

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

**AN ORDER OF THE BOARD**

**NO. A.I. 137(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 Intact Insurance Company for  
8 approval to implement a revised rating  
9 program for its Commercial Vehicles  
10 category of automobile insurance.  
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13 **WHEREAS** on October 1, 2020 Intact Insurance Company (“Intact”) applied to the Board for  
14 approval of a revised rating program under the Mandatory filing option for its Commercial  
15 Vehicles category of automobile insurance; and  
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17 **WHEREAS** Intact filed an overall rate level indication of +7.9% and proposed an overall rate  
18 level change of +6.6%; and  
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20 **WHEREAS** Intact proposed the following rating program changes which are included in the  
21 proposed overall rate level change of +6.6%:  
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- 23 (a) base rate changes by coverages which are uniform by territory;  
24 (b) changes to existing rating variable differentials for Driving Record, Vehicle Age,  
25 Deductibles, Driving Experience (Years Licensed), Multi-Vehicle Discount, Multi-Policy  
26 Discount, and Minor Conviction Surcharge; and  
27 (c) introduction of new rating variables and discounts including Number of Years Claims Free,  
28 Vehicle Year, New Business Loyalty Discount; and  
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30 **WHEREAS** Intact also proposed a 15% capping provision to be applied to eligible vehicles and  
31 coverages; and  
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33 **WHEREAS** Intact estimated its proposed overall rate level change to be +6.3% on a capped basis;  
34 and

1 **WHEREAS** on November 9, 2020 the Board's actuarial consultants, Oliver Wyman Limited  
2 (“Oliver Wyman”), filed a report of findings with the Board; and

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4 **WHEREAS** Oliver Wyman identified concerns with Intact’s assumptions for ultimate loss  
5 amounts, loss trend rates, complement of credibility, contingent commission provision and profit  
6 provision; and

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8 **WHEREAS** Oliver Wyman found alternative judgements and assumptions to be more reasonable  
9 than those used by Intact for ultimate loss amounts, loss trend rates and complement of credibility,  
10 but acknowledged that there was considerable uncertainty in the calculation of the rate level  
11 indications due to the sparse data for Commercial Vehicles; and

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13 **WHEREAS** Oliver Wyman also found that Intact’s contingent commission provision and profit  
14 provision assumptions were not in accordance with the Board’s Filing Guidelines; and

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16 **WHEREAS** on November 18, 2020 Intact filed comments in response to the Oliver Wyman report  
17 and provided additional rationale and support for its selected assumptions; and

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19 **WHEREAS** on November 27, 2020 Oliver Wyman confirmed that it had no follow-up comments  
20 in response to Intact’s November 18<sup>th</sup> submission; and

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22 **WHEREAS** on December 2, 2020 the Board issued Requests for Information (“RFIs”) to Intact  
23 regarding its contingent commission provision and profit provision; and

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25 **WHEREAS** on December 7, 2020 Intact filed responses to the RFIs; and

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27 **WHEREAS** in its responses to the RFIs Intact provided specific details of its contingent  
28 commission program and rationale to support why it believed the proposed provision was  
29 reasonable in the circumstances despite the recent historical results, and also confirmed that the  
30 total profit provision underlying its proposed overall rate level change on a capped basis was in  
31 accordance with the Board’s profit benchmark range of 5% to 6%; and

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33 **WHEREAS** the Board acknowledges that there are 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 Intact and Oliver Wyman was the result of differing actuarial judgements on a number of the  
36 assumptions included in the rate analysis; and

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38 **WHEREAS** the Board finds that Intact has provided sufficient support to justify its proposed  
39 contingent commission provision in the circumstances; and

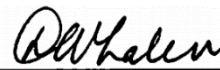
40  
41 **WHEREAS** the Board finds that Intact’s proposed overall rate level change on a capped basis  
42 results in a profit provision that is within the Board’s profit benchmark range; and

1 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the  
2 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the  
3 financial circumstances of the insurer, and do not violate the *Automobile Insurance Act* or the  
4 *Insurance Companies Act* or the respective regulations thereunder.  
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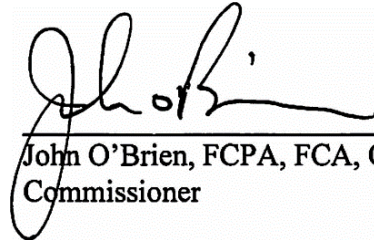
7 **IT IS THEREFORE ORDERED THAT:**  
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- 9 1. The revised rating program received on October 1, 2020 from Intact Insurance Company for  
10 its Commercial Vehicles category of automobile insurance is approved to be effective no  
11 sooner than February 15, 2021 for new business and March 15, 2021 for renewals.

**DATED** at St. John's, Newfoundland and Labrador, this 15<sup>th</sup> day of December, 2020.



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



John O'Brien, FCPA, FCA, CISA  
Commissioner



Cheryl Blundon  
Board Secretary