



Current Articles 2005 – June

Thoughts for the summer!

Over the next few months we can expect some important changes, policy wordings and legislation related to our business. As a representative of the Insurance Community Action Network (ICAN), many issues regarding these changes were discussed. Effective June 1, 2005, we have a new Ontario Auto Policy (OAP 1) and which I summarized these changes in a previous article.

Following a draft submission to member insurers of the IBC last August a final version has been approved for a new Commercial General Liability and also approval of two new Pollution Liability endorsements. Comparison to the previous CGL and review of the new wording will be a future topic.

The IBC, and in conjunction with the Ontario Federation of Snowmobile Clubs, has submitted to FSCO a draft of a new Recreational Vehicle Policy. The proposal is that snowmobiles would no longer be part of the Ontario Auto Policy. This new separate policy for snowmobiles would also apply to other ATV's. Since it may not be a statutory form, it may apply to other "motorized vehicles" including unlicensed children's toy motorized vehicles. Presently, such "toy" vehicles have no insurance available and are not covered by a Homeowner's liability section. Currently I am involved with two accidents when pedestrians were knocked down by such toys. In one such case, the vendor of the "toy" is being third partied for selling the "toy" when there is no insurance available.

The government will get rid of Designated Accident Centres (DAC) and a new system is proposed for Oct. 1, 2005. Under the proposed system dispute cases will proceed directly to mediation/arbitration thereby reducing the lengthy and costly current procedure. The government is considering allowing claimants an additional free assessment where insurers have ordered an independent medical assessment that justifies denial of benefits. Expect major changes!

Auto theft in Canada has risen to a \$1 Billion a year coast- to- coast problem with it costing insurers and policyholders over \$600 million per year. This relates to an average cost of approximately **\$48.00 per policy!** Auto theft has doubled in the past 20 years and recovery rate is now down to 70%. Auto theft now funds organized crime and terrorism. Expensive stolen vehicles are shipped all over the world. It has become a social problem considering 81 persons were killed and 127 seriously injured by stolen vehicles. It is estimated that 40% of those charged are young offenders. It is also believed that these young offenders are being hired by organized crime knowing that the penalties if caught are much less. The proposal is to amend the Criminal Code of Canada which currently considers auto theft as "other property" crimes with the only criteria being above or below \$5,000.00. Let's face it an older vehicle racing at 160km is just as deadly as a luxury vehicle. Stealing a car may have different consequences as compared to stealing a TV set. The proposal is to amend the CCC to make auto theft a violent and indictable offence. And with more appropriate penalties.

Recently and following an announcement by ING there has been considerable comments and from the press about automobile accident forgiveness. The Toronto Star had a comparative chart of the major insurers on May 13. FSCO has become involved and have recommended that insurers file their individual forgiveness plans. FSCO is also considering rulings requiring forgiveness from all insurers. As an outside observer (and by the way, I have purchased a forgiveness plan from my insurer) if we follow the premise that a consumer should "shop around" either through the broker or on his own, the forgiveness of an accident may prevent a competitive quote. The only way that this availability for comparative price of auto insurance is if the forgiveness feature becomes transferable. Is this an absurd dream or not?

Well there are some ideas to ponder over the summer. Have a good summer and I will report back in the fall.

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