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Eye on Benefits

Sheryl Smolkin worked as a pension and benefits lawyer in global consulting firms for over 20 years. She blogs about these issues for Moneyville.

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Bad Ontario drivers pay Canada's highest insurance rates

February 14, 2012
By Sheryl Smolkin
23 Comment(s)



Bad Ontario drivers pay Canada's highest insurance rates,

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Do you shop around for car insurance every

If you are a bad driver in Ontario on average you will pay 21 per cent more for automobile insurance and the highest rates overall in Canada, according to a recent study.

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year or just renew?

- Always shop around
- Sometimes shop around
- Just renew

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Many factors are taken into consideration when you get a car insurance quote including your age, the value of the vehicle and your driving experience. But your driving record is a key variable.

To determine how exactly a bad driving record impacts your premiums, InsureEye collected data from over 1,000 Canadians including 600 from Ontario. Survey participants were asked how much they pay for monthly car insurance premiums and to place themselves in one of three categories:

- No violations within the last six years (excluding parking tickets).
- Maximum two violations in the last three years.
- More than two violations in the last three years, or licence

suspension in the last six years.

It turns out that Ontario drivers are comparatively quite safe, with 84 per cent claiming they had no serious violations within the last six years and just 1 per cent reporting more than two violations in the last three years, or licence suspension in the last six years. Only British Columbia (87 per cent) has a higher share of drivers with clean records.

On average, monthly premiums in Ontario are \$148/month with the safest drivers paying only an average of \$143/month. In contrast, drivers who had up to two violations in the last three years paid an average of \$173/month. That's \$450 or 21 per cent more a year than drivers with a clean record. Because so few people fall into the worst group of drivers, no premium differential was calculated for Category 3 above.

Related: [Ontario car insurance: good news and bad news](#)

In contrast, auto insurance is cheapest in Alberta (average monthly premiums of \$113) and the spread in premium costs between the best drivers and those in the second category above is 19 per cent.

In a report filed at the end of last year, Ontario Auditor General Jim McCarter identified several reasons why auto insurance rates in this province are the highest in the country.

- The average injury claim of \$56,000 in Ontario is five times more than the average claim in other provinces.
- Ontario's coverage is the most comprehensive, with the highest benefit levels in the country. This is in spite of fall 2010 benefit reductions for minor injuries.
- Industry estimates peg the value of auto insurance fraud at between 10 per cent and 15 per cent of the value of 2010 premiums, or as much as \$1.3 billion.

Another problem identified by the auditor-general is that in this province auto insurance company profits are way out of synch.

The Financial Services Commission still allows insurers a 12 per cent rate of return based on long term bond rates in 1996. However the profit margin has not been adjusted downwards since that time, although the long term bond rate has been about three per cent for the last several years and is projected to remain at a relatively low level for some time.

It makes sense for bad drivers in any province to be charged higher premiums. However, I agree with Toronto Star columnist Ellen Roseman that the cost of insurance premiums should have been an issue in the Ontario fall 2011 election and for what we pay, there is considerable room for improvement in our accident benefits system.

Related: Roseman: [Car Insurance should be election issue](#)



Roseman: [Why our accident benefits system may be the worst](#)

One of McCarter's recommendations is that the Financial Services Commission examine cost containment strategies in other provinces to determine which could be applied in Ontario to control this province's relatively high claims costs and premiums.

Seems to me someone should have thought of that one long ago. What do you think?

To compare your auto, life and home insurance costs with your peers, see [InsureEye Peer Comparison](#).

Contact Toronto lawyer and writer Sheryl Smolkin through her [website](#) Follow her on Twitter [@SherylSmolkin](#).

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Feb 16, 2012 5:03 AM

Not sure I do understand

Do I understand this right Chrish8 - you are managing a file where you've paid out over \$620,000? For two claims with no damage to the vehicle. In two incidents with same person? It's not hard to understand where the money is going now, or why there's none left for legitimate claimants if you are just going to give it away. What company do you work for? There's 30,000 people at FSCO who want to be your client.

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[VancDon](#)

Feb 16, 2012 4:44 AM

Whoa

Why are a spread sheet cost comparisons of car insurance every published for several classes of cars and drivers never published in the media. Here in BC my optional coverage varies by \$430 between quotes with ICBC being the 2nd highest and Sun Alliance (BCAA) being the highest.

