

Ontario Auto Insurance: Premiums, Profits and Protection

Are your auto insurance premiums too high?

There is no question that auto insurance premiums in Ontario are too high given current levels of coverage. Extensive policy changes including significant fraud-fighting measures introduced in 2010 eliminated nearly \$2 billion in costs -annually! Let's be clear: Insurers are pocketing an extra \$2 billion every year! How do we know this? The insurance industry's own information reveals these savings. Industry data sources also reveal that insurance premiums were allowed to increase steadily in 2010 and 2011 and remain virtually unchanged through 2012. So do the math yourself: premiums up, claims way down, insurers keep the difference.

What about current levels of coverage?

With the 2010 policy changes, the vast majority of injured accident victims will receive no more than \$3500 in treatment. Industry figures suggest that the "average" claim is far higher. In reality, that so-called average claim figure appears to be higher based on preliminary high estimates of future costs. Make no mistake, it's the injured accident victims and in particular victims with so-called minor injuries who have borne the brunt of the 2010 changes and financed insurer profits through inadequate levels of treatment.

So, how much money are insurers making?

In 2011, Ontario auto insurance companies made \$1.525 billion in profits from premiums and investments and all initial indicators point to an even more robust 2012. Profit figures for 2012 recently released by selected insurers indicate that results are all up dramatically over the already embarrassingly high insurance profits in 2011. Among the companies reporting were Intact (profits up 26%), the Co-operators (profits up 71%), Economical (profits up 68%), and EGI (profits up a staggering 159%). Canada wide, property and casualty insurance company profits are projected to be close to \$5 billion this year - their best year in nearly 5 years thanks in large part to their Ontario auto insurance business. Also, it should be noted that stated industry losses in prior years have been revised dramatically.



Reserves set aside at the time for future losses have been released - you guessed it - as profits when those losses never materialized or were not as severe as initially estimated.

Profit Benchmark Review

In 2012, the government initiated a review of the industry's 12% benchmark ROE for the first time in more than twenty years. This report, which was to be delivered to the Financial Services Commission of Ontario, should be made public immediately.

In fact, all insurance financial data including details about profitability and losses, should be released publicly. Insurance companies do need to make a reasonable return on their business. But auto insurance is mandatory in Ontario. And consumers need to know that insurance companies are not gouging them, all the while crying poor to government and the media about phantom "losses" and "out-of-control" claims costs.

Auto insurer financial data should not be seen as a matter of opinion or the exclusive property of one industry group. The public interest can only be served by transparent, timely and mandatory disclosure of Ontario auto insurance financial data verified by a respected, independent source like the auditor.

Catastrophic Impairment Review

We applaud the new government for taking a new approach with the review of the definition of catastrophic impairment.

Just as she has brought a new tone to negotiating with the teachers, Premier Wynne deserves a lot of credit for establishing a renewed process for examining the definition of catastrophic impairment. The process initiated in 2010 was so deeply flawed that even some expert panel members expressed serious doubts about the task they were given. Discussions based on a true multi-stakeholder basis are set to begin Friday, March 15.

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