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Bill 90

An Act to amend the Insurance Act with respect to Automobile Insurance Rates

Mr. T. Rakocevic

Private Member's Bill

1st Reading March 27, 2019

2nd Reading

3rd Reading

Royal Assent



EXPLANATORY NOTE

The Bill amends Part XV (Rates and Rating Bureaus) of the *Insurance Act*.

A new section 415.1 applies when the Superintendent is considering approving a proposed or current rate for a coverage or category of automobile insurance for an insurer. The provision prevents the Superintendent from approving the proposed or current rate if it would permit the insurer's return on equity to exceed the amount set out in subsection (3) or would result in the insurer's operating costs exceeding a specified percentage of the amount collected by the insurer in insurance premiums, as set out in subsection (4). The section also requires insurers to provide the Superintendent with specified information that is relevant to approvals under the section.

A new section 415.2 requires insurers to provide the Superintendent annually with information on how much their insured clients pay in insurance premiums each year, how many accident claims are made to the insurer each year and how much the insurer pays out on those claims. The information is to be provided based on the postal codes of the areas in which insured persons reside.

An Act to amend the Insurance Act with respect to Automobile Insurance Rates

Her Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

1 (1) Part XV of the *Insurance Act* is amended by adding the following sections:**Approval of insurance rates**

415.1 (1) When the Superintendent is considering whether to approve an insurer's proposed or current rate for a coverage or category of automobile insurance under this Part, the Superintendent shall require the insurer to provide the following information, in addition to any other information the Superintendent may require:

1. The insurer's equity associated with automobile insurance provided in Ontario.
2. The insurer's return on equity.
3. A detailed breakdown of the insurer's operating costs.

Refusal to approve

(2) The Superintendent shall refuse to approve an insurer's proposed or current rate for a coverage or category of automobile insurance if,

- (a) the insurer's return on equity exceeds the percentage determined under subsection (3); or
- (b) the insurer's operating costs exceed the percentage of the total amount collected by the insurer in insurance premiums that is established under subsection (4).

Return on equity percentage

(3) For the purposes of clause (2) (a), an insurer's return on equity shall not exceed the following percentage:

1. For a rate being approved in 2019, 2020 or 2021, 7 percent.
2. For a rate being approved in 2022 or in any subsequent year, a prescribed amount which shall be equal to 7 percent as adjusted taking into account changes in the capital markets, including interest rates on 10 year bonds issued by the Government of Canada and equity market risk premiums.

Operating cost percentage

(4) For the purposes of clause (2) (b), an insurer's operating costs shall not exceed the following percentage of the total amount collected by the insurer in insurance premiums:

1. For a rate being approved in 2019, 20 percent.
2. For a rate being approved in 2020, 19.5 percent.
3. For a rate being approved in 2021, 19 percent.
4. For a rate being approved in 2022, 18.5 percent.
5. For a rate being approved in 2023, 18 percent.
6. For a rate being approved in 2024 or in any subsequent year, 17.5 percent.

Exception

(5) Despite subsections (2) and (4), the Superintendent may approve an insurer's proposed or current rate for a coverage or category of automobile insurance even though the insurer's operating costs exceed the percentage established under subsection (4) if, in the Superintendent's opinion, observing the established percentage would be unreasonable or unjust in the circumstances.

Annual provision of information

(6) For the purposes of clause (2) (b), each year every insurer shall provide the Superintendent with information about their operating costs including information about,

- (a) the allocation of corporate overhead costs;
- (b) expenses relating to salaries, bonuses and benefits, in particular those relating to the top five senior executives;
- (c) marketing expenses and costs for generating and retaining customers, including commissions; and
- (d) legal expenses.

Same

(7) The information about operating costs required under subsection (6) shall relate to the insurer's operations in Ontario and across Canada.

Provision of statistical information based on postal code

415.2 (1) Each year, every insurer shall provide the Superintendent with the following information with respect to all persons insured by the insurer in Ontario:

- 1. The total insurance premiums paid by insured persons in the previous year.
- 2. The total number of accident claims made by insured persons in the previous year.
- 3. The total amount paid by the insurer for accident claims in the previous year.

Same

(2) The information required under subsection (1) shall be classified and presented according to the first three characters of the postal codes in which insured persons reside.

(2) Sections 415.1 and 415.2 of the Act, as enacted by subsection (1), are amended by striking out "Superintendent" wherever it appears and substituting in each case "Chief Executive Officer".

Commencement

2 (1) Subject to subsection (2), this Act comes into force on the day it receives Royal Assent.

(2) Subsection 1 (2) comes into force on a day to be named by proclamation of the Lieutenant Governor.

Short title

3 The short title of this Act is the *Lower Automobile Insurance Rates Act, 2019*.