# Newfoundland and Labrador
# Board of Commissioners of Public Utilities

# ANNUAL REPORT ON AUTOMOBILE INSURANCE

## Year ending March 31, 2025

Public Utilities Board
NEWFOUNDLAND & LABRADOR

**Available in alternate formats. Please contact the Public Utilities Board:**

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## Message From the Chair

I am pleased to present the annual report on automobile insurance of the Board of Commissioners of Public Utilities (the Board) for the fiscal year ending March 31, 2025. This report was prepared in accordance with the **Automobile Insurance Act** and the **Transparency and Accountability Act**. On behalf of the Board, I am accountable for the results as outlined in the report.

Please note that many of the statistics and figures included in this report are based on industry data through December 31, 2023, which was the most recent full-year data available at the time of preparation.

This was another busy year for the Board with respect to its automobile insurance activities. Rate filing volume was high as the Board received 77 filings and issued 69 orders during the reporting period. Rate levels remained stable despite the high filing volume as approximately 87% of all filings approved by the Board included an overall average rate level change of +3% or less. For private passenger automobile business, which represents approximately 80% of the entire market, the overall average rate level change approved across all filing types was approximately +2%. From a regulatory efficiency perspective, the average time between the receipt of rate applications and the Board's decisions was 67 days with all decisions issued within the legislated time period of 180 days.

The Board continues to work diligently with its consulting actuaries and industry stakeholders to navigate the uncertain claims experience in the market. New influencing factors such as high inflation levels and tariff changes have emerged to create new challenges for the Board in the rate setting process. The Board will continue to monitor developing industry trends and economic influences in its efforts to ensure rates are just and reasonable in the province.

I commend the Vice-Chair, the commissioners and Board staff for their contributions during what has been a particularly busy and challenging year. The Board is committed to the continued efficiency and effectiveness of its operations in the year ahead.

Kevin Fagan, Chair and Chief Executive Officer

## Overview

### About the Board

The Board is an independent, quasi-judicial tribunal constituted under **The Public Utilities Act** and is currently comprised of four full-time commissioners, appointed by the Lieutenant-Governor in Council, including the Chair and Chief Executive Officer, and the Vice Chair.

The Board is responsible for the regulation of the electric utilities, automobile insurance rates, and the pricing of petroleum products. The Board is also responsible for limited regulation of the motor carrier industry in relation to certain passenger and ambulance operations, as well as conducting hearings and other required activities under the **Expropriation Act**.

The Board is funded through assessments charged to regulated industries and companies, and on a cost recovery basis from applicants and/or parties involved in specific proceedings.

### Automobile Insurance Mandate

The **Automobile Insurance Act** and the **Insurance Companies Act** provide the Board with specific statutory responsibilities with respect to regulation of the automobile insurance industry including the general supervision of rates, risk classification systems and underwriting guidelines.

Automobile insurers are required to file new rates with the Board at least once every three years for each type of vehicle written and the Board must determine if the proposed rates are just and reasonable, among other considerations, based on:

- the insurer's projected loss experience;
- the insurer's expenses and investment income;
- financial and other information that directly or indirectly affects rates; and
- any other information as determined by the Board.

To deliver its regulatory mandate, the Board conducts actuarial reviews, technical/financial reviews, stakeholder meetings, compliance monitoring, audits, investigations and hearings. Orders issued by the Board have the force of law and can only be appealed to the Supreme Court of Newfoundland, Court of Appeal.

## Report on Performance

### Rate Filing Decisions

The Board reviews rate filings from automobile insurance companies and can approve, deny or vary the rating program changes proposed. Board staff, in consultation with its consulting actuaries, review

