

**ANNUAL REPORT ON AUTOMOBILE INSURANCE
YEAR ENDING MARCH 31, 2024**

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MESSAGE FROM THE CHAIR

I am pleased to present the annual report on automobile insurance of the Board of Commissioners of Public Utilities (the Board) for the fiscal year ending March 31, 2024. This report was prepared in accordance with the **Automobile Insurance Act** and the **Transparency and Accountability Act**. On behalf of the Board, I am accountable for the results as outlined in the report.

Please note that many of the statistics and figures included in this report are based on industry data through December 31, 2022, which was the most recent full-year data available at the time of preparation.

This was another busy year for the Board with respect to its automobile insurance activities. Rate filing volume was high as the Board received 91 filings and issued 86 orders during the reporting period. Rate levels remained stable despite the high filing volume as approximately 90% of all filings approved by the Board included an overall average rate level change of +3% or less. For private passenger automobile business, which represents approximately 80% of the entire market, the overall average rate level change approved across all filing types was less than +1%.

The Board continues to work diligently with its consulting actuaries and industry stakeholders to navigate the uncertain claims experience in the post-pandemic market. New influencing factors such as high inflation levels and increased vehicle thefts have now emerged to create new challenges for the Board in the rate setting process. The Board will continue to monitor developing industry trends and economic influences in its efforts to ensure rates are just and reasonable in the province.

I commend the Vice-Chair, the commissioners and Board staff for their contributions during what has been a particularly busy and challenging year. The Board is committed to the continued efficiency and effectiveness of its operations in the year ahead.


Kevin Fagan
Chair and Chief Executive Officer

BOARD OVERVIEW

About the Board

The Board is an independent, quasi-judicial tribunal constituted under **The Public Utilities Act** and is currently comprised of four full-time commissioners, appointed by the Lieutenant-Governor in Council, including the Chair and Chief Executive Officer and the Vice Chair.

The Board is responsible for the regulation of the electric utilities, automobile insurance rates, and the pricing of petroleum products. The Board is also responsible for limited regulation of the motor carrier industry in relation to certain passenger and ambulance operations, as well as conducting hearings and other required activities under the **Expropriation Act**.

The Board is funded through assessments charged to regulated industries and companies, and on a cost recovery basis from applicants and/or parties involved in specific proceedings.

Automobile Insurance Mandate

The **Automobile Insurance Act** and the **Insurance Companies Act** provide the Board with specific statutory responsibilities with respect to regulation of the automobile insurance industry including the general supervision of rates, risk classification systems and underwriting guidelines.

Automobile insurers are required to file new rates with the Board at least once every three years for each type of vehicle written and the Board must determine if the proposed rates are just and reasonable, among other considerations, based on:

- the insurer's projected loss experience;
- the insurer's expenses and investment income;
- financial and other information that directly or indirectly affects rates; and
- any other information as determined by the Board.

To deliver its regulatory mandate, the Board conducts actuarial reviews, technical/financial reviews, stakeholder meetings, compliance monitoring, audits, investigations and hearings. Orders issued by the Board have the force of law and can only be appealed to the Supreme Court of Newfoundland, Court of Appeal.

