

23 April 2015

Mr. Robert Byrne
Director, Regulatory and Advisory Services
Board of Commissioners of Public Utilities
P.O. Box 21040
St. John's, Newfoundland
A1A 5B2

Subject:
**Facility Association
Newfoundland and Labrador-Taxis, Jitney's & Liveries
Category 2 Rate Application**

Dear Mr Byrne:

Introduction

In accordance with your request, Oliver, Wyman Limited (Oliver Wyman) reviewed the Taxi, Jitney and Liveries (hereafter referred to as Taxi) amended rate application submitted by Facility Association (hereafter referred to as FA) on April 21, 2015.

Summary of Findings

The Board released its Decision on April 2, 2015 on the FA March 2014 application for an overall rate level increase of +54.1%. In its Decision the Board stated: *"In particular the rates proposed in the revised filing should be no higher than indications developed using:*

- i) the Board's Guideline Commercial Vehicle loss trend rates in Directive A.I. 2013--02;*
- ii) the standard of full credibility consistent with its last approved filing;*
- iii) the complement of credibility consistent with its last approved filing;*

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- iv) a physical damages multiplier that reflects the indications; and*
- v) proposed rule changes excluding the removal of the owner driven taxi discount and changes to the manner of rating for more than one use.”*

In its amended filing, FA proposes an overall rate level increase of +19.3% for all coverages combined. We have reviewed the amended filing and find it is in keeping with the Board's order for items (i) to (iv). We note that as respect item (iv), based on the indicated rate changes, FA proposes to amend the current 2.25 multiplier that is applied to the private passenger automobile rates to 2.04 for Collision, and 2.28 for each of Comprehensive and Specified Perils. With these changes the overall rate change remains at +19.3%.

Item (v) does not affect the proposed rate level and will be addressed by FA in its rating and underwriting manuals.

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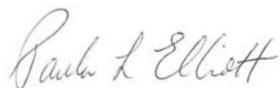
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Considerations and Limitations

- For our review, we relied on data and information provided by FA without independent audit. Though we have reviewed the data for reasonableness and consistency, we have not audited or otherwise verified this data. It should also be noted that our review of data may not always reveal imperfections. We have assumed that the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information is inaccurate or incomplete, our findings and conclusions may need to be revised.
- Our conclusions are based on an analysis of the FA application and data and on the estimation of the outcome of many contingent events. Future costs were developed from the historical claim experience and covered exposure, with adjustments for anticipated changes. Our estimates make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in historical databases or which are not yet quantifiable.
- While this analysis complies with applicable Actuarial Standards of Practice and Statements of Principles, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic and statistical variations from expected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect the frequency or severity of claims. For these reasons, no assurance can be given that the emergence of actual losses will correspond to the projections in this analysis.

Please call us if you have any questions or require additional information.

Sincerely,



Paula Elliott, FCAS, FCIA



Theodore J. Zubulake, FCAS, FCIA