
Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

**IN THE MATTER OF AN
APPLICATION BY FACILITY ASSOCIATION
FOR APPROVAL OF REVISED RATES FOR ITS
MISCELLANEOUS VEHICLES
CATEGORY OF AUTOMOBILE INSURANCE**

**DECISION AND ORDER
OF THE BOARD**

ORDER NO. A.I. 8(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. 8(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 Miscellaneous Vehicles category of automobile insurance, including Motorcycles, Snow Vehicles, and All Terrain Vehicles.

BEFORE:

Kevin Fagan
Chair and Chief Executive Officer

John O'Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LL.B., FCIP
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Table of Contents

1. Decision Summary 2

2. The Application 2

3. Procedural Matters..... 2

4. Review of Application Proposals 3

5. Board Findings 4

 5.1 Loss Trend Rates 5

 5.2 Tariff Adjustment 6

 5.3 Facility’s Competitive Position 7

6. Conclusion 8

7. Order 8

1 **1. Decision Summary**

2

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

9

10 **2. The Application**

11

12 Facility, as operator of the residual market mechanism for automobile insurance in the
13 province, filed a revised rating program under the Board’s Mandatory filing option on
14 September 22, 2025 seeking approval of increased rates for its Miscellaneous Vehicles category
15 of automobile insurance, including Motorcycles, Snow Vehicles, and All Terrain Vehicles (the
16 “Application”). The Application proposes overall average rate level increases of +1.9%, +12.4%
17 and +4.7% for Motorcycles, Snow Vehicles, and All Terrain Vehicles, respectively, to be effective
18 no earlier than 100 days post approval for new business and renewals, rounded to the 1st day
19 of the following month.

20

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

25

26 **3. Procedural Matters**

27

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

30

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

33

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

37

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

39

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

1 **4. Review of Application Proposals**
2

3 In the Application, Facility presented an overall rate level indication and proposed change of
4 +1.9%, +12.4% and +4.7% for Motorcycles, Snow Vehicles, and All Terrain Vehicles, respectively,
5 based on an actuarial analysis of its loss experience through December 31, 2024. This included a
6 tariff adjustment, which is limited to physical damages coverages, to account for the current
7 tariffs imposed by the United States government.

8
9 Oliver Wyman reviewed the rate level indications developed by Facility, and in doing so,
10 examined all aspects of Facility's ratemaking procedure. Oliver Wyman found that the
11 assumptions used by Facility were generally in keeping with the Board's Filing Guidelines and
12 were reasonable in the circumstances, with the exception of those for its loss trend rates, tariff
13 adjustment, and competitive position. Oliver Wyman noted that substituting alternate
14 assumptions, judgements and calculations that it found to be more appropriate for loss trend
15 rates and removing the tariff adjustment would result in overall rate level indications of +0.0%,
16 +9.7% and +1.9% for Motorcycles, Snow Vehicles, and All Terrain Vehicles, respectively, all of
17 which are less than Facility's proposed overall change.¹ Facility's rate level indications and
18 proposed changes by coverage, as well as Oliver Wyman's alternative rate level indications, are
19 summarized as follows:

Motorcycles			
Coverage	Indicated	Proposed	Oliver Wyman Alternative
Bodily Injury	4.8%	4.8%	2.5%
Property Damage - Tort	4.8%	4.8%	2.5%
DCPD	4.8%	4.8%	2.5%
Uninsured Auto	0.3%	0.3%	0.3%
Underinsured Motorist	-1.4%	-1.4%	-1.4%
Accident Benefits	-2.6%	-2.6%	-5.0%
Collision	-1.0%	-1.0%	-4.2%
Comprehensive	8.5%	8.5%	5.0%
Specified Perils	4.7%	4.7%	1.2%
Total Overall	1.9%	1.9%	0.0%

¹ Oliver Wyman Report, Pages 18 and 19

Snow Vehicles			
Coverage	Indicated	Proposed	Oliver Wyman Alternative
Bodily Injury	22.5%	22.5%	21.3%
Property Damage - Tort	22.5%	22.5%	21.3%
DCPD	22.5%	22.5%	21.3%
Uninsured Auto	3.0%	3.0%	3.0%
Underinsured Motorist	-2.6%	-2.6%	-2.6%
Accident Benefits	5.2%	5.2%	2.6%
Collision	4.8%	4.8%	1.1%
Comprehensive	8.4%	8.4%	4.8%
Specified Perils	20.5%	20.5%	16.4%
Total Overall	12.4%	12.4%	9.7%

