

NOTES TO USERS REGARDING USE OF DATA

1. The Green Book exhibits are published on an Accident Year basis. In Accident Year statistics, the experience of all policies which are in-force (or exposed) at some time during the period is grouped together. The Accident Years are defined as the calendar period January to December for each of the stated years. Only the portion of the experience related to the overlap of the given period and the policy term is included.

Earned premium and exposure are taken as the portion (usually pro-rata) of written premium and exposure on these policies which relates only to that part of the policy term which falls within the given period. All claims having date-of-loss within the given period are included in the loss experience, regardless of whether the policy effective date of the policy is within the given period or a prior one. Of course, for such a claim to have been incurred, there must have been a policy which was in-force at the date-of-loss, and so there is a proper matching of premium and losses.

Accident Year statistics tie less closely to written premium and the rates in effect at any given time, but tie more closely to traditional calendar year results.

2. The Actual Loss Ratio, Territorial, Classification and Driver/Vehicle Classification Exhibits display the historical general level statistics on a factored basis. The adjustments made to the loss experience consist of factors for loss development, unallocated loss adjustment expenses and the Atlantic Provinces 'Health Levies' (additive factors in some cases). Trend factors have not been applied to the claims experience to project it to a common level in time.

Please note also that amounts exhibited do not contain any adjustments to reflect other expenses incurred by insurance companies, such as commissions, premium taxes (if any) and general operating expenses. It is strongly recommended that a proper analysis with appropriate adjustments be made to the data for ratemaking purposes. Users are also warned that other technical exhibits are required to complete a ratemaking analysis.

3. All claim (loss) and allocated claim (loss) adjustment expense amounts are included in the amounts reported. No attempt has been made to adjust these values for the time value of money to discount them from their actual date paid or payable to an earlier average date of receipt of premium within the accident year. Differences between the displayed undiscounted amounts and corresponding discounted amounts which might be appropriate for some other purposes such as gauging relative profitability may be significant for long-tailed coverages such as Third Party Liability.

Note, however, that Disability Income loss reserve amounts under Accident Benefits coverage may commonly be reported on an already discounted basis and that some Bodily Injury and Disability Income losses may ultimately be settled by means of a structured settlement, at which point reserves will usually be reported on a discounted basis.

All ratios derived from the claim (loss) amounts (i.e. claim (loss) ratios, claim (loss) costs per car insured, average costs per claim) are similarly on an as-reported and factored basis, unadjusted for the time value of money.

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4. From June 1, 1987, until December 31, 1994, written premiums for the Facility Association were reported on a net of commission basis. Starting January 1, 1995 the said Written Premium are reported on the gross basis, and users should take note of the possible predominance of the Facility Association in the total Atlantic provinces experience for some categories of insurance in some years.
5. Some edit validation and verification, consistency and reasonability checks have been performed which led to some data exclusions in specific classes of business to improve the integrity of the exhibits (see the Data Exclusions section for details). Other potential data quality problems are currently being investigated and technical users need to review these exhibits with caution.
6. Except for data exclusions, every effort has been made to ensure the accuracy and completeness of the data. However, the responsibility for any errors or omissions in the data submitted under the statistical plan and presented in these exhibits remains with the reporting companies.

An independent data audit is not currently mandated or performed.

