

CLAIMS FORECASTING

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October 2023

2024 General Rate Application



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Agenda

- Key Messages on Claims Forecasting
 - Premium Dollar Breakdown
 - Considerations in Claims Trending
 - Evolution of MPI Claims Forecasting
 - Uncertain Future
- Methodology Enhancements
 - Improvements on Structure, Rigor and Disclosure
 - A step-by-step example on loss cost calculations
 - Improved rate stability
 - Why Accident Year 2020 was excluded in claims forecasting
- Summary of 2024 GRA Basic Ultimate Claims



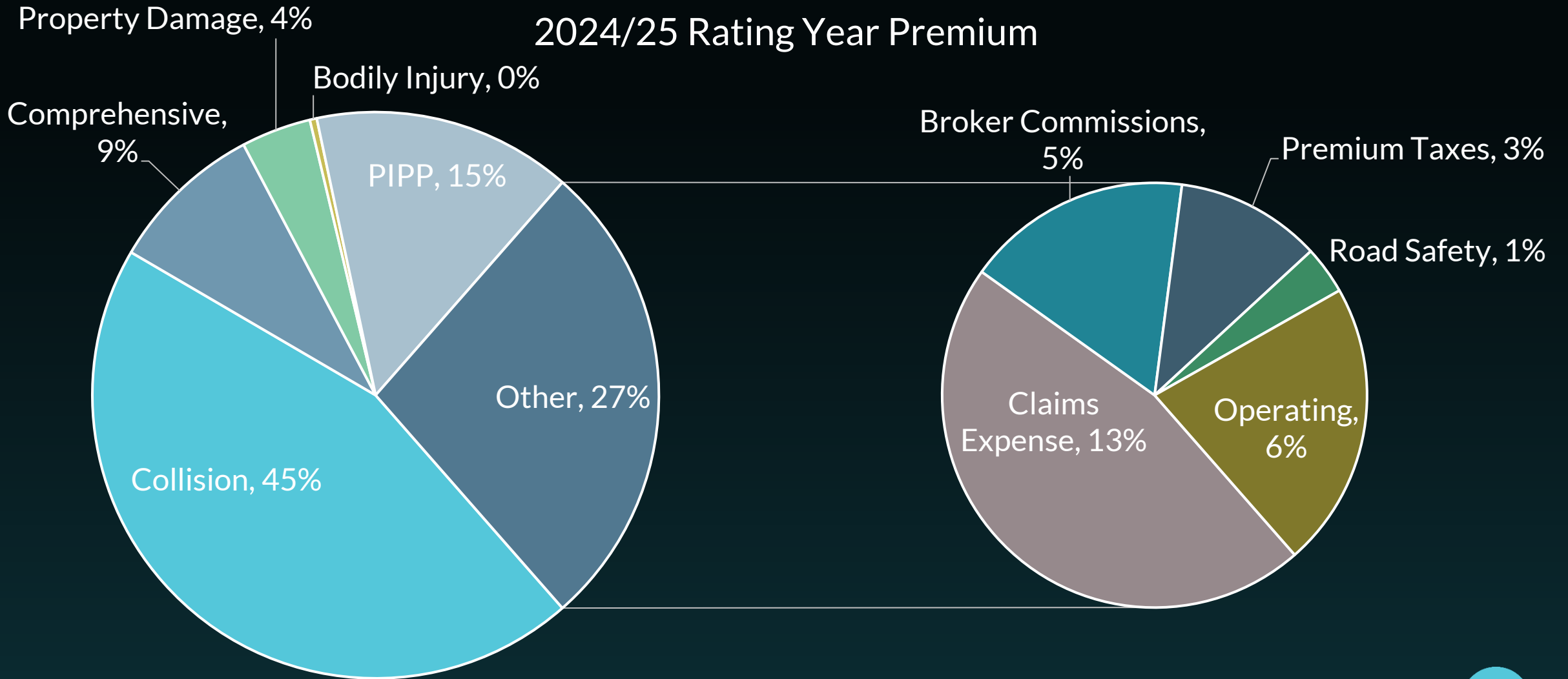
Key Messages



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Premium Dollar Breakdown

2024/25 Rating Year Premium



Consideration in Claims Trending

- Historical Claims Data
- Responsiveness to recent claims trends balanced with rate stability
- Balance between past trends captured in the data with expected future trends not yet captured
- Statistical measure of a model
- Claim severity as well as the claim frequency
- Internal trend impact from MPI operations as well as macro economic factors impacting the industry



Evolution of MPI Claims Forecasting

Business Insights & Analytics team:

“Responsible for executive reporting on claims, exposure, and premiums for all lines of business and uses analytical skills, technical abilities, and critical thinking to analyze data, look for trends and provide insights to decision makers.”



