

Appendix 2

Market Structure

MARKET STRUCTURE

The insurance market in the province is small in size and is concentrated amongst a few companies. To provide some context of the size of the automobile insurance market and how it relates to other markets the following is provided.

The table below contains comparative information on relative market size.

Comparative Market Size - 2002			
Province	Private Passenger	Commercial	Total
PEI	\$ 55,633,410	\$ 6,026,639	\$ 61,660,049
NL	198,366,652	15,709,007	214,075,659
NB	397,231,823	35,711,517	432,943,340
NS	405,938,423	37,685,164	443,623,587
ON	6,462,633,819	495,610,455	6,958,244,274

Source: IBC 2002 AU10-D

The automobile insurance market in the province is highly concentrated. The 2002 Report of the Superintendent of Insurance listed 53 automobile insurance companies reporting direct premiums written during 2002. Many of these companies are fairly small writers, some with written premiums in the \$1,000 to \$10,000 range. Of the 53 companies listed, the top 11 wrote approximately 82% of all business written in the province, the top 20 wrote 95% and the top 25 wrote 98% of the market. (See following Table, Market Share by Company)

**NEWFOUNDLAND AUTOMOBILE INSURANCE
MARKET SHARE BY COMPANY
BASED ON 2002 DIRECT PREMIUMS WRITTEN
(,000's OMITTED)**

POSITION LAST YEAR	POSITION THIS YEAR		PERSONAL				MARKET	
			LIABILITY	ACCIDENT	OTHER	TOTAL	SHARE	TOTAL
3	1	UNIFUND ASSURANCE COMPANY	\$ 24,517	\$ 2,639	\$ 11,191	\$ 38,347	16.13%	16.13%
1	2	CGU INSURANCE COMPANY OF CANADA	\$ 24,624	\$ 2,170	\$ 8,775	\$ 35,569	14.96%	31.09%
4	3	INSURANCE CORPORATION OF NFLD.	\$ 17,819	\$ 1,222	\$ 7,384	\$ 26,425	11.12%	42.21%
2	4	CO-OPERATORS GENERAL INSURANCE COMPANY	\$ 16,280	\$ 2,555	\$ 7,059	\$ 25,894	10.89%	53.10%
6	5	DOMINION OF CANADA GENERAL INSURANCE	\$ 9,420	\$ 969	\$ 3,947	\$ 14,336	6.03%	59.13%
5	6	METRO GENERAL INSURANCE COMPANY	\$ 8,260	\$ 837	\$ 4,997	\$ 14,094	5.93%	65.06%
7	7	ROYAL/SUN ALLIANCE INSURANCE	\$ 7,900	\$ 562	\$ 2,665	\$ 11,127	4.68%	69.74%
8	8	COLONIAL FIRE & GENERAL INSURANCE	\$ 7,032	\$ 338	\$ 3,086	\$ 10,456	4.40%	74.14%
15	9	FEDERATION INSURANCE COMPANY CANADA	\$ 5,540	\$ 467	\$ 2,120	\$ 8,127	3.42%	77.56%
16	10	COSECO INSURANCE COMPANY	\$ 3,446	\$ 388	\$ 1,351	\$ 5,185	2.18%	79.74%
14	11	ING INSURANCE COMPANY OF CANADA	\$ 3,397	\$ 382	\$ 1,249	\$ 5,028	2.11%	81.85%
20	12	SCOTTISH AND YORK INSURANCE COMPANY	\$ 3,150	\$ 276	\$ 1,569	\$ 4,995	2.10%	83.95%
13	13	ELITE INSURANCE COMPANY	\$ 3,580	\$ 254	\$ 1,077	\$ 4,911	2.07%	86.02%
10	14	LOMBARD GENERAL INSURANCE	\$ 3,282	\$ 260	\$ 1,072	\$ 4,614	1.94%	87.96%
11	15	TRADERS GENERAL INSURANCE COMPANY	\$ 2,753	\$ 356	\$ 1,289	\$ 4,398	1.85%	89.81%
12	16	PEMBRIDGE INSURANCE COMPANY	\$ 3,351	\$ 127	\$ 876	\$ 4,354	1.83%	91.64%
17	17	ATLANTIC INSURANCE COMPANY LIMITED	\$ 2,655	\$ 91	\$ 875	\$ 3,621	1.52%	93.16%
9	18	LOMBARD INSURANCE COMPANY	\$ 1,786	\$ 195	\$ 769	\$ 2,750	1.16%	94.32%
19	19	PRIMUM INSURANCE COMPANY	\$ 1,209	\$ 134	\$ 516	\$ 1,859	0.78%	95.10%
24	20	ZURICH INSURANCE COMPANY	\$ 1,024	\$ 113	\$ 422	\$ 1,559	0.66%	95.76%
21	21	SECURITY NATIONAL INSURANCE COMPANY	\$ 883	\$ 82	\$ 480	\$ 1,445	0.61%	96.37%
-	22	MARKEL INSURANCE COMPANY OF CANADA	\$ 968	\$ 26	\$ 437	\$ 1,431	0.60%	96.97%
22	23	PERSONAL INSURANCE COMPANY CANADA	\$ 820	\$ 95	\$ 337	\$ 1,252	0.53%	97.49%
23	24	ECHELON GENERAL INSURANCE COMPANY	\$ 488	\$ 67	\$ 127	\$ 682	0.29%	97.78%
-	25	AMERICAN HOME ASSURANCE COMPANY	\$ 330	\$ 95	\$ 97	\$ 522	0.22%	98.00%

