

2017 Automobile Insurance Review Additional Information

1. **Question:** How many taxi drivers/taxi vehicles were insured with Facility Association in Newfoundland and Labrador each year over the period 2012 to 2016

Response: We do not have data on individual drivers. The Table below provides a summary of all Taxi exposures insured with Facility Association (FA) in Newfoundland and Labrador for the period 2012 to 2016:

Accident Year	Exposures Written
2012	819
2013	863
2014	780
2015	780
2016	685

2. **Question:** Prior to 2013, when was the last Facility Association rate application for its Taxis, Jitneys and Liveries (“Taxis”) class of business in Newfoundland and Labrador and what was the annual loss ratio in the years between rate filings

Response: Prior to 2013 the last effective Facility Association rate change for its Taxis, Jitneys and Liveries (“Taxis”) class of business in Newfoundland & Labrador was implemented on May 1st 1987. We do not know the dates of the rate application and the PUB decisions. The loss ratios for those years (as known at the time) were developed by our external consulting actuaries. The information is in archival storage and not easily retrievable in any event.

3. **Question:** It would be helpful if Facility Association could provide some information in relation to its Taxi class of business, comparing Newfoundland and Labrador, Nova Scotia, New Brunswick and Prince Edward Island. In particular please provide the following for each province:
- i. A comparison for each territory of the average premium by year and per jurisdiction (assuming average by all coverages for the most recent 2016), the premium for a clean driver (i.e. Driving Record 3), and the premium for a driver with multiple accidents and convictions (i.e. Driving Record 0).

Response: Please refer to the following table for the average premium by Atlantic province. Please note that average premiums can be impacted by the “mix” (mandatory/optional) of coverages purchased.

Taxi Average Written Premium				
Year	NL	NB	NS	PE
2012	2,073	3,751	1,637	1,712
2013	2,494	3,978	1,860	1,786
2014	3,071	4,109	1,908	1,746
2015	3,223	4,018	2,001	1,855
2016	4,241	4,107	2,431	1,965

The following Exhibits A & B are comparisons of Driving Records 3 and 0 in the Atlantic Provinces:

Exhibit A: Driving Record 3

Operator 1 (Owner):				
▪ Male, Age 40				No Driver Training
▪ No At-Fault Accidents				Licensed 20 years, Class 5 License
▪ No Convictions				Renewal with FA for 3 years
▪ 2015 Ford Escape. VICC Code #3736.				Use as Taxi, Not for Airport Use. Annual Mileage 45,000
▪ Rate Groups:				
▪ AB - 11				
Collision - 32				
Comprehensive - 28				
DCPD - 34				
Discount:				
Owner Taxi Discount of 10% applied to each coverage	Yes	Yes	Yes	No
Surcharge Applied	None	None	None	None
Coverages				
	Territory 1	Territory 1	Territory 1	Territory 1
	Newfoundland	New Brunswick	Nova Scotia	Prince Edward Island
Mandatory Coverages	DR 3*	DR 3*	DR 3*	DR 3*
Liability - \$2,000,000 Limit	4057 x 10% = 3651	2155 x 10% = 1940	1169 x 10% = 1052	1,127
Road Hazard Liability	1750 x 10% = 1575			75
Passenger Hazard Liability	44 x 10% = 40	6 x 10% = 5	16 x 10% = 14	17
Passenger Property Damage \$5,000	n/a	496 x 10% = 446	763 x 10% = 687	259
DCPD - \$0 Deductible	597 x 10% = 537	1110 x 10% = 999	566 x 10% = 509	416
Accident Benefits - Basic	791 x 10% = 712	1289 x 10% = 1160	1619 x 10% = 1457	2,398
Collision - \$500 Deductible	348 x 10% = 313	508 x 10% = 457	760 x 10% = 684	483
Comprehensive - \$500 Deductible	255 x 10% = 230	35 x 10% = 32	45 x 10% = 41	22
Uninsured Auto				
Total Premium	\$7,058	\$5,039	\$4,444	\$4,797

