

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

AN ORDER OF THE BOARD

NO. A.I. 23(2022)

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 S&Y Insurance Company for approval of
8 a revised rating program for its Private
9 Passenger Automobiles category of
10 automobile insurance.
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13 **WHEREAS** on July 12, 2022 S&Y Insurance Company (“S&Y”) applied to the Board for approval of
14 a revised rating program under the Mandatory filing option for its Private Passenger Automobiles
15 category of automobile insurance; and
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17 **WHEREAS** S&Y filed an overall rate level indication of +11.2% and proposed an overall rate level
18 change of +6.5%; and
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20 **WHEREAS** the rate analysis included the introduction of a “model refresh” by S&Y in an effort to
21 better derive the appropriate relative rate for each risk; and
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23 **WHEREAS** S&Y proposed the following rating program changes:

- 24 a) changes to rating algorithm, base rates and differentials;
25 b) discount and surcharge changes;
26 c) endorsement changes; and
27 d) adoption of the 2022 CLEAR rate group table replacing the current 2020 table; and
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29 **WHEREAS** S&Y proposed upper bound capping of +20%, lower bound capping of -15% and
30 estimated its proposed overall rate level change on a capped basis to be +3.5%; and
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32 **WHEREAS** on October 7, 2022 the Board’s actuarial consultants, Oliver Wyman Limited (“Oliver
33 Wyman”), filed a report of findings with the Board; and
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35 **WHEREAS** Oliver Wyman found S&Y’s proposed rating classification changes including
36 differentials, discounts, surcharges and endorsements to be reasonable and supported; and

1 **WHEREAS** Oliver Wyman identified issues for the Board’s consideration with respect to S&Y’s
2 assumptions for:

- 3 a) COVID-19 adjustment factors;
- 4 b) expense provision;
- 5 c) fixed expense allocation;
- 6 d) full credibility claim count;
- 7 e) complement of credibility; and
- 8 f) underinsured motorist proposal; and

9

10 **WHEREAS** Oliver Wyman noted that substituting alternative assumptions that it found to be
11 more appropriate than those used by S&Y in the above noted areas would result in an overall
12 rate level indication of +2.2% which was less than the overall rate level change proposed by S&Y;
13 and

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15 **WHEREAS** Oliver Wyman noted that S&Y’s proposed use of lower bound capping was a deviation
16 from the Board’s Filing Guidelines which only allows for the use of upper bound capping; and

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18 **WHEREAS** on October 17, 2022 S&Y filed comments in response to the Oliver Wyman report in
19 which it agreed to accept Oliver Wyman’s alternative assumptions for fixed expense allocation,
20 full credibility claim count, complement of credibility and underinsured motorist proposal; and

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22 **WHEREAS** S&Y noted that it continued to find its selected assumptions for the COVID-19
23 adjustment factors and expense provision to be reasonable and provided additional justification
24 to support its position; and

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26 **WHEREAS** S&Y noted that the inclusion of lower bound capping was proposed as a temporary
27 measure to help alleviate the significant dislocation associated with its model refresh and that
28 the total premium to be collected on a capped basis was less than would be collected on an
29 uncapped basis; and

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31 **WHEREAS** on October 26, 2022 S&Y filed an amended overall rate level indication and proposed
32 change of +5.3% based on the assumption changes it agreed to in its October 17, 2022 submission
33 and estimated its amended proposed overall rate level change on a capped basis to be +2.9%;
34 and

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36 **WHEREAS** on October 27, 2022 Oliver Wyman filed a revised report of findings based on S&Y’s
37 amended rate proposal in which it continued to find an overall rate level indication of +2.2%
38 based on alternative assumptions to be more reasonable; 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 S&Y
42 and Oliver Wyman results primarily from differing actuarial judgements and assumptions related
43 to the COVID-19 adjustment factors and expense provision; and

1 **WHEREAS** the Board is satisfied that S&Y has provided adequate support for its selected COVID-
2 19 adjustment factors and expense provision based on the evidence filed; and

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4 **WHEREAS** the Board accepts S&Y’s proposed rating classification changes including differentials,
5 discounts, surcharges and endorsements; and

6
7 **WHEREAS** the Board is satisfied that S&Y has adequately supported the inclusion of its lower
8 bound capping provisions as a deviation to the Filing Guidelines but finds that S&Y must re-
9 evaluate its capping provisions in its next Mandatory filing and make arrangements to remove
10 the lower bound capping as quickly as reasonably possible; and

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

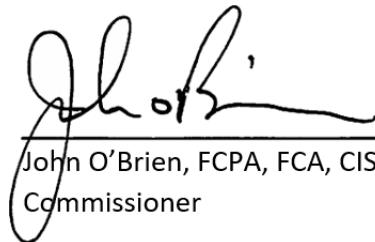
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18 **IT IS THEREFORE ORDERED THAT:**

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20 1. The revised rating program received on October 26, 2022 from S&Y Insurance Company for
21 its Private Passenger Automobiles category of automobile insurance is approved to be
22 effective no sooner than February 1, 2023 for new business and renewals.

DATED at St. John’s, Newfoundland and Labrador, this 7th day of November, 2022.




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



John O’Brien, FCPA, FCA, CISA
Commissioner



Assistant Board Secretary



Christopher Pike, LL.B., FCIP
Commissioner