
Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

IN THE MATTER OF AN
APPLICATION BY FACILITY ASSOCIATION
FOR APPROVAL OF REVISED RATES FOR ITS
PRIVATE PASSENGER AUTOMOBILES
CATEGORY OF AUTOMOBILE INSURANCE

DECISION AND ORDER
OF THE BOARD

ORDER NO. A.I. 6(2026)

BEFORE:

Kevin Fagan
Chair and Chief Executive Officer

John O'Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LL.B., FCIP
Commissioner

Jo-Anne Galarneau, CMA, LL.B., ICD.D
Commissioner

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

AN ORDER OF THE BOARD

NO. A.I. 6(2026)

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

IN THE MATTER OF an application by Facility Association for approval of a revised rating program for its Private Passenger Automobiles category of automobile insurance.

BEFORE:

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John O'Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LL.B., FCIP
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1 **1. Decision Summary**

2

3 The proposal from Facility Association (“Facility”) to revise its rating program for Private
4 Passenger Automobiles under the Board’s Mandatory filing option is not approved. The Board
5 accepts the assumptions and actuarial analysis that Facility relied on to establish its overall rate
6 level indications, with the exception of its tariff adjustment. The Board finds that Facility must
7 file a revised rate proposal within 45 days without the inclusion of a tariff adjustment.

8

9 **2. The Application**

10

11 Facility, as operator of the residual market mechanism for automobile insurance in the
12 province, filed a revised rating program under the Board’s Mandatory filing option on
13 September 22, 2025 seeking approval of increased rates for its Private Passenger Automobiles
14 category of automobile insurance (the “Application”). The Application proposes an overall
15 average rate level increase of +5.6%, to be effective no earlier than 100 days post approval for
16 new business and renewals, rounded to the 1st day of the following month.

17

18 Included in the Application is a proposal by Facility to include a tariff adjustment in its rates for
19 Private Passenger Automobiles. The inclusion of a tariff adjustment in Facility’s rates is new, is
20 limited to physical damages coverages, and is in response to the current tariffs imposed by the
21 United States government.

22

23 **3. Procedural Matters**

24

25 The Application was referred to the Board’s actuarial consultants, Oliver Wyman Limited
26 (“Oliver Wyman”), for review.

27

28 On October 8, 2025 Oliver Wyman filed questions on Facility’s actuarial analysis and Facility
29 filed responses on October 20, 2025.

30

31 On December 8, 2025 Oliver Wyman filed a report of findings outlining its review of the
32 actuarial justification provided in the Application. Facility filed comments in response to the
33 Oliver Wyman report on December 16, 2025.

34

35 On December 18, 2025 the 90-day review timeline was extended by the Board.

36

37 On January 7, 2026 Oliver Wyman filed a report addendum and on January 29, 2026 Facility
38 replied with additional comments.

39

40 **4. Review of Application Proposals**

41

42 In the Application, Facility presented an overall rate level indication and proposed change of
43 +5.6% for Private Passenger Automobiles, based on an actuarial analysis of its loss experience
44 through December 31, 2024. This included a tariff adjustment, which is limited to physical

1 damages coverages, to account for the current tariffs imposed by the United States
2 government.

3
4 Oliver Wyman reviewed the rate level indications developed by Facility, and in doing so,
5 examined all aspects of Facility's ratemaking procedure. Oliver Wyman found that the
6 assumptions used by Facility were generally in keeping with the Board's Filing Guidelines and
7 were reasonable in the circumstances, with the exception of those for its loss trend rates, tariff
8 adjustment, and competitive position. Oliver Wyman noted that substituting alternate
9 assumptions, judgements and calculations that it found to be more appropriate for loss trend
10 rates and removing the tariff adjustment would result in an overall rate level indication of
11 +0.6%, which is less than Facility's proposed overall change.¹ Facility's rate level indication and
12 proposed change by coverage, as well as Oliver Wyman's alternative rate level indication, is
13 summarized as follows:

Private Passenger Automobiles			
Coverage	Indication	Proposal	OW Alt
Third Party Liability – BI	0.0%	0.0%	-5.6%
Third Party Liability – PD	0.0%	0.0%	-5.6%
Third Party Liability – DCPD	0.0%	0.0%	-5.6%
Uninsured Auto	-2.9%	-2.9%	-2.9%
Underinsured Motorist	-4.4%	-4.4%	-4.4%
Accident Benefits	-5.3%	-5.3%	-10.4%
Collision	18.0%	18.0%	14.2%
Comprehensive	29.2%	29.2%	24.9%
Specified Perils	20.0%	20.0%	15.9%
Total – All Coverages	5.6%	5.6%	0.6%

14 5. Board Findings

15
16 The Board is cognizant that there are a wide range of possible outcomes in any prospective
17 ratemaking exercise. The Board must be satisfied that the proposed rate changes are supported
18 based on the information filed and are just and reasonable in the circumstances. In making this
19 determination the Board considers the professional judgement of the actuaries, as well as the
20 support and explanation for their respective positions.

21
22 The Board has reviewed the record of the proceeding, including Facility's actuarial
23 memorandum, Oliver Wyman's report and Facility's responses to information requests. The
24 issues to be addressed are: i) loss trend rates, ii) the tariff adjustment, and iii) competitive
25 position. These issues, along with the Board's findings on each, are discussed in the sections
26 below.

¹ Oliver Wyman Report, Page 18

1 **5.1 Loss Trend Rates**

2

3 Facility selected its own loss trend rates based on industry Private Passenger Automobile data
 4 as of December 31, 2024 rather than using the Board's benchmark loss trend rates prepared by
 5 Oliver Wyman, which were developed using the same data. A comparison of the Facility and
 6 Oliver Wyman loss trend selections is presented as follows:

Coverage	Facility Association	Oliver Wyman
Bodily Injury	+2.2%	-1.5%
Property Damage	+0.2%	+1.3%/+8.0% ²
DCPD	+0.0%/+5.1% ³	+1.3%/+8.0% ⁴
Accident Benefits	-0.2%/+12.9%/+3.3% ⁵	+2.0%/-2.8% ⁶
Uninsured Auto	+0.6%	+0.5%
Collision	+3.2% ⁷	+2.4%
Comprehensive	+4.5%/+10.3% ⁸	+5.1%/-2.6%/+11.7% ⁹
Specified Perils	+8.7%	+5.1%/-2.6%/+11.7% ¹⁰
Underinsured Motorist	+0.0%	+4.1%
All Perils	+4.5%	+3.9%

7 Oliver Wyman noted that for most coverages, there are no material differences between
 8 Facility and industry benchmarks. As such, while Oliver Wyman did not fully agree with the
 9 methodology, it found the majority of the resulting combined adjustment factors to be
 10 reasonable in the circumstances. There were, however, differences in judgements for the
 11 following coverages:

12

- 13 (1) bodily injury;
 14 (2) property damage/DCPD; and
 15 (3) accident benefits.

16

17 Specifically, Oliver Wyman disagreed with Facility's trend model selections for the coverages
 18 due to:

- 19 (1) residual patterns observed in the bodily injury frequency model;
 20 (2) limited and volatile available data post-DCPD introduction for modeling property
 21 damage and DCPD individually; and

² The +8.0% trend rate begins January 1, 2023

³ The +5.1% trend rate begins July 1, 2022

⁴ The +8.0% trend rate begins January 1, 2023

⁵ The +12.9% trend rate begins January 1, 2020; the +3.3% trend rate begins January 1, 2023

⁶ The -2.8% trend rate begins July 1, 2020

⁷ The model includes a one-time scalar of +8.7% at 2022-2

⁸ The +10.3% trend rate begins January 1, 2022

⁹ The -2.6% trend rate begins July 1, 2018; the +11.7% trend rate begins July 1, 2021

¹⁰ The -2.6% trend rate begins July 1, 2018; the +11.7% trend rate begins July 1, 2021

1 (3) the absence of any scalar to address the new normal period in the accident benefits
2 frequency model.

3
4 Oliver Wyman suggested that Facility:

- 5
6 (1) fit an alternative bodily injury frequency trend model, starting in 2013, and include a
7 mobility variable instead of a scalar to capture the pandemic effects;
8 (2) model property damage and DCPD together, using more years of data and including
9 mobility and excess inflation parameters; and
10 (3) fit an alternative accident benefits trend model, starting in 2012, and include a
11 mobility parameter instead of the trend changes and scalars that Facility originally
12 selected.

