

Lower Rates, for a Change: The Ontario Liberal Plan for Auto Insurance

Executive Summary

Auto insurance rates have been skyrocketing in Ontario. Premium increases of almost 20% this year and 40% over the past four years have made driving unaffordable for many people in this province.

Dalton McGuinty and the Ontario Liberals believe that auto insurance rates are too high. We will lower auto insurance rates, cut insurance costs and improve consumer protection. We will bring down rates by 10 to 20% by reducing claims costs without compromising medical care in the case of an accident.

That's good news for everyone who drives a vehicle because when it comes to auto insurance, it's clearly time for a change.

Instead of protecting consumers, Ernie Eves has simply rubber-stamped fee increases. Instead of moving quickly to bring down rates, he took seven months to announce new regulations that may, at best, slow the pace of rate hikes.

The Ontario Liberals believe that people who must have insurance to drive want to see their rates come down, not just rise more slowly.

Meanwhile, the New Democrats are back to promising the same costly government-run auto insurance bureaucracy they promoted more than a dozen years ago - the same scheme they quickly scrapped once they were in power because Bob Rae admitted "It will cost too much money, and it will cost too many jobs".

And Howard Hampton stayed quiet when the NDP dumped public auto insurance because he knew Rae was right. A government-run plan would cost billions to start up, threaten tens of thousands of jobs and result in \$1.3 billion in lost tax revenue. It would cost drivers more, cost taxpayers more and result in less choice for consumers while seriously harming our economy.

Dalton McGuinty and the Ontario Liberals know that the best way to reduce rates is to reduce costs in the industry and ensure those savings are passed on to consumers. That's what we will do.

Within 90 days of forming a government, we will reduce premiums by an average of at least 10%, by eliminating the inefficiencies that have helped send the cost of claims soaring.

We'll give drivers the option of saving another 10% by customizing their coverage, instead of being forced to pay for benefits they don't need or already have under other policies.

By cutting costs and looking out for consumers, we'll do what the Tories and New Democrats have failed to do: lower rates.

And we'll work to ensure sudden rate shocks are a thing of the past, appointing an Auto Insurance Watchdog to protect consumers from unfair treatment and provide the public with independent information on the state of the industry.

Lower Rates

An immediate rate freeze and a 10% cut within 90 days

A new Ontario Liberal Government will immediately issue a directive to the Financial Services Commission of Ontario to freeze rates at current levels.

Within 90 days we will:

- Launch reforms to reduce annual costs by \$650 million – a cost saving of about 10%. This will include eliminating Designated Assessment Centres and providing clear guidelines for medical rehabilitation.
- Require each auto insurance company to pass on those savings to consumers by filing new lower rates that reduce premiums by an average of at least 10%.

An additional 10% premium reduction for customized insurance coverage

In addition to the average 10% rate cut, drivers will have the opportunity to achieve further discounts by choosing a customized plan.

Because auto insurance is currently heavily regulated by the government, companies are restricted in the range of coverage they can offer. Drivers are virtually forced to buy one-size-fits-all insurance, including coverage they may not want or need.

Seniors may be paying for income protection long after they've retired on a fixed income. Other customers may be paying twice for disability coverage, once through a disability plan and again in their auto premium.

Deductible levels for coverage of automobile collision damage are badly in need of reform. Many drivers are already paying hundreds or thousands of dollars out of pocket for repairs, rather than face higher premiums by making a claim. Yet they are often not

able to choose a higher deductible level, with a resulting lower premium, either because of lack of information or inflexible rules.

We will mandate availability of higher deductibles and more flexible plans, and ensure consumers are informed of their options.

By allowing people to buy the right amount of insurance for them, we will ensure they pay the right premium – a lower premium.

Drivers will be able to reduce their premiums by up to an additional 10% if they:

- Choose to have a higher deductible for collision coverage.
- Reduce their level of coverage so they're not over-insured when their auto policy is combined with other policies.
- No longer carry income replacement insurance that far exceeds their needs – for example, if they are on a fixed income that is not dependent on work.

Protection against unjustified rate increases

Some drivers have faced substantial premium increases as a result of factors beyond their control. They may have been involved in one or more accidents where they were not at fault. Or they may have moved a short distance within the same municipality.

Similarly, some people have received major rate increases or even been denied coverage because of a single, inadvertent NSF cheque.

