General Insurance OmbudService

Service de conciliation en assurance de dommages

2004 - 2005 • Annual Report

Independence of the General Insurance OmbudService

The General Insurance OmbudService was incorporated on May 31, 2002 as a federal not-for-profit corporation funded by its members – property and casualty insurers and reinsurers. Although funded by its members, great care has been taken to ensure the independence of the General Insurance OmbudService.

The Board

The seven-member Board of Directors includes a majority of five independent members. The other two directors represent the insurance industry.

The independent members of the Board meet stringent conflict of interest guidelines to ensure the public that they operate independently from the P&C insurance industry. They are chosen to reflect a diversity of experience, interests, backgrounds, and geographic representation. They are individuals known and respected on a national and regional basis.

The GIO has established two Committees of the Board, the Standards Committee and Budget & Audit Committee. Each Committee is comprised of at least three members the majority of whom are Independent Directors of the Board. The Committees assist the Board on matters related to standards and best practices, development and compliance, and supervision in the management of the financial and business affairs of the Corporation.

Independent Directors:

Lea Algar, BA, CIP ***
Chair of the Board
Independent Director, Ontario Region
Consumer and Regulatory Affairs Consultant
Thornhill, Ontario

Susan Yurkovich**
Chair, Standards Committee
Independent Director, British Columbia & Yukon
Management Consultant
Vancouver, British Columbia

Roger Smith, Ph.D.*
Chair, Budget & Audit Committee
Independent Director, Prairies, Northwest Territories and Nunavut
Professor Emeritus & former Vice President (Research), University of Alberta
Edmonton, Alberta

Pierre Meyland*
Independent Director, Quebec Region
Financial Affairs Consultant
St. Lambert, Quebec

Terence Donahoe, LL.B., D.Ed. (Hon.), D.C.L. (Hon.)**
Independent Director, Atlantic Region
Vice President, Positive Impact
Halifax, Nova Scotia

Industry Directors:

George D. Anderson, CM, MA, LL.D**
Professor of Leadership , St. Francis Xavier University
Antigonish, Nova Scotia

Diane Brickner, CIP*
President & CEO
Peace Hills General Insurance Company
Edmonton, Alberta

Endnotes

*** Ms. Algar is Chair of the Nominating Committee.
She is also ex-officio member of the Standards and Budget & Audit Committees.
** Member of Standards Committee
* Member of Budget & Audit Committee

A Message from The Chair

It is my pleasure to present the Annual Report of the General Insurance OmbudService (GIO) for year ended April 30, 2005. The past year, our third year of operation, was eventful and progressive.

This year the Standing Senate Committee on Banking, Trade and Commerce, in its responsibility to examine consumer issues arising in the financial services sector, invited many financial service organizations to appear and report on their operations. GIO was pleased to participate. On March 10th, I, as Chair, and our Director from Quebec, Pierre Meyland, met with the Senate Committee to respond directly to their questions. The sessions were broadcast by CPAC, reaching many interested Canadians. (Our formal submission is on our website www.gio-scad.org.)

In June 2004 the province of Alberta passed new legislation with respect to auto insurance reform. One component of the legislation is a dispute resolution system relating to automobile insurance premiums and availability of coverage. We are very pleased that the Alberta government identified GIO as the provider of the mediation aspect of the new dispute resolution system. As a result of the change GIO now has the responsibility to mediate these disputes.

In February 2005 the Joint Forum of Financial Market Regulators invited the Chairs and senior executive representatives of the Ombudservices and the CFSON to meet to discuss our operations and work together towards continual improvement. We look forward to ongoing communication with the Joint Forum.

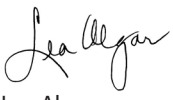
In 2005 the Chairs of the OmbudServices were appointed as Directors of the Centre for Financial Services OmbudsNetwork (CFSON). Our participation on the CFSON board will give us additional opportunities to work together on many projects to enhance our service to consumers.

In Quebec, representatives from the CFSON and the three OmbudServices continue to work with l'Autorité des Marches Financiers (l'AMF), the regulator of the financial sector, to determine the role of the OmbudServices within Quebec's regulatory framework. We are optimistic that the use of GIO's expertise and experience within the Quebec regulatory system can continue to assist consumers in that province.

