Auto Insurance Rates for the Third Quarter of 2019

This notice provides an overview of the private passenger automobile insurance rate changes approved by the Financial Services Regulatory Authority of Ontario (FSRA) for filings reviewed in the third quarter (from July 1 to September 30) of 2019. The number of filings reviewed by FSRA 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

26 insurers, representing approximately 81 per cent of the market, based on premium volume, had rates approved in the quarter. Approved rates will increase on average by 2.60 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 1.99 per cent on average for rate changes approved in the second 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 the Insured 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.

It is important to understand the coverages available to consumers under an automobile insurance policy in Ontario. FSRA has a number of consumer-friendly descriptions of these coverages available on its website.

Consumers are urged to shop around for auto insurance. Rates for the same coverage vary based on each insurer's claims costs and the insurer's rating system.

FSRA has several resources to help consumers better understand auto insurance.

FSRA's Rate Approval Process

Insurers must submit proposed changes to their rates to FSRA for approval along with supporting actuarial data.

FSRA 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 FSRA's review, an insurance company may be required to amend its proposed rates before they are approved.

Claims Costs

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 52.6 per cent of claims costs in 2018, 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 FSRA when proposing a rate change for any coverage.

Market Trends

FSRA 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, FSRA 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 July 1, 2019 - September 30, 2019

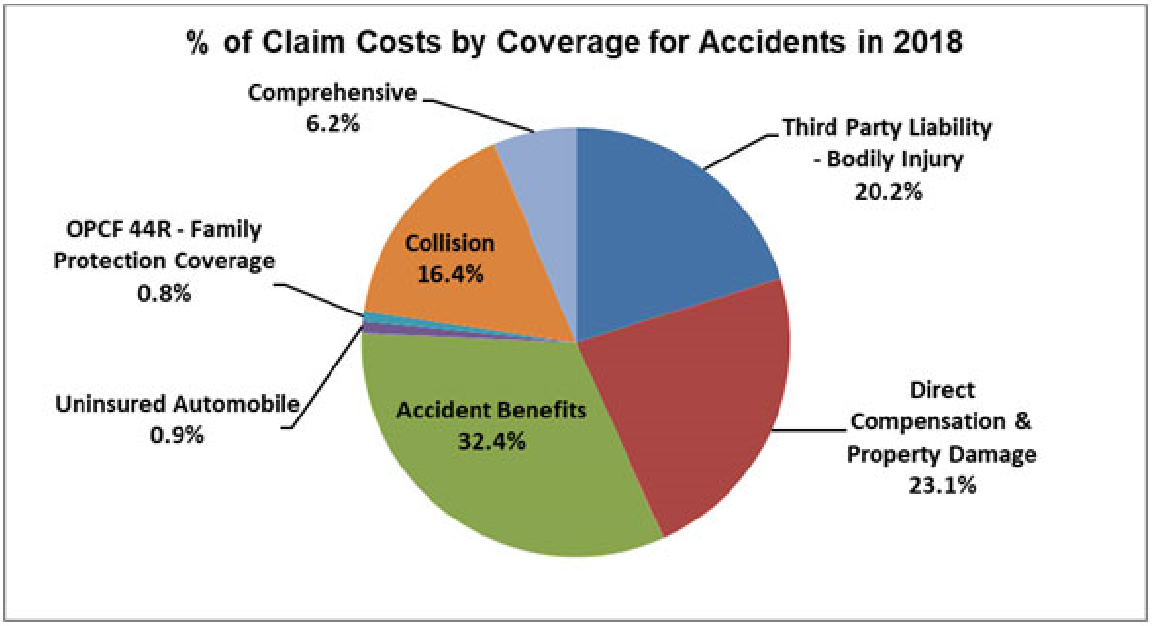
Insurer	2018 Market Share (%)	Effective New Business Date	Effective Renewal Business Date	Approved Average Rate Change (%)
Allstate Insurance Company of Canada	5.35	19-Sep-2019	19-Nov-2019	2.99

Allstate Insurance Company of Canada (1)	5.35	1-Nov-2019	1-Jan-2020	0.00
Aviva Insurance Company of Canada	6.00	1-Feb-2020	1-Feb-2020	5.41
Belair Insurance Company Inc. (2)	4.85	20-Oct-2019	16-Dec-2019	0.00
Certas Direct Insurance Company (1)	2.98	20-Sep-2019	19-Nov-2019	0.00
Certas Home and Auto Insurance Company (1)	9.29	20-Sep-2019	19-Nov-2019	0.00
Chubb Insurance Company of Canada (including Mitsui Sumitomo Insurance Company, Limited and Federal Insurance Company)	0.42	1-Oct-2019	1-Jan-2020	6.28
Coachman Insurance Company	0.20	1-Nov-2019	1-Dec-2019	7.50
Commonwell Mutual Insurance Group, The (3)	0.47	1-Jan-2020	1-Jan-2020	0.12
Co-operators General Insurance Company	5.52	11-Dec-2019	10-Jan-2020	6.20
Dominion of Canada General Insurance Company, The	4.18	17-Sep-2019	20-Oct-2019	15.47
Economical Mutual Insurance Company	6.82	21-Sep-2019	25-Nov-2019	6.20
Farm Mutual Reinsurance Plan Inc. (on behalf of Ontario Mutuals)	1.78	1-Oct-2019	1-Oct-2019	3.50
Heartland Farm Mutual Inc.	0.33	15-Nov-2019	15-Nov-2019	4.75
Intact Insurance Company (2)	8.09	6-Nov-2019	6-Dec-2019	0.00
Northbridge General Insurance Corporation	0.73	15-Sep-2019	15-Oct-2019	10.32
Novex Insurance Company (2)	1.00	6-Nov-2019	6-Dec-2019	0.00

Optimum Insurance Company Inc.	0.18	1-Sep-2019	15-Oct-2019	7.00
Pafco Insurance Company (3)	0.32	15-Oct-2019	15-Dec-2019	0.00
Pembridge Insurance Company	1.77	15-Sep-2019	15-Nov-2019	4.00
Pembridge Insurance Company (3)	1.77	15-Oct-2019	15-Dec-2019	0.00
Personal Insurance Company, The (1)	4.23	20-Sep-2019	19-Nov-2019	0.00
Primmum Insurance Company	1.50	10-Dec-2019	10-Dec-2019	-0.15
Security National Insurance Company	6.57	10-Dec-2019	10-Dec-2019	0.04
TD General Insurance Company	1.70	10-Dec-2019	10-Dec-2019	-0.20
Unifund Assurance Company (4)	3.09	1-Sep-2019	1-Oct-2019	2.58
Unifund Assurance Company	3.09	1-Sep-2019	1-Oct-2019	6.03
Wawanesa Mutual Insurance Company, The	3.25	1-Nov-2019	1-Nov-2019	5.02
Zenith Insurance Company	0.48	1-Nov-2019	1-Dec-2019	-0.04
Total average market impact based on approved rates and market share				**+2.60%**

1. Rating rule changes only.
2. Rate changes with no overall impact.
3. 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.
4. 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.

Graph 1



2018 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 32.4 per cent, Third Party Liability - Bodily Injury 20.2 per cent, Direct Compensation and Property Damage 23.1 per cent, Collision 16.4 per cent, Comprehensive 6.2 per cent, Uninsured Automobile 0.9 per cent, OPCF 44R - Family Protection Coverage 0.8 per cent.