
Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

ANNUAL REPORT
OF THE
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
ON OPERATIONS CARRIED OUT UNDER
THE AUTOMOBILE INSURANCE ACT
Chapter A-22, RSNL 1990, AS AMENDED
FOR THE PERIOD APRIL 1, 2012 TO MARCH 31, 2013

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EXECUTIVE SUMMARY

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

During 2012-2013 the Board received 23 Category 1 filings (reflecting no changes or reductions in rates) and issued 23 Orders involving Category 2 and Category 3 rate filings (representing rate increases). The Board conducted two compliance audits of automobile insurers operating in the Province during the period. In addition the Board issued three general directives to insurers participating in the automobile insurance market and individual prohibition directives to four specific insurers.

There were no significant changes in the market or its composition over the year. Based on the most recently available market information (2011) 49 automobile insurers reported positive direct premiums written of \$354,923,000 in the Province, compared to \$338,393,000 in 2010. The market continues to show a high level of concentration, with 13 insurers writing 87.55% of all the automobile insurance business in the Province.

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1 **LEGISLATION**

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

7
8 Specifically the Board has responsibility for: the rates charged by insurers for automobile
9 insurance; underwriting guidelines used in the classification of business written; the grounds on
10 which insurers may refuse to provide insurance or discontinue coverage; and the risk
11 classification system used by insurers to determine individual rates for automobile insurance
12 coverages.

13
14 **MARKETPLACE CHANGES**

15
16 Based on the 2011 Report of the Superintendent of Insurance, the latest information available,
17 there were 49 automobile insurers operating in Newfoundland and Labrador reporting positive
18 Direct Premiums Written. Of the active companies, 13 wrote 87.55% of the automobile insurance
19 market in the Province. The distribution of these companies by size and market share is shown in
20 Table 1.

TABLE 1 2011 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE AUTOMOBILE INSURANCE			
Volume of Direct Premiums Written (000s \$)	Number of Companies	Percent of Market Share (%)	Total Direct Premiums Written (000s \$)
0 - 1,000	23	1.16	4,101
1,001 - 5,000	13	11.30	40,089
Over 5,000	13	87.55	310,733
Totals	49	100.00	354,923

2011 Superintendent of Insurance Report

- 1 Table 2 shows comparative information for 2011 versus 2010 in relation to direct premiums
 2 written (DPW) for automobile insurance. The total value for DPW in the Province increased by
 3 4.88% from 2010 to 2011.

TABLE 2				
2011 MARKET VOLUME				
AUTOMOBILE INSURANCE				
(000s \$)				
	2011	2010	Change	% Change
Direct Premiums Written (DPW)	354,923	338,393	16,530	4.88

2011 Superintendent of Insurance Report

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

TABLE 3					
2011 MARKET VOLUME BY CLASS					
AUTOMOBILE INSURANCE					
(000s \$)					
		2011	*2010	\$ change	% change
Third Party Liability	DPW	225,887	218,178	7,709	3.53
Personal Accident	DPW	27,807	25,833	1,974	7.64
Other	DPW	101,229	94,382	6,847	7.25

2011 Superintendent of Insurance Report

*Revised from 2011-2012 Report

REGULATORY ACTIVITIES

Filings

During the year the Board issued 16 Orders in relation to Category 2 rate filings and seven Category 3 filings. Six of the Category 2 filings were initially denied by the Board but later resubmitted and approved. The Category 2 and 3 Orders represent rate increases or the establishment of new rates.

The Board also received 23 Category 1 filings representing no changes or reductions in rates to insureds. Pursuant to legislative provisions, these filings are not subject to prior approval and may be implemented 30 days, or later as may be specified by the company, following filing with the Board.

Included in the 23 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 established 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 only 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.

The Board completed two compliance audits and commenced one additional audit during the 2012-2013 period.

1 **Directives/Prohibitions**

2
3 During the year the Board issued three general, industry wide, directives to all insurers in
4 connection with filing guidelines, loss trend analysis, mandatory expense reporting requirements
5 and updated CLEAR Rate Group Tables. In addition the Board issued individual prohibition
6 directives to four specific insurers ordering suspension of the use of underwriting guidelines or
7 grounds which were found to be contrary to legislative requirements or which were prohibited
8 from use in legislation.

9
10 **Complaints**

11
12 During the year the Board received a limited number of complaints and inquiries. These
13 complaints and inquiries were generally in relation to rating practices of insurers and/or agents.

14
15 **Expenses**

16
17 The expenses of the Board in relation to insurance operations for 2012-2013 were budgeted at
18 \$523,637. These costs were assessed against insurers, with the approval of the Minister pursuant
19 to Section 59 of the *Automobile Insurance Act*, at a rate of 1.476 mils on the direct automobile
20 insurance premiums written in the Province by the market. A five-year summary of assessments
21 and mil rates is shown in Table 4.

TABLE 4 2007- 2012 ASSESSMENTS AND MIL RATES		
Year	Assessments	Mil Rate
2012 - 2013	\$523,637	1.476
2011 – 2012	\$503,061	1.487
2010 - 2011	\$536,043	1.685
2009 - 2010	\$760,689	2.602
2008 - 2009	\$641,937	2.387

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