

**Service NL**  
**Automobile Insurance Review**  
**What We Heard**

Government's consultations were intended to explore six key areas outside the scope of the Board of Public Utilities (PUB) mandate, including: the automobile insurance rate setting process; encouraging increased competition in the marketplace; emerging issues (e.g. telematics, ride-sharing); vicarious liability with respect to rental vehicles; improving highway safety; and other issues.

The questionnaire launched on April 9, 2018 through the EngageNL portal and potential respondents had until May 31, 2018 to complete the questionnaire. In total, 155 questionnaires were completed (a further 164 questionnaires were started but never completed). In addition, 26 respondents submitted their comments through the email address provided on the EngageNL website, bringing the total number of respondents to 181.

Of the 181 respondents, 94 per cent (171 respondents) completed the questionnaire from the perspective of a consumer. A further five respondents noted they were an insurance adjuster/examiner. Respondents also included a business owner, risk manager, taxi driver, lawyer, and a seniors' advocate.

The questionnaire asked open-ended questions on the six key areas as identified above. Not all respondents provided a comment for all questions, and some comments addressed multiple issues.

**Issue 1: Rate setting process**

This question asked if the PUB's mandate and process regarding automobile insurance and the rate setting process could be improved to benefit all stakeholders. One hundred and three respondents provided comment on this question.

Thirteen people felt the PUB served an important oversight role, four respondents called for increased scrutiny of companies and two suggested a look at the reserve setting practices of companies. Four respondents felt companies should set their rates more frequently and five people requested more transparency from companies about the reasons for rate increases and the PUB process.

Four respondents suggested the rate setting process be moved from the PUB to another entity or to government, seven respondents stated the process should be less

onerous with shorter timeframes and another stated the markets should be allowed to determine the rates they charge.

Two respondents suggested use of fixed profit levels with any excess profit returned to policyholders. Another suggested the use of minimum and maximum premiums.

## **Issue 2: Increase competition**

The question asked for input on ways to increase competition in the Newfoundland and Labrador insurance market, whether there are regulatory barriers to new entrants that needed to be removed or if there other measures government could take to encourage new markets. Ninety-nine respondents provided comments to this question.

Thirty-five respondents agreed that increased competition would be positive. Eight respondents suggested subsidies or tax breaks to encourage insurance companies to enter our market. Four stated changes need to be made to allow the companies to be more profitable and 12 suggested a cap on minor injuries to bring stability to claims costs encouraging increased competition.

Eleven respondents suggested the automobile insurance should become a government run public system. Five respondents stated our market is too small to encourage competition and three people stated that larger companies are buying out small companies and thus decreasing competition.

A person administering an automobile insurance program in the Atlantic region stated that compared to the rest of Atlantic Canada, there are fewer companies operating here and the automobile rates here are much higher. Insurance companies have advised them that the high claims costs associated with soft tissue injuries is the primary factor driving fewer markets and higher rates.

## **Issue 3: Technology and other emerging issues**

This question asked for input on the impact of emerging technologies and what government needed to do to prepare for these new technologies. One hundred and ten people provided comments to this question.

Thirty-three respondents indicated semi-autonomous features make vehicles safer, easier to drive and should reduce the number of accidents; however, 12 respondents felt there would be no cost savings from these features. Three people expressed concern with technological failure.

Eighteen respondents thought the implementation of telematics should offer savings for good drivers and could make insurance rates more equitable. One person suggested there should be corresponding increases or decreases in premium depending on driver behaviour. Ten respondents expressed privacy concerns with the use of telematics. Twelve respondents suggested developing technology to deal with uninsured motorists. Seven respondents are in favour of ride sharing and thought the government should prepare for it.

#### **Issue 4: Rental car companies**

This question asked for comment on two issues. The first issue is on limiting the vicarious liability of rental car companies for the third party damage caused by the negligence of the renters and others whom they let drive their vehicles. The second is on changing the priority of payment so the person who rents the vehicle is the primary person responsible and their insurance will pay first.

The responses to this question fell into two categories. Fifty-six respondents indicated the person renting the car should be liable and agreed with the suggested changes while 17 respondents felt the system should remain as it is with the rental car companies being primarily liable.

