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*Newfoundland & Labrador*

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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**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, 2018 TO MARCH 31, 2019**

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## EXECUTIVE SUMMARY

1  
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 2018-2019 the Board received 25 Category 1 filings (reflecting reductions or no  
7 changes in rate levels) and issued 35 Orders involving Category 2 (requesting rate  
8 increases) and Category 3 (requesting adoption of Insurer Advisory Organization  
9 rates) rate filings. The Board also issued two advisory directives to all insurers in  
10 connection with updated loss trend factors for Private Passenger Automobiles and  
11 Commercial Automobiles and one advisory directive in relation to updated CLEAR  
12 Rate Group Tables.

13  
14 There were no significant changes in the market or its composition over the year.  
15 Based on the most recently available market information (2017), 44 automobile  
16 insurers reported direct premiums written of \$435,438,000 in the province, compared  
17 to \$433,851,000 in 2016. The market continues to show a high level of concentration,  
18 with 15 insurers writing approximately 98% of all the automobile insurance business in  
19 the province. When common ownership among companies is considered four  
20 companies write approximately 84% of the automobile insurance business.

21  
22 During 2018-2019 the Board continued its review of automobile insurance in the  
23 Province in accordance with the Terms of Reference issued to the Board by  
24 Government on August 9, 2017. Public hearings were held at the Board's offices in St.  
25 John's during June and September, 2018.

26  
27 On January 29, 2019 the Board submitted the final report of its review to Government.  
28 In April 2019, following consideration of the Board's report, Government announced  
29 changes to the **Automobile Insurance Act** and the **Insurance Companies Act**.

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1 **LEGISLATION**

2

3 The **Automobile Insurance Act**, Chapter A-22, RSNL 1990, and the **Insurance**  
 4 **Companies Act**, Chapter I-10, RSNL 1990, as amended, provide the Board with specific  
 5 statutory responsibilities concerning the regulation of aspects of the automobile insurance  
 6 industry in 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  
 10 grounds on which insurers may refuse to provide insurance or discontinue coverage; and  
 11 the risk classification system used by insurers to determine individual rates for automobile  
 12 insurance coverages.

13

14 **MARKETPLACE CHANGES**

15

16 Based on the 2017 Report of the Superintendent of Insurance, the latest information  
 17 available, there were 44 automobile insurers operating in Newfoundland and Labrador  
 18 reporting direct premiums written. The market continues to show a high level of  
 19 concentration, with 98% of the automobile insurance business written by 15 insurers.

<b>TABLE 1 2017 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE 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>
Less Than 0	3	N/A	-561
1 - 1,000	24	1%	4,205
1,001 - 5,000	2	1%	5,681
Over 5,000	15	98%	426,113
Totals	44	100%	435,438

2017 Superintendent of Insurance Report

1 When common ownership among companies is considered there are four companies  
 2 writing approximately 84% of the automobile insurance business. Table 2 shows  
 3 comparative information for 2017 versus 2016 in relation to direct premiums written for  
 4 automobile insurance. The total value for direct premiums written in the province  
 5 increased by 0.37% from 2016 to 2017.

<b>TABLE 2 2017 MARKET VOLUME AUTOMOBILE INSURANCE (\$000s)</b>				
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Direct Premiums Written</b>	435,438	433,851	1,587	0.37%

2017 Superintendent of Insurance Report

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

<b>TABLE 3 2017 MARKET VOLUME BY CLASS AUTOMOBILE INSURANCE (\$000s)</b>				
<b>Direct Premiums Written</b>	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Third Party Liability</b>	261,690	263,279	-1,589	-0.6%
<b>Personal Accident</b>	31,281	31,708	-427	-1.3%
<b>Other</b>	142,467	138,864	3,603	2.6%

2017 Superintendent of Insurance Report

11 For 2017 there were 322,770 written insured Private Passenger motor vehicles and  
 12 31,246 written insured Commercial motor vehicles in the province, a decrease of 0.1%  
 13 over 2016.

## 1 **REGULATORY ACTIVITIES**

2

### 3 **Filings**

4

5 During the year the Board issued 35 Orders in relation to Category 2 and Category 3 rate  
6 filings. Eight of the Category 2 filings were initially denied by the Board, six of which were  
7 later resubmitted and approved. The Category 2 and Category 3 Orders relate to rate  
8 increases or new rates.

