

**ANNUAL REPORT**

**OF THE**

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**ON OPERATIONS CARRIED OUT UNDER**

**THE AUTOMOBILE INSURANCE ACT**

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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 In 2019-2020, following the completion of a review of the automobile insurance product  
7 in the Province, Government amended the **Automobile Insurance Act**, the **Insurance**  
8 **Companies Act** and the Regulations thereunder. The key legislative changes, as well as  
9 the impact on the Board's review of rates and rate setting processes, were outlined in the  
10 Board's 2019-2020 annual automobile insurance report. A number of subsequent  
11 changes to the Board's rate review process have been made, including the introduction  
12 of Supplemental Filing Guidelines and revisions to the Expedited Approval Filing  
13 Guidelines implemented by the Board in 2020.

14  
15 In 2020-2021 the Board received a total of 142 rate filings for various categories of  
16 automobile insurance and issued a total of 138 Orders. The Board also received 36  
17 requests for temporary consumer relief measures in response to the COVID-19  
18 pandemic. Information bulletins were also issued to automobile insurers pertaining to  
19 COVID-19 consumer relief measures, updated loss trend factors for private passenger  
20 automobiles and commercial vehicles, IAO rate filings, IAO advisory rates, updated  
21 CLEAR rate group tables, and revised filing guidelines.

22  
23 Based on the Board's review of the most recently available market information (2019)  
24 there were no significant changes in the composition of the automobile insurance market  
25 in Newfoundland and Labrador. A review of the available market information found that  
26 41 automobile insurers reported positive direct premiums written of \$467,604,000 in the  
27 Province, compared to \$448,754,000 in 2018. The market continues to show a high level  
28 of concentration, with 15 insurers writing approximately 97% of all automobile insurance  
29 business. When common ownership among companies is considered, four companies  
30 write approximately 83% of the automobile insurance business in the Province.

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

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**,  
11 the **Insurance Companies Act** and the Regulations thereunder. The key legislative  
12 changes, as well as the impact on the Board's review of rates and rate setting processes,  
13 were outlined in the Board's 2019-2020 annual automobile insurance report. The Board  
14 has continued its regulation of the automobile industry in accordance with these  
15 legislative and process changes through the 2020-2021 fiscal year.

16  
17 **REGULATORY ACTIVITIES**

18  
19 **Business Continuity During COVID-19**

20  
21 On March 17, 2020 and again on February 10, 2021 the Board enacted its Business  
22 Continuity Plan in response to the public health orders introduced by the Chief Medical  
23 Officer of Health due to the COVID-19 pandemic. This resulted in Commissioners and  
24 staff working from home for extended periods during 2020-2021. The Board was able to  
25 maintain the majority of its operations remotely during this time and did not experience  
26 any major disruption in its automobile insurance regulatory activities.

27  
28 **Changes to Rate Review Process**

29  
30 As a result of the legislative amendments and the introduction of Automobile Insurance  
31 Regulations 56/19, the Board implemented changes to its automobile insurance rate  
32 review process. These changes were discussed in detail in the Board's 2019-2020 annual  
33 report. Subsequent changes to the Board's automobile insurance regulatory processes  
34 implemented during 2020-2021 are described below.

35  
36 **Supplemental Filing Guidelines**

37  
38 The Board introduced its Supplemental Filing Guidelines on February 1, 2021. These  
39 guidelines are designed to allow insurers to propose various rating program changes  
40 between mandatory full filings. Permitted changes under the Supplemental filing category  
41 include: minor risk classification changes; introduction, elimination or changes to  
42 discounts, surcharges or endorsements; rating and underwriting rule changes; rating  
43 algorithm changes; rate group table updates; and/or rate capping changes. The  
44 Supplemental filing category cannot be used by insurers to propose base rate changes.

1 Revisions to Expedited Approval Filing Guidelines

2  
3 On February 1, 2021 the Board implemented revised Expedited Approval Filing  
4 Guidelines. The revisions to the Expedited Approval guidelines made it so that insurers  
5 are only permitted to propose base rate changes under this filing category. Changes to  
6 risk classification systems, the introduction of, elimination of or changes to discounts,  
7 surcharges and endorsements, and vehicle rate group updates, all of which were  
8 previously permitted to be filed under this category, are generally no longer allowed.

9  
10 **Publication of Information**

11  
12 Pursuant to Section 13 of Regulation 56/19 the Board has continued to publish specific  
13 information about approved rate filings. Specific information for each rate filing approved  
14 by the Board can be found on the Board’s website corresponding to the associated Board  
15 Order.

