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September 16, 2019

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:

Re: Facility Association (FA) Rate Filing for Taxi

On behalf of the Facility Association, I am pleased to submit for approval a Facility Association rate revision application for Taxi in the Province of Newfoundland and Labrador. The revised rate application is in accordance with the Automobile Insurance Act, Sections 2 (1), 48, 49, 50 and 51 and the Insurance Companies Act, Sections 96.1 and 96.2. The revisions are proposed to become effective 100 days post approval for New Business and Renewals, rounded to the 1st of the following month.

The 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.

The Facility Association Board of Directors wishes to convey their continued belief that a cost of capital provision is appropriate and essential in the development of Facility Association rates. Given the position of the Board of Commissioners of Public Utilities ("PUB") on the matter; FA has developed the proposed rate changes without a cost of capital provision, and using a return on investment ("RoI") within the PUB's Benchmark range. Indications with a cost of capital provision, as well as, indications without a cost of capital provision using a net return on investment of 2.8% is shown for illustrative purposes.

The FA has approximately **496** Taxi exposures. FA is proposing an overall rate change of **+3.9%**. The impact of the revised proposed rate change will be an average annual per vehicle cost impact of **+\$297**, which would have an overall impact to FA's Taxi book of business by **+\$147,281**. The Facility Association's rate indications for Taxi business are illustrated in the following table:

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Taxi	TPL	AB	UA	UM	Coll	Comp	SP	Overall
Indications at 12% ROE	+20.3%	+21.3%	+25.5%	n/a	+16.3%	+17.7%	+5.0%	+20.3%
Indications at 0% CoC, 2.8% Net RoI	+3.7	+5.3%	+9.0%	n/a	+3.4%	+4.8%	-6.6%	+3.9%
Proposed	+3.7%	+5.3%	+9.0%	n/a	+3.4%	+0.8%	+0.8%	+3.9%
Average dollar impact \$	+245	+29	+24	n/a	+32	+3	+1	+297
Dollar impact on total book \$	+121,767	+9,752	+11,790	n/a	+3,332	+416	+224	+147,281

Included with this filing, FA proposes to expand the maximum available driving record to Driving Record 5 and differentiate to three rating territories.

In accordance with filing requirements, included are the following for your review:

- Completed rating profiles showing current and proposed premiums resulting from the change.
- A copy of the Taxi base rates, differentials and rate pages.

Compliance

A disciplined review process is in place to ensure that the Facility Association rates and rules in use are those currently approved. Servicing Carriers have documented written procedures to ensure adequate testing on implemented approved rates and rules. As well, Facility Association auditors conduct comprehensive audit tests to provide reasonable assurance on approved rates and rules on all classes of business.

If anything further is required with respect to this application, please contact our internal pricing actuary, Ms. Liqing Yang at (416) 863-1750, ext. 4813 or by e-mail at lyang@facilityassociation.com.

Regards,



Colin George, MBA, GDM, FCIP, CRM
Vice President, Underwriting and Claims

cc. Saskia Matheson, President & CEO, Facility Association