Exhibit A: Driving Record 0

Operator 1 (Non-Owner):				
▪ Male, Age 30				No Driver Training
▪ 3 At-Fault Accidents				Licensed 8 years, Class 5 License
<i>Dated: 01-05-2018, 02-04-2017, 28-02-2016</i>				
▪ 3 Minor Convictions				New Business Dated 01-09-2018 with FA. New Vehicle Ownership
▪ 2017 Mazda 3 - VICC Code 7586				Use as Taxi, Not for Airport Use. Annual Mileage 50,000
▪ Rate Groups:				
AB - 10				
Collision - 39				
Comprehensive - 26				
DCPD - 39				
Surcharge Applied	30% Surcharge due to the 3 AF Accidents applied to Liability and Collision premiums	30% Surcharge for 3 AF Accidents and 15% Surcharge for the 3 Minor Convictions applied to Liability, DCPD and Collision premiums	30% Surcharge for 3 AF Accidents and 15% Surcharge for the 3 Minor Convictions applied to Liability, DCPD and Collision premiums	30% Surcharge for 3 AF Accidents and 15% Surcharge for the 3 Minor Convictions applied to Liability, DCPD and Collision premiums
Coverages				
	Territory 1	Territory 1	Territory 1	Territory 1
	Newfoundland	New Brunswick	Nova Scotia	Prince Edward Island
Mandatory Coverages	DR 0*	DR 0*	DR 0*	DR 0*
Liability - \$1,000,000 Limit	5951 + 30% = 7736	3408 + 45% = 4941	1948 + 45% = 2825	1584 + 45% = 2297
Road Hazard Liability	2395 + 30% = 3114			106 + 45% = 154
Passenger Hazard Liability	146 + 30% = 190	18 + 45% = 26	54 + 45% = 78	58 + 45% = 84
Passenger Property Damage \$50,000	n/a	796 + 45% = 1154	1579 + 45% = 2290	432 + 45% = 626
DCPD - \$0 Deductible	597	1110	566	416
Accident Benefits - Basic	1390 + 30% = 1807	2303 + 45% = 3338	2903 + 45% = 4209	4195 + 45% = 6083
Collision - \$500 Deductible	324	472	707	449
Comprehensive - \$500 Deductible	255	35	45	22
Uninsured Auto				
Total Premium	\$14,023	\$11,076	\$10,720	\$10,131

- ii. Whether there is a profit provision reflected in rates and if so, what percentage/amount
Response: The following table highlights the profit provision in the Atlantic Provinces:

Jurisdiction	Profit Provision
Newfoundland & Labrador	0%
Nova Scotia	11% ROE
Prince Edward Island	12% ROE
New Brunswick	12% ROE

- iii. The annual loss ratios, written premiums and rate filing history over the period 2012 to 2016;¹

Response: Written premium (all coverages) and annual loss ratios (indemnity only) over the period 2012 to 2016 for all Atlantic Provinces are provided in the following table:

as at: 31-Dec-2016		NB		NS		NL		PE	
Coverage	AY	Written Premium	Ultimate Loss Ratio	Written Premium	Ultimate Loss Ratio	Written Premium	Ultimate Loss Ratio	Written Premium	Ultimate Loss Ratio
TOTAL									
	2012	1,380,326	65.3%	1,911,811	80.3%	1,697,835	296.2%	195,127	312.5%
	2013	1,467,928	95.0%	2,445,406	101.5%	2,152,409	176.7%	198,260	37.1%
	2014	1,668,087	91.2%	2,646,650	72.8%	2,395,383	149.4%	232,204	60.1%
	2015	1,643,482	90.5%	2,793,010	79.8%	2,514,098	185.8%	261,534	45.2%
	2016	1,671,648	50.7%	3,306,830	101.5%	2,892,473	153.7%	292,857	46.4%
	Total/Avg.	7,831,471	78.5%	13,103,707	87.2%	11,652,198	192.4%	1,179,982	100.3%

- iv. The rate filing history over 2012 to 2016 for all Atlantic Provinces:

Response: The rate filing history for the period 2012 to 2016 for all Atlantic Provinces are highlighted in the following table:

Jurisdiction	Date	Filed
New Brunswick	Apr 2013	0.0%
	May 2014	0.0%
	May 2015	0.0%
	Apr 2016	18.2%
Nova Scotia	Apr 2012	7.1%
	Jan 2015	42.8%
	Mar 2016	7.6%
Newfoundland & Labrador	Jan 2013	49.7%
	Mar 2014	54.1%
	May 2015	74.1%
	Mar 2016	27.7%
	Dec 2016	29.7%
Prince Edward Island	Mar 2012	7.0%
	May 2016	19.4%

¹ Newfoundland and Labrador need not be provided as it is set out in the Oliver Wyman Taxi Report.

