

1 **IN THE MATTER OF** the *Automobile*
2 *Insurance Act*, RSNL 1990, c. A-22,
3 as amended, and regulations thereunder; and
4

5 **IN THE MATTER OF** an application by Facility
6 Association for approval of a revised rating
7 Program for Private Passenger Vehicles in the Province
8 of Newfoundland and Labrador.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-FA-001 to PUB-FA-011


Issued: June 25, 2021

- 1 **PUB-FA-001** Explain why it is appropriate for Facility Association (“FA”) to include a
 2 profit provision in its rates given that it is an unincorporated *non-*
 3 *profit* association.
 4
- 5 **PUB-FA-002** Explain why FA does not currently include a profit/cost of capital provision
 6 in any of its Newfoundland and Labrador (“NL”) rates.
 7
- 8 **PUB-FA-003** Explain what currently happens to any profits or losses incurred by FA in
 9 NL. In the response, confirm if this will change if a profit provision is
 10 approved by the Board.
 11
- 12 **PUB-FA-004** Explain the capital requirements with respect to supporting FA business. In
 13 the response, please confirm who sets the capital requirements and who
 14 holds the capital.
 15
- 16 **PUB-FA-005** How does FA know that insurers are not already charging in their regular
 17 market rates for the capital held and notionally assigned to the FA book?
 18
- 19 **PUB-FA-006** Explain any underlying consequences that exist for member companies
 20 and/or policyholders where voluntary market rates include a profit
 21 provision and residual market rates do not.
 22
- 23 **PUB-FA-007** FA notes that its Board of Directors has set a target post-tax ROE of 12%
 24 in general for FA Residual Market (“FARM”) rates.
 25
- 26 a) How was FA’s internal 12% ROE target determined?
 27 b) Why did FA use the Board’s profit guideline of 6% of premium as the
 28 basis for its proposed rate change instead of its own internal target of
 29 12% ROE?
 30 c) Why is FA’s proposed overall rate level change of +8.9% less than the
 31 indicated need of +10.7% using the Board’s profit guideline?
 32
- 33 **PUB-FA-008** FA notes that 21% of FARM placements in 2020 were due to “Premium
 34 Lower than Other Markets” and suggests that the integration of a profit
 35 provision would assist in delivering on FA’s purpose to minimize market
 36 presence and provide consumers with the benefits of a competitive standard
 37 insurance market.
 38
- 39 a) Provide the FA Private Passenger Vehicles (“PPV”) market share in NL
 40 for each of the last ten years.
 41 b) Provide a comparison of FA’s current PPV market share for all
 42 jurisdictions in which FA operates.
 43 c) If a risk is placed/renewed in FA due to “Premium Lower than Other
 44 Markets”, does this mean that FA has the lowest premium in the industry
 45 for that risk, or just lower than the select carriers used by the
 46 agent/broker who places the business?

- 1 d) Provide any evidence that FA has to confirm that adding a profit
- 2 provision to its rates will reduce the number of FA placements due to
- 3 “Premium Lower than Other Markets.”
- 4 e) Aside from integration of a profit provision, has FA explored any other
- 5 potential options to help minimize the residual market size? If so, please
- 6 explain.
- 7
- 8 **PUB-FA-009** Provide the historical profit/loss amounts distributed to members for FA
- 9 PPV business in NL for each of the last ten years.
- 10
- 11 **PUB-FA-010** Provide the historical profit/loss amounts distributed to members for all
- 12 FA business in NL (i.e., all vehicle classes combined) for each of the last
- 13 ten years.
- 14
- 15 **PUB-FA-011** Please confirm if FA intends to propose a profit provision for its other
- 16 classes of automobile insurance in NL.

DATED at St. John’s, Newfoundland and Labrador this 25th day of June, 2021.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per 
 Cheryl Blundon
 Director of Corporate Services
 and Board Secretary