

Note: *This document was prepared by Mike Stuart of Grant, Jones & Stuart Insurance as a service to their clients on Nov 10, 2010.*

Some perspective on the recent changes to Automobile Insurance:

We are now a few months in to the new Automobile Insurance legislation for Ontario, which took effect on September 1, 2010. Here are some of the most significant things which have happened because of these changes:

1. Additional options are available for the 'Accident Benefits' section of the auto policy. Every Automobile Insurance policy holder in Ontario will have received a mailer from the Province as well as their own Insurance Company. In addition, we will be sending information to each of our customers on what the options are as well as an indication to their price.
2. Regardless of any options taken, there is a \$3,500 cap on payment for 'minor injuries.' The jury is still out on exactly what this means, but a general indication would be any 'soft tissue' injury, e.g., whiplash where there are no broken bones.
3. The ban on credit scoring for auto insurance has been restated. Our association is lobbying for a full ban on credit scoring for all types of personal insurance. Since there are significant reservations about how this information may be used, we agree that it should not be used as an underwriting tool. Traditional underwriting based on age, driving record, territory etc ought to be enough for any Insurance Company to operate with a reasonable profit.
4. All companies were made to file new rates effective September 1, 2010. The goal of the legislation was to STABILIZE premiums so it does not necessarily mean a reduction in rates. In fact, many companies were approved to apply increases through the end of 2009 and beginning of 2010 which meant that policies renewing after September 1, 2010 could still see some of those unrealized increases.
5. Critical coverage reporting began on November 1, 2010. What this means is that the database of the Ministry of Transportation and the Insurance Bureau of Canada will be synchronized, so that the Ministry can check whether an individual has a valid insurance policy before allowing their plate sticker to be renewed. This is the first step in the process of reducing the number of uninsured drivers on the road and we look forward to the next stages, where the police can check immediately on any driver they pull over. Uninsured drivers are costing the system massive amounts in unpaid and uncollected premiums, which has driven up the cost of Insurance for those of us who are responsible and pay our premiums.

As mentioned, we will be sending out information sheets on the new options to all our auto insurance customers and I would urge you to review the information carefully and select those options that are relevant to your situation. If you have other benefits, e.g., group insurance at your work, you will need to review that as well so that you don't buy duplicate coverage. If you have any questions about the options, please feel free to contact us.

Our hope is that between the revisions to the product and the initiatives to ensure that all drivers purchase insurance and pay into the system will help to stabilize and eventually reduce the premiums being charged for Automobile Insurance in Ontario. A system of reasonable benefits, coupled with proper enforcement of the requirement to buy the coverage in order to maintain the privilege of driving is the only way to make the system fair and equitable for all drivers.

Two final notes about the options on the policy:

6. We cannot make these selections for you. You must tell us which ones you want. In fact, we are expressly prohibited from making any 'standing order' to offer optional benefits on all policies as it is considered negative optioning. It is essential that you review and purchase any options you need PRIOR to any claim, because after the accident has happened, it will be too late!
7. In addition, the right to sue an 'at fault' driver is more likely to be used since some benefits have been reduced. Therefore we are recommending to all our clients to carry a MINIMUM of \$2 million in liability protection. Lawsuits settlements in Canada are increasing at a dramatic pace and it is important that you purchase the coverage to protect you in case 'the worst' happens. Often, the difference between \$1 million and \$2 million in coverage is as little as \$30 - \$50 per vehicle per year so it is well worth it.

If you would like to discuss any of the above with us, please feel free to call or e-mail us. We are here to help.

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