The Co-operators General Insurance Company (CGIC) has reviewed Oliver Wyman's Preliminary Ontario Selected Private Passenger Vehicles Loss Trend Rates and Reform Factors based on data through December 31, 2019 and is providing the feedback detailed below.

Bodily Injury Severity Trend

For the Bodily Injury Severity trend, the rationale for the selected model has not been provided and we've observed that other models result in a better fit. For example:

- The same BI Severity model with data beginning in 2013.1 results in a higher R^2 of 0.705 (the R^2 of the selected model is 0.490)
- If BI Severity uses the same model as BI Frequency (and the same time period is used) the R^2 increases from 0.490 to 0.547

It is not clear to CGIC how FSRA intends to use its loss trend benchmarks. It is not possible for us to provide comprehensive feedback if the rationale for the selected model is not provided.

Actuarial Judgement

As a general observation, the trend selections made by Oliver Wyman are the statistical outputs of the selected models with no apparent judgment applied. Actuarial judgment is an important input to loss trend selections, particularly when selecting future trends. In the specific case of the Oliver Wyman report under review, we believe that assuming the Bodily Injury Frequency will continue to decrease in the future at the same rate that it has decreased over the last few years is too aggressive. While Oliver Wyman's selection is responsive to the most recent years, we don't believe that it demonstrates stability. Actuarial judgment should be used to temper the trend selection for the forecast period, and this judgment is absent from the analysis.

Oliver Wyman has produced a large number of models for their report and selected point estimates they believe are most reasonable. We would like to stress that selections from several of these models can be supported on an actuarial basis (ie. based on the model statistics.) The models create a range of reasonable assumptions and an actuary should apply judgment to select from that range. We believe Oliver Wyman has done this but it does not mean that other actuaries would make the same selection.

When the statistical outputs from various models are quite similar, we recognize that judgment is required to select from one of these models. However, as noted in first section, we believe it is important to explain the rationale behind these selections.

Trend Periods

We have concerns about the Bodily Injury and Accident Benefits future trends beginning in 2016. We acknowledge the significance of the reform dates; however, these are long-tail coverages and the recent experience used to select the future trends is highly sensitive to loss development factors selected from immature data. For example, comparing Bodily Injury and Collision for the 2019.1 period:

- 2% of projected ultimate Bodily Injury losses have been paid as of 2019-12-31
- 99% of projected ultimate Collision losses have been paid as of 2019-12-31

In the exhibit below, we have compared the Bodily Injury ultimate loss estimates as of different points in time (December 31, 2016 to December 31, 2019). The ultimate loss estimates as of yearend 2016, 2017 and 2018 were obtained from AUTO0002. The 'Change in Ultimate' columns show how the estimated ultimate values have changed over time. We observed there is a persistent and significant pattern of the projected ultimate value *increasing* over time for a given period.

	Ult IL & ALAE (000) as of				Change In	
Acc Year	2016.2	2017.2	2018.2	2019.2	Ultimate	
2010.1	881,625	873,473	869,892	868,190	-1.5%	2016.2 vs 2019.2
2010.2	949,754	946,585	941,956	942,035	-0.8%	
2011.1	747,229	746,278	740,107	734,521	-1.7%	
2011.2	863,199	861,857	861,828	862,626	-0.1%	
2012.1	747,283	738,996	741,585	743,173	-0.5%	
2012.2	872,977	871,730	869,988	867,232	-0.7%	
2013.1	747,340	748,624	747,363	745,734	-0.2%	
2013.2	929,285	933,321	929,236	919,644	-1.0%	
2014.1	730,173	759,097	765,332	766,029	4.9%	
2014.2	900,637	901,708	902,975	900,963	0.0%	
2015.1	781,462	796,786	805,911	809,595	3.6%	
2015.2	931,575	969,462	984,698	979,935	5.2%	
2016.1	733,858	770,636	797,796	797,848	8.7%	
2016.2	904,400	967,433	1,001,538	988,102	9.3%	
2017.1		675,363	719,631	750,378	11.1%	2017.2 vs 2019.2
2017.2		798,954	873,303	929,494	16.3%	
2018.1			655,423	729,652	11.3%	2018.2 vs 2019.2
2018.2			803,950	858,395	6.8%	

As a result, caution must be exercised when responding to recent changes in long-tail coverages like Bodily Injury or Accident Benefits because of the volatility of the projected ultimate losses. We recommend the following adjustments:

- Select loss trends for the forecast period (i.e. 2020 and forward) that are different from the loss trends selected for the experience period and,

- Temper the loss trend selections for these long-tail coverages given the uncertainty surrounding recent experience. Specifically, for Bodily Injury, there is evidence that for inexperienced years the ultimate losses for a given period *increase* over time. Failure to consider this leads to a trend selection (-7.5%) that is too low.

Individual Company Experience

Due to the fact that each insurer has a unique mix-of-business and unique claims handling and reserving practices, one cannot expect the loss trends for an individual insurer to align with the overall industry selections. We believe that the review of another actuary's analysis and selections provides valuable insights, so we will consider the Oliver Wyman report along with the industry benchmark trends. However, we also believe that trends based on our internal data, with insights into our organization's practices, are more appropriate for pricing. Therefore, we will file loss trends based on internal company data with appropriate actuarial judgment applied.