FACILITY ASSOCIATION

September 29, 2025

Financial Services Regulatory Authority
25 Sheppard Avenue West, Suite 100
Toronto, ON M2N 6S6

Attention: Mr. Cong Wang, Chief Actuary, Auto Insurance Supervision

RE: OW Draft Ontario Private Passenger Vehicles Annual Review (Based on Industry Data Through December 31, 2024) dated July 31, 2025

Dear Mr. Wang,

Please find enclosed Facility Association's (FA) submission to the Financial Services Regulatory Authority of Ontario ("FSRA") Annual Review of Automobile Insurance Loss Experience. Our submission is in two parts. The first section provides FA's perspective on the current state of the insurance market in the province. The second section, addresses the draft Oliver Wyman ("OW") reports entitled "*Draft Ontario Private Passenger Vehicles Annual Review (Based on Industry Data Through December 31, 2024*" dated July 31, 2025 ("OW Report").

Any questions related to this submission may be directed to me by email at pgosselin@facilityassociation.com or by phone at 416-644-4968.

Best regards,

Philippe Gosselin, FCAS, FCIA
VP Actuarial & CRO

INTRODUCTION

FA's purpose is to ensure the availability of Automobile Insurance, and it is our continued position that this is best achieved through the availability of automobile insurance in the voluntary market in Ontario, providing consumers a choice in terms of both insurance provider and type and amount of coverage available[1]. We believe this corresponds with the Financial Services Regulatory Authority ("FSRA") mission of fostering a sustainable, competitive financial services sector and respond to market changes quickly.

It is challenging to promote both fairness and predictability in automobile insurance rates at a time when the underlying costs of benefits provided by the insurance product are very difficult to predict, as stated in several passages of the OW Report. This is especially the case following significant reforms, and challenges in the understanding of changes in frequency of accidents and claims, and their associated severity, both in relation to injured parties and to vehicle damage. Nonetheless, we believe promoting fairness and insurers' ability to set and predict their rates enhance availability and competition in the marketplace to the ultimate benefit of consumers.

FA's long-standing position has been that that benchmarking exercises should be used to inform regulators of considerations for rate filings, rather than to set specific targets, caps, or floors with respect to any one particular assumption. This approach opens the opportunity for insurers to reflect their own assessment of future costs in providing their product / service to the consumer, and allows them to set their rates based on their assessment of the competitive market in which they operate. This, we believe results in the greatest consumer choice in both providers and product, while maintaining fairness to all parties.

In contrast, setting specific values, floors or caps would adversely impact availability of voluntary automobile insurance in the province, to the extent that capital providers in the voluntary market take an adverse view of their ability to charge rates that they have assessed relative to the future costs and risk of providing insurance.

We believe it is important to lay the foundation for a flexible system, where insurers would be able to include their best estimates of future costs based on their own assumptions, judged by the regulators on their own merit and the basis of reasonableness, considering prediction uncertainty.

Our concern from a voluntary market availability standpoint is that benchmarks based on the OW Draft Report may act to discourage insurers from filing for rate changes and pull back from the market, reducing competition and availability.

This being said, we **commend** FSRA's position that benchmarks are used to '***assist*** *FSRA in reviewing Private Passenger Automobile ("PPA") insurance rate filing applications based on statutory requirements*' as well as that '*As Benchmarks are developed based on the review of the industry data, they may not represent an individual insurer's business. FSRA indicated in the 2020-H2 Guidance that insurers are no longer permitted to directly adopt the Benchmarks without justification. FSRA requires that all actuarial assumptions be fully supported with an analysis of the insurers' own data, to the extent credible, regardless of whether FSRA Benchmarks are*

[1] Consumers in Ontario are required to purchase $200,000 of third party liability protection. However, it is clear that consumers see value in broader insurance coverage to protect them and their financial wellbeing, as less than 0.02% of private passenger vehicles were insured for the required minimum third party liability limit, according to 2024 data found in GISA industry data (the AUTO7501). Further, 89% purchased protection for their vehicle against collision/upset, and 71% purchased protection for their vehicle against theft and non-collision damage. We believe these statistics show a clear consumer appetite in the province for automobile insurance across many of the perils to which owning or operating an automobile exposes consumers.

assumed.'

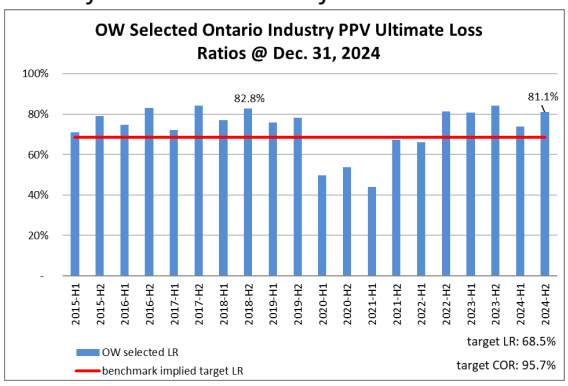
However, we would respectfully ask FSRA to clarify that the target underwriting profit provision benchmark (currently at 5% of the premiums) is subject to the same level of flexibility as the other benchmarks.

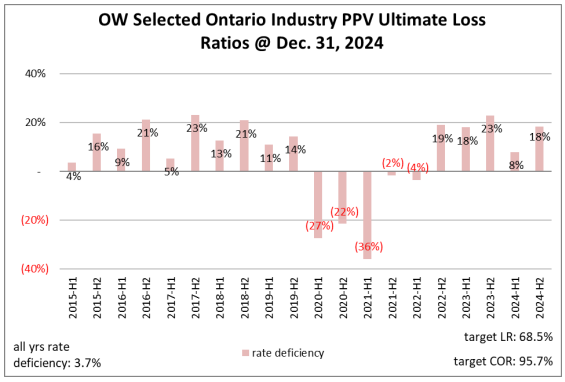
As far as availability is concerned, we are seeing indications of potential availability issues in Ontario. Based on our interpretation, the draft benchmark assumptions would indicate a target indemnity and claims expense ratios of approximately 68% for PPV. The chart below summarizes the estimated rate deficiencies for PPV, by accident year, relative to this target level.

It is important to note that these are not estimates of actual hindsight rate deficiencies, nor do they represent FA models of required profitability. This is rather the estimated rate deficiency when applying the OW benchmark assumptions per the current draft benchmark report. We have not attempted to put claims or premium amounts "on-level" (i.e. adjusted claims for trends/reforms over time; adjusted premium levels for premium trend and rate changes).

We note that, except for 2020H1 to 2022H1 (impacted by COVID-19), the OW estimates of PPV loss ratios (indemnity, ALAE, and ULAE) have persisted at only a marginal improvement from their peak in 2017H2 and have remained well above the 68% level we estimate would be consistent with the proposed benchmarks as per the OW Report. The lower loss ratios of 2020H1 to 2022H1 cannot be expected to continue as the pandemic restrictions and their economic impact recede, as shown by loss ratios starting from 2022H2 being relatively similar to pre-COVID-19 levels.

*Industry Ontario **PPV** @ December 31, 2024 - OW selected indemnity, ALAE, ULAE LRs and implied rate deficiencies on basis of OW selected current benchmarks*





For PPV, if we exclude 2020H1 to 2022H1, the estimated weighted average rate deficiency would be about 15% or **greater than $13.8 billion in PPV premium shortfall over that 7.5-year period**. If we were to include 2020H1 to 2022H1, the weighted average rate deficiency would be about 6.6% or **greater than $8.2 billion in PPV premium shortfall over that 10-year period.**

The Ontario industry PPV loss ratios have been consistently higher than the target loss ratio of 68% since 2015, except 2020H1 to 2022H1 mainly due to impact of COVID-19, with continued deteriorating loss experience in 2022H2 to 2024.

In addition, FARM PPV written exposure has been increasing from 2017 to 2021, followed by decreases in written exposure in 2022 and 2023 and has now increased again in 2024. However, even with the decreases in recent years, written exposure in 2024 is still triple the written exposure in 2017. Indeed, FARM market share

has more than tripled from 2017 to 2023, increasing from 0.03% in 2017 to 0.09% in 2023 (2024 industry AIX data is not available at this time). With the increase of the FARM PPV written exposures and FARM PPV market share since 2017, we are still concerned for the FARM rates' competitiveness and that it could be an early indicator of some availability issue in Ontario for private passenger vehicles.

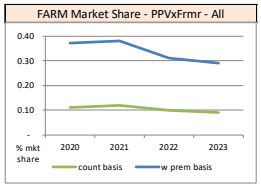
In consideration of this increasing market share as well as profitability issues, FARM filed for a +13.1% rate increase effective May 1, 2023 and a +9.8% rate increase effective April 1, 2024. We anticipate that the FARM PPV +6.2% rate increase effective March 1, 2025 and the +11.8% rate increase effective January 1, 2026 would further decrease FARM exposure.

We commend FSRA's cooperation and understanding during FARM's filing review and approval process, supporting FARM towards achieving desired goals of reasonable profitability and minimizing our market share.

The chart below shows the Ontario PPV FARM market share since 2020. Please note that the 2024 industry data is not available at the time of this submission.

