



HELPING ONTARIO DRIVERS SAVE MONEY

May 2, 2013

The government is proposing an auto insurance cost- and rate-reduction strategy that would reduce premiums by 15 per cent on average for Ontario drivers.

The strategy would also intensify the government's existing work to address the critical issues in the system, and increase accountability and transparency to help ensure that cost savings will result in lower premiums for Ontario drivers.

If implemented, the strategy would build on the success of the government's 2010 reforms and a series of fraud prevention regulatory amendments in January 2013. It is essential that further action be taken to ensure that reductions to premiums can continue from these reforms. A number of critical issues are leading to cost uncertainties for insurers, and are preventing significant premium reductions for Ontario's over nine million drivers.

The government is taking strong action on these issues.

Action Plan to Reduce Rates by 15 Per Cent on Average

To achieve the premium reduction, the government will introduce legislative amendments that would, if passed:

- Legislate a premium reduction of 15 per cent on average within a period of time to be prescribed by regulation
- Require insurers to offer lower premiums for consumers with safe driving records
- Give the Financial Services Commission of Ontario (FSCO) the authority to license and oversee business practices of health clinics and practitioners who invoice auto insurers
- Provide the Superintendent of Financial Services with the authority to require insurers to file for rates
- Make the Superintendent's Guidelines binding — incorporated by reference in the Statutory Accident Benefits Schedule
- Expand and modernize the Superintendent's investigation and enforcement authority, particularly in the area of fraud prevention
- Consolidate statutory automobile insurance reviews.

To increase accountability and transparency, a new independent annual report by outside experts will look at the impact of reforms introduced to date on both costs and premiums. The report will review industry costs and changes to premiums, and recommend further actions that may be required to meet the government's reduction targets.

The government will intensify its existing cost- and rate-reduction strategy by:

- Transforming the current auto insurance dispute resolution system by appointing an expert to review the system and propose legislative amendments in the fall of 2013
- Basing auto insurance benefits on medical evidence, including directing the regulator to provide an interim report this year on the progress of the Minor Injury Treatment Protocol project
- Investigating additional new measures to reward safe driving and reduce costs and premiums.

The government will call on FSCO to reduce the return-on-equity benchmark used in rate filings.

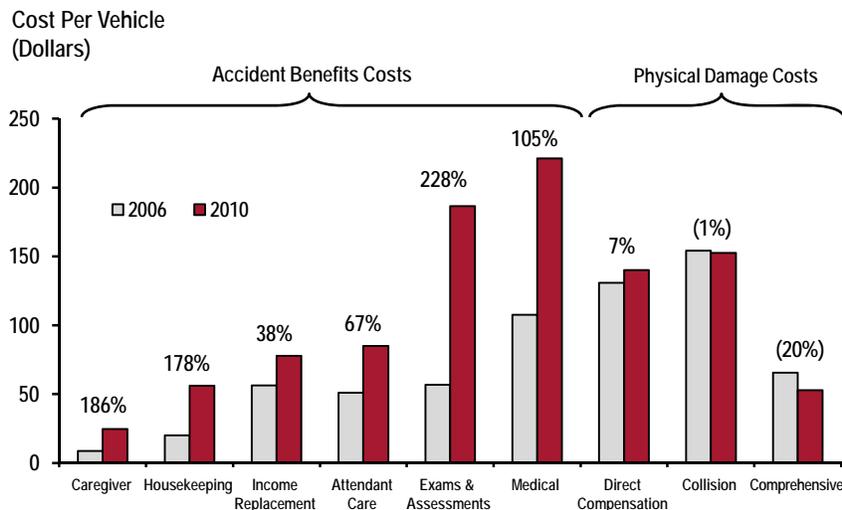
The government will also conduct further study and consultation on other initiatives to reduce costs, including provincial oversight of towing and amending the definition of catastrophic impairment in the Statutory Accident Benefits Schedule.

The Need for Auto Insurance Reform

From 2006 to 2010, Ontario experienced a substantial increase in claims costs because of fraud in the system and overuse of benefits. The significant increase in costs was primarily caused by increases in accident benefits claims costs (for example, exams and assessments, attendant care and housekeeping).

While claims costs for repairs to physical damage to vehicles remained stable, claims costs for certain benefits more than doubled.