A Dalton McGuinty government will:

- Prohibit insurers from increasing premiums based on not-at-fault accidents, so that you are not penalized for someone else's driving behaviour.
- Reduce the emphasis on geographic boundaries for risk ratings.
- Prohibit rate increases or loss of coverage for inadvertent NSF cheques.

Reducing Costs

No more Designated Assessment Centres

Medical rehabilitation costs a staggering \$1.4 billion a year. These costs soared by 400% between 1992 and 2002, even though the number of reported car accidents declined.

Designated Assessment Centres (DACs) are part of the problem.

A costly relic of the NDP's failed auto insurance reforms, the centres are supposed to assess what medical care you require when your insurance company disputes the plan a health care provider has mapped out for you.

The DACs are not health care centres. They are private, regional monopolies that cost hundreds of millions of dollars every year, even though they do not actually provide any treatment.

Insurers pass the cost of this bureaucracy on to you in the form of higher premiums.

Today, if you are in an automobile accident and you require care, your first point of contact is often the tow-truck driver. The tow-truck driver might refer you to a paralegal. The paralegal will refer you to a set of health care professionals such as chiropractors, physiotherapists and massage therapists. Each of these can examine you and in turn write a treatment plan for your injuries.

You file these plans with your insurer, who can demand a review of your care at a Designated Assessment Centre. The DACs have another representative from each health care vocation review the plan from that practitioner. In other words, another chiropractor reviews the plan for the first chiropractor, a second physiotherapist reconsiders the physiotherapy plan, etc. No medical practitioner in this system has the mandate and expertise to consider the overall rehabilitation program and what works best for you as a patient.

DACs give their own treatment plans, for which insurers pay and which insurers can accept or reject. If they reject the DAC's assessment, the injured driver can bring court action. All of this bureaucracy, duplication and even litigation gets passed on in the form of higher rates.

The assessments alone cost a minimum of \$2,500 each, per profession, compared to less than \$300 for assessments for Workplace Safety and Insurance Board claims.

Incredibly, Ernie Eves is thinking of expanding the DAC system.

Under the Ontario Liberal plan the DACs will be eliminated, saving more than \$100 million annually.

Family doctors coordinating your care

We believe your medical needs assessment should be founded on clinical best-practice guidelines and the expertise of your primary health care provider, your family doctor.

Under the Ontario Liberal plan, if you are in an automobile accident and require care, you will visit your family doctor. The doctor will develop and coordinate your treatment plan, based on a framework that health professionals develop for your specific injury using clinical best-practice guidelines.

A chiropractor, physiotherapist, massage therapist, and/or other health care providers, will provide the treatments, in accord with your doctor's assessment and the pre-approved framework.

If you or the insurer are dissatisfied with the initial diagnosis of the family doctor, either of you can obtain a second opinion from another, independent family doctor. Any conflict between the opinions of the two doctors will be resolved through a FSCO-approved mediation/arbitration.

Our plan is better for the patient, and a lot more efficient than the current approach. It will streamline the system, and lower rates.

Your family doctor will coordinate your treatment plan. If you don't have a family doctor, you'll be able to turn to one of Ontario's community health centres, a walk-in clinic, a hospital, or a family health team – part of the primary care network our government will establish to ensure Ontarians in communities with a doctors' shortage still get access to the best care.

Pre-Approved Frameworks for injuries

To assist family doctors to fairly assess and monitor your care and rehabilitation needs related to automobile injuries, a Dalton McGuinty Government will:

- Create Pre-Approved Frameworks (PAFs) based upon clinical best practice guidelines for treating automobile accident injuries. These will be developed by health professionals with expertise in accident treatment and rehabilitation. Family doctors will make their assessment and use PAFs to guide their treatment plans.
- Ensure that rehabilitation providers, such as chiropractors, physiotherapists and massage therapists, continue to provide treatment for injuries under a plan set by your family doctors.
- Ensure that the insurance industry – not taxpayers – pays for assessments and treatments arising out of automobile accidents.

Reducing excessive court costs

Ontario's partial no-fault system allows people to go to court for further damages when they have sustained an injury that constitutes "permanent serious impairment." In 1998, lawsuits cost \$781 million. By 2002, even though there were fewer reported automobile accidents leading to injury, those costs rose to more than \$1.2 billion. The absence of regulations that define "permanent serious impairment" has contributed to exceptional growth in court awards, especially in less serious cases.

