

PUB (MPI) 1-3

Part and Chapter:	LA.2.2 Claims Incurred Before Provisions	Page No.:	10 of 24
PUB Approved Issue No:			
Topic:	Basic Claims Incurred Forecast		
Sub Topic:			

Preamble to IR:

Question:

Please provide an explanation of why MPI's Chief Actuary is now willing to forecast expected PIPP claims savings for the remainder of the year, and elaborate on what has changed in his thinking.

Rationale for Question:

To understand the claims incurred forecast.

RESPONSE:

MPI expressed concerns with assuming a 1-to-1 correlation between collision claims and injury claims based on observed data through August 31, 2020. There were several reasons for these concerns, including: (i) there was a higher than average number of serious injury claims through August 31, 2020, (ii) reduced access to treatment during the pandemic could increase claim duration, and (iii) the nature of the policy liability valuation methodology may delay the recognition of favourable PIPP experience (e.g. the current methodology gives little weight to observed claims experience in the first 24 months of development).

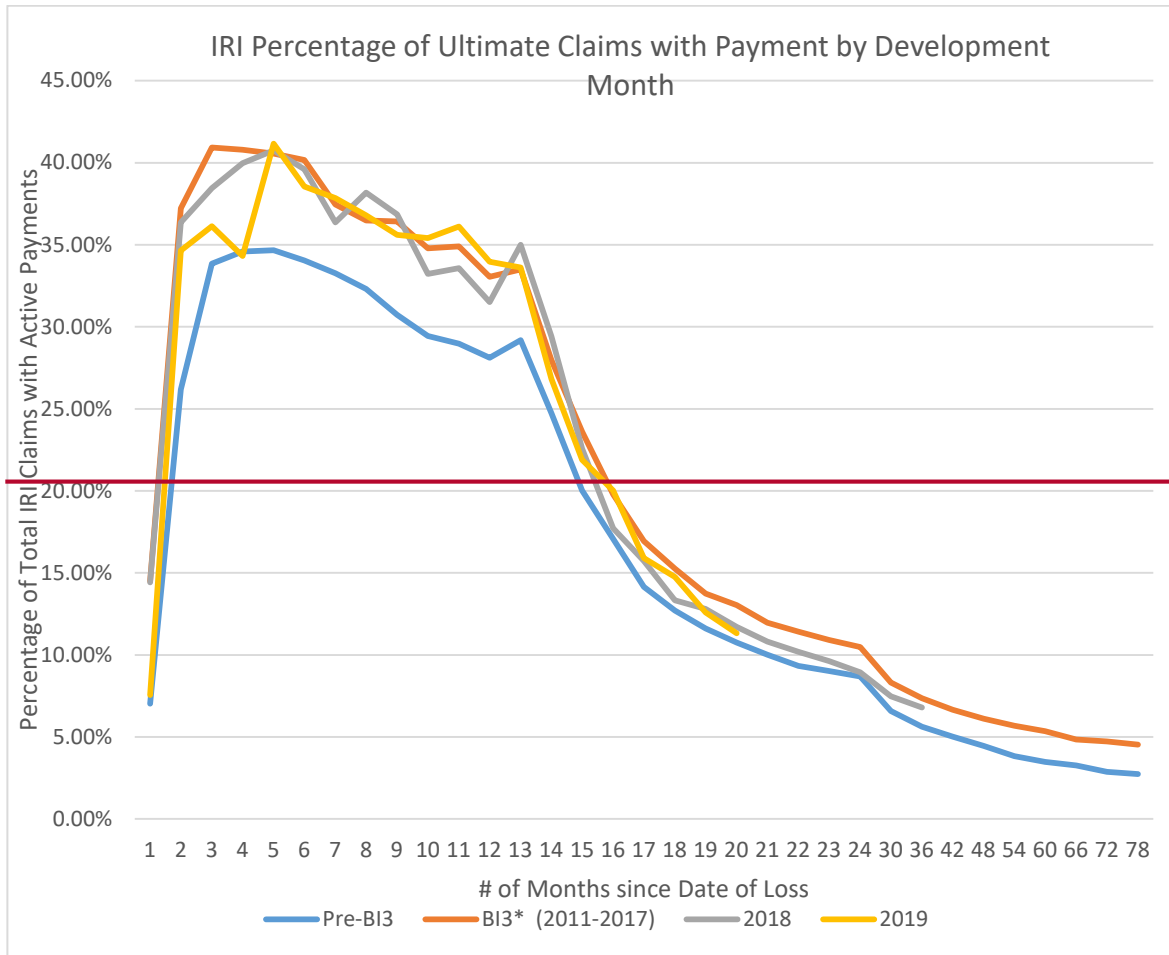
As more PIPP data has become available, injury claim counts and incurred reductions have continued to track very close to collision trends, serious injury claims have largely trended back to normal levels and injury claims duration continues to be managed close to expectations. The policy liability valuation is in progress, but given the extreme nature of the pandemic impacts, it is recognized that special adjustments will be required to make best estimate forecasts.

