

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

AN ORDER OF THE BOARD

NO. A.I. 53(2023)

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 by TD
7 Home and Auto Insurance Company for
8 approval of a revised rating program for
9 its Private Passenger Automobiles
10 category of automobile insurance.
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13 **WHEREAS** on August 4, 2023 TD Home and Auto Insurance Company (“TD Home and Auto”) applied to the Board for approval of a revised rating program for its Private Passenger Automobiles category of automobile insurance; and
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17 **WHEREAS** TD Home and Auto filed an overall rate level indication of +55.7% and proposed an overall rate level change of +8.9%; and
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20 **WHEREAS** TD Home and Auto proposed various rating program changes including base rate changes by coverage, changes to existing rating factors and the introduction of a new rating factor; and
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24 **WHEREAS** TD Home and Auto proposed rate capping provisions of +35% for clients with no at-fault claims since last renewal and +70% for clients that experienced at-fault claims since last renewal; and
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28 **WHEREAS** TD Home and Auto estimated its proposed overall rate level change on a capped basis to be +8.9%; and
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31 **WHEREAS** the rate filing was forwarded to the Board’s actuarial consultants, Oliver Wyman Limited (“Oliver Wyman”), for review and report; and
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34 **WHEREAS** on October 20, 2023 Oliver Wyman filed a report of findings with the Board which found TD Home and Auto’s assumptions and proposed changes to be generally reasonable with
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1 the exception of: post-Covid 19 frequency adjustment, expense provision, discount off-balancing,
2 return on investment, complement of credibility, premium trends and profit provision
3 calculation; and

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5 **WHEREAS** Oliver Wyman noted that substituting alternate assumptions that it found to be more
6 reasonable in the above noted areas would reduce TD Home and Auto's overall rate level
7 indication from +55.7% to +16.3%; and

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9 **WHEREAS** on October 30, 2023 TD Home and Auto filed revised assumptions for discount off-
10 balancing, return on investment and profit provision which reduced its overall rate level
11 indication from +55.7% to +53.4%; and

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

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

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22 **WHEREAS** Oliver Wyman noted that substituting alternate assumptions that it found to be more
23 reasonable for these elements would reduce TD Home and Auto's overall rate level indication
24 from +53.4% to +21.3%; and

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

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

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35 **WHEREAS** with respect to expense provision, the Board notes that TD Home and Auto proposed
36 an increase when compared to the expense provision for its prior filing, which TD Home and Auto
37 states is related to its "Service Level Agreement", which aims to improve customer service; and

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

1 **WHEREAS** the Board finds that TD Home and Auto did not fully explain how its “Service Level
2 Agreement” would benefit consumers and therefore has not fully justified that its proposed
3 expense provision is reasonable; and

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5 **WHEREAS** with respect to the complement of credibility, the Board notes that TD Home and Auto
6 included the trended loss ratio from its prior filing, adjusted for residual rate inadequacy, as
7 another measure of rate level need in the current indication; and

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9 **WHEREAS** the Board notes that TD Home and Auto and Oliver Wyman had differing actuarial
10 judgements on a number of assumptions included in the prior indication which resulted in
11 differing assessments of the appropriate amount of residual rate inadequacy to be included in
12 the current indication; and

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

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19 **WHEREAS** in Order No. A.I. 116 (2020) the Board approved TD Home and Auto’s proposed rate
20 level change of +24.5% but did not make a finding on the indication since the proposed change
21 was materially less than the indication filed by TD Home and Auto and the alternative indication
22 filed by Oliver Wyman; and

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24 **WHEREAS** the Board therefore finds that there is no approved rate indication residual to carry
25 forward in this circumstance;

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27 **WHEREAS** with respect to premium trends, the Board is satisfied that TD Home and Auto
28 provided sufficient explanation and support for its proposed assumptions; and

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30 **WHEREAS** the Board does not accept TD Home and Auto’s assumptions for expense provision or
31 complement of credibility and therefore does not accept the overall rate level indication of
32 +53.4% calculated by TD Home and Auto; and

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34 **WHEREAS** the Board notes that TD Home and Auto’s rate level indication of +53.4% is materially
35 higher than its proposed rate level change of +8.9% and that substituting alternative assumptions
36 for expense provision and complement of credibility would result in a rate indication that is
37 higher than TD Home and Auto’s proposed change; and

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39 **WHEREAS** the Board is satisfied that the proposed overall rate level change of +8.9% is within an
40 acceptable range of reasonableness based on the evidence filed; and

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42 **WHEREAS** the Board accepts TD Home and Auto’s other rating program changes including its
43 proposed changes to existing rating factors and the introduction of a new rating factor; and

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

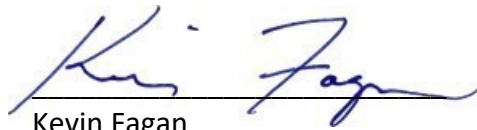
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7 **IT IS THEREFORE ORDERED THAT:**

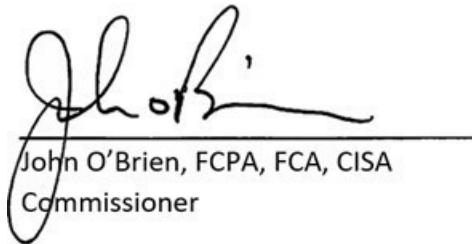
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9 The revised rating program received August 4, 2023 from TD Home and Auto Insurance Company
10 for its Private Passenger Automobiles category of automobile insurance is approved to be
11 effective no sooner than January 15, 2024 for new business and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

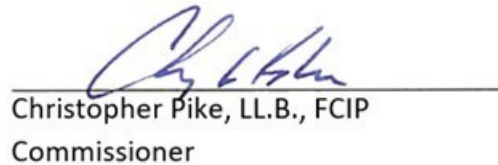
DATED at St. John's, Newfoundland and Labrador, this 24th day of November 2023.



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