Rising Automobile Insurance Premiums In Ontario: Understanding the Why and Tips to Reduce Insurance Cost

To help you understand why Ontario's auto insurance costs are increasing, how the auto insurance industry is regulated, and—most importantly—what you can do to keep your car insurance costs as low as possible, we have outlined many helpful tips to help keep your car insurance rates as low as possible.

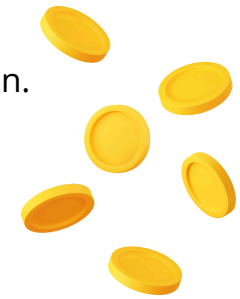
In 2023, Ontario's average estimated insurance premium increased by 12%. Several factors contribute to the rise in automobile insurance rates in Ontario, including those related to the driver, vehicle and territory, as well as:

- Higher accident frequency, particularly in densely populated urban areas, leads to more claims and higher insurance costs.
- More distracted driving mishaps due to the increased use of smartphones and other connected devices.
- Vehicles are now commonly equipped with advanced technology requiring skilled technicians and more time to complete repairs.
- Inflation is driving up the cost of new, used and rental cars, as well as car parts. Lingering supply chain issues are making it hard to get parts on time. High demand and low supply often mean price hikes, particularly for auto services and parts. These factors are resulting in higher payouts repair costs and for vehicles that are written off.
- Climate change has increased the number of claims caused by hail and flooding.
- Insurance fraud, including staged accidents and false claims, has been a significant issue in Ontario. This increases the overall cost of claims for insurance companies, which is then passed on to consumers.
- The automobile theft crisis drives comprehensive automobile premiums for commonly stolen vehicles by almost 40% above average. The Insurance Bureau of Canada shows auto theft claims skyrocketed to a record breaking $1.5 billion in 2023. The problem is particularly costly in Ontario, where auto theft claims costs increased a staggering 524% between 2018 and 2023.
- Car thieves continue to focus their attention on catalytic converters as a prized and lucrative item within your vehicle. According to CBC News, "catalytic converter thefts rise nationally as metal inside [is] 'more valuable than gold'." Although it is not a new issue, cases of these types of theft remain problematic for car owners nationally.

- Ontario has a complex legal system for settling insurance claims, which can result in higher legal fees and settlement costs.
- Changes in provincial regulations and insurance policies, such as, adjustments to mandatory coverage requirements or changes in the structure of benefits, may have a detrimental impact to rates.
- The insurance market's competitive landscape can also play a role. If there are fewer insurers in the market or if existing insurers experience financial pressures, rates may rise.
- The cost of providing health care to accident victims, such as rehabilitation and disability benefits, is another factor driving up costs for insurance companies. Two major components figure into the cost of premiums. According to David Marshall, "Roughly half of the (auto) premium comes from the need to cover the cost of replacing the car if it's damaged or stolen, or of repairing it," he says. "The other half goes to personal-injury-related costs. Driven by inflation and the shortage of medical professionals, the costs that insurers incur for this portion of their payout is much higher in Ontario than in other provinces." This is partly due to the lawsuits that the province's system allows.
- Ontario's auto insurance system allows you to sue an at-fault driver if you are injured in an accident. They will then in turn rely on their insurance company to pay. The litigation aspect raises costs for the system as a whole. FSRAO estimates that about 30% to 35% of settlements paid in personal injury disputes between insurance companies and claimants are used to pay for professional and legal fees, such as contingency fees, instead of benefitting injured parties.

Tips To Cut Auto Insurance Costs:

- Shop for the best price and coverage.
- Telematics. If you are confident in your driving ability, it may be worth looking at a usage-based program that provides discounts based on your driving behaviour.
- Get all the discounts you deserve.
- Consider the insurance cost before you buy a car.
- Increase your deductibles.
- Keep your driving record clean.
- If you have an older car, consider less coverage.
- Choose a vehicle that is less likely to be stolen.
- Be selective about who drives your vehicle
- How you pay your insurance premium may impact your premium.



Lawrie Insurance Group is dedicated to guiding our clients through these challenges with customized insurance solutions that balance coverage and cost. Our team is ready to provide expertise and offer support.

For any automobile insurance queries or concerns, please reach out to our Lawrie Insurance Broker. Remember, being well-informed means being empowered to protect your assets and family.

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