

**ANNUAL REPORT**

**OF THE**

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**ON OPERATIONS CARRIED OUT UNDER**

**THE AUTOMOBILE INSURANCE ACT**

**FOR THE PERIOD APRIL 1, 2021 TO MARCH 31, 2022**

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**EXECUTIVE SUMMARY**

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2  
3 This report highlights the main activities of the Board in carrying out its mandate under  
4 the *Automobile Insurance Act*.

5  
6 During 2021-2022 the Board received a total of 55 rate filings and issued 56 Orders for  
7 automobile insurance. The Board also received 4 requests for temporary consumer relief  
8 measures in response to the COVID-19 pandemic, all related to capping premium  
9 increases. Information bulletins were issued to industry in connection with updated loss  
10 trend factors, IAO advisory rates, updated CLEAR rate group tables, and the 2022 Health  
11 Levy provision.

12  
13 Based on the most recently available market information (2020), 38 automobile insurers  
14 reported positive direct premiums written of \$481,593,000 in the Province, compared to  
15 \$467,604,000 in 2019. The market continues to show a high level of concentration with  
16 10 insurers writing approximately 88% of all the automobile insurance business.

17  
18 On June 1, 2021 Intact Financial Corporation completed an acquisition of RSA Insurance  
19 Group which had a considerable impact on the composition of the insurance market in  
20 Newfoundland and Labrador. It is estimated that Intact now writes approximately 53% of  
21 all automobile insurance business in the Province based on reported 2020 direct premium  
22 figures.

1 **LEGISLATION**

2  
3 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  
4 responsibilities with respect to regulation of the automobile insurance industry in  
5 Newfoundland and Labrador. These regulatory responsibilities include rates, risk  
6 classification systems, and underwriting guidelines.  
7

8  
9 In 2019-2020, following the completion of a review of the automobile insurance product  
10 in Newfoundland and Labrador, Government amended the *Automobile Insurance Act*, the  
11 *Insurance Companies Act* and the Regulations thereunder. The key legislative changes,  
12 as well as the impact on the Board’s review of rates and rate setting processes, were  
13 outlined in the Board’s 2019-2020 annual automobile insurance report. The Board has  
14 continued its regulation of the automobile industry in accordance with these legislative  
15 and process changes through the 2021-2022 fiscal year.  
16

17 **REGULATORY ACTIVITIES**

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19  
20 **Filing Information**

21  
22 During 2021-2022 the Board received 55 rate filings and issued 56 Orders for automobile  
23 insurance. Table 1 provides a breakdown of the number of filings received and Orders  
24 issued by the Board under each filing type from April 1, 2021 to March 31, 2022.  
25

<b>TABLE 1 RATE FILINGS AND BOARD ORDERS BY FILING TYPE AUTOMOBILE INSURANCE</b>		
<b>Type of Rate Filing</b>	<b>Number of Filings Received</b>	<b>Number of Board Orders Issued</b>
CLEAR	7	7
Expedited Approval	0	0
IAO	17	17
Mandatory	6	5
Mandatory Simplified	5	5
Supplemental	20	22
Advisory Rates <sup>1</sup>	0	N/A
<b>TOTAL</b>	<b>55</b>	<b>56</b>

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<sup>1</sup> “Advisory Rates” includes submitted rates from the Insurers Advisory Organization (“IAO”), which are reviewed but do not require a Board Order. Filings to adopt IAO rates by member insurers of the IAO do require a Board Order and are included in the “IAO” filing type information provided in Table 1.

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1 **Information Bulletins**

2  
3 During the year the Board issued five information bulletins to the automobile insurance  
4 industry in connection with updated loss trend factors for use in rate filings, IAO advisory  
5 rates, updated CLEAR rate group tables and the 2022 Health Levy. All information  
6 bulletins issued by the Board are posted on the Board's website.  
7

8 **COVID-19 Relief Measures**

9  
10 On April 16, 2020 the Board issued Information Bulletin A.I. 2020-04 to notify industry that  
11 the Board was supportive of efforts to provide relief to consumers in response to the  
12 COVID-19 pandemic. The Board established a simplified filing process for insurers to file  
13 temporary relief measures to be approved in an expeditious manner, typically within one  
14 business day.  
15

16 The Board received 4 requests from insurers for temporary consumer relief measures in  
17 2021-2022, all related to capping premium increases. The Board will continue to allow  
18 insurers to file temporary relief measures for the duration of the pandemic.  
19

20 **Business Continuity During COVID-19**

21  
22 On December 20, 2021 the Board enacted its Business Continuity Plan in response to  
23 the public health orders introduced by the Chief Medical Officer of Health due to the  
24 COVID-19 pandemic. This resulted in Commissioners and staff working from home for an  
25 extended period during the subsequent months. The Board was able to maintain the  
26 majority of its operations remotely during this time and did not experience any major  
27 disruption in its automobile insurance regulatory activities.  
28

29 **Compliance Audit Program**

30  
31 The Board utilizes a compliance audit program to periodically review the rates and rating  
32 practices of regulated automobile insurers to ensure they are in accordance with the  
33 Board approved rating programs and legislated provisions set out in the *Automobile*  
34 *Insurance Act* and the *Insurance Companies Act*. The Board was unable to complete any  
35 compliance audits during 2021-2022 due to the COVID-19 pandemic and the restriction  
36 on staff from visiting the offices of insurers.  
37

38 **Complaints**

39  
40 The Board received a limited number of complaints and inquiries during the year. These  
41 were routine in nature and were generally in relation to rating practices of insurers or  
42 increases in policy premiums experienced following the implementation of rate changes.  
43 In no case was there an identified violation of legislative provisions regarding rates or  
44 rating practices that necessitated further action by the Board.

