

ANNUAL REPORT

OF THE

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

ON OPERATIONS CARRIED OUT UNDER

THE AUTOMOBILE INSURANCE ACT

FOR THE PERIOD APRIL 1, 2021 TO MARCH 31, 2022

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EXECUTIVE SUMMARY

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

5
6 During 2021-2022 the Board received a total of 55 rate filings and issued 56 Orders for
7 automobile insurance. The Board also received 4 requests for temporary consumer relief
8 measures in response to the COVID-19 pandemic, all related to capping premium
9 increases. Information bulletins were issued to industry in connection with updated loss
10 trend factors, IAO advisory rates, updated CLEAR rate group tables, and the 2022 Health
11 Levy provision.

12
13 Based on the most recently available market information (2020), 38 automobile insurers
14 reported positive direct premiums written of \$481,593,000 in the Province, compared to
15 \$467,604,000 in 2019. The market continues to show a high level of concentration with
16 10 insurers writing approximately 88% of all the automobile insurance business.

17
18 On June 1, 2021 Intact Financial Corporation completed an acquisition of RSA Insurance
19 Group which had a considerable impact on the composition of the insurance market in
20 Newfoundland and Labrador. It is estimated that Intact now writes approximately 53% of
21 all automobile insurance business in the Province based on reported 2020 direct premium
22 figures.

1 **LEGISLATION**

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3 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
4 responsibilities with respect to regulation of the automobile insurance industry in
5 Newfoundland and Labrador. These regulatory responsibilities include rates, risk
6 classification systems, and underwriting guidelines.
7

8
9 In 2019-2020, following the completion of a review of the automobile insurance product
10 in Newfoundland and Labrador, Government amended the *Automobile Insurance Act*, the
11 *Insurance Companies Act* and the Regulations thereunder. The key legislative changes,
12 as well as the impact on the Board’s review of rates and rate setting processes, were
13 outlined in the Board’s 2019-2020 annual automobile insurance report. The Board has
14 continued its regulation of the automobile industry in accordance with these legislative
15 and process changes through the 2021-2022 fiscal year.
16

17 **REGULATORY ACTIVITIES**

18
19
20 **Filing Information**

21
22 During 2021-2022 the Board received 55 rate filings and issued 56 Orders for automobile
23 insurance. Table 1 provides a breakdown of the number of filings received and Orders
24 issued by the Board under each filing type from April 1, 2021 to March 31, 2022.
25

TABLE 1 RATE FILINGS AND BOARD ORDERS BY FILING TYPE AUTOMOBILE INSURANCE		
Type of Rate Filing	Number of Filings Received	Number of Board Orders Issued
CLEAR	7	7
Expedited Approval	0	0
IAO	17	17
Mandatory	6	5
Mandatory Simplified	5	5
Supplemental	20	22
Advisory Rates ¹	0	N/A
TOTAL	55	56

¹ “Advisory Rates” includes submitted rates from the Insurers Advisory Organization (“IAO”), which are reviewed but do not require a Board Order. Filings to adopt IAO rates by member insurers of the IAO do require a Board Order and are included in the “IAO” filing type information provided in Table 1.

1 **Information Bulletins**

2
3 During the year the Board issued five information bulletins to the automobile insurance
4 industry in connection with updated loss trend factors for use in rate filings, IAO advisory
5 rates, updated CLEAR rate group tables and the 2022 Health Levy. All information
6 bulletins issued by the Board are posted on the Board’s website.

7
8 **COVID-19 Relief Measures**

9
10 On April 16, 2020 the Board issued Information Bulletin A.I. 2020-04 to notify industry that
11 the Board was supportive of efforts to provide relief to consumers in response to the
12 COVID-19 pandemic. The Board established a simplified filing process for insurers to file
13 temporary relief measures to be approved in an expeditious manner, typically within one
14 business day.

15
16 The Board received 4 requests from insurers for temporary consumer relief measures in
17 2021-2022, all related to capping premium increases. The Board will continue to allow
18 insurers to file temporary relief measures for the duration of the pandemic.

19
20 **Business Continuity During COVID-19**

21
22 On December 20, 2021 the Board enacted its Business Continuity Plan in response to
23 the public health orders introduced by the Chief Medical Officer of Health due to the
24 COVID-19 pandemic. This resulted in Commissioners and staff working from home for an
25 extended period during the subsequent months. The Board was able to maintain the
26 majority of its operations remotely during this time and did not experience any major
27 disruption in its automobile insurance regulatory activities.

