Approach

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Ontario private passenger automobile annual review based on industry data as of December 31, 2024

Purpose and scope

This Approach Guidance specifies the "Benchmarks" for loss trend rates, reform factors[1] and other key actuarial assumptions that assist the Financial Services Regulatory Authority ("FSRA") in reviewing all categories of automobile insurance rating and underwriting filing applications based on statutory requirements.[2] It supplements Private Passenger Automobile Filing Guidelines - Major and Technical Notes for Automobile Insurance Rate and Risk Classification Filings.

[1] **Loss trends:** measure annual rates of change for past and future claim costs (examples of loss trend drivers: advancements in safety technology, changes in medical costs, monetary inflation).
Reform factors: restate historical losses to reflect the current level of claim costs as a result of prior product reforms. Reform factors enable the calculation of loss trends without being impacted by the effect of government reforms.

[2] Both the Chief Executive Officer of FSRA and FSRA may exercise regulatory authority under the *Automobile Insurance Rate Stabilization Act* and *Insurance Act*. However, for the purposes of this Guidance, reference will only be made to FSRA as the Chief Executive Officer may delegate authority to FSRA staff, as permitted by s. 10(2.3) of the Financial Services Regulatory Authority of Ontario Act, 2016.

This Guidance specifies the Benchmarks and describes how FSRA uses the Benchmarks in its review of auto insurance filings. This year's annual review includes:

- Use of benchmarks in FSRA's review of auto insurance filings
- Perspectives on future claim costs
- Auto theft
- Factors used in rating for Comprehensive coverage
- Electric vehicles (EV)
- Personal vehicle used for app-based rideshare
- Group discount programs
- Driving experience from outside of Canada

Rationale and background

FSRA mandate

In supervising and regulating the insurance sector, FSRA is required to administer and enforce sector statutes and their respective regulations in alignment with FSRA's statutory objects,[3] in particular:

- Regulate and supervise the auto insurance sector
- Promote high standards of business conduct in the industry
- Monitor and evaluate developments and trends related to auto insurance

[3] See *Financial Services Regulatory Authority of Ontario Act* s. 3

- Contribute to public confidence in the auto insurance sector
- Protect the rights and interests of consumers
- Promote transparency and disclosure of information
- Foster a strong, sustainable, competitive, and innovative auto insurance sector

FSRA's Approach as outlined in this Guidance is in line with FSRA's statutory objects and its duties under the *Auto Insurance Rate Stabilization Act, 2003* ("AIRSA").

Ratemaking legal framework

Section 3 of the AIRSA requires that an application ("rate filing") for approval of rates and risk classification systems ("RRCS") be in a form approved by FSRA and be filed together with such information, material, and evidence as FSRA specifies. Details of the applicable forms are outlined in the Private Passenger Automobile Filing Guidelines - Major and its associated Technical Notes for Automobile Insurance Rate and Risk Classification Filings, which this Guidance is intended to supplement.

Section 3 of the AIRSA also requires all insurers writing Personal Vehicles – Private Passenger Automobile category of insurance to have their rates and risk classification system approved or authorized by FSRA.[4]

FSRA is required to refuse the approval of rate filings if, amongst other factors, the proposed risk classification system or the proposed rates are not "just and reasonable." Benchmarks are used to assist FSRA in making this determination.

[4] Pursuant to Section 3(2) of the *Auto Insurance Rate Stabilization Act, 2003*, an application for approval of a risk classification system or rates shall be in a form approved by the Chief Executive Officer and shall be filed together with such information, material and evidence as the Chief Executive Officer may specify. However, for the purposes of this Approach Guidance, the reference will be to FSRA.

Rate regulation principles

FSRA's statutory obligations and Rate Regulation Principles ("RRP") are foundational to FSRA's approach to auto insurance rate regulation. FSRA's decision to provide an updated Approach on Benchmarks was guided by the principles of Transparency & Disclosure and Simplicity under the RRP.

Benchmarking review process

FSRA's benchmark review process involves the following:

- Benchmarks are published twice a year using industry data available from June 30th ("mid-year") and December 31st ("annual").
- Consultation is held for the annual review only. The mid-year update will be appended to the annual review guidance when the information is available.

These practices enable more meaningful feedback, enhance transparency around FSRA's rate approval considerations, and protect consumers by assisting FSRA in determining whether auto insurance rates are just and reasonable.

