Auto Insurance Rates for the Fourth Quarter of 2013

This notice provides an overview of the private passenger automobile insurance rate changes approved or ordered by the Financial Services Commission of Ontario (FSCO) for filings reviewed in the fourth quarter of 2013. 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.

Amendments to Automobile Insurance Rate Stabilization Act, 2003

Amendments to the Automobile Insurance Rate Stabilization Act, 2003 (AIRSA) were proclaimed in force effective August 16, 2013. See FSCO **Auto Bulletin A-04/13** for more information. Section 7 of AIRSA authorizes the Superintendent to order insurers to file applications for approval of their rates and risk classification systems.

Rates for filings reviewed in the fourth quarter of 2013 declined on average by 3.98%, based on the entire market. FSCO's typical quarter end of December 31, 2013 was extended to January 15, 2014 because the December ice storm in Toronto caused the closure of FSCO's offices for several days.

Rate changes for this quarter and effective dates are shown in Table 1.

Individual Rates

The 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 experiences 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, as required by law, the proposed rates are:

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

Following 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 collected by insurers go towards paying for claims for people injured in car accidents. Insured persons injured can make a claim for Accident Benefits, 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 66.4% 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 Cost and Rate Reduction Strategy

The **2013 Ontario Budget** announced an **Auto Insurance Cost and Rate Reduction Strategy** aimed at reducing premiums by 15 per cent on average for Ontario drivers by August 2015. This strategy builds on the government's **2010 reforms** and a series of **fraud prevention regulatory amendments** in January 2013. Further regulation changes were made by the government in December 2013.

In support of the Auto Insurance Anti-Fraud Task Force's **Final Report**, FSCO continues to work with government and stakeholders to make changes that will crack down on auto insurance fraud, increase road safety and ensure people hurt in auto accidents get the treatment they need to recover.

Awareness is a vital part of combating auto insurance fraud in Ontario. FSCO has **information** for consumers on detecting and avoiding fraud.

Table and Graph

Table 1

ONTARIO PRIVATE PASSENGER AUTOMOBILE INSURANCE RATE FILINGS APPROVED
October 1, 2013 to December 31, 2013

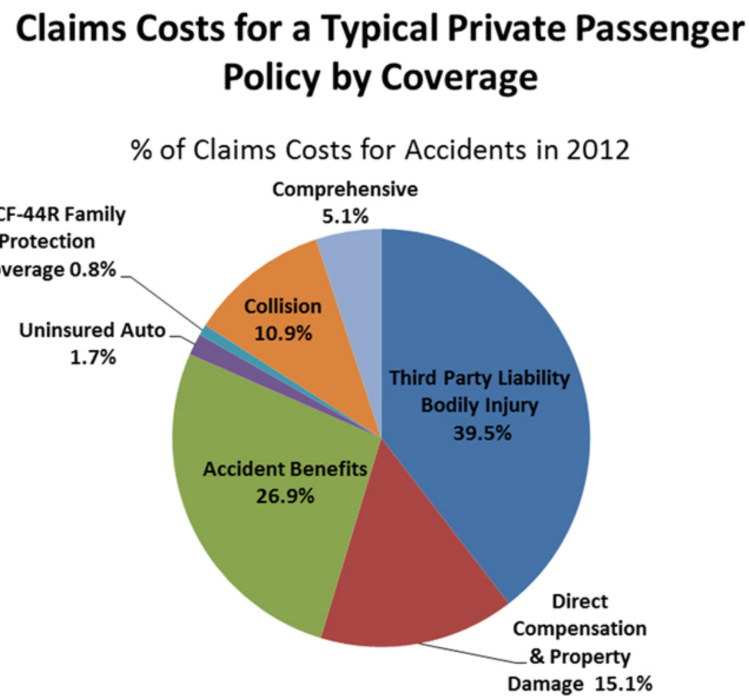
Insurer	2012 Market Share (%)	Effective New Business Date	Effective Renewal Business Date	Approved Rate Change (%)
Allstate Insurance Company of Canada	4.10	1-May-14	1-Jul-14	-14.00
Aviva Insurance Company of Canada	5.67	1-Mar-14	1-Apr-14	-8.51
Belair Insurance Company Inc.	0.08	15-Mar-14	1-May-14	-3.85
Certas Direct Insurance Company	2.61	10-Jan-14	13-Mar-14	-7.32

