

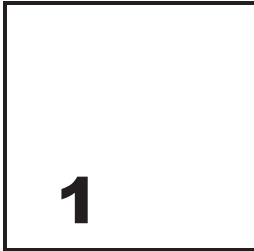
January 18, 2005

**Estimates of the Impact on  
Private Passenger Insurance  
Premium Resulting from the  
Implementation of a  
Deductible or Cap-Revised  
Newfoundland and Labrador**

MERCER OLIVER WYMAN

## **Contents**

1. Executive Summary .....	1
▪ Introduction.....	1
▪ Summary of Findings.....	1
2. Scope.....	6
3. Caveats and Limitations.....	8
4. Background Information.....	11
5. Data Used in the Study .....	13
▪ Overview of How the Closed Claim Study Was Conducted .....	13
6. Analysis.....	15
▪ Identification of Claims that Meet the Minor Injury Definitions Under Capping.....	15
▪ Adjustment of Losses – Deductible and Capping.....	16
▪ Determination of Losses to be Eliminated - Deductible and Capping.....	16
▪ Consideration of August 2004 Reforms .....	17
▪ Adjustment for Erosion – Deductible and Capping.....	18
▪ Adjustment for Non-Pain and Suffering Losses .....	19
▪ Determination of Premium Dollar Savings.....	20
7. Findings.....	21
8. Sensitivity Testing .....	25
9. Additional Observations .....	28
10. Appendix – Pre-Reform Analysis.....	29
11. Exhibits .....	32



## **Executive Summary**

### Introduction

Mercer Oliver Wyman Actuarial Consulting, Ltd. (Mercer) was retained by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the Board) to assist the Board in conducting a private passenger vehicle insurance closed claim study and to use the results of the study to estimate the implications of tort reforms that may be considered by the Government of Newfoundland and Labrador (the Government) on private passenger insurance claim costs. The engagement was made in accordance with the Terms of Reference issued pursuant to the Direction to the Board under Section 3.1 of the Insurance Act (referred to as the “Terms of Reference”). We present our findings on the impacts of the introduction of a deductible or cap on pain and suffering awards.

This report is updated from the January 7, 2005 version, to include additional sensitivity tests for injury type groupings considered in reports prepared for the Province of New Brunswick, along with minor corrections.

### Summary of Findings

In accordance with the Terms of Reference we study the potential cost savings under two different ways of limiting the amount of non-pecuniary (“pain and suffering”) compensation received by an injured party as a result of an injury suffered during the operation of a private passenger vehicle:

- (1) Application of a monetary deductible to the pain and suffering compensation that would otherwise be received by the injured party. Under this approach we examine seven different deductible amounts.
- (2) Application of a cap (i.e., maximum) on pain and suffering compensation for “minor injuries” that would otherwise be received by the injured party. Under this approach, we examine three different definitions of “minor injury” that were provided by the Government (presented in Exhibit 1) and we examine seven different cap amounts for each definition.

Subject to the caveats, limitations, and assumptions presented in this report, our best estimates of the cost and premium implications of these possible tort reform measures, for the 2005 policy year, are presented on the following pages. We express the savings in dollar amounts as well as a percentage of our estimates of the adequate average private passenger automobile insurance premiums for third party liability (TPL) and uninsured automobile (UA) coverages, and for all coverages combined. We also present our estimates on an all coverages combined premium basis that reflects the extent to which the various automobile insurance coverages are purchased, on average. Our estimates of the adequate average private passenger automobile insurance premiums utilize the analysis we performed in our 2005 Benchmark Report dated October 12, 2004:

"Proposed Newfoundland and Labrador Private Passenger and Commercial Automobile Insurance - Benchmark Ranges for 2005," dated October 12, 2004 (hereinafter referred to as “The Benchmark Study”), with one modification: Facility Association (FA) experience is included.

It is important to note that our estimates are presented on a “net of reform” basis; that is, net of the effect of the \$2,500 deductible implemented August 1, 2004. This means that in those instances where we estimate the cost savings resulting from a particular deductible or cap to be greater than the cost savings that had been estimated for the \$2,500 deductible implemented in August, we present the difference, or additional savings, as a positive value. In those instances where we estimate the cost savings resulting from a particular deductible or cap to be less than the cost savings that had been estimated for the \$2,500 deductible implemented in August, we present the difference, or

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

additional cost, as a negative value. For example, if the deductible is raised from the current \$2,500 to \$10,000, the additional savings on TPL is 19%. If the current \$2,500 deductible is replaced by the introduction of a \$2,500 cap using definition #3, the additional savings on TPL is 12%. Similarly, if the current \$2,500 deductible is replaced by the introduction of a \$2,500 cap using definition #1, there would be no savings and, in fact, TPL premium would likely need to be increased by 4%.

**DEDUCTIBLE PREMIUM SAVINGS – Net of Reform**

DEDUCTIBLE AMOUNT	THIRD PARTY LIABILITY		UNINSURED AUTOMOBILE		ALL COVERAGES COMBINED	
	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS
\$2,500	0%	\$1	0%	\$0	0%	\$1
\$4,000	5%	\$30	5%	\$1	3%	\$30
\$5,000	7%	\$42	7%	\$1	5%	\$42
\$7,500	13%	\$76	13%	\$1	9%	\$77
\$10,000	19%	\$111	19%	\$2	13%	\$112
\$12,500	25%	\$145	24%	\$3	17%	\$146
\$15,000	31%	\$177	29%	\$3	21%	\$178

**CAPPING PREMIUM SAVINGS – Net of Reform**

DEFINITION 1						
CAP AMOUNT	THIRD PARTY LIABILITY		UNINSURED AUTOMOBILE		ALL COVERAGES COMBINED	
	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS
\$2,500	-4%	-\$24	-4%	-\$0	-3%	-\$25
\$4,000	-5%	-\$27	-5%	-\$0	-3%	-\$28
\$5,000	-5%	-\$28	-5%	-\$0	-3%	-\$29
\$7,500	-5%	-\$29	-5%	-\$0	-3%	-\$29
\$10,000	-5%	-\$28	-5%	-\$0	-3%	-\$29
\$12,500	-5%	-\$28	-5%	-\$0	-3%	-\$29
\$15,000	-5%	-\$28	-5%	-\$0	-3%	-\$29

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

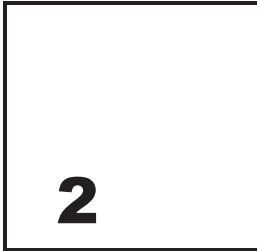
<b>DEFINITION 2</b>						
<b>CAP AMOUNT</b>	<b>THIRD PARTY LIABILITY</b>		<b>UNINSURED AUTOMOBILE</b>		<b>ALL COVERAGES COMBINED</b>	
	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>
\$2,500	2%	\$10	2%	\$0	1%	\$10
\$4,000	0%	-\$2	0%	\$0	0%	-\$2
\$5,000	-1%	-\$7	-1%	\$0	-1%	-\$8
\$7,500	-3%	-\$18	-3%	\$0	-2%	-\$18
\$10,000	-4%	-\$25	-4%	-\$0	-3%	-\$25
\$12,500	-5%	-\$27	-4%	-\$0	-3%	-\$28
\$15,000	-5%	-\$28	-5%	-\$0	-3%	-\$28

<b>DEFINITION 3</b>						
<b>CAP AMOUNT</b>	<b>THIRD PARTY LIABILITY</b>		<b>UNINSURED AUTOMOBILE</b>		<b>ALL COVERAGES COMBINED</b>	
	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>
\$2,500	12%	\$67	11%	\$1	8%	\$67
\$4,000	8%	\$48	8%	\$1	6%	\$49
\$5,000	7%	\$38	6%	\$1	4%	\$38
\$7,500	3%	\$16	3%	\$0	2%	\$16
\$10,000	0%	-\$2	0%	-\$0	0%	-\$2
\$12,500	-2%	-\$13	-2%	-\$0	-2%	-\$13
\$15,000	-4%	-\$20	-3%	-\$0	-2%	-\$21

Note: The savings presented in the above tables are expressed in terms of our estimates of the adequate average automobile (including FA) insurance premiums for the 2005 policy year. Negative values indicate additional costs. The estimates are subject to rounding differences.

**We believe that our findings are reasonable for the insurance industry as a whole, but may not be appropriate for any individual insurance company. Similarly, our findings may not be applicable to any specific insured.**

Our findings on a “pre-reform” basis are presented in the Appendix. By “pre-reform” we mean on a basis that does not reflect the reforms implemented in August 2004. In other words, our pre-reform estimates assume that the August 2004 reforms were not implemented. These findings are useful in comparing prior estimates of savings to those resulting from the new closed claim study data and updated analysis.

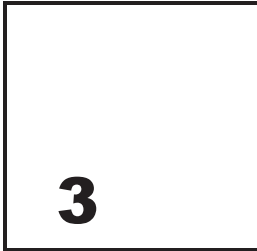


## **Scope**

- This study focuses on the implications of tort reform measures that may be considered on third party liability and uninsured automobile private passenger insurance claim costs in Newfoundland and Labrador (herein after referred to as “the Province”). Two types of tort reforms are examined: a monetary deductible, of various amounts, applicable to compensation that would otherwise be paid to a claimant for pain & suffering injuries; and a monetary limitation, of various amounts, in the compensation that would otherwise be paid to a claimant for pain & suffering sustained as a result of a minor injury - three definitions of minor injury are studied (presented in Exhibit 1). This report presents our estimates of the associated cost and premium implications, expressed in dollar amounts and as a percentage of our estimates of the adequate average TPL and UA premiums for private passenger vehicles, based on The Benchmark Study, modified to include the FA experience. We also set out a discussion of our methodology and assumptions.
- This study deals exclusively with automobile insurance for private passenger non-fleet automobiles, excluding those classified as farm use. This excludes motorcycles, commercial trucks, taxis, limousines, delivery vans, construction equipment, buses, recreational vehicles, and all other vehicle types not considered to be private passenger vehicles. Therefore, the findings presented in this report may not be assumed applicable to those other vehicle types. It is noted that a separate closed claim study is being conducted for certain types of commercial vehicles.



- The claim cost and premium upon which the estimated savings are presented in this report are, in turn, based on the analysis we performed in developing recommended Benchmark Rates for the 2005 policy year (from The Benchmark Study), but modified to include the FA experience. Because the 2005 Benchmark Rates have not yet been adopted, and because company premiums may deviate from the Benchmark Rates through the application of various discounts and underwriting practices specific to the company, our premium estimates are not the premiums currently being charged by insurance companies. **Thus, our findings may not be appropriate for any individual insurance company. In addition, should the assumptions and methods underlying The Benchmark Study not be accepted in full by the Board (decision has yet to be rendered), the savings that we present in this report may need to be revised.**
- The analysis of premiums presented in this report is for premiums that would otherwise be paid by purchasers of private passenger automobile insurance for the policy year beginning January 1, 2005. A policy year represents a 12-month period in which insurance policies are issued. The policy year beginning January 1, 2005 includes all policies issued from January 1, 2005 through December 31, 2005. Assuming annual policy terms, the last policies of this period, issued on December 31, 2005, would expire on December 31, 2006. Therefore, the policy year beginning January 1, 2005 deals with the costs associated with claims that occur between January 1, 2005 and December 31, 2006; the average date of claim being January 1, 2006.



