

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

**AN ORDER OF THE BOARD**

**NO. A.I. 20(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 Public 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 Public Vehicles category of automobile insurance, including Public Buses, Private Buses, School Buses, Hotel and Country Club Buses, Funeral Vehicles and Ambulances; 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 the following overall rate level indications for Public Vehicles, based on a 0.0% profit provision in accordance with legislation:<sup>1</sup>

<b>Public Vehicle Type</b>	<b>Overall Rate Level Indication</b>
Public Buses	-0.9%
Private Buses	-3.9%
School Buses	-2.9%
Hotel and Country Club Buses	-1.5%
Funeral Vehicles	-0.5%
Ambulances	-2.1%

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<sup>1</sup> Section 102(1.1) of the Insurance Companies Act prohibits Facility from including a profit provision in its rates.

**WHEREAS** Facility proposed an overall rate level change of 0.0% for each category of Public Vehicle, based on consideration of a market share analysis and its small book of business;<sup>2</sup> 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

**WHEREAS** on February 27, 2025 Oliver Wyman found Facility’s proposed changes to its 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<sup>3</sup> and commissions expense would result in the following overall rate level indications for Public Vehicles:

Public Vehicle Type	Overall Rate Level Indication
Public Buses	-3.0%
Private Buses	-9.9%
School Buses	-8.1%
Hotel and Country Club Buses	-6.6%
Funeral Vehicles	-6.7%
Ambulances	-8.0%

**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 commission expense but continued to find alternative loss trend rates to be more reasonable than those used by Facility, resulting in the following alternative overall rate level indications for Public Vehicles:

Public Vehicle Type	Overall Rate Level Indication
Public Buses	-1.3%
Private Buses	-4.5%
School Buses	-3.1%
Hotel and Country Club Buses	-1.8%
Funeral Vehicles	-1.0%
Ambulances	-2.7%

<sup>2</sup> Facility reported a combined total of 464 exposures across all Public Vehicles types.

<sup>3</sup> Including COVID-19 adjustments and new normal factors.

**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; and

**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 well-exceeded 50% for each category of Public Vehicles, excluding Funeral Vehicles and Ambulances;<sup>4</sup> 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

**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;<sup>5</sup> and

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

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<sup>4</sup> Funeral Vehicles and Ambulances were excluded from the market share analysis because their exposure count was too small at 1 and 8 exposures, respectively.

<sup>5</sup> Mandatory Filing Guidelines, page 9.

**WHEREAS** the Board also notes that there is considerable volatility in the Public 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 0.0% for Public Vehicles; and

**WHEREAS** the Board also accepts Facility's proposed rating program changes to its 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.


**IT IS THEREFORE ORDERED THAT:**

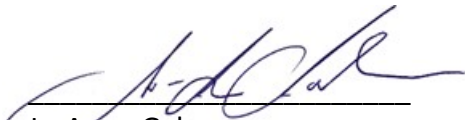
1. The revised rating program received December 3, 2024 from Facility Association for its Public Vehicles category of automobile insurance is approved to be effective no sooner than September 1, 2025 for new business and renewals.

**DATED** at St. John's, Newfoundland and Labrador, this 16<sup>th</sup> 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