

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

AN ORDER OF THE BOARD

NO. A.I. 28(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 Co-operators General Insurance
8 Company for approval of a revised
9 rating program for its Private Passenger
10 Automobiles category of automobile
11 insurance.
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14 **WHEREAS** On December 20, 2023 Co-operators General Insurance Company (“CGIC”) applied to
15 the Board under the Mandatory filing option for approval to implement a revised rating program
16 for its Private Passenger Automobiles category of automobile insurance; and
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18 **WHEREAS** CGIC filed an overall average rate level indication of +7.6% and proposed an overall
19 average rate level change of +7.0%; and
20

21 **WHEREAS** CGIC proposed the following rating program changes:
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- 23 • Rate level changes by coverage,
- 24 • Territorial differential changes,
- 25 • Rating variable changes,
- 26 • Vehicle classification table update,
- 27 • Discount changes,
- 28 • Changes to for SEF 20 - Loss of Use, and
- 29 • Introduction of SEF 1-45 - Restricted Permission to Drive for an Insured Transportation
30 Network
31

32 **WHEREAS** CGIC also proposed changes to its capping provisions which use gap factors and
33 estimated its proposed overall rate level change to be +6.6% on a capped basis; and

1 **WHEREAS** the rate filing was forwarded to the Board’s actuarial consultants, Oliver Wyman
2 Limited (“Oliver Wyman”), for review and report; and
3

4 **WHEREAS** on March 15, 2024 Oliver Wyman filed a report of findings with the Board which
5 identified key areas of the filing for the Board’s consideration; and
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7 **WHEREAS** on March 26, 2024 CGIC filed comments in response to Oliver Wyman and proposed
8 amendments to a number of its assumptions which resulted in an overall rate level indication of
9 +7.6%, equivalent to its original indication; and
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11 **WHEREAS** On April 5, 2024 Oliver Wyman filed a report addendum; and
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13 **WHEREAS** on April 9, 2024 CGIC confirmed that it has no further comments; and
14

15 **WHEREAS** Oliver Wyman found CGIC’s proposed changes to differentials, rating variables, vehicle
16 classification, discounts, SEF 20 and capping provisions to be reasonable and supported; and
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18 **WHEREAS** Oliver Wyman noted that it could not opine the reasonableness of CGIC’s proposed
19 SEF 1-45 endorsement due to limited available data; and
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21 **WHEREAS** Oliver Wyman identified issues with CGIC’s rate analysis assumptions for loss
22 development, loss trend rates, inflation adjustment, large loss adjustment, ULAE provision,
23 return on investment and complement of credibility; and
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25 **WHEREAS** Oliver Wyman did find CGIC’s proposed rate level change of +7.0% to be supported
26 and noted that substituting alternative assumptions that it found to be more reasonable than
27 those used by CGIC in the above noted areas would result in an alternative overall rate level
28 indication of -4.3%; and
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30 **WHEREAS** CGIC filed commentary in response to the issues identified by Oliver Wyman and
31 continued to find its proposed rate level change of +7.0% to be reasonable in the circumstances;
32 and
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34 **WHEREAS** the Board finds CGIC’s proposed changes to differentials, rating variables, vehicle
35 classification, discounts, SEF 20 and capping provisions to be reasonable; and
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37 **WHEREAS** the Board finds that CGIC provided sufficient rationale and support for the
38 introduction of SEF 1-45 and finds this change to be reasonable; and
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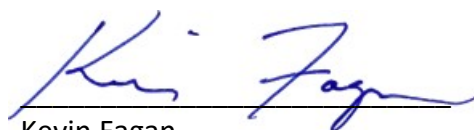
40 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any prospective
41 ratemaking exercise and that the variance in the overall rate level indications produced by CGIC
42 and Oliver Wyman result from differing actuarial judgements and assumptions; and

1 **WHEREAS** the Board finds that CGIC failed to adequately justify a number of its rate analysis
2 assumptions and is not satisfied that the proposed rates are just and reasonable in the
3 circumstances based on the evidence filed; and
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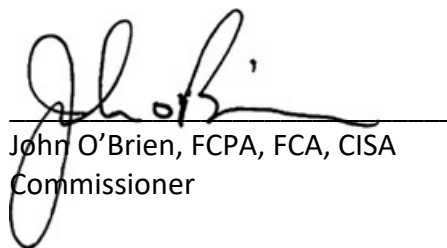
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6 **IT IS THEREFORE ORDERED THAT:**
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- 8 1. The application is denied.
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10 2. Co-operators General Insurance Company must file a revised rate proposal for its Private
11 Passenger Automobiles class of business reflecting the findings of the Board as set out in the
12 Reasons for Decision to be issued separately.

DATED at St. John's, Newfoundland and Labrador, this 8th day of May, 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