

1 **Consumer Advocate RfI CA-FA-09:** *What would the 2014 rate change indications be if the*  
 2 *complements of credibility were calculated in the same way as the 2013 filing?*

3 **FA Response to RfI CA-FA-09:**

4 As per our response to CA-FA-05, the previous methodology can be considered as equivalent to  
 5 deriving the “projected loss ratio underlying current rates” we now use as the current “target loss ratio”  
 6 consistent with a 0.0% cost of capital, trended forward two years. The table at the top of the next page  
 7 provides the indication summary with the Exh C-2 correction and using this alternate complement of  
 8 credibility approach.

9 *Indication Summary Consistent Exh C-2 Correction and using the alternate complement of*  
 10 *credibility approach*

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
<b>Indication Summary</b>									
FA Average Written Premium, Rolling 12, \$s	Exh C-1, row [3]	1,889	40	7	1,242	291	126	1,879	2,079
<b>Indicated target rate change (12.0% ROE, leverage 2.0)</b>	<b>Exh C-1, row [22]</b>	<b>74.5%</b>	<b>236.6%</b>	<b>248.3%</b>	<b>1.9%</b>	<b>23.7%</b>	<b>22.7%</b>	<b>9.2%</b>	<b>75.8%</b>
AWP dollar change for Indicated target rate change (12.0% ROE, leverage 2.0)	Exh C-1, row [24]	2,111	189	35	21	62	26	156	2,308
Indicated Average Written Premium		4,000	229	42	1,263	353	152	2,035	4,387
<b>Rate change selected by FA</b>	<b>Exh C-1, row [33]</b>	<b>50.0%</b>	<b>294.3%</b>	<b>329.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54.1%</b>
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
<b>Alternate rate change basis (0.0% Cost of Capital, leverage 2.0)</b>	<b>Exh C-1, row [29]</b>	<b>56.5%</b>	<b>201.9%</b>	<b>212.3%</b>	<b>(8.6%)</b>	<b>10.9%</b>	<b>10.0%</b>	<b>(2.1%)</b>	<b>57.7%</b>
AWP dollar change for Alternate rate change basis (0.0% Cost of Capital, leve	Exh C-1, row [31]	1,601	162	30	(96)	29	11	(36)	1,757
Average Written Premium @ Alternate Return Assumption capped		3,490	202	37	1,146	320	137	1,843	3,836

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