NEWFOUNDLAND AND LABRADOR BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

Hearing Transcript

2017 Automobile Insurance Review

September 6, 2018

PRESENT:

The Board:

Darlene Whalen, Chair and CEO Dwanda Newman, Vice-Chair James Oxford, Commissioner

Parties (Alphabetical Order)

Atlantic Provinces Trial Lawyers Association Ernest Gittens

Campaign to Protect Accident Victims Colin Feltham Jerome Kennedy

Consumer Advocate

Dennis Brown, Q.C. Andrew Wadden

Insurance Bureau of Canada (IBC)

Amanda Dean Kevin Stamp Trevor Foster

Spinal Cord Injury NL

Thomas Fraize Lara Fraize-Burry Michael Burry **Board Counsel/ Staff:** Jacqueline Glynn, Board Counsel Ryan Oake, Regulatory Analyst Peter O'Flaherty, Q.C., Hearing Counsel

<u>Presenters:</u> Paula Elliott, Oliver Wyman

 (9:08 a.m.) CHAIR: Q. Good morning, everybody. It looks like all the same faces. I think the only acknowledgement I'll make this morning is to recognize Mr. Peter O'Flaherty, who will be acting as hearing counsel for this session. I don't think we need to do anything else on a preliminary matter. I guess, today we're a preliminary matter. I guess, today we're gust picking up where we left off, and when responded to questions from the Atlantic Provinces Trial Lawyers Association. I 		nder 6, 2018		2017 Automobile Insurance Review
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	Page 5		Page 7
1	MR. FELTHAM:	I	– so in that case, we don't assume 10
2	Q. You were provided with the information, so		percent. We're trying to measure what it
3	you were aware that it existed, but you	3	was. In Part II, we say what would the
4	weren't involved in discussions with GISA	4	required premiums be if you targeted a 10
5	for the production of the letter, or that	5	percent return in our Part II, and compare
6	sort of thing?	6	that to what the actual premium earned was,
7	MS. ELLIOTT:	7	and then Part C is trying to – Part III,
8	A. No.	8	rather, is trying to forecast what 2017
9	MR. FELTHAM:	9	would be. So in Part I, we're trying to
10	Q. No?	10	measure the profit as opposed to saying it
11	MS. ELLIOTT:	11	was 10, and what would the premiums be if
12	A. No, not $-$ no, no.	12	you targeted 10 percent. So there's no need
13	MR. FELTHAM:	13	to state it here.
14	Q. Okay, if we could go back to the report	14	MR. FELTHAM:
15	document, please, and page 5. Thank you.	15	Q. Okay, and if we look at page 2, and I'm
16	So this is under the Methodology and	16	getting at the Part B that you're referring
17	Discussion section of your report, and it's	17	to in your answer –
18	here that you note your key assumptions,	18	MS. ELLIOTT:
19	correct?	19	A. Uh-hm.
20	MS. ELLIOTT:	20	(9:15 a.m.)
$\begin{vmatrix} 2 \\ 21 \end{vmatrix}$	A. It's in reference to the information that's	21	MR. FELTHAM:
22	used to derive the calculations, yes.	22	Q. At the bottom underneath Table 1, "We note
$\begin{vmatrix} 22\\23 \end{vmatrix}$	MR. FELTHAM:	23	that the Board of Commissioners, Public
$\begin{vmatrix} 23\\24 \end{vmatrix}$	Q. Right, and these A, B, and C items under	24	Utilities Board, guideline target profit
25	Methodology and Discussions, these are	25	level for private passenger automobile rate
1 40	file and bibe about the bibe about the bibe and		
	6.	-	
	Page 6		Page 8
1	Page 6 assumptions made by you in the preparation	1	Page 8 filings is an ROE of 10 percent". So that's
1 2	Page 6 assumptions made by you in the preparation of this report?	1 2	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against,
1 2 3	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT:	1 2 3	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that
1 2 3 4	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to	1 2	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what
1 2 3 4 5	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and	1 2 3 4 5	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved?
1 2 3 4 5 6	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah.	1 2 3 4 5 6	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT:
1 2 3 4 5 6 7	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM:	1 2 3 4 5 6 7	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board,
1 2 3 4 5 6 7 8	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in	1 2 3 4 5 6 7 8	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their
1 2 3 4 5 6 7 8 9	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you	1 2 3 4 5 6 7 8 9	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is
1 2 3 4 5 6 7 8 9 10	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you indicated in A, the operating cost reported	1 2 3 4 5 6 7 8 9 10	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is indicated, and then now we're looking back
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$ \begin{array}{c} 1\\ 2\\ 3\\ 4\\ 5\\ 6\\ 7\\ 8\\ 9\\ 10\\ 11\\ 12\\ \end{array} $	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you indicated in A, the operating cost reported by the insurers in B, and the return on investment in C?	1 2 3 4 5 6 7 8 9 10 11 12	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is indicated, and then now we're looking back in time and trying to estimate what was the ROE after-tax achieved, and then saying,
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$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\end{array} $	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you indicated in A, the operating cost reported by the insurers in B, and the return on investment in C? MS. ELLIOTT: A. Yes, that's what we considered, yes. MR. FELTHAM: Q. Okay, and we don't see here in this particular section anything related to the return on equity, but this was also an	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\end{array} $	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is indicated, and then now we're looking back in time and trying to estimate what was the ROE after-tax achieved, and then saying, well, 10 percent was the target upon which rates were set, but sometimes your losses are higher or lower than what are expected, and so your profit, of course, will be higher or lower accordingly. So this is a look back in time to see what the returns
$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\end{array} $	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you indicated in A, the operating cost reported by the insurers in B, and the return on investment in C? MS. ELLIOTT: A. Yes, that's what we considered, yes. MR. FELTHAM: Q. Okay, and we don't see here in this particular section anything related to the return on equity, but this was also an assumed factor on your part, was it not,	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\end{array} $	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is indicated, and then now we're looking back in time and trying to estimate what was the ROE after-tax achieved, and then saying, well, 10 percent was the target upon which rates were set, but sometimes your losses are higher or lower than what are expected, and so your profit, of course, will be higher or lower accordingly. So this is a look back in time to see what the returns were.
$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\end{array} $	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you indicated in A, the operating cost reported by the insurers in B, and the return on investment in C? MS. ELLIOTT: A. Yes, that's what we considered, yes. MR. FELTHAM: Q. Okay, and we don't see here in this particular section anything related to the return on equity, but this was also an assumed factor on your part, was it not, that the appropriate return on equity was 10	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\end{array} $	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is indicated, and then now we're looking back in time and trying to estimate what was the ROE after-tax achieved, and then saying, well, 10 percent was the target upon which rates were set, but sometimes your losses are higher or lower than what are expected, and so your profit, of course, will be higher or lower accordingly. So this is a look back in time to see what the returns were. MR. FELTHAM:
$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\end{array} $	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you indicated in A, the operating cost reported by the insurers in B, and the return on investment in C? MS. ELLIOTT: A. Yes, that's what we considered, yes. MR. FELTHAM: Q. Okay, and we don't see here in this particular section anything related to the return on equity, but this was also an assumed factor on your part, was it not, that the appropriate return on equity was 10 percent?	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\end{array} $	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is indicated, and then now we're looking back in time and trying to estimate what was the ROE after-tax achieved, and then saying, well, 10 percent was the target upon which rates were set, but sometimes your losses are higher or lower than what are expected, and so your profit, of course, will be higher or lower accordingly. So this is a look back in time to see what the returns were. MR. FELTHAM: Q. Right, and in determining whether you have
$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you indicated in A, the operating cost reported by the insurers in B, and the return on investment in C? MS. ELLIOTT: A. Yes, that's what we considered, yes. MR. FELTHAM: Q. Okay, and we don't see here in this particular section anything related to the return on equity, but this was also an assumed factor on your part, was it not, that the appropriate return on equity was 10 percent? MS. ELLIOTT:	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	 Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is indicated, and then now we're looking back in time and trying to estimate what was the ROE after-tax achieved, and then saying, well, 10 percent was the target upon which rates were set, but sometimes your losses are higher or lower than what are expected, and so your profit, of course, will be higher or lower accordingly. So this is a look back in time to see what the returns were. MR. FELTHAM: Q. Right, and in determining whether you have rate adequacy or insufficiency, we are
$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\\23\end{array} $	 Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you indicated in A, the operating cost reported by the insurers in B, and the return on investment in C? MS. ELLIOTT: A. Yes, that's what we considered, yes. MR. FELTHAM: Q. Okay, and we don't see here in this particular section anything related to the return on equity, but this was also an assumed factor on your part, was it not, that the appropriate return on equity was 10 percent? MS. ELLIOTT: A. No, I – let me explain. In our report, we 	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\\23\end{array} $	Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is indicated, and then now we're looking back in time and trying to estimate what was the ROE after-tax achieved, and then saying, well, 10 percent was the target upon which rates were set, but sometimes your losses are higher or lower than what are expected, and so your profit, of course, will be higher or lower accordingly. So this is a look back in time to see what the returns were. MR. FELTHAM: Q. Right, and in determining whether you have rate adequacy or insufficiency, we are measuring results against that 10 percent
$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	Page 6 assumptions made by you in the preparation of this report? MS. ELLIOTT: A. It's simply referencing that we're going to look at loss amounts, expense amounts, and profit, yeah. MR. FELTHAM: Q. Okay, so were not key assumptions here in this process relating to the claim costs you indicated in A, the operating cost reported by the insurers in B, and the return on investment in C? MS. ELLIOTT: A. Yes, that's what we considered, yes. MR. FELTHAM: Q. Okay, and we don't see here in this particular section anything related to the return on equity, but this was also an assumed factor on your part, was it not, that the appropriate return on equity was 10 percent? MS. ELLIOTT:	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	 Page 8 filings is an ROE of 10 percent". So that's what you're assessing your findings against, if you will, that's the benchmark that you're assessing results against as to what should be achieved? MS. ELLIOTT: A. Yes, so when rates are filed with the Board, the companies target 10 percent in their pricing model to determine what rate is indicated, and then now we're looking back in time and trying to estimate what was the ROE after-tax achieved, and then saying, well, 10 percent was the target upon which rates were set, but sometimes your losses are higher or lower than what are expected, and so your profit, of course, will be higher or lower accordingly. So this is a look back in time to see what the returns were. MR. FELTHAM: Q. Right, and in determining whether you have rate adequacy or insufficiency, we are

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	Page 9		Page 11
1	A. Not in this table, but in Part II, yes.	1	provision, a comparable provision, and
2	MR. FELTHAM:	2	Ontario is 5 percent. So it would be in the
3	Q. No, no, I'm sorry, it's not in the table.	3	range of what other provinces are using.
4	MS. ELLIOTT:	4	MR. FELTHAM:
5	A. Yes, yeah.	5	Q. My understanding, though, is that's –
6	MR. FELTHAM:	6	comparing to other provinces is not the
7	Q. Just in the overall approach to the report	7	manner in which an appropriate ROE should be
8	and your analysis, that's what you're doing?	8	set, you know, if we were engaged in that
9	MS. ELLIOTT:	9	process?
10	A. Yes, companies target a return when they set	10	MS. ELLIOTT:
11	their rates, and then you can look back in	11	A. I'm not stating that that's how you should
12	time and say, well, gee, did I achieve that	12	determine it. What I'm stating is that in
13	or not, and that's what we're doing here.	13	using that number, it was in the range of
14	MR. FELTHAM:	14	what is used and a reasonable number to use.
15	Q. Right, and in this case, did we achieve an	15	I'm not saying that it's the right number
16	ROE of 10 percent or not?	16	nor the wrong number. I'm just stating that
17	MS. ELLIOTT:	17	it is in the range of what is used in other
18	A. Right.	18	provinces. So in my use of that number, it
19	MR. FELTHAM:	19	would not be unreasonable.
20	Q. And that 10 percent figure, that comes, as I	20	MR. FELTHAM:
$\begin{vmatrix} 20\\21 \end{vmatrix}$	understand it, from the Board's benchmark	20	Q. And no one asked you to examine whether the
$\begin{vmatrix} 21\\22 \end{vmatrix}$	hearing ruling in, I think, 2005?	21	ROE should be 10 percent or not, or a
$\begin{vmatrix} 22\\23 \end{vmatrix}$	MS. ELLIOTT:	22	benchmark?
$23 \\ 24$	A. Economists would have determined that	23	MS. ELLIOTT:
25	number.	25	A. That's correct.
23		23	
1	Page 10 MR. FELTHAM:	1	Page 12 MR. FELTHAM:
$\begin{vmatrix} 1 \\ 2 \end{vmatrix}$		1	
$\begin{vmatrix} 2\\ 3 \end{vmatrix}$	Q. Right, and you haven't done any determination – made any determination,	2 3	
1	•	-	based on evidence and a hearing process?
4	engage in anything to determine whether or		
5		4	MS. ELLIOTT:
5	not 10 percent is a reasonable return on	5	MS. ELLIOTT: A. By an economist.
6	not 10 percent is a reasonable return on equity?	5 6	MS. ELLIOTT: A. By an economist. MR. FELTHAM:
6 7	not 10 percent is a reasonable return on equity? MS. ELLIOTT:	5 6 7	MS. ELLIOTT: A. By an economist. MR. FELTHAM: Q. Yes, by an economist.
6 7 8	not 10 percent is a reasonable return on equity? MS. ELLIOTT: A. I'm not an economist. That's not what I do,	5 6 7 8	MS. ELLIOTT: A. By an economist. MR. FELTHAM: Q. Yes, by an economist. MS. ELLIOTT:
6 7 8 9	not 10 percent is a reasonable return on equity? MS. ELLIOTT: A. I'm not an economist. That's not what I do, no.	5 6 7 8 9	MS. ELLIOTT:A. By an economist.MR. FELTHAM:Q. Yes, by an economist.MS. ELLIOTT:A. Yeah.
6 7 8 9 10	not 10 percent is a reasonable return on equity? MS. ELLIOTT: A. I'm not an economist. That's not what I do, no. MR. FELTHAM:	5 6 7 8 9 10	 MS. ELLIOTT: A. By an economist. MR. FELTHAM: Q. Yes, by an economist. MS. ELLIOTT: A. Yeah. MR. FELTHAM:
6 7 8 9 10 11	not 10 percent is a reasonable return on equity? MS. ELLIOTT: A. I'm not an economist. That's not what I do, no. MR. FELTHAM: Q. And you're not a cost of capital expert?	5 6 7 8 9 10 11	 MS. ELLIOTT: A. By an economist. MR. FELTHAM: Q. Yes, by an economist. MS. ELLIOTT: A. Yeah. MR. FELTHAM: Q. So if the target ROE, which is what I'll
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6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 not 10 percent is a reasonable return on equity? MS. ELLIOTT: A. I'm not an economist. That's not what I do, no. MR. FELTHAM: Q. And you're not a cost of capital expert? MS. ELLIOTT: A. Not that either, no. MR. FELTHAM: Q. So you have any idea how the cost of equity capital today compares to what it would have been in 2005? MS. ELLIOTT: A. Well, the cost of capital and return on equity are often used interchangeably. A 10 percent guideline that the Board has equates to approximately, with the current tax rate, an investment rate assumption of 5.74 	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 MS. ELLIOTT: A. By an economist. MR. FELTHAM: Q. Yes, by an economist. MS. ELLIOTT: A. Yeah. MR. FELTHAM: Q. So if the target ROE, which is what I'll call that, 10 percent, if it was not assumed, then it should have been different each year based on what evidence would tell us. Then that would make your premium adequacy estimates misleading, would it not? MS. ELLIOTT: A. Well, it certainly would not make what we've presented here in the table that is on the screen misleading because that's measuring what it was in hindsight, and furthermore, looking at Part II where we measure what was the actual earned premium and what was the

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1	inappropriate to review or misleading	1	kind of a simplified approach.
2	because it is a measurement of what was used	2	MR. FELTHAM:
3	for the rate filings. The assertion that	3	Q. All right, so you say several ways there,
4	the findings are misleading because we used	4	and then you do note two, and what I take
5	10 percent, I don't agree with, because that	5	from what you're telling me is really
6	was the value that insurers were allowed to	6	primarily your view is there are two ways?
7	use in their rate applications.	7	MS. ELLIOTT:
8	MR. FELTHAM:	8	A. And pre-tax, after-tax, yes.
9	Q. But if those – if that target ought to have	9	MR. FELTHAM:
10	been something, say, less than 10 percent,	10	Q. Okay. Back to page 2 of the report, please.
11	or more than 10 percent, in reality, other	11	So here you're reviewing estimated profit
12	than based on the assumed number from 2005,	12	levels. You say, "We use the total of all
13	the degree to which there is inadequacy or	13	premium actually charged by insurers in
14	perhaps rates were too high would change?	14	Newfoundland and Labrador for private
15	MS. ELLIOTT:	15	passenger automobile insurance in each of
16	A. Well, sure, any number, if you substitute a	16	accident years; 2007 to 2016. So that's the
17	different assumption and wish it was	17	amount estimated for claims and all expenses
18	something else, of course, it would change,	18	in each of those years based on industry
10	but we're not dealing with wishes and I wish	18 19	data as of June 30th, 2017, plus estimated
20	•	20	investment income". So to estimate the
	it was something different. I was measuring what it was.	20 21	
21			profit levels then, you're using the total
22	MR. FELTHAM:	22	of all the premiums that are actually
23	Q. Based on that assumed 10 percent as the	23	charged by insurers in Newfoundland for
24	benchmark?	24	private passenger auto, and then you
25	MS. ELLIOTT:	25	subtract from that an amount estimated for
	Page 14		Page 16
1	A. Based on a target of 10 percent, yes.	1	claims and the expenses, and you say based
2	MR. FELTHAM:	2	on industry data plus the investment –
3	Q. Yes, okay. Let's go back just one page to	3	estimated investment income. When you say
4	page 1, please. So the second paragraph	4	"based on industry data", what you're saying
5	here you note that, "Insurance industry	5	is that you're accepting the expenses as
6	profit levels can be estimated and measured	6	reported by the insurers?
7	in several ways". I guess, my question for	7	MS. ELLIOTT:
8	you on that is how many ways are there and	8	A. That's correct.
9	what are they?	9	MR. FELTHAM:
10	MS. ELLIOTT:	10	Q. Okay. You've not examined the
11	A. Well, the two key ways are percent of	11	reasonableness of those expenses in any way?
12	premium referred to as POP, and return on	12	MS. ELLIOTT:
13	equity, and then you can look at that pre-	13	A. Well, I would say I've examined the
14	tax, after-tax. So that's our reference.	14	reasonableness of them. I am fully aware of
15	That's the two common ways, and as an	15	what the expense ratio is in other
	2	16	provinces, and the numbers are typically in
16	Investor, you a want to look at what's the		r
16 17	investor, you'd want to look at what's the return on equity if you're investing in a		the range from 25 to 30 percent or under
17	return on equity if you're investing in a	17	the range from 25 to 30 percent, or under 30, in that upper 20 percent range. So if
17 18	return on equity if you're investing in a company, so that's a very typical way. Then	17 18	30, in that upper 20 percent range. So if
17 18 19	return on equity if you're investing in a company, so that's a very typical way. Then the percent of premium is sort of a	17 18 19	30, in that upper 20 percent range. So if the number was 40 percent, I would certainly
17 18 19 20	return on equity if you're investing in a company, so that's a very typical way. Then the percent of premium is sort of a simplified way to look at it because	17 18 19 20	30, in that upper 20 percent range. So if the number was 40 percent, I would certainly look at that and say, gee, that's not
17 18 19 20 21	return on equity if you're investing in a company, so that's a very typical way. Then the percent of premium is sort of a simplified way to look at it because consumers can understand if the percentage	17 18 19 20 21	30, in that upper 20 percent range. So if the number was 40 percent, I would certainly look at that and say, gee, that's not reasonable, what's going on?
17 18 19 20 21 22	return on equity if you're investing in a company, so that's a very typical way. Then the percent of premium is sort of a simplified way to look at it because consumers can understand if the percentage of premium – a profit as a percentage of	17 18 19 20 21 22	30, in that upper 20 percent range. So if the number was 40 percent, I would certainly look at that and say, gee, that's not reasonable, what's going on? MR. FELTHAM:
17 18 19 20 21 22 23	return on equity if you're investing in a company, so that's a very typical way. Then the percent of premium is sort of a simplified way to look at it because consumers can understand if the percentage of premium – a profit as a percentage of premium is allowed is 5.74 percent, and they	17 18 19 20 21 22 23	 30, in that upper 20 percent range. So if the number was 40 percent, I would certainly look at that and say, gee, that's not reasonable, what's going on? MR. FELTHAM: Q. That's in terms of the ratio, expense ratio?
17 18 19 20 21 22	return on equity if you're investing in a company, so that's a very typical way. Then the percent of premium is sort of a simplified way to look at it because consumers can understand if the percentage of premium – a profit as a percentage of	17 18 19 20 21 22	30, in that upper 20 percent range. So if the number was 40 percent, I would certainly look at that and say, gee, that's not reasonable, what's going on? MR. FELTHAM:

