Public Utilities Board (PUB)

2027 GRA Intervenor Evidence Information Requests

September 24, 2026

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Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**Section 4**
PUB Approved Issue No:	**10. Claim Forecasting**		
Topic:	**All Coverages**		
Sub Topic:			

Preamble to IR (If Any):

Question:

a) For each coverage for which RCS has a different selected trend than MPI, please provide in Excel a table that shows the MPI historical loss cost for 2012 to 2025, the MPI 2027 GRA projected loss cost for 2026 to 2030, the RCS projected loss cost for 2026 to 2030, and the 2026 GRA expert evidence projected loss cost from the 2026 GRA for 2025 to 2029.

a) For each of the above coverages, please also provide a graph of the above information in Excel.

b) Please comment on changes in selected trends for each coverage relative to the 2026 GRA expert evidence.

Rationale for Question:

In order to be able to compare the selected trends to MPI selections, it is useful to know what the projected loss cost is, and it is helpful to understand changes from the prior GRA.

RESPONSE:

a) Please see PUB(CC) 1-1a.xlsx

b) Our view is that annual trend reviews should place weight on the consistency between successive reviews, including but not limited to experience period, model selections, parameter selections, and resulting trend selections. Rather than selecting models that may change significantly due to an additional data point or selecting models with new parameters or materially different experience periods to produce trends that may be reasonable when evaluating the individual GRA in isolation, it is preferable to maintain consistency across successive reviews to incorporate incremental changes in trend.

This allows more stability in the rate indication and reduces the risk of a "yo-yo" effect on premiums affecting the consumer.

For the majority of trends, the RCS 2027 GRA alternative reflects the additional year of data but maintains a smaller difference in the overall trend rates to the MPI 2026 GRA trend rates and the OW 2026 GRA alternative trend rates, compared to MPI's selected 2027 GRA trend rates.

<u>AB Weekly Indemnity</u>

In the 2026 GRA, MPI selected a past and future +0.94% loss cost trend while the Oliver Wyman (OW) alternative was +1.18%. In the 2027 GRA, MPI selects a +3.71% past and future loss cost trend (a +2.77 percentage point increase). The RCS alternative selects a more consistent +0.90% loss cost trend rate for accident years up to 2019 and for accident year 2024 and subsequent. To reflect the temporary period of excess inflation, the RCS alternative implies a trend rate of +6.4% between accident years 2019 and 2021 and a +12.20% between accident years 2021 and 2023. The future trend rate is equal to the underlying past trend rate of +0.90%.

While we presented an alternative to the MPI 2026 GRA trend selection, the difference is less than the difference to the 2027 GRA trend selection and is primarily due to the alignment of experience periods and our alternative mobility parameter. We are not aware of any additional information to suggest a material change in the loss cost trend rate and therefore consider a loss cost trend rate similar to that of the 2026 GRA and the 2026 OW alternative trends.

Basis	AY 2019 and prior	AY 2020 – 2023	AY 2024 and subsequent	Future
MPI 2026 GRA	+0.94%	+0.94%	+0.94%	+0.94%
MPI 2027 GRA	+3.71%	+3.71%	+3.71%	+3.71%
OW 2026 GRA	+1.18%	+1.18%	+1.18%	+1.18%
RCS 2027 GRA	+0.90%	+6.4% (2019-2021) +12.20% (2021-2023)	+0.90%	+0.90%

AB Other (Indexed)

We note that ABO(I) is not an exact comparison as for the 2027 GRA MPI has further segmented the ABO(I) subcoverage into:

- Personal care assistance,
- Travel, and
- AB Other (Indexed)

In the 2026 GRA, MPI selected a loss cost trend rate of +0.20%, while OW selected a loss cost trend rate of +0.68%. In the 2027 GRA, MPI selects a loss cost trend rate for ABO(I) of +3.63%, and we presented an alternative of +2.80%.

Basis	AY 2020 and prior	AY 2021 – 2023	AY 2024 and subsequent	Future
MPI 2026 GRA	+0.20%	+0.20%	+0.20%	+0.20%

Basis	AY 2020 and prior	AY 2021 – 2023	AY 2024 and subsequent	Future
MPI 2027 GRA	+3.63%	+3.63%	+3.63%	+3.63%
OW 2026 GRA	+0.68%	+0.68%	+0.68%	+0.68%
RCS 2027 GRA	+2.80%	+2.80%	+2.80%	+2.80%

AB Other (Non-Indexed)

In the 2026 GRA, MPI selected a past and future loss cost trend rate of +4.95%, while OW selected a loss cost trend rate of +0.35%. In the 2027 GRA, MPI selects a past and future loss cost trend rate for ABO(NI) of +3.91% and we accept the past trend rate of +3.91% but select a future trend rate of -0.26%.

Basis	AY 2020 and prior	AY 2021 – 2023	AY 2024 and subsequent	Future
MPI 2026 GRA	+4.95%	+4.95%	+4.95%	+4.95%
MPI 2027 GRA	+3.91%	+3.91%	+3.91%	+3.91%
OW 2026 GRA	+0.35%	+0.35%	+0.35%	+0.35%
RCS 2027 GRA	+3.91%	+3.91%	+3.91%	-0.26%

Collision

In the 2026 GRA, MPI selected a loss cost trend rate of +3.04% up to accident year 2020, +10.18% for accident years 2021 to 2023, and +3.04% for accident years 2024 and subsequent.

In the 2026 GRA, OW selected a loss cost trend rate of +3.19% up to accident year 2020, +10.53% for accident years 2021 to 2023, and +3.19% for accident years 2024 and subsequent.

