

# **Board of Commissioners of Public Utilities**

120 Torbay Road, Suite E-210, P.O. Box 21040, St. John's, NL, A1A 5B2

Tel: (709) 726-8600 - Fax: (709) 726-9604

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## **PRESS RELEASE**

### **2005 AUTOMOBILE INSURANCE BENCHMARK RATES**

**Order No. A.I. 1 (2005) dated March 11, 2005**

The Public Utilities Board today announced automobile insurance benchmark rates for 2005. The Board concluded a public hearing on this matter in December, 2004 in anticipation of having appropriate rates in place as may be required in relation to Government's decision concerning the current automobile insurance rate freeze which is scheduled to expire on March 16<sup>th</sup>, 2005.

Registered Intervenors at the public hearing were Thomas Johnson, Consumer Advocate and the Insurance Bureau of Canada (IBC) represented by Norman Whalen, Q.C.

"The establishment of annual benchmarks for automobile insurance is a part of our normal regulatory process", explained the Board's Chair/CEO, Robert Noseworthy. "We felt it prudent to have these benchmark measures established to respond to our regulatory obligations as they may apply following March 16<sup>th</sup>". Mr. Noseworthy further noted these benchmarks replace the Board's 2004 benchmarks which had been adjusted effective September 9<sup>th</sup>, 2004 to incorporate Government's previously announced reforms, including a \$2500 deductible on pain and suffering claims resulting from an automobile insurance accident.

The 2005 benchmark rates reflect an overall reduction of approximately 10% for private passenger automobiles with some coverages declining up to 22% depending on the rating territory. This reduction in benchmarks is in addition to reductions previously applied in 2004 resulting from Government reforms. Benchmark rates for commercial automobiles point to an average increase of 18.8% attributable to increases in third party liability (TPL) and accident benefits. Benchmark rates for other commercial coverages show a decrease. Commercial benchmark rates have not changed since 2001. The details of these rate impacts are attached.

"Whether or not consumers will experience a decrease in private passenger auto insurance rates when these benchmarks take effect will depend on the actions of individual insurance companies regarding their annual rate filings to the Board. Should a company's current rates fall within the newly established benchmarks, each company will have to determine whether it will apply for a change in their existing rates", Mr. Noseworthy stated.

The Board is also in the process of completing its report on the Automobile Insurance Review which will be submitted to Government by March 31<sup>st</sup>, 2005. The Board recently heard public presentations and input from various interested persons and organizations throughout the Province. Today represents the last day for providing public feedback following which the report will be compiled addressing a number of automobile insurance issues including the impact of using caps or deductibles to limit monetary awards for pain and suffering, the elimination of rating based on age, gender and marital status and any additional cost savings measures that were identified during the review. Any additional reforms announced by Government during the course of the year arising from this review may result in further changes to the Board's 2005 benchmarks.

The Public Utilities Board is an independent administrative tribunal responsible for the regulation of electric utilities (Newfoundland and Labrador Hydro and Newfoundland Power), automobile insurance companies, petroleum products pricing and other regulatory matters.

Documentation and further information on the 2005 automobile insurance benchmark rates is available on the Board's website ([www.pub.nl.ca](http://www.pub.nl.ca)) or upon request.

Contact: Dwanda Newman, Legal Counsel

By Telephone: (709) 726-6781

By facsimile: (709) 726-9604

By e-mail: [dnewman@pub.nl.ca](mailto:dnewman@pub.nl.ca)

See Attachments I and II

## ATTACHMENT I

**Province of Newfoundland and Labrador  
Board of Commissioners of Public Utilities  
2005 Private Passenger Benchmark Base Rate Ranges**

Coverage <sup>1</sup>	Territory 1	Territory 2	Territory 3
Third Party Liability	\$ 542-745	\$ 291-400	\$ 223-321
Accident Benefits	46-108	38-90	38-90
Uninsured Motorist	19-45	8-18	6-14
Collision (MSRP) <sup>2</sup>	128-176	122-167	153-220
Comprehensive (MSRP)	60-83	47-65	60-86
Specified Perils (MSRP)	21-31	11-17	10-16
All Perils (MSRP)	175-241	158-218	200-288
Collision (CLEAR) <sup>3</sup>	110-151	104-143	130-186
Comprehensive (CLEAR)	63-87	50-69	57-82
Specified Perils (CLEAR)	19-29	10-16	11-17
All Perils (CLEAR)	159-219	143-197	174-251

**Territory 1 - Avalon District, Statistical Plan Code 004**

Consisting of the City of St. John's, including that part of the Island east of Highway 202, being a line between the communities of Old Shop and Chapel Arm in Trinity Bay to the North and between Long Harbour and Ship Harbour in Placentia Bay in the South.