Uncertain Future

Actual and possible events occurring after the release of the 2024 GRA claims forecast may mean uncertainty ahead and need for caution

- PUB must consider potential impacts of:
 - MPI labour interruption on severity of claims
 - Auto Worker labour interruption on severity of claims
 - Inflation increases observed in July & August 2023 and possibly ongoing
- Work from Home – customer survey estimated mobility versus actual mobility



Methodology Enhancements



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Claims Forecasting Chapter - Structure

2023 GRA

Part V Claims Incurred Chapter

- Included accident year (AY) and fiscal year (FY) claims forecasting
- Limited documentation on AY claims forecasting and selected trends
- May have confused what is included in AAP rate indication

2024 GRA

New Part VI Claims Forecasting Chapter

- Dedicated to loss trend analysis and AY Claims Forecasting
- FY Claims Incurred now provided in *Part IX - Claims Incurred Discounting Chapter*
- Improved clarity and flow between AY Claims Forecasting (Part VI) and Ratemaking (Part VII).



2024 GRA – Disclosure

MPI improved disclosures of analysis & selections

Part VI - Claims Forecasting Chapter (135 pages, 16 sections)

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Attachment A: Driving Behaviour Survey Results Summary 2023
Attachment B: Google Region Mobility Report

[provided electronically only]

- Appendix 1: Claim Count Appendices
- Appendix 2: Historical Earned Exposures and Claims Statistics
- Appendix 3: Loss Trend Analysis Appendices
- Appendix 4: Loss Cost Projection Appendices
- Appendix 5: Claims Severity Groupings by Major Class
- Appendix 6: Key Assumption Areas Underlying the Extension Claims Incurred Forecasts



2024 GRA – Rigor

MPI improved **methodology** in Claims Forecasting

Step 1: Loss Trending

- Regression models derive **past trends**
- Key **regression fit statistics** and selection rationale disclosed and documented
- **Mobility data** quantifies work-from-home impact
- **Future trends** different from past trends where appropriate

Step 2: Loss Cost Projection

- **Historical loss costs** trended to current year cost level applying past trends from Step 1
- Calculate **weighted-average loss costs** using 5 years of experience
- Apply selected future trends to **project future loss costs** of each forecasting year

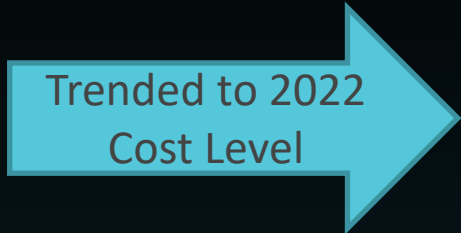
Enhancements increase **accuracy** and **reliability** of Claims Forecasting, improving rate **stability**



How are Collision Loss Costs Calculated?