In the 2027 GRA, MPI selects a loss cost trend rate of +3.98% up to accident year 2020, +12.84% for accident years 2021 to 2023, and +3.98% for accident years 2024 and subsequent.

In the 2027 GRA, RCS selects a loss cost trend rate of +3.10% up to accident year 2020, +9.58% for accident years 2021 to 2023, and +3.10% for accident years 2024 and subsequent.

The future trend rate for all scenarios is based on the selected frequency trend and MPI severity trend using a review of individual cost components of repairs and total loss claims analysis.

Basis	AY 2020 and prior	AY 2021 – 2023	AY 2024 and subsequent	Future
MPI 2026 GRA	+3.04%	+10.18%	+3.04%	
MPI 2027 GRA	+3.98%	+12.84%	+3.98%	
OW 2026 GRA	+3.19%	+10.53%	+3.19%	
RCS 2027 GRA	+3.10%	+9.58%	+3.10%	

Comprehensive Theft

We note that comprehensive theft is not an exact comparison as MPI has segmented this peril further into:

- Attempted and partial theft, and
- Entire theft

In the 2026 GRA, MPI selected a past and future loss cost trend rate of 10.31%. OW argued the future rate of +10.31% was unreasonable and suggested an alternative future trend rate of 0.00%.

In the 2027 GRA, we discuss the entire theft trend for comparison, as it represents the largest contribution to the total theft trend. MPI selects a past and future loss cost trend rate of +8.26% up to accident year 2020, +18.42% for accident year 2021 to 2023, and +8.26% for accident years 2024 and subsequent. We have provided an alternative lost cost trend model with trend

rates of +10.43% up to accident year 2020, +20.80% for accident year 2020, +11.53% for accident year 2021 to 2023, and +1.96% for accident years 2024 and subsequent.

Basis	AY 2020 and prior	AY 2021 – 2023	AY 2024 and subsequent	Future
MPI 2026 GRA	+10.31%	+10.31%	+10.31%	+10.31%
MPI 2027 GRA	+8.26%	+18.42%	+8.26%	+8.26%
OW 2026 GRA	+10.31%	+10.31%	+10.31%	+0.00%
RCS 2027 GRA	+10.43% +20.80% (AY 2020)	+11.53%	+1.96%	+1.96%

Comprehensive Vandalism

In the 2026 GRA, MPI selected a past and future loss cost trend rate of +2.58% and OW presented an alternative of +1.90%.

In the 2027 GRA, MPI selects a loss cost trend rate of -1.69% up to accident year 2020, +7.97% for accident years 2021 to 2023, and -1.69% for accident years 2024 and subsequent. Our alternative is a loss cost trend rate of -0.18% up to accident year 2020, +7.68% for accident years 2021 to 2023, and -0.18% for accident years 2024 and subsequent.

Basis	AY 2020 and prior	AY 2021 – 2023	AY 2024 and subsequent	Future
MPI 2026 GRA	+2.58%	+2.58%	+2.58%	+2.58%
MPI 2027 GRA	-1.69%	+7.97%	-1.69%	-1.69%
OW 2026 GRA	+1.90%	+1.90%	+1.90%	+1.90%
RCS 2027 GRA	-0.18%	+7.68%	-0.18%	-0.18%

Comprehensive Other

In the 2026 GRA, MPI selected a past and future loss cost trend rate of +7.30% and OW accepted MPI's trends coverage.

In the 2027 GRA, MPI selects a past and future loss cost trend rate of +8.74%. Our alternative is a loss cost trend rate of +4.65% up to accident year 2020, +14.30% for accident years 2021 to 2023, and +4.65% for accident years 2024 and subsequent. We included the model parameter for severity to reflect that, with the additional data point, the increase in severity toward the end of the pandemic now appears to be a temporary effect.

Basis	AY 2020 and prior	AY 2021 – 2023	AY 2024 and subsequent	Future
MPI 2026 GRA	+7.30%	+7.30%	+7.30%	+7.30%
MPI 2027 GRA	+8.74%	+8.74%	+8.74%	+8.74%
OW 2026 GRA				
RCS 2027 GRA	+4.65%	+14.30%	+4.65%	+4.65%

Property Damage Other

In the 2026 GRA, MPI selected a loss cost trend rate of +0.91% up to accident year 2020, +13.87% for accident years 2021 to 2023, and +0.91% for accident years 2024 and subsequent.

In the 2026 GRA, OW selected a loss cost trend rate of +1.21% up to accident year 2020, +13.90% for accident years 2021 to 2023, and +1.21% for accident years 2024 and subsequent.

In the 2027 GRA, MPI selects a loss cost trend rate of +3.57% up to accident year 2020, +13.53% for accident years 2021 to 2023, and +3.57% for accident years 2024 and subsequent.

In the 2027 GRA, RCS selects a loss cost trend rate of +1.22% up to accident year 2020, +10.89% for accident years 2021 to 2023, and +1.22% for accident years 2024 and subsequent.

Basis	AY 2020 and prior	AY 2021 – 2023	AY 2024 and subsequent	Future
MPI 2026 GRA	+0.91	+13.87%	+0.91%	+0.91%
MPI 2027 GRA	+3.57%	+13.53%	+3.57%	+3.57%
OW 2026 GRA	+1.21%	+13.90%	+1.21%	+1.21%
RCS 2027 GRA	+1.22%	+10.89%	+1.22%	+1.22%

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Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**14, Section 4.4**
PUB Approved Issue No:	**10. Claim Forecasting**		
Topic:	**Accident Benefits – Weekly Indemnity**		
Sub Topic:			

Preamble to IR (If Any):

…We present alternative trend models in Figure 5, and for severity include a model parameter to attempt to capture the potential effect distorting the underlying trend rate for accident years 2021 to 2023. In addition, accident year 2020 appears to be an outlier potentially due to differences in driving behaviours during the height of the pandemic, so we exclude it from our severity model as well.