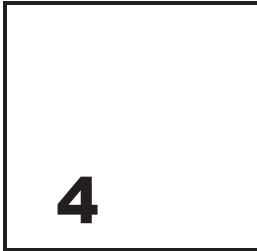
### **Caveats and Limitations**

1. This report was prepared to estimate the potential implications on Newfoundland and Labrador private passenger insurance claim costs and premiums as a result of tort reform measures that may be considered. It is not intended for any other purpose.
2. The estimates of premium savings presented in this report are appropriate for the year in which the product changes are made. Following the year of implementation, absent any other changes, we would expect that economic forces would impact insurance claim costs in the Province and the expected premium savings.
3. The conclusions contained in this report may not be applicable to any specific insurance company. For example, each insurer operates with its own set of underwriting rules and thus might write a book of business that is significantly different than the average industry-wide book of business. **We believe that our findings are reasonable for the insurance industry as a whole, but may not be appropriate for any individual insurance company. Similarly, our findings may not be applicable to any specific insured.**
4. The data that serves as the basis for the findings presented in this report is from the recently completed closed claim study. Nine private passenger automobile insurance companies (listed in Exhibit 2), representing approximately 75% of the private passenger automobile business in the Province, participated in the closed claim study.

5. The closed claim study reflects only a sampling of Newfoundland and Labrador private passenger automobile insurance claims, and, as such, is subject to sampling error; that is, the sample may not reflect the true population of Newfoundland and Labrador automobile insurance claims.
6. As is the case for any closed claim study of this nature, the assignment of the type of injury code and amount of compensation paid by category of damage is based upon the judgment of the claim adjuster who reviewed the claim file. While efforts were made to ensure consistency in the process, nevertheless, the category of injury and allocation of claim amounts are subject to inconsistencies in the application of those judgments. The application of different judgments may lead to different conclusions.
7. The closed claim study data was provided by the participating insurance carriers, and was reviewed by an insurance consultant and further reviewed by a chartered accounting firm, NKHK, based in St. John's. We did not independently examine the data other than to inspect for internal consistency. Our review of the data uncovered some minor discrepancies, which were corrected. We are not aware of any material data errors that would affect our findings. However, should the data prove to be inaccurate or incomplete, our findings and conclusions may need to be revised.
8. The Board also retained a medical consultant to develop the injury categories and to provide us with estimates of the percentage of claimants in the closed claim study that would meet each of the three definitions of "minor injury." This information was provided to us by type of injury. We relied upon those estimates in conducting our study. To the extent that the medical consultant's estimated percentages do not prove to represent actual results, the actual cost and premium implications may vary from our estimates.
9. In addition to the assumptions stated in the report, other assumptions that are typical for an actuarial study of this nature are made that underlie the calculations and results presented herein.
10. The conclusions are projections of the financial consequences of future contingent events and are subject to uncertainty. There may have been abnormal statistical

fluctuations in the past, and there may be such fluctuations in the future. Due to the inherent uncertainties, actual costs and premiums may vary significantly from our estimates.

11. Unanticipated changes in factors such as judicial interpretation of the definition of “minor injury,” jury decisions, legislative actions, claim consciousness, claim management, claim settlement practices, and economic conditions may significantly alter the conclusions.
12. These caveats and limitations notwithstanding, the conclusions represent our best estimate of the cost implications and premium impacts of the introduction of a deductible or cap.



## **Background Information**

Under the provincial tort system of reparations, injured parties can bring legal action against at-fault drivers for injuries resulting from the operation of a motor vehicle. Injuries, or damages, that occur are typically categorized as either economic (pecuniary) or non-economic. Economic injuries/damages include costs incurred for necessary medical care and treatment, funeral expenses, and wages that would not be earned as a result of injuries suffered (i.e., lost wages). Non-economic injuries/damages, also referred to as general injuries/damages, provide principally for pain & suffering that may be experienced by the injured party as a result of the automobile accident.

The tort reform measures that we examine are of two types:

- (1) A monetary deductible that serves to reduce the compensation amounts that would otherwise be paid by insurers for pain and suffering injuries, and
- (2) A monetary cap that serves to limit the compensation amounts that would otherwise be paid by insurers for pain and suffering injuries in cases where the injuries are deemed to be “minor injuries.” Three different definitions of minor injury are studied and these definitions that the Government requested be analyzed are shown in Exhibit 1.

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

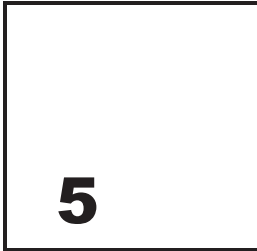
Newfoundland and Labrador

The deductible and cap amounts that the Government requested be analyzed are:

\$2,500	\$7,500	\$12,500
\$4,000	\$10,000	\$15,000
\$5,000		

In August of 2004, several reform measures were enacted in the Province, including a \$2,500 deductible on all non-economic injury awards. The findings presented in this report are “net” of the effects of the changes implemented August 1, 2004. This means that in those instances where we estimate the cost savings resulting from a particular deductible or cap to be greater than the cost savings that had been estimated for the \$2,500 deductible implemented in August, we present the difference, or additional savings, as a positive value. In those instances where we estimate the cost savings resulting from a particular deductible or cap to be less than the cost savings that had been estimated for the \$2,500 deductible implemented in August, we present the difference, or additional cost, as a negative value. For example, if the deductible is raised from the current \$2,500 to \$10,000, the additional savings on TPL is 19%. If the current \$2,500 deductible is replaced by the introduction of a \$2,500 cap using definition #3, the additional savings on TPL is 12%. Similarly, if the current \$2,500 deductible is replaced by the introduction of a \$2,500 cap using definition #1, there would be no savings and, in fact, TPL premium would likely need to be increased by 4%.

Our findings on a “pre-reform” basis are presented in the Appendix. By “pre-reform” we mean on a basis that does not reflect the reforms implemented in August 2004. In other words, our pre-reform estimates assume that the August 2004 reforms were not implemented. These findings are useful in comparing prior estimates of savings to those resulting from the new closed claim study and updated analysis.



## **Data Used in the Study**

The closed claim study was conducted over the period August 2004 through December 2004 and serves as the basis for our study.

### **Overview of How the Closed Claim Study Was Conducted**

The closed claim study was conducted under the direction of the Board. The Board retained Mercer; Bern Fitzpatrick, an insurance consultant; Dr. Susan Rideout-Vivian, a medical consultant; and NKHK Chartered Accountants, to assist in the study. Nine private passenger insurance writers, accounting for 75% of the Newfoundland and Labrador market, participated in the closed claim study.

Initially, each of the nine companies provided Mercer with a list of all bodily injury claims that were closed during the period spanning July 1, 2001 through June 30, 2004 (approximately 6,100 claims in total). From these listings, we randomly selected, in a proportionate manner, the claim files that would be used in the closed claim study. We provided to each participating insurer a list of its files that had been selected.

Each company was also provided with instructions regarding the detailed information that was to be collected from each selected claim file. Those instructions are presented in Exhibit 3 of this report.

The insurance consultant:

- answered insurer questions that arose during the data collection process and provided clarifications,
- reviewed the claims selected to ensure they were closed during the appropriate time period, and
- compared company input for consistency and reasonableness.

Data not meeting the insurance consultant's standards was returned to the carrier and re-submitted. Information bulletins were released to all participants on issues that arose during the preparation and review process so that all carriers would complete the forms in a consistent manner.

NKHK Chartered Accountants:

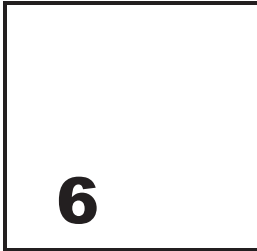
- reviewed a randomly selected sample of files to assure that the carrier responses were supported by documentation in the claim files, and
- reviewed the procedures used by carriers to complete the forms for reasonableness and consistency.

Mercer also reviewed the data for inconsistencies and apparent errors, such as claim closure dates outside the parameters of the study and non-private passenger types of vehicles.

We are not aware of any uncorrected errors that are material to the results of our study.

The result of the data correction process is that the final database consists of 1,369 claimant files closed with an indemnity payment from the nine participating insurance companies. We believe that 1,369 claimants represent a statistically valid sample size.





## **Analysis**

### **Identification of Claims that Meet the Minor Injury Definitions Under Capping**

The closed claim study captured 34 types of injury (including an “all other” category). The Board’s medical consultant mapped each of these injury types into each of the three definitions of “minor injury.” Under the medical consultant’s mapping, most injury types either meet the particular definition or do not meet the particular definition; however, for some injury types, the medical consultant provided a range of the percentage of claimants that she estimates would meet the particular definition of minor injury. For example, it is the consultant’s opinion that 20 to 40 percent of the cases with “other fractures” would qualify for full compensation (i.e., not meet the definition of minor injury) under minor injury definition #3. Exhibit 4 shows the list of injury types, a description of each, and the medical consultant’s mapping.

We use the medical consultant’s mapping to categorize each claim in the database into one of three types:

- Type 1 – claims in which the injury (or at least one injury in the case of a claim involving multiple injuries) is assigned a 100% likelihood of not being a minor injury

- Type 2 – claims in which the injury (or all injuries in the case of a claim involving multiple injuries) is assigned a 100% likelihood of being a minor injury
- Type 3 – claims for which the likelihood of the injury (or the likelihood of all injuries in the case of a claim involving multiple injuries) being a minor injury is expressed as a probability range by the medical consultant

## Adjustment of Losses – Deductible and Capping

Two adjustments are made to the claim payment amounts in the closed claim database:

- We adjust the payments made for each claim in the database for the observed claim severity trend that has occurred since the date of accident that gave rise to the claim. In doing so, we re-state the claim payments, for each category of damage, to a January 1, 2006 cost level. The average cost adjustment that we select is -1.25% per year for the period spanning each claim's accident date to January 1, 2006. This adjustment is consistent with the selected trend rate underlying The Benchmark Study.
- We also add to the cost value of the claims in the database a provision for unallocated loss adjustment expenses. We select a provision of 7.6%, which is based on the data provided in the IBC's 2003 summary expense allocation exhibits for the Province, and which is also consistent with The Benchmark Study.

