Auto Insurance Rates for the Second Quarter of 2019

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 second quarter of 2019. 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

Eighteen insurers, representing approximately 46 per cent of the market based on premium volume, had rates approved in the quarter. Approved rates will increase on average by 1.99 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 2.70 per cent on average for rate changes approved in the first quarter of 2019.

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 continues to monitor two evolving trends that may be affecting auto insurance rates in Ontario. First, insurance companies are reporting an increase in claims costs for repairing 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.

Table 1

Ontario Private Passenger Automobile Insurance Rate Filings Approved/Ordered

Filings reviewed April 1, 2019 – June 30, 2019

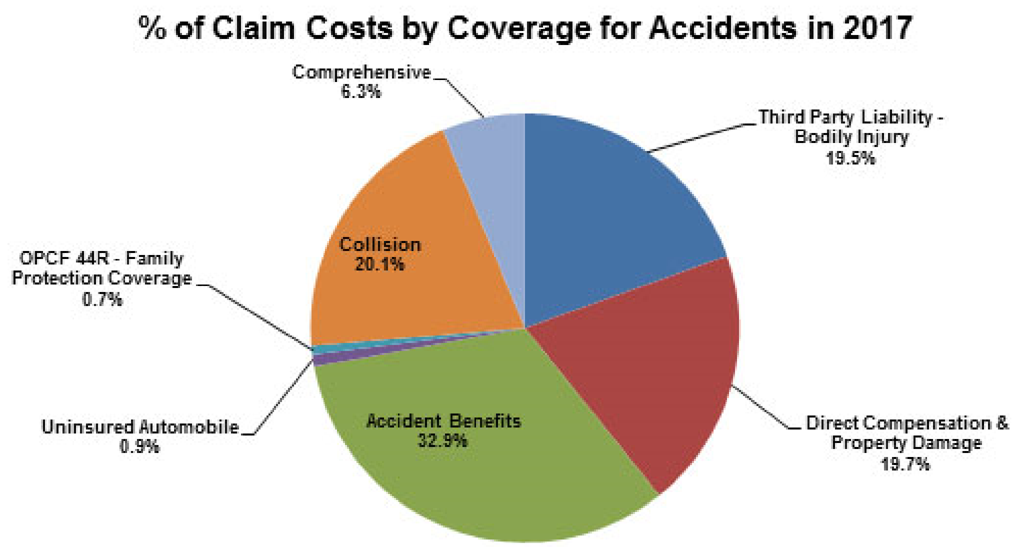
Insurer	2018 Market Share (%)	Effective New Business Date	Effective Renewal Business Date	Approved Average Rate Change (%)
Belair Insurance Company Inc.	4.85	13-Jun-2019	9-Aug-2019	5.02
CAA Insurance Company (1)	1.58	1-Sep-2019	1-Oct-2019	-1.20

Certas Home and Auto Insurance Company	9.29	19-Jul-2019	17-Sep-2019	2.33
Co-operators General Insurance Company (1)	5.52	10-Jul-2019	9-Aug-2019	0.00
CUMIS General Insurance Company (1)	0.41	1-Oct-2019	1-Oct-2019	0.00
Guarantee Company of North America, The	0.62	1-Aug-2019	1-Aug-2019	11.31
Intact Insurance Company	8.09	7-Aug-2019	7-Sep-2019	5.00
Novex Insurance Company	1.00	7-Aug-2019	7-Sep-2019	5.01
Pafco Insurance Company	0.32	1-Jun-2019	1-Aug-2019	1.40
Pembridge Insurance Company	1.77	15-May-2019	15-May-2019	0.40
Portage La Prairie Mutual Insurance Company, The (2)	0.18	1-Aug-2019	1-Sep-2019	0.00
Primmum Insurance Company	1.50	15-Jul-2019	15-Jul-2019	8.87
Royal & SunAlliance Insurance Company of Canada (1)(2)	1.09	20-May-2019	20-Jul-2019	0.00
Security National Insurance Company	6.57	15-Jul-2019	15-Jul-2019	8.81
Sonnet Insurance Company	0.74	6-Jul-2019	18-Aug-2019	20.04
Sovereign General Insurance Company, The (1)	0.00	15-Jul-2019	14-Aug-2019	0.00
TD General Insurance Company	1.70	15-Jul-2019	15-Jul-2019	8.80
Western Assurance Company	1.15	20-May-2019	20-Jul-2019	0.05

Total average market impact based on approved rates and market share **+1.99%**

1. 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.
2. Rate changes with no overall impact.

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.