Reaching out to consumers continues to be a priority. We want everyone to know about our service. To achieve this, we have continued our public awareness activities which have included speeches, interviews with news media, news releases and improving our website. We were pleased that a number of newspapers and radio stations carried items on our service. As well, many GIO members, other organizations such as the Consumer Association of Canada, Financial Consumers Agency of Canada and media such as CTV, Global and Reader's Digest have included a link to GIO on their websites. The result is that our website is now more accessible and heavily used. Our on-line complaint form gives consumers an opportunity to contact us easily. Becoming well-known takes time. We recognize this and we will continue this work, and as always, we welcome comments.

We are continuing to monitor activities in other provinces and when opportunities to work together arise we will offer our assistance. Any organization is only as effective as its people. We are proud of our solid management and of our knowledgeable and competent staff. Our process works because of them and because our members are committed to making it work. I would like to thank all of them. I would also like to thank my dedicated board members, with extra thanks to the Chairs of the Standards Committee and the Budget and Audit Committee - they make the chair's job an easy one. I also extend special thanks for their valued contribution, their dedication, vision, and careful guidance to two retiring directors - Dr. Roger Smith, Independent Director and Chair of the Budget and Audit Committee, and Industry Director, Dr. George Anderson, who represented GIO on the CFSON Standards Committee. Dr. Anderson was deeply involved, from the outset, in discussions with government officials while developing the dispute resolution system that now exists.

We are committed to continual improvement to provide the best service to consumers and our members.

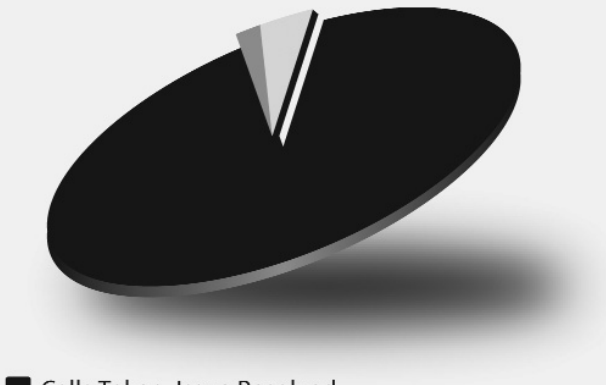


Lea Algar
Chair
General Insurance OmbudService

Summary for 2004 - 2005

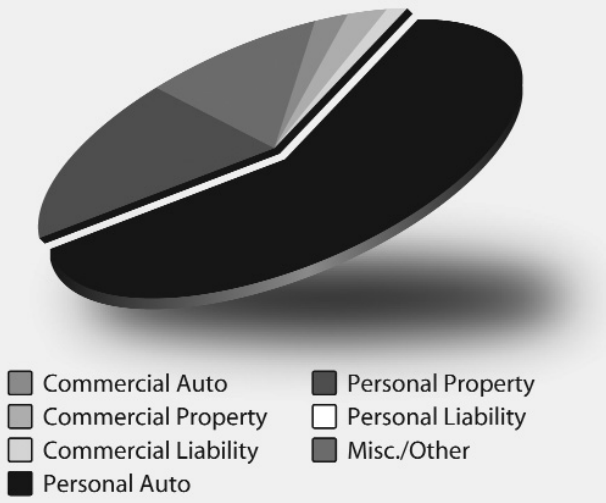
GIO responded to inquiries from across Canada, through our call centres and on-line complaint form.