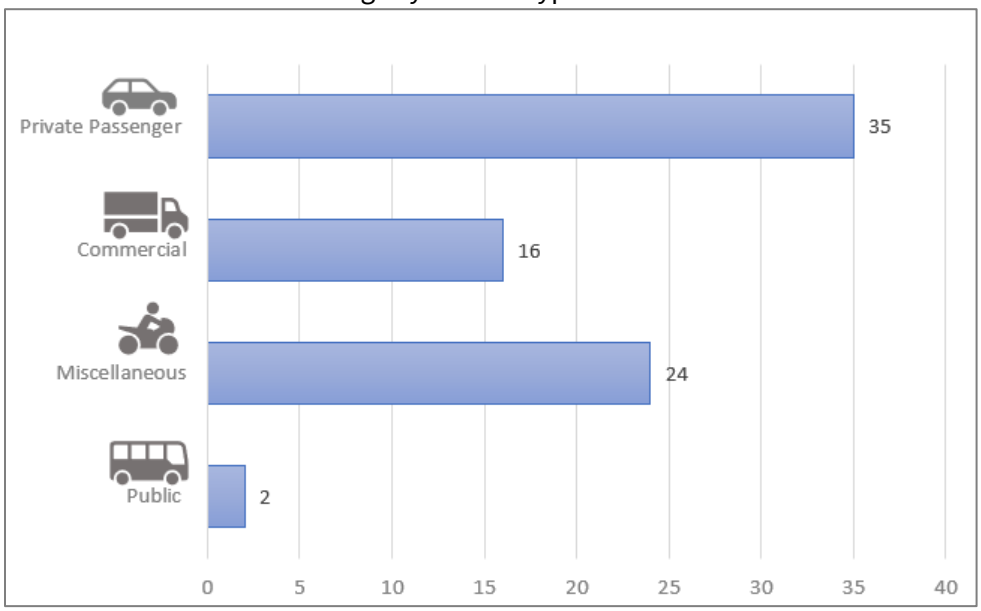
each filing to ensure that requested changes are supported in accordance with the Board's filing guidelines and applicable legislative requirements. Once a filing review is deemed complete, the Board will convene a panel and issue a written decision.

In 2024-2025, the Board received 77 filings summarized as follows: [1]

- 54 mandatory rate filings made in accordance with the statutory 3-year timeline,
- 22 optional rate filings for minor changes between mandatory filings, and
- 1 optional rate filings in accordance with the statutory expedited approval option.

A breakdown of rate filing volume by vehicle type is provided in Figure 1 below:

**Figure 1**
Rate Filings by Vehicle Type – 2024-2025




Rates remained stable throughout the year as approximately 87% of all filings approved included an overall average rate level change of +3% or less. For private passenger automobile business, which represents approximately 80% of the entire market, the overall average rate level change approved by the Board across all filing types was approximately +2%.

The average turnaround time for filing decision was 67 days, which in all cases was within the Board's legislated time period of 180 days.[2]

Details regarding the specific changes included in each rate filing can be found on the Board's website by reviewing the applicable Board orders.

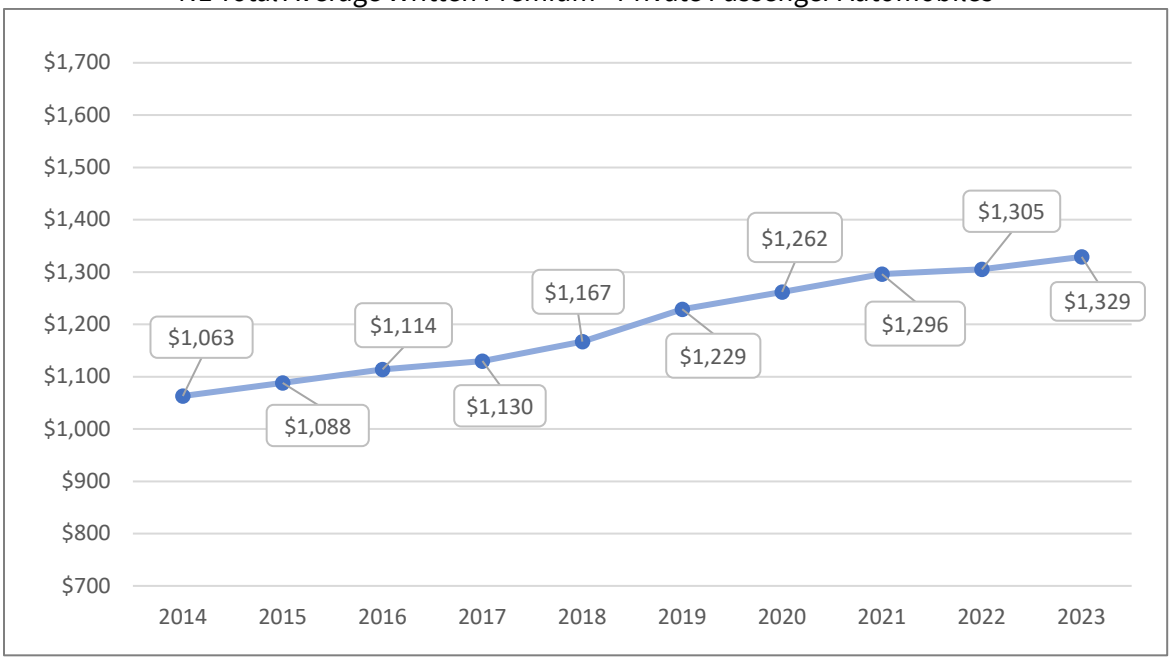
[1] The Board issued 69 orders during the period. The number of Board orders issued does not match the number of filings received as some orders were issued after the March 31, 2025 cut-off for this report.
[2] Section 10 of NLR 56/19 states that the Board shall approve, deny or vary a filing within 90 days and may extend the review period a maximum of 90 additional days when required to do so (i.e. 180 days total).

