Interrogatories #2

Prepared for:	Newfoundland and Labrador Board of Commissioners of Public Utilities (Board)
Prepared by:	Oliver Wyman
Date:	October 31, 2019
Company:	Facility Association (FA)
Filing Type:	Category 2 Filing
Vehicle Type:	Taxi
Province:	Newfoundland and Labrador
Proposed Effective Dates:	June 1, 2020, for new business June 1, 2020, for renewal business

Loss Trends

1. Provide alternate rate indications (relative to the proposed +3.9% indication) substituting the Board's Guideline loss trend rates as of <u>June 30, 2018</u>, and no other changes in assumptions.

Bodily Injury

2. We observe that bodily injury frequency appears to be decreasing at a faster rate over the most recent accident half years.

    2.1. Does FA directly (or indirectly) consider this change in frequency in their modeling process?

    2.2. Provide a frequency model which includes only data points subsequent to 2005 H1

3. Provide a model and all relevant statistics for a bodily injury severity model analogous to FA's severity model, however excluding the unusually high 2016-1 observation and immature 2018-1 observation.

Accident Benefits

4. We observe an accident benefits severity trend model that would benefit from a trend parameter rather than a scalar.

    4.1. Does FA consider using a trend parameter beginning 2011 H2 instead of the scalar parameter utilized in the selected model?

     4.2.   Provide the indicated trends and all relavent statistics for an accident benefits severity model with a trend paramater at 2011 H2 (with no scalar paramaters).

5.   We observe three unusually high accident benefits severity observations: 2012 H1, 2014 H1 and 2017 H2.

     5.1.   Does FA consider these observations potential outliers?

     5.2.   Provide the indicated trends and all relevant statistics for an accident benefits severity model with a trend paramater at 2011 H2 (with no scalar paramaters) and excludes 2012 H1, 2014 H1 and 2017 H1.

Collision

6.   It is our understanding FA has 0.0% frequency and severity trends as it is unable to discern a trend rate. In contrast, we observe measurable trends for collision frequency and severity data. Specifically, severity appears to have been increasing over the most recent eight years, and frequency decreasing.

     6.1.   Provide the indicated trends and all relevant model statistics for a collision severity model fitted to observations between 2010 H1 and 2018 H1 only.

     6.2.   Provide the indicated trends and all relevant model statistics for a collision frequency model fitted to observations between 2010 H1 and 2018 H1 only.

Summary

7.   Provide the rate indications based on the following combination of alternative assumptions, and no other changes in assumptions, relative to the +3.9% rate indication based on a 0.0% cost of capital and 2.8% ROI:

- Board Guideline CV loss trend rates as of June 30, 2018.

- As per prior IR#1 Q5 – use of the Board approved credibility weighted loss ratio for the complement of credibility instead of FA's loss ratio.

- As per prior IR#1 Q1b – use of a net finance fee provision of 0.75%

Include a complete set of supporting exhibits with an excel file for the calculations similar to that provided with application.