

COMMITTEE OF THE WHOLE (WORKING SESSION) – NOVEMBER 22, 2011

COMMUNICATIONS

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Item No.

C1. Mr. Kenneth Lindhardsen, November 16, 2011.

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Received at the November 22, 2011 Committee of the Whole (Working Session) Meeting

C2. Presentation Material.

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Desjardins
General Insurance
Group

November 16, 2011

Mayor Maurizio Bevilacqua
City of Vaughn
2141 Major Mackenzie Drive
Vaughan, Ontario
L6A 1T1

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COMMUNICATION
CW - <u>WORKING SESSION</u>
<u>November 22, 2011</u>
ITEM - <u>1</u>

On behalf of Desjardins General Insurance Group, I would like to acquaint you with this insurers position on charges related to towing and storage.

We feel it is our obligation to protect our policyholders, who are the citizens of your municipality with respect to excessive charges for towing and storage. I encourage your municipality to put forth the required time and research that will substantiate a fair and equitable cost for towing and storage in your area. Failure to do so would make your citizens vulnerable during a traumatic situation such as an auto collision.

I have enclosed a package that was prepared by the Insurance Bureau of Canada. This package illustrates their research done on relevant charges in different municipalities in the greater Toronto area. As a member company of the Insurance Bureau of Canada, we support the current research and have aligned our position to an all inclusive tow of \$250.00 and a maximum storage rate of \$25.00 per 24 hour period. These amounts and rationalization are set forth in the attached document.

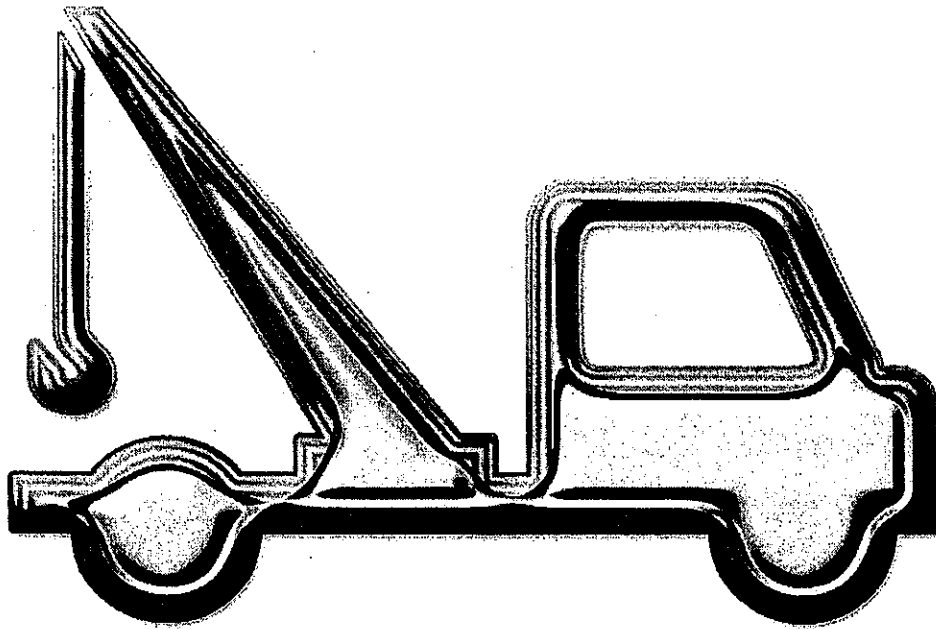
Should you have any further questions, or you need further assistance with this matter, please contact Joe Buntic, Director of the Claims Client Care Centre, Ontario, Atlantic and Western regions at 1-866-688-3888 extension 3784.

Regards,

Kenneth Lindhardsen
Vice President
Claims Operations, Ontario, Atlantic and Western Regions
Desjardins General Insurance Group
3 Robert Speck Pkwy, Mississauga, Ontario L4Z3Z9
Tel. 1-866-688-3888 Ext 3234 - Fax. 1-800-403-4457

Att: Insurance Bureau of Canada, Municipal Towing and Storage By-Laws report
Cc: Council Members

Municipal Towing and Storage By-Laws



October 2011

Insurance Bureau of Canada

Insurance Bureau of Canada (IBC) is the national industry association representing Canada's private home, car, and business insurers. IBC's member companies represent 90 percent of the property and casualty (P&C) insurance market in Canada.