Source: Annual Report of The Superintendent of Insurance

\$ 154,514 \$ 14,700 \$ 63,767 \$ 232,981 98.00%

Rate Information

The latest five year data for the Newfoundland and Labrador market is shown in the table below. Written Premiums is the total of all insurers operating in the market for all classes of automobile insurance and the vehicle count includes both private passenger and commercial vehicles.

Newfoundland and Labrador Automobile Insurance Written Premiums and Vehicles Written 1998 – 2002						
	Private Passenger			Commercial		
	Liability Written Premiums	Number of Vehicles Written	Average Premium per Vehicle	Liability Written Premiums	Number of Vehicles Written	Average Premium per Vehicle
1998	\$106,783,500	210,173	\$ 508.07	\$ 8,150,150	16,297	\$ 500.10
1999	99,065,698	199,162	497.41	8,127,375	15,567	522.09
2000	106,865,168	220,212	485.28	8,977,729	17,011	527.76
2001	114,195,474	222,431	513.39	10,560,390	19,072	553.71
2002	129,322,019	215,623	599.76	11,658,942	16,852	691.84

Source: IBC 2002 AU10-D

As shown in the table, the number of written insured private passenger vehicles has grown by 2.5% over the five year period 1998 - 2002 while the total written premiums has increased by 21.1%, with a 6.9% increase in 2001 over 2000 and a further 13.2% increase in 2002 over 2001. For commercial vehicles the changes have been more dramatic. Written insured commercial vehicles increased only 3.4% over the five year period while total written premiums increased 43%, with a 17.6% increase in 2001 over 2000 and a further 10.4% increase in 2002 over 2001.

For the period, the average written premium per private passenger vehicle has increased from \$508.07 in 1998 to \$599.76 in 2002, for an increase of 18.0% over the five years, or 4.4% per year. For commercial vehicles, the average written premium in 1998 was \$500.10 and in 2002 it was \$691.84 for an increase of 38.3% during the period, or 8.5% per year.

