

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

AN ORDER OF THE BOARD

NO. A.I. 27(2013)

1 **IN THE MATTER OF** the *Automobile*
2 *Insurance Act*, RSNL 1990, c. A-22 (the “*Act*”),
3 as amended, and regulations thereunder; and
4

5 **IN THE MATTER OF** an application
6 by Facility Association for approval to
7 implement a revised rating program for its
8 Private Passengers Automobiles class of business.
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11 **WHEREAS** on January 24, 2013 Facility Association applied to the Board for approval of a
12 revised rating program for its Private Passenger Automobiles class of business; and
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14 **WHEREAS** the rating program proposes rates that are higher than those currently approved by
15 the Board for a number of insureds; and
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17 **WHEREAS** this application is Facility Association’s first Category 2 PPA filing since
18 automobile insurance reforms in 2005 which prohibited the use of age, gender and marital status
19 in risk classification systems; and
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21 **WHEREAS** on March 22, 2013, May 24, 2013, August 5, 2013 and October 24, 2013 the
22 Board’s consulting actuaries, Oliver Wyman Limited, filed reports identifying key areas of
23 interest for the Board, and these reports were copied to Facility Association; and
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25 **WHEREAS** on March 28, 2013 the Board approved an extension of the 90-day review timeline;
26 and
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28 **WHEREAS** on July 18, 2013 Facility Association filed revised rate indications; and
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30 **WHEREAS** throughout the review process Facility Association provided additional information
31 and commentary; and
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33 **WHEREAS** based on the record the Board finds that several of the proposals in the revised
34 automobile insurance rating program for Private Passenger Automobiles class of business have
35 not been fully justified; and

1 **WHEREAS** the Board does not accept Facility Association's approach in relation to: i) capped
2 premiums; ii) loss trend rates; iii) the health levy; iv) return on investment; and, v) finance fee
3 revenues; and
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5 **WHEREAS** the Board will require Facility Association to file a revised rating program for its
6 Private Passenger Automobiles class of business incorporating the findings of the Board as set
7 out in the Reasons for Decision to be issued separately.
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9 **IT IS THEREFORE ORDERED THAT:**

- 10
- 11 1. The application is denied.
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 - 13 2. Facility Association shall submit for the approval of the Board, within 30 days of receipt of
14 the Reasons for Decision, a revised rating program for its Private Passenger Automobiles
15 class of business that reflects the findings of the Board as set out in the Reasons for Decision.
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 - 17 3. Facility Association shall report to the Board within 90 days in relation to finance fee
18 revenues as set out in the Reasons for Decision.
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 - 20 4. Facility Association shall pay the costs of the Board associated with this application,
21 including the costs of the actuarial review.

DATED at St. John's, Newfoundland and Labrador, this 13th day of December, 2013.

Darlene Whalen, P.Eng.
Vice-Chair

Dwanda Newman, LL.B.
Commissioner

James Oxford
Commissioner

Cheryl Blundon
Board Secretary