

January 3, 2019

Ms. Cheryl Blundon  
Board Secretary,  
Board of Commissioners of Public Utilities  
P.O. Box 21040  
St. John's, Newfoundland and Labrador  
A1A 5B2

Subject:  
**Facility Association  
Newfoundland and Labrador -Taxis, Jitney's & Liveries  
Category 2 Rate Application**

Dear Ms. Blundon:

### **Introduction**

We have reviewed the rebuttal letter by Facility Association (hereafter referred to as FA) dated December 3, 2018 to our response to its comments to our letter dated November 29, 2018 on its Taxi, Jitney and Liveries (hereafter referred to as taxi) rate application. We provide our comments to FA's letter herewith regarding two issues: (1) the rate level impact of the combination of alternative assumptions we discussed in our report and (2) the estimate of the ultimate loss amounts.

### Overall Rate Level Impact of Alternative Assumptions

We appreciate and agree with FA's clarification of its calculations; and the overall rate level indication based on the alternative assumptions we discussed in our report (scenario A) to be +5.9% as calculated by FA with its model that includes the adjustment for the retroactive claims fee.

# OLIVER WYMAN

Page 2  
January 3, 2019  
Ms. Cheryl Blundon  
Board of Commissioners of Public Utilities

## Selection of Ultimate Losses

Further to FA's comments we suggest it would be helpful to add:

- (1) The weight in the B-F Method effectively also considers parameter risk, i.e. the risk that the expected amount is incorrect.
- (2) The B-F Method is designed to calculate IBNR with minimal regard to process risk which is generally expected to be diversified away in the approach used to determine a reporting pattern.
- (3) The weight is not a function of the chain ladder estimate but rather a function of an assumption within the chain ladder estimate.
- (4) We don't disagree that the Weighted Method "allows the FA AA to explicitly control the timing of process variance estimation recognition" and that is consistent with our argument that "another actuary reviewing the same data could (and likely would) have a different best estimate."

Further, the same actuary reviewing the same data could derive a different best estimate when completing its analysis at a different point in time; there is no single best estimate.

## **Distribution and Use**

- This report was prepared for the sole use of the Newfoundland and Labrador Board of Commissioners of Public Utilities (Board). All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the Board.
- Oliver Wyman's consent to any distribution of this report (whether herein or in the written agreement pursuant to which this report has been issued) to parties other than the Board does not constitute advice by Oliver Wyman to any such third parties and shall be solely for informational purposes and not for purposes of reliance by any such third parties. Oliver Wyman assumes no liability related to third party use of this report or any actions

# OLIVER WYMAN

Page 3  
January 3, 2019  
Ms. Cheryl Blundon  
Board of Commissioners of Public Utilities

taken or decisions made as a consequence of the results, advice or recommendations set forth herein. This report should not replace the due diligence on behalf of any such third party.

- This report is designed and intended solely for the Board's internal use, provided that the Board may distribute a copy of this report to (i) the company whose rate application is the subject of Oliver Wyman's review, or (ii) any third party properly requesting such information through a channel established by the Board or pursuant to applicable freedom of information laws, provided that in the case of freedom of information law requests, the Board shall first inform Oliver Wyman of such request in writing so that Oliver Wyman may, in its reasonable discretion, contest such request.

## Considerations and Limitations

- For our review, we relied on data and information provided by FA without independent audit. Though we have reviewed the data for reasonableness and consistency, we have not audited or otherwise verified this data. It should also be noted that our review of data may not always reveal imperfections. We have assumed that the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information is inaccurate or incomplete, our findings and conclusions may need to be revised.
- Our conclusions are based on an analysis of the FA application and data and on the estimation of the outcome of many contingent events. Future costs were developed from the historical claim experience and covered exposure, with adjustments for anticipated changes. Our estimates make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in historical databases or which are not yet quantifiable.
- While this analysis complies with applicable Actuarial Standards of Practice and Statements of Principles, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic and statistical variations from expected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect the frequency or severity of claims. For these reasons, no assurance can be given that the emergence of actual losses will correspond to the projections in this analysis.

Please call us if you have any questions or require additional information.

# OLIVER WYMAN

Page 4  
January 3, 2019  
Ms. Cheryl Blundon  
Board of Commissioners of Public Utilities

Sincerely,

A handwritten signature in cursive script that reads "Paula L. Elliott".

Paula Elliott, FCAS, FCIA