

1 **Consumer Advocate RfI CA-FA-06:** *What would the 2014 indicated rate changes be if the PUB-*
 2 *approved loss cost trend rates were used in place of the 2014 FA-selected trend rates?*

3 **FA Response to RfI CA-FA-06:**

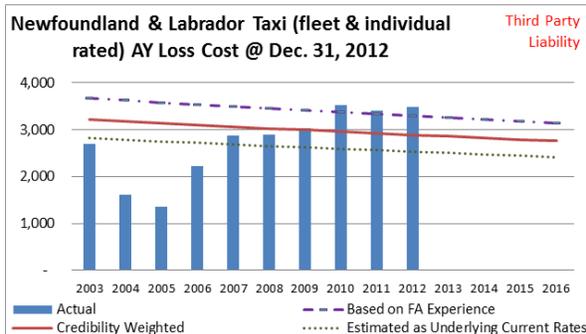
4 The table below provides the indication summary with the Exh C-2 correction and using the PUB-
 5 approved loss cost trend rates for commercial vehicles as at December 31, 2012.

6 *Indication Summary Consistent Exh C-2 Correction and using PUB CV trends @ Dec 31, 2012*

Analysis Summary (NB eff 1-Aug-2014; RN eff 1-Aug-2014)		Third Party Liability	Accident Benefits	Uninsured Automobile	Collision	Comp	Specified Perils	All Perils	TOTAL
Indication Summary									
FA Average Written Premium, Rolling 12, \$s	Exh C-1, row [3]	1,889	40	7	1,242	291	126	1,879	2,079
Indicated target rate change (12.0% ROE, leverage 2.0)	Exh C-1, row [22]	60.5%	339.5%	369.5%	(10.8%)	10.2%	22.2%	(3.8%)	65.0%
AWP dollar change for Indicated target rate change (12.0% ROE, leverage 2.0 Exh C-1, row [24])		1,715	272	52	(121)	27	25	(64)	1,979
Indicated Average Written Premium		3,604	312	59	1,121	318	151	1,815	4,058
Rate change selected by FA	Exh C-1, row [33]	50.0%	294.3%	329.3%	-	-	-	-	54.1%
AWP dollar change for Rate change selected by FA	Exh C-1, row [35]	1,417	235	46	-	-	-	-	1,647
Selected Average Written Premium		3,306	275	53	1,242	291	126	1,879	3,726
Alternate rate change basis (0.0% Cost of Capital, leverage 2.0)	Exh C-1, row [29]	44.0%	294.1%	321.0%	(20.0%)	(1.2%)	9.6%	(13.7%)	48.1%
AWP dollar change for Alternate rate change basis (0.0% Cost of Capital, leve Exh C-1, row [31])		1,247	235	45	(224)	(3)	11	(232)	1,465
Average Written Premium @ Alternate Return Assumption capped		3,136	275	52	1,018	288	137	1,647	3,544

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 8 We can derive forward and backward loss cost levels consistent with the indications above and, in
 9 particular, consistent with the use of the PUB CV trends – the associated charts are shown below. In our
 10 opinion, this shows that the PUB CV trends are not consistent with the FA taxi loss cost experience (we
 11 likewise do not believe that the PUB CV trends are consistent with the industry CV indemnity loss costs
 12 for TPL).

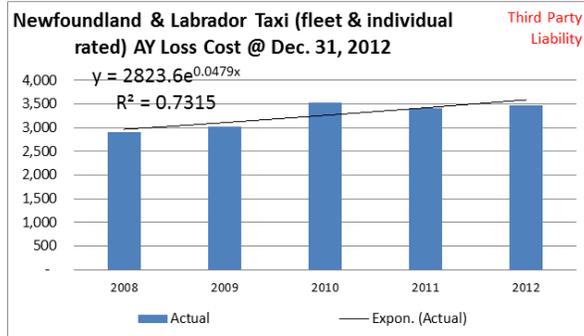
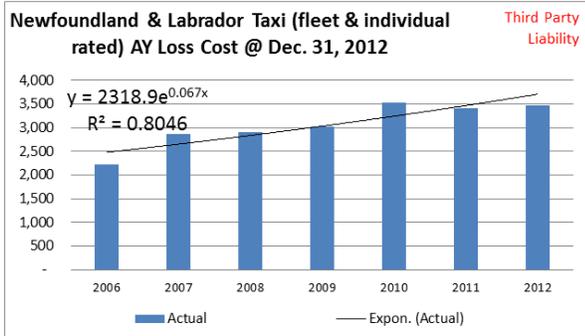
13 *TPL Loss Cost by Accident Year Consistent with PUB CV trends @ Dec 31, 2012*



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15 A simple regression on the 2006 to 2012 and 2008 to 2012 periods of the FA taxi experience shows an
 16 increasing trend, not decreasing as per the PUB CV trends (see top of next page – we also did the entire
 17 2003-2012 period - the underlying trend was 8.0% with an R² of 55%).

18 *TPL Loss Cost Trends Estimated from FA NL Taxi Loss Costs @ Dec 31, 2012*



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