



Paula Elliott

Oliver Wyman
120 Bremner Boulevard,
Suite 800
Toronto, ON
M5J 0A8
416-868-2358
Paula.elliott@oliverwyman.com
www.oliverwyman.com

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

September 28, 2017

Subject: Engagement Letter - Automobile Insurance Review

Dear Ms. Blundon,

We are very pleased the Newfoundland and Labrador Board of Commissioners of Public Utilities ("the Board" or "you") has asked Oliver Wyman to provide actuarial consulting services for the Automobile Insurance Review as we recently discussed with Mr. Ryan Oake and Ms. Jacqui Glynn.

The objective of this letter ("Agreement") is to set forth the terms and conditions that will apply to these services provided by Oliver, Wyman Limited ("Oliver Wyman") to the Board over the period September 11, 2017 to June 30, 2019.

Scope of Services

Based on the *Draft Terms of Reference* dated July 27, 2017 from the Department of Insurance to the Board, as discussed with Mr. Oake and Ms. Glynn, Oliver Wyman will provide the following services (the "Services") as respects private passenger automobile:

Page 2
September 28, 2017
Ms. Cheryl Blundon
Board of Commissioners of Public Utilities

- Participate in discussions with the Insurance Bureau of Canada (IBC) in the design of a Bodily Injury Closed Claim Study (CCS) and prepare a report summarizing the data collected in the CCS.
- Using the data collected in the CCS and other relevant information, perform an analysis of the cost implications (impact on rates) of (i) replacing the current Bodily Injury \$2,500 deductible with an indexed monetary cap of either \$5,000, \$7,500, or \$10,000 on non-economic loss for claimants with a “minor injury”; with “minor injury” as defined in Nova Scotia and New Brunswick, and (ii) maintaining the current Bodily Injury \$2,500 deductible or changing it to either \$5,000, \$7,500, or \$10,000.
- Assess the rate implications of increasing the current \$200,000 minimum Third Party Liability Limit.
- Assess the rate implications of introducing Direct Compensation Property Damage (DCPD) in the province.
- Review the Uninsured Auto coverage experience in the province.
- Review the implications of mandating Accident Benefits coverage.
- Review and assess the historical profit levels realized by automobile insurers in the province.
- Provide additional support to the Board as may be needed in completing the Automobile Insurance Review.

We will also consult with IBC on the feasibility of designing an Accident Benefits CCS that will provide information on the interaction of benefit payments between Bodily Injury (Section A) and

Page 3
September 28, 2017
Ms. Cheryl Blundon
Board of Commissioners of Public Utilities

Accident Benefits (Section B). If determined to be feasible, and subject to Board approval, we will collaborate with IBC on such a study.

Our preliminary findings and recommendations are to be presented in a draft report(s) to the Board (either as separate reports for each task, or as one report that addresses all tasks). Following the Board's review and discussions with the Board, we will issue a final report(s).

Staffing

The services will be performed by or under the direction of Paula Elliott, FCIA, FCAS (located in Toronto). Paula will be assisted by Ted Zubulake, FCIA, FCAS, MAAA (located in our New York City office), Robin Fitzgerald FCAS, MAAA (located in our Melville, New York office), and technical analysts.

Fees and Expenses

We propose to provide these services at our (current) hourly fees: Paula Elliott - \$1,200, Ted Zubulake - \$1,200, Robin Fitzgerald - \$1,200, and technical analysts - \$1,200, and update these fees by +2.0% on April 1, 2018 as has been our prior practice.

We are available to travel as approved and required by you, and our out-of-pocket travel costs would be charged on a dollar-for-dollar basis.

You are responsible for any sales taxes, including those assessed by any sales tax authorities subsequent to your payment for the Services. Payment of Oliver Wyman's invoices is due within thirty days of receipt by you.

Page 4
September 28, 2017
Ms. Cheryl Blundon
Board of Commissioners of Public Utilities

Terms and Conditions

This Agreement and any other Agreement that is mutually agreed between Oliver Wyman and you is subject to Oliver Wyman's Standard Terms and Conditions which are set forth on the attached Appendix A.

Termination

You may terminate this Agreement upon five days' prior written notice. In the event of your termination of this Agreement all work orders shall terminate effective on the same date unless otherwise mutually agreed in writing between the parties. In the event of any termination of this Agreement, the Board will pay Oliver Wyman all fees earned and expenses incurred by Oliver Wyman under all work orders that terminate concurrently with this Agreement, in each case through the effective date of termination. In the event the parties mutually agree in writing that one or more work orders shall remain in effect on and after the effective date of cancellation of this Agreement, the terms and conditions of this Agreement shall remain in effect solely with respect to such continuing work orders notwithstanding the cancellation of this Agreement.

Should you have any questions, please do not hesitate to contact me.

