ACTUARIAL MEMORANDUM

This section provides documentation of the analysis of rate level adequacy with respect to the selected classes of Miscellaneous Vehicles. A loss ratio method is used in the derivation of the provincial indicated changes in average rate level for only those coverages that are independently rated (i.e., rates not dependent on those of another class of vehicle).

The primary data source underlying this analysis is Facility Association loss experience taken from the 2005 Automobile Insurance Experience ("AIX") – Calendar/Accident Year Exhibits compiled as at 31 December 2005 and prepared by the Insurance Bureau of Canada ("IBC"). We believe the data used is reliable and sufficient for this ratemaking exercise, and we have used this raw data as prepared by the IBC without modification. In this regard, we have relied on the various data edit checks performed by IBC, which are designed to promote data integrity. IBC assembles the AIX data form the submissions made under the Automobile Statistical Plan by Facility Association Servicing Carriers in the province. Because there are multiple companies providing this information and due to our remoteness from the individual data elements, it was not practical for use to directly put in place audit or audit-like procedures. Therefore, we have relied on this IBC data without the benefit of any independent audit. We did examine the data for reasonableness and any data we extracted from computer-readable sources was reconciled to within acceptable tolerances to the published reports.

For each coverage included, the analysis of projected on-level loss ratios by accident year, and the indicated change in average rate level, appear on the following exhibits:

- Interurban Vehicles ....Exhibit 1
- Taxis, Jitneys & Liveries ....Exhibit 2
- Ambulances...Exhibit 3
- Public Buses..Exhibit 4
- School Buses ....Exhibit 5

Historical earned premiums are brought on-level to reflect the current approved rate levels based on the history of approved changes applied to detailed written premium data. This adjustment is developed following the same approach as described in the accompanying rate revision application for Private Passenger Vehicles, and is summarized in these exhibits where applicable. All adjustments to reported incurred losses and claim counts (development, 2004 product reform and trend) are taken from an analysis of Commercial Vehicle experience paralleling that presented in the accompanying rate revision application for Private Passenger Vehicles.

A raw indicated change in average rate level for each accident year for each coverage is determined using Commercial Vehicle expense and underwriting margin provisions, restated to reflect the proper commission rate for the specific class of Miscellaneous Vehicle. For each coverage, the raw indicated rate level change for the five available accident years combined is then credibility-weighted with one year's worth of trend, following the rationale that, to the extent the experience lacks credibility, an adjustment in line with annual claims inflation is appropriate. In those instances where credibilities are low, trend becomes the dominant determinant of the indicated changes in average rate level.

Commercial Vehicle experience is used as a surrogate data source to establish development, trend and payment pattern assumptions for these selected classes of Miscellaneous Vehicles, as summarized in the following exhibits:

- Commercial Vehicle Industry Development .... Exhibit 6
- Commercial Vehicle Facility Association Development................ Exhibit 7
- Commercial Vehicle Industry Trend .... Exhibit 8
- Commercial Vehicle Industry Payment Patterns .... Exhibit 9
- Commercial Vehicle Facility Association Payment Patterns .... Exhibit 10
- Commercial Vehicle Industry Full Credibility Standards .... Exhibit 11

For Interurban Vehicles, for which a full complement of coverages is analyzed, a summary is included showing the resulting indicated changes in average level by coverage, and for all coverages combined based on a weighted average using accident year 2005 on-level adjusted written premiums as weights.

The proposed changes in average rate level are derived from these indications by application of capping at the coverage level, selected based on consideration of policyholder impact, the magnitude and persistency of the indications, and the inherent volatility expected with small volumes of experience.