
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, 2016 TO MARCH 31, 2017

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EXECUTIVE SUMMARY

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

During 2016-2017 the Board received 26 Category 1 filings (reflecting reductions or no changes in rate levels) and issued 12 Orders involving Category 2 rate filings (requesting rate increases). The Board conducted one compliance audit of automobile insurers operating in the Province during the period. The Board also issued three routine advisory directives to all insurers in connection with updated loss trend factors for Private Passenger Automobiles and Commercial Automobiles, and with updated CLEAR Rate Group Tables.

There were no significant changes in the market or its composition over the year. Based on the most recently available market information (2015), 49 automobile insurers reported positive direct premiums written of \$417,884,000 in the Province, compared to \$398,673,000 in 2014. The market continues to show a high level of concentration, with 15 insurers writing approximately 94% of all the automobile insurance business in the Province.

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1 **LEGISLATION**

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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 the Province of
6 Newfoundland and 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 2015 Report of the Superintendent of Insurance, the latest information available,
17 there were 49 automobile insurers operating in Newfoundland and Labrador reporting positive
18 direct premiums written. The market continues to show a high level of concentration, with 95% of
19 the automobile insurance business being written by 16 insurers.

TABLE 1 2015 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	28	1%	4,124
1,001 - 5,000	5	3.3%	13,815
Over 5,000	16	95.7%	399,945
Totals	49	100%	417,884

2015 Superintendent of Insurance Report

1 When common ownership among companies is considered there are 4 companies writing
 2 approximately 84% of the automobile insurance business. Table 2 shows comparative
 3 information for 2015 versus 2014 in relation to direct premiums written for automobile insurance.
 4 The total value for direct premiums written in the Province increased by 4.82% from 2014 to
 5 2015.

TABLE 2				
2015 MARKET VOLUME				
AUTOMOBILE INSURANCE				
(\$000s)				
	2015	2014	\$ Change	% Change
Direct Premiums Written	417,884	398,673	\$19,211	4.82%

2015 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				
2015 MARKET VOLUME BY CLASS				
AUTOMOBILE INSURANCE				
(\$000s)				
Direct Premiums Written	2015	2014	\$ Change	% Change
Third Party Liability	254,806	244,699	10,107	4.13%
Personal Accident	30,529	30,319	210	0.69%
Other	132,549	123,655	8,894	7.19%

2015 Superintendent of Insurance Report

10 For 2015 there were 323,789 written insured Private Passenger motor vehicles and 28,724 written
 11 insured Commercial motor vehicles in the Province. This represents an increase in the number of

1 written insured vehicles over 2014, where 314,327 Private Passenger vehicles and 28,403
2 Commercial vehicles were written.

3 4 **REGULATORY ACTIVITIES**

5 6 **Filings**

7
8 During the year the Board issued 12 Orders in relation to Category 2 rate filings. Two of the
9 Category 2 filings were initially denied by the Board but later resubmitted and approved. The
10 Category 2 Orders relate to rate increases or new rates.

11
12 The Board also received 26 Category 1 filings representing no changes or reductions in rates.
13 Pursuant to the legislation, these filings are not subject to prior approval and may be implemented
14 30 days, or later as may be specified by the company, following filing with the Board. The
15 majority of the 26 Category 1 filings were in relation to updating Vehicle Rate Group Tables and
16 revisions to underwriting guidelines.

17 18 **Compliance Audit Program**

19
20 The Board has established a compliance audit program whereby the rates and rating practices of
21 the regulated insurance companies are reviewed. The compliance audit program is designed to
22 ensure that insurers writing business in the Province are only charging rates that have been
23 approved by the Board in accordance with the *Automobile Insurance Act* and the *Insurance*
24 *Companies Act*. The audit program also ensures that agents and brokers of the insurer are
25 interpreting the underwriting guidelines of the insurer correctly and that insureds of similar risk
26 characteristics are being rated correctly.

27
28 The Board completed one compliance audit during 2016-2017. The audit did not find any
29 violations of the legislation but did identify some minor discrepancies in rating resulting in a
30 small undercharge on a policy. Rectifying the error would have resulted in an increase to the
31 policy's premiums, and as such rating of the policy was not corrected until policy renewal.

1 **Directives/Prohibitions**

2
3 During the year the Board issued three routine advisory directives to all insurers in connection
4 with updated loss trend factors for Private Passenger Automobiles and Commercial Automobiles,
5 and with updated CLEAR Rate Group Tables.

6
7 **Complaints**

8
9 During the year the Board received a limited number of complaints and inquiries. These
10 complaints and inquiries were routine in nature and were generally in relation to rating practices
11 of insurers and/or agents or increases in policy premiums experienced following the
12 implementation of new rates by insurers. In no case was there an identified violation of
13 legislative provisions regarding rates or rating practices necessitating further action by the Board.

14
15 **Expenses**

16
17 The expenses of the Board in relation to insurance operations for 2016-2017 were budgeted at
18 \$551,495. These costs were assessed against insurers, with the approval of the Minister pursuant
19 to Section 59 of the *Automobile Insurance Act*, at a rate of 1.320 mils on the direct automobile
20 insurance premiums written in the Province by the market. A five-year summary of assessments
21 and mil rates is shown in Table 4.

<p style="text-align: center;">TABLE 4 2012 - 2017 ASSESSMENTS AND MIL RATES AUTOMOBILE INSURANCE</p>		
Year	Assessments	Mil Rate
2016-2017	\$551,495	1.320
2015-2016	\$528,465	1.326
2014-2015	\$507,853	1.314
2013-2014	\$496,717	1.351
2012-2013	\$523,637	1.476

Newfoundland & Labrador

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