GIO Cases and Status*

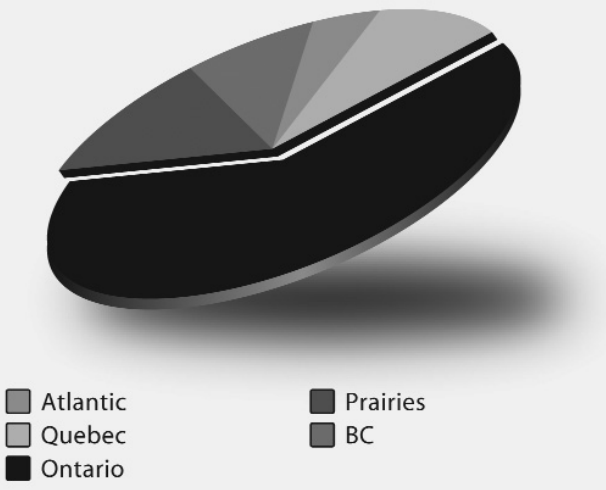


* As of April 30, 2005

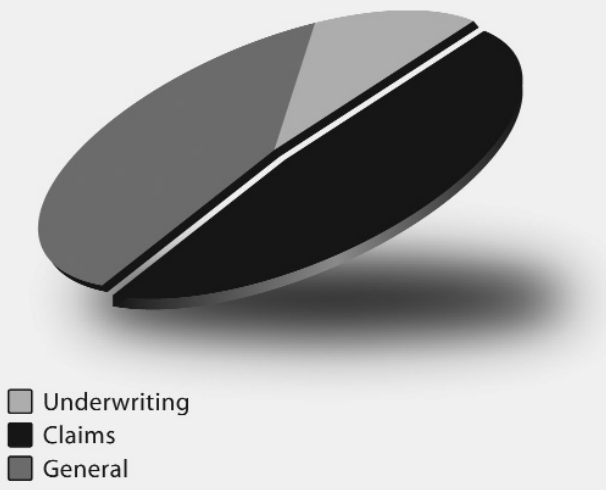
Origin of Complaint/Inquiry



Province of Origin



Area of Concern



case study

A homeowner suffers serious property damage due to sewer back-up following a summer storm. The insurance company offers a settlement to the maximum in the policy, less their cash outlay for clean-up and repairs. The customer argues the amount of the offer is unfair.

Case

The Armstrong's home in Alberta was built in the 1950's. Split-level style, it has a basement covering about half of the floor area. The other half is a two-car garage. Last summer, a sudden and violent rainstorm engulfed the area, resulting in sewer back up in the basement. The consumer called their insurance company who immediately dispatched a contractor to help clean up the debris. The contractor not only cleaned up, but removed the lower portion of drywall around the basement, as well as insulation, floorboards and carpet. The Armstrong's were satisfied with the contractor's work. When the final tally of damage was completed, they claimed $9,000. The insurance company noted a limitation in the policy of $5,000 for each incident of sewer back-up, and accordingly offered $5,000 less $2,500 (i.e. the sum of $2,000 paid directly to the contractor and the $500 policy deductible).

Resolution

The GIO Customer Service Representative sought to obtain all of the facts from the insurance company. The contractor provided a detailed invoice outlining the work done at the Armstrong's premises. A mediation session was called to review the insurance company's offer. As the insurance company presented their information, it was noted that the contractor's invoice was based upon a basement of 1,200 square feet. The Armstrong's advised that the area affected by sewer back up was only 500 square feet, the balance of the basement being garage space. The insurance company agreed with the consumer, noting an error in terms of the contractor's invoice. The insurance company subsequently recalculated the contractor invoice and increased the cash offer to the customer.

Disclaimer: Names, places and facts have been modified in these examples to protect the privacy of those individuals involved.

case study

A property insurance customer sees value in an item based upon sentimental value and wishes to insure this item accordingly. The insurance company will insure only to market value.

Case

Mrs. Smith owned a large piece of artwork that was painted by her grandmother. The painting had been handed down within the family, and she wished to insure it so as to protect it for her children. She requested insurance to a value of $20,000. The insurance company could find no prior record of sale of any works by Mrs. Smith's grandmother, who they noted never attended art school or displayed art in any gallery. Clearly, given the transfer of this property within the family, there was no bill of sale. The insurance company requested a certified appraisal of the artwork to validate her valuation. This could not be produced, as no appraiser was prepared to substantiate the proposed valuation. The insurance company did offer to consider insuring the work with the proviso that the customer undertake adequate security measures. The customer declined sighting that they were too costly. Accordingly, the insurance company was only prepared to assess the value of the artwork, for insurance purposes, to that of the frame, or $200, which would be covered under the property policy's floater. Mrs. Smith felt that the insurance company was not acting fairly, given the significant importance that this artwork had to the family.