Accident Historical Year Loss Cost

2017	\$438
2018	\$435
2019	\$432
2020	\$334
2021	\$468
2022	\$489



Trended Loss Cost

\$583
\$557
\$532
\$396
\$510
\$489



Adjusted Loss Cost

\$506
\$483
\$462
\$444
\$535
\$489

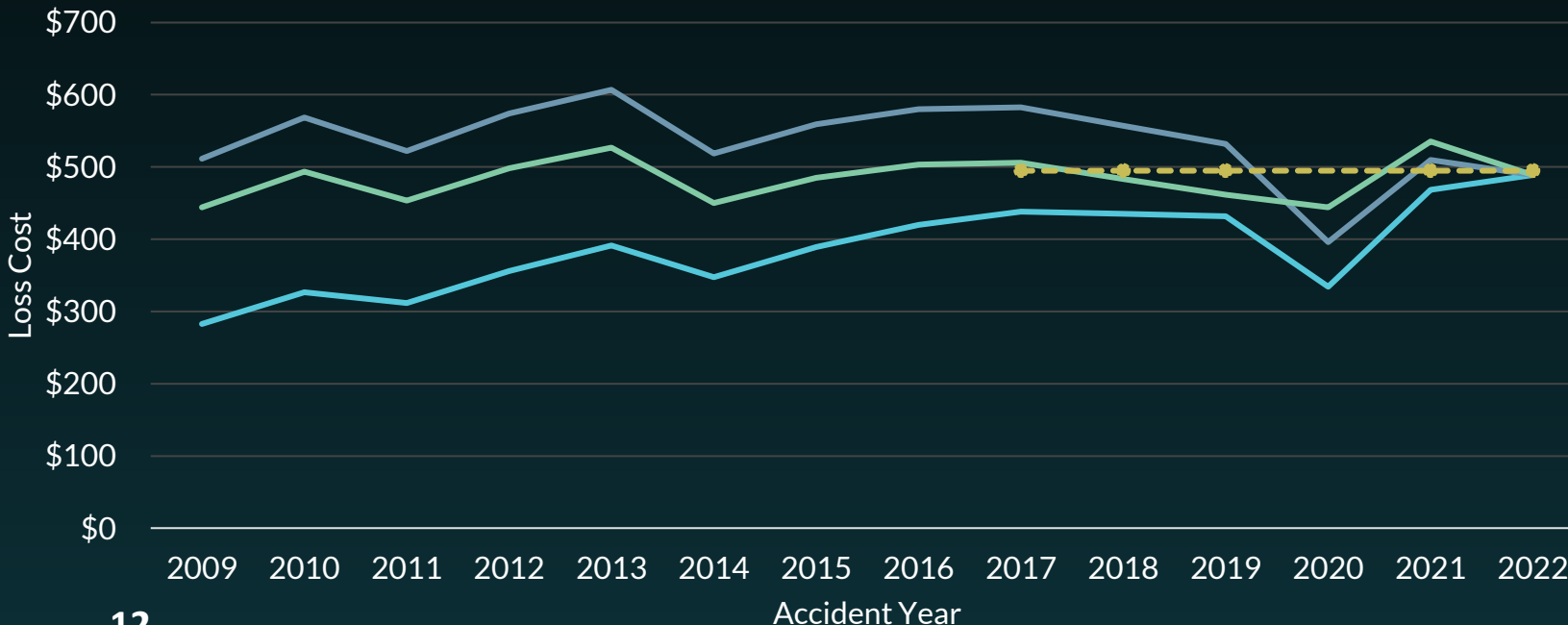
Accident Year Weights

20%
20%
20%
0%
20%
20%

\$495 **100%**

**Accident Year Weighted
Average Loss Cost**

\$495

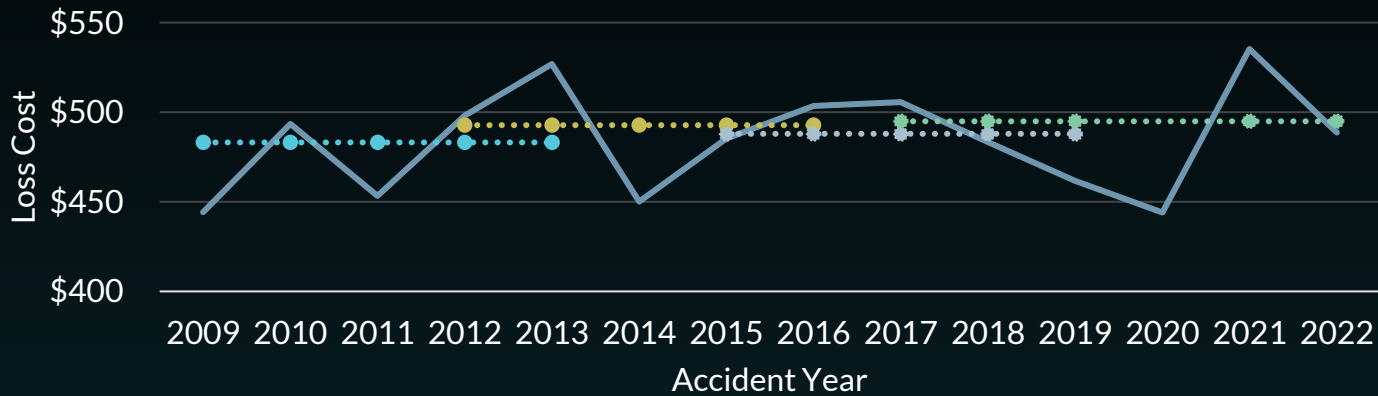


- Historical Collision Loss Cost
- Trended Collision Loss Cost
- Adjusted Collision Loss Cost
- Accident Year Weighted Trended Collision Loss Cost



Rate Stability by Applying Accident Year Weighting

Accident Year Ultimate Trended and Adjusted Loss Cost
Collision



- Accident year weighting helps smooth fluctuations in historical loss experience.
- Intended to balance rate stability and responsiveness.
- MPI selected 5-year equal weighting.

