

1 MPI observes the following about these measured trends:

- 2 • The indicated severity trends range from approximately +5.81% to +6.79%,  
3 starting 2009 to 2017 accident years, with high R-squared and adjusted R-  
4 squared values indicating a good fit for all years.
- 5 • Severity trends exhibit steep increase from 2018 accident year, which is  
6 attributed to the increases in 2020 to 2022 accident years in the observed  
7 data.
- 8 • P-values are significant for time parameter.

9 MPI recognizes the change in trend occurring in 2020 and selects a two-stepped past  
10 severity trends based on accident year up to ~~2019-2020~~ and then 2020 & onwards.

11 MPI selected a severity trend of +5.67% (line 2, *Figure CF-59*) for 2009 to 2020  
12 accident years, based on highest adjusted R-squared and significant p-value. The  
13 severity trend of +10.68% (line 12, *Figure CF-60*) is selected for 2020 to 2022  
14 accident years and is intended to reflect the recent increases in claim severity.

15 Typically, MPI does not rely on a trend established based on only three data points  
16 due to lack of credibility. However, to bring pre-COVID experience to current year  
17 basis MPI needs to account for periods of increased ACV experienced in 2021 and  
18 2022 accident years. Collision loss cost projection relies on trended ultimate adjusted  
19 loss cost derived based on weighted average of 2017 to 2022 accident years (see  
20 section *CF.5.5*). If MPI does not consider rapid increases in severity for 2021 to 2022  
21 accident years, pre-COVID experience will be understated.

22 Observed severity, fitted model parameters and statistical measures over various  
23 experience periods including graphical representation of the selected fitted trend are  
24 presented in *Appendix 3e – Loss Trend Analysis Appendices*.

25 MPI understands future severity is impacted by multiple macro-economic factors such  
26 as changes in vehicle repairs associated CPI, wage growth, prices of used vehicles and  
27 complexities of repairs on newer vehicle models. MPI estimates future severity trend

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