

July 27, 2018

Jacqueline H. Glynn  
Legal Counsel  
Board of Commissioners of Public Utilities  
120 Torbay Rd  
St. John's, NL A1A 5B2

Dear Ms. Glynn,

Insurance Bureau of Canada (IBC) welcomes the opportunity to continue participating in the Board of Commissioners of Public Utilities' (PUB) auto insurance review. This document contains questions for Mr. Craig Allen, Dr. Fred Lazar and Dr. Eli Prisman, and Dr. Kelly Blidook in regards to their reports.

### **Actuarial Report for the Campaign to Protect Accident Victims**

1. Mr. Allen, your report implies that premiums in Newfoundland and Labrador are not high and that vehicle damage claim costs on an individual coverage basis contribute more to the premium than bodily injury claims. Your report also makes many comparisons between Newfoundland and Labrador, New Brunswick and Nova Scotia.
  - a. For each province, could you please provide the average written premium for total coverage for 2017 as reported by the General Insurance Statistical Agency (GISA)? Could you please also indicate the dollar amount difference between the average written premium in Newfoundland and Labrador and the average written premium in New Brunswick and Nova Scotia?
  - b. For each province, could you please provide the loss cost for total coverage for accident year 2017 as reported by GISA? Could you please also indicate the dollar amount difference between the total coverage loss cost in Newfoundland and Labrador and the total coverage loss cost in New Brunswick and Nova Scotia?
    - i. Also for each province, could you please provide the loss cost for accident year 2017 on an individual dollar amount basis for each of bodily injury, property damage, accident benefits, collision and comprehensive, as reported by GISA?
    - ii. Based on the loss cost per coverage, could you please indicate which coverage in Newfoundland and Labrador is the highest and the dollar amount difference between that coverage's loss cost and the same coverage's loss cost in New Brunswick and Nova Scotia?
2. If Newfoundland and Labrador introduced a minor injury non-pecuniary damages cap, is it reasonable to expect that in the first accident year of the cap, the bodily injury loss cost would be lower than in the 2017 accident year?

## Estimated Overpayments of Automobile Insurance Premiums In Newfoundland and Labrador, 2012-2016

1. Dr. Lazar and Dr. Prisman, with table 8, you note that Oliver Wyman's loss ratios are inappropriate because of the differences between Oliver Wyman's accident year loss ratios and GISA's financial year loss ratios. On page 21, you state that Oliver Wyman's estimates are inappropriate because of a "claims ratio for 2016 that is out of line with the GISA estimate".
  - a. Could you please explain financial year data and accident year data and why differences in the financial year data should affect an analysis based on accident year data?
  - b. Could you please provide the 2016 accident year loss ratio, as recently reported by GISA? What is the difference between this loss ratio and Oliver Wyman's 2016 loss ratio?
2. Dr. Lazar and Dr. Prisman, you imply that Oliver Wyman's expense ratios and GISA's expense ratios are different.
  - a. Could you please compare Oliver Wyman's 2016 expense ratio with GISA's 2016 expense ratio, as published in the *Automobile Insurance Financial Information Industry Expense Report Private Passenger Automobile (PPA)*? Please provide the total expense ratios and the individual ratios for commissions, general expenses and taxes.
  - b. Could you please also explain why you substituted the general expense ratio that Oliver Wyman used with the general expense ratio from GISA's *Automobile Insurance Financial Information Industry Profit and Loss Report Private Passenger Automobile (PPA)*? Why not use the general expense ratio as published in GISA's *Automobile Insurance Financial Information Industry Expense Report Private Passenger Automobile (PPA)*?
3. Dr. Lazar and Dr. Prisman, in table 9, Oliver Wyman uses a return-on-investment (ROI) calculated using the following formula:
  - Investment Return = (investment income/(equity + premium reserve + claim reserve))

In table 9, you list GISA ROI figures. It appears that you calculated the GISA ROI figures using the following formula:

- Investment Return = (investment income/equity)

It also appears that your ROI formula omits premium reserves and claim reserves, which results in a higher ROI. Could you please confirm that the GISA figures you present in table 9 were calculated by yourselves, and not calculated or published by GISA? Could you please explain why you present the two sets of values in table 9 as being equivalent, even though the formulas are different?

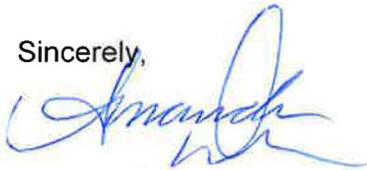
4. Dr. Lazar and Dr. Prisman, you refer to excluding five companies from the profitability analysis. What is their market share combined? If you do not know, what are the direct written premiums of these companies for 2016?

**Review of Data Analysis for the 2018 Public Utilities Board Automobile Insurance Review**

1. Dr. Blidook, who retained you to prepare your report for the Newfoundland and Labrador auto insurance review? Is the organization that retained you advocating the PUB for a particular outcome?
2. Dr. Blidook, you question the credibility of the closed claims study because "the data themselves was not independently audited". Do you know whether Statistics Canada conducts any independent audits on its survey data?
3. Dr. Blidook, based on estimations from other provinces, IBC expected that the average accident date would be approximately 2012. The actual average accident date was 2013. In your report, you compared the modal, or most commonly reported accident date, 2015, with IBC's expected average of 2012. Given that average and modal values are different metrics, why did you not compare the expected average with the actual average?

Thank you again for the opportunity to participate in the auto insurance review process. Please let me know if you have any questions.

Sincerely,



Amanda Dean

CC: Campaign to Protect Accident Victims  
Atlantic Provinces Trial Lawyers Association  
Spinal Cord Injury Association  
Consumer Advocate