The P&C insurance industry employs more than 114,000 Canadians, invests more than \$77 billion in federal, provincial, municipal government and corporate bonds based on 2010 data, and pays more than \$7.2 billion in taxes based on 2009 data.

Our industry also works to improve the quality of life in our communities by promoting injury prevention, safer roads, crime prevention, improved building codes, and coordinated preparation for coping with natural disasters.

Auto Insurance in Ontario

Automobile insurance is mandatory for anyone who drives a car in Ontario. Therefore, it is the largest market serviced by the P&C insurance industry. As a result, interest in auto insurance, its benefits and its associated costs is high among consumers who pay premiums for it, governments who regulate it and companies who provide it. The cost of auto insurance is directly related to the cost of settling claims.

One aspect of settling claims involves assisting people who are injured in motor vehicle collisions. Canada's insurers help Canadians recover from motor vehicle collisions in a wide array of systems.

The other part of settling claims involves repairing cars and repairing other physical damage caused by collisions. In addition to its involvement in insurance-related health care matters, IBC continues to work on behalf of its members to raise awareness of the need for choice in auto insurance across the country. IBC also supports the work of Facility Association in improving residual markets for auto insurance.

Escalating insurance costs partly reflect the significant costs associated with physical repair of automobiles, including towing and storage.

The province recently reformed the Ontario auto product this past September. The reason was that premiums were on the increase and as auto insurance is a mandatory purchase, taxpayers were feeling the squeeze. This was the fifth time in the past 20 years that Ontario's auto insurance system underwent a reform effort.

Despite any given government's best efforts, these reforms are always short-lived as certain service providers find ways to bill insurers for whatever the "system" will bear rather than for the true costs. Those who earn their living from the auto insurance system must respect the policyholders - the people who foot the bill.

In this economy, everyone needs to control costs. There is one taxpayer, one policyholder. We must all ensure that costs are kept as reasonable as possible so that premiums remain affordable for Ontarians.

Why don't insurers deal with towing and storage by putting caps in the insurance policy?

The standard automobile policy could be amended to change the scope of coverage for towing, storage and other benefits however this does not necessarily change the amount that might be charged by a provider. A tow truck operator might charge more than the amount prescribed as a benefit payable under the policy and this would become a problem for the owner of the vehicle.

Insurers are reluctant to expose their customers to liability for bills that are greater than the scope of coverage provided.

There is a very real problem with towing and storage charges but transferring it to consumers makes no sense.

Towing and Storage Fees

Towing, storage and other expenses related to repairing and recuperating vehicles after a collision have risen substantially in recent years, particularly in certain municipalities in Ontario – skyrocketing above the rate of inflation. These costs are passed on to the consumer through their insurance premium. In 2009, auto insurers paid approximately \$2 billion in Ontario alone in physical damages expenses to recuperate and/or repair vehicles after an accident.

Insurers are major purchasers of automobile repair services. Insurance professionals are knowledgeable about necessary repairs, the appropriate costs associated with these repairs, and the arrangements necessary to affect repairs quickly and safely. Additionally, property and casualty insurers are well motivated to see that policyholders' vehicles are repaired properly.

Municipalities that increase towing and storage rates are increasing the price of auto insurance for their own citizens.

Municipal By-Laws

The Ontario Municipal Act, 2001¹ gives municipalities the authority to “license, regulate or govern” businesses operating within the municipality. Some municipalities have chosen to implement by-laws to regulate the amounts that the towing industry can charge for various services. This has resulted in inconsistent towing rates across southern Ontario.

Tow truck operators are lobbying municipalities to increase the towing rates. Some operators are providing misleading or inaccurate information to back their claim that their own costs are increasing.

No documentation has been provided to justify the requested towing and storage charge increases, other than “matching” the excessive tow rates in other municipalities. Given that any increased costs will ultimately be born by auto insurance policyholders, it is essential that any increased fees be supported by real evidence of increased operating costs by tow truck providers.

¹ http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_01m25_e.htm

Some municipalities falsely believe that by increasing the rate for towing a vehicle to another municipality, they are supporting their local auto repair facilities. The choice of where a vehicle is repaired is that of the policyholder.

