

**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, 2015 TO MARCH 31, 2016**

**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 2015-2016 the Board received 30 Category 1 filings (reflecting reductions or no changes in rate levels) and issued 19 Orders involving Category 2 rate filings (requesting rate increases). The Board conducted two compliance audits of automobile insurers operating in the Province during the period. The Board also issued four, industry wide, routine advisory directives to all insurers in connection with updated loss trend factors for Private Passenger Automobiles and Commercial Automobiles and 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 (2014), 51 automobile insurers reported positive direct premiums written of \$398,673,000 in the Province, compared to \$386,400,000 in 2013. The market continues to show a high level of concentration, with 15 insurers writing approximately 92% 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 automobile insurance coverages.

## MARKETPLACE CHANGES

Based on the 2014 Report of the Superintendent of Insurance, the latest information available, there were 51 automobile insurers operating in Newfoundland and Labrador reporting positive direct premiums written. The market continues to show a high level of concentration, with 91.60% of the automobile insurance business being written by 15 insurers.

<b>TABLE 1</b>			
<b>2014 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE</b>			
<b>AUTOMOBILE INSURANCE</b>			
<b>Volume of Direct Premiums Written (\$000s)</b>	<b>Number of Companies</b>	<b>Percent of Market Share (%)</b>	<b>Total Direct Premiums Written (\$000s)</b>
1 - 1,000	29	1.26%	5,031
1,001 - 5,000	4	2.54%	10,138
Over 5,000	18	96.20%	383,504
Totals	51	100.00%	398,673

2014 Superintendent of Insurance Report

1 When common ownership amongst companies is considered there are 4 companies writing  
 2 approximately 81% of the automobile insurance business. Table 2 shows comparative  
 3 information for 2014 versus 2013 in relation to direct premiums written for automobile  
 4 insurance. The total value for direct premiums written in the Province increased by 3.18%  
 5 from 2013 to 2014.

<b>TABLE 2</b>				
<b>2014 MARKET VOLUME</b>				
<b>AUTOMOBILE INSURANCE</b>				
<b>(\$000s)</b>				
	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Direct Premiums Written</b>	398,673	386,400	12,273	3.18

2014 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  
 9 includes coverages such as Collision, Comprehensive, Specified Perils and All Perils.

<b>TABLE 3</b>				
<b>2014 MARKET VOLUME BY CLASS</b>				
<b>AUTOMOBILE INSURANCE</b>				
<b>(\$000s)</b>				
<b>Direct Premiums Written</b>	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Third Party Liability</b>	244,699	239,931	4,768	2.0
<b>Personal Accident</b>	30,319	30,746	-427	-1.4
<b>Other</b>	123,655	115,723	7,932	6.9

2014 Superintendent of Insurance Report

10 For 2014 there were 314,327 written insured Private Passenger motor vehicles and 28,403  
 11 written insured Commercial motor vehicles in the province. This represents an increase in the

1 number of written insured vehicles over 2013, where 310,506 Private Passenger vehicles and  
2 28,230 and Commercial vehicles were written.

## 3 4 **REGULATORY ACTIVITIES**

### 5 6 **Filings**

7  
8 During the year the Board issued 19 Orders in relation to Category 2 rate filings. Four 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 30 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  
14 implemented 30 days, or later as may be specified by the company, following filing with the  
15 Board. The majority of the 30 Category 1 filings were in relation to updating Vehicle Rate  
16 Group Tables and 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  
21 of the regulated insurance companies are reviewed. The compliance audit program is designed  
22 to 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  
26 risk characteristics are being rated correctly.

27  
28 The Board completed two compliance audits during 2015-2016. The audits did not find any  
29 violations of the legislation but did identify some minor discrepancies in rating resulting in  
30 small overcharges to some policyholders. These overcharges were corrected with refunds to  
31 the affected customers when identified to the company.

### 32 **Directives/Prohibitions**

1  
2 During the year the Board issued four, industry wide, routine advisory directives to all  
3 insurers in connection with updated loss trend factors for Private Passenger Automobiles and  
4 Commercial Automobiles and updated CLEAR Rate Group Tables.

5  
6 **Complaints**

7  
8 During the year the Board received a limited number of complaints and inquiries. These  
9 complaints and inquiries were routine in nature and were generally in relation to rating  
10 practices of insurers and/or agents or increases in policy premiums experienced following the  
11 implementation of new rates by insurers. In no case was there an identified violation of  
12 legislative provisions regarding rates or rating practices necessitating further action by the  
13 Board.

14  
15 **Expenses**

16  
17 The expenses of the Board in relation to insurance operations for 2015-2016 were budgeted at  
18 \$528,465. These costs were assessed against insurers, with the approval of the Minister  
19 pursuant to Section 59 of the *Automobile Insurance Act*, at a rate of 1.326 mils on the direct  
20 automobile insurance premiums written in the Province by the market. A five-year summary  
21 of assessments and mil rates is shown in Table 4.

<p style="text-align: center;"><b>TABLE 4</b> <b>2011 - 2016</b> <b>ASSESSMENTS AND MIL RATES</b> <b>AUTOMOBILE INSURANCE</b></p>		
<b>Year</b>	<b>Assessments</b>	<b>Mil Rate</b>
2015-2016	\$528,465	1.326
2014-2015	\$507,853	1.314
2013-2014	\$496,717	1.351
2012-2013	\$523,637	1.476

**TABLE 4**  
**2011 - 2016**  
**ASSESSMENTS AND MIL RATES**  
**AUTOMOBILE INSURANCE**

<b>Year</b>	<b>Assessments</b>	<b>Mil Rate</b>
2011-2012	\$503,061	1.487