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	Page 17		Page 19
1	MR. FELTHAM:	1	on the most recent actual expense
2	Q. But you haven't examined whether the	2	information requested by each individual
3	expenses themselves –	3	insurer in Newfoundland and Labrador, which
4	MS. ELLIOTT:	4	was the expense information we relied on."
5	A. Again I'm not an auditor. I do not audit	5	So, and again, so, you're using the expense
6	data.	6	ratios based on the information that the
7	MR. FELTHAM:	7	insurers provided?
8	Q. You've just accepted what's being provided	8	(9:30 a.m.)
9	and you work with those?	9	MS. ELLIOTT:
10	MS. ELLIOTT:	10	A. Yes. We're using the GISA information, yes.
11	A. Yes, that's correct.	11	MR. FELTHAM:
12	MR. FELTHAM:	12	Q. Which comes from the insurers to GISA?
13	Q. And if the expenses were determined to be	13	MS. ELLIOTT:
14	overstated, that would affect your findings	14	A. That's correct.
15	on profit levels?	15	MR. FELTHAM:
16	MS. ELLIOTT:	16	Q. Okay. And then you go on to say, at the
10		10	
	A. Understated, overstated, either way, yeah. MR. FELTHAM:	17	last paragraph under 3, "testing and
18			estimating what the profit level might have
19	Q. Yes. I had some questions for you as well	19 20	been if the expense provision were different
20	in relation to the written answers to	20	would be appropriate if changes to the
21	interrogatories, and that's where I'd like	21	expense provision were under consideration.
22	to go next if I could. This would be the	22	The terms of reference did not outline this
23	Oliver Wyman letter of July 6th, 2018,	23	consideration." So, your view, I'll just
24	Responses to Interrogatories. Okay. So, I	24	paraphrase here, is that examining the
25	have the document and I'm interested in	25	expense provisions and, I guess, whether
	Page 18		Page 20
1	going to page 6. So, this is $-$ page 6 is in	1	those are reasonable and that sort of stuff,
2	the area that contains your response to	2	is not something that is part – ought to be
3	questions from the Insurance Bureau of	3	part of this review based on terms of
4	Canada. It actually starts on page 5	4	reference?
5	though. And Answer 3 on page 6. So, this -	5	MS. ELLIOTT:
6	well, I'll repeat the question, just so we	6	A. We were asked to look at what the historical
7	have some context.	7	profits were. So, using the actual expense
8	"Ms. Elliott, an intervener has	8	ratio provided by GISA as opposed to an
9	requested that you estimate industry return	9	expense ratio that would be hypothetical was
10	on equity (ROE) ratio to expense percentages	10	not – we weren't asked to use a hypothetical
11	in Newfoundland and Labrador. These	11	expense ratio; that is the expense ratio
12	percentages include 18.2, 20.2 and 24.4.	12	could be reduced to X, whatever that X would
13	Could you please comment on why you used the	13	be, what would be the profits. So, that
14	General Insurance Statistical Agency's	14	wasn't something that we did or were asked
15	published expense ratios and the	15	to do.
16	reasonableness of your selection relative to	16	MR. FELTHAM:
17	these three requested percentages above?"	17	Q. Okay. I'd like to refer you to a couple of
18	So, I gather what IBC is asking there	18	points in the Terms of Reference, if I could
19	is in relation to the question that CAPLA	19	discuss those with you. I apologize for all
20	APTLA had asked, where they asked you to	20	the document jumping, but if we could bring
20	substitute some expense ratios and redo some	20	up the Terms of Reference, please? Sorry,
22	calculations, okay.	22	there it is. Quicker than I thought. Okay.
22	So, your response here below indicates	22	So, under Phase II, you'll note is says
174	"the suggested expense provisions" which are	2Δ	"Phase II will review the existing private
24 25	"the suggested expense provisions" which are the 18.2 percent and so on, "are not based	24 25	"Phase II will review the existing private passenger automobile insurance products and

	Page 21		Page 23
1	assess and recommend possible options to	1	A. Well, with respect, I would have to go to
2	contain costs." So, as a starting point, I	2	Intact or Aviva and find out, you know, what
3	would suggest to you that's fairly broad.	3	their operation is and spend months and
4	And then if we go to the very bottom, the	4	months reviewing their operation, as to how
5	last point under II, it indicates "to report	5	to lower perhaps their general expense ratio
6	any other cost savings or other improvements	6	from 10 to 9.5 and you know, there are
7	on any aspect of automobile insurance	7	numerous companies in the province and that
8	offered in this province". So, you know,	8	wasn't the exercise that I certainly
9	again, that's a big broad catchall, I would	9	understood or was directed to undertake, to
10	suggest, in terms of anything that can be	10	go to advise all the large companies how to
11	done to reduce costs.	10	reduce their costs.
11	MS. ELLIOTT:	11	MR. FELTHAM:
		12	
13	A. It would be very broad. It could be		Q. Okay. No, fair enough. And instead, we
14	improving, you know, roads to make them	14	accept what's provided by the insurers as
15	safer. I mean, there are many aspects of	15	expenses in various -
16	that. Our report was not that broad.	16	MS. ELLIOTT:
17	MR. FELTHAM:	17	A. Knowing they're in very similar range in
18	Q. And in your view, there was no need to go	18	other provinces, yes.
19	into the expense provision and determine	19	MR. FELTHAM:
20	whether any changes could be made or ought	20	Q. Be that as it may, we're still relying on
21	to be made in that regard? Obviously	21	what they provide to you as the expense
22	changes there would mean changes in cost.	22	figures?
23	MS. ELLIOTT:	23	MS. ELLIOTT:
24	A. In terms of the expenses, again repeating	24	A. Yes. I can't make up a number, so I have to
25	myself, we were looking at the hindsight,	25	use what's given to me by the people that
	Page 22		Page 24
1	what the array in the magazine anta that we		
	what they were in the measurements that we	1	collect the data.
2	did, not what if they were a certain number.	2	MR. FELTHAM:
3	did, not what if they were a certain number. In looking forward to expenses, I'm	2 3	MR. FELTHAM: Q. Okay. So, switch gears a little bit here.
3 4	did, not what if they were a certain number. In looking forward to expenses, I'm certainly in favour of anything that makes	2 3 4	MR. FELTHAM: Q. Okay. So, switch gears a little bit here. When you – in making your calculations in
3	did, not what if they were a certain number. In looking forward to expenses, I'm certainly in favour of anything that makes the expense provision in rates lower, so	2 3	 MR. FELTHAM: Q. Okay. So, switch gears a little bit here. When you – in making your calculations in your report of auto insurance company profit
3 4	did, not what if they were a certain number. In looking forward to expenses, I'm certainly in favour of anything that makes the expense provision in rates lower, so that that reduction in expense cost	2 3 4	 MR. FELTHAM: Q. Okay. So, switch gears a little bit here. When you – in making your calculations in your report of auto insurance company profit in Newfoundland and Labrador, you didn't
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	Page 25		Page 27
1	people or companies rather because we were	1	them in the analysis with this sort of
2	trying to frame the answer in a different	2	aggregate approach that you've taken,
3	way or manner. I think we were – not I	3	doesn't the auto insurance consumer kind of
4	think, I know we were presenting an estimate	4	wind up subsidizing the business operation
5	for the industry, including all insurers, be	5	of that company?
6	that what it may, you know, make money, lose	6	A. Nobody's subsidizing anything. We're
7	money, and not trying to exclude anybody to	7	looking back at what the results were. They
8	frame a different answer, just provide the	8	are what they are. If you want to exclude
9	facts as they are.	9	somebody then you're just saying well, these
10	MR. FELTHAM:	10	are the results if I exclude the guys that
11	Q. So, the answer is no, you didn't think it	11	have a low profit level. That's all you
12	was reasonable to exclude any companies?	12	know now. We're just measuring it. Moving
13	MS. ELLIOTT:	13	forward and how that will benefit consumers
13	A. I see no reason to exclude any companies if	14	in the future with whatever the Government
15	we're trying to measure what the results	15	decides to do here, that's how you're going
15	were in the past.	16	to benefit consumers. Looking back and
17	MR. FELTHAM:	17	•
1			making artificial measurements of the past
18	Q. But more than trying to measure what results	18	results because you exclude the low people,
19	were in the past, we're also trying to	19 20	the low insurers, I'm not sure what that
20	determine what's appropriate for the future	20	achieves. You can do it, but you're just
21	as part of this, are we not?	21	giving hypothetical results of what the
22	MS. ELLIOTT:	22	profits would have been if we exclude the
23	A. I don't think measuring what the results	23	low ROE insurers.
24	were for the past of the profits, loss	24	MR. FELTHAM:
25	experience, all the different reasons that	25	() Lot's take a bank for avample Same of L
23	experience, un the uniferent reasons that	23	Q. Let's take a bank for example. Some of
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1	Page 26 drive the results, excluding anything	1	Page 28 them, most of them, are in the insurance
1 2	Page 26 drive the results, excluding anything doesn't assist you in any manner.	1 2	Page 28 them, most of them, are in the insurance business, auto insurance business in
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	Page 29		Page 31
1	subsidize that type of business model?	1	hindsight review of their profits. But no,
2	MS. ELLIOTT:	2	our choice was to include all companies.
3	A. Well, you're asking me to make an assumption	3	The results are what they are. They do
4	that they are providing insurance as a loss	4	operate here and so, we didn't draw some
5	leader.	5	line, artificial line to say well, we're
6	MR. FELTHAM:	6	going to exclude those companies that have
7	Q. I am.	7	an ROE less than what we think should be if
8	MS. ELLIOTT:	8	you wanted to stay around in the province.
9	A. And I'm not prepared to make that assumption	9	MR. FELTHAM:
10	when I present my results of what the	10	Q. Okay. Move on from that one. I'd like to
11	history is of the profits in the province.	11	go back to the answers in interrogatories,
12	MR. FELTHAM:	12	which I think we're not on that document.
12	Q. But if that were the case?	12	I'd like to speak with you about commission
14	MS. ELLIOTT:	14	expenses. And if we go to page one, please,
15	A. Well, again, that's an if. It's a hypo –	15	and these are your interrogatory responses
16	you're hypothesizing and I'm not prepared to	16	to the Atlantic Provinces Trial Lawyers
17	present results on a hypothesis. I'm only	10	questions. And I'm not going to read this,
17	prepared, which I did, to present results on	17	
10	the actual data that was available, not to	10 19	but if we go down to the last paragraph
			under number one, you indicate that the
20	say well, what if I exclude the companies	20	Newfoundland and Labrador 2016 average
21	without low negative ROE. You can do that	21	commission ratio was 12.2 percent and the
22	calculation, but that's not what I chose to	22	premium tax rate, five percent. Is that
23	do because I don't know why their ROE was	23	correct?
24	negative.	24	MS. ELLIOTT:
25	MR. FELTHAM:	25	A. Yes, yeah.
	Page 30		
	5		Page 32
1	Q. Okay. But you understand that by including	1	MR. FELTHAM:
1 2	Q. Okay. But you understand that by including a company with a consistently negative ROE	1 2	MR. FELTHAM: Q. Okay. And again, other than you mentioned
1 2 3	Q. Okay. But you understand that by including	1 2 3	MR. FELTHAM: Q. Okay. And again, other than you mentioned comparing things for other provinces, you
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3	Q. Okay. But you understand that by including a company with a consistently negative ROE from the past results, we do just – we get	3	MR. FELTHAM: Q. Okay. And again, other than you mentioned comparing things for other provinces, you
3 4	Q. Okay. But you understand that by including a company with a consistently negative ROE from the past results, we do just – we get those past results and we get the numbers,	3 4	MR. FELTHAM: Q. Okay. And again, other than you mentioned comparing things for other provinces, you took no other means to determine
3 4 5	Q. Okay. But you understand that by including a company with a consistently negative ROE from the past results, we do just – we get those past results and we get the numbers, but -	3 4 5	MR. FELTHAM: Q. Okay. And again, other than you mentioned comparing things for other provinces, you took no other means to determine reasonableness of the commission, average
3 4 5 6	 Q. Okay. But you understand that by including a company with a consistently negative ROE from the past results, we do just – we get those past results and we get the numbers, but - MS. ELLIOTT: 	3 4 5 6	 MR. FELTHAM: Q. Okay. And again, other than you mentioned comparing things for other provinces, you took no other means to determine reasonableness of the commission, average commission ratio? Is that correct?
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1			
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	percent is appropriate in the context -	1	MR. FELTHAM:
2	MS. ELLIOTT:	2	Q. Okay. And the Campaign asked you some
3	A. I certainly -	3	questions as well on this in the
4	MR. FELTHAM:	4	interrogatories and if we go to page nine.
5	Q of the sales models in this province?	5	Questions actually are repeated at number
6	MS. ELLIOTT:	6	five there. So, those are the questions and
7	A. I certainly know what's appropriate or not	7	I'm not going to go through each one, but
8	for a commission rate. I know the rate is	8	the answers are actually on – start on the
9	12.5 percent for brokers and it's a lower	9	next page. I want to take you to Answer A.
10	cost if you're a direct writer. I'm	10	So, the question here was – just, I guess, I
11	certainly aware of what those numbers are	11	should repeat that.
12	and -	12	Okay. "How did you estimate your
13	MR. FELTHAM:	13	general expense ratios for the industry? A.
14	Q. How do you know that's a reasonable rate?	14	What has happened to commissions over time?"
15	MS. ELLIOTT:	15	And, you note in the second sentence or
16	A. I'm sorry, in what context are you saying –	16	third sentence, sorry, "as supported by
17	the rate that's charged or what we pay	17	GISA, the commissions, excluding contingent
18	brokers or whether that is -	18	commissions, as a percentage of premiums in
19	MR. FELTHAM:	19	Newfoundland and Labrador for 2013 to 2016,
20	Q. The 12.2 percent.	20	the most recent report from GISA, were 11.3
20 21	MS. ELLIOTT:	20 21	
21 22		21	percent, 11.8 percent, 12.2 percent and 12.1
			percent respectively."
23	MR. FELTHAM:	23	And then you refer to the contingent
24	Q. The ratio.	24	commission. So, can you help me out with
25	MS. ELLIOTT:	25	that? Can you explain the concept of
	Page 34		Page 36
1	A. I'm sorry, what is your definition of	1	contingent commission versus the other
2	reasonable? So, we can answer this		
	·	2	commission?
23	effectively here.	3	MS. ELLIOTT:
	·		MS. ELLIOTT: A. Um-hm. Well, the brokers are paid a
3	effectively here.	3	MS. ELLIOTT:
3 4	effectively here. MR. FELTHAM:	3 4 5	MS. ELLIOTT: A. Um-hm. Well, the brokers are paid a
3 4 5	effectively here. MR. FELTHAM: Q. Whether that's an appropriate commission	3 4 5	MS. ELLIOTT: A. Um-hm. Well, the brokers are paid a standard commission rate of 12.5 percent per
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	Page 37		Page 39
1	that there's been a shift in commissions.	1	they're operating Anthony Insurance and
2	You say, "These shifts in commissions	2	Macdonald Chisholm Trask, insurance brokers.
3	imply"—well, let me back up a sentence I	3	You're aware of that?
4	suppose. "Hence, most recently, the	4	MS. ELLIOTT:
5	commission rate excluding contingent	5	A. They would be an ownership arrangement which
6	commissions has increased from 2013 to 2016,	6	is different than a company arrangement.
7	and the contingent commissions have	7	MR. FELTHAM:
8	decreased from 2013 to 2016."	8	Q. Okay, but they're a part of Intact's
9	MS. ELLIOTT:	9	operation according to Intact.
10	A. Um-hm.	10	MS. ELLIOTT:
11	MR. FELTHAM:	11	A. That broker does not come (unintelligible)
12	Q. "These shifts in commissions imply that	12	the set of rates. We're dealing with
12	there may be a shift towards the use of	12	insurance companies here.
13	2	13	MR. FELTHAM:
	broker-based companies." And the sentence		
15	carries on. Did you examine the ownership	15	Q. No, no, I'm not suggesting that they do.
16	arrangement of insurance brokerages in the	16	I'm just saying Intact has told us in its
17	province?	17	submission, "These are entities that we
18	MS. ELLIOTT:	18	operate."
19	Q. Intact has increased its market share in the	19	MS. ELLIOTT:
20	province, and it is a broker-based company,	20	A. Yeah.
21	and that may be driving it, yeah.	21	MR. FELTHAM:
22	MR. FELTHAM:	22	Q. Okay?
23	Q. Yes, because you say, "A shift towards the	23	MS. ELLIOTT:
24	used of broker-based companies."	24	A. Um-hm, they're not insurance companies.
25	MS. ELLIOTT:	25	MR. FELTHAM:
	Page 38		
1	Page 38 A. Um-hm, um-hm.		Page 40
1 2	A. Um-hm, um-hm.	1	Page 40 Q. No, they're not. I understand, but the
1 2 3	A. Um-hm, um-hm. MR. FELTHAM:	1 2	Page 40 Q. No, they're not. I understand, but the commissions that those brokers, Anthony
3	A. Um-hm, um-hm.MR. FELTHAM:Q. So, and Intact, I think in their submission	1 2 3	Page 40 Q. No, they're not. I understand, but the commissions that those brokers, Anthony Insurance, Macdonald Chisholm Trask, are
	 A. Um-hm, um-hm. MR. FELTHAM: Q. So, and Intact, I think in their submission actually, they say they operate three brands 	1 2	Q. No, they're not. I understand, but the commissions that those brokers, Anthony Insurance, Macdonald Chisholm Trask, are charging, the 12½ percent, plus whatever
3 4 5	 A. Um-hm, um-hm. MR. FELTHAM: Q. So, and Intact, I think in their submission actually, they say they operate three brands in the province? 	1 2 3 4 5	Q. No, they're not. I understand, but the commissions that those brokers, Anthony Insurance, Macdonald Chisholm Trask, are charging, the 12½ percent, plus whatever contingent commissions, they're ultimately
3	 A. Um-hm, um-hm. MR. FELTHAM: Q. So, and Intact, I think in their submission actually, they say they operate three brands in the province? MS. ELLIOTT: 	1 2 3 4 5 6	Q. No, they're not. I understand, but the commissions that those brokers, Anthony Insurance, Macdonald Chisholm Trask, are charging, the 12½ percent, plus whatever contingent commissions, they're ultimately staying now under the Intact umbrella, are
3 4 5 6 7	 A. Um-hm, um-hm. MR. FELTHAM: Q. So, and Intact, I think in their submission actually, they say they operate three brands in the province? MS. ELLIOTT: A. Um-hm. 	1 2 3 4 5 6 7	Q. No, they're not. I understand, but the commissions that those brokers, Anthony Insurance, Macdonald Chisholm Trask, are charging, the 12½ percent, plus whatever contingent commissions, they're ultimately staying now under the Intact umbrella, are they not?
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3 4 5 6 7 8 9 10	 A. Um-hm, um-hm. MR. FELTHAM: Q. So, and Intact, I think in their submission actually, they say they operate three brands in the province? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. Their own brands. Excuse me. And two of those are Anthony Insurance and Macdonald 	1 2 3 4 5 6 7 8 9 10	 Page 40 Q. No, they're not. I understand, but the commissions that those brokers, Anthony Insurance, Macdonald Chisholm Trask, are charging, the 12½ percent, plus whatever contingent commissions, they're ultimately staying now under the Intact umbrella, are they not? MS. ELLIOTT: A. Well, yes, they would roll through the Intact data that's reported to GISA that
3 4 5 6 7 8 9 10 11	 A. Um-hm, um-hm. MR. FELTHAM: Q. So, and Intact, I think in their submission actually, they say they operate three brands in the province? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. Their own brands. Excuse me. And two of those are Anthony Insurance and Macdonald Chisholm Trask Insurance? 	1 2 3 4 5 6 7 8 9 10 11	 Page 40 Q. No, they're not. I understand, but the commissions that those brokers, Anthony Insurance, Macdonald Chisholm Trask, are charging, the 12½ percent, plus whatever contingent commissions, they're ultimately staying now under the Intact umbrella, are they not? MS. ELLIOTT: A. Well, yes, they would roll through the Intact data that's reported to GISA that we're using, yeah.
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 A. Um-hm, um-hm. MR. FELTHAM: Q. So, and Intact, I think in their submission actually, they say they operate three brands in the province? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. Their own brands. Excuse me. And two of those are Anthony Insurance and Macdonald Chisholm Trask Insurance? MS. ELLIOTT: A. Yeah, I'm sorry, they're brokers that you're referring to; not brands. MR. FELTHAM: Q. No, I say Intact referred to them as brands in their submission. That's not—I'm not saying that's what they are. They're brokers, I agree with you. MS. ELLIOTT: A. The Intact Financial Corporation, Intact Group, would have Novex Insurance as a brand 	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	 Page 40 Q. No, they're not. I understand, but the commissions that those brokers, Anthony Insurance, Macdonald Chisholm Trask, are charging, the 12½ percent, plus whatever contingent commissions, they're ultimately staying now under the Intact umbrella, are they not? MS. ELLIOTT: A. Well, yes, they would roll through the Intact data that's reported to GISA that we're using, yeah. MR. FELTHAM: Q. And then, I mean there's other examples. So, you know, Johnson Insurance, locally. MS. ELLIOTT: A. I'm sorry, examples of what? MR. FELTHAM: Q. I'm going to give them to you. MS. ELLIOTT: A. Oh. MR. FELTHAM: Q. Johnson Insurance in this province sells

