

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

AN ORDER OF THE BOARD

NO. A.I. 6(2021)

1 **IN THE MATTER OF** the *Automobile*
2 *Insurance Act*, RSNL 1990, c. A-22,
3 as amended, and regulations
4 thereunder; and
5

6 **IN THE MATTER OF** an application
7 by Facility Association for approval to
8 implement a revised rating program for
9 its Public Vehicles category of
10 automobile insurance.
11
12

13 **WHEREAS** on November 27, 2020 Facility Association applied to the Board for approval of a
14 revised rating program under the Mandatory filing option for its Public Vehicles category of
15 automobile insurance; and
16

17 **WHEREAS** the filing proposed changes to the following classes of Public Vehicles: (a) Public
18 Bus, (b) Private Bus, (c) School Bus, (d) Hotel & Country Club Bus, (e) Funeral, (f) Ambulance,
19 and (g) Taxi; and
20

21 **WHEREAS** Facility Association subsequently withdrew its Taxi proposal; and
22

23 **WHEREAS** Facility Association filed the following overall rate level indications and proposed
24 changes:

Vehicle Class	Overall Rate Level Indication	Overall Rate Level Proposal
Public Bus	+4.8%	+4.8%
Private Bus	-0.7%	-0.7%
School Bus	+10.9%	+10.9%
Hotel & Country Club Bus	+4.2%	+4.2%
Funeral	+5.0%	+5.0%
Ambulance	+3.1%	+3.1%

25 **WHEREAS** on January 29, 2021 the Board’s actuarial consultants, Oliver Wyman Limited
26 (“Oliver Wyman”), filed a report of findings with the Board; and

1 **WHEREAS** Oliver Wyman identified concerns with Facility Association's assumptions for loss
2 trend rates, complement of credibility and return on investment income; and

3
4 **WHEREAS** Oliver Wyman reported that substituting alternative assumptions for loss trend rates,
5 complement of credibility and return on investment income would reduce Facility Association's
6 overall rate level indications as follows:

Vehicle Class	Facility Association Overall Rate Level Indication	Oliver Wyman Alternative Rate Level Indications
Public Bus	+4.8%	-3.2% to -1.0%
Private Bus	-0.7%	-5.2% to -4.2%
School Bus	+10.9%	-1.7% to -1.6%
Hotel & Country Club Bus	+4.2%	-2.6% to -1.9%
Funeral	+5.0%	-0.6% to +0.4%
Ambulance	+3.1%	-3.5% to -1.7%

7 **WHEREAS**, in response to the Oliver Wyman findings, Facility Association noted that there will
8 always be differences in actuarial views with respect to the appropriate rate level and that it
9 continues to believe its assumptions are justified, supported and reasonable; and

10
11 **WHEREAS** the Board acknowledges that there are a wide range of possible outcomes in any
12 prospective ratemaking exercise and that the variance in the overall rate level indications produced
13 by Facility Association and Oliver Wyman was the result of differing actuarial judgements on a
14 number of the assumptions included in the rate analysis; and

15
16 **WHEREAS** the Board notes that there was considerable uncertainty in the calculation of the rate
17 level indications in this analysis due to the limited available data for Public Vehicles; and

18
19 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
20 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
21 financial circumstances of the insurer, and do not violate the *Automobile Insurance Act* or the
22 *Insurance Companies Act* or the respective regulations thereunder.

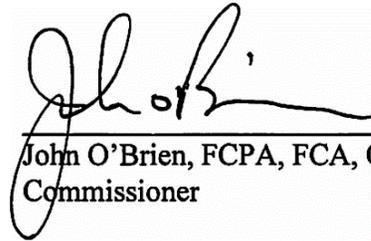
23
24
25 **IT IS THEREFORE ORDERED THAT:**

- 26
27 1. The revised rating program received on November 27, 2020 from Facility Association for its
28 Public Vehicles category of automobile insurance (Public Bus, Private Bus, School Bus, Hotel
29 & Country Club Bus, Funeral and Ambulance) is approved to be effective no sooner than July
30 1, 2021 for new business and renewals.

DATED at St. John's, Newfoundland and Labrador, this 11th day of March, 2021.



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



John O'Brien, FCPA, FCA, CISA
Commissioner



Cheryl Blundon
Board Secretary