Types of Insurance Coverage

Insurance rates comprise the following coverages:

Coverage	Description	% of Premium ¹
Third Party Liability	Indemnification, up to the policy limit, of the insured for damages arising from Bodily Injury (includes economic loss e.g. wages and non-economic loss e.g. pain and suffering) or Property Damage caused to others arising from the policyholder's negligent operation of the insured vehicle.	47-66%
Collision	Indemnification of the insured for damages caused to the insured vehicle arising from collision with another object or the upset of the vehicle. Subject to deductible.	15-28%
Comprehensive	Indemnification of the insured for any damage caused the insured vehicle for any peril other than collision or upset. Subject to deductible.	8-13%
Specified Perils	Indemnification of the insured for any damage caused the insured vehicle for the perils specified in the coverage. Specified Perils is a group of 11 named perils such as fire, lightning, theft, windstorm and others. These perils are included under the comprehensive coverage, thus an insured need not purchase both. Subject to deductible.	2%
Accident Benefits	Partial indemnification paid to the insured on a no fault basis for: i) Medical, Rehabilitation and Funeral Expenses; ii) Death Benefits; iii) Loss of Income/Total Disability; and iv) Accidents in Quebec.	7-9%
Uninsured Motorist	Indemnification of the insured for bodily injury and death arising from an accident with an uninsured or unidentified vehicle. In cases of an uninsured vehicle, where the owner or driver is identified, UIM also covers the insured for property damage to the insured vehicle, subject to a deductible.	2%

Benchmark Rates

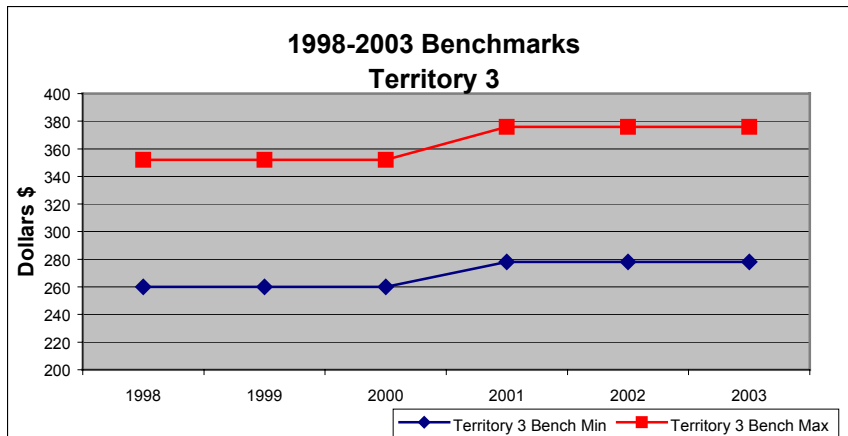
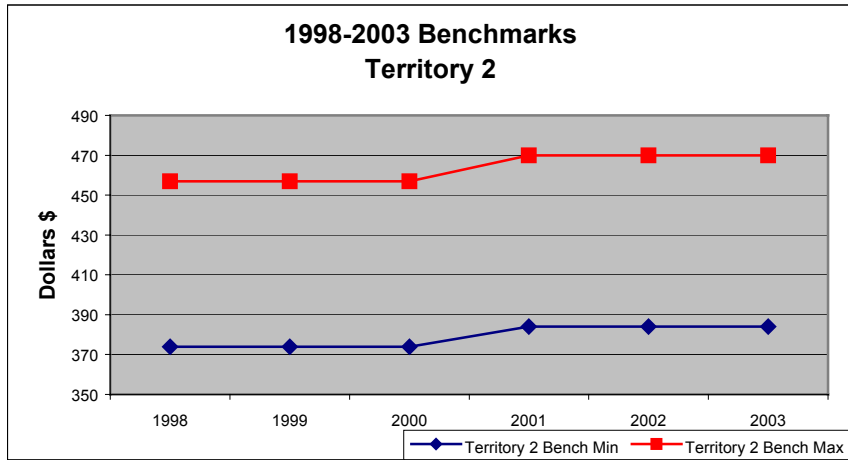
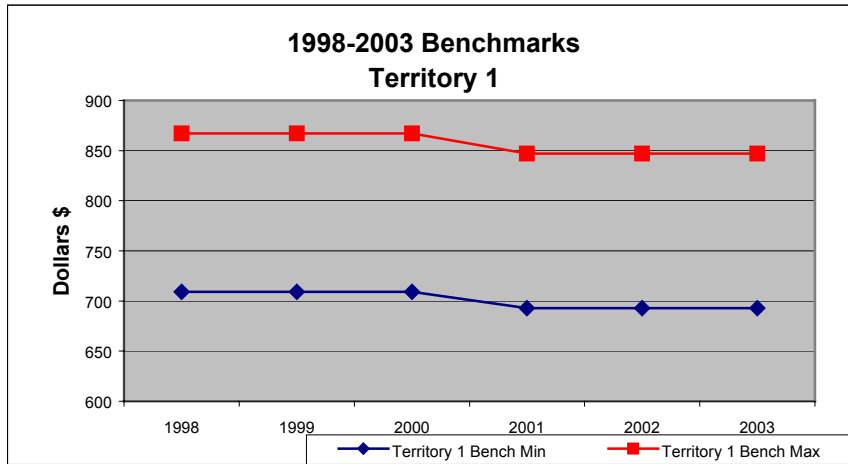
Benchmarks are the range of rates, which, based on actuarial analysis, most accurately reflect the total costs to industry of providing the various components of the insurance product. The following graphs depict the benchmark changes over the period 1998 to 2002, by territory, for Third Party Liability, Collision and Comprehensive. As can be seen in the first series, the