…Despite the insignificant p-value, we include a trend parameter in our alternative frequency model to add some conservatism in our selection and reflect the potentially slightly increasing trend observed since accident year 2014, subject to volatility and disruptions.

Question:

a) For frequency, please explain why a trend parameter with a p-value of 0.466 was included in the selected model?

b) For frequency, please explain why it was considered appropriate to add conservatism when determining the best estimate of the claim costs.

c) For severity, please explain why a severity trend of 0.0% was considered appropriate for a loss of income coverage, where the underlying annual wage changes are likely related to inflation.

d) For severity, please explain why a short-term trend of 11.2% was considered appropriate for 2021 to 2023.

Rationale for Question:

To better understand the RCS weekly indemnity trend selections.

RESPONSE:

a) *p*-values above 0.05 are common when the trend is close to 0.0%. As the trend approaches 0.0%, it is more difficult for the model to distinguish the signal of a 0.0% trend and random noise. This does not necessarily mean that there is no trend in the underlying data but rather the model is unable to identify a trend value significantly different from 0 based on the model fit statistics and evaluation method considered.

When considering the overall loss cost rate, a +0.9% trend rate reflects a stable selection relative to the MPI 2026 GRA selection of 0.94% and the OW 2026 GRA alternative of +1.18%.

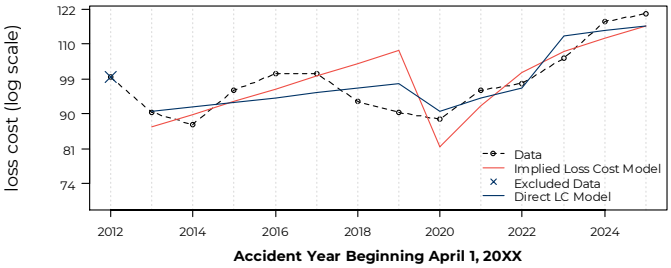
b) Conservatism was included due to the alternative 0.0% severity trend and, on the balance, our view of the (un)likelihood of a 0.0% loss cost trend based on our visual inspection of the data.

c) When observing the severity data between the 2026 GRA and 2027 GRA, we note the 2011 point was higher than the 2012 and 2013 points, resulting in an overall decreasing period from accident year 2011 to 2013, followed by an

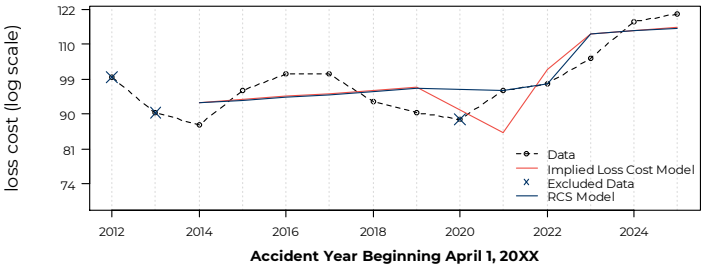
increasing period from 2013 to 2016, and a decreasing period from 2016 to 2018, before increasing in 2019. So, while the overall severity appears to be increasing, it does not necessarily track with wage growth, as other factors such as length and severity of injury would affect severity. Much of the increase could be captured by a model parameter to consider unusual wage inflation for accident years 2021 to 2023, leaving a relatively flat period pre-COVID (pre-2020) and post-COVID (2023 and subsequent)

d) As noted in Section CF4.10 of the GRA, MPI observed changes in the pattern between Manitoba CPI and wage inflation. While we are unsure of the true underlying cause of this, it aligns with a period of volatility observed in other coverages. Fitting straight-line trends to severity values over various accident periods will result in trend rates around 2-4%. However, the implied frequency and severity model did not visually appear to fit the loss cost well as shown below. The upper panel presents the MPI implied model (upper panel, red line) and the lower panel presents the RCS alternative implied model (lower panel, red line) with the inclusion of the short-term trend change parameter. We concluded that our approach resulted in a better fit to the loss cost data.

Figure 1: MPI and RCS Implied Loss Cost Trend Model



Parameter	Coefficient	p.value	Adj.R2
Trend	0.013	0.157	0.699
Mobility	0.003	0.212	
New Normal	0.085	0.293	
Trend Rate	+1.3%		



Parameter	Coefficient	p.value	Adj.R2
Trend	0.008	0.592	0.569
Mobility	0.001	0.824	
Model Parameter	0.006	0.938	
New Normal	0.106	0.616	
Trend Rate	+0.8%		

PUB (CC) 1- 3

Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**24, Section 4.7**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**Accident Benefits – Other (indexed)**		
Sub Topic:			

Preamble to IR (If Any):

Section 4.7 of Expert evidence

> *It is our view that, absent compelling reasons, MPI should fit frequency and severity models to the same time periods. As frequency and severity are not entirely independent, selecting the same time period for the frequency and severity models helps include any offsetting effects in the selected trend rates. We note that MPI's frequency model considers observations from 2012 through 2025; whereas the severity model considers 2021 through 2025. This difference is more concerning as 2012 is a "low point" in the severity data and a "high point" in the frequency data. We appreciate the additional volatility (and resulting lower adjusted R-squared) introduced by the additional data points. However, we don't consider this a sufficiently compelling reason to exclude those data points and lose consistency between the frequency and severity models.*
>
> *We note that frequency appears relatively flat starting from accident year 2014 to 2018. There was a decrease in 2019 followed by the COVID period from 2020 to 2022, and a subsequent flatter period.*

Our alternative frequency trend model presented in Figure 12 begins with accident year 2014 to reflect the flatter period observed prior to the pandemic and to align with the period used in our severity model. This flatter pre-pandemic trend is consistent with the flatter post-pandemic trend.

