

Appendix 4
Comparison of Current Industry Rates
With 2004 Benchmarks

Comparison of Current Industry Filed Rates With 2004 Benchmarks

This should be read in conjunction with the graphs following. The graphs depict the relationship of the current premiums of the top 11 insurers writing automobile insurance in the province against the 2004 benchmark ranges. These ranges, prepared by the Board's consulting actuary, Mercer Oliver Wyman have not been adopted by the Board pending the outcome of government's consideration of changes to the automobile insurance product in this province, nor have they been released to date.

The benchmarks are developed utilizing the latest available industry loss cost data as published by the IBC. These benchmarks use the 2002 data as reported to year end December 2002. Industry data relative to 2003 will not be available until mid June, 2004. The midpoint of the benchmark range represents the industry average adequate premium for each coverage, based on the reported loss cost for that coverage. The range, +/- 10% on the mid point, permits companies having a book of business varying from the industry average the flexibility to adjust rates to reflect individual company experience.

Rates, for each coverage by territory, have been graphed to show their relative position in relation to the upper limit of the benchmarks, depicted by the deep blue line and the lower limit of the benchmarks depicted by the light blue line. The green line represents the mid point of the range and the red line graph represents the average of the current rates.

In relation to the total cost of an automobile insurance policy, the following table shows the relationship of each coverage as a percentage of the total cost. Third Party Liability comprises the largest portion of the total cost following by Collision and Comprehensive.

	Territory 1		Territory 2		Territory 3	
Liability	827	66%	466	55%	377	47%
Collision	182	15%	203	24%	221	28%
Comprehensive	100	8%	79	9%	101	13%
Specified Perils	30	2%	16	2%	15	2%
AB	85	7%	73	9%	73	9%
UIM	28	2%	15	2%	12	2%
Total	1252	100%	852	100%	799	100%

In determining the premiums charged by each company and the average of all such companies, the most recent rate filings of the top eleven automobile insurance companies operating in the province were reviewed and the adjusted rates for each coverage by territory were identified. Individual company rates are represented in each graph by the gold-backgrounded star. The average rate charged by insurers for each coverage, represented by the red line, is the sum of all such rates by coverage divided by the number of data points or companies. As identified in the main report, these 11 companies represent 82% of all automobile insurance premiums written in the province.

For Third Party Liability coverage, the graphs show that for Territory 1 and 2, the average of current rates charged in relation to the 2004 Benchmarks tracks closely to the mid point in each territory. For Territory 3, the average rates charge track just below the mid point. The relative proximity of the average rates to the mid point of the benchmarks leads to the conclusion that these rates are adequate with the rates determined on the basis of industry reported loss costs, the mid point of the range.