**MARKETPLACE CHANGES**

Based on the 2020 Report of the Superintendent of Insurance, the latest information available, there were 38 automobile insurers reporting positive direct premiums. The market continues to show a high level of concentration with 88% of the automobile insurance business written by the top 10 insurers. When common ownership among companies is considered, there are four company groups writing approximately 86% of all business. Table 2 below shows a distribution of automobile insurance companies by range of direct premiums written.

<b>TABLE 2</b>			
<b>2020 DISTRIBUTION OF COMPANIES BY SIZE AND MARKET SHARE</b>			
<b>AUTOMOBILE INSURANCE</b>			
<b>Range of Direct Premiums Written (\$000s)</b>	<b>Number of Companies</b>	<b>Percent of Market Share (%)</b>	<b>Total Direct Premiums Written (\$000s)</b>
1-1,000	21	0.9%	4,338
1,001 - 5,000	2	0.5%	2,623
5,001 - 15,000	5	10.9%	52,491
Over 15,000	10	87.7%	422,141
<b>Total</b>	<b>38</b>	<b>100.0%</b>	<b>481,593</b>

*Source: 2020 Superintendent of Insurance Report*

Table 3 below shows comparative information for 2019 and 2020 in relation to total direct premiums written for automobile insurance. The total value for direct premiums written in the Province increased by approximately 3.0% from 2019 to 2020.

<b>TABLE 3</b>				
<b>2019 AND 2020 TOTAL MARKET VOLUME</b>				
<b>AUTOMOBILE INSURANCE</b>				
<b>(\$000s)</b>				
	<b>2019</b>	<b>2020</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Direct Premiums Written</b>	467,604	481,593	13,989	+3.0%

*Source: 2019 and 2020 Superintendent of Insurance Reports*

Table 4 contains a two-year comparative review of the automobile insurance market, showing year-over-year relative changes to the direct premiums written under the three premium classifications: Third Party Liability, Personal Accident and Other.

<b>TABLE 4</b>				
<b>2020 MARKET VOLUME BY CLASS</b>				
<b>AUTOMOBILE INSURANCE</b>				
<b>(\$000s)</b>				
<b>Premium Classification</b>	<b>2019</b>	<b>2020</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Third Party Liability</b>	279,372	284,724	5,352	1.92%
<b>Personal Accident</b>	34,815	37,092	2,277	6.54%
<b>Other</b>	153,417	159,777	6,360	4.15%

Source: 2019 and 2020 Superintendent of Insurance Reports

1 For 2020 there were 321,849 written insured private passenger automobiles and 23,313  
 2 written insured commercial vehicles in the Province, an increase of approximately 0.2%  
 3 over 2019.

4  
 5 On June 1, 2021 Intact Financial Corporation (“Intact”) completed an acquisition of RSA  
 6 Insurance Group (“RSA”). In Newfoundland and Labrador, this included the insurer  
 7 brands Royal and Sun Alliance Insurance Company of Canada and Unifund Assurance  
 8 Company. Intact has since ceased issuing new policies under the Royal and Sun Alliance  
 9 Insurance Company of Canada brand and has transferred this business to Intact  
 10 Insurance Company. Unifund Assurance Company continues to operate. The acquisition  
 11 of RSA by Intact had a considerable impact on the composition of the market and it is  
 12 estimated that Intact now writes approximately 53% of all automobile insurance business  
 13 in the Province based on the reported 2020 direct premium figures.

14  
 15 **EXPENSES**

16  
 17 The expenses of the Board in relation to its insurance operations for 2021-2022 were  
 18 budgeted at \$672,991.<sup>2</sup> These costs were assessed against insurers, with the approval  
 19 of the Minister pursuant to Section 59 of the *Automobile Insurance Act*, at a rate of 1.455  
 20 mils on the direct automobile insurance premiums written in the Province. A five-year  
 21 summary of assessments and mil rates is shown in Table 5.

<b>TABLE 5</b>		
<b>ASSESSMENTS AND MIL RATES</b>		
<b>AUTOMOBILE INSURANCE</b>		
<b>Year</b>	<b>Assessments</b>	<b>Mil Rate</b>
2021-2022	\$680,313	1.455
2020-2021	\$587,884	1.260
2019-2020	\$412,992	0.920
2018-2019	\$519,286	1.193
2017-2018	\$549,522	1.267

<sup>2</sup> The Board’s estimated expense for the 2021-2022 insurance program was \$672,991. The Board applied 100% of its existing Unrestricted Insurance Surplus shortfall of \$7,322, thus increasing its estimated expense amount to \$680,313. The resulting mil rate for 2021-2022 was 1.455, as provided in Table 2 above.