A Dalton McGuinty government will:

- Introduce regulations that define "permanent serious impairment" to ensure that only justified cases make it to court.
- Increase the deductible – the minimum general damages for pain and suffering for which a person can sue – to \$25,000 to limit court actions to the most serious cases.
- Provide regulatory authority for Cabinet to define specific guidelines to courts on how to cost settlements by defining injuries, benefits and costs.
- Update definitions through regulation to keep costs down while ensuring settlements are fair.

Eliminating fraud and conflict of interest

Insurance fraud is costly. In the current system, the potential for high referral fees and kickbacks is large.

Having your family doctor direct your care makes good medical sense, and it also helps to reduce fraud. Still, more needs to be done.

A Dalton McGuinty government will:

- Attack conflicts of interest in the treatment industry by prosecuting any health care provider, lawyer or paralegal, or auto repair shop that refers an injured party to any other provider in which he or she has a financial interest.
- Develop a Statement of Rights for accident victims to spell out their rights and obligations, including the notification rules for insurance claims, the circumstances in which police should be contacted and the importance of visiting a family doctor when medical assessment is needed.
- Require tow-truck operators and paralegals to provide a party to an accident with the Statement of Rights.
- Investigate and crack down on any kickbacks, commissions or "finder's fees" in the auto insurance system beyond what is mandated by an insurance policy.

Better Consumer Protection

Protect and reward safe drivers

Too many Ontario drivers have been treated unfairly by their insurers.

Drivers buy their insurance from insurance brokers. If an insurer feels a broker has too many high-risk drivers, that broker will be dropped and all the good drivers affiliated with that broker will lose their coverage. That's wrong.

A Dalton McGuinty government will

- Pass a regulation that protects drivers from being dropped by insurers if there have been no changes in their risk factors.
- Require that each automobile insurance company create and advertise a new Gold Standard with reduced premiums for the best drivers.
- Require companies to communicate clearly to customers whose policies have been cancelled, the reasons for cancellation and the options that remain open to them.

An Auto Insurance Watchdog

A Dalton McGuinty government will appoint an independent Auto Insurance Watchdog to fight for you. The Watchdog will hear and investigate complaints about unfair practices and rate disputes between drivers and insurance companies.

Currently, there is an Insurance Ombudsman with no real power. Its website instructs angry consumers to "turn to their insurance company with their complaints".

Under the Liberal Plan, FSCO will be given additional powers to rule on individual rate disputes between customer and insurers. And the Watchdog will have the ability to advocate for individuals in this forum.

A Rate Shock Protection Plan

The Auto Insurance Watchdog will also gather data on the industry and release an annual report on rates, costs and the state of the auto insurance industry. Instead of leaving it to the insurance companies to tell us what is happening, there will be an independent information source.

This information will be used to protect consumers against sudden rate shocks. New cost pressures that threaten to increase premiums can be detected quickly and strategies to keep rates down can be promptly put into place.

We will give FSCO more clout and more responsibility. Under our reforms, insurance companies seeking rate hikes will have to project rate changes they will be seeking over the next two years. This will protect consumers from surprise rate increases.

A select committee of the Legislature will report every three years on what regulatory and legislative changes should be made in the best interests of drivers and their families, as well as long-term trends in the auto insurance industry.

Leadership That Works for You, for a Change

Consumers have a right to expect their elected representatives to be looking out for them on this issue. That's what Ernie Eves, like Mike Harris and Howard Hampton before him, failed to do. That's what Dalton McGuinty and the Ontario Liberals will do: lower auto insurance rates, cut insurance costs and improve consumer protection.

That's real, positive change in auto insurance.

Appendix 1: Auto Insurance Cost Savings and Rate Reductions

Annual Savings in Claims Costs for Liberal Reforms:

• No more Designated Assessment Centres	\$100 million
• Savings in medical re-habilitation	\$275 million
• Reducing excessive court costs	\$250 million
• Eliminating fraud and conflict of interest	\$25 million
Total:	\$650 million

Consumer Rate Reductions:

- Initial rate freeze, immediately on an Ontario Liberal government taking office.
- Rate cut averaging 10%, within 90 days of taking office (to be funded via \$650 million in identified annual savings, equal to approximately 10% of current claims costs).
- Additional rate cut of up to 10% for drivers who choose customized policies and higher deductibles for collision insurance, thus reducing the cost of their coverage.

