



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

2017-10-18

Honourable Sherry Gambin-Walsh, MHA
Placentia-St. Mary's
Minister, Service NL
100 Prince Phillip Drive
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister Gambin-Walsh:

Re: Automobile Insurance Review - Work Plan

As requested in your letter of August 9, 2017 in which you provide the direction and Terms of Reference from the Lieutenant-Governor in Council to conduct a review and provide a report of automobile insurance in the province, I am forwarding a copy of the Board's work plan and estimated time lines for the review.

You will note from the attached work plan that much of the work is underway, both on Phase I and Phase II items. The Board is in the process of finalizing a contract with its consultant for the review of taxi closed claims and this work should start in the next week or so. Within the next few weeks the Board will be publishing a notice inviting input from stakeholders on the issues under review or any other concerns that they wish to raise.

If you require any further information or have any questions please feel free to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read 'D Whalen'.

Darlene Whalen, P. Eng.
Vice-Chair

DW/cj

**Newfoundland and Labrador Public Utilities Board
Automobile Insurance Review – Work Plan**

Phase I					
Terms of Reference	Responsibility	Actions and Deliverables	Status	Start Date	Completion Date
To conduct a <i>closed claims study</i> to determine the costs associated with Third Party Liability/Section A bodily injury claims arising from the use of private passenger vehicles, including the use (or no use) of interim payments and whether Accident Benefits were available.	Insurance Bureau of Canada	<ul style="list-style-type: none"> • Collect data from industry using Board approved methodology. • Provide electronic data file to Oliver Wyman. 	In progress	October 2017	March 2018
	Oliver Wyman Limited	<ul style="list-style-type: none"> • Conduct analysis of closed claims data. • Findings to be presented in <i>Private Passenger Automobiles Closed Claim Study Report</i>. 	Pending receipt of closed claims data file	March 2018	April 2018
<p>To review the impact on rates of a <i>monetary cap on claims</i> for non-economic loss for minor/mild injuries and the implications of such a cap for claimants.</p> <p>To review the impact on rates of continuing with the current <i>deductible of \$2,500 or increasing the deductible</i>.</p>	Oliver Wyman Limited	<ul style="list-style-type: none"> • Conduct analysis using cap amounts and minor injury definitions determined by the Board. • Conduct analysis using deductible amounts determined by the Board. • Findings to be presented in <i>Report on the Impact on Rates of a Deductible or Cap</i>. 	Pending analysis of closed claims data	March 2018	April 2018
To conduct an <i>audit of taxi closed claims</i> to determine the causes of poor claims experience, including details regarding the underlying causes of loss and high claim costs incurred, and provide any recommendations to reduce claim costs and reduce rates.	Cameron & Associates Insurance Consultants Limited	<ul style="list-style-type: none"> • Collect Newfoundland and Labrador taxi closed claims information from Facility Association. • Conduct on-site claims audit of Facility Association Servicing Carriers. • Findings to be presented in <i>Taxi Closed Claims Audit Report</i>. 	In progress	October 2017	January 2018

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Phase II					
Terms of Reference	Responsibility	Actions and Deliverables	Status	Start Date	Completion Date
<p>To review the current mandatory <i>Section A/Third Party Liability</i> limit of \$200,000 and the rate implications of increasing the limit.</p> <p>To review <i>Section B/Accident Benefits</i> coverage and impact on rates with respect to mandating coverage and the relationship of Section B benefits to the settlement of Section A benefits.</p> <p>To review the impact of offering <i>direct compensation for physical damage</i> to automobiles (Section C).</p> <p>To review <i>Section D/Uninsured Automobiles</i> coverage in the Province.</p>	<p>Oliver Wyman Limited</p> <p>Public Utilities Board</p>	<ul style="list-style-type: none"> • Analysis to be conducted following completion of the closed claims study. • Board to conduct research to gather information with respect to the various automobile insurance coverages. • Board to seek public and industry input. • Findings to be presented in <i>Report on Other Automobile Insurance Issues</i>. 	<p>Pending analysis of closed claims data</p>	<p>March 2018</p>	<p>April 2018</p>
<p>To review the <i>financial profitability</i> of the auto insurance industry in Newfoundland and Labrador.</p>	<p>Oliver Wyman Limited</p>	<ul style="list-style-type: none"> • Review and report will be completed in multiple parts. • Part 1 will examine historical profit for last 5-years using General Insurance Statistical Agency (GISA) data. • Parts 2 and 3 will examine prospective profit levels and rate level adequacy. • Findings to be presented in <i>Automobile Insurance Financial Profitability Report</i>. 	<p>In progress</p>	<p>October 2017</p>	<p>Part 1 - November 2017</p> <p>Parts 2 & 3 – April 2018</p>

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Terms of Reference	Responsibility	Actions and Deliverables	Status	Start Date	Completion Date
<p>To review the auto insurance product offered in Newfoundland and Labrador and conduct a <i>jurisdictional scan</i> of other provinces' auto insurance product offerings.</p> <p>To review <i>Section B/Accident Benefits</i> coverage and impact on rates with respect to coverage limits, benefit payment practices, order of payment of benefits, timeliness and efficiency of the injury assessment process.</p> <p>To review the impact of Newfoundland and Labrador adopting <i>minor injury diagnostic and treatment protocols</i> such as those provided in Alberta and Nova Scotia and how mandatory Section B coverage and the diagnostic protocols would impact Section A claim costs.</p> <p>To report on measures to improve <i>highway safety</i> and automotive accident prevention in Newfoundland and Labrador.</p> <p>To review the current <i>auto insurance market</i> and provide comment of insurer exits and report on ways to encourage new entrants into the market.</p> <p>To report any <i>other cost savings</i> or other improvements on any aspect of automobile insurance offered in this Province.</p>	<p>Public Utilities Board</p>	<ul style="list-style-type: none"> • Conduct research to gather information with respect to the automobile insurance product offerings in Newfoundland and Labrador. • Conduct a primary survey to capture the automobile insurance product offerings in all Canadian jurisdictions. • Conduct research to gather information with respect to: <ul style="list-style-type: none"> ○ benefit payment practices; ○ the injury assessment process; ○ minor injury diagnostic and treatment protocols; ○ highway safety programs; ○ ways to encourage new entrants into the market; and ○ other potential cost savings. • Seek public and industry input. • Findings to be presented in the Board's <i>Automobile Insurance Review – Report to Government</i>. 	<p>In progress</p>	<p>September 2017</p>	<p>June 2018</p>

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Consumer and Industry Participation		
Process	Description	Anticipated Start Date
Public Sessions	<ul style="list-style-type: none"> The Board will be holding public sessions to seek input from consumers and industry stakeholders on the issues set out in the Terms of Reference, as well as other issues that may arise during the course of the review. 	Spring 2018
Consumer Advocate	<ul style="list-style-type: none"> Government has appointed Dennis Browne, Q.C. as the Consumer Advocate to represent consumers during the automobile insurance review. Mr. Browne may be contacted at: Dennis Browne, Q.C. Level 2, Terrace on the Square St. John's, NL A1B4S9 Tel: 709 724-3800 Fax 709 754-3800 Email: dbrowne@bfma-law.com 	In progress
Public Utilities Board	<ul style="list-style-type: none"> Anyone interested in providing comments on the issues under study or any other issues that they wish to be considered as part of the review may contact the Board at: Website: visit www.pub.nl.ca and complete a feedback form Email: insurancereview@pub.nl.ca Telephone: 1-866-782-0006 Fax: (709)726-9604 Mail: Public Utilities Board - Automobile Insurance Review P.O. Box 21040, St. John's, NL A1A 5B2 	In progress

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