

What's Happening With Snowmobile Insurance?

Over the past several years, most consumers and businesses have seen significant changes in their ability to obtain and afford the insurance coverage they previously took for granted. In many sectors, especially recreation, sports and tourism, the availability and cost of insurance has become a crisis that has already forced some operations to close, others to substantially alter or limit their operations, and others to charge dramatically more for their product or service.

The snowmobiling industry is no exception. It is impacted by increasing costs related to both Personal Sled Insurance and General Liability Insurance.

PERSONAL SNOWMOBILE INSURANCE

Personal Sled Insurance is the coverage individual owners place on their sleds for personal liability, collision, theft, fire, etc. Snowmobiles are required under the Motorized Snow Vehicles Act to carry insurance with third party liability and accident benefits coverage. The main coverage for a snowmobile is accident benefits which provides for benefits in case of injury to rider (medical, rehabilitation, loss of income, etc.) Comprehensive and collision are discretionary coverages in sled insurance.

Ontario law requires that an owner operating a sled off of his/her own property carry at least \$200,000 of personal liability coverage. However, most policies provide at least \$1,000,000 coverage to reflect the reality of modern health care costs and liability claims settlements. Anyone caught riding without this insurance is subject to a large fine.

Liability insurance protects the personal assets of a sled owner in the event of a claim against that owner. Most snowmobilers don't realize that if they are injured on a snowmobile, all of the medical costs are billed directly back to their own insurance policy, not covered by OHIP. These high costs are part of what makes Personal Sled Insurance so expensive. Without the protection offered by Personal Sled Insurance, most snowmobilers would not ride their sleds.

Snowmobiles are automobiles for the purposes of insurance. Insurance coverage for personal snowmobiles continues to increase and/or be difficult to find due to a continuing reluctance by many companies to write automotive policies for snowmobiles. Insurers are concerned about significantly increasing costs of accident benefits claims, which have a proportionately larger impact on snowmobile policies than private passenger automobile policies. Insurers are not compelled to offer snowmobile insurance. Some carriers no longer write sled insurance. Stand alone coverage and coverage for some classes of snowmobiles remain difficult to source.

What About Buying Personal Sled Insurance in Quebec?

Because the laws in Quebec are totally different than those in Ontario, Quebec riders are able to obtain less expensive Personal Sled Insurance. Some Ontario riders have considered buying their coverage in Quebec. The problem is that, in Quebec, responsibility for health care and the accident coverage rests with their provincial government not in the insurance contract. So medical charges following a snowmobiling injury are paid by the government, while in Ontario, medical costs are billed directly to the insurer, not paid by OHIP. But as a non-Quebec resident, you would not qualify for having medical costs paid by their government — and also would not be entitled to any payment from the Quebec insurer. So now what do you do? This difference is fundamental to why Personal Sled Insurance premiums in Quebec are more affordable.

Besides, if you reside in Ontario, it's not even legal for you to carry Quebec coverage. Any sled you own must be registered in Ontario and carry at least \$200,000 third party liability insurance from a company that sells insurance in Ontario. So purchasing insurance in Quebec could result in either you not being properly covered for a claim that occurs in Ontario or, because you are from out-of province, cause additional legal costs for an action initiated in Quebec under Quebec laws.

What the OFSC is Doing to Address the Personal Sled Insurance Crisis

- Study Planned

The OFSC, in cooperation with the four snowmobile manufacturers, is considering a study of the Personal Sled Insurance challenges.

- Lobbying Government

The OFSC has met with key government Ministers and staff to ensure that importance of the issue is understood. The Province can help by introducing legislation to control the escalating costs associated with the accident benefits coverage

- New Revenues

The OFSC is continuing to develop non-permit revenue so that other funds are available to supplement permit revenues.

- Decreased Costs

The OFSC has focused increased attention on cost reduction at the corporate, regional, and local levels. These efforts are based on competitive bid processes for major purchases as well as developing bulk purchases programs for common items such as equipment insurance and fuel.

