

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

**AN ORDER OF THE BOARD**

**NO. A.I. 114(2020)**

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  
7 by Primmum Insurance Company for  
8 approval to implement a revised rating  
9 program for its Private Passenger  
10 Automobiles class of automobile  
11 insurance.  
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14 **WHEREAS** on August 4, 2020 Primmum Insurance Company (“Primmum”) applied to the Board  
15 for approval of a revised rating program under the Mandatory filing option for its Private Passenger  
16 Automobiles class of automobile insurance; and  
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18 **WHEREAS** Primmum filed an overall rate level indication of +14.2% and proposed an overall  
19 rate level change of +9.8% that varied by coverage; and  
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21 **WHEREAS** Primmum’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; and  
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28 **WHEREAS** on October 22, 2020 the Board's actuarial consultants, Oliver Wyman Limited  
29 (“Oliver Wyman”), filed a report of findings with the Board; and  
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31 **WHEREAS** Oliver Wyman reported that substituting alternative assumptions that it found to be  
32 more reasonable for the complement of credibility, the finance fee revenues, the DCPD loading  
33 factor and the winter tire discount uptake would reduce Primmum’s overall rate level indication  
34 from +14.2% to +5.6%; and

1 **WHEREAS** Oliver Wyman reported that Primmum’s proposed overall rate level change of +9.8%  
2 was higher than it found to be reasonable when substituting alternative assumptions; and

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4 **WHEREAS** Oliver Wyman found all of Primmum’s other rating program changes to be  
5 reasonable and supported; and

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7 **WHEREAS** on November 2, 2020 Primmum filed comments in response to Oliver Wyman’s  
8 report which included additional rationale and support for its proposed assumptions for the  
9 complement of credibility and the DCPD loading factor; and

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11 **WHEREAS** Primmum noted that it agreed with Oliver Wyman’s findings regarding the finance  
12 fee revenues, the winter tire discount uptake and a reform adjustment applicable to the third-tier  
13 complement of credibility; and

14  
15 **WHEREAS** Primmum provided a revised overall rate level indication of +10.0% by substituting  
16 alternative assumptions as described by Oliver Wyman for the finance fee revenues, the winter tire  
17 discount uptake and a reform adjustment to the third-tier complement of credibility; and

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19 **WHEREAS** Primmum’s proposed overall rate level change of +9.8% was less than its revised  
20 overall rate level indication of +10.0%; and

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22 **WHEREAS** on November 2, 2020 Oliver Wyman filed an updated report to include Primmum’s  
23 revised rate level indication with findings and conclusions remaining unchanged from its October  
24 22, 2020 report; and

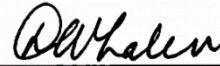
25  
26 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any  
27 prospective ratemaking exercise and that the variance in the overall rate level indications produced  
28 by Primmum and Oliver Wyman was the result of differing actuarial judgements regarding the  
29 DCPD loading factor and certain elements of the complement of credibility approach; and

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31 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the  
32 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the  
33 financial circumstances of the insurer, and do not violate the *Automobile Insurance Act* or the  
34 *Insurance Companies Act* or the respective regulations thereunder.

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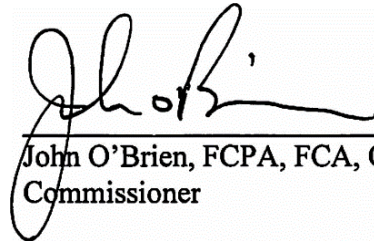
- 3 1. The revised rating program received on August 4, 2020 from Primum Insurance Company  
4 for its Private Passenger Automobiles class of automobile insurance is approved to be effective  
5 no sooner than January 1, 2021 for new business and February 1, 2021 for renewals.

**DATED** at St. John's, Newfoundland and Labrador, this 10<sup>th</sup> day of November, 2020.



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



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John O'Brien, FCPA, FCA, CISA  
Commissioner



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Cheryl Blundon  
Board Secretary