

Facility Association (FA)**Taxi, Jitneys, and Liveries Automobile Rate Application- Category 2****Province: Newfoundland and Labrador****March 21, 2014****General**

1. As stated in FA's cover letter dated January 23, 2013 for the *prior* rate application, FA's TPL indicated and proposed rate level change was +66.2% and +50% respectively; and the proposed 50% increase was approved. In that prior rate filing, FA estimated the proposed increase in the TPL average written premium for 2012 was \$1,200. However, it is our understanding from reviewing this current application that FA's TPL average written premium for 2012 was \$1,889, and that the current rate level average written premium for 2012 is \$2,833 - an average dollar increase of \$944, which is much lower than \$1,200. Is our understanding correct - that the actual impact of the 50% increase for TPL was \$944, not \$1,200 as presented in the prior filing? If so, why is the reason for the change?
2. In FA's prior filing, FA presented an indicated TPL rate increase of 66% (without a cost of capital provision). In the current filing, approximately one year following the approval of a 50% increase, FA presents a rate level indication for TPL of +67.3% (without a cost of capital provision). What has changed to cause such a material difference in the TPL rate indication from the prior review? Specifically, please describe any changes in methodology and assumptions, and the reasons for any changes that would explain the significant change in the TPL rate indication from the prior review. Please provide a quantitative impact of each change - what the rate indication would be with and without the change.
3. In FA's prior filing, FA presented an indicated AB rate increase of 299% (without the cost of capital). In the current filing, following the approval of a 100% increase, FA presents a rate level indication for AB of approximately +294% (without the cost of capital). What has changed to cause such a material difference in the rate AB indication from the prior review? Specifically, please describe any changes in methodology and assumptions, and the reasons for any changes that would explain the significant change in the TPL rate indication from the prior review. Please provide a quantitative impact of each change- what the rate indication would be with and without the change.

Loss Development Factors

4. A) In Exhibit D-2, the selected incurred loss development factors are calculated as the ratio of the selected ultimate loss amount to the reported incurred loss amount as of December 31, 2012, for Non-PPV. However, we do not follow the basis for the selected ultimate loss amounts. Where in the rate filing is the support for these estimated ultimate amounts? For example, where in the rate filing can we find the supporting worksheets that show how the BI estimated ultimate incurred loss amount for accident year 2012 at \$4,431,613 is determined? If support for the selected loss developments has not been provided, please provide the support.

B) In Appendix A, the non-PPV selected ultimate incurred loss amounts and ultimate incurred loss amounts based on the Incurred Method are provided; and we understand the “selected” non-PPV values are the basis for taxi loss development factors as presented in Exhibit D-2. We also understand that the Incurred Method is one of several methods considered by FA. Given this, explain:
 - i) How are the ultimate amounts for the commercial vehicles selected? Explain the methods used and provide supporting worksheets.
 - ii) How are the BI and PD loss development factors for commercial vehicles combined into a TPL loss development factor for Taxis? What weights are used, and what is the basis for those weights?
 - iii) The accident year 2012 AB ultimate loss amount for non-PPV was selected at \$535,639, while the estimate based on the Incurred Method (as selected by FA) is \$383,131. Explain why the selected ultimate loss amount is so much higher than the result of the Incurred Method.
 - iv) For those cases where the result of the Incurred Method was not selected, explain why.
5. Given FA is the largest provider of Taxi insurance in NL, what consideration was given to the actual historical development of Industry Taxi loss experience in NL to select the loss development factors?
6. The estimates of the TPL and AB ultimate loss amounts for accident years 2008 to 2011 presented in this rate application compared to those presented in the prior application are all lower. Why are the estimates all lower (as opposed to a more random pattern of higher

and lower estimates) in this rate application for those four years?

Loss Trends

7. Bodily Injury and Property Damage Loss Trend Rates: FA selects loss cost trend rates of +4.4% for BI and +2.4% for PD. Explain how these two rates are combined into a TPL trend rate. (What weights are used for each of BI and PD, and what is the basis for those weights?)
8. Although the estimated Industry BI loss cost for accident year 2012 has declined from accident year 2011, FA's selected BI loss cost trend rate has increased from that selected in the prior review. Explain why this is reasonable.
9. To show the sensitivity of the rate indications to the selected loss cost trend rates, provide the rate indications for each coverage and overall based on the Board's current guideline commercial auto loss cost trend rates.
10. In FA's prior rate filing, FA used some private passenger data to select the loss cost trend rates. Explain why FA changed its approach in this filing.
11. The graphs in the loss trend section show, for BI, evidence of an upward frequency trend pattern prior to 2004 and then a decline in frequency trend after 2004. Explain why the period after the change in direction was not chosen as the regression period.
12. What is the reform factor measured from the BI loss cost trend regression analysis?
13. Explain the rationale or criteria for including or excluding the BI severity points. For example, why is 2011-1 excluded, but 2001-2 and 2002-1 not excluded?
14. Does the T-test statistic consistently show that the parameters used in the models are statistically significant? State the cases where the results of the models were accepted despite parameters used that were not found to be statistically significant.
15. Why is a reform parameter used for the time period 2004-2 for PD and AB coverages? Given there were no product (or reform changes) in 2004-2 for these coverages, what other time periods were considered (instead of 2004-2) to measure a possible change in the trend pattern?

Credibility Weights

16. In the prior rate filing, the full credibility standard for TPL was set at 5,410 claims. In this filing, in Tab 11b, FA states the full credibility standard is 3,246 claims for TPL. Explain why the TPL standard has changed.
17. What would the rate indication be if the TPL full credibility standard did not change from the prior filing?

Complement of Credibility

18. What would the rate indication be if the same complement of credibility approach as used in the prior filing was used in this filing?
19. What would the rate indication be if the same complement of credibility approach and the same TPL full credibility standard as used in the prior filing were used in this filing?