July 27, 2022

Alberta Automobile Insurance Rate Board
2440 Canadian Western Bank Place
10303 Jasper Avenue
Edmonton, AB T5J 3N6

Delivered via email: airb@gov.ab.ca

Attention: Ms. Charlene Butler, MBA, BSc, BComm, Chair

RE: FA Written Submission in regards to the Alberta Automobile Insurance Rate Board's Annual Review of Automobile Insurance Loss Experience: AIRB Draft Review of 2021-H2 Industry PPV and CV Experience

Dear Ms. Butler,

Please find enclosed Facility Association's (FA) submission to the Alberta Automobile Insurance Rate Board's 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 "*Annual Review of Industry Experience – Preliminary Report as of December 31, 2021 Private Passenger Vehicles*" and "*Annual Review of Industry Experience – Preliminary Report as of December 31, 2021 Commercial Vehicles*", both dated June 9, 2022 ("OW Reports").

Sincerely,

Saskia Matheson
President & CEO

Encl.

c.c.: Christopher Cooney, Facility Association Board Chair

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 Alberta, providing consumers a choice in terms of both insurance provider and type and amount of coverage available[1]. We believe this corresponds with the Alberta Automobile Insurance Rate Board ("AIRB") vision of fostering an efficient and effective automobile insurance market with fair and predictable rates.

Broadly speaking, we continue to be concerned with potential availability issues in Alberta. We note that, except for 2020 and 2021 (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 2016, and have remained well above the 64% level we estimate would be consistent with the proposed benchmarks as per the OW Reports. The lower loss ratios of 2020 and 2021 cannot be expected to continue as the pandemic restrictions and their economic impact recede.

It is fair to assume that the introduction of reforms in the last quarter of 2020 would have positively impacted the experience for 2020 and 2021. However, an accurate delineation of what resulted from product reform, and what resulted from the temporary impact of the pandemic and its economic consequences is unknown.

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 Reports. In light of this, we believe it is important to reiterate our position that the AIRB should use the benchmarking exercise to inform its considerations of rate filings, rather than to set specific targets, caps, or floors with respect to any one particular assumption.

With that said, FA commends the Board in its decision earlier this year, asking insurers to use their own catastrophe loadings, and their own return on investment rates. This approach opens the opportunity for insurers to reflect their own experience, and their own assessment of future costs in providing their product/ service to the consumer. Opening this door further would allow insurers to set their rates based on their assessment of the competitive market in which they operate. This, we believe, will result in the greatest consumer choice in both providers and products, while maintaining fairness to all parties as well as a healthy competitive market.

In contrast, setting specific values, floors or caps adversely impacts 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 future system, where insurers would be able to include their best estimates of future costs based on their own assumptions, judged by the AIRB on their own merit and the basis of reasonableness, considering prediction uncertainty.

[1]Consumers in Alberta 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 only 0.1% of individually-rated private passenger vehicles were insured for the required minimum third party liability limit, according to 2021 data found in GISA industry data (the AUTO7501). Further, 72% purchased protection for their vehicle against collision/upset, and 84% 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.

FA would also like to acknowledge our appreciation and support for the new filing guidelines which permits the 'file and use filing' for and a 'non-actuarial prior approval (Full) filing,' where the insurer has submitted a filing with rate indications for each coverage within the last three years[2].

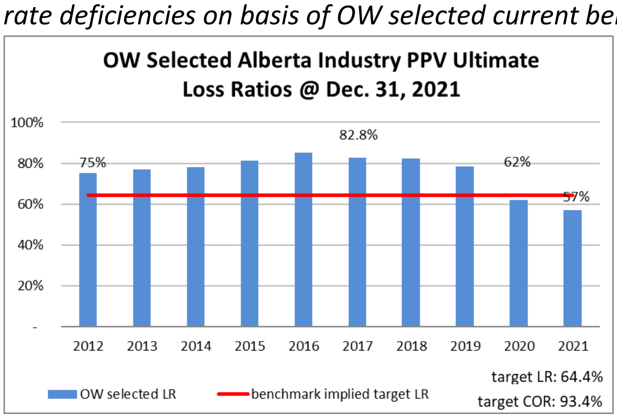
We would respectfully request the AIRB consider expanding the areas where it permits flexibility for companies when selecting assumptions supporting their rate applications, including:

