

2017 Automobile Insurance Review

Public Utilities Board Questions to Campaign to Protect Accident Victims Issued: July 27, 2018

Actuarial Report for the Campaign to Protect Accident Victims Craig A. Allen, FCAS, FCIA

1. Page 1, item #6. The report states the NL severity trend for PD is similar to that of BI.
 - a) State the BI and PD severity trend rates underlying this statement, and explain the data included in each regression analysis for these measurements. Include a list of all parameters of the regression models and the resulting statistical fits of the regression analyses.
 - b) How does the NL BI severity trend rate from question 1(a) above compare to the CPI rate in NL?
2. Page 2, item #1. The report states “*Minor Injury Regulation appears not to have appreciably reduced the frequency of BI claims in other Atlantic provinces, above and beyond the trends that were already in place.*” What does “appears not to have appreciably reduced” mean specifically? Provide the regression analysis findings to support that the 2003 MIR “appears not to have appreciably reduced” the BI frequency for NS and NB.
3. Page 2, item #4. Provide the BI average incurred ALAE (i.e., severity) by accident year for the years 2000 to 2007 in each of NS and NB to support the statement that the MIR caps in those two provinces have not brought about a reduction in ALAE costs beyond that already in place.
4. Page 2, item #5.
 - a) The report states that the introduction of the MIR in NB and NS has not led to a sustainable level of profit for TPL. Given the author has concluded that the 2003 MIR has not “appreciably reduced the frequency of BI claims”, did the author review the BI average severity in NS and NB before and after the MIR was introduced in 2003 to provide support for this statement? If so, provide the supporting data reviewed. If not, explain why not.
 - b) The following GISA 9001 table presents a 20-year history of ultimate loss experience (before and after the 2003 reforms were introduced) for NS and NB, along with NL experience. Which of the three provinces had the least stable TPL average claim cost since 2003?

Source: GISA 9001 as of December 2012**PRIVATE PASSENGER AUTOMOBILE****Third Party Liability**

	<u>New Brunswick</u>		<u>Nova Scotia</u>		<u>Newfoundland</u>			
	Number of Earned Vehicles	Average Cost per Claim	Number of Earned Vehicles	Average Cost per Claim	Number of Earned Vehicles	Average Cost per Claim		
1993	351,924	7,559	1993	415,944	6,928	1993	203,294	10,410
1994	355,807	9,206	1994	418,241	8,006	1994	207,847	11,981
1995	356,828	8,896	1995	420,777	9,188	1995	203,711	12,622
1996	356,535	11,176	1996	420,336	9,929	1996	208,743	12,231
1997	357,094	11,452	1997	426,732	10,817	1997	231,399	12,098
1998	360,753	13,529	1998	434,702	11,794	1998	209,648	12,577
1999	356,982	14,743	1999	430,974	12,885	1999	206,914	13,015
2000	372,989	14,703	2000	447,625	13,842	2000	226,984	12,689
2001	393,743	14,427	2001	469,681	12,913	2001	229,582	13,408
2002	385,336	14,967	2002	461,280	13,701	2002	240,239	12,632
2003	375,470	13,758	2003	457,153	12,937	2003	245,397	14,152
2004	381,914	10,615	2004	466,705	10,479	2004	257,393	14,222
2005	394,184	10,763	2005	475,916	9,770	2005	270,064	13,804
2006	399,911	9,643	2006	485,367	9,011	2006	280,465	15,336
2007	412,123	8,487	2007	493,897	8,992	2007	288,945	15,162
2008	426,731	8,266	2008	505,800	7,950	2008	298,383	16,585
2009	437,165	8,966	2009	515,129	8,542	2009	307,587	17,404
2010	448,393	8,652	2010	529,024	8,877	2010	313,721	17,131
2011	455,862	8,375	2011	538,795	9,685	2011	320,332	18,993
2012	463,955	8,246	2012	546,494	9,848	2012	325,285	19,410

- c) All else being equal, as presented in the table above, would the reduction in average claim costs after the 2003 reforms in NS and NB contribute to lower required premiums?
- d) Page 13 states “*Bodily injury claims settlement costs appear to have a minor role, if any, in increases in average premiums in Newfoundland and Labrador since 2006.*” Based on the table above, with the growth in NL BI claims settlement costs, explain why Bodily Injury claim settlement costs would appear to have a “minor role” in the increases in premiums.
- e) What reason can the author provide as to why the 2012 average BI TPL severity in NL is \$19,410, but \$ 8,246 in NB and \$9,848 in NS; comment also on the fact that the average BI TPL severity for 2001 through 2003 was in the \$12,000 to \$15,000 range for all three provinces in question.
5. What was the impact on the BI claims severity of the NS and NB 2003 minor injury reforms?

6. What was the impact on the BI claims severity of the NL 2004/05 automobile insurance reforms?
7. Page 4, Chart 1. Please explain the significance of including the RNC Accident Count in the analysis. In the response, please explain if the number of accidents reported to police is typically used in an automobile insurance actuarial analysis including reasons why or why not.
8. Page 4 states “...between approximately 2006 and 2013, the BI frequency remained approximately level at a rate reduced from 2003. This occurred even as the overall accident rate was increasing during that period, as indicated by the frequency of accidents as recorded by the Royal Newfoundland Constabulary.”
 - a) Please confirm the regions of the province in which the RNC operates.
 - b) Are accidents that occurred outside the RNC’s jurisdiction captured in the RNC Accident Count statistics? If no, please explain any limitations this presents in terms of the comparison between BI frequency and accident count presented.
9. Page 7 states “there was a significant drop in average third party liability premium between 2003 and 2006, from \$673 to \$570. Such a decline in average premium is clearly below the increase in CPI.” Please confirm the years in which the “significant drop” occurred and explain the effect that the NL 2004/05 automobile insurance reforms had on the average premiums over this period.
10. Page 13 states “As noted above, the increased number of individuals purchasing optional physical damage coverage (collision, comprehensive, all perils and specified perils) appears to be driving the increase in average total premiums above the growth in the CPI.”

It is noted that the Board has a simplified filing process for CLEAR rate group table updates which allows insurers to file certain rate increases for optional physical damages coverages on a file and use basis. In contrast, all rate increases to Third Party Liability coverage must be approved by the Board through a comprehensive actuarially justified rate filing in which insurers are invoiced for any applicable Board costs (e.g. cost of retaining a consulting actuary). It is also noted that there are no mandatory filing dates in NL and an insurer may file at its own discretion.

Please explain how such rate filing differences described above could affect the average annual rate increases for optional physical damage premiums compared to average annual rate increases for Third Party Liability.

11. Please confirm if Mr. Allen completed any analysis of the Newfoundland and Labrador required average premium per private passenger vehicle compared to the actual average premium charged over the review period. If yes, please provide the analysis.