Written Premium is in $000s

Private Passenger Vehicles excluding Farmers	Year	FARM ON - PPVxFrmr - All			Industry ON - PPVxFrmr - All			FARM Market Share / AWP Comparison		
		Written Exposure (excl trailers) - policy	Written Premium	Average Written Premium	Written Exposure (excl trailers) - policy	Written Premium	Average Written Premium	FARM Market Share (veh counts)	FARM Market Share (w prem)	FARM / Industry AWP
PPVxFrmr	2020	8,907	48,876	5,487	7,898,580	13,172,404	1,668	0.11	0.37	329
PPVxFrmr	2021	9,565	50,546	5,284	8,025,945	13,270,905	1,654	0.12	0.38	319
PPVxFrmr	2022	7,968	42,069	5,280	8,135,414	13,760,331	1,691	0.10	0.31	312
PPVxFrmr	2023	7,560	43,567	5,763	8,275,956	15,180,596	1,834	0.09	0.29	314
PPVxFrmr	2024	7,801	47,477	6,086	-	-	n/a	-	-	n/a
	Total	41,801	232,535	5,563	32,335,895	55,384,236	1,713	0.13	0.42	325



SPECIFIC COMMENTS REGARDING THE ANNUAL REVIEW OF INDUSTRY EXPERIENCE

This document represents the Facility Association ("FA") written submission to the Financial Services Regulatory Authority ("FSRA") with respect to the Oliver Wyman reports entitled "*Draft Ontario Private Passenger Vehicles Annual Review (Based on Industry Data Through December 31, 2024)*" dated July 31, 2025 ("OW Report").

In the next few pages, specific to the trends outlined in the OW Report, we discuss the following issues and our views more broadly over the following pages:

- Use of indemnity + ALAE + ULAE vs use of indemnity alone;
- Model complexity for reform parameters and reform impacts;
- Mobility parameter and Mobility Composite;
- Post-Pandemic Frequency Level and New Normal Factors;
- Consistency and transparency of trends selection approach; and
- Selection of loss trend rates and uncertainty.

Summary of Selection

Our position has not changed that:

> For each coverage, there are many possible models for frequency, severity, and loss costs that are valid and reasonable. The ultimate selection of models by insurers in developing their rates is a matter of judgment and interpretation that can differ among actuaries even when modeling the same data. Differences should be expected and be seen as healthy in a competitive environment. It is the nature of the actuarial science.
>
> Specifically, we feel it is important for regulators to consider that valid differences in actuarial judgment and opinion can lead to differing selections of ultimates, and differing trend results. Indeed, differing models can fit actual results equally well, and yet, due to their structure (i.e. the selected parameters included in each), result in divergent forecasts.
>
> We also believe regulators should allow the filing insurer to set their prices and market share on their views of ultimates and their selections of models describing frequency/severity/loss costs over time and as projected into the future. The rate review process should focus on whether the filing insurer's process to arrive at their forecast was reasonable (and consistent with the insurer's previous views / process / approach unless an explanation is provided as to what has changed and why). If so satisfied, we believe regulators should accept the filing insurer's view, even if it differs from the view of the regulator's actuary.
>
> Forcing all participants in the insurance market place to adopt a single view introduces systemic risk and potentially detracts from the competitive marketplace should certain participants reduce their risk appetite where they do not agree with the imposed view. This can lead to an overly prescriptive regulatory environment, which we believe is not the intention of regulators.

With that in mind and as stated previously, we commend FSRA's position on the use of benchmarks as laid out in their latest Annual Review Guidance (No. AU0132APP) issued on April 11, 2025.

1. Use of indemnity + ALAE + ULAE vs use of indemnity alone

OW uses indemnity plus allocated loss adjustment expense (ALAE) plus unallocated loss adjustment expense (ULAE) as the basis for loss amounts in their trend analysis.

Even though we understand that the combined indemnity and expense data is the norm in the industry, we would like to emphasize that the indemnity and expense data, as well as the underlying development and trend may be significantly different. Consequently, we should consider this if the analysis is based on the combination of both.

If the objective is to minimize any impacts or distortions in the data that may arise from insurers changing their mix of ULAE and ALAE over time, this can be achieved by modeling indemnity only data and recognizing that individual insurers are in a much better position to make direct adjustments for any shifts in their usage of ULAE vs ALAE over time, as they deem appropriate.

FA is analyzing the Ontario Industry PPV trends on an indemnity basis only and as explained above, this could result in different selections than those made by OW.

2. Model complexity for reform parameters and reform impacts

We appreciate that the OW Report includes the model design matrix in Appendix F with estimated coefficients for the parameters of the loss trend models. OW indicates that model complexity (or lack thereof, aka model parsimony) is considered in their model selection process[2].

We agree with this approach. FA similarly considers model complexity in its selection process, with a general preference of simple models over more complex models. We would also suggest that complexity reflects stakeholders' ability (ease or difficulty) to explain the model design and use the model output.

However, as mentioned in previous submissions, we still believe that, unfortunately with respect to the Accident Benefits reform factor approach, we would assess the OW models as complex. We believe the OW reform approach is overly complex in approach, and may lead to low variance / higher bias, resulting in future coefficient estimates that are at risk of significant change. The model design and output is, in our view, difficult to explain as both reform scalars and trends are modeled as changing over a period of time related to the most recent changes.

[2] *OW Report page 33 states "For this reason, we employ a holistic approach to modeling and consider several models with varying parameters fit to a range of accident periods to identify the underlying trends that occurred."*

OW Report Appendix F Page 4

Financial Services Regulatory Authority of Ontario
Private Passengers Vehicles (Excluding Farmers)

Selected Trend Model: Accident Benefits - Total Medical/Rehab
Data as of 31 Dec 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Observed			Covariates							Predicted		
Time	Frequency (000)	Severity	Loss Cost	2016 Phase-in Reform Scalar Parameter	2016 Phase-in Trend Parameter	Seasonality	Mobility	New Normal	2020 Scalar Parameter	2020 Trend Change	Frequency (000)	Severity	Loss Cost
2013.25	7.207	33,110	238.61	0.00	0.000	0	0.00	0	0	0.00	7.132	33,751	234.58
2013.75	8.332	33,745	281.16	0.00	0.000	1	0.00	0	0	0.00	7.856	34,435	276.86
2014.25	7.417	33,483	248.35	0.00	0.000	0	0.00	0	0	0.00	7.298	35,132	251.67
2014.75	7.605	37,418	284.58	0.00	0.000	1	0.00	0	0	0.00	8.040	35,844	297.02
2015.25	7.817	35,346	276.31	0.00	0.000	0	0.00	0	0	0.00	7.469	36,571	270.00
2015.75	8.167	39,960	326.34	0.00	0.000	1	0.00	0	0	0.00	8.227	37,312	318.65
2016.25	7.757	38,468	298.41	0.01	0.003	0	0.00	0	0	0.00	7.643	37,985	289.01
2016.75	8.613	33,508	288.62	0.33	0.170	1	0.00	0	0	0.00	8.396	34,978	306.90
2017.25	7.713	30,581	235.88	0.83	0.583	0	0.00	0	0	0.00	7.748	30,566	235.94
2017.75	8.559	31,178	266.85	1.00	1.083	1	0.00	0	0	0.00	8.466	29,530	257.94
2018.25	7.702	29,638	228.27	1.00	1.583	0	0.00	0	0	0.00	7.801	30,128	228.74
2018.75	8.383	31,111	260.80	1.00	2.083	1	0.00	0	0	0.00	8.524	30,739	263.38
2019.25	7.610	31,289	238.12	1.00	2.583	0	0.00	0	0	0.00	7.855	31,362	233.56
2019.75	8.490	30,952	262.80	1.00	3.083	1	0.00	0	0	0.00	8.583	31,998	268.93
2020.25	4.352	37,237	162.05	1.00	3.583	0	(35.99)	0	1	0.50	4.507	36,297	158.41
2020.75	5.361	37,313	200.05	1.00	4.083	1	(33.22)	0	1	1.00	5.142	36,271	188.23
2021.25	4.144	34,800	144.23	1.00	4.583	0	(41.07)	0	1	1.50	4.191	36,245	152.67
2021.75	6.351	36,112	229.35	1.00	5.083	1	(20.38)	0	1	2.00	6.328	36,220	222.41
2022.25	5.898	31,613	186.46	1.00	5.583	0	(20.43)	0	1	2.50	5.827	36,194	197.11
2022.75	6.842	36,142	247.29	1.00	6.083	1	0.00	1	1	3.00	7.219	36,168	261.34
2023.25	6.660	34,933	232.65	1.00	6.583	0	0.00	1	1	3.50	6.653	36,142	231.76
2023.75	7.417	35,804	265.57	1.00	7.083	1	0.00	1	1	4.00	7.269	36,116	266.84
2024.25	6.834	35,106	239.93	1.00	7.583	0	0.00	1	1	4.50	6.699	36,091	236.64
2024.75	7.409	38,363	284.23	1.00	8.083	1	0.00	1	1	5.00	7.319	36,065	272.47

		Frequency Model	Severity Model	Direct Loss Cost Model
A.	Intercept	(44.505)	(70.355)	(136.071)
B.	Time	0.023	0.040	0.070
C.	2016 Phase-in Reform Scalar Parameter		(0.314)	(0.298)
D.	2016 Phase-in Trend Parameter	(0.016)		(0.049)
E.	Seasonality	0.085		0.131
F.	Mobility	0.016		0.011
G.	New Normal	(0.194)		(0.091)
H.	2020 Scalar Parameter		0.127	
I.	2020 Trend Change		(0.042)	

We question whether the additional complexity is necessary. In particular, the OW Accident Benefits - Total Medical/Rehab and Accident Benefits - Total Disability Income models introduced two complexities:

- **non-binary explanatory variables for the reform periods** – that is, fractional factors applied to accident half data to give weight over time to differentiate between claims arising that were subject to reforms and those that were not:
    - 0.00 for accident halves 2015-H2 and prior
    - 0.01 for accident half 2016-H1
    - 0.33 for accident half 2016-H2
    - 0.83 for accident half 2017-H1
    - 1.00 for accident halves 2017-H2 and subsequent

  The factors were determined to give weight over time to differentiate between claims arising that were subject to reforms / changes and those that were not. We have no general issue on the approach, but it does raise the question as to whether it results in "better" estimates than a simpler model that picks a single period as the point at which to determine the scalar change.