- Increased Enforcement

The OFSC continues to work with law enforcement agencies and to develop its own Trail Patrol programs, including STOP and Trail Wardens. Enforcement will not only ensure that the permit requirement for prescribed trails legislated under Bill 101 is enforced across the province, it will also help ensure, to the benefit of all other snowmobilers riders on OFSC trails, that every rider carries the proper insurance.

GENERAL LIABILITY INSURANCE

General Liability Insurance is the coverage purchased by the OFSC to protect the Federation and its clubs, volunteers, and landowners from claims associated with the operation of snowmobile trails. Without this protection in place, volunteers and landowners could be at risk personally for any incidents that might occur and so, would immediately stop being involved with the trails. With no one to organize and operate trails, and no private landowners to provide their land for trails, the outcome would be the effective closure of all snowmobile trails in Ontario.

Many recreation, sports and tourism operations, including most other trail groups, have been unable to secure Trail Liability Insurance for their usage. Few underwriters are interested in providing this kind of insurance coverage.

As a result, obtaining suitable General Liability Insurance protection for the OFSC, its member clubs, individual volunteers, and landowners has been a significant and growing challenge over the past several years. From the relatively stable pricing of \$360,000 just three years ago, the cost of General Liability Insurance has increased more than 1,000 percent and has been confirmed at more than \$4,000,000 for the 2003/2004 season.

The financial position of the non-profit, volunteer driven OFSC has been profoundly effected by the dramatic increase in insurance costs. Traditionally, member clubs have set the permit price at their annual general meeting. As the front-line operators of Ontario's 44,000 km snowmobile trail network, OFSC clubs have clearly expressed that the barely adequate resources available to them to provide the trail product must not be diverted "from the snow" to pay for increasing insurance costs. This cost must be passed on to the rider through increased user fees.

While the permit price has been increased in each of the last two seasons, the rate of increase has not been adequate to cover the entire cost of the insurance premium. The OFSC has made up the difference primarily by consuming corporate reserves, which are now essentially exhausted, and by diverting substantial funds originally allocated to improve the trail system.

What the OFSC has Done to Address the General Liability Insurance Crisis

- **Active Insurance Portfolio Management**

Working with its consultants, Nexus Canada, the OFSC has actively managed its current insurance portfolio and continuously sought to find better and more affordable insurance options.

- **Non-Traditional Insurance Solution Study**

The OFSC has engaged actuaries and consultants Dion Durrell + Associates to study non-traditional approaches to providing liability insurance coverage including Structured Reinsurance, Captives, Group Deductibles and Reciprocal Insurance Exchanges. To date, none of these alternatives appear to offer significantly improved insurability without

other serious long term ramifications which need to be thoroughly explored and understood.

- Risk Management Initiative

The OFSC has implemented organized snowmobiling's first and only Risk Management Program to ensure that it can defend itself in claims of liability made against it. Using a rigorous program developed by lead consultants Strategic Risk Controllers, a coordinated, comprehensive system has been developed based on the Policies, Procedures and Proof necessary to an effective defence. Both the new "Use at Your Own Risk" signs and the recently published "Assumptions for OFSC Trail Use" are part of the new Risk Management protocols.

- Legislative Reform

The OFSC has identified specific changes to key legislation pertaining to trails, which would limit the liability of trail operators. The OFSC, its volunteers, member clubs, and landowners must be shielded from unreasonable liability related to the provision of trails if General Liability Insurance costs are to be stabilized and controlled. This information has been presented to key government officials at the highest level. Meetings are ongoing with: Ministry of Finance, Insurance Commissioner of Ontario, International Snowmobile Manufacturers Association, Financial Services Commission of Ontario, Insurance Bureau of Canada, Ministry of Tourism and many others. There is broad agreement that the legislative changes necessary to control bodily injury and accident benefits costs for automobile claims will also improve the snowmobile insurance picture. The OFSC is currently trying to establish new contacts with the Liberal Government to move this agenda forward.

PERSONAL SLED INSURANCE AND GENERAL LIABILITY INSURANCE ARE CLOSELY LINKED.

Without General Liability Insurance, there would be no trails to ride and therefore, limited use for Personal Sled Insurance. Each are adversely impacted by the current "hard market" for insurance. Changes in one can make the other more expensive or harder to obtain, or more vulnerable to claims.