Resolution

A GIO Customer Service Officer took the call from Mrs. Smith. Once the details were taken, the CSO contacted the insurance company to confirm their valuation procedures. The CSO also noted that the insurance company had explained that sentimental value assigned to the property does not reflect market value. Market values are typically based upon appraisals, expert opinions and or previous sale records. The CSO was satisfied that the insurance company had acted in an appropriate manner, and this being the case, advised Mrs. Smith that there was no rationale for a mediation session. The CSO encouraged the customer to speak to her insurance representative to seek an alternate insurer who might be willing to cover the painting separately.

Disclaimer: Names, places and facts have been modified in these examples to protect the privacy of those individuals involved.

case study

An automobile insurance customer is involved in an accident where the car is seriously damaged and cannot be repaired. A dispute arises with the insurance company over the value of the vehicle.

Case

Mr. Fredrich resides in Ontario. Late in 2004 he was involved in a motor vehicle accident. While sustaining no physical injuries, his early 1990's imported car was severely damaged. The car's frame was bent. Given the complexity of repairs, it was deemed that the car had to be written off, as repairs would far exceed $6,000. Based upon the book value of the vehicle, the insurance company offered $1,900. Mr. Fredrich advised his insurance company of repairs over the past year to the vehicle, such as a new air conditioning compressor, brake rotors and power steering unit. Prior to the accident, he considered purchasing a new car and had received a preliminary trade-in offer from a local dealer of $3,000. Accordingly, he felt that the insurance company was not properly compensating him for his loss.

Resolution

The GIO Customer Service Officer reviewed the pertinent data in the case and discussed the valuation procedures with the insurance company. A mediation was held with both parties. During the session, the insurance company provided details to Mr. Fredrich on the methods involved in valuing a vehicle, including the various resources used industry-wide. They noted that the recent repairs were primarily maintenance items, and would be necessary for the everyday safe operation of the vehicle. They also explained that trade-in value is market driven, and often includes additional factors such as the purchase price of the replacement vehicle. After all issues were tabled, the consumer and insurance company agreed to assign a value to the vehicle of $2,080.

Disclaimer: Names, places and facts have been modified in these examples to protect the privacy of those individuals involved.

General Insurance OmbudService.
What We Do and How We Do It.

Our Standards

We are committed to standards of excellence that reflect our core principles and values in consumer complaint handling practices, which include:

- Being accessible to insurance consumers across the country;
- Communicating our role and services to consumers;
- Providing timely service based on fairness, impartiality, confidentiality and respect;
- Maintaining independence and objectivity;
- Upholding the highest standards of accuracy and consistency of information; and
- Respecting the privacy of consumers.

One of our most important priorities is to build consumer and insurer confidence in GIO's dispute resolution process by promoting the development of industry best practices and service standards in complaint handling.

As a GIO membership requirement, companies must have internal policies and procedures in place for handling and resolving consumer complaints. This internal process must reflect the service standards developed by the Financial Services OmbudsNetwork (CFSON) and endorsed by the GIO Board of Directors.

Accessibility:	Consumers should be able to readily contact their insurance company to initially convey and subsequently pursue their concerns.
Timeliness:	Consumer inquiries should receive prompt initial acknowledgement and expeditious replies in keeping with the nature and complexity of their concerns.
Courtesy:	All interactions with consumers should be characterized by respect, civility and politeness.
Clarity:	Communications with consumers should be easily understandable with the use of plain language.
Accuracy:	Communications with consumers should be substantively correct.
Consistency:	Consumers with similar concerns should be dealt with in a similar manner.
Knowledge:	In terms of understanding the product and providing accurate information and guidance on the complaint resolution protocol.
Fairness & Impartiality:	In terms of freedom from favouritism or bias in words or actions. Cases are dealt with on the basis of due diligence with respect to the facts.
Privacy/ Confidentiality:	In terms of ensuring that information is kept confidential. GIO standards are consistent with the applicable provincial and federal laws. Mediation sessions are held in private. Disclosures are privileged and inadmissible in any further litigation or arbitration.
Independence & Objectivity:	In terms of ensuring that GIO is a separate entity, independent of the industry and government, with its own Board of Directors comprising a majority of Independent Directors.

