

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

AN ORDER OF THE BOARD

NO. A.I. 51(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 Primmum Insurance Company for
8 approval of a revised rating program for
9 its Private Passenger Automobiles
10 category of automobile insurance.
11

12
13 **WHEREAS** on August 4, 2023 Primmum Insurance Company (“Primmum”) applied to the Board
14 for approval of a revised rating program for its Private Passenger Automobiles category of
15 automobile insurance; and
16

17 **WHEREAS** Primmum filed an overall rate level indication of +22.4% and proposed an overall rate
18 level change of +9.1%; and
19

20 **WHEREAS** Primmum proposed various rating program changes including base rate changes by
21 coverage, changes to existing rating factors and the introduction of a new rating factor; and
22

23 **WHEREAS** Primmum proposed rate capping provisions of +35% for clients with no at-fault claims
24 since last renewal and +70% for clients that experienced at-fault claims since last renewal; and
25

26 **WHEREAS** Primmum estimated its proposed overall rate level change on a capped basis to be
27 +8.9%; and
28

29 **WHEREAS** the rate filing was forwarded to the Board’s actuarial consultants, Oliver Wyman
30 Limited (“Oliver Wyman”), for review and report; and
31

32 **WHEREAS** on October 20, 2023 Oliver Wyman filed a report of findings with the Board which
33 found Primmum’s assumptions and proposed changes to be generally reasonable with the
34 exception of: post-Covid 19 frequency adjustment, expense provision, discount off-balancing,

1 return on investment, complement of credibility, premium trends and profit provision
2 calculation; and

3

4 **WHEREAS** Oliver Wyman noted that substituting alternate assumptions that it found to be more
5 reasonable in the above noted areas would reduce Primmum’s overall rate level indication from
6 +22.4% to +6.2%; and

7

8 **WHEREAS** on October 30, 2023 Primmum filed revised assumptions for discount off-balancing,
9 return on investment and profit provision which reduced its overall rate level indication from
10 +22.4% to +20.7%; and

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12 **WHEREAS** Primmum also filed additional justification to support its assumptions for post-Covid
13 19 frequency adjustment, expense provision, complement of credibility and premium trends; and

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15 **WHEREAS** on November 6, 2023 Oliver Wyman filed a report addendum in which it accepted
16 Primmum’s post-Covid 19 frequency adjustment, but continued to find that the assumptions for
17 expense provision, complement of credibility and premium trends were not in full compliance
18 with the Board’s Filing Guidelines; and

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20 **WHEREAS** Oliver Wyman noted that substituting alternate assumptions that it found to be more
21 reasonable for these elements would reduce Primmum’s overall rate level indication from
22 +20.7% to +8.7%; and

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24 **WHEREAS** on November 14, 2023 Primmum filed comments in response to Oliver Wyman noting
25 that it was not in agreement with the alternative assumptions presented by Oliver Wyman and
26 continued to find its own assumptions to be reasonable and supported; and

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28 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any prospective
29 ratemaking exercise and that the variance in the overall rate level indications produced by
30 Primmum and Oliver Wyman results primarily from differing actuarial judgements and
31 assumptions related to expense provision, complement of credibility and premium trends; and

32

33 **WHEREAS** with respect to expense provision, the Board notes that Primmum proposed an
34 increase when compared to the expense provision for its prior filing, which Primmum states is
35 related to its “Service Level Agreement”, which aims to improve customer service; and

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37 **WHEREAS** the Board notes that the Filing Guidelines require insurers to demonstrate through
38 documentary evidence and full justification that the proposed expense provision is reasonable;
39 and

40

41 **WHEREAS** the Board finds that Primmum did not fully explain how its “Service Level Agreement”
42 would benefit consumers and therefore has not fully justified that its proposed expense provision
43 is reasonable; and

1 **WHEREAS** with respect to the complement of credibility, the Board notes that Primmum included
2 the trended loss ratio from its prior filing, adjusted for residual rate inadequacy, as another
3 measure of rate level need in the current indication; and
4

5 **WHEREAS** the Board notes that Primmum and Oliver Wyman had differing actuarial judgements
6 on a number of assumptions included in the prior indication which resulted in differing
7 assessments of the appropriate amount of residual rate inadequacy to be included in the current
8 indication; and
9

10 **WHEREAS** the Board acknowledges that including residual rate inadequacy from a prior filing can
11 be an accepted actuarial practice to support the complement of credibility if the underlying
12 assumptions used to calculate the prior indication were deemed to be reasonable by the Board;
13 and
14

15 **WHEREAS** in Order No. A.I. 114(2020) the Board approved Primmum's proposed rate level
16 change of +9.8% but did not make a finding on the indication since the proposed change was less
17 than the indication filed by Primmum and reasonably consistent with the alternative indication
18 filed by Oliver Wyman; and
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20 **WHEREAS** the Board therefore finds that there is no approved rate indication residual to carry
21 forward in this circumstance;
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23 **WHEREAS** with respect to premium trends, the Board is satisfied that Primmum has provided
24 sufficient explanation and support for its proposed assumptions; and
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26 **WHEREAS** the Board does not accept Primmum's assumptions for expense provision or
27 complement of credibility and therefore does not accept the overall rate level indication of
28 +20.7% calculated by Primmum; and
29

30 **WHEREAS** the Board notes that Primmum's rate level indication of +20.7% is materially higher
31 than its proposed rate level change of +9.1% and that substituting alternative assumptions for
32 expense provision and complement of credibility would result in a rate indication reasonably
33 consistent with Primmum's proposed change; and
34

35 **WHEREAS** the Board is satisfied that the proposed overall rate level change of +9.1% is within an
36 acceptable range of reasonableness based on the evidence filed; and
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38 **WHEREAS** the Board accepts Primmum's other rating program changes including its proposed
39 changes to existing rating factors and the introduction of a new rating factor; and
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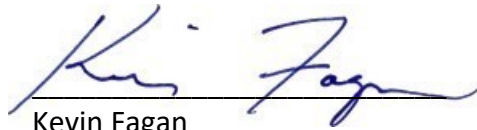
41 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
42 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
43 financial circumstances of the insurer, and do not violate the **Automobile Insurance Act** or the
44 **Insurance Companies Act** or the respective regulations thereunder.

1 **IT IS THEREFORE ORDERED THAT:**

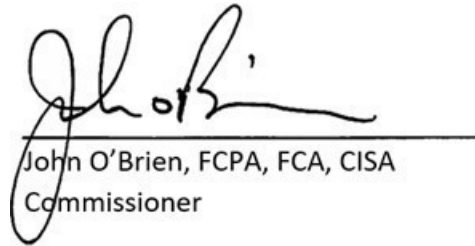
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3 The revised rating program received August 4, 2023 from Primmum Insurance Company for its
4 Private Passenger Automobiles category of automobile insurance is approved to be effective no
5 sooner than January 15, 2024 for new business and February 15, 2024 for renewals.

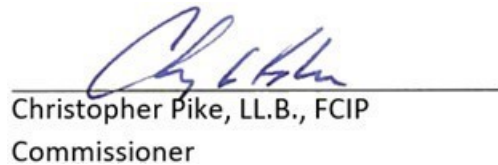
DATED at St. John's, Newfoundland and Labrador, this 24th day of November 2023.



Kevin Fagan
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Jo-Anne Galarneau
Executive Director and Board Secretary