PUB (MPI) 2-33 MPI response with regards to ABO-I severity

The PUB 1-71b alternative produces lower projected loss costs than the 2027 GRA filed approach because it applies the longer-term historical severity trend of 3.12% for the future projection period, rather than continuing the selected 2021–2025 severity trend of 6.60%. The difference in projected loss costs therefore reflects the lower future severity trend assumption under the alternative approach.

The principal strength of the PUB 1-71b approach is that it places weight on a longer historical period and may reduce the influence of shorter-term volatility or unusually high recent severity experience. It also provides a useful sensitivity test of the impact of using a lower, longer-term future severity trend.

However, the limitation of this approach is that it assumes future severity will revert to the longer-term average trend without specific evidence that such a change is expected after 2025. In MPI's view, the more recent 2021–2025 experience is relevant because it reflects the current cost environment affecting Accident Benefits Other (Indexed) claims. As described in CF.2.1, "Health Care inflation rate peaked at 7.50% in April 2023 but began gradually subsiding

thereafter. Inflation has begun rising again, reaching 4.46% between March 2025 and March 2026." If the 2021–2025 severity trend is considered an appropriate basis for the selected historical trend, then MPI does not believe there is sufficient support to select a materially lower future trend absent evidence that the underlying cost drivers are expected to moderate.

MPI's filed approach has the strength of maintaining consistency between the selected past severity trend and the future severity trend, which MPI generally considers appropriate unless there is evidence that future experience is expected to differ from recent experience. The limitation of the filed approach is that it places greater weight on the recent higher trend and could overstate projected loss costs if severity growth moderates toward the longer-term average. In addition, MPI selected the trending period that maintained the highest adjusted R2 value across all other time periods.

For these reasons, MPI considers the filed approach reasonable because there is no clear evidence supporting a post-2025 reduction in the severity trend, and the PUB 1-71b approach is more appropriately viewed as a sensitivity scenario rather than MPI's best estimate.

Question:

a) Please explain why RCS considers 2014 a better starting point than 2012 for both the severity model and the frequency model.

b) Please confirm that if 2012 was used as the starting point, that time would be considered statistically significant for the frequency model, and that 2014 is a “low point” causing the p-value of the time period for the model starting in 2014 to be higher than 5%.

c) Given MPI’s observations on severity trend period as provided in PUB (MPI) 2-33 for this coverage, please provide RCS perspective on the strengths and weakness of the various approaches (2021-2025 as filed, PUB (MPI) 1-71b, and 2014-2025 RCS recommendation).

Rationale for Question:

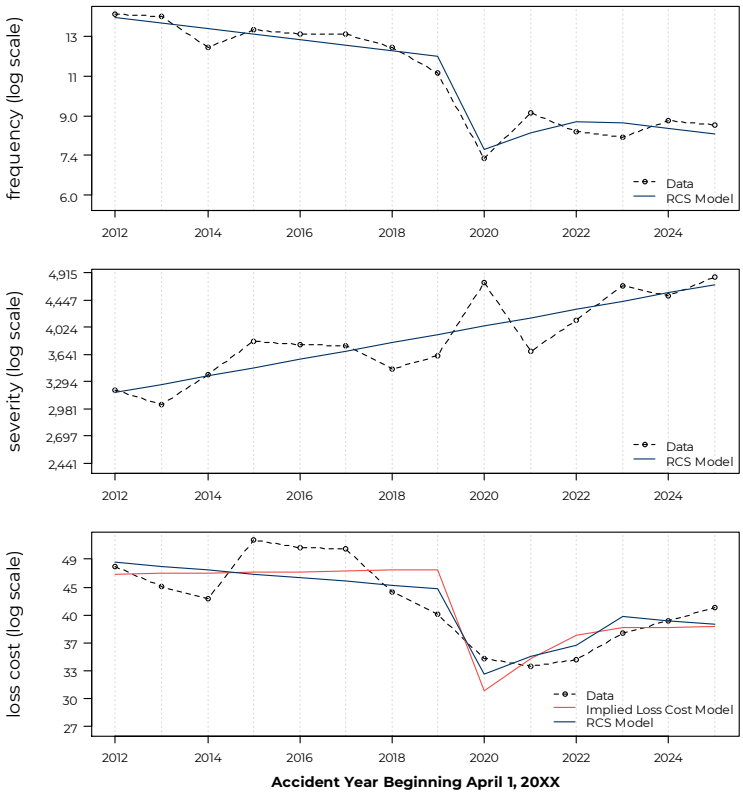
To better understand RCS’s recommendation with regards to the trend for this coverage.

RESPONSE:

a) We select a 2014 starting point due to the elevated points in 2012 and 2013 compared to the 2014-2019 points.

b) As show in *Figure 2*, we confirm that a model fit to the same data and including the same parameters, in addition to the inclusion of a trend parameter for the frequency model results in a statistically significant model for both frequency and severity.

Figure 2: Accident Benefits - Other (Indexed) Loss Trend Models Starting Accident Year 2012



Parameter	Coefficient	p.value	Adj.R2
Trend	-0.028	0.01	0.931
Mobility	0.015	0	
New Normal	-0.217	0.032	
Trend Rate	-2.8%		

Parameter	Coefficient	p.value	Adj.R2
Trend	0.031	0	0.701
Trend Rate	+3.1%		

Parameter	Coefficient	p.value	Adj.R2
Trend	-0.013	0.285	0.658
Mobility	0.01	0.021	
New Normal	-0.047	0.691	
Trend Rate	-1.3%		

c) MPI notes that PUB (MPI) 1-71 method uses a longer-term trend period which may result in a more stable long-term trend while the MPI approach reflects the more recent accident year experience. The approach in PUB (MPI) 1-71 is more consistent with the RCS Alternative trend.