REPORT ON PERFORMANCE

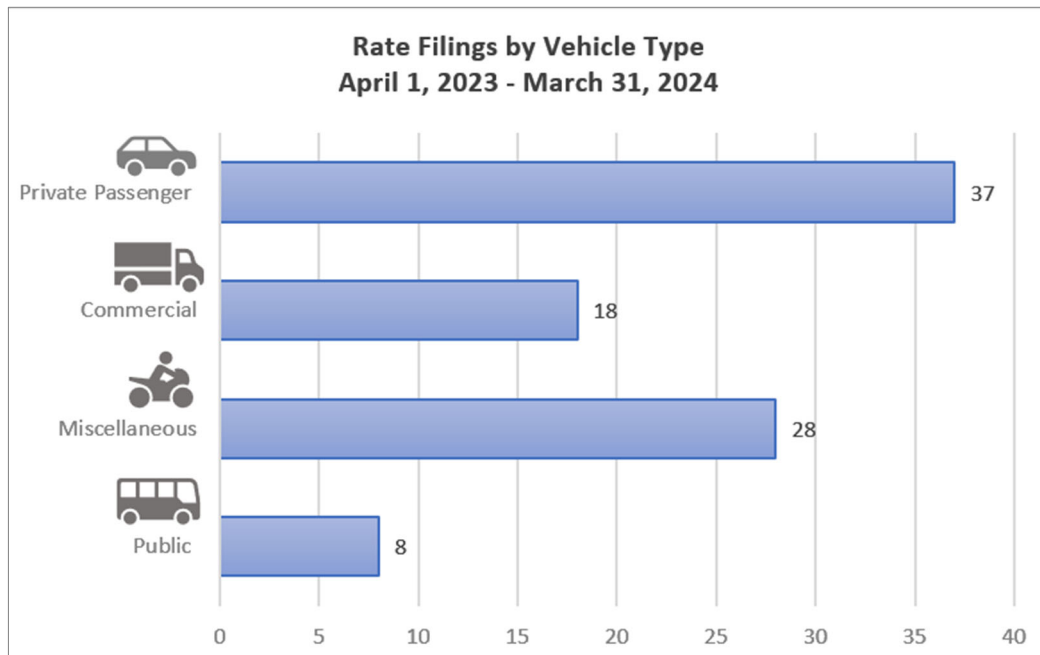
Rate Filing Decisions

The Board reviews rate filings from automobile insurance companies and can approve, deny or vary the rating program changes proposed. Board staff, in consultation with its consulting actuaries, scrutinize each filing to ensure that requested changes are supported in accordance with the Board’s filing guidelines and applicable legislative requirements. Once a filing review is deemed complete, the Board will convene a panel and issue a written decision.

In 2023-2024, the Board received 91 filings summarized as follows:¹

- 56 mandatory rate filings made in accordance with the statutory 3-year timeline,
- 31 optional rate filings for minor changes between mandatory filings, and
- 4 optional rate filings in accordance with the statutory expedited approval option.

A breakdown of rate filing volume by vehicle type is provided as follows:



Rates remained stable throughout the year as approximately 90% of all filings approved included an overall average rate level change of +3% or less. For private passenger automobile business, which

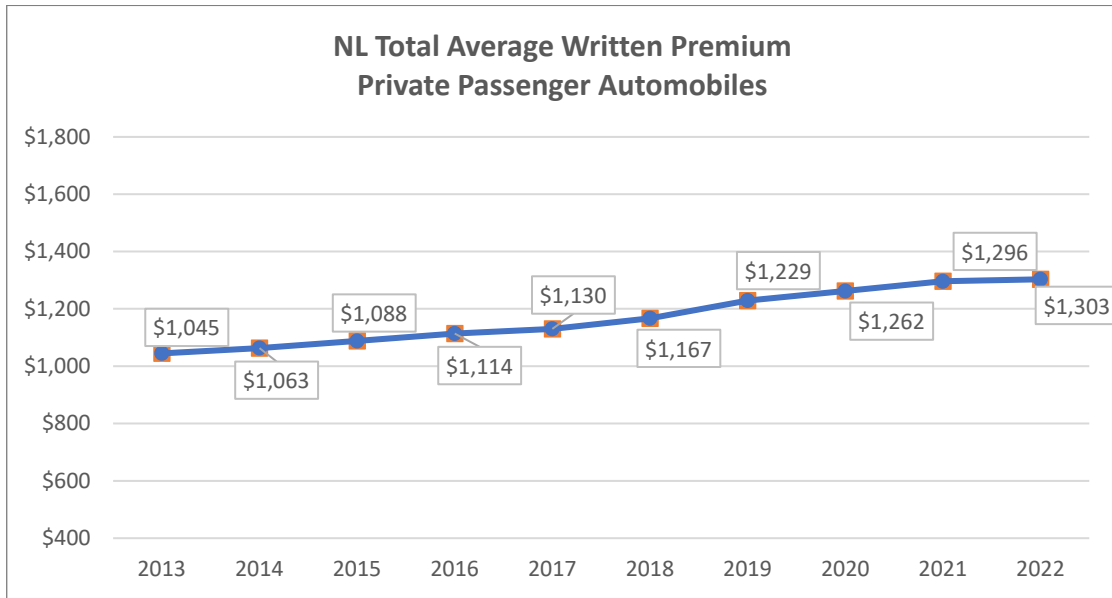
¹ The Board issued 86 orders during the period. The number of Board orders issued does not match the number of filings received as some orders were issued after the March 31, 2024 cut-off for this report.

represents approximately 80% of the entire market, the overall average rate level change approved by the Board across all filing types was less than +1%.

