



Building Tomorrow's Plan Today

THE PANEL OF EXPERTS RELEASES ITS REPORT ON THE AUTOMOBILE INSURANCE CONTRIBUTIONS PROPOSED BY THE SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

Québec, May 10, 2018 – Today the Panel of Experts on Automobile Insurance Contributions released its report on the amendments to automobile insurance contributions proposed by the Société de l'assurance automobile du Québec (SAAQ) for 2019 through 2021.

After analyzing the SAAQ's proposed amendments and holding a public consultation, the Panel of Experts has concluded that the SAAQ's proposal is in keeping with the various laws and principles that govern the determination of insurance contributions. "The proposal appears fair and reasonable overall," stated the Chair of the Panel of Experts, Mr. Michel Sanschagrín. "Generally speaking, the insurance contribution for each class of contributors reflects the cost of benefits paid to individuals in that class, which is a basic tenet of our public automobile insurance plan."

Nevertheless, in its report entitled *Bâtir aujourd'hui le régime de demain* (building tomorrow's plan today), which is available in French only, the Panel of Experts does formulate fourteen recommendations that aim to improve upon the SAAQ's proposal and allow the plan to evolve in the coming years.

The only immediate change that the Panel of Experts is recommending for 2019 is that the total annual increase in insurance contributions not exceed 15%, which is in keeping with past practice. The SAAQ is currently proposing that the annual increase not exceed 27% in 2019, and not exceed 15% in 2020 and 2021. "While the road safety record has remained relatively constant overall in recent years, the road safety records for three groups of contributors, among them owners of high-risk motorcycles, have deteriorated significantly," explained Mr. Sanschagrín. "For these groups, we are proposing a cap on the annual increase of insurance contributions so as to avoid rate shock."

If the financial situation of the plan continues to remain favourable, and if financial market fluctuations are not as severe as expected by the SAAQ, the Panel of Experts recommends that the SAAQ reassess, as of 2020, the amount of the surplus it plans to distribute. The Fonds d'assurance automobile du Québec (Québec's automobile insurance fund) currently has a funding surplus of \$3.3 billion—to liabilities in the amount of \$8.7 billion. The SAAQ is proposing to distribute a portion of this surplus to contributors: \$90 million per year over three years. Given the plan's sound financial health, the Panel of Experts considers this amount to be rather modest. "We understand that the SAAQ wants to keep a safety margin in order to be able to handle the unexpected," said Mr. Sanschagrín. "The SAAQ's funding policy provides that a reserve of 20% (\$1.7 billion) should normally suffice to cover the plan's future needs and absorb any foreseeable financial market fluctuations. We are therefore asking that, if the plan's financial situation remains favourable, the SAAQ wait no longer than one year before reassessing the amount of the surplus that will be distributed."



The SAAQ's proposed amendments to insurance contributions have raised a number of other issues, none of which require, however, immediate changes to the proposed insurance contributions. To address these other issues, the Panel of Experts recommends that the SAAQ:

- amend its funding policy to make the determination of the amount of the surplus that can be distributed more explicit once the funding ratio exceeds a set threshold. The funding policy should also set out the parameters that are to be used to calculate the amount of the surplus that can be distributed;
- determine future distributions of the surplus by applying a formula that better reflects the liabilities associated with each class of contributors. The SAAQ is currently proposing to distribute a fixed annual amount equal to \$12.68 per contributor for 2019 through 2021;
- review the automobile insurance plan's financial situation annually in order to determine whether insurance contributions, and in particular the portion of the funding surplus that is to be distributed, needs to be adjusted in order to maintain the plan's fairness;
- periodically re-examine vehicle categories in order to set insurance contributions that are robust, credible and stable. There are currently 24 vehicle categories or sub-categories;
- examine possible options for streamlining and adding flexibility to the insurance contribution review process. Insurance contributions are currently reviewed every three years and the process involved in setting insurance contributions is relatively lengthy;
- have the insurance contribution determination process examined by an independent actuary in the future when new contributions will be proposed.

The Panel of Experts also looked into a number of issues that touch on both road safety and insurance contributions. In its report, the Panel of Experts shares its reflections on issues such as the following:

- rewarding good road behaviour: insurance contributions should not only penalize poor road behaviour, but also reward owners and drivers who have an excellent driving record;
- ensuring consistency between the risk of accidents and the table of demerit points: the SAAQ should closely monitor the table of demerit points in order to make sure that the number of demerit points accurately reflects the additional risk of accidents that each offence represents;
- ensuring the safety of motorcyclists: the SAAQ should play a leadership role in this regard and set clear objectives in order to improve the road safety record of motorcyclists, who represent the only group of road users whose road safety record has not improved in over a decade;
- identifying drivers whose health prevents them from driving safely: a person's state of health—more than a person's age—is the principal risk factor for accidents. In order to improve the road safety record, the Panel of Experts is recommending that the SAAQ implement mechanisms for detecting drivers whose state of health poses a risk, regardless of their age;

- dealing with the impact that the legalization of cannabis will have on road safety: studies should be undertaken in order to properly understand the impact that cannabis use can have on road safety, as well as the real risk involved in driving while under the influence of cannabis or other drugs;
- discouraging drinking and driving: to improve road safety, the SAAQ should evaluate the advantages of following the example of other Canadian provinces in imposing administrative—not criminal—penalties on drivers whose blood alcohol concentration lies between 50 and 80 mg of alcohol per 100 ml of blood, and also look into how it can assist authorities with the adoption of such penalties;
- adjusting to the gradual arrival on the market of vehicles with advanced driver assistance systems: there may come a day when a vehicle’s characteristics will be as much a factor as a driver’s behaviour in assessing the risk of accidents. The SAAQ should already begin looking into how to adapt insurance contributions to this new reality.

Proposed insurance contributions and the mandate and composition of the Panel of Experts

The SAAQ tabled its proposed amendments to insurance contributions on December 13, 2017, in a discussion document entitled *Proposed Insurance Contributions for 2019-2021*.

The mandate of the Panel of Experts, created by the Québec Government on November 8, 2017, was to review the approach taken and verify the data used in support of the amendments to insurance contributions proposed by the SAAQ.

As part of its mandate, the Panel of Experts was required to hold a public consultation. It received three briefs regarding the insurance contributions proposed by the SAAQ for 2019 through 2021, as well as six comments regarding various aspects of the public automobile insurance plan. The three groups that filed a brief were heard during two days of public hearings that took place in Montréal on March 20, 2018, and in Québec on March 22, 2018.

The Panel of Experts was comprised of three members representing the actuarial, financial and insurance sectors. The members were Mr. Michel Sanschagrín, actuary, who served as Chair, Ms. Louise Dagnault, chartered professional accountant, and Mr. Lionel Bernier, attorney.

The mandate, composition and approach of the Panel of Experts are explained in detail on the Panel of Experts website at www.conseilexpert.aauto.ca. The website also includes the Panel of Expert’s report and press releases, as well as all the documents required to have a good understanding of the insurance contributions proposed by the SAAQ for 2019 through 2021.

Source

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