MPI further notes that the PUB method assumes future severity will revert to the historical long-term average. MPI's approach assumes the recent trends will continue into the future in perpetuity. This short-term experience period places reliance on accident years with known volatility and distortions and begins at the 2021 low point. A 2021 – 2025 trend may be capturing claims experience tied to COVID recovery effects and not necessarily the underlying trend. This scenario provides a good example of why we prefer the alignment of experience periods

in the frequency and severity models, as they often exhibit offsetting effects. In scenarios with known distortions in the claims experience, it would be preferable to select longer-term trends unless there is strong support and evidence to indicate a true change in trend.

The MPI method places reliance on a period with potential COVID recovery effects, while the PUB method uses a long-term trend based on all of the severity experience provided by MPI. Overall, we find the PUB approach aligns better with our approach.

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Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**28, Section 4.8**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**Accident Benefits – Other (non-indexed)**		
Sub Topic:			

Preamble to IR (If Any):

Section 4.8 of Expert evidence

> *We observe cyclicality about a negative frequency trend between 2014 and 2021. We observe a positive trend since 2023, but it is unclear whether that is simply the "increasing part of a cycle." We observe stable severity other than a one-time increase between 2019 and 2020, and a decrease in 2025. MPI's model fit to loss cost data for 2019 to 2025 does not recognize the frequency cyclicality and extrapolates the severity increase.*
>
> *We further observe in Figure 14, the future loss project (blue line) does not appear reasonable based on the historical cyclical behaviour of the coverage and do not find it reasonable to project a future trend potentially based on the upswing of the cycle. In Figure 15, we consider alternative future loss cost trend rates based on models fit to accident years 2014 to 2024.*
>
> *We accept MPI's past trend and, based on our review, we find a future loss cost trend rate of -0.26% to be more reasonable and*

estimate this decreases the required rate indication by 0.26 percentage points.

PUB (MPI) 2-33 MPI response with regards to ABO-non-indexed loss cost

PUB 1-72b loss cost projection assumes a 0% future loss cost trend while retaining the 2027 GRA selected past trend of 3.91%. This produces lower projected loss costs than MPI's filed approach because the projected years do not reflect continued loss cost growth.

The principal strength of the PUB 1-72b approach is that a 0% future trend is broadly consistent with the longer-term 2012–2025 loss cost experience and may reduce the influence of more recent increases that could prove temporary. It also provides a useful sensitivity test of the impact of assuming that recent loss cost growth does not continue into the forecast period.

However, the limitation of this approach is that it assumes future loss cost growth will moderate to 0% after 2025, despite increasing loss cost experience since 2019. In MPI's view, if the more recent increasing experience is considered credible for selecting the 3.91% past trend, then there is not sufficient support to reduce the future trend to 0% absent evidence that the underlying drivers of that increase are expected to dissipate.

MPI's filed approach has the strength of maintaining consistency between the selected past and future loss cost trends and reflects the more recent increasing experience observed since 2019. The limitation of the filed approach is that it could overstate projected loss

costs if the recent increase is temporary and future experience reverts to the longer-term flat trend.

On balance, MPI considers the filed approach reasonable because there is no clear evidence supporting a post-2025 reduction in the loss cost trend to 0%. If the recent increasing experience were instead considered random variation within a longer-term flat trend, then a 0% trend for both past and future years would be more internally consistent, as reflected in PUB 1-72a.

Question:

a) Please explain why RCS excludes 2012, 2013, and 2025 for the loss cost trend.

b) Given the p-value of 0.786 for the loss cost trend, why does RCS consider it appropriate for future loss cost trend?

c) Given MPI's observations on loss cost trending as provided in PUB (MPI) 2-33 for this coverage, please provide RCS perspective on the strengths and weakness of the various approaches (2019-2025 as filed, PUB (MPI) 1-72b, and 2014-2024 RCS recommendation).

Rationale for Question:

To better understand RCS's recommendation with regards to the trend for this coverage.

Response:

a) The 2025 point is the most immature and uncertain, and it moves in an unexpected way compared to the general trend of the frequency and severity (in particular) experience, so it was excluded to avoid trend models placing weight on this point until more information and additional claims information can be obtained to make a more informed decision on the 2025 experience.

   The 2012 and 2013 points were excluded due to the decision to exclude those from the frequency model for a better fit. We align the experience periods of our models and therefore excluded these points.

b) We note that the loss cost model (bottom panel) presented in Figure 15 of our report shows a model fit directly to the loss cost experience for informational purposes. We do not select this model but instead select the implied frequency and severity trend based on a frequency trend model with a trend rate of -2.6% (*p*-value 0.028) and severity trend model with a trend rate of +2.4% (*p*-value 0.003). The combined frequency and severity loss cost trend rate is -0.26%.

c) As mentioned in our report, we find the assumption of a future trend that continues the upswing of a cycle to be unreasonable.

   MPI states in its assessment of the PUB method, “In MPI’s view, if the more recent increasing experience is considered credible for selecting the 3.91% past trend, then there is not sufficient support to reduce the future trend to 0% absent evidence that the underlying drivers of that increase are expected to dissipate.”