Benchmarks

Use of Benchmarks

Benchmarks are key actuarial assumptions developed based on the review of industry data, and are used to evaluate the following:

- **Fair Rates for Consumers** — Benchmarks **assist** FSRA in reviewing insurers' auto insurance rate filing applications. If an insurer's ratemaking assumptions are not supported by its own data, to the extent credible, FSRA can use the Benchmarks to guide the rate approval decision process.
- **Market Competition** — Benchmarks provide a means for insurers to compare their loss experience with the industry loss experience in projecting competitive rates.

- **Market Health** — Benchmarks serve as a regulatory tool for FSRA to monitor the insurance industry loss experience, and evaluate developments and trends related to auto insurance.

As Benchmarks are developed based on the review of the industry data, they may not represent an individual insurer's business. FSRA indicated in the 2020-H2 Guidance that **insurers are not permitted to directly adopt the Benchmarks without justification. FSRA requires that all actuarial assumptions be fully supported with an analysis of the insurers' own data, to the extent credible, regardless of whether FSRA Benchmarks are assumed.** Actuaries are expected to consider one or more sets of related experiences when their data is not fully credible, in accordance with Section 2620.04 of The Canadian Institute of Actuaries Standards of Practice ("CIA SOP")[5].

Derivation process

FSRA retained Oliver Wyman (the "Consultant") to independently derive the loss trend rates and reform factors. The Consultant's report, which outlines the complete derivation of Benchmarks, can be accessed through the links found in Appendix 1.

The Consultant's report reflects feedback that FSRA received through a public consultation process. Further details on this consultation can be found in FSRA's summary of consultation on Ontario private passenger automobile annual review based on industry data as of December 31, 2024. A summary of the comments received, and the Consultant's responses may be found in Appendix G of the Consultant's report.

The analysis of the Benchmarks is based on the Ontario insurance industry PPA loss and loss adjustment expense experience reported to the General Insurance Statistical Agency ("GISA") as of December 31, 2024. FSRA's actuaries have conducted a thorough review of GISA data to ensure its validity and worked closely with GISA's Consulting Actuary to ensure the resulting projections are reasonable (see Appendix 3).

[5] Section 2620.04 of the CIA SOP states that "the actuary would consider the blending of information from subject experience with information from one or more sets of related experience to improve the predictive value of estimates."

- First, as per CIA SOP regarding the use of another actuary's work, the Consultant independently reviewed the reported claim count and claim amount experience to estimate the ultimate claim counts and claim amounts.

- Second, the Consultant compared their estimated ultimate claim counts and claim amounts to those based on the GISA Consulting Actuary's loss development factor selections for reasonableness.

- The Consultant concluded that the GISA Consulting Actuary's selected factors are reasonable, and there are no material differences in the selected loss trend rates. The Consultant, therefore, accepted and applied the GISA implied development factors to the underlying loss experience data used in the Benchmark analysis.

FSRA Benchmarks for loss trend rates and reform factors

The Benchmarks, as outlined below, apply to rate filings submitted on or after December 11, 2025.

Coverage	Loss trend rate	
	Past trend	Future trend
	Prior to Oct. 1, 2024	After Oct. 1, 2024
Bodily Injury	0.4%	-1.2% to 2.0%
Property Damage	5.5%	4.8% to 6.2%
Direct Compensation - Property Damage	8.6%	7.3% to 9.9%
Accident Benefits - Med/Rehab/AC	2.1%	0.5% to 3.7%
Accident Benefits - Disability Income	-2.0%	-3.9% to -0.2%
Accident Benefits - Funeral and Death	-2.8%	-3.7% to -1.9%
Accident Benefits - Total	1.2%	-1.0% to 3.3%
Uninsured Automobile	10.3%**	4.7% to 16.2%
Collision	8.6%	6.6% to 10.6%
Comprehensive	6.3%	3.4% to 9.2%
Specified Perils	6.3%	3.4% to 9.2%

All Perils	8.1%	6.1% to 10.1%
OPCF 44	4.8%	3.8% to 5.7%
All Coverages Combined*	**5.0%**	**3.1% to 6.9%**

*All Coverages Combined is a weighted sum of the component coverage based on each coverage's share of losses.

**For the Uninsured Automobile coverage, the loss trend rate prior to January 1, 2020 is +0.9% and the loss trend rate between January 1, 2020 and September 30, 2024 is +10.3%.

