

Service Disruption Notice

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Auto Insurance Rates for the Fourth Quarter of 2012

This notice provides an overview of the private passenger automobile insurance rate filings that are approved by the Financial Services Commission of Ontario (FSCO) each quarter. The number of filings reviewed by FSCO and the overall rate change for the Ontario market may vary from quarter to quarter, based on updated information about claims costs, market conditions and other financial factors and the resulting impact that these factors have on the adequacy of an insurance company's current rates.

Rate filings approved during the fourth quarter of 2012 (October 1, 2012 to December 31, 2012) remained flat, averaging +0.02%, based on the entire market. As a result, auto insurance rates declined on average by 0.26% in 2012.

Approved rate changes for this quarter and the dates they take effect are shown in Table 1.

Individual Rates

The approved rate change shown for each insurance company is the average for that company, based on all the drivers it insures. An individual policyholder may experience a rate change that is either higher or lower than the average, depending on several factors, such as:

- the vehicle insured,
- where he or she lives and other risk factors,
- choices made by the policyholder on coverages purchased and deductible or liability limits.

Also, as most policyholders purchase annual policies, the rate change from the last renewal will also reflect any changes approved for the insurer in the last year.

Consumers are urged to shop around for auto insurance. Ontario has a very competitive marketplace. Prices for the same coverage vary based on each insurer's claims experience and the insurer's rating system.

FSCO has [several resources](#) to help consumers better understand auto insurance, including an [Understanding Rates/ Interactive Tool](#) and [tips on shopping around and saving on auto insurance](#).

FSCO's Rate Approval Process

Insurers must submit proposed changes to their rates to FSCO for approval along with supporting actuarial data.

FSCO and its actuaries review this data and insurers' assumptions regarding claims costs, expenses and investment income to ensure that the proposed rates are:

- just and reasonable,
- not excessive, and
- not going to impair a company's long-term financial solvency.

As a result of FSCO's review, an insurance company may be required to amend its proposed rates before the rates are approved.

Rate Changes by Coverage

Most premium dollars go towards paying for claims for people injured in car accidents. Persons injured can make a claim for Accident Benefits if injured, regardless of fault.

In some cases, seriously injured parties can also make a claim by launching a lawsuit against the at-fault driver. These claims are paid under the Third Party Liability – Bodily Injury coverage of an automobile insurance policy. These two coverages account for over 65% of claims costs, as shown in Graph 1 included below.

When an insurance company adjusts its rates for any given coverage, it means that the company has experienced a change in the claims costs for that coverage. For example, an increase in rates for Third Party Liability - Bodily Injury coverage would indicate that an insurer has experienced a higher number or higher average cost of bodily injury claims. A company must provide claims costs data to FSCO when proposing a rate change for any coverage.

It is important to understand the coverages available to consumers under an automobile insurance policy in Ontario. FSCO has a number of consumer-friendly descriptions of these coverages available on its [website](#).

Automobile Insurance Reforms

High claims costs between 2007 and 2010 resulted in significantly higher premiums for Ontario drivers. These claims costs and premium increases stemmed partly from the overutilization of accident benefits through misuse, abuse and apparent fraud.

The government passed regulations to enact auto insurance reforms effective September 1, 2010. The reforms were designed to reduce fraud, abuse and waste in the auto insurance system which contribute to increased claims costs and lead to consumers paying higher premiums.

In addition, in 2011 the government launched the Auto Insurance Anti-Fraud Task Force to develop collaborative solutions with stakeholders to tackle fraud in the system and reduce claims costs. In November 2012, the task force released its [final report](#)  containing 38 targeted recommendations in four key areas: prevention; detection; enforcement; and regulatory roles.

FSCO continues to work with government and stakeholders to make changes that will crack down on auto insurance fraud, benefit drivers by helping to lower premiums, and ensure people hurt in auto accidents get the treatment they need.

Awareness is a vital part of combating auto insurance fraud in Ontario. FSCO has [resources](#) for consumers on detecting and avoiding fraud.

Table and Graph

Table 1

ONTARIO PRIVATE PASSENGER AUTOMOBILE
INSURANCE RATE FILINGS APPROVED
October 1, 2012 to December 31, 2012

Insurer		2011 Market Share	Effective New Business Date	Effective Renewal Business Date	Approved Rate Change
	Aviva Insurance Company of Canada (2)	5.22%	1-Nov-12	1-Nov-12	2.40%
	CAA Insurance Company (Ontario)	1.23%	1-Jan-13	15-Feb-13	-0.99%
	Economical Mutual Insurance Company	3.25%	1-Jan-13	1-Mar-13	-0.37%
	Intact Insurance Company (2)	9.91%	1-Jan-13	1-Jan-13	0.52%
	Jevco Insurance Company	1.29%	1-Jan-13	1-Feb-13	-9.34%
	Primmum Insurance Company	1.79%	15-Apr-13	30-Apr-13	-5.17%
	Royal & SunAlliance Insurance Company of Canada	1.39%	1-Jan-13	20-Feb-13	-2.05%
	Scottish & York Insurance Co. Limited (2)	0.81%	1-Nov-12	1-Nov-12	1.40%

Security National Insurance Company (1)	6.22%	15-Apr-13	30-Apr-13	0.00%
State Farm Mutual Automobile Insurance Company (1)	11.66%	1-Feb-13	1-Feb-13	0.00%
TD General Insurance Company (1)	1.56%	15-Apr-13	30-Apr-13	0.00%
TD Home and Auto Insurance Company	2.05%	15-Apr-13	30-Apr-13	-4.85%
Traders General Insurance Company (2)	2.19%	1-Nov-12	1-Nov-12	0.60%
Trafalgar Insurance Company of Canada (2)	1.32%	1-Feb-13	1-Feb-13	0.50%
Trafalgar Insurance Company of Canada	1.32%	1-Apr-13	1-Apr-13	-0.13%
Unifund Assurance Company (3)	4.18%	13-Feb-13	1-Apr-13	-0.79%
Wawanesa Mutual Insurance Company, The	4.45%	1-Feb-13	1-Feb-13	4.87%

1. Rate changes with no overall impact.
2. Annual rate cap filing impact – The filing includes the estimated residual impact of a previously approved rate filing that introduced rate capping procedures. The purpose of rate capping is to minimize the rate change for a particular risk over a period of time.
3. Implementation of CLEAR.

Graph 1

