

You're paying too much for insurance: critics

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Ontario's auto insurance industry is widely regarded as the most expensive in the country — with some customers paying almost twice the premiums as drivers in other regions.

For years, the industry's well-funded association has blamed the high prices, in large part, on the excessive amount of fraud committed by customers.

But weeks after the province called for a 15-per-cent rate cut in its annual budget, the chorus of voices questioning this assertion is growing.

The Insurance Bureau of Canada often cites \$1.6 billion as the dollar figure for phoney claims in Ontario, based on an estimate by auditor KPMG.

In reality, though, many say the picture is not so simplistic.

For 2010, KPMG pegged fraud at \$768 million to \$1.56 billion.

The Ontario Trial Lawyers Association dismisses the number outright, saying the discrepancy is so "enormous as to be meaningless".

"I'm not saying it's not a problem, but it's not as big of a problem as they say it is," association president Andrew Murray said.

Meanwhile, the Consumers' Association of Canada questions why, if the bureau is so determined to curb insurance fraud, it has just 10 staff investigators and almost as many lobbyists at Queen's Park, according to the registry.

"If they cared so much about fraud, they



SUN-TRIBUNE FILE PHOTO

The insurance industry is benefitting from savings that must be passed on to consumers, NDP MPP Jagmeet Singh says.

would hire more investigators," consumer association president Bruce Cran said. "This fraud business is always exaggerated. It is one of their favourite smoke-and-mirror techniques."

The figures also prompted Mr. Murray to question where the bureau's priorities lie.

However, bureau communications vice-president James Geuzebroek rejected the insinuation the organization is not entirely committed to lowering costs for consumers, noting individual insurance companies also employ their own fraud investigators.

The bureau's government relations outreach goal is to bring about change to keep auto insurance affordable and to remove some of the other costs in the system and red tape, he said.

"I think that says that our industry is keenly interested in keeping down costs."

High auto insurance rates make consumers angry and that's not good for any company, he said.

"No industry wants the public to be resentful of the product they are delivering."

Ontario has a "Cadillac system, so we have Cadillac prices", he added.

However, this is only one thread of a detailed argument about high insurance costs.

Questioned, too, is the amount of money being made — and lost — in the industry.

Since September 2010, when then-finance minister Dwight Duncan lowered minor injury benefits for victims from \$100,000 to \$3,500, the industry has made about \$2 billion a year, Mr. Murray said.

This contributed to an overall industry profit of \$1.5 billion in 2011, his association contends.

Yet despite these industry-wide cost savings, rates continued to rise in 2010.

They fell 2011 and 2012 by .26, and .03 per cent, respectively.

His was one of the first organizations to say with all the claim costs going down, there shouldn't be a reduction in premiums, Mr. Murray said.

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DISTURBING TREND

York Regional Police fraud investigators noticed a disturbing trend in auto insurance claims around the region in 2010.

Probes into nine suspected fraudulent insurance and medical claims turned up \$5 million worth of fraud.

In response, the force's major fraud unit launched Project Sideswipe, a nine-month probe that concentrated on staged collisions and the rehabilitation, assessment centres and paralegal services used by drivers and others involved.

People were recruited by an orchestrator to be a driver or passenger in staged collisions using cars that were old and irreparable, police said.

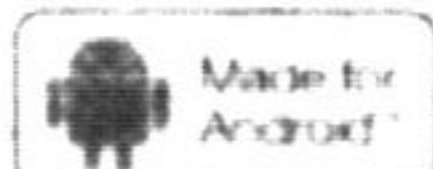
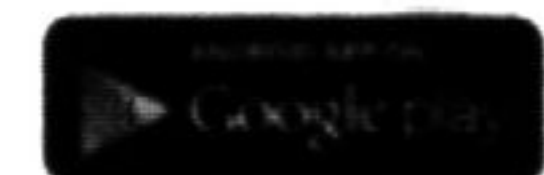
They would report the crashes to police, saying they were the only occupant in the car to avoid investigation. Yet they would tell insurance companies there were five passengers or, in one case, seven, in their vehicle, Det.-Const. Kim Tanczos said.

In August, 51 suspects were charged with 201 offences, including fraud over \$5,000 and obstructing police.

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