



## Current Articles 1998 – October

### Are you Ready for another New Auto Policy???

Bill 59 introduced a new policy on November 1, 1996. An auto committee are reviewing the policy but have concluded that there is no evidence supporting the need for a major restructuring of the auto policy. So relax, we probably won't be seeing another new policy in the near future. However, we may see some "fine tuning" of the SABS. The system is satisfying its objective of rate stability and at the end of June 1998, the average auto premium was approximately 9.6% below that of September 1996.

Premium reductions cannot be expected to continue. Actuaries estimate that there is a premium inadequacy of 2 - 5% in 1998 and predicted 4.5 - 12% for 1999! Get ready for premium increases!!!

The committee is considering several amendments:

(a) Collateral Benefits - amend the SABS to allow deduction of Canada Pension Plan disability benefit. A recent Court of Appeal decided in *Cugliari v. White* that CPP disability benefits are NOT payments for loss of income and therefore not deductible in the tort action. An amendment would prevent the disallowance of CPP benefits in the future. Similarly, and by a statutory amendment make the auto policy second payer to other collateral benefits. Some life companies continue to modify their accident and sickness policies to exclude their cover or apply as excess for death or injury in a motor vehicle accident.

(b) Re-introduce the suicide exclusion under the death benefits. Prior to Bill 68 (OMPP) suicide was excluded.

(c) Eliminate the OPCF 47 - Agreement not to rely on SABS priority of payment rules. The suggestion is to amend section 268 of the Insurance Act to correct this situation rather than use the endorsement as is required at the present time. This makes good sense!

(d) Consider extending death benefits to same sex couples and to standardize with other acts with common "definitions" e.g. spouse, common-law spouse.

(e) Consider amending the Statutory Conditions to re-introduce the right to appraisal as defined in the Insurance Act for settlement of a quantum dispute for an auto accident. This was removed from the Statutory Conditions with the introduction of Bill 164.

Other discussion points include the possibility of an Existing Collateral Benefit Discount. This would require a declaration, similar to the Retirees declaration and be made available to clients with an accepted private or group benefit plan.

Some insurers are having a second look at the viability of Pre-Vehicle Inspections, considering the costs, inconvenience and client dissatisfaction.

While insurers are limited to risks that they can write or renew by their filed guidelines, it is also suggested that for renewals that some discretionary deviations be allowed the insurer if they wish to offer a renewal policy. An example may be a client who has two minor at-fault accidents in one year but has been with the same insurer for 20 years and with a previous clean record. An insurer may wish to keep this client at the appropriate rate but if they filed not a to write a "two accident client" they are prohibited.

The above are all minor changes that we may see in the near future.

**James E. Bonnay,**  
C.I.P., C.C.I.B.  
Insurance Consultant

Phone 905-333-1727  
Fax 905-333-0683  
E-mail - [jamesbonnay@cogeco.ca](mailto:jamesbonnay@cogeco.ca)