The individual sled owner pays the cost of Personal Sled Insurance directly to the insurer. Part of the cost of General Liability Insurance is reflected in the permit fee and so is paid indirectly by each snowmobiler when a permit is purchased. So while snowmobilers have always paid for each of these two coverages, premium increases on each front mean that consumers are now paying considerably more to go snowmobiling. The cost per permit for insurance has gone from \$3.00 in 2000/01 to \$41.00 in 2003/04.

ECONOMIC IMPACT OF SNOWMOBILING

Ontario recreational snowmobiling has an annual economic impact exceeding \$1 billion. The contribution of snowmobiling to the rural winter economies of many snow-belt communities is very significant.

Snowmobiling's economic impact is based on the tourism values derived from the 44,000 kilometre, integrated snowmobile trail network created and maintained by the volunteers in 260 community-based OFSC member snowmobile clubs. The continuation of this economic impact is dependent on the existence of snowmobile trails and the presence of snowmobilers who can afford to ride them. The two separate, but related, Personal Sled and General Liability Insurance challenges threaten the future of organized recreational snowmobiling and the economic tourism impact it generates.

CONCLUSION

Organized snowmobiling in Ontario is at a serious crossroads. The solutions to the insurance crisis are within the scope of the Provincial Government. That's why the snowmobile media (Snowtrax Television, Snowmobiler Television, Ontario Snowmobiler, Snow Goer Canada and Supertrax International magazines) and the sled manufacturers (Bombardier, Yamaha, Polaris and Arctic Cat) have partnered with the OFSC to launch the **Save Ontario Snowmobiling** Campaign.

Send an SOS to Government about Insurance Costs!

Countless snowmobilers have been extremely frustrated and complaining loudly about the high cost of the insurance associated with snowmobiling. Many snowmobilers have been asking what can be done about it. Many having been asking what the OFSC is doing. Many have asked what they can do...

Save Ontario Snowmobiling (SOS) is the name of a new public awareness and lobbying campaign launched by the OFSC with tremendous support from the snowmobile media and the sled manufacturers. SOS is intended to mobilize your power as an individual snowmobiler to tell the Provincial Government that organized snowmobiling needs help fast with insurance.

You can vent your anger at what high premiums are doing to our sport in two ways:

1. ON LINE

Go on line at any of the listed web sites and click on the SOS pop up. This will link you to the OFSC web site where you will find a form email to send to your MPP and another link to locate your MPP's email address. Follow the simple instructions to send the email to your MPP. Please only send one per snowmobiler, but do send one for every voting-age snowmobiler in your family.

www.snowtraxtv.com
www.snowmobilertv.com

www.ontariosnowmobiler.com
www.snowgoercanada.com
www.supertraxmag.com

2. MAIL IN CARD

The next issues of Ontario Snowmobiler Magazine, Snow Goer Canada and Supertrax International will each contain a one page ad explaining the SOS Campaign and a Mail In Card addressed to the Minister of Tourism for you to sign and send in. There are two cards in each issue, so please give the other one to a family member or friend. These Mail In Cards should also be available at many snowmobile dealers.

Who Should Participate in SOS?

Every snowmobiler in Ontario should join in. The SOS Campaign is your chance to be heard. So stop complaining and act now to help snowmobiling speak with a strong, unified voice. Please tell your friends about the SOS Campaign so they can participate too. Help **Save Ontario Snowmobiling** today!

All of those employed in the hospitality or snowmobile industries who depend on snowmobiling for their winter livelihood should also make themselves heard. So should Municipal Councils, Chambers of Commerce, and Tourism and Economic Development Offices. In fact, the more folks in rural snow belt Ontario who participate, the louder the SOS message will be!

Save Ontario Snowmobiling Partners

The Ontario Federation of Snowmobile Clubs thanks the following for partnering in the **Save Ontario Snowmobiling** Campaign. Snowtrax Television, Snowmobiler Television, Ontario Snowmobiler, Snow Goer Canada and Supertrax International magazines, and the sled manufacturers (Bombardier, Yamaha, Polaris and Arctic Cat) for providing financial support.