- **staggered variable for time related to the reform impacts** – we recognize that this was set to align with the effective date of the reform, but contend this approach has led to a fragile model:
    - 0.000 for accident halves 2015-H2 and prior
    - 0.003 for accident half 2016-H1 (an increase of 0.003)
    - 0.170 for accident half 2016-H2 (an increase of 0.167, rather than 0.50)
    - 0.583 for accident half 2017-H1 (an increase of 0.413, rather than 0.50)
    - 1.083 for accident halves 2017-H2 and increasing by 0.50 for each subsequent accident half

  For temporal spacing, the first three intervals are unusual, and we would ask whether this is necessary.

We applied the OW design matrix (OW Report Appendix F Page 4) to the FA Accident Benefits - Total Medical/Rehab data set. The charts below show the model output of the OW Accident Benefits - Total Medical/Rehab design matrix applies to FA Accident Benefit - Total Medical/Rehab data set with OW explanatory variables values for the 2016 reform and mobility variables.

Model 1 Loss Cost Output – OW Accident Benefit – Total Medical/Rehab Design Matrix applied to FA Accident Benefits - Total Medical/Rehab data set[3] with OW explanatory variables for reform and OW mobility variables (OW Report Appendix F Page 4)

FITTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9881	0.9763	0.9692	0.0371	27	13	7

Runs-Test Result: 1.7072 RESIDUALS RUNS RANDOM ; residuals normal

parameters with p-value >5% 0 (intercept specifically not included)

	Coefficients	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.	
	1	2						
Intercept	(148.930)	15.541	(9.583)	0.0%	(181.348)	(116.511)	(148.930)	7
Season	0.136	0.015	9.365	0.0%	0.106	0.166	0.136	6
All Years	0.077	0.008	9.925	0.0%	0.060	0.093	0.077	5
Scalar 1	(0.293)	0.037	(7.986)	0.0%	(0.370)	(0.217)	(0.293)	4
Trend 1	(0.079)	0.012	(6.617)	0.0%	(0.104)	(0.054)	(0.079)	3
Scalar 2	0.011	0.001	11.490	0.0%	0.009	0.013	0.011	2
Trend 2	-	-	-	n/a	-	-	-	0
Scalar 3	(0.143)	0.053	(2.698)	1.4%	(0.254)	(0.032)	(0.143)	1
Trend 3	-	-	-	n/a	-	-	-	0
Scalar 4	-	-	-	n/a	-	-	-	0
Trend 4	-	-	-	n/a	-	-	-	0

SELECTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9881	0.9763	0.9692	0.0371	27	13	7

Runs-Test Result: 1.7072 RESIDUALS RUNS RANDOM ; residuals normal

	Fitted Annual	Previous Selected	Selected Annual	selected = fitted	
past	26.0%	0.6%	26.0%	'22H1	=> last period in "past"
future	(0.3%)	0.6%	(0.3%)		

Cumulative Trends (summed coefficients)	fitted coeff	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.
All Yrs or AY	0.077	0.008	9.925	0.0%	0.060	0.093	0.077
AY+1	(0.003)	0.010	(0.284)	77.9%	(0.023)	0.018	(0.003)
AY+1+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Scalar 1 refers to 2016 Scalar Phase parameter, Trend 1 refers to 2016 Trend Phase parameter, Scalar 2 refers to Mobility parameter, and Scalar 3 refers to New Normal parameter.

In FA's general loss trend modeling approach, scalars are introduced in models as dummy variables, taking values of 0 or 1, and the staggered variable for time increase by 0.5. The models results based on FA's approach, with changing of explanatory and staggered variables are summarized below:

[3] *The time period of 2011-H2 to 2024-H2 is bases on ME trend models description on OW Report Page 58.*

Model 2 Loss Cost Output – OW Accident Benefit – Total Medical/Rehab Design Matrix applied to FA Accident Benefit – Total Medical/Rehab data set, change the explanatory variables at 2016-H1 from (0.01) to 0 and the stagger variables at 2016-H1 from (0.003) to 0, no other changes

FITTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9882	**0.9765**	**0.9695**	0.0369	27	13	7

Runs-Test Result: 1.7072 **RESIDUALS RUNS RANDOM** ; residuals normal

 # parameters with p-value >5% **0** (intercept specifically not included)

	Coefficients	S.E.	t-Stat	p-value	C.I. Lower	95% Upper	Selected Coeff.	
	1	2						
Intercept	(148.464)	15.429	(9.622)	0.0%	(180.648)	(116.279)	(148.464)	7
Season	0.136	0.014	9.422	0.0%	0.106	0.166	0.136	6
All Years	0.076	0.008	9.967	0.0%	0.060	0.092	0.076	5
Scalar 1	(0.292)	0.036	(8.028)	0.0%	(0.368)	(0.216)	(0.292)	4
Trend 1	(0.079)	0.012	(6.626)	0.0%	(0.104)	(0.054)	(0.079)	3
Scalar 2	0.011	0.001	11.539	0.0%	0.009	0.013	0.011	2
Trend 2	-	-	-	n/a	-	-	-	0
Scalar 3	(0.143)	0.053	(2.711)	1.3%	(0.253)	(0.033)	(0.143)	1
Trend 3	-	-	-	n/a	-	-	-	0
Scalar 4	-	-	-	n/a	-	-	-	0
Trend 4	-	-	-	n/a	-	-	-	0

SELECTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9882	**0.9765**	**0.9695**	0.0369	27	13	7

Runs-Test Result: 1.7072 **RESIDUALS RUNS RANDOM** ; residuals normal

	Fitted Annual	Previous Selected	Selected Annual	selected = fitted	
past	**26.0%**	**0.6%**	**26.0%**	**'22H1**	**=> last period in "past"**
future	**(0.3%)**	**0.6%**	**(0.3%)**		

Cumulative Trends (summed coefficients)	fitted coeff	S.E.	t-Stat	p-value	C.I. Lower	95% Upper	Selected Coeff.
All Yrs or AY	0.076	0.008	9.967	0.0%	0.060	0.092	0.076
AY+1	(0.003)	0.010	(0.285)	77.9%	(0.023)	0.018	(0.003)
AY+1+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Model 1 and model 2 are statistically similar as the model 2 parameter coefficients are within one standard error of the model 1. So changes of the explanatory variable at 2016-H1 from (0.01) to 0 and the stagger variable at 2016-H1 from (0.003) to 0 have no significant impact on the model results. To simplify the model, these variables should be removed from model design matrix.

Model 3 Loss Cost Output – OW Accident Benefit – Total Medical/Rehab Design Matrix applied to FA Accident Benefit - Total Medical/Rehab data set, change the explanatory variables at 2016-H1 to 2017-H1 from (0.01, 0.33, 0.83) to FA standard value (0, 1, 1), no other changes

FITTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9867	**0.9737**	**0.9674**	0.0382	27	13	6

Runs-Test Result: 1.1514 **RESIDUALS RUNS RANDOM** ; residuals normal

 # parameters with p-value >5% **0** (intercept specifically not included)

	Coefficients	S.E.	t-Stat	p-value	C.I. Lower	95% Upper	Selected Coeff.	
	1	2						
Intercept	(162.090)	17.032	(9.517)	0.0%	(197.511)	(126.669)	(162.090)	6
Season	0.147	0.015	9.808	0.0%	0.116	0.179	0.147	5
All Years	0.083	0.008	9.829	0.0%	0.066	0.101	0.083	4
Scalar 1	(0.242)	0.032	(7.672)	0.0%	(0.308)	(0.177)	(0.242)	3
Trend 1	(0.115)	0.009	(12.381)	0.0%	(0.135)	(0.096)	(0.115)	2
Scalar 2	0.010	0.001	14.655	0.0%	0.008	0.011	0.010	1
Trend 2	-	-	-	n/a	-	-	-	0
Scalar 3	-	-	-	n/a	-	-	-	0
Trend 3	-	-	-	n/a	-	-	-	0
Scalar 4	-	-	-	n/a	-	-	-	0
Trend 4	-	-	-	n/a	-	-	-	0

SELECTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9867	**0.9737**	**0.9674**	0.0382	27	13	6

Runs-Test Result: 1.1514 **RESIDUALS RUNS RANDOM** ; residuals normal

	Fitted Annual	Previous Selected	Selected Annual	selected = fitted	
past	**17.9%**	**0.6%**	**17.9%**	**'22H1**	**=> last period in "past"**
future	**(3.2%)**	**0.6%**	**(3.2%)**		

Cumulative Trends (summed coefficients)	fitted coeff	S.E.	t-Stat	p-value	C.I. Lower	95% Upper	Selected Coeff.
All Yrs or AY	0.083	0.008	9.829	0.0%	0.066	0.101	0.083
AY+1	(0.032)	0.004	(8.430)	0.0%	(0.040)	(0.024)	(0.032)
AY+1+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Where Scalar 3 is not statistically significant and removed from the model. Model 3 is statistically different from models 1 and 2. Changing explanatory variables at 2016-H2 to 2017-H1 from (0.33, 0.83) to FA standard value (1, 1) has statistically significant impact on the model results.

