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*Newfoundland & Labrador*

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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**ANNUAL REPORT  
ON OPERATIONS CARRIED OUT UNDER  
THE *AUTOMOBILE INSURANCE ACT*  
Chapter A-22, RSNL 1990, AS AMENDED  
FOR THE PERIOD  
APRIL 1, 2009 TO MARCH 31, 2010**

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**OF THE**

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***THE AUTOMOBILE INSURANCE ACT***

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**FOR THE PERIOD APRIL 1, 2009 TO MARCH 31, 2010**

## **EXECUTIVE SUMMARY**

This report highlights the main activities of the Board in carrying out its mandate under the *Automobile Insurance Act*.

During 2009-2010 the Board received 28 Category 1 filings (reflecting no changes or reductions in rates) and issued 7 Orders involving Category 2 rate filings (representing rate increases). The Board did not conduct any compliance audits of automobile insurers operating in the Province during the period.

There were no significant changes in the market or its composition over the year. Based on the most recently available market information (2008) 51 automobile insurers reported positive direct premiums written of \$292,301,000 in the Province, compared to \$268,984,000 in 2007. The market continues to show a high level of concentration, with 13 insurers writing 90% of all the automobile insurance business in the Province.

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## **LEGISLATION**

The *Automobile Insurance Act*, Chapter A-22, RSNL 1990, and the *Insurance Companies Act*, Chapter I-10, RSNL 1990 as amended, provide the Board with specific statutory responsibilities concerning the regulation of aspects of the automobile insurance industry in the Province of Newfoundland and Labrador.

Specifically the Board has responsibility for: the rates charged by insurers for automobile insurance; underwriting guidelines used in the classification of business written; the grounds on which insurers may refuse to provide insurance or discontinue coverage; and, the risk classification system used by insurers to determine individual rates for all automobile insurance.

## **MARKETPLACE CHANGES**

Based on the 2008 Report of the Superintendent of Insurance, the latest information available, there were 51 automobile insurers operating in Newfoundland and Labrador reporting positive Direct Premiums Written. Of the active companies, 13 wrote 90% of the automobile insurance market in the Province. The distribution of these companies by size and market share is shown in Table 1.

| <b>TABLE 1<br/>2008 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE<br/>AUTOMOBILE INSURANCE</b> |                                |  |   |
|---|--------------------------------|--|---|
| <b>Volume of<br/>Direct Premiums<br/>Written (000's \$)</b>   | <b>Number of<br/>Companies</b> | <b>Percent of Market<br/>Share (%)</b> | <b>Total<br/>Direct Premiums<br/>Written (000's \$)</b> |
| 0 - 1,000   | 30                             | 3.34                                   | 7,209   |
| 1,001 - 5,000   | 8                              | 6.89                                   | 22,702  |
| Over 5,000  | 13                             | 89.77                                  | 262,390   |
| <b>Totals</b>   | <b>51</b>                      | <b>100.00</b>                          | <b>292,301</b>  |

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Table 2 shows comparative information for 2008 versus 2007 in relation to direct premiums written (DPW) and direct claims incurred (DCI) for automobile insurance. The total value for DPW in the Province increased by 8.7% from 2007 to 2008 while total DCI increased by 5.8%.

| <b>TABLE 2</b><br><b>2008 MARKET VOLUME</b><br><b>AUTOMOBILE INSURANCE</b><br><b>(000's \$)</b> |             |             |               |                 |
|---|-------------|-------------|---------------|-----------------|
|   | <b>2008</b> | <b>2007</b> | <b>Change</b> | <b>% Change</b> |
| <b>Direct Premiums Written (DPW)</b>  | 292,301     | 268,984     | 23,317        | 8.7%            |
| <b>Direct Claims Incurred (DCI)</b>   | 179,458     | 169,552     | 9,906         | 5.8%            |

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Table 3 contains a two-year comparative review of the automobile-insurance market showing year over year relative changes of the DPW and DCI (excluding claims expenses) incurred by the three premium classifications, Third Party Liability, Personal Accident and Other. The Other category includes coverages such as Collision, Comprehensive, Specified Perils and All Perils.

| <b>TABLE 3</b><br><b>2008 MARKET VOLUME BY CLASS</b><br><b>AUTOMOBILE INSURANCE</b><br><b>(000's \$)</b> |            |             |             |                  |                 |
|--|------------|-------------|-------------|------------------|-----------------|
|  |            | <b>2008</b> | <b>2007</b> | <b>\$ change</b> | <b>% change</b> |
| <b>Third Party Liability</b>   | <b>DPW</b> | 190,405     | 177,266     | 13,139           | 6.9%            |
| <b>Third Party Liability</b>   | <b>DCI</b> | 118,623     | 112,710     | 5,913            | 5.0%            |
| <b>Personal Accident</b>   | <b>DPW</b> | 22,764      | 20,954      | 1,810            | 7.6%            |
| <b>Personal Accident</b>   | <b>DCI</b> | 12,884      | 11,974      | 310              | 2.5%            |
| <b>Other</b>   | <b>DPW</b> | 79,132      | 70,664      | 8,468            | 10.7%           |
| <b>Other</b>   | <b>DCI</b> | 48,581      | 44,868      | 3,713            | 7.6%            |

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## **REGULATORY ACTIVITIES**

### **Filings**

During the year the Board issued 7 Automobile Insurance Orders in relation to Category 2 rate filings for rate increases or the establishment of new rates.

The Board also received 28 Category 1 filings representing no change or reductions in rates to insureds. Pursuant to legislative provisions, these filings are not subject to the Board's prior approval and may be implemented no sooner than 30 days following filing with the Board.

Included in the 28 Category 1 filings were a number of revisions to underwriting guidelines, risk classification systems and declination rules. These filings are not subject to prior approval but the Board may prohibit an insurer from using a ground or risk classification system that is found to violate provisions in legislation or regulations.

### **Compliance Audit Program**

The Board has a compliance audit program whereby the rates and rating practices of the regulated insurance companies are reviewed. The compliance audit program is designed to ensure that insurers writing business in the Province are charging rates that have been approved by the Board in accordance with the *Automobile Insurance Act* and the *Insurance Companies Act*. The audit program also ensures that agents and brokers of the insurer are interpreting the underwriting guidelines of the insurer correctly and that insureds of similar risk characteristics are being rated correctly.

During the year the Board did not conduct any compliance audits.

## Complaints

During the year the Board received a limited number of complaints and inquiries. These complaints and inquiries were generally in relation to rating practices of insurers and/or agents.

## Expenses

The expenses of the Board in relation to insurance operations for 2009-2010 were budgeted at \$760,689. These costs were assessed against insurers, with the approval of the Minister pursuant to Section 59 of the *Automobile Insurance Act*, at a rate of 2.602 mils on the direct premiums written in the Province by the market. A five-year summary of assessments and mil rates is shown in Table 4.

| <b>TABLE 4<br/>FIVE YEAR SUMMARY<br/>ASSESSMENTS AND MIL RATES</b> |                    |                 |
|--|--------------------|-----------------|
| <b>Year</b>  | <b>Assessments</b> | <b>Mil Rate</b> |
| 2009 - 2010  | \$760,689          | 2.602           |
| 2008 - 2009  | \$641,937          | 2.387           |
| 2007 - 2008  | \$501,463          | 1.982           |
| 2006 - 2007  | \$539,250          | 2.050           |
| 2005 - 2006  | \$577,510          | 2.000           |

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*Newfoundland & Labrador*

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