## Private Passenger Premiums

The average private passenger premium level in 2023 was $1,329, an increase of 0.5% from the 2022 average of $1,305. Figure 2 below shows that average private passenger premium levels have been fairly stable, increasing at a rate of approximately 2.5% annually over the last 10 years and 2.0% annually over the last 3 years.

**Figure 2**

NL Total Average Written Premium - Private Passenger Automobiles



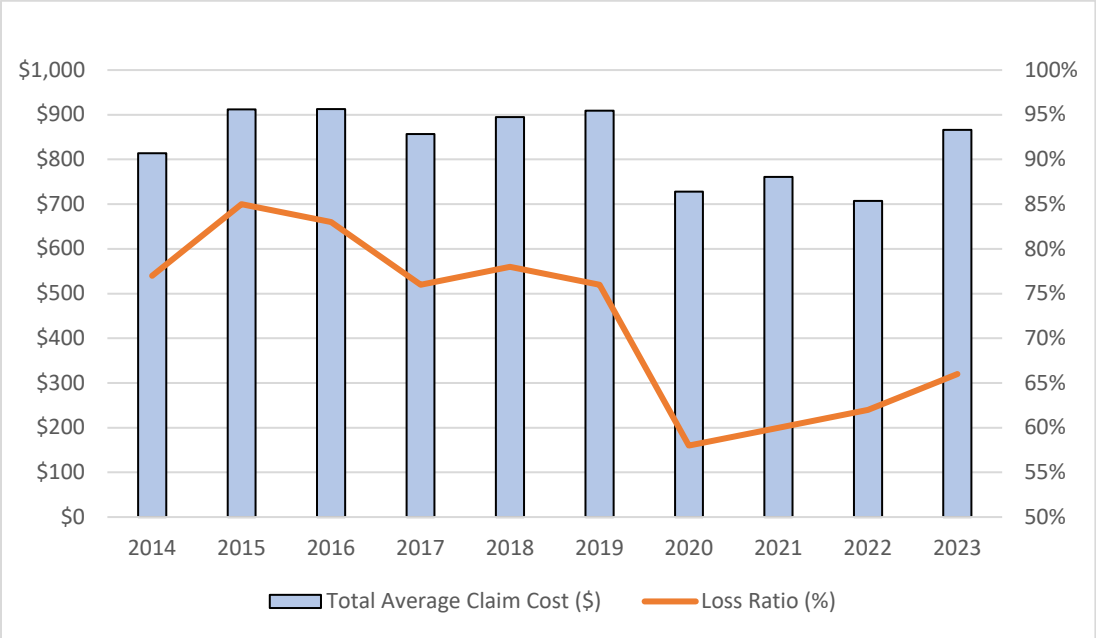

## Private Passenger Claims

The total average private passenger claim cost increased to $866 in 2023, mainly due to the impacts of high inflation on optional physical damage coverages. Figure 3 below shows that claims costs have been lower than usual in recent years due to the impacts of the COVID-19 pandemic, including the reduction in commuting traffic and lower claims frequency associated with “stay-at-home” orders.

The total industry loss ratio, which compares claims to premiums, increased to 66% in 2023. While this is slightly higher than the recent results experienced during the COVID-19 pandemic, it is still lower than the pre-pandemic figures of 78% and 76% reported in 2018 and 2019, respectively.