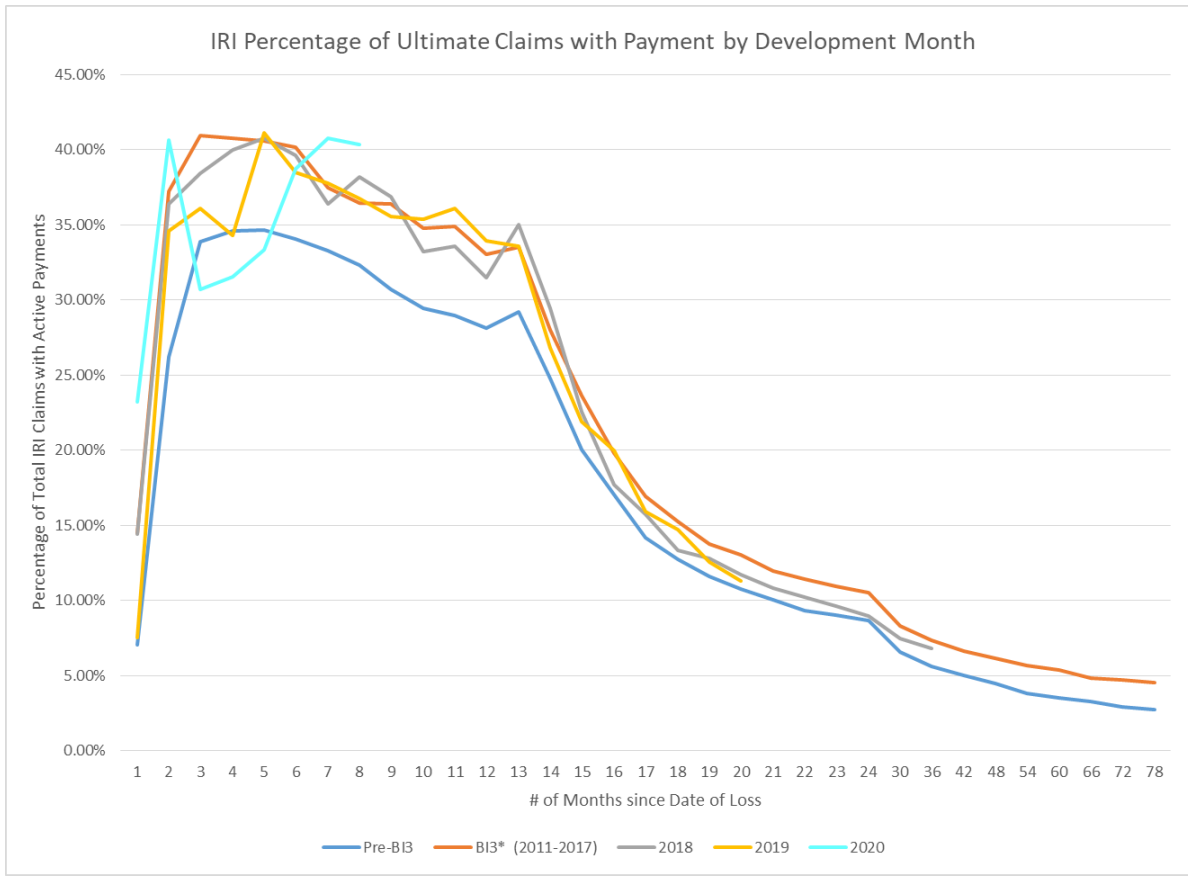
The figure below provides the observed claims counts and reported incurred for PIPP relative to budget and for collision relative to budget. As shown, the injury claims experience now tracks closely with the collision claims experience.

Figure 1 PIPP and Collision compared to Budget (April – November) - Financial Reporting Perspective

Line No.	Cover	Counts	Budget	Difference	Difference %	Incurred	Budget	Difference	Difference %
1	PIPP	31,437	49,245	(17,808)	-36.2%	\$121,275,378	\$156,213,979	(\$34,938,601)	-22.4%
2	Collision	54,910	72,943	(18,033)	-24.7%	\$207,386,036	\$274,501,430	(\$67,115,394)	-24.4%

The chart below shows the tracking of income replacement indemnity (IRI) claims persistency rates through the 2020/21 fiscal year for prior years injury claims. As shown in the figure, there is currently no material impact to the injury claim closure rates.





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