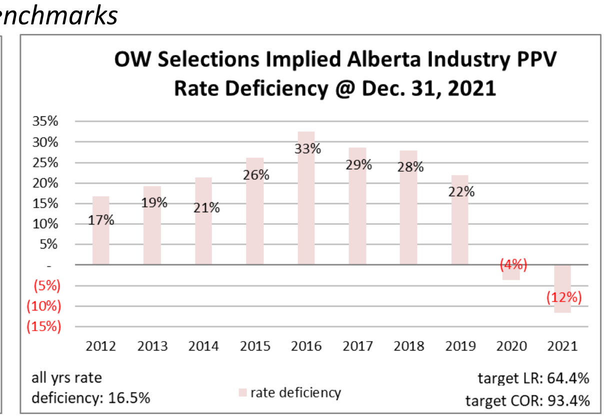
- Impact of COVID-19 and Bill 41 reforms in 2020, including introduction of DCPD;
- Selection of industry ultimate claim counts and amounts supporting their analyses (including trend analyses);
- Selection of trend models (including the underlying methodology and approach) and associated estimates of trends or other changes to claims metrics;
- Large loss loadings and methodologies;
- Operational expenses; and
- Profit provisions (in terms of both the metric to use, and the level to target).

In considering these areas of potential flexibility, it is important to recognize the extent of the current estimated rate deficiency in the province. Based on our interpretation, the proposed benchmark assumptions would indicate a target indemnity and claims expense ratios of approximately 64% for both PPV and CV. The charts below summarize the estimated rate deficiencies for PPV and CV, 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 preliminary 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).

*Industry Alberta **PPV** @ December 31, 2021 - OW selected indemnity, ALAE, ULAE LRs and implied rate deficiencies on basis of OW selected current benchmarks*

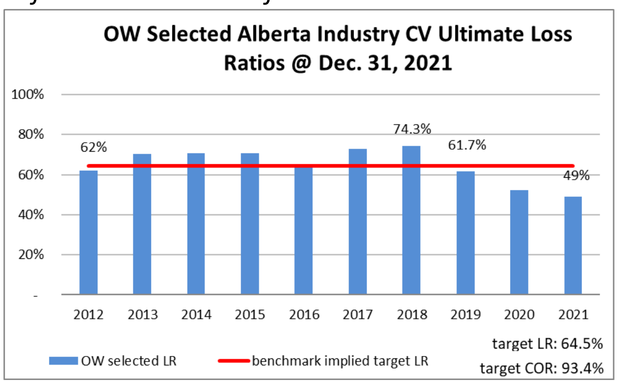


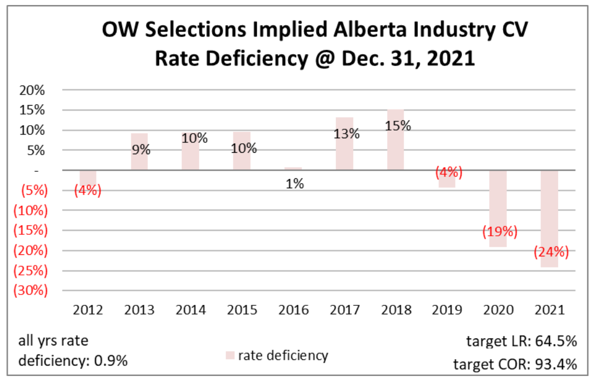


[2] AIRB bulletin 03-2022 dated June 29, 2022.

For PPV, if we exclude 2020 and 2021, the deficiencies range from 17% (2012) to 33% (2016), with a weighted average rate deficiency of 24.7% or **greater than $6.2 billion in PPV premium shortfall over that 8-year period**. If we were to include 2020 and 2021, the weighted average rate deficiency would decrease to 16.5% or **greater than $5.5 billion in PPV premium shortfall over that 10-year period.** Thus even with the full impact of the reduced claims from the pandemic on costs, there remains a significant shortfall in the industry's profitability.