**Figure 3**

NL Total Average Claims Costs and Loss Ratios - Private Passenger Automobiles

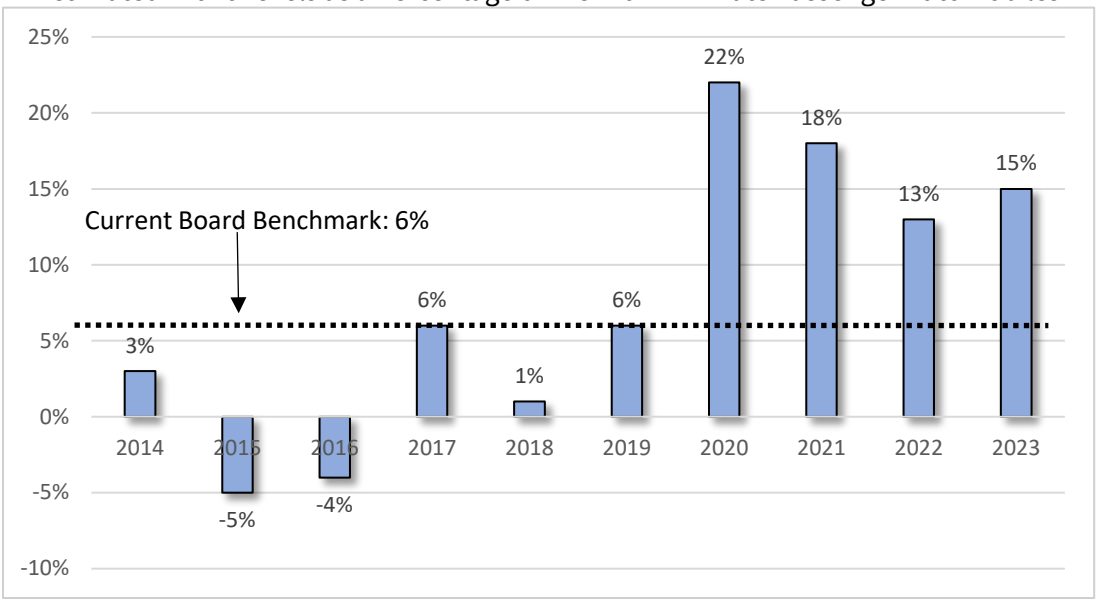



## Private Passenger Profit Levels

The Board conducts an annual review of the financial profitability of private passenger automobile insurance business in the province which consists of a hindsight analysis of aggregated industry data. A summary of the private passenger profit levels through December 31, 2023 expressed as a percentage of premium is presented in Figure 4 below.

**Figure 4**

Estimated Profit Levels as a Percentage of Premium - Private Passenger Automobiles



It is noted that the above profit levels are estimates based on a number of assumptions and judgments. The results for the most recent accident years of 2022 and 2023 remain particularly uncertain as many claims are still open and developing. Profit levels for these years are expected to decrease over time as claims close.

The higher profit levels observed in 2020 and 2021 were primarily the result of a decline in traffic levels and claim volumes experienced during the COVID-19 pandemic. This resulted in actual losses being much lower than forecasted by the models used to set rates.

Although recent profit levels have been higher than normal, the long-term results over a 10-year period show that the private passenger industry as a whole was unable to achieve the Board's benchmark profit provision of 6% in four of the ten years reviewed, and that the industry incurred overall losses in 2015 and 2016.

The Board plans to conduct a further review of private passenger industry profit levels when new data is released and is currently conducting a review of its filing guidelines and profit provision benchmarks to ensure they continue to be in accordance with best practices.

