

A REPORT ON THE MEETING OF THE LEGISLATIVE AFFAIRS ROUNDTABLE (ONTARIO CHECK-UP) HELD ON WEDNESDAY, SEPTEMBER 29, 2021 AT 10:00 A.M. VIRTUALLY ON ZOOM

1. OPENING REMARKS & WELCOME

Legislative Affairs Committee Chair, Brad Vanstone welcomed 45 mutual delegates to the roundtable and introduced his fellow committee members, Allan Hedley, Ross Lamont, Doug Crockett, and John Taylor.

John Taylor provided a First Nations acknowledgement and noted that September 30 would be the first National Truth and Reconciliation Day.

2. GUEST SPEAKER, BILL WALKER MPP BRUCE-GREY-OWEN SOUND

Bill Walker has represented Bruce-Grey-Owen Sound for 18 years and previous responsibilities have included Chief Government Whip, Minister of Government and Consumer Services, Associate Minister of Energy, and Opposition Critic for Seniors and Long-Term Care and Accessibility, Community and Social Services, Long-Term Care and Wellness, Children and Youth Services. He was also longtime Chair of the PC Caucus Nuclear Committee.

In introducing MPP Walker John Taylor thanked him and acknowledged the government's recent funding in support of mental health literacy for farmers, noting that mutuals shared this commitment and during 2020 mutuals had also contributed towards Canadian Mental Health Association initiatives.

MPP Walker provided an overview of some recent developments and provided some COVID-19 perspective. He indicated that there been over 200 COVID specific meetings of the government members. He also noted disappointment that some of the general public was exhibiting aggressiveness towards constituency staff with the issues arising from the COVID-19.

He reviewed the government "RED" program which is Rural Economic Development including commitments to broadband and infrastructure.

MPP Walker answered a number of questions from delegates including issues of labour supply, escalating housing prices and lack of housing availability in rural areas, concerns with excessive speeding on rural roads and streets and balancing transportation needs with farmland protection.

Delegates heard a number of initiatives relating to attempting to bring together various government agencies including the MTO and OPP in terms of increased enforcement opportunities to reduce speeding.

3. FEDERAL ELECTION AND RIDING UPDATES

Several delegates provided updates on their ridings including results from the recent federal election as well as some local issues.

There was also an opportunity to meet 2 new delegates to the roundtable, Colin George of Middlesex Mutual and Catherine Akins of Nova Mutual.

In general discussion several delegates reiterated their concerns with the level and tone of public debate and discourse during the recent election campaign and the increasing difficulty of parties working together to achieve mutually beneficial outcomes for Canadians.

4. PROVINCIAL ISSUES

John Taylor provided an overview of 4 key provincial issues:

- Ontario automobile insurance,
- Ontario building code review,
- Credit union insurance sales, and
- Tort reform.

The provincial issues " handout" is attached separately from the roundtable notes and can be shared with MPP's.

Among the highlights were an update on initiatives where municipalities such as the City of Barrie and Dufferin County have put incentives in place on either new or rebuild construction to encourage the use of storm-resistant materials. The provincial government has been very reluctant to make any significant changes to the building code, but municipalities appear to be taking a leadership role.

There's also an expectation that insurers may need to become proactive in supporting or partnering on some of these incentive programs particularly during rebuilds after insured losses.

There was also an update on a specific submission made to the Ministry of Finance by OMIA relating to credit union insurance sales. Among the key points that OMIA believe should be included in regulation are:

- Rules must be created that clearly prohibit tied selling.
- Data sharing between credit union operations and property casualty distribution should be prohibited.
- All commission and referral fees that flow from multiple transactions across product lines that include the sale of property casualty policies must be transparent and fully disclosed.
- The enterprise that is the distributor of property casualty insurance in the branch or on the web site must be a separate corporate entity.

There was also discussion on the opportunity to potentially support the Directors Forum sponsored by Credit Unions and material on this will be distributed separately.

5. GRASSROOTS BROCHURE

This has recently been updated and is a very effective tool for use MPP's and other stakeholders. The updated version is attached. This can be ordered and branded by mutuals.

John Taylor also noted that the statistics for the Guarantee Fund mutuals had been updated. Collectively mutuals write over \$1 billion in premium, hold \$1.3 billion in surplus, are the six largest property insurer Ontario and the 11th largest automobile insurer. Mutuals provide significant availability and capacity to policyholders in Ontario despite being individually small enterprises.

6. DISCUSSION QUESTIONS

The following two questions were posed to delegates:

- *Cannabis Production Facilities - Do they pose a noise, odour, environmental risk in your community?*
- *Speeding- Loss Prevention – Municipalities - Have your local municipalities flagged speeding as a community safety risk?*

A number of delegates provided examples of significant odour problems arising from cannabis production facilities. It was noted that one of the significant differences between cannabis odour and other agriculturally generated odours was that odours from cannabis operations is 24/7, 365 days a year as opposed to intermittent or very short in duration.

There were a number of comments regarding increasing speed issues on rural roads, and dangers posed to farm equipment.

