



New Brunswick Insurance Board

2004 Activity Report

**From the period commencing
October 1 through to December 31, 2004**

TABLE OF CONTENTS

Page

MESSAGE FROM THE CHAIRMAN, LEWIS AYLES 1

1. ACTIVITIES 2

 1.1. Board Establishment..... 2

 1.1.1. Establishing Board Membership..... 2

 1.1.2. Training Initiatives..... 3

 1.1.3. Office Administration 3

 1.2. Board Operating Activities..... 3

 1.2.1. Issued First Order to Insurance Bureau of Canada (“IBC”): 3

 1.2.2. Assumed Responsibility for Following-up on Filings not addressed by PUB ... 4

 1.2.3. Managed Transitional Filing Process..... 5

2. FINANCIAL SUMMARY 6

3. SUMMARY 6

MESSAGE FROM THE CHAIRMAN, LEWIS AYLES

In compliance with Section 19.9 of the Insurance Act I am pleased to submit an activity report for the preceding calendar year.

The New Brunswick Insurance Board (“NBIB” or the “Board”) was established by the provincial government in New Brunswick as part of its insurance reform in the province. The government’s identified priorities are to improve affordability, accessibility, fairness, rate stability and transparency within the province’s insurance industry.

The newly established Board is intended to deal solely with insurance matters in the province of New Brunswick. The Board’s primary mandate is to ensure stable insurance rates for automobiles, commercial vehicles and miscellaneous passenger carriers in the province. NBIB is also tasked with a stewardship role in addressing such issues as rate stability and transparency within the industry.

Official operations of the Board commenced on October 15, 2004, following an Order in Council 2004-371 and the official Board proclamation on September 16, 2004. During its two and a half months of operations in 2004 (October 15 through to December 31, 2004), the Board has been primarily focused on its establishment and start-up, and preparing for the introduction of the province’s new automobile insurance products effective January 1, 2005. The Board is proud to report on how much has been accomplished in this short time period. The following report details the Board’s activities since its commencement of operations in October 15 through to December 31, 2004. This report does not reflect any of the Public Utility Board’s (“PUB”) activities either prior to October 15, 2004 or during the period October 15 to December 31, 2004

I would like to thank the members of the Board and the Board staff for the many hours they have contributed to the operations of the Board.

Lewis C. Ayles
Chairman
New Brunswick Insurance Board

1. ACTIVITIES

During the start-up months of its operation, the Board has focused primarily on establishing its operations and infrastructure from an administrative standpoint, and preparing for the introduction of the province's new automobile insurance products effective January 1, 2005.

1.1 Board Establishment

1.1.1 Establishing Board Membership

The Board consists of a Chairperson, Vice-Chairperson and nine members. The names of the individuals and their associated role on the Board are detailed in the table below:

Name	Role
Lewis Ayles	Chairman
Paul D'Astous	Vice-Chairman
Joanne Cowan-McGuigan	Member
Kevin Duff	Member
Anna Albert Guimond	Member
Emilien Lebreton	Member
Donald Lusby	Member
Guildard Pelletier	Member
Kathleen Ann Quigg	Member
Richard Tingley	Member
Elsie Wayne	Member

Each of the Chairs and members of the Board have been carefully selected and appointed based on their credentials and experience. In selecting the Board, it was essential that each member was capable and had the experience to effectively ramp-up on the insurance industry in order to accomplish the identified responsibilities mandated to the Board.

1.1.2 Training Initiatives

All of the Board members attended a training workshop on October 4,5,6 and 7th, 2004 in Fredericton. The objective of the workshop was to ensure that all Board members were briefed on the most recent insurance related trends and issues, including the government's new automobile insurance reform measures. This workshop covered the:

- Playing Field (including: types of vehicles insured, types of customers and their differentiating factors);
- Industry Players
- Rules in the Industry
- Rate Making Process; and
- Financial Aspect of Insurance

1.1.3 Office Administration

During the period October 1, 2004 to December 31, 2004 the Board focused on setting up its new office, located at the Mercantile Building (55 Union Street, Saint John) This included hiring personnel, and purchasing and setting up any required furniture and equipment. Three additional staff were also hired in order to support the effective functioning of the Board including: a Secretary of the Board, an Insurance Administrator, an executive assistant and a part time book-keeper.

1.2 Board Operating Activities

The Board commenced operations on October 1, 2004. The Board's primary operational activities from October 1 to December 31, 2004 are described below.

1.2.1 Issued First Order to Insurance Bureau of Canada ("IBC"):

Background

In October, the Board issued its first order to the Insurance Bureau of Canada ("IBC"). The order requested the IBC appear at a Generic Hearing to quantify the impact of changes to automobile insurance with respect to the First Chance Policy, No Frills Policy and Direct Compensation Property Damage. The IBC was also ordered to determine the required changes to the statistical plan caused by the changes in classification from the removal of age and marital status as part of the rating criteria for insurance policies.

Outcome

Based on the Insurance Bureau of Canada's presented evidence, the Board came to a unanimous decision concerning acceptable practices for these new products and policies.

The results of the decisions made in the hearing, facilitated the Board's ability to give the Automobile Insurance Industry comprehensive guidelines concerning new products and policies. The Board also provided the Industry with details regarding acceptable changes to the statistical

New Brunswick Insurance Board 2004 Activity Report

plan caused by the removal of age and marital status. This decision was crucial, as it provided Industry participants with a framework to follow for submitting their transitional filings for January 1st, 2005. Following the Generic Hearing, the Board requested that companies offering automobile insurance in New Brunswick submit their transitional filings by November 23rd, 2004.