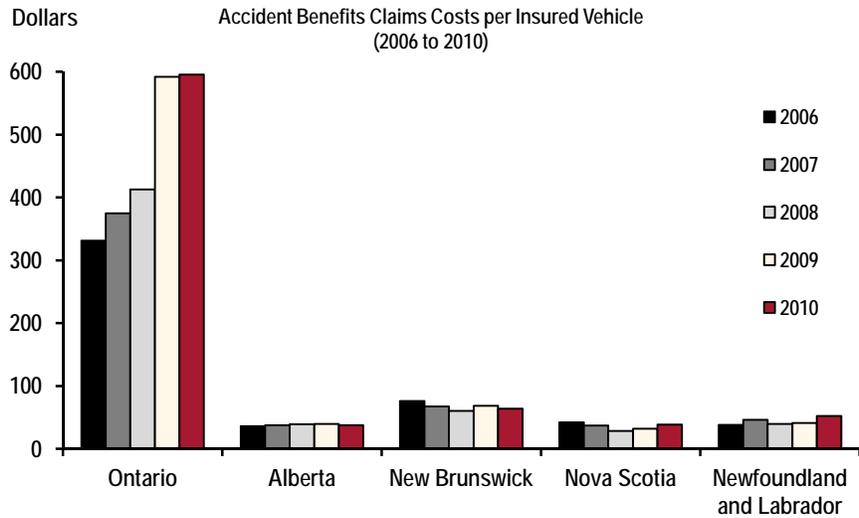
Accident Benefits Claims Costs Increased More Quickly than Physical Damage Claims Costs from 2006 to 2010



Source: Auto Insurance Anti-Fraud Task Force Interim Report, December 2011.

Due to the generosity of Ontario's auto insurance system, accident benefits claims costs in 2006 were already much higher than in other provinces with similar private auto insurance systems, such as Alberta, New Brunswick, Nova Scotia, and Newfoundland and Labrador. From 2006 to 2010, these costs in Ontario went up even higher, increasing by 91 per cent.

Accident Benefits Claims Costs Increased from 2006 to 2010

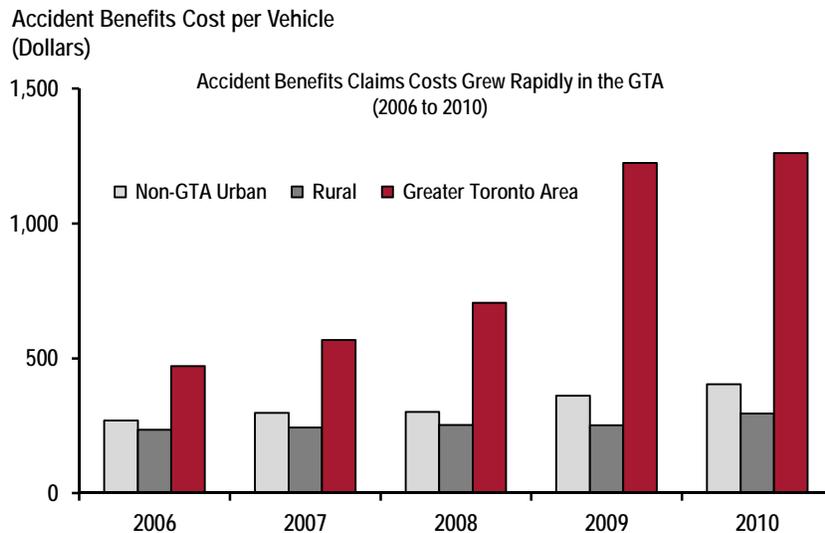


Source: General Insurance Statistical Agency.

Within Ontario, accident benefits claims costs grew especially quickly in the Greater Toronto Area (GTA) between 2006 and 2010:

- Of the \$2.4 billion increase, \$2 billion occurred in the GTA
- In 2010, accident benefits claims costs per vehicle in the GTA were more than four times higher than in rural Ontario (Source: Ontario Automobile Insurance Anti-Fraud Task Force — December 2011 Interim Report).

