Auto Insurance Rates for the Second Quarter of 2017

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 second quarter of 2017. 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

Twenty two insurers representing 54.90% of the market based on premium volume had rates approved in the quarter. Approved rates increased on average by 0.76% 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 1.24% on average for the first quarter of 2017.

Individual Rates

The rate change shown for each insurance company is the average for that company, based on all the drivers it insures.

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
- at-fault accident and conviction history of drivers
- whether the vehicle is used for pleasure or commuting, and
- 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), 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, and
- 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 56.2% 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 and has continued on a path of reforms aimed at reducing costs and increasing consumer protection through successive budgets in 2014 and 2015. Changes effective June 1, 2016, included reductions to the compulsory standard Accident Benefits coverage, with the continued ability for consumers to buy optional benefits. The cost and rate reduction 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 combatting auto insurance fraud. FSCO has a fraud hotline and information for consumers about detecting and avoiding fraud on its website.

Table 1

Ontario Private Passenger Automobile Insurance Rate Filings Approved/Ordered

Filings reviewed April 1, 2017 – June 30, 2017

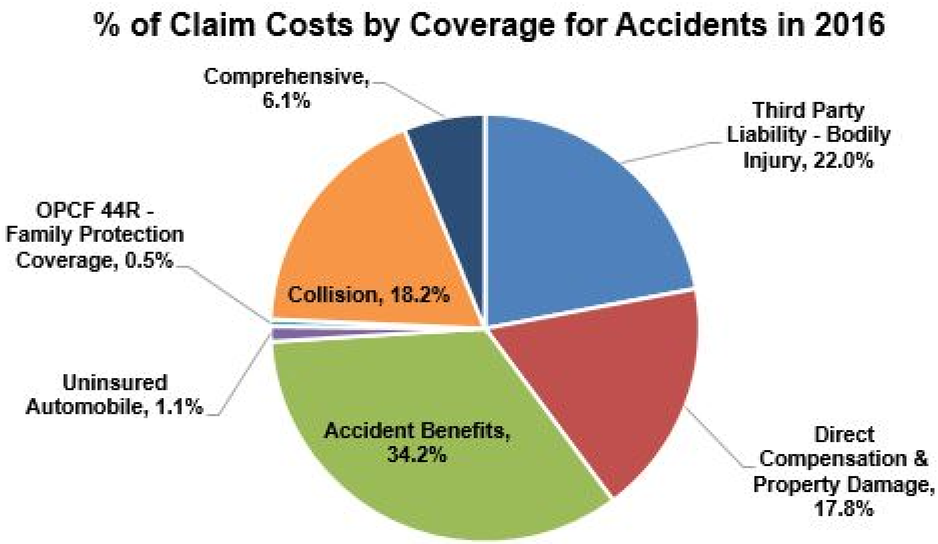
Insurer	2016 Market Share (%)	Effective New Business Date	Effective Renewal Business Date	Approved Average Rate Change (%)
Allstate Insurance Company of Canada	5.60	26-Jun-2017	26-Jun-2017	1.47
Belair Insurance Company Inc. (3) (4)	4.99	1-Jun-2017	1-Jun-2017	0.03

Belair Insurance Company Inc. (4)	4.99	7-May-2017	30-Jun-2017	2.38
Certas Direct Insurance Company	2.61	7-Jul-2017	7-Sep-2017	-0.97
Dominion of Canada General Insurance Company, The	3.69	15-Aug-2017	15-Sep-2017	0.22
Economical Mutual Insurance Company	3.61	2-Jul-2017	28-Jul-2017	7.13
Esurance Insurance Company of Canada (1)	0.00	14-Jun-2017	N/A	N/A
Farm Mutual Reinsurance Plan Inc. (on behalf of Ontario Mutuals) (5)	1.67	1-Nov-2017	1-Nov-2017	0.00
Hartford Fire Insurance Company (2)	0.00	1-Jul-2017	1-Jul-2017	0.00
Heartland Farm Mutual Inc. (3)	0.34	1-Aug-2017	1-Aug-2017	4.10
Heartland Farm Mutual Inc.	0.34	15-Aug-2017	15-Oct-2017	3.88
Intact Insurance Company	10.04	23-May-2017	23-Jun-2017	0.01
Liberty Mutual Insurance Company (1)	0.00	1-Jul-2017	N/A	N/A
Nordic Insurance Company of Canada, The (2)	0.00	7-May-2017	30-Jun-2017	0.00
Nordic Insurance Company of Canada, The (3)	0.00	1-Jun-2017	1-Jun-2017	0.44
Novex Insurance Company	1.02	23-May-2017	23-Jun-2017	0.01
Pafco Insurance Company	0.55	15-Jun-2017	15-Aug-2017	0.03
Pembridge Insurance Company	1.40	15-Jun-2017	15-Aug-2017	1.28
Personal Insurance Company, The (5)	3.89	7-Jul-2017	7-Sep-2017	0.00
Primmum Insurance Company (2)	1.62	29-May-2017	30-Jul-2017	0.00

Primmum Insurance Company (5)	1.62	25-May-2017	25-May-2017	0.00
Security National Insurance Company (2)	7.05	29-May-2017	30-Jul-2017	0.00
Security National Insurance Company (5)	7.05	25-May-2017	25-May-2017	0.00
TD General Insurance Company (2)	1.97	29-May-2017	30-Jul-2017	-0.61
TD General Insurance Company (3)	1.97	1-Jul-2017	1-Jul-2017	0.02
TD General Insurance Company (5)	1.97	25-May-2017	25-May-2017	0.00
Waterloo Insurance Company (2)	1.14	1-Jul-2017	1-Jul-2017	-1.04
Waterloo Insurance Company	1.14	2-Jul-2017	28-Jul-2017	8.97
Wawanesa Mutual Insurance Company, The	3.35	1-Sep-2017	1-Sep-2017	5.68
Zenith Insurance Company (3)	0.36	1-Jan-2017	1-Jan-2017	1.87
Total Market Impact				**0.76**

1. Introduction of a new rate program.
2. Implementation of Canadian Loss Experience Automobile Rating (CLEAR) update. CLEAR is the system used by the industry to assign private passenger vehicle rate groups to be used in rating, based on the estimated loss costs of different make, model and model year vehicles.
3. Annual rate cap filing impact – This anniversary capping report was reviewed in this quarter. The table 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.
4. Transfer of Nordic Insurance Company of Canada business.
5. Rate changes with no overall impact.

Graph 1



2016 GISA Automobile Statistical Plan AUTO1005
Private Passenger excluding Farmers Actual Loss Ratio Exhibit

NOTE: The above numbers may not add up to 100 per cent due to rounding.

Accessible Description of Graph 1:

Accident Benefits 34.2 per cent, Third Party Liability - Bodily Injury 22.0 per cent, Direct Compensation and Property Damage 17.8 per cent, Collision 18.2 per cent, Comprehensive 6.1 per cent, Uninsured Automobile 1.1 per cent, OPCF 44R Family Protection Coverage 0.5 per cent.