*Industry Alberta **CV** @ December 31, 2021 - OW selected indemnity, ALAE, ULAE LRs and implied rate deficiencies on basis of OW selected current benchmarks*





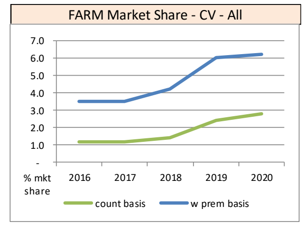
The Alberta industry CV average premium deficiency over the decade is not as significant (0.9%). However, since 2016, the industry CV written exposure has been decreasing steadily, while the FARM CV market share has been steadily increasing. Indeed, FARM market share has more than doubled in this time frame, increasing from 1.2% in 2016 to 2.8% in 2020 (2021 industry AIX data is not available at this time). The FARM CV written exposure has continued to increase in 2021 to 9,072 exposures. With the continued increase of the FARM CV written exposure and FARM CV market share, we are concerned for future availability in Alberta for commercial vehicles.

While we appreciate that the Board intends to review commercial benchmarks separately, the PPV and CV markets exist in close proximity, and the health of one will impact the overall health of the other. Thus for its own sake, as well as its influence on the automobile insurance market overall, we would recommend the Board consider the growth in FA's market share, and the pressure on FA's CV loss ratio into consideration when reviewing the CV benchmark loss cost trends.

The chart below shows the Alberta CV FARM market share since 2016. Please note that the 2021 industry data is not available at the time of this submission.

Written Premium is in $000s		FARM - CV - All			Industry - CV - All			FARM Market Share / AWP	
Commercial Vehicles	Year	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)
CV	2016	5,031	18,756	3,728	410,021	533,544	1,301	1.2	3.5
CV	2017	4,880	19,411	3,978	392,178	547,392	1,396	1.2	3.5
CV	2018	5,547	24,569	4,429	383,008	584,381	1,526	1.4	4.2
CV	2019	7,898	37,921	4,802	331,544	631,827	1,906	2.4	6.0
CV	2020	8,335	42,186	5,061	299,688	680,988	2,272	2.8	6.2
	Total	31,691	142,843	4,507	1,816,439	2,978,133	1,640	1.7	4.8

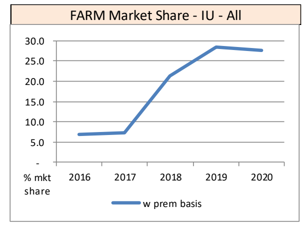
FARM Market Share - CV - All



CV trend also applies to Interurban, and thus we also need to consider the significant increase of FARM IU written exposure and FARM IU market share since 2016. Please note that market is based on written premium because interurban exposure is not available for the industry from the AIX data).

Written Premium is in $000s		FARM - IU - All			Industry - IU - All			FARM Market Share / AWP	
Interurban	Year	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)
IU	2016	992	7,150	7,209	-	104,116	n/a	-	6.9
IU	2017	1,188	8,809	7,415	-	121,627	n/a	-	7.2
IU	2018	3,317	33,440	10,083	-	157,260	n/a	-	21.3
IU	2019	4,933	54,456	11,038	-	191,712	n/a	-	28.4
IU	2020	5,438	50,389	9,267	-	182,741	n/a	-	27.6
	Total	15,868	154,244	9,721	-	757,456	n/a	-	20.4

FARM Market Share - IU - All



ALBERTA GRID

As has been mentioned in our previous discussions with AIRB, we are concerned with the **significant** growth of the grid-capped portion of the market, as well as with the correlated significant growth in the Grid Risk Sharing Pool ("Grid RSP"). The AIRB's reduction of the Grid base premiums by 11.4%, reflecting the estimated impact of reforms implemented by the Government in 2020, was not mirrored by the industry in its expectations of impact to that portion of the market. This has resulted in a much larger number of risks being subject to the grid cap. Beginning in January 2022, we noted growth in the Grid RSP. Our review of industry wide data shows that by July of 2022, the percentage of vehicles subject to the Grid cap has been growing at an unprecedented pace and has reached an historical high of 9.20%. The market share of the Grid RSP has been increasing and reached an historical high of 3.79% in July 2022. The Non-Grid RSP is decreasing, but at a significantly slower pace. The net result is that the RSPs total market share is increasing at a steady pace.

