



July 14, 2008

Mr. Bob Christie
Chief Executive Officer
and Superintendent of Financial Services,
Financial Services Commission of Ontario,
5160 Yonge Street, 15th Floor, Box 85
Toronto, Ontario
M2N 6L9

Dear Mr Christie,

I am writing to you on behalf of the Canadian Association of Financial Institutions in Insurance (CAFII) in regard to the current five year review of auto legislation.

ABOUT CAFII

CAFII membership is comprised of insurance companies licensed in all Canadian jurisdictions, which provide life, property and casualty, travel, creditor's group, reinsurance and other insurance products and services. CAFII members serve a large share of the Canadian insurance marketplace, collectively facilitating insurance protection to more than 10 million Canadians. CAFII members use an array of distribution methods such as call centres, agents and brokers, travel agents, direct mail, the Internet, and through branches of deposit-taking institutions. CAFII, therefore, spans the insurance industry and is the only organization representing members in all the major lines of business. Our diversity enables us to take a broad view of the regulatory regimes governing the insurance marketplace.

FIVE YEAR REVIEW

CAFII members are active in all lines of insurance including auto insurance. As noted above, our members utilise alternate distribution methods such as telephone (call centers) and the Internet. It is our experience that customers value "direct- to- consumer" distribution for the convenience and cost savings it offers them. It is our main goal of this submission to ensure that changes to Part VI of the *Insurance Act* take into account the needs of consumers who use alternate channels ie by making changes that control costs and enhance convenience and efficiency.

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COST FACTORS

CAFII would support the Ontario government in measures that would control auto insurance costs, particularly the costs of claims, in order to keep premiums lower for all drivers. We note that in the auto insurance market, cost of insurance is under a great deal of pressure to increase. This pressure has arisen from several sources including court cases which have broadly interpreted the threshold definition for access to tort and which are progressively increasing awards for damages to historic levels. This results in claimants in Ontario having not only no-fault benefits but also extensive rights to sue. Ontario drivers have access to a very rich accident benefits regime, particularly as it relates to caregiver, housekeeping and attendant care benefits. Measures to control costs, such as having extended benefits for only those who are catastrophically impaired, have been eroded by court cases which extend the definition of such impairment to those less injured. We would therefore support measures that would rationalize overall levels of accident benefits, and ensure that extended benefits are offered to only those claimants that are truly seriously injured.

CONVENIENCE AND EFFICIENCY

CAFII would like the legislation to reflect that not all sales are paper based or done in face-to-face transactions. Customers arrange auto insurance through call centers for the convenience and efficiency which they offer. For such electronic transactions we therefore recommend that Part VI of the *Insurance Act* be changed where necessary to not require documents to be delivered in hard copy or for requirements to be “in writing”. Where the customer consents, we would like the ability to transmit documents in electronic form. In particular, the legislation calls for the liability card to be delivered as a hard copy document. We recommend that electronic delivery be acceptable if this is the format preferred by our customers.

SUMMARY

CAFII appreciates the opportunity to comment on the auto insurance review. We recommend that the government accommodate the needs of users of direct channels by focussing on cost controls in general and by making changes to legislation that would facilitate electronic transactions. Should you have any questions, we would be pleased to discuss this submission with you.

Yours truly,



Moira Gill,
Chair, Executive Operations Committee