- v. The percentage of the Taxis insurance market which is placed with Facility Association and where the rest of the market may be placed; and

Response: The following chart shows the Taxi market share (Atlantic region only) for the period 2012 to 2016 (FA does not have any information as to where the rest of the market is placed in Newfoundland and Labrador)

FA Taxi Market Share (Written Premium Basis)				
Year	NL	NB	NS	PE
2012	95.0	99.9	95.8	98.5
2013	95.4	98.5	95.8	98.6
2014	95.0	96.2	96.2	98.5
2015	94.9	96.2	97.8	97.4
2016	95.7	99.7	98.4	95.2

- vi. Any significant differences in underwriting.

Response: The underwriting practises in the Atlantic region are similar. However, there are differences in discounts and surcharges; these differences are highlighted in the following charts:

Owner Driven Discount (Taxi)

Newfoundland & Labrador	New Brunswick	Nova Scotia	Prince Edward Island
10% shall be applied to each coverage			none

Surcharge Schedule (Events in the Preceding 36 months)

	Newfoundland	New Brunswick	Nova Scotia	Prince Edward Island
No. of Chargeable Accidents				
2	0%	20%	20%	10%
3	30%	30%	30%	30%
Each Additional	10%	15%	15%	15%
Serious Convictions				
1	50%	100%	100%	100%
Each Additional	100%	100%	100%	100%
Major Convictions				
1	15%	15%	15%	15%
Each Additional	5%	25%	25%	15%
Minor Convictions				
2	0%	5%	5%	5%
3	0%	15%	15%	15%
4	25%	25%	25%	25%
Each Additional	15%	15%	15%	15%
Maximum surcharge to be applied for accidents, serious, major and minor convictions	200%	250%	250%	250%

4. **Question:** Does Facility Association have any suggestions to reduce claim costs and rates for its Taxis class of business in Newfoundland and Labrador

Response: Claims costs arise for accidents which occur, the claims resulting from these accidents and the system of reparations with respect to eligible claims. Therefore, reducing accidents could be a positive step. We do not usually comment on the mandatory coverage to be required in each jurisdiction we serve unless we see a feature in the coverage that is likely to pose risks to availability. We understand IBC has put forward constructive proposals in this regard. We do note that given the significant rate inadequacy for Newfoundland and Labrador Taxis, a reduction in claims costs would not necessarily eliminate that inadequacy.

5. Does Facility Association have any comments in relation to the following issues:

i) Rating the driver not the vehicle;

Response: Based on our underwriting experience Taxis generally tend to assign multiple drivers to operate a single vehicle as well, experience high turnover. Therefore, it will be much more reliable and appropriate to use the vehicle loss history as an underwriting factor as opposed to driver.

ii) Increased recognition of driver experience;

Response: In light of the risk exposure stated in (i); recognizing driver experience would not be applicable

iii) Reflecting kilometers driven;

Response: In light of the risk exposure stated in (i); recognizing kilometers driven would not be applicable

iv) Increased recognition of territory differences;

Response: In light of the risk exposure stated in (i); recognizing territory differences would not be applicable

v) A discount for risk management by taxis, i.e. monitoring of driving;

Response: This might merit consideration at a future point in time, however given the existing rate inadequacy; a discount relative to other taxis would still not necessarily lead to a rate reduction.

vi) Rating Limousines separately from taxis reflecting the risk characteristics of the Limousine business;

Response: Our underwriting experience is that although limousines may be generally lower radius than Taxis; limousines tend to have higher passenger capacity

vii) Limiting the amount of a rate increase in a year; and

Response: FA is opposed to this suggestion. Limiting the amount of rate increases will continue to place pressures on rate adequacy, result in barriers to entry and threaten a competitive market.

viii) Mandating regular rate filings

Response: Respectfully, given the cost and complexity of obtaining rate approvals from the NL PUB, we are not in a position to support mandatory filings at this time.