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Auto Insurance Rates for the First Quarter of 2014

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 first quarter of 2014. The number of filings reviewed by FSCO and the overall average 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.

Average Rate Changes

Approved rates declined on average by 5.01% for the 14 insurers' rate filings that were approved in the first quarter of 2014. These insurers account for 20.22% of the market based on premium volume. When applied across the entire market, approved rates declined on average by 1.01%. Rate changes approved for each insurer this quarter and effective dates of the rate changes are shown in Table 1.

The corresponding figures for the fourth quarter of 2013 were an average reduction of 7.27% for 38 insurer rate filings that were approved. These insurers account for 54.89% of the market based on premium volume. The impact when applied across the entire market was a reduction of 3.98%, as reported for the fourth quarter of 2013.

Individual Rates

The rate change shown for each insurance company is the average for that company, based on all the drivers it insures. It is important for consumers to understand that the average rate changes reported are a strong indicator of the direction of premiums in the upcoming policyholder renewal cycle.

However, an individual policyholder may experience a rate change that is either higher or lower than the industry-wide average rate change, or the average rate change for a particular insurer, depending on several factors, such as:

- the vehicle insured;
- where he or she lives, driving experience; and at-fault accident and conviction history of drivers, whether the vehicle is used for pleasure or commuting, and other risk factors;
- choices made by the policyholder on coverages purchased and deductible or liability limits.

Also, as most policyholders purchase annual policies, any changes approved for the insurer and effective prior to the policy renewal date, or changes in the policyholder's circumstances from the last renewal (e.g., at-fault accident), will impact the policyholder's rate at renewal.

Consumers are urged to shop around for auto insurance. Ontario has a very competitive marketplace. Rates 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, as required by law, the proposed rates are:

- just and reasonable;

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- not excessive;
- 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 they are approved.

Most premium dollars collected by insurers go towards paying for claims for people injured in car accidents. Insured persons who are 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 a particular 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 cost and rate reduction strategy builds on the government's 2010 reforms and includes further measures aimed at reducing costs in the auto insurance system, such as:

- additional amendments to the Statutory Accident Benefits Schedule effective on February 1, 2014;
- additional regulations governing the licensing of health service providers who invoice auto insurers directly;
- introduction of the Fighting Fraud and Reducing Automobile Insurance Rates Act on March 4, 2014 that proposes to: transform the dispute resolution system based on expert recommendations; reduce the amount of time a vehicle can be stored, accruing charges after an accident without notice to the driver, from 60 days to a shorter timeframe; and reduce pre-judgement interest on pain and suffering awards from 5% to an interest rate based on current market conditions.

Awareness is a vital part of combating auto insurance fraud in Ontario. FSCO has information for consumers on its **website** on detecting and avoiding fraud in order to lower premiums, including a fraud hotline.