	Certas Home and Auto Insurance Company	0.02	10-Jan-14	13-Mar-14	-8.40
	Coachman Insurance Company (1)	0.46	1-Jan-14	1-Jan-14	-0.38
	Dominion of Canada General Insurance Company (1)	4.95	20-Dec-13	5-Feb-14	-0.98
	Dominion of Canada General Insurance Company	4.95	20-Dec-13	5-Feb-14	0.43
	Echelon General Insurance Company	0.75	1-May-14	1-May-14	-8.70
	Economical Mutual Insurance Company (1)	3.24	1-Nov-13	31-Dec-13	-0.98
	Economical Mutual Insurance Company	3.24	15-Mar-14	15-May-14	-10.10
	Farmers' Mutual Insurance Company (Lindsay)	0.35	1-Feb-14	1-Mar-14	-8.83
	Hartford Fire Insurance Company (1)	0.00	1-Jan-14	1-Jan-14	-2.28
	Intact Insurance Company (2)	9.66	1-Jan-14	1-Jan-14	0.32
	Intact Insurance Company	9.66	1-Apr-14	1-May-14	-5.45
	Nordic Insurance Company of Canada, The	2.86	15-Mar-14	1-May-14	-5.60
	North Waterloo Farmers Mutual Insurance Company	0.29	1-May-14	1-May-14	-6.57
	Northbridge General Insurance Corporation (1)	0.01	1-Dec-13	1-Jan-14	-0.85
	Northbridge Personal Insurance Corporation (1)	0.81	1-Dec-13	1-Jan-14	-0.41
	Novex Insurance Company	0.90	1-Apr-14	1-May-14	-5.00
	Pafco Insurance Company	0.71	1-May-14	1-Jul-14	-14.50
	Pembridge Insurance Company	1.05	1-May-14	1-Jul-14	-12.00
	Personal Insurance Company, The	3.42	10-Jan-14	13-Mar-14	-5.90
	Perth Insurance Company (1)	0.74	1-Nov-13	31-Dec-13	-0.51
	Perth Insurance Company	0.74	15-Mar-14	15-May-14	-15.00
	Royal & SunAlliance Insurance Company of Canada	1.32	1-Apr-14	1-May-14	-9.20
	Scottish & York Insurance Co. Limited	0.79	1-Mar-14	1-Apr-14	-11.53
	State Farm Mutual Automobile Insurance Company	10.66	1-Aug-14	1-Aug-14	0.00
	Tokio Marine and Nichido Fire Insurance Company Limited (1)	0.00	1-Dec-13	1-Jan-14	-0.75
	Traders General Insurance Company	2.12	1-Mar-14	1-Apr-14	-10.54
	Trafalgar Insurance Company of Canada (2)	1.18	1-Feb-14	1-Feb-14	0.29
	Trafalgar Insurance Company of Canada	1.18	1-Apr-14	1-May-14	-1.76
	Waterloo Insurance Company (1)	0.72	1-Nov-13	31-Dec-13	-1.16
	Waterloo Insurance Company	0.72	15-Mar-14	15-May-14	-13.60
	Wawanesa Mutual Insurance Company (1)	4.49	1-Jan-14	1-Jan-14	-0.63
	Wawanesa Mutual Insurance Company	4.49	1-Mar-14	1-Mar-14	-5.10
	Western Assurance Company	1.18	1-Apr-14	1-May-14	-13.60
	Zenith Insurance Company (1)	0.41	1-Dec-13	1-Jan-14	-0.44
	Zurich Insurance Company (1)	0.00	1-Nov-13	1-Dec-13	-8.09

1. Implementation of CLEAR update.
2. Annual rate cap filing impact – These anniversary capping reports were reviewed in this quarter. The chart shows 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. The effective dates for anniversary filings are based on the effective dates in the original rate filing.

Graph 1



2012 GISA Automobile Statistical Plan AUTO1005 Private Passenger excluding Farmers Actual Loss Ratio Exhibit