## Determination of Losses to be Eliminated - Deductible and Capping

For the deductible alternative, we apply the particular deductible to every claim with pain and suffering payments, except those occurring out of the Province, to determine the potential cost savings.

For the capping alternative, we apply the following "rules" to determine the amount of pain and suffering loss that would be subject to the particular cap:

- Type 1 – no losses are subject to the cap (i.e., the claims are not capped)
- Type 2 – each claim is capped at the applicable amount
- Type 3 – each claim is assigned a percentage according to the highest percentage compensable of all the injury types in the particular claim file. For example, for claims that have both a “fracture of weight-bearing bone(s)” (75% of which would be compensable under Definition #2) and a “serious laceration(s)” (90% of which would be compensable under Definition #2), we assume that 90% of such claims would be compensable and assign them to the “serious laceration(s)” injury type. We then rank all claims within each injury type by the size of the pain and suffering award. We make the assumption that the claims with the lower pain and suffering payments are more likely to be considered minor, and we apply this assumption to determine which claims would be subject to the cap. For instance, all claims assigned to the “serious laceration(s)” injury type are ranked by size of pain and suffering award and, for Definition 2, the claims with sizes at or below the 10th percentile (i.e., the smallest 10% of the claims) are capped.
- Out-of Province claims are not capped

This process for determining the amount of pain and suffering losses that would be capped is performed twice: applying the high end of the medical consultant’s range to the Type 3 claims, and applying the low end of the medical consultant’s range to the Type 3 claims. The Type 1 and Type 2 claims are treated the same in both instances. An average is then taken of the two results.

## Consideration of August 2004 Reforms

The closed claims are based on policies and claims occurring before the August 1, 2004 reforms and thus are brought to the “current” reform level. In addition to the \$2,500 deductible, three changes were implemented on August 1, 2004:

- claims for loss of income or earning capacity are limited to net of the person's income or earning capacity
- payments received for loss of income or earning capacity are reduced by the amount of benefits received under any other ("collateral") income continuation plan
- compensation for injury or death may be reduced by 25% where the insured party or deceased were not wearing a seatbelt

Consideration is made for these reforms in a manner consistent with The Benchmark Study.

## Adjustment for Erosion – Deductible and Capping

In estimating the cost and premium impact of product changes such as the ones that are the subject of this study, it is a common actuarial practice to assume that due to behavioral changes that typically occur, premium savings otherwise anticipated are not realized in full. This phenomenon is generally referred to as erosion. Erosion generally results from the inflation of injuries or damages to overcome some or all of the reduced recoveries that result from the imposition of higher insurance claim thresholds such as a monetary deductible, coupled with possible insurance company unwillingness to challenge small increases in settlements at the risk of even larger loss adjustment expenses. Similarly, a form of erosion can evidence itself in situations involving a monetary cap where the cap, itself, can become a "target" and, therefore, serve as a minimum claim amount to be paid.

Consistent with this common actuarial practice, we reduce the indicated cost savings estimates under the various scenarios.

For the deductible, we use a sliding scale of erosion factors under the assumption that the lower the deductible, the greater the likelihood that the full savings will not be achieved due to erosion.

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

DEDUCTIBLE	\$2,500	\$4,000	\$5,000	\$7,500	\$10,000	\$12,500	\$15,000
EROSION FACTOR	0.50	0.35	0.35	0.30	0.25	0.20	0.15

For example, we assume that savings indicated by our analysis of the closed claim database under the \$15,000 deductible would be lessened by 15% due to the effect of erosion.

For capping, we assume that erosion will occur to some extent either due to the inflating of injuries so as to overcome the minor injury definition, by the cap becoming a “target” for claimants and attorneys to strive to reach, or by insurance companies not rigidly applying the cap – perhaps due to an unwillingness to expend loss adjustment expense to fight small dollar claims. We reflect these sources of erosion in two ways: (1) we increase any “minor injury” claim (as determined by the process outlined in the prior section) within \$2,500 of the cap amount to the cap amount, and then reduce the indicated savings by half this amount, and (2) we shift the medical consultant’s ranges by 5 percentage points. In other words, if the consultant selected a range of 20%-40% for a particular injury (i.e., 20% to 40% of the claims would result in full compensation), we instead apply a range of 25%-45%.

## Adjustment for Non-Pain and Suffering Losses

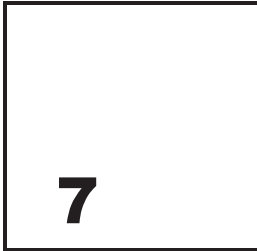
We also assume that the resulting savings in pain & suffering costs would apply proportionately to several other types of damages: pre-judgment interest, party & party costs, and allocated loss adjustment expenses. Pre-judgment interest refers to that portion of the loss settlement/award for interest on accrued damages. Party & party costs refer to that portion of the loss settlement/award for the costs of the plaintiff’s attorney.

## Determination of Premium Dollar Savings

Based on the adjustments described above we derive estimates of the resulting premium savings under each of the deductible and capping scenarios. The resulting estimated savings are then re-stated as “reform adjustment factors.” Eighty percent of the estimated savings under a particular deductible or capping scenario is assumed to be applicable to UA losses (we estimate that 80% of UA losses involve Bodily Injury), and no savings are assumed to apply to any other coverage.

The reform adjustment factors are applied to the projected discounted loss costs per car to arrive at adjusted projected discounted loss costs per car for the TPL and UA coverages, as well as for all coverages combined. The projected discounted loss costs per car are based upon five years of industry data for Newfoundland and Labrador; claim counts and losses are developed to ultimate; and the loss costs are trended. These calculations are consistent with The Benchmark Study, but modified so as not to exclude the FA experience. The adjusted projected discounted loss cost per car is then compared to the pre-adjusted projected discounted loss cost per car to arrive at the percentage premium savings. This is done for each of the deductible and capping alternatives.

We next convert the percentage savings in losses to flat dollar amounts and to percentage savings in premiums. In so doing we apply the same expense and profit assumptions that underlie The Benchmark Study. We treat the expense and profit components of the premium dollar as being proportional to the loss costs. As a result, the percentage savings in premiums is the same as the percentage savings in loss costs. Exhibit 5 shows the projected average premium used in this study.



## Findings

Based on our analysis, we estimate the average premium savings resulting from each of the various reform measures under consideration to be as follows.

### DEDUCTIBLE PREMIUM SAVINGS – Net of Reforms

DEDUCTIBLE AMOUNT	THIRD PARTY LIABILITY		UNINSURED AUTOMOBILE		ALL COVERAGES COMBINED	
	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS
\$2,500	0%	\$1	0%	\$0	0%	\$1
\$4,000	5%	\$30	5%	\$1	3%	\$30
\$5,000	7%	\$42	7%	\$1	5%	\$42
\$7,500	13%	\$76	13%	\$1	9%	\$77
\$10,000	19%	\$111	19%	\$2	13%	\$112
\$12,500	25%	\$145	24%	\$3	17%	\$146
\$15,000	31%	\$177	29%	\$3	21%	\$178

**Note: Savings are expressed in terms of our estimate of the adequate average automobile (including consideration of the FA) insurance premiums for the 2005 policy year. The estimates are subject to rounding differences. We believe that our findings are reasonable for the insurance industry as a whole, but may not be**

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

appropriate for any individual insurance company. Similarly, our findings may not be applicable to any specific insured.

**CAPPING PREMIUM SAVINGS – Net of Reforms**

<b>DEFINITION 1</b>						
<b>CAP AMOUNT</b>	<b>THIRD PARTY LIABILITY</b>		<b>UNINSURED AUTOMOBILE</b>		<b>ALL COVERAGES COMBINED</b>	
	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>
\$2,500	-4%	-\$24	-4%	-\$0	-3%	-\$25
\$4,000	-5%	-\$27	-5%	-\$0	-3%	-\$28
\$5,000	-5%	-\$28	-5%	-\$0	-3%	-\$29
\$7,500	-5%	-\$29	-5%	-\$0	-3%	-\$29
\$10,000	-5%	-\$28	-5%	-\$0	-3%	-\$29
\$12,500	-5%	-\$28	-5%	-\$0	-3%	-\$29
\$15,000	-5%	-\$28	-5%	-\$0	-3%	-\$29

<b>DEFINITION 2</b>						
<b>CAP AMOUNT</b>	<b>THIRD PARTY LIABILITY</b>		<b>UNINSURED AUTOMOBILE</b>		<b>ALL COVERAGES COMBINED</b>	
	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>
\$2,500	2%	\$10	2%	\$0	1%	\$10
\$4,000	0%	-\$2	0%	\$0	0%	-\$2
\$5,000	-1%	-\$7	-1%	\$0	-1%	-\$8
\$7,500	-3%	-\$18	-3%	\$0	-2%	-\$19
\$10,000	-4%	-\$25	-4%	\$0	-3%	-\$27
\$12,500	-5%	-\$27	-4%	\$0	-3%	-\$29
\$15,000	-5%	-\$28	-5%	\$0	-3%	-\$30



**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

DEFINITION 3						
CAP AMOUNT	THIRD PARTY LIABILITY		UNINSURED AUTOMOBILE		ALL COVERAGES COMBINED	
	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS
\$2,500	12%	\$67	11%	\$1	8%	\$67
\$4,000	8%	\$48	8%	\$1	6%	\$49
\$5,000	7%	\$38	6%	\$1	4%	\$38
\$7,500	3%	\$16	3%	\$0	2%	\$16
\$10,000	0%	-\$2	0%	-\$0	0%	-\$2
\$12,500	-2%	-\$13	-2%	-\$0	-2%	-\$13
\$15,000	-4%	-\$20	-3%	-\$0	-2%	-\$21

**Note: Savings are expressed in terms of our estimate of the adequate average automobile (including consideration of the FA) insurance premiums for the 2005 policy year. Negative values indicate additional costs. The estimates are subject to rounding differences. We believe that our findings are reasonable for the insurance industry as a whole, but may not be appropriate for any individual insurance company. Similarly, our findings may not be applicable to any specific insured.**

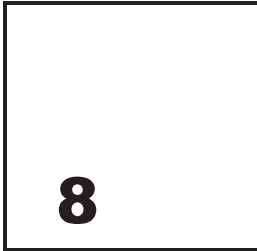
It is important to note that our estimates are presented on a “net of reform” basis; that is, net of the effect of the \$2,500 deductible implemented August 1, 2004. This means that in those instances where we estimate the cost savings resulting from a particular deductible or cap to be greater than the cost savings that had been estimated for the \$2,500 deductible implemented in August, we present the difference, or additional savings, as a positive value. In those instances where we estimate the cost savings resulting from a particular deductible or cap to be less than the cost savings that had been estimated for the \$2,500 deductible implemented in August, we present the difference, or additional cost, as a negative value. For example, if the deductible is raised from the current \$2,500 to \$10,000, the additional savings on TPL is 19%. If the current \$2,500 deductible is replaced by the introduction of a \$2,500 cap using definition #3, the

additional savings on TPL is 12%. Similarly, if the current \$2,500 deductible is replaced by the introduction of a \$2,500 cap using definition #1, there would be no savings and, in fact, TPL premium would likely need to be increased by 4%.

