

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

AN ORDER OF THE BOARD

NO. A.I. 30(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 Security National Insurance Company
8 for approval to introduce a rating
9 program for the Commercial Vehicles
10 category of automobile insurance.
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12

13 **WHEREAS** on August 4, 2022 Security National Insurance Company (“Security National”) applied
14 to the Board for approval of a modified version of IAO rating program for Commercial Vehicles
15 accepted for use by the Board in Information Bulletin A.I. 2021-04 issued on June 8, 2021; and
16

17 **WHEREAS** Security National opted to use the IAO rating program as the basis for its rate analysis
18 as it is a new entrant to the commercial auto market and does not have company specific loss
19 experience to prepare an independent actuarially based filing; and
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21 **WHEREAS** Security National proposed an overall average rate level that was +28.27% higher than
22 the current average rates for IAO based on modifications to various assumptions underlying the
23 IAO rate analysis; and
24

25 **WHEREAS** Security National also proposed deviations to the IAO rating program including
26 discounts, surcharges, optional endorsements and rate group factors; and
27

28 **WHEREAS** the filing was sent to the Board’s actuarial consultants, Oliver Wyman Limited (“Oliver
29 Wyman”), for review and report; and
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31 **WHEREAS** on October 12, 2022 Oliver Wyman filed a report of findings with the Board which
32 identified issues for the Board’s consideration with respect to the modifications proposed by
33 Security National related to loss trend rates, unallocated loss adjustment expense, finance fees
34 and profit provision; and

1 **WHEREAS** Oliver Wyman found that substituting alternative assumptions that it found to be
2 more reasonable than those used by Security National would result in an overall rate level
3 indication that was +5.81% to +7.68% higher than the current IAO rates; and
4

5 **WHEREAS** Oliver Wyman found Security National's proposed changes to discounts, surcharges,
6 optional endorsements and rate group factors to be reasonable and supported; and
7

8 **WHEREAS** on November 18, 2022 Security National filed an amended rate proposal of +18.04%
9 which included additional support for its selected loss trend rates and incorporated the
10 alternative assumptions suggested by Oliver Wyman for unallocated loss adjustment expense,
11 finance fees and profit provision; and
12

13 **WHEREAS** Security National noted that it also relied on alternative relevant sources of
14 information to develop its rate proposal including market conditions, competitive analysis and
15 operational factors; and
16

17 **WHEREAS** Security National noted that, as a new market entrant with no internal data, using
18 traditional actuarial ratemaking methodologies alone adds an inherent level of uncertainty and
19 volatility to the estimated rate level due to the low volume of industry data for Commercial
20 Vehicles in the province; and
21

22 **WHEREAS** Security National noted if Oliver Wyman's alternative indications based solely on
23 actuarial analysis were accepted it would result in an average premium level that was significantly
24 lower than the industry average thereby exposing the book of business to the risk of excessive
25 growth and anti-selection; and
26

27 **WHEREAS** Security National provided an analysis of average premium levels in the province to
28 demonstrate its anticipated position compared to other insurers in the market based on its
29 revised rate proposal of +18.04% and Oliver Wyman's alternative indications; and
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31 **WHEREAS** Oliver Wyman noted in response to the revised rate proposal that its role was limited
32 to review of the technical actuarial assumptions included in the rate analysis; and
33

34 **WHEREAS** Oliver Wyman acknowledged that there are broader business perspectives for entry
35 into new markets and that Security National has presented a business perspective case that is for
36 the Board's consideration rather than Oliver Wyman's; and
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38 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any prospective
39 ratemaking exercise and that the variance in the overall rate level indications produced by
40 Security National and Oliver Wyman results from differing judgements and assumptions included
41 in the filing; and

1 **WHEREAS** the Board acknowledges that Security National provided additional information to
2 complement its actuarial analysis including market conditions, competitive analysis and
3 operational factors that were not subject to consideration by Oliver Wyman; and
4

5 **WHEREAS** the Board agrees with the position of both Security National and Oliver Wyman that
6 there are broader business perspectives for entry into new markets and that the rate proposal in
7 question represents a business perspective case rather than a traditional actuarial analysis; and
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9 **WHEREAS** the Board is satisfied that Security National has provided adequate support for its
10 proposed rate level in the filing documentation; and
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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,**
15 **Insurance Companies Act** or the respective regulations thereunder.
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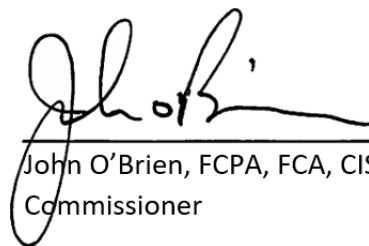
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18 **IT IS THEREFORE ORDERED THAT:**
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- 20 1. The revised rating program received on November 18, 2022 from Security National Insurance
21 Company for the Commercial Vehicles category of automobile insurance is approved to be
22 effective no sooner than March 1, 2023.

DATED at St. John's, Newfoundland and Labrador, this 5th day of December, 2022.



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



John O'Brien, FCPA, FCA, CISA
Commissioner



Cheryl Blundon
Board Secretary