OLIVER, WYMAN LIMITED

Richard L. Elliott

by: _____

ACCEPTED AND AGREED:

Page 5
September 28, 2017
Ms. Cheryl Blundon
Board of Commissioners of Public Utilities

Board of Commissioners of Public Utilities

by: *Cheryl Blundon*



Appendix A.

OLIVER, WYMAN LIMITED

STANDARD TERMS AND CONDITIONS FOR ACTUARIAL SERVICES

Confidentiality of Client Information

In the course of providing services pursuant to one or more work orders (the "Services"), Oliver Wyman may be exposed to confidential and proprietary information ("Confidential Information"). Oliver Wyman will respect the confidential nature of all non-public Confidential Information and will not disclose it to any third parties except as required to process, complete or administer the service for which the information was obtained, or as otherwise authorized by you or required by applicable law. If Oliver Wyman is required by law to disclose any Confidential Information, Oliver Wyman will, to the extent practicable, notify you of the disclosure request and discuss an appropriate response with you.

Responsibility for Accuracy and Completeness of Client Information

The accuracy and usefulness of Oliver Wyman's advice depends in large measure on the data clients supply. In agreeing to engage Oliver Wyman to provide Services, to the extent applicable, you agree to provide accurate and complete information relating to the Services. Oliver Wyman will use all information and data supplied by you without having independently verified the same and assumes no responsibility for the accuracy or completeness of such information or data.

You agree that if any data or information supplied to Oliver Wyman is incomplete, inaccurate, not up-to-date or not provided when needed, or if adequate access to appropriate individuals is not provided, then Oliver Wyman will not be responsible for



liability or delays arising therefrom and shall be entitled to charge you in respect of the work actually carried out to correct the deficiency.

Ownership of Oliver Wyman Intellectual Capital

The value of Oliver Wyman's services to its clients is supported by the specialized knowledge and experience developed in client work. Oliver Wyman therefore retains all rights in the intellectual capital developed and possessed by Oliver Wyman prior to or acquired by Oliver Wyman during the performance of the Services ("Oliver Wyman IC"). Oliver Wyman IC will not be deemed "works made for hire" and Oliver Wyman will not be restricted in any way with respect to its use. "Oliver Wyman IC" is understood to include, without limitation, Oliver Wyman's methodologies, ideas, know how, models, tools, skills, knowledge and experience, and any graphic or digitized representations of any of these.

Use of Oliver Wyman Reports and Recommendations

The Services and reports furnished by Oliver Wyman to you may include advice and recommendations; however, all decisions in connection with the implementation of such advice and recommendations shall be made solely by you and shall be your sole responsibility. In situations where the Services involve a rate filing review, reports and advice furnished by Oliver Wyman to you are designed and intended solely for your internal use, provided that you may distribute a copy of the final version of Oliver Wyman's reports to (i) the company whose rate filing is the subject of Oliver Wyman's review, or (ii) any third party properly requesting such information through a channel established by you or pursuant to applicable freedom of information laws, provided that in the case of freedom of information law requests, you shall first inform Oliver Wyman of such request in writing so that Oliver Wyman may, in its reasonable discretion, contest such request. Oliver Wyman shall have no responsibility for any modifications to, or derivative works based upon, any Oliver Wyman report or other Oliver Wyman deliverable made by you or any third party. You also agree not to refer to Oliver Wyman or attribute any information to Oliver Wyman in the press, for advertising or promotional purposes, or for the purpose of informing or



influencing any other party, including the investment community, without Oliver Wyman's prior written consent. Similarly, Oliver Wyman will not refer to you in the press, for advertising or promotional purposes, without your prior written consent, provided that Oliver Wyman may include your name and/or logo in a list of representative clients of Oliver Wyman for general client marketing and employee recruiting purposes.

Scope of Oliver Wyman's Advice and Services

When advising you, Oliver Wyman may from time to time comment on legal issues or draft documents that codify or create legal rights. When doing so, Oliver Wyman's comments and drafts will be based on its understanding of relevant law and industry best practice. However, this advice should not be construed as legal advice, which can only be provided by legal counsel and for which you must seek advice of counsel. In addition, Oliver Wyman's services shall not be construed as accounting or tax advice, which advice can only be provided by an accountant, tax expert, or other similar professional. The information and advice contained in Oliver Wyman's reports and work product is not intended or written by the Oliver Wyman consultant or actuary to be used, and it cannot be used by you, for the purpose of avoiding tax penalties that may be imposed on you. Oliver Wyman is not acting as a fiduciary for you in connection with the services it provides to you and does not have a fiduciary or other enhanced duty to you.

Limit of Liability

In agreeing to work for clients, Oliver Wyman understands that clients may seek to be compensated for damages resulting from the fault of Oliver Wyman. However, Oliver Wyman's fees do not contemplate Oliver Wyman becoming involved in legal proceedings that would expose Oliver Wyman to open-ended liability.