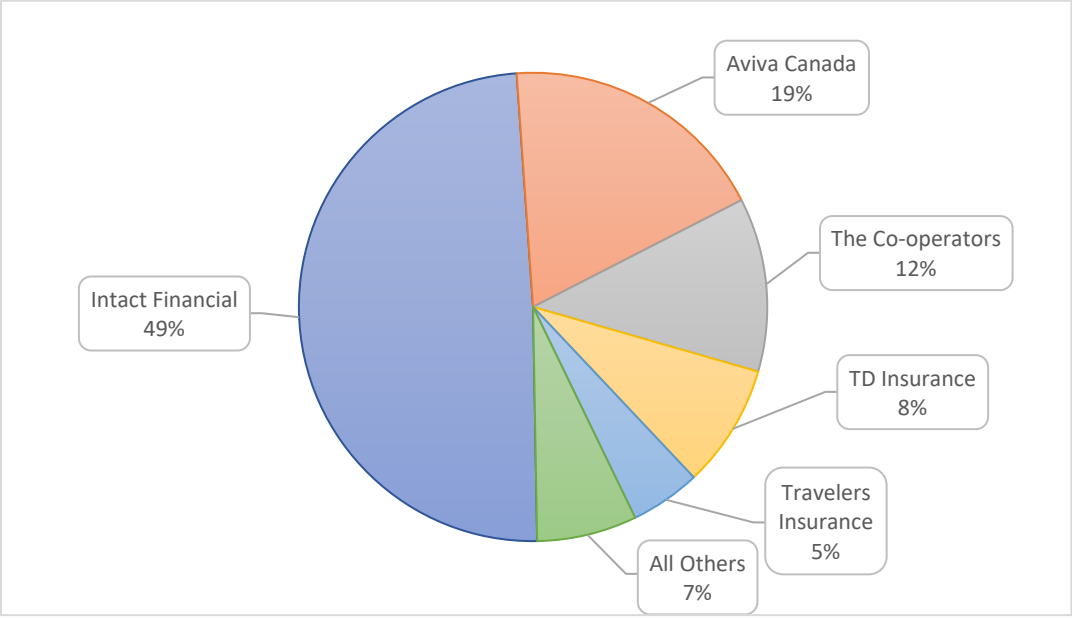
**Marketplace Changes**

Based on data from the Office of the Superintendent of Financial Institutions (OSFI), the total automobile insurance market in the province was $532 million for all vehicle types combined in 2023. This is an increase of approximately 3.9% compared to the 2022 written premium total of $512 million.

The number of available options for consumers has dropped in recent years with only 40 automobile insurers reporting written premiums in 2023. This is a decrease from 58 insurers in the early 2000s and 49 insurers as recent as 2015. Market consolidation due to mergers and acquisitions is the primary reason for the drop in available insurers.

The market shows a high level of concentration with 10 insurers writing approximately 89% of all automobile insurance business in the province. When common ownership among companies is considered, there are five insurer groups writing approximately 93% of all business. Figure 5 below shows a breakdown of the top insurer groups by market share.

**Figure 5**
NL Auto Insurance Groups by Market Share




A breakdown of written premium levels by company is also provided in Appendix A.

### Information Bulletins

The Board issued four (4) information bulletins to the automobile insurance industry during the year to update filing guideline provisions including loss trend rates, CLEAR rate group factors and health levy figures. All information bulletins issued are posted on the Board's website.

### Consumer Complaints and Inquiries

The Board received a limited number of complaints and inquiries from consumers during the year. These were routine in nature and were generally in relation to rating practices of insurers or changes in premiums experienced following Board approval of a rate filing. In no case were there any identified violations of Board orders or legislative provisions that necessitated further action by the Board.

## Opportunities and Challenges

### Inflation and Tariffs

Supply chain issues and pent-up consumer demand in recent years has resulted in increases to inflation rates. Inflationary pressures on physical damage cost factors such as vehicle parts, maintenance, repairs, purchases and rentals put upward pressure on both claims costs and rates.

For rate filings submitted throughout 2024-2025, the Board published updated filing guidelines to provide guidance to industry on how inflation should be treated in developing rate level indications. The updated guidelines allow inflationary cost pressures to be reasonably reflected in rates, while ensuring that consumers are not overcharged.

Inflationary pressures and market uncertainty may continue to impact insurance rates through 2025-2026 due to new and emerging trade disputes and tariffs changes between Canada and the U.S. The Board will continue to monitor this situation and adjust its filing guidelines accordingly.

## Board Expenses

The Board's budgeted assessment amount for its automobile insurance operations was $983,501 in 2024-2025. 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 1.849 mils on the direct automobile insurance premiums written in the province. A five-year summary of assessments and mil rates is shown in Figure 6 below.

**Figure 6**

Automobile Insurance Assessments and Mil Rates

| Year | Assessments | Mil Rate |
|---|---|---|
| 2024-2025 | $983,501 | 1.849 |
| 2023-2024 | $779,161 | 1.521 |
| 2022-2023 | $668,177 | 1.332 |
| 2021-2022 | $680,313 | 1.455 |
| 2020-2021 | $587,884 | 1.260 |

While the 2024-2025 mil rate reflects an increase of $204,340 in the annual assessment amount compared to the previous year, the assessment amount is less than 0.2% of cost of automobile insurance premiums written in the province of $532 million. The assessment increase is primarily driven by an increased portion of the Board's time and costs required to regulate the automobile insurance industry relative to those required to regulate utilities and petroleum pricing.[3]

[3] General expenses of the Board are assessed to industry stakeholders based on allocated time captured by commissioners and staff on weekly timesheets. The Board utilizes a 5-year rolling average to help normalize the time allocations to each line of business to avoid significant year-to-year shifts in the assessment amounts.