			B 42
	Page 41 A. I'm not sure who owns which broker.	1	Page 43
$\begin{vmatrix} 1\\2 \end{vmatrix}$	 A. I'm not sure who owns which broker. MR. FELTHAM: 	1 2	sits down in front of the broker, and describes what their needs are, and the
$\begin{vmatrix} 2\\ 3 \end{vmatrix}$	Q. Okay, fine.	3	broker provides that service, and there's a
4	MS. ELLIOTT:	4	$12\frac{1}{2}$ percent commission paid for that, that's
5	A. Yeah.	5	12/2 percent commission paid for that, that s
6	MR. FELTHAM:	6	MR. FELTHAM:
	Q. And you mentioned thatwell, I mean there	7	Q. But Co-operators sells their product
8	appears to be a shift in brokerages being	8	directly.
9	acquired by insurance companies. Are you—do		MS. ELLIOTT:
10	you have any knowledge of that or awareness	10	A. I know.
11	of it?	11	MR. FELTHAM:
12	MS. ELLIOTT:	12	Q. You go into their office, you tell them what
13	A. Yes. Yes, I do. Um-hm.	13	their needs are, they tell you what they're
14	MR. FELTHAM:	14	going to charge.
15	Q. And then, you mentioned the shift toward	15	MS. ELLIOTT:
16	insurers selling their product through	16	A. It's a different model. It's a different
17	brokerages versus direct selling?	17	model.
18	MS. ELLIOTT:	18	MR. FELTHAM:
19	A. Yeah. Who owns a broker has nothing to do	19	Q. No, I appreciate it's a different model.
20	with the set of—like the commission rate.	20	MS. ELLIOTT:
21	That's independent. It's who puts capital	21	A. Um-hm.
22	in a broker. Whether the broker owns the	22	MR. FELTHAM:
23	self-owned, owner-operated or somebody else	23	Q. But Co-operators collects the premium, and
24	that investing it in it like an insurance	24	it stays in Co-operators. Here, Anthony
25	company.	25	Insurance collects the premium, it's in
	Page 42		Page 44
1	MR. FELTHAM:	1	Intact Insurance, but they're collecting a
2	Q. Yes, and I want to talk to you about that	2	commission as well. And that commission
$\begin{vmatrix} -3 \end{vmatrix}$	because I had trouble understanding that,	3	ultimately finds its way into commission
4	why it makes no difference. And I note that	4	expenses which finds its way back into
5	in your—on page 10, the same page here of	5	rates?
6	your answers, and you—because we asked you	6	MS. ELLIOTT:
7	question.	7	A. Yes, if brokers are paid $12\frac{1}{2}$ percent, a
8	MS. ELLIOTT:	8	broker owner-operator may decide to get
9	A. Um-hm.	9	other investors and they may find it
10	MR. FELTHAM:	10	advantageous to get Intact to be an
11	Q. And you say in C, "The acquisition of	11	investor, and maybe Intact owns half of the
12	brokers by insurers does not dictate or	12	brokerage, 75 percent, 25 percent, whatever.
13	require a change in the commission	13	It does not change the operation of that
14	compensation structure," and I struggle with	14	brokerage. Clearly, it may funnel more
15	that because, and this may be a simplistic	15	volume through to Intact. I understand
16	view of it, but in my mind once the insurer	16	that, but it does not mean that because you
17	acquires the brokerage that sells its	17	have a different ownership of a brokerage
18	product, it's effectively direct selling,	18	that they're still not getting compensated
19	but it's still collecting the commission	19	by 12 ¹ / ₂ percent. You're making the
20	that it would be paying to a broker if it	20	assumption that they are, and you have
21	didn't own the broker.	21	evidence to present to say that.
22	MS. ELLIOTT:	22	MR. FELTHAM:
23	A. It's not direct selling. It's a broker	23	Q. But here's how I look at it. Is it really
24	relationship. If the broker comes in-the	24	an expense to the insurer anymore? You
25	consumer, sorry, the consumer comes in and	25	know, if you have an independent broker and
	Discoveries Unlimite	d Inc.	(709)437-5028 Page 41 - Page 44

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1	I understand that, you know, Aviva or	1	brokerage, whatever the reason he's chosen
2	whoever is going to have to pay a commission	2	to do this, somebody has put capital in to
3	to that broker if it sells a policy.	3	get ownership of a brokerage. That does not
4	MS. ELLIOTT:	4	necessitate that they have to change their
5	A. Yeah, um-hm.	5	operating model of that brokerage. And
6	MR. FELTHAM:	6	secondly, the data that is reported to GISA
	Q. That money, that commission paid, is an	7	is the commission amounts that are paid, and
8	expense to the insurer. It does not go back	8	these are the data that we use. So, we're
9	to the insurer in any way. It stays with	9	kind of going around in circles. How does
10	that little brokerage, but if Aviva—well,	10	the operating business model for a brokerage
11	let's not take Aviva because I don't know	11	change? And there's always different
12	which one they own, but let's take Intact	12	brokers out there. Be that what they may,
12	again. Intact pays a commission to Anthony	12	how they change, regardless this is the
13	Insurance for a policy that it sells.	13	commission amounts that are reported to GISA
14	MS. ELLIOTT:	14	that are paid.
10	A. Um-hm.	16	MR. FELTHAM:
17	MR. FELTHAM:	10	
		17	Q. No, I totally appreciate that, that they are
18	Q. That money is really staying in Intact		still reported commissions and claimed as an
19	Insurance effectively?	19 20	expense by the insurers as part of their
20	MS. ELLIOTT:	20	expense. And it makes its way into what the
21	A. Well, it depends on what their percentage of	21	expense ratio ultimately is and so on.
22	ownership is of that brokerage.	22	MS. ELLIOTT:
23	MR. FELTHAM:	23	A. Um-hm.
24	Q. Okay.	24	MR. FELTHAM:
25	MS. ELLIOTT:	25	Q. And then, ultimately, what rates are
			D (0)
1	Page 46	1	Page 48
1	A. Whether it's a 100 percent owner or	1	required to achieve rate adequacy?
2	A. Whether it's a 100 percent owner or whatever.	2	required to achieve rate adequacy? MS. ELLIOTT:
2 3	A. Whether it's a 100 percent owner or whatever.MR. FELTHAM:	2 3	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm.
2 3 4	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. 	2 3 4	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM:
2 3 4 5	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: 	2 3 4 5	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being
2 3 4 5 6	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. 	2 3 4 5 6	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's
2 3 4 5 6 7	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: 	2 3 4 5 6 7	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is
2 3 4 5 6 7 8	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. 	2 3 4 5 6 7 8	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of
2 3 4 5 6 7 8 9	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. MS. ELLIOTT: 	2 3 4 5 6 7 8 9	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of it. They've paid a commission.
2 3 4 5 6 7 8 9 10	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. MS. ELLIOTT: A. But just because you have a new owner, if 	2 3 4 5 6 7 8 9 10	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of it. They've paid a commission. MS. ELLIOTT:
2 3 4 5 6 7 8 9 10 11	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. MS. ELLIOTT: A. But just because you have a new owner, if somebody invested capital in a brokerage, 	2 3 4 5 6 7 8 9 10 11	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of it. They've paid a commission. MS. ELLIOTT: A. Um-hm.
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2 3 4 5 6 7 8 9 10 11 12 13 14	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. MS. ELLIOTT: A. But just because you have a new owner, if somebody invested capital in a brokerage, that doesn't change the operation and the operating model for that brokerage. MR. FELTHAM: 	2 3 4 5 6 7 8 9 10 11 12 13 14	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of it. They've paid a commission. MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. Which ultimately is not really an expense. MS. ELLIOTT:
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. MS. ELLIOTT: A. But just because you have a new owner, if somebody invested capital in a brokerage, that doesn't change the operation and the operating model for that brokerage. MR. FELTHAM: Q. Not even if it is the insurer that pays the commission – MS. ELLIOTT: A. We don't – 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of it. They've paid a commission. MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. Which ultimately is not really an expense. MS. ELLIOTT: A. No, no, no. MR. FELTHAM: Q. It's staying within their operation. MS. ELLIOTT:
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$ \begin{array}{c} 2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\end{array} $	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. MS. ELLIOTT: A. But just because you have a new owner, if somebody invested capital in a brokerage, that doesn't change the operation and the operating model for that brokerage. MR. FELTHAM: Q. Not even if it is the insurer that pays the commission – MS. ELLIOTT: A. We don't – MR. FELTHAM: Q and is the owner? MS. ELLIOTT: 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of it. They've paid a commission. MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. Which ultimately is not really an expense. MS. ELLIOTT: A. No, no, no. MR. FELTHAM: Q. It's staying within their operation. MS. ELLIOTT: A. No, no, no, no. No, they paid a commission. And at the end of the day, the Anthony agency has all different costs, its salary,
$ \begin{array}{c} 2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. MS. ELLIOTT: A. But just because you have a new owner, if somebody invested capital in a brokerage, that doesn't change the operation and the operating model for that brokerage. MR. FELTHAM: Q. Not even if it is the insurer that pays the commission – MS. ELLIOTT: A. We don't – MR. FELTHAM: Q and is the owner? MS. ELLIOTT: A. Well, let's just put that aside that 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of it. They've paid a commission. MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. Which ultimately is not really an expense. MS. ELLIOTT: A. No, no, no. MR. FELTHAM: Q. It's staying within their operation. MS. ELLIOTT: A. No, no, no, no. No, they paid a commission. And at the end of the day, the Anthony agency has all different costs, its salary, its rent, and they collect this revenue and
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. MS. ELLIOTT: A. But just because you have a new owner, if somebody invested capital in a brokerage, that doesn't change the operation and the operating model for that brokerage. MR. FELTHAM: Q. Not even if it is the insurer that pays the commission – MS. ELLIOTT: A. We don't – MR. FELTHAM: Q and is the owner? MS. ELLIOTT: M. Well, let's just put that aside that somebody invested money and that allows that 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of it. They've paid a commission. MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. Which ultimately is not really an expense. MS. ELLIOTT: A. No, no, no. MR. FELTHAM: Q. It's staying within their operation. MS. ELLIOTT: A. No, no, no. No, they paid a commission. And at the end of the day, the Anthony agency has all different costs, its salary, its rent, and they collect this revenue and its commission, 12½ percent. They collect
$ \begin{array}{c} 2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	 A. Whether it's a 100 percent owner or whatever. MR. FELTHAM: Q. Okay. It could—that could matter. MS. ELLIOTT: A. Sure. MR. FELTHAM: Q. Yes. MS. ELLIOTT: A. But just because you have a new owner, if somebody invested capital in a brokerage, that doesn't change the operation and the operating model for that brokerage. MR. FELTHAM: Q. Not even if it is the insurer that pays the commission – MS. ELLIOTT: A. We don't – MR. FELTHAM: Q and is the owner? MS. ELLIOTT: A. Well, let's just put that aside that 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	required to achieve rate adequacy? MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. The problem I have is that while it's being claimed as an expense by an insurerlet's say for a moment that Anthony Insurance is wholly owned by Intact, that they own all of it. They've paid a commission. MS. ELLIOTT: A. Um-hm. MR. FELTHAM: Q. Which ultimately is not really an expense. MS. ELLIOTT: A. No, no, no. MR. FELTHAM: Q. It's staying within their operation. MS. ELLIOTT: A. No, no, no, no. No, they paid a commission. And at the end of the day, the Anthony agency has all different costs, its salary, its rent, and they collect this revenue and

	Page 49		Page 51
1	end of it that brokerage has a profit. And	1	circumstance to use, yes.
2	if Intact owns it, 100 percent, they're	2	MR. FELTHAM:
3	getting the profit of the brokerage.	3	Q. Yes, okay. So, the 2.9 percentmaybe to
4	MR. FELTHAM:	4	help here, if we look at, in the report,
5	Q. Okay.	5	Table 6 which is on page 8 in the actual
6	MS. ELLIOTT:	6	report documents. I just want to make sure
	A. Yeah, that's how that works.	7	the source that the 2.9 percent comes from
8	MR. FELTHAM:	8	that I'm clear on that.
9	Q. But the commission finds its way, at the	9	MS. ELLIOTT:
10	full rate, into the expenses?	10	A. Um-hm.
11	MS. ELLIOTT:	11	MR. FELTHAM:
12	A. If that's their model that they're working	12	Q. Okay, so we have the table there. So, your
12	under, yes.	12	2.9 percent figure in the answers there
13	MR. FELTHAM:	13 14	comes out of this table, 2014, 2015, 2016
14		14	pre-tax investment income rate?
15	Q. Sorry, just see where I'm going next here.	15 16	MS. ELLIOTT:
	The Answers to Interrogatories Document, and		
17	over to page 6. And so, this time we are	17	A. Um-hm. MR. FELTHAM:
18	back into answers to IBC questions. And if	18	
19	we do down to answer 5, our question 5,	19	Q. And you average those three, I assume, yes?
20	answer 5, and we have the IBC asking you a	20	That's the level of math.
21	question on question another intervener	21	MS. ELLIOTT:
22	asked you, and it says, "Ms. Elliott the	22	A. Yeah, that's pretty much it. Yeah.
23	intervener asked you to calculate the 2017	23	(10:00 a.m.)
24	premium deficiency based on a higher	24	MR. FELTHAM:
25	investment return such as six percent.	25	Q. Okay, and you're—and did you give any
	Page 50	1	Page 52
	Could you please comment on why you use 2.9	1	consideration to using a greater period of
$\begin{vmatrix} 2 \\ 2 \end{vmatrix}$	percent and the reasonableness of using a	2	time to do—come up with that the appropriate
3	return as high as 6 percent?" And your	3	average should be?
	response was, "We use 2.9 percent as this is	4	MS. ELLIOTT:
5	the average investment rate, ROI, earned by	5	A. Well, we're trying to –
6	insurers in 2014 to 2016 based on the	6	MR. FELTHAM:
7	financial data that the insurers provided to	7	Q. Three years just seems like a really short
8	the Office of the Superintendent of	8	period to me, that's all.
9	Insurance." And you go on to comment that	9	MS. ELLIOTT:
10	in your view that's—that average of the	10	A. Well, we want 2017 to reflect what we think
11	recent past is the reasonable estimate to	11	is happening, and the more recent timeframe
12	use.	12	would reflect what would be happening given
13	MS. ELLIOTT:	13	what's going on in the markets. So, going
14	A. That was basis for the 2.9.	14	back to 2002, that might be—I don't know
15	MR. FELTHAM:	15	what the number might be. Ten percent.
16	Q. Yes.	16	That wouldn't be reasonable to assume that
17	MS. ELLIOTT:	17	you'd get ten percent in 2017. So, it was
18	A. Um-hm.	18	the view that the more recent timeframe is
19	MR. FELTHAM:	19	indicative of what will happen in the
20	Q. And you say that picking that period, 2014	20	subsequent year.
21	to 2016, is the appropriate period to	21	MR. FELTHAM:
22		22	Q. So, but in order to get more representative
	choose?		
23	MS. ELLIOTT:	23	average of a history period, wouldn't it

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	Page 53		Page 55
1	MS. ELLIOTT:	1	actually earned in 2017.
2	A. I'm not trying to—just say, what do we think	2	MR. FELTHAM:
3	will happen in 2017?	3	Q. No, I understand that there's a hindsight
4	MR. FELTHAM:	4	piece to it now, but in any event, your view
5	Q. And your view, we should base that off the	5	is the three-years is the appropriate
6	three previous years?	6	period. So, we can move on from that. If
	MS. ELLIOTT:	7	A
		· ·	we go to page 8 of the answers, and this is
8	A. Yeah, and that's what we did, right. Right,	8	Answers to Campaign Interrogatories. And
9	it's—I don't believe interest rates and the	9	under number 1 were asking you questions
10	returns for the company, and I know for a	10	here about how pre-tax investment returns
11	fact what they are now in 2017, and they're	11	you used were calculated. And your response
12	in that $2\frac{1}{2}$ to 3 percent range. We know what	12	under number 1 was, "Pre-tax investment
13	the Government of Canada bonds are.	13	returns, ROI, used by Oliver Wyman are based
14	MR. FELTHAM:	14	on"—"are based," I guess it should be "on
15	Q. Yes. And do you recall when Mr. Mason was	15	ROI values calculated by each insurer and
16	asking you questions and you know—because he		reported to the OSFI annually." So, you
17	spent some time talking about the time	17	know, I mean it's sort of obvious here, but
18	periods used for various things as well.	18	it's not your calculations. You're relying
10		10	
	The notion of cycles, do you recall that?		on data from the insurers, what they
20	MS. ELLIOTT:	20	provided?
21	A. Sure. Well, you're not –	21	MS. ELLIOTT:
22	MR. FELTHAM:	22	A. Yes, so OSFI. This data is audited by Ernst
23	Q. Vaguely at least?	23	and Youngs and the PWCs of the world, and
24	MS. ELLIOTT:	24	the ROI is stated in the financial
25	A. Vaguely at least.	25	documents, and that's what we use for each
	Page 54		
1	Page 54 MR. FELTHAM:	1	Page 56
1	MR. FELTHAM:		Page 56 insurer. Yeah.
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1	D 77		D 50
	Page 57	1	Page 59
1	the manner of allocation, all of that is	l	a different UL and ALAE, if you recall he
2	within the domain of the insurer, correct?	2	took you back and said, look, 2014, you
3	How it allocates?	3	should use that year.
4	MS. ELLIOTT:	4	MS. ELLIOTT:
5	A. Yeah, I didn't use that number, but yes,	5	A. I don't have it in front of me, but okay,
6	that's correct. Um-hm.	6	yeah.
7	MR. FELTHAM:	7	MR. FELTHAM:
8	Q. Sorry?	8	Q. Okay, all right, well I'll ask you the
9	MS. ELLIOTT:	9	question and we'll go through, okay. So we
10	A. I did not use that number that is allocated	10	can look at Question 4, I'm not going to go
11	notionally by the company.	11	through each one of these, but 4 we can work
11	MR. FELTHAM:	12	on. And he said, the question was, "If the
12		12	
	Q. Okay.		UL and ALAE is \$354.37 per car and the
14	MS. ELLIOTT:	14	operating expenses are reduced by 6.2
15	A. I did not use that. We use a number that's	15	percent, as noted above, what is the return
16	reported to OSFI, the federal regulator of	16	on equity for auto insurers in 2017? And
17	the ROI that is audited by PWCs and Ernst	17	just to help us remember the figures that,
18	and Young, et cetera. We did not use the	18	that \$354.37 UL and ALAE come from your
19	dollar amount that is notionally allocated	19	schedule of documents to your report.
20	by companies in their GISA reporting. We	20	MS. ELLIOTT:
21	did not use that.	21	A. Uh-hm, yes.
22	MR. FELTHAM:	22	MR. FELTHAM:
23	Q. Okay. Perhaps I misunderstood. So, you did	23	Q. If we go to Appendix A, page 3 of 5, so then
24	not use the numbers that would have involved		if we look across, we've got the Ultimate
25	notional allocation process by the insurers?	25	Loss & ALE Cost/Car column, very top one,
23		23	
	Page 58	1	Page 60
	MS. ELLIOTT:		bodily injury, \$354.37, and this is for
2	A. No.	2	accident year 2014.
3		•	
-	MR. FELTHAM:	3	MS. ELLIOTT:
4	Q. Okay. I think I misunderstood. Okay, and	4	MS. ELLIOTT: A. Correct, yes.
-	Q. Okay. I think I misunderstood. Okay, and staying with the Answers to Interrogatories		MS. ELLIOTT: A. Correct, yes. MR. FELTHAM:
4	Q. Okay. I think I misunderstood. Okay, and staying with the Answers to Interrogatories still, I'd like to go to page 2, please.	4	MS. ELLIOTT: A. Correct, yes. MR. FELTHAM: Q. As of June 30th, 2017, so as we know it now.
45	Q. Okay. I think I misunderstood. Okay, and staying with the Answers to Interrogatories	4 5	MS. ELLIOTT: A. Correct, yes. MR. FELTHAM:
4 5 6	Q. Okay. I think I misunderstood. Okay, and staying with the Answers to Interrogatories still, I'd like to go to page 2, please. And just to set the stage if you will,	4 5 6	MS. ELLIOTT: A. Correct, yes. MR. FELTHAM: Q. As of June 30th, 2017, so as we know it now. MS. ELLIOTT:
4 5 6 7	Q. Okay. I think I misunderstood. Okay, and staying with the Answers to Interrogatories still, I'd like to go to page 2, please.	4 5 6 7	MS. ELLIOTT: A. Correct, yes. MR. FELTHAM: Q. As of June 30th, 2017, so as we know it now. MS. ELLIOTT:
4 5 6 7 8 9	Q. Okay. I think I misunderstood. Okay, and staying with the Answers to Interrogatories still, I'd like to go to page 2, please. And just to set the stage if you will, there's really a series of questions and answers here that all arise from	4 5 6 7 8 9	 MS. ELLIOTT: A. Correct, yes. MR. FELTHAM: Q. As of June 30th, 2017, so as we know it now. MS. ELLIOTT: A. Right. MR. FELTHAM:
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4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 Q. Okay. I think I misunderstood. Okay, and staying with the Answers to Interrogatories still, I'd like to go to page 2, please. And just to set the stage if you will, there's really a series of questions and answers here that all arise from hypotheticals I guess that Mr. Mason had given you, changing inputs for UL and ALAE and other items I guess, and asking you to recalculate with certain assumptions. Is that correct? MS. ELLIOTT: A. Yes, different expense ratios and, I don't have it in front of me, but – MR. FELTHAM: Q. Primarily it was, I think ratios and UL and ALAE changes. MS. ELLIOTT: A. I think it was ROI changes, not ULAE, but anyway, yeah. 	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 MS. ELLIOTT: A. Correct, yes. MR. FELTHAM: Q. As of June 30th, 2017, so as we know it now. MS. ELLIOTT: A. Right. MR. FELTHAM: Q. Not now, but June 30th, last year. MS. ELLIOTT: A. Then, yes. MR. FELTHAM: Q. But that's important in terms of what I'm going to talk to you about. And can you maybe just explain for us again what that figure, that category of Ultimate Loss & ALAE Cost/Per, \$354.37 is? MS. ELLIOTT: A. That's the amount of losses and allocated loss adjustment expenses that are estimated will ultimately be paid when all the claims