The estimate of the cost savings for the \$2,500 deductible on pain and suffering awards implemented in August that we use in this study is consistent with the estimate presented in The Benchmark Study.

The results displayed above as respects the \$2,500 deductible alternative indicate that as respects the 2004 reforms, the findings are consistent with the estimates used in The Benchmark Study, i.e., no additional savings or cost. The findings with respect to the higher deductibles indicate somewhat greater savings than what had previously been estimated.

The findings as respects the capping alternative indicate that by replacing the current \$2,500 deductible there will be either additional costs or little or no additional savings under either definition 1 or 2, but additional savings under definition 3 at the lower cap amounts.



## **Sensitivity Testing**

The premium savings estimates we have presented in this report represent our best estimates under the various assumptions that we have made. We test the sensitivity of our estimates to several of the key assumptions that we make by changing the assumptions and re-computing the estimated premium savings. This sensitivity testing is performed for TPL and all coverages combined only, as the potential dollar savings for UA is very small and will not vary significantly.

We test the following alternative assumptions:

MAPPING- see Exhibit 4

- Instead of assuming the average of the results of the high and low mapping ranges that were provided by the medical consultant, we assume the low end (i.e., the lower number of claimants that would be fully compensable) of each range where a range was provided.
- Instead of assuming the average of the results of the high and low mapping ranges that were provided by the medical consultant, we assume the high end (i.e., the higher number of claimants that would be fully compensable) of each range where a range was provided.

- Instead of assuming the average of the results of the high and low mapping ranges that were provided by the medical consultant, we assume the “mapping” of injury type to the minor injury definition 3 as done by KPMG LLP in their July 28, 2003 study for the Province of New Brunswick: “Impact of Proposed Tort Reform on Private Passenger Automobile Rates in New Brunswick.”
- Instead of assuming the average of the results of the high and low mapping ranges that were provided by the medical consultant, we assume the “mapping” of injury type to the minor injury definition 3 as done by Exactor Insurance Services Inc. in its June 30, 2003 study of the impact of the proposed tort reforms in the Province of New Brunswick.

## EROSION

- We double each of the assumed deductible erosion factors. That is, for example, instead of assuming that 35% of the otherwise calculated premium savings would not be realized under the \$5,000 deductible, we assume that 70% of the otherwise calculated premium savings would not be realized under the \$5,000 deductible.
- We halve each of the assumed deductible erosion factors. That is, for example, instead of assuming that 35% of the otherwise calculated premium savings would not be realized under the \$5,000 deductible, we assume that that 17.5% of the otherwise calculated premium savings would be not be realized under the \$5,000 deductible.
- We assume no erosion. That is, we assume that 100% of the otherwise calculated premium savings would be realized under each deductible and there would be no “targeting” or erosion of the cap.

We do not believe it is reasonable to assume that no erosion would occur. Nor would it be reasonable to assume that for every claim, either the medical consultant’s upper or

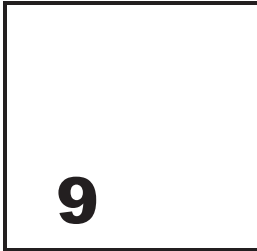
**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

lower range would always apply. Thus the estimates prepared for the sensitivity testing should not be assumed to be a valid result.

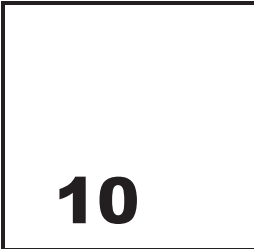
The resulting premium savings estimates under these alternate assumptions are presented in Exhibits 6 and 7.

As shown on these exhibits, the results are sensitive to both the erosion factors and the mapping of the injury types used to determine whether or not the cap on pain and suffering applies.



### **Additional Observations**

- Of the 1,369 claimants in the closed claim study, 1,313 (96%) received pain and suffering awards.
- One-hundred-ninety-six (196) claimants (15% of those receiving pain and suffering awards) received pain and suffering payments under \$2500.
- Four-hundred-sixty-seven (467) claimants (36% of those receiving pain and suffering awards) received pain and suffering payments above \$15,000.
- Of the total claim payments (all loss payments, but excluding loss adjustment expense) of \$30.8 million, \$18.6 million or 60.4% were for pain and suffering
- Definition 1 applies only to neck and back injuries. The study breaks these into six categories. Three-hundred-twenty-five claimants (325, or 24% of all claimants closed with loss payment) involve injury to the neck or back only (not both neck and back). Of these 325 claimants, only 2 were considered severe by the definition in the closed claim study.
- Eight-hundred-thirty-three (833 or 61%) of the claimants had a neck or back injury in addition to another injury (included those with neck and back injuries).
- Nine-hundred-twenty-two (922, or 67%) of claimants have more than one injury.



## **Appendix – Pre-Reform Analysis**

Our findings on a “pre-reform” basis are presented in this Appendix. By “pre-reform” we mean on a basis that does not reflect the reforms implemented in August 2004. In other words, our pre-reform estimates assume that the August 2004 reforms were not implemented. Under this scenario, we have adjusted the 2004 Benchmark Report to bring it to the 2005 Benchmark level without consideration of any claim cost or premium savings arising from the August 1, 2004 reforms. This analysis is useful in comparing prior estimates of savings to those resulting from the new closed claim study data and updated analysis.

### **DEDUCTIBLE PREMIUM SAVINGS – Pre-Reform**

<b>DEDUCTIBLE AMOUNT</b>	<b>THIRD PARTY LIABILITY</b>		<b>UNINSURED AUTOMOBILE</b>		<b>ALL COVERAGES COMBINED</b>	
	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>
\$2,500	5%	\$30	5%	\$1	3%	\$30
\$4,000	9%	\$58	9%	\$1	7%	\$59
\$5,000	11%	\$70	11%	\$2	8%	\$72
\$7,500	17%	\$105	16%	\$3	12%	\$108
\$10,000	23%	\$140	22%	\$3	16%	\$144
\$12,500	28%	\$174	27%	\$4	20%	\$178
\$15,000	33%	\$205	32%	\$5	23%	\$211

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

**CAPPING PREMIUM SAVINGS – Pre-Reform**

<b>DEFINITION 1</b>						
<b>CAP AMOUNT</b>	<b>THIRD PARTY LIABILITY</b>		<b>UNINSURED AUTOMOBILE</b>		<b>ALL COVERAGES COMBINED</b>	
	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>
\$2,500	1%	\$4	1%	\$0	0%	\$4
\$4,000	0%	\$1	0%	\$0	0%	\$1
\$5,000	0%	\$0	0%	\$0	0%	\$0
\$7,500	0%	\$0	0%	\$0	0%	\$0
\$10,000	0%	\$0	0%	\$0	0%	\$0
\$12,500	0%	\$0	0%	\$0	0%	\$0
\$15,000	0%	\$0	0%	\$0	0%	\$0

<b>DEFINITION 2</b>						
<b>CAP AMOUNT</b>	<b>THIRD PARTY LIABILITY</b>		<b>UNINSURED AUTOMOBILE</b>		<b>ALL COVERAGES COMBINED</b>	
	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>
\$2,500	6%	\$38	6%	\$1	4%	\$39
\$4,000	4%	\$27	4%	\$1	3%	\$27
\$5,000	3%	\$21	3%	\$1	2%	\$21
\$7,500	2%	\$10	2%	\$0	1%	\$11
\$10,000	1%	\$3	1%	\$0	0%	\$3
\$12,500	0%	\$1	0%	\$0	0%	\$1
\$15,000	0%	\$1	0%	\$0	0%	\$1



**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

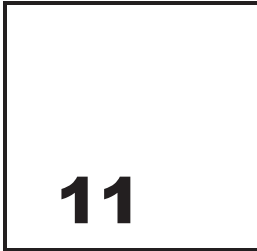
Newfoundland and Labrador

<b>DEFINITION 3</b>						
<b>CAP AMOUNT</b>	<b>THIRD PARTY LIABILITY</b>		<b>UNINSURED AUTOMOBILE</b>		<b>ALL COVERAGES COMBINED</b>	
	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>	<b>% SAVINGS</b>	<b>\$ SAVINGS</b>
\$2,500	15%	\$96	15%	\$2	11%	\$98
\$4,000	12%	\$77	12%	\$2	9%	\$79
\$5,000	11%	\$67	10%	\$2	7%	\$68
\$7,500	7%	\$45	7%	\$1	5%	\$46
\$10,000	4%	\$27	4%	\$1	3%	\$27
\$12,500	2%	\$15	2%	\$0	2%	\$16
\$15,000	1%	\$8	1%	\$0	1%	\$8

**Note: Savings are expressed in terms of our estimate of the adequate average automobile (including consideration of the FA) insurance premiums for the 2005 policy year. The estimates are subject to rounding differences. We believe that our findings are reasonable for the insurance industry as a whole, but may not be appropriate for any individual insurance company. Similarly, our findings may not be applicable to any specific insured.**

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador



**Exhibits**

**EXHIBIT 1**

**Definitions of “Minor Injury” Under Capping**

**Definition 1**

- (1) A person shall not recover in an action in the province in relation to a minor personal injury caused to the person as a result of the use or operation of an automobile an amount of non-pecuniary damages in excess of \$X (“X” is defined in the next section).
- (2) "minor personal injury" means any transitory or temporary neck or back strain or sprain caused to a person which does not reduce the person's enjoyment of life or cause an interference with the person's ability to perform his or her day to day activities or work-related activities.
- (3) "interference" shall mean that the person is:
  - (i) with respect to the person's day to day activities, unable to perform any one or more of the essential elements of one or more of those activities;
  - (ii) with respect to the person's ability to perform his or her work-related activities that the person is unable to perform any one or more of the essential elements of one or more of the activities required in the person's pre-accident employment or such employment which he or she had a reasonable possibility of carrying on but for the injury.
- (4) "work-related activities" means the activities required by the person's pre-accident employment, including self-employment, and includes those activities which he or she had a reasonable possibility of carrying on but for the injury.
- (5) "day to day activities" shall mean any one or more of the essential elements of the activities that are reasonably important to persons similarly capable and similarly active.

- (6) Any injury that has not resolved within 6 months from the date of the initial injury shall not be a "minor personal injury".