2020 GRA* = \$486

2021 GRA* = \$488

2022 GRA* = \$488

2023 GRA* = \$498

2024 GRA = \$495

GRA to GRA would vary at most \$10 per vehicle or approximately +/- 1% of the rate indication

*if a 5-year equal weighting excluding 2020 were used
Source: *Part VI Claims Forecasting Chapter Appendix 4e Table 3*



Excluding AY2020 from Loss Cost Projection

- MPI **excluded** Accident Year 2020 in forecasting future year loss costs
- **WFH adjustment** unwinds impact of WFH due to COVID-19
 - Only accounts for changes in commute to school and workplace, not full impact of “stay-at-home” orders
 - Does NOT account for “Stay-at-home” orders issued March 2020-January 2021
- COVID-19 makes 2020 claim experience **exceptional and not relevant** in forecasting future years claims costs.



Accident Year Claims Forecasts



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Basic Ultimate Claims – 2024 vs 2023 GRA

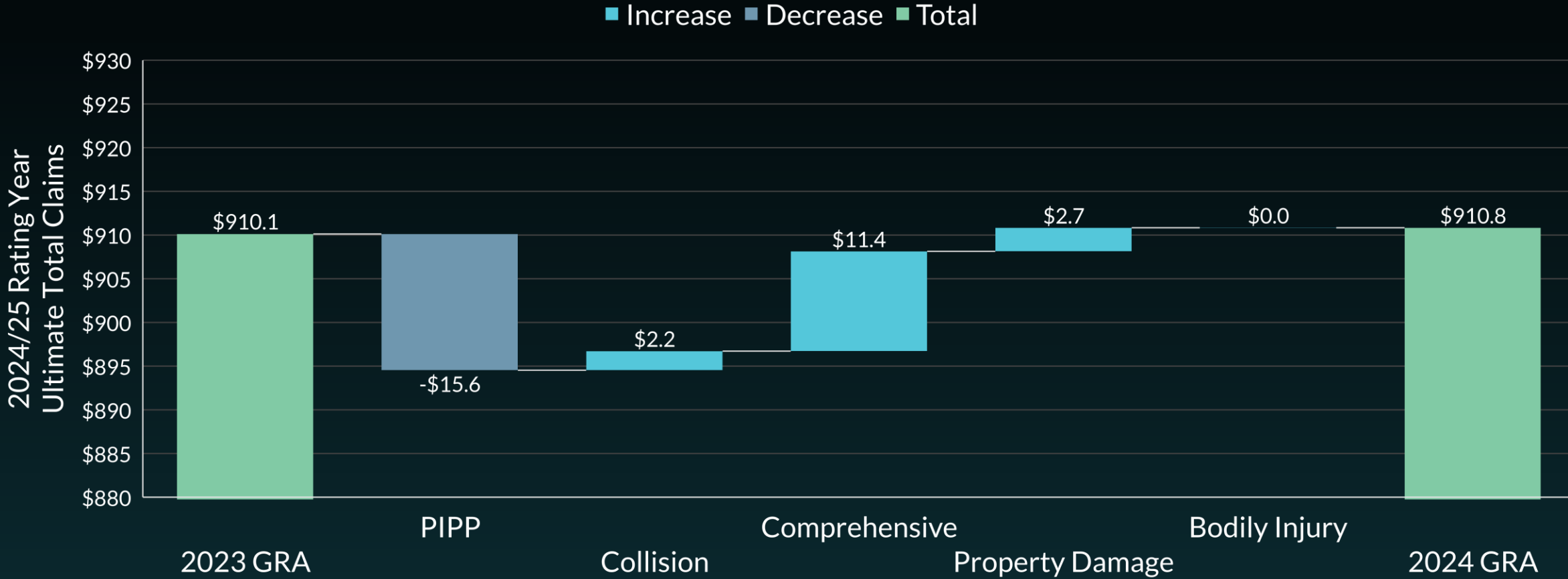
Accident Year	2023 GRA	2024 GRA	Change from 2023 GRA
(\$ millions)			
2023/24	\$853.3	\$863.8	\$10.5
2024/25	\$892.8	\$896.5	\$3.7
2025/26	\$934.0	\$930.0	(\$4.0)
2026/27	\$976.8	\$964.7	(\$12.0)

