

Appendix 1
Legislative Authority
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Legislative Authority

The Board is the regulatory authority responsible for amongst other things, the approval of rates charged by insurers for the provision of automobile insurance in the province. The Board is constituted pursuant to the *Public Utilities Act*, (P.U. Act) which provides the Board with primary regulatory responsibility over the electrical industry in the province. In 1977, the Board, under the *Automobile Insurance Act* (A.I. Act) was given authority to regulate rates charged for all classes of automobile insurance. Since that time the Board has exercised this authority on a prior approval basis whereby insurers must file with and receive approval of their proposed rates prior to implementation.

The Department of Government Services and Lands, through the Insurance and Pensions Division also has a legislated responsibility in relation to the insurance industry in general. Through the Office of the Superintendent of Insurance, insurance companies are licensed to transact various types of business. Representatives, agents, brokers, adjusters and adjustment companies are licensed. The Superintendent of Insurance is also responsible for market conduct issues, complaints and inquiries from consumers, solvency issues for local companies and reviewing trust accounts for agents and brokers.

Benchmarking

The Board utilizes a benchmark system to determine the adequacy of rate filings as they relate to Private Passenger and Commercial automobile insurance risks. The benchmarks represent a range of reasonable rates based on actuarial analysis of the loss costs associated with the provision of automobile insurance as reported by the chief statistical agency, the Insurance Bureau of Canada (IBC). This data is analyzed and generic assumptions in respect to such things as return on equity, premium to equity ratios, operating expenses, to name a few are applied and the resulting rate projections are then trended forward to the period in which the rates are to apply. With few exceptions, the Board has undertaken a complete benchmark analysis each year since 1977. Companies filing rates within the benchmark ranges receive approval of their filing without a complete independent actuarial review, while companies proposing rates outside the

upper or lower bounds of the benchmarks must supply a complete actuarial analysis of their loss costs which are subjected to an independent review by the Board's Consulting Actuary.

Statistical Plan

The data collected by the IBC and used in the benchmark review is collected pursuant to the Automobile Statistical Plan approved for use by the Superintendent of Insurance. The Plan requires data be collected on a variety of parameters including use of the vehicle, experience of the operator, limits of liability, and, deductibles chosen for collision, comprehensive and specified perils. Under the use of vehicle section, data is also collected on the basis of age, gender and marital status for principle operators under the age of 25.