

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

AN ORDER OF THE BOARD

NO. A.I. 19(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 Miscellaneous 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 Miscellaneous Vehicles
category of automobile insurance, including Motorhomes, Camper Units & Private Trailers
(“Trailers”) and Historic 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 -3.8%¹ for Motorhomes and proposed
an overall rate level change of 0.0% due to its small exposure count;² and

WHEREAS Facility has zero exposures with which to calculate a rate level indication for Trailers
or Historic Vehicles and therefore proposed an overall rate level change of 0.0%; and

WHEREAS Facility also proposed various changes to its 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

¹ Calculated in accordance with Section 102(1.1) of the Insurance Companies Act, which prohibits Facility from
including a profit provision in its rates.

² Facility reported only 30 exposures for Motorhomes.

1 **WHEREAS** on February 27, 2025 Oliver Wyman found Facility's proposed changes to its exposure
2 factor, surcharges and rules to be reasonable; and
3

4 **WHEREAS** Oliver Wyman reported that substituting alternative assumptions that it found to be
5 more reasonable for loss trends³ and commissions expense would result in an overall rate level
6 indication of -12.8% for Motorhomes; and
7

8 **WHEREAS** Oliver Wyman acknowledged that Facility has zero exposures for Trailers and Historic
9 Vehicles and therefore did not provide any findings on the overall rate level proposals for these
10 vehicle types; and
11

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

15 **WHEREAS** on March 24, 2025 Oliver Wyman accepted Facility's commissions expense but
16 continued to find alternative loss trend rates to be more reasonable than those used by Facility,
17 resulting in an alternative overall rate level indication of -4.5% for Motorhomes; and
18

19 **WHEREAS** on March 31, 2025 Facility rejected Oliver Wyman's alternative loss trend assumptions
20 and noted that it continued to find its own loss trend models to be actuarially sound and
21 reasonable; and
22

23 **WHEREAS** the Board acknowledges that a wide range of outcomes are possible in any prospective
24 ratemaking exercise and that the variance in the overall rate level indications produced by Facility
25 and Oliver Wyman result primarily from differing actuarial judgements and assumptions related
26 to loss trend rates; and
27

28 **WHEREAS** the Board finds that Facility has provided adequate support for its selected loss trend
29 rates based on the evidence filed and is satisfied that the selections fall within an acceptable
30 range of reasonableness; and
31

32 **WHEREAS** the Board notes that there is considerable volatility in the Miscellaneous Vehicles
33 experience due to the small number of claims, which can result in a wide range of reasonable
34 rate level proposals; and
35

36 **WHEREAS** the Board is satisfied based on the above noted considerations that Facility's rate level
37 proposal is within an acceptable range of reasonableness and therefore accepts Facility's
38 proposed overall rate level change of 0.0% for Motorhomes, Trailers and Historic Vehicles; and
39

40 **WHEREAS** the Board also accepts Facility's proposed rating program changes to its exposure
41 factor, surcharges and rules; and

³ Including COVID-19 adjustments and new normal factors.

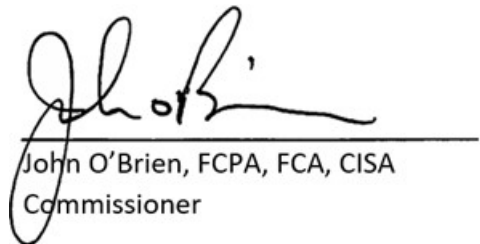
1 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
2 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
3 financial circumstances of the insurer, and do not violate the **Automobile Insurance Act** or the
4 **Insurance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

5
6
7 **IT IS THEREFORE ORDERED THAT:**
8

- 9 1. The revised rating program received December 3, 2024 from Facility Association for its
10 Miscellaneous Vehicles category of automobile insurance is approved to be effective no
11 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