
Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

IN THE MATTER OF AN

APPLICATION BY FACILITY ASSOCIATION
FOR APPROVAL OF REVISED RATES FOR ITS
TAXIS AND PUBLIC BUSES
CATEGORIES OF AUTOMOBILE INSURANCE

DECISION AND ORDER
OF THE BOARD

ORDER NO. A.I. 7(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. 7(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 Taxis and Public Buses categories of automobile insurance.

BEFORE:

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Chair and Chief Executive Officer

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 Taxis and
4 Public Buses under the Board’s Mandatory filing option is not approved. The Board accepts the
5 assumptions and actuarial analysis that Facility relied on to establish its overall rate level
6 indications, with the exception of its tariff adjustment. The Board finds that Facility must file a
7 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 Taxis and Public Buses
14 categories of automobile insurance (the “Application”). The Application proposes overall
15 average rate level increases of +11.7% and +21.7% for Taxis and Public Buses, respectively, to
16 be effective no earlier than 100 days post approval for new business and renewals, rounded to
17 the 1st day of the following month.

18

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

23

24 **3. Procedural Matters**

25

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

28

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

31

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

35

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

37

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

40

41 **4. Review of Application Proposals**

42

43 In the Application, Facility presented overall rate level indications and proposed changes of
44 +11.7% and +21.7% for Taxis and Public Buses, respectively, based on an actuarial analysis of its

1 loss experience through December 31, 2024. This included a tariff adjustment, which is limited
 2 to physical damages coverages, to account for the current tariffs imposed by the United States
 3 government.

4
 5 Oliver Wyman reviewed the rate level indications developed by Facility, and in doing so,
 6 examined all aspects of Facility's ratemaking procedure. Oliver Wyman found that the
 7 assumptions used by Facility were generally in keeping with the Board's Filing Guidelines and
 8 were reasonable in the circumstances, with the exception of those for its loss trend rates,
 9 health levy provision, tariff adjustment, and competitive position. Oliver Wyman noted that
 10 substituting alternate assumptions, judgements and calculations that it found to be more
 11 appropriate for loss trend rates and the health levy provision, and removing the tariff
 12 adjustment would result in overall rate level indications of +10.3% and +17.3% for Taxis and
 13 Public Buses, respectively, which is less than Facility's proposed overall changes.¹ Facility's rate
 14 level indications and proposed changes by coverage, as well as Oliver Wyman's alternative rate
 15 level indications, are summarized as follows:

Coverage	Taxis			Public Buses		
	Indication	Proposal	OW Alt	Indication	Proposal	OW Alt
Third Party Liability – BI	14.3%	14.3%	13.0%	28.5%	28.5%	23.9%
Third Party Liability – PD	14.3%	14.3%	13.0%	28.5%	28.5%	23.9%
Third Party Liability – DCPD	14.3%	14.3%	13.0%	28.5%	28.5%	23.9%
Uninsured Auto	1.7%	1.7%	1.7%	0.6%	0.6%	0.6%
Underinsured Motorist	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accident Benefits	-5.8%	-5.8%	-5.8%	1.7%	1.7%	1.7%
Collision	9.7%	9.7%	3.1%	22.4%	22.4%	15.5%
Comprehensive	-4.6%	-4.6%	-7.8%	-2.4%	-2.4%	-5.7%
Specified Perils	-8.8%	-8.8%	-11.8%	2.8%	2.8%	-0.5%
All Perils	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total – All Coverages	11.7%	11.7%	10.3%	21.7%	21.7%	17.3%

16 5. Board Findings

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

23
 24 The Board has reviewed the record of the proceeding, including Facility's actuarial
 25 memorandum, Oliver Wyman's report and Facility's responses to information requests. The

¹ Oliver Wyman Report, Page 16

1 issues to be addressed are: i) loss trend rates, ii) the health levy provision, iii) the tariff
 2 adjustment, and iv) competitive position. These issues, along with the Board's findings on each,
 3 are discussed in the sections below.

4

5 **5.1 Loss Trend Rates**

6

7 Facility selected its own loss trend rates based on industry Commercial Vehicles data as of
 8 December 31, 2024 rather than using the Board's benchmark loss trend rates prepared by
 9 Oliver Wyman, which were developed using the same data. A comparison of the Facility and
 10 Oliver Wyman loss trend selections is presented as follows:

Coverage	Facility Association	Oliver Wyman
Bodily Injury	+3.1%	-0.1%
Property Damage	+1.9%	-1.4% ²
DCPD	+14.1%/+2.6% ³	-1.4% ⁴
Accident Benefits	+0.0%	+0.0%
Uninsured Auto	+0.0%	+0.0%
Collision	+0.7%	+2.3%
Comprehensive	+3.0%	+0.3% ⁵
Specified Perils	+0.0%	+0.3% ⁶
Underinsured Motorist	+0.0%	+5.0%
All Perils	+0.0%	+1.8%