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	Page 61		Page 63
1	component, yeah.	1	on to say you don't agree with the
2	MR. FELTHAM:	2	hypothetical, but there it is. And I gather
3	Q. And that figure, whatever it is, and the	3	what this arose from, what Mr. Mason had
4	operating expenses, they have to come out	4	been asking you about that kind of gave rise
5	of, from the premiums collected and the	5	to these calculations was, the concern he
6	investment returns in order to figure out	6	was raising, I'll ask if you remember or
7	what's left over for profits?	7	agree with me, the concern over the
8	MS. ELLIOTT:	8	reliability of the UL and ALAE cost per
9	A. Yes, you take the losses, add up all the	9	vehicle figure due to the fact that reserves
10	operating costs and taxes, commissions.	10	might be overstated or out of line in the
11	MR. FELTHAM:	11	sort of more recent year, versus what they
12	Q. Yes. And I believe the figure that you were	12	might look like more historically, do you
13	using was \$406.00, instead of \$354.37, do	13	remember that?
14	you recall that?	14	(10:15 a.m.)
15	MS. ELLIOTT:	15	MS. ELLIOTT:
16	A. What we use is an average of the last three	16	A. Well, these are estimates, so in terms of
17	years, yeah.	17	the 2017 year at the point of doing these
18	MR. FELTHAM:	18	calculations, we only have the first half of
19	Q. And maybe what we will do is go back to, I	19	the year available, so we're trying to
20	think we can leave that chart and go back to	20	estimate, it's not even a matter of case
$20 \\ 21$	page 2 of the answers, and we can actually	20	reserves being too high or too low, they
21 22		21	weren't available for the second half, so we
22 23	just review the question so we have the full	22	,
	context. Okay, so again, "If the UL and	23 24	were really trying to say what will 2017 be
24	ALAE is \$354.37 per car and the operating		and we only know the first six months of the
25	expenses are reduced by 6.2 percent, as	25	claim was not how the weather was in the
	Page 62		Page 64
1	noted above, what is the return on equity	1	second half in 2017 and what claims resulted
2	for auto insurers in 2017?" And your	2	in the second half, that we're dealing with
3	response was, "Similar to Question No. 1	3	only six months of data doing this
4	above, it's unclear if the request to apply	4	a louistion in tomas riou in orrights of a on
		т -	calculation. In terms, you know, that's an
5	an expense ratio of 23 percent or 18.2	5	estimate looking forward to say what do I
6	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response	5 6	estimate looking forward to say what do I think 2017 will be, given what I know in the
6 7	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for	5 6 7	estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a
6 7 8	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next	5 6 7 8	estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves
6 7 8 9	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year	5 6 7 8 9	estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're
6 7 8 9 10	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per	5 6 7 8 9 10	estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that
6 7 8 9 10 11	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is	5 6 7 8 9 10 11	estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have
6 7 8 9 10 11 12	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense	5 6 7 8 9 10 11 12	estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half.
6 7 8 9 10 11 12 13	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense provision is 26.2 percent." So that's where	5 6 7 8 9 10 11 12 13	estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half. MR. FELTHAM:
6 7 8 9 10 11 12	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense	5 6 7 8 9 10 11 12	estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half.
6 7 8 9 10 11 12 13	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense provision is 26.2 percent." So that's where	5 6 7 8 9 10 11 12 13	estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half. MR. FELTHAM:
6 7 8 9 10 11 12 13 14	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense provision is 26.2 percent." So that's where I was, the \$406.00, that's where you affirm	5 6 7 8 9 10 11 12 13 14	 estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half. MR. FELTHAM: Q. The case reserves, though, and the
6 7 8 9 10 11 12 13 14 15	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense provision is 26.2 percent." So that's where I was, the \$406.00, that's where you affirm that's the number you were using?	5 6 7 8 9 10 11 12 13 14 15	 estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half. MR. FELTHAM: Q. The case reserves, though, and the supplemental reserve, they're included in
6 7 8 9 10 11 12 13 14 15 16	an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense provision is 26.2 percent." So that's where I was, the \$406.00, that's where you affirm that's the number you were using? MS. ELLIOTT:	5 6 7 8 9 10 11 12 13 14 15 16	 estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half. MR. FELTHAM: Q. The case reserves, though, and the supplemental reserve, they're included in that figure, well in 2014 it was \$354.37?
6 7 8 9 10 11 12 13 14 15 16 17	 an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense provision is 26.2 percent." So that's where I was, the \$406.00, that's where you affirm that's the number you were using? MS. ELLIOTT: A. Uh-hm. 	5 6 7 8 9 10 11 12 13 14 15 16 17	 estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half. MR. FELTHAM: Q. The case reserves, though, and the supplemental reserve, they're included in that figure, well in 2014 it was \$354.37? MS. ELLIOTT:
6 7 8 9 10 11 12 13 14 15 16 17 18	 an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense provision is 26.2 percent." So that's where I was, the \$406.00, that's where you affirm that's the number you were using? MS. ELLIOTT: A. Uh-hm. MR. FELTHAM: Q. "Using a hypothetical estimate of the UL & 	5 6 7 8 9 10 11 12 13 14 15 16 17 18	 estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half. MR. FELTHAM: Q. The case reserves, though, and the supplemental reserve, they're included in that figure, well in 2014 it was \$354.37? MS. ELLIOTT: A. Yes, so we're using the prior three years,
6 7 8 9 10 11 12 13 14 15 16 17 18 19	 an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense provision is 26.2 percent." So that's where I was, the \$406.00, that's where you affirm that's the number you were using? MS. ELLIOTT: A. Uh-hm. MR. FELTHAM: Q. "Using a hypothetical estimate of the UL & ALAE for accident year 2017 of \$354.37, 	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	 estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half. MR. FELTHAM: Q. The case reserves, though, and the supplemental reserve, they're included in that figure, well in 2014 it was \$354.37? MS. ELLIOTT: A. Yes, so we're using the prior three years, averaging that and trying to forecast that forward for 2017. So it is an estimate that
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	 an expense ratio of 23 percent or 18.2 percent, we therefore provide our response with both hypothetical expense ratios for the sensitivity test." And under the next page, the second bullet, "The accident year 2017 estimate of the UL and ALAE cost per vehicle presented in our report is approximately \$406.00, and the expense provision is 26.2 percent." So that's where I was, the \$406.00, that's where you affirm that's the number you were using? MS. ELLIOTT: A. Uh-hm. MR. FELTHAM: Q. "Using a hypothetical estimate of the UL & ALAE for accident year 2017 of \$354.37, instead of \$406.00 and an expense ratio of 	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	 estimate looking forward to say what do I think 2017 will be, given what I know in the other years that have occurred. This is a little separate issue from case reserves being too high or too low because we're trying to forecast forward for a year that hasn't even occurred yet and we don't have data for the second half. MR. FELTHAM: Q. The case reserves, though, and the supplemental reserve, they're included in that figure, well in 2014 it was \$354.37? MS. ELLIOTT: A. Yes, so we're using the prior three years, averaging that and trying to forecast that forward for 2017. So it is an estimate that we are providing and it's dependent upon the
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	Page 65		Page 67
1	because reserves are overstated, the result	1	that time, and the frequency rate did
2	is that the actual experience, as it turns	2	decline, coincident with the introduction of
3	out, might be a lot different than the	3	the reforms and that was not built into the
4	calculation as it comes out with \$406.00	4	rates that were set in that province and
5	unit.	5	then as a result, in hindsight, the rates
6	MS. ELLIOTT:	6	were too high and therefore, the ROE was
	A. Yeah, that's the nature of the beast, you	7	beyond the, much higher than the targets, so
8	know, it's an estimate, it could be too low	8	that's what happened there.
9	or it could be too high, either way, yeah.	9	MR. FELTHAM:
10	MR. FELTHAM:	10	Q. Okay, and I gather that was Mr. Mason was
11	Q. And we can't see, looking at your Appendix	11	suggesting was that look, we should use a
12	A, what component of that is made up from	12	lower figure than \$406.00 because that's
12	reserves, we can't—there's nothing to tell	12	very current, we should use a figure
13	us –	14	something like for the 2014, it's matured,
15	MS. ELLIOTT:	15	right, more time has gone by, we know now
16	A. Not in the way that we presented it, I mean,	16	whether the reserves, you know, that were
17	if I was asked for that, yes, but it's not	17	paid out, we have more of a real number, if
18	presented that way.	17	you will, then one that's made up of
10	MR. FELTHAM:	10	
$\begin{vmatrix} 19\\20 \end{vmatrix}$		20	reserves. MS. ELLIOTT:
$\begin{vmatrix} 20\\21 \end{vmatrix}$	Q. And I'll talk to you about that because I think what he was concerned about was that	20	A. Well certainly looking at 2014, I agree it's
$\begin{vmatrix} 21\\22 \end{vmatrix}$	the result that the, you know, if the actual	21	more mature than 2016, sure, but I don't
$\begin{vmatrix} 22\\23 \end{vmatrix}$	payout for the costs for the ultimate loss	22	think it's reasonable to take 2014 and not
23	and the ALAE costs, were a lot less than	23 24	project it forward for what the cost level
24	what was reserved, then the insurer could	24 25	would be in 2017 because we know that claim
1 2.)			
	Page 66		Page 68
1	Page 66 end up with actually a much higher ROE than	1	Page 68 costs increase each year, inflation, CPI or
1 2	Page 66 end up with actually a much higher ROE than was anticipated?	1 2	Page 68 costs increase each year, inflation, CPI or whatever measurement of loss trend would be
1 2 3	Page 66 end up with actually a much higher ROE than was anticipated? MS. ELLIOTT:	1 2 3	Page 68 costs increase each year, inflation, CPI or whatever measurement of loss trend would be positive, so to take 2014 and say that
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	Page 69		Page 71
	with respect to more uncertainty around	1	MR. FELTHAM:
2	accuracy of reserves and whether that ends	2	Q. But doing that, well maybe you can explain
3	up being what the true experience is for	3	what it is—can you explain for us what a
4	claims?	4	paid to incur ratio and average incurred
5	MS. ELLIOTT:	5	loss?
6	A. Yeah, it's a trade-off.	6	MS. ELLIOTT:
7	MR. FELTHAM:	7	A. Well average incurred loss is really just
8	Q. Yeah, okay. So you mentioned before and I	8	the claim amount and the severity and you're
9	was going to ask you about this, so I'm glad	9	looking at how that changes over time, and
10	you brought it up, but you weren't asked to	10	then the ratio of paid to incurred, again
11	do an analysis with respect to the reserves,	11	you want to look at is there a change over
12	you mentioned –	12	time in that relationship, is it increasing,
13	MS. ELLIOTT:	13	is there more being paid with respect to the
13	A. No, we looked at the estimate of the	13	amount that's incurred, or is it less, so we
15	ultimate losses and what the reserves that	15	look at those patterns.
15		15	MR. FELTHAM:
	are carried and what they should ultimately be, we just didn't present out findings,	10	
17			Q. In the patterns and what might that help us
18	broken down in any little gritty detail.	18	see, in terms of the patterns?
19	MR. FELTHAM:	19	MS. ELLIOTT:
20	Q. Okay, because I father there is an analysis	20	A. If the paid to incurred ratio is decreasing,
21	you can do to sort of break out the actual	21	that would be an indication that the case
22	amount paid versus the case reserves	22	reserves are stronger and vice versa.
23	historically?	23	MR. FELTHAM:
24	MS. ELLIOTT:	24	Q. So if the company's reserve setting practice
25	A. Uh-hm, yes.	25	had changed, for example, and now reserves
	Page 70		Page 72
1	Page 70 MR. FELTHAM:	1	Page 72 were being increased, compared to the past,
1 2	-	1 2	were being increased, compared to the past,
$\begin{bmatrix} 1\\ 2\\ 3 \end{bmatrix}$	MR. FELTHAM: Q. And my understanding is this is called a	1 2 3	were being increased, compared to the past, they were putting larger reserves on files,
	MR. FELTHAM:Q. And my understanding is this is called a paid to incur ratio and average incurred		were being increased, compared to the past,
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1 MS, FELLIOTT: 1 2002 that analysis was provided to the 2 A. No, there were no patterns that were evident 2 regulator in Nova Scotia, and so I was 3 here using this June 30th, data that there 3 somewhat surprised. J guess, that we didn't 4 was anything unusual, and remember, this is 4 see a similar analysis there, that's the 5 a mix of all the companies' data together, 6 basis form y questions. So getting back to 7 decline of another, so we're dealing with 7 asked you to do and using a 354.37 ultimate 8 agregated industry data, which is different 8 loss and ALAE figure and expense ratio of 9 that if you're an individual insurance 9 18.2 percent, versus the one you used in 10 company looking at your own data. 10 your answer hough, based on what Mtr. Mason 13 centally took the 2017 accident year ROE 18.2 percent, versus the one your something that end be one and provided to 16 NS.ELLIOTT: 14 provided it, as part of the report. Is that 14 percent. 16 A. Yes. 17 MS. FELTHAM: 13 percent. henchmark even. 20 MS.ELLIO	~	nioer 0, 2010		
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	Page 77		Page 79
1	MS. ELLIOTT:	1	operating cost because they don't have the
2	A. We were looking at the aggregated data, yes.	2	12.5 percent commission rate that a broker-
3	FRAIZE, Q.C.:	3	based company has. So in the province
4	Q. Did you take a look at why some companies	4	consumers have the choice, which, where they
5	were more profitable than others?	5	want to go to and they do so accordingly.
6	MS. ELLIOTT:	6	(10:30 a.m.)
7	A. No, well, the expense ratio for companies is	7	FRAIZE, Q.C.:
8	in a relatively narrow band, what	8	Q. Do you also agree that the insurance
9	differentiates profit typically between	9	companies are moving towards call centres?
10	companies, whether they make more or lose	10	For instance, even the adjustors, some of
11	money, would be their loss experience, so	11	the adjustors on accidents in this province,
12	they could have had, you know, a large loss,	12	you're dealing with someone from Nova
13	million-dollar loss, something, so the	13	Scotia, New Brunswick, PEI?
14	driver of whether you make money or lose	14	MS. ELLIOTT:
15	money is typically by claims experience,	15	A. Well you have two points there. The claims
16	higher loss ratios.	16	operation, the handling and the management
17	FRAIZE, Q.C.:	17	of claims, a call centre is pretty typical.
18	Q. The reason why I'm asking that, there seems	18	To do that, you call in your claim and it's
19	to be a tendency in just some articles I	19 20	handled. With respect to companies, some
20	read that the, especially in the United	20	entities, larger companies, the group will
21	States, the expenses for insurance companies	21	have five, six, two, three, whatever number
22	are going down, in terms of pulling out	22	of individual insurance companies and within
23	their insurance policies, part of it,	23	that group they could have different models
24	they're booking their insurance through the	24 25	for distributing their product. So Intact
25	Internet; in other words, you can direct,	23	could have a company that's a broker-based
1	Page 78	1	Page 80
$\begin{vmatrix} 1 \\ 2 \end{vmatrix}$	you call in and you provide your driver's	1	company and they could have a company that's a direct writer, so Intact would have a
$\begin{vmatrix} 2\\ 3 \end{vmatrix}$	abstract and bingo, you got a price. They seem to be able to control or reduce their	2 3	Belair insurance, which is direct, online,
4	costs.	4	and they would have, Intact Insurance, or
5	MS. ELLIOTT:	5	Nordic—or Novex where you use a broker, so –
6	A. Uh-hm.	5 6	FRAIZE, Q.C.:
7	FRAIZE, Q.C.:	7	Q. So more profitable insurance companies, you
8	Q. Have you looked at how the companies operate	8	made a reference that some may have had
9	in this province to see if they should be	9	major losses, but is it not also true that
10	reducing their costs in a comparable way?	10	some of these companies have a model which
11	MS. ELLIOTT:	11	is far more efficient in putting out the
12	A. Well, I think what you're referring to is	12	insurance product?
13	the direct writers who are not even	13	MS. ELLIOTT:
14	necessarily calling in, you're doing it,	14	A. It's a different model, so consumers –
15	applying for your insurance online, you	15	FRAIZE, Q.C.:
16	enter in the appropriate information, but	16	Q. Some have a more profitable model?
17	different companies have different business	17	MS. ELLIOTT:
18	models, you know, there are broker-based	18	A. I wouldn't say it's a lower cost model and
19	companies and some consumers to deal	19	that's built into their pricing, so if one
20	directly with a broker, and other people	20	company has an expense ratio of 22 percent
21	like to do their business online, in a self-	21	and another company has an expense ratio of
22	directed manner, so both models exist and	22	28 percent, those differences would be built
23	consumers have the option to go to the	23	into their premium. So the one with the 22
24	direct online model and insurance companies	24	percent cost structure, that's how their
25	with a direct model would have a lower	25	rates are set and the one with the 28
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1	percent cost structure, that's in those	1	provided by the Campaign authored by Dr.
2	rates, so that doesn't make the profit	2	Lazar, if I'm saying his name right, and
3	different, it just makes the premium lower	3	Prisman. And, of course, when you did your
4	on a 22 percent expense cost basis.	4	material, did your reports, I guess the
5	FRAIZE, Q.C.:	5	latest back in March or so, I'm not sure of
6	Q. If an insurance company was able to reduce	6	the exact dates, you didn't have the benefit
7	the bricks and mortar, the buildings they	7	of this document, of course.
8	have, that reduces cost, correct?	8	MS. ELLIOTT:
9	MS. ELLIOTT:	9	A. It wasn't provided at that time.
10	A. Which should reduce the premium.	10	STAMP, Q.C.:
11	FRAIZE, Q.C.:	11	Q. No, of course. Have you looked at it since
12	Q. Like the banks now are reducing a number of	12	this all started?
13	branches to reduce their costs and some of	13	MS. ELLIOTT:
14	the insurance companies are able to	14	A. I did look at the report when it was
15	manoeuvre such that they have call centres,	15	provided, yes.
16	so I'm just saying that some of the	16	STAMP, Q.C.:
17	insurance companies have a better model of	17	Q. The reason I think we should speak about it
18	operations and consequently their costs are	18	a little bit is that you're going to be
19	lower; hence they have higher profits?	19	finished here and leave and then Dr. Lazar
20	MS. ELLIOTT:	20	and Dr.—well I don't know if Dr. Prisman is
21	A. No, I disagree. Yes, you can have a	20	coming or not, but anyway, somebody is
$\begin{vmatrix} 21\\22 \end{vmatrix}$	different structure to operate such that	21	coming and they're going to, and they're
$\begin{vmatrix} 22\\23 \end{vmatrix}$	your expenses are lower and the lower	23	suggesting, of course, to some extent that
24	expense cost would be used in the pricing	23	the results that you've created or
25	model that lowers the premium, but that does	25	generated, the information you've provided
25	model that lowers the premium, but that does		
1	Page 82		Page 84
1	Page 82 not drive higher profits because they lower	1	Page 84 is not accurate, not reliable for some
2	Page 82 not drive higher profits because they lower expense ratio was used to set the premiums,	1 2	Page 84 is not accurate, not reliable for some reason and so you should look at, the Board
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	Page 85		Page 87
1	know if that means, if that means ROI or	1	of the two numbers above, yes.
2	ROE, do you know what they're referring to	2	STAMP, Q.C.:
$\begin{vmatrix} 2\\ 3 \end{vmatrix}$	there?	3	Q. Right, so all they've not is taken net
4	MS. ELLIOTT:	4	investment income which is two lines above
5	A. I believe they're referring to ROI, but it's	5	that, right?
6	not framed the way I would have framed it.	6	MS. ELLIOTT:
7	STAMP, Q.C.:	7	A. Um-hm.
8	Q. Sure. I think it is possibly referring to	8	STAMP, Q.C.:
9	ROI but there's a bit of confusion, I agree.	9	Q. \$13,217,000.00?
10	In any event, staying with that thought then	10	MS. ELLIOTT:
11	on that point, being a reference to ROI, if	11	A. Yes.
12	you could just—if we could just turn back to	12	STAMP, Q.C.:
13	the Table 7 in that same report? It's at	13	Q. And divided it by \$196,045,000.00.
14	page 13 of the report, if that helps. Okay,	14	MS. ELLIOTT:
15	there's enough of the year report that I can	15	A. Right.
16	see what I need to do. So, Ms. Elliott,	16	STAMP, Q.C.:
17	look, I want to draw your attention to the	17	Q. And they get that number and that's the
18	line which is one, two, three, four, five, I	18	number they—whatever that number means,
19	think from the bottom, so you got pre-tax,	19	that's how they get it.
20	pre-tax, pre-tax, premiums and equity,	20	MS. ELLIOTT:
21	investment income and equity, so I'm looking	21	A. I think so, I'm not positive.
22	at that line there, do you see it?	22	STAMP, Q.C.:
23	MS. ELLIOTT:	23	Q. Well, I did the arithmetic, so I'm assuming—
24	A. Um-hm, yes.	24	of course, they do say that it's, in the
25	STAMP, Q.C.:	25	reference, they do say it's 5 divided by 6.
L			
	Page 86		Page 88
1	Page 86 Q. And so it's a division, of course, to get	1	Page 88 MS. ELLIOTT:
	Page 86	1 2	Page 88
1	Page 86 Q. And so it's a division, of course, to get		Page 88 MS. ELLIOTT:
1 2	Page 86 Q. And so it's a division, of course, to get that number apparently, but from 2012 –	2	Page 88 MS. ELLIOTT: A. Yes, that's how they calculate that number. STAMP, Q.C.:
1 2 3	Page 86 Q. And so it's a division, of course, to get that number apparently, but from 2012 – 2016, the authors of this report come up with investment income to equity, is that	2 3	Page 88 MS. ELLIOTT: A. Yes, that's how they calculate that number. STAMP, Q.C.:
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$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	 Page 86 Q. And so it's a division, of course, to get that number apparently, but from 2012 – 2016, the authors of this report come up with investment income to equity, is that ROI? Is that what they're thinking about? MS. ELLIOTT: A. No, this is not—ROI is Return On your Investments which is a ratio of your investment income divided by your invested assets. What's presented her in this row is the investment income divided by the equity and the equity does not equal the invested assets. STAMP, Q.C.: Q. Right. I'm trying—this is what I'm trying to understand actually. Those rates that we have here ranging from 15.08 percent in 2012 to 6.74 percent in 2016 and just before I go to the next chart, are they arrived at in, let's say, 2016, is the \$13,217,000.00 divided by \$196,000,000.00, is that the two numbers above there? 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Page 88 MS. ELLIOTT: A. Yes, that's how they calculate that number. STAMP, Q.C.: Q. Right. MS. ELLIOTT: A. Yes, that's correct. STAMP, Q.C.: Q. I'm not asking you to explain, at this point, what that is. I'm just asking, this is what they—the two numbers they show, the two lines above it being the actual net investment income and then the allocated equity and then a percentage that they create by dividing. Now, if I just go back to your report and it's too bad we got to back, but we can't—without getting it up again. Your report, at page 8 of your report and it's Table 6. Do you have that? MS. ELLIOTT: A. Um-hm. STAMP, Q.C.: Q. I'm sorry, yes, you do. So, 2016 you have,