16  
17 **Filing Information**

18  
19 During 2020-2021 the Board received 142 rate filings and issued 138 Orders for  
20 automobile insurance. Many of these filings were submitted on a mandatory basis to bring  
21 insurers in compliance with the new three-year filing schedule implemented on January  
22 1, 2020. Table 1 provides a breakdown of the number of filings received and Orders  
23 issued by the Board under each filing type from April 1, 2020 to March 31, 2021.

| <b>TABLE 1</b>                                      |                                   |                                      |
|---|-----------------------------------|--------------------------------------|
| <b>RATE FILINGS AND BOARD ORDERS BY FILING TYPE</b> |                                   |                                      |
| <b>AUTOMOBILE INSURANCE</b>                         |                                   |                                      |
| <b>Type of Rate Filing</b>                          | <b>Number of Filings Received</b> | <b>Number of Board Orders Issued</b> |
| CLEAR   | 7                                 | 7                                    |
| Expedited Approval                                  | 14                                | 14                                   |
| IAO   | 21                                | 21                                   |
| Mandatory   | 17                                | 18                                   |
| Mandatory Simplified                                | 54                                | 54                                   |
| Reform  | 17                                | 18                                   |
| Other <sup>1</sup>                                  | 3                                 | 4                                    |
| Advisory Rates <sup>2</sup>                         | 5                                 | n/a                                  |
| Supplemental  | 4                                 | 2                                    |
| <b>TOTAL</b>  | <b>142</b>                        | <b>138</b>                           |

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<sup>1</sup> “Other” includes insurer filings which proposed changes outside of the scope of the existing filing types and guidelines implemented by the Board.

<sup>2</sup> “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 **COVID-19 Relief Measures**

2  
3 On April 16, 2020 the Board issued Information Bulletin A.I. 2020-04 to notify industry that  
4 the Board was supportive of efforts to provide relief to consumers in response to the  
5 COVID-19 pandemic. The Board established a simplified filing process for insurers to file  
6 temporary relief measures to be approved in an expeditious manner, typically within one  
7 business day.

8  
9 The Board received 36 requests from insurers for temporary consumer relief measures  
10 in 2020-2021. The type of relief varied by company and included measures such as  
11 capping premium increases, discounts for changes in vehicle usage, changes to  
12 endorsements and premium refunds/rebates. The Board will continue to allow industry to  
13 file temporary relief measures for the duration of the pandemic.

14  
15 **Compliance Audit Program**

16  
17 The Board has established a compliance audit program whereby the rates and rating  
18 practices of the regulated insurance companies are reviewed. The compliance audit  
19 program is designed to ensure that insurers writing business in the Province are only  
20 charging rates that have been approved by the Board in accordance with the **Automobile**  
21 **Insurance Act** and the **Insurance Companies Act**. The audit program also ensures that  
22 agents and brokers of the insurer are interpreting the underwriting guidelines of the  
23 insurer correctly and that insureds of similar risk characteristics are being rated correctly.  
24 The Board was unable to complete any compliance audits during 2020-2021 due to the  
25 Covid-19 pandemic and the restriction on staff from visiting the offices of insurers.

26  
27 **Information Bulletins**

28  
29 During the year the Board issued seven information bulletins to all insurers in connection  
30 with COVID-19 consumer relief measures, updated loss trend factors for private  
31 passenger automobiles and commercial vehicles, IAO rate filings, IAO advisory rates,  
32 updated CLEAR rate group tables, and revised filing guidelines. All information bulletins  
33 issued by the Board are posted on the Board's website.

34  
35 **Complaints**

36  
37 The Board received a limited number of complaints and inquiries during the year. These  
38 complaints and inquiries were routine in nature and were generally in relation to rating  
39 practices of insurers and/or agents or increases in policy premiums experienced following  
40 the implementation of new rates by insurers. In no case was there an identified violation  
41 of legislative provisions regarding rates or rating practices necessitating further action by  
42 the Board.