11 Oliver Wyman noted that for most coverages, there are no material differences between
 12 Facility and industry benchmarks. As such, while Oliver Wyman did not fully agree with the
 13 methodology, it found the majority of the resulting combined adjustment factors to be
 14 reasonable in the circumstances. There were, however, differences in judgements for: (1)
 15 property damage/DCPD; and (2) collision coverages. Specifically, Oliver Wyman disagreed with
 16 Facility's trend model selections for the coverages due to: (1) limited and volatile available data
 17 post-DCPD introduction for modeling property damage and DCPD individually; and (2) residual
 18 patterns observed in the collision frequency model and subsequent disagreement over
 19 applicable data points. Oliver Wyman suggested that Facility: (1) model property damage and
 20 DCPD together, using more years of data and including mobility and excess inflation
 21 parameters; and (2) exclude the first four data points from its collision frequency trend model.

22

23 In response to Oliver Wyman, Facility noted that both its own and Oliver Wyman's selected
 24 Commercial Vehicles property damage frequency and severity models demonstrate strong

² The model includes a one-time scalar of +31.2% at 2021-2

³ The +2.6% trend rate begins July 1, 2024

⁴ The model includes a one-time scalar of +31.2% at 2021-2

⁵ The model includes a one-time scalar of +47.0% at 2021-2

⁶ The model includes a one-time scalar of +47.0% at 2021-2

1 statistical performance, and thus both Facility's selections and Oliver Wyman's alternatives are
2 valid. Furthermore, Facility noted its selections identified the introduction of DCPD in 2021, and
3 separately modeled the experience of prior and post-introduction of DCPD, for both property
4 damage and DCPD coverages. Facility stated that for short-tail coverages such as DCPD, claim
5 development occurs quickly, and thus the trend analysis period should reflect this speed,
6 adding that with more than three years of fully developed post-DCPD experience, using
7 separate models for DCPD is reasonable. Facility also stated that Oliver Wyman's alternatives
8 are more complex and difficult to interpret due to the inclusion of additional parameters.
9 Facility submitted that its trend analysis is unbiased, appropriate, and actuarially sound.

10
11 The Board accepts that the estimation of ultimate losses is a matter of actuarial judgement and
12 notes that estimates can vary depending on the methodologies and judgements used; different
13 actuaries may provide different but reasonable "best estimates." There are a wide range of
14 possible outcomes that can be considered reasonable when conducting loss trend analyses and
15 two actuaries may reach different conclusions when selecting loss trend rates. The selection of
16 loss trends includes making judgements in respect of the data and the Board has to assess
17 whether those judgements are reasonable in the circumstances. The Board notes that there is
18 limited province-specific data with which to model commercial vehicles, and by extension Taxis
19 and Public Buses.

20
21 Facility's decision to use its own loss trend rates rather than the Board's benchmark loss trends
22 as determined by Oliver Wyman is permitted within the Mandatory Filing Guidelines. The Board
23 has, in the past, accepted an insurer's loss trends in place of the benchmark loss trends when
24 sufficient support was provided. Facility has provided support for all of its selections and
25 provided additional information as requested by Oliver Wyman to further justify its selections.
26 Although there is a difference of opinion, neither Facility nor Oliver Wyman took the position
27 that the other's work was unreasonable or contrary to actuarial standards of practice.

28
29 The Board finds the loss trends in the Application are reasonable in the circumstances and
30 accepts Facility's position that loss trend selections are a matter of judgement.

31 32 **5.2 Health Levy Provision**

33
34 The Government of Newfoundland and Labrador assesses an annually adjusted amount to
35 industry to cover the cost of health services provided to victims of automobile accidents. The
36 annual levy is set as a dollar amount per insured vehicle and is reset annually, usually in
37 January.

38
39 The amount included for the Health Levy must be determined by multiplying the latest levy
40 amount by the number of vehicles insured for each year in the experience period. This amount
41 is then allocated to Bodily Injury coverage as an additional fixed expense.

1 Oliver Wyman noted that the GISA Exhibit AUTO1003-ATL does not include Taxis or Public
2 Buses in the list of vehicles that the health levy provision applies to, and therefore
3 recommended that Facility exclude it.

4

5 Facility submitted that there is no mention of exclusion of the health levy for Taxis and Public
6 Buses, and noted that the previously approved Facility Taxi filing included the health levy.
7 Facility believes the health levy applies to all insured vehicles, including Taxis and Public Buses.

8

9 The Board notes that the Filing Guidelines provide for the inclusion of a health levy provision,
10 and furthermore that the previously approved Facility Taxi filing included the health levy
11 provision.