- **Minimum wage increases** mean higher claims costs for repairs, some PIPP benefits
- **Rising inflation** increase costs for parts, materials, medical and health care costs
- Large increases in used vehicle prices raised **total loss settlements**
- Larger **Working From Home adjustment** had a favourable impact
- Impact of **improved PIPP trending analysis** partially offset increases in claims costs

Source: Figure CF- 120 Total Basic - Ultimate Total Losses - Comparison to 2023 GRA



Change from 2023 GRA Forecast



*PIPP excludes the cost of indexation

Source: *Figure CF- 3 Comparison with 2023 GRA (2024/25 rating year)*

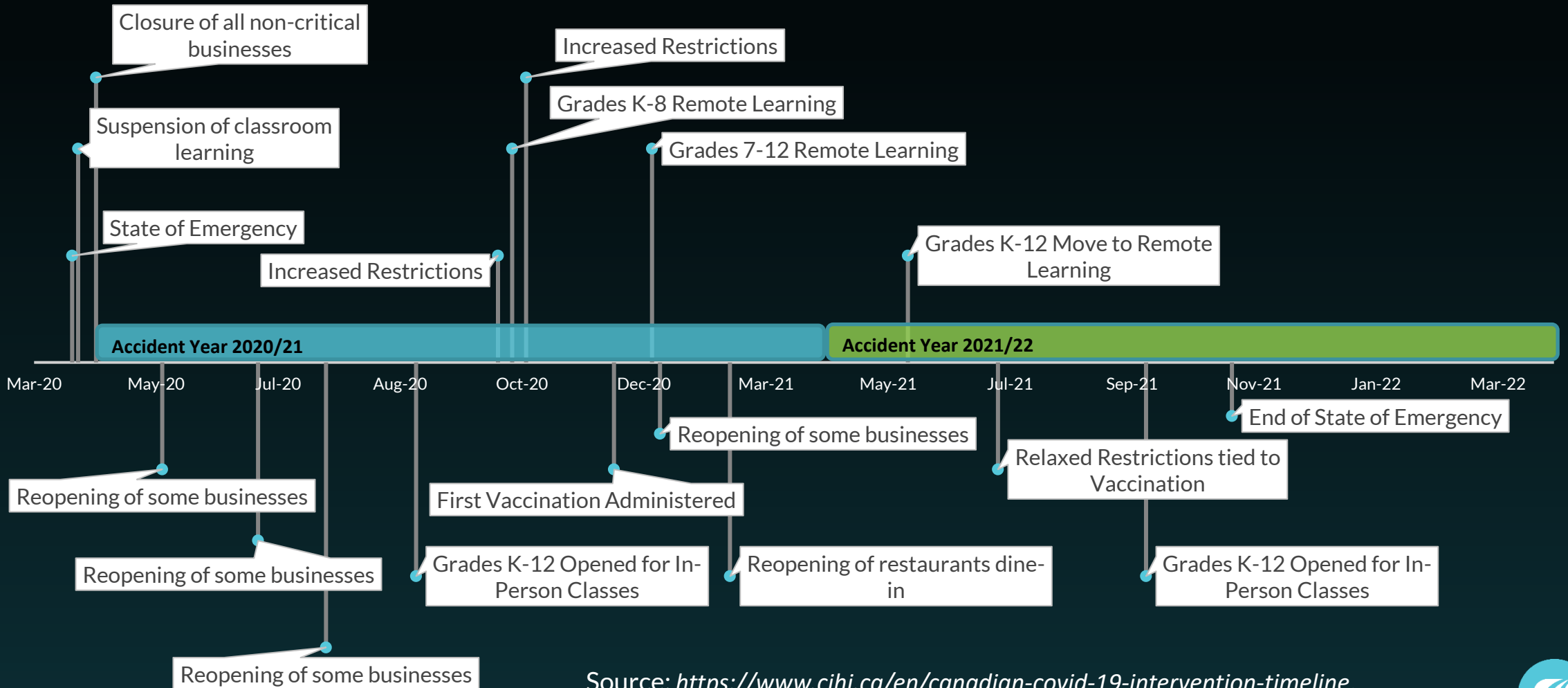


Appendix 1

Manitoba COVID-19 Restrictions Timeline

Increased Restrictions

Relaxed Restrictions



Source: <https://www.cihi.ca/en/canadian-covid-19-intervention-timeline>,
<https://www.edu.gov.mb.ca/k12/covid/reflections.html>,
<https://news.gov.mb.ca/news/index.html>

