

September 12th, 2024

Financial Services Regulatory Authority of Ontario (FSRA)
25 Sheppard Avenue West, Suite 100
Toronto, ON
M2N 6S6

Subject: Ontario PPV Annual Review based on Industry Data as of December 31, 2023

TD Insurance (TDI) appreciates the opportunity to comment on Oliver Wyman's annual review report based on Ontario PPV data as of December 31, 2023 which includes a comprehensive analysis of trend rates, as well as detailed information regarding the underlying data, methodologies, and assumptions used. An important part of the actuarial work is to predict what the future will look like based on the current available data. The estimation of the most probable scenarios can differ from one actuary to another based on actuarial judgement and/or access to different type of data. Allowing insurers to comment on Oliver Wyman's work ensures multiple actuarial experts' opinions are considered which will result in a stronger final estimation.

New Normal Frequency Level

TD Insurance would like to comment on Oliver Wyman's prediction of 2022-2 being the "new normal" after the Covid pandemic. Although TDI agrees that in 2022-2 certain employment sectors introduced a hybrid work model that reduced the number of days people would commute, there are potentially other factors that are driving the frequency back to pre-pandemic levels. For example, as noted in Oliver Wyman's report in Section 3, insured vehicles were up by more than 3% in 2023 which implies more vehicles on the road and hence a higher expected frequency. Furthermore, overall industry numbers ignore the specific circumstances of a given insurer such as its risk concentration in denser areas (i.e.: higher frequency) or its distribution of employed insureds and their respective occupations (Ex: Retail/Service workers typically have less opportunities to work from home). With that said, TDI appreciates the nuances that have been added by Oliver Wyman in section 9, that was added in this year's report, which demonstrate that there is not necessarily a "new normal" across all coverages. Hence, it urges FSRA to continue relying on company specific frequency numbers to determine whether any adjustments to past years are warranted instead of expecting that all insurers use similar factors in their filings to the ones derived by Oliver Wyman.

Confidence Intervals

TD Insurance welcomes the addition of confidence intervals around the loss trend point estimates as it gives a directional sense about how volatile trends are in the current environment but is concerned about the potential use of those intervals by FSRA. It is important to note that they don't capture differences

between insurers when it comes to things like claims operations, methodology to determine loss trends in conjunction with reform, COVID and inflation adjustments as well as potential mix of business shifts over time. Finally, these ranges also ignore any significant changes that can be triggered at any time by the persistent economic and political uncertainties and the threat of a recession that is not yet fully behind us.

In conclusion, TD Insurance would like to thank FSRA for giving us the opportunity to comment on Oliver Wyman's draft report. We hope FSRA finds our comments helpful in the finalization of its benchmarks.

Sincerely,



Lydia Roy, FICA, FCAS | AVP Tarification & Profitabilité AG | **TD Assurance**

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