Rolling 12 month BI/TPL Written Vehicles
(simulating an annual vehicle count up to the displayed entry month)

	AB			RSP Grid		RSP Non-Grid		RSP Total	
Entry Date	Grid Capped	Total PPxF	% of Grid	Rolling 12 MTH	Market Share	Rolling 12 MTH	Market Share	Rolling 12 MTH	Market Share
2019-11	193,645	2,801,423	6.91%	78,488	2.80%	70,961	2.53%	149,449	5.33%
2019-12	196,436	2,803,002	7.01%	79,436	2.83%	72,420	2.58%	151,857	5.42%
2020-01	201,502	2,803,200	7.19%	80,752	2.88%	73,119	2.61%	153,870	5.49%
2020-02	204,537	2,801,894	7.30%	80,169	2.86%	72,744	2.60%	152,913	5.46%
2020-03	206,674	2,803,900	7.37%	80,120	2.86%	72,187	2.57%	152,307	5.43%
2020-04	207,188	2,794,954	7.41%	80,379	2.88%	72,864	2.61%	153,243	5.48%
2020-05	204,090	2,770,134	7.37%	78,220	2.82%	74,259	2.68%	152,479	5.50%
2020-06	203,634	2,765,708	7.36%	76,357	2.76%	74,561	2.70%	150,918	5.46%
2020-07	204,726	2,778,687	7.37%	74,849	2.69%	74,275	2.67%	149,124	5.37%
2020-08	202,188	2,737,613	7.39%	74,340	2.72%	73,054	2.67%	147,395	5.38%
2020-09	200,853	2,739,129	7.33%	73,872	2.70%	72,574	2.65%	146,446	5.35%
2020-10	201,813	2,792,453	7.23%	72,397	2.59%	72,114	2.58%	144,511	5.18%
2020-11	201,685	2,788,319	7.23%	70,463	2.53%	71,506	2.56%	141,970	5.09%
2020-12	200,684	2,785,420	7.20%	68,432	2.46%	70,419	2.53%	138,851	4.98%
2021-01	197,423	2,786,002	7.09%	66,575	2.39%	69,345	2.49%	135,920	4.88%
2021-02	197,360	2,784,578	7.09%	66,605	2.39%	68,499	2.46%	135,104	4.85%
2021-03	197,459	2,785,123	7.09%	66,694	2.39%	68,188	2.45%	134,882	4.84%
2021-04	198,526	2,798,810	7.09%	66,679	2.38%	66,927	2.39%	133,606	4.77%
2021-05	201,034	2,816,226	7.14%	68,003	2.41%	66,968	2.38%	134,971	4.79%
2021-06	200,454	2,814,407	7.12%	69,542	2.47%	68,192	2.42%	137,733	4.89%
2021-07	200,039	2,814,358	7.11%	71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-08	199,704	2,860,317	6.98%	72,845	2.55%	75,608	2.64%	148,454	5.19%
2021-09	198,631	2,864,182	6.93%	73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-10	195,377	2,814,362	6.94%	74,244	2.64%	80,691	2.87%	154,935	5.51%
2021-11	193,114	2,816,343	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-12	193,569	2,819,837	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2022-01	194,421	2,821,881	6.89%	76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-02	202,647	2,821,112	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-03	211,677	2,823,273	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-04	223,444	2,823,084	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-05	235,923	2,823,247	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-06	249,631	2,829,821	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-07	258,727	2,811,673	**9.20%**	106,497	**3.79%**	82,038	2.92%	188,535	**6.71%**
Min 2018-2022			5.65%		2.27%		2.38%		4.77%
Max 2018-2022			**9.20%**		**3.79%**		3.01%		**6.71%**

The share of the total market now subject to the Grid cap is the highest it has been since the very early and tumultuous days of the Grid. Initially, we had ascribed some of this issue to the result of the transition in the market to DCPD pricing, and looked for it to be resolved as companies adjusted their pricing models. However, the persistence of the issue is concerning, especially as it is also accompanied by the significant growth in the size of the Grid RSP.