Accident Benefits Claims Costs Increased in the GTA from 2006 to 2010



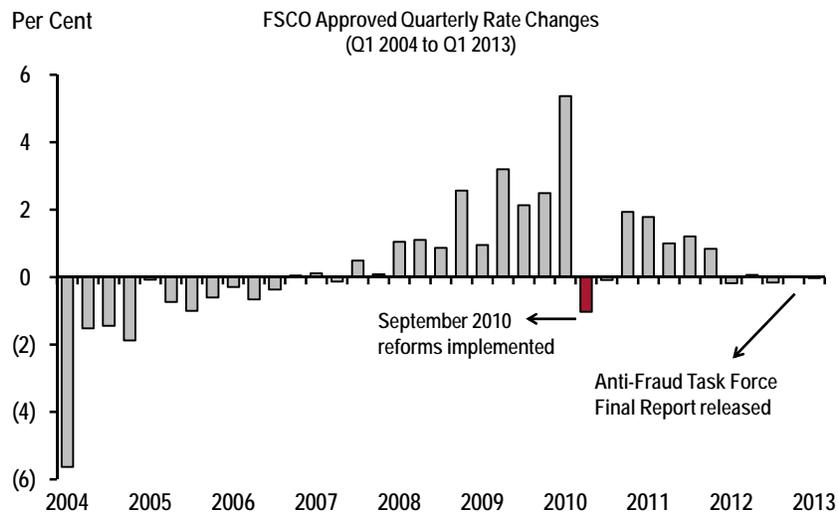
Source: Auto Insurance Anti-Fraud Task Force Interim Report, December 2011.

Auto Insurance Reforms Reduce Costs

In September 2010, the government introduced major reforms to Ontario's auto insurance system to address the substantial increase in claims costs. These reforms controlled costs, increased consumer choice and simplified processes in the system. As a result of the reforms and ongoing government action, costs have been reduced and rates have stabilized and have now started to decline.

The government built on the success of the September 2010 reforms by announcing an Auto Insurance Anti-Fraud Task Force in the 2011 Ontario Budget. The Task Force received more than 50 presentations and submissions from interested parties, including the insurance industry, health care providers and consumer groups, and submitted three reports to the government over the course of its work. The Task Force's final report in late 2012 contained 38 recommendations in the areas of fraud prevention, detection, enforcement and regulatory roles.

Auto Insurance Rates Have Started to Fall



Source: Financial Services Commission of Ontario.

In January 2013, the government took early action and approved regulatory amendments to address some of the reforms proposed in the final report of the Auto Insurance Anti-Fraud Task Force and build on earlier actions taken to combat fraud and protect consumers.

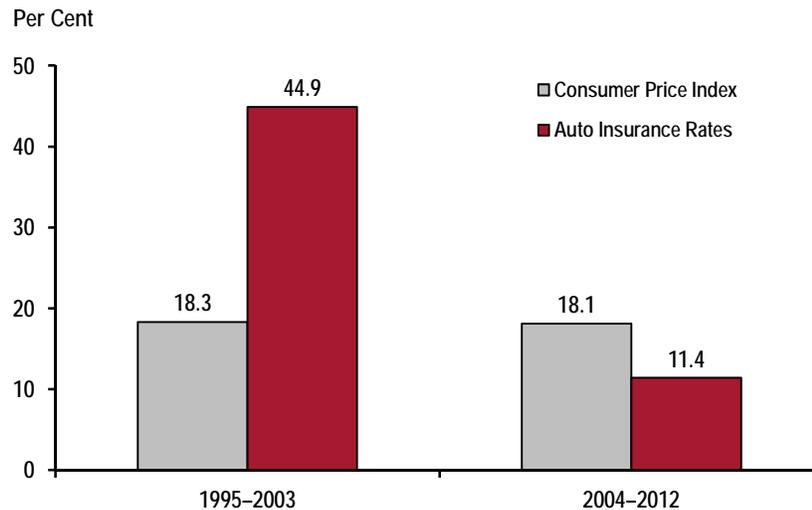
Effective June 1, 2013, these amendments will help prevent auto insurance fraud and protect consumers by:

- Requiring insurers to provide claimants with all reasons for denying a claim
- Giving claimants the right to receive a bi-monthly, detailed statement of benefits paid out on their behalf
- Requiring claimants to confirm attendance at health clinics
- Making providers subject to sanctions for overcharging insurers for goods and services and banning them from asking consumers to sign blank claims forms.

Ontario Insurance Rates Have Risen by Less than Inflation

From 2004 to 2012, auto insurance rates in Ontario increased slower than the rate of inflation. From 1995 to 2003, the consumer price index increased by 18.3 per cent, while auto insurance rates increased by 44.9 per cent. From 2004 to 2012, the consumer price index increased by 18.1 per cent, while auto insurance rates increased by 11.4 per cent.

Auto Insurance Rates Held Below Inflation Since 2003



Sources: Financial Services Commission of Ontario and Ontario Ministry of Finance.

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