GIO's services provide consumers with an alternative solution to the courts. The primary objective is to resolve disputes easily, efficiently, and equitably. It is our hope that this process will also increase the confidence and satisfaction of insurance consumers by empowering them to participate in the dispute resolution process with their insurance company. Finding a mutually agreeable solution in a confidential, non-confrontational, and cost-effective manner is a benefit to all participants.

Any home, car or business insurance policyholder who has a concern, problem or dispute with a member company can use the services. The types of consumer complaints that GIO generally deals with include claims related matters, procedures, delays, unsatisfactory settlement amount, denial of claim and interpretation of policy coverage.

Some matters are beyond the scope of GIO mediation. These include:

- The cost of insurance and rates;
- The terms and conditions of the insurance policy purchased by the consumer;
- Dispute settlement procedures as required by law or designated regulatory authorities;
- Matters that have been, or are, before the courts.

GIO's experienced Customer Service Officers will review a matter to determine if the company acted appropriately, verify those situations that GIO's dispute resolution services do not apply and discuss other options available to the consumer.

Consumer Assistance and Dispute Resolution

GIO supports the industry first approach. Our member companies have the opportunity and responsibility to try to resolve their customers' complaints first. Each company has appointed a complaints officer and has a complaints process in place.

The policyholder must first try to settle their complaint by working with the company's internal complaint procedures. This involves clarifying the issues and all of the pertinent facts in dispute. At the end of the initial complaint process, the insurance company issues a final letter of position explaining how it proposes to resolve the complaint. If the complainant is not satisfied with the proposed settlement, the consumer can access GIO's process.

GIO provides consumer assistance and dispute resolution:

Consumer Assistance

GIO offers its service through regional offices. At each office, consumers can speak with a knowledgeable Consumer Service Officer (CSO) who will help the consumer by discussing the complaint, providing information or contacting the company on the consumer's behalf. If the consumer has not completed the company process, the CSO will guide them to the complaint liaison officer at their company. If the dispute cannot be resolved by the CSO, the consumer can apply for dispute resolution under the GIO process.

Dispute Resolution Process

If the dispute falls within GIO's mandate for mediation, the consumer may ask to sign a Consumer Complaint Registration Form for Mediation Service, or submit a written mediation request.

To respect the confidentiality of the mediation process and to engender an open cooperative spirit, the consumer, the insurance company representative, and the mediator, are obliged to sign a Mediation Agreement wherein the parties agree that the discussions among the parties will not be used in subsequent legal or regulatory proceedings.

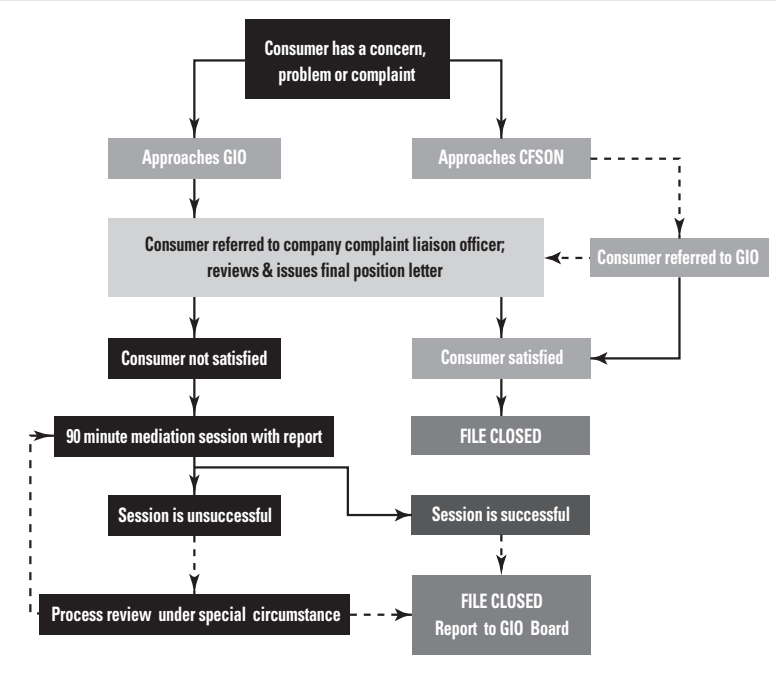
The CSO assists the consumer in selecting a professional mediator provided by the Alternate Dispute Resolution Institute of Canada Inc., or, in Quebec, by the Barreau du Québec. Once all the necessary documents are received, this neutral mediator facilitates a 90-minute mediation session between the consumer and a representative from the insurance company.