Table and Graph

Table 1

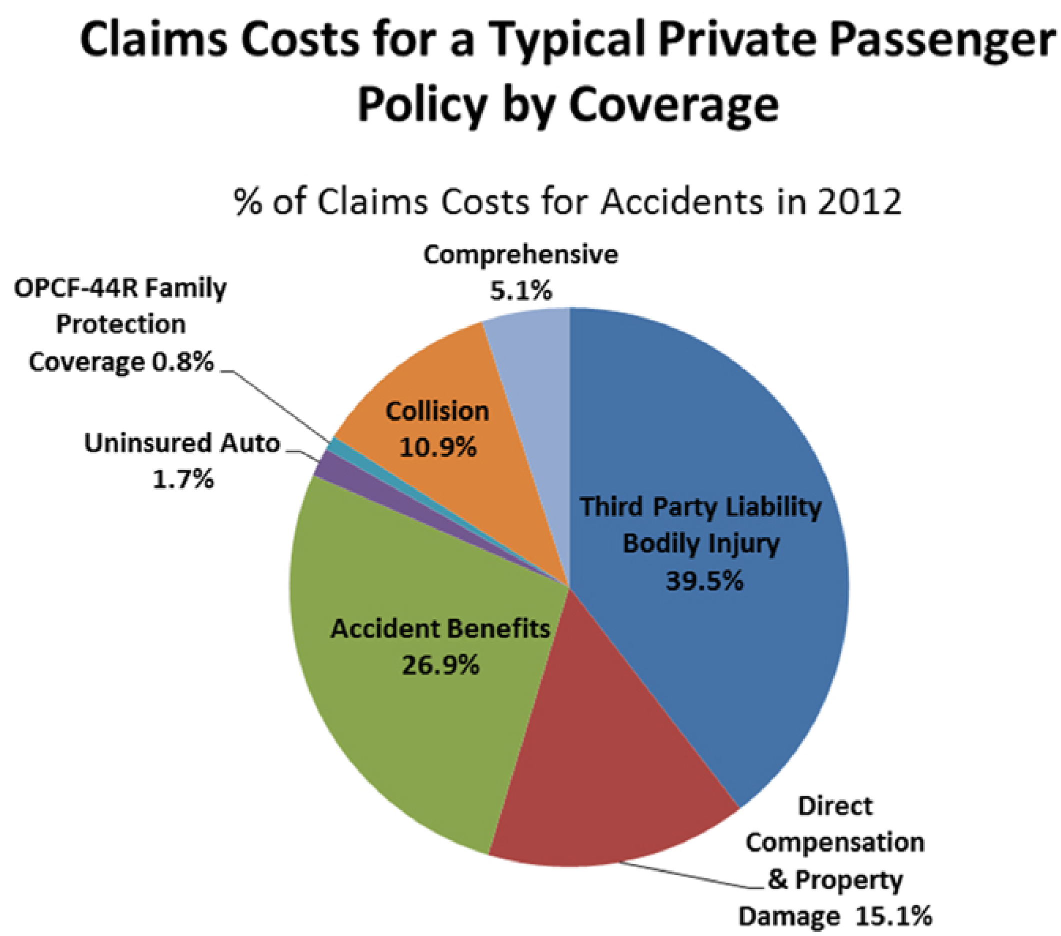
ONTARIO PRIVATE PASSENGER AUTOMOBILE INSURANCE RATE FILINGS APPROVED / ORDERED
Filings reviewed January 1, 2014 to March 31, 2014

Insurer	2012 Market Share (%)	Effective New Business Date	Effective Renewal Business Date	Approved Rate Change (%)
Coachman Insurance Company	0.46	1-Jul-14	1-Jul-14	-12.48
Co-operators General Insurance Company	3.89	1-Feb-14	1-Feb-14	-0.68
Co-operators General Insurance Company	3.89	1-Jul-14	1-Jul-14	-5.30
Coseco Insurance Company	1.08	1-Jun-14	1-Jul-14	-3.60
Cumis General Insurance Company	0.37	1-Jun-14	1-Jul-14	-13.60
Farm Mutual Reinsurance Plan Inc. (on behalf of Ontario Mutuals)	1.83	1-Jul-14	1-Jul-14	-8.14

Gore Mutual Insurance Company	1.56	1-Apr-14	1-Jun-14	-10.24
Guarantee Company of North America, The	0.65	1-Jul-14	1-Jul-14	-8.08
Jevco Insurance Company (1)	1.34	1-Feb-14	1-Feb-14	2.27
Jevco Insurance Company	1.34	1-Jul-14	1-Jul-14	-8.10
RBC General Insurance Company	3.14	27-Apr-14	11-Jul-14	-4.53
RBC Insurance Company of Canada	1.15	27-Apr-14	11-Jul-14	-4.53
Unica Insurance Inc.	0.53	1-Jul-14	1-Jul-14	-6.29
Unifund Assurance Company (1)	4.22	1-Apr-14	1-Apr-14	0.78
Insurers with Rate Changes in Quarter	20.22			-5.01
Total Market Impact	100.00			-1.01

1. 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