12

13 The Board finds that a change in approach is unwarranted and thus it is reasonable for Facility
14 to include the health levy provision in its rates for Taxis and Public Buses at this time.

15

16 **5.3 Tariff Adjustment**

17

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

22

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

36

37 In response, Facility stated that recent patterns show that tariff levels have stabilized at higher
38 rates, and noted that many tariffs are codified under trade agreements or executive orders, and
39 require lengthy renegotiation processes to change. Facility added that automotive supply
40 chains operate on multi-year planning cycles, and thus companies cannot afford to make
41 decisions based on speculative political shifts, but rather treat tariffs as enduring. Facility
42 furthermore submitted that, even if the International Emergency Economic Powers Act tariffs
43 are discontinued, the administration has indicated it may use other statutory authorities to

1 impose new tariffs. As such, while Facility stated it understands the uncertainty of tariffs'
2 impacts, it strongly disagreed that its tariff provision should be removed altogether.

3
4 Oliver Wyman countered that, while there may indeed be additional impacts if tariffs remain
5 unchanged in the foreseeable future, it is not certain given the current socio-economic
6 environment. Oliver Wyman believes nuanced issues like this need to be evaluated on a case-
7 by-case basis, as there is no quantitative measure to determine thresholds of acceptability. In
8 this particular case, Oliver Wyman submits there is too much uncertainty at this time and that it
9 is prudent to avoid making any assertions related to tariffs beyond the data.

10
11 While the Board acknowledges the interconnected trade and manufacturing relationships
12 between Canada and the United States, the situation is too uncertain and volatile to determine
13 an appropriate tariff adjustment. The Board's role is to ensure proposed rates are just and
14 reasonable in the circumstances, do not impair the solvency of the insurer, and are not
15 excessive in relation to the financial circumstances of the insurer. The Board finds that, given
16 the level of uncertainty and volatility, it is unreasonable to include a tariff adjustment in rates at
17 this time.

18
19 The Board does not accept Facility's proposed tariff adjustment.
20

21 **5.4 Facility's Competitive Position**

22
23 In its filing evidence and subsequent submissions, Facility noted that its market share and
24 competitive position should be considered by the Board in making its determination on
25 Facility's rate proposals. Facility stated that part of its mission is to keep the residual market as
26 small as possible and suggested that any vehicle segment with a market share over 5% is
27 showing signs of market availability issues, and noted that its Newfoundland and Labrador
28 market share for Public Buses exceeds 90%, and is 100% for Taxis. Facility strongly encouraged
29 the Board to consider market position, purpose and mission in making its determinations.

30
31 Oliver Wyman stated it did not disagree with Facility's stance regarding market share, market
32 position and competitiveness, but noted it reviews filings to ensure rates are just and
33 reasonable, and that it had concerns that some policyholders may receive inequitable rates by
34 Facility taking a "competitive positioning" pricing strategy.

35
36 The Board notes that Facility is not using its competitive position to justify rates higher than
37 indicated in the Application. Nonetheless, the Board reiterates its previous position. The Board
38 acknowledges that its Filing Guidelines allow for market considerations as a supplement to
39 actuarial methodologies where an insurer finds that its actuarial analysis is not fully relevant,
40 adequate or reasonable for use in establishing rates. The Board recognizes the unique role that
41 Facility plays as the operator of the residual market and that Facility's market share and
42 competitiveness need to be monitored. The Board advises that the burden to justify Facility's
43 competitive position as cause to approve higher rates than actuarially-justified, is Facility's, and
44 no such support has been presented to date, nor has the argument been made in this case.

1 **6. Conclusion**

2

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

6

7 **7. Order**

8

9 **IT IS THEREFORE ORDERED THAT:**

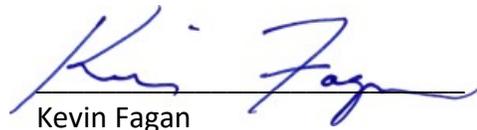
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11 1. The Application by Facility Association is denied.

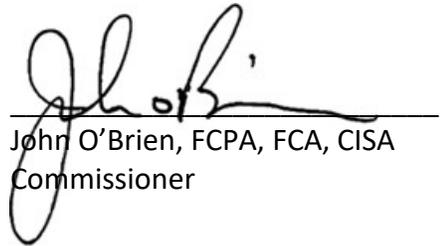
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13 2. Facility Association must submit a revised application for its Taxis and Public Buses rating
14 programs incorporating the Board’s findings in this Decision and Order.

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



Kevin Fagan
Chair and Chief Executive Officer



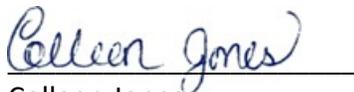
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