

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

AN ORDER OF THE BOARD

ORDER NO. A. I. 13 (2008)

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

AND

IN THE MATTER OF an application by Federation Insurance Company of Canada (“Federation”) to implement revised rates for its Private Passenger class of business.

WHEREAS on January 10, 2008 the Board received a rate filing from Federation, which was amended and re-filed on April 25, 2008, proposing private passenger rates with effect from July 1, 2008 for new business and August 15, 2008 for renewal business; and

WHEREAS Federation proposes an overall increase in private passenger rates of 7.5%, which varies by coverage; and

WHEREAS the Board has reviewed the rate filing, information, reports, and other documents and commentary relating to this filing and accepts the proposals with two exceptions: i) in the circumstances, the proposed use of the adjusted method in Federation’s estimate of its ultimate future loss amount for Bodily Injury coverage; and ii) the proposed future trend rate for Accident Benefits; on the basis that these proposals will result in rates that are in excess of that which are justified based on the information provided.

IT IS THEREFORE ORDERED THAT:

1. The proposed rates are prohibited.
2. Federation’s Bodily Injury loss development factors are rejected.
3. Federation’s proposed future trend rate for Accident Benefits is rejected.

- 1 4. Federation shall file with the Board revised rate indications using the traditional incurred reported
2 development method to derive its Bodily Injury loss development factors, as well as an Accident
3 Benefits future loss trend rate of +1%.
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- 5 5. Federation shall submit for the approval of the Board a revised rate filing with proposed rates
6 which are no higher than the rate indications revised in accordance with this Order, setting out
7 proposed effective dates.
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- 9 6. Federation may adjust the proposed rates to reflect the proposed effective dates in the trend
10 period.
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- 12 7. The proposed discount program is approved.
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- 14 8. The proposed surcharge program is approved.
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- 16 9. The updated CLEAR rate group tables are accepted.
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- 18 10. The proposed changes to driving record progression for at fault accidents are accepted.
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- 20 11. Federation shall pay all the expenses of the Board arising from this filing.

DATED at St. John's, Newfoundland and Labrador, this 15th day of July 2008.

Andy Wells
Chair & Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

G. Cheryl Blundon
Board Secretary