¹ These percentages represent the portion that each coverage bears to the total cost of a full automobile insurance policy excluding taxes and endorsements. These vary by Territory within the range.

benchmarks have not changed significantly during the time period, and in the case of Territory 1, the largest rating territory in the province, there was a slight decrease in benchmark rates in 2001. The second series of graphs plots the industry average premium charged insureds against the benchmark ranges. The third series of graphs builds on the first two and depicts the industry average loss cost against the benchmarks and the industry average rates.

For comparative purposes, series 4 and series 5 graphs show the same information for Collision and Comprehensive coverages.

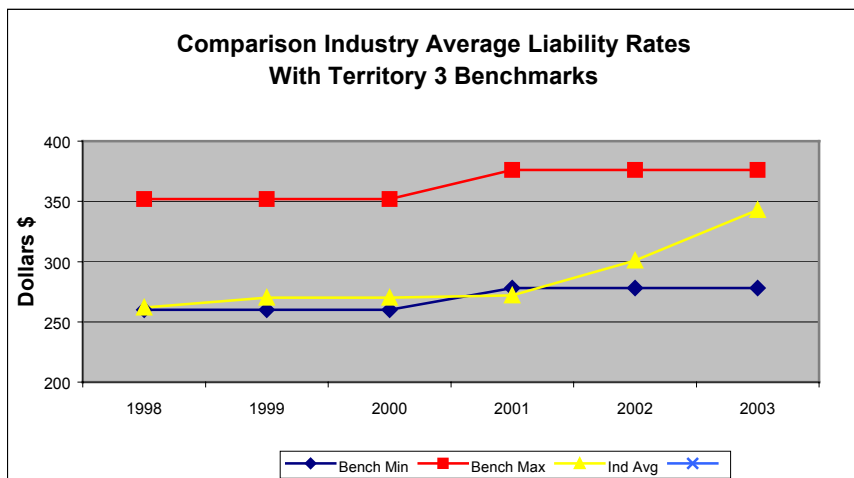
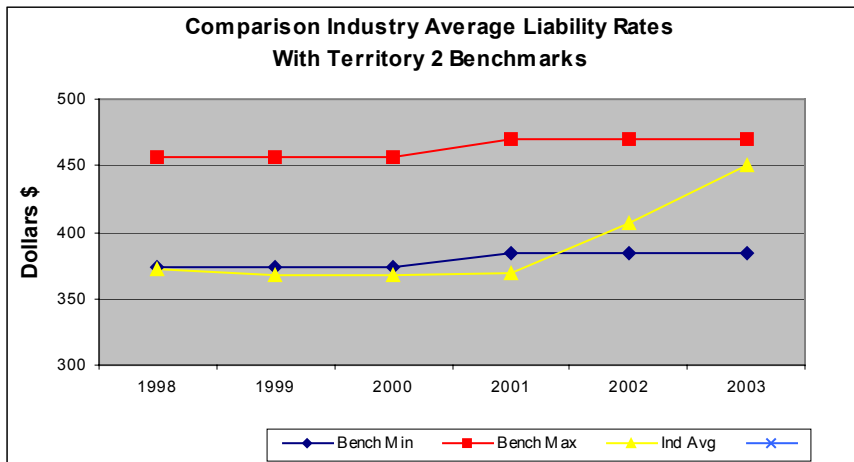
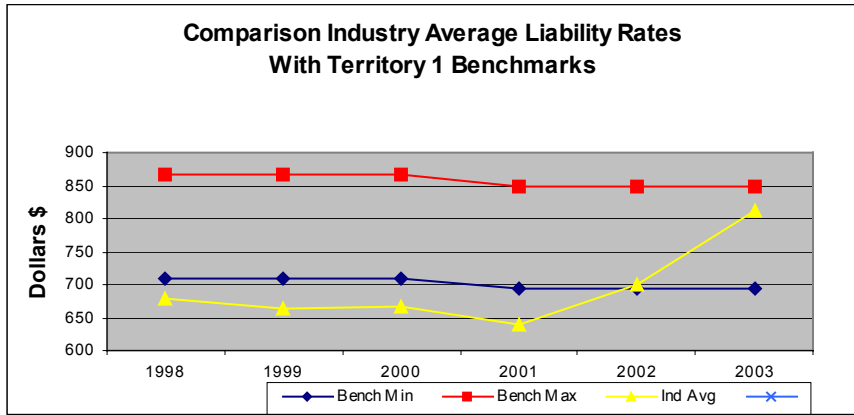
Series 1 Graphs – THIRD PARTY LIABILITY
1998 – 2003 benchmark ranges, minimum and maximum.