   The primary weakness is that MPI’s model is fit to fewer data points, resulting in a model with fewer degrees of freedom. Such models have less ability to separate signal and noise, which compromises the “strength” of this approach to better model recent experience.

We do not agree with MPI's conclusion, and we don't consider it reasonable to assume that the trend would continue without reversal given the cyclicality observed.

Our approach is much more consistent with the PUB 1-72b approach to model trends over longer periods. The additional degrees of freedom associated with such models allows for better testing of model parameters and separation of signal and noise. The potential weakness of lack of responsiveness to recent data may be dealt with through visual inspection and review of model statistics.

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Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**34, Section 4.10**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**Collision**		
Sub Topic:			

Preamble to IR (If Any):

Section 4.10 of Expert evidence

> *It is our view that, absent compelling reasons, MPI should fit frequency and severity models to the same time periods. As frequency and severity are not entirely independent, selecting the same time period for the frequency and severity models helps include any offsetting effects in the selected trend rates. We note that MPI's frequency model considers observations from 2014 through 2025, whereas the severity model considers 2015 through 2025. MPI has not provided a sufficiently compelling reason for the mismatch between frequency and severity time periods.*
>
> *We observe that, with the exception of some volatility, frequency has been generally decreasing from accident year 2012 to 2019. Extrapolating this pre-COVID frequency trend into the post-COVID period results in data points that are generally distributed around the expected frequency level. We recognize that frequency increased between 2024 and 2025. However, the accident year 2025 point remains relatively immature compared to other points and may*

decrease at future evaluation dates as the experience has more time to develop. Furthermore, it is unclear whether future points will continue to increase or continue to be randomly distributed about the trend line.

As mentioned in Section 4.2, we do not find the joint significance test of the mobility and new normal parameters to be reasonable. We present alternative trend models in Figure 20, and in our alternative frequency, we find the new normal parameter not to be significant due to the post-COVID points being distributed around the trend line.

Based on our review, we consider a +3.10% loss cost trend rate up to accident year 2020, +9.58% loss cost for accident years 2021 to 2023, and +3.10% in 2024 onwards to be more reasonable than the +3.98% past trend rate up to accident 2020, +12.84% for accident years 2021 to 2023, and +3.98% in 2024 onwards selected by MPI.

We accept MPI's future severity trends but use our alternate frequency trend in determining the future loss cost trend. We estimate these changes decrease the required rate indication by 3.69 percentage points.

PUB (MPI) 2-33 MPI response with regards to Collision severity

The alternative approach in PUB 1-70a applies the selected historical severity trend of 3.98% uniformly to the projected period. It provides a useful sensitivity test of MPI's future severity selection. However, it assumes that the aggregate historical trend is directly applicable to future years and does not explicitly reflect expected changes in the

underlying drivers of Collision severity, (e.g., known changes in labour rate or material costs).

In contrast, MPI's 2027 GRA future severity trend is developed using a component-based, forward-looking analysis. As described in CF-12.1, the approach considers expected changes in repair-cost components, including labour rates, parts costs, labour hours, parts count and materials. The resulting repair severity trend is then combined with the expected total loss severity trend based on their respective weights. This provides a more direct link between the projected severity trend and the factors expected to affect Collision claim costs during the forecast period.

The principal limitation of MPI's filed approach is that it requires more assumptions and is therefore subject to uncertainty if the underlying repair-cost components develop differently than expected. Nevertheless, MPI considers the filed approach more likely to provide a reasonable estimate of future Collision loss costs because it explicitly reflects the underlying cost drivers expected to apply during the forecast period, while the alternative is more appropriately viewed as a sensitivity scenario.

Question:

a) Please explain why RCS considers the use of a severity trend by MPI based on a component-based forward-looking analysis is more appropriate than the use of the observed historical trend. As part of the response, please indicate whether RCS considers this approach to be only appropriate for Collision.

b) RCS indicates that it considers a 3.1% loss trend up to 2020, 9.58% for 2021 to 2023 and 3.1% for thereafter to be more reasonable than MPI's selection. Given this, how does RCS accept MPI's future severity trend but use RCS' alternate frequency trend?

c) Given MPI's observations on severity as provided in PUB (MPI) 2-33 for this coverage, please provide RCS perspective on the strengths and weakness of the various approaches (as filed, PUB (MPI) 1-70b, and RCS recommendation).

Rationale for Question:

To better understand RCS's recommendation with regards to the trend for this coverage.

RESPONSE:

a) Various approaches may be reasonable. We accept the additional analysis performed by MPI for the future severity trend selection. MPI notes that its future severity trend selection is based on a review of cost components of repair and findings using MPI's closed claims. We did not identify a basis upon which to conclude that the MPI approach was not reasonable. However, we recommend that MPI reconcile the results of the component-based and data-based trends in future GRAs.

   We would consider the MPI component-based approach to be reasonable for coverages other than collision if MPI were able to identify component predictors of future costs.

b) Both past and future loss cost trends are subject to uncertainty; however, the past trend is often considered more certain. Even though prior accident years

will experience loss development over time until all claims are settled, there will be a growing portion of claims that become “fixed” as the claims are paid and closed, leading to less uncertainty in the total loss experience as few and fewer claims are open and subject to additional loss development. Therefore, the severity of past accident years already includes actual labour rate differences, parts cost changes, and other factors affecting severity. The future severity still remains uncertain as the costs of parts and labour change due to macroeconomic influences as well as any repair agreements that may affect the potential claim costs. For future frequency, there is less of a concern that these considerations would result in changes in claimant behaviour or driving patterns leading to changes in the accident rates and resulting frequency. Because of this, we select alternative past frequency and severity trends and pair MPI’s future severity analysis and resulting trends with our future frequency trend selection.

