



# GITTENS & ASSOCIATES

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June 13, 2018

VIA EMAIL (jgylnn@pub.nl.ca)

Jacqueline H. Glynn  
Legal Counsel  
Public Utilities, Board of Commissioners  
120 Torbay Rd  
St. John's, NL A1A 5B2

## **Regarding: Newfoundland Automobile Insurance Review**

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Dear Ms. Glynn:

The questions/documentation that Mr. Barry Mason had requested from Ms. Elliot are as follows:

- 1) He asked Ms. Elliot to re-calculate the return on equity, a calculation she computed at page 24 of her report (-9% Return on Equity) by holding all of the factors set out in her analysis from page 23 to 25 steady except for operating expenses. Specifically, he had requested Ms. Elliot to recalculate the return on equity by reducing the operating expense for Newfoundland by 6.2% (average Newfoundland operating expense ratio of 29.2% for the period of 2007 to 2012 minus the operating expense ratio deemed appropriate for Alberta of 23% = 6.2%). What is the return on equity for Newfoundland when this reduction is applied to the average expense ratio (which is 24.4% [new average for operating expenses] - 6.2% = 18.2%)?
- 2) To perform the same calculation using a 25% operating ratio as set by the Newfoundland Board in its decision in 2005 (reduction of 29.2% - 25% = 4.2% [24.4% [new average for operating expenses] - 4.2% = 20.2%).
- 3) If the UL & ALAE is \$354.37 per car (as established in the accident year 2014 and if we assume that claims costs have not increased and finally, we assume that the

remaining factors set out at page 23 to 25 of Ms. Elliot's report remains the same, what is the return on equity for auto insurers for 2017?

- 4) If the UL & ALAE is \$354.37 per car and the operating expenses are reduced by 6.2% as noted above, what is the return on equity for auto insurers in 2017?
- 5) Finally, if UL & ALAE is \$354.37 per car and operating expenses are reduced by 4.2% what is the return on equity for the auto insurers for the year 2017?
- 6) Ms. Elliot advised that she would provide the raw data for GISA for UL & ALAE costs for Newfoundland and Labrador for the past 10 years. We look forward to receipt of these records.

We look forward to receipt of these records and calculations.

Yours truly,  
**GITTENS & ASSOCIATES**



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**Ernest Gittens**  
**On behalf of Barry Mason for APTLA (Atlantic Provinces Trial Lawyers Association)**

EG/aa