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	Page 89		Page 91
1	A. Yes.	1	opinion, to have done an ROI calculation the
2	STAMP, Q.C.:	2	way this was done in Table 7?
3	Q. And what I'm assuming the authors of this	3	MS. ELLIOTT:
4	other report are saying is that they're	4	A. No, because it's not an ROI. They are not
5	comparing your 2.4 percent and saying it's	5	the invested assets; it's equity. They are
6	not reasonable, it should be 6.74 percent.	6	two different things.
7	MS. ELLIOTT:	7	STAMP, Q.C.:
8	A. That's my understanding.	8	Q. Right. So, even though he does this
9	STAMP, Q.C.:	9	calculation, we can see the calculation, and
10	Q. And so we have, in their report, that Table	10	he describes the result and you get the
11	7 that we just looked at a few minutes ago	11	answer from the division as and ROI, it's
12	ranging from 15.08 percent in 2012—so, it	12	not an ROI.
13	would be all in the right hand column for	13	MS. ELLIOTT:
14	our purposes of comparison—they have 15.08,	14	A. No, because we know that companies,
15	you have 4. They have 10.93 for 2013; you	15	insurance companies are required to invest
16	have 2.8. They have 13 percent for 2014;	16	conservatively. Most of their investments,
10	you have 3.9. They have 15 percent for 2014,	17	a large proportion are in government grade
17		17	
	where as you have 2.3. They have 2016 at	10	bonds. And we know that government grade
19 20	6.4 percent; whereas you have 2.4 percent.	20	bonds are risk free with a very low interest
20	So, what I'd like to know from you is, is		rate. And so, if you see this measurement
21	the manner in which they have created a	21	as presented by Lazar, you know, double
22	number which I presume they are referring to	22	digit, 15 percent, we know that that would
23	as ROI, is that how it's calculated, the way	23	be a red flag because we know that
24	that they've done it? I mean, it seems like	24	government bonds that companies invest in
25	a very simple way and of course, it's	25	are not 15 percent. So, it's a different,
	Page 90		Page 92
1	fundamentally different from yours.	1	it's something else. It's not an ROI.
2	MS. ELLIOTT:	2	STAMP, Q.C.:
3	A. Right. No, because the return on investment	3	Q. Whoever does this and gets those rates, I
4	rate are your investment income including	4	want them to be looking after my money.
5	the realized capital gains and losses,	5	MS. ELLIOTT:
6	that's included in the number that we	6	A. Yes, me too, yes.
7	present and it's taken as a ratio of the	7	STAMP, Q.C.:
8	average at the beginning of the year and the	8	Q. If you can just turn, Ms. Elliott, to page
9	end of the year of your investment assets	9	15 of yours, that is and it's Table 9. Do
10	that you have. So, all your investments,	10	you see that? It's page 15, sorry.
11	your bonds and your stocks and everything	11	MS. ELLIOTT:
12	else. And these are the actual return on	12	A. Yes.
13	investment rates that are reported in the,	13	STAMP, Q.C.:
14	what's referred to as P&C-1, the financial	14	Q. I'm sorry, I misspoke. It's the Lazar
15	statement that is audited and each company	15	Report. I apologize for that. Page 15,
16	is required to file this annually with the	16	thank you. Table 9. Thank you. So, this
17	federal regulatory OSFI. So, our numbers	17	is where they are saying, they're comparing
17	are different. What Lazar has presented is	17	the GISA pre-tax, what they call GISA pre-
10 19	a ratio of the investment income as he has	10	tax investment returns and those of Oliver
20	extracted it from the GISA exhibit divided	20	
			Wyman. Now, I know yours came from the
21	by equity and equity in invested assets are	21	table at page 6 that we looked at a moment
22	not the same thing. $(10:45 \text{ a m})$	22	ago. And this is what he has described as
23	(10:45 a.m.)	23	investment income rates. So, he uses these
24	STAMP, Q.C.:	24	rates, his rate that he's developed the way
25	Q. Right. So, does it make any sense, in your	25	we just described it and you commented on to
	Discoveries Unlimite	d Inc.	(709)437-5028 Page 89 - Page 9

1 justify his comment, in the paragraph below, that it appears that Oliver Wyman has consistently underestimated is potential 1 A. Um-hm, 2 2 STAMP, Q.C.: 2 And the operating expense ratios maybe. At the top of the page 16 they say, "now we consistently underestimated ROI because for 2012 it should have been over 15 percent. 2 And at Table 10 they list 2012 - 2016, Oliver Wyman general expense ratios. Now, can you just—I know if you got by our report at 10 7 10 A. No, I don't agree that companies achieved an 11 7 7 2012 it should have been over 15 percent. 12 STAMP, Q.C.: 10 Table 12 at page 21—I don't know if you need to go there to look at it—would you need 10 10 13 Q. Okay. If I can turn to the next, page 16, 14 in the same Dr. Lazar report. 15 14 MS. ELLIOTT: 14 don't know if you can speak to this, at page 20 of that report, 1 16 6 STAMP, Q.C.: 19 20. (bwards the bottom of the page, the 20 5 STAMP, Q.C.: 21 discussions", do you have that? 20 STAMP, Q.C.: 23 A. Um-hm, 24 STAMP, Q.C.: 21 Q. Right, so this table presents a commissions 25 24 ft you could just take a moment to read that 2		Page 93		Page 95
2 that if appears that Oliver Wyman has 3 2 STAMP, Q.C.: 3 Q. And the operating expense ratio maybe. At 4 the top of the page 16 they say, "now we 5 5 consistently underestimated ROI because for 7 2012 it should have been over 15 percent. 6 consistently underestimated ROI because for 7 Consistently underestimated ROI because for 7 7 2012 it should have been over 15 percent. Consistently underestimated ROI because for 7 10 A. No, I don't agree that companies achieved an 11 ROI of 15.1 percent in 2012, no. 13 Q. Okay. If I can turn to the next, page 16, 14 in the same Dr. Lazar report. Sorry, Just 15 A. Sure. 16 please, At page 20, Just want tog back 17 for a moment, at page 20 of that report, I 18 don't know if you can speak to this, at page 20, lowards the bottom of the page, the 22 Q. Night, so this table presents a commissions 22 20 paragraph that begins with "this 23 Construct the 24 STAMP, Q.C.: 24 STAMP, Q.C.: 25 STAMP, Q.C.: 25 Q. Right, so this table presents a commissions 22 Q. Right and can you tell us where you obtained 24 26 please, to yourself there. 25 27 FSCO, has been using an ROI assumption of 6 8		•	1	
3 consistently underestimated its potential 3 Q. And the operating expense ratios maybe. At the top of the page 16 they say, "now we 4 ROIs. That's what he—he makes those to comparisons and says Oliver Wyman is 5 the top of the page 16 they say, "now we 5 comparisons and says Oliver Wyman is 6 And at Table 10 they list 2012 – 2016, 7 2012 it should have been over 15 percent. 7 Oliver Wyman general expense ratios. Now, can you just—How if you go to you report at 10 A. No, I don't agree that companies achieved an IN to say Dir Law report. 7 Stable 12 at page 21—1 don't know if you need 11 RO IG 15.1 percent in 2012, no. 12 STAMP, QC.: 12 13 Q. Okay. If I can turn to the next, page 16, they sepnse ratios. 14 Is bave it - 13 Q. Okay. If a num to the operating expense ratios. 14 MS. ELLIOTT: 14 in the same Dr. Lazar report. Sorry, I just 15 A. Sure. 16 please. At page 20, I just want to go back 16 STAMP, QC.: 20 nargaraph that begins with "this 18 A. Um-hm. 21 Q. Right and can you tell us where you obtained 23 A. Um-hm. 22 STAMP, QC.:			-	
4 ROIs. That's what he-he-makes those comparisons and says Oliver Wyman is consistently underestimated ROI because for 2012 it should have been over 15 percent. 4 the top of the page 16 they say, "now we turn to the operating expense ratios", okay? 6 consistently underestimated ROI because for 2012 it should have been over 15 percent. 7 6 A t Table 10 they list 2012 - 2016, Oliver Wyman general expense ratios. Now, can you you go to you report at the yeall GISA expense ratios. Now, can you you go to you report at the yeall GISA expense ratios. Now, can you you go there to look at it—would you like to to go there to look at it—would you like to to go there to look at it—would you like to to go there to look at it—would you like to to go there to look at it—would you like to to go there to look at it—would you like to to go there to look at it—would you like to to go there to look at it—would you like to to go there to look at it—would you like to the general expense ratios. 13 Q. Okay. TIT can turn to the next, page 10, it me same Dr. Lazar report. To sorry, Jigst and to go back for a moment, a page 20 of that report, I the general expense ratio. 14 14 mb estame Dr. Lazar report. To argaraph that begins with "this 20 5 STAMP, Q.C.: 14 21 don't know if you can speak to this, at page 20 19 argenet at spease. Taios. 21 22 MS. ELLIOTT: 21 Q. Right, so this table presents a commissions including contingent, persents a commissions including contingent, peresents at cowithere. 22 <td></td> <td></td> <td></td> <td></td>				
5 comparisons and says Oliver Wyman is 5 turn to the operating expense ratios?, okay? 6 consistently underestimated ROI because for 6 And at Table 10 they list 2012 – 2016, 7 2012 it should have been over 15 percent. 7 Oliver Wyman general expense ratios and whav? 9 MS. ELLIOTT: 8 by you see any merit in that suggestion? 9 9 MS. ELLIOTT: 10 7 Do you see any merit in that suggestion? 9 10 A. No, I don't agree that companies achieved an 10 Table 12 at page 21-ul don't know if you need to go there to look at it—would you like to 12 STAMP, QC:: 12 see that for a moment? I can bring it up; I 14 in the same Dr. Lazar report. Sorry, I just 16 STAMP, QC:: 15 want to go back for a moment, just a moment, 16 STAMP, QC:: 16 paragraph that begins with "this 20 STAMP, QC:: 21 discussions", do you have that? 21 Q. Right, so this table presents a commissions 23 A. Um-hm. 23 STAMP, QC:: 24 24 STAMP, QC:: 23 MS. ELLIOTT: 25				
6 consistently understimated ROI because for 2012 it should have been over 15 percent. 6 And at Table 10 they list 2012 - 2016, 7 2012 it should have been over 15 percent. 7 Oliver Wyman general expense ratios and what they call GISA expense ratios. Now, can you just—I know if you go to your report at Table 12 at page 21–1 don't know if you need to go there to look at it—would you like to see that for a moment? I can bring it up; I 10 A. No, I don't agree that companies achieved an II ROI of 15.1 percent in 2012, no. 12 see that for a moment? I can bring it up; I 13 Q. Okay. If I can turn to the next, page 16, in the same Dr. Lazar report. Sorty, J just 13 have it - 14 in the same Dr. Lazar report. Sorty, J just 14 MS. ELLIOTT: 15 A. Sure. 16 please. At page 20, j lust want to go back of a moment, at page 20 of that report, I 13 No. I don't Age 21, please. And you'll see the 8.2 and 7.2, 8.5, 7.7, 9.1 20 paragraph that begins with "this 21 Q. Right, so this table presents a commissions including contingent, premium taxes and then the general expense ratio. 23 Q. Mikp, Q.C.: 14 Yeage 96 24 strAMP, Q.C.: 2 Page 96 25 Q. If you could just take a moment to read that 25 STAMP, Q.C.: <t< td=""><td></td><td></td><td></td><td></td></t<>				
7 2012 it should have been over 15 percent. 7 Oliver Wyman general expense ratios and what they call GISA expense ratios. Now, can you 8 they call GISA expense ratios. Now, can you 9 10 A. No, I don't agree that companies achieved an II. 10 11 ROI of 15.1 percent in 2012, no. 11 12 STAMP, Q.C.: 12 13 Q. Okay. If I can turn to the next, page 16, 13 14 in the same Dr. Lazar report. Sorry, I just 15 15 want to go back for a moment, just a moment, iso and what i have it - 16 please. At page 20, I just want to go back 16 17 for a moment, at page 20 of that report, I 18 18 don't know if you can speak to this, at page 10 18 20 paragraph that begins with "this 21 Q. Oliver Wyman report at page 21, please. And you'l is set the \$2 and 7.2, \$5, 7.9.1 23 A. Um-hm. 23 STAMP, Q.C.: 21 24 STAMP, Q.C.: 22 19 are general expenses, 3 components to derive the tot al expense, 2 components to derive the general expenses, 2 components to derive the ge	5		5	
8 Do you see any merit in that suggestion? 8 they call GISA expense ratios. Now, can you 9 MS. ELLIOTT: 7 Table 12 at page 21—1 don't favou if you go to you report at 10 A. No, I don't agree that companies achieved an 10 Table 12 at page 21—1 don't favou if you go to you report at 11 ROI of 15.1 percent in 2012, no. 12 see that for a moment? I can bring it up; I 13 Q. Okay. If I can turn to the next, page 16, 13 have it- 14 in the same Dr. Lazar report. Sorry, I just 14 MS. ELLIOTT: 15 want to go back for a moment, just a moment, 15 A. Sure. 16 please. At page 20 of that report, I 17 Q. Oliver Wyman report at page 21, please. And 16 garagraph that begins with 'this 20 STAMP, Q.C.: 17 17 Q. Right, so this table presents a commissions 21 Q. Right, so this table presents a commissions 21 discussions'', do you have that? 21 Q. Right and can you tell us where you obtained 23 A. Urs. Hubers, this is from a GISA report 9502 that is specific to private passenger expenses for <	6		6	And at Table 10 they list 2012 – 2016,
9 MS. ELLIÓTT: 9 just—I know if you go to your report at 10 A. No, I don't agree that companies achieved an 10 Table 12 at page 21—I don't know if you nee 11 ROI of 15.1 percent in 2012, no. 12 stable 12 at page 21—I don't know if you nee 13 Q. Okay. If I can turn to the next, page 16, 13 have it - 14 in the same Dr. Lazar report. Sorry, I just 15 have it - 16 please. At page 20, I just want to go back 16 STAMP, Q.C.: 17 for a moment, at page 20 of that report, I 18 you'll see the 8.2 and 7.2, 8.5, 7.7, 9.1 19 20, towards the bottom of the page, the 19 are general expenses ratios. 20 paragraph that begins with "this 21 discussions", do you have that? 21 discussions", do you have that? 22 S. TAMP, Q.C.: 22 MS. ELLIOTT: 23 STAMP, Q.C.: 23 A. Um-hm. 24 STAMP, Q.C.: 24 reparal expenses, stop ourself there. 25 25 Q. If you could just take a moment to read that 25 26 So you use there, Ms. Elliott, that the	7	2012 it should have been over 15 percent.	7	Oliver Wyman general expense ratios and what
10 A. No, 1 don't agree that companies achieved an ROI of 15.1 percent in 2012, no. 10 Table 12 at page 21—I don't know if you need to go there to look at it—would you like to see that for a moment? I can bring it up; I 13 Q. Okay. If I can turn to the next, page 16, in the same Dr. Lazar report. Sorry, I just 13 have it- 14 in the same Dr. Lazar report. Sorry, I just 15 want to go back for a moment, just a moment. 16 16 please. At page 20, of that report, I 17 for a moment, at page 20 of that report, I 18 18 don't know if you can speak to this, at page 19 are general expenses ratios. 20 paragraph that begins with "this 20 STAMP, Q.C.: 21 21 discussions", do you have that? 21 Q. Right, so this table presents a commissions 23 A. Um-hm. 23 STAMP, Q.C.: 24 STAMP, Q.C.: 24 STAMP, Q.C.: 25 STAMP, Q.C.: 25 STAMP, Q.C.: 24 STAMP, Q.C.: 25 STAMP, Q.C.: 24 the total expense sequentages? 25 Q. If you could just take a moment to read that 25 STAMP, Q.C.: <	8	Do you see any merit in that suggestion?	8	they call GISA expense ratios. Now, can you
10 A. No, 1 don't agree that companies achieved an ROI of 15.1 percent in 2012, no. 10 Table 12 at page 21—1 don't know if you need to go there to look at it—would you like to see that for a moment? I can bring it up; I 13 Q. Okay. If I can turn to the next, page 16, in the same Dr. Lazar report. Sorry, I just 13 No. 1 don't know if you need 14 in the same Dr. Lazar report. Sorry, I just 14 MS. ELLIOTT: 15 want to go back for a moment, just a moment, I 16 STAMP, Q.C.: 16 please. At page 20, I just want to go back 17 Gor a moment, at page 20 of that report, I 18 don't know if you can speak to this, at page 19 are general expenses ratios. 20 paragraph that begins with "this 20 STAMP, Q.C.: 21 21 discussions", do you have that? 21 Q. Right, so this table presents a commissions 23 A. Um-hm. 23 the general expenses, 3 components to derive 24 STAMP, Q.C.: 24 The total expense parcentages? 3 A. Yes. 3 MS. ELLIOTT: 24 4 STAMP, Q.C.: 3 STAMP, Q.C.: 7 FSCO, has been using an ROI assumption of 6 9	9	MS. ELLIOTT:	9	just—I know if you go to your report at
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 9 understanding is that that is not the case. 10 MS. ELLIOTT: 11 A. That's my understanding too. That's not the 12 case. 13 STAMP, Q.C.: 14 Q. I just want to make sure that we're clear. 15 Is that an accurate statement to your 16 knowledge? 17 MS. ELLIOTT: 18 A. It's not accurate, no. 19 STAMP, Q.C.: 20 Q. Okay. That's fine, thank you. I'll just 9 industry expense report? 10 MS. ELLIOTT: 11 A. Yes, it's the industry expense report of the 12 mandatory reporting by insurers. 13 STAMP, Q.C.: 14 Q. Right and in that report you're able to 15 generate from the data right in the report 16 itself. 17 MS. ELLIOTT: 18 A. It's not accurate, no. 19 STAMP, Q.C.: 20 STAMP, Q.C.: 				
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20Q.Okay. That's fine, thank you. I'll just20STAMP, Q.C.:		·		
		STAMP. U.C.:		, ,
21 come over to page 16 of the same report and 1 21 O. It's right there.	1 20			
		Q. Okay. That's fine, thank you. I'll just		, .
,	21	Q. Okay. That's fine, thank you. I'll just come over to page 16 of the same report and	21	Q. It's right there.
	21 22	Q. Okay. That's fine, thank you. I'll just come over to page 16 of the same report and to Table 10. This is on the issue of, I	21 22	Q. It's right there. MS. ELLIOTT:
24 expenses. 24 STAMP, Q.C.:	21 22 23	Q. Okay. That's fine, thank you. I'll just come over to page 16 of the same report and	21 22 23	Q. It's right there.MS. ELLIOTT:A. Yes.
25 MS. ELLIOTT: 25 Q. And so now the suggestion is offered that,	21 22 23 24	Q. Okay. That's fine, thank you. I'll just come over to page 16 of the same report and to Table 10. This is on the issue of, I guess, general expenses or operating expenses.	21 22 23 24	Q. It's right there.MS. ELLIOTT:A. Yes.STAMP, Q.C.:

	Page 97		Page 99
1	so they attribute this to an Oliver Wyman	1	report to take a different set of expense
			· · ·
$\begin{vmatrix} 2 \\ 2 \end{vmatrix}$	data, but it's actually GISA data.	2	percentages?
3	MS. ELLIOTT:	3	MS. ELLIOTT:
4	A. Yes.	4	A. I have no idea why, I don't know.
5	STAMP, Q.C.:	5	STAMP, Q.C.:
6	Q. So, in the right hand column at Table 10 of	6	Q. Does that make any sense?
7	the Lazar report—if you can just pop that	7	MS. ELLIOTT:
8	back up again, thank you. So, they show two	8	A. No, I don't agree with their number.
9	columns for those years, GISA and Oliver	9	They're missing a component of the general
10	Wyman. The Oliver Wyman, they seem to	10	expenses.
11	imply, I guess, that is somehow you made	11	STAMP, Q.C.:
12	these numbers up, but they are right out of	12	Q. So, you're not comparing apples and apples.
12 13	GISA.	12	MS. ELLIOTT:
14	MS. ELLIOTT:	14	A. Right.
15	A. Correct.	15	STAMP, Q.C.:
16	STAMP, Q.C.:	16	Q. Can I just turn to page 7 of the Oliver
17	Q. And they suggest that the column that they	17	Wyman report please? The bottom of the page
18	use, GISA numbers, they pull that out of, I	18	please. Do you see the paragraph, Ms.
19	guess, the same report maybe.	19	Elliott, beginning "since 2012"?
20	MS. ELLIOTT:	20	MS. ELLIOTT:
21	A. No, they pulled that out of 9501. What	21	A. Yes, um-hm.
22	they're presenting is a subset of the	22	STAMP, Q.C.:
23	general expenses. So, they're both from	23	Q. It says, "since 2012 the expense costs and
24	GIS, but one is a subset of the general	24	premiums for private passenger automobile
25	expenses, the column labelled OW, which is	25	insurance in each province are report to
	Page 98		Page 100
1	Page 98 GISA 9502 is all general expenses	1	Page 100 GISA by each insurer GISA complies this
1	GISA 9502 is all general expenses.	1	GISA by each insurer. GISA complies this
2	GISA 9502 is all general expenses. STAMP, Q.C.:	2	GISA by each insurer. GISA complies this information and presents it in an expense
2 3	GISA 9502 is all general expenses. STAMP, Q.C.: Q. Right. And is that report you're referring	2 3	GISA by each insurer. GISA complies this information and presents it in an expense report that GISA prepares and releases for
2 3 4	GISA 9502 is all general expenses.STAMP, Q.C.:Q. Right. And is that report you're referring to called the Industry Profit and Loss	2	GISA by each insurer. GISA complies this information and presents it in an expense report that GISA prepares and releases for each province". Is that the expense report
2 3 4 5	GISA 9502 is all general expenses. STAMP, Q.C.: Q. Right. And is that report you're referring to called the Industry Profit and Loss Report?	2 3 4 5	GISA by each insurer. GISA complies this information and presents it in an expense report that GISA prepares and releases for each province". Is that the expense report that you're referring to?
2 3 4 5 6	GISA 9502 is all general expenses. STAMP, Q.C.: Q. Right. And is that report you're referring to called the Industry Profit and Loss Report? MS. ELLIOTT:	2 3 4 5 6	GISA by each insurer. GISA complies this information and presents it in an expense report that GISA prepares and releases for each province". Is that the expense report that you're referring to?MS. ELLIOTT:
2 3 4 5 6 7	 GISA 9502 is all general expenses. STAMP, Q.C.: Q. Right. And is that report you're referring to called the Industry Profit and Loss Report? MS. ELLIOTT: A. Under the column GISA is, yeah. 	2 3 4 5 6 7	 GISA by each insurer. GISA complies this information and presents it in an expense report that GISA prepares and releases for each province". Is that the expense report that you're referring to? MS. ELLIOTT: A. Yes.
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$ \begin{array}{c} 2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\end{array} $	 GISA 9502 is all general expenses. STAMP, Q.C.: Q. Right. And is that report you're referring to called the Industry Profit and Loss Report? MS. ELLIOTT: A. Under the column GISA is, yeah. STAMP, Q.C.: Q. Right. Okay. And so they've essentially jumped from one GISA report with the expenses that they show attributed to Oliver Wyman, they're actually GISA, jumped to a different report. MS. ELLIOTT: A. Right, they have used the profit and expense report which presents a subset of the general expenses and didn't use the total general expenses which is available in the report that we use that is specific to private passenger expenses only. STAMP, Q.C.: 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	 GISA by each insurer. GISA complies this information and presents it in an expense report that GISA prepares and releases for each province". Is that the expense report that you're referring to? MS. ELLIOTT: A. Yes. STAMP, Q.C.: Q. And so that's the one that is, you named the report and so on, but it's the Industry Expense report where you took the percentages right out of their presentation. MS. ELLIOTT: A. Correct. STAMP, Q.C.: Q. So, you used a phrase a little earlier this morning, "cherry picked". Would it be fair to say that the authors of this report "cherry picked" an expense from a different GISA report material that is only a subset, as you say, of the total expenses?
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$ \begin{array}{c} 2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	 GISA 9502 is all general expenses. STAMP, Q.C.: Q. Right. And is that report you're referring to called the Industry Profit and Loss Report? MS. ELLIOTT: A. Under the column GISA is, yeah. STAMP, Q.C.: Q. Right. Okay. And so they've essentially jumped from one GISA report with the expenses that they show attributed to Oliver Wyman, they're actually GISA, jumped to a different report. MS. ELLIOTT: A. Right, they have used the profit and expense report which presents a subset of the general expenses and didn't use the total general expenses which is available in the report that we use that is specific to private passenger expenses only. STAMP, Q.C.: Q. So, can you offer any explanation why the 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 GISA by each insurer. GISA complies this information and presents it in an expense report that GISA prepares and releases for each province". Is that the expense report that you're referring to? MS. ELLIOTT: A. Yes. STAMP, Q.C.: Q. And so that's the one that is, you named the report and so on, but it's the Industry Expense report where you took the percentages right out of their presentation. MS. ELLIOTT: A. Correct. STAMP, Q.C.: Q. So, you used a phrase a little earlier this morning, "cherry picked". Would it be fair to say that the authors of this report "cherry picked" an expense from a different GISA report material that is only a subset, as you say, of the total expenses?

Page 1 1 data. I don't know why or what was provid 2 to Dr. Lazar, but perhaps did not have the		
		Page 103
1) to Dr Lazar but norhous did not have the		Q. So, he has this expense report. He's
2 to Dr. Lazar, but perhaps did not have the	2	obviously pulled numbers out of it. I'm
3 complete information that would be require		sorry, I misspoke, I said expense report.
4 to present the expense information.	4	It's the Industry Profit and Loss Report.
5 STAMP, Q.C.:	5	MS. ELLIOTT:
6 Q. Okay. Can I go back to the table 7 of the	6	A. Right.
7 Lazar report please? And the third item in	7	STAMP, Q.C.:
8 that table, Ms. Elliott, is claims ratio, do	8	Q. That's where it comes from.
9 you see that?	9	MS. ELLIOTT:
10 MS. ELLIOTT:	10	A. Yes.
11 A. Um-hm.	11	STAMP, Q.C.:
12 STAMP, Q.C.:	12	Q. My apologies, I misspoke. That's what he
13 Q. Which is simply net premium earned and I	13	has those numbers and that's where he got
14 guess, dividing net claims and adjusted by	14	those percentages that were incorrectly
15 net premium earned, is that right?	15	applied.
16 MS. ELLIOTT:	16	(11:00 a.m.)
	17	MS. ELLIOTT:
18 STAMP, Q.C.:	18	A. Right, he picks up the ratio of the general
19 Q. So, there's ratios there for 2012 it's 70.12×10^{-10} cm 10^{-10} cm $10^$	19	expenses from this report, yes.
20 79.13; 80.40; 94.22. I'm looking at some o		STAMP, Q.C.:
21 that industry and profit of loss report, are	21	Q. Which you characterize as a subset of the
22 those percentages right out of that same	22	expenses.
23 report, do you know, can you tell that?	23	MS. ELLIOTT:
24 MS. ELLIOTT:	24	A. Of the total general expenses, yes,
25 A. I'm sorry, what was your question?	25	everything excluding commission and premium
Page 1)2	Page 104
I age 1		1 450 104
1 STAMP, Q.C.:	1	taxes we put in the bucket of general
	1 2	c
1 STAMP, Q.C.:	1	taxes we put in the bucket of general
1STAMP, Q.C.:2Q.Okay.I'm looking at a page, page 25, it's	1 2	taxes we put in the bucket of general expenses.
 STAMP, Q.C.: Q. Okay. I'm looking at a page, page 25, it's not something that I have here that you have. I'm sure you have it, but not here 	$ \begin{array}{c} 1\\ 2\\ 3 \end{array} $	taxes we put in the bucket of general expenses. STAMP, Q.C.:
 STAMP, Q.C.: Q. Okay. I'm looking at a page, page 25, it's not something that I have here that you have. I'm sure you have it, but not here perhaps. It's the Industry Profit and Loss 	1 2 3 4	taxes we put in the bucket of general expenses. STAMP, Q.C.: Q. Right. Which is shown in the Industry expense report.
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 STAMP, Q.C.: Q. Okay. I'm looking at a page, page 25, it's not something that I have here that you have. I'm sure you have it, but not here perhaps. It's the Industry Profit and Loss Report at page 25, it's the report you're referring to. MS. ELLIOTT: A. Yes, okay. STAMP, Q.C.: Q. And I'm looking at a line on that report that is described as "Net Claims and Adjustment Expenses" and it gives an amou and a ratio for each year. And the ratio it gives for 2012 is 79.1; for 2013 it's 80.4; for 2014 it's 94.2; for 2015 it's 92.1; and for 2016 it's 74.4. MS. ELLIOTT: A. Correct. STAMP, Q.C.: Q. Those are the same numbers in Professor 	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	 taxes we put in the bucket of general expenses. STAMP, Q.C.: Q. Right. Which is shown in the Industry expense report. MS. ELLIOTT: A. Correct. STAMP, Q.C.: Q. Thank you. CHAIR: Q. Mr. Stamp, might this be a good time to break. STAMP, Q.C.: Q. Yes, that's fine, Chair. Thank you. (BREAK – 11:01 a.m.) (RESUME – 11:34 a.m.) CHAIR: Q. Back to you, Mr. Stamp. STAMP, Q.C.: Q. Thank you, Madam Chair. Ms. Elliott, I'm going to ask if we can see the Lazar Report
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 STAMP, Q.C.: Q. Okay. I'm looking at a page, page 25, it's not something that I have here that you have. I'm sure you have it, but not here perhaps. It's the Industry Profit and Loss Report at page 25, it's the report you're referring to. MS. ELLIOTT: A. Yes, okay. STAMP, Q.C.: Q. And I'm looking at a line on that report that is described as "Net Claims and Adjustment Expenses" and it gives an amou and a ratio for each year. And the ratio it gives for 2012 is 79.1; for 2013 it's 80.4; for 2014 it's 94.2; for 2015 it's 92.1; and for 2016 it's 74.4. MS. ELLIOTT: A. Correct. STAMP, Q.C.: Q. Those are the same numbers in Professor Lazar's table 7. 	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 taxes we put in the bucket of general expenses. STAMP, Q.C.: Q. Right. Which is shown in the Industry expense report. MS. ELLIOTT: A. Correct. STAMP, Q.C.: Q. Thank you. CHAIR: Q. Mr. Stamp, might this be a good time to break. STAMP, Q.C.: Q. Yes, that's fine, Chair. Thank you. (BREAK – 11:01 a.m.) (RESUME – 11:34 a.m.) CHAIR: Q. Back to you, Mr. Stamp. STAMP, Q.C.: Q. Thank you, Madam Chair. Ms. Elliott, I'm going to ask if we can see the Lazar Report at page 11, please. If I can catch the

	nber 6, 2018		2017 Automobile Insurance Review
	Page 105		Page 107
1	that material is in your own report and I	1	A. May I justpardon me, go back to the prior
2	guess the tablemaybe it's the exact same	2	question, I want to make sure I'm accurate?
3	table, but in any event, you'll see that in	3	STAMP, Q.C.:
4	the paragraph above that, the authors say	4	Q. Yes.
5	that Oliver Wyman did disaggregate the	5	MS. ELLIOTT:
6	operating expenses into three categories and	6	A. GISA, in their exhibit does provide
7	describes those categories, and the	7	commissions and contingent commissions and
8	breakdown is presented in Table 5. What	8	those are presented in our report as a
9	I'min looking at the Industry Expense	9	total. And so, we provided our report using
10	Report that we've mentioned a couple of	10	the GISA data in the three categories;
11	times earlier, I believe from looking at	11	commissions, taxes and general expenses.
12	that report that all those expenses are	12	Taking the data which all adds up to the
13	broken down the exact same way the table has	13	total percentage expenses.
14	it in that GISA Expense Report.	14	STAMP, Q.C.:
15	MS. ELLIOTT:	15	Q. Right.
16	A. Correct, those numbers are from the -	16	MS. ELLIOTT:
17	STAMP, Q.C.:	17	A. Yeah.
18	Q. So, it wasn't the case that Oliver Wyman	18	STAMP, Q.C.:
19	broke the numbers down as we have in this	19	Q. Yeah, I think they had the expenses broken
20^{19}	table, the GISA numbers are broken down that	20	into other acquisition and general expenses?
1	,	20 21	MS. ELLIOTT:
21	way?		
22	MS. ELLIOTT:	22	A. Right. So, just to be 100 percent correct,
23	A. That's correct, yes.	23	that's -
24	STAMP, Q.C.:	24	STAMP, Q.C.:
25	Q. In other words, you didn't have to do	25	Q. Thank you for that clarification. So, Ms.
	Page 106		Page 108
1	anything to create this table?	1	Elliott, table 8 in the Lazar Report, I
2	anything to create this table? MS. ELLIOTT:	2	Elliott, table 8 in the Lazar Report, I think you'll probably recognize it as the
2 3	anything to create this table? MS. ELLIOTT: A. Correct.	2 3	Elliott, table 8 in the Lazar Report, I think you'll probably recognize it as the same table that you had in your own report.
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	 anything to create this table? MS. ELLIOTT: A. Correct. STAMP, Q.C: Q. In your chart, it was just taken directly from the GISA Industry Expense Report? MS. ELLIOTT: A. It's all clearly laid out. It's just taking the numbers from the chart and putting them into a table in our report. STAMP, Q.C.: Q. So, it wasn't that Oliver Wyman disaggregated, it was that GISA had done this? MS. ELLIOTT: A. Uh-hm, yeah. STAMP, Q.C.: Q. Thank you. I just have one other topic to cover with you for a moment and that is in the general discussion on loss ratios and 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	 Elliott, table 8 in the Lazar Report, I think you'll probably recognize it as the same table that you had in your own report. I believe it's at page 12 of your report. MS. ELLIOTT: A. Yes, um-hm. STAMP, Q.C.: Q. My question here is, and of course, the loss ratios that Oliver Wyman utilized are the direct accident year loss ratios that are listed here in the years '12 through '16? MS. ELLIOTT: A. Right, they're direct accident year loss ratios. STAMP, Q.C.: Q. Right, and in the column to the left is the FIIP & L calendar year loss ratios? MS. ELLIOTT: A. Right, and these are net of reinsurance calendar year loss ratios.
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 anything to create this table? MS. ELLIOTT: A. Correct. STAMP, Q.C: Q. In your chart, it was just taken directly from the GISA Industry Expense Report? MS. ELLIOTT: A. It's all clearly laid out. It's just taking the numbers from the chart and putting them into a table in our report. STAMP, Q.C.: Q. So, it wasn't that Oliver Wyman disaggregated, it was that GISA had done this? MS. ELLIOTT: A. Uh-hm, yeah. STAMP, Q.C.: Q. Thank you. I just have one other topic to cover with you for a moment and that is in the general discussion on loss ratios and maybe Iwe have the Lazar report here, so I could just maybe go to table 8, which is at page 15 of that report. Do you recognize 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 Elliott, table 8 in the Lazar Report, I think you'll probably recognize it as the same table that you had in your own report. I believe it's at page 12 of your report. MS. ELLIOTT: A. Yes, um-hm. STAMP, Q.C.: Q. My question here is, and of course, the loss ratios that Oliver Wyman utilized are the direct accident year loss ratios that are listed here in the years '12 through '16? MS. ELLIOTT: A. Right, they're direct accident year loss ratios. STAMP, Q.C.: Q. Right, and in the column to the left is the FIIP & L calendar year loss ratios? MS. ELLIOTT: A. Right, and these are net of reinsurance calendar year loss ratios. STAMP, Q.C.: Q. Right, okay. Now, what I'm wondering is, because obviously the loss ratios you have
$ \begin{array}{c} 2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	 anything to create this table? MS. ELLIOTT: A. Correct. STAMP, Q.C: Q. In your chart, it was just taken directly from the GISA Industry Expense Report? MS. ELLIOTT: A. It's all clearly laid out. It's just taking the numbers from the chart and putting them into a table in our report. STAMP, Q.C.: Q. So, it wasn't that Oliver Wyman disaggregated, it was that GISA had done this? MS. ELLIOTT: A. Uh-hm, yeah. STAMP, Q.C.: Q. Thank you. I just have one other topic to cover with you for a moment and that is in the general discussion on loss ratios and maybe Iwe have the Lazar report here, so I could just maybe go to table 8, which is at 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 Elliott, table 8 in the Lazar Report, I think you'll probably recognize it as the same table that you had in your own report. I believe it's at page 12 of your report. MS. ELLIOTT: A. Yes, um-hm. STAMP, Q.C.: Q. My question here is, and of course, the loss ratios that Oliver Wyman utilized are the direct accident year loss ratios that are listed here in the years '12 through '16? MS. ELLIOTT: A. Right, they're direct accident year loss ratios. STAMP, Q.C.: Q. Right, and in the column to the left is the FIIP & L calendar year loss ratios? MS. ELLIOTT: A. Right, and these are net of reinsurance calendar year loss ratios. STAMP, Q.C.: Q. Right, and these are net of reinsurance calendar year loss ratios. STAMP, Q.C.: Q. Right, okay. Now, what I'm wondering is,

