

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

AN ORDER OF THE BOARD

NO. A.I. 47(2020)

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
7 by Elite Insurance Company for
8 approval to implement a revised rating
9 program for its Antique and Classic
10 Vehicles class of business.
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13 **WHEREAS** on May 12, 2020 Elite Insurance Company (“Elite”) applied to the Board for approval
14 of a revised rating program under the Mandatory filing option for its Antique and Classic Vehicles
15 class of business; and
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17 **WHEREAS** Elite filed an overall rate level indication of +34.8% and proposed an overall rate
18 level change of +6.8% that varied by coverage; and
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20 **WHEREAS** Elite’s proposed overall rate level change included the following:

- 21 (i) introduction of Direct Compensation Property Damage;
- 22 (ii) adjustments to account for the increase in the deductible applicable to all pain and
23 suffering awards from \$2,500 to \$5,000;
- 24 (iii) increase to the minimum policy premium;
- 25 (iv) introduction of Named Insured Years Licensed differentials;
- 26 (v) introduction of Inexperienced Occasional Operator differentials;
- 27 (vi) adjusted deductible factors and additional deductible options;
- 28 (vii) replacing current vehicle rate group rating with a rate per \$100;
- 29 (viii) modifications to the Claims Free discount; and
- 30 (ix) introduction of Individual Risk Premium Modification discounts for high-valued
31 collections; and
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33 **WHEREAS** on June 3, 2020 Elite amended its overall rate indication level from +34.8% to
34 +34.7% to remove a reinsurance provision from its expense provision; and

1 **WHEREAS** on June 9, 2020 the Board's actuarial consultants, Oliver Wyman Limited (“Oliver
2 Wyman”), filed a report of findings with the Board which identified key areas of the filing for the
3 Board's consideration; and

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5 **WHEREAS** Oliver Wyman noted that while it was not in full agreement with all of Elite's
6 underlying assumptions, the proposed overall rate level increase of +6.8% was supported under
7 any alternative measures it found to be reasonable; and

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9 **WHEREAS** Oliver Wyman found all of Elite's proposed rating program changes to be supported
10 with the expectation of the Inexperienced Occasional Operator differentials; and

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12 **WHEREAS** Elite noted that occasional operators inherently tend to be a higher risk due to the
13 lack of driving experience and that the ability to both offer coverage and rate appropriately for
14 such risks was essential to its continued business; and

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16 **WHEREAS** Elite's proposed Inexperienced Occasional Operator differentials were selected by
17 taking into account United States data from a partner company due to data limitations; and

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19 **WHEREAS** Oliver Wyman noted that it was unfamiliar with the United States data and therefore
20 could not opine on the reasonableness of the proposed Inexperienced Occasional Operator
21 differentials; and

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23 **WHEREAS** on June 16, 2020 Elite filed comments in response to the Oliver Wyman report which
24 noted that the United States data used in the analysis of the Inexperienced Occasional Operator
25 differentials was very similar to Elite's Canadian book profile with minimal variation in
26 demographics, experience, and mix of business and was the closest representation available for the
27 new proposed rating variables; and

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29 **WHEREAS** Elite further noted that it would continue to monitor the Canadian experience
30 independently and adjust pricing as necessary in the future; and

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32 **WHEREAS** the estimated overall impact of introducing the Inexperienced Occasional Operator
33 differentials was +0.4%; and

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35 **WHEREAS** the Board acknowledges the data limitations with respect to the calculation of the
36 Inexperienced Operator differentials for the Antique and Classic Vehicles class of business and
37 accepts Elite's proposal to use the United States data from a partner company on the basis that this
38 data was similar to its Canadian book profile and the best representative data available in the
39 circumstances; and

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

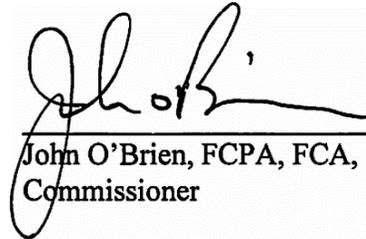
1 **IT IS THEREFORE ORDERED THAT:**
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- 3 1. The revised rating program received on May 12, 2020 from Elite Insurance Company for its
4 Antique and Classic Vehicles class of business is approved to be effective no sooner than
5 October 1, 2020 for new business and November 15, 2020 for renewals.

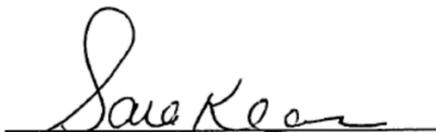
DATED at St. John's, Newfoundland and Labrador, this 9th day of July, 2020.



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



John O'Brien, FCPA, FCA, CISA
Commissioner



Sara Kean
Assistant Board Secretary