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Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
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August 19, 2022

RE: Ontario Private Passenger Vehicles Annual Review
2022.011

The Associated Canadian Car Rental Operators (ACCRO) welcomes the opportunity to offer constructive suggestions to the current legislative and regulatory framework governing Ontario's private and commercial passenger vehicles.

ACCRO recommends modification to Section 277 of the Ontario Insurance Act to correct the incomplete transfer of risk resulting from changes made in 2006 via Bill 18. Bill 18 was successful in limiting lessor's vicarious liability and placing lessee and/or driver's policies as first response for third party bodily injury claims however, important portions of policy coverage were not included in the Section 277 revisions.

Because of the incomplete transfer of policy risk, the lessor's policy is secondary for some coverages (third party bodily injury liability) but remains primary for third party property damage liability, uninsured/underinsured motorist (UIM), and direct compensation property damage (DCPD) claims. The result is confusing to the lessee/driver and doubles the administrative burden of claims since both lessor's and lessee/driver's insurers must take primary positions for different policy coverages on the same claim.

Potentially more problematic for Ontario's private passenger insureds is the cost inflation that has resulted from this incomplete address of Ontario's automotive industry stakeholders' request for fairness. Bill 18 changes were made in response to an existential crisis facing Ontario's leasing (short term and long term) industry. The costs associated with being vicariously responsible for the negligent actions of lessees had become untenable and the industry was on the verge of collapsing. While Bill 18 addressed the potential for a single catastrophic loss ruining a non-negligent lessor, it failed to address the more common but very substantial claims expenses resulting from third party property damage, DCPD, and UIM claims.

Bill 18's incomplete address of the vehicle rental industry's (short term lessors) requests in favour of the vehicle leasing industry, financial lenders, and the automobile manufacturers has led to 16+ years and counting of extra insurance claims costs borne by the vehicle rental industry. Long term

lessors or lenders do not plate or insure vehicles in their own names as rental companies do. As a result, they have not suffered from the omissions of policy coverages in Bill 18's priority revisions. The increased costs from DCPD, UIM, and Third Party property damage claims caused or suffered by renters or drivers who were already insured have contributed to the significant contraction and resulting loss of competition in the rental industry since 2007. Compounding this are the policy premiums paid by Ontario private passenger vehicle insureds for coverage that their insurer knows was likely never to be accessed in a manner sufficient to justify their premiums.

The average length of rental varies between 4 and 20 days depending on the use of the vehicle. Longer average length of rental is associated with temporary substitute automobile use, while shorter average length of rental is associated with discretionary use.

Using the latest GISA file from 2021, for the 5-year period reflected in the GISA file, AUTO1005_ON_2021, the average yearly premium earned by Ontario's private passenger insurance industry for the policy coverages: third party property damage, DCPD, uninsured automobile and underinsured motorist was \$338.26 per year or approximately \$0.93 per day. The average claims and adjustment expenses for these four policy coverages was \$227.80 per year or approximately \$0.62 per day.

Every day that an Ontario private passenger insured spends in an Ontario rental vehicle costs them roughly one dollar in premiums paid whose expenses of approximately \$0.62 per day are borne by the lessor (**not** the lessee's insurer) at the much less favourable economics (both in pricing and in premium regulation) of their commercial fleet policies.

Given the many tens of millions of dollars in premiums collected by Ontario private passenger insurers since 2007 that was never refunded to insureds for coverages never likely to be accessed (based on the millions of applicable rental days since 2007), it is problematic to suggest a reasonable means to retroactively adjust the risk windfall that has been enjoyed by the Ontario automobile insurance industry. What is more appropriate is to make the necessary changes to the Ontario Insurance Act so that Ontario's insureds receive the coverage they have and will continue to pay from their own insurer while lessening the financial burden on Ontario's short term lessor industry.

Sincerely,



Craig Hirota
Vice President Government Relations and Member Services
Associated Canadian Car Rental Operators (ACCRO)

About ACCRO:

Associated Canadian Car Rental Operators or ACCRO is a Canadian organization that represents the united voice of the industry in Canada. ACCRO is dedicated to the continuous improvement of the Canadian car and truck rental industry through participation in legislative and regulatory consultation with all levels of government. The car and truck rental industry in Canada operates over 175,000 vehicles, employs over 16,000 Canadians, and has a total direct and indirect economic impact in excess of \$10 billion annually.

ACCRO is comprised of over 98% of our nation's Car and Truck Rental Industry. This includes all of the major brands, Alamo, Avis, Budget, Discount, Dollar, Enterprise, Hertz, National, Thrifty, and U-Haul along with over 200 independently owned and operated vehicle rental companies. Our industry truly spans the range of business size classifications from large, multi-national companies with fleets in the tens of thousands to 'mom and pop' businesses with as few as 5 cars. Despite the vast disparity in sizes, we are all united in our goal of facilitating the mobility needs of Canada's population.