7. During 2003, New Brunswick enacted legislation which changed the automobile insurance product. Tort Bodily Injury claims occurring on or after 01/07/2003 have damages for non-pecuniary loss capped at \$2,500 in cases of minor personal injury (as defined). This change is expected to affect claim severity and perhaps also claim frequency for the TPL-BI sub-coverage and the Uninsured Motorist coverage, and may also affect the loss development patterns for future (and possibly also recent past) claims for the affected coverages (and possibly also some other coverages). On account of the product change, insurers were required, for all classes of business, to file new rates reflecting the expected effect of this change (failing which, old rates would be automatically reduced a uniform 20% for all coverages) with, and get approval from the PUB (New Brunswick Insurance Board effective October 2004), and once the new rates were approved, to issue premium rebates (where appropriate) for the reduction in premium for the unexpired term as of 01/07/2003 on all policies in force as of 01/07/2003, or issued (new or renewal) on or after 01/07/2003 at old rates. The PUB (New Brunswick Insurance Board effective October 2004) approval process and subsequent rebate process were both substantially incomplete as of 31/12/2003, but were substantially complete as of 30/06/2004. Under the ASP, insurers are required to file these premium rebates by means of two premium transactions, one offsetting the old premium amounts for the unexpired term of the policy, and the other offsetting the new premium amounts for the unexpired term of the policy. In the AIX system, written (both debit or credit) premium transactions are assigned for both exposure and premium amount to calendar/accident period based on the transaction effective date, and are then earned by the 24th s rule over the appropriate period to policy expiry date. For these rebates, the transaction effective date would have been 01/07/2003 (or such later date of issue of a policy at old rates), regardless of the policy effective date. The effect of this rebate process was to depress average written premiums in the 2003-2 (and because not complete as of 31/12/2003, also the 2004-1) period below levels

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reflective of new rates, but to produce average earned premiums fully reflective of new rates, mainly for the TPL and UM coverages. A Charter Challenge has been launched to the \$2,500 cap on non-pecuniary losses in cases of minor injury. Consideration should be given to this issues when analysing the data.

8. During 2003, Nova Scotia enacted legislation which changed the automobile insurance product. In addition to freezing rates at 01/05/2003 levels and making some other minor tort reforms, this legislation provided that Tort Bodily Injury claims occurring on or after 01/11/2003 have damages for non-pecuniary loss capped at \$2,500 in cases of minor injury (as defined). It also increased the TPL minimum limit from \$200,000 to \$500,000 effective for policies issued on or after 01/04/2004, and introduced a package of optional increased Accident Benefits which insurers were obliged to offer. These changes are expected to affect claim severity and perhaps also claim frequency for the TPL-BI sub-coverage and the Uninsured Motorist coverage, and may also to affect the loss development patterns for future (and possibly also recent past) claims for the affected coverages (and possibly also some other coverages). On account of the product change, insurers were required, for all classes of business, to implement new rates equal to rates filed as of 01/05/2003 reduced by 20% uniformly for all coverages, and to issue premium rebates (where appropriate) for the reduction in premium for the unexpired term as of 01/11/2003 on all policies in force as of 01/11/2003, or issued (new or renewal) on or after 01/11/2003 was substantially complete as of 30/06/2004. The rebate process was substantially incomplete as of 31/12/2003, but was substantially complete as of 30/06/2004. Under the ASP, insurers are required to file these premium rebates by means of two premium transactions, one offsetting the old premium amounts for the unexpired term of the policy, and the other onsetting the new premium amounts for the unexpired term of the policy. In the AIX system, written (both debit and credit) premium transactions are assigned for both exposure and premium amount to calendar/accident period based on the transaction effective date, and are then earned by the 24th s rule over the appropriate period to policy expiry date. For these rebates, the transaction effective date would have been 01/11/2003 (or such later date of issue of a policy at old rates), regardless of the policy effective date. The effect of this rebate process was to depress average written premiums in the 2003-2 (and because not complete as of 31/12/2003, also the 2004-1) period below levels reflective of new rates, but to produce average earned premiums fully reflective of new rates, for all coverages. A Charter Challenge to the \$2,500 cap on non pecuniary loss in cases of minor injury was launched which resulted in a decision by the lower court in early 2009 upholding the cap, a decision in early 2010 upholding the decision of the lower court, and denial by the Supreme Court of Canada of leave to appeal in May 2010. Consideration should be given to these issues when analysing the data.
9. During 2003, Prince Edward Island enacted legislation which changed the automobile insurance product. Tort Bodily Injury claims occurring on or after 01/04/2004 have damages for non-pecuniary loss capped at \$2,500 in cases of minor personal injury (as defined). This change is expected to affect claim severity and perhaps also claim frequency for the TPL-BI sub-coverage and the Uninsured Motorist coverage, and may also to affect the loss development patterns for future (and possibly also recent past) claims for the affected coverages (and possibly also some other coverages). On account

