



IBC·BAC
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Glen Padassery
Executive Vice President, Policy and Auto/Insurance Products
Financial Services Regulatory Authority of Ontario
Auto Insurance Sector
25 Sheppard Avenue West, Suite 100 Toronto, ON M2N 6S6

Dear Mr. Padassery,

Re: Ontario Private Passenger Vehicles Annual Review Consultation

Insurance Bureau of Canada (IBC) and its member property and casualty insurers welcome the opportunity to comment on the 2025 Financial Services Regulatory Authority of Ontario's (FSRA) report, Draft Ontario Private Passenger Vehicles Annual Review (OW Report). Our commentary in this written response reflects the views of insurers operating in the Ontario's private passenger vehicle (PPV) insurance market.

Selected Trend Factors

Post Pandemic Claim Frequency Level

Similar to last year, this year's OW Report once again asserts that H2 2022 can be categorized as the start of the 'new normal' for claim frequency. The report notes that this was a period where many employees returned to the office, and remote and hybrid work began to stabilize. In recent months, there has been an emerging trend of return-to-office mandates, with big firms and the Ontario Public Service announcing increased in-office days. As more industries begin to mandate a return-to-office policy, IBC believes that utilizing H2 2022 no longer represents the period of 'new normal' for claim frequency.

Vehicle Damage Trends and Tariffs

The OW Report selected an average comprehensive theft trend factor of +25.5%, with an upper bound of +30.4%, in recognition that theft claims continue to be a major problem. Indeed, IBC's analysis of data from the General Insurance Statistical Agency (GISA), found that between 2014 and 2024, auto theft claim counts and total claims costs have increased by 115% and 371%, respectively. The rapid rise in theft claims mean that any future claims experience is likely to be unevenly distributed among insurers. While some insurers may see comprehensive trends in line with those projected by Oliver Wyman, there is likely to be particularly wide range of acceptable trends among insurers.

While other vehicle damage trends, notably collision and property damage/DCPD, are expected to moderate slightly compared to last year, they are projected to remain in the mid-to-high single digits over the next year.



It is critical that FSRA continue to permit a wide range of projected trend factors, even if they are above this upper bound, to reflect each individual insurers own experience with rising vehicle damage claims costs.

This is especially important given the uncertainty around the impact of tariffs on vehicle damage claims costs. The OW Report references that the recent tariffs on imported automobiles and auto parts in Canada could have a significant impact on the automobile insurance industry. Specifically, that repair costs could escalate directly or indirectly due to the increase in prices for parts and labour. While the OW Report does not provide an estimate on the impacts of tariffs on claims costs, tariffs are already contributing to higher repair and replacement costs for many insurers, resulting in higher claims costs in the system. FSRA must continue to be aware of the implications tariffs may have on the automotive industry and Ontario and its impact on insurer rate filings, as well should continue to prioritize individual insurer claim experience and future trends.

Deteriorating Prior-Year Injury Claims Environment

In IBC's submission last year, we noted Oliver Wyman's marked deterioration in the development of past accident year injury claims. This year's OW Report projects a continued deterioration. Notably, based on data from this year's report, bodily injury and accident benefits trend factors have deteriorated by +4.6% and +2.2%, respectively, over the last two years. The table below shows select past trend factors for bodily injury and accident benefits coverages from the 2023, 2024, and 2025 Annual Reviews.

Post-2016 Reform Trend Factors, Select Annual Reviews

	2023 Annual Review	2024 Annual Review	2025 Annual Review	1-Year Percentage Point Change	2-Year Percentage Point Change
Bodily Injury	-4.2%	-1.9%	+0.4%	+2.3%	+4.6%
Accident Benefits	-1.0%	+0.6%	+1.2%	+0.6%	+2.2%

IBC with data from FSRA Annual Review reports

These deteriorations are projected to have a sizable impact on projected 2026 accident year bodily injury and accident benefits loss costs:

- Compared to the trend rate projected in the **2024 Annual Review**, and using a 10-year development horizon, 2026 bodily injury and accident benefits loss costs are projected to be approximately 26% and 6% higher, respectively; and
- Compared to the trend rate projected in the **2023 Annual Review**, and using the same 10-year horizon, 2026 bodily injury and accident benefits loss costs are projected to be approximately 60% and 25% higher, respectively.

Ratemaking is a forward-looking exercise, and insurers do not account for past losses when setting future rates. However, this deterioration means that projected 2026 loss costs may necessitate larger-than-expected increases for some insurers. To ensure the execution of one of FSRA's key organizational priorities, to



encourage a competitive and sustainable auto insurance market, FSRA should continue to assess any rate increases on their individual merits.

Underwriting Profitability

The OW Report estimated that for accident year 2024, Ontario auto insurers saw an underwriting profit of 7%. As outlined above, there is always a considerable level of uncertainty around relatively undeveloped accident year results due to the potential for adverse prior-year claims development. The level of uncertainty is shown with the example of accident year 2023, where it was noted in last year's report that the estimated underwriting profit was at 0%. However, in this year's report, the estimated profit for accident year 2023 is at -1.8%, showcasing the variability year over year. Furthermore, the level of uncertainty around accident years is especially relevant to Ontario given the heavy weight of long-tail claims in setting average premiums. It will take several years for claims to settle to be certain of the true state of profitability in Ontario.

Thank you for the opportunity to participate in FSRA's 2025 Ontario Private Passenger Vehicle Annual Review. If you would like to discuss any of these comments in greater detail, please don't hesitate to reach out.

Sincerely,

Amanda Dean

AD/jw