

1 **Transcript Reference: Nov. 2014, Page 71, Lines 1-7**

2
3 Undertake to confirm with GISA whether loss adjustments are based on accident year versus
4 calendar year.

5
6 **Response:**

7
8 The loss adjustment expenses have two components, allocated loss adjustment expense
9 (“ALAE”) and unallocated loss adjustment expense (“ULAE”). Both Facility Association in its
10 2013 Taxi filing, and Oliver Wyman, in its review of that filing, included ALAE and ULAE with
11 the indemnity amounts to determine the loss trend rates. In its current filing, Facility Association
12 changed its approach and chose not to include the ALAE and ULAE with the indemnity amount
13 for its trend analysis.

14
15 Insurers separately report their ALAE costs to GISA and their ULAE costs to IBC. ALAE is
16 reported to GISA on an accident year basis, and, hence, can be directly combined with the
17 reported indemnity amounts which are also reported on an accident year basis. Separately from
18 GISA, IBC in its voluntary expense survey collected the ULAE and loss amounts on a calendar
19 year basis. IBC converts the reported ULAE amounts into factors that can be applied to the
20 combined indemnity and ALAE amounts by accident year to estimate the ULAE amounts by
21 accident year. While these calculations are performed by IBC, GISA accepts these accident year
22 ULAE factors and uses them in the exhibits it publishes.

23
24 Attached are the excerpts from exhibits prepared by GISA as of year-end 2011 and 2012, which
25 present these ULAE factors for each accident year. The factors for accident year 2012 are
26 identical to 2011 due to a delay in reporting by GISA of a new ULAE survey. IBC has
27 discontinued its prior expense survey.

28
29 Attached is an exhibit prepared by Facility Association in which it uses the GISA accident year
30 ULAE factors for the loss trend analysis it performed in its 2013 Taxi filing.

GISA

UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTORS

* Accident Year	New Brunswick Factors	Newfoundland & Labrador Factors	Nova Scotia Factors	PEI Factors
2007	1.108	1.072	1.105	1.091
2008	1.114	1.075	1.095	1.076
2009	1.090	1.073	1.106	1.094
2010	1.108	1.056	1.108	1.102
2011	1.108	1.052	1.105	1.107

These factors were calculated based on aggregate data collected under IBC Automobile Expense Survey (AES), for which participation is voluntary. These factors are provided by IBC for use in certain factored exhibits. Since the underlying data and calculations of the factors were not disclosed to GISA, the Unallocated Loss Adjustment Factors were not approved by GISA. The factors are derived, by province, as one plus the ratio of calendar year incurred internal loss adjustment expenses to calendar year direct incurred claims excluding health levy amounts and internal loss adjustment expenses.

UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTORS

GISA

* Accident Year	New Brunswick Factors	Newfoundland & Labrador Factors	Nova Scotia Factors	PEI Factors
2008	1.114	1.075	1.095	1.076
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2010	1.108	1.056	1.108	1.102
2011	1.108	1.052	1.105	1.107
2012	1.108	1.052	1.105	1.107

These factors for Accident Years 2008 through 2011 were calculated based on aggregate data collected under the voluntary IBC Automobile Expense Survey (AES). Since the 2012 factors were not available at the time of publication, the 2011 factors have been used for 2012. These factors are provided by GISA's service provider, IBC, for use in certain factored exhibits. Since the underlying data and calculations of the factors were not disclosed to GISA, the Unallocated Loss Adjustment Factors were not approved by GISA. The factors are derived, by province, as one plus the ratio of calendar year incurred internal loss adjustment expenses to calendar year direct incurred claims excluding health levy amounts and internal loss adjustment expenses.

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EXHIBIT 4
Sheet 2.1

IBC INDUSTRY DATA (AIX DATA)
NEWFOUNDLAND & LABRADOR --- COMMERCIAL VEHICLES
LOSS COST, SEVERITY AND FREQUENCY TRENDS
THIRD PARTY LIABILITY - BODILY INJURY TORT

*** DERIVATION OF ULTIMATE AMOUNTS ***

ACCIDENT PERIOD	EARNED EXPOSURES	REPORTED COUNTS	COUNT DEV	ULTIMATE COUNTS	REPORTED LOSSES	LOSS DEV	ULTIMATE LOSSES	ULT LC	ULT SEV	ULT FREQ /1000
1992	18,126	95	1.0000	95	3,451,415	1.0000	3,727,528	205.65	39,237	5.2411
1993	16,445	101	1.0000	101	7,243,236	1.0000	7,750,263	471.28	76,735	6.1417
1994	15,662	104	1.0000	104	4,196,082	1.0000	4,514,984	288.28	43,413	6.6403
1995	13,996	89	1.0000	89	3,378,406	1.0000	3,652,057	260.94	41,034	6.3590
1996	13,217	62	1.0000	62	3,754,019	1.0000	4,193,239	317.26	67,633	4.6909
1997	14,690	114	1.0000	114	4,565,040	1.0000	4,998,719	340.28	43,848	7.7604
1998	15,825	103	1.0000	103	3,388,806	1.0000	3,880,183	245.19	37,672	6.5087
1999	15,800	102	1.0000	102	4,949,584	1.0000	5,474,240	346.47	53,669	6.4557
2000	16,244	135	1.0000	135	5,656,317	1.0000	6,182,354	380.59	45,795	8.3108
2001	17,956	167	1.0000	167	8,881,346	1.0000	9,609,616	535.18	57,543	9.3005
2002	18,271	159	1.0000	159	8,684,863	1.0000	9,275,434	507.66	58,336	8.7023
2003	18,733	173	1.0000	173	7,185,977	1.0000	7,732,111	412.75	44,694	9.2350
2004	19,226	133	1.0000	133	6,011,113	1.0000	6,492,002	337.67	48,812	6.9177
2005	19,382	125	1.0000	125	4,785,148	1.0060	5,131,574	264.76	41,053	6.4493
2006	19,910	119	1.0000	119	5,076,520	1.0131	5,513,320	276.91	46,330	5.9769
2007	20,254	129	1.0000	129	6,559,305	1.0400	7,312,838	361.06	56,689	6.3691
2008	20,452	127	1.0000	127	5,697,878	1.0814	6,623,812	323.87	52,156	6.2097
2009	21,713	137	0.9918	136	5,460,146	1.1529	6,754,537	311.08	49,666	6.2635
2010	22,272	117	0.9792	115	5,308,501	1.2754	7,149,608	321.01	62,171	5.1634
2011	22,884	122	1.0232	125	5,809,300	1.9169	11,714,911	511.93	93,719	5.4623

