

October 29, 2020

**2021 GENERAL RATE APPLICATION
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Undertaking #40

MPI to review the information in Figure CI-40 and determine if the historical experience, particularly the claim counts, should be adjusted for the impact of the new aggregate reinsurance program, and if the forecast should be adjusted downward based on the expected benefits of that program indicating, if any, consequences to the rate requested.

RESPONSE:

The historical number of hail claims net of reinsurance would be adjusted downward in the year 2015/16 had the current aggregate catastrophic reinsurance structure been in place. However, this adjustment results in a negligible impact (<.02%) to the current rate request, as reflected by the change in the 10 year average adjusted hail costs. Please see the adjusted version of CI-40 Figure 1 below:

Figure 1 Hail Experience adjusted for Aggregate Reinsurance Program

Line No.	Accident Year	Repair Claim Count (a)	Repair Severity (b)	Repair \$ (a) * (b) = (c)	Total Loss Claim Count (d)	Total Loss Severity (e)	Total Loss \$ (c) * (e) = (f)	Total Hail \$ (c) + (f)	Savings - Aggregate Reinsurance Program (\$35M)
1	2010/11	4,779	\$3,727	\$ 17,811,124	2,448	\$2,602	6,370,395	\$ 24,181,520	\$ -
2	2011/12	4,558	\$4,319	\$ 19,687,446	2,940	\$3,102	9,119,761	\$ 28,807,206	\$ -
3	2012/13	4,971	\$3,184	\$ 15,826,218	2,008	\$2,727	5,474,827	\$ 21,301,045	\$ -
4	2013/14	4,273	\$3,660	\$ 15,638,877	1,961	\$3,252	6,377,877	\$ 22,016,754	\$ -
5	2014/15	2,125	\$3,812	\$ 8,101,107	1,061	\$3,354	3,559,003	\$ 11,660,110	\$ -
6	2015/16	6,480	\$4,417	\$ 28,626,952	5,125	\$3,667	18,793,664	\$ 47,420,616	\$ (1,446,653)
7	2016/17	6,206	\$4,205	\$ 26,095,644	3,940	\$3,621	14,268,854	\$ 40,364,499	\$ -
8	2017/18	1,555	\$3,046	\$ 4,736,322	449	\$3,426	1,537,872	\$ 6,274,195	\$ -
9	2018/19	4,965	\$4,331	\$ 21,499,802	4,619	\$4,145	19,148,848	\$ 40,648,650	\$ -
10	2019/20	2,176	\$2,868	\$ 6,240,841	508	\$3,258	1,653,789	\$ 7,894,630	\$ -
11	Straight Average								
12	3-year	2,899	3,415	10,825,655	1,859	3,610	7,446,836	18,272,491	\$ -
13	5-year	4,276	3,773	17,439,912	2,928	3,623	11,080,605	28,520,518	\$ (289,331)
14	10-year	4,209	3,757	16,426,433	2,506	3,315	8,630,489	25,056,922	\$ (144,665)
15	Exponential Trend								
16	5-year	1,789	\$2,888	\$ 5,165,747	483	\$3,503	1,691,204	\$ 7,094,360	\$ -
17	7-year	2,706	\$3,293	\$ 8,908,907	1,035	\$3,707	3,836,943	\$ 13,293,047	\$ -
18	10-year	2,733	\$3,477	\$ 9,502,203	1,164	\$3,963	4,613,853	\$ 14,584,190	\$ -