



INSURANCE BROKERS ASSOCIATION OF ONTARIO
700-1 Eglinton Avenue East, Toronto, ON M4P3A1
416 488 7422 | 800 268 8845
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Insurance Brokers Association of Ontario 2020 Pre-Budget Committee Remarks

Thank you, Chair.

We are pleased to appear before you today representing the Insurance Brokers of Ontario, also known as IBAO.

My name is Joseph Carnevale. I am the President of IBAO as well as Managing Director of Sales for Brokers Trust Insurance Group Inc. Joining me today is Brett Broadway, Chief Operating Officer of IBAO.

We represent over 13,000 licensed brokers. These brokers service six million policyholders in the Province of Ontario and are a direct connection to Ontario consumers. 62% of all insurance written in Ontario is done through an insurance broker. Interestingly, approximately 95% of business insurance in Ontario is done through an insurance broker.

Brokers are uniquely positioned to represent the best interests of our customers / your constituents. Brokers do not work for insurance companies—we shop for policies from multiple companies to find the best available product and price. We are the consumers' only source of independent, expert insurance advice.

Insurance brokers are highly trained professionals with strong community ties. We own or are employed by small and medium-sized businesses, with some large, located across rural and urban Ontario, and we often lead social responsibility initiatives that contribute to our local communities.

- **Brokers participate in community initiatives and fund social causes.**

Local organizations such as sports teams and community service providers benefit from the financial contributions of insurance brokers have raised through charity events and volunteering. Brokers donate time, money and resources to causes that are important to them personally and professionally, and brokerages give back to the towns and cities in which they operate.

- **Brokers service Ontarians in multiple languages, promoting diversity and inclusion.**

Brokers across Ontario serve their communities in a variety of languages including English, French, Mandarin, Cantonese, Spanish, Hindi and Italian. Diversity in language, culture and belief helps drive a more vibrant and competitive local and Canadian economy.

- **Brokers provide insurance access and education to remote communities.**

The presence of brokers in rural and Indigenous communities provides access and education to individuals who may otherwise face barriers due to geographic, demographic and technological factors, or may lack the financial literacy needed to select appropriate insurance coverage.

- **Brokers support safety education and training.**

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By partnering with the government to promote safety and training initiatives, brokers help mitigate behaviour that may result in harm or damage, helping to reduce hardship in local communities and reducing the burden on public services. The brokers' ongoing education requirements demonstrate a constant commitment to learning and expertise.

IBAO is an important voice on a number of policy-related issues that affect consumers and brokers, whose interests are intertwined: both require a transparent market in order to function optimally—one that is accessible, accountable, efficient and fair.

Brokers always work with the best interest of the consumer in mind, and they provide choice and individualized guidance. Insurance brokers have access to a wide variety of products that can suit a customer's specific, unique needs and will shop the market to find the best available product for their clients. Insurance brokers act as a trusted and objective advisor to the clients they serve.

Ontarians build long lasting, multi-generational relationships with their insurance brokers and look to their brokers to help make complicated decisions easy and provide stress relief when they are making important decisions around their insurance needs. IBAO not only represents our members, we also advocate on behalf of consumers, as we are not tied to any one specific insurance company.

The following four areas of concern are of significant importance to our professions and the consumers we serve around the province. These key areas include several recommendations we look forward to working with the Ministry of Finance on implementing.

AUTO INSURANCE

IBAO remains deeply involved on the issue of auto insurance and bringing meaningful reforms to vehicle owners. There is a universal recognition that the status quo of the current auto product is failing to serve Ontarians, and we commend the government for acting in several areas to work to reform the auto landscape.

- In Ontario, there are many inefficiencies within the current system, most of which have been identified and outlined by the current government within the Driver Care Advisory Group. Our message today is that these recommendations need to be implemented in a timely manner.
- Currently, Brokers are seeing Ontario drivers become disgruntled, as they have seen their insurance premiums account for a bigger chunk of their household budgets. We have been helping our customers effectively navigate volatile market conditions and price fluctuations, but sustainable relief will only come if the inefficiencies outlined by the advisory group are executed.
- Given the nature of the Auto product, in being a compulsory product, it needs to encompass certain basic coverages that ensure that consumers who need protection are covered. One concern would be that too much choice or too low a coverage may expose those who are most vulnerable in our society. Choice is extremely positive if the decisions driven by that choice are made for the right decisions, i.e. choosing to pay less is not a choice when you just cannot afford to pay any more.
- Some of the stakeholders you hear from may encourage you to simplify the auto insurance product, but our perspective is that simplification should not mean a reduction of choice or a reduction of coverage levels.
- IBAO recommends that all consumers must carry certain basic limits of insurance that can be determined by a joint government / industry think tank. This basic product would contain options to 'buy-up' additional coverages but may also contain an option to opt out of certain coverages. The former choice being straightforward that with certain additional limits come certain additional benefits above the required minimum.
- We would have great concerns if consumers were given the choice to opt out of a coverage to reduce their premiums but did not have an alternate plan to cover this exposure. Work would need to be undertaken to establish the rules in which policies would be claimed against in each circumstance. These additional benefits could simply become part of the policy buy-up options.
- Auto insurance pricing based on the likelihood of a driver making a claim, their location they live in among other things, makes sense.
 - Where you live is one of the strongest predictors of how much an insurance company will pay out per claim and one of the strongest predictors of claims risk;
 - If you remove this as an available rating variable, your premium would correlate less with actual risk factors;