There is no charge to the consumer for a 90-minute mediation session. However, the consumer is required to cover his/her expenses and those of their representative(s) to attend the mediation.

At the end of the mediation session, if the dispute remains unresolved with both parties unable to reach a mutual agreement for settlement, the mediator prepares a report in 30 days with recommendations that are not binding on either party.

Under special circumstances, a process review may be conducted to ensure that GIO's operating standards of fairness, impartiality, objectivity and confidentiality have been respected in the mediation session, and/or when unusual circumstances may have affected the mediation process.

Consumers do not lose their legal rights by participating in GIO's mediation process. Consumers can pursue other dispute resolution options ranging from arbitration to litigation if they are unsatisfied with the outcome of GIO's mediation process.



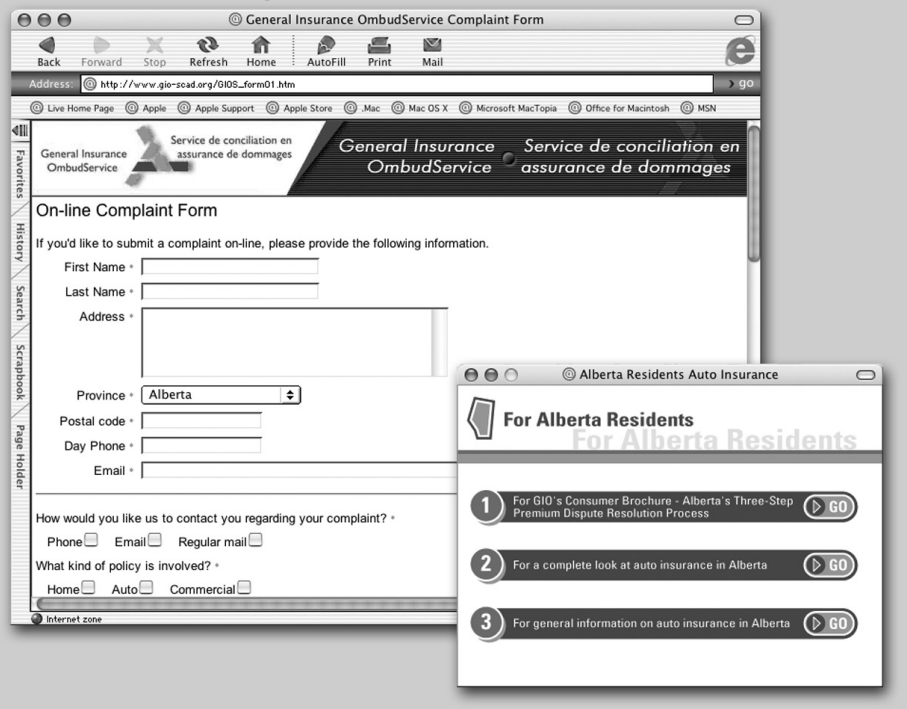
Communicating GIO's Services

GIO's major goal is to educate the public on GIO's role as a national, bilingual, integrated, consumer assistance service for customers of member companies providing home, car or business insurance. The following initiatives in 2004/05 have contributed to this goal:

