
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, 2015 TO MARCH 31, 2016

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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 2015-2016 the Board received 30 Category 1 filings (reflecting reductions or no changes in rate levels) and issued 19 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 four, industry wide, routine advisory directives to all insurers in connection with updated loss trend factors for Private Passenger Automobiles and Commercial Automobiles 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 (2014), 51 automobile insurers reported positive direct premiums written of \$398,673,000 in the Province, compared to \$386,400,000 in 2013. The market continues to show a high level of concentration, with 15 insurers writing approximately 92% of all the automobile insurance business in the Province.

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1 **LEGISLATION**

2
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.

13
14 **MARKETPLACE CHANGES**

15
16 Based on the 2014 Report of the Superintendent of Insurance, the latest information available,
17 there were 51 automobile insurers operating in Newfoundland and Labrador reporting positive
18 direct premiums written. The market continues to show a high level of concentration, with
19 91.60% of the automobile insurance business being written by 15 insurers.

TABLE 1
2014 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	29	1.26%	5,031
1,001 - 5,000	4	2.54%	10,138
Over 5,000	18	96.20%	383,504
Totals	51	100.00%	398,673

2014 Superintendent of Insurance Report

1 When common ownership amongst companies is considered there are 4 companies writing
 2 approximately 81% of the automobile insurance business. Table 2 shows comparative
 3 information for 2014 versus 2013 in relation to direct premiums written for automobile insurance.
 4 The total value for direct premiums written in the Province increased by 3.18% from 2013 to
 5 2014.

TABLE 2				
2014 MARKET VOLUME				
AUTOMOBILE INSURANCE				
(\$000s)				
	2014	2013	\$ Change	% Change
Direct Premiums Written	398,673	386,400	12,273	3.18

2014 Superintendent of Insurance Report

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

TABLE 3				
2014 MARKET VOLUME BY CLASS				
AUTOMOBILE INSURANCE				
(\$000s)				
Direct Premiums Written	2014	2013	\$ Change	% Change
Third Party Liability	244,699	239,931	4,768	2.0
Personal Accident	30,319	30,746	-427	-1.4
Other	123,655	115,723	7,932	6.9

2014 Superintendent of Insurance Report

10 For 2014 there were 314,327 written insured Private Passenger motor vehicles and 28,403
 11 written insured Commercial motor vehicles in the province. This represents an increase in the

1 number of written insured vehicles over 2013, where 310,506 Private Passenger vehicles and
2 28,230 and Commercial vehicles were written.

3 4 **REGULATORY ACTIVITIES**

5 6 **Filings**

7
8 During the year the Board issued 19 Orders in relation to Category 2 rate filings. Four of the
9 Category 2 filings were initially denied by the Board but later resubmitted and approved. The
10 Category 2 Orders relate to rate increases or new rates.

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

17 18 **Compliance Audit Program**

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

27
28 The Board completed two compliance audits during 2015-2016. The audits did not find any
29 violations of the legislation but did identify some minor discrepancies in rating resulting in small
30 overcharges to some policyholders. These overcharges were corrected with refunds to the affected
31 customers when identified to the company.

1 **Directives/Prohibitions**

2
3 During the year the Board issued four, industry wide, routine advisory directives to all insurers in
4 connection with updated loss trend factors for Private Passenger Automobiles and Commercial
5 Automobiles and updated CLEAR Rate Group Tables.

6
7 **Complaints**

8
9 During the year the Board received a limited number of complaints and inquiries. These
10 complaints and inquiries were routine in nature and were generally in relation to rating practices
11 of insurers and/or agents or increases in policy premiums experienced following the
12 implementation of new rates by insurers. In no case was there an identified violation of
13 legislative provisions regarding rates or rating practices necessitating further action by the Board.

14
15 **Expenses**

16
17 The expenses of the Board in relation to insurance operations for 2015-2016 were budgeted at
18 \$528,465. These costs were assessed against insurers, with the approval of the Minister pursuant
19 to Section 59 of the *Automobile Insurance Act*, at a rate of 1.326 mils on the direct automobile
20 insurance premiums written in the Province by the market. A five-year summary of assessments
21 and mil rates is shown in Table 4.

<p style="text-align: center;">TABLE 4 2011 - 2016 ASSESSMENTS AND MIL RATES AUTOMOBILE INSURANCE</p>		
Year	Assessments	Mil Rate
2015-2016	\$528,465	1.326
2014-2015	\$507,853	1.314
2013-2014	\$496,717	1.351

TABLE 4
2011 - 2016
ASSESSMENTS AND MIL RATES
AUTOMOBILE INSURANCE

Year	Assessments	Mil Rate
2012-2013	\$523,637	1.476
2011-2012	\$503,061	1.487

Newfoundland & Labrador

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