Towing and Storage charges to Insurers

Excessive tow charges are routinely experienced in southern Ontario. In municipalities with "a la carte" rates (allowing for inclusion of other ancillary charges such as dollies) the charges are out of control. There must be consistency across municipal jurisdictions for fairness to the general public and predictability of costs for insurers.

Example of a la carte pricing	
Hook	\$350
Use of Dollies or Flat Bed	75
Wait time after one hour	60
Clean-up	35
Off-Road Recovery	150
Storage – 4 days @ \$60	240
HST	118.30
TOTAL	\$1028.30

Recommended Towing Rate

IBC has canvassed the market, looked for averages, consulted with member companies and compared to other jurisdictions to determine an appropriate level for towing and storage costs.

IBC also reviewed police contract rates and fees. Tow truck operators bid for police contracts at rates much lower than what they charge the general public. Clearly towers can make a profit by charging \$100-140 to Toronto Police, and \$160 to Hamilton Police. Law enforcement is working to protect their budgets and we have a duty to protect the bottom-line for the general public as well.

Municipality	
City of Mississauga ¹	\$237.00
City of Toronto ¹	\$166.00
Oro Medonte ¹	\$350.00
Town of Caledon ¹	\$200.00
City of Vaughan	\$250.00
City of Brampton	\$200.00

IBC recommends an all-inclusive municipal towing rate between \$250 and \$300.

Recommended Storage Fee

Tow Truck operators have targeted storage fees as an area to increase their profits. However as fixed cost inputs, it is very easy to compare the prices across jurisdictions. Towers have argued that their storage costs are subject to other necessary services such as having the lot staffed and secured. However other public storage facilities have the exact same overhead yet charge a much lower fee for storage.

International comparisons based on land value and other overhead costs also show that rates proposed by tow truck operators for southern Ontario are equal to the daily parking rates in the prime business districts of London, UK (\$67USD), Tokyo (\$65USD) and lower than indoor, secure parking for 24 hours in downtown Hong Kong (\$28USD) or Rome (\$27USD).²

Comparison of Storage/Parking Costs in Southern Ontario	
Location	Daily cost
Park n' Fly (Toronto Pearson Airport) ³	\$13.95
Auto Vault ⁴	\$7.53 indoor
Toronto Eaton Centre ⁵	\$23.00 indoor
City of Toronto	\$20
City of Mississauga	\$25
City of Brampton	\$60
Township of Oro-Medonte	\$60 outdoor / \$75 indoor
City of Vaughan (proposed)	\$60 outdoor / \$100 indoor

IBC recommends a municipal storage rate of \$25 (outdoor) or \$40 (indoor) with 24/7 access to the vehicle.

² <http://www.colliers.com/Country/UnitedStates/content/globalcolliersparkingratesurvey2011.pdf>

³ <http://www.parknfly.ca>

⁴ <http://www.autovaultcanada.com/packages.html>

⁵ <http://www.torontoeatoncentre.com/en/centreinfo/Pages/Parking.aspx>

Insurance Fraud

Regrettably, a small but significant number of questionable tow truck operators have devised strategies that take advantage of motorists. After an accident, at a moment of confusion, stress and vulnerability, motorists are easy prey for these unscrupulous service providers. Most motorists have little or no experience in dealing with all of the consequences of a motor vehicle accident. At the scene of an accident, a motorist may make a decision to release a vehicle to a tow truck operator who is at the scene. This decision, often ill-informed and made under adverse circumstances, may set in motion a chain of events which will greatly escalate the cost of repairs associated with that vehicle.

An accident, no matter how minor, can be very stressful and confusing. And there are some people looking to take advantage of this time of uncertainty. Tow truck drivers may be paid a fee to refer accident victims to a particular paralegal. This is illegal.

A tow truck driver may also be paid a referral fee by a vehicle repair or body shop to have damaged vehicles towed there. This kind of tow truck driver is known in the industry as a "chaser." Many "chasers" are owned or controlled by vehicle repair shops.

Tow truck operators remove vehicles to other sites and ultimately the vehicles come into the hands of repairers and other intermediaries. Once possession of the vehicle is taken from the owner, the tow truck operator, storage facility, and/or repairer are cloaked with the protection of the Repair and Storage Lien Act. This statute makes it difficult for the owner of the vehicle to retrieve the vehicle without engaging in legal processes which are cumbersome, time-consuming, and expensive in relation to the costs of the underlying transactions. By the simple act of taking possession of a car, an unscrupulous operator gains leverage that facilitates further exploitation of the motorist.

