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7 **NO. A. I. 13 (2007)**

8 **IN THE MATTER OF** THE *Automobile,*
9 *Insurance Act*, RSNL 1990, c. A-22, as
10 amended (the “*Act*”)

11 **AND**

12
13 **IN THE MATTER OF** an application by
14 Primmum Insurance Company (the “Applicant”)
15 to implement revised rates for one endorsement
16 and to introduce two new endorsements
17 for its Private Passenger class of
18 automobile insurance business
19 (the “Application”).
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23 On March 28, 2007 the Applicant applied to the Board to implement revised rates for one endorsement
24 and to introduce two new endorsements for its Private Passenger class of automobile insurance business
25 written in the Province.
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27 Pursuant to s. 4 of the *Act* all endorsement forms must be approved by the Superintendent of Insurance for
28 the Province (the “Superintendent”). The Applicant did not seek the approval of the Superintendent of
29 the wordings of the new endorsements prior to applying to the Board and thus the Board could not
30 consider the application until the Superintendent’s approval was provided by the Applicant. The Board
31 received confirmation of the Superintendent’s approval on August 22, 2007. The Board’s determination
32 in respect of the Application was made on September 7, 2007 and is set out below.
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34 The Applicant’s proposed rates were not supported with actuarial analysis. It is often difficult to
35 actuarially support endorsement pricing given that the experience in relation to most endorsements is too
36 small to be credible. The Board accepts that it is appropriate in the circumstances to consider other
37 elements and factors in determining whether the proposed rates are too high for each of the three
38 proposed endorsements.
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40 The Applicant proposes to introduce a new endorsement - Endorsement 27 S - Grand Touring which
41 combines coverage previously available through the purchase of three separate endorsements, SEF 20,
42 SEF 27 and SEF 35. The rate for the proposed endorsement is lower than the total premium cost for the
43 three separate endorsements. The Board is satisfied that the proposed rate is not too high in the
44 circumstances.

1 The Applicant also proposes to introduce Endorsement 43S – 5 Year Replacement Cost which provides
2 for full payment of the original vehicle purchase price in the event of a total loss without deduction for
3 depreciation for a period of five years. The premium is calculated as a percentage of the base premium for
4 Collision and Comprehensive and increases as the vehicle ages. The endorsement is beneficial to the
5 insured in that over the first five years of ownership of the vehicle it is insured for its full original
6 purchase price without deduction for depreciation. The proposed rate for this endorsement is minor in
7 relation to the amount of insurance offered. The Board is satisfied that the rate is not too high in the
8 circumstances.

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10 The Applicant proposes to increase the rate for the SEF 20 – Loss of Use Endorsement. This endorsement
11 provides limited coverage for a replacement vehicle in the event the insured vehicle is unusable and under
12 repair due to an insured peril. The proposed rate is similar to rates charged for this endorsement by other
13 insurers and the Board is satisfied that the rate is not too high.

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15 **IT IS THEREFORE ORDERED THAT:**

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17 With effect from September 7, 2007:

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19 1. The proposed rate for the new Endorsement 27 S-Grand Touring is approved.
20 2. The proposed rate for the new Endorsement 43S-5 Year Replacement Cost is approved.
21 3. The revised rate for the SEF 20 Loss of Use endorsement is approved.

DATED at St. John's, Newfoundland and Labrador, this 7th day of September 2007.

Robert Noseworthy
Chairperson & Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chairperson

G. Cheryl Blundon,
Board Secretary