

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

**Bill 47 Backgrounder
Facility Association Profit Provision**

What is Facility Association?

Facility Association (“FA”) is an entity established by the automobile insurance industry to ensure the availability of automobile insurance to owners and licensed drivers of motor vehicles who would otherwise have difficulty obtaining coverage due to their risk characteristics. It is often referred to as the market of last resort. Every automobile insurer licensed to write business in the province is required to become a member of FA and share in its financial results.

What is Bill 47?

On October 17, 2023 the Newfoundland and Labrador Government introduced Bill 47 to amend the **Insurance Companies Act** and prohibit FA from including a profit provision in its automobile insurance rates in the province. On November 16, 2023, Bill 47 received Royal Assent and came into effect for all FA Mandatory rate filings moving forward.

What is a profit provision?

A profit provision is an amount normally included in automobile insurance rates to provide a reasonable return on investment to insurance providers. The maximum profit provision the Board will currently allow in rate filings is 6% of premium. That is, for every \$100 of premium charged, \$6 is included for profit.

The inclusion of a profit provision in rates does not represent a guarantee of the actual profit levels to be earned by insurers. Insurance rates are set using estimates of expected future costs. Since actual costs may differ from the estimates used, the actual profits earned by insurers may be higher or lower than the profit provision.

Which FA rates currently include a profit provision?

FA rates for Private Passenger Automobiles, Motorcycles, Snow Vehicles, All-Terrain Vehicles and Taxis currently include a profit provision of 6% of premium. Rates for these vehicles were approved by the Board prior to the introduction of Bill 47. Rates for FA’s remaining classes of business including Motorhomes, Campers and Trailers, Antiques, Public Vehicles and Garage Vehicles do not currently include a profit provision.

When will the profit provision be removed from FA rates?

The profit provision will be removed upon approval and implementation of new FA rates for Private Passenger Automobiles, Motorcycles, Snow Vehicles, All-Terrain Vehicles and Taxis. FA is required to file new rates on or before the following deadlines:

Vehicle Class	Most Recent Board Order	Next Mandatory Filing Deadline
Private Passenger Automobiles	A.I. 52(2021)	December 3, 2024
Motorcycles	A.I. 17(2022)	July 12, 2025
Snow Vehicles	A.I. 17(2022)	July 12, 2025
ATVs	A.I. 17(2022)	July 12, 2025
Taxis	A.I. 19(2022)	September 22, 2025

New rates are generally approved by the Board within 90-days of receiving a filing, but the Board has the ability to extend a review for up to a maximum of 180-days if required. Following Board approval, FA typically requires approximately 100 days to implement any rate changes.

Can consumers expect to see rate decreases as a result of Bill 47?

FA is required to remove the profit provision for Private Passenger Automobiles, Motorcycles, Snow Vehicles, All-Terrain Vehicles and when it files its next Mandatory rate filings. The impact on future rates will depend on the evidence included in these rate filings and cannot be predicted at this time. The profit provision is a single element of many cost considerations used to determine automobile insurance rates. It is possible that other costs incurred by FA may increase and offset the 6% reduction which might otherwise be expected with the removal of the profit provision. Thorough reviews of FA's next Mandatory rate filings are required before the Board can determine if there will be rate reductions.

Who should policyholders contact with questions about automobile insurance rates?

The first step when questions arise regarding automobile insurance rates is always to speak with the representative through which the insurance was purchased (e.g.; broker, agent or direct writer). These individuals have access to rating characteristics of policyholders and are therefore best equipped to answer policy-specific questions.

In circumstances where a question cannot be answered by an insurance representative, policyholders may contact the Board for additional assistance by email (board@pub.nl.ca) or by phone (1-866-782-0006).