

**MARTIN
WHALEN
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STAMP**

BARRISTERS & SOLICITORS

June 27, 2018

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**BOARD OF COMMISSIONERS OF
PUBLIC UTILITIES
PO Box 21040
120 TORBAY ROAD
ST. JOHN'S, NL A1A 5B2**

ATTENTION: JACQUIE GLYNN

VIA EMAIL AND FACSIMILE

ORIGINAL TO FOLLOW VIA COURIER

(F) 726-9604

(E) JGLYNN@PUB.NL.CA

Dear Ms. Glynn:

RE: FOLLOW-UP QUESTIONS

On behalf of Insurance Bureau of Canada, we enclose correspondence outlining follow-up questions to Oliver Wyman's, Paula Elliot.

We trust the enclosed is satisfactory.

Yours truly,

MARTIN WHALEN HENNEBURY STAMP

KEVIN F. STAMP, Q.C.

KFS/KR

June 27, 2018

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

Dear Ms. Glynn:

Insurance Bureau of Canada (IBC) welcomes the opportunity to participate in the Board of Commissioners of Public Utilities' auto insurance review. This document contains questions for Ms. Paula Elliott of Oliver Wyman in regards to her reports and presentations on the state of auto insurance in Newfoundland and Labrador.

Minor Injury Reform Cost Estimates – Private Passenger Automobiles

1. Ms. Elliott, could there be additional cost savings associated with establishing a minor injury non-pecuniary damages cap from the cap causing lower prejudgment interest and party and party fee payments? If so, what are the updated percentage reductions in total settlement and allocated loss adjustment expense (ALAE) costs and average reductions in required premium?
2. Ms. Elliott, your percentage reduction in total settlement and ALAE costs and average reduction in required premium contain a range of savings for cap amounts of \$5,000, \$7,500 and \$10,000 based on minor injury claim frequency reductions of 0% to 15%. Could you please comment on the likelihood of the three minor injury cap amounts achieving the up to 15% minor injury claim frequency rate reduction? Additionally, could you please comment on what you believe is the most likely claim frequency rate reduction for each cap amount, and explain how you arrived at each of these estimates?

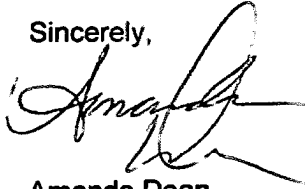
Profit and Rate Adequacy Review – Private Passenger Automobiles

3. Ms. Elliott, an intervenor has requested that you estimate industry return-on-equity (ROE) based on several operating expense percentages in Newfoundland and Labrador. These percentages include 18.2%, 20.2% and 24.4%. Could you please comment on why you used the General Insurance Statistical Agency's published expense ratios and the reasonableness of your selection relative to the three requested percentages above?
4. Ms. Elliott, an intervenor asked you to calculate the ROE assuming that the bodily injury loss cost for 2017 remains at its 2014 level of \$354.37, instead of the 2017 forecast of \$387.69 in your report. Do you believe using the 2014 loss cost is a reasonable approach for calculating the 2017 ROE?

5. Ms. Elliot, an intervenor asked you to calculate the 2017 premium deficiency based on a higher investment return, such as 6%. Could you please comment on why you used 2.9% and the reasonableness of using a return as high as 6%?

Thank you again for the opportunity to participate in the review. Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Amanda Dean". The signature is fluid and cursive, with a large initial "A" and a long horizontal stroke extending to the right.

Amanda Dean

CC: Campaign to Protect Accident Victims
Atlantic Provinces Trial Lawyers Association
Spinal Cord Injury Association
Consumer Advocate