

# NEWFOUNDLAND AND LABRADOR AUTOMOBILE INSURANCE REVIEW

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# INTRODUCTION

## About RSA Canada

RSA Canada was one of the first insurance companies in Canada, establishing its first operations back in the early 1800's. In 1997, RSA Canada purchased The Johnson Corporation/Unifund Assurance Company, at the time, a leading insurance company in the province of Newfoundland with strong family and economic roots dating back over 130 years.

As an insurer, we currently provide protection to over 92,000 personal automobiles representing \$84 million in premium in the province of Newfoundland and Labrador through our RSA and Johnson brands.



# INTRODUCTION

As a leading insurer in the province of Newfoundland and Labrador, we are onboard with the Newfoundland and Labrador Government in looking at ways to improve the way we deliver, service and administer claims to lower automobile insurance costs and premiums for the consumer in the province.

## Community Driven

RSA Canada plays an important role in ensuring Canadians have peace of mind when it comes to protecting their Home and Auto Insurance. At RSA we currently employ 2,800 people Canada wide, with 22% (624) of these employees located in the province of Newfoundland and Labrador.

As Insurer with strong roots in the province, we believe in being active participants in our communities, through our charitable contributions, community involvement and stewardship.



# RSA OBJECTIVES TO REFORM



Through consultation with the Insurance Bureau of Canada (IBC) and other industry leaders, we support the following objectives:

1. Reduce and stabilize premiums by reducing and stabilizing bodily injury claims costs;
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 coverage;
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.



# REDUCE AND STABILIZE PREMIUMS BY REDUCING AND STABILIZING BODILY INJURY CLAIMS COSTS



A minor injury cap helps reduce costs and stabilize premiums, while still ensuring consumers receive the care and access to treatments needed in the event of an automobile accident.

RSA recommends introducing Minor Injury Cap

## Reform Proposal

- \$5,000 cap on non-pecuniary damages adjusted annually based on inflation; and
- A minor injury definition that includes sprains, strains and whiplash injuries, including any clinically associated sequelae, whether physical or psychological in nature that does not result in a serious impairment.



## IMPROVED HEALTH OUTCOMES

Accident Benefits is mandatory in many Canadian provinces and ensures consumers get the care they need as a direct result of an automobile accident.

We believe the Newfoundland and Labrador government should review the current structure of accident benefits to ensure consumers are offered the best protection possible in the event of an automobile collision.

### Reform Proposal

1. Make accident benefits mandatory
2. Enhance medical and rehabilitation benefits to \$50,000 and disability income to \$250 per week; and
  - I. Establish pre-approved evidence-based treatment protocols. 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.
  - II. Treatment within the protocols should be pre-approved and the auto insurer should be the first payer.



## IMPROVED HEALTH OUTCOMES

### Reform Proposal, continued

- III. 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.
- IV. 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.
- V. 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 FOR PEOPLE TO FIX THEIR VEHICLES

Move to a Direct Compensation Property Damage (DCPD) model to streamline the process to repair and replace damaged vehicles.

NL could benefit greatly by moving from a tort based claims settlement model to a Direct Compensation Property Damage (DCPD) model similar to those in the Maritime and Ontario provinces. DCPD, makes it easier for consumers to settle physical damage claims by dealing with their own insurance company regardless of fault. DCPD, will provide insurers with greater insight and predictability in their pricing models allowing for more accurate pricing and stability in consumer's premium.

### Reform proposal

RSA recommends that the Newfoundland and Labrador government transition from the property damage claims settlement model to a DCPD model.



## FACILITATE COMPETITION

### Move to a market-based approach for rate regulations

Currently insurers must submit all rating and underwriting changes to the Newfoundland Public Utility Board and submissions must be actuarial justified. This form of regulation is known as "prior approval", in which insurers must have approval from the regulator prior to offering their new rates to the market.

This approach is similar to those offered in other provinces, but like other provinces, it is costly, time consuming, has an impact on competition and in many cases forces some consumers to pay more for insurance, to cover the cost of higher risk consumers.

### Reform Proposal

RSA recommends moving from a prior approval system to a market base approach, by replacing the current file and approve framework with a use-and-file framework. A use-and-file framework, provides more accurate pricing, lower cost and provides consumers with more choices due to increase competition. These changes will allow the regulator to focus more of its resources on overseeing the market to ensure a healthy and solvent industry.



## CONCLUSION

We want to thank the government of Newfoundland and Labrador for the opportunity to share our views on government reform. We believe through reform, the government has an opportunity to reduce claims cost, increase competition, lower premiums and ensure consumers get the care they need in the event of an accident.

We believe the Insurance Bureau of Canada objectives to reform are consistent with our views and fully support their objectives to ensure we operate in a stable, profitable and affordable structure to our customers.

Sincerely,



**Steve Cohen**  
Chief Underwriting Officer  
RSA Canada

