

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

AN ORDER OF THE BOARD

NO. A.I. 8(2021)

1 **IN THE MATTER OF** the *Automobile*
2 *Insurance Act*, RSNL 1990, c. A-22,
3 as amended, and regulations
4 thereunder; and
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6 **IN THE MATTER OF** an application
7 by Aviva Insurance Company of Canada
8 for approval to implement a revised rating
9 program for its Commercial Vehicles
10 category of automobile insurance.
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13 **WHEREAS** on November 23, 2020 Aviva Insurance Company of Canada (“Aviva”) applied to
14 the Board for approval of a revised rating program under the Mandatory filing option for its
15 Commercial Vehicles category of automobile insurance; and
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17 **WHEREAS** Aviva filed an overall rate level indication of +2.85% and proposed an overall rate
18 level change of +0.0%; and
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20 **WHEREAS** Aviva proposed the following rating program changes which are included in the
21 proposed overall rate level change of +0.0%:
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- 23 (a) Uniform 10% increase of BI, PD, DCPD and AB coverages in Territory 1;
24 (b) Uniform 10% reduction of BI, PD, DCPD and AB coverages in Territories 2 and 3;
25 (c) Uniform 5% increase of Collision coverage in Territory 1;
26 (d) Uniform 5% reduction of Collision coverage in Territories 2 and 3;
27 (e) Uniform 5% increase of BI, PD and DCPD coverages for Class 44 differentials;
28 (f) Uniform 5% reduction of BI, PD and DCPD coverages for Classes 47 and 54
29 differentials;
30 (g) Uniform 20% increase of Comprehensive coverage for Class 43 differentials;
31 (h) Base rate changes due to off-balancing; and
32 (i) Introduction of Classes 41, 42 and 49.
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34 **WHEREAS** Aviva also proposed to introduce an upper bound cap of +15.0% and estimated its
35 proposed overall rate level change on a capped basis to be +0.0%; and

1 **WHEREAS** on February 13, 2021 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 Aviva's assumptions for loss development
5 factors, experience period weights, complement of credibility, return on investment and proposed
6 changes to territory differentials; and

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8 **WHEREAS** Oliver Wyman reported that substituting alternative judgements and assumptions that
9 it found to be more reasonable and in accordance with the Board's Filing Guidelines would reduce
10 Aviva's overall rate level indication to a range of -2.4% to -0.7%; and

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12 **WHEREAS** Oliver Wyman acknowledged that there was considerable uncertainty in the
13 calculation of the rate level indications due to the sparse data for Commercial Vehicles; and

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15 **WHEREAS** on February 18, 2021 Aviva filed comments in response to the Oliver Wyman report
16 and provided additional rationale and support for its selected assumptions; and

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18 **WHEREAS** on February 18, 2021 Oliver Wyman filed a response to Aviva's comments but did
19 not change any of its previous findings; and


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21 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any
22 prospective ratemaking exercise and that the variance in the overall rate level indications produced
23 by Aviva and Oliver Wyman was the result of differing actuarial judgements on a number of the
24 assumptions included in the rate analysis; and

25
26 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
27 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
28 financial circumstances of the insurer, and do not violate the *Automobile Insurance Act* or the
29 *Insurance Companies Act* or the respective regulations thereunder.

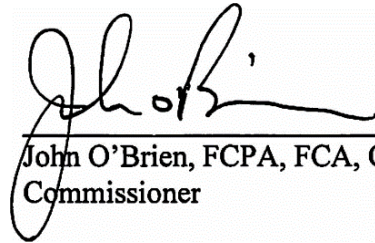
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32 **IT IS THEREFORE ORDERED THAT:**

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34 1. The revised rating program received on November 23, 2020 from Aviva Insurance Company
35 of Canada for its Commercial Vehicles category of automobile insurance is approved to be
36 effective no sooner than May 1, 2021 for new business and June 1, 2021 for renewals.


DATED at St. John's, Newfoundland and Labrador, this 18th day of March, 2021.



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



John O'Brien, FCPA, FCA, CISA
Commissioner



Cheryl Blundon
Board Secretary