

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

AN ORDER OF THE BOARD

NO. A.I. 26(2024)

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 to implement a revised rating program
9 for its All-Terrain Vehicles category of
10 automobile insurance.
11

12
13 **WHEREAS** on January 30, 2024 Intact Insurance Company (Intact) applied to the Board for
14 approval of a revised rating program under the Mandatory filing option for its All-Terrain Vehicles
15 (ATV) category of automobile insurance; and
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17 **WHEREAS** Intact filed an overall rate level indication of -28.6% and proposed an overall rate level
18 change of 0.0%; and
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20 **WHEREAS** Intact also proposed various underwriting and rating rule changes; and
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22 **WHEREAS** the filing was sent to the Board's actuarial consultants, Oliver Wyman Limited (Oliver
23 Wyman) for review and on March 28, 2024 Oliver Wyman filed a report of findings; and
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25 **WHEREAS** Oliver Wyman noted that substituting alternative assumptions that it found to be
26 more reasonable than those used by Intact for contingent commissions and complement of
27 credibility would result in an overall rate level indication of -0.8%, which was lower than Intact's
28 overall rate level proposal of 0.0%; and
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30 **WHEREAS** Oliver Wyman further noted that certain of Intact's proposed changes by coverage
31 were higher than indicated using Oliver Wyman's alternative assumptions and that Intact's
32 proposed rate level change for mandatory coverages of 0.0% was higher than Oliver Wyman's
33 estimated need of -4.4%; and,

1 **WHEREAS** on April 4, 2024 Intact noted that the estimated overall rate indications for ATV can
2 be wide-ranging due to limited data and low credibility and that the alternative rate indications
3 provided by Oliver Wyman resulted in an immaterial impact to the overall average premium level
4 of approximately \$2;

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6 **WHEREAS** Intact further noted that it continued to find an overall rate level change of 0.0% to be
7 reasonable in the circumstances considering the small volume of ATV business, the limited
8 available data, the lack of credibility, the volatility in the rate level indications and the non-
9 materiality of Oliver Wyman's alternatives;

10
11 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any prospective
12 ratemaking exercise and that the variance in the overall rate level indications produced by Intact
13 and Oliver Wyman results primarily from differing actuarial judgements and assumptions related
14 to contingent commissions and complement of credibility; and

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16 **WHEREAS** the Board accepts that there is considerable volatility in the ATV experience due to
17 the limited number of claims and that variances between two actuaries at the coverage level are
18 to be expected when differing assumptions are considered in the rate model; and

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20 **WHEREAS** the Board is satisfied that Intact's proposed rate level changes by coverage are
21 reasonable when considering both the volatility of the underlying data, the range of reasonable
22 outcomes in the prospective ratemaking exercise and the immaterial impact of Oliver Wyman's
23 alternatives; and

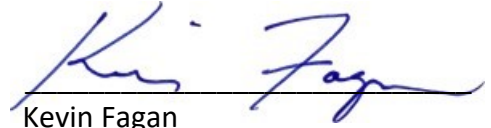
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25 **WHEREAS** the Board accepts Intact's proposed underwriting and rating rule changes; and

26
27 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
28 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
29 financial circumstances of the insurer, and do not violate the **Automobile Insurance Act** or the
30 **Insurance Companies Act** or the respective regulations thereunder.

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33 **IT IS THEREFORE ORDERED THAT:**

- 34
35 1. The revised rating program received January 30, 2024 from Intact Insurance Company for
36 its All-Terrain Vehicles category of automobile insurance is approved to be effective no
37 sooner than September 11, 2024 for new business and October 11, 2024 for renewals.

DATED at St. John's, Newfoundland and Labrador, this 15th day of April, 2024.



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