

Canadian Automobile Dealers Association Submission to the Department of Finance Consultation on a New Supervisory Model for Auto Insurance Rating and Underwriting in Ontario

November 13, 2024

Submission Context

The Canadian Automobile Dealers Association (CADA) is responding to the Financial Services Regulatory Authority of Ontario's (FSRA) request for consultation on changes to the supervisory model for auto insurance rating and underwriting in the province of Ontario and the establishment of a Principles-Based Regulatory (PBR) system. CADA supports FSRA's goal of creating a more transparent and fair pricing system for consumers and creating an insurance pricing system that gives consumers confidence in their rates and the insurance industry.

CADA believes that FSRA should be considering stolen vehicle rates and importantly measures taken by consumers to protect their vehicle into account when conducting reviews of fair pricing practices. These preventative measures by consumers include expanding access to vehicle tracking and recovery devices that can be installed in vehicles and allowing new vehicle security companies into the Ontario marketplace with incentives to reduce consumer insurance costs when taking steps to protect their vehicles.

ABOUT CADA

CADA is the national association for franchised automobile dealerships that sell new cars and trucks. Our over 3,500 dealers represent a key sector of Canada's economy. Through our independently owned and operated dealers, we are represented in nearly every community in Canada and collectively employ over 170,000 people across the country. CADA dealerships represent some 30 brands sold through the franchise system in Canada.

Rising Vehicle Thefts Leading to Rising Consumer Costs

- The cost of stolen vehicles for consumers and insurance companies have been increasing as automobile thefts in the province have risen. In Toronto, auto theft claim costs totaled \$371.8 million in 2023, making it the most expensive city in Ontario when it comes to the claims cost of replacing stolen vehicles. The Insurance Bureau of Canada also included Brampton, Mississauga, Vaughan, Markham and Ottawa behind Toronto on its list of top 10 most expensive cities in Ontario for auto theft claims. Across the province the total costs associated with auto thefts has totaled more than \$1.6 billion, and for consumers can lead to an average increase in their insurance rates by \$130 a year plus the challenge of having to find a new vehicle.
- Based on the total costs associated with auto theft in Ontario, the provincial government and FSRA should do all it can to encourage consumers to take the necessary and reasonable steps in getting theft prevention systems for their vehicles. **Currently the provincial government and insurance companies in the province only recognize the use of Tag Tracking systems for protecting vehicles and provide rebates for installation of the Tag Tracking device. However, these rebates should be expanded to include other market leading brands in vehicle tracking devices so that Ontarians can choose the device that is best for them and ensure that their vehicle is safe.**

Unfair for Insurance to Penalize Consumers for their Vehicle Choices

- **FSRA has stated that their move to a PBR system was meant to allow for industry to adapt to rapid changes and establish fair and transparent pricing models that reflect consumer risks. However, these pricing systems can penalize consumers based on their vehicle choice, increasing prices on vehicles that are more likely to be stolen, but these stolen vehicles are not the consumers fault but the thieves.**
- **To ensure that consumer insurance prices are fair and relieve the burden for consumers owning vehicles in the top 10 most stolen vehicles the PBR model should encourage and reflect the positive steps that consumers take to protect their vehicles by installing theft protection systems from market leading brands in North America. These top 10 stolen vehicle lists are arbitrary and constantly changing based on consumer purchasing trends and trends in criminal activity, removing transparency for consumers and increasing their insurance rates through no fault of their own.**

Unfair to Limit Security Measures Consumers Take

- If Ontario and FSRA are serious about tackling the auto theft crisis and protecting consumers then they would support the expansion of the auto theft prevention marketplace. Currently, Tag Tracking systems is the only theft protection company that is able to provide consumers with rebates for the installation of their product and lower insurance costs for consumers. This can lead to unfair market practices and put pressure on consumers to pay more than they can afford to protect their vehicles.
- FSRA and the Government of Ontario should be working closely with other theft protection companies who are already providing consumers in the United States with lower insurance rates and consumer rebates to expand the market for consumer theft protection and allow for competition to ensure that Ontarians receive the best protection services at the cost that is best for them. Providing more options can lead to faster adoption of these systems and a reduction in vehicle thefts across the province.

CADA and RecovR Tracking Systems

- CADA has joined forces with Kudelski IoT to offer a comprehensive solution to protect vehicle inventory for dealerships across Canada and help recover stolen vehicles using the RecovR tracking system. RecovR uses a powerful combination of GPS, cellular, Bluetooth, and Wi-Fi technologies to provide precise vehicle location and theft recovery support. This will ensure that drivers and dealerships have access to trusted 24/7 monitoring of vehicle location and receive alerts when a vehicle is moved outside of a designated location.
- While CADA has chosen to partner with Kudelski IoT on RecovR, the association believes that what is most important for consumers across the province is the ability to select the theft protection system that best fits their needs. FSRA and the Ontario government must work quickly to allow Ontario drivers the ability to not only purchase a vehicle tracking device from any of the industry leaders but also provide consumers with cost saving and insurance benefits that will promote the use of these devices, protect vehicles across the province, and provide Ontarians much needed relief on their expenses.

Support Consumer Trust and Allow for New, Adaptable Markets

- **FSRA's new PBR model for auto insurance are meant to secure credibility and create trust for consumers that they are receiving fair, affordable rates. To support those efforts the Ontario government, FSRA, and insurance companies can further reduce consumer costs and create consumer trust by encouraging the adoption of theft protection systems and creating significant consumer incentives and information campaigns to educate consumers. Allowing for additional theft protection devices to be available to consumers can also develop trust by allowing consumers to feel that they are getting reliable systems at fair prices and with positive insurance benefits.**
- **The PBR system is also meant to allow for the insurance industry to adapt to rapid changes and support emerging industries without established practices. Theft protection technology in Canada is an emerging market and with the rise of auto thefts across Ontario, presents the insurance industry with a rapidly changing market. Adapting by supporting the expansion of theft protection systems and adjusting consumer insurance rates based on this rapidly developing industry provides a great opportunity for insurers and consumers.**

Conclusion

This submission is not intended as the definitive brief on auto insurance pricing in Ontario. Rather it is an answer to the fundamental questions posed by the consultation: How does FSRA ensure that consumers in Ontario are protected and receive fair transparent insurance pricing. One of the immediate and best ways that consumers in the province can be protected is by quickly expanding and accepting the use of theft protection technology in vehicles from North American leaders to reduce the risk of stolen vehicles, reduce the risk of vehicles that are stolen being lost, and ensure trust that consumers are receiving a fair insurance rate by providing rebates and lower costs for installation of anti-theft devices.

Auto theft is a national crisis in Canada and Ontario has become a major hot spot for auto thefts. The Ontario government, the Financial Services Regulatory Authority of Ontario, and the Ontario insurance industry can work together to reduce the risk of auto thefts and protect Ontarians by supporting a principles-based regulatory approach that takes into account all consumer actions to protect their vehicles.

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