

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

AN ORDER OF THE BOARD

NO. A.I. 9(2013)

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

5 **AND**
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7 **IN THE MATTER OF** an application by
8 Facility Association for approval to implement
9 revised rates for its Taxis, Jitneys and Liveries
10 class of business.
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13 **WHEREAS** on January 24, 2013 Facility Association applied to the Board for approval of
14 revised rates for Third Party Liability, Accident Benefits and Uninsured Auto coverages for its
15 Taxis, Jitneys and Liveries class of business (the “*Application*”); and
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17 **WHEREAS** the proposed rates are higher than those currently approved by the Board; and
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19 **WHEREAS** on March 7, 2013 the Board’s Actuarial Consultants, Oliver Wyman, filed a report
20 of findings with the Board; and
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22 **WHEREAS** the Oliver Wyman report indentified issues for the Board’s consideration with
23 respect to Facility Association’s selected loss trend rates and return on investment (“*ROI*”); and
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25 **WHEREAS** the Board does not accept all of the assumptions used by Facility Association in
26 determining the selected loss trend rates and ROI; and
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28 **WHEREAS** the rate changes by coverage proposed by Facility Association are significantly less
29 than the rate indications by coverages; and
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31 **WHEREAS** substituting alternative assumptions for loss trend rates and ROI based on the
32 Board’s Filing Guidelines will not reduce the rate level indications below the proposals of
33 Facility Association; and

1 **WHEREAS** the Board is satisfied that the proposed rates for Third Party Liability, Accident
2 Benefits and Uninsured Auto coverages are not too high in the circumstances; and

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4 **WHEREAS** the Oliver Wyman report also identified a separate issue with respect to the
5 Physical Damage Multipliers utilized to calculate rates for Physical Damage coverages for Taxis,
6 Jitneys and Liveries; and

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8 **WHEREAS** Facility Association calculates rates for physical damage coverages by applying the
9 Physical Damage Multipliers to Private Passenger Automobile rates; and

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11 **WHEREAS** Facility Association did not propose any changes to the Physical Damage
12 Multipliers in the current rate proposal; and

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14 **WHEREAS** based on a review of Industry Loss Ratios reported for Physical Damage coverages
15 for Taxis, Jitneys and Liveries the Board finds there is potential for the Physical Damage
16 Multipliers to result in rates for physical damages coverages that are too high; and

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18 **WHEREAS** the Board will direct Facility Association to provide further criteria in relation to
19 Physical Damage Multipliers for Taxis, Jitneys and Liveries and may make a further Order in
20 this matter.

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23 **IT IS THEREFORE ORDERED THAT:**

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26 1. The rate proposal received January 24, 2013 from Facility Association for its Taxis, Jitneys
27 and Liveries class of business is approved effective 100 days post approval for new business
28 and renewals.
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30 2. Pursuant to section 57 of the *Automobile Insurance Act* and section 90 of the *Public Utilities*
31 *Act*, Facility Association will be required to pay the costs of the Board associated with this
32 filing, including the costs of the actuarial review.

DATED at St. John's, Newfoundland and Labrador, this 19th day of April 2013.

Darlene Whalen, P.Eng.
Vice-Chair

James Oxford
Commissioner

Cheryl Blundon
Board Secretary