Model 4 Loss Cost Output – OW Accident Benefit – Total Medical/Rehab Design Matrix applied to FA Accident Benefit - Total Medical/Rehab data set, change the explanatory variables at 2016-H1 to 2017-H1 from (0.01, 0.33, 0.83) to FA standard value (0, 1, 1) and the stagger variables at 2016-H1 to 2017-H1 from (0.003, 0.170, 0.583, +0.50) to FA standard value (0, 0.25, 0.75, +0.50), no other changes

FITTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9871	0.9744	0.9683	0.0376	27	13	6

Runs-Test Result: 1.1514 RESIDUALS RUNS RANDOM ; residuals normal

parameters with p-value >5%: 0 (intercept specifically not included)

	Coefficients	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.	
	1	2						
Intercept	(162.427)	16.778	(9.681)	0.0%	(197.319)	(127.535)	(162.427)	6
Season	0.147	0.015	9.917	0.0%	0.116	0.177	0.147	5
All Years	0.083	0.008	9.998	0.0%	0.066	0.101	0.083	4
Scalar 1	(0.226)	0.031	(7.392)	0.0%	(0.289)	(0.162)	(0.226)	3
Trend 1	(0.115)	0.009	(12.591)	0.0%	(0.134)	(0.096)	(0.115)	2
Scalar 2	0.010	0.001	14.848	0.0%	0.008	0.011	0.010	1
Trend 2	-	-	-	n/a	-	-	-	0
Scalar 3	-	-	-	n/a	-	-	-	0
Trend 3	-	-	-	n/a	-	-	-	0
Scalar 4	-	-	-	n/a	-	-	-	0
Trend 4	-	-	-	n/a	-	-	-	0

SELECTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9871	0.9744	0.9683	0.0376	27	13	6

Runs-Test Result: 1.1514 RESIDUALS RUNS RANDOM ; residuals normal

	Fitted Annual	Previous Selected	Selected Annual	selected = fitted	
past	17.9%	0.6%	17.9%	'22H1	=> last period in "past"
future	(3.1%)	0.6%	(3.1%)		

Cumulative Trends (summed coefficients)	fitted coeff	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.
All Yrs or AY	0.083	0.008	9.998	0.0%	0.066	0.101	0.083
AY+1	(0.032)	0.004	(8.493)	0.0%	(0.040)	(0.024)	(0.032)
AY+1+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Where Scalar 3 is not statistically significant and removed from the model.

Model 3 and model 4 are statistically similar, so changing the stagger variables at 2016-H1 to 2017-H1 from (0.003, 0.170, 0.583, +0.50) to FA standard value (0, 0.25, 0.75, +0.50) has no statistically significant impact on the model results. To simplify the model, the stagger variables could use the FA standard value that is commonly used.

In summary, we would view two takeaways:

1. the minor weights (0.01 and 0.003) given to 2016-H1 for scalar and trend do not appear to be necessary from a statistical standpoint, as such, we recommend replacing them with 0;
2. the additional temporal differences introduced for trend at 2016-H2 to 2017-H1 (0.170, 0.583) do not appear to be necessary from a statistical standpoint, as such, we recommend replacing with standard values (0.25, 0.75).

The OW Report estimates Bill 15 and Bill 91 reforms coefficient is -29.8% (25.7% decrease) in Accident Benefit - Total Medical/Rehab loss cost based on industry PPV data as December 31, 2024 in (Appendix F page 4). However, using FA's approach and FA data set (model 4 above), the estimated Bill 15 and Bill 91 reform coefficient is -22.6% +/-3.1% (20.2% decrease based on model 4) in Accident Benefit - Total Medical/Rehab loss cost.

FA trend analysis as at December 31, 2024 selected model estimates Bill 15 and Bill 91 reform scalar coefficient is -14.2% +/-5.1% (13.2% decrease) in medical & rehabilitation loss cost that is statistically different to OW Report estimated reform impact (25.7% decrease) in medical & rehabilitation loss cost.

However, FA trend analysis as at December 31, 2024 selected model estimates Bill 15 and Bill 91 reform impact in disability income loss cost is not significant.

3. Mobility Parameter and Mobility Composite

OW Report includes estimated mobility composite factors for 2020-H1 to 2022-H1 on Table 21 (see below).

Table 21: Average Mobility Composite

	Average Mobility					
Scenario	2020-1	2020-2	2021-1	2021-2	2022-1	2022-2
Projection	-36.0	-33.2	-41.1	-20.4	-20.4	-4.0

OW Report Appendix F page 1 provides BI model design matrix, where the OW model design matrix for BI doesn't include New Normal parameter (see below).

Selected Trend Model: Third Party Liability - Bodily Injury
Data as of 31 Dec 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Observed			Covariates			Predicted		
Time	Frequency (000)	Severity	Loss Cost	2016 Trend Change	Seasonality	Mobility	Frequency (000)	Severity	Loss Cost
2013.25	1.857	129,037	239.65	0.00	0	0.00	1.835	130,139	238.78
2013.75	2.247	127,311	286.09	0.00	1	0.00	2.089	133,235	278.34
2014.25	1.930	126,694	244.55	0.00	0	0.00	1.835	136,404	250.27
2014.75	2.115	130,063	275.05	0.00	1	0.00	2.089	139,649	291.74
2015.25	1.957	133,003	260.24	0.00	0	0.00	1.835	142,971	262.32
2015.75	2.154	144,353	310.88	0.00	1	0.00	2.089	146,372	305.78
2016.25	1.856	136,402	253.10	0.00	0	0.00	1.835	149,854	274.95
2016.75	2.079	151,532	315.10	0.50	1	0.00	2.045	153,419	313.75
2017.25	1.666	144,869	241.29	1.00	0	0.00	1.758	157,069	276.17
2017.75	1.884	161,810	304.86	1.50	1	0.00	1.960	160,805	315.14
2018.25	1.553	160,261	248.88	2.00	0	0.00	1.685	164,631	277.39
2018.75	1.735	167,492	290.60	2.50	1	0.00	1.878	168,547	316.54
2019.25	1.484	165,477	245.51	3.00	0	0.00	1.615	172,557	278.62
2019.75	1.733	171,454	297.05	3.50	1	0.00	1.800	176,662	317.94
2020.25	0.925	200,000	184.93	4.00	0	(35.99)	0.970	180,864	175.45
2020.75	1.147	187,913	215.63	4.50	1	(33.22)	1.121	185,167	207.53
2021.25	0.829	188,665	156.37	5.00	0	(41.07)	0.870	189,572	164.98
2021.75	1.303	199,643	260.20	5.50	1	(20.38)	1.269	194,081	246.24
2022.25	1.134	187,727	212.80	6.00	0	(20.43)	1.090	198,698	216.60
2022.75	1.475	199,872	294.80	6.50	1	0.00	1.584	203,425	322.18
2023.25	1.398	202,166	282.55	7.00	0	0.00	1.362	208,264	283.59
2023.75	1.670	207,191	345.99	7.50	1	0.00	1.518	213,219	323.61
2024.25	1.334	219,744	293.10	8.00	0	0.00	1.305	218,291	284.84
2024.75	1.358	271,974	369.41	8.50	1	0.00	1.454	223,484	325.04

		Frequency Model	Severity Model	Implied Loss Cost Model
A.	Intercept	0.607	(82.888)	(89.188)
B.	Time		0.047	0.047
C.	2016 Trend Change	(0.043)		(0.043)
D.	Seasonality	0.130		0.130
E.	Mobility	0.013		0.013

We applied the OW design matrix above to the FA BI data set. The chart below shows the frequency model output of the OW BI design matrix apply to FA BI frequency data set with OW mobility variables.

Model 1 Output – OW BI Design Matrix applied to FA BI frequency data set with OW mobility variables (OW Report Appendix F Page 1)

FITTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9802	0.9609	0.9560	0.0536	28	12	4

Runs-Test Result: 3.1153 RESIDUALS RUNS NOT RANDOM Residuals normal

parameters with p-value >5%: 0 (intercept specifically not included)

	Coefficients	S.E.	t-Stat	p-value	C.I. Lower	95% Upper	Selected Coeff.	
	1	2						
Intercept	0.607	0.017	35.323	0.0%	0.571	0.642	0.607	4
Season	0.130	0.021	6.320	0.0%	0.087	0.172	0.130	3
All Years	-	-	-	n/a	-	-	-	0
Scalar 1	-	-	-	n/a	-	-	-	0
Trend 1	(0.045)	0.004	(12.254)	0.0%	(0.053)	(0.038)	(0.045)	2
Scalar 2	0.013	0.001	14.269	0.0%	0.011	0.015	0.013	1
Trend 2	-	-	-	n/a	-	-	-	0
Scalar 3	-	-	-	n/a	-	-	-	0
Trend 3	-	-	-	n/a	-	-	-	0
Scalar 4	-	-	-	n/a	-	-	-	0
Trend 4	-	-	-	n/a	-	-	-	0

SELECTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9802	0.9609	0.9560	0.0536	28	12	4

Runs-Test Result: 3.1153 RESIDUALS RUNS NOT RANDOM Residuals normal

	Fitted Annual	Previous Selected	Selected Annual	selected = fitted		
past	24.4%	(2.1%)	24.4%		'22H1	=> last period in "past"
future	(4.4%)	(2.1%)	(4.4%)			

Cumulative Trends (summed coefficients)	fitted coeff	S.E.	t-Stat	p-value	C.I. Lower	95% Upper	Selected Coeff.
All Yrs or AY	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1	(0.045)	0.004	(12.254)	0.0%	(0.053)	(0.038)	(0.045)
AY+1+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The Trend 1 refers to 2016 Trend Change and Scalar 2 refers to Mobility parameter, they are both statistically significant at 5% p-value level

We appreciate the inclusion of mobility composite, but we are still not sure about "*By applying the fitted parameter's coefficient to the mobility, we are able to estimate the effect of the COVID-19 pandemic on claims experience*". In addition, we are unable to derive the Combined New Normal Factor based on the OW PPV BI loss cost mobility coefficient of 1.3% and OW Mobility Composite factors provided in Table 21 to match to the factors on Table 25 (see below). As a result, the OW model design and output are, in our view, difficult to explain and use; we would appreciate OW to provide more information on how to derive the COVID-19 adjustment factors.