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	Page 109		Page 111
1	MS. ELLIOTT:	1	MS. ELLIOTT:
2	A. Correct.	2	A. Right.
3	STAMP, Q.C.:	3	STAMP, Q.C.:
4	Q. Why is that done? Why are the loss ratios	4	Q. And this calendar year is the loss after
5	done by accident year?	5	they've handed off some of it?
6	MS. ELLIOTT:	6	MS. ELLIOTT:
7	A. The information that's provided where we do	7	A. Right, the premium and the losses are
8	our analysis of estimating what the	8	adjusted per reinsurance.
9	ultimate losses will be is provided by	9	STAMP, Q.C.:
10	coverage on an accident year basis. And we	10	Q. So, you'd have to look at several companies
10	also, as part of the review process wanted	10	to figure out what the loss really was?
11		11	MS. ELLIOTT:
	to review the coverage information that is		
13	only available by accident year and it	13	A. Yes, so it's -
14	would be the standard way to review	14	STAMP, Q.C.:
15	pricing, review work is on an accident year	15	Q. If you use calendar year?
16	basis. So, when companies submit rate	16	MS. ELLIOTT:
17	applications, it's using accident year data	17	A. Yeah.
18	and so this review was looking at a	18	STAMP, Q.C.:
19	hindsight review of the return on equity	19	Q. So, on that point then, if I come back to, I
20	that was achieved and measuring that again	20	think it was atcertainly I believe that
21	is the 10 percent target that would be	21	the authors of this report are suggesting
22	allowed in rates and that is all done on an	22	that we ought to use, you ought to use, the
23	accident year basis. So, the detailed data	23	Board ought to use FIIP & L loss ratios by
24	is available by accident year. If you look	24	the calendar year. That's what they appear
25	at the calendar year data, it's done on a	25	to say you should use?
	Page 110	-	Page 112
1	higher level. So it's third party	1	MS. ELLIOTT:
1 2			
2	liability accident benefits and all other	2	5,5
3	coverages combined, it doesn't have the	3	STAMP, Q.C.:
4	same detail as the accident year data does.	4	Q. Right, and for the reasons you just
5	And also, the calendar year data is net of	5	outlined, you observed that it's the
6	reinsurance arrangements whereas when we're	6	accident year that's the critical measure?
7	looking at pricing, it is all before any	7	MS. ELLIOTT:
8	financial reinsurance that's done kind of	8	A. There's just more information available by
9	after the fact by the financial departments	9	accident year, yes.
10	in insurance companies. So, for a variety	10	STAMP, Q.C.:
11	of reasons, accident year data is used.	11	Q. So, when I come over to page 3 of the Lazar
12	STAMP, Q.C.:	12	Report and I'm looking at that set of
13	Q. And I take it then the choice is that you	13	bullets that we looked at early on, you see
14	chose deliberately not to use calendar year,	14	the second bullet?
15	because it doesn't provide the same level of	15	MS. ELLIOTT:
	particulars that you want.	16	A. Uh-hm.
1h			STAMP, Q.C.:
16 17	MS FLLIOLI ·	1 /	
17	MS. ELLIOTT: A Right because it's you know its net of	17 18	
17 18	A. Right, because it's, you know, its net of	18	Q. They've made some assumptions, they've used
17 18 19	A. Right, because it's, you know, its net of reinsurance pricing is not done, net of	18 19	Q. They've made some assumptions, they've used now a claims ratio I guess for, I don't know
17 18 19 20	A. Right, because it's, you know, its net of reinsurance pricing is not done, net of reinsurance, it's done without any	18 19 20	Q. They've made some assumptions, they've used now a claims ratio I guess for, I don't know if that's '16, I guess, yeah. For '16 and
17 18 19 20 21	A. Right, because it's, you know, its net of reinsurance pricing is not done, net of reinsurance, it's done without any consideration of reinsurance.	18 19 20 21	Q. They've made some assumptions, they've used now a claims ratio I guess for, I don't know if that's '16, I guess, yeah. For '16 and '17, the claims ratio is 79 percent and they
17 18 19 20 21 22	 A. Right, because it's, you know, its net of reinsurance pricing is not done, net of reinsurance, it's done without any consideration of reinsurance. STAMP, Q.C.: 	18 19 20 21 22	Q. They've made some assumptions, they've used now a claims ratio I guess for, I don't know if that's '16, I guess, yeah. For '16 and '17, the claims ratio is 79 percent and they say that's halfway between the GISA estimate
17 18 19 20 21 22 23	 A. Right, because it's, you know, its net of reinsurance pricing is not done, net of reinsurance, it's done without any consideration of reinsurance. STAMP, Q.C.: Q. And when you say, "net of reinsurance", you 	18 19 20 21 22 23	Q. They've made some assumptions, they've used now a claims ratio I guess for, I don't know if that's '16, I guess, yeah. For '16 and '17, the claims ratio is 79 percent and they say that's halfway between the GISA estimate for 2016 and the Oliver Wyman assumption for
17 18 19 20 21 22 23 24	 A. Right, because it's, you know, its net of reinsurance pricing is not done, net of reinsurance, it's done without any consideration of reinsurance. STAMP, Q.C.: Q. And when you say, "net of reinsurance", you mean that some of the insurers hand of some 	18 19 20 21 22 23 24	Q. They've made some assumptions, they've used now a claims ratio I guess for, I don't know if that's '16, I guess, yeah. For '16 and '17, the claims ratio is 79 percent and they say that's halfway between the GISA estimate for 2016 and the Oliver Wyman assumption for '17. So, I take it what they're saying is
17 18 19 20 21 22 23	 A. Right, because it's, you know, its net of reinsurance pricing is not done, net of reinsurance, it's done without any consideration of reinsurance. STAMP, Q.C.: Q. And when you say, "net of reinsurance", you 	18 19 20 21 22 23	Q. They've made some assumptions, they've used now a claims ratio I guess for, I don't know if that's '16, I guess, yeah. For '16 and '17, the claims ratio is 79 percent and they say that's halfway between the GISA estimate for 2016 and the Oliver Wyman assumption fo

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	Page 113	1	Page 115
	number 8 for the calendar year and some		CHAIR:
$\begin{vmatrix} 2 \\ 2 \end{vmatrix}$	other number?	2	Q. Thank you, Mr. Stamp. Consumer Advocate? MR. WADDEN:
	MS. ELLIOTT:	3	
4	A. I don't know, they didn't elaborate on the	4	Q. Good morning, Paula, welcome back.
5	rationale for that. They've taken two	5	MS. ELLIOTT:
6	numbers, averaged it and used that number.		A. Thank you.
7	STAMP, Q.C.:	7	MR. WADDEN:
8	Q. Right, but I mean, is it appropriate to take	8	Q. Just a couple of questions. Looking at your
9	an average of loss ratio done by calendar	9	report and no particular page; you've
10	year, which has the weaknesses that you've	10	discussed two measures of profitability,
11	described and average it with a loss ratio	11	right?
12	done by the way you've described as being	12	MS. ELLIOTT:
13	the correct way and say that the halfway,	13	A. Yes.
14	the average is the right one to use?	14	MR. WADDEN:
15	MS. ELLIOTT:	15	Q. The profitability as a percentage of premium
16	A. Yeah, it doesn't have a, like a precise	16	on a pre-tax basis, the POP method and I
17	meaning. So, if we looked at the chart that	17	guess what we easily say is the more
18	we were referencing on table 8, each has a	18	commonly used standard after tax rate of
19	definite meaning.	19	return on equity, ROE, right?
20	STAMP, Q.C.:	20	MS. ELLIOTT:
21	Q. Yes.	21	A. Yeah.
22	MS. ELLIOTT:	22	MR. WADDEN:
23	A. And then taking an average of the two is, I	23	Q. Mr. Feltham was asking you some questions
24	guess that's what it is, it's an average of	24	surrounding reserves. I'm just trying, and
25	the two. I don't have a definition for it	25	I don't want to be repetitive, so I'm just
	Page 114		Page 116
1	other than that. Why would you do it? I	1	trying to get a better understanding I
2	don't know why it was done here, no.	2	either one of those methods how you factor
3	STAMP, Q.C.:	3	in reserves? I just don't have—maybe you
4	Q. I'm asking you, I guess to think about what		could help me out here.
5	the merit is of that approach, an averaging	5	MS. ELLIOTT:
6	of these two approaches.	6	A. Okay, sure. What we're trying to measure is
7	MS. ELLIOTT:	7	here, for a particular year, so these are
8	A. I don't know what the merit is of averaging		the premiums that were earned in that year.
9	of the two.	9	These areand subtract from that the losses
10	STAMP, Q.C.:	10	that we estimate will be paid, ultimately be
11	Q. Do you see any merits?	11	paid for claims that occurred in that year.
12	MS. ELLIOTT:	12	We subtract out the expenses that are
13	A. It's not what I would do. I don't see a	13	associated with that year, we take into
14	merit inwhat we were presenting in our	14	consideration the investment income that
15	report was a consistent use of accident year	15	would have been earned that year on the cash
16	data with the full understanding of what an	16	flows that you have.
17	accident year means, without any influence	17	MR. WADDEN:
18	of reinsurance. That changes over time, of	18	Q. Yeah.
19	course. So, they've taken an apple or an	19	MS. ELLIOTT:
20	orange and if you will and average them	20	A. And the remainder is the profit and we
21	together.	21	measure it as a percentage of premium or as
22	STAMP, Q.C.:	22	a percentage of equity and pre-tax or after
23	Q. Okay. Thank you, Ms. Elliott, those are all	23	tax. So, in terms of the component of the
24	of my questions.	24	losses that we subtract out, we're
25	(11:45 a.m.)	25	subtracting out an estimate of what the
			~

1 losses will ultimately be paid for each of those years, the claims that have occurred 2 being that most insurers, not all, but most have occurred 3 in that year. 3 some sell everything from home and auto, to some section. 11 GISA, and we're using GISA data, the amount if they still are one ach in a provision, which is referred to as its in a provision, which is referred to as its some section. 14 12 dividual file and then on top of that we its and in a provision, which is referred to as its some section. 15 bust section and home its one ach in a provision, which is referred to as its some section. 13 a but kreserve or an actual reserve and in the vistome set and the whole it s		Page 117		Page 119
2 those years, the claims that have occurred in that year. 2 being that most insurers, not all, but most have a number of lines of business. I mean, have a number of lines of business have a number of lines of business. I mean, have a number of lines of business have a number of lines of business have a number of lines of business. have a number of lines of business have a number of lines have a number have a number of lines have a number have a number of lines have a number have a number have have a number have a number of lines have a number have a number business for different have a number of lines. 1 have a number of lines have a number of lines. have a number of lines. have a number have a number have a number have a number have a number have a number have a number of lines. have a number have a number have have have a number have a numb	1	-	1	
3 in that year. 3 have a number of lines of business. Intean, some sell everything from home and auto, to some sell everything from the some sell every report from for auto from some sell everything from th		• •		
4 So, on table 1, for accident year 2007, 5 4 some sell everything from home and auto, to pet insurance, to medical health benefits, 6 6 closed. The estimates are of whar's left to be paid, are pretry minimal, whereas for 7 6 things like that. But we're only looking bere, in fairness to you at the auto line, 7 7 be paid, are pretry minimal, whereas for 7 7 MR. WADDEN: 10 that's been paid for that accident year, the 7 10 A. Correct, 29ah. 11 GISA, and we'r using GISA data, the amount 13 10 MR. WADDEN: 20. 13 case reserves that they estimate on each 14 individual file and then on top of that we 15 10 A. Correct, 29ah. 14 add in a provision, which is referred to as 16 a bulk reserve or an actual reserve and 17 10 N. WAMDEN: 20 MR. WADDEN: 20 MS. ELLIOTT: 20 MS. ELLIOTT: 21 Q. Okay, 21 A. Right, Tach province, for different 23 23 23 Q. Right, So that's your way of accounting for 24 25 Q. Right, Tach province, for different 24 24		-		
5 the bulk of the claims have been settled and closed. The estimates are of what's left to be paid, are pretty minimal, whereas for 5 pet insurance, to medical health benefits, things like that. But we're only looking 7 be paid, are pretty minimal, whereas for 6 correct? be maid benefits, things like that. But we're only looking 9 would be much more substative, it would be 6 correct? be maid of that accident year, the 10 the bulk of it. So, the companies report to 10 A. Correct, yeah. 11 MR WADDEN: 20, So, if we accept that next year every insurer who sells auto in Newfoundland is 12 dain a provision, which is referred to as 16 bus reserves or an actual reserve and 16 13 out claims have settled and closed over 18 mean, because they could be doing quite well 14 the fact that reserves are sort of moving 21 A. Right. Each province, for different 24 MR. WADDEN: 25 Q. Right. so that's your way of accounting to 25 25 Q. Right. And the coverage. 7 MR. WADDEN: 2 25 Q. Right. So that's your way of accounting to 3 <		5		,
6 closed. The estimates are of what's left to be paid, are pretty minimal, whereas for 7 here, in fairness to you at the auto line, 7 be paid, are pretty minimal, whereas for 7 here, in fairness to you at the auto line, 9 would be much more substantive, it would be 9 MS. FLL1OTT: 10 the bulk off: So, the companies report to 10 A. Correct, yeah. 11 that's been paid for that accident year, the 13 insurer who sells auto in Newfoundland is 13 assereserves that they estimate on each 14 individual file and then on top of that we 14 16 a bulk reserve on an actual reserve and 16 okay. It doesn't mean that on the whole 17 that's sour estimate, looking at hindsight 17 their business is not profitable, right? I 18 out claims have settled and closed over 18 mean, because they could be doing quite well 20 MR. WADDEN: 20 MS. FLLIOTT: 21 A. But will ultimately be paid. 23 MR. WADDEN: 23 Q. Right. So that's your way of accounting for 25 Q. Right. And the coverage. MR. WADDEN: 25 Q. Right. No that's set that preseresent of moving 1 <td< td=""><td>1</td><td></td><td></td><td></td></td<>	1			
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1	Page 121		
	-	1	Page 123
1 0	And just sort of a point of clarification	l	CHAIR:
2	for our own sake. In paragraph 2 there, it	2	Q. I guess we'll go back to you. We'll move to
3	says, "we assume there's an average delay in	3	the next report.
4	the receipt of premium of three months and	4	O'FLAHERTY, Q.C.:
5	take this delay into consideration of our	5	Q. Thank you, Madam Chair. At this stage, I
6	calculations. We make no allowance for	6	understand Ms. Elliott is ready to make her
7	finance fee revenues collected by insurers."	7	presentation on the report entitled Other
8	And of course, there's a foot note. "If we	8	Coverages Review-Private Passenger
9	took into consideration finance fees	9	Automobile.
10	collected by insurers, this will increase	10	CHAIR:
11	our estimates of profit level". My only	11	Q. Whenever you're ready, Ms. Elliott.
12	question there is why not make that	12	MS. ELLIOTT:
		12	
13	allowance; why not consider those fees?		A. Okay. So, we were asked to review some
14	MS. ELLIOTT:	14	other elements, specific coverages for
15	A. Right. The reason for it is the reporting	15	private passenger automobile. A little
16	of the expense information. Many companies	16	lower down on this page are the four topics
17	net out the revenue that they receive forI	17	that were considered and these four are:
18	think often it's a three percent of your	18	consideration of the \$200,000 minimum
19	premium is a charge for a monthly payment	19	mandatory third party liability limit, which
20	plan they refer to as finance fees. So,	20	is currently 200,000, and the implications
21	that amount is netted out from their general	21	of increasing that limit; to look at the
22	expenses that are reported. So, it's not	22	impact of offering direct compensation for
23	available to us who's netted it out or how	23	physical damage. Number three was to review
24	they've handled those finance fees. So,	24	the uninsured automobile coverage in
25	it's likely the majority has been netted	25	Newfoundland; and also to review the
20	Page 122	20	Page 124
1	out, so it is taken into account, but not in	1	relationship between Section B accident
2	all cases nor do we know who's done what	2	benefits and the settlement of claims with
$\frac{2}{3}$	with that.	$\frac{2}{3}$	regard to Section A benefits and whether
4	MR. WADDEN:	4	accident benefits should be mandatory.
4		4	
5	Q. And is there a way to find out?	5	And going down a few pages into our
6	MS. ELLIOTT:	6	report, on page five, looking at the most
7	A. Yes, and when companies submit rate	7	recent information that we had available at
8	application that is requested to identify	8	the time, which was 2016 data, a very small
9	their finance fees, revenues as a percentage	9	percentage vehicles are insured at the
10	of premium and that is taken into account	10	minimum \$200,000 limit. It was just a
11	specifically for each company in a rate	11	little over one percent. All private
12	application, but in terms of this aggregated	12	passenger vehicles are insured at the
13	data of industry expenses, it's buried	13	minimum limit and the majority of policy
14	within the general expense date for some	14	holders are at 500,000 or higher.
15	companies.	15	We did note that, with respect to the
16	MR. WADDEN:	16	Facility Association, which is often
17	Q. Okay. That's fine, Paula, thank you very	17	referred to as the insurer of last resort,
18	much.	18	it had 13 percent of its vehicles at the
19	MS. ELLIOTT:	19	minimum limit of 200,000. So, a change to
20	A. Thank you.	20	increase the minimum limit from 200,000 to
20	CHAIR:	20 21	500,000 would affect more of the Facility
		21 22	
22	Q. Thank you. Do we have any further		Association drivers and a pretty small
23	questions, Mr. O'Flaherty?	23	percentage, obviously one percent, of all
	O'FLAHERTY, Q.C.:	24	drivers in the province if it was to be
23 24 25	Q. No, questions.	25	increased. And the increase in third party

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25within our report that outlines that.25brought up, please?				
		fact the case it is. Then we have a chart	24	Q. If we can have the Terms of Reference