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[muk](#)

Feb 16, 2012 1:39 AM

facility insurance

2003, part 1 of drastic insurance reductions to good drivers. Facility insurers were getting a lot of "bad drivers" who paid outrageous amounts to remain insured. What happened to the insurance industry's premium grab via facility insurers. Is it because there aren't enough "bad drivers" to profit from such premium increases? Instead, insurers just demanded Ontario let them subjectively increase costs at will. By 2010 severely remove "standard" benefits unless you pay a la carte to get them back?! Not stopping here, they want to rewrite the catastrophic definition where "dead" may be the only qualification for it.

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Feb 16, 2012 1:31 AM

average insurance cost

WHAT do people base such "averages"? Year of car would narrow it down, model of car, what coverage: minimal, or includes the accident benefits Ontario savagely reduced would help. This is a BIG part of the issue. It's a mandatory cost, yet NO published, standard criteria is being assessed to provide the consumer with an idea of what they're paying for. So, if the insurer wants to, they can make a "no fault" accident an at fault, raising your premium. Based on the "average" insurance rate criteria using violations for this article. Mine should only be \$143/month, not the \$190 I've been quoted. Ontario tax payers being ripped off for a legislated product.

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Feb 15, 2012 9:24 PM

Someone call the accountants!!!

1.3 Billion is 10% of \$130,000,000,000.00 with simple math - correct me if I am wrong. So how come this industry says it can't afford to pay more than \$3500 for 85% of the drivers injured in Ontario? Where's the money going? Why are there tens of thousands of Ontarians waiting for years to get treatment and benefits? We pay the Auditor General, why hasn't he demanded an audit when none of this adds up?

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Definition

While there are quite a number of obviously "bad" drivers out there,



[George Miron](#)

Feb 15, 2012 9:23 PM

frequently they wind up causing collisions for others but wind up without a blemish on their driving records, there are also otherwise "good" drivers who happen to get caught for minor infractions or in police crackdowns and whose rates the insurance companies are only too happy to raise... Who really determines what qualifies as a "bad" driver?

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[54321](#)

Feb 15, 2012 9:20 PM

Recession? What recession?!?

Sincerely, State Farm. As if this was news... theft & corruption affects every last one of us from WWII all the way to ppl who steal children's books for their kids- 1% cheats life & steals money for food from the rest of us 99%.

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[587Anna](#)

Feb 15, 2012 7:20 PM

Bad drivers aren't paying for all the insurance increases! I fall into the category of "good driver" with no tickets (not for at least 15yrs), no at fault accidents (two not at fault - one in 02 and one in 04) however, I'm paying over \$200 a month in car insurance in Brampton (and that's with \$1000 deductible for both collision and comprehensive). If I lived in Georgetown, I'd pay have the insurance cost...my insurance company told me that it's because there are so many claims in Brampton and lots of insurance fraud (so much that some insurance companies won't even insure people who live in Brampton!). You cannot tell me that the bad drivers in Brampton are paying for those of us who are good drivers...I'm thinking they're not paying for insurance at all!

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[chrish8](#)

Feb 15, 2012 7:19 PM

People don't understand

The problem is people do not understand that insurance premiums are put into a pool. The premiums collected pay for everyone's claims. The average fender bender in Ontario is upwards of \$5,000; with the average premium at 1800 there is a \$3,200 shortfall on the average claim which comes out of your premium and mine. It becomes a bigger problem that the small percent of fraudulent claims are in excesses of \$300,000 which is premium no single individual will pay in a life time, meaning no one is recouping those funds. I am sitting on a file now where a client has received to date a total of \$620,000 in insurance money for a claim in 2008 and 2009 and there was no damage to the automobile in either accident.

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Feb 15, 2012 7:19 PM

Out of Synch?

None of the numbers seem to add up and our government doesn't seem to care. Are they losing 1.2 or 1.5 Billion to fraud or not? The fact that the insurance industry can't produce some facts on these figures tells us that they don't even know. Now we are to believe that the 30,000 injured people waiting for mediation are fraudsters? Or that Ontario claims are \$56,000? This industry needs an audit and not a guarantee of 12% return on the money they are stealing from us.

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