BI	Mobility Composite	COVID Adj Factor	Est. COVID Effective Factors on Claim	New Normal Factor	Est. Combined New Normal Factor	OW Combined New Normal Factor	Diff
Accident	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Semester	OW Table 21	=1/(1+[1]/100)	=[2]*exp(1.30%)	=exp(0.00%)	=[3]*[4]	BI - OW Tab 25	=[5] - [6]
201901		1.000	1.000	1.000	1.000	1.000	-
201902		1.000	1.000	1.000	1.000	1.000	-
202001	-35.99	1.562	1.583	1.000	1.583	1.569	1.4%
202002	-33.22	1.497	1.517	1.000	1.517	1.578	(6.1%)
202101	-41.07	1.697	1.719	1.000	1.719	1.523	19.6%
202102	-20.38	1.256	1.272	1.000	1.272	1.685	(41.3%)
202201	-20.43	1.257	1.273	1.000	1.273	1.295	(2.2%)
202202		1.000	1.000	1.000	1.000	1.295	(29.5%)
202301		1.000	1.000	1.000	1.000	1.000	-
202302		1.000	1.000	1.000	1.000	1.000	-
Mobility Coefficient from BI Model			1.30%				
New Normal Coefficient from BI Model				0.00%			

In the FA general approach, scalars are introduced in models as dummy variables, taking values of 0 or 1. The model results based on FA approach, with only replacing Scalar 2 temporal variables of mobility to 1, are summarized below.

Model 2 Output – OW BI Design Matrix applied to FA BI data set, only change the mobility variables at 2020-H1 to 2022-H1 from (-35.99, -33.22, -41.07, -20.38 and -20.43) to FA standard value (1, 1, 1, 1, and 1), no other changes

FITTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9524	0.9070	0.8954	0.0826	28	12	4

Runs-Test Result: 3.7549 RESIDUALS RUNS NOT RANDOM; residuals normal

parameters with p-value >5% 0 (intercept specifically not included)

	Coefficients	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.	
	1	2						
Intercept	0.596	0.026	22.634	0.0%	0.542	0.651	0.596	4
Season	0.143	0.032	4.540	0.0%	0.078	0.208	0.143	3
All Years	-	-	-	n/a	-	-	-	0
Scalar 1	-	-	-	n/a	-	-	-	0
Trend 1	(0.045)	0.006	(7.759)	0.0%	(0.057)	(0.033)	(0.045)	2
Scalar 2	(0.374)	0.044	(8.471)	0.0%	(0.465)	(0.283)	(0.374)	1
Trend 2	-	-	-	n/a	-	-	-	0
Scalar 3	-	-	-	n/a	-	-	-	0
Trend 3	-	-	-	n/a	-	-	-	0
Scalar 4	-	-	-	n/a	-	-	-	0
Trend 4	-	-	-	n/a	-	-	-	0

SELECTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9524	0.9070	0.8954	0.0826	28	12	4

Runs-Test Result: 3.7549 RESIDUALS RUNS NOT RANDOM; residuals normal

	Fitted Annual	Previous Selected	Selected Annual	selected = fitted	
past	(4.4%)	(2.1%)	(4.4%)	'22H1	=> last period in "past"
future	(4.4%)	(2.1%)	(4.4%)		

Cumulative Trends (summed coefficients)	fitted coeff	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.
All Yrs or AY	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1	(0.045)	0.006	(7.759)	0.0%	(0.057)	(0.033)	(0.045)
AY+1+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The model indicates Scalar 2 (COVID-19 impact) parameter is significant and estimates of the Scalar 2 coefficient is -37.4% +/-4.4% (31.2% decrease) and the estimated COVID-19 adjustment factor will be 1.454. This is easy to explain that the estimated average COVID-19 impact is about a 31.2% decrease comparing to pre-pandemic based on the industry data as at December 31, 2024 and the estimated COVID-19 adjustment factor is about 1.454 for 2020H1 to 2022H1.

4. Post-Pandemic Frequency Level and New Normal Factors

OW considers 2022-2 to be a potential starting point for the post-pandemic frequency level and provides Combined New Normal Factor (from page 98 to page 104) when applied to historical experience period data, the Combined New Normal Factor would adjust that experience data for the combination of (1) unwinding the influence of the COVID-19 pandemic, and (2) "new normal" of the post-pandemic era.

The OW Combined New Normal Factor by coverage and accident semester are summarized below.

Accident Semester	New Normal Factor					
	BI - OW Tab 25	PD - OW Tab 26	DCPD - OW Tab 27	AccBen - OW Tab 28	CL - OW Tab 29	AP - OW Tab 30
201901	1.000	1.000	0.744	0.841	0.780	1.000
201902	1.000	1.000	0.744	0.841	0.780	1.000
202001	1.569	1.471	1.392	1.440	1.360	1.372
202002	1.578	1.428	1.327	1.382	1.303	1.339
202101	1.523	1.553	1.521	1.554	1.471	1.435
202102	1.685	1.244	1.061	1.140	1.069	1.196
202201	1.295	1.245	1.062	1.141	1.069	1.197
202202	1.295	1.000	1.000	1.000	1.000	1.000
202301	1.000	1.000	1.000	1.000	1.000	1.000
202302	1.000	1.000	1.000	1.000	1.000	1.000

As OW Report provides "Combined New Normal Factors" that reflect the influence of COVID-19 and the new normal post-pandemic era, but does not provide additional information on how the factors were derived, we focus on testing OW PPV models that were provided in Appendix F[4] for BI, DCPD, and Collision to gain more insight on the Combined New Normal Factors based on FA data set.

[4] OW in Appendix F provides models with mobility parameter for BI, PD, DCPD, ME, DI, DB & FU, CL, AP, and UA, and New Normal parameter at 2022-H2 for DCPD, ME, DI and CL.

BI Loss Model - OW Appendix F Page 1

Selected Trend Model: Third Party Liability - Bodily Injury
Data as of 31 Dec 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Observed			Covariates			Predicted		
Time	Frequency (000)	Severity	Loss Cost	2016 Trend Change	Seasonality	Mobility	Frequency (000)	Severity	Loss Cost
2013.25	1.857	129,037	239.65	0.00	0	0.00	1.835	130,139	238.78
2013.75	2.247	127,311	286.09	0.00	1	0.00	2.089	133,235	278.34
2014.25	1.930	126,694	244.55	0.00	0	0.00	1.835	136,404	250.27
2014.75	2.115	130,063	275.05	0.00	1	0.00	2.089	139,649	291.74
2015.25	1.957	133,003	260.24	0.00	0	0.00	1.835	142,971	262.32
2015.75	2.154	144,353	310.88	0.00	1	0.00	2.089	146,372	305.78
2016.25	1.856	136,402	253.10	0.00	0	0.00	1.835	149,854	274.95
2016.75	2.079	151,532	315.10	0.50	1	0.00	2.045	153,419	313.75
2017.25	1.666	144,869	241.29	1.00	0	0.00	1.758	157,069	276.17
2017.75	1.884	161,810	304.86	1.50	1	0.00	1.960	160,805	315.14
2018.25	1.553	160,261	248.88	2.00	0	0.00	1.685	164,631	277.39
2018.75	1.735	167,492	290.60	2.50	1	0.00	1.878	168,547	316.54
2019.25	1.484	165,477	245.51	3.00	0	0.00	1.615	172,557	278.62
2019.75	1.733	171,454	297.05	3.50	1	0.00	1.800	176,662	317.94
2020.25	0.925	200,000	184.93	4.00	0	(35.99)	0.970	180,864	175.45
2020.75	1.147	187,913	215.63	4.50	1	(33.22)	1.121	185,167	207.53
2021.25	0.829	188,665	156.37	5.00	0	(41.07)	0.870	189,572	164.98
2021.75	1.303	199,643	260.20	5.50	1	(20.38)	1.269	194,081	246.24
2022.25	1.134	187,727	212.80	6.00	0	(20.43)	1.090	198,698	216.60
2022.75	1.475	199,872	294.80	6.50	1	0.00	1.584	203,425	322.18
2023.25	1.398	202,166	282.55	7.00	0	0.00	1.362	208,264	283.59
2023.75	1.670	207,191	345.99	7.50	1	0.00	1.518	213,219	323.61
2024.25	1.334	219,744	293.10	8.00	0	0.00	1.305	218,291	284.84
2024.75	1.358	271,974	369.41	8.50	1	0.00	1.454	223,484	325.04

		Frequency Model	Severity Model	Implied Loss Cost Model
A.	Intercept	0.607	(82.888)	(89.188)
B.	Time		0.047	0.047
C.	2016 Trend Change	(0.043)		(0.043)
D.	Seasonality	0.130		0.130
E.	Mobility	0.013		0.013

Model Output – OW PPV BI Frequency Model (with seasonality, 2016 Trend Change, and mobility) applied to FA BI data set - based on 2011-H1[5] to 2024-H2 data

FITTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9802	0.9609	0.9560	0.0536	28	12	4

Runs-Test Result: 3.1153 RESIDUALS RUNS NOT RANDOM Residuals normal

parameters with p-value >5%: 0 (intercept specifically not included)

	Coefficients	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.	
	1	2						
Intercept	0.607	0.017	35.323	0.0%	0.571	0.642	0.607	4
Season	0.130	0.021	6.320	0.0%	0.087	0.172	0.130	3
All Years	-	-	-	n/a	-	-	-	0
Scalar 1	-	-	-	n/a	-	-	-	0
Trend 1	(0.045)	0.004	(12.254)	0.0%	(0.053)	(0.038)	(0.045)	2
Scalar 2	0.013	0.001	14.269	0.0%	0.011	0.015	0.013	1
Trend 2	-	-	-	n/a	-	-	-	0
Scalar 3	-	-	-	n/a	-	-	-	0
Trend 3	-	-	-	n/a	-	-	-	0
Scalar 4	-	-	-	n/a	-	-	-	0
Trend 4	-	-	-	n/a	-	-	-	0

SELECTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9802	0.9609	0.9560	0.0536	28	12	4

Runs-Test Result: 3.1153 RESIDUALS RUNS NOT RANDOM Residuals normal

	Fitted Annual	Previous Selected	Selected Annual	selected = fitted
past	24.4%	(2.1%)	24.4%	'22H1 => last period in "past"
future	(4.4%)	(2.1%)	(4.4%)	

Cumulative Trends (summed coefficients)	fitted coeff	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.
All Yrs or AY	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1	(0.045)	0.004	(12.254)	0.0%	(0.053)	(0.038)	(0.045)
AY+1+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The model outputs based on FA BI data set are consistent with the results from OW Report.