	Page 129		Page 131
1	MS. ELLIOTT:	1	know, the premium being paid is tied to the
2	A. Phase II, the second bullet refers to the	2	optional coverages. If you buy those,
$\overline{3}$	\$200,000 limit. The third bullet refers to	3	you're paying more premium. So, that
4	the last two bullets Section B and	4	contributes to a greater overall premium
5	whether coverage should be mandatory. And	5	being paid in the province for auto
	then scroll down to the next page was the	6	insurance.
67	direct compensation and then Section D, the	7	MS. ELLIOTT:
	uninsured auto.	8	
8	MR. FELTHAM:	0 9	A. Yes, right. So, when people buy a coverage
9			that they didn't have before, their total
10	Q. So, I guess, in terms of making the decision	10	premium would increase, yes.
11	as to which topics to report on, that was	11	MR. FELTHAM:
12	your discretion?	12	Q. And but there's been no examination by you
13	MS. ELLIOTT:	13	of what's transpired in that regard over
14	A. We have an engagement letter and those were	14	time in this province?
15	the topics that we felt we could provide.	15	MS. ELLIOTT:
16	MR. FELTHAM:	16	A. Well, in our report, the data is presented
17	Q. So, I guess, you know, one of the things	17	of the number of purchases, if you will,
18	that I expected when this report would come	18	vehicles with the coverage in the last five
19	out that I might see that I did not see was	19	years. That's provided, yes.
20	any analysis or examination of the, you	20	MR. FELTHAM:
21	know, comprehensive collision coverages in	21	Q. Okay. But not in a way that translates to
22	terms of the overall premium experience in	22	how that relates to what the premiums being
23	the province historically, how that may have	23	paid are?
24	contributed to any increase in premiums over	24	MS. ELLIOTT:
25	time, that subject area.	25	A. We have the premium related to the
			1
	Page 130		Page 132
1	Page 130 MS. ELLIOTT:	1	Page 132
1 2	MS. ELLIOTT:	1 2	-
	MS. ELLIOTT:		Page 132 coverages, yes. It's available. MR. FELTHAM:
2	MS. ELLIOTT: A. I believe we've provided that. MR. FELTHAM:	2	Page 132 coverages, yes. It's available.
2 3	MS. ELLIOTT: A. I believe we've provided that. MR. FELTHAM: Q. Where would I find that?	2 3	Page 132 coverages, yes. It's available. MR. FELTHAM: Q. It's in the report? MS. ELLIOTT:
2 3 4 5	MS. ELLIOTT: A. I believe we've provided that. MR. FELTHAM: Q. Where would I find that? MS. ELLIOTT:	2 3 4 5	Page 132 coverages, yes. It's available. MR. FELTHAM: Q. It's in the report? MS. ELLIOTT: A. It's in the report, yes.
2 3 4 5 6	MS. ELLIOTT:A. I believe we've provided that.MR. FELTHAM:Q. Where would I find that?MS. ELLIOTT:A. Well, if I could have a moment?	2 3 4 5 6	Page 132 coverages, yes. It's available. MR. FELTHAM: Q. It's in the report? MS. ELLIOTT: A. It's in the report, yes. MR. FELTHAM:
2 3 4 5 6 7	 MS. ELLIOTT: A. I believe we've provided that. MR. FELTHAM: Q. Where would I find that? MS. ELLIOTT: A. Well, if I could have a moment? MR. FELTHAM: 	2 3 4 5 6 7	Page 132 coverages, yes. It's available. MR. FELTHAM: Q. It's in the report? MS. ELLIOTT: A. It's in the report, yes. MR. FELTHAM: Q. In the profit report you say?
2 3 4 5 6 7 8	MS. ELLIOTT: A. I believe we've provided that. MR. FELTHAM: Q. Where would I find that? MS. ELLIOTT: A. Well, if I could have a moment? MR. FELTHAM: Q. Sure.	2 3 4 5 6 7 8	Page 132 coverages, yes. It's available. MR. FELTHAM: Q. It's in the report? MS. ELLIOTT: A. It's in the report, yes. MR. FELTHAM: Q. In the profit report you say? MS. ELLIOTT:
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Page 1331So, I don't know if I understand this2correctly, but what we know from the Nova3Scotia and New Brunswick experience, what4little we can say is we don't really know5what has happened with claims handling costs6in New Brunswick. Nova Scotia, it appears6MR. FELTHAM:	Page 135
2correctly, but what we know from the Nova2MR. FELTHAM:3Scotia and New Brunswick experience, what3Q.But as far as claims costs, the state of t	
3Scotia and New Brunswick experience, what3Q.But as far as claims costs, the4little we can say is we don't really know4only thing we can say is that5what has happened with claims handling costs5we saw some increase?	
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5 what has happened with claims handling costs 5 we saw some increase?	1 /
	t in Nova Scotia
6 in Now Dryngwick Nove Section it appears 6 MS ELLIOTT.	
6 in New Brunswick. Nova Scotia, it appears 6 MS. ELLIOTT:	
7 that the claims costs may have actually gone 7 A. Yes, and that could be attrib	outed to many
8 up. So, is it fair to state that from that, 8 different things. Maybe it w	vas a bad winter
9 if we introduce that model in Newfoundland 9 and that went up. You know	w, we don't know
10 and Labrador, and I'm not saying it 10 why claims are submitted.	We're just making
11 shouldn't be, I'm just trying to understand, 11 that observation. So, it's a	
12 we won't necessarily know, based on the Nova 12 streamlined, efficient way.	
13 Scotia and New Brunswick experience, what'll 13 looking for efficiencies and	
14 happen with claims handling costs as it 14 it's a more streamlined, effi	
15 relates to that? 15 handle claims settlement.	5
16 MS. ELLIOTT: 16 MR. FELTHAM:	
17 A. Right. So, we looked at the aggregated 17 Q. But whether it'll help claim	s costs we
18 data. So, we know it's the same coverage. 18 don't know?	
19 It's now just split into two sub-coverages. 19 MS. ELLIOTT:	
20MR. FELTHAM:20A.Not for sure, but that's in	theory
20Nik FEETHAM.20Nik FEETHAM.21Q.Right.21that's the idea.	uncory,
22 MS. ELLIOTT: 22 MR. FELTHAM:	
23 A. With the intent of, all else being equal, 23 Q. Okay. Going to page ten, a	nd this relates
24 that there should be a reduction in the 24 to the uninsured automobile	
25 claims handling costs, minor as it might be. 25 was no recommendation ma	0,
Page 134	
6	Page 136
	naurad drivara
	,
2 As opposed to calling up the other company 2 thereby reducing the number	,
2As opposed to calling up the other company2thereby reducing the number3and back and forth and back and forth, you3automobile claims.	,
 As opposed to calling up the other company and back and forth and back and forth, you just deal with your own company. Easier for MS. ELLIOTT: 	,
 As opposed to calling up the other company and back and forth and back and forth, you just deal with your own company. Easier for the consumer, easier for the insurance As opposed to calling up the other company thereby reducing the number automobile claims. MS. ELLIOTT: A. Right. 	,
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2As opposed to calling up the other company and back and forth and back and forth, you just deal with your own company. Easier for the consumer, easier for the insurance company, and because there's less of this back and forth, the process of settling that claim for the physical damage should be less 92thereby reducing the number automobile claims.2As opposed to calling up the other company and back and forth, you the consumer, easier for the insurance company, and because there's less of this back and forth, the process of settling that claim for the physical damage should be less 92thereby reducing the number automobile claims.3isother company. Easier for the consumer, easier for the insurance company, and because there's less of this back and forth, the process of settling that claim for the physical damage should be less 92thereby reducing the number automobile claims.4MS. ELLIOTT: SA. Right.5A. Right.66Company. Easier for the insurance superse.77Dack and forth, the process of settling that any examination done with jurisdictions or something of9expense.9	er of uninsured that? Was there respect to other
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2As opposed to calling up the other company and back and forth and back and forth, you just deal with your own company. Easier for the consumer, easier for the insurance company, and because there's less of this r back and forth, the process of settling that claim for the physical damage should be less expense.2thereby reducing the number automobile claims.7back and forth, the process of settling that claim for the physical damage should be less g expense.6MR. FELTHAM: P7Q. Any consideration given to any examination done with g jurisdictions or something of p10MR. FELTHAM: right?10MS. ELLIOTT:1111Q. And that's sort of logically you're saying, right?11A. I think there has to be an ur in the Province. And so, w13MS. ELLIOTT: I guess there's not a lot, whatever there is, doesn't necessarily match up with the logical expectation?15insurance and that t is drive somewhere. And so, ip19logical expectation?20WS. ELLIOTT:20what segment – where is th	that? Was there respect to other of that nature? derstanding of umber of claims hen you think cle without assumption – need can't afford to hey need to then you have to stand, you know, is occurring and
2As opposed to calling up the other company and back and forth and back and forth, you just deal with your own company. Easier for the consumer, easier for the insurance 62thereby reducing the number automobile claims.4just deal with your own company. Easier for 64MS. ELLIOTT:5A. Right.5the consumer, easier for the insurance 6company, and because there's less of this 76MR. FELTHAM:7Q. Any consideration given to 87back and forth, the process of settling that 9expense.7Q. Any consideration given to 889expense.9jurisdictions or something of 910MS. ELLIOTT:11Q. And that's sort of logically you're saying, right?11A. I think there has to be an ur 121113MS. ELLIOTT:13in the Province. And so, w14A. Right.14about who's driving a vehic insurance, your immediate16Q. Yeah, okay. But the data that's out there, 1715insurance, your immediate16Q. Yeah, okay. But the data that's out there, 1916third we could drill12MS. ELLIOTT:20what segment – where is th20MS. ELLIOTT:20what segment – where is th21A. It's not refined enough that we could drill21what can be done. It may b	that? Was there respect to other of that nature? nderstanding of umber of claims hen you think cle without assumption – need can't afford to hey need to then you have to rstand, you know, is occurring and e associated with
2As opposed to calling up the other company and back and forth and back and forth, you just deal with your own company. Easier for the consumer, easier for the insurance 62thereby reducing the number automobile claims.4just deal with your own company. Easier for 54MS. ELLIOTT:5the consumer, easier for the insurance 65A. Right.6company, and because there's less of this 75MR. FELTHAM:7back and forth, the process of settling that 87Q. Any consideration given to 88claim for the physical damage should be less 99jurisdictions or something of 910MR. FELTHAM:10MS. ELLIOTT:11Q. And that's sort of logically you're saying, right?11A. I think there has to be an ur 1213MS. ELLIOTT:13in the Province. And so, w14A. Right.14about who's driving a vehice 1515MR. FELTHAM:15insurance, your immediate 1616Q. Yeah, okay. But the data that's out there, 1716to hypothesize – well, they 1718is, doesn't necessarily match up with the 1818drive somewhere. And so, 1920MS. ELLIOTT:20what segment – where is th 2121A. It's not refined enough that we could drill 2220what can be done. It may be 2220what can be done. It may be 22those that either are unemp	that? Was there respect to other of that nature? nderstanding of umber of claims hen you think cle without assumption – need can't afford to hey need to then you have to rstand, you know, is occurring and e associated with
2As opposed to calling up the other company and back and forth and back and forth, you2thereby reducing the number automobile claims.3and back and forth and back and forth, you3automobile claims.4just deal with your own company. Easier for the consumer, easier for the insurance4MS. ELLIOTT:5the consumer, easier for the insurance5A.Right.6company, and because there's less of this to back and forth, the process of settling that texpense.6MR. FELTHAM:7back and forth and back and geshould be less expense.9jurisdictions or something of urisdictions or something of10MR. FELTHAM:10MS. ELLIOTT:11Q.And that's sort of logically you're saying, right?11A.I think there has to be an ur urisdictions or something of urisdictions or something of urisdictions or something of13MS. ELLIOTT:13in the Province. And so, w14A.Right.14about who's driving a vehicli15MR. FELTHAM:15insurance, your immediate16Q.Yeah, okay. But the data that's out there, 1716to hypothesize – well, they17I guess there's not a lot, whatever there 1817pay for insurance and that the18is, doesn't necessarily match up with the 1818drive somewhere. And so,19logical expectation?19extrapolate and try to under20MS. ELLIOTT:20what segment – where is th	that? Was there respect to other of that nature? nderstanding of umber of claims hen you think cle without assumption – need can't afford to hey need to then you have to rstand, you know, is occurring and he associated with loyed, so they
2As opposed to calling up the other company and back and forth and back and forth, you just deal with your own company. Easier for the consumer, easier for the insurance company, and because there's less of this react and forth, the process of settling that sexpense.2thereby reducing the number automobile claims.7back and forth, the process of settling that sexpense.6MR. FELTHAM: reaction given to any examination done with gexpense.9expense.9jurisdictions or something of urisdictions or something of 	that? Was there respect to other of that nature? aderstanding of umber of claims hen you think cle without assumption – need can't afford to hey need to then you have to rstand, you know, is occurring and e associated with loyed, so they I'm not sure over how to

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1	Page 137	1	Page 139
	uninsured. What we presented are the actual	1	of policy holders, so the \$25,000 limit was
2	differences with the other provinces, but I	2	set in $19 - I$ don't know when it was set,
3	think the next step would be some sort of	3	but say 1980, presumably and thought that
4	policy of Government to address the issues	4	was sufficient at the time. With inflation,
5	that are causing or allowing drivers to	5	policy holders, claimants, would not be
6	drive without insurance.	6	getting the same level of coverage when they
7	MR. FELTHAM:	7	are involved in an accident and would have
8	Q. Thank you. And over to the next page, page	8	to call on AB coverage with the same limit
9	11, in terms of accident benefits, and	9	today. So, for reasons that things increase
10	middle paragraph, you refer to, I guess,	10	over time that limits – you know, it's
11	what I'll call the Section B Closed Claims	11	prudent to review it and see if that's
11		12	-
	Study. Is that fair?		appropriate.
13	MS. ELLIOTT:	13	MR. FELTHAM:
14	A. Um-hm.	14	Q. And I'm not suggesting that, you know, it's
15	MR. FELTHAM:	15	our position that it shouldn't be \$50,000.
16	Q. It says for the 235 claimants that have	16	It's just, I guess, for most folks, based on
17	reported medical and rehabilitation costs,	17	these numbers, whether it's 25,000 or
18	the average medical and rehab costs were	18	\$50,000 or a million dollars, kind of
19	just a little over \$3,000 and for those, for	19	irrelevant. They're only accessing or able
20	the 234 claimants that had reported	20	to access, on average, \$3,058 in medical and
21	disability income costs, the average paid	21	462 in disability income.
22	disability income costs, the dyerage para disability income costs were 462.	22	MS. ELLIOTT:
$\begin{bmatrix} 22\\23 \end{bmatrix}$	So, one of the changes that's being	22	A. Right. And that's for a very small segment
$\begin{bmatrix} 23\\ 24 \end{bmatrix}$, e e	23 24	6 5 6
	proposed or advocated is – by at least some		where that information was provided. They
25	entities is an increase in Section B	25	certainly – that's not reflective of the
	Page 138		Page 140
1	coverage limits from \$25,000 where they	1	actual costs for those sub-coverages.
2	presently stand to \$50,000, and that may be	2	MR. FELTHAM:
3	quite valuable to someone who's able to	3	Q. So, perhaps that's not very reliable in
4	access or needs to access a greater level of	4	terms of what it tells us? Is that what you
5	coverage beyond \$25,000 but it seems to me	5	mean?
6	that what these figures are telling us is	6	MS. ELLIOTT:
7	that most folks have not accessed or been	7	A. It simply tells you for those claimants,
8	able to access beyond a few thousand dollars	8	this is what their average is. If you
9	or a few hundred dollars in each of these	9	wanted to look at what the average cost
-			Ũ
10	benefit types.	10	today is for medical, for AB and for
11	So, I guess the question is: what value	11	disability income, that would be a different
12	do you see to the consumer in doubling the	12	number.
13	Section B limit in reality, given these	13	(12:15 p.m.)
14	Closed Claim Study numbers?	14	MR. FELTHAM:
15	MS. ELLIOTT:	15	Q. Thank you very much.
16	A. Okay. Well, first of all, what we were	16	CHAIR:
17	trying to provide here was a fulsome answer	17	Q. Thank you, Mr. Feltham.
18	of what was collected and not intended to	18	GITTENS, Q.C.:
19	say that this would be statistically	19	Q. No questions from APTLA in this regard.
20	accurate. It was just what was available	20	FRAIZE, Q.C.:
20	and this was what was given and obviously 87	20	Q. No questions.
$21 \\ 22$	percent didn't report anything. So, pretty	21	STAMP, Q.C.:
1			
23	limited what we did have. In terms of – you	23	Q. No questions.
24	know, it would be like, if you will, any	24	CHAIR:
25	limit over time. It may not meet the needs	25	Q. Consumer Advocate.
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1	Page 141	1	Page 143
	MR. WADDEN:	1	\$200,000 in public liability coverage,
2	Q. Just going back to the point Colin was	2	right?
3	making about uninsured vehicles, and you	3	MS. ELLIOTT:
4	know, these questions with respect to how to	4	A. Um-hm.
5	fix the problem of uninsured vehicles, the	5	MR. WADDEN:
6	numbers on the roads, are probably more	6	Q. Any idea of the number of those that would
7	properly put to the Registrar of Motor	7	be taxi cabs?
8	Vehicles and people like that to speak to it	8	MS. ELLIOTT:
9	more anecdotally. But that being said,	9	A. Oh, this is the private passenger -
10	given you've done work across the country,	10	MR. WADDEN:
11	do you have any anecdotal comments or	11	Q. Oh, sorry. In the Taxi Cab Report, does
12	evidence with respect to uninsured vehicles	12	that – I can't remember if that had a
13	on the road and what can or may be done to	13	particular number in it. We know pretty
14	reduce that issue, reduce that problem	14	much all of them were in Facility.
15	rather?	15	MS. ELLIOTT:
16	MS. ELLIOTT:	16	A. Yes.
17	A. First of all, not knowing the exact reason	17	MR. WADDEN:
18	why it is higher in Newfoundland than other	18	Q. I'm just trying to figure out how many that
19	provinces, and if you can get to the bottom	19	is. Do you know?
20	of why it's higher in the province, that	20	MS. ELLIOTT:
21	will help solve. But hypothetically, if it	20	A. Not off the top of my head. I'd have to
$\begin{vmatrix} 21\\22 \end{vmatrix}$	is drivers that get insurance, they get	22	look again to see.
$\begin{vmatrix} 22\\23 \end{vmatrix}$	their pink slip and then they cancel their	23	MR. WADDEN:
$\begin{vmatrix} 23\\24 \end{vmatrix}$	policy for whatever reason, they are then	23	Q. Right. Sorry about that. No, that's fine.
25	driving with a slip that they can show. To	25	Thank you, Paula.
	Page 142	20	Page 144
	the extent that when a cancellation occurs	1	CHAIR:
	that there's some other link mechanism to	1	
$\begin{vmatrix} 2\\ 2 \end{vmatrix}$		2 3	Q. Thank you, Mr. Wadden. Any questions, Mr.
	get the plates off that car, perhaps that's		O'Flaherty?
	a solution. But I think there are better	4	O'FLAHERTY, Q.C.:
5	people than myself that might dig into the	3	Q. No questions. And that concludes Ms.
6	reason and then find solutions with	6	Elliott's presentation, Madam Chair.
7	everybody involved working together.	7	CHAIR:
8	Because certainly having uninsured drivers	8	Q. Thank you, Ms. Elliott.
9		0	
1 10	on the road is not good for anybody. But	9	MS. GLYNN:
10	I'm sure many people could come up with	10	MS. GLYNN: Q. We will be back tomorrow morning, 9:00, with
11	I'm sure many people could come up with ideas.	10 11	MS. GLYNN: Q. We will be back tomorrow morning, 9:00, with Dr. Misik.
11 12	I'm sure many people could come up with ideas. MR. WADDEN:	10 11 12	MS. GLYNN: Q. We will be back tomorrow morning, 9:00, with Dr. Misik. CHAIR:
11 12 13	I'm sure many people could come up with ideas. MR. WADDEN: Q. Yeah, no, and fair enough. Like I said,	10 11 12 13	MS. GLYNN: Q. We will be back tomorrow morning, 9:00, with Dr. Misik. CHAIR: Q. Dr. Misik will be -
11 12 13 14	I'm sure many people could come up with ideas. MR. WADDEN: Q. Yeah, no, and fair enough. Like I said, that's probably – I appreciate your comments	10 11 12 13 14	MS. GLYNN: Q. We will be back tomorrow morning, 9:00, with Dr. Misik. CHAIR: Q. Dr. Misik will be - MS. GLYNN:
11 12 13 14 15	I'm sure many people could come up with ideas. MR. WADDEN: Q. Yeah, no, and fair enough. Like I said, that's probably – I appreciate your comments and that may be something more properly	10 11 12 13 14 15	 MS. GLYNN: Q. We will be back tomorrow morning, 9:00, with Dr. Misik. CHAIR: Q. Dr. Misik will be - MS. GLYNN: Q. I think I'm saying his name -
11 12 13 14 15 16	I'm sure many people could come up with ideas. MR. WADDEN: Q. Yeah, no, and fair enough. Like I said, that's probably – I appreciate your comments and that may be something more properly answered by some of the Registrar of Motor	10 11 12 13 14 15 16	 MS. GLYNN: Q. We will be back tomorrow morning, 9:00, with Dr. Misik. CHAIR: Q. Dr. Misik will be - MS. GLYNN: Q. I think I'm saying his name - MR. FELTHAM:
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CERTIFICATE	
I, Judy Moss, hereby certify that the foregoing is a true and correct transcript in the matter of the 2017 Automobile Insurance Review heard before the Board of Commissioners of Public Utilities, 120 Torbay Road, St. John's, Newfoundland and Labrador and was transcribed by me to the best of my ability by means of a sound apparatus.	
Dated at St. John's, Newfoundland and Labrador this 6th day of September, 2018	
Judy Moss	

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