John Taylor reported that the Warden of Oxford County and local mayors had done a brainstorming session with OMIA on potential opportunities to apply some loss prevention principles to speeding drivers.

OMIA is looking at producing some public information that may be helpful and also looking to share successful campaigns that mutuals have sponsored on speeding or distracted driving in the past.

7. UPCOMING EVENTS

Queens Park is currently closed to visitors; however, we hope to be able to hold our Queens Park Day on Tuesday, March 1, 2022, if Queens Park opens to the public.

8. THANK YOU AND ADJOURNMENT

Brad Vanstone thanked delegates for attending and continuing to support the legislative affairs program. Brad Vanstone was in turn thanked for his time as Chair of the Legislative Affairs Committee as this will be his last official event as Chair.

Ontario Automobile Insurance

The current chapter on auto insurance in Ontario begins with reforms introduced in September 2010. Since that time over 41 different reforms have been implemented; many intended to clarify the original intention of statutory accident benefits schedule entitlements and provide rate stability after several years of soaring claims costs and unsustainable losses in automobile insurance for Ontario insurers.

Initially some of these reforms showed moderate success. Automobile rates stabilised and there was some indication that rates would begin moving downward. Unfortunately, this moderate success was followed by an upward climb in claims cost per vehicle in both accident benefits and bodily injury claims. Auto insurance affordability, particularly in urban areas and the GTA, became a front-page political issue in the media and at Queen's Park.

In August 2013, the Minister of Finance announced a mandated reduction in rates which totalled 15% over 2 years. Ontario Mutuals responded to this mandate with filings that had a cumulative effect of a 14.9% decrease within 10 months of the mandate. Across the whole industry the decreases were significant, at about 8%, but did not meet the 15% target, simply because auto insurance was not performing well enough to support that target. The Premier, indicated that 15% had been a stretch target in any event.

The most significant reforms in many years were introduced on June 1st, 2016. These entailed a reduction in some standard benefits and a change in how Catastrophic Injury cases were defined. Consumers could buy additional coverage to supplement the lower standard benefit. While standard SABS benefits were lowered, some of these claims costs transferred to the tort system as recoverable damages, thereby mitigating the cost dampening effect of the reforms. At the time AB claims cost per vehicle in Ontario were eight times higher than in Alberta.

In late 2016 auto insurance returned to the front pages with increasing calls from trial lawyer groups to roll back the changes. At the same time auto rates across all insurers had increased 5% and the product was underperforming financially. A major redesign of the auto system appeared inevitable to address high premiums.

In April 2017 a report to the Minister of Finance, "Fair Benefits, Fairly Delivered" (also known as "The Marshall Report") made recommendations for fundamental reform of how auto injuries are assessed, treated, adjudicated, and litigated.

The report recommendations were widely supported by the auto insurance sector, including OMIA. While some elements of the report were implemented, most were not. Given the change in government in 2018 it is highly unlikely that the report will ever form the basis for a large-scale reform, but some of the recommendations may return as items for consideration on a piece meal basis.

In the latter half of 2018 and into 2019 automobile insurance results have deteriorated and there has been significant upward pressure on rates. This has resulted in a “hard market” where consumers are faced with higher auto insurance premiums.

The new PC government’s 2018 Fall Economic Statement signalled the government would be looking at auto affordability issues including a review of “territorial” rating factors. In January 2019 the government opened an on-line driver survey.

The results of that survey indicated that consumers want more convenient access to auto insurance, that auto insurance is difficult to understand, and that price, as always, is an issue.

The legislature has taken a lengthy summer recess, but the Ministry of Finance has launched consultations on:

- Driver Care Cards,
- Reform of Medical Assessments,
- Care, Not Cash, and
- Returning to a \$2M catastrophic impairment default limit.

In 2020 the provincial government took insurers to task and demanded premium relief for drivers to reflect the drastic reduction in miles driven during the provincial lockdown. Insurers responded in a variety of ways and some mutuals made direct auto premium refunds in early 2021 based on improved auto results in 2020 attributed to pandemic restrictions. Each mutual’s auto results and response was based on their own unique experience. All mutuals undertook charitable giving programs in 2020 to support a wide range of community and policyholder pandemic needs.

Long term reduction in auto insurance premiums will only occur with substantial changes to coverage and process. Only significant changes will address the cost of claims in Ontario. The government should not make changes to territorial rating that would penalize drivers from areas with lower claims costs and better loss experience than the GTA.

Ontario Building Code Review

Ontario experiences increasingly severe weather events, particularly intense storms with high winds and heavy rains. As insurers, the mutuals have firsthand experience with the losses arising with these types of claims.

We have recommended in the past that the Ministry of Municipal Affairs and Housing, in reviewing the Ontario Building Code, make revisions to create more stringent and consistent requirements for the installation of backwater valves in new homes to reduce instances of sewer backup.

We also recommended the mandatory use of hurricane clips on residential roofs in new home construction to assist in preventing roof “lift off” damage to the home itself, other property, and individuals exposed to flying debris during high wind events.

Code changes are slow and are often defeated due to perceived cost and affordability issues with builders. Severe weather damage trends however have escalated, and all levels of government need to address their part in the framework of creating a science-based framework for resilient construction.

