

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

**AN ORDER OF THE BOARD**

**NO. A.I. 52(2023)**

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 Security National Insurance Company

8 for approval of a revised rating program

9 for its Private Passenger Automobiles

10 category of automobile insurance.

11

12

13 **WHEREAS** on August 4, 2023 Security National Insurance Company (“Security National”) applied  
14 to the Board for approval of a revised rating program for its Private Passenger Automobiles  
15 category of automobile insurance; and

16

17 **WHEREAS** Security National filed an overall rate level indication of +17.3% and proposed an  
18 overall rate level change of +8.9%; and

19

20 **WHEREAS** Security National proposed various rating program changes including base rate  
21 changes by coverage, changes to existing rating factors and the introduction of a new rating  
22 factor; and

23

24 **WHEREAS** Security National proposed rate capping provisions of +35% for clients with no at-fault  
25 claims since last renewal and +70% for clients that experienced at-fault claims since last renewal;  
26 and

27

28 **WHEREAS** Security National estimated its proposed overall rate level change on a capped basis  
29 to be +8.9%; and

30

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

33

34 **WHEREAS** on October 20, 2023 Oliver Wyman filed a report of findings with the Board which  
35 found Security National’s assumptions and proposed changes to be generally reasonable with

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

4  
5 **WHEREAS** Oliver Wyman noted that substituting alternate assumptions that it found to be more  
6 reasonable in the above noted areas would reduce Security National's overall rate level indication  
7 from +17.3% to +1.1%; and

8  
9 **WHEREAS** on October 30, 2023 Security National filed revised assumptions for discount off-  
10 balancing, return on investment and profit provision which reduced its overall rate level  
11 indication from +17.3% to +15.7%; and

12  
13 **WHEREAS** Security National also filed additional justification to support its assumptions for post-  
14 Covid 19 frequency adjustment, expense provision, complement of credibility and premium  
15 trends; and

16  
17 **WHEREAS** on November 6, 2023 Oliver Wyman filed a report addendum in which it accepted  
18 Security National'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

21  
22 **WHEREAS** Oliver Wyman noted that substituting alternate assumptions that it found to be more  
23 reasonable for these elements would reduce Security National's overall rate level indication from  
24 +15.7% to +5.1%; and

25  
26 **WHEREAS** on November 14, 2023 Security National filed comments in response to Oliver Wyman  
27 noting that it was not in agreement with the alternative assumptions presented by Oliver Wyman  
28 and continued to find its own assumptions to be reasonable and supported; and

29  
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  
32 Security National and Oliver Wyman results primarily from differing actuarial judgements and  
33 assumptions related to expense provision, complement of credibility and premium trends; and

34  
35 **WHEREAS** with respect to expense provision, the Board notes that Security National proposed  
36 an increase when compared to the expense provision for its prior filing, which Security National  
37 states is related to its "Service Level Agreement", which aims to improve customer service; and

38  
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 Security National 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 Security National  
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

8  
9 **WHEREAS** the Board notes that Security National 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

13  
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

18  
19 **WHEREAS** in Order No. A.I. 115(2020) the Board approved Security National’s proposed rate level  
20 change of +10.0% but did not make a finding on the indication since the proposed change was  
21 less than the indication filed by Security National and reasonably consistent with the alternative  
22 indication filed by Oliver Wyman; and

23  
24 **WHEREAS** the Board therefore finds that there is no approved rate indication residual to carry  
25 forward in this circumstance;

26  
27 **WHEREAS** with respect to premium trends, the Board is satisfied that Security National provided  
28 sufficient explanation and support for its proposed assumptions; and

29  
30 **WHEREAS** the Board does not accept Security National’s assumptions for expense provision or  
31 complement of credibility and therefore does not accept the overall rate level indication of  
32 +15.7% calculated by Security National; and

33  
34 **WHEREAS** the Board notes that Security National’s rate level indication of +15.7% 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 reasonably  
37 consistent with Security National’s proposed change; and

38  
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

41  
42 **WHEREAS** the Board accepts Security National’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.

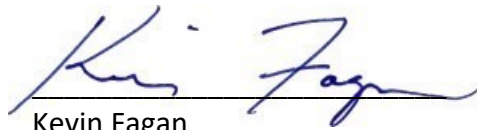
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7 **IT IS THEREFORE ORDERED THAT:**

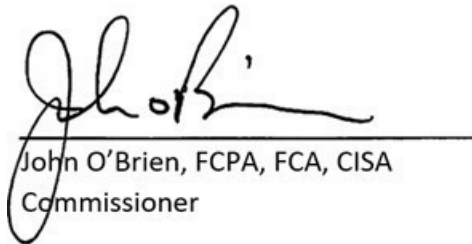
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9 The revised rating program received August 4, 2023 from Security National Insurance Company  
10 for its Private Passenger Automobiles category of automobile insurance is approved to be  
11 effective no sooner than January 15, 2024 for new business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

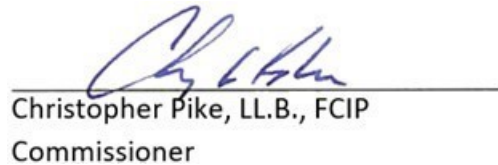
**DATED** at St. John's, Newfoundland and Labrador, this 24<sup>th</sup> day of November 2023.



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