

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

AN ORDER OF THE BOARD

NO. A.I. 17(2022)

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 Miscellaneous Vehicles category
10 of automobile insurance.
11
12

13 **WHEREAS** on March 31, 2022 Facility Association (“Facility”) applied to the Board for approval
14 of a revised rating program under the Mandatory filing option for its Miscellaneous Vehicles
15 category of automobile insurance; and
16

17 **WHEREAS** the filing proposed changes to the following classes of Miscellaneous Vehicles: (a)
18 Motorcycles and Mopeds (“Motorcycles”), (b) Snow Vehicles, and (c) All-Terrain Vehicles; and
19

20 **WHEREAS** Facility filed the following overall rate level indications and proposed changes:

Vehicle Class	Overall Rate Level Indication/Proposal
Motorcycles	+1.0%
Snow Vehicles	+10.0%
All-Terrain Vehicles	+7.9%

21 **WHEREAS** Facility also proposed to:

- 22 (a) expand the maximum driving record for Motorcycles from Driving Record 3 to Driving
23 record 5 to provide a more refined rate structure; and
24 (b) increase a number of its conviction surcharges in order to align them with industry
25 practice and be consistent with industry surcharge levels across all jurisdictions; and

1 **WHEREAS** Facility's overall rate level change also included a proposal to introduce a profit
2 provision in rates for Miscellaneous Vehicles of 6% of premium in accordance with Order No.
3 A.I. 48(2021) and the Board's Filing Guidelines; and
4

5 **WHEREAS** on June 10, 2022 the Board's actuarial consultants, Oliver Wyman Limited ("Oliver
6 Wyman"), filed a report of findings with the Board; and
7

8 **WHEREAS** Oliver Wyman noted that, during the course of the review, a calculation error was
9 discovered and corrected by Facility which decreased the overall rate level indications for
10 Motorcycles and All-Terrain Vehicles by 0.1%; and
11

12 **WHEREAS** Oliver Wyman noted that Facility determined its own loss trend rates and estimated
13 that substituting the Board's guideline loss trend rates would increase the overall rate level
14 indications by 1.3%, 1.4%, and 2.9% for Motorcycles, All-Terrain Vehicles and Snow Vehicles,
15 respectively; and
16

17 **WHEREAS** Oliver Wyman noted that Facility's sole service carrier offers a monthly payment
18 plan option and charges a 3% finance fee and that Facility did not account for these revenues in
19 determining its rate level indications; and
20

21 **WHEREAS** Oliver Wyman noted that, in Order No. A.I. 3(2019) for a prior Facility Association
22 rate application, the Board stated that finance fee revenues should be reflected in rates and that
23 Facility must provide the necessary supporting finance fee revenue information in its subsequent
24 rate applications; and
25

26 **WHEREAS** Oliver Wyman noted that including net finance fee revenues in the current rate
27 indication calculations, with no other changes in assumptions, would reduce Facility's overall rate
28 level by approximately 2.3% for Motorcycles and All-Terrain Vehicles and 2.5% for Snow
29 Vehicles; and
30

31 **WHEREAS** Oliver Wyman noted that substituting alternative assumptions, judgments, and
32 calculations for loss trend rates and finance fees that it found to be more appropriate than those
33 used by Facility would result in overall rate level indications that were generally consistent with
34 those calculated by Facility and therefore found Facility's proposed rate level changes to be
35 reasonable; and
36

37 **WHEREAS** Oliver Wyman also found the proposed expansion of the maximum driving record
38 for Motorcycles to be reasonable; and
39

40 **WHEREAS** Oliver Wyman noted that it could not opine on the reasonableness of Facility's
41 proposed conviction surcharge increases as no support was provided due to data limitations; and

1 **WHEREAS** on June 21, 2022 Facility filed the following revised rate proposals in response to the
 2 Oliver Wyman report to include finance fee revenues in accordance with the past decisions of the
 3 Board:

Vehicle Class	Overall Rate Level Indication/Proposal
Motorcycles	-1.5%
Snow Vehicles	+7.5%
All-Terrain Vehicles	+5.5%

4 **WHEREAS** Oliver Wyman did not provide any follow-up commentary on the revised rate level
 5 changes; and

6
 7 **WHEREAS** the Board notes that the revised rate level changes are less than those found to be
 8 reasonable by Oliver Wyman using alternative assumptions, judgments, and calculations; and

9
 10 **WHEREAS** the Board acknowledges the limited available data to support the conviction
 11 surcharges for Miscellaneous Vehicles and is satisfied that the rationale provided by Facility to
 12 align its surcharges with industry practice and to be consistent across jurisdictions is reasonable in
 13 the circumstances; and

14
 15 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
 16 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
 17 financial circumstances of the insurer, and do not violate the *Automobile Insurance Act* or the
 18 *Insurance Companies Act* or the respective regulations thereunder.

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21 **IT IS THEREFORE ORDERED THAT:**

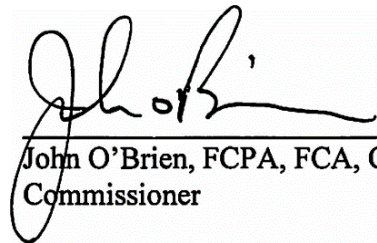
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23 1. The revised rating program received on June 21, 2022 from Facility Association for its
 24 Miscellaneous Vehicles category of automobile insurance is approved to be effective no sooner
 25 than November 1, 2022 for new business and renewals.

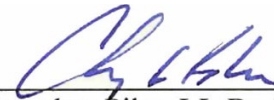
DATED at St. John's, Newfoundland and Labrador, this 12th day of July, 2022.



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



**John O'Brien, FCPA, FCA, CISA
Commissioner**



**Christopher Pike, LL.B., FCIP
Commissioner**



**Cheryl Blundon
Board Secretary**