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## **Newfoundland and Labrador Automobile Insurance Review**

**Feedback provided by Allstate Insurance Company of Canada**

**May 2018**



## INTRODUCTION

Newfoundland and Labrador's Automobile Insurance review provides an opportunity to examine a product that is essential to many people's daily lives and to make changes that will ensure that consumers can access from a competitive market, an affordable product that meets their needs and provides the protection they are looking for.

The Allstate Insurance Company of Canada has provided peace of mind through our financial services to Canadians since 1953, and we carry a proud record of community involvement. Our 'You're in Good Hands®' network exemplifies our commitment, knowledge, and professionalism as trusted advisors to customers, making us one of Canada's strongest personal lines insurers. We are also proud to be part of The Allstate Corporation, the largest publicly held personal lines property and casualty insurer in America. Our evolving business strategies and solutions continue to reinvent industry standards, helping our customers better protect what they have today and prepare for a brighter tomorrow.

Allstate Canada Group, which includes Allstate Insurance Company of Canada, Pembroke Insurance Company and Pafco Insurance Company, previously provided insurance products in Newfoundland and Labrador, but exited the market in the early 2000's because of poor market performance and consumer outcomes. Based on our experience and understanding of the current market challenges we wanted to take this opportunity to provide feedback through the automobile insurance review process, in hopes of prompting change to the benefit of all drivers in the province.

Automobile Insurance premiums began to increase in Newfoundland and Labrador in 2006 and have been the highest in Atlantic Canada since 2007. There is no question that significant reform is needed to the Newfoundland and Labrador's automobile insurance market. Experience from other jurisdictions shows that market performance and consumer outcomes improve when the product being offered focuses on care instead of cash, where there is a simple claims process, and there are many insurers in the market innovating and competing for business providing choice and increasing availability.

## **RECOMMENDATIONS**

We believe reforms to the automobile insurance product should focus on four key objectives:

1. Reduce and stabilize premiums by reducing and stabilizing bodily injury claims costs through a focus on care, not cash;
2. Improve health outcomes for people injured in motor vehicle collisions by providing access to treatment based on prevailing medical evidence and by having appropriate accident benefit levels;
3. Make it easier for people to repair and replace their damaged vehicles;
4. Facilitate competition and innovation by allowing insurers to compete on price, product and service offerings.

### **Stabilize Bodily Injury Claims Costs**

We recommend that the Newfoundland and Labrador government implement a minor injury cap with the following components:

1. A \$5,000 cap on non-pecuniary damages with an annual inflation adjustment; and
2. A minor injury definition that includes sprain, strains and whiplash injuries, including any clinically associated sequelae, whether physical or psychological in nature that does not result in a serious impairment

### **Improve Health Outcomes- Accident Benefit Reforms**

We recommend that the Newfoundland and Labrador Government enhance accident benefits through the following measures:

1. Make accident benefits mandatory;
2. Enhance medical and rehabilitation benefits to \$50,000 and disability income to \$250 per week; and
3. Establish pre-approved evidence-based diagnostic and treatment protocols.

The following provisions should guide the development of the treatment protocols:

1. The treatment protocols should consist of up to 10 or 21 treatment visits, depending on the injury's seriousness, for up to 90 days, as in Alberta and Nova Scotia;

2. Treatment within the protocols should be pre-approved and the automobile insurer should be the first payer;
3. Eligible injuries should be sprains, strains and whiplash, including any clinically associated sequelae, whether physical or psychological in nature, regardless of the injury's seriousness. All people with these injuries should benefit from the pre-approved evidence-based treatment;
4. Also as in Alberta and Nova Scotia, physicians, physiotherapists and chiropractors should be the only health providers eligible to coordinate treatment within the protocols. However, they should be able to use some of the injured person's treatment visits for massage therapy, acupuncture, dental services, psychological services and occupational therapy;
5. All health providers should have to abide by a government-issued fee schedule, modeled after the fee schedules in Alberta and Nova Scotia.

### **Make it Easier to Repair and Replace Damaged Vehicles**

Newfoundland and Labrador consumers could experience a simpler claims process if they could deal with their own insurer when repairing or replacing their vehicle. Currently, only Newfoundland and Labrador and Alberta have a tort-based vehicle damage claims-settlement model. The Maritimes and Ontario have the direct compensation property damage (DCPD) model. In addition to being able to deal with their own insurer, consumers benefit from DCPD because insurers can more accurately calculate their premiums since the insurers know in advance the likely cost associated with repairing and replacing the vehicle.

Recommendation: Newfoundland and Labrador government should transition from the property damage claims settlement model to DCPD.

### **Facilitate Competition and Innovation**

How governments regulate automobile insurance rates and underwriting practices directly influences the availability of affordable insurance and the amount of product and service choice and innovation in the market. Under the current prior approval framework, the regulator requires actuarial evidence from an insurer to support any changes to its rates and risk-classification system and the regulator has to approve the rates and risk-classification system before the insurer can use them in the market.

Despite rate regulation's good intentions of keeping automobile insurance available to

consumers at an affordable price, it has not been successful in Newfoundland and Labrador or in other provinces, largely because of the need for automobile insurance to cover claims costs. It also requires extensive regulatory and actuarial reviews of how insurers assess risk and segment the market and has various legislative and regulatory rules that limit insurers' ability to offer consumers insurance priced according to their unique risk characteristics. The result is some consumers paying more for automobile insurance to cover part of the cost of insuring people who are more likely to be in a collision. Additionally, the current approach by the Public Utilities Board to require non-standard insurers to use standard market results to price a non-standard product, has resulted in the withdrawal of all non-standard writers from the province. In a true competitive market, there would indeed be several non-standard automobile writers, focused on meeting the needs of drivers with some prior mishaps, who are repenters aiming to improve their driving records in order to return to the standard market. As a result of the position of the Public Utilities Board with regards to rate filings, such a market does not exist in Newfoundland and Labrador, resulting in a higher percentage of drivers remaining in the Facility Association.

Recommendation: Newfoundland and Labrador should transition to a market-based approach for rate regulation by replacing the prior approval framework with a more modern approach such as file and use or use-and-file framework focused on regulating overall rate levels. The intent is to create an environment for consumers to reap the benefits of increased competition and of more accurate premiums relative to risk, and for the regulator to position itself to be able to identify and remedy any solvency or market conduct concerns efficiently by focusing its limited resources on overseeing the market.

## **CONCLUSION**

This provincial review is an opportunity to bring positive change to automobile insurance to ensure a fair and affordable product for all drivers in Newfoundland and Labrador. We are optimistic that this review will translate into tangible actions and reforms to reduce and stabilize claims costs and premiums for the long-term.

We thank you for the opportunity to make this written submission and we hope that you will consider our recommendations.