#### **Issue 5: Improve highway safety**

This question highlighted the recent changes made to legislation to improve highway safety and asked respondents for comments on other measures to enhance the safety of our roads such as the use of red light traffic cameras, photo radar, increased driver education, mandatory winter tires, vehicle inspections and increased commercial driver requirements.

One hundred and thirty-two people responded to this question with half of the respondents providing multiple comments; 27 respondents stated they supported the use of all measures identified.

Fifty-four respondents suggested a need for higher penalties and/or increased measures to deal with more serious offences such as: distracted driving, impaired driving, uninsured motorists and repeat offenders. Thirty-seven respondents called for increased enforcement stating the rules in place need more enforcement to be effective.

Forty-four respondents provided a comment on the need for more and better driver education and training. Respondents supported the use of online courses and a couple of people suggested using advertisements as a way to reach some drivers. Winter driving and the use of roundabouts were identified as topics requiring additional education and/or training. Two people suggested the school system should be used to

provide driver education for young drivers. Seven respondents supported retesting and/or retraining for drivers at specific ages or intervals and after accidents or infractions.

With respect to specific issues, 15 respondents supported the use of photo radar and 13 respondents felt red light traffic cameras were good ideas while one person thought these ideas would not work. Eighteen respondents agreed with mandatory winter tires while two respondents did not. Fourteen respondents supported the implementation of vehicle inspections for older vehicles.

Nineteen respondents spoke to the condition of our roads as a factor affecting highway safety, referring to short merge lanes and a need for increased road maintenance. One person suggested prohibiting left hand turns onto or off busy two lane roads, another suggested the installation of a moose fence on the highway and another recommended a double lane highway across the province.

#### **Issue 6: General Comments**

This last question provided an opportunity for respondents to provide suggestions for additional improvements to the automobile system. There were 150 responses to this question. The issues discussed below capture comments made throughout the questionnaire.

Seventy respondents expressed concerns with the high cost of insurance; 30 of the comments requested changes to permit lower rates for drivers with clean driving records. Nineteen people suggested removal of the insurance tax. Eight people felt the rate for new drivers with clear records is expensive and unaffordable.

Thirty respondents expressed a concern with the high number of uninsured vehicles operating in the province. Statements include a need for increased enforcement in this area, the licence plate remaining with the driver, high premiums contributing to the number of uninsured drivers, a need for police to have access to confirm valid insurance, insurance companies giving notice where insurance has been cancelled and the unfairness of uninsured drivers increasing the cost of insurance for everyone.

Fifty-two respondents provided a comment on the implementation of a cap on pain and suffering awards for minor injuries. Thirteen people expressed the view that a cap should not be implemented. Four people commented on their own minor injury having a major impact on their life and stated lowering limits is wrong. Other comments include insurance companies are making large profits, bringing in a cap will not lower rates and the balanced auto insurance system in Newfoundland and Labrador is the better system when compared to other Canadian Provinces.

Thirty-nine respondents requested the implementation of a cap. As already stated, 12 respondents felt the introduction of a cap would reduce costs and encourage new insurance companies to enter the market. Eight respondents stated that caps have worked in other provinces to bring premiums down comparing our rates to the other Atlantic Provinces. One person stated the cap would not apply to serious injuries and when it is applied, the cap is on general damages only and people are still entitled to out of pocket expenses including lost wages, home care, medicines, massage and physiotherapy, and other expenses on top of their monetary award.

Twenty-one respondents indicated fraud in the automobile insurance system should be addressed to help reduce claims costs. Eleven respondents provided examples of vehicle repairs being more expensive when the repair is covered by insurance. Eight people expressed a concern with fraudulent or over exaggerated bodily injury claims.

Six respondents called for no fault insurance and two respondents suggested the use of an injury claim payment schedule similar to the workers compensation system. Six people stated accident benefits coverage should be mandatory with suggestions for increased limits and treatment protocols for minor injuries.

Four respondents provided comments how where they live affects their rate. Two people suggested the rural parts of the Avalon Peninsula should not be included with St. John's, while another suggested those that live in the same area should pay the same price and not have large differences between cities and towns. One person stated insurance should not increase because of a move to a busier street within the same community.