Based on the coefficient of 1.3% for mobility parameter and mobility composite provided in OW Report Appendix F page 1, we calculated the Combined New Normal Factor shown below.

[5] *The time period is bases on BI frequency model description on OW Report Page 46.*

BI	Mobility Composite	COVID Adj Factor	Est. COVID Effective Factors on Claim	New Normal Factor	Est. Combined New Normal Factor	OW Combined New Normal Factor	Diff
Accident	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Semester	OW Table 21	=1/(1+[1]/100)	=[2]*exp(1.30%)	=exp(0.00%)	=[3]*[4]	BI - OW Tab 25	=[5] - [6]
201901		1.000	1.000	1.000	1.000	1.000	-
201902		1.000	1.000	1.000	1.000	1.000	-
202001	-35.99	1.562	1.583	1.000	1.583	1.569	1.4%
202002	-33.22	1.497	1.517	1.000	1.517	1.578	(6.1%)
202101	-41.07	1.697	1.719	1.000	1.719	1.523	19.6%
202102	-20.38	1.256	1.272	1.000	1.272	1.685	(41.3%)
202201	-20.43	1.257	1.273	1.000	1.273	1.295	(2.2%)
202202		1.000	1.000	1.000	1.000	1.295	(29.5%)
202301		1.000	1.000	1.000	1.000	1.000	-
202302		1.000	1.000	1.000	1.000	1.000	-
Mobility Coefficient from BI Model			1.30%				
New Normal Coefficient from BI Model				0.00%			

Our estimated combined new normal factors on column [5] don't match with OW Combined New Normal Factors provided on Table 25.

We would appreciate if OW can provide more detailed information associated with how the Mobility Composites and Mobility Coefficient interact and how the Combined New Normal Factors are derived.

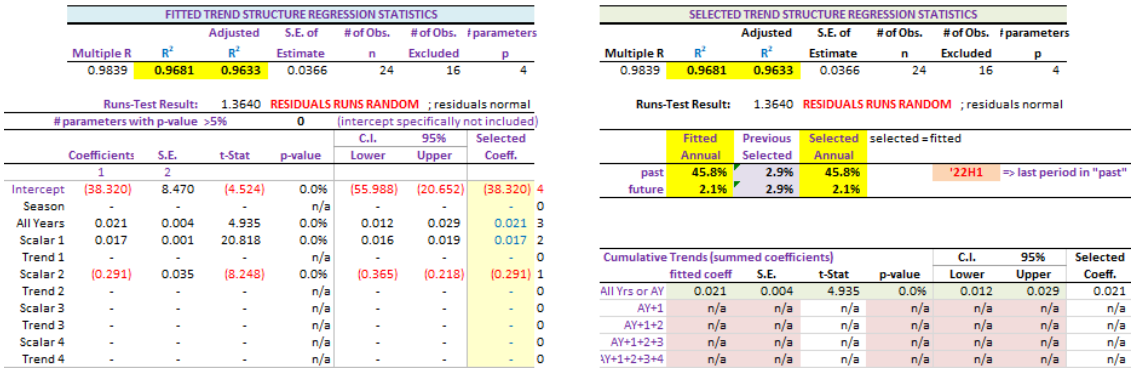
DCPD Loss Model - OW Appendix F Page 3

Selected Trend Model: Direct Compensation
Data as of 31 Dec 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Observed			Covariates			Predicted		
Time	Frequency (000)	Severity	Loss Cost	Mobility	New Normal	Excess Inflation	Frequency (000)	Severity	Loss Cost
2013.25	28.751	4,790	137.71	0.00	0	0.000	30.359	4,832	146.71
2013.75	31.039	5,086	157.87	0.00	0	0.000	30.675	4,984	152.87
2014.25	32.149	5,004	160.88	0.00	0	0.000	30.993	5,139	159.29
2014.75	30.209	5,229	157.97	0.00	0	0.000	31.315	5,300	165.97
2015.25	32.765	5,346	175.17	0.00	0	0.000	31.641	5,466	172.94
2015.75	31.398	5,699	178.94	0.00	0	0.000	31.969	5,637	180.20
2016.25	31.434	5,707	179.39	0.00	0	0.000	32.302	5,813	187.76
2016.75	33.999	6,094	207.21	0.00	0	0.000	32.637	5,994	195.64
2017.25	31.895	6,094	194.38	0.00	0	0.000	32.976	6,182	203.85
2017.75	35.121	6,570	230.75	0.00	0	0.000	33.319	6,375	212.41
2018.25	33.483	6,649	222.61	0.00	0	0.000	33.665	6,574	221.32
2018.75	34.477	7,128	245.76	0.00	0	0.000	34.015	6,780	230.61
2019.25	34.296	7,123	244.28	0.00	0	0.000	34.368	6,992	240.29
2019.75	34.676	7,459	258.65	0.00	0	0.000	34.725	7,210	250.38
2020.25	19.999	7,454	149.08	(35.99)	0	0.000	18.826	7,436	139.99
2020.75	20.819	7,514	156.44	(33.22)	0	0.000	19.955	7,668	153.02
2021.25	16.600	7,250	120.36	(41.07)	0	0.000	17.601	7,908	139.19
2021.75	24.728	8,039	198.80	(20.38)	0	0.000	25.440	8,155	207.46
2022.25	24.921	8,584	213.92	(20.43)	0	0.174	25.680	8,547	219.48
2022.75	27.181	9,431	256.33	0.00	1	0.418	27.589	9,015	248.73
2023.25	27.731	9,579	265.63	0.00	1	0.690	27.876	9,535	265.79
2023.75	28.889	10,116	292.24	0.00	1	1.000	28.166	10,120	285.03
2024.25	27.589	10,232	282.28	0.00	1	1.000	28.458	10,436	296.99
2024.75	29.494	10,736	316.64	0.00	1	1.000	28.754	10,762	309.46

		Frequency Model	Severity Model	Implied Loss Cost Model
A.	Intercept	(38.200)	(115.455)	(160.562)
B.	Time	0.021	0.062	0.082
C.	Mobility	0.017		0.017
D.	New Normal	(0.292)		(0.292)
E.	Excess Inflation		0.093	0.093

Model Output – OW PPV DCPD Frequency Model (with time, mobility, and New Normal) applied to FA DCPD data set - based on 2013-H1[6] to 2024-H2 data



FITTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9839	0.9681	0.9633	0.0366	24	16	4

Runs-Test Result: 1.3640 RESIDUALS RUNS RANDOM ; residuals normal

parameters with p-value >5% 0 (intercept specifically not included)

	Coefficients	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.	
	1	2						
Intercept	(38.320)	8.470	(4.524)	0.0%	(55.988)	(20.652)	(38.320)	4
Season	-	-	-	n/a	-	-	-	0
All Years	0.021	0.004	4.935	0.0%	0.012	0.029	0.021	3
Scalar 1	0.017	0.001	20.818	0.0%	0.016	0.019	0.017	2
Trend 1	-	-	-	n/a	-	-	-	0
Scalar 2	(0.291)	0.035	(8.248)	0.0%	(0.365)	(0.218)	(0.291)	1
Trend 2	-	-	-	n/a	-	-	-	0
Scalar 3	-	-	-	n/a	-	-	-	0
Trend 3	-	-	-	n/a	-	-	-	0
Scalar 4	-	-	-	n/a	-	-	-	0
Trend 4	-	-	-	n/a	-	-	-	0

SELECTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9839	0.9681	0.9633	0.0366	24	16	4

Runs-Test Result: 1.3640 RESIDUALS RUNS RANDOM ; residuals normal

	Fitted Annual	Previous Selected	Selected Annual	selected = fitted	
past	45.8%	2.9%	45.8%	'22H1	=> last period in "past"
future	2.1%	2.9%	2.1%		

Cumulative Trends (summed coefficients)	fitted coeff	S.E.	t-Stat	p-value	C.I. 95% Lower	C.I. 95% Upper	Selected Coeff.
All Yrs or AY	0.021	0.004	4.935	0.0%	0.012	0.029	0.021
AY+1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The model outputs based on FA DCPD data set are consistent with the results from OW report.

Based on the coefficient of 1.7% for mobility parameter and mobility composites on Table 20, as well as the New Normal coefficient of -29.2% provided in OW Report Appendix F page 3, we calculated the Combined New Normal Factor shown below.

