

**CAC (MPI) Pre-Ask 1**

<b>Volume:</b>		<b>Page No.:</b>	<b>Collision (Claims Incurred Section page 38)</b>
<b>Topic:</b>			
<b>Sub Topic:</b>			
<b>Issue:</b>			

**Question:**

MPI is forecasting an ultimate of \$393,636,000 for 2016/17 for this coverage. This is based on a forecasted frequency of .132 and a forecasted severity of 3444.

- a) How was the selected frequency of .132 determined?
  
- b) The forecasted severity was determined using a 4.55% growth rate from the 2014/15 severity. This growth rate is justified by MPI due to "(i) import vehicles are making up an increasing percentage of passenger vehicles, (ii) these imported vehicles are more expensive to repair and their total loss severity is greater than the domestic vehicles, and (iii) increasing cost of repairs due to changes in vehicle technology, more complex vehicle manufacturing, and use of non-repairable components." (CI,Page 37) Would the Corporation agree that it is normal industry practice to incorporate trends into a rate indication when the trend can be seen in the loss history? If agreed, why is the Corporation incorporating these trends into the rate indication before they are evident in the data?

c) Please confirm the figures in the table below. If they cannot be confirmed please produce the correct figures with the assumptions given.

Method	Assumptions	2016/17 Projected Collision Ultimate - Various Methods	MPI Projected 2016/17 Collision Ultimate	Difference
1	Claims Frequency projection set equal to MPI's of .132 Claim Severity for 2015/16 calced as average of 2006/07 to 2013/14 years, increase of 3% to 2016/17 severity to account for inflation and increasing costs 2005/06 excluded because frequency was so low 2014/15 excluded because of the backlog claims issue	305,982	393,636	-87,654
2	Claims Frequency projection set equal to MPI's of .132, Claim Severity for 2015/16 and 2016/17 calced using linear trend factor based on 2006/07 to 2013/14 years 2005/06 excluded because frequency was so low 2014/15 excluded because of the backlog claims issue	362,722	393,636	-30,914
3	Claims Frequency projection set equal to MPI's of .132, Claim Severity for 2015/16 and 2016/17 calced using linear trend factor All Years used in trend	356,276	393,636	-37,360

**RESPONSE:**

- a) The overall Collision frequency of 0.132 is a result of selecting a 0.028 Total Loss frequency and a 0.104 Repair frequency for Collision. The details of selecting these frequencies are outlined on pages 30 and 31 of the Claims Incurred document.
- b) The Corporation has shown evidence of a trend in both Total Loss severity and Repair severity outlined on pages 33 through 36 in the Claims Incurred document.
- c) Under the assumptions given the Corporation can confirm the following figures in the table below. For method 3, years 2000/01 through 2014/15 were used to calculate the linear trend.

Method	2016/17 Projected Collision Ultimate	MPI Projected 2016/17 Collision Ultimate	Difference
1	305,949	393,636	(87,686)
2	362,644	393,636	(30,992)
3	350,529	393,636	(43,107)

The following graph shows the 2016/17 Collision severities of the different methods in relation to the historical data and the Corporation’s forecast.

