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Auto Insurance Rates for the Third Quarter of 2018

This notice provides an overview of the private passenger automobile insurance rate changes approved by the Financial Services Commission of Ontario (FSCO) for filings reviewed in the third 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

Twenty insurers, representing approximately 50 per cent of the market based on premium volume, had rates approved in the quarter. Approved rates will increase on average by 2.06 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 an increase of 1.11 per cent on average for rate changes approved in the second quarter of 2018.

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 52.4 per cent of claims costs in 2017, 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 July 1, 2018 – September 30, 2018

Insurer	2017 Market Share (%)	Effective New Business Date	Effective Renewal Business Date	Approved Average Rate Change (%)
Aviva General Insurance Company	5.34	2-Oct-2018	1-Nov-2018	6.30
Belair Insurance Company Inc.	5.19	16-Sep-2018	12-Nov-2018	5.00

Certas Direct Insurance Company (2)	2.80	5-Sep-2018	5-Sep-2018	2.80
Certas Home and Auto Insurance Company (3)	8.53	15-Oct-2018	14-Dec-2018	0.00
Chubb Insurance Company of Canada (including Mitsui Sumitomo Insurance Company, Limited and Federal Insurance Company)	0.44	1-Oct-2018	1-Jan-2019	5.28
Coachman Insurance Company	0.46	22-Aug-2018	22-Sep-2018	9.60
Dominion of Canada General Insurance Company, The	4.02	28-Aug-2018	23-Sep-2018	4.49
Echelon Insurance	0.65	1-Nov-2018	1-Nov-2018	7.84
Federated Insurance Company of Canada (1)	0.02	15-Nov-2018	15-Nov-2018	0.00
Heartland Farm Mutual Inc.	0.33	15-Oct-2018	15-Oct-2018	5.29
Intact Insurance Company	9.32	19-Sep-2018	19-Oct-2018	5.99
Jevco Insurance Company	0.77	14-Nov-2018	14-Dec-2018	11.60
Novex Insurance Company	1.04	19-Sep-2018	19-Oct-2018	6.00
Optimum Insurance Company Inc.	0.18	15-Nov-2018	1-Jan-2019	5.00
Pembridge Insurance Company (3)	1.48	16-Oct-2018	16-Dec-2018	0.00
Personal Insurance Company, The (2)	4.08	14-Nov-2018	14-Nov-2018	3.76
Royal & SunAlliance Insurance Company of Canada	1.07	1-Aug-2018	15-Sep-2018	2.50
Verassure Insurance Company (4)	0.00	1-Nov-2018	N/A	N/A
	3.35	1-Nov-2018	1-Nov-2018	4.00

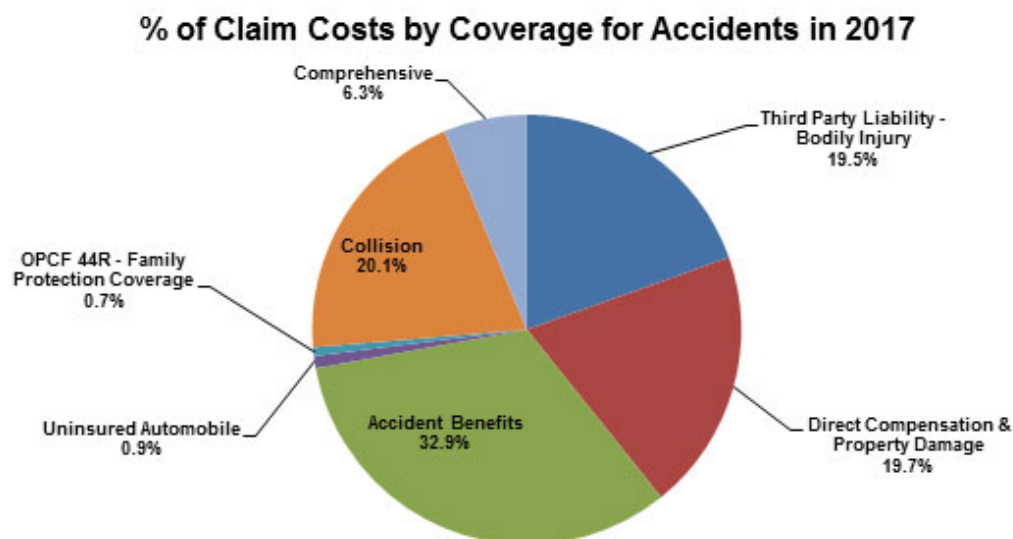
Wawanesa Mutual Insurance Company,
The

Western Assurance Company 1.08 1-Sep-2018 15-Oct-2018 3.79

Total Market Impact based on approved rates and market share +2.06 %

1. Rate changes with no overall impact.
2. 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.
3. Addition/change to the Usage-Based Insurance Program.
4. Introduction of a new rate program.

Graph 1



2017 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 32.9 per cent, Third Party Liability - Bodily Injury 19.5 per cent, Direct Compensation and Property Damage 19.7 per cent, Collision 20.1 per cent, Comprehensive 6.3 per cent, Uninsured Automobile 0.9 per cent, OPCF 44R - Family Protection Coverage 0.7 per cent.