13
14 In response to Oliver Wyman, Facility noted that both its own and Oliver Wyman's selected
15 Private Passenger Automobiles bodily injury, property damage and accident benefits frequency
16 and severity models demonstrate strong statistical performance, and thus both Facility's
17 selections and Oliver Wyman's alternatives are valid. Furthermore, Facility stated that for short-
18 tail coverages such as DCPD, claim development occurs quickly, and thus the trend analysis
19 period should reflect this speed, adding that with more than three years of fully developed
20 post-DCPD experience, using separate models for DCPD is reasonable. Facility also stated that
21 Oliver Wyman's alternatives are more complex and difficult to interpret due to the inclusion of
22 additional parameters. Facility submitted that its trend analysis is unbiased, appropriate, and
23 actuarially sound.

24
25 The Board accepts that the estimation of ultimate losses is a matter of actuarial judgement and
26 notes that estimates can vary depending on the methodologies and judgements used; different
27 actuaries may provide different but reasonable "best estimates." There are a wide range of
28 possible outcomes that can be considered reasonable when conducting loss trend analyses and
29 two actuaries may reach different conclusions when selecting loss trend rates. The selection of
30 loss trends includes making judgements in respect of the data and the Board has to assess
31 whether those judgements are reasonable in the circumstances.

32
33 Facility's decision to use its own loss trend rates rather than the Board's benchmark loss trends
34 as determined by Oliver Wyman is permitted within the Mandatory Filing Guidelines. The Board
35 has, in the past, accepted an insurer's loss trends in place of the benchmark loss trends when
36 sufficient support was provided. Facility has provided support for all of its selections and
37 provided additional information as requested by Oliver Wyman to further justify its selections.
38 Although there is a difference of opinion, neither Facility nor Oliver Wyman took the position
39 that the other's work was contrary to actuarial standards of practice.

40
41 The Board finds the loss trends in the Application are reasonable in the circumstances and
42 accepts Facility's position that loss trend selections are a matter of judgement.

1 5.2 Tariff Adjustment

2

3 Facility included a tariff adjustment on physical damages coverages in response to the current
4 tariffs imposed by the United States government, and provided sources for the tariffs being
5 considered, as well as sources for certain selections and assumptions used in their supporting
6 analysis.

7

8 While Oliver Wyman acknowledged the interconnected trade and manufacturing relationships
9 between Canada and the United States, it submitted that the relationship between US tariffs
10 and auto parts used in Canadian vehicle collision repairs is less clear, and therefore found it
11 difficult to determine the percentage of auto parts subject to tariffs when repairing vehicles
12 using aftermarket or OEM parts. Oliver Wyman furthermore noted that Facility's sources did
13 not focus on repair costs and parts, but rather on the automobile industry as a whole/total cost
14 of vehicles. Oliver Wyman added that many parts of a vehicle are unlikely to be damaged in a
15 collision, while damage to certain parts can result in a vehicle being deemed a total loss, noting
16 that both scenarios are included in Facility's studies. Oliver Wyman also highlighted the shifting
17 political landscape as the United States government faces public, political, and legal challenges
18 that may change the impacts of tariffs over time. Oliver Wyman submitted that there is too
19 much uncertainty to determine the appropriateness of a tariff adjustment and therefore it is
20 unreasonable to include one.

21

22 In response, Facility stated that recent patterns show that tariff levels have stabilized at higher
23 rates, and noted that many tariffs are codified under trade agreements or executive orders, and
24 require lengthy renegotiation processes to change. Facility added that automotive supply
25 chains operate on multi-year planning cycles, and thus companies cannot afford to make
26 decisions based on speculative political shifts, but rather treat tariffs as enduring. Facility
27 furthermore submitted that, even if the International Emergency Economic Powers Act tariffs
28 are discontinued, the administration has indicated it may use other statutory authorities to
29 impose new tariffs. As such, while Facility stated it understands the uncertainty of tariffs'
30 impacts, it strongly disagreed that its tariff provision should be removed altogether.