This is consistent with our approach in prior GRAs.

c) While the method as filed in PUB (MPI) 1-70 is consistent with the approach applied to other coverages and more generally in loss trend analyses for rate applications we have reviewed, the goal of loss trending is to determine the appropriate adjustments to bring all loss costs to the same level. Therefore, if there are known factors that would affect the underlying trend such as new labour agreements resulting in changes to the labour rate or material costs, then additional analysis performed to capture these effects on trend could be considered in the trend selection process to provide a more informed estimate of the future loss cost trends.

As noted in the response to a) we would also consider an approach based on historical experience to be reasonable and would recommend that MPI reconcile the results of the component-based and data-based trends in future GRAs.

PUB (CC) 1- 6

Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**39, Section 4.11**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**Comprehensive Attempted & Partial Thefts**		
Sub Topic:			

Preamble to IR (If Any):

Section 4.11 of expert evidence

> *As mentioned in Section 4.3, we do not find MPI's new theft parameter approach to be reasonable. Accident years 2019, 2020, and 2023 receive theft parameter values of 1, 2, and 1, respectively, while accident years 2021 and 2022 receive parameter values of 6 and 4, respectively. In Figure 21, the accident year 2021 and 2022 experience appears elevated; however, it is unclear whether the accident years 2019, 2020, and 2023 are also partially elevated or only appear elevated due to the lower experience in accident years 2018, 2024, and 2025. We note that Manitoba's Scrap Metal Act, effective July 2022, may have resulted in a change in trend and experience that is less than the pre-high theft period, so a future trend rate of +8.36% may not be reasonable.*
>
> *For loss costs, excluding accident years 2021 and 2022, we observe that the trend has been relatively stable and slightly increasing since 2017. In Figure 23, we consider a more parsimonious alternative*

trend model fit to accident years 2017 to 2025, excluding the theft-affected outlier accident years of 2021 and 2022.

Based on our review, we consider the direct loss cost model trend rate of +3.80% to be more reasonable than the +8.36% trend rate selected by MPI. As discussed in Section 4.1, we include an adjustment to the accident year weights to further remove any potential impacts of accident years 2021 and 2022 affecting the overall rate level indication. We apply equal weights of 33.3% to the three most recent accident years (2023 to 2025). We estimate the combined changes decrease the required rate indication by 0.03 percentage points.

Question:

a) Given MPI's response to CC (MPI) 1-54 in which they indicate the basis on their 1,2,6,4,2,1 selected factors, please explain why RCS does not consider the approach reasonable.

b) Please explain why RCS does not consider 2012 to 2016 to be relevant.

Rationale for Question:

To understand RCS' recommendation for this coverage.

RESPONSE:

a) The data cited in Figure 1 of CC (MPI) 1-54 does not include pre-2019 data, so we could not identify a baseline, which would be necessary to evaluate the selected factors.

In addition, as indicated in our 2026 GRA evidence on MPI's work-from-home adjustment, we do not view the selection of weights for the sole purpose of fitting the loss experience to be reasonable. Parameters in a regression model should explain changes or impacts to the loss experience, and selecting values simply on the basis of achieving a good fit does not help explain a change but rather is a reactionary selection to model the change observed.

The goal of loss trending is not to reproduce the historical loss experience most accurately but rather to explain the changes in the loss experience and predict the future loss experience. Furthermore, we don't consider the use of the selected factors necessary, as described in our response to b).

b) We consider all data to be relevant. The rationale for our selected model is provided in our Evidence. In our view, the proposed model fit directly to loss costs over the period after 2016 best explains the changes during the experience period and represents the best view of future trend.

PUB (CC) 1- 7

Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**43, Section 4.12**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**Comprehensive Entire Theft**		
Sub Topic:			

Preamble to IR (If Any):

Section 4.12 of expert evidence

> *The frequency trend has been generally decreasing since the peak in 2022, and loss cost has been decreasing since 2023. As observed in other provinces, theft claims peaked in 2022 or 2023, depending on the province, and have since decreased due to concerted efforts by government, insurers, auto manufacturers, and automotive security manufacturers to address the deteriorating theft experience. As such, we do not expect the theft trend rates to be elevated in recent years, and do not expect them to continue increasing at the same rate into the future period.*
>
> *In Figure 26, we present an alternative model that considers the abatement of vehicle thefts observed beginning in accident year 2022. Based on our review, we consider a +10.43% loss cost trend rate up to accident year 2020, +20.80% for accident year 2021, +11.53% for accident years 2021 to 2023, and +1.96% thereafter, to be more reasonable than the loss cost trend rates selected by MPI.*

Question:

a) Please confirm that the selected future trend of +1.96% is based on the -1.3% trend rate of 2021 to 2025 for frequency, and the +3.3% severity trend rate based on 2012 to 2020 plus 2023 to 2025.

b) Please explain why a frequency trend rate based on 2021 to 2025 is considered appropriate for projecting total theft claims into the future.

Rationale for Question:

To understand RCS' recommendation for this coverage.

RESPONSE:

a) We confirm the future loss cost trend rate of +1.96% is based on the combined frequency and severity trend of -1.3% and +3.3%, respectively.

b) We observe that the entire theft frequency peaked in 2022 and has declined since. This aligns with the approximate timing of coordinated efforts between government, industry, law enforcement, and manufacturers to address the rising theft issue nationwide. It is also broadly aligned with the general experience observed in other jurisdictions.

   Based on our review of the National Action Plan on Combatting Auto Theft (https://www.canada.ca/en/public-safety-canada/news/2026/09/government-of-canada-reports-on-continued-progress-in-fight-against-auto-theft.html) and our experience reviewing theft data in other provinces, we believe many of these actions represent a change to theft patterns that will be persistent at least in the short term, rather than a temporary effect.

