

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

AN ORDER OF THE BOARD

NO. A.I. 11(2017)

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

5 **IN THE MATTER OF** an application by
6 Intact Insurance Company for approval to
7 implement a revised rating program for its
8 Commercial Vehicles class of business.
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10
11 **WHEREAS** on February 24, 2017 Intact Insurance Company ("Intact") applied to the Board for
12 approval of a revised rating program for its Commercial Vehicles class of business (the
13 "Application"); and
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15 **WHEREAS** the revised rating program proposed rates that are higher than the currently
16 approved rates and also proposed other changes including changes to differentials, discounts and
17 surcharges; and
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19 **WHEREAS** on May 4, 2017 the Board's consulting actuaries, Oliver Wyman Limited ("Oliver
20 Wyman"), filed a report in relation to the Application; and
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22 **WHEREAS** on May 12, 2017 Intact filed comments, additional supporting information and an
23 amended rate indication and rate proposal; and
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25 **WHEREAS** on May 18, 2017 the 90-day timeline for the decision of the Board in relation to the
26 Application was extended pursuant to the *Act*; and
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28 **WHEREAS** between May 18, 2017 and July 4, 2017 Oliver Wyman and Intact filed additional
29 reports and documentation in relation to the Application; and
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31 **WHEREAS** on July 4, 2017 Intact filed an amended rate indication and rate proposal; and
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33 **WHEREAS** on July 6, 2017 Oliver Wyman filed an updated report which set out that the
34 proposed rate level change is higher than the rate indication calculated based on the Board's
35 Guideline loss trend rates but that, as a result of rate capping, the proposed overall rate level
36 change would be reduced to be lower than the rate indication based on the Board's Guideline
37 loss trend rates for the first year, with the proposed premium level not reached for five years; and

1 **WHEREAS** according to Oliver Wyman the Newfoundland and Labrador commercial vehicle
2 data is particularly volatile and the difference in the trend rates selected by Intact and the Board's
3 Guidelines trend rates is due mainly to the judgements applied, including the time periods used
4 and the exclusion of data points; and
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6 **WHEREAS** Intact submitted that the considerable variability in the Newfoundland and
7 Labrador industry commercial vehicle data means there is a wide range of reasonable trends rates
8 and that the selected trend rates fall within the range of reasonableness; and
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10 **WHEREAS** Oliver Wyman agreed that it is appropriate to consider Intact's experience from
11 other provinces for the other proposed changes in the revised rating program since the
12 Newfoundland and Labrador experience is too limited to serve as the basis for rating plan
13 changes but, since Intact did not provide the supporting data, Oliver Wyman could not provide
14 an opinion on the reasonableness of this data for Newfoundland and Labrador; and
15

16 **WHEREAS** in light of the limited Newfoundland and Labrador experience and the considerable
17 variability in the commercial vehicle data the Board is satisfied, based on the support provided
18 by Intact, that the proposed rates are not too high in the circumstances and that the other
19 proposed changes are reasonable and justified in the circumstances.
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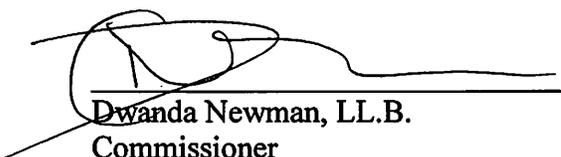
21 **IT IS THEREFORE ORDERED THAT:**
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- 23 1. The revised rating program received July 4, 2017 from Intact Insurance Company is
24 approved to be effective no sooner than November 1, 2017 for new business and December
25 1, 2017 for renewals.
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27 2. Intact Insurance Company will be required to pay the costs of the Board associated with this
28 filing, including the costs of the actuarial review.

Dated at St. John's, Newfoundland and Labrador, this 14th day of August, 2017.



Darlene Whalen, P. Eng.
Vice-Chair



Dwanda Newman, LL.B.
Commissioner



Sara Kean
Assistant Board Secretary