All Terrain Vehicles			
Coverage	Indication	Proposal	Oliver Wyman Alternative
Bodily Injury	8.2%	8.2%	5.4%
Property Damage - Tort	8.2%	8.2%	5.4%
DCPD	8.2%	8.2%	5.4%
Uninsured Auto	3.0%	3.0%	3.0%
Underinsured Motorist	-3.3%	-3.3%	-3.3%
Accident Benefits	2.2%	2.2%	0.1%
Collision	-1.5%	-1.5%	-4.6%
Comprehensive	5.6%	5.6%	2.1%
Specified Perils	14.2%	14.2%	10.4%
Total Overall	4.7%	4.7%	1.9%

1 **5. Board Findings**

2

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

8

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

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: (1)
 11 bodily injury; (2) property damage/DCPD; and (3) accident benefits coverages. Specifically,
 12 Oliver Wyman disagreed with Facility's trend model selections for the coverages due to: (1)
 13 residual patterns observed in the bodily injury frequency model; (2) limited and volatile
 14 available data post-DCPD introduction for modeling property damage and DCPD individually;
 15 and (3) the absence of any scalar to address the new normal period in the accident benefits
 16 frequency model. Oliver Wyman suggested that Facility: (1) fit an alternative bodily injury
 17 frequency trend model, starting in 2013, and include a mobility variable instead of a scalar to
 18 capture the pandemic effects; (2) model property damage and DCPD together, using more
 19 years of data and including mobility and excess inflation parameters; and (3) fit an alternative
 20 accident benefits trend model, starting in 2012, and include a mobility parameter instead of the
 21 trend changes and scalars that Facility originally selected.

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 In response to Oliver Wyman, Facility noted that both its own and Oliver Wyman’s selected
2 Private Passenger Automobiles bodily injury, property damage and accident benefits frequency
3 and severity models demonstrate strong statistical performance, and thus both Facility’s
4 selections and Oliver Wyman’s alternatives are valid. Furthermore, Facility stated that for short-
5 tail coverages such as DCPD, claim development occurs quickly, and thus the trend analysis
6 period should reflect this speed, adding that with more than three years of fully developed
7 post-DCPD experience, using separate models for DCPD is reasonable. Facility also stated that
8 Oliver Wyman’s alternatives are more complex and difficult to interpret due to the inclusion of
9 additional parameters. Facility submitted that its trend analysis is unbiased, appropriate, and
10 actuarially sound.

11
12 The Board accepts that the estimation of ultimate losses is a matter of actuarial judgement and
13 notes that estimates can vary depending on the methodologies and judgements used; different
14 actuaries may provide different but reasonable “best estimates.” There are a wide range of
15 possible outcomes that can be considered reasonable when conducting loss trend analyses and
16 two actuaries may reach different conclusions when selecting loss trend rates. The selection of
17 loss trends includes making judgements in respect of the data and the Board has to assess
18 whether those judgements are reasonable in the circumstances.

19
20 Facility’s decision to use its own loss trend rates rather than the Board’s benchmark loss trends
21 as determined by Oliver Wyman is permitted within the Mandatory Filing Guidelines. The Board
22 has, in the past, accepted an insurer’s loss trends in place of the benchmark loss trends when
23 sufficient support was provided. Facility has provided support for all of its selections and
24 provided additional information as requested by Oliver Wyman to further justify its selections.
25 Although there is a difference of opinion, neither Facility nor Oliver Wyman took the position
26 that the other’s work was contrary to actuarial standards of practice.

27
28 The Board finds the loss trends in the Application are reasonable in the circumstances and
29 accepts Facility’s position that loss trend selections are a matter of judgement.

30

31 **5.2 Tariff Adjustment**

32
33 Facility included a tariff adjustment on physical damages coverages in response to the current
34 tariffs imposed by the United States government, and provided sources for the tariffs being
35 considered, as well as sources for certain selections and assumptions used in their supporting
36 analysis.

37
38 While Oliver Wyman acknowledged the interconnected trade and manufacturing relationships
39 between Canada and the United States, it submitted that the relationship between US tariffs
40 and auto parts used in Canadian vehicle collision repairs is less clear, and therefore found it
41 difficult to determine the percentage of auto parts subject to tariffs when repairing vehicles
42 using aftermarket or OEM parts. Oliver Wyman furthermore noted that Facility’s sources did
43 not focus on repair costs and parts, but rather on the automobile industry as a whole/total cost
44 of vehicles. Oliver Wyman added that many parts of a vehicle are unlikely to be damaged in a

1 collision, while damage to certain parts can result in a vehicle being deemed a total loss, noting
2 that both scenarios are included in Facility's studies. Oliver Wyman also highlighted the shifting
3 political landscape as the United States government faces public, political, and legal challenges
4 that may change the impacts of tariffs over time. Oliver Wyman submitted that there is too
5 much uncertainty to determine the appropriateness of a tariff adjustment and therefore it is
6 unreasonable to include one.

