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Senior Manager
Automobile Insurance Policy Unit
Industrial and Financial Policy Branch
Ministry of Finance
95 Grosvenor Street, 4th Floor
Toronto, Ontario M7A 1Z1

Re: Ontario Automobile Insurance Dispute Resolution System Review

State Farm is pleased to respond to the August 27, 2013 letter from the Minister of Finance of requesting input to transform the current Dispute Resolution Services (DRS) process for Ontario Accident Benefits (AB) claims.

Who We Are

State Farm Mutual Automobile Insurance Company was founded in 1922 and initially concentrated on meeting auto insurance needs of Illinois farmers through a mutual organization owned by its customers. State Farm's® mission is to help people manage the risks of everyday life, recover from the unexpected, and realize their dreams.

The Canadian operations of State Farm opened in 1938 in Toronto. In 90 years, State Farm has grown, one customer at a time, from a small farm mutual auto insurer to one of the world's largest financial institutions, meeting the insurance and financial services needs of millions of customers across North America.

State Farm has over 43 million auto policies in force in the United States and Canada. In Ontario, we insure over 800,000 autos, a market share of approximately 10%. Annually we handle in excess of 100,000 auto claims in Ontario.

We are the number one auto insurer in the United States with 18% market share. Our leadership position in the United States and Canada places State Farm in an excellent position to offer insights regarding auto insurance.

Comments

Since 1990, disputes arising from claims made under the Statutory Accident Benefits Schedule (SABS) have been governed and administered by the DRS arm of the Financial Services Commission of Ontario (FSCO).

What was envisioned as a relatively quick process of dispute resolution has evolved into a complex, lengthy, and costly endeavor.

We offer these comments to assist in the review of the DRS process presently being conducted by Former Associate Chief Justice J. Douglas Cunningham.

1. Provisions in the SABS requiring insureds to provide insurers with enough information to fairly evaluate a claim must be enforceable. Under Sections 46.2 and 55 of the SABS, an insured must comply with requests from an insurer in the providing of information or attendance at independent medical exams, or else be denied access to mediation. However, mediators believe that they lack authority to enforce these provisions, and move the matter forward to arbitration.

We propose that mediators be given the authority to hold mediation in abeyance until there has been compliance with the above noted provisions.

2. Currently, almost all of the costs of the process are borne by the insurer. Fees of \$500 per mediation and \$3,000 per arbitration are levied on an insurer once a mediator or arbitrator is assigned. There is no consequence to an applicant who submits a non-meritorious or frivolous claim to the DRS process for mediation, and generally little or none in the case of arbitration.

We propose that an applicant should be expected to bear a cost for access to the system which is designed to balance responsible usage with judicious cost.

3. Arbitration hearings have become lengthy and costly, with decisions often taking many months to be rendered. As a consequence, the time it takes from filing mediation, to filing arbitration, to an arbitration hearing, and to a rendered and published decision can be upwards of two years.

We recommend maintaining adherence to prescribed timelines for mediations and arbitrations.

4. We have observed a tendency among some pre-hearing arbitrators not to enforce orders for production of documents, deferring the issue of non-production to the hearing arbitrator. This results in further and unnecessary delay. These orders must be enforced by the pre-hearing arbitrator, including an order of payment of costs for non-compliance.

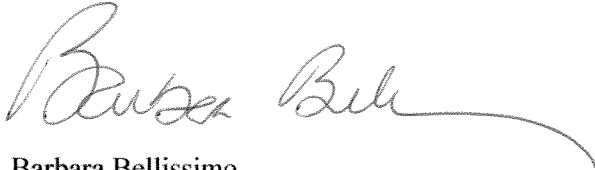
We recommend that FSCO provide assurances to the industry that there is an acceptable standard of knowledge for outsourced mediators and arbitrators. This will serve to mutually benefit all participants in the DRS process.

Conclusion

State Farm appreciates the opportunity to participate in the review of the SABS dispute process. We believe that all stakeholders should be committed to providing the insurance consumers of Ontario with a system that delivers fair and timely access to fair adjudication of disputed claims.

We look forward to continued dialogue and are available for further discussion at your convenience. Please feel free to contact Auto Claims Manager Greg Jones at 905-750-5515 if you have any questions or require any additional information.

Yours,

A handwritten signature in cursive script, appearing to read "Barbara Bellissimo", with a long horizontal flourish extending to the right.

Barbara Bellissimo
Chief Agent and Senior Vice President

cc: Gregory Jones