Let's be brutally honest here, any regulation agenda is driven by consumer complaints. So the question is how does the towing industry stand-up to the integrity and honesty tests? Well let me tell you this. I have personally seen hundreds of invoices where fraud is committed and the public has been abused with grossly exaggerated and extremely abusive pricing. That's a fact not fiction. That's not just my opinion but the opinion of the many tow operators I report the complaints to when they come into our office.

Doug Nelson, Executive Director, Provincial Towing Association (Ontario)

At the scene of an accident, few motorists are sufficiently knowledgeable to make well-informed decisions about the disposition of their vehicles. Government, insurers and reputable members of the towing and repair industry all know that unconscionable transactions are common.

As a result, the cost of towing, storage and related expenses has risen substantially in Ontario. The costs to consumers are needlessly high. The need for action is clear.

Consumer Education and Protection

Motorists involved in collisions are often not in a position to make informed choices about towing and storage arrangements. Nor is there any opportunity for market forces to come into play to regulate prices. Our customers are at the mercy of tow truck operators who are left largely unaccountable for their services. IBC is developing new consumer education materials to inform Ontarians about their rights following an accident. We will reach out to law enforcement to ensure that this information is widely distributed.

Before You Tow

What You Should Know Before You Tow

Insurance policies vary on the dollar amounts available for towing your vehicle. NICB recommends you review your towing coverage during every policy renewal or purchase and know what towing coverage your policy provides.

If after an accident or breakdown your vehicle cannot be driven, you will be anxious to have a towing company move your vehicle to a repair facility or other location. In these stressful situations, you may inadvertently give permission to a towing company (to move your vehicle) whose fees are far beyond your policy coverages. By "giving permission," you have unknowingly agreed to the fees and may be personally responsible for paying them. These fees can be hundreds of dollars.

NICB suggests the following to help prevent you from becoming involved with tow operators (many of whom appear at traffic accidents before their services are requested) that charge excessive fees.

- 1) Never give permission to a tow truck operator who arrives unsolicited to take your vehicle.
- 2) If you or law enforcement did not call a tow truck to the scene, do not deal with that operator.
- 3) Do not provide tow truck operators with your insurance information.
- 4) Do not provide tow truck operators with personal lien holder information.
- 5) Determine that the tow truck signage is identical to what appears on any documentation the tow truck operator provides (they may say they "work with" your insurance company).
- 6) If the tow truck does not display signage identifying the name of the tow company, ask for company identification.
- 7) If a tow operator's legitimacy is in doubt, call the police.
- 8) Do not give a tow truck operator permission to tow your vehicle until they:
 - Provide a printed price list, to include daily storage fees and miscellaneous charges that will apply if they tow your car (if the prices seem too high, ask or call the police or your insurance company to call a towing service for you).
 - Provide printed documentation indicating where the vehicle is being towed if it is not a location of your choosing.

While our focus is to prevent insurance fraud, NICB is more concerned with your personal safety. There have been some instances around the country where tow operators have become belligerent with accident victims who challenge or question their intentions. A legitimate tow operator will satisfy your concerns, an illegitimate one will not.

If the tow operator becomes agitated, do not persist. Contact your insurance company as soon as possible and report the incident.

National Insurance Crime Bureau (US) public education material.

From: Madore, Dave
Sent: Friday, November 18, 2011 11:05 AM
To: 'joe.buntic@dgig.ca'
Cc: Bellisario, Adelina
Subject: FW: Towing and Storage in Vaughan

Attachments: cityofvaughn.doc; Towing Bylaws in Ontario IBC.pdf



cityofvaughn.doc Towing Bylaws
(34 KB) n Ontario IBC.p..

Thanks Joe.

One error...our proposed rate for storage is \$55 outdoor AND \$60 indoor.

I will submit it the Assistant City clerk.

