

**ANNUAL REPORT**

**OF THE**

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**ON OPERATIONS CARRIED OUT UNDER**

***THE AUTOMOBILE INSURANCE ACT***

**Chapter A-22, RSNL 1990, AS AMENDED**

**FOR THE PERIOD APRIL 1, 2013 TO MARCH 31, 2014**

**EXECUTIVE SUMMARY**

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This report highlights the main activities of the Board in carrying out its mandate under the *Automobile Insurance Act*.

During 2013-2014 the Board received 25 Category 1 filings (reflecting no changes or reductions in rates) and issued 23 Orders involving Category 2 and Category 3 rate filings (representing rate increases). The Board conducted two compliance audits of automobile insurers operating in the Province during the period. The Board also issued three general, industry wide, directives to all insurers in connection with loss trend analysis and updated CLEAR Rate Group Tables.

There were no significant changes in the market or its composition over the year. Based on the most recently available market information (2012) 48 automobile insurers reported positive direct premiums written of \$367,597,000 in the Province, compared to \$354,923,000 in 2011. The market continues to show a high level of concentration, with 14 insurers writing approximately 87% of all the automobile insurance business in the Province.

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1 **LEGISLATION**

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3 The *Automobile Insurance Act*, Chapter A-22, RSNL 1990, and the *Insurance Companies Act*,  
4 Chapter I-10, RSNL 1990, as amended, provide the Board with specific statutory responsibilities  
5 concerning the regulation of aspects of the automobile insurance industry in the Province of  
6 Newfoundland and Labrador.

7  
8 Specifically the Board has responsibility for: the rates charged by insurers for automobile  
9 insurance; underwriting guidelines used in the classification of business written; the grounds on  
10 which insurers may refuse to provide insurance or discontinue coverage; and the risk  
11 classification system used by insurers to determine individual rates for automobile insurance  
12 coverages.

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14 **MARKETPLACE CHANGES**

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16 Based on the 2012 Report of the Superintendent of Insurance, the latest information available,  
17 there were 48 automobile insurers operating in Newfoundland and Labrador reporting positive  
18 Direct Premiums Written. Of the active companies, 14 wrote 86.59% of the automobile insurance  
19 market in the Province. The distribution of these companies by size and market share is shown in  
20 Table 1.

<p style="text-align: center;"><b>TABLE 1</b> <b>2012 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE</b> <b>AUTOMOBILE INSURANCE</b></p>			
Volume of Direct Premiums Written (000s \$)	Number of Companies	Percent of Market Share (%)	Total Direct Premiums Written (000s \$)
0 - 1,000	22	0.88	3,212
1,001 - 5,000	9	7.56	27,806
Over 5,000	17	91.56	336,579
<b>Totals</b>	48	100.00	367,597

2012 Superintendent of Insurance Report

1 Table 2 shows comparative information for 2012 versus 2011 in relation to direct premiums  
 2 written for automobile insurance. The total value for direct premiums written in the Province  
 3 increased by 3.57% from 2011 to 2012.

<b>TABLE 2</b>				
<b>2012 MARKET VOLUME</b>				
<b>AUTOMOBILE INSURANCE</b>				
<b>(000s \$)</b>				
	<b>2012</b>	<b>2011</b>	<b>Change</b>	<b>% Change</b>
<b>Direct Premiums Written (DPW)</b>	367,597	354,923	12,674	3.57

2012 Superintendent of Insurance Report

4 Table 3 contains a two-year comparative review of the automobile insurance market, showing  
 5 year over year relative changes of the direct premiums written by the three premium  
 6 classifications, Third Party Liability, Personal Accident and Other. The Other category includes  
 7 coverages such as Collision, Comprehensive, Specified Perils and All Perils.

<b>TABLE 3</b>					
<b>2012 MARKET VOLUME BY CLASS</b>					
<b>AUTOMOBILE INSURANCE</b>					
<b>(000s \$)</b>					
		<b>2012</b>	<b>2011</b>	<b>\$ change</b>	<b>% change</b>
<b>Third Party Liability</b>	<b>DPW</b>	232,054	225,887	6,167	2.73
<b>Personal Accident</b>	<b>DPW</b>	28,730	27,807	923	3.32
<b>Other</b>	<b>DPW</b>	106,813	101,229	5,584	5.52

2012 Superintendent of Insurance Report

1 **REGULATORY ACTIVITIES**

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3 **Filings**

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5 During the year the Board issued 21 Orders in relation to Category 2 rate filings and two Orders  
6 for Category 3 filings. Seven of the Category 2 filings were initially denied by the Board but later  
7 resubmitted and approved. The Category 2 and Category 3 Orders represent rate increases or the  
8 establishment of new rates.

9

10 The Board also received 25 Category 1 filings representing no changes or reductions in rates to  
11 insureds. Pursuant to legislative provisions, these filings are not subject to prior approval and may  
12 be implemented 30 days, or later as may be specified by the company, following filing with the  
13 Board. The majority of the 25 Category 1 filings were in relation to updating Vehicle Rate Group  
14 Tables and revisions to underwriting guidelines.

15

16 **Compliance Audit Program**

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18 The Board has established a compliance audit program whereby the rates and rating practices of  
19 the regulated insurance companies are reviewed. The compliance audit program is designed to  
20 ensure that insurers writing business in the Province are only charging rates that have been  
21 approved by the Board in accordance with the *Automobile Insurance Act* and the *Insurance*  
22 *Companies Act*. The audit program also ensures that agents and brokers of the insurer are  
23 interpreting the underwriting guidelines of the insurer correctly and that insureds of similar risk  
24 characteristics are being rated correctly.

25

26 The Board completed two compliance audits and commenced one additional audit during the  
27 2013-2014 period.

1 **Directives/Prohibitions**

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3 During the year the Board issued three general, industry wide, directives to all insurers in  
4 connection with loss trend analysis and updated CLEAR Rate Group Tables.

5

6 **Complaints**

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8 During the year the Board received a limited number of complaints and inquiries. These  
9 complaints and inquiries were generally in relation to rating practices of insurers and/or agents.

10

11 **Expenses**

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13 The expenses of the Board in relation to insurance operations for 2013-2014 were budgeted at  
14 \$496,717. These costs were assessed against insurers, with the approval of the Minister pursuant  
15 to Section 59 of the *Automobile Insurance Act*, at a rate of 1.351 mils on the direct automobile  
16 insurance premiums written in the Province by the market. A five-year summary of assessments  
17 and mil rates is shown in Table 4.

<b>TABLE 4 2007- 2013 ASSESSMENTS AND MIL RATES</b>		
<b>Year</b>	<b>Assessments</b>	<b>Mil Rate</b>
2013 - 2014	\$496,717	1.351
2012 - 2013	\$523,637	1.476
2011 - 2012	\$503,061	1.487
2010 - 2011	\$536,043	1.685
2009 - 2010	\$760,689	2.602