

# Improving the Auto Insurance System

*Insurance Brokers Association of Newfoundland*  
**iban**



# Who Are We?

- A not-for-profit trade association comprised of 16 brokerages
- Our members employ 1,100 people in Newfoundland & Labrador
- We are responsible for 80% of all insurance sold in this province
- We are a member of the Insurance Brokers Association of Canada, (IBAC) representing more than 30,000 brokers across the country
- We work for consumers **not** insurers and provide:
  - *choice* during the buying process
  - *advice* throughout the policy term, and
  - *advocacy* in the event of a claim.



# Insurance Challenges

- Drivers in Newfoundland & Labrador pay the highest insurance premiums in Atlantic Canada – 40% MORE;
- We have the most concentrated auto insurance sectors in Canada with only four insurers available for home and auto;
- We have a high rate of uninsured drivers.



# Our Approach

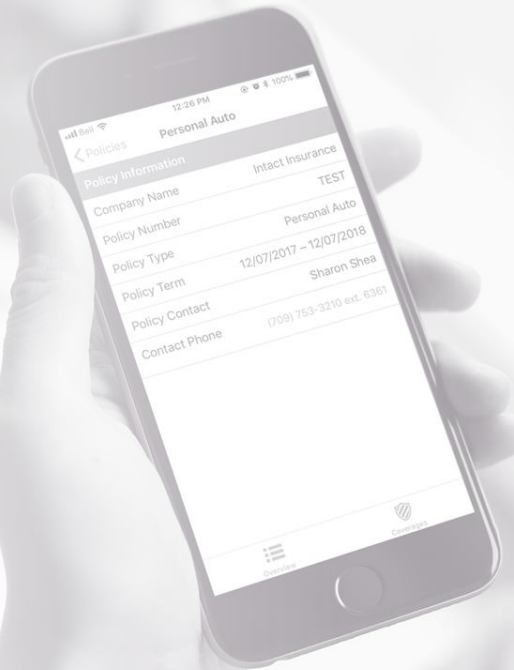
- Insurance Brokers speak with consumers daily and hear their concerns first hand;
- We know that a low and dispersed population, specific regulatory regime and unique competitive pressures contribute to our market reality;
- Insurance Brokers want to ensure there is choice for consumers, as well as fair and adequate coverage at competitive rates.



# Our Recommendations

To improve the auto insurance product:

1. Increase the mandatory liability minimum to \$1,000,000;
2. Improve and mandate Section B benefits with a focus on impactful rehabilitation, and make it first payor in the event of a claim;
3. Allow consumers to show digital proof of insurance; and
4. Implement Direct Compensation for Property Damage (DCPD) whereby consumers process no-fault claims through their own insurer.



# Our Recommendations

To reduce the number of uninsured drivers:

1. Assign license plates to individuals and NOT vehicles, and
2. Require disclosure of cancelled policies.

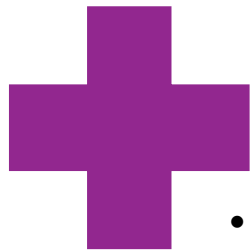
To improve safety and help prevent claims:

1. Mandate winter tires, and
2. Mandate inspections for older vehicles



# Cap vs. Deductible

IBAN is not taking a position on this issue; our goal is to present the merits and drawbacks of each approach.



## CAP

- Sets a limit on payouts for minor injuries (pain and suffering)
- Helps to reduce premiums and stabilize rates
- Reduces litigation and time in our justice system
- Could entice new entrants to our market

- Would limit access to compensation for pain and suffering
- Introduces ambiguity around what constitutes a “minor” injury”

***Note: A cap would only apply to minor injuries and would not take away people’s right to sue in the case of serious injuries.***



# Cap vs. Deductible



## DEDUCTIBLE

- Does not limit the amount of payout from an insurer

- Can increase claims costs because it gets factored into the amount of a legal settlement
- Auto rates would likely continue to increase
- Possibility that auto markets would leave and no new markets would enter





# Regulatory Framework/Market Conditions

The regulatory framework is a key contributor to lack of consumer choice:

- The PUB uses industry-wide benchmarks to modify or reject the proposed rate of an insurer;
- The PUB must approve a proposed rate prior to its use in the market;
- The cost of the PUB hosting public hearings to review rate applications; and
- The scope of rate regulation.



# Current Approach for Regulating Rates

- Risks having volatile changes in premiums;
- Has high administration costs that insurers and consumers have to incur;
- Spreads scarce regulatory resources across all applications for rate changes instead of just the ones that require greater scrutiny; and
- Maintains rates for consumers that do not necessarily reflect their level of risk.



# We Have It Right When

- A sustainable auto insurance environment exists;
- There is a pro-consumer reform of the insurance market;
- An improved auto insurance product is available;
- We have a long-term competitive market that delivers an affordable product to more drivers with quality coverage.



THANK YOU

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