The benchmark loss trend factors developed based on December 31, 2024 industry data fall within a reasonable range of the benchmark loss trend factors previously developed based on June 30, 2024 industry data. The comparison of benchmark loss trend factors is presented in Appendix 2.

Coverage	Reform factor / Scalar factor
Accident Benefits - Med/Rehab/AC	0.742
Accident Benefits - Disability Income	0.870
Accident Benefits - Funeral and Death	1.000
Accident Benefits - Total	0.787
Uninsured Automobile	1.077
Comprehensive	1.597
Specified Perils	1.597
All Perils	1.109
Other Coverages	1.000

For the Accident Benefits coverage, insurers are expected to consider the inter-dependency between the loss trend rates and 2015/16 reform factors in their trend analysis. For the Uninsured Automobile, Comprehensive, Specified Perils, and All Perils coverages, insurers are expected to consider the inter-dependency between the loss trend rates and scalar factors in their trend analysis. The Consultant's report details the derivation of 2015/16 reform factors and scalar factors.

Commentary on future loss trend

Selecting future loss trends remains challenging due to volatility caused by inflation, theft, and the COVID-19 pandemic. While claim inflation has begun to temper, uncertainty remains in the selection of future trend rates. To address this, FSRA offers a range of reasonable future loss trends at the coverage level, representing the 95th confidence interval of these trend rates.

The Benchmarks for loss trend rates and reform factors measure the rate of change in loss cost experience without the influence of COVID-19. Historical loss cost data should be adjusted to remove any impact of COVID-19 prior to the application of the Benchmarks.

Updated expectations on key rating approaches

Auto theft

Auto theft in Ontario peaked in 2023 and has since begun to moderate, with a favourable trend continuing into 2025. Though still above pre-crisis levels, insurers should reflect the improving claims trend in pricing for high-risk vehicles. Rates, surcharges, and cost mitigation incentives should align with current and forecasted risk levels.

Insurers should provide the following actuarial justification for high-theft-risk vehicle pricing as soon as practicable before January 1, 2027, including:

- Incorporation of the latest theft claims data and reasonable forecasts into pricing.
- Evaluation of whether previously identified high-risk vehicle make, models, model years, and territories remain elevated in risk.

FSRA's review will take into account whether the current and proposed rating practices for high-risk vehicles:

- Balance pricing accuracy with considerations of consumer accessibility and suitability.
- Ensure communications that impact the rights of policyholders are timely, clear, and enable informed decision-making.

Factors used in rating for Comprehensive coverage

FSRA has observed the use of driver-related variables, such as driving record, minor convictions, and at-fault accidents, in the rating of non-driving coverages, including Comprehensive and Specified Perils. These variables generally bear little or no relationship to the risk assumed or to be assumed by the insurer under these coverages. Insurers should ensure that rating practices are tightly aligned with the nature of the insured coverage. Insurers should be prepared to revise their existing rates and risk classification systems as soon as practicable before January 1, 2027.

Electric vehicles (EVs)

When electric vehicles (EVs) first entered the auto market, insurers lacked claims data. Pricing assumptions were based on anticipated claim frequency and severity. As EV adoption has grown, insurers have more claims data reflecting actual EV-specific experience. EV-specific discounts or rating differentials may require adjustments to align with actual claims experience.

Insurers should be prepared to provide the following actuarial justification for EV rating as soon as practicable prior to January 1, 2027:

- Demonstrate that EV-related pricing elements are actuarially justified and reflect actual and emerging claims experience.
- Assess how EV vehicle characteristics interact with other rating components, such as vehicle rate group assignments, to avoid duplication or misclassification.

Personal vehicle used for app-based rideshare

In the last 10 years, an increasing number of Ontarians are turning to rideshare and similar gig economy opportunities as a means of generating supplemental income using their personal vehicles. This reflects broader economic pressures and a growing demand for flexible, accessible earning options.

Some personal insurance companies have legacy commercial-use underwriting rules that essentially prevent drivers from using their personal vehicles for business purposes or risk being declined for personal insurance. Before the evolution of rideshare, these rules were intended to separate vehicles used primarily for business or personal reasons, which was reasonable in that historical context. With a change in consumer behaviour toward mixed use, there is a need to revisit the industry's underwriting approach.

