



Dear FSRA Members,

Introduction:

Thank you for the opportunity to participate in the Stakeholder Advisory Committee (SAC) for the Health Service Providers Sector. FSRA's transparency and strategic approach is welcomed and acknowledged. FSRA has clearly assembled an experienced and talented group.

I am a regulated health professional (Kinesiologist) who has worked in the auto insurance sector for over 20 years in various capacities ranging from assessor, to my current role as president of an independent medical evaluation (IME) company. I am also the current president of the Association of Independent Assessment Centres (AIAC). The AIAC is a non-profit organization that represents several IME companies and thousands of health care professionals who complete IMEs. Together AIAC companies author the majority of IME reports in Ontario. AIAC members collaborate to develop best practices for IMEs that are used in many sectors including P&C insurance, tort, life and health disability, employer disability and government agencies. AIAC members were part of the 2019 Ministry of Finance (MOF) working group created to share stakeholder ideas about assessments in the auto insurance sector.

AIAC's value to FSRA and this SAC is in its expertise as it pertains to independent medical evaluations.

An independent medical examination, is a medical evaluation conducted by an objective and neutral third party to provide an opinion about a specific injury, appropriate treatment or disability status. In the Ontario auto insurance sector, IMEs are requested by insurance companies when they are questioning an insured's entitlement to a benefit. In these situations IMEs are known as insurer examinations. Persons injured in motor vehicle accidents also use IMEs to obtain medical opinions in support of their accident benefits claims under the Statutory Accident benefits Schedule (SABS).

FSRA HSP SAC Purpose:

Our understanding is that the overarching focus and purpose of FSRA is on burden reduction, improving regulatory effectiveness, improving stakeholder experience and improving safety, fairness and choice of consumers. In our case, "consumers" are the approximately 10 million rate-paying drivers of Ontario. Regulatory effectiveness also speaks to protecting the public interests, enabling innovation and modernizing systems and processes. These FSRA principles are also core principles of AIAC companies and our current and proposed practices are much aligned with FSRA's priorities.

Submission Scope:

The purpose of the AIAC submission is to provide FSRA with feedback on priorities as outlined in the consultation draft report dated October 18, 2019 and as discussed in the first SAC meeting on November 12, 2019. **To remain within our unique scope, our area of focus within the listed FSRA priorities clearly falls within the stated priority of "Support Auto Reform Strategy"**. This is not to say that we have ignored other priorities including the review of HSP regulation, fraud reduction and budgetary issues. Rather, our expertise in those areas is secondary/tertiary to potential auto reform initiatives. Furthermore, this submission is tailored to address FSRA's priority to "Empower and Protect Auto Insurance Consumers."



Methodology:

It is our high level understanding that the reform of the auto insurance product in Ontario has the primary goal of balancing access to benefits with the costs associated with providing these benefits. In other words, Ontarians require adequate coverage when victimized by car accidents, but the extent of that coverage must be affordable to the population at large. The AIAC acknowledges that as a stakeholder, we have some responsibility in managing the correct balance for the delivery of the auto insurance product to the Ontario public. To be of assistance to FSRA our method has focussed on two questions:

- 1) To what degree do our services influence insurance premiums?
- 2) What changes can we make to improve the delivery of services, benefiting consumers and insurers?

To accomplish our goal of assisting FSRA we looked at the facts associated with IME costs and their influence on insurer expenses. See: Facts on the Costs of IMEs in Ontario Auto Insurance, below.

To develop change for improving delivery of services we considered practical solutions that considered FSRA priorities of burden reduction, improving regulatory effectiveness, improving stakeholder experience and fairness. See: A Better Model for Consumers Who Use IMEs, below.

Facts on the Costs of IMEs in Ontario Auto Insurance

Using available public sources of data, namely the Ontario Health Claims Database (HCDB) and General Insurance Statistical Agency (GISA), the AIAC submits the following facts, analyses and opinions:

Fact	Analysis/Opinion
The cost of insurer examinations as a percentage of total claims expenses is approximately 1.7%.	Any change with the intended consequence of reducing IE volume in the system will have little effect on insurer expenses and will save Ontario drivers little or nothing on their premiums.
IEs as a percentage of AB expenses have declined significantly (41%) in the past 5 years.	Significant regulatory changes occurred in 2010, 2013 and 2016 that have reduced IE expenses to insurers. Aggressive insurer procurement practices have driven down IE costs per assessment.
Total insurer auto accident claims expenses have grown by \$1.55 billion dollars (22%) in the past 5 years, while accident benefit (AB) expenses have increased 4% and bodily injury (BI) expenses have decreased by 11%.	IEs play a role in AB and BI claims expense management. While AB expenses have had a minor increase, BI expenses have decreased. Accident victim compensation is a mix of AB and BI. These combined expenses have decreased by 7% (~\$100 million) in the past 5 years. The AB/BI compensation balance is working to reduce insurer expenses. IMEs are proven to be an effective check and balance in the system.
Insurer expenses according to GISA in categories attributed to property damage have increased by \$1.3 billion in the past 5 years. These include DC	The cause of insurance premium increase is not related to accident benefits and assessment costs. Rather, the cost of repairing vehicles has



<p>claims expenses (increased 59%), PD collision claims expense (increased 56%) and comprehensive claim expense (increased 60%).</p>	<p>increased dramatically. This has been publically acknowledged by every major insurance company.</p>
--	--

As aforementioned, the AIAC understands that FSRA must strike the right balance with its auto reform strategy and part of that balance is premium cost control for the 10 million Ontario drivers. Based upon our review of publically available data, reforms to the IME sector for the purposes of premium reduction or control, will have little effect. Simply stated, auto reform changes that effect the IME process will not make auto insurance cheaper in Ontario because the expenses associated with the IME sector are relatively small in relation to total claims expenses. For full transparency, we have enclosed our analysis of claims costs in the auto insurance sector: *Key Facts on Declining Costs of Insurer Examinations in Ontario* document. The document contains, and sometimes necessarily combines, information from HCDB and GISA. We would be pleased to review the data in greater detail.

A Better Model for Consumers Who Use IMEs

The current progress of auto reform within FSRA and/or the Ministry of Finance is unknown to us. In other words, if FSRA and the MOF are already considering changes, we are not aware of the details. The AIAC was a stakeholder at the Ministry of Finance Assessments Reform Working Group this past year. Participation in this group facilitated AIAC’s research, introspection and recommendations for improving the effectiveness of the delivery of IMEs in Ontario. The AIAC subsequently developed a consumer-focused model for auto insurance reforms that matches FSRA priorities. Accordingly, we would like to share our findings and recommendations in the attached document, *Ontario Auto Insurance Reforms: A Better Model for Consumers Who Use Independent Medical Evaluations*.

Commentary on Choice for Consumers

A topic of interest and insight to the AIAC, touched-upon in the FSRA priorities, is consumer choice. Again, any progress that might have been made concerning consumer choice at the MOF or FSRA level, is unknown to the AIAC at this time. Nonetheless, we feel that it is worth comment because there are ideas circulating about premium options for the right to sue, or other opt-in decisions that might further limit accident benefits if not chosen at the time of policy purchase.

The AIAC has operated for about 20 years. We have lived and worked through regulation changes in 2010 that imposed optional benefits. It is our experience that consumer understanding of auto insurance benefits is low, and that the purchase of optional benefits following the 2010 regulation changes has been minimal. Logically, human behaviour suggests that consumer choice at the time of policy purchase will depend far more on the premium costs, than on what benefits might be required once injured in a MVA. Nobody has the expectation of requiring the use of accident benefits at the time of policy purchase. Undoubtedly, this is the industry experience from the 2010 changes and going back as far as the 1996 reforms. Furthermore, the transfer of mandatory coverages to optional benefits has not reduced premiums.

There are likely some good ideas around auto insurance product choice for consumers. Our concern with some consumer choice options is that it can lead to circumstances where optional benefits will result in further reduced insurance coverages for vulnerable people. If the product is significantly diluted, will Ontarian’s recognize premium saving that outweigh these protections? Considering that the rise in premiums appears to be tied to vehicle repairs and not accident benefits, will the public look



favourably upon such changes? If benefits are not available to Ontarians through auto insurance, what added pressures will this put on the public health system? We think these questions need to be considered. Otherwise unintended consequences are likely to prevail.

Thank you for your time and consideration,

Mark Wigle
President, AIAC

Enclosures: Key Facts on Declining Costs of Insurer Examinations in Ontario
 Ontario Auto Insurance reforms: A Better Model for Consumers Who Use IMEs