**Definition 2**

- (1) A person shall not recover in an action in relation to a minor personal injury caused to the person as a result of the use or operation of an automobile in the province an amount of non-pecuniary damages in excess of \$X. ("X" is defined in the next section).
- (2) "minor personal injury" means an injury, including a neck or back strain or sprain, caused to a person which does not cause substantial interference to the person's enjoyment of life or the person's ability to perform his or her day to day activities or work-related activities.
- (3) "substantial interference" means that the person is still, 12 months after the occurrence of the event giving rise to the cause of action,
- (i) suffering a reduction in his or her enjoyment of life,
  - (ii) unable to perform any one or more of the essential elements of the person's day to day activities, or
  - (iii) unable to perform any one or more of the essential elements of the person's work-related activities.
- (4) "work-related activities" means the activities required by the person's pre-accident employment, including self-employment, and includes those activities which he or she had a reasonable possibility of carrying on but for the injury.
- (5) "day to day activities" means the activities that are reasonably important to persons who are similarly capable and similarly active.

**Definition 3**

- (1) A person shall not recover in an action in relation to a minor personal injury caused to the person as a result of the use or operation of an automobile in the province an amount of non-pecuniary damages in excess of \$X. ("X" is defined in the next section).
  
- (2) "minor personal injury" means an injury that does not result in:
  - (i) permanent serious disfigurement, or
  
  - (ii) permanent serious impairment of an important bodily function caused by continuing injury which is physical in nature
  
- (3) "serious impairment" means an impairment that causes substantial interference with a person's ability to perform their usual daily activities or their regular employment.

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

**EXHIBIT 2**

<b>Reported 2003 Written Premiums by Line of Business Automobile Insurance</b>					
	<b>Private Passenger</b>		<b>Commercial Auto</b>		<b>Total</b>
Unifund <sup>1</sup>	49,974,000	22.24%	0	0.00%	49,974,000
Aviva	30,292,759	13.48%	4,907,315	24.93%	35,200,074
Icon	26,431,664	11.76%	259,993	1.32%	26,691,657
Cooperators	22,010,000	9.79%	506,586	2.57%	22,516,586
Dominion	12,856,956	5.72%	3,938,139	20.01%	16,795,095
Metro	13,509,832	6.01%	469,492	2.39%	13,979,324
Colonial	11,322,000	5.04%	0	0.00%	11,322,000
Royal	1,600,000	0.71%	2,500,000	12.70%	4,100,000
Atlantic	185,407	0.08%	4,404,115	22.38%	4,589,522
	168,182,618	74.84%	16,985,640	86.30%	185,168,258
Industry Total <sup>2</sup>	224,728,070		19,682,359		244,410,429
	75%		86%		76%

<sup>1</sup> As reported by Unifund in its 2003 P & C -1 Filing with the Superintendent of Insurance.  
All other companies reported individually the written automobile premiums by line to the Board.

<sup>2</sup> Taken from IBC 2003 Actual Loss Ratio Exhibit, Atlantic Provinces, Product AU10-D  
Note: Exhibit provided by Newfoundland and Labrador Board of Commissioners of Public Utilities

**EXHIBIT 3**

**INSTRUCTIONS TO CARRIERS PARTICIPATING IN THE 2004  
NEWFOUNDLAND & LABRADOR PRIVATE PASSENGER VEHICLE CLOSED  
CLAIM STUDY**

**Instructions**

1. Complete this survey format for **each Tort Bodily Injury claimant** involved in **each claim occurrence** for all claims closed between July 1, 2001 and June 30, 2004. If more than one relevant coverage (i.e. TPL-BI, UM-BI, SEF 44) providing Tort BI is involved in the claim occurrence, complete one row for each Tort Bodily Injury claimant **for each such coverage** involved in each claim occurrence. The survey consists of 38 questions, numbered #1 to #38 and the questions numbered # 32, and 34-38 have several parts. The entire sample data for all claimants should be provided in electronic format in the excel file, NFPPAnnn.xls (where nnn is your IBC company number), provided with the claims list. One excel file should be provided for each IBC company number (including Facility Association carrier company, if any) you use for reporting to IBC under the Automobile Statistical Plan. A paper copy of this survey form can be printed from the word document, for your convenience. **(See Example Below)**

**Example**

Company A has a claim occurrence on October 1, 1995 with a total of 5 claimants, claimant 01, 02, 03, 04 and 05. Claimants 01, 02 and 03 have settled with the company prior to July 1, 1999. Claimant 04 settles on June 30, 2002 and claimant 05 settles February 1, 2004. Claimant 05 had a claim under TPL BI and SEF 44. All documentation and information necessary to complete the file has been received and the company closes the file on April 30, 2004.

An Excel entry is required to be completed for **all** claimants. In the case of claimant 05, two such entries are required, one for the TPL BI component and the second for the SEF 44 component.

The information to be reported in question # 5 for each claimant will be the file closure date of April 30, 2004.

The information to be reported in question # 31 for each claimant will be the date on which the **last** payment to that claimant is made. This date will be prior to the Closed Claim Survey period in the case of claimants 01, 02 and 03 and within the survey period for claimants 04 and 05.

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

2. All claimant demographic information should be as of the date of accident. Each claimant is to be interpreted as each injured person, regardless of who may actually be claiming damages (e.g. survivors in the case where the injured person is deceased).
3. All fields must be completed.
4. All dates are in "YYYYMMDD" numeric format.
5. All \$ amounts are in whole \$ (no cents). Some \$ amounts are totals of other \$ amounts also shown. These totals must be equal to the sum of their parts.
6. All settlement amounts are to be shown gross of reinsurance recoveries, if any. Where breakdowns of settlement amounts by heads of damage are required, these should be obtained from the award in the judgment in the case, after reduction for contributory negligence, if any. If no such award exists (i.e. "sidewalk" settlement), then these breakdowns should be estimated in a reasonable fashion by a claims expert. One way to do this might be to take the latest settlement offer produced by the claimant's legal counsel (when relevant), drop any heads of damage which the insurer thinks to be unreasonable, and prorate the actual settlement amount in proportion to the remaining heads of damage in the offer.
7. Your coded survey records, **which you have checked**, will be vetted and may be audited by the Board.
8. For each claimant survey record which you have coded, please provide the excel file "NFPPAnnn.xls (where 'nnn' is your IBC Company Number) with data containing one row per survey record coded and columns containing the data fields for each of the 38 questions. This file should be vetted prior to submission.
9. **FOLLOWING VERIFICATION BY COMPANY PERSONNEL, ALL FILES ARE TO BE SUBMITTED TO MR. BERN FITZPATRICK AT [bernfitzpatrick@nf.sympatico.ca](mailto:bernfitzpatrick@nf.sympatico.ca) WITH A COPY TO MR. ROBERT BYRNE AT [rbyrne@pub.nl.ca](mailto:rbyrne@pub.nl.ca). FILES ARE NOT TO BE SUBMITTED DIRECTLY TO THE BOARD'S CONSULTING ACTUARY.**



## **Additional Directions and Clarifications**

After discussion with claims personnel and the Actuary, it is apparent that the following additional directions are in order. Should additional issues, questions or clarification arise regarding the information required or the manner of reporting the same, please ensure you contact the Board's Insurance Consultant, Mr. Bern Fitzpatrick.

1. Questions 2 and 3 – Policy/Claim number. This should be identical to the company's numbers, including spaces and dashes etc.
2. Question 5 - Closed claim date. This is the date the company has received all documentation and information necessary to consider the matter finalized and close the file.
3. Questions 12, 13 and 14 – 1st Party vehicle. The correct designations as determined by the IBC Statistical Plan are to be provided. Where a company uses a designation other than the IBC Statistical Plan, then they must manually convert their information to reflect the correct IBC Statistical Plan coding. For greater certainty, under question 13, the IBC Statistical Plan Territorial codes are 004, 005, 006 and 007.
4. Question 15-Claimant Identifier. Each claimant within a claim occurrence must be assigned a number to identify the claimant. A separate entry/questionnaire is to be completed for each claimant. In cases where a claim with multiple claimants with an occurrence date prior to the study period and where the file is closed during the study period, and, where one or more claimants settled prior to the commencement of the study period, an entry must be completed for all claimants even those that settled prior to the study period.
5. Question 21 – Employment. Where the claimant fits into more than one category this should be answered with the persons long term priority in life, ie a student who works part-time would be coded as a student. If you do not know the answer to this question you may answer "other".
6. Question 23-Employment Income. If you do not know the claimants employment income you should answer \$0.

7. Question 30-First Payment. This is the date of the first payment made by the insurer in connection with the claimant, either to or on behalf of the claimant. Any expense incurred in connection with the claim would be relevant, including allocated loss adjustment expenses.
8. Question 31-Settlement Date. This is the date on which the insurer makes the final payment to the claimant who was identified in question # 15. This date may occur prior to the study period in cases where a claim is opened for multiple claimants, some or all of whom settle prior to the commencement of the study period but where the file closes within the study period.
9. Question 32- Injury Type. All fields must be completed. This is necessary for the actuary to manipulate the data. To streamline the data collection process you may wish to set up the spreadsheet so that the fields contain a "2" unless changed when you complete the survey. You should note that there will often be more than one field coded as "1" as all of the claimants injuries should be reflected.
10. A Blank field will result in rejection of the entry and will be returned to the company for correction.

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

<b>#1</b>	<b>IBC Company Number</b>	<b>Numeric 3</b>
Your Company Number assigned by IBC for reporting under Auto Statistical Plan		
<b>#2</b>	<b>Company Policy Identification Number</b>	<b>Alpha/Numeric 15, Left Justified</b>
Your Policy Number of responding Newfoundland Auto Insurance Policy		
<b>#3</b>	<b>Company Claim Occurrence Identification Number</b>	<b>Alpha/Numeric 15, Left Justified</b>
Your Claim Number for Claim Occurrence		
<b>#4</b>	<b>Accident Date</b>	<b>Numeric 8, YYYYMMDD</b>
Date of accident in YYYYMMDD format		
<b>#5</b>	<b>Date Claim Occurrence (File) Closed</b>	<b>Numeric 8, YYYYMMDD</b>
Date that this claim occurrence was finally closed in YYYYMMDD format		
<b>#6</b>	<b>Accident Location</b>	<b>Numeric 1</b>
1	=	Newfoundland and Labrador
2	=	Other Canadian Province
3	=	United States
4	=	All Other



**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

#12	1st Party Policy Vehicle Type		Numeric 1
1	=	Car	
2	=	Truck or Van	
Code vehicle type for PPA vehicle on policy which claim is charged to as per IBC Statistical Plan			

#13	1st Party Vehicle Territory (IBC STAT PLAN)		Numeric 3
0	0		
IBC statistical territory for reporting under Auto Statistical Plan (codes 004, 005, 006 or 007)			

#14	1st Party Vehicle Type of Use Class (IBC STAT PLAN)		Numeric 2, Right Justified
IBC type of use class for reporting under Auto Statistical Plan (must be a Private Passenger code, i.e., one of 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, 11, 12, 13, 18, 19)			

