
Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

ANNUAL REPORT

OF THE

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

ON OPERATIONS CARRIED OUT UNDER

THE AUTOMOBILE INSURANCE ACT

Chapter A-22, RSNL 1990, AS AMENDED

FOR THE PERIOD APRIL 1, 2017 TO MARCH 31, 2018

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EXECUTIVE SUMMARY

1
2
3 This report highlights the main activities of the Board in carrying out its mandate under the
4 *Automobile Insurance Act*.

5
6 During 2017-2018 the Board received 23 Category 1 filings (reflecting reductions or no changes
7 in rate levels) and issued 33 Orders involving Category 2 rate filings (requesting rate increases).
8 The Board also issued three advisory directives to all insurers in connection with updated loss
9 trend factors for Private Passenger Automobiles and Commercial Automobiles, and one advisory
10 directive in relation to updated CLEAR Rate Group Tables.

11
12 There were no significant changes in the market or its composition over the year. Based on the
13 most recently available market information (2016), 44 automobile insurers reported positive
14 direct premiums written of \$433,851,000 in the province, compared to \$417,884,000 in 2015. The
15 market continues to show a high level of concentration, with 15 insurers writing approximately
16 96% of all the automobile insurance business in the province. When common ownership among
17 companies is considered four companies write approximately 84% of the automobile insurance
18 business.

19
20 On July 4, 2017 Government announced the start of comprehensive review of the automobile
21 insurance system in Newfoundland and Labrador. On August 9, 2017 the Board was directed to
22 undertake a review and report on a number of issues with respect to automobile insurance in
23 accordance with the Terms of Reference issued to the Board. This work is ongoing and a number
24 of consultant reports commissioned as part of the Board's review have been released. The
25 Board's final report to Government is expected to be filed by June 30, 2018 following the
26 completion of public hearings.

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1 **LEGISLATION**

2
3 The *Automobile Insurance Act*, Chapter A-22, RSNL 1990, and the *Insurance Companies Act*,
4 Chapter I-10, RSNL 1990, as amended, provide the Board with specific statutory responsibilities
5 concerning the regulation of aspects of the automobile insurance industry in Newfoundland and
6 Labrador.

7
8 Specifically the Board has responsibility for: the rates charged by insurers for automobile
9 insurance; underwriting guidelines used in the classification of business written; the grounds on
10 which insurers may refuse to provide insurance or discontinue coverage; and the risk
11 classification system used by insurers to determine individual rates for automobile insurance
12 coverages.

13
14 **MARKETPLACE CHANGES**

15
16 Based on the 2016 Report of the Superintendent of Insurance, the latest information available,
17 there were 44 automobile insurers operating in Newfoundland and Labrador reporting positive
18 direct premiums written. The market continues to show a high level of concentration, with 96%
19 of the automobile insurance business written by 15 insurers.

**TABLE 1
2016 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE
AUTOMOBILE INSURANCE**

Volume of Direct Premiums Written (\$000s)	Number of Companies	Percent of Market Share (%)	Total Direct Premiums Written (\$000s)
1 - 1,000	25	1.04%	4,510
1,001 - 5,000	4	2.84%	12,312
Over 5,000	15	96.12%	417,029
Totals	44	100%	433,851

2016 Superintendent of Insurance Report

1 When common ownership among companies is considered there are four companies writing
 2 approximately 84% of the automobile insurance business. Table 2 shows comparative
 3 information for 2016 versus 2015 in relation to direct premiums written for automobile insurance.
 4 The total value for direct premiums written in the province increased by 3.82% from 2015 to
 5 2016.

TABLE 2				
2016 MARKET VOLUME				
AUTOMOBILE INSURANCE				
(\$000s)				
	2016	2015	\$ Change	% Change
Direct Premiums Written	433,851	417,884	\$15,967	3.82%

2016 Superintendent of Insurance Report

6 Table 3 contains a two-year comparative review of the automobile insurance market, showing
 7 year over year relative changes of the direct premiums written by the three premium
 8 classifications: Third Party Liability, Personal Accident and Other. The Other category includes
 9 coverages such as Collision, Comprehensive, Specified Perils and All Perils.

TABLE 3				
2016 MARKET VOLUME BY CLASS				
AUTOMOBILE INSURANCE				
(\$000s)				
Direct Premiums Written	2016	2015	\$ Change	% Change
Third Party Liability	263,279	254,806	8,473	3.33%
Personal Accident	31,708	30,529	1,179	3.86%
Other	138,864	132,549	6,315	4.76%

2016 Superintendent of Insurance Report

10 For 2016 there were 323,923 written insured Private Passenger motor vehicles and 30,467 written
 11 insured Commercial motor vehicles in the province, an increase of 0.6% over 2015.

REGULATORY ACTIVITIES

Filings

During the year the Board issued 33 Orders in relation to Category 2 rate filings. Six of the Category 2 filings were initially denied by the Board but later resubmitted and approved. The Category 2 Orders relate to rate increases or new rates.

The Board also received 23 Category 1 filings representing no changes or reductions in rates. Pursuant to the legislation these filings are not subject to prior approval and may be implemented 30 days, or later as may be specified by the company, following filing with the Board. The majority of the 23 Category 1 filings were in relation to updating Vehicle Rate Group Tables and revisions to underwriting guidelines.

Compliance Audit Program

The Board has established 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 only 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.

No compliance audits were conducted during 2017-2018.

Directives/Prohibitions

During the year the Board issued three advisory directives to all insurers in connection with updated loss trend factors for Private Passenger Automobiles and Commercial Automobiles, and one advisory directive in relation to updated CLEAR Rate Group Tables.

1 **Complaints**

2
3 The Board received a limited number of complaints and inquiries during the year. These
4 complaints and inquiries were routine in nature and were generally in relation to rating practices
5 of insurers and/or agents or increases in policy premiums experienced following the
6 implementation of new rates by insurers. In no case was there an identified violation of
7 legislative provisions regarding rates or rating practices necessitating further action by the Board.

8
9 **Expenses**

10
11 The expenses of the Board in relation to insurance operations for 2017-2018 were budgeted at
12 \$549,522. These costs were assessed against insurers, with the approval of the Minister pursuant
13 to Section 59 of the *Automobile Insurance Act*, at a rate of 1.267 mils on the direct automobile
14 insurance premiums written in the province. A five-year summary of assessments and mil rates is
15 shown in Table 4.

TABLE 4 ASSESSMENTS AND MIL RATES AUTOMOBILE INSURANCE		
Year	Assessments	Mil Rate
2017-2018	\$549,522	1.267
2016-2017	\$551,495	1.320
2015-2016	\$528,465	1.326
2014-2015	\$507,853	1.314
2013-2014	\$496,717	1.351

16 **Automobile Insurance Review**

17
18 On July 4, 2017 Government announced the start of a comprehensive review of the automobile
19 insurance system in Newfoundland and Labrador. On August 9, 2017 the Board was directed to
20 undertake a review and report on a number of issues with respect to automobile insurance in
21 accordance with the Terms of Reference issued to the Board, including the reasons behind
22 increasing claims costs for private passenger vehicles and taxi operators, and options to reduce

1 these costs. The Board has been specifically asked to examine the impact on rates and
2 implications for claimants of a monetary cap on claims for non-economic loss for minor/mild
3 injury or continuing with the current deductible of \$2,500 or increasing the deductible. This work
4 is ongoing and a number of consultant reports commissioned as part of the Board's review have
5 been released. The Board's final report to Government is expected to be filed by June 30, 2018
6 following the completion of public hearings.

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