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Auto Insurance Rates for the Fourth 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 fourth 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

Sixteen insurers, representing 46.81% of the market based on premium volume, had rates approved in the fourth quarter of 2014. Approved rates decreased on average by 0.54% 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 a decrease of 0.11% on average for the third 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.

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 initiated a cost and rate reduction strategy in the 2013 Ontario Budget. This strategy builds on the 2010 reforms and includes further measures aimed at reducing costs and fraud in the auto insurance system.

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

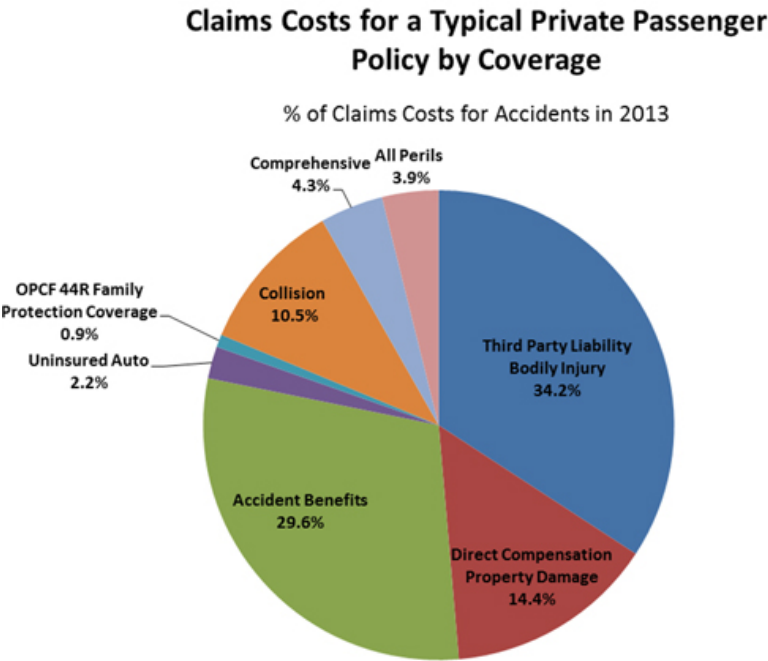
Filings reviewed October 1, 2014 to December 31, 2014

Insurer	2013 Market Share (%)	Effective New Business Date	Effective Renewal Business Date	Approved Average Rate Change (%)
Allstate Insurance Company of Canada (4)	4.52	31-Mar-15	31-May-15	0.00
Aviva Insurance Company of Canada (4)	5.74	1-Mar-15	15-Apr-15	0.00
Certas Home and Auto Insurance Company (3)	9.84	1-Jan-15	1-Jan-15	0.00
Co-operators General Insurance Company	3.94	1-Dec-14	1-Dec-14	-0.10
Intact Insurance Company (1)	10.24	1-Jan-15	1-Jan-15	0.38
Intact Insurance Company	10.24	5-Jan-15	7-Feb-15	-2.83
Jevco Insurance Company	0.90	5-Jan-15	7-Feb-15	-0.07
Novex Insurance Company	1.00	5-Jan-15	7-Feb-15	-2.89
Pilot Insurance Company (2)	0.00	20-Oct-14	n/a	n/a
Pilot Insurance Company (4)	0.00	1-Mar-15	15-Apr-15	0.00
Royal & SunAlliance Insurance Company of Canada (4)	1.18	1-Dec-14	20-Jan-15	0.00
Scottish & York Insurance Co. Limited (4)	1.14	1-Mar-15	15-Apr-15	0.00
Traders General Insurance Company	1.90	1-Mar-15	15-Apr-15	-0.27

Trafalgar Insurance Company of Canada (1)	1.17	1-Feb-15	1-Feb-15	0.27
Wawanesa Mutual Insurance Company, The	4.00	1-Mar-15	1-Mar-15	-6.44
Western Assurance Company (4)	1.24	1-Dec-14	20-Jan-15	0.00
Total Market Impact				-0.54

- 1. Annual rate cap filing impact – This anniversary capping report was 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 filing are based on the effective dates in the original rate filing.
- 2. Introduction of the new rate program.
- 3. Transfer of State Farm business.
- 4. Rate changes with no overall impact.

Graph 1



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