Therefore, in agreeing to engage Oliver Wyman to provide the Services, you agree that Oliver Wyman's liability (whether based on any action or claim in contract, tort or otherwise) to you or your affiliates arising out of or relating to the Services will not exceed



one times (1x) the aggregate professional fees paid by you to Oliver Wyman for the Services, excluding any claim for willful misconduct, fraud or infringement of third-party intellectual property rights by Oliver Wyman and any claim for personal injury or death arising out of the negligence or willful misconduct of Oliver Wyman.

In addition, you and Oliver Wyman agree that neither party will be liable to the other in connection with the Services or any matter relating to the Services for any indirect, special, punitive, consequential or incidental damages, or for loss of profits.

The terms and conditions in this "Limit of Liability" provision shall apply to the fullest extent permitted by applicable law.

Non-Exclusivity

It is Oliver Wyman's practice to serve multiple clients within industries, including those with potentially opposing interests. Accordingly, Oliver Wyman may have served, may currently be serving or may in the future serve other companies whose interests may be adverse to yours. In all such situations, Oliver Wyman is committed to maintaining the confidentiality of each client's information and will abide by non-disclosure procedures (such as firewall protocols and other safeguards) to appropriately protect all confidences. Please also be advised that Oliver Wyman is part of a family of companies, including its parent, Marsh & McLennan Companies, Inc., its sister companies, Marsh, Guy Carpenter and Mercer, and the other Oliver Wyman Group businesses (including Lippincott and NERA Economic Consulting).

Dispute Resolution

If any dispute between you and Oliver Wyman arises out of any matter governed by this agreement, each of us will first attempt in good faith to reach a settlement through negotiation by our appointed representatives.

Force Majeure

Neither party shall have any liability for any failure or delay in performance of its obligations under this agreement because of circumstances beyond its reasonable control, including, without limitation, acts of God, fires, floods, earthquakes, pandemics, acts of war or terrorism, civil disturbances, sabotage, accidents, unusually severe weather, governmental actions, power failures, computer/network viruses that are not preventable through generally available retail products, catastrophic hardware failures or attacks on its server.

Governing Law

This agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in such Province. Each party submits to the exclusive jurisdiction of the courts located in the Province of Ontario.

Jury Waiver

Each party, on behalf of itself and its affiliates, to the fullest extent permitted by law, knowingly, voluntarily, and intentionally waives its right to a trial by jury in any action or other legal proceeding arising out of or relating to this agreement or the Services. The foregoing waiver applies to any action or legal proceeding, whether sounding in contract, tort or otherwise. Each party, on behalf of itself and its affiliates, also agrees not to include any employee, officer or director of the other party or its affiliates as a party in any such action or proceeding. Notwithstanding any contrary provision herein, Oliver Wyman accepts the covenants contained in this "Jury Waiver" provision in favour of its affiliates, its employees, officers or directors and those of its affiliates that are not parties to this agreement as agent and trustee of such affiliates, employees, officers and directors and may enforce such covenants in their favour on their behalf. You accept the covenants contained in this "Jury Waiver" provision in favour of your affiliates, your employees, officers or directors and those of your affiliates that are not parties to this agreement as



agent and trustee for such affiliates, employees, officers and directors and may enforce such covenants in their favour on their behalf.

Severability

It is the intent of the parties that the provisions of this agreement shall be enforced to the fullest extent permitted by applicable law. To the extent that the terms set forth in this agreement or any word, phrase, clause or sentence is found to be illegal or unenforceable for any reason, such word, phrase, clause or sentence shall be modified or deleted in such manner so as to afford the party for whose benefit it was intended the fullest benefit commensurate with making this agreement, as modified, enforceable, and the balance of this agreement shall not be affected thereby, the balance being construed as severable and independent.

Amendment, Waiver and Assignment

This agreement may be modified or otherwise amended, and the observance of any term of this agreement may be waived, only if such modification, amendment or waiver is in writing and signed by the party to be charged with same. Neither party shall have the right to assign or transfer this agreement or any rights hereunder to any third party without the prior written consent of the other party.

Miscellaneous

This agreement contains the entire understanding of the parties with respect to the subject matter contained herein, superseding all prior agreements, understandings and negotiations with respect to such matters. This agreement shall be binding upon and inure to the benefit of the parties' respective successors. The obligations of the parties under this agreement that by their nature continue beyond the termination of this agreement shall survive any termination of this agreement. There are no third party beneficiaries with respect to this agreement. This Agreement may be executed on separate counterparts, each of which shall constitute an original, but both of which when taken together shall constitute a



single contract. Delivery of an executed signature page of this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart hereof.