PUB (CC) 1- 8

Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**59, Section 4.17**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**Comprehensive Other**		
Sub Topic:			

Preamble to IR (If Any):

Section 4.17 of expert evidence

> *We have concerns with MPI's loss trend selection as the recent trend since accident year 2022 has been flatter, with some volatility. We present a model fit to accident years 2017 to 2025 and include a model parameter to reflect the period of excess inflation from 2021 to 2023 in the severity model.*
>
> *Based on our review, we consider a loss cost trend rate of +4.65% up to accident year 2020, +14.30% for accident year 2021 to 2023, and +4.65% thereafter, to be more reasonable than the +8.74% loss cost trend rate selected by MPI.*

Question:

Is the selected loss cost trend based on the combination of the frequency and the severity trends, or based on the loss cost trend?

Rationale for Question:

To understand RCS' recommendation for this coverage.

RESPONSE:

We confirm that the selected loss cost trend rate is based on the combined frequency and severity trend models.

PUB (CC) 1- 9

Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**71, Section 4.22**
PUB Approved Issue No:	**2. Ratemaking**		
Topic:	**Expenses**		
Sub Topic:			

Preamble to IR (If Any):

RCS concluded in section 4.22 that MPI's expense assumptions are reasonable.

MPI included $10.1 million of initiative expenses in the expenses included for ratemaking.

MPI Exhibit 9

> *During the first round of the Information Request process, MPI identified a discrepancy in the calculation of operating expenses used in ratemaking for the 2027 GRA. As part of an update to the rating algorithm to incorporate initiative expenses, modifications were made to the operating expense calculation. During implementation of this change, the calculation logic was revised and the step that added acquisition expenses to operating expense for ratemaking purposes was inadvertently omitted. Acquisition expenses had historically been included in operating expenses and reported in Figure PF-1, line 9. As a result of the omission, the acquisition expense amounts were not added to the average forecast operating expenses from fiscal years 2027/28 and 2028/29. Consequently, the undiscounted costs shown in Figure RI-4 were understated by $6.7 million.*

Question:

a) Please confirm that RCS considers it appropriate to include $10.1 million of initiative expenses in the rate indication.

b) Given the expenses were understated by $6.7 million of acquisition expenses, as noted in Exhibit 9, when RCS concluded that MPI's expenses assumptions were reasonable, how did RCS consider Exhibit 9?

c) Does RCS have an opinion on the appropriate amount of reinsurance premium to include in the rate indication? i.e. should it reflect the 2026 catastrophe events which are likely to increase the premium paid during the test year?

Rationale for Question:

To better understand RCS' conclusion about expenses.

RESPONSE:

a) As we are not privy to MPI's internal financial records and a detailed review of MPI's expenses is outside of our scope of retainer, we can not comment as to whether such costs align with guidance under Section 2620.01 of the CIA Standards of Practice which state, "The best estimate present value of cash flows relating to the revenue at the indicated rate should equal the best estimate present value of cash flows relating to the *corresponding* claim costs and *expense costs*, plus the present value of a provision for profit, over a specified period of time." (*emphasis* added) We defer to MPI and other experts as to whether the expenses are consistent with the guidance of Section 2620.01.

b) Our comment related to the treatment of expenses as presented in the GRA; we accepted MPI's decision to not adjust its requested rate level need. We also would have accepted MPI's indicated rate level need had it included these additional expenses.

c) We believe that it would be appropriate to consider expected reinsurance costs for policies written in the 2027/28 rating year. Determination of an optimal reinsurance program is outside of our scope of retainer.

PUB (CC) 1- 10

Part and Chapter:	**Consumers Coalition Actuarial Evidence**	**Page No.:**	**73, Section 5**
PUB Approved Issue No:	**11. Driver Safety Rating**		
Topic:	**Driver Safety Rating relativities**		
Sub Topic:			

Preamble to IR (If Any):

Section 5 of expert evidence

> *We identified the following concerns with MPI's fitted regression model:*
>
> - *The model treats DSR Level as a numerical variable, rather than an ordered categorical variable.*
> - *The model assumes a linear relationship between DSR level and loss ratio relativities. (We recognize that this assumption applies separately to the domains of the two lines.)*
> - *The model minimizes differences on an absolute, rather than percentage basis.*

Question:

a) Please explain why RCS believes that each additional year of favorable experience (i.e. an improvement of 1 on the DSR scale) is not worth approximately the same amount.

b) Please provide the indicated differentials using the log-linear model and the two Loess models in Excel. Please indicate the relative change in the differential for each point on the DSR scale.

Rationale for Question:

To better understand the DSR indications.

RESPONSE:

a) It is our view that there is no intuitive reason to expect each additional year of favourable experience to result in an equal absolute movement of DSR factors. We expect a driver that has five years of favorable experience to be a better risk than one with four years, and similarly, a driver with 10 years of favorable experience to be a better risk than one with nine years. However, we do not consider it intuitive that the absolute movement in the DSR factor should be the same between the two pairs of drivers described.

b) Please see PUB(CC) 1-10, Appendix 1. Note that the meaning of "differential" in this context was unclear to us, so we provided

- level-to-level changes, both on an absolute and percentage basis
- fitted to observed changes, both on an absolute and percentage basis

In reviewing this data, please bear in mind that, as noted on Page 74, "we were not able to replicate MPI's fitted model for DSR relativities exactly [; however,] the "Linear Model, Linear Scale" (Figure 46) provides fitted relativities that are very similar to those presented in Figure RC App 6-2."