

AUTO INSURANCE AGAIN A FACTOR IN THE ONTARIO ELECTION

Once again, the high cost of auto insurance has become an election issue in Ontario leading up to the June 2nd vote. Yesterday opposition leader Andrea Horwath stated that an NDP government would lower auto insurance by 40% within two years. Rate increases would be prohibited for 18 months while a commission investigates and recommends a new system. Also, regional variations in the risk model, which resulted in different rates, would be eliminated.

The commission would specifically review the public no-fault injury liability systems in British Columbia, Saskatchewan and Manitoba, and the public/private model in Quebec.

Horwath said the commission would examine all possibilities for a new system, from a public, government-run one to fully private. “Auto insurance costs are unfair in Ontario ... for years and years and years, we have some of the lowest accident rates in the entire country and yet we have the highest auto insurance premiums.”¹

The Insurance Bureau of Canada (IBC), the association/lobby group for the private insurers, panned the proposal. It supported the current regional risk model as being more fair, and said a government run insurance system would add billions in tax dollars in costs. The IBC was also opposed to the no-fault liability model: “Government-run no-fault insurance systems typically also remove the right of people injured in accidents to sue for the care and support they need to recover.”²

Alberta’s 2020 Commission

The proposed commission appears to be modeled on the commission established by the Alberta government in 2020. The review was initiated in response to public concern with the rising costs and limited availability of auto insurance in Alberta. The independent review recommended that Alberta adopt a no-fault liability model for both injury and vehicle damage claims.

¹ <https://nationalpost.com/news/ontario-election/ontario-ndp-promises-to-lower-auto-insurance-rates-by-40-per-cent-if-elected>

² <https://www.theglobeandmail.com/canada/article-ontario-election-horwath-targets-car-insurance-rates-on-campaign-trail/>

The government did accept the recommendation to shift vehicle damage claims to a no-fault model, but retained the hybrid-tort model for injury claims.³

British Columbia Adopted the No-Fault Model in 2021

In February 2020, the NDP government in BC announced a shift from a hybrid-tort liability model to a full no-fault system modeled based on the Manitoba plan. The savings from not paying pain and suffering, and from the elimination of most of the legal costs from the system was expected to reduce the combined Basic and Optional coverage premium by 20% and allow ICBC to rebuild its capital reserves.

The Marshall Study of 2017

The former Liberal government promised to reduce rates by 15% in 2015, and commissioned David Marshall to review the structure and effectiveness of auto insurance in that province.

In April 2017, Marshall released his report to the government of Ontario. He found that Ontario has the most expensive auto insurance premiums in Canada, despite also having one of the lowest levels of collisions and fatalities. He recommended a no-fault model focusing on enhanced care.⁴

Marshall believed that public delivery systems were less expensive than private markets: “We find that personal injury coverage is, on average, four times more expensive in provinces where the private sector delivers the insurance than in the provinces with government delivery systems, even though the government systems offer greater benefit entitlements for personal injuries.”⁵

Marshall did not recommend a government or public model as he believed that the private sector system was too entrenched in that province.

Facing criticism from personal injury lawyers and others the Liberal government did not adopt the fundamental parts of Marshall’s recommendations to move to a no-fault model.

3

https://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_alberta_no_fault_20_january_2022/pdf/commentary_alberta_no_fault_20_january_2022.pdf

⁴ <https://torontosun.com/2017/04/13/ontario-auto-insurance-system-gets-a-fail-review>

⁵ <https://www.canadianunderwriter.ca/insurance/david-marshall-how-to-fix-private-sector-auto-insurance-1004219293/#:~:text=In%20the%20report%20Time%20for,more%20responsive%20to%20market%20forces.>

The Progressive Conservative Government's Promises

The Progressive Conservative government has made announcements to court the driving public's vote. It eliminated the annual fee to register a vehicle, saving southern vehicle owners \$120, but costing taxpayers about \$1.0 billion. It says it will abandon the existing tolls on two major highways. It also said it will make changes to the insurance rules allow more coverage choice (including not purchasing own vehicle insurance), and said it would crack down on fraud.

Marshall Supports a Review

David Marshall supports the idea of a fundamental overhaul of the auto insurance system in Ontario. He said a 40% reduction in rates is achievable: "But it's going to need a fundamental change in how the auto insurance policy is structured and how the benefits are administered."⁶ This echoes his 2017 recommendation for a no-fault liability model.

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The writer is a retired senior BC government public servant whose paper describing the BC government's manipulation of the finances of BC Hydro from 2008 to 2014 was published by *BC Studies* in November 2016. *BC Studies* published his paper on the 40-year financial history of ICBC in 2013. He was an intervener in the BC Utilities Commission's recent reviews of ICBC's and B.C. Hydro's rate requests.

⁶ <https://toronto.ctvnews.ca/ontario-ndp-promises-to-lower-auto-insurance-rates-by-40-per-cent-if-elected-1.5898357>