The increased cost allocation to regulate the automobile insurance industry is related to the introduction of the mandatory filings timeline (once every three years) included in the reforms introduced by the Provincial Government in January 2020.[4] These regulatory reforms increased the number of rate filings to be reviewed by the Board annually, thereby necessitating higher allocations of the Board's time and costs to regulate automobile insurance.

## Partnerships

**CARR**

The Canadian Automobile Insurance Rate Regulators Association (CARR) was formed in 2007 with the objective of sharing best practices, education, exchanging information and discussing key issues through committees, conferences and webinars. It is a self-supporting, not-for-profit organization of provincial automobile insurance rate regulators. As an active member of CARR, the Board remains informed of market trends and innovations through CARR's various initiatives.

**GISA**

The General Insurance Statistical Agency (GISA) is the appointed statistical agent for Newfoundland and Labrador and eight other jurisdictions with private automobile insurance regimes. GISA is a key data source for many of the Board's automobile insurance regulatory responsibilities including its rate setting process. Board staff are involved in several key GISA initiatives including the transition to a new statistical service provider and the improvement of data collection procedures.

[4] NLR 56/19, Section 9

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## Appendix I – Written Premiums by Company

**Active Automobile Insurance Companies in NL**
**Direct Written Premium (000's) for 2023**

| Name of Insurance Company | |
|---|---|
| AIG Insurance Company of Canada | $599 |
| American Road Insurance Company | $105 |
| Arch Insurance Canada Ltd. | $152 |
| **Aviva Canada Inc. Insurance Group** | |
| Aviva General Insurance Company | $31,988 |
| Aviva Insurance Company of Canada | $13,319 |
| Elite Insurance Company | $1,794 |
| S&Y Insurance Company | $20,944 |
| Traders General Insurance Company | $30,785 |
| Chubb Insurance Company of Canada | $856 |
| Continental Casualty Company | $414 |
| **Co-operators Insurance Group, The** | |
| Co-operators General Insurance Company | $55,972 |
| Cumis General Insurance Company | $1,141 |
| Sovereign General Insurance Company, The | $6,685 |
| Definity Insurance Company | $95 |
| Echelon Inusrance | $5 |
| Everest Insurance Company of Canada | $48 |
| Hartford Fire Insurance Company | $4 |
| **Intact Financial Insurance Group** | |
| Intact Insurance Company | $71,577 |
| Novex Insurance Company | $92,623 |
| Unifund Assurance Company | $97,313 |

| Name of Insurance Company | |
|---|---|
| Liberty Mutual Insurance Company | $396 |
| Lloyd's Underwriters | $584 |
| Mitsui Sumitomo Insurance Company Limited | $77 |
| National Liability & Fire Insurance Company | $300 |
| **Northbridge Financial Corporation Inusrance Group** | |
| Federated Insurance Company of Canada | $293 |
| Northbridge General Insurance Corporation | $19,120 |
| Old Republic Insurance Company of Canada | $598 |
| Personal Insurance Company, The | $11,408 |
| Sentry Insurance Company | $7 |
| Sompo Japan Insurance Inc. | $2 |
| Starr Insurance & Reinsurance Limited | $181 |
| **TD Insurance Group** | |
| Security National Insurance Company | $25,625 |
| Primmum Insurance Company | $19,392 |
| TD Home and Auto Insurance Company | $257 |
| Tokio Marine Canada Ltd. | $4 |
| Tokio Marine & Nichido Fire Insurance Co. Ltd. | $8 |
| **Travelers Insurance Group** | |
| Dominion of Canada General Insurance Company, The | $25,843 |
| Travelers Insurance Company of Canada | $372 |
| XL Specialty Insurance Company | $28 |
| Zurich Insurance Company Ltd | $1,053 |
| **Total** | **$531,967** |

Written premiums reported to the Office of the Superintendent of Financial Institutions (OSFI)