

IR #1

COMPANY:	Facility Association (FA)
PREPARED BY	Oliver Wyman
DATE:	April 19, 2022
PROVINCE:	Newfoundland and Labrador
FILING TYPE:	Mandatory Rate Filing
VEHICLE TYPE:	Taxis and Limousines (Taxi)
PROPOSED EFFECTIVE DATES	
NEW BUSINESS	April 1, 2023
RENEWAL BUSINESS:	April 1, 2023

General

1. FA proposes an overall rate level change of +13.3% in this filing. We note FA proposes changes to its conviction surcharges, and estimates the overall rate level impact for this change to be +1.0%.
 - 1.1. Please confirm the noted +13.3% proposed overall rate level change does not include the approximate rate level impact of conviction surcharge proposed change?
 - 1.2. Is the timing of implementation of the change for conviction surcharges expected to be coincident with the approved overall rate changes as listed above?
2. With the merger of the two servicing carriers, Intact Group¹ and Royal SunAlliance (RSA), please confirm if Intact Group now manages (or soon will manage) the renewal of all FA risks previously written by RSA.
 - 2.1. If yes, confirm if Intact Group is charging (or plans to charge) for the monthly payment plan option.
 - 2.2. If Intact Group is charging (or plans to charge) for the monthly payment plan option, explain how these fees were considered in calculating the rate level change need.
3. With the consolidation resulting in Intact Group as sole servicing carrier, does Intact expect to have increased efficiencies and reduced handling costs per FA risk? If not, explain why not.

¹ Intact Group, is meant to collectively represent any operating companies writing in Newfoundland and Labrador as a servicing carrier for the FA.

IR #1

Page 2

April 19, 2022

Facility Association

Taxis and Limousines (Taxi)

Reform Adjustment

4. Explain how (state where) the deductible change associated with the bodily injury reforms is accounted for in the rate indication calculation. Specifically, how are the accident years prior to 2020 adjusted for the expected reduction in costs? State where in the Excel rate indication model these factors can be found.

Loss Development

5. In the case of bodily injury, for the accident half year 2020-2, FA presents Incurred Method, Expected Loss Ratio Method and B-F Method ultimate loss amount estimates of \$1.13 million, \$1.78 million, and \$1.20 million, respectively; all evaluated as of September 30, 2021. Three other estimates are presented, all less than \$1.27 million.
 - 5.1. Given this range, explain why FA selected the Expected Loss Ratio Method, the highest value, at \$1.78 million?
 - 5.2. In contrast, in the concurrent Miscellaneous Vehicle filing, using private passenger data, for the same 2020-2 bodily injury ultimate loss estimate, FA selects the B-F Method, which is the higher of the B-F and Expected Loss Ratio Methods. Explain why there is a difference in the selection approach.
6. In the case of accident benefits, for the accident half year 2020-2, FA presents Incurred Method, Expected Loss Ratio Method and B-F Method ultimate loss amount estimates of \$86 thousand, \$156 thousand, and \$89 thousand, respectively; all evaluated as of September 30, 2021. Given this range, explain why FA selected the Expected Loss Ratio Method, the highest value?
7. As a sensitivity test, provide the rate indications by selecting the B-F Method results for 2020-2 for bodily injury and accident benefits, and no other changes in assumptions.
8. What reasons can FA provide to explain why the PD/DCPD and accident benefits loss development factors between PPV and non-PPV (used for taxi) are so different for accident year 2020. Specifically, the PD/DCPD 2020 accident year factors are 1.05 and 1.40 for PPV and non-PPV, respectively. And for accident benefits, the 2020 accident year factors are 1.18 and 2.44 for PPV and non-PPV, respectively.

Loss Trend

9. As a sensitivity measure, provide the rate indications based on the Board's guideline loss trend rates (as of December 31, 2020), and no other changes in assumptions.
10. In the bodily injury frequency model, FA includes a scalar parameter at 2016-1.
 - 10.1. Can FA provide an intuitive reason for the scalar parameter at 2016-1?
 - 10.2. Provide the frequency trend rate using the same model as selected by FA, but without the scalar parameter at 2016-1.

IR #1

Page 3

April 19, 2022

Facility Association

Taxis and Limousines (Taxi)

- 10.3. In the prior (September 2019 submission) filing, FA did not include a scalar parameter at 2016-1. Explain why this change was made.

11. We observe an accident benefits severity trend model that would benefit from a trend parameter rather than a scalar.
 - 11.1. Did FA consider using a trend parameter beginning 2011-2 instead of the scalar parameter utilized in the selected model?
 - 11.2. Provide the indicated trends and all relevant statistics for an accident benefits severity model with a trend parameter at 2011-2 (with no scalar parameters).

12. We observe three unusually high accident benefits severity observations: 2012-1, 2014-1 and 2017-2.
 - 12.1. Does FA consider these observations potential outliers?
 - 12.2. Provide the indicated trends and all relevant statistics for an accident benefits severity model with a trend parameter at 2011-2 (with no scalar parameters) fit to data excluding 2012-1, 2014-1 and 2017-1.