

**Responses to Questions from the Insurance Bureau of Canada
for Actuarial Report for the Campaign to Protect Accident Victims**

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In this document, I provide responses to the questions posed by Amanda Dean of the Insurance Bureau of Canada on July 27, 2018. Please note that where requested to base my responses on the 2017 accident year, I have used the 2016 accident year instead. I have done so because GISA does not yet provide on its website the exhibit AUTO1005-ATL showing accident year 2017. The currently available exhibit AUTO1005-ATL on the GISA website runs through accident year 2016.

Response to Question 1:

I wish to differ with Ms. Dean's statement that my report "implies that premiums in Newfoundland and Labrador are not high and that vehicle damage claim costs on an individual coverage basis contribute more to the premium than bodily injury claims."

I do not have a position on whether premiums in Newfoundland and Labrador are high relative to the level of benefits and coverage provided to claimants.

I am not of the view that vehicle damage claim costs contribute more to the premium than bodily injury claims. My view is that between 2006 and 2017, it is the rate of increase in expenditure by consumers on optional physical damage premium that exceeds the rate of increase in expenditure on bodily injury premium. Further, this rate of increase in optional physical damage premium is primarily driven by an increased number of motorists purchasing optional physical damage coverage.

To illustrate, between 2006 and 2017, average total premium per policyholder has increased at an average annual rate of 2.3%, from \$874 in 2006 to \$1,123 in 2017.

During this time, average third party liability premium per policyholder has increased at an average annual rate of only 1.3%, from \$570 to \$654. This is less than the rate of increase in the NL Consumer Price Index over that period.

During the same period, average optional physical damage premium per policyholder has increased at an annual average rate of 4.8%, from \$217 to \$363. The percentage increase in physical damage premium is thus almost four times the percentage increase in third party liability premium. This increase in optional physical damage premium is largely due to more policyholders carrying collision coverage (76% in 2017, up from 67% in 2006) and comprehensive coverage (81% in 2017, up from 71% in 2006).

a. Below is the average earned premium for total coverage for 2016 as reported by GISA.

Province	Average Earned Premium, Total Coverage
NL	\$1,117
NB	\$789
NS	\$813

b. Below is the loss cost for total coverage for accident year 2016, by province, as reported by GISA.

Province	Loss Cost for Total Coverage	Dollar Amount Difference between NL and Province
NL	\$893.77	\$0
NB	\$655.37	\$238.40
NS	\$655.83	\$237.94

i.

Below is the Loss Cost, by coverage and by province, Accident Year 2016

	NL	NB	NS
Bodily Injury	\$440.61	\$234.51	\$232.49
Property Damage	\$104.57	\$8.00	\$6.84
Direct Compensation	N/A	\$104.13	\$111.32
Accident Benefits	\$48.53	\$79.85	\$62.32
Collision	\$230.61	\$164.96	\$180.11
Comprehensive	\$109.92	\$105.20	\$110.41

ii.

In Newfoundland and Labrador, the Bodily Injury coverage has the highest loss cost. The loss cost for bodily injury in is \$206.10 higher in NL than in NB and \$208.12 higher in NL than in NS.

Response to Question 2:

If Newfoundland and Labrador introduced a minor injury non-pecuniary damages cap, one could expect that in the first accident year of the cap, the bodily injury loss cost would be lower than in the 2017 accident year, if all else remained equal.

However, given favorable frequency trends for bodily injury coverage in NL, the bodily injury loss cost could be lower than in the 2017 accident year without a cap.