

1 **Public Utilities Board General Comment on broker compensation in August 29, 2014 Request for**
2 **Information:** *In its report on the filing the Board's Actuarial Consultants Oliver Wyman notes the*
3 *impact on premiums of the broker commission provision of 6% of written premium as provided in the*
4 *Plan of Operation.*

5 **FA Response:**

6 Analogous to Servicing Carrier compensation, broker compensation is mandated by the Plan of
7 Operation and is likewise directed by statute. A broker compensation arrangement providing
8 commission as a percentage of premium is a standard practice throughout the insurance industry. It is
9 not meant to reimburse brokers for actual costs incurred for individual transactions, but to provide for
10 the cost of the provision of services overall and measured or considered over the longer term.

11 **Public Utilities Board PUB-FA-7:** *Please provide, on a per written vehicle basis, at current rates, the*
12 *average commission paid to brokers in the writing of Taxis through the Facility Association Residual*
13 *Market in Newfoundland and Labrador.*

14 **FA Response to PUB-FA-7:**

15 Consistent with our 2014 Taxi rate filing, the estimated average written premium per taxi at current rates
16 is \$3,045. Brokers are compensated on a basis of 6% of written premium, or \$183 per taxi where
17 average written premium is \$3,045.