NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AN ORDER OF THE BOARD

NO. A.I. 18(2025)

IN THE MATTER OF the **Automobile Insurance Act**, RSNL 1990, c. A-22, as amended, and regulations thereunder; and

IN THE MATTER OF an application by Facility Association for approval to implement a revised rating program for its Commercial Vehicles category of automobile insurance.

WHEREAS on December 3, 2024 Facility Association ("Facility") applied to the Board for approval of a revised rating program under the Mandatory filing option for its Commercial Vehicles category of automobile insurance, including Interurban Vehicles; and

WHEREAS Facility is the operator of the residual market mechanism for automobile insurance in the Province and its purpose is to ensure the availability of automobile insurance to all eligible owners and licensed drivers of motor vehicles; and

WHEREAS Facility filed an overall rate level indication of -6.5% for Commercial Vehicles and -4.4% for Interurban Vehicles based on a 0.0% profit provision in accordance with legislation;[1] and

WHEREAS Facility proposed an overall rate level change of -5.0% for Commercial Vehicles and -4.4% for Interurban Vehicles, based in part on a market share analysis; and

WHEREAS Facility also proposed various changes to its differentials, class variables, driving record variables, exposure factor, surcharges, and rules; and

WHEREAS the filing was sent to the Board's actuarial consultants, Oliver Wyman Limited ("Oliver Wyman") for review and report; and

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[1] Section 102(1.1) of the Insurance Companies Act prohibits Facility from including a profit provision in its rates.

WHEREAS on February 27, 2025 Oliver Wyman found Facility's proposed changes to differentials, class variables, driving record variables, exposure factor, surcharges, and rules to be reasonable; and

WHEREAS Oliver Wyman reported that substituting alternative assumptions that it found to be more reasonable for loss trends[2] and commissions expense would result in an overall rate level indication of -12.7% for Commercial Vehicles and -5.9% for Interurban Vehicles, which was a larger decrease than Facility's proposed overall rate level changes of -5.0% and -4.4% respectively; and

WHEREAS on March 14, 2025 Facility provided additional support for its selected loss trend rates and commissions expense; and

WHEREAS on March 24, 2025 Oliver Wyman accepted Facility's commissions expense but continued to find alternative loss trend rates to be more reasonable than those used by Facility, resulting in an alternative overall rate level indication of -7.3% for Commercial Vehicles and -4.9% for Interurban Vehicles; and

WHEREAS on March 31, 2025 Facility rejected Oliver Wyman's alternative loss trend assumptions and noted that it continued to find its own loss trend models to be actuarially sound and reasonable; and

WHEREAS Facility also submitted that consideration should be given to its market share position when reviewing the proposed overall rate level changes given that part of Facility's mission and purpose is to keep its market share as small as possible;

WHEREAS Facility noted that it considers a vehicle segment to have market availability issues when its market share exceeds 5%, and provided evidence showing that its vehicle count market share over the last 5 years was approximately 5% for Commercial Vehicles and over 50% for Interurban Vehicles; and

WHEREAS Oliver Wyman submitted that it did not disagree with Facility's position regarding market share, but noted that it reviews rate filings from an actuarial perspective and found Facility's proposed overall rate level change to be unsupported on this basis; and

WHEREAS Facility acknowledged that Oliver Wyman's role in the rate review process is generally limited to actuarial findings, but recommended that the Board consider Facility's market share evidence as a supplement to its actuarial analysis as it supports the rate proposal in the context of the residual market; and

[2] Including COVID-19 adjustments and new normal factors.

WHEREAS the Board acknowledges that a wide range of outcomes are possible in any prospective ratemaking exercise and that the variance in the overall rate level indications produced by Facility and Oliver Wyman result primarily from differing actuarial judgements and assumptions related to loss trend rates; and

WHEREAS the Board finds that Facility has provided adequate support for its selected loss trend rates based on the evidence filed and is satisfied that the selections fall within an acceptable range of reasonableness; and

WHEREAS the Board acknowledges that its Filing Guidelines allow for the consideration of market-based analyses to supplement actuarial methodologies where an insurer is of the opinion that its actuarial analysis is not fully relevant, adequate or reasonable for use in establishing rates;[3] and

WHEREAS the Board generally agrees that the market analysis filed by Facility demonstrates that its recent market share figures for Commercial Vehicles and Interurban Vehicles are at elevated levels, and that consideration should be given to this data when assessing the reasonableness of the rate level proposal; and

WHEREAS the Board also notes that there is considerable volatility in the Commercial Vehicles experience due to the limited number of claims which can result in a wide range of reasonable rate level proposals; and

WHEREAS the Board is satisfied based on the above noted considerations that Facility's rate level proposal is within an acceptable range of reasonableness and therefore accepts Facility's proposed overall rate level change of -5.0% for Commercial Vehicles and -4.4% for Interurban Vehicles; and

WHEREAS the Board also accepts Facility's proposed rating program changes to differentials, class variables, driving record variables, exposure factor, surcharges, and rules; and

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

[3] Mandatory Filing Guidelines, page 9.

IT IS THEREFORE ORDERED THAT:

1. The revised rating program received December 3, 2024 from Facility Association for its Commercial Vehicles category of automobile insurance, including Interurban Vehicles, is approved to be effective no sooner than September 1, 2025 for new business and renewals.

DATED at St. John's, Newfoundland and Labrador, this 16th day of May, 2025.

Kevin Fagan
Chair and Chief Executive Officer

John O'Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LL.B., FCIP
Commissioner

Jo-Anne Galarneau
Board Secretary