

FACILITY ASSOCIATION

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TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO.: F04 – 007

DATE: February 9, 2004

SUBJECT: New Brunswick: Drivers with “Clean” Records

At Facility Association’s New Brunswick Rate Hearing held before the Board of Commissioners of Public Utilities (PUB) December 17 and 18, 2003, we were asked to respond to the idea that “clean” drivers insured through Facility Association “not be charged rates greater than the Board’s benchmark plus 5%”.

In our response dated January 14, 2004, we emphasized that we shared the Board’s view that lower-risk drivers should not face premiums intended for those with higher risk profiles. However, in addition to noting the administrative complexities and the importance of properly defining a "clean" driver under the Board's concept, we also highlighted that attempting to resolve this public policy issue via this type of rate setting could have the effect of putting us into direct competition with our members and could, in fact, result in squeezing “non-standard” writers out of the New Brunswick marketplace. We therefore believe that such a policy could have the unintended outcome of reducing the level of availability and choice for New Brunswick auto insurance consumers generally, and result in a larger residual market than would otherwise be necessary.

We suggested the following alternative measures as ways to prevent lower-risk drivers from being insured through Facility Association:

- Monitor costs in relation to prices on an ongoing, market-wide basis to ensure rising costs are dealt with quickly and to ensure companies are achieving an appropriate level of return.
- Ensure consumers are informed and active participants in the marketplace.
- Ensure market conditions are such that it is easy for new companies to enter the market in the province. Low entry barriers are one way to help ensure adequate supply of any consumer good or service, thus minimizing availability problems.
- Provide a “place to turn to” for consumers experiencing difficulty obtaining coverage such as an industry sponsored referral program for hard to place business.

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FARM – New Brunswick: Drivers with “Clean” Records

Member companies may wish to express their own views on this matter to the Board of Commissioners of Public Utilities of New Brunswick. Correspondence may be addressed to:

Ms. Lorraine Légère
Secretary
Board of Commissioners of Public Utilities
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If you have any questions on this matter, please contact me directly at 416-644-4915 or dsimpson@facilityassoc.com

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