



FACILITY
Association

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March 6, 2014

Cheryl Blundon
Board Secretary
Board of Commissioners of Public Utilities
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Dear Ms. Blundon:

Facility Association Rate Revision Application – Taxis and Limousines

On behalf of Facility Association, and as authorized by its Board of Directors, I am pleased to submit for approval a Facility Association rate revision application for Taxis and Limousines in the Province of Newfoundland and Labrador. This revision is proposed to become effective 100 days after approval for New Business and Renewals, rounded to the 1st of the following month or August 1, 2014 whichever is later.

The last rate change took effective August 1, 2013 with a rate increase of 50% for Third Party Liability and 100% for Accident Benefits and Uninsured Automobile respectively. An implementation of August 1, 2014 or later will mitigate the impact of a double increase in one year for taxi owners.

This application proposes changes for Taxi Third Party Liability, Accident Benefits and Uninsured Automobile independently-rated coverages.

The Facility Association Board of Directors wishes to convey their continued belief that a cost of capital provision is appropriate and essential in Facility Association rates. Given the PUB's position on the matter, however, we have developed the proposed rate changes without a cost of capital provision. The chart below includes the indications with and without a cost of capital provision.

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Taxi	Liab	AB	UA
Indications incl. 12% ROE (1.14% ROI)	+95.6%	+354.6%	+394.9%
Indications without CoC (1.14% ROI)	+75.4%	+307.6%	+343.8%
Indications without CoC (2.8% ROI)	+67.3%	+294.3%	+329.3%
Proposed %	+50.0%	+294.3%	+329.3%
Proposed \$ increase	\$1400 Approximate	\$273	\$72

Facility Association is proposing a capping of 50% on the Third Party Liability premium to lessen the impact of the rate change to consumers while still moving towards rate adequacy. It should be noted that unless the experience improves, we will need to file again next year. No capping is proposed on the optional Accident Benefits and Uninsured Automobile coverages due to the size of the indications and the fact that, in dollar terms, the premiums for both coverages are relatively small. If we were to cap the indications for these coverages, it would take several years to become price adequate and the experience continues to deteriorate.

In 2013, Facility Association adopted the following mission statement:

“Facility Association’s mission is to administer automobile insurance residual market mechanisms, enhance market stability, and guarantee the availability of automobile insurance to those eligible to obtain it. We strive to keep the market share of the residual markets as small as possible, so consumers may benefit from the competitive marketplace to the greatest extent possible.”

Currently, almost all of the taxis in Newfoundland and Labrador are insured through Facility Association, contrary to our mission. However, this is not surprising given that taxis are receiving the coverage at premiums that do not cover costs. If we can get our pricing to an adequate level, it could help to create “room” in the market for more companies to enter, thereby creating more choice for taxi owners.

Rule Changes

We would like to propose rule changes within this filing. Details with respect to these rules are included in the application. Some rule changes affect more than one section of the manual and

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we are filing the rules for all sections at this time to maintain consistency across all sections of the manual. The rule changes include but are not limited to:

- Offering \$2,000,000 liability and up to \$5,000,000 where required for a contract of work;
- Increasing the available limit for physical damage coverage to \$1,000,000;
- Changes made to the definition of convictions;
- Removing all perils and replacing it with collision and comprehensive;
- Minor amendments to the minimum deductible tables to provide for lower limits and where there have been 5 or more losses;
- Adding requirements for valid vehicle registrations to verify ownership and for branded vehicles;
- Eliminating the discount for owner driven taxis;
- Amending U.S. exposure surcharge to apply when vehicles are driven outside Atlantic jurisdictions;
- Including requirements for imported and right hand drive vehicles under Homemade/Reconstructed Vehicles.

If anything further is required with respect to this application, please contact me at (416) 644-4912 or email jhepburn@facilityassociation.com.

Yours truly,



Jill Hepburn, FCIP, CRM
Vice President, Underwriting and Claims

cc. David J. Simpson, President & CEO, Facility Association