1 **Expenses**

2  
 3 The expenses of the Board in relation to insurance operations for 2020-2021 were  
 4 budgeted at \$645,126.<sup>3</sup> These costs were assessed against insurers, with the approval  
 5 of the Minister pursuant to Section 59 of the **Automobile Insurance Act**, at a rate of  
 6 1.260 mils on the direct automobile insurance premiums written in the Province. A five-  
 7 year summary of assessments and mil rates is shown in Table 2.

| <b>TABLE 2<br/>ASSESSMENTS AND MIL RATES<br/>AUTOMOBILE INSURANCE</b> |                    |                 |
|---|--------------------|-----------------|
| <b>Year</b>   | <b>Assessments</b> | <b>Mil Rate</b> |
| 2020-2021   | \$587,884          | 1.260           |
| 2019-2020   | \$412,992          | 0.920           |
| 2018-2019   | \$519,286          | 1.193           |
| 2017-2018   | \$549,522          | 1.267           |
| 2016-2017   | \$551,495          | 1.320           |

8 **MARKETPLACE CHANGES**

9  
 10 Based on the 2019 Report of the Superintendent of Insurance, the latest information  
 11 available, there were 41 automobile insurers operating in Newfoundland and Labrador  
 12 reporting positive direct premiums written. The market continues to show a high level of  
 13 concentration, with 97% of the automobile insurance business written by the top 15  
 14 insurers. When common ownership among companies is considered there are four  
 15 company groups writing approximately 83% of the automobile insurance business in  
 16 Newfoundland and Labrador. Table 3 below shows a distribution of automobile insurance  
 17 companies by range of direct premiums written.

| <b>TABLE 3<br/>2019 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE<br/>AUTOMOBILE INSURANCE</b> |                                |  |  |
|---|--------------------------------|--|--|
| <b>Range of Direct<br/>Premiums Written<br/>(\$000's)</b>   | <b>Number of<br/>Companies</b> | <b>Percent of Market<br/>Share (%)</b> | <b>Total Direct<br/>Premiums Written<br/>(\$000's)</b> |
| 1-1,000   | 24                             | 1.0%                                   | 4,611  |
| 1,001-5,000   | 1                              | 0.3%                                   | 1,275  |
| Over 5,000  | 16                             | 98.7%                                  | 461,718  |
| Total   | 41                             | 100.0%                                 | 467,604  |

**2019 Superintendent of Insurance Report**

<sup>3</sup> The Board's estimated expenses for the 2020-2021 insurance program were \$645,126. The Board applied 50% of its existing Unrestricted Insurance Surplus, equating to \$57,242, to reduce the total estimated expenses for the fiscal year. The 2020-2021 mil rate of 1.260 provided in Table 2 was based on the reduced estimated expense amount of \$587,884.

1 Table 4 below shows comparative information for 2018 and 2019 in relation to total direct  
 2 premiums written for automobile insurance. The total value for direct premiums written in  
 3 the Province increased by approximately 4.2% from 2018 to 2019.

| <b>TABLE 4</b>                     |             |             |                  |                 |
|------------------------------------|-------------|-------------|------------------|-----------------|
| <b>2018 AND 2019 MARKET VOLUME</b> |             |             |                  |                 |
| <b>AUTOMOBILE INSURANCE</b>        |             |             |                  |                 |
| <b>(\$000's)</b>                   |             |             |                  |                 |
|                                    | <b>2018</b> | <b>2019</b> | <b>\$ Change</b> | <b>% Change</b> |
| <b>Direct Premiums Written</b>     | 448,754     | 467,604     | 18,850           | +4.2%           |

2018 and 2019 Superintendent of Insurance Reports

4 Table 5 contains a two-year comparative review of the automobile insurance market,  
 5 showing year-over-year relative changes to the direct premiums written under the three  
 6 premium classifications: Third Party Liability, Personal Accident and Other.

| <b>TABLE 5</b>                     |             |             |                  |                 |
|------------------------------------|-------------|-------------|------------------|-----------------|
| <b>2019 MARKET VOLUME BY CLASS</b> |             |             |                  |                 |
| <b>AUTOMOBILE INSURANCE</b>        |             |             |                  |                 |
| <b>(\$000s)</b>                    |             |             |                  |                 |
| <b>Premium Classification</b>      | <b>2018</b> | <b>2019</b> | <b>\$ Change</b> | <b>% Change</b> |
| <b>Third Party Liability</b>       | 268,619     | 279,372     | 10,753           | 4.00%           |
| <b>Personal Accident</b>           | 32,303      | 34,815      | 2,512            | 7.78%           |
| <b>Other</b>                       | 147,832     | 153,417     | 5,585            | 3.78%           |

2018 and 2019 Superintendent of Insurance Reports

7 For 2019 there were 320,263 written insured private passenger automobiles and 23,965  
 8 written insured commercial vehicles in the Province, a decrease of approximately 2.1%  
 9 over 2018.