

Newfoundland and Labrador Federation of
Labour



Submission to:

Service NL

Automobile Insurance Review

June 2018

Introduction

The Newfoundland and Labrador Federation of Labour (NLFL) represents 25 affiliated unions, 500 union locals and 65,000 working women and men in every sector of our economy, in every community in our Province.

For over 80 years, we have worked to advance the rights of working people in our province. We advocate for them on issues such as occupational health and safety, workers compensation, retirement security, equality, childcare, labour standards and worker rights.

The Federation also advocates for improved public services (such as healthcare and education), as well as progressive public policy and laws that support our principles of social / economic justice and equality – including the overall wellbeing and welfare of all citizens.

We are pleased to have the opportunity to communicate the NLFL's position on the role the province can play in regulating the automobile insurance industry. How measures can be taken to ensure that in the absence of public insurance, drivers in our province can afford fair premiums and are adequately covered in the unfortunate event of personal injury or loss of property.

The NLFL sees the current structure of the industry in our province, especially given the fact that we are a relatively small market for insurance products, as not optimal for consumers. In addition, it does not guarantee nor does it ensure that any of the profits generated by the sector remain here in our province. We understand the direct, indirect and induced employment along with other benefits that accrue to the provincial economy from the insurance industry, but we think that this review of the industry presents a great opportunity for the provincial government to look at innovative solutions that provide better outcomes for all Newfoundlanders and Labradorians and the provincial economy.

Public vs. Private Insurance

Currently Newfoundland and Labrador has a private automobile insurance system, which in theory should offer an open, fair and competitive market for automobile insurance along with a market that is cost-efficient and price competitive. These conditions theoretically should result in lower premiums for consumers. In addition, claims brought forward by insured drivers should be dealt with efficiently and fairly under a private system. Otherwise consumers should have the option of changing providers with the objective of finding better prices and service. This is difficult in Newfoundland and Labrador with the current system as these ideal conditions have not been present in the marketplace for quite a number of years. The result is that consumers are paying higher premiums that have been increasing. As the above table indicates, Newfoundland and Labrador has the 4th highest insurance costs in the country, above all publically owned systems with the exception of British Columbia (which is operated on a public - for profit model).

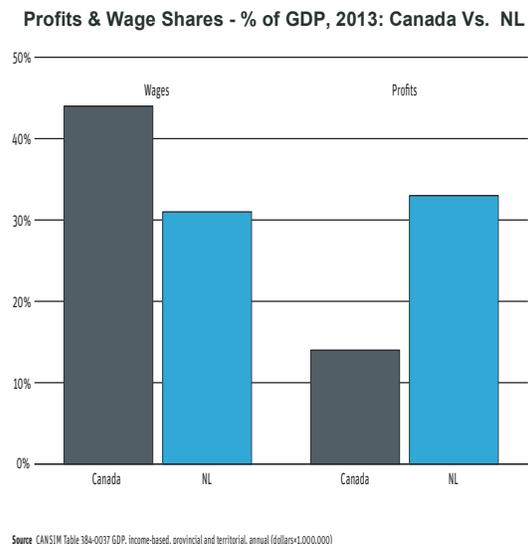
Rank	Province	Average premium
1	Quebec *	\$724
2	Prince Edward Island	\$755
3	New Brunswick	\$763
4	Saskatchewan *	\$775
5	Nova Scotia	\$783
6	Yukon	\$806
7	Nunavut	\$968
8	Northwest Territories	\$974
9	Manitoba *	\$1,001
10	Newfoundland Labrador	\$1,090
11	Alberta	\$1,179
12	British Columbia *	\$1,316
13	Ontario	\$1,458

** Boldface indicates provincial public auto insurance plans.*

Furthermore, a private system in our province ensures that the majority of the net profit generated by insurance customers for large national / international insurance companies does not remain here. The majority of it (excluding activity generated from direct, indirect and incidental employment / spending in the province) actually benefits corporations and their shareholders elsewhere. Research shows that in Newfoundland and Labrador, the distribution of our gross domestic product (GDP) between corporate profits and wages is well below the Canadian average. Allowing three or four large insurance companies to extract

large profits from the provincial economy only adds to that gap in GDP distribution.

Given these factors, this public review presents an opportunity for the Government of Newfoundland and Labrador to look diligently at the benefits of a publicly owned and operated model of automobile insurance. Such a model is currently operating in four jurisdictions (PQ, SK, MB, and BC) and has continued to do so under various different provincial governments. Public ownership



combined with not-for-profit operation has allowed three of these jurisdictions the means to provide access to fair and adequate insurance coverage for drivers at lower cost than a private model due to a number of factors. These factors include operating as a “not-for-profit” enterprise, lower marketing costs, and a greater emphasis on road safety and driver education. A publically owned and operated insurance system would alleviate many of the issues currently plaguing our existing private system, including high premium costs for all drivers, (including those who depend on driving for their livelihood), and the rising cost of insurance claims.

Such a system would still rely on local companies / brokers to sell insurance products. Government ownership would only replace the large insurance companies who sell the products to the Newfoundland and Labrador consumer through these same brokers. This would also eliminate that profit motive contained in the private system, with the savings being passed on to consumers in the form of lower cost insurance premiums.

Recommendation #1

The NLFL recommends that the provincial government use the opportunity presented by the current review of the province's automobile insurance system to undertake a feasibility study looking at the creation of a publicly owned and operated automobile insurance system for Newfoundland and Labrador.

Placing a Cap on Insurance Injury Claims

The starting point for any resolution to rising insurance costs or the cost of claims related to the provision of automobile insurance coverage cannot begin with limiting the remedy of victims, while shielding the profitability of the large companies who sell insurance products. That approach really does not guarantee any resolution to the articles outlined terms of reference and really places the burden on accident victims to balance the inequities of the current system. More importantly it removes the possibility for the victims of automobile accidents to receive fair compensation for injuries.

The impact of a cap on workers, especially those who do not have access to any workplace benefits such as sick leave or long-term disability would also be devastating. This has come to fruition in those jurisdictions that have implemented such a cap. It has resulted in accident victims who have suffered serious physical injuries and / or mental health conditions, being inadequately compensated by significant amounts.

Recent data shows that for the insurance industry nationally, investment profits have increased in the past year and underwriting profits generated in Newfoundland and Labrador are also quite substantial, at a rate of 23% on revenues of \$434 million for 2016. That alone shows that the wealth generated by this industry from our province alone is significant and that there is adequate room for a reduction in rates. The data also shows that the number of accidents

has been in a steady decline for the period 2013 - 2016 as well as the number of injury claims.

This research do not support a cap as a solution and certainly there is no guarantee that insurance companies will forgo the possibility of even greater profits with access to fair compensation for victims removed from the system.

Recommendation #2

The NLFL recommends that the provincial government reject a cap on injury claims as a solution to the existing costs inherent in the system and focus more on the profitability of the sector as a starting point for possible solutions.

Conclusion

The Terms of Reference for Service NL's review of our existing insurance system includes studying and presenting recommendations related to the following issues:

- Ways to encourage new entrants to the auto insurance market;
- New regulatory tools or legislative changes would be required to address emerging changes in auto insurance;
- Opinions and evidence on measures to improve highway safety and automotive accident prevention; and
- To review and provide any other recommendations to improve the auto insurance product offered in this province.

The NL Federation of Labour firmly sees the solution to the above challenges in the creation of a publically owned and publically operated system. It would also address the issues created by being a small market for insurance products serviced by only a few large companies. A publically owned and operated system that has no profit element and provides cost effective, comprehensive

and fair coverage to all drivers in the province is the innovative solution we should be looking at.

References

Public Utilities Board, Automobile Insurance Review Backgrounder,
<http://www.pub.nf.ca/insurance/2017AutoInsReview/backgrounder/Auto%20Insurance%20Review%20Backgrounder%20-%202017-09-13.pdf>

Terms of Reference - Board of Commissioners of Public Utilities Review into Automobile Insurance,
<http://www.pub.nl.ca/insurance/2017AutoInsReview/correspondance/PUB%20Terms%20of%20Reference.8.2017.pdf>

Marshall, David, Fair Benefits Fairly Delivered A Review of the Auto Insurance System in Ontario Final Report April 11, 2017
<https://www.fin.gov.on.ca/en/autoinsurance/fair-benefits.pdf>

CUPE Newfoundland Labrador, Submission To The Automobile Insurance Review Public Utilities Board Newfoundland Labrador April 12, 2018
<https://nl.cupe.ca/2018/04/12/submission-automobile-insurance-review/>