

May 31, 2021

Cheryl Blundon  
Director of Corporate Services & 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 Private Passenger Profit Provision Filing**

On behalf of Facility Association, I am pleased to submit for approval a rate filing application for inclusion of Profit Provision for Private Passenger Vehicles 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 and the Automobile Insurance Regulations NLR 56/19, Section 9. 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 purpose is to ensure availability of automobile insurance to owners, lessees and licensed drivers of motor vehicles who are eligible. We deliver on our purpose through the efficient administration of automobile insurance residual market mechanisms and by providing valued information to our members. Facility Association strives to enhance market stability through minimizing its market presence and impact, in an effort to provide consumers with the benefits of a healthy and competitive standard insurance market.

Included in this filing is a proposal to allow a profit provision in our rate indications as well as a new methodology for the calculation of return on investment. A review of the reasons for FARM Placement as indicated by Agents and Brokers on the "Monthly report of Business Placed With or Renewed through Facility Association Residual Market" indicated that 21%<sup>1</sup> of business written in 2020 specified the reason code: "6. Premium Lower than Other Markets". This further suggests that the integration of a profit provision in our rate indications would assist Facility Association in delivering on its purpose to minimize market presence and provide consumers with the benefits of a competitive standard insurance market in Newfoundland & Labrador.

The FA has approximately **11,556** Private Passenger vehicles. FA is proposing an overall rate change of **+8.9%**. The impact of the proposed rate change will result in an average written dollar change per vehicle of **+\$204** on an average written premium of **\$2,296**, which would have an overall impact of **\$2,355,346** to FA's Private Passenger book of business. The following table highlights the Facility Association's rate indications for Private Passenger vehicles:

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<sup>1</sup> 18% indicated as a "Primary Reason", 3% indicated as a "Secondary Reason"

Private Passenger	BI	PD	DCPD	AB	UA	UM	Coll	Comp	SP	Overall
Indications at 12% RoE	+19.1%	+19.1%	+19.1%	+11.9%	+14.8%	+6.7%	+2.4%	-3.4%	+29.8%	+14.1%
Proposed	+12.0%	+12.0%	+12.0%	+8.4%	+11.3%	+3.5%	-	-	-	+8.9%
Average dollar impact \$	+189			+13	+4	+1	-	-	-	+204
Dollar impact on total book \$	+2,163,360			+135,744	+47,912	+8,330	-	-	-	+2,355,346

**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](mailto:lyang@facilityassociation.com).

Yours truly,



Fadia Charbine  
Vice President, Underwriting, Claims & Operations