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Auto Insurance Rates for the Third 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 third 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

Nine insurers, representing 26.65% of the market based on premium volume, had rates approved in the third quarter of 2014. Approved rates decreased on average by 0.11% when applied across the total market. Rate changes approved for each insurer this quarter and effective dates of the rate changes are shown in Table 1.

This compares to an increase of 0.22% on average for the second quarter of 2014.

Individual Rates

The rate change shown for each insurance company is the average for that company, based on all the drivers it insures. 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 since their last renewal (e.g., at-fault accidents, driving convictions, etc.), 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;
- not excessive;
- not going to impair a company's financial solvency.

<http://www.fSCO.gov.on.ca/en/auto/rates/Pages/q3-2014.aspx>[12/18/2014 1:29:56 PM]

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 (AB), 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 (TPL) coverage of an automobile insurance policy. The AB and TPL coverages account for 63.8% of claims costs, as shown in Graph 1.

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 TPL 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 Ontario Government's cost and rate reduction strategy, announced in the 2013 Ontario Budget, builds on the government's 2010 reforms and includes further measures aimed at reducing costs and fraud in the auto insurance system, such as:

- additional amendments to the Statutory Accident Benefits Schedule effective on February 1, 2014, and
- requiring licenses for health service providers that receive direct payment from auto insurers for treatment provided to auto accident victims.

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

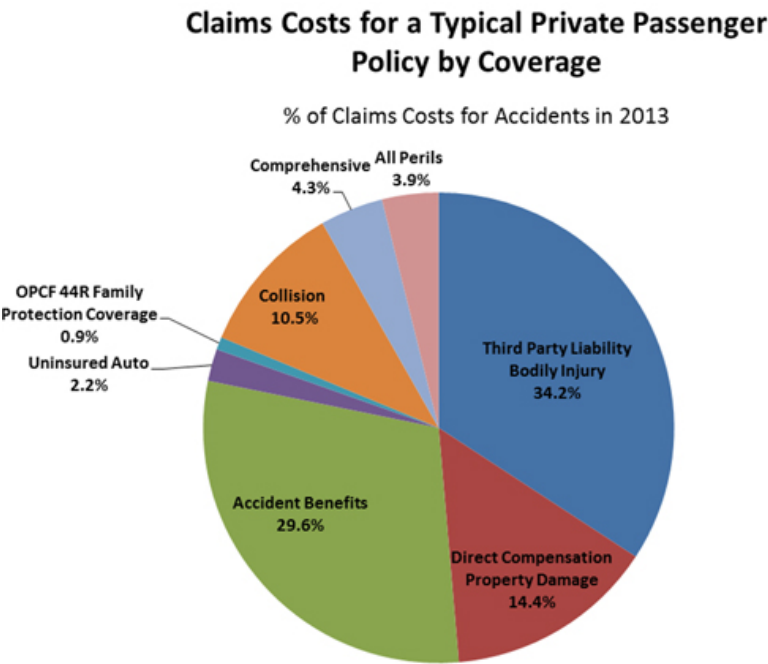
Table 1

Ontario Private Passenger Automobile
Insurance Rate Filings Approved/Ordered

Filings reviewed July 1, 2014 to September 30, 2014

Insurer	2013 Market Share (%)	Effective New Business Date	Effective Renewal Business Date	Approved Average Rate Change (%)
Allstate Insurance Company of Canada	4.52	2-Oct-14	5-Nov-14	2.50
CAA Insurance Company (Ontario)	1.34	1-Apr-15	1-Jun-15	-0.03
Commonwell Mutual Insurance Group, The	0.35	1-Sep-14	1-Oct-14	-4.88
Pembridge Insurance Company	1.30	6-Oct-14	13-Nov-14	5.13
Primum Insurance Company	2.00	1-Nov-14	1-Nov-14	-4.21
State Farm Mutual Automobile Insurance Company	9.82	20-Nov-14	20-Nov-14	-3.10
TD General Insurance Company	0.88	1-Nov-14	1-Nov-14	2.20
TD Home and Auto Insurance Company	2.46	1-Nov-14	1-Nov-14	3.79
Unifund Assurance Company	3.98	1-Nov-14	1-Dec-14	0.05

Graph 1



2013 GISA Automobile Statistical Plan AUTO1005 Private Passenger excluding Farmers Actual Loss Ratio Exhibit