The Ministry should develop a long-term vision to create resilient building standards and move ahead as quickly as possible in implementing upgrades to the building code that create resilient building that can withstand climate change and the increased hazard posed by wind, water, and wildfire.

Credit Union Insurance Sales

In 2020 the government announced the intention to allow Ontario credit unions to sell property casualty insurance in branches and on their web sites. This is a broader scope of powers than currently allowed to banks under the federal Bank Act. There were no specific details on the rules that would apply, and the Ministry of Finance is consulting on what rules and restrictions should be put in place before enabling this.

We believe there is significant risk to the consumer that requires clear rules separating property casualty insurance sales from loans, mortgages, deposit, and investment transactions and advice.

- ***Rules must be created that clearly prohibit tied selling.***
- ***Data sharing between credit union operations and property casualty distribution should be prohibited.***
- ***All commission and referral fees that flow from multiple transactions across product lines that include the sale of property casualty policies must be transparent and fully disclosed.***
- ***The enterprise that is the distributor of property casualty insurance in the branch or on the web site must be a separate corporate entity.***

Tort Reform

COVID created an availability crisis in some commercial insurance lines, such as hospitality risks, as some insurers drastically reduced their risk appetite. This was created by economic uncertainty, increased potential for business failures, and the increased risk of personal injury and class action lawsuits arising from potential allegations of negligence if customers, employees, or visitors contracted COVID on a commercial premises. This increased liability exposure was particularly challenging for small business owners.

The government was proactive in providing some liability shield laws relating specifically to COVID, but more fundamental tort reform is necessary to reduce liability premiums in the longer term.



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We're in this together

Rooted in Community

Ontario Mutuals is the overarching brand for 38 independent, 100% Canadian, property and casualty insurance companies across the province.

Community based, mutual companies are owned and operated for the benefit of policyholders. There are no shareholders. Each mutual's board of directors is elected from among its policyholders.

Premiums, together with income from investments, are used to pay losses sustained by the policyholders as well as the expenses of running the company. Any excess surplus generated on a year to year basis either remains in the company's surplus account for the benefit of the policyholders or may from time to time be refunded to policyholders.

A Rich History

The farm mutuals started in the mid-1800s and have remained strong, stable and reliable throughout the years. Although their roots are agricultural, today they offer a full range of home, auto, business and farm insurance.

They are part of the fabric of communities across the province, and have been for generations.

Working Together, For the Good of All

The Ontario Mutuals brand is managed through its trade association OMIA, (Ontario Mutual Insurance Association) who develops marketing, communication and consumer solutions for its member companies. The Association was formed in 1882 and originally went by the name Purely Mutual Underwriters Association, and later, Mutual Fire Underwriters Association. The Canadian Association of Mutual Insurance Companies, or CAMIC, networks mutuals nationally.



A Strong & Sophisticated Financial Model

Ontario's purely mutual insurance companies participate in what is called the Fire Mutuals Guarantee Fund. Formed in 1976, the Fund places surplus of all member companies behind any one of the members.

In the very unlikely event of the insolvency of one of the members, all other member mutuals would cover 100% of current insurance claims, and policyholders would not lose any unearned premiums paid.

The Mutuals also own their own reinsurance company. Farm Mutual Re was the first Canadian-owned reinsurance company when formed in 1959 and is one of only two Canadian-owned reinsurers in existence today.

Quick Facts

Number of Farm Mutuals: **38**

Formed: **1856 to 1910**

Ontario Ownership: **100%**

Employees: **over 1,100**

Policyholder Directors: **over 300**

Policyholders: **more than 450,000**

Financial Stability

- \$1.3 Billion policyholders' surplus (among highest in Canada)
- Formed in 1959, Farm Mutual Re is one of only two 100% Canadian reinsurers
- The Fire Mutuals Guarantee Fund was formed in 1976, protecting policyholders through surplus of all farm mutuals and Farm Mutual Re

2020 Premiums

Total \$1.015 Billion (11th largest in Ontario) including:

Property \$541 Million (6th largest in Ontario)

Auto \$390 Million (11th largest in Ontario)



*1920s Convention
Delegates of
the Mutual Fire
Underwriters'
Association*



Protecting Communities Across Ontario

Algoma Mutual
Thessalon

Amherst Island
Mutual
Stella

Ayr Farmers Mutual
Ayr

Bay of Quinte Mutual
Picton

BCM Insurance
Welland (Pelham)

Brant Mutual
Brantford

Caradoc Townsend
Mutual
**Waterford & Mount
Brydges**

Cayuga Mutual
Cayuga

The Commonwell
**Lindsay, Perth &
Alexandria**

Dufferin Mutual
Shelburne

Dumfries Mutual
Sheffield

Edge Mutual
Drayton

Erie Mutual
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Germania Mutual
Ayton

Grenville Mutual
Kemptville

Halwell Mutual
Guelph

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Nova Mutual
Simcoe & Jarvis

Peel Mutual
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South Easthope Mutual
Tavistock

Tradition Mutual
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Mutual
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