9

10 The Board also received 25 Category 1 filings representing no changes or reductions in  
11 rates. Pursuant to the legislation these filings are not subject to prior approval and may  
12 be implemented 30 days, or later as may be specified by the company, following filing  
13 with the Board. The majority of the 25 Category 1 filings were in relation to updating  
14 Vehicle Rate Group Tables and revisions to underwriting guidelines.

15

### 16 **Compliance Audit Program**

17

18 The Board has established a compliance audit program whereby the rates and rating  
19 practices of the regulated insurance companies are reviewed. The compliance audit  
20 program is designed to ensure that insurers writing business in the province are only  
21 charging rates that have been approved by the Board in accordance with the **Automobile**  
22 **Insurance Act** and the **Insurance Companies Act**. The audit program also ensures that  
23 agents and brokers of the insurer are interpreting the underwriting guidelines of the  
24 insurer correctly and that insureds of similar risk characteristics are being rated correctly.  
25 One compliance audit was commenced in 2018-2019.

26

### 27 **Directives/Prohibitions**

28

29 During the year the Board issued two advisory directives to all insurers in connection with  
30 updated loss trend factors for Private Passenger Automobiles and Commercial  
31 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  
 5 practices of insurers and/or agents or increases in policy premiums experienced following  
 6 the implementation of new rates by insurers. In no case was there an identified violation  
 7 of legislative provisions regarding rates or rating practices necessitating further action by  
 8 the Board.

9

10 **Expenses**

11

12 The expenses of the Board in relation to insurance operations for 2018-2019 were  
 13 budgeted at \$519,286. These costs were assessed against insurers, with the approval of  
 14 the Minister pursuant to Section 59 of the **Automobile Insurance Act**, at a rate of 1.193  
 15 mils on the direct automobile insurance premiums written in the province. A five-year  
 16 summary of assessments and mil rates is shown in Table 4.

<b>TABLE 4 ASSESSMENTS AND MIL RATES AUTOMOBILE INSURANCE</b>		
<b>Year</b>	<b>Assessments</b>	<b>Mil Rate</b>
2018-2019	\$519,286	1.193
2017-2018	\$549,522	1.267
2016-2017	\$551,495	1.320
2015-2016	\$528,465	1.326
2014-2015	\$507,853	1.314

17 **Automobile Insurance Review**

18

19 During 2018-2019 the Board continued its review of automobile insurance in the Province  
 20 in accordance with the Terms of Reference issued to the Board by Government on August  
 21 9, 2017. The Board engaged consultants to conduct a series of studies and reports to



1 assist the Board in the completion of its work, and all studies and reports were made  
2 available on the Board's website.

3

4 The Board undertook a number of initiatives to advise the public of the review, the process  
5 and schedule, and how to participate. The Board's website included notice of the review,  
6 an insurance backgrounder, as well as the Board's work plan and schedule. The website  
7 also provided the opportunity to complete a feedback form or to email comments to the  
8 Board.

9

10 During the month of April, 2018 the Board met with individual taxi operators who  
11 requested the opportunity to discuss their concerns regarding automobile insurance  
12 directly with the Board. Follow-up meetings were held in September, 2018 with two taxi  
13 operators at their request.

14

15 Public hearings were held at the Board's offices in St. John's during June and September,  
16 2018. During this time Intervenors were provided an opportunity to file reports, make  
17 presentations and ask questions of the Board's consultants. The Board also heard  
18 presentations from industry, consumers and other interest groups on automobile  
19 insurance product offerings.

20

21 On January 29, 2019 the Board submitted the final report of its review to Government. In  
22 April 2019, following consideration of the Board's report, Government announced  
23 changes to the **Automobile Insurance Act** and the **Insurance Companies Act**. The key  
24 changes included, among other things, an increase in the deductible from \$2,500 to  
25 \$5,000 for bodily injury claims; introduction of treatment protocols for common injuries as  
26 the primary payer; no access to the Uninsured Automobile Fund for losses by uninsured  
27 motorists; direct compensation for property damage; requirement for insurance  
28 companies to notify the Registrar of Motor Vehicles of the cancellation or expiration of  
29 insurance policies; and changes to the rate setting process.

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*Newfoundland & Labrador*

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**  
**120 TORBAY ROAD, ST. JOHN'S, NL**

**Website:** [www.pub.nl.ca](http://www.pub.nl.ca)  
**E-mail:** [ito@pub.nl.ca](mailto:ito@pub.nl.ca)

**Telephone:** 1-709-726-8600  
**Toll free:** 1-866-782-0006

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