Details regarding the specific changes included in each rate filing can be found on the Board’s website by reviewing the applicable Board orders ([link](#)).

Private Passenger Premiums

The average private passenger premium level in 2022 was \$1,303, an increase of 0.5% from the 2021 average of \$1,296. The figure below shows that the average private passenger premium levels have been fairly stable, increasing at a rate of approximately 2.5% annually over the last 10 years and 1.9% annually over the last 3 years.

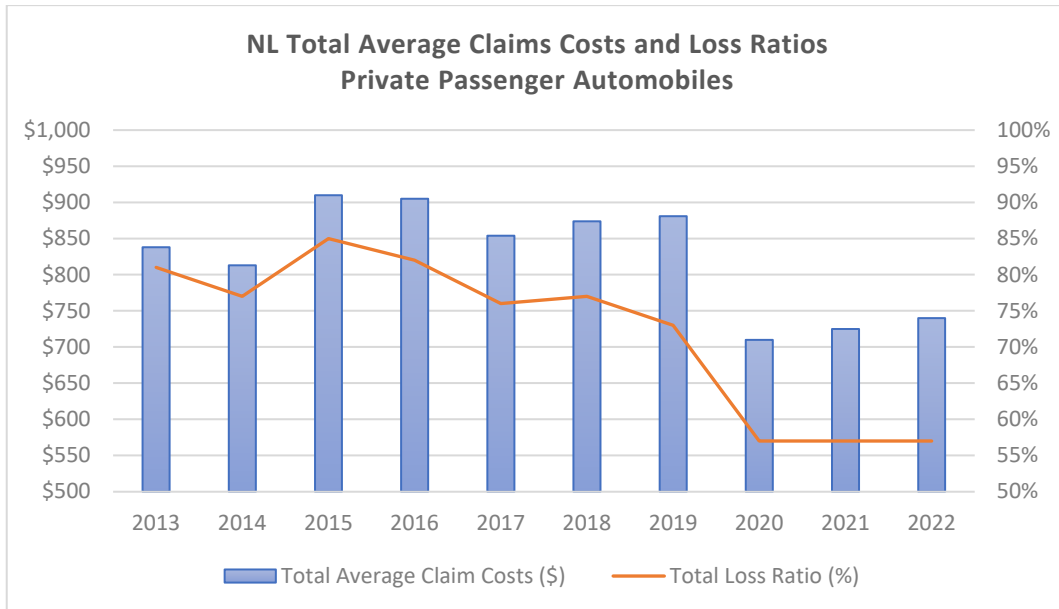


Source: GISA Data

Private Passenger Losses

Traffic volume and claims costs have been lower than usual in recent years due to the COVID-19 pandemic and the various “stay-at-home” orders that were put in place. While there has been a gradual increase in traffic levels as more individuals return to the workplace, a reduction in commuting traffic and claims frequency continued throughout 2022. This was mainly attributed to the higher prevalence of a hybrid work environment. As a result, total average industry claims costs remained lower than pre-pandemic levels.

The total average private passenger claims cost for 2022 of \$740 was slightly higher than the \$725 figure reported in 2021, but lower than pre-pandemic figures of \$874 and \$881 reported in 2018 and 2019, respectively. The total industry loss ratio for 2022 of 57% was aligned with the 57% reported in 2020 and 2021, but was lower than pre-pandemic figures of 77% and 73% reported in 2018 and 2019, respectively. The loss results over the last 10 years is summarized as follows:

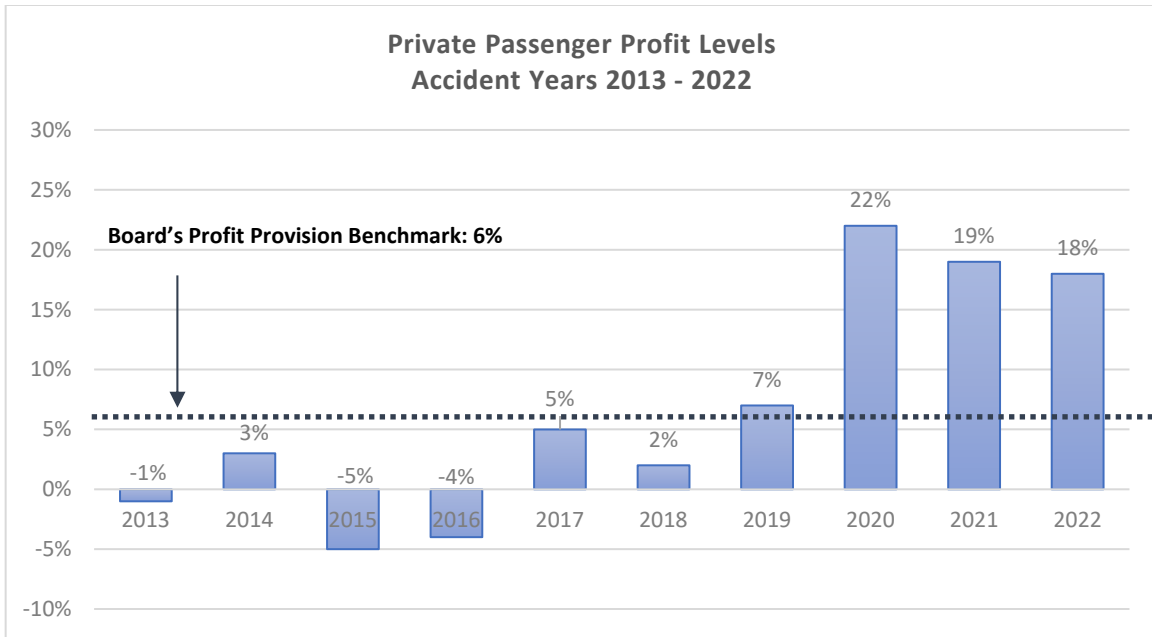


Source: GISA Data

At this time, it appears that the hybrid work environment and reduced commuting traffic levels are likely to persist into the near future and continue to impact post-pandemic frequency levels. The Board requires that insurers consider the impacts of these changes in rate filings moving forward.

Private Passenger Profit Levels

The Board conducts an annual review of the financial profitability of private passenger automobile insurance business in the province which consists of a hindsight analysis of aggregated industry data. A summary of the private passenger profit levels through December 31, 2022 expressed as a percentage of premium is presented as follows:



Source: Oliver Wyman Profit and Rate Adequacy Review

It is noted that the above figures are estimated profit levels based on a number of assumptions and judgments and that the results are still uncertain, particularly for the most recent years as many claims are still open and developing.

The higher estimated profit levels observed in 2020, 2021 and 2022 were primarily the result of a decline in traffic levels and claim volumes experienced during the COVID-19 pandemic. This resulted in actual losses being much lower than forecasted by the models used to set rates. There have been gradual increases to both traffic levels and claims costs since the end of the pandemic and the Board has taken steps to ensure that these variations are reflected in the rate setting process. It takes time for automobile insurance data to be reflected in rates and it is expected that profit levels will return to more normalized levels in the near future.

Although profit levels were higher than normal during the course of the pandemic, the long-term results over a 10-year period show that the private passenger industry as a whole was unable to achieve the Board's benchmark profit provision of 6% of premium in most years, and even incurred overall losses during 2013, 2015 and 2016.

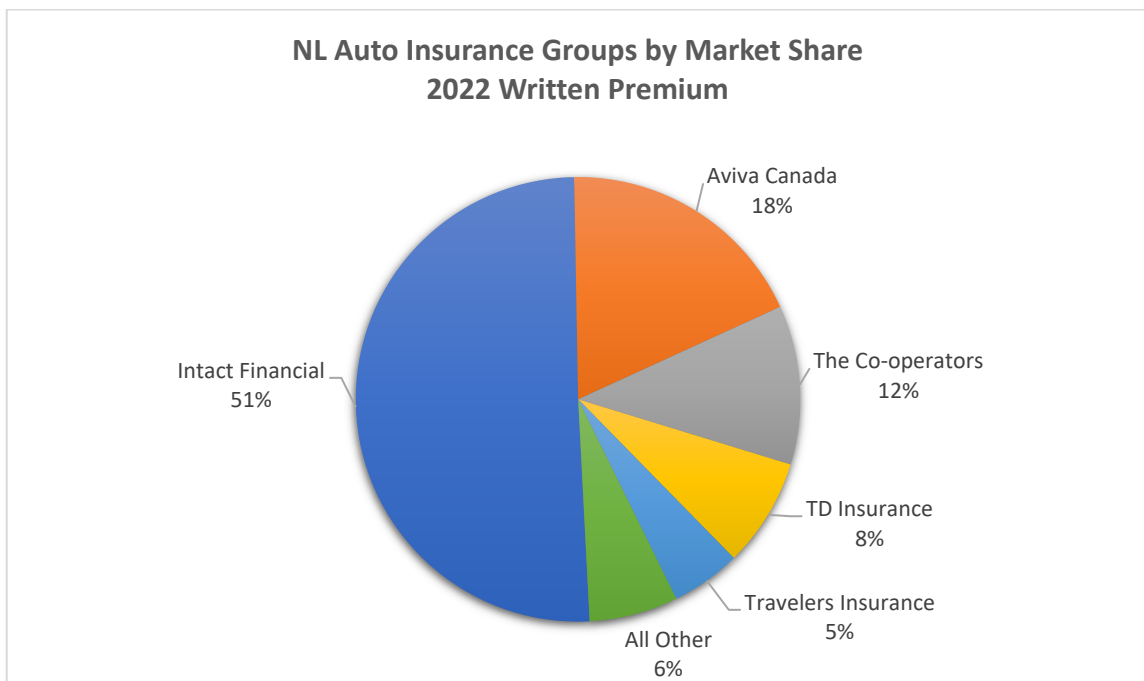
The Board plans to conduct a further review of private passenger industry profit levels when new data is released and will also be conducting a review of its filing guidelines and profit provision benchmarks to ensure they continue to be in accordance with best practices.

Marketplace Changes

Based on data from the Office of the Superintendent of Financial Institutions (OSFI), the total automobile insurance market in the province was \$512 million for all vehicle types combined in 2022. This is an increase of approximately 2.0% compared to the 2021 written premium total of \$502 million.

The number of available options for consumers has dropped in recent years with only 38 automobile insurers reporting positive written premiums in 2022. This is a decrease from 58 insurers in the early 2000s and 49 insurers as recent as 2015. Market consolidation due to mergers and acquisitions is the primary reason for the drop in available insurers.

The market shows a high level of concentration with 10 insurers writing approximately 89% of all automobile insurance business in the province. When common ownership among companies is considered, there are five insurer groups writing approximately 94% of all business. The following figure shows a breakdown of the top insurer groups by market share:



Source: 2022 OSFI Data

A breakdown of written premium levels by company is provided in Appendix A.

Facility Association Profit Provision

On October 17, 2023 the Newfoundland and Labrador Government introduced Bill 47 to amend the **Insurance Companies Act** and prohibit Facility Association (FA) from including a profit provision in its automobile insurance rates in the province. On November 16, 2023, Bill 47 received Royal Assent and came into effect for all of FA's mandatory rate filings moving forward.

FA rates for Private Passenger Automobiles, Motorcycles, Snow Vehicles, All-Terrain Vehicles and Taxis currently include a profit provision of 6% of premium as rates for these vehicles were approved by the Board prior to the introduction of Bill 47. The profit provision will be removed upon the approval and implementation of new FA rates filed in accordance with the mandatory timelines summarized as follows:

Vehicle Type	Deadline for Next Mandatory Filing
Private Passenger Automobiles	December 3, 2024
Motorcycles	July 12, 2025
Snow Vehicles	July 12, 2025
ATVs	July 12, 2025
Taxis	September 22, 2025

Rates for FA's remaining classes of business including Motorhomes, Campers and Trailers, Antiques, Public Vehicles and Garage Vehicles do not currently include a profit provision.