DCPD	Mobility Composite	COVID Adj Factor	Est. COVID Effective Factors on Claim	New Normal Factor	Est. Combined New Normal Factor	OW Combined New Normal Factor	Diff
Accident	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Semester	OW Table 21	=1/(1+[1]/100)	=[2]*exp(1.70%)	=exp(-29.20%)	=[3]*[4]	DCPD - OW Tab 27	=[5] - [6]
201901		1.000	1.000	0.747	0.747	0.743	0.4%
201902		1.000	1.000	0.747	0.747	0.743	0.4%
202001	-35.99	1.562	1.589	0.747	1.187	1.388	(20.1%)
202002	-33.22	1.497	1.523	0.747	1.137	1.323	(18.6%)
202101	-41.07	1.697	1.726	0.747	1.289	1.517	(22.8%)
202102	-20.38	1.256	1.277	0.747	0.954	1.058	(10.4%)
202201	-20.43	1.257	1.278	0.747	0.955	1.059	(10.4%)
202202		1.000	1.000	1.000	1.000	1.000	-
202301		1.000	1.000	1.000	1.000	1.000	-
202302		1.000	1.000	1.000	1.000	1.000	-
Mobility Coefficient from DCPD Model			1.70%				
New Normal Coefficient from DCPD Model				-29.20%			

Our estimated combined new normal factors on column [5] don't match with OW Combined New Normal Factor provided on Table 27.

We would appreciate if OW can provide more detailed information associated with how the Mobility Composites and Mobility Coefficient interact and how the Combined New Normal Factors are derived.

[6] *The time period is bases on DCPD frequency model description on OW Report Page 54.*

CL Loss Model - OW Appendix F Page 8

Selected Trend Model: Collision
Data as of 31 Dec 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Observed			Covariates				Predicted		
Time	Frequency (000)	Severity	Loss Cost	Seasonality	Mobility	New Normal	Excess Inflation	Frequency (000)	Severity	Loss Cost
2013.25	26.990	5,815	156.94	0	0.00	0	0.000	28.176	5,576	157.11
2013.75	28.357	6,153	174.49	1	0.00	0	0.000	28.511	5,946	169.52
2014.25	31.113	5,836	181.58	0	0.00	0	0.000	28.850	5,914	170.61
2014.75	27.249	6,265	170.71	1	0.00	0	0.000	29.193	6,306	184.09
2015.25	30.627	6,191	189.62	0	0.00	0	0.000	29.539	6,272	185.27
2015.75	27.672	6,561	181.55	1	0.00	0	0.000	29.890	6,688	199.91
2016.25	29.468	6,681	196.87	0	0.00	0	0.000	30.246	6,652	201.19
2016.75	30.403	7,212	219.26	1	0.00	0	0.000	30.605	7,093	217.09
2017.25	29.845	7,018	209.45	0	0.00	0	0.000	30.968	7,055	218.48
2017.75	32.111	7,669	246.28	1	0.00	0	0.000	31.336	7,523	235.74
2018.25	32.796	7,569	248.23	0	0.00	0	0.000	31.709	7,482	237.25
2018.75	32.361	8,173	264.50	1	0.00	0	0.000	32.085	7,979	256.00
2019.25	33.645	8,110	272.87	0	0.00	0	0.000	32.467	7,936	257.64
2019.75	32.667	8,575	280.13	1	0.00	0	0.000	32.852	8,462	278.00
2020.25	20.940	8,638	180.87	0	(35.99)	0	0.000	19.062	8,416	160.43
2020.75	20.579	8,718	179.42	1	(33.22)	0	0.000	20.132	8,975	180.68
2021.25	16.474	8,389	138.20	0	(41.07)	0	0.000	18.043	8,926	161.06
2021.75	24.001	9,292	223.02	1	(20.38)	0	0.000	25.138	9,518	239.27
2022.25	26.119	9,718	253.83	0	(20.43)	0	0.174	25.416	9,600	243.98
2022.75	27.681	10,845	300.20	1	0.00	1	0.418	27.505	10,438	287.10
2023.25	28.651	10,762	308.34	0	0.00	1	0.690	27.831	10,611	295.31
2023.75	28.487	11,559	329.27	1	0.00	1	1.000	28.162	11,599	326.65
2024.25	27.955	11,586	323.88	0	0.00	1	1.000	28.497	11,536	328.74
2024.75	28.037	11,957	335.25	1	0.00	1	1.000	28.835	12,301	354.72

		Frequency Model	Severity Model	Implied Loss Cost Model
A.	Intercept	(44.218)	(109.780)	(160.906)
B.	Time	0.024	0.059	0.082
C.	Seasonality		0.035	0.035
D.	Mobility	0.015		0.015
E.	New Normal	(0.249)		(0.249)
F.	Excess Inflation		0.080	0.080

Model Output – OW PPV CL Frequency Model (with time, mobility, and New Normal) applied to FA CL data set - based on 2014-H1[7] to 2024-H2 data

FITTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9642	0.9297	0.9180	0.0502	22	18	4

Runs-Test Result: 2.9038 RESIDUALS RUNS NOT RANDOM; residuals normal

parameters with p-value >5% 0 (intercept specifically not included)

	Coefficients	S.E.	t-Stat	p-value	C.I. Lower	95% Upper	Selected Coeff.	
	1	2						
Intercept	(44.416)	13.968	(3.180)	0.5%	(73.761)	(15.070)	(44.416)	4
Season	-	-	-	n/a	-	-	-	0
All Years	0.024	0.007	3.425	0.3%	0.009	0.038	0.024	3
Scalar 1	0.015	0.001	13.063	0.0%	0.013	0.018	0.015	2
Trend 1	-	-	-	n/a	-	-	-	0
Scalar 2	(0.248)	0.053	(4.709)	0.0%	(0.359)	(0.137)	(0.248)	1
Trend 2	-	-	-	n/a	-	-	-	0
Scalar 3	-	-	-	n/a	-	-	-	0
Trend 3	-	-	-	n/a	-	-	-	0
Scalar 4	-	-	-	n/a	-	-	-	0
Trend 4	-	-	-	n/a	-	-	-	0

SELECTED TREND STRUCTURE REGRESSION STATISTICS

Multiple R	R^2	Adjusted R^2	S.E. of Estimate	# of Obs. n	# of Obs. Excluded	# parameters p
0.9642	0.9297	0.9180	0.0502	22	18	4

Runs-Test Result: 2.9038 RESIDUALS RUNS NOT RANDOM; residuals normal

	Fitted Annual	Previous Selected	Selected Annual	selected = fitted	
past	40.9%	4.0%	40.9%	'22H1	=> last period in "past"
future	2.4%	4.0%	2.4%		

Cumulative Trends (summed coefficients)	fitted coeff	S.E.	t-Stat	p-value	C.I. Lower	95% Upper	Selected Coeff.
All Yrs or AY	0.024	0.007	3.425	0.3%	0.009	0.038	0.024
AY+1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AY+1+2+3+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The model outputs based on FA CL data set are consistent with the results from OW report.

Based on the coefficient of 1.5% for mobility parameter and mobility composites on Table 21, as well as the New Normal coefficient of -24.9% provided in OW Report Appendix F page 8, we calculated the Combined New Normal Factor shown below.

[7] *The time period is bases on BI frequency model description on OW Report Page 70.*

CL	Mobility Composite	COVID Adj Factor	Est. COVID Effective Factors on Claim	New Normal Factor	Est. Combined New Normal Factor	OW Combined New Normal Factor	Diff
Accident	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Semester	OW Table 21	=1/(1+[1]/100)	=[2]*exp(1.50%)	=exp(-24.90%)	=[3]*[4]	CL - OW Tab 29	=[5] - [6]
201901		1.000	1.000	0.780	0.780	0.785	(0.5%)
201902		1.000	1.000	0.780	0.780	0.785	(0.5%)
202001	-35.99	1.562	1.586	0.780	1.236	1.376	(14.0%)
202002	-33.22	1.497	1.520	0.780	1.185	1.318	(13.3%)
202101	-41.07	1.697	1.723	0.780	1.343	1.490	(14.7%)
202102	-20.38	1.256	1.275	0.780	0.994	1.079	(8.5%)
202201	-20.43	1.257	1.276	0.780	0.995	1.080	(8.5%)
202202		1.000	1.000	1.000	1.000	1.000	-
202301		1.000	1.000	1.000	1.000	1.000	-
202302		1.000	1.000	1.000	1.000	1.000	-
Mobility Coefficient from CL Model			1.50%				
New Normal Coefficient from CL Model				-24.90%			

Our estimated combined new normal factors on column [5] don't match with OW Combined New Normal Factors provided on Table 29.

We would appreciate if OW can provide more detailed information associated with how the Mobility Composites and Mobility Coefficient interact and how the Combined New Normal Factors are derived.

Finally, on page 96 the OW Report states the following regarding post-COVID new normal:

> We consider 2022-2 to be a potential starting point for the post-pandemic frequency level, whereby many employees returned to the office, and remote and hybrid work levels began to stabilize. We quantify adjustments to the claim frequency prior to 2022-2. Claims frequency during the in-pandemic period (2020 through to 2022-1) would be adjusted upward to the "new normal level" and claims frequency during the pre-pandemic period would be expected to be adjusted downward to the "new normal level."[136]
>
> We observe some stability in the frequency levels in the most recent five accident periods, from 2022-2 to 2024-2; and consider this reflective of the post-pandemic new normal. In the case of DCPD, accident benefits, and collision, we do not see evidence that evolving remote and hybrid work options are causing a frequency rise after 2022-2.

With return to office mandates becoming widespread in 2025Q3, we disagree that 2022-2 to 2024-2 is representative of the new normal and expect claim frequency to approach closer to pre-COVID levels.

5. Consistency and transparency of trends selection approach

We notice inconsistency and general lack of explanation in trends selection approach with regards to choosing between combined frequency and severity model versus direct loss cost model among various coverages.