David B Madore
Supervisor, Licensing & Permits
City of Vaughan
Tel: (905) 832-8504 Ext. 8679

-----Original Message-----

From: joe.buntic@dgig.ca [mailto:joe.buntic@dgig.ca]
Sent: Thursday, November 17, 2011 5:05 PM
To: Bevilacqua, Maurizio
Cc: Ciafardoni, Joy; DeBuono, Michelle; Chiarelli, Joseph; Madore, Dave; Rosati, Gino; Di Biase, Michael; Schulte, Deb; lafrate, Marilyn; Carella, Tony; DeFrancesca, Rosanna; Racco, Sandra; Shefman, Alan
Subject: Towing and Storage in Vaughan

Attached is a letter from Desjardins General Insurance Group addressing our position on towing and storage matters. Also attached is a report from the Insurance Bureau of Canada regarding municipal towing and storage by-laws.

(See attached file: cityofvaughn.doc) (See attached file: Towing Bylaws in Ontario IBC.pdf)

Regards,

Joe Buntic
Director, Claims Client Care Centre

Ontario, Atlantic and Western Region
Desjardins General Insurance Group
1-888-785-5502 x3784

1  **City of Vaughan**
Licensing & Permits Division
Tow Truck Service & Storage Rates

2  **City Role in Licensing**

- Health, safety & well-being of public
- Consumer protection
- Economic and social well-being of municipality

3  **Municipal Authority**

- City can regulate all aspects of tow business
- Since 2003, City can regulate storage rates
- Last comprehensive Tow Truck licensing review 12th day of December, 2005.

4  **Complaints raised by Public, Police, and Insurance Industry**

- No regulation of non-collision tow rates
- No regulation of storage rates
- No regulation of "wait times" charged
- No "cap" on rates; uncontrolled "additional charges"

5  **Opportunities for Input**

- Consultation with Tow Truck Industry
 - May 3, 2011
- CW Meeting
 - May 31, 2011
- Council Meeting
 - June 7, 2011

6  **Opportunities for Input (continued)**

- Consultation with Insurance Industry & York Regional Police
 - August 8, 2011
- Consultation with Tow Truck Industry
 - August 9, 2011
- Public Consultation (Public Meeting)
 - August 11, 2011

7  **Opportunities for Input (continued)**

- CW Meeting
 - September 13, 2011
- Council Meeting
 - September 27, 2011
- Consultation with Tow Truck & Insurance
 - October 18, 2011
- CW Working Session
 - Meeting November 22, 2011

8  **Comparison of Rates in GTA Municipalities (with "400 series" Highways)**

	<u>Accident Tow Rate</u>	<u>Cap/ No Cap</u>	<u>Overnight Storage</u>	<u>Non- Accident</u>	<u>Cap/ No Cap</u>
• Toronto	\$166 Rd.	capped	\$60-80	\$88	capped
			\$188 Hwy	capped	
• Brampton	\$200	capped	\$35/60	not reg'd	
• Mississauga	\$237	capped	\$60	not reg'd	
• Vaughan	\$250	capped	\$55/60	\$175	capped
• Markham	<i>not regulated but currently under review</i>				

9  **Tow Truck Industry Proposal**

	<u>Accident Tow Rate</u>	<u>Cap/ No Cap</u>	<u>Overnight Storage</u>	<u>Non- Accident</u>	<u>Cap/ No Cap</u>
• Toronto	\$166 Rd.	capped	\$60-80	\$88	capped
			\$188 Hwy	capped	
• Brampton	\$200	capped	\$35/60	not reg'd	
• Mississauga	\$237	capped	\$60	\$100	capped
• Tow Assoc.	\$250		add-ons	\$75/\$100	\$175
	Plus \$150/hr "wait time" + \$100/hr winch fee + \$75 dollie fee + \$3/km.				
	Plus Re-tow fees: \$75/dollies; \$120/wheel lift; \$200/flatbed				

10  **Staff Recommendation**

	<u>Accident Tow Rate</u>	<u>Cap/ No Cap</u>	<u>Overnight Storage</u>	<u>Non- Accident</u>	<u>Cap/ No Cap</u>
• Toronto	\$166 Rd.	capped	\$60-80	\$88	capped
			\$188 Hwy	capped	
• Brampton	\$200	capped	\$35/60	not reg'd	
• Mississauga	\$237	capped	\$60	\$100	capped
• Vaughan	\$250	capped	\$55/60	\$175	capped
	Plus \$67/hr "wait time" + \$3.58/km outside City				