- GIO's media presence expanded significantly with profiles on TV (Global Calgary, Global Edmonton), radio (CFRN Radio Edmonton), newspapers (Calgary Sun, Edmonton Sun, Toronto Star), Internet media (www.cbc.ca, www.esourcecanada.com), and trade/consumer publications (Canadian Insurance, Magazine Finance, Reader's Digest, Toronto Business Times).
- GIO's expanded bilingual consumer-focused web site (www.gio-scad.org) added a section specifically dedicated to Alberta residents for the new Auto Insurance regulations.
- The Communications Centre was expanded to include all GIO's publications, speeches and media materials.
- The web site in 2004/05 received on average 3,494 unique viewers per month, representing an expanded web reach of 480% increase over 2003/04. Web links have increased significantly as GIO's web site enhanced its functionality for consumer access.
- GIO's Annual Report was widely distributed to GIO members, Brokers, Federal and Provincial offices (customized for each province), GIO government stakeholders, and consumer interest groups as well as targeted media. As GIO advances its public education campaign, we will focus our efforts to reach members, brokers, consumers and consumer groups.

Consumer Brochure

Web Site On-line Complaint Form



Alberta - Specific Web Site References

Conclusion

GIO is poised to continue building on the strong foundation established during the first years of operation.

We are committed to ensuring our dispute resolution process services are carried out in a most efficient and cost effective manner; in keeping with responsible and sound management practices.

The GIO Board will continue to seek feedback from consumers, GIO member companies and stakeholder groups, to assess and improve our organization's performance in the coming year.

In addition, GIO will continue to work with the CFSON and the industry-level dispute resolution organizations – the Canadian Life and Health Insurance OmbudService (CLHIO) and the Ombudsman for Banking Services and Investments (OBSI), to communicate our common mission and commitment to enhance industry complaint handling processes.

Finally, the Board will continue to monitor developments in provinces where proposed legislative reforms would impact the property and casualty insurance industry or the handling of consumer complaints.

We remain confident that the strong model of government-industry cooperation in complaint resolution, as envisioned by industry and government regulators, will continue to serve consumers in resolving complaints and facilitating information sharing.

Want to access GIO?

GIO can be accessed right across Canada. For help with problems with your insurance company, call General Insurance OmbudService at:

British Columbia and Yukon	Prairies, Northwest Territories & Nunavut	Ontario	Quebec	Atlantic Provinces
toll free: 1.888.421.4212 or: 780.421.8181	toll free: 1.888.421.4212 or: 780.421.8181	toll free: 1.877.225.0446 or: 416.644.4968	toll free: 1.800.361.5131 or: 514.288.6015	toll free: 1.800.565.7189 or: 902.429.2730

~ www.gio-scad.org ~

The Members

Membership in GIO is available to all federally regulated property and casualty (P&C) insurers, including re-insurers and companies in run-off, to comply with the obligations of the Insurance Companies Act. Several provincially regulated insurance companies have joined GIO on a voluntary basis to offer consumers the same level of service as their federal counterparts.

GIO has two categories of members – voting and non-voting. Board members made up of independent and industry directors are voting members. Non-voting members include: insurers; re-insurers; companies in run-off, licensed in Canada to carry on the business of general insurance; and Lloyd's which has been admitted pursuant to the by-laws of GIO.

This structure was created to guarantee an appropriate degree of separation and independence from non-voting members who are of the insurance industry.

As of printing, GIO had 146 member companies, as follows:

