

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

AN ORDER OF THE BOARD

NO. A.I. 21(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 Garage 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 Garage Vehicles category of automobile insurance; 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 -2.1% for Garage Vehicles, based on a 0.0% profit provision in accordance with legislation;¹ and

WHEREAS Facility proposed an overall rate level change of +0.0% for Garage Vehicles, based on consideration of a market share analysis and its small book of business;² 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 Section 102(1.1) of the Insurance Companies Act prohibits Facility from including a profit provision in its rates.

² Facility reported 118 Garage exposures.

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 -8.2%; and
7

8 **WHEREAS** on March 14, 2025 Facility provided additional support for its selected loss trend rates
9 and commissions expense; and
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11 **WHEREAS** on March 24, 2025 Oliver Wyman accepted Facility's commissions expense but
12 continued to find alternative loss trend rates to be more reasonable than those used by Facility,
13 resulting in an alternative overall rate level indication of -2.6%; and
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15 **WHEREAS** on March 31, 2025 Facility rejected Oliver Wyman's alternative loss trend assumptions
16 and noted that it continued to find its own loss trend models to be actuarially sound and
17 reasonable; and
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19 **WHEREAS** Facility also submitted that consideration should be given to its market share position
20 when reviewing the proposed overall rate level changes given that part of Facility's mission and
21 purpose is to keep its market share as small as possible; and
22

23 **WHEREAS** Facility noted that it considers a vehicle segment to have market availability issues
24 when its market share exceeds 5%, and provided evidence showing that its market share for
25 Garage Vehicles over the last 5 years was approximately 16%, and exceeded 20% in 2023; and
26

27 **WHEREAS** Oliver Wyman submitted that it did not disagree with Facility's position regarding
28 market share, but noted that it reviews rate filings from an actuarial perspective and found
29 Facility's proposed overall rate level change to be unsupported on this basis; and
30

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

³ Including COVID-19 adjustments and new normal factors.

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

5
6 **WHEREAS** the Board finds that Facility has provided adequate support for its selected loss trend
7 rates based on the evidence filed and is satisfied that the selections fall within an acceptable
8 range of reasonableness; and

9
10 **WHEREAS** the Board acknowledges that its Filing Guidelines allow for the consideration of
11 market-based analyses to supplement actuarial methodologies where an insurer is of the opinion
12 that its actuarial analysis is not fully relevant, adequate or reasonable for use in establishing
13 rates;⁴ and

14
15 **WHEREAS** the Board generally agrees that the market analysis filed by Facility demonstrates that
16 its recent market share figures for Garage Vehicles are at elevated levels, and that consideration
17 should be given to this data when assessing the reasonableness of the rate level proposal; and

18
19 **WHEREAS** the Board also notes that there is considerable volatility in the Garage Vehicles
20 experience due to the limited number of claims which can result in a wide range of reasonable
21 rate level proposals; and

22
23 **WHEREAS** the Board is satisfied based on the above noted considerations that Facility's rate level
24 proposal is within an acceptable range of reasonableness and therefore accepts Facility's
25 proposed overall rate level change of 0.0% for Garage Vehicles; and

26
27 **WHEREAS** the Board also accepts Facility's proposed rating program changes to its exposure
28 factor, surcharges and rules; and

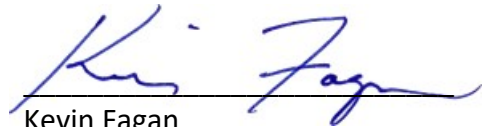
29
30 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
31 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
32 financial circumstances of the insurer, and do not violate the **Automobile Insurance Act** or the
33 **Insurance Companies Act** or the respective regulations thereunder.

⁴ Mandatory Filing Guidelines, page 9.


IT IS THEREFORE ORDERED THAT:

1. The revised rating program received December 3, 2024 from Facility Association for its Garage 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 16th day of May, 2025.



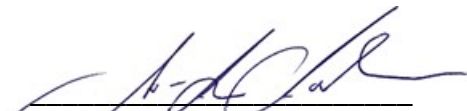
Kevin Fagan
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Jo-Anne Galarneau
Board Secretary