

2010 Ontario Automobile Insurance Reform September, 2010

Starting with policy renewals effective 12:01am 01 September 2010 the new Standard Auto Insurance policy comes into effective for all driver's insured in the province of Ontario. The result is a mixed bag: policyholder's will have less coverage from which they can draw if injured in an automobile accident but premiums will stabilize and may even decline in future. Ontario drivers and their passengers will remain the beneficiaries of the richest Accident Benefits coverage in Canada, in spite of the new Standard Policy offering.

As mandated by legislation a review was conducted of the current auto insurance program. A working group comprised of 72 stakeholders-- insurers, intermediaries, medical professionals, legal and paralegals, and consumer rights groups-- developed 41 recommendations of which the Financial Services Commission of Ontario (FSCO), the regulator of automobile insurance in Ontario, adopted 37 and those are the basis upon which the new product is based. The aim is to:

1. Reduce fraud—Fraud in auto insurance in Ontario accounts for \$1.3 billion of \$9 billion collected in premium for auto insurance. The average cost of an accident benefits claim in the GTA is \$51,000 while in the London area it is \$17,000
2. Reduce expenses— Average claim cost in Ontario in 2009 was \$53,000 up from \$30,000 in 2005. By comparison average claim cost in Alberta in 2009 was \$3,689 and \$5,904 in Nova Scotia. Currently for every \$1 spent on treatment 60cents is spent on assessments conducted by medical professionals to determine appropriate rehabilitation
3. Improve choice for the consumer—the new Standard product has less coverage but the consumer can choose to buy back what was previously offered and or buy certain increased coverage

Of important note is the introduction new definitions and limitations of payouts. There is now a clearer definition of what is a recognized health care provider. The standard or definition of catastrophic impairment has changed and there has been the introduction of a minor injury definition. These changes will certainly result in many injuries previously receiving larger benefit payouts to be reduced dramatically as new limits have been introduced. Further, costs for medical assessments will be contained within the overall medical benefits.

Further, regulations have been introduced that change what constitutes an unfair and deceptive practice by an insurance company with respect to underwriting and risk assessment. Effectively, this will see an end to the use of credit scoring or lifestyle scoring. Insurers will no longer be able to use credit as criteria in determining premium.

Other coverage changes coming from the new regulations is an option for consumers to purchase an endorsement that provides first party coverage to reduce the tort deductible for pain and suffering awarded to \$20,000 from \$30,000 and to \$10,000 from \$15,000 for Family Law Act awards. There is a new standard \$500 deductible for Direct Compensation/Property Damage losses. This means that when you are not responsible for the accident you will now have to pay the first \$500 of any claim, unless you pay an additional premium to take that deductible to 0. Finally, if your car is written off in an accident and you don't like the settlement offer no longer can an insurer deny you the option of getting a third party appraisal of your car to determine a settlement. However, you must pay for it; the insurer is not responsible.

One important note, these changes take effect on policies that renew on September 1 and later. So, if your renewal is not till March 2011 then your current coverage remain intact, you will not be subject to the changes until renewal.

These changes to make it your responsibility to ensure that you are educated about the product you are buying and that you make your buying decision with full knowledge and understanding of the impact on you and your family. Contact our office before your renewal to arrange a meeting with one of our brokers. If you have extended health and income benefits through a workplace group benefits plan or through your own privately held policy these may be drawn on before the Accident Benefits from your auto insurance policy. In order to ensure that your personal benefits are properly coordinated with your Accident Benefits and you are therefore not paying for something you do not need we are able to offer a review and benefits co-ordination. This service does cost with fees beginning at \$35 per review. Again, you must contact our office to schedule an appointment to meet with one of our benefits co-ordinators.

We draw your attention to the chart below that presents a comparison between the current product and the Accident Benefits available and the new Standard Policy and benefits available on policy renewals as of 01 September 2010 .

****The information contained herein is expressly for purposes of summary illustration and not intended to be relied upon as full and complete. Nor is it intended to be relied upon for the purposes of making any buying decisions with respect to Ontario Automobile Insurance. It is the sole responsibility of the reader to seek full and complete professional guidance from their personal insurance provider who is best able to assess their needs and make appropriate recommendations with respect to the changes to the new Standard Ontario Automobile Insurance product. No liability is assumed on the part of writer or Reith & Associates Insurance and Financial Services Limited and or its representatives for the reader's failure to consult their own insurance provider before making a buying decision with respect to the new Standard Ontario Automobile Insurance product. E&OE.***

2010 Ontario Auto Regulations Accident Benefits Summary – New Choices for Consumers

	STANDARD AB Before Sept 2010	STANDARD AB Effective Sept 2010	BUY- BACK OPTIONS	ENHANCEMENT OPTIONS
Income Replacement	80% of net earnings Up to \$400 per week	70% of Gross earnings Up to \$400/week		<i>70% of Gross earnings Up to \$600 \$800 \$1,000 / w</i>
Caregiver	\$250/week first dependant + \$50/week additional	<i>\$0(Catastrophic Impairment Only)</i>	<i>\$250/week first dependant + \$50/week additional</i>	
Housekeeping & Home Maintenance	Up to \$100/week	<i>\$0 (Catastrophic Impairment Only)</i>	<i>Up to \$100/week</i>	
Dependant Care	\$0	\$0		<i>\$75/week first dependant +\$25/week additional</i>
Medical & Rehabilitation Benefit	Non-Cat \$100,000 Catastrophic \$1,000,000	<i>Minor Injury \$3,500 Non-Cat \$50,000 Cat \$1,000,000</i>	<i>Non-Cat \$100,000</i>	<i>Non-Cat \$1,100,000 Cat \$2,000,000</i>
Attendant Care	Non-Cat \$72,000 (\$3,000/mo) Catastrophic \$1,000,000	<i>Minor Injury \$0 Non-Cat \$36,000 (\$3,000/m) Cat \$1,000,000</i>	<i>Non-Cat \$72,000 (\$3,000/m)</i>	<i>Non-Cat \$1,072,000 Cat \$2,000,000</i>
Death / Funeral	\$25,000 Spouse \$10,000 Dependant \$6,000 Funeral	<i>\$25,000 Spouse \$10,000 Dependant \$6,000 Funeral</i>		<i>\$50,000 Spouse \$20,000 Dependant \$8,000 Funeral</i>
Indexation	NONE	NONE		<i>Optional</i>

Minor Injury: Can be upgraded where health practitioner can provide “compelling evidence” for re-assessment or where a pre-existing condition exists that may limit recovery from the minor injury sustained

Catastrophic Impairment: Para or quadriplegia / total and permanent loss of arm or leg / total loss of vision in both eyes / Score 9 or less on Glasgow Coma Scale / Score 2 or 3 on Glasgow Outcome Scale more than 6 months after accident / impairment of 55% or more of whole person

****Can have classification re-assessed but regulations require 2 year wait and benefits for Non Catastrophic terminate after 12 months; therefore 1 year wait with no benefits**

Income replacement: 7 day wait period before eligible to collect

Renewals will be issued with the pre-existing enhancements; no enhancements then policy issued on new Standard Policy form