

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

AN ORDER OF THE BOARD

NO. A.I. 130(2020)

1 **IN THE MATTER OF** the *Automobile*
2 *Insurance Act*, RSNL 1990, c. A-22,
3 as amended, and regulations
4 thereunder; and
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6 **IN THE MATTER OF** an application
7 by Facility Association for approval to
8 implement a revised rating program for
9 its Miscellaneous Vehicles category of
10 automobile insurance.
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13 **WHEREAS** on October 1, 2020 Facility Association applied to the Board for approval of a revised
14 rating program under the Mandatory filing option for its Miscellaneous Vehicles category of
15 automobile insurance; and
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17 **WHEREAS** the proposal includes the following classes of Miscellaneous Vehicles: (i)
18 Motorcycles, (ii) Snow Vehicles, (iii) All-Terrain Vehicles, (iv) Motorhomes, (v) Historic
19 Vehicles and (vi) Camper Units & Personal Trailers; and
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21 **WHEREAS** Facility Association does not currently have any risks for Historic Vehicles or
22 Camper Units & Personal Trailers and therefore did not present rate level indications for these
23 vehicle classes; and
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25 **WHEREAS** Facility Association filed an overall rate level indication of +15.9% for Motorcycles,
26 +15.3% for Snow Vehicles, +15.1% for All-Terrain Vehicles and +15.1% for Motorhomes; and
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28 **WHEREAS** the rate level indications include a target profit provision of 6% as a percentage of
29 premium; and
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31 **WHEREAS** Facility Association proposed an overall rate change of 0.0% for all Miscellaneous
32 Vehicles classes due to the economic impact caused by the COVID-19 pandemic and the resulting
33 financial hardships on consumers; and

1 **WHEREAS** the proposed overall rate level change does not include any provision for profit; and

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3 **WHEREAS** on November 13, 2020 the Board's actuarial consultants, Oliver Wyman Limited
4 (“Oliver Wyman”), filed a report of findings with the Board; and

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6 **WHEREAS** Oliver Wyman noted that Facility Association did not provide support to include a
7 profit provision in its rate indication model; and

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9 **WHEREAS** Oliver Wyman also identified concerns with Facility Association’s assumptions for
10 loss trends rates, complement of credibility, finance fee revenues and the return on investment
11 provision; and

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13 **WHEREAS** Oliver Wyman reported that removing the profit provision and substituting
14 alternative assumptions to address the additional concerns would reduce Facility Association’s
15 overall rate level indications to +0.2% for Motorcycles, +3.0% for Snow Vehicles, +1.6% for All-
16 Terrain Vehicles and -0.1% for Motorhomes; and

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18 **WHEREAS** Oliver Wyman found the proposed overall rate level change of 0.0% to be consistent
19 with the rate level indications produced using alternative assumptions and was supported; and

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21 **WHEREAS** the Board acknowledges that there is a wide range of possible outcomes in any
22 prospective ratemaking exercise and that substituting alternative assumptions that Oliver Wyman
23 considered to be reasonable would not reduce Facility Association’s rate indications below the
24 proposed overall rate level change; and

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

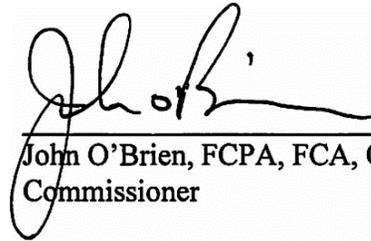
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32 **IT IS THEREFORE ORDERED THAT:**

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34 1. The revised rating program received on October 1, 2020 from Facility Association for its
35 Miscellaneous Vehicles category of automobile insurance is approved to be effective no sooner
36 than April 1, 2021 for new business and renewals.

DATED at St. John's, Newfoundland and Labrador, this 3rd day of December, 2020.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Cheryl Blundon
Board Secretary