Most commercial rideshare programs provide separate insurance coverage while a vehicle is actively being used for ridesharing. This means the personal auto insurer is not exposed to additional risk during those periods. As a result, many insurers have updated their underwriting rules to clarify that participation in rideshare programs is not a valid reason to decline personal auto insurance coverage.

Insurers are expected to review their current rating and underwriting practices as soon as practicable prior to January 1, 2027, such that:

- Consumers who use their vehicles for rideshare purposes that are covered by a commercial insurance program are not declined for personal insurance due to use of their vehicle for rideshare purposes, either on its own or in combination with other factors; and,

- Consumers should not be charged an additional premium on their personal insurance policy due to use of their vehicle for rideshare unless the insurer can provide actuarial evidence of incremental personal insurance claim exposure as a direct result of rideshare use, despite participation in a commercial insurance program through the rideshare company.

Group discount programs

Many insurers offer group marketing programs representing about one-fifth of the auto insurance market, according to a 2023 group marketing survey conducted by FSRA. Using group as a rating factor is prohibited, except for four types of groups listed below and then only if the corresponding group program complies with the requirements set out in Regulation 664, specifically sections 16 and 17.

- a trade union, a professional or occupational association or an alumni association;

- a non-profit entity that has been in existence for at least 24 months;

- a group of employees of the same employer; or

- a group of members of a credit union that satisfies the requirements of subsection (7).

Insurers should review their group discount programs to ensure that each one is compliant based on the above criteria. Insurers are also expected to review their group discounts on a regular basis to ensure that current and projected loss experience supports the discounts offered. Additionally, insurers should have reasonable processes in place to validate continuing policyholder eligibility for group discounts over time.

In mid-late 2026, FSRA will provide information to insurers on gathering additional data on group discount programs, including actuarial support for discounts offered, compensation paid to group marketing sponsors, and promotional materials for groups. This will become part of FSRA's ongoing rate and underwriting supervision in the future.

Driving experience from outside of Canada

The Ministry of Transportation (MTO) recognizes driving experience from non-Canadian jurisdictions through reciprocal agreements. This verified experience is tracked by MTO and made available to insurers through Motor Vehicle Reports (MVR).

FSRA considers MTO-recognized foreign driving experience as valid for rating personal automobile insurance. Insurers are expected to recognize and use MTO-verified foreign driving experience in their rating and underwriting practices as soon as practicable before January 1, 2027.

Effective date and future review

This Approach became effective on December 11, 2025. The next Benchmarks development process began in Fall 2025.

About this Guidance

This Guidance is an Approach. Approach Guidance describes FSRA's internal principles, processes and practices for supervisory action and application of Chief Executive Officer discretion. Approach Guidance may refer to compliance obligations but does not in and of itself create a compliance obligation. Visit FSRA's Guidance Framework to learn more.

Appendices and Reference

Appendix 1 – Associated documents

The table below provides a quick reference to all Guidance documents, consultation summaries, and benchmarking reports produced since this Approach Guidance was launched.

Benchmark effective period	GISA data evaluation date	Guidance	Consultation summary	Supporting report
December 11, 2025	December 31, 2024	Current Guidance	"2024-H2 Consultation Summary"	**Oliver Wyman Report: "**Ontario Private Passenger Vehicles Annual Review**"**
April 11, 2025	June 30, 2024	"2024-H1 Guidance"	N/A	**Oliver Wyman Report: "**Ontario Private Passenger Vehicles Mid-Year Review**"**
November 19, 2024	December 31, 2023	"2023-H2 Guidance"	"2023-H2 Consultation Summary"	**Oliver Wyman Report: "**Ontario Private Passenger Vehicles Annual Review**"**
March 22, 2024	June 30, 2023	"2023-H1 Guidance"	N/A	**Oliver Wyman Report: "**Ontario Private Passenger Vehicles Mid-Year Review**"**
December 12, 2023	December 31, 2022	"2022-H2 Guidance"	"2022-H2 Consultation Summary"	**Oliver Wyman Report: "**Ontario Private Passenger Vehicles Annual Review"**

