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2023 GENERAL RATE APPLICATION
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MPI to provide documentation validating the decrease of \$48.9 million in lower than forecast collision claims; decrease of .75 million in lower than forecasted non-proportional ILAE; the \$8.2 million increase in forecasted ILAE; and the \$4.6 million increase in forecasted comprehensive claims.

RESPONSE:

The figure below shows the dollar change in Collision, Comprehensive, Non-proportional ILAE, and ILAE from the 2023 GRA as filed in July to MPI Exhibit 58 for fiscal year 2022/23. The changes exclude interest rate impacts and are updated using the latest reported as of July 31, 2022 along with an updated inflation forecast.

Figure 1 Fiscal Year 2022/23 changes from 2023 GRA to MPI Exhibit 58

Line No.	Coverage	2023 GRA	MPI Exhibit 58	Difference
1	(\$000's)			
2	Collision	\$470,058	\$421,103	(\$48,956)
3	Comprehensive	\$94,332	\$98,938	\$4,605
4	Non-Proportional ILAE	\$32,660	\$31,907	(\$754)
5	ILAE	\$3,270	\$11,508	\$8,238

Collision decreased \$49 million due to lower than forecasted claim counts which resulted in \$82 million less claim dollars. This was offset by higher than forecasted total loss severity of \$22 million along with an increased LVAA impact of \$5. The remaining \$6 million is due to the related effects of increased severity and lower frequency.

There was no impact from repair severity as it was close to the original forecast.

Comprehensive increased \$5 million due to \$7 million unfavourable claims experience on theft and other (fire) claims, offset by \$2 million due to lower than forecasted hail experience.

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Non-proportional ILAE decreased slightly due to increased GST collected from higher salvage sales as increased salvage sales/units, this is mainly a flow through account as GST is collected and then remitted to the government. ILAE is calculated as a function of unpaid claims and the change in IBNR. As a result of higher forecasted inflation, unpaid claims increased \$66 million over the original forecast along with a \$21 million increase in change in IBNR. Both of which increased the ILAE by \$8 million. See below for a calculation of the change in ILAE:

$$\text{Change in ILAE} = \text{ILAE Provision} * (\text{Change in Discounted Unpaid Claims} + \text{Change in IBNR})$$

$$\$8.2 \text{ million} = 9.50\% * (\$66.0 \text{ million} + \$20.7 \text{ million})$$