

October 18, 2019

Undertaking #16

MPI to advise as to why the average severities in the trending for each year for each coverage in Figures 1, 2, and 3 are different from the corresponding average severities in Figures 4, 5, and 6 in PUB-MPI-2-3; and to answer what is the difference in future trends in Figures 4 and 5 versus Figures 1 and 2 due to the impact of claim.

RESPONSE:

The average severities in Figure 1, 2, and 3 as well as Figure CI-11, CI-15, and CI-19 use the ultimates at current benefit levels from Part VIII External Actuary Review of Policy Liabilities Attachment A, Exhibit 3. The purpose of this is to determine any underlying trends when factoring out indexation and then applying indexation afterwards.

Since MPI does not have development factors for the three severity buckets, claim counts are undeveloped as of February 28, 2019. Because of this, MPI excludes the two most recent years of severity to determine trending as claims under 24 months are largely undeveloped.

The average severities in Figure 4, 5, and 6 as well as Figure CI-10, CI-14, and CI-18 use the ultimates from Part VIII External Actuary Review of Policy Liabilities Attachment A, Exhibit 2. These ultimates evaluate only the remaining reserves at current benefit levels.