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# FSRA's Summary of Consultation on Loss Trend Benchmarks for Private Passenger Automobile Major Rate Filings

## Purpose of consultation

FSRA serves the public interest through protecting consumers and fostering a strong, stable, competitive and innovative auto insurance sector with just and reasonable rates. FSRA uses ratemaking Benchmarks to evaluate if an insurer's assumptions are appropriate when the insurer seeks approval for changes to its rates.

FSRA undertook this public consultation to establish a more transparent process for setting Benchmarks. FSRA retained Oliver Wyman to independently analyze loss trend rates and reform factors, the results of which were used by FSRA in setting its Benchmarks for rate filing reviews. Oliver Wyman's preliminary report was posted on our website and feedback was requested on their assumptions and methodologies.

## What we heard

FSRA is appreciative of the significant effort that went into the comments it received on Oliver Wyman's preliminary report outlining the proposed Benchmarks. FSRA received 14 submissions during the time period of February 14, 2020 to March 16, 2020. To protect commercially sensitive information provided in certain submissions, individual submissions will not be posted. However, Oliver Wyman's final report outlines key feedback received through the submissions, and provides their specific responses to the feedback – this can be found in section 8 of the report. The report can be found here: [Ontario Selected Private Passenger](#)





[Vehicles Loss Trend Rates and Reform Factors](#) based on Insurance Industry Data Through June 30, 2019.

Overall there appeared to be agreement on the selected loss trends and reform factors, except for the change in the future loss trend rate for Bodily Injury and Accident Benefits, which the majority of the submissions focused on.

## Our response

FSRA has taken into consideration the feedback received through the public consultation process, and we acknowledge the concerns raised in the submissions regarding Oliver Wyman's analysis results being markedly different than FSRA's current Benchmarks, for certain coverages. These changes are primarily driven by additional claims experience post the 2015/16 auto reforms (the "Reforms"), providing a better understanding of the true impacts of the Reforms. The use of actuarial judgment was also revised with the additional claims experience.

FSRA has undertaken a thorough review of Oliver Wyman's analysis on loss trends and reform factors and believes that Oliver Wyman's analysis is prudent and reflective of recent developments and current conditions. Furthermore, Oliver Wyman's analysis has been developed in accordance with generally-accepted actuarial practices. Therefore, FSRA will be adopting the analysis results as FSRA Benchmarks for the purpose of rate filing reviews.

FSRA is also aware of more recent industry data (2019-H2) which provides further support for the development trend identified in the Benchmarks, but which did not factor into this analysis. Furthermore, while the impact of the current pandemic is not present in the Benchmarks, insurers should also consider its impact on what may be "just and reasonable" rates.

This was a new consultation process. FSRA will consider ways to improve the next Benchmark development process, beginning in summer 2020, and welcomes comments from stakeholders on how the process could be more effective and efficient.





## Guidance Release: *Loss Trend Benchmarks for Private Passenger Automobile Major Rate Filings*

Effective **May 15, 2020**, FSRA is issuing new Guidance titled [Loss Trend Benchmarks for Private Passenger Automobile Major Rate Filings](#), that will specify the updated Benchmarks for loss trend rates and reform factors that FSRA will use when reviewing its Private Passenger Automobiles insurance rate filings. This Guidance will supersede the introductory paragraph and items 1 and 2 of Exhibit 2 of the Financial Services Commission of Ontario (FSCO) Technical Notes for Automobile Insurance Rate and Risk Classification Filings that accompany the FSCO Major Filing Guideline, which was transferred from FSCO to FSRA following FSRA's assumption of regulatory authority effective June 8th 2019.

FSRA is continuing the past practice of publishing benchmarks twice a year to give insurers a target as to how rates should change based on aggregate cost drivers. FSRA is committed to continuing that approach with an emphasis on alignment with its [Rate Regulation Principles](#) *Transparency & Disclosure* and *Simplicity*.