#15	Claimant Number		Numeric 2, Right Justified
A unique number (01, 02, 03, etc.) up to two digits to identify each claimant within a claim occurrence (Code 01 if this is the only claimant for this claim occurrence)			

#16	Claimant Relationship to Policy		Numeric 1
1	=	Driver of 3rd Party Vehicle	
2	=	Passenger in/on 3rd Party Vehicle	
3	=	Driver of 1st Party Vehicle	
4	=	Named Insured Passenger in 1st Party Vehicle	
5	=	Other Passenger in 1st Party Vehicle	
6	=	Pedestrian or Bicyclist	
7	=	All Other	

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

<b>#17</b>	<b>Claimant Age</b>	<b>Numeric 2, Right Justified</b>
Age in years of claimant (under age 1, code 01; over age 99, code 99)		

<b>#18</b>	<b>Claimant Sex</b>	<b>Numeric 1</b>
1	=	Male
2	=	Female

<b>#19</b>	<b>Claimant Marital Status</b>	<b>Numeric 1</b>
1	=	Single
2	=	Married, including Common Law

<b>#20</b>	<b>Claimant Dependant Status</b>	<b>Numeric 1</b>
1	=	Claimant is a dependant
2	=	Claimant is not a dependant, and has 0 dependants
3	=	Claimant has 1 dependant
4	=	Claimant has 2 dependants
5	=	Claimant has 3 dependants
6	=	Claimant has 4 or more dependants

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

#21	Claimant Employment Status	Numeric 1
1	= Regular full time employed	
2	= Regular part time employed	
3	= Seasonally employed	
4	= Self-Employed	
5	= Homemaker	
6	= Student or Preschooler	
7	= Retired	
8	= Other unemployed	
9	= Other	

#22	Claimant Type of Employment	Numeric 1
1	= Not applicable, since unemployed	
2	= Managerial	
3	= Professional	
4	= Clerical	
5	= Manual	
6	= Other	

#23	Claimant Gross Employment Income	Numeric 7, Right Justified, whole \$
Claimant's annual gross income from employment in whole \$ (code 0000000 if not employed)		

#24	Claimant % Degree of Innocence	Numeric 3, Right Justified
Your assessment of the percentage of innocence of this claimant in the accident (e.g. complement of percentage reduction in damages based on contributory negligence, when relevant; must be 001 or greater)		

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

#25	Claimant Vehicle Type	Numeric 1
1	=	No claimant vehicle involved
2	=	Car
3	=	Truck or Van
4	=	Motorcycle, including off-road motorcycle
5	=	Bus, including school bus
6	=	Snow vehicle
7	=	All other, including all terrain vehicles and motorhomes

#26	Seat Belt Use	Numeric 1
1	=	Claimant seat belt engaged at time of accident
2	=	Claimant seat belt not engaged at time of accident
3	=	Seat belt status at time of accident unknown

#27	Claimant Method of Settlement	Numeric 1
1	=	Court trial, no appeal
2	=	Court trial, after claimant appeal
3	=	Court trial, after carrier appeal
4	=	Settled by parties-with or without legal counsel
5	=	Settled by mediation
6	=	Settled by binding arbitration
7	=	Settled at pre-trial settlement conference

#28	Claimant Type of Settlement	Numeric 1
1	=	Some element of structured settlement
2	=	No element of structured settlement



**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

<b>#29</b>	<b>Claimant Legal Representation</b>	<b>Numeric 1</b>
1	=	Claimant represented by legal counsel
2	=	Claimant not represented by legal counsel

<b>#30</b>	<b>Date of First Payment</b>	<b>Numeric 8, YYYYMMDD</b>
Date of first payment for this claimant in YYYYMMDD format		

<b>#31</b>	<b>Claimant Settlement Date</b>	<b>Numeric 8, YYYYMMDD</b>
Date of settlement (final payment) for this claimant in YYYYMMDD format		

<b>#32</b>	<b>Claimant Injury</b>	<b>Numeric 1</b>
1	=	Claimant suffered no injury; fill in all questions 32A-1 to 32A-34 as "2"
2	=	Claimant suffered one or more injuries: complete all questions 32A-1 to 32A-34 appropriately

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

#32-A	Claimant Injury Profile	35 x Numeric 1
	Deceased	
1		
	Quadriplegia, complete or incomplete	
2		
	Paraplegia or hemiplegia, complete or incomplete	
3		
	Permanent brain injury	
4		
	Amputation of or permanent loss of use of a major member (i.e. leg, foot, arm, hand)	
5		
	Amputation of or permanent loss of use of any other body part	
6		
	Permanent loss of a sense (e.g. sight, hearing, smell, taste, touch)	
7		
	Internal organ injury	
8		
	Fracture of weight-bearing bone(s)	
9		
	Other fracture(s)	
10		
	Permanent disfigurement or scarring	
11		
	Serious laceration(s)	
12		
	Serious burn(s)	
13		
	Neck strain or sprain – Mild injury	
14		
	Neck strain or sprain – Moderate injury	

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

#32-A	Claimant Injury Profile	35 x Numeric 1
15	Neck strain or sprain – Severe injury	
16	Back strain or sprain – Mild injury	
17	Back strain or sprain – Moderate injury	
18	Back strain or sprain – Severe injury	
19	Knee injury – Minor	
20	Knee injury – Other	
21	Shoulder injury – Minor	
22	Shoulder injury – Other	
23	Other strain or sprain – Minor	
24	Other strain or sprain – Other	
25	Temporomandibular joint (TMJ) dysfunction	
26	Fibromyalgia	
27	Chronic pain syndrome	
28	Concussion	

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

<b>#32-A</b>	<b>Claimant Injury Profile</b>	<b>35 x Numeric 1</b>
29		
	Post concussion syndrome	
30		
	Contusion	
31		
	Psychological/emotional injury	
32		
	Minor laceration(s), burn(s), or just "shaken up"	
33		
	All other injuries	
34		
1	=	Claimant did suffer this injury
2	=	Claimant did not suffer this injury
Code 1 for each injury category which applies, and 2 for each injury category which does not apply (code all categories #1 to 34 as 2 only if there was no discernible injury to the claimant )		

<b>#33</b>	<b>Independent Medical Exam</b>	<b>Numeric 1</b>
1	=	Not requested
2	=	Requested but not conducted
3	=	Requested and conducted

**Estimates of the Impact on Private  
 Passenger Insurance Premium Resulting  
 from the Implementation of a Deductible or  
 Cap**

Newfoundland and Labrador

#34	Claimant Settlement Special Damage Amounts						7 x Numeric 7, Right Justified, whole \$
							Past Loss of Employment Income
1							
							Past Loss of Other Income
2							
							Past Medical/Rehabilitation/Care
3							
							Past Replacement Services
4							
							Funeral
5							
							Other
6							
							Total Special (Sum of above 6)
Last row must be sum of 6 rows above (enter 0 for each category which does not apply; enter amounts after consideration of contributory negligence)							

**Estimates of the Impact on Private  
 Passenger Insurance Premium Resulting  
 from the Implementation of a Deductible or  
 Cap**

Newfoundland and Labrador

#35	Claimant Settlement General Damage Amounts						7 x Numeric 7, Right Justified, whole \$
							Non-Pecuniary (Pain & Suffering)
1							
							Future Loss of Employment Income
2							
							Future Medical/Rehabilitation/Care
3							
							Future Replacement Services
4							
							Gross-Up for Tax & Fund Management
5							
							Other
6							
							Total General (Sum of above 6)
Last row must be sum of 6 rows above (enter 0 for each category which does not apply; enter amounts after consideration of contributory negligence)							

**Estimates of the Impact on Private  
 Passenger Insurance Premium Resulting  
 from the Implementation of a Deductible or  
 Cap**

Newfoundland and Labrador

#36	Claimant Total Settlement Amount						8 x Numeric 7, Right Justified, whole \$
							Total Special (from #34 above)
1							
							+ Total General (from #35 above)
2							
							+ Punitive Damages
3							
							+ Prejudgment Interest
4							
							+ Party and Party Costs
5							
							- Auto No-Fault (Section B) Offset
6							
							- Collateral Source Offset
7							
							= Total Settlement Amount
Enter 0 for each category which does not apply							

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

#37	Claimant Allocated Loss Adjustment Expenses						5 x Numeric 7, Right Justified, whole \$
							Legal Fees (Internal and/or External)
1							
							Independent (External) Adjuster Fees
2							
							Expert Fees (including Medical)
3							
							Other
4							
							Total ALAE (Sum of above 4)
5							
Last row must be sum of 4 rows above (enter 0 for each category which does not apply; enter amounts applicable to this claimant only)							

#38	Claimant Collateral Income Sources		6 x Numeric 1
	Employer Plan (formal or not)		
1			
	Private Plan		
2			
	Employment Insurance		
3			
	Canada Pension Plan		
4			
	Workers' Compensation		
5			
	Other		
6			
1	=	This source known to be available to this claimant	
2	=	This source known to be unavailable to this claimant	
Enter the appropriate code for each of the above collateral source categories			



