

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

AN ORDER OF THE BOARD

NO. A.I. 125(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 Dominion General Insurance
8 Company of Canada for approval to
9 implement a revised rating program for
10 its Commercial and Interurban Vehicles
11 category of automobile insurance.
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14 **WHEREAS** on September 2, 2020 Dominion General Insurance Company of Canada
15 (“Dominion”) applied to the Board for approval of a revised rating program under the Mandatory
16 filing option for its Commercial and Interurban Vehicles category of automobile insurance; and
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18 **WHEREAS** Dominion filed an overall rate level indication of +3.23% for Commercial Vehicles
19 and proposed an overall rate level change of -0.01%; and
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21 **WHEREAS** Dominion filed an overall rate level indication of +4.33% for Interurban Vehicles
22 and proposed an overall rate level change of +0.01%; and
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24 **WHEREAS** Dominion proposed the following rating program changes:

- 25 (a) Introduction of CLEAR rate group tables;
- 26 (b) Introduction of CLEAR rate adjustment differentials, model year differentials and bodily
27 injury symbol differentials;
- 28 (c) Introduction of a conviction free discount;
- 29 (d) Change the Trailer Collision and DCPD factors to be 75% and 25% of full premium
30 respectively;
- 31 (e) Changes to classification, limit and deductible differentials;
- 32 (f) Changes to base rate by territory before off-balancing;
- 33 (g) Change the Specified Perils base rate to be 70% of Comprehensive base rate;
- 34 (h) Change the distracted driving violation to a major conviction;
- 35 (i) Changes to various discounts and surcharges; and

1 **WHEREAS** Dominion's proposed rating program changes are off-balanced and the combined
2 impact is 0%; and

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4 **WHEREAS** on October 14, 2020 the Board's actuarial consultants, Oliver Wyman Limited
5 ("Oliver Wyman"), filed a report of findings with the Board; and

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7 **WHEREAS** Oliver Wyman identified concerns with Dominion's assumptions for loss trends
8 rates, premium trend rates, bodily injury reform adjustment, complement of credibility, and
9 expense provision; and

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11 **WHEREAS** on November 12, 2020 Dominion filed comments in response to the Oliver Wyman
12 report and provided additional rationale for its selected assumptions; and

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14 **WHEREAS** Dominion also amended its overall rate level indications to +3.69% for Commercial
15 Vehicles and +4.84% for Interurban Vehicles to reflect a change in the proposed effective dates of
16 the rating program; and

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18 **WHEREAS** on November 18, 2020 Oliver Wyman filed a revised report to address Dominion's
19 comments; and

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21 **WHEREAS** Oliver Wyman reported that substituting alternative assumptions that it found to be
22 more reasonable would reduce Dominion's overall rate level indication to -0.9% for both
23 Commercial and Interurban Vehicles; and

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25 **WHEREAS** Oliver Wyman acknowledged that there is considerable uncertainty in the calculation
26 of the rate level indications due to the sparse data and that the calculations are highly dependent
27 upon the complement of credibility approach used; and

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29 **WHEREAS** on November 24, 2020 Dominion filed additional comments and noted that both the
30 Oliver Wyman and Dominion indications are built off different but actuarially sound assumptions
31 and that Dominion's proposed rate level change falls within the range of reasonable estimates; and

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33 **WHEREAS** the Board acknowledges that there is a wide range of possible outcomes in any
34 prospective ratemaking exercise and that the variance in the overall rate level indications produced
35 by Dominion and Oliver Wyman was the result of differing actuarial judgements on a number of
36 the assumptions included in the rate analysis; and

37
38 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
39 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
40 financial circumstances of the insurer, and do not violate the *Automobile Insurance Act* or the
41 *Insurance Companies Act* or the respective regulations thereunder.

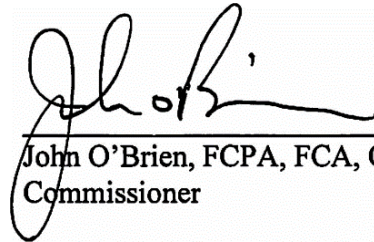
1 **IT IS THEREFORE ORDERED THAT:**
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- 3 1. The revised rating program received on September 2, 2020 from Dominion General Insurance
4 Company of Canada for its Commercial and Interurban Vehicles category of automobile
5 insurance is approved to be effective no sooner than June 1, 2021 and July 1, 2021.

DATED at St. John's, Newfoundland and Labrador, this 27th 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