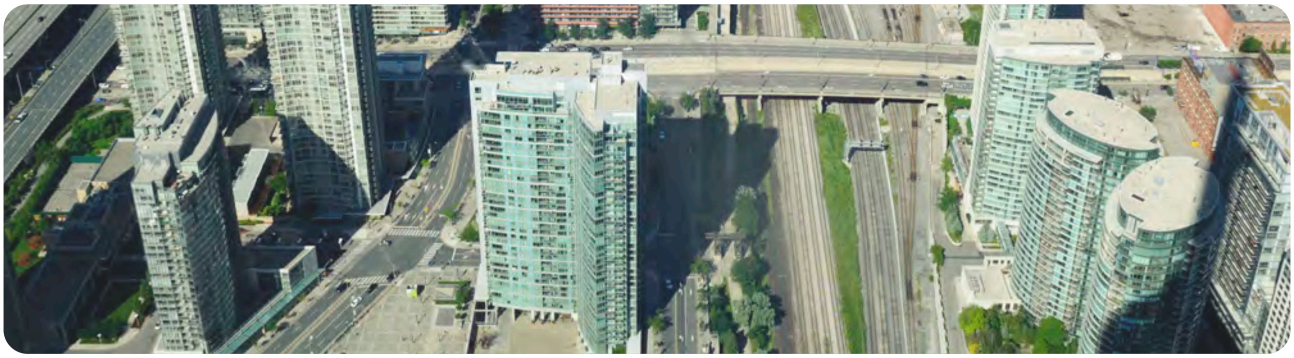
Since 2017, IBC has been advocating the federal and provincial governments for a public-private partnership to establish a high-risk residential flood insurance program. Such a program would provide a financial management solution for residential properties at the highest risk of overland flooding whose owners cannot obtain insurance through the private market. While the private market can offer overland flood insurance coverage to most primary-use personal property owners, a high-risk flood insurance pool would provide a mechanism to offer insurance coverage to the rest.

The Government of Ontario is participating in the Canadian government's Task Force on Flood Insurance and Relocation. As one of the co-chairs of the Provincial/Territorial Task Force Team, Ontario will play a key role in developing the task force's report. Support for federal flood insurance and relocation programs fulfils one of the recommendations in Ontario's Flooding Strategy and is included as a recommendation in the P&C insurance industry's National Action Plan on Flooding. The task force's work complements the government's Made-in-Ontario Environment Plan as well as Ontario's Flooding Strategy. IBC looks forward to working with the Government of Ontario on the task force, its Principals Committee, and in implementing the recommendations in Ontario's Flooding Strategy and Environment Plan.

A residential high-risk flood pool would help ensure that all homeowners are able to access flood insurance. As Ontario adapts to a changing climate, mitigating both physical and financial risk will be important ways of ensuring that Ontario communities are more climate-resilient. Ontario's Flooding Strategy and Environment Plan combined with broad access to flood insurance will put Ontario on the right path to achieving that resilience.

**We encourage the Ministry of Finance to provide resources to communities so they can identify their flood risk and to provide flood mitigation assistance that includes natural infrastructure options. Integrating these proposals into the 2022 Budget will help the Government of Ontario and Ontarians to, over time, reduce the financial risk of flooding.**

# CONDOMINIUM "STANDARD UNIT" DEFINITION



In urban centres, such as the Greater Toronto Area and Greater Hamilton Area, the popularity of condo living is increasing. Although Ontarians are choosing condo living in greater numbers, a standard condominium unit remains undefined in legislation and regulation in Ontario. This omission leaves unit owners vulnerable to the discretion of condominium corporations, which may assign unit owners the responsibility for repairs to property that might otherwise be considered part of the common elements.

Saskatchewan has addressed this issue by defining "standard unit" in regulation, making the definition consistent across the province. This gives residents peace of mind and makes it easier for insurers to underwrite the risk and manage claims.

**IBC recommends that Ontario define "standard unit" in legislation or through regulation.** Outlining a standard unit definition in legislation, as opposed to requiring each condominium corporation to develop a definition through bylaws, would result in greater consistency across the province in determining who is responsible for repairing and maintaining different aspects of the property.

It would also clarify the insurance requirements of unit owners and the condominium corporation. When owners are unsure of their responsibilities, the likelihood of overlapping insurance coverage, under-insurance or a complete lack of insurance greatly increases.

**IBC recommends defining "standard unit" as a bare shell (the bare floors, ceilings and unfinished interior walls of the unit);** this definition would clarify the unit owner's responsibility to insure everything within the bare shell. This is the most straightforward approach to determine the insurance requirements for unit owners and condominium corporations.

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