

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. A.I. 7(2021)

1 **IN THE MATTER OF** the *Automobile*
2 *Insurance Act*, RSNL 1990, c. A-22,
3 as amended, and regulations
4 thereunder; and
5

6 **IN THE MATTER OF** an application
7 by Facility Association for approval to
8 implement a revised rating program for
9 its Garage category of automobile
10 insurance.
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13 **WHEREAS** on November 27, 2020 Facility Association applied to the Board for approval of a
14 revised rating program under the Mandatory filing option for its Garage category of automobile
15 insurance; and
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17 **WHEREAS** Facility Association filed an overall rate level indication and proposed rate change
18 of +7.2%; and
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20 **WHEREAS** on February 3, 2021 the Board's actuarial consultants, Oliver Wyman Limited
21 (“Oliver Wyman”), filed a report of findings with the Board; and
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23 **WHEREAS** Oliver Wyman identified concerns with Facility Association’s assumptions for loss
24 trend rates and return on investment income; and
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26 **WHEREAS** Oliver Wyman reported that substituting alternative assumptions for loss trend rates
27 and return on investment income would reduce Facility Association’s overall rate level indication
28 to a range of -3.5 to -0.5%; and
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30 **WHEREAS**, in response to the Oliver Wyman findings, Facility Association noted that there will
31 always be differences in actuarial views with respect to the appropriate rate level and that it
32 continues to believe its assumptions are justified, supported and reasonable; and
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34 **WHEREAS** the Board acknowledges that there are a wide range of possible outcomes in any
35 prospective ratemaking exercise and that the variance in the overall rate level indications produced

1 by Facility Association and Oliver Wyman was the result of differing actuarial judgements on a
2 number of the assumptions included in the rate analysis; and

3
4 **WHEREAS** the Board notes that there was considerable uncertainty in the calculation of the rate
5 level indications in this analysis due to the limited available data for Garage business; and

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7 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
8 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
9 financial circumstances of the insurer, and do not violate the *Automobile Insurance Act* or the
10 *Insurance Companies Act* or the respective regulations thereunder.

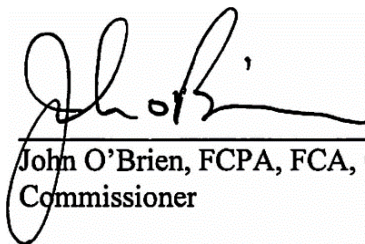
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13 **IT IS THEREFORE ORDERED THAT:**

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15 1. The revised rating program received on November 27, 2020 from Facility Association for its
16 Garage category of automobile insurance is approved to be effective no sooner than July 1,
17 2021 for new business and renewals.

DATED at St. John's, Newfoundland and Labrador, this 11th day of March, 2021.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Cheryl Blundon
Board Secretary