ACE INA Insurance
Affiliated FM Insurance Company
Alberta Motor Association Insurance Company *
Alea Europe Ltd.
Allianz Global Risks US Insurance Company
Allianz Insurance Company of Canada
Allstate Insurance Company
Allstate Insurance Company of Canada
American Agricultural Insurance Company
American Home Assurance Company
American Re-Insurance Company
American Road Insurance Company (The)
Anglo Canada General Insurance Company
Ascentus Insurance Ltd.
Aviation and General Insurance Company Ltd.
Aviva Insurance Company of Canada
AXA Assurances Inc.
AXA Corporate Solutions Assurance
AXA Insurance (Canada)
AXA Pacific Insurance Company
AXA RE
Boiler Inspection and Insurance Company of Canada
British Aviation Insurance Company Limited (The)
Canadian Direct Insurance Incorporated
Cavell Insurance Company Limited
Centennial Insurance Company
Certas Direct Insurance Company
Chubb Insurance Company of Canada
Citadel General Assurance Company (The)
Cologne Reinsurance Company
Commerce & Industry Insurance Company of Canada
Commonwealth Insurance Company
Continental Casualty Company
Co-operators General Insurance Company
COSECO Insurance Company
DaimlerChrysler Insurance Company
Dominion of Canada General Insurance Company
Eagle Star Insurance Company Limited
Ecclesiastical Insurance Office plc
Echelon General Insurance Company
Economical Mutual Insurance Company
Elite Insurance Company
Employers Insurance Company of Wausau
Employers Reinsurance Corporation
Endurance Reinsurance Corporation of America - Canadian Branch
Equitable General Insurance Company
Euler American Credit Indemnity
Factory Mutual Insurance Company
FCT Insurance Company Ltd.
Federal Insurance Company
Federated Insurance Company of Canada
Federation Insurance Company of Canada
First American Title Insurance Company
Folksamerica Reinsurance Company
General Re Life Corporation
General Reinsurance Corporation
Gold Circle Insurance Company
Grain Insurance and Guarantee Company
Great American Insurance Company
Great American Insurance Company of New York
Guarantee Company of North America
Hannover Ruckversicherungs AG
Hartford Fire Insurance Company
ING Novex Insurance Company of Canada
Jevco Insurance Company
Kingsway General Insurance Company *
L'Unique compagnie d'assurance
Lawyers Title Insurance Corporation
Le Mans Ré
Legacy General Insurance Company
Liberty Mutual Fire Insurance
Liberty Mutual Insurance Company
Lloyd's
Lombard General Insurance Company of Canada
Lombard Insurance Company
London and Midland General Insurance Company
Lumbermens' Underwriting Alliance
MAPFRE Reinsurance Corporation
Metro General Insurance Corporation Ltd.
Millenium Insurance Corporation
Missisquoi Insurance Company (The)
Mitsui Sumitomo Insurance Company Limited
Motors Insurance Corporation
Munich Reinsurance Company of Canada
National Liability & Fire Insurance Company
NCMIC Insurance Company
Netherlands Reinsurance Group NV
NewRotterdam Insurance Company N.V.
Nipponkoa Insurance Company, Limited
Nordic Insurance Company of Canada (The)
North American Specialty Insurance Company - Canadian Branch
NRG Victory Reinsurance Limited
Odyssey America Reinsurance Corporation (Canadian Branch)
Old Republic Insurance Company of Canada
Optimum West Insurance Company *
Pafco Insurance Company
PartnerRe
Peace Hills General Insurance Company
Pembridge Insurance Company
Personal Insurance Company of Canada
Perth Insurance Company
Pilot Insurance Company
Portage la Prairie Mutual Insurance Company *
Primmum Insurance Company
Progressive Casualty Insurance Company
Protective Insurance Company
Providence Washington Insurance Company
Quebec Assurance Company
RBC General Insurance Company
ReliaStar Life Insurance Company
Royal & SunAlliance Canada
S & Y Insurance Company
SCOR Canada Reinsurance Company
Scottish & York Insurance Co. Limited
SecuriCan General Insurance
Security Insurance Company of Hartford
Security National Insurance Company
Sompo Japan Insurance Inc.
Sovereign General Insurance Company
St. Paul Fire & Marine Insurance Company Inc.
St. Paul Guarantee Insurance Company
State Farm Mutual Automobile Insurance Company
Stewart Title Guaranty Company
Swiss Re - Canadian General Branch
Swiss Reinsurance Company of Canada
T.H.E. Insurance Company
TD Direct Insurance Inc.
TD General Insurance Company
TD Home and Auto Insurance Company
Temple Insurance Company
TIG Insurance Company
Toa Reinsurance Company of America
Tokio Marine & Nichido Fire Insurance Co., Ltd.
Traders General Insurance Company
Trafalgar Insurance Company of Canada
Transatlantic Reinsurance Company
Travelers Indemnity Company (The)
Utica Mutual Insurance Company
Virginia Surety Company Inc.
Waterloo Insurance Company
Wawanesa Mutual Insurance Company
Western Assurance Company
XL Insurance Company Ltd.
Zenith Insurance Company
Zurich Insurance Company

* Province of Alberta Only