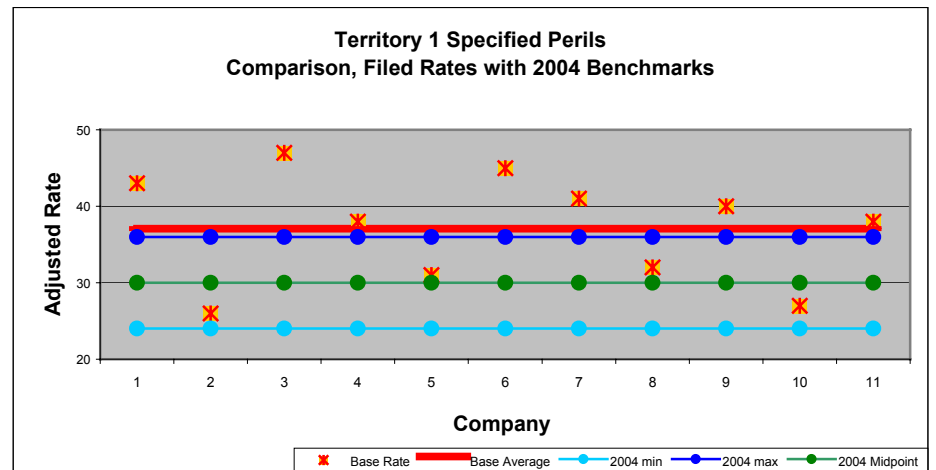
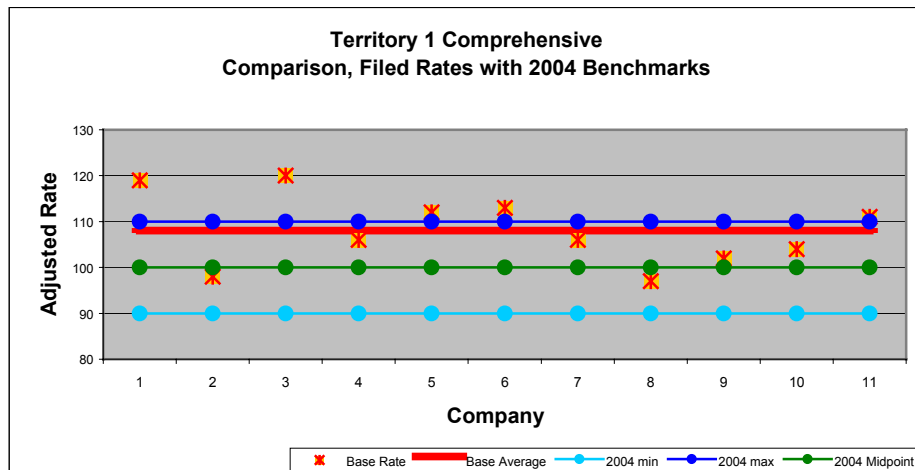
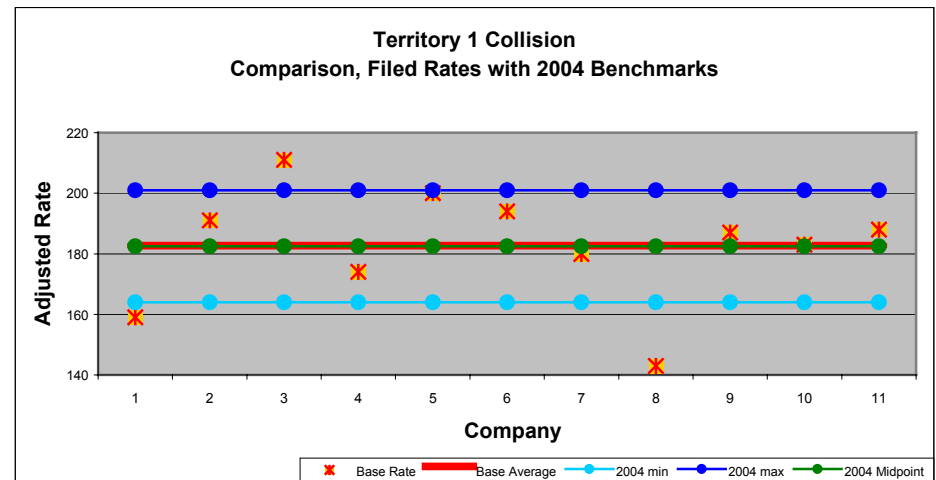
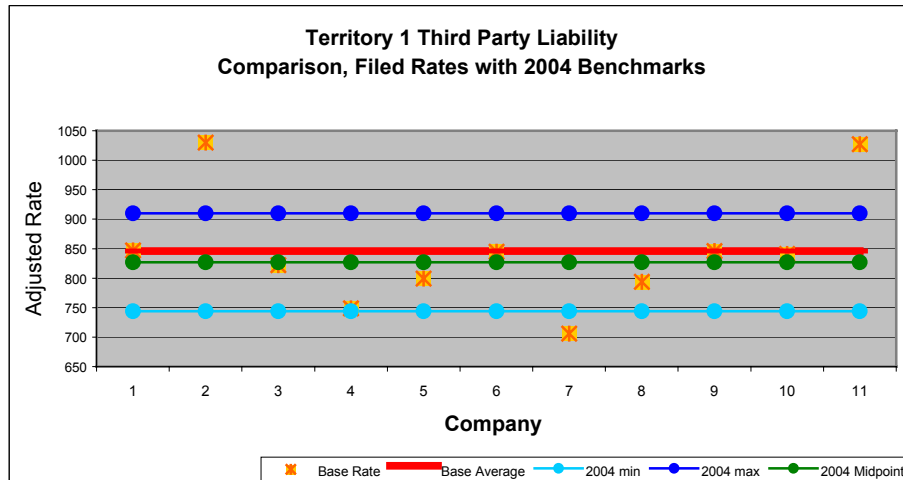
For the Collision coverage, the graphs show that for Territory 1, the average current rates charged in relation to the 2004 Benchmarks tracks exactly at the mid point. This leads to the conclusion that the average rate charged is exactly as it should be, based on the 2004 benchmarks. For Territory 2 and 3, the average rates charged track just slightly more than mid way between the upper limit and the mid point of the benchmarks. While this may imply that average rates are slightly more than adequate, they remain within the range of

reasonable rates as determine by the benchmarks, however, it is possible that companies can achieve rate reductions for these coverages, voluntarily.