**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

**EXHIBIT 4**

**Percentage of Insured Claimants Qualifying for Full Compensation**

Column No.	Injury Type	Description	Def 1	Def 2	Def 3	NB - KPMG	NB - Exactor
			Medical Consultant's Mapping				
32A-1	Deceased		100	100	100	100	100
32A-2	Quadriplegia, complete or incomplete	This includes complete and incomplete. Incomplete refers to partial motor and sensory loss. Complete refers to full motor and sensory loss.	100	100	100	100	100
32A-3	Paraplegia or hemiplegia, complete or incomplete	Paraplegia refers to paralysis of the legs and lower part of the body. Hemiplegia refers to paralysis of one side of the body.	100	100	100	100	100
32A-4	Permanent brain injury	This condition occurs as the result of a head injury. It is the result of physical damage to the brain tissue. In this condition there is permanent impairment in the mental and emotional processes and their functioning. It imposes restrictions on the client's ability to carry out the activities of daily living.	100	100	100	100	100
32A-5	Amputation of or permanent loss of use of a major member (ie. leg, foot, arm, hand)	Loss of limb or part of limb	100	100	100	100	100
32A-6	Amputation of or permanent loss of use of any other body part	e.g. Toes, fingers, etc.	100	100	100	0	100
32A-7	Permanent loss of a sense	(e.g. sight, hearing, smell, taste, touch)	100	100	100	100	100
32A-8	Internal organ injury	e.g. lung, heart, liver, reproductive organs, loss of spleen, gastrointestinal injury associated with loss of bowel, kidney damage	100	100	100	100	100
32A-9	Fracture of weight-bearing bone(s)	A weight-bearing bone refers to those in the leg (i.e. the femur/tibia/fibula/heel/bones of foot).	100	75	40/60	0	100
32A-10	Other fracture(s)		100	40/60	20/40	0	100
32A-11	Permanent disfigurement or scarring	This may be caused by the injury itself or be the result of surgery made necessary by the injury.	100	100	100	100	100
32A-12	Serious laceration(s)	This refers to a severe cut that may or may not result in disfigurement. There may be temporary or permanent nerve damage i.e. loss of sensation and/or function. Loss of sensation or function may be complete or incomplete.	100	90	80	100	100
32A-13	Serious burn(s)	A serious burn is one that usually requires admission to a medical treatment facility. It usually takes more than three weeks to heal spontaneously. It usually results in permanent disfigurement or scarring.	100	100	100	100	100
32A-14 to 16	Neck strain or sprain	This may be referred to using the following terms: whiplash, whiplash associated disorder (WAD), a cervical strain, soft tissue injury (STI), etc. Neck strains/sprains will be further broken down into three categories dependent on the severity of the symptoms and signs.					
32A-14	Neck strain or sprain - Mild	This includes WAD(Whiplash Associated Disorder) I and II. <b>Neck symptoms only (WAD I)</b> - Symptoms may include complaints of pain in the neck (one or both sides), stiffness, and tenderness. There are no physical signs. Symptoms may be delayed hours or to the next day. Resolution is expected to start in days. Recovery to usual activities is usually in six weeks or less. <b>Neck symptoms and musculoskeletal signs (WADII)</b> - Symptoms usually include pain in the neck, one or both sides, and there may be pain in the arms. These start within minutes to a few hours. Signs include muscle spasm and /or decreased range of motion. X-rays may show spasm. Resolution may linger for months, but most resolve in ninety days.	15/35	10/25	5/15	0	0
32A-15	Neck strain or sprain - Moderate	<b>Neck complaints and neurological signs (WAD III)</b> - These may include absent reflexes, weakness and sensory deficits. Symptoms usually start immediately. Radiating shoulder and arm symptoms soon follow. Neurological deficits are found on examination. These symptoms may linger for months and there may be recurrences or chronic symptoms. Medical aid treatment may be required for up to one year.	100	70/80	20/30	0	0

**Estimates of the Impact on Private  
Passenger Insurance Premium Resulting  
from the Implementation of a Deductible or  
Cap**

Newfoundland and Labrador

**Percentage of Insured Claimants Qualifying for Full Compensation**

32A-16	Neck strain or sprain - Severe	Neck complaints and fracture or dislocation (WAD IV) - In this case there is a fracture without spinal cord injury. Symptoms can start instantly. Neck weakness can be found. Radiation of symptoms to shoulder and arms are variable. The eventual outcome is variable ranging from complete recovery to long-term complications.	100	100	90/95	0	0
32A-17 to 19	Back strain or sprain	This includes injuries to the thoracic spine (upper back) or to the lumbar spine (lower back). Common terms to describe these injuries include soft tissue injury (STI), mechanical back pain, musculoligamentous injury, etc. Again we further divide this group into three categories					
32A-17	Back strain or sprain - Mild	Back symptoms with or without musculoskeletal signs - Symptoms include complaints of pain in the back (upper and/or lower) with or without stiffness or tenderness. There may be buttock and/or leg pain. Symptoms may start within minutes or be delayed for hours or even the next day. Physical exam may show decreased range of motion and spasm. Resolution may start within days with most returning to usual activities in 90 days.	35/50	25/35	10/20	0	0
32A-18	Back strain or sprain - Moderate	Back complaints and neurological signs - This may include absent reflexes, weakness and/or sensory disturbances. Symptoms usually start immediately. Pain often radiates below the knee into the calf and/or foot. Symptoms may linger for months and there may be recurrences or chronic symptoms. Treatment may be required for up to a year. This will include disc injuries. Terms used in diagnoses include sciatica, nerve root impingement, disc prolapse, etc.	100	40/70	10/25	0	0
32A-19	Back strain or sprain - Severe	Back complaints and fracture or dislocation - In this case there is a fracture without spinal cord injury. Symptoms can start instantly. There may or may not be disc injury or nerve root impingement. Radiation of symptoms to the legs is variable. Again the eventual outcome is variable ranging from full recovery to long-term complications.	100	100	90/95	0	0
32A-20	Knee injury - Minor	This may include injuries such as meniscal tears, collateral ligament tears/strains, cruciate ligament tears, patello-femoral syndrome. These can be divided into minor and other injuries. Minor injuries respond to conservative management with complete resolution in one year or less.	100	0	0	0	0
32A-21	Knee injury - Other	Other injuries refer to those that do not completely resolve within one year and to those that require operative intervention.	100	100	70/90	0	0
32-22	Shoulder injury - Minor	This includes rotator cuff strains and tears, acromio-clavicular strains, shoulder dislocations, frozen shoulder, bursitis, tendonitis, etc. Again, these are divided into minor and other injuries. Minor injuries respond to conservative management with complete resolution in one year or less.	100	0	0	0	0
32A-23	Shoulder injury - Other	Other injuries refer to those that do not completely resolve within one year and to those that require operative intervention.	100	100	60/80	0	0
32A-24	Other strain or sprain - Minor	e.g. elbow, wrist, hip, ankle, etc. Other terms used include bursitis and tendonitis. Minor injuries respond to conservative management with complete resolution in one year or less.	100	0	0	0	0
32A-25	Other strain or sprain - Other	Other injuries refer to those that do not completely resolve within one year and to those that require operative intervention.	100	100	30/50	0	0
32A-26	Temporomandibular joint (TMJ) dysfunction	This may impede chewing, affect speech, cause lower facial deformity, and produce pain.	100	25/40	20/30	100	100
32A-27	Fibromyalgia	A chronic musculoskeletal disorder of uncertain cause characterized by chronic widespread pain and multiple tender points.	100	100	100	0	100
32A-28	Chronic pain syndrome	A term given to longstanding complaints of trauma-induced discomfort and pain that have persisted beyond the expected healing times and have resisted more conservative and traditional health care intervention strategies. Pain has lasted at least six months. It is important to differentiate from chronic pain due to an unresolved or permanent localized injury.	100	100	100	0	100
32A-29	Concussion	This refers to a head injury where there is post-traumatic loss of consciousness lasting less than 24 hours (usually much less). The individual is rarely unresponsive. This injury is of minor significance, although there may be minor deficits in memory, concentration, attention, and perception lasting up to three months.	100	0	0	0	0
32A-30	Post concussion syndrome	A constellation of symptoms that affects up to 50% of individuals following a mild head injury. These symptoms last beyond three months of the injury. Symptoms include persistent headaches, fatigue, balance disturbances, irritability, impaired memory and concentration, etc. The cause of the condition is unknown and it may persist for months or years. It does not respond well to any kind of treatment.	100	30/60	20	0	100
32A-31	Contusion	Bruise	100	0	0	0	100
32A-32	Psychological/emotional injury	This will include such diagnoses as post-traumatic stress disorder, depression, anxiety, insomnia.	100	60/80	20/30	0	100
32A-33	Minor laceration(s), burn(s), or just "shaken up"		100	0	0	0	0
32A-34	All other injuries		100	0	0	0	0

**Estimates of the Impact on Private Passenger Insurance Premium Resulting from the Implementation of a Deductible or Cap**

**PROJECTED AVERAGE PREMIUM EXHIBIT 5**

	Bodily Injury	Property Damage	Third Party Liability	Accident Benefits	Health Levy	Uninsured Automobile	Collision	Comprehensive	Specified Perils	All Perils	Under-insured Motorists	Total All Coverages
2003 Written Exposures	216,824	216,824	216,824	156,646	216,824	211,443	138,598	146,105	7,025	2,549	149,556	216,824
Projected Loss & LAE/exposure Based Upon Benchmark Study, Including Facility Association Experience	\$404	\$77	\$481	\$44	\$20	\$13	\$155	\$61	\$13	\$242	\$1	\$703
Permissible Loss Ratio per Benchmark Study			0.841	0.777		0.841	0.729	0.731	0.731	0.730	0.841	Weighted Avg
Projected Average Premium			\$572	\$57	\$20	\$15	\$213	\$84	\$18	\$331	\$1	\$863
												Weighted Avg

**Estimates of the Impact on Private Passenger Insurance Premium Resulting from the Implementation of a Deductible or Cap**

Newfoundland and Labrador

**SENSITIVITY TESTING RESULTS  
Private Passenger**

**EXHIBIT 6  
Sheet 1**

**Effect On Deductible Estimates of Changes in the Erosion Assumptions**  
Estimated Savings Expressed in Terms of Third Party Liability Premium

DEDUCTIBLE AMOUNT	STUDY FINDINGS		DOUBLE THE EROSION		HALF THE EROSION		NO EROSION	
	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS
\$ 2,500	0%	\$ 1	-5%	\$ (28)	3%	\$ 16	5%	\$ 31
\$ 4,000	5%	\$ 30	0%	\$ (2)	8%	\$ 45	11%	\$ 61
\$ 5,000	7%	\$ 42	1%	\$ 4	11%	\$ 61	14%	\$ 79
\$ 7,500	13%	\$ 76	6%	\$ 32	17%	\$ 99	21%	\$ 121
\$ 10,000	19%	\$ 111	11%	\$ 65	24%	\$ 135	28%	\$ 158
\$ 12,500	25%	\$ 145	18%	\$ 102	29%	\$ 166	33%	\$ 188
\$ 15,000	31%	\$ 177	25%	\$ 140	34%	\$ 195	37%	\$ 213

Note: All figures are on a post-reform basis and reflect the August 1, 2004 Reforms.

**Estimates of the Impact on Private Passenger Insurance Premium Resulting from the Implementation of a Deductible or Cap**

Newfoundland and Labrador

**SENSITIVITY TESTING RESULTS  
Private Passenger**

**EXHIBIT 6  
Sheet 2**

**Effect On Deductible Estimates of Changes in the Erosion Assumptions**  
Estimated Savings Expressed in Terms of All Coverages Combined Premium

DEDUCTIBLE AMOUNT	STUDY FINDINGS		DOUBLE THE EROSION		HALF THE EROSION		NO EROSION	
	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS
\$ 2,500	0%	\$ 1	-3%	\$ (29)	2%	\$ 16	4%	\$ 31
\$ 4,000	3%	\$ 30	0%	\$ (2)	5%	\$ 45	7%	\$ 61
\$ 5,000	5%	\$ 42	0%	\$ 4	7%	\$ 61	9%	\$ 80
\$ 7,500	9%	\$ 77	4%	\$ 32	12%	\$ 100	14%	\$ 122
\$ 10,000	13%	\$ 112	8%	\$ 65	16%	\$ 136	18%	\$ 159
\$ 12,500	17%	\$ 146	12%	\$ 102	19%	\$ 168	22%	\$ 190
\$ 15,000	21%	\$ 178	16%	\$ 142	23%	\$ 196	25%	\$ 215

Note: All figures are on a post-reform basis and reflect the August 1, 2004 Reforms.