The adjustment made to the Grid cap was, we understand, based on the estimated benefit of the product reform, which was assumed to benefit loss costs for Grid capped risks at least as significantly as the industry in total. However, the continued growth of the Grid RSP points to an industry view that the product reform benefits are either not as great as the adjustment calculated, or do not apply equally to grid-capped risks. While every company approaches the RSPs differently, and one must take care in ascribing an overall industry view based on the average numbers, such a large increase in the Grid RSPs across multiple companies as we are experiencing is indicative of industry concern.

If the premium difference between the Grid base premium and the industry is not addressed, then we expect that the grid-capped market and consequently the Grid RSP will continue to increase. Based on the latest input from members, we are expecting the number of vehicles ceded to the Grid RSP to grow by almost 75% and the total RSPs by more than 40% in 2022.

While there is no preset optimal market share for residual risks, nor a threshold at which we can categorically say the residual market is too high, the growth to such a large extent in the RSP portion of the market is especially concerning. Growth in the FARM is of concern to the public, and to the industry, but FARM market share growth is at least balanced by the design of the mechanism to be cost neutral. The danger of a large market share in RSP is that the mechanism is designed to be subsidized. With over 9% of the industry grid capped, there is a very real possibility that the RSP's could approach 10%. At such a level, the cost of the RSPs to the industry becomes, in our view, an important strategic consideration for insurers because such market conditions works against the spirit of a healthy and competitive insurance market.

SPECIFIC COMMENTS REGARDING THE ANNUAL REVIEW OF INDUSTRY EXPERIENCE

This document represents the Facility Association ("FA") written submission to the Alberta Automobile Insurance Rate Board ("AIRB") with respect to the Oliver Wyman reports entitled "*Annual Review of Industry Experience – Preliminary Report as of December 31, 2021 Private Passenger Vehicles*" dated June 9, 2022, and "*Annual Review of Industry Experience – Preliminary Report as of December 31, 2021 Commercial Vehicles*" dated June 9, 2022 ("OW Reports").

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

- Selection of ultimates and valuation methodologies;
- Use of indemnity + ALAE + ULAE vs use of indemnity alone;
- Reforms and COVID-19; and
- Selection of loss trend rates and inflation.

Summary of Selection

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 the Board 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 the Board 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 the Board should accept the filing insurer's view, even if it differs from the view of the Board'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 the Board.

We appreciate the opportunity to provide feedback, and we have focused our comments on the following areas:

1. Selection of ultimates and valuation methodologies;
2. Use of indemnity + ALAE + ULAE vs use of indemnity alone;
3. Reforms and COVID-19;
4. Selection of loss trend rates and inflation.

1. Selection of ultimates and valuation methodologies

For all coverages, the OW selection of ultimates (counts / amounts) is based on the selection of loss development factors (chain ladder method) using industry data through December 31, 2021.

We believe it is uncommon practice in Canada for a valuation actuary to rely on a single valuation **methodology in completing a valuation** as this introduces significant model risk (the risk that the model employed is not appropriate or has significant shortcomings for the experience being projected). To minimize model risk it is common to employ different models.

The selection of ultimates is a critical and foundational input of the loss trend analysis and this is acknowledged in the OW Reports when they mentioned that "*We note that the selection of development factors influences the selected loss trend rates*". We believe there are a number of factors contributing to the uncertainty in estimating Alberta Industry ultimates and that the "range of reasonable" valuation estimates is wide which subsequently leads to a wide range of reasonable trend estimates.

As the AIRB's vision is for fair and predictable rates, the accuracy of the predictions used for setting benchmarks should be assessed as part of the annual process.

2. 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 Alberta Industry PPV and CV trends on an indemnity basis only and as explained above, this could result in different selections than those made by OW.

3. Reforms and COVID-19

We agree with the OW Report that "*The industry data that this Annual Review report is based upon, as of December 31, 2021, does not include sufficient claims experience to update the expected cost impact of Bill 41. Due to the impact of COVID-19, we expect an additional time lag before the effect of the reforms can be accurately measured using industry claims experience*".

For FA's trend analysis using PPV and CV Industry Experience as of December 31, 2021, the AIRB published reform impact factors have been imposed in our loss trend models until there are sufficient post reform data to estimate the reform impacts.

However, we still decided to test both the reforms and the COVID-19 impacts. Our preliminary indication (with limited data) is that the impact of the reforms is not significant and most of the scalar changes happening in 2020 would be the result of COVID-19. We estimated the COVID-19 impact on the loss cost as a scalar coefficient at 2020-H1 with 4 data points (2020H1, 2020H2, 2021H1, and 2021H2), the table below summarizes the FA estimated COVID-19 scalar impacts by coverage:

COVID-19 Scalar Change / Coverage	BI	PD	AccBen	UM	CL	CM	SP	AP
PPV	(28.0%)	(36.0%)	-	-	(32.0%)	-	-	-
CV	-	(32.0%)	-	-	(28.0%)	-	-	(37.0%)

However, we know that the impact of COVID-19 is difficult to predict, as various factors could affect the future exposures and losses and there is still a lot of uncertainty around those. When will the pandemic end? Will the frequency be back to normal? Will the exposure be the same (e.g. km driven)? Will severity increase for physical damage coverage considering supply chain issues (e.g. electronic chips)?

This being said, similarly to other jurisdictions, the readers of the OW reports would gain by getting preliminary guidance on the COVID-19 impact from the authors.

4. Selection of Trends Rates and Inflation

Since we have completed our own trend analysis using PPV & CV Industry Experience as of December 31, 2021, we would like to provide the Board with a summary of our preliminary selections of the future trends and how they compared with the preliminary selections from the OW Reports. Please note that our areas of focus treated above can partially explain the differences between the two sets of selections.

Alberta Industry Trends as at December 31, 2021

	Alberta PPV Trends at 2021-12				Alberta CV Trends at 2021-12		
Coverage	FA selection future	OW selection future	difference between FA and OW	Coverage	FA selection future	OW selection future	difference between FA and OW
BI	**7.0%**	**5.0%**	**2.0%**	BI	**7.1%**	**6.0%**	**1.1%**
PD	**1.8%**	**1.5%**	**0.3%**	PD	**0.9%**	**-**	**0.9%**
AccBen (indivis)	**7.4%**	**12.0%**	**(4.6%)**	AccBen (indivis)	**3.2%**	**2.0%**	**1.2%**
UM	-	**2.0%**	**(2.0%)**	UM	-	**6.0%**	**(6.0%)**
CL	**2.7%**	**2.5%**	**0.2%**	CL	**0.3%**	**-**	**0.3%**
CM	**4.1%**	**3.5%**	**0.6%**	CM	**3.8%**	**3.5%**	**0.3%**
SP	**4.3%**	**3.0%**	**1.3%**	SP	**5.2%**	**3.5%**	**1.7%**
AP	**1.0%**	**2.5%**	**(1.5%)**	AP	**0.7%**	**1.0%**	**(0.3%)**

The **OW PPV & CV Reports selected trends** are generally **in line** with the loss cost trends estimated for indemnity as per **FA's own modeling of the Alberta industry experience** as at Dec. 31, 2021, neither consistently higher or lower by coverage (i.e. OW is higher for some coverages, lower for others).

We estimate that the OW future trend selections at the coverage level will translate to an overall loss cost future trend rate of 4.3% for private passenger vehicles and 3.3% for commercial vehicles, while the FA estimated overall loss cost future trend rate is 4.8% for private passenger vehicles and 3.6% for commercial vehicles. So, FA estimated overall future loss cost trends rates are aligned with the benchmarks.

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

> *"To recognize the expectation of higher than historical inflation we suggest that the insurers use the most recent CPI data for vehicle maintenance and repair costs to calculate an adjustment to the selected past severity trend for physical damage coverages as a basis for the future trend rate. [...] We recommend that at the time of the rate application preparation, the future loss cost trend rate be calculated as above so as to take into consideration the higher inflation than is implicit in the past loss cost trend rate."*

> *"The recent rise in inflation, and uncertainty surrounding future inflation, adds uncertainty around selecting an appropriate future trend rate."*

Supply chain issues, rise in catalytic converter theft and significant increase in the prices of used cars are just other indicators of pressure points affecting our industry.

The projection of future rate needs is subject to **considerable uncertainty** and the AIRB should consider this when review individual rate filings.

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