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of the product change, insurers were required, for all classes of business, to implement new rates effective 01/04/2004, and to issue premium rebates (where appropriate) for the reduction in premium for the unexpired term as of 01/04/2004 on all policies in force as of 01/04/2004, or issued (new or renewal) on or after 01/04/2004 at old rates. The rebate process may have been substantially incomplete as of 30/06/2004, but was substantially complete as of 31/12/2004. Under the ASP, insurers are required to file these premium rebates by means of two premium transactions, one offsetting the old premium amounts for the unexpired term of the policy, and the other onsetting the new premium amounts for the unexpired term of the policy. In the AIX system, written (both debit and credit) premium transactions are assigned for both exposure and premium amount to calendar/accident period based on the transaction effective date, and are then earned by the 24th s rule over the appropriate period to policy expiry date. For these rebates, the transaction effective date would have been 01/04/2004 (or such later date of issue of a policy at old rates), regardless of the policy effective date. The effect of this rebate process was to depress average written premiums in the 2004-1 (and to the extent not complete as of 30/06/2004, also the 2004-2) period below levels reflective of new rates, but to produce average earned premiums fully reflective of new rates, mainly for the TPL and UM coverages. A Charter Challenge to the \$2,500 cap on non pecuniary loss in cases of minor injury has been launched. Consideration should be given to these issues when analysing the data.

10. During 2004, Newfoundland and Labrador enacted legislation which changed the automobile insurance product. In 2003, the government froze Private Passenger rates at 17/03/2003 levels. The 2004 legislation, in addition to some other minor tort reforms, provides that damages for non-pecuniary loss in all Tort Bodily Injury claims occurring on or after 01/08/2004 be subject to a \$2,500 deductible. These changes are expected to affect claim severity and perhaps also claim frequency for the TPL-BI sub-coverage and the Uninsured Motorist coverage, and may also to affect the loss development patterns for future (and possibly also recent past) claims for the affected coverages (and possibly also some other coverages). On account of the product change, insurers were required to implement new rates for Private Passenger equal to rates frozen as of 17/03/2003 reduced by certain percentages (up to 30+%) varying by coverage and sometimes territory, and to issue premium rebates (where appropriate) for the reduction in premium for the unexpired term as of 01/08/2004 on all policies in force as of 01/08/2004, or issued (new or renewal) on or after 01/08/2004 at old rates. The rebate process was substantially complete as of 31/12/2004. Under the ASP, insurers are required to file these premium rebates by means of two premium transactions, one offsetting the old premium amounts for the unexpired term of the policy, and the other onsetting the new premium amounts for the unexpired term of the policy. In the AIX system, written (both debit and credit) premium transactions are assigned for both exposure and premium amount to calendar/accident period based on the transaction effective date, and are then earned by the 24th s rule over the appropriate period to policy expiry date. For these rebates, the transaction effective date would have been 01/08/2004 (or such later date of issue of a policy at old rates), regardless of the policy effective date. The effect of this rebate process was to depress average written premiums in the 2004-2 period below levels reflective of new rates, but

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to produce average earned premiums fully reflective of new rates, for all coverages. Consideration should be given to this phenomenon when analysing the data.

11. The Automobile Statistical Plan required the reporting of “Actual Values” for Physical Damage Deductibles effective January 1, 2008. For exhibit purposes, the actual value data has been “mapped back” to the old deductible codes.

Based on the reported data, it appears that a number of major writers in 2008 have problems matching exposures and claims at the deductible level. Users are advised to exercise caution when they are reviewing the data by deductible.

IBC continues to investigate this issue and is following up with the companies to rectify the reporting.