

MANITOBA PUBLIC INSURANCE
2020 GENERAL RATE APPLICATION
Round 1 Information Requests
August 12, 2019

Coalition of Manitoba Motorcycles Groups



**MANITOBA
PUBLIC INSURANCE**

CMMG (MPI) 1-1

Part and Chapter:		Page No.:	
PUB Approved Issue No:	1) Required vehicle rate 2) Rate indication		
Topic:			
Sub Topic:	Claims Costs/Loss Experience		

Preamble to IR:

Motorcyclists are being asked to pay 3.9% despite declining accident frequency based solely on lowered interest rates.

Question:

Please indicate the amount of decrease (on a dollar and percentage basis) for the forecast motorcycle comprehensive claims costs for the application year and also provide the actual comprehensive claims costs for the last year for comparison.

Rationale for Question:**RESPONSE:**

Comprehensive coverage is not available for motorcycles under MPI's Basic compulsory insurance. Therefore, this response assumes that the question seeks information pertaining to *collision* claims costs.

Per Part V(ii) Ratemaking RM.4.3, page 38, the collision pure premium for motorcycles for the 2020/21 rating year is \$71.12. The forecasted motorcycle units for the 2020/21 rating year is 18,200. Therefore, the forecasted collision claims costs for motorcycles for the 2020/21 rating year is \$1.29 million. By comparison, the

corresponding number for the 2019/20 rating year, per the 2019 GRA, is \$1.54 million, which is \$0.25 million (or 16%) less than the 2020 GRA.

While the forecasted collision claims costs decreased (from \$1.54 million to \$1.29 million), forecasted overall claims costs for motorcycles increased by \$0.89 million. This increase is driven by two factors. First, the interest rate used for discounting cash flows decreased from 3.40% to 3.05%, resulting in a \$0.24 million increase. Please see CMMG (MPI) 1-2 for a further discussion of interest rate impacts. Second, excluding the interest rate impact, the forecasted PIPP claims costs increased by \$0.91 million. This increase in forecasted overall claims costs is the primary reason for the 3.9% required rate increase for motorcycles.

In order to properly compare 2020/21 projected claims costs to 2018/19 actual claims costs the effect of PUB Order 156/06 must be 'undone'. The above figures reflect the collision claims costs as allocated in accordance with PUB Order 156/06 and, per Part V(ii) Ratemaking RM.4.3, page 37, include a 24.5% reduction. If this reduction were excluded, these costs would increase to \$1.71 million for the 2020/21 rating year. As per Part V(ii) Ratemaking Appendix 9 Table 9, page 64, excluding the PUB-ordered reduction from collision claims costs for motorcycles for the 2018/19 rating year increases that figure to \$1.46 million (i.e. \$1.31 million * 1.1079).

CMMG (MPI) 1-2

Part and Chapter:		Page No.:	
PUB Approved Issue No:	1) Required vehicle rate 2) Rate indication		
Topic:			
Sub Topic:	Claims Costs/Rate Increase		

Preamble to IR:

Question:

Please indicate the proportion of the 3.9% increase that is attributable to the interest rate forecast. Please also provide alternate forecasts based upon interest rate increases of .5% and 1%. What increase in interest rates would have to occur to have a zero percent increase for motorcyclists.

Rationale for Question:

RESPONSE:

Please see the Figure 1 which summarizes the required rate changes for the private passengers and motorcycles major classes based on different interest rate scenarios. The figures are based on *Figure RM-12* filed in *Part V(ii) Ratemaking RM.4.3, page 41*.

Figure 1 Major Class Required Rate Change

Line No.	Interest Rate Scenario	Interest Rate	Rate Change	
			Private Passengers	Motorcycles
1	2019 GRA (based on PUB Approved Rates)	3.40%	-0.9%	2.2%
2	2020 GRA	3.05%	-0.2%	4.0%
3	2020 GRA plus 50 basis points	3.55%	-1.2%	1.5%
4	2020 GRA plus 100 basis points	4.05%	-2.2%	-0.9%
5	0% rate change for Motorcycles	3.85%	-1.8%	0.0%

Based on Figure 1, 1.8% (=4.0% - 2.2%) of the motorcycle rate increase is attributable to the interest rate decrease. The interest rate would have to increase to 3.85% (from 3.05% per Part V(ii) Ratemaking RM.4.2.1, page 20) such that there will be no rate change for the motorcycles major class.

Please see also PUB (MPI) 1-12 which presents an updated Figure RM-12 based on a more recent interest rate.

CMMG (MPI) 1-3

Part and Chapter:		Page No.:	
PUB Approved Issue No:	1) Required vehicle rate 2) Rate indication		
Topic:			
Sub Topic:	Rate Increase		

Preamble to IR:

Consumers should be rewarded if their accident involvement is declining, but in this application, motorcyclists are being penalized for economic conditions beyond their control which single them out for substantial increases.

Question:

What initiatives could the Corporation propose to ameliorate the inequitable situation expressed in the preamble. Please respond with consideration of alternate investment strategies to produce more investment income for this major use or a pooling of the interest rate risk to spread the cost over all consumers. Please quantify what amount and percentage increase in premiums this last suggested initiative would cost other rate payors.

