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### **“Junk Opinion” By Mark Milke**

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In the July 22 edition of the *National Post* Mr. Milke wrote an opinion article criticizing the recently released national auto insurance study by the Consumers' Association of Canada (CAC). The insurance industry has now admitted that they actively fostered and supported Mr. Milke in the preparation of the article. The article is potentially libelous and is a continuation of Mr. Milke's on-going efforts to attack the reputation of the Association, a non-profit, volunteer consumer advocacy organization that has been in existence since before Mr. Milke was born. The *National Post* does a disservice to Canadians in providing Mr. Milke a platform to spout his industry supported innuendoes and inaccuracies.

Mr. Milke's article on auto insurance raises a number of issues that need reply.

1. ***The CAC study is indeed statistically valid*** – Mr. Milke suggests the CAC study is not statistically valid but the opposite is the case. The data collection methodology used in the CAC study was fully reviewed by a professor of actuarial science and confirmed as being valid. Mr. Milke suggests that it is not possible to compile 3.9 million auto rate quotes without a small army of individuals. In fact, any high school student can attest to the fact that a PC using an off the shelf database program can be readily used to conduct this type of study.
2. ***The Study Uses Rate Quotes From 30 Companies Representing 85% of the Market*** – Mr. Milke suggests that the study does not fairly represent the many insurance companies in the marketplace. In fact, the CAC study used rate quotes from the 30 largest companies that represent about 85% of the business, an unprecedented comprehensive picture of the auto insurance marketplace.
3. ***The Use of Average Numbers In The Study Allows Fair Comparisons Between Provinces*** – Mr. Milke suggests that the use of averages to compare rates does not reflect the fact that consumers will always find and pay for the lowest possible policy. The truth is that consumer knowledge and choice is severely restricted because most brokers sell policies for only one or two insurers. If premiums were widely known in an accessible manner for all insurers there would be real competition and the lowest price would prevail across the entire market. In fact, a comparison of premiums for the same policy in Ontario reveals differences between insurers can vary by thousands of dollars. Our use of averages discounts the lowest and the highest and more properly reflects what consumers actually pay as premiums. Our methodology is the best test and allows a fair comparison to be made on an identical basis across all of Canada's Provinces.
4. ***The CAC Study Reflects What a Consumer Will Actually Pay*** - The CAC study posed the question, “what would the same consumer pay if they drove the same vehicle with the same coverage and had the same driving record but lived in a different province”?

This question allows a real comparison to be made between provinces. In Ontario, the insurance industry substantially understates average rates paid, as about 500,000 drivers don't have any insurance because either their rates are so outrageous that some drivers choose to risk driving without insurance, or no company will sell them a policy. This situation is a massive subsidy from the Ontario taxpayer to the auto insurance industry since the Medicare system pays the injury costs of these 500,000 non-insured drivers. In public auto insurance provinces there are very few drivers who take to the road without insurance. Consumers in a New Brunswick (no frills system) under purchase deductibles and coverage amounts in order to keep their rates down compared to a public auto province like Manitoba. The insurance companies trade organization calculates an average premium by dividing the total premium by the number of automobiles in a province. This 10 second calculation does not reflect the type of coverage being purchased nor does it include uninsured vehicles and makes no allowance for items such as utility trailers, boat trailers, recreation vehicles and the like.

5. ***Risks Between Jurisdictions Are Only One-Factor Affecting Rates*** – Risks between jurisdictions are only one factor that affects rates. The best example of the where risk has no impact on rates is the City of Lloydminster. This city straddles the border between Alberta and Saskatchewan. Records show that private insurers are cost inefficient compared to public auto insurers, which translates into higher rates in provinces with private systems. For example, the Saskatchewan Government autoplan incurs costs of about 15% of its premium revenue to run its system while the operating cost of private firms in Alberta is close to 28%. This is one reason consumers in Lloydminster, Alberta pay about 50% more for their auto insurance than those literally just across the street in Lloydminster, Saskatchewan. The risks are the same for residents living on either side of the border in the same City.
6. **The CAC Believes That Victims of Crashes Should Be Fully Compensated** – In British Columbia innocent victims of crashes have the full right to sue for pain and suffering awards while in Ontario these awards are subject to a \$30,000 deductible. This deductible inflicts an added injury on crash victims. Mr. Milke believes it is appropriate that crash victims in Ontario financially suffer if a drunk driver injures them. Contrary to Mr. Milke's assertion about our position on no-fault insurance the Association has consistently called for a BC-type system to be implemented in New Brunswick rather than a no-fault system.
7. **Funding Support For the CAC's Advocacy Work Comes From Many Sources** – The CAC is a non-profit, volunteer organization that self-funds its work on issues such as BSE, air fares, gasoline prices, dairy subsidies, GMO foods, recycling and insurance. It is the Association's policy that it does not release its funding sources in order to conform with privacy legislation in Canada and to respect the confidentiality of its contributors. We do disclose funding from Government sources, as is the case with the recent auto insurance study. We do not accept funding from industry.

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