Compliance Audit Program Review

The Board utilizes a compliance audit program to periodically review the rates and rating practices of automobile insurers to ensure they are in compliance with Board orders and legislated provisions. This entails visiting the physical offices of insurers and reviewing in-force policies to ensure consumers are being charged appropriately.

In 2023-2024, the Board commenced a review of its compliance audit program to evaluate its effectiveness in light of recent market changes which have increased the complexity of the automobile insurance product (e.g. new rating factors and increased risk segmentation). The goal of this review is to explore possible improvements to ensure the audit program remains practical yet thorough in response to market and product changes. Work is ongoing in this area and will continue into 2024-2025.

No compliance audits were conducted during 2023-2024 due to the ongoing program review.

Information Bulletins

The Board issued six (6) information bulletins to the automobile insurance industry during the year to update filing guideline provisions including loss trend rates, CLEAR rate group factors, health levy figures and IAO advisory rates. All information bulletins issued are posted on the Board’s website ([link](#)).

Consumer Complaints and Inquiries

The Board received a limited number of complaints and inquiries from consumers during the year. These were routine in nature and were generally in relation to rating practices of insurers or changes in premiums experienced following Board approval of a rate filing. In no case was there any identified violations of Board orders or legislative provisions that necessitated further action by the Board.

OPPORTUNITIES AND CHALLENGES

Vehicle Theft

Canada has experienced an alarming increase in incidents of vehicle theft in the past 5 years. While larger urban areas appear to be the main focus for theft, Newfoundland and Labrador is not immune. The following table shows that vehicle theft in the province has been on the rise:

Newfoundland and Labrador Vehicle Theft Claims	
Theft Claim Frequency, 2022	75 (per 100,000 vehicles)
Theft Claim Count Change, 2018-2022	+45%
Total Theft Claims, 2022	\$2.9 million
Total Increase, 2021-2022	+36%

Source: IBC with data from GISA

Increases in vehicle thefts, particularly those that are unrecovered, can put added pressure on automobile insurance claims costs. The Board is committed to monitoring this situation and its potential impact on automobile insurance rates.

Inflation

Supply chain issues and pent-up consumer demand resulted in recent increases to inflation rates. Inflationary pressures on physical damage cost factors such as vehicle parts, maintenance, repairs, purchases and rentals have put upward pressure on both claims costs and rates.

For rate filings submitted throughout 2023-2024, the Board published updated filing guidelines to provide guidance to industry on how inflation should be treated in developing rate level indications. The updated guidelines allow inflationary cost pressures to be reasonably reflected in rates, while ensuring that consumers are not overcharged. While inflation appears to be showing signs of calming, it is expected that inflationary pressures and market uncertainty will continue to impact rates in the near term. The Board will continue to monitor this situation and adjust its filing guidelines accordingly.

BOARD EXPENSES

The expenses of the Board in relation to its automobile insurance operations for 2023-2024 were budgeted at \$779,161. These costs were assessed against insurers, with the approval of the Minister pursuant to Section 59 of **the Automobile Insurance Act**, at a rate of 1.521 mils on the direct automobile insurance premiums written in the province. A five-year summary of assessments and mil rates is shown in the following table:

Automobile Insurance Assessments and Mil Rates		
Year	Assessments	Mil Rate
2023-2024	\$779,161	1.521
2022-2023	\$668,177	1.332
2021-2022	\$680,313	1.455
2020-2021	\$587,884	1.260
2019-2020	\$412,992	0.920

The recent increases in cost allocations to regulate the automobile insurance industry are primarily related to the introduction of the mandatory filing timeline introduced by the Provincial Government as part of the January 2020 reforms.² Insurers are now required to file new rates with the Board at least once every three years for each vehicle type written. This requirement has increased the number of rate filings to be reviewed annually, thereby contributing in higher allocations of the Board’s time and costs to automobile insurance.

² See Newfoundland and Labrador Regulation 56/19.

