



News Release

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ONTARIO DRIVERS PAY MORE FOR AUTO INSURANCE: AUDITOR GENERAL

(TORONTO) With the average cost of automobile accident injury claims—\$56,000—being about five times higher than the average injury claim in other provinces, Ontario drivers pay much higher insurance premiums than other Canadian drivers, Auditor General Jim McCarter says in his *2011 Annual Report*.

“The Ontario government has taken some recent initiatives to address the high cost of auto insurance claims in the province, but still faces a number of challenges to ensure that premiums remain affordable and accident benefits are reasonable,” McCarter said today following the release of the Report.

The Financial Services Commission of Ontario (FSCO), an arm’s-length agency of the Ministry of Finance, oversees the auto insurance sector and supports the government’s responsibility to balance the need for a financially stable auto insurance sector with the need to ensure consumers pay reasonable premiums and receive fair claim benefits when they are involved in accidents.

Ontario drivers, particularly those in the Greater Toronto Area, generally pay much higher auto insurance premiums than other Canadian drivers. While this is partly due to high claim costs, Ontario also has one of the most comprehensive and highest benefit levels in Canada.

Auto insurance fraud is a big problem in Ontario. Industry estimates put its value at 10% to 15% of all premiums paid in Ontario during 2010—as much as \$1.3 billion. Unlike many other jurisdictions in North America, Ontario does not have significant measures in place to combat fraud and was awaiting the recommendations of a government-appointed task force expected in the fall of 2012.

Following are some of the Auditor General’s other significant observations:

- The total cost of auto insurance injury claims in Ontario rose by 150% between 2005 and 2010, even though the actual number of injury claims rose only 30% over the same period.
- FSCO offers a mediation service for people who disagree with settlement offers from insurers, but since about half of all injury claims end up in mediation, the service is so backlogged that dispute resolution takes 10 to 12 months rather than the legislated 60 days.
- FSCO had not routinely obtained assurances from insurance companies that they had paid the proper amounts for claims. Without such assurances, there is an increased risk of unnecessarily high payouts, which could help insurers get FSCO approval for higher premium increases.

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