31

32 Oliver Wyman countered that, while there may indeed be additional impacts if tariffs remain
33 unchanged in the foreseeable future, it is not certain given the current socio-economic
34 environment. Oliver Wyman believes nuanced issues like this need to be evaluated on a case-
35 by-case basis, as there is no quantitative measure to determine thresholds of acceptability. In
36 this particular case, Oliver Wyman submits there is too much uncertainty at this time and that it
37 is prudent to avoid making any assertions related to tariffs beyond the data.

38

39 While the Board acknowledges the interconnected trade and manufacturing relationships
40 between Canada and the United States, the situation is too uncertain and volatile to determine
41 an appropriate tariff adjustment. The Board's role is to ensure proposed rates are just and
42 reasonable in the circumstances, do not impair the solvency of the insurer, and are not
43 excessive in relation to the financial circumstances of the insurer. The Board finds that, given

1 the level of uncertainty and volatility, it is unreasonable to include a tariff adjustment in rates at
2 this time.

3

4 The Board does not accept Facility's proposed tariff adjustment.

5

6 **5.3 Facility's Competitive Position**

7

8 In its filing evidence and subsequent submissions, Facility noted that its market share and
9 competitive position should be considered by the Board in making its determination on
10 Facility's rate proposals. Facility stated that part of its mission is to keep the residual market as
11 small as possible and suggested that any vehicle segment with a market share over 5% is
12 showing signs of market availability issues, and noted that its Newfoundland and Labrador
13 market share for Private Passenger Automobiles recently crossed that threshold. Facility
14 strongly encouraged the Board to consider market position, purpose and mission in making its
15 determinations.

16

17 Oliver Wyman stated it did not disagree with Facility's stance regarding market share, market
18 position and competitiveness, but noted it reviews filings to ensure rates are just and
19 reasonable, and that it had concerns that some policyholders may receive inequitable rates by
20 Facility taking a "competitive positioning" pricing strategy.

21

22 Unlike Facility's previously-denied (A.I. 17(2025)) Mandatory Private Passenger Automobiles
23 filing, Facility is not using its competitive position to justify rates higher than indicated in the
24 Application.

25

26 The Board reiterates its previous position. The Board acknowledges that its Filing Guidelines
27 allow for market considerations as a supplement to actuarial methodologies where an insurer
28 finds that its actuarial analysis is not fully relevant, adequate or reasonable for use in
29 establishing rates. The Board recognizes the unique role that Facility plays as the operator of
30 the residual market and that Facility's market share and competitiveness need to be monitored.
31 The Board advises that the burden to justify Facility's competitive position as cause to approve
32 higher rates than actuarially-justified, is Facility's, and no such support has been presented to
33 date, nor has the argument been made in this case.

34

35 **6. Conclusion**

36

37 The Board accepts Facility's assumptions and proposals as set out in the Application, with the
38 exception of its tariff adjustment. The Board finds that Facility must file a revised rate proposal
39 without the inclusion of a tariff adjustment within 45 days.

1 **7. Order**

2

3 **IT IS THEREFORE ORDERED THAT:**

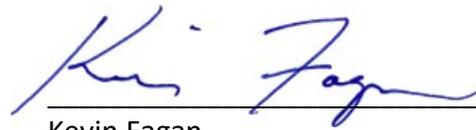
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5 1. The Application by Facility Association is denied.

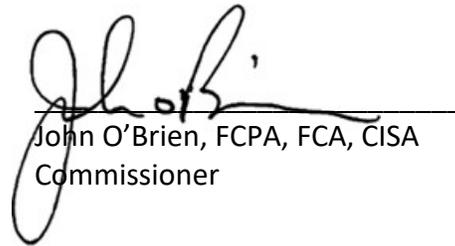
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7 2. Facility Association must submit a revised application for its Private Passenger Automobiles
8 rating program incorporating the Board's findings in this Decision and Order.

DATED at St. John's, Newfoundland and Labrador, this 20th day of March, 2026.



Kevin Fagan
Chair and Chief Executive Officer



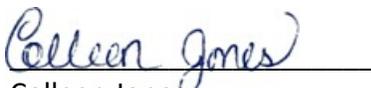
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