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- Removing geographical rating would mean individuals living in regions where claims costs are less than half of the GTA's would see their insurance premiums increase by hundreds of dollars per year.
- We are encouraged by the early work of the Financial Services Regulatory Authority of Ontario (FSRA).
- We also remain committed to our ongoing work consulting with relevant government departments on ongoing reforms to the auto industry. Announcements like the move to electronic pink slips, which aligns well with other jurisdictions in Canada, are further evidence of the progress we are making.

OUR RECOMMENDATION:

Continue with reforms and consultations for auto insurance in Ontario, making decisions based on market evidence and targeted reforms towards addressing issues of fraud and inefficiencies. We all have an obligation to help families manage the increased costs of insurance within their household budgets.



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FLOODING

The issue of flooding and water damage to properties is of concern to many Ontarians. We have witnessed extreme weather events more frequently over the last several years of which flooding remains a primary concern. Flooding now costs Canadians more than any other climate issue.

Across the province, brokers have been stepping up and doing their part to help; however, they can. Brokers have been speaking with media to get the word out to consumers about different types of coverage, best practices and next steps.

We are recommending the development of a National Flood Action Plan that includes:

- Moving people out of harm's way
- Educating Canadians about flood risk
- Investing in flood defenses
- Providing all Canadians with access to affordable insurance
- Ending the building of infrastructure and homes on flood plains

OUR RECOMMENDATION:

We seek a stronger, more cohesive plan with both federal and provincial governments involved in flood mitigation.

MARKET CONDITIONS

In Ontario, the insurance industry is currently in a “hard market”. An insurance market hardens when the capital used to fund insurance transactions becomes less readily available. This affects product pricing and/or product availability.

Profits ensure that retail insurers’ product availability, supply and price can be held stable and currently, they’re experiencing reduced profits due to two main factors:

- Auto insurance
As discussed above, there are many elements driving down profitability of the auto product, including the increasing cost of repairing modern vehicles.
- Severe weather events
Once weather events rise to a certain level, insurance companies will be covered by reinsurance. Lately, there’s been an increase in the number of events that fall just under the level required to qualify for reinsurance.

The hard market is having ripple effects on other lines of insurance coverage. For example, we will highlight three industries that are struggling to find affordable insurance coverage:

- Condominium Corporations & High-Rise Residential Rentals
Many insurance companies are no longer offering coverage for condominium corporations for buildings constructed in the last 3 years and for rental stock built before 1985 that have not been completely renovated due to an increase in water damage claims. Not only does this impact the condominium corporations and landlords across the province, it also impacts consumers and affordable housing. If condo corporations or landlords do find insurance, the cost or potential negative financial impact, through the introduction of large deductibles, is extremely high and a condo owners’ monthly maintenance fees and rents are skyrocketing as a result. This issue is not just affecting Ontarians as you will have seen in the press.
- Trucking Fleets
Many insurance companies are no longer offering coverage for truck fleets due to an increase in claims costs. The Facility Association’s commercial insurance premiums rose an astounding 47% in the 12 months leading up to March 2019, and those linked to inter-urban vehicles were up 200%.
- Snow Removal Operators
Many snow plow operators are facing astounding premium increases or non-renewals due to the ever-increasing claims relating to slip and falls. This impacts small business owners as well as landlords and condo corporations that exacerbate the problem that I spoke of earlier with their own insurance policies.

OUR RECOMMENDATION:

Continuing with reforms to the Ontario auto product and implementing a flood mitigation plan will have a very broad, positive impact to the provincial economy and Ontario businesses.

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SMALL BUSINESS

- Insurance brokers are massive economic and social contributors to the Ontario economy - \$1.6 Billion in GDP.
- Insurance Brokers operate small businesses in virtually every city and town across Ontario, creating employment and contributing to the local economy – around 15,000 people are employed within IBAO member brokerage businesses alone.
- Insurance Brokers are community leaders who make a positive impact in the communities they live and work in – 100% of IBAO Members report contributing to local causes and participating in community outreach.

OUR RECOMMENDATION:

We encourage the government to continue taking steps that support small and medium-sized businesses in Ontario, reducing, or as a minimum, not increasing their tax burden, cutting red tape, and foster additional local hiring.



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CONCLUSION

In consultation with our members and the broader industry, IBAO has always focused on the best interests of Ontario consumers. The four highlighted items and their corresponding recommendations each aim to support that goal.

We thank the government of Ontario for its ongoing commitment to address many of the above issues, and we look forward to continuing our dialogue with you on our recommendations with an aim to continued reform.

If you have any questions or comments regarding this submission, please contact Colin Simpson, CEO at csimpson@ibao.on.ca or via cell at 416-407-0677.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Joe Carnevale".

Joseph Carnevale, CIP
President
Insurance Brokers Association of Ontario