1.2.2 Assumed Responsibility for Following-up on Filings not addressed by PUB

The Board assumed responsibility for addressing a number of 2004 rate filings that were made to the PUB that had not yet been reviewed. The Board held written hearings and issued oral decisions to each company. The details of these filings are detailed in the table below:

Date	Company	Change from Current Rate Level	Effective Date	By Order of the Board
Dec. 1, 2004	Ascentus Insurance Company	-13% of current rate level	Jan. 1, 2005 New business March 1, 2005 Renewal Business	Lewis Ayles Chairman of the Board
Dec. 1, 2004	Elite Insurance Company	-6.7% of current rate level	Jan. 1, 2005 on new Business. March 1, 2005 on Renewal Business	Lewis Ayles Chairman of the Board
Dec. 1, 2004	Scottish & York Insurance Company	-14% of current rate level	Jan. 1, 2005 New Business March 1, Renewal Business	Lewis Ayles Chairman of the Board
Dec. 1, 2004	Royal & Sun Alliance Insurance Company	-4.1% of current rate level	Jan. 1, 2005 New Business March 1, 2005 Renewal Business	Lewis Ayles Chairman of the Board
Dec. 1, 2004	Traders General Insurance Company	-12.2% of current rate level	Jan. 1, 2005 New Business March 1, 2005 Renewal Business	Lewis Ayles Chairman of the Board
Dec. 1, 2004	Aviva Insurance Company	-7.3% of current rate level	Jan. 1, 2005 New Business March 1, 2005 Renewal Business	Lewis Ayles Chairman of the Board
Dec.7, 2004	Coseco Insurance Company	+0.6% of current rate level	Jan. 1, 2005 New Business March 1, 2005 Renewal Business	Lewis Ayles Chairman of the Board
Dec. 7, 2004	Echelon Insurance Company	0.0% of current rate level	Jan. 1, 2005 New Business March 1, 2005 Renewal Business	Lewis Ayles Chairman of the Board
Dec. 7, 2004	RBC General Insurance Company	-6.0% of current rate level	Jan. 1, 2005 New Business March 1, 2005 Renewal Business	Lewis Ayles Chairman of the Board
Dec. 7, 2004	The Personal Insurance company	-4.9% of current rate level	Jan. 1, 2005 New Business March 1, Renewal Business	Lewis Ayles Chairman of the Board
Dec. 10, 2004	Dominion of Canada General Insurance Company	-6.8% of current rate level	Jan. 1, 2005 New Business March 1, 2005 Renewal Business	Paul D'Astous Vice-Chairman of the Board
Dec. 10, 2004	Federation Insurance Company	0.0% of current rate level	Jan. 1, 2005 New Business March 1, 2005 Renewal Business	Lewis Ayles Chairman of the Board

Date	Company	Change from Current Rate Level	Effective Date	By Order of the Board
Dec. 10, 2004	Pembridge Insurance Company	-0.1% of current rate level	Jan. 1, 2005 New Business March 1, 2005 Renewal Business	Lewis Ayles Chairman of the Board

1.2.3 Managed Transitional Filing Process

The Board requested companies of private passenger filings to supply rates for the new products by November 23, 2004:

All companies complied with this request and paper hearings on their filings were conducted in December 2004. The Board assessed the filings based upon what was just and reasonable.

The Board issued a decision to approve the transitional filings of all companies writing Private Passenger automobile insurance in New Brunswick with respect to First Chance Policy, No Frills Policy and Direct Compensation Property Damage for private passenger vehicles in New Brunswick. These companies included:

Allstate	Federated	Royal SunAlliance
Allianz	Federation	Scottish and York
Ascentus	IAO	Security National
Aviva	ING	State Farm Plan A
Axa	ING Novex	State Farm Plan B
CAA	Liberty Mutual	Tokio Fire & Marine
The Citadel	Lombard	Traders
The Co-operators	Lombard General	Trafalgar
COSECO	PAFCO	United General
Cumis	Pembridge	Waterloo
Dominion	The Personal	Wawanesa
Echelon	Perth	XL Insurance
Economical	Portage Mutual	Zenith
Elite	Primmum	Zurich
Facility Association	RBC	Unifund

In total the Board reviewed 58 filings for all classes of vehicles during its two and a half months of operation in 2004.

2 FINANCIAL SUMMARY

The NBIB was established with the intention of developing an independent and focused regulatory body to monitor insurance in the province of New Brunswick. To fund its initial establishment, the Board received a \$500,000 loan from the Government of New Brunswick. This loan is to be fully repaid by summer of 2005. The Board is confident that this investment will help initiate substantial improvements in the regulatory framework and control mechanisms in place for the province's insurance industry.

A non-audited financial statement summary for the Board's two and a half month period of operations is attached. Audited financial statements will be provided.

3 SUMMARY

The Board has accomplished a great deal in its two and one half months of operation to December 31, 2004. In addition to successfully bringing together and ensuring the successful integration of a highly qualified team, the Board has already begun to initiate landmark changes and establish more defined controls within the industry.

Some of its notable accomplishments include:

- Establishing required infrastructure base
- Introducing new products, including First Chance and No Frills
- Introduction of Direct Compensation Property Damage
- Reviewing 58 filings
- Making required orders
- Communicating with Industry participants

The Board is looking forward to 2005 and continuing its efforts towards achieving its goal of insurance reform in the province.