Source: Benchmark Reports and IBC AIX Data, Territorial Exhibits

Series 2 Graphs – THIRD PARTY LIABILITY

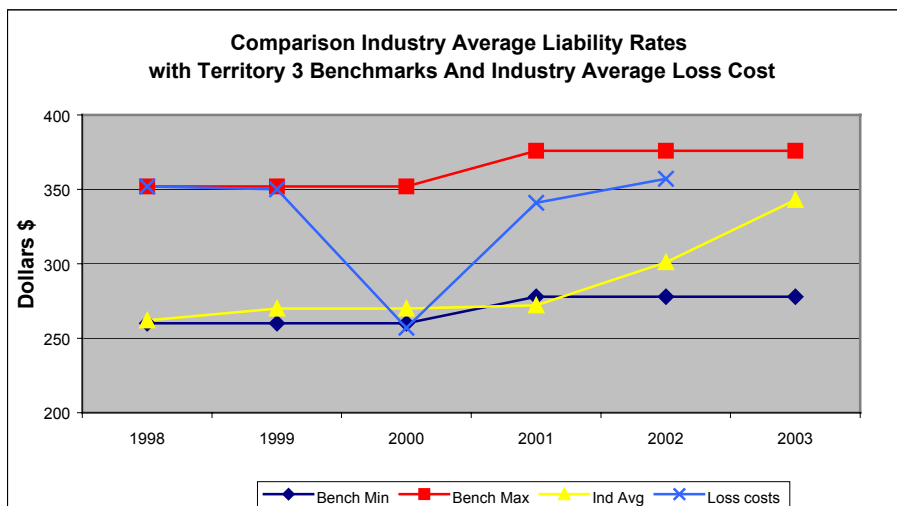
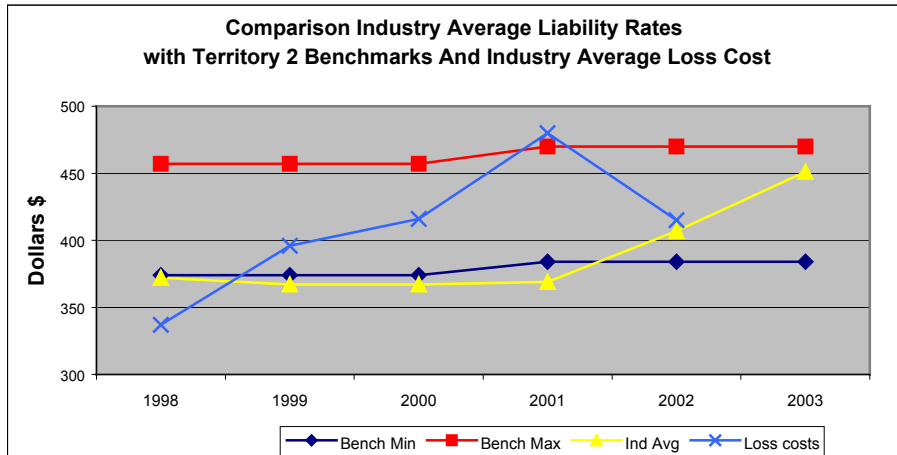
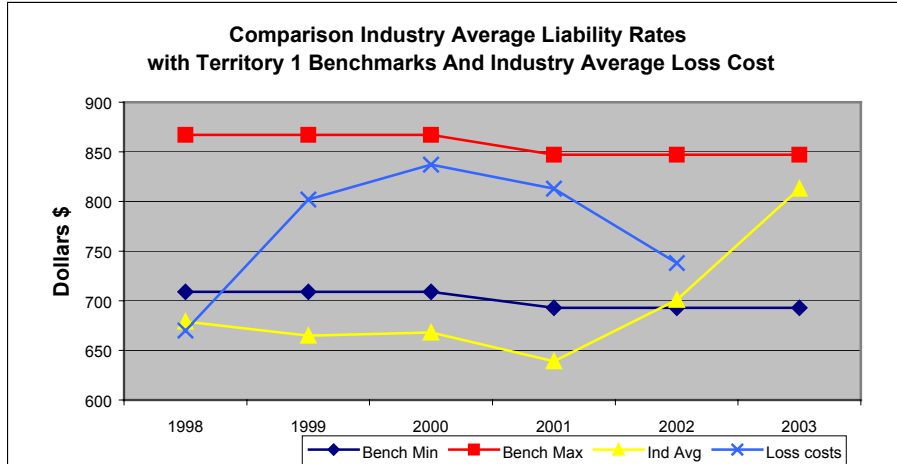
1998 – 2003 benchmark ranges, with industry weighted average premium per vehicle.



