

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

AN ORDER OF THE BOARD

NO. A.I. 41(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 Intact Insurance Company for approval
8 of a revised rating program for its
9 Commercial Vehicles category of
10 automobile insurance.
11

12
13 **WHEREAS** on June 12, 2023 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 +7.1% and proposed an overall rate level
18 change of +4.5%; and
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20 **WHEREAS** Intact proposed the following rating program changes:

- 21 a) base rate changes by coverage uniform by territory;
22 b) removal of capping provisions specific to former RSA risks¹; and
23 c) continuation of capping provisions of +15%; and
24

25 **WHEREAS** Intact estimated its proposed overall rate level change to be +4.4% on a capped basis;
26 and
27

28 **WHEREAS** the rate filing was forwarded to the Board’s actuarial consultants, Oliver Wyman
29 Limited (“Oliver Wyman”), for review and report; and

¹ RSA was acquired by Intact on June 1, 2021. Intact subsequently received Board approval of temporary capping provisions specific to RSA risks to manage dislocation during the transition period. This cap was applied independent of Intact’s existing cap of +15%.

1 **WHEREAS** on August 14, 2023 Oliver Wyman filed a report of findings with the Board which
2 identified issues and alternative assumptions for the Board's consideration; and
3

4 **WHEREAS** on August 22, 2023 Intact filed comments in response to the Oliver Wyman report and
5 amended its overall rate level indication to +6.9%; and
6

7 **WHEREAS** on September 5, 2023 Oliver Wyman filed a revised report of findings; and
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9 **WHEREAS** on September 14, 2023 Intact filed additional comments in response to the Oliver
10 Wyman report and further amended its overall rate level indication to 6.8%; and
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12 **WHEREAS** on September 19, 2023 Oliver Wyman filed a report addendum which identified
13 outstanding issues with respect to Intact's assumptions for the inflation adjustment and
14 contingent commission provision; and
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16 **WHEREAS** Oliver Wyman found that Intact's inflation adjustment was not fully supported and
17 was too high based on Oliver Wyman's own independent analysis of relevant Consumer Price
18 Index metrics; and
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20 **WHEREAS** Oliver Wyman found that Intact's contingent commission provision was too high and
21 therefore unreasonable based on Oliver Wyman's analysis of contingent commissions earned
22 pre-COVID-19 pandemic; and
23

24 **WHEREAS** Oliver Wyman noted that substituting alternative assumptions that it found to be
25 more reasonable than those used by Intact would result in an alternative overall rate level
26 indication of -2.5%; and
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28 **WHEREAS** the Board finds that Intact failed to adequately justify its inflation adjustment and
29 contingent commission provision and is not satisfied that the proposed rates are just and
30 reasonable in the circumstances based on the evidence filed; and
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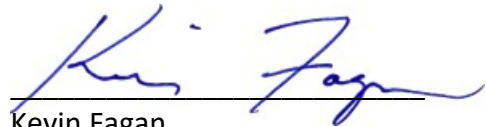
32 **WHEREAS** Intact must file a revised rate proposal for its Commercial Vehicles class of business
33 reflecting the findings of the Board as set out in the Reasons for Decision to be issued separately.

1 **IT IS THEREFORE ORDERED THAT:**

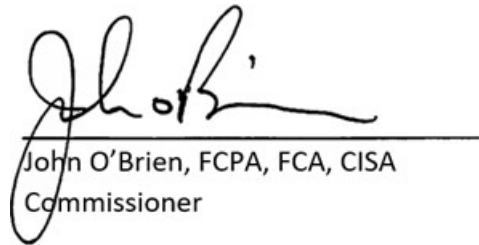
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- 3 1. The application is denied.

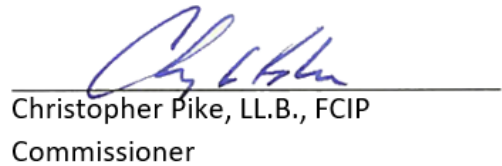
DATED at St. John's, Newfoundland and Labrador, this 20th day of October, 2023



Kevin Fagan
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Jo-Anne Galarneau
Board Secretary