

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

AN ORDER OF THE BOARD

NO. A.I. 116(2020)

1 **IN THE MATTER OF** the *Automobile*
2 *Insurance Act*, RSNL 1990, c. A-22,
3 as amended, and regulations
4 thereunder; and
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6 **IN THE MATTER OF** an application
7 by TD Home and Auto Insurance
8 Company for approval to implement a
9 revised rating program for its Private
10 Passenger Automobiles class of
11 automobile insurance.
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14 **WHEREAS** on August 4, 2020 TD Home and Auto Insurance Company (“TD Home and Auto”) applied to the Board for approval of a revised rating program under the Mandatory filing option for its Private Passenger Automobiles class of automobile insurance; and
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18 **WHEREAS** TD Home and Auto filed an overall rate level indication of +60.5% and proposed an overall rate level change of +24.5% that varied by coverage; and
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21 **WHEREAS** TD Home and Auto’s proposed overall rate level change included the following:

- 22 (a) base rate changes that vary by coverage;
- 23 (b) introduction of Vehicle Value factors;
- 24 (c) introduction of Vehicle Age factors;
- 25 (d) revision of territories definition and factors;
- 26 (e) removal of Anti-Theft discount factors;
- 27 (f) changes to the capping boundary; and
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29 **WHEREAS** on October 20, 2020 the Board's actuarial consultants, Oliver Wyman Limited (“Oliver Wyman”), filed a report of findings with the Board; and
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32 **WHEREAS** Oliver Wyman reported that substituting alternative assumptions that it found to be more reasonable for the complement of credibility, the finance fee revenues, the DCPD loading factor and the winter tire discount uptake would reduce TD Home and Auto’s overall rate level indication from +60.5% to +40.4%; and
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1 **WHEREAS** Oliver Wyman found TD Home and Auto's proposed overall rate level change of
2 +24.5% to be reasonable on the basis that it was less than the overall rate level indication of +40.4%
3 calculated by Oliver Wyman when substituting alternative assumptions; and
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5 **WHEREAS** Oliver Wyman found all of TD Home and Auto's other rating program changes to be
6 reasonable and supported; and
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8 **WHEREAS** on November 2, 2020 TD Home and Auto filed comments in response to Oliver
9 Wyman's report which included additional rationale and support for its proposed assumptions for
10 the complement of credibility and the DCPD loading factor; and
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12 **WHEREAS** TD Home and Auto noted that it agreed with Oliver Wyman's findings regarding the
13 finance fee revenues, the winter tire discount uptake and a reform adjustment applicable to the
14 third-tier complement of credibility; and
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16 **WHEREAS** TD Home and Auto provided a revised overall rate level indication of +54.2% by
17 substituting alternative assumptions as described by Oliver Wyman for the finance fee revenues,
18 the winter tire discount uptake and a reform adjustment to the third-tier complement of credibility;
19 and
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21 **WHEREAS** TD Home and Auto's proposed overall rate level change of +24.5% was less than its
22 revised rate level indication of +54.2%; and
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24 **WHEREAS** on November 2, 2020 Oliver Wyman filed an updated report of findings to include
25 TD Home and Auto's revised rate level indication with findings and conclusions remaining
26 unchanged from its October 20, 2020 report; and
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28 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any
29 prospective ratemaking exercise and that the variance in the overall rate level indications produced
30 by TD Home and Auto and Oliver Wyman was the result of differing actuarial judgements
31 regarding the DCPD loading factor and certain elements of the complement of credibility
32 approach; and
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34 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
35 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
36 financial circumstances of the insurer, and do not violate the *Automobile Insurance Act* or the
37 *Insurance Companies Act* or the respective regulations thereunder.

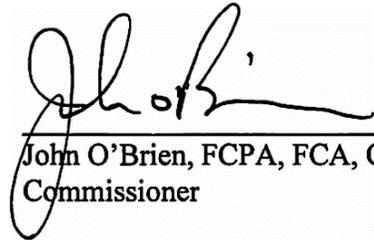
1 **IT IS THEREFORE ORDERED THAT:**
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- 3 1. The revised rating program received on August 4, 2020 from TD Home and Auto Insurance
4 Company for its Private Passenger Automobiles class of automobile insurance is approved to
5 be effective no sooner than January 1, 2021 for new business and February 1, 2021 for
6 renewals.

DATED at St. John's, Newfoundland and Labrador, this 10th day of November, 2020.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Cheryl Blundon
Board Secretary