For Comprehensive coverage, the graphs show average rates for Territory 1 to track close to the upper limit of the benchmarks, average rates for Territory 2 tracking at the upper limit and average rates for Territory 3 just above the mid point. While rates for Territory 1 and 2 may be slightly more than adequate, they nonetheless fall within the range of reasonable rates as determined by the benchmarks, however, it is possible that companies can achieve rate reductions for these coverages, voluntarily.

For Specified Perils, in all cases the current industry average rate exceeds the upper limit of the benchmarks. This implies that rates are more than adequate and that reductions are warranted.

Comparison of Current Industry Filed rates With 2004 Benchmarks Territory 1

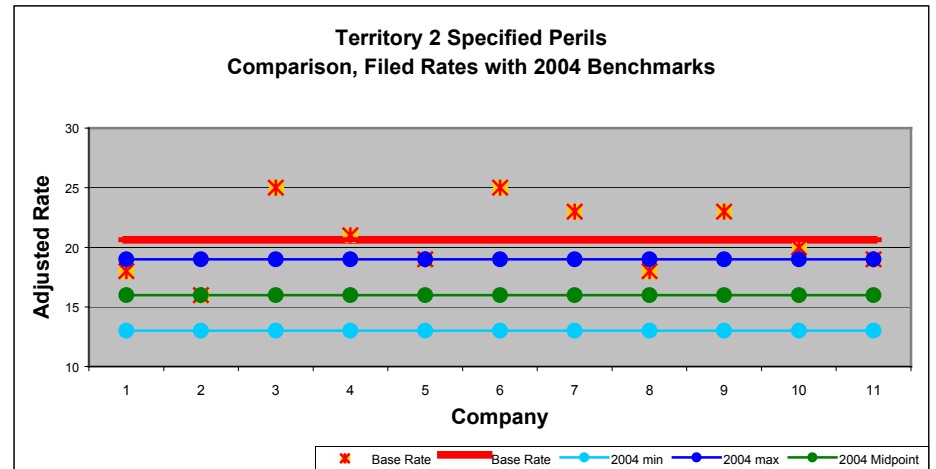
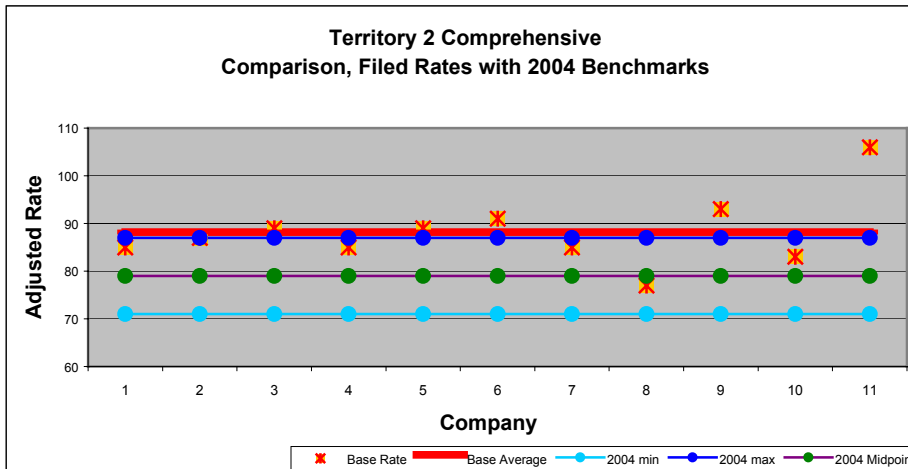
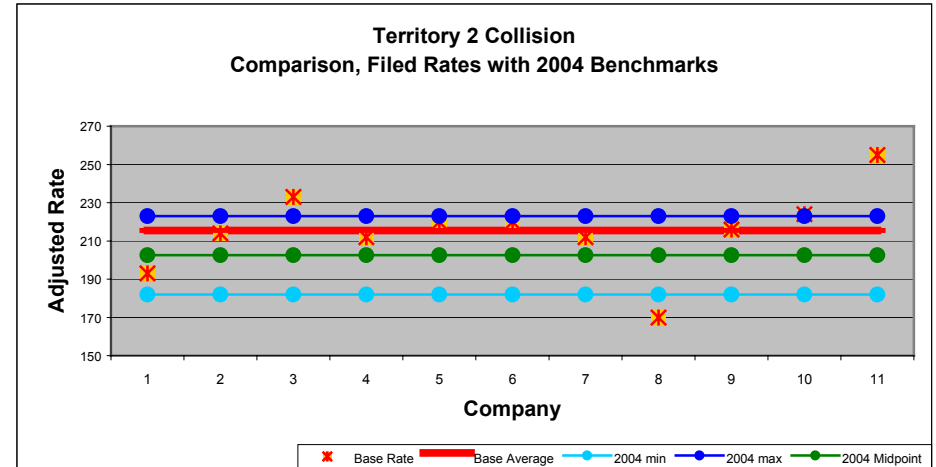
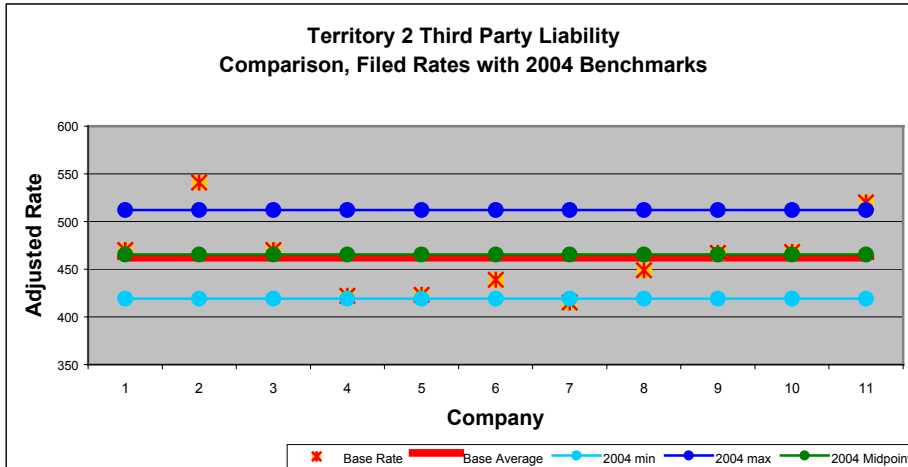


