Auto Insurance Rates for the First Quarter of 2018

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 2018. 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, financial factors and the resulting impact that these factors have on the adequacy of an insurance company's current rates.

Average Rate Changes

Thirty-two insurers representing approximately 76 per cent of the market based on premium volume had rates approved in the quarter. Approved rates increased on average by 2.23 per cent 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 increase of 1.03 per cent on average for the fourth 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 costs 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 accounted for 56.2 per cent of claims costs in 2016, 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.

FSCO is monitoring two evolving trends that may be affecting auto insurance rates in Ontario. First, insurance companies are reporting an increase in claims costs related to property damage, in part because of the rising cost of repairing increasingly technologically advanced vehicles. Second, FSCO notes the growing concern related to distracted driving. As the number of accidents due to inattentive driving increases, so too do the claims costs. FSCO will continue to monitor any impact these trends have on insurance rates.

Table 1

Ontario Private Passenger Automobile Insurance Rate Filings Approved/Ordered

Filings reviewed January 1, 2018 – March 31, 2018

Insurer	2016 Market Share (%)	Effective New Business Date	Effective Renewal Business Date	Approved Average Rate Change (%)
AIG Insurance Company of Canada (2)	0.05	1-Jul-2018	29-Sep-2018	0.00
Allstate Insurance Company of Canada (5)	5.60	14-May-2018	1-Jul-2018	0.00

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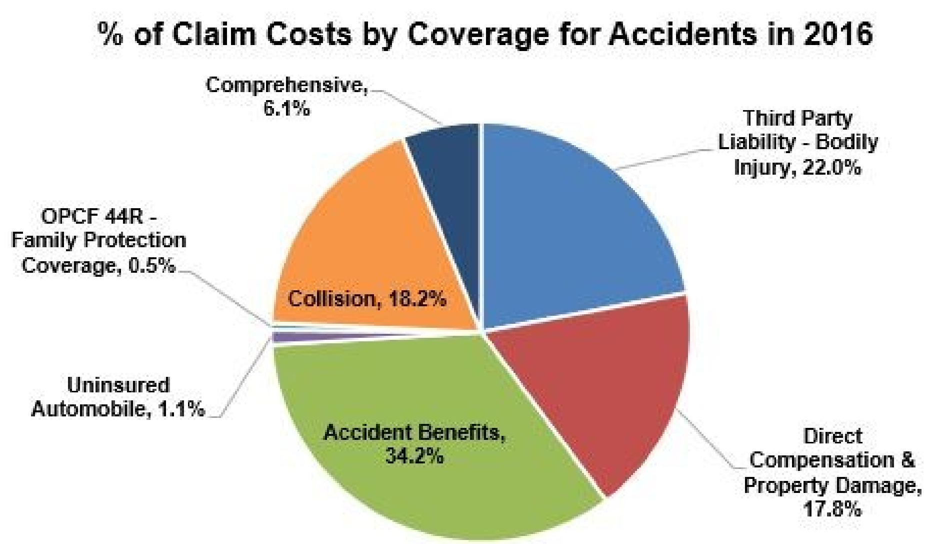
Belair Insurance Company Inc.	4.99	25-Jan-2018	21-Mar-2018	3.97
CAA Insurance Company (5)	1.30	15-May-2018	15-Jul-2018	0.00
CAA Insurance Company (2)	1.30	15-May-2018	1-Jul-2018	0.00
Certas Direct Insurance Company	2.61	29-Mar-2018	28-May-2018	7.70
Certas Home and Auto Insurance Company	10.61	29-Mar-2018	28-May-2018	4.79
Commonwell Mutual Insurance Group, The (2)	0.39	1-Jul-2018	1-Jul-2018	0.00
Co-operators General Insurance Company	4.72	19-Apr-2018	19-May-2018	2.50
Co-operators General Insurance Company (3)	4.72	19-May-2018	19-May-2018	0.88
COSECO Insurance Company	1.23	1-May-2018	1-Jun-2018	5.03
Dominion of Canada General Insurance Company, The	3.69	13-May-2018	13-May-2018	2.05
Farm Mutual Reinsurance Plan Inc. (on behalf of Ontario Mutuals) (2)	1.67	1-Jul-2018	1-Jul-2018	0.00
Gore Mutual Insurance Company (2)	1.57	1-Jul-2018	1-Jul-2018	0.00
Guarantee Company of North America, The	0.55	15-Apr-2018	15-Apr-2018	4.26
Heartland Farm Mutual Inc. (2)	0.34	1-Jul-2018	1-Jul-2018	0.00
Intact Insurance Company	10.04	11-Apr-2018	11-May-2018	5.12

Jevco Insurance Company	0.75	8-May-2018	8-Jun-2018	-0.01
Northbridge General Insurance Corporation (4)	0.61	1-Apr-2018	1-Apr-2018	0.00
Novex Insurance Company	1.02	11-Apr-2018	11-May-2018	6.01
Optimum Insurance Company Inc.	0.18	15-May-2018	5-Jun-2018	6.50
Pafco Insurance Company	0.55	15-Feb-2018	15-Apr-2018	3.94
Pafco Insurance Company (2)	0.55	1-Jul-2018	1-Sep-2018	0.00
Pembridge Insurance Company	1.40	15-Feb-2018	15-Apr-2018	0.83
Pembridge Insurance Company (2)	1.40	1-Jul-2018	1-Sep-2018	0.00
Personal Insurance Company, The	3.89	29-Mar-2018	28-May-2018	5.57
Portage La Prairie Mutual Insurance Company, The	0.19	1-May-2018	1-Jun-2018	4.81
Primmum Insurance Company (5)	1.62	30-Jan-2018	30-Jan-2018	0.00
S & Y Insurance Company	0.02	1-Apr-2018	1-Apr-2018	-1.26
Security National Insurance Company (5)	7.05	30-Jan-2018	30-Jan-2018	0.00
Sonnet Insurance Company	0.07	16-Jan-2018	28-Feb-2018	9.96
TD General Insurance Company (5)	1.97	30-Jan-2018	30-Jan-2018	0.00
Unica Insurance Inc.	0.55	18-May-2018	17-Jun-2018	2.47
Unica Insurance Inc. (2)	0.55	1-Jun-2018	1-Jul-2018	0.00
Unifund Assurance Company	3.05	1-Apr-2018	1-Jun-2018	4.35
	3.35	1-Jun-2018	1-Jun-2018	0.00

Wawanesa Mutual Insurance Company, The (1)				
Wawanesa Mutual Insurance Company, The (2)	3.35	1-Jul-2018	1-Jul-2018	0.00
Zenith Insurance Company (3)	0.36	1-Jan-2018	1-Jan-2018	0.24
Total Market Impact				**+2.23**

1. Rate changes with no overall impact.
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 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.
4. Transfer of Northbridge Personal Insurance Corporation business into Northbridge General Insurance Corporation.
5. Addition/change to the Usage Based Insurance Program.

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.