For example for PPV Accident Benefits – Total Disability Income, OW Report states:

> To assess reasonableness, we also include a model fit to the observed loss costs directly with the same parameterization as implied by our frequency and severity models. The model fit to loss costs directly, rather than on a combination of frequency and severity, results in a higher trend rate across all time periods, a larger one-time decrease at June 1, 2016, and a higher adjusted R-squared (0.974).
>
> We base our selection on the direct loss cost model. We select a loss cost trend rate of +5.5% prior to June 1, 2016, and -2.0%[89] thereafter once the reforms were fully implemented. The modeled scalar parameter at June 1, 2016, corresponds to a 13.0%[90] decrease in loss cost.

As the direct loss cost model has slightly higher adjusted R-squared, it makes sense to select it for the final selection.

However, for PPV DCPD, OW Report states:

> To assess reasonableness, we also include a model fit to the observed loss costs directly with the same parameterization as implied by our frequency and severity models. The model fit to loss costs directly, rather than on a combination of frequency and severity, results in a slightly higher trend rate and a slightly higher adjusted R-squared (0.959).
>
> We base our selection on the combined frequency and severity model. We select a loss cost trend rate of +8.6%.

Even though the direct loss cost model for DCPD has slightly higher adjusted R-squared, OW selected the combined frequency and severity model for the final selection with no rationale provided.

It would be helpful to clearly document rationale and reasons in the selection approach, especially when different approaches are used for different coverages, in order to avoid any unconscious bias in selecting assumptions to achieve predetermined results.

6. Selection of Loss Trends Rates and Uncertainty

As stated on Page 3 of the OW Report:

> *"The COVID-19 pandemic affected loss costs beginning in 2020-1 mainly driven by a decline in the claims frequency rate. Current projections of mileage and mobility (based on cell phone data) indicate a return to pre-pandemic mobility levels in the second half of 2022. We believe 2022-2 may be the start of a "new-normal" with remote and hybrid work models commonplace, and the pandemic restrictions behind us.*
>
> *Our loss trend selections are intended to be isolated from the influence of the COVID-19 pandemic."*

We agree with the assumption of return to pre-pandemic level, and loss trend should reflect the impacts of the COVID-19 pandemic and the post-pandemic new normal on the claims experience.

We have completed our own loss trend analysis using Ontario PPV Industry Experience as of December 31, 2024 with the inclusion of 2005 to 2024 data points and tested impacts of the COVID-19 and new economic environment, and we would like to provide FSRA with a summary of our selections of the past and future trends and how they compared with the preliminary selections from the OW Reports.

Ontario Industry Trends as at December 31, 2024

Coverage	Ontario PPV FA Loss Cost Trend as at:2024-12		Ontario PPV OW Loss Cost Trend as at:2024-12		Loss Cost Trend Change Between FA and OW	
	past	future	past	future	past	future
BI	1.9%	1.9%	4.8%	0.4%	(2.9%)	1.5%
PD	6.4%	6.4%	5.5%	5.5%	0.9%	0.9%
DCPD	9.8%	9.8%	8.6%	8.6%	1.2%	1.2%
ME	0.3%	0.3%	7.3%	2.1%	(7.0%)	(1.8%)
DI	-	-	5.5%	(2.0%)	(5.5%)	2.0%
DB	-	-	(2.8%)	(2.8%)	2.8%	2.8%
FE	-	-	(2.8%)	(2.8%)	2.8%	2.8%
AccBen (indivis)	2.0%	2.0%	5.6%	1.2%	(3.6%)	0.8%
UA	6.9%	6.9%	(7.2%)	10.3%	14.1%	(3.4%)
UM	-	-	4.8%	4.8%	(4.8%)	(4.8%)
CL	10.1%	10.1%	8.6%	8.6%	1.5%	1.5%
CM	11.1%	11.1%	6.3%	6.3%	4.8%	4.8%
SP	7.7%	7.7%	6.3%	6.3%	1.4%	1.4%
AP	7.1%	7.1%	8.1%	8.1%	(1.0%)	(1.0%)

Note: the past and future trends cut-off date between FA and OW may be different

We estimate that the OW PPV future trend selections at the coverage level will translate to an overall loss cost future trend rate of 5.1%, while the FA estimated PPV overall loss cost future trend rate will be 6.5% using ON PPV industry 2024 ultimate indemnity as weights.

The difference between FA estimated future loss cost trend rates and OW preliminary loss cost trend rates would be due to many reasons such as: indemnity only or indemnity plus expenses, design matrix, using different values of the explanatory variables for the reform and mobility parameters.

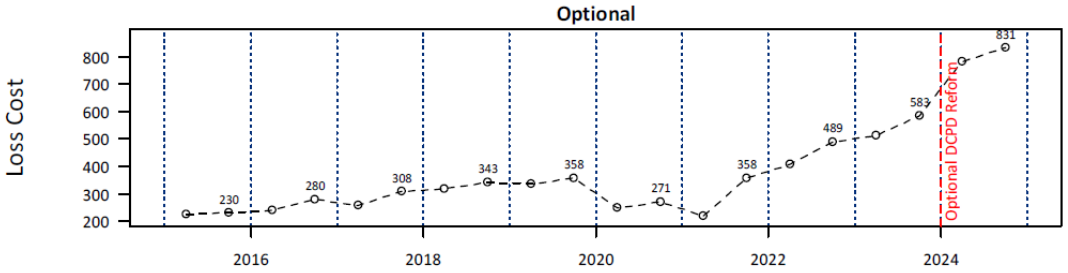
We also compare the OW preliminary loss cost trends as of December 31, 2024 to FSRA current benchmark loss cost trends as of December 31, 2023 (see below). The OW increased future trends for Bodily Injury, Medical/Rehab, Uninsured Auto and Underinsured Motorist, but decreased future trends for physical damage coverages.

Coverage	Ontario PPV OW Loss Cost Trend as at:2024-12		Ontario PPV FSRA Loss Cost Trend as at:2023-12		Loss Cost Trend Change Between 2024-12 vs 2023-12	
	past	future	past	future	past	future
BI	4.8%	0.4%	1.9%	(1.9%)	2.9%	2.3%
PD	5.5%	5.5%	1.7%	4.8%	3.8%	0.7%
DCPD	8.6%	8.6%	9.1%	9.1%	(0.5%)	(0.5%)
ME	7.3%	2.1%	7.3%	1.4%	-	0.7%
DI	5.5%	(2.0%)	5.8%	(1.8%)	(0.3%)	(0.2%)
DB	(2.8%)	(2.8%)	(2.1%)	(2.1%)	(0.7%)	(0.7%)
FE	(2.8%)	(2.8%)	(2.1%)	(2.1%)	(0.7%)	(0.7%)
AccBen (indivis)	5.6%	1.2%	5.7%	0.6%	(0.1%)	0.6%
UA	(7.2%)	10.3%	(9.8%)	3.5%	2.6%	6.8%
UM	4.8%	4.8%	3.3%	3.3%	1.5%	1.5%
CL	8.6%	8.6%	9.2%	9.2%	(0.6%)	(0.6%)
CM	6.3%	6.3%	13.6%	13.6%	(7.3%)	(7.3%)
SP	6.3%	6.3%	13.6%	13.6%	(7.3%)	(7.3%)
AP	8.1%	8.1%	8.8%	8.8%	(0.7%)	(0.7%)

Note: the past and future trends cut-off date between FA and FSRA may be different

The OW Report Figure 5 provides a loss cost summary for Optional coverage (see charts below). Loss cost as of December 31, 2024 for optional coverages has been increasing since 2021 and continued to

increase to 2024-2.



We would appreciate to have rationale for the decreasing of future trends selections for the optional coverages including DCPD, CL, CM, SP and AP.

With uncertain economic condition and the increasing loss cost and loss ratio for optional coverages, we would suggest FSRA consider increasing the future trends for physical damage coverages.

Finally, we appreciate the OW Reports' recommendation/mention regarding recent higher inflation:

"The recent claim experience is exceptional due to the COVID-19 pandemic and the recent spike in inflation. Potential future inflation scenarios add uncertainty to the selected future trend rate." (OW Report Page 3)

"… when selecting the future trend rate, we suggest consideration of:

- *The correlation of the historical CPI index with historical claim cost changes; and any recent pattern of changes (stabilizing, rising or falling) in the CPI.*
- *The actual change in claim costs data that has emerged during the period of high inflation and the subsequent period of inflation rates returning towards pre-pandemic rates.*
- *The anticipated future CPI during the rating program.*
- *The impact of economic conditions and general inflation on vehicle usage." (OW Report Page 4)*

"The recent rise in inflation that began in late 2021 affects the past loss cost levels; and any stabilization, moderation or increase in future inflation will affect future loss cost levels." (OW Report page 43)

"Recent tariffs on imported automobiles and auto parts in Canada may have a significant impact to the automobile insurance industry. Repair costs may escalate directly or indirectly due to increased prices for parts and labor. We encourage insurers to monitor the impact of tariffs. We plan to evaluate the impact of recent tariffs as 2025 data becomes available." (OW Report page 44)

"Additionally, given the dynamic nature of the recent inflation environment, we recognize insurers may find an inflationary adjustment is required at the time of filing." (OW Report page 50)

The recent rise in inflation, rise in vehicle thefts, significant increase in the prices of used cars, and the impact of tariffs on the auto industry are just other indicators of pressure points affecting our industry. In particular, FSRA should permit the inclusion of estimated tariff impacts in rate filings given they are supported by emerging data and analysis. Finally, the projection of future loss trend rate needs is subject to **considerable uncertainty** and FSRA should consider this when reviewing individual rate filings.