The Board recognizes that the recent increases in assessment costs relative to the previous years appears to be material. However, the total increased cost of regulating automobile insurance has been moderate over the past 10 years as shown in the following table:

Year	Board Assessments	Direct Invoices for Rate Filing Reviews	Total
2023-2024	\$779,161	\$0	\$779,161
2022-2023	\$668,177	\$0	\$668,177
2021-2022	\$680,047	\$0	\$680,047
2020-2021	\$587,884	\$0	\$587,884
2019-2020	\$412,992	\$75,255	\$488,247
2018-2019	\$519,286	\$99,028	\$618,314
2017-2018	\$549,522	\$164,595	\$714,117
2016-2017	\$551,495	\$89,002	\$640,497
2015-2016	\$528,465	\$141,980	\$670,445
2014-2015	\$507,853	\$188,340	\$696,193

Starting in 2020-2021, the Board changed its cost recovery model so that individual companies were no longer directly invoiced for expenses associated with rate filing reviews on a case-by-case basis. All expenses of the Board associated with rate filings, including actuarial costs, were shifted to the Board’s assessment process which resulted in an increase in the annual assessment amounts. Therefore, on a cumulative basis, the increased cost of regulation from the years 2014-2015 to 2023-2024 was \$83,000 (i.e., an increase from \$696,193 to \$779,161) reflecting an average annual increase of approximately 1.3% per year.

PARTNERSHIPS

CARR

The Canadian Automobile Insurance Rate Regulators Association (CARR) was formed in 2007 with the objective of sharing best practices, education, exchanging information and discussing key issues through committees, conferences and webinars. It is a self-supporting, not for profit organization of provincial automobile insurance rate regulators. As an active member of CARR, the Board remains informed of market trends and innovations through CARR’s various initiatives.



GISA

The General Insurance Statistical Agency (GISA) is the appointed statistical agent for Newfoundland and Labrador and eight other jurisdictions with private automobile insurance regimes. GISA is a key data source for many of the Board's automobile insurance regulatory responsibilities including its rate setting process. Board staff are involved in several key GISA initiatives including the transition to a new statistical service provider and the improvement of data collection procedures.



APPENDIX A: WRITTEN PREMIUMS BY COMPANY

Active Automobile Insurance Companies in NL
Direct Written Premium (000's) for 2022

Name of Insurance Company		Name of Insurance Company	
AIG Insurance Company of Canada	\$671	Liberty Mutual Insurance Company	\$496
American Road Insurance Company	\$74	Lloyd's Underwriters	\$528
Arch Insurance Canada Ltd.	\$84	National Liability & Fire Insurance Company	\$215
Aviva Canad Inc. Insurance Group		Northbridge Financial Corporation Insurance Group	
Aviva General Insurance Company	\$33,037	Federated Insurance Company of Canada	\$3
Aviva Insurance Company of Canada	\$10,619	Northbridge General Insurance Corporation	\$17,771
Elite Insurance Company	\$1,679	Tokio Marine & Nichido Fire Insurance Co. Ltd.	\$15
S&Y Insurance Company	\$21,201	Zurich Insurance Company Ltd	\$804
Traders General Insurance Company	\$27,974	Old Republic Insurance Company of Canada	\$544
Chubb Insurance Group of Canada		Personal Insurance Company, The	\$10,379
Chubb Insurance Company of Canada	\$1,037	Sentry Insurance Company	\$9
Mitsui Sumitomo Insurance Company Limited	\$64	Starr Insurance & Reinsurance Limited	\$16
Continental Casualty Company	\$163	TD Insurance Group	
Co-operators Insurance Group, The		Security National Insurance Company	\$23,366
Co-operators General Insurance Company	\$53,264	Primmum Insurance Company	\$16,845
Cumis General Insurance Company	\$922	TD Home and Auto Insurance Company	\$271
Sovereign General Insurance Company, The	\$5,062	Travelers Insurance Group	
Definity Insurance Company	\$120	Dominion of Canada General Insurance Company, The	\$25,732
Everest Insurance Company of Canada	\$38	Travelers Insurance Company of Canada	\$237
Hartford Fire Insurance Company	\$3	XL Specialty Insurance Company	\$23
Intact Financial Insurance Group			
Intact Insurance Company	\$66,976		
Novex Insurance Company	\$91,957		
Royal & Sun Alliance Insurance Company of Canada	\$3,574		
Unifund Assurance Company	\$96,463		
		Total	\$512,236

Written premiums reported to the Office of the Superintendent of Financial Institutions (OSFI)