
Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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, 2014 TO MARCH 31, 2015

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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 2014-2015 the Board received 37 Category 1 filings (reflecting reductions or no changes in rate levels) and issued 21 Orders involving Category 2 rate filings (requesting rate increases). The Board conducted two compliance audits of automobile insurers operating in the Province during the period. The Board also issued one, industry wide, routine advisory directive to all insurers in connection with updated loss trend factors for Private Passenger Automobiles and Commercial Automobiles.

There were no significant changes in the market or its composition over the year. Based on the most recently available market information (2013) 50 automobile insurers reported positive direct premiums written of \$386,400,000 in the Province, compared to \$367,597,000 in 2012. The market continues to show a high level of concentration, with 15 insurers writing approximately 90% of all the automobile insurance business in the Province.

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LEGISLATION

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

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

MARKETPLACE CHANGES

Based on the 2013 Report of the Superintendent of Insurance, the latest information available, there were 50 automobile insurers operating in Newfoundland and Labrador reporting positive Direct Premiums Written. The market continues to show a high level of concentration, with 89.76% of the automobile insurance business being written by 15 insurers.

**TABLE 1
2013 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE
AUTOMOBILE INSURANCE**

Volume of Direct Premiums Written (\$000s)	Number of Companies	Percent of Market Share (%)	Total Direct Premiums Written (000s \$)
1 - 1,000	26	0.96%	3,724
1,001 - 5,000	5	3.17%	12,259
Over 5,000	19	95.86%	370,417
Totals	50	100.00%	386,400

2013 Superintendent of Insurance Report

1 When common ownership amongst companies is considered there are 4 companies writing 79%
 2 of the automobile insurance business. Table 2 shows comparative information for 2013 versus
 3 2012 in relation to direct premiums written for automobile insurance. The total value for direct
 4 premiums written in the Province increased by 5.12% from 2012 to 2013.

TABLE 2				
2013 MARKET VOLUME				
AUTOMOBILE INSURANCE				
(\$000s)				
	2013	2012	\$ Change	% Change
Direct Premiums Written	386,400	367,597	18,803	5.12

2013 Superintendent of Insurance Report

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

TABLE 3				
2013 MARKET VOLUME BY CLASS				
AUTOMOBILE INSURANCE				
(\$000s)				
Direct Premiums Written	2013	2012	\$ Change	% Change
Third Party Liability	239,931	232,054	7,877	3.39
Personal Accident	30,746	28,730	2,016	7.02
Other	115,723	106,813	8,910	8.34

2013 Superintendent of Insurance Report

9 For 2013 there were 338,736 written insured Private Passenger and Commercial motor
 10 vehicles in the province compared with 329,081 in 2012.

REGULATORY ACTIVITIES

Filings

During the year the Board issued 21 Orders in relation to Category 2 rate filings. Two of the Category 2 filings were initially denied by the Board but later resubmitted and approved. The Category 2 Orders relate to rate increases or new rates.

The Board also received 37 Category 1 filings representing no changes or reductions in rates. Pursuant to the legislation, these filings are not subject to prior approval and may be implemented 30 days, or later as may be specified by the company, following filing with the Board. The majority of the 37 Category 1 filings were in relation to updating Vehicle Rate Group Tables and revisions to underwriting guidelines.

Compliance Audit Program

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

The Board completed two compliance audits during 2014-2015. The audits did not find any violations of the legislation but did identify some minor discrepancies in rating resulting in small overcharges to some policyholders. These overcharges were corrected with refunds to the affected customer when identified to the company.

Facility Association Hearing

During November 2014 the Board held 5 days of hearings on a Category 2 Taxis and Limousines Rate Application by the residual market insurer Facility Association. The application was filed with the Board on March 6, 2014 seeking a proposed overall average rate increase of 54.1% for this class. The interests of consumers were represented during the hearing by the Government appointed Consumer Advocate. A decision on the application was issued April 2, 2015.

Directives/Prohibitions

During the year the Board issued one, industry wide, routine advisory directive to all insurers in connection with updated loss trend factors for Private Passenger Automobiles and Commercial Automobiles. These factors are based on an analysis of industry wide data for Newfoundland and Labrador and may be used by companies in rate filings submitted to the Board.

Complaints

During the year the Board received a limited number of complaints and inquiries. These complaints and inquiries were routine in nature and were generally in relation to rating practices of insurers and/or agents or increases in policy premiums experienced following the implementation of new rates by insurers. In no case was there an identified violation of legislative provisions regarding rates or rating practices necessitating further action by the Board.

Expenses

The expenses of the Board in relation to insurance operations for 2014-2015 were budgeted at \$507,853. These costs were assessed against insurers, with the approval of the Minister pursuant to Section 59 of the *Automobile Insurance Act*, at a rate of 1.314 mils on the direct automobile insurance premiums written in the Province by the market. A five-year summary of assessments and mil rates is shown in Table 4.

TABLE 4
2010 - 2015
ASSESSMENTS AND MIL RATES
AUTOMOBILE INSURANCE

Year	Assessments	Mil Rate
2014 - 2015	\$507,853	1.314
2013 - 2014	\$496,717	1.351
2012 - 2013	\$523,637	1.476
2011 - 2012	\$503,061	1.487
2010 - 2011	\$536,043	1.685

Newfoundland & Labrador

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