

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

AN ORDER OF THE BOARD

NO. A.I. 14(2023)

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 by
7 Co-operators General Insurance
8 Company for approval of a revised
9 rating program for its Private Passenger
10 Automobiles category of automobile
11 insurance.
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14 **WHEREAS** on December 1, 2022 Co-operators General Insurance Company (“CGIC”) applied to
15 the Board for approval of a revised rating program for its Private Passenger Automobiles category
16 of automobile insurance; and
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18 **WHEREAS** CGIC filed an overall rate level indication of +7.9% and proposed an overall rate level
19 change of +5.0%; and
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21 **WHEREAS** CGIC proposed various rating program changes including, but not limited to, the
22 following:

- 23 • rate level changes by coverage;
- 24 • changes to various rating variables and differentials;
- 25 • update of the CLEAR rate group table;
- 26 • removal of a discount;
- 27 • changes to an endorsement; and
- 28 • changes to the Other Operators table.
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30 **WHEREAS** CGIC also proposed changes to its rules for capping rate increases and estimated its
31 proposed overall rate level change on a capped basis to be +4.6%; and
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33 **WHEREAS** the rate filing was forwarded to the Board’s actuarial consultants, Oliver Wyman
34 Limited (“Oliver Wyman”), for review and report; and

1 **WHEREAS** on February 27, 2023 Oliver Wyman filed a report of findings with the Board which
2 identified key areas of the filing for the Board's consideration; and

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4 **WHEREAS** Oliver Wyman identified issues for the Board's consideration with respect to CGIC's
5 assumptions for the selection of ultimate losses, large loss adjustment, loss adjustment expense,
6 premium on-level and trend factors, health levy and return on investment; and

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8 **WHEREAS** Oliver Wyman noted that substituting alternate assumptions that it found to be more
9 reasonable in the above-noted areas would result in an overall rate level indication of +0.1%; and

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11 **WHEREAS** on March 9, 2023 CGIC filed comments in response to the Oliver Wyman report which
12 included further support for the use of its own assumptions along with alternate assumptions for
13 health levy and return on investment which resulted in an amended overall rate level indication
14 of +6.7%; and

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16 **WHEREAS** on April 3, 2023 CGIC filed additional supplemental information to support the use of
17 its own assumptions along with two alternative loss trend scenarios which resulted in amended
18 overall rate level indications of +10.7% and +15.3%; and

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20 **WHEREAS** CGIC noted that its selected rate level proposal of +5.0% was less than the indicated
21 need in all scenarios brought forward by CGIC using alternative reasonable assumptions; and

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23 **WHEREAS** CGIC further noted that its selected rate level proposal resulted in an implied profit
24 provision that was lower than the Board's guideline profit provision benchmark and was thus
25 further support that the rate level proposal was just and reasonable; and

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27 **WHEREAS** on April 20, 2023 Oliver Wyman filed a report addendum to address the alternative
28 assumptions and additional support filed by CGIC; and

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30 **WHEREAS** Oliver Wyman continued to find alternative assumptions to be more reasonable than
31 those selected by CGIC for large loss adjustment, loss adjustment expense, premium on-level and
32 trend factors, return on investment and loss trends which resulted in an alternative rate level
33 indication of +1.2%; and

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35 **WHEREAS** on May 9, 2023 CGIC filed comments in response to the Oliver Wyman report
36 addendum which noted that CGIC was not in agreement with the alternative assumptions
37 presented by Oliver Wyman and continued to find its own assumptions to be reasonable and
38 supported; and

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40 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any prospective
41 ratemaking exercise and that the variance in the overall rate level indications produced by CGIC
42 and Oliver Wyman results primarily from differing actuarial judgements and assumptions related

1 to large loss adjustment, loss adjustment expense, premium on-level and trend factors, return
2 on investment and loss trends; and

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4 **WHEREAS** the Board is satisfied that CGIC has provided adequate support for the assumptions
5 underlying its selected rate level proposal of +5.0%; and

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7 **WHEREAS** the Board accepts the proposed changes to CGIC’s rating program including rating
8 variables, rate group factors, discounts, endorsements and capping provisions; and

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

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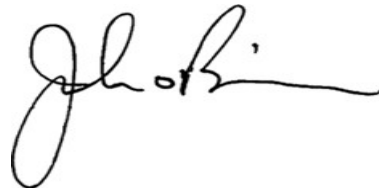
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16 **IT IS THEREFORE ORDERED THAT:**

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- 18 1. The revised rating program received December 1, 2022 from Co-operators General Insurance
19 Company for its Private Passenger Automobiles category of automobile insurance is approved
20 to be effective no sooner than May 17, 2023 for new business and June 16, 2023 for renewals.

DATED at St. John’s, Newfoundland and Labrador, this 15th day of May, 2023.



John O’Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Cheryl Blundon
Board Secretary