28
29 **Compliance Audit Program**

30
31 The Board utilizes a compliance audit program to periodically review the rates and rating
32 practices of regulated automobile insurers to ensure they are in accordance with the
33 Board approved rating programs and legislated provisions set out in the *Automobile*
34 *Insurance Act* and the *Insurance Companies Act*. The Board was unable to complete any
35 compliance audits during 2021-2022 due to the COVID-19 pandemic and the restriction
36 on staff from visiting the offices of insurers.

37
38 **Complaints**

39
40 The Board received a limited number of complaints and inquiries during the year. These
41 were routine in nature and were generally in relation to rating practices of insurers or
42 increases in policy premiums experienced following the implementation of rate changes.
43 In no case was there an identified violation of legislative provisions regarding rates or
44 rating practices that necessitated further action by the Board.

1 MARKETPLACE CHANGES

2
 3 Based on the 2020 Report of the Superintendent of Insurance, the latest information
 4 available, there were 38 automobile insurers reporting positive direct premiums. The
 5 market continues to show a high level of concentration with 88% of the automobile
 6 insurance business written by the top 10 insurers. When common ownership among
 7 companies is considered, there are four company groups writing approximately 86% of
 8 all business. Table 2 below shows a distribution of automobile insurance companies by
 9 range of direct premiums written.

TABLE 2			
2020 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE			
AUTOMOBILE INSURANCE			
Range of Direct Premiums Written (\$000s)	Number of Companies	Percent of Market Share (%)	Total Direct Premiums Written (\$000s)
1-1,000	21	0.9%	4,338
1,001 - 5,000	2	0.5%	2,623
5,001 - 15,000	5	10.9%	52,491
Over 15,000	10	87.7%	422,141
Total	38	100.0%	481,593

Source: 2020 Superintendent of Insurance Report

10 Table 3 below shows comparative information for 2019 and 2020 in relation to total direct
 11 premiums written for automobile insurance. The total value for direct premiums written in
 12 the Province increased by approximately 3.0% from 2019 to 2020.

TABLE 3				
2019 AND 2020 TOTAL MARKET VOLUME				
AUTOMOBILE INSURANCE				
(\$000s)				
	2019	2020	\$ Change	% Change
Direct Premiums Written	467,604	481,593	13,989	+3.0%

Source: 2019 and 2020 Superintendent of Insurance Reports

13 Table 4 contains a two-year comparative review of the automobile insurance market,
 14 showing year-over-year relative changes to the direct premiums written under the three
 15 premium classifications: Third Party Liability, Personal Accident and Other.

TABLE 4 2020 MARKET VOLUME BY CLASS AUTOMOBILE INSURANCE (\$000s)				
Premium Classification	2019	2020	\$ Change	% Change
Third Party Liability	279,372	284,724	5,352	1.92%
Personal Accident	34,815	37,092	2,277	6.54%
Other	153,417	159,777	6,360	4.15%

Source: 2019 and 2020 Superintendent of Insurance Reports

1 For 2020 there were 321,849 written insured private passenger automobiles and 23,313
2 written insured commercial vehicles in the Province, an increase of approximately 0.2%
3 over 2019.

4
5 On June 1, 2021 Intact Financial Corporation (“Intact”) completed an acquisition of RSA
6 Insurance Group (“RSA”). In Newfoundland and Labrador, this included the insurer
7 brands Royal and Sun Alliance Insurance Company of Canada and Unifund Assurance
8 Company. Intact has since ceased issuing new policies under the Royal and Sun Alliance
9 Insurance Company of Canada brand and has transferred this business to Intact
10 Insurance Company. Unifund Assurance Company continues to operate. The acquisition
11 of RSA by Intact had a considerable impact on the composition of the market and it is
12 estimated that Intact now writes approximately 53% of all automobile insurance business
13 in the Province based on the reported 2020 direct premium figures.

14
15 **EXPENSES**

16
17 The expenses of the Board in relation to its insurance operations for 2021-2022 were
18 budgeted at \$672,991.² These costs were assessed against insurers, with the approval
19 of the Minister pursuant to Section 59 of the *Automobile Insurance Act*, at a rate of 1.455
20 mils on the direct automobile insurance premiums written in the Province. A five-year
21 summary of assessments and mil rates is shown in Table 5.

TABLE 5 ASSESSMENTS AND MIL RATES AUTOMOBILE INSURANCE		
Year	Assessments	Mil Rate
2021-2022	\$680,313	1.455
2020-2021	\$587,884	1.260
2019-2020	\$412,992	0.920
2018-2019	\$519,286	1.193
2017-2018	\$549,522	1.267

² The Board’s estimated expense for the 2021-2022 insurance program was \$672,991. The Board applied 100% of its existing Unrestricted Insurance Surplus shortfall of \$7,322, thus increasing its estimated expense amount to \$680,313. The resulting mil rate for 2021-2022 was 1.455, as provided in Table 2 above.