Source: Benchmark Reports and IBC AIX Data, Territorial Exhibits

Series 3 Graphs – THIRD PARTY LIABILITY

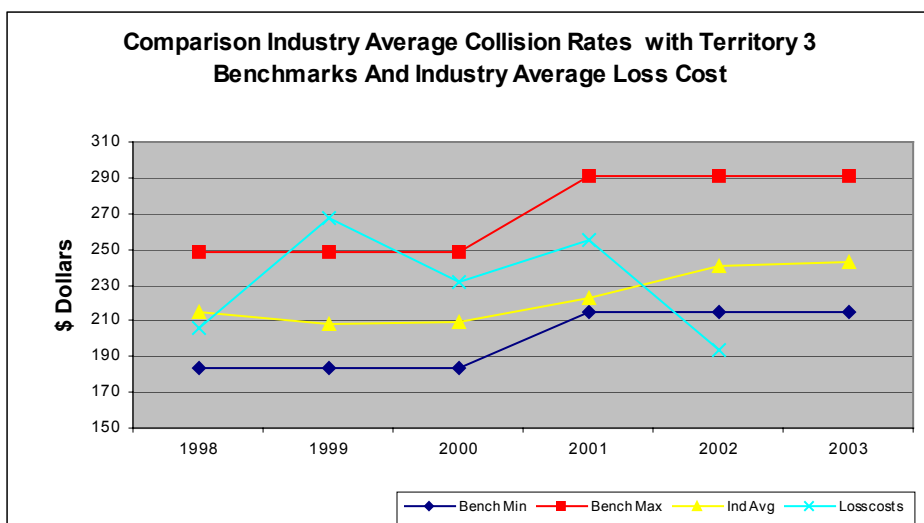
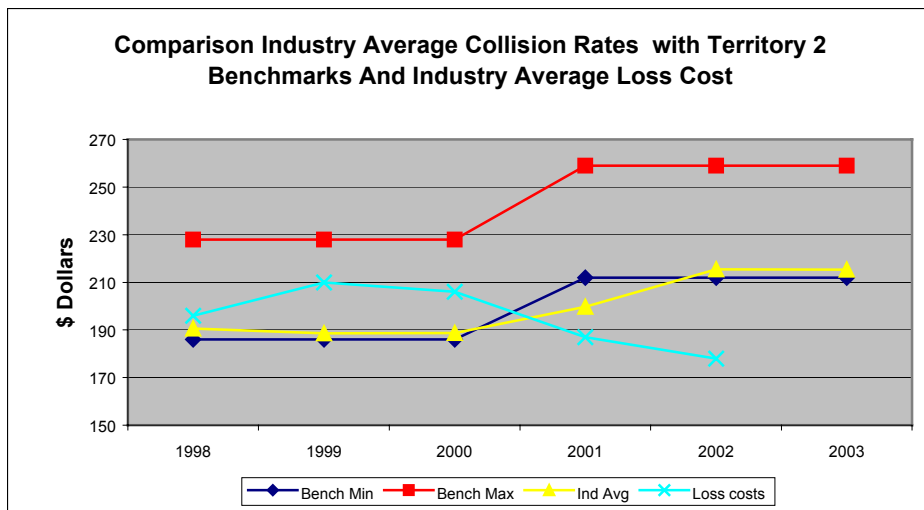
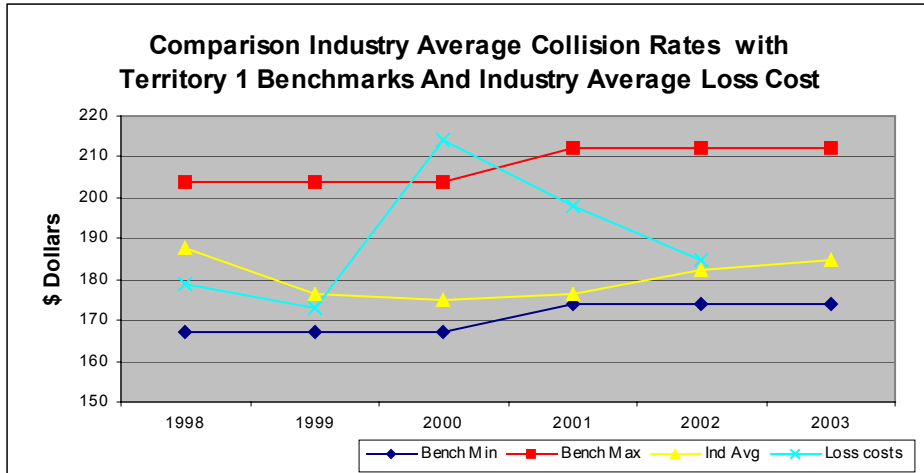
1998 – 2003 benchmark ranges, with industry weighted average premium per vehicle and average loss cost per vehicle.