Base Rate – Current rates for each company as approved by the Board
Average Rates – The average of all rates in the sample

2004 Benchmarks:

Min - Minimum level
Mid - Mid point
Max - Maximum level

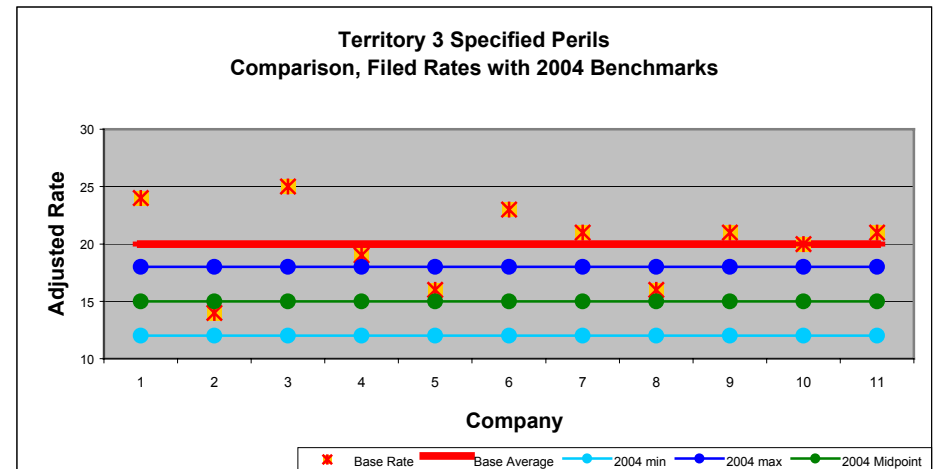
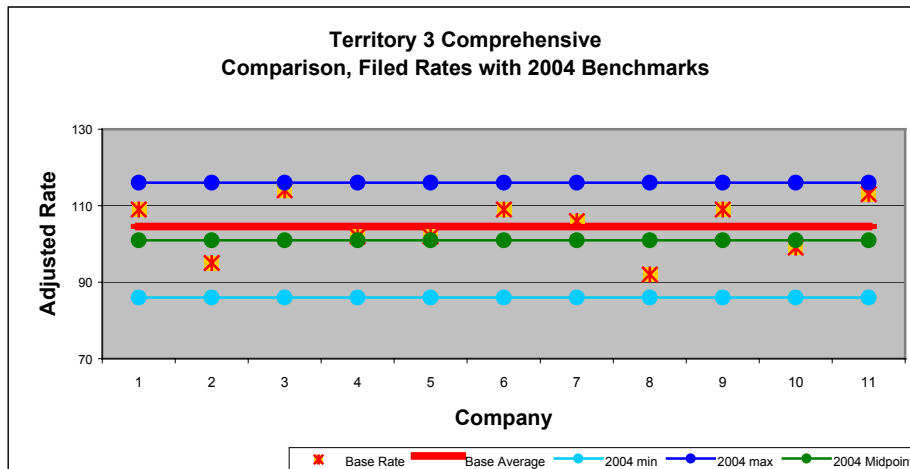
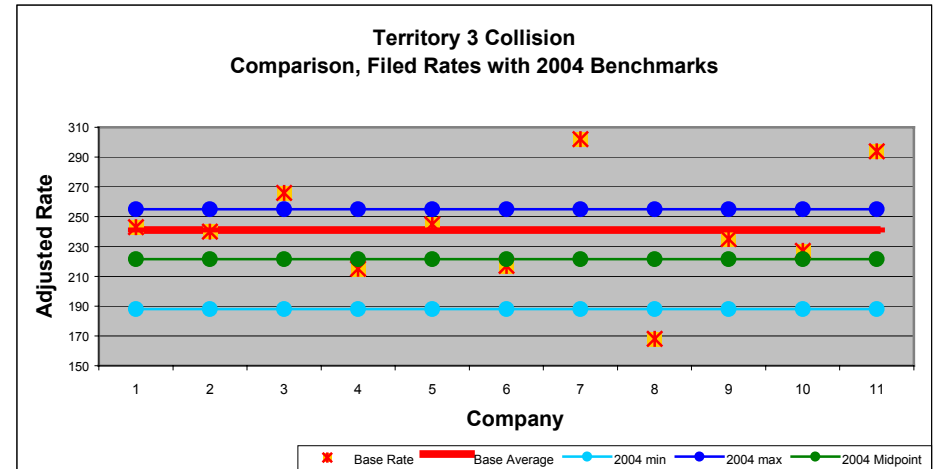
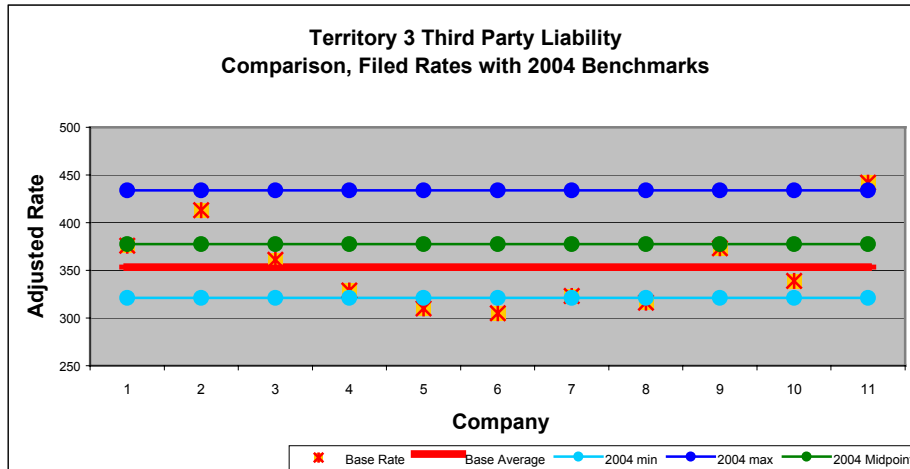
Comparison of Current Industry Filed rates With 2004 Benchmarks Territory 2



Base Rate – Current rates for each company as approved by the Board
Average Rates – The average of all rates in the sample

2004 Benchmarks:
Min - Minimum level
Mid - Mid point
Max - Maximum level

Comparison of Current Industry Filed rates With 2004 Benchmarks Territory 3



Base Rate – Current rates for each company as approved by the Board
Average Rates – The average of all rates in the sample

2004 Benchmarks:
Min - Minimum level
Mid - Mid point
Max - Maximum level