**Territory 2 – Remainder of the Province, Statistical Plan Code 005, 007**

Consisting of those parts of the Island of Newfoundland excluding the Avalon District.

**Territory 3 – Labrador District, Statistical Plan Code 006**

The entire area of Labrador.

**Average Change for Benchmark Rates in 2005  
Private Passenger Automobile  
(Compared to current Benchmark Rates)**

Coverage	Territory 1	Territory 2	Territory 3	Private Passenger (All Territories)
Third Party Liability	-5.5%	-11.8%	-11.8%	-7.8%
Accident Benefits	-9.7%	-12.7%	-12.7%	-11.0%
Collision (CLEAR)	-11.6%	-15.5%	-12.4%	-13.3%
Collision (MSRP)	-10.8%	-18.5%	-11.6%	-14.0%
Comprehensive (CLEAR)	-20.7%	-20.7%	-20.7%	-20.7%
Comprehensive (MSRP)	-22.0%	-22.0%	-22.0%	-22.0%
Specified Perils (CLEAR)	-18.9%	-18.9%	-12.0%	-18.7%
Specified Perils (MSRP)	-19.9%	-19.9%	-19.9%	-19.9%
Uninsured Automobile	-15.0%	-15.0%	15.0%	-15.0%
<b>Total (CLEAR)</b>	<b>-7.9%</b>	<b>-13.3%</b>	<b>-13.0%</b>	<b>-9.9%</b>
<b>Total (MSRP)</b>	<b>-7.9%</b>	<b>-13.9%</b>	<b>-13.0%</b>	<b>-10.2%</b>

<sup>1</sup> **Third Party Liability** rates are based upon: Class 02, Driving Record 5, \$200,000 Limit. **Collision** rates are based upon: Class 02, Driving Record 5, Rate Group 9, \$250 Deductible. **Comprehensive** and **Specified Perils** rate are based upon: Rate Group 9, \$50 Deductible. **All Perils** rates are based on the sum of the Collision and Comprehensive rates for the same rate group, adjusted to the \$250 Deductible level.

<sup>2</sup> **MSRP**- Manufacturers Suggested Retail Price. <sup>3</sup> **CLEAR** – Canadian Loss Experience Automobile Rating. These are different rating systems used by insurers to determine premiums for collision.

## ATTACHMENT II

Province of Newfoundland and Labrador  
Board of Commissioners of Public Utilities  
2005 Commercial Benchmark Base Rate Ranges

Coverage <sup>4</sup>	Entire Province <sup>5</sup>
Third Party Liability	\$ 577-793
Collision	136-187
Comprehensive	86-119
Specified Perils	38-56
All Perils	194-267
Accident Benefits	20-48
Uninsured Motorist	5-11

Average Change for Benchmark Rates in 2005  
Commercial Automobile  
(Compared to current Benchmark Rates)

Coverage	Entire Province
Third Party Liability	23.5%
Accident Benefits	32.3%
Collision (MSRP) <sup>6</sup>	-14.8%
Comprehensive (MSRP)	-15.6%
Specified Perils (MSRP)	-18.8%
Uninsured Automobile	- 7.2%
<b>Total</b>	<b>18.8%</b>

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<sup>4</sup> Commercial Rates are based upon Premium Table 1: **Third Party Liability** rates are based upon: Class 36, Driving Record 3, \$200,000 Limit. **Collision** - \$250 Deductible, Rate Group 9. **Comprehensive** and **Specified Perils** - \$50 Deductible, Rate Group 9. **All Perils** rates are based on the sum of the Collision and Comprehensive rates for the same rate group, adjusted to the \$250 Deductible level.

<sup>5</sup> No territorial definitions for commercial benchmarks.

<sup>6</sup> CLEAR – does not apply to commercial vehicles