Source: Benchmark Reports and IBC AIX Data, Territorial Exhibits

Series 4 Graphs - COLLISION

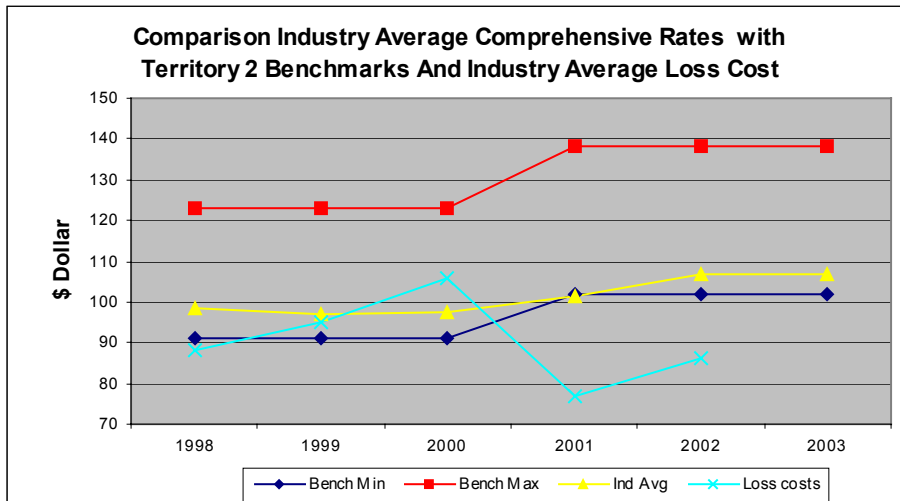
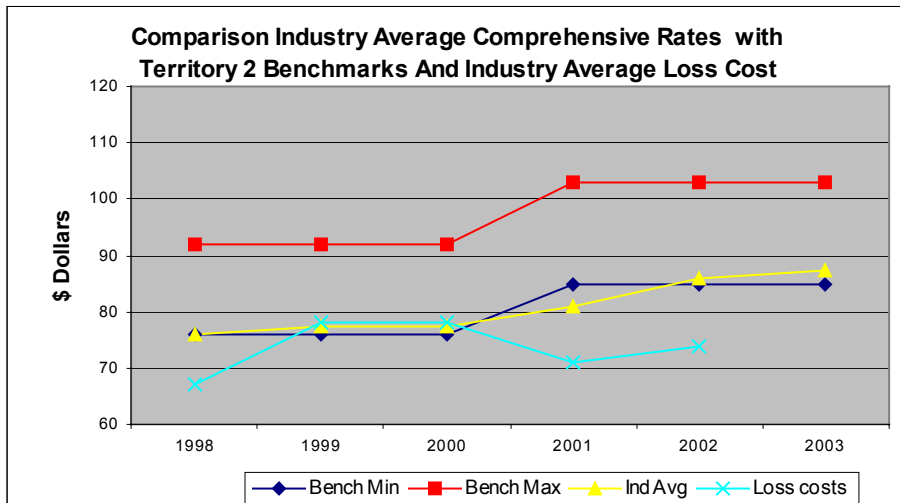
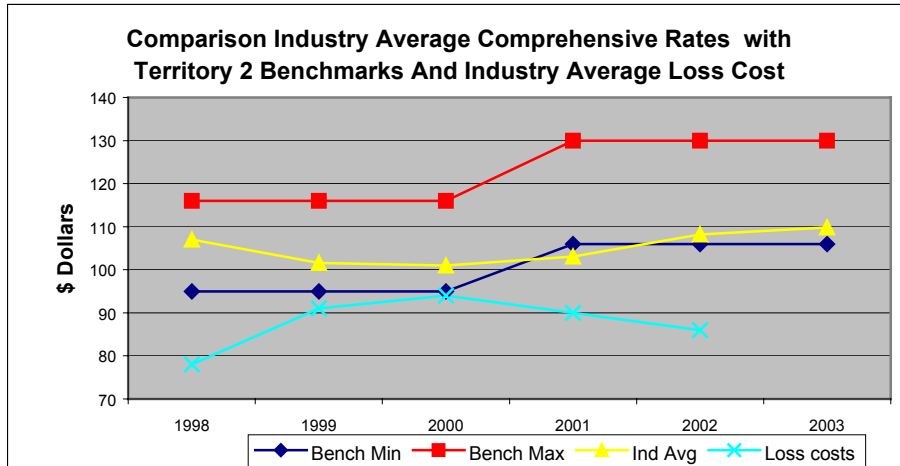
1998 – 2003 benchmark ranges, with industry weighted average premium per vehicle and average loss cost per vehicle.



Source: Benchmark Reports and IBC AIX Data, Territorial Exhibits

Series 5 Graphs - COMPREHENSIVE

1998 – 2003 benchmark ranges, with industry weighted average premium per vehicle and average loss cost per vehicle.



Source: Benchmark Reports and IBC AIX Data, Territorial Exhibits