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*Newfoundland & Labrador*

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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**ANNUAL REPORT**  
**ON OPERATIONS CARRIED OUT UNDER**  
***THE AUTOMOBILE INSURANCE ACT***  
**Chapter A-22, RSNL 1990, AS AMENDED**  
**FOR THE PERIOD**  
**APRIL 1, 2008 TO MARCH 31, 2009**

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**FOR THE PERIOD APRIL 1, 2008 TO MARCH 31, 2009**

## **EXECUTIVE SUMMARY**

This report highlights the main activities of the Board in carrying out its mandate under the *Automobile Insurance Act*.

During 2008-2009 the Board received 17 Category 1 rate filings (reflecting no changes or reductions in rates) and issued 19 Orders involving Category 2 rate filings (representing rate increases). The Board also conducted compliance audits of one automobile insurer operating in the Province during the period.

There were no significant changes in the market or its composition over the year. Based on the most recently available market information (2007) 49 automobile insurers reported positive direct premiums written of \$268,984,000 in the Province, compared to \$252,161,000 in 2006. The market continues to show a high level of concentration, with 13 insurers writing 90% of all the automobile insurance business in the Province.

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## **LEGISLATION**

The *Automobile Insurance Act*, Chapter A-22, RSNL 1990, and the *Insurance Companies Act*, Chapter I-10, RSNL 1990 as amended, provide the Board with specific statutory responsibilities concerning the regulation of aspects of the automobile insurance industry in the Province of Newfoundland and Labrador.

Specifically the Board has responsibility for: the rates charged by insurers for automobile insurance; underwriting guidelines used in the classification of business written; the grounds on which insurers may refuse to provide insurance or discontinue coverage; and, the risk classification system used by insurers to determine individual rates for all automobile insurance.

## **MARKETPLACE CHANGES**

Based on the 2007 Report of the Superintendent of Insurance, the latest information available, there were 49 automobile insurers operating in Newfoundland and Labrador reporting positive Direct Premiums Written. Of the active companies, 13 wrote 90% of the automobile insurance market in the Province. The distribution of these companies by size and market share is shown in Table 1.

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<b>TABLE 1 2007 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE AUTOMOBILE INSURANCE</b>			
<b>Volume of Direct Premiums Written (000's \$)</b>	<b>Number of Companies</b>	<b>Percent of Market Share (%)</b>	<b>Total Direct Premiums Written (000's \$)</b>
0 - 1,000	28	2.18	5,972
1,001 - 5,000	8	8.15	21,908
Over 5,000	13	89.67	241,104
<b>Totals</b>	<b>49</b>	<b>100.00</b>	<b>268,984</b>

Table 2 shows comparative information for 2007 versus 2006 in relation to direct premiums written (DPW) and direct claims incurred (DCI) for automobile insurance. The total value for DPW in the Province increased 6.63% from 2006 to 2007 while total DCI decreased by 4.06%.

<b>TABLE 2 2007 MARKET VOLUME AUTOMOBILE INSURANCE (000's \$)</b>				
	<b>2007</b>	<b>2006</b>	<b>Change</b>	<b>% Change</b>
<b>Direct Premiums Written (DPW)</b>	268,884	252,161	16,723	6.63%
<b>Direct Claims Incurred (DCI)</b>	169,552	176,727	(7,175)	(4.06%)

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Table 3 contains a two-year comparative review, showing year over year relative change, of the automobile-insurance market, broken into DPW and DCI (excludes claims expenses) incurred by the three premium classifications, Third Party Liability, Personal Accident and Other. The Other category includes coverages such as Collision, Comprehensive, Specified Perils and All Perils.

<b>TABLE 3 2007 MARKET VOLUME BY CLASS AUTOMOBILE INSURANCE (000's \$)</b>					
		<b>2007</b>	<b>2006</b>	<b>\$ change</b>	<b>% change</b>
<b>Third Party Liability</b>	<b>DPW</b>	177,266	169,225	8,041	4.75%
<b>Third Party Liability</b>	<b>DCI</b>	112,710	126,859	(14,149)	-11.15%
<b>Personal Accident</b>	<b>DPW</b>	20,954	19,449	1,505	7.74%
<b>Personal Accident</b>	<b>DCI</b>	11,974	7,575	4,399	58.07%
<b>Other</b>	<b>DPW</b>	70,664	63,487	7,177	11.30%
<b>Other</b>	<b>DCI</b>	44,868	42,293	2,575	6.09%

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## **REGULATORY ACTIVITIES**

### **Filings**

During the year the Board issued 19 Automobile Insurance Orders in relation to Category 2 rate filings for rate increases or the establishment of new rates.

The Board also received 17 Category 1 rate filings representing no change or reductions in rates to insureds. Pursuant to legislative provisions, these filings are not subject to the Board's prior approval and may be implemented no sooner than 30 days following filing with the Board.

Board staff also reviewed a number of revisions to underwriting guidelines, risk classification systems and declination rules. These filings are not subject to prior approval but the Board may prohibit an insurer from using a ground or risk classification system that is found to violate provisions in legislation or regulations.

### **Compliance Audit Program**

The Board has a compliance audit program whereby the rates and rating practices of the regulated insurance companies are reviewed. The compliance audit program is designed to ensure that insurers writing business in the Province are charging rates that have been approved by the Board in accordance with the *Automobile Insurance Act* and the *Insurance Companies Act*. The audit program also ensures that agents and brokers of the insurer are interpreting the underwriting guidelines of the insurer correctly and that insureds of similar risk characteristics are being rated correctly.

During the year the Board conducted one compliance audit of an automobile insurer operating in the Province. The results of this audit did not reveal any significant issues. Additional audits are currently scheduled for the next reporting period.

## Complaints

During the year the Board received a limited number of complaints and inquiries. These complaints and inquiries were generally in relation to rating practices of insurers and/or agents.

## Expenses

The expenses of the Board in relation to insurance operations for the 2008-09 year were budgeted at \$641,937. These costs were assessed against insurers with the approval of the Minister, pursuant to Section 59 of the *Automobile Insurance Act*, at a rate of 2.387 mils on the direct premiums written in the Province by the market. A five-year summary of expenses and mil rates is shown in Table 4.

<b>TABLE 4 FIVE YEAR SUMMARY ASSESSMENTS AND MIL RATES</b>		
<b>Year</b>	<b>Expenses</b>	<b>Mil Rate</b>
2008 - 2009	\$641,937	2.387
2007 - 2008	\$501,463	1.982
2006 - 2007	\$539,250	2.050
2005 - 2006	\$577,510	2.000
2004 - 2006	\$684,880	2.500



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