

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. A.I. 19(2024)

1 **IN THE MATTER OF** the **Automobile**
2 **Insurance Act**, RSNL 1990, c. A-22,
3 as amended, and regulations
4 thereunder; and
5

6 **IN THE MATTER OF** an application by
7 The Dominion of Canada General
8 Insurance Company for approval to
9 implement a revised rating program for
10 its Commercial Vehicles and Interurban
11 Trucks category of automobile
12 insurance.
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15 **WHEREAS** on November 24, 2023 The Dominion of Canada General Insurance Company
16 (Dominion) applied to the Board for approval of a revised rating program under the Mandatory
17 filing option for its Commercial Vehicles and Interurban Trucks category of automobile insurance;
18 and
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20 **WHEREAS** on December 11, 2023 Dominion filed an amended filing to correct an error that was
21 identified in its rate exhibits; and
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23 **WHEREAS** Dominion filed the following overall rate level indications and proposed changes; and

	Overall Rate Level Indication	Overall Rate Level Proposal
Commercial Vehicles	+10.8%	+9.5%
Interurban Trucks	+12.0%	+10.6%

24 **WHEREAS** Dominion proposed rating program changes including base rates, territory
25 differentials, class differentials and vehicle segmentation elements; and
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27 **WHEREAS** the filing was sent to the Board's actuarial consultants, Oliver Wyman Limited (Oliver
28 Wyman) for review and report; and

1 **WHEREAS** on January 23, 2024 Oliver Wyman filed a report of findings and Dominion filed
2 comments on February 5, 2024; and

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4 **WHEREAS** on February 15, 2024 Oliver Wyman filed a report addendum and Dominion filed
5 comments on February 21, 2024; and

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7 **WHEREAS** on February 29, 2024 Oliver Wyman filed a revised report of findings and Dominion
8 filed comments on March 1, 2024; and

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10 **WHEREAS** Oliver Wyman noted that substituting alternative assumptions for loss trends, inflation
11 adjustment, expense provision and return on investment that it found to be more reasonable
12 than those used by Dominion would result in an overall rate level indication for Commercial
13 Vehicles of +10.5% which was higher than Dominion's proposed overall rate level change of
14 +9.5%; and

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16 **WHEREAS** Oliver Wyman further noted that certain of Dominion's proposed changes by coverage
17 for Commercial Vehicles were higher than the indicated need when using Oliver Wyman's
18 alternative assumptions and that Dominion's proposed rate level change for mandatory
19 coverages of +7.9% was higher than Oliver Wyman's estimated need of +4.3%; and,

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21 **WHEREAS** Oliver Wyman found Dominion's proposed changes for Interurban Trucks to be
22 reasonable in the circumstances given the limited experience available for this type of business;
23 and

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25 **WHEREAS** Oliver Wyman found Dominion's proposed changes to territory differentials, class
26 differentials and vehicle segmentation elements to be reasonable; and

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28 **WHEREAS** in its March 1, 2024 submission Dominion stated the following with respect to the
29 alternative indications filed by Oliver Wyman:

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31 While there remain differences at coverage level, broadly our interpretation is that Oliver
32 Wyman's view of Dominion's profitability in Newfoundland is identical to our own, and
33 that premium increases is required to maintain a financially sustainable portfolio moving
34 forward. To that end, the differences at coverage level reflects the differences in
35 assumptions across various elements such as loss trend, expenses etc - which is to be
36 expected given the unprecedented amount of uncertainty and cost pressure that
37 underlies the industry. These trends, such as theft, inflation and COVID induced claim
38 trend changes, can indeed result in disparate but sound actuarial indications.

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40 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any prospective
41 ratemaking exercise and that the variance in the overall rate level indications calculated by
42 Dominion and Oliver Wyman result primarily from differing actuarial judgements and
43 assumptions related to loss trends, inflation adjustment, expense provision and return on
44 investment; and

1 **WHEREAS** the Board accepts that there is considerable volatility in the Commercial Vehicles
2 experience due to the limited number of claims and that variances between two actuaries at the
3 coverage level are to be expected when differing assumptions are considered in the rate model;
4 and

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6 **WHEREAS** the Board notes that Dominion’s proposed rate level change for Commercial Vehicles
7 of +9.5% is lower than its indicated need of +10.8% and lower than the alternative indication of
8 +10.5% calculated by Oliver Wyman; and

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10 **WHEREAS** the Board is satisfied that Dominion’s proposed changes by coverage are reasonable
11 when considering both the volatility of the underlying data and the range of reasonable outcomes
12 in the prospective ratemaking exercise; and

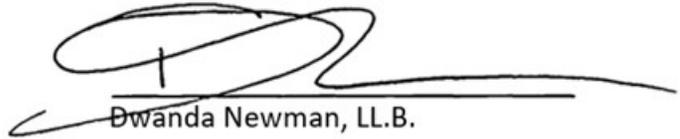
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14 **WHEREAS** the Board accepts Dominion’s proposed rating program changes including territory
15 differentials, class differentials and vehicle segmentation elements; and

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17 **WHEREAS** the Board is satisfied that the proposed rates for Dominion’s Commercial Vehicles and
18 Interurban Trucks are just and reasonable in the circumstances, do not impair the solvency of the
19 insurer, are not excessive in relation to the financial circumstances of the insurer, and do not
20 violate the **Automobile Insurance Act** or the **Insurance Companies Act** or the respective
21 regulations thereunder.

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24 **IT IS THEREFORE ORDERED THAT:**

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26 1. The revised rating program amended December 11, 2023 from The Dominion of Canada
27 General Insurance Company for its Commercial Vehicles and Interurban Trucks category
28 of automobile insurance is approved to be effective no sooner than May 15, 2024 for new
29 business and June 15, 2024 for renewals.

DATED at St. John's, Newfoundland and Labrador, this 12th day of March, 2024.



Dwanda Newman, LL.B.
Vice-Chair



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Jo-Anne Galarnreau
Executive Director and Board Secretary