

Ms. Cheryl Blundon,
Board Secretary, Board of Commissioners of Public Utilities
P.O. Box 21040
St. John's NL
A1A 4B2

December 9, 2019

Facility Association - Taxi Filing

Dear Ms. Blundon:

We provide herewith our response to the Facility Association (hereafter referred to as FA) comments dated December 4, 2019 regarding our report of findings dated November 26, 2019 on its Taxi, Jitney and Liveries (hereafter referred to as Taxi) rate application.

Historical Subsidies

Following a hiatus by FA in submitting rate applications, beginning in 2013 FA has submitted several rate applications resulting in an average current rate level premium estimated by FA at \$7,625; approximately 7 times the average private passenger premium in Newfoundland and Labrador in 2018. Even if there were historical subsidies (and those subsidies were partly attributed to the hiatus in rate applications submitted by FA), rate setting is a prospective analysis to determine the best estimate of the future claims and expenses for the proposed rating program based on the information available at the time of the analysis. Any historical subsidies estimated by FA are irrelevant in determining the rate level change need, as this would be inconsistent with actuarial ratemaking principles.

Prior Board Decisions (Complement of Credibility)

FA's hindsight review of its best estimate of the rate level change need does not infer that they were more reasonable than the Board's Decisions at the time based on all the information available. Nor does such a hindsight review infer the Board should now find its prior Decisions to be unreasonable and rejected, based on the premise they are different than FA's past and current view of its rate level change needs.

As the Board has the authority to review and approve the rate level change, the prior filing loss ratio underlying the complement of credibility that we present is based on the Board's Decision, not FA's estimate which the Board did not accept.

Loss Trends

We have fully articulated our rationale for our selected loss trend rates (the Board Guidelines) and our reasons why we are not in agreement with FA's trend rates.

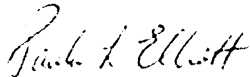
Finance Fees

As we have stated in our report, the Office of the Superintendent of Insurance (OSFI) states that the Minimum Capital Test (MCT) provision is 0% for any future scheduled monthly payments. This MCT provision of 0% implies no additional capital is required for such monthly payment plans. Hence, FA's various assumptions "to get a sense" of the capital required *if* these monthly payments were considered a loan can be more appropriately assessed by following OSFI's clear and specific MCT provision of 0% as stated for such monthly payments.

Further, the Board has directed FA to provide the additional supporting evidence of the actual fees paid by policyholders for such payment plans. FA's submission of this information would assist in the review process.

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Please direct all questions related to this report to the undersigned.



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