**Estimates of the Impact on Private Passenger Insurance Premium Resulting from the Implementation of a Deductible or Cap**

Newfoundland and Labrador

**SENSITIVITY TESTING RESULTS**  
Private Passenger

EXHIBIT 7  
Sheet 1

**Effect on Capping Estimates of Selecting Low and High End of Injury Type Ranges**  
Estimated Savings Expressed in Terms of Third Party Liability Premium

CAP AMOUNT	DEFINITION 1			DEFINITION 2			DEFINITION 3			New Brunswick Definition - KPMG**			New Brunswick Definition - Exactor***		
	% SAVINGS	\$ SAVINGS	% SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	
\$ 2,500	STUDY FINDINGS	-4%	-24	2%	10	12%	67								
	UPPER RANGE *	-5%	-27	0%	0	9%	51								
	LOWER RANGE *	-4%	-22	4%	20	15%	83								
\$ 4,000	STUDY FINDINGS	-5%	-27	0%	-2	8%	48								
	UPPER RANGE *	-5%	-29	-2%	-10	6%	34								
	LOWER RANGE *	-4%	-26	1%	7	11%	63								
\$ 5,000	STUDY FINDINGS	-5%	-28	-1%	-7	7%	38								
	UPPER RANGE *	-5%	-29	-3%	-15	4%	25								
	LOWER RANGE *	-5%	-27	0%	0	9%	52								
\$ 7,500	STUDY FINDINGS	-5%	-29	-3%	-18	3%	16								
	UPPER RANGE *	-5%	-28	-4%	-22	1%	6								
	LOWER RANGE *	-5%	-29	-2%	-14	5%	27								
\$ 10,000	STUDY FINDINGS	-5%	-28	-4%	-25	0%	-2								
	UPPER RANGE *	-5%	-28	-5%	-26	-2%	-9								
	LOWER RANGE *	-5%	-29	-4%	-23	1%	6								
\$ 12,500	STUDY FINDINGS	-5%	-28	-5%	-27	-2%	-13								
	UPPER RANGE *	-5%	-28	-5%	-27	-3%	-18								
	LOWER RANGE *	-5%	-28	-5%	-27	-1%	-8								
\$ 15,000	STUDY FINDINGS	-5%	-28	-5%	-28	-4%	-20								
	UPPER RANGE *	-5%	-28	-5%	-28	-4%	-23								
	LOWER RANGE *	-5%	-28	-5%	-28	-3%	-18								

\* "Upper" and "Lower" refer to percentage of insured claimants qualifying for full compensation. Refer to Exhibit 4.

\*\* "New Brunswick KPMG" definition results are based upon mapping of injuries (whether totally compensable or not) based upon KPMG July 28, 2003 study: "Impact of Proposed Tort Reform on Private Passenger Automobile Rates in New Brunswick."

\*\*\* "New Brunswick Exactor" definition results are based upon mapping of injuries (whether totally compensable or not) based on the Exactor Insurance Services' June 30, 2003 study of the impact of the proposed tort reforms in the Province of New Brunswick.

Note: All figures are on a post-reform basis and reflect the August 1, 2004 Reforms.

**Estimates of the Impact on Private Passenger Insurance Premium Resulting from the Implementation of a Deductible or Cap**

Newfoundland and Labrador

**SENSITIVITY TESTING RESULTS**  
Private Passenger

EXHIBIT 7  
Sheet 2

**Effect on Capping Estimates of Selecting Low and High End of Injury Type Ranges**

Estimated Savings Expressed in Terms of All Coverages Combined Premium

CAP AMOUNT	DEFINITION 1			DEFINITION 2			DEFINITION 3			New Brunswick Definition - KPMG**			New Brunswick Definition - Exactor***		
	% SAVINGS	\$ SAVINGS	% SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	
\$ 2,500	STUDY FINDINGS	-3%	-25	1%	10	8%	67								
	UPPER RANGE *	-3%	-28	0%	0	6%	51								
	LOWER RANGE *	-3%	-22	2%	20	10%	84							132	
\$ 4,000	STUDY FINDINGS	-3%	-28	0%	-2	6%	49								
	UPPER RANGE *	-3%	-29	-1%	-10	4%	34								
	LOWER RANGE *	-3%	-26	1%	7	7%	63							111	
\$ 5,000	STUDY FINDINGS	-3%	-29	-1%	-8	4%	38								
	UPPER RANGE *	-3%	-30	-2%	-15	3%	25								
	LOWER RANGE *	-3%	-28	0%	0	6%	52							99	
\$ 7,500	STUDY FINDINGS	-3%	-29	-2%	-18	2%	16								
	UPPER RANGE *	-3%	-29	-3%	-23	1%	6								
	LOWER RANGE *	-3%	-29	-2%	-14	3%	27							71	
\$ 10,000	STUDY FINDINGS	-3%	-29	-3%	-25	0%	-2								
	UPPER RANGE *	-3%	-29	-3%	-27	-1%	-9								
	LOWER RANGE *	-3%	-29	-3%	-24	1%	6							47	
\$ 12,500	STUDY FINDINGS	-3%	-29	-3%	-28	-2%	-13								
	UPPER RANGE *	-3%	-29	-3%	-28	-2%	-18								
	LOWER RANGE *	-3%	-29	-3%	-27	-1%	-9							28	
\$ 15,000	STUDY FINDINGS	-3%	-29	-3%	-28	-2%	-21								
	UPPER RANGE *	-3%	-29	-3%	-28	-3%	-23								
	LOWER RANGE *	-3%	-29	-3%	-28	-2%	-18							13	

\* "Upper" and "lower" refer to percentage of insured claimants qualifying for full compensation. Refer to Exhibit 4.

\*\* "New Brunswick KPMG" definition results are based upon mapping of injuries (whether totally compensable or not) based upon KPMG July 28, 2003 study: "Impact of Proposed Tort Reform on Private Passenger Automobile Rates in New Brunswick."

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Note: All figures are on a post-reform basis and reflect the August 1, 2004 Reforms.

**Estimates of the Impact on Private Passenger Insurance Premium Resulting from the Implementation of a Deductible or Cap**

Newfoundland and Labrador

**SENSITIVITY TESTING RESULTS  
Private Passenger**

EXHIBIT 7  
Sheet 3

**Effect on Capping Estimates of Erosion Assumption**  
Estimated Savings Expressed in Terms of Third Party Liability Premium

CAP AMOUNT	DEFINITION 1		DEFINITION 2		DEFINITION 3		New Brunswick Definition - KPMG**		New Brunswick Definition - Exactor***		
	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	
\$ 2,500	STUDY FINDINGS	-4%	-24	2%	10	12%	67	32%	180	23%	131
	NO EROSION	-4%	-21	4%	22	14%	78	38%	220	28%	161
\$ 4,000	STUDY FINDINGS	-5%	-27	0%	-2	8%	48	27%	156	19%	110
	NO EROSION	-4%	-25	2%	9	10%	59	34%	192	24%	137
\$ 5,000	STUDY FINDINGS	-5%	-28	-1%	-7	7%	38	25%	142	17%	98
	NO EROSION	-5%	-26	0%	2	8%	48	31%	175	21%	122
\$ 7,500	STUDY FINDINGS	-5%	-29	-3%	-18	3%	16	19%	110	12%	71
	NO EROSION	-5%	-28	-2%	-12	4%	24	24%	136	16%	90
\$ 10,000	STUDY FINDINGS	-5%	-28	-4%	-25	0%	-2	14%	81	8%	47
	NO EROSION	-5%	-28	-4%	-21	1%	5	18%	102	11%	61
\$ 12,500	STUDY FINDINGS	-5%	-28	-5%	-27	-2%	-13	10%	58	5%	28
	NO EROSION	-5%	-28	-4%	-26	-1%	-8	13%	74	7%	39
\$ 15,000	STUDY FINDINGS	-5%	-28	-5%	-28	-4%	-20	7%	39	2%	13
	NO EROSION	-5%	-28	-5%	-27	-3%	-17	9%	52	4%	22

\*\* "New Brunswick KPMG" definition results are based upon mapping of injuries (whether totally compensable or not) based upon KPMG July 28, 2003 study: "Impact of Proposed Tort Reform on Private Passenger Automobile Rates in New Brunswick."

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**Estimates of the Impact on Private Passenger Insurance Premium Resulting from the Implementation of a Deductible or Cap**

Newfoundland and Labrador

**SENSITIVITY TESTING RESULTS**  
Private Passenger

EXHIBIT 7  
Sheet 4

**Effect on Capping Estimates of Erosion Assumption**

Estimated Savings Expressed in Terms of All Coverages Combined Premium

CAP AMOUNT	DEFINITION 1		DEFINITION 2		DEFINITION 3		New Brunswick Definition - KPMG**		New Brunswick Definition - Exactor***	
	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS	% SAVINGS	\$ SAVINGS
\$ 2,500	-3%	-25	1%	10	8%	67	21%	182	15%	132
NO EROSION	-3%	-22	3%	22	9%	79	26%	222	19%	163
\$ 4,000	-3%	-28	0%	-2	6%	49	18%	158	13%	111
NO EROSION	-3%	-25	1%	9	7%	59	22%	194	16%	138
\$ 5,000	-3%	-29	-1%	-8	4%	38	17%	143	11%	99
NO EROSION	-3%	-27	0%	2	6%	48	20%	176	14%	123
\$ 7,500	-3%	-29	-2%	-18	2%	16	13%	111	8%	71
NO EROSION	-3%	-28	-1%	-12	3%	24	16%	137	10%	90
\$ 10,000	-3%	-29	-3%	-25	0%	-2	9%	82	5%	47
NO EROSION	-3%	-29	-3%	-22	1%	4	12%	103	7%	62
\$ 12,500	-3%	-29	-3%	-28	-2%	-13	7%	58	3%	28
NO EROSION	-3%	-29	-3%	-26	-1%	-9	9%	75	5%	39
\$ 15,000	-3%	-29	-3%	-28	-2%	-21	5%	39	2%	13
NO EROSION	-3%	-29	-3%	-27	-2%	-18	6%	52	3%	22

\*\* "New Brunswick KPMG" definition results are based upon mapping of injuries (whether totally compensable or not) based upon KPMG July 28, 2003 study: "Impact of Proposed Tort Reform on Private Passenger Automobile Rates in New Brunswick."

\*\*\* "New Brunswick Exactor" definition results are based upon mapping of injuries (whether totally compensable or not) based on the Exactor Insurance Services' June 30, 2003 study of the impact of the proposed tort reforms in the Province of New Brunswick.

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