				Pinnacle Report: "Territory Guidance – Principles-Based Framework"
March 8, 2023	June 30, 2022	"2022-H1 Guidance"	N/A	**Oliver Wyman Report:** "Ontario Private Passenger Vehicles Mid-Year Review"
December 20, 2022	December 31, 2021	"2021-H2 Guidance"	"2021-H2 Consultation Summary"	**Oliver Wyman Report:** "Ontario Private Passenger Vehicles Annual Review" **Pinnacle Report:** "Territory Rating Review Report"
January 31, 2022	June 30, 2021	"2021-H1 Guidance"	N/A	**Oliver Wyman Report:** "Ontario Private Passenger Vehicles Mid-Year Review"
October 20, 2021	December 31, 2020	"2020-H2 Guidance"	"2020-H2 Consultation Summary"	**Oliver Wyman Report:** "Ontario Private Passenger Vehicles Annual Review"
June 30, 2021	June 30, 2020	"2020-H1 Guidance"	N/A	**Oliver Wyman Report:** "Ontario Selected Private Passenger Vehicles Loss Trend Rates and Reform Factors"
September 23, 2020	December 30, 2019	"2019-H2 Guidance"	"2019-H2 Consultation Summary"	**Oliver Wyman Report:** "Ontario Selected Private Passenger Vehicles Loss Trend Rates and Reform Factors"
May 15, 2020	June 30, 2019	"2019-H1 Guidance"	"2019-H1 Consultation Summary"	**Oliver Wyman Report:** "Ontario Selected Private Passenger Vehicles Loss Trend Rates and Reform Factors"

Appendix 2 – Comparison to previous Benchmarks

This appendix focuses on the change in future loss trend rates by comparing the previous Benchmark as of June 30, 2024, and the new Benchmark as of December 31, 2024.

On an All Coverages Combined basis, the future loss trend rate for the new Benchmark ranges from 3.1% to 6.9%, compared to the previous Benchmark range from 3.9% to 7.4%. The table below compares the change in future loss trend rates for major coverages.

	Future loss trend rate	
Coverage	Previous benchmark	New benchmark
Bodily Injury	-1.6% to -0.3%	-1.2% to 2.0%
Accident Benefits	-1.0% to 3.2%	-1.0% to 3.3%
Direct Compensation - Property Damage	7.9% to 10.4%	7.3% to 9.9%
Collision	7.4% to 11.3%	6.6% to 10.6%
Comprehensive	7.5% to 14.6%	3.4% to 9.2%
All Coverages Combined	**3.9% to 7.4%**	**3.1% to 6.9%**

For more detailed information on the change in Benchmarks, please refer to the Commentary section of this Guidance.

Appendix 3 – FSRA’s process for reviewing and approving of GISA automobile statistical plan PPA factor report and ultimate loss projections

This appendix explains how FSRA ensures that the ultimate loss and claim count projections used by the Consultant in its analysis are fit for use.

Beginning in 2022, GISA’s consulting actuary performs their valuation of ultimate losses for Ontario PPA based on full year loss development data. The “Automobile Loss Development Factor Report” has been significantly enhanced to include a comprehensive industry claims valuation.

GISA’s consulting actuary considers the following methodologies in their projections:

- Incurred Loss Development Method,
- Paid Loss Development Method,
- Claim Frequency and Severity,
- Bornhuetter-Ferguson,
- Cape Cod Method,
- Benktander Method.

Results from various projection methodologies are considered in the final ultimate losses’ selections.

In addition to reviewing industry aggregate loss development data for each coverage, FSRA reviews every insurer’s loss development data, twice a year, to identify any data reporting issues, changes in claims handling and case reserving practices. FSRA’s actuaries work with GISA’s consulting actuary, assessing the extent of each insurer’s data issues by adding, removing, and adjusting each insurer’s data one at a time to understand the impact. GISA’s final Loss

Development Factors have accounted for adjustments made to those reporting issues, such that the impact of any distortions is immaterial at the industry aggregate level.

Additional details are available in GISA Exhibit - AUTO-0002-ON, 2023-2 Valuation of Ultimates Report, Ontario Private Passenger (excluding farming vehicles).

Appendix 4 – Mid-year update based on industry data as of June 30, 2025

This appendix will be updated based on 2025-H1 industry data as it becomes available.

References

Consistent with its commitment to transparency in rate regulation and guidance development, FSRA conducted a public consultation on the preliminary annual report prior to issuing this Approach Guidance. The Summary of Consultation outlines the feedback gathered and how it was considered in the final annual report. Please find the Consultation Summary here: FSRA's summary of consultation on Ontario private passenger automobile annual review based on industry data as of December 31, 2024.