7
8 In response, Facility stated that recent patterns show that tariff levels have stabilized at higher
9 rates, and noted that many tariffs are codified under trade agreements or executive orders, and
10 require lengthy renegotiation processes to change. Facility added that automotive supply
11 chains operate on multi-year planning cycles, and thus companies cannot afford to make
12 decisions based on speculative political shifts, but rather treat tariffs as enduring. Facility
13 furthermore submitted that, even if the International Emergency Economic Powers Act tariffs
14 are discontinued, the administration has indicated it may use other statutory authorities to
15 impose new tariffs. As such, while Facility stated it understands the uncertainty of tariffs'
16 impacts, it strongly disagreed that its tariff provision should be removed altogether.

17
18 Oliver Wyman countered that, while there may indeed be additional impacts if tariffs remain
19 unchanged in the foreseeable future, it is not certain given the current socio-economic
20 environment. Oliver Wyman believes nuanced issues like this need to be evaluated on a case-
21 by-case basis, as there is no quantitative measure to determine thresholds of acceptability. In
22 this particular case, Oliver Wyman submits there is too much uncertainty at this time and that it
23 is prudent to avoid making any assertions related to tariffs beyond the data.

24
25 While the Board acknowledges the interconnected trade and manufacturing relationships
26 between Canada and the United States, the situation is too uncertain and volatile to determine
27 an appropriate tariff adjustment. The Board's role is to ensure proposed rates are just and
28 reasonable in the circumstances, do not impair the solvency of the insurer, and are not
29 excessive in relation to the financial circumstances of the insurer. The Board finds that, given
30 the level of uncertainty and volatility, it is unreasonable to include a tariff adjustment in rates at
31 this time.

32
33 The Board does not accept Facility's proposed tariff adjustment.

34 35 **5.3 Facility's Competitive Position**

36
37 In its filing evidence and subsequent submissions, Facility noted that its market share and
38 competitive position should be considered by the Board in making its determination on
39 Facility's rate proposals. Facility stated that part of its mission is to keep the residual market as
40 small as possible and suggested that any vehicle segment with a market share over 5% is
41 showing signs of market availability issues. Facility strongly encouraged the Board to consider
42 market position, purpose and mission in making its determinations.

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

5
6 The Board notes that Facility is not using its competitive position to justify rates higher than
7 indicated in the Application. Nonetheless, the Board reiterates its previous position. The Board
8 acknowledges that its Filing Guidelines allow for market considerations as a supplement to
9 actuarial methodologies where an insurer finds that its actuarial analysis is not fully relevant,
10 adequate or reasonable for use in establishing rates. The Board recognizes the unique role that
11 Facility plays as the operator of the residual market and that Facility's market share and
12 competitiveness need to be monitored. The Board advises that the burden to justify Facility's
13 competitive position as cause to approve higher rates than actuarially-justified, is Facility's, and
14 no such support has been presented to date, nor has the argument been made in this case.

15
16 **6. Conclusion**

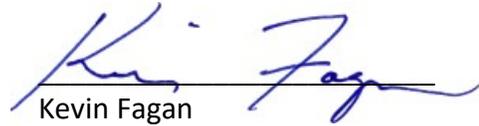
17
18 The Board accepts Facility's assumptions and proposals as set out in the Application, with the
19 exception of its tariff adjustment. The Board finds that Facility must file a revised rate proposal
20 without the inclusion of a tariff adjustment within 45 days.

21
22 **7. Order**

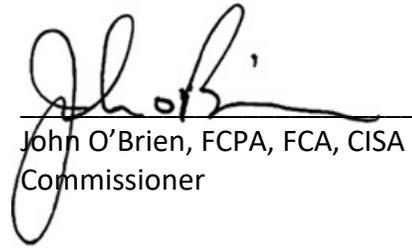
23
24 **IT IS THEREFORE ORDERED THAT:**

- 25
26 1. The Application by Facility Association is denied.
27
28 2. Facility Association must submit a revised application for its Miscellaneous Vehicles rating
29 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



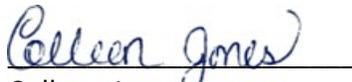
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