

Facility Association (FA)**Taxi, Jitneys, and Liveries Automobile Rate Application - Category 2****Province: Newfoundland and Labrador****September 7, 2018****General**

1. Further to FA's response regarding the MVR cost per vehicle included in the rate filing, it is our understanding the costs of such fees for Taxis is the highest in NL at \$122.98, compared to \$81.49 in NB and \$99.77 in NS, even though the costs for the DR abstract is less in NL (at \$17.00) than NB (\$22.30) and NS (at \$27.50). FA explains that based on a sample survey, it assumes 5 drivers per taxis in NL, but only 1.9 in NB and 2.6 in NS. FA states that it is the assumption of how many drivers per taxi that explains the difference in the MVR costs.

Can FA provide any further insight as to why the number of drivers per taxi included in this sample is significantly higher for NL (at 5) compared to NB and NS?

2. Further to FA's response regarding the average costs for underwriting and processing, based on a 10% of premium fee, the provision included in NL proposed taxi rates at \$796 is significantly higher than currently included in the NS and NB rates, at \$260 and \$481, respectively.

Provisions for the expenses included in the rates should reflect actual costs; and we understand the provision included by FA is formulaic and not based on actual costs to perform the service.

- a) On what basis can the Board approve a provision of \$796 as reasonable and not too high, while a provision of \$260 is used in NS for this similar underwriting process from the servicing carriers?
- b) What steps has FA taken to (i) update its rating model (as stated in its Plan of Operations) so as to consider actual expense costs instead of percentage based provisions and (ii) encourage reducing expense costs and incorporating efficiencies from its servicing carriers?
- c) Provide the rate indications based on a provision of \$260 instead of \$796, and no other changes in assumptions.

- d) Provide the rate indications based on a provision of \$481 instead of \$796, and no other changes in assumptions.

FA Experience Loss Development Factors (Ultimate Claim Amount Selections)

3. Does FA find the sole reliance on the BF Method for Bodily Injury and Accident Benefits coverages (which is a balanced combination of apriori expectations and emerged experience) instead of the Weighted Method to be reasonable?
4. Does FA agree that it is quite common for actuaries to select the BF Method?

Summary

5. Provide the rate indications based on the following combination of alternative assumptions, and no other changes in assumptions:
 - a) HST adjustment as per prior Question #4
 - b) Bodily Injury and Accident Benefit Loss Development factors based on the B-F Method, as per prior Question #8
 - c) An expense provision as per Question # 2c above
 - d) The Board's loss trend rates (as of June 30, 2017) as per prior Question #9.
6. Same as Question #5 above, except exclude part (b).
7. Same as Question #5 above, except exclude parts (b) and (c).

For Questions #5 - #7, provide the supporting Exhibits that change as a result of these alternate assumptions based on the "Management Assumptions" of a COC at 0.0% and ROI at 2.8%.