Rationale for Question:

RESPONSE:

A low interest rate environment negatively impacts all MPI ratepayers through higher premiums.

Since insurance premiums (i.e. Basic rates) are determined prospectively using the new money yield on investments, MPI cannot hedge the impact of interest rates for

ratemaking purposes as it can through its Asset and Liability Management program. Further, investments that “produce more investment income” are generally riskier and potentially more volatile, which could significantly affect rate stability.

MPI does not treat motorcycles differently in the ratemaking calculation (from a discounting perspective). Motorcycles are disproportionately impacted by low interest rates because Personal Injury Protection Plan (PIPP) benefits make up the majority of their premiums.

Conversely, when interest rates are higher, motorcycle premiums receive a benefit (from a discounting perspective) that is disproportionately higher than the benefit received by the other major classes. This phenomenon was especially pronounced in prior GRAs that utilized the standard interest rate forecast (SIRF). Motorcyclists will not receive the disproportionate benefit when interest rates rise in the future if MPI hedged their impact on ratemaking today.

CMMG (MPI) 1-4

Part and Chapter:		Page No.:	
PUB Approved Issue No:	1) Required vehicle rate 2) Rate Indication		
Sub Topic:	Rate Increase		

Preamble to IR:**Question:**

Please advise how much premium revenue is raised by a 3.9% increase in motorcycle premiums.

Rationale for Question:**RESPONSE:**

Per *Part V(ii) Ratemaking RM.6 Figure RM-17, page 55*, the additional premium revenue resulting from a 3.9% increase is \$556,172.

CMMG (MPI) 1-5

Part and Chapter:	Part V (ii) Rate Making	Page No.:	41 (figure RM-12)
PUB Approved Issue No:	1) Required vehicle rate 2) Rate indication		
Topic:			
Sub Topic:	Required Rate Changes		

Preamble to IR:**Question:**

Please explain why the full credibility required change is 3%, but after creditability increases to 3.9%.

Rationale for Question:**RESPONSE:**

The question seems to assume that the full credibility required change (3.0%) is the basis for determining the credibility weighted change (3.9%). However, the basis for the full credibility required change is actually the applied for change (5.2%). The reason for this is provided in *Part V Ratemaking RM.4.2.6, page 31*, which states:

"MPI is retaining the 2.06% for rating year 2020/21 in light of its new Capital Management Plan."

The calculation linking the credibility required change to the applied for change is as follows:

$$(1+3.03\%) \times (1+2.06\%) = (1+ 5.15\%)$$

$$1.0303 \times 1.0206 = 1.0515$$

CMMG (MPI) 1-6

Part and Chapter:	Part 1 – Overview OV.4	Page No.:	8
PUB Approved Issue No:	Investments #8		
Topic:	Asset Mix		
Sub Topic:			

Preamble to IR (If Any):

MPI states at the above reference “simply stated, in previous years, MPI purchased a number of large investments in equities. These were good investments that grew in value by 100 million.”

Question:

Given this superlative result, should the Corporation not re-evaluate equities as a necessary part of its asset mix of its portfolio? Might the use of equities address the interest rate expense that is resulting in the inequitable premium increase for motorcyclists as in CMMP-MPI 1-3.

Rationale for Question:**RESPONSE:**

MPI’s investment objectives and desired risk profile for each line of business are presented in its Investment Policy Statement (“IPS”). The IPS articulates, among other things, the Board of Directors investment objectives and desired risk profile of each portfolio, which in turn determines what securities can appropriately be included in each portfolio. For the Basic Claims portfolio the stated objective is:

*“...to back policyholder claims and **ensure funds are available as liabilities come due** and to **minimize interest rate risk through duration matching**. The funds are **intended to pursue modest incremental returns while maintaining risk management as a top priority.**” [Emphasis added]*

Equity investments do not possess the required characteristics, as per the above excerpt from MPI’s IPS (section 5.5.1), to be included in the Basic Claims portfolio.

In addition, MPI’s Investment Committee (“IC”) takes a conservative asset management approach, seeking to protect the portfolio from loss of principal and mitigate interest rate risk. Equity investments do not protect the portfolio from loss of principal or mitigate interest rate risk. Therefore, for the Basic Claims portfolio there is currently no allocation to equity investments. Holding equity investments in the Basic Claims portfolio would contravene MPI’s IPS and the clear direction from its Board of Directors.

CMMG (MPI) 1-7

Part and Chapter:	Part I	Page No.:	7 of 11
PUB Approved Issue No:	18 - CMP		
Topic:	Reserves		
Sub Topic:	Extension Reserves		

Preamble to IR (If Any):**Question:**

Please expand on the statement “for the past number of years, the Extension Reserves have consistently been in excess of 200% MCT” by providing the amounts and percentages for the past ten years.

Rationale for Question:**RESPONSE:**

Please see Figure 1 below. While MPI has not tracked Minimum Capital Test (MCT) ratