August 28, 2014

Board of Commissioners
 of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon, Director of Corporate Services and Board Secretary

Ladies and Gentlemen:

Re: Facility Association – Taxi and Limousine Rate Application

Please find enclosed one (1) original and eight (8) copies of the following Requests for Information:

1.   CA-FA-01 to CA-FA-11;
2.   CA-OW-01.

Hard copies of this correspondence and enclosures have been sent to the parties listed below both by mail and email.

Yours very truly,

O'DEA, EARLE

THOMAS JOHNSON

TJ/cel
Encl.
cc: Ms. Jill Hepburn
        Facility Association
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**Requests for Information by
The Consumer Advocate**

CA-FA-01 to CA-FA-11

August 28, 2014

CA-FA-01   The loss ratios in Line [8] of Exh C-2. Page 1 appear to be overstated.

Can you confirm that the following is correct?

The line [2] value for TPL (for example) is 219.30%.   It is labeled as "Projected ultimate loss ratio (**discounted**) ..."   However, referring to column (17) of Exhibit B, Sheet 2.1 of the 2013 filing, 219.30% is **undiscounted**.   It is prior to the application of the .9203 discount factor, which is applied in column (18).

If line [2] is undiscounted, then lines [4] and [6] are also undiscounted (see the calculations below). In line [8], line [6] is divided by the discount factor of .9203, thus "undiscounting" the already undiscounted loss ratio.

L = projected (undiscounted) incurred loss (L = 14,857,540)
CP = on-level earned premium prior to the 2013 rate increase (CP = 6,774,517)
NP = on-level earned premium after the indicated 2013 rate increase (NP = 19,054,007)
F = fixed expense (F/CP = 11.05%, F = 748,584)
V = variable expense ratio (V = 21.06%)
D = loss discount factor (D = .9203)
PDF = premium discount factor (PDF = .9975)

Line [2] = $\dfrac{L}{CP}$ = 219.32%

Line [3] = $\left[\dfrac{\frac{(L \times D)+F}{CP}}{(PDF - V)} \right] - 1$ = 181.3%

Line [4] = $\dfrac{[2]}{(1+[3])} = \dfrac{L}{CP} \div \left[\dfrac{\frac{(L \times D)+F}{CP}}{(PDF - V)} \right]$ = 78.0%

Line [4] = $L \div \dfrac{(L \times D)+F}{(PDF - V)}$

1    $$NP = \quad CP \times \left[\frac{(L \times D) + F}{CP} \middle/ (PDF - V) \right] = \frac{(L \times D) + F}{(PDF - V)}$$

2   Line [4] = $\frac{L}{NP}$ = **undiscounted** target loss ratio

3   Line [5] = credibility weighted rate change (66.20%)

4   Line [6] = [4] × (1 + [5]) = $\frac{L}{NP} \times \frac{NP}{CP} = \frac{L}{CP}$ = **undiscounted** loss ratio prior to 2013 rate change.

5

6   CA-FA-02 On page 10 of "Trend Analysis" section of the filing it says the trend

7   models reflect "seasonality where deemed appropriate."   The Oliver

8   Wyman (OW) report concludes that seasonality should be reflected in the

9   BI trend, but FA concludes that it should not.   What would the FA BI loss

10   cost trend selection be if its BI model reflected seasonality in the model?

11   What would the R^2 values be?

12

13   CA-FA-03 The trend analyses are based on separate regressions for frequency and

14   severity and the selected trend rates are combined into a single loss cost

15   trend rate.   Can FA provide a set of trend calculations that are based on

16   loss cost data?

17

18   CA-FA-04 In its 3/31/2014 response to OW's 3/21/2014 question 5, FA states that,

19

20   *We have assumed that the observed development on the FARM*
21   *Non-Private Passenger vehicle (Non-PPV) reported losses are a*
22   *good proxy for the development on reported losses for taxis.*
23   ***Specific consideration was not given to the actual historical***
24   ***development of Industry Taxi loss experience in***
25   ***Newfoundland & Labrador****, consideration was given to Industry*
26   *Commercial Vehicle loss experience when selecting loss*
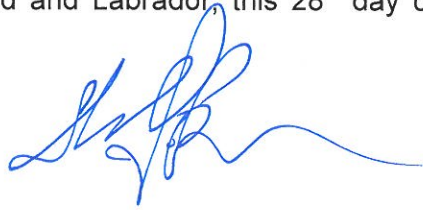27   *development factors.*

28

29   Please provide an exhibit showing both NL Taxi and FARM Non-PPV

30   incurred loss development triangles.

31

1	CA-FA-05	The 2013 FA Taxi filing presented an indicated TPL rate increase of 66%.
2		FA requested and was granted a rate increase of 50%. The 2014 FA
3		Taxi filing presents an additional indicated TPL rate increase of 75.4%,
4		above the 2013 50% increase. Please explain and quantify the
5		magnitude of the 2014 rate increase indication in terms of:
6		a. Frequency and severity trend between 2013 and 2014,
7		b. Changes in FA methodology between the 2013 and 2014 filings,
8		c. The actual development of FA loss experience between 2013 and
9		2014.
10		
11	CA-FA-06	What would the 2014 indicated rate changes be if the PUB-approved loss
12		cost trend rates were used in place of the 2014 FA-selected trend rates?
13		
14	CA-FA-07	In the 2013 filing, the full credibility standard for TPL was 5,410 claims. In
15		the 2014 filing, the full credibility standard is 3,246 claims for TPL. Why is
16		the full credibility standard different in the two filings?
17		
18	CA-FA-08	What is the effect of the change in the full credibility standard on the 2014
19		TPL indicated rate change?
20		
21	CA-FA-09	What would the 2014 rate change indications be if the complements of
22		credibility were calculated in the same way as in the 2013 filing?
23		
24	CA-FA-10	What would the 2014 TPL rate change indication be if the 2013 full
25		credibility standard was used and the complement of credibility was
26		calculated in the same way as in the 2013 filing?
27		
28	CA-FA-11	Should distinctions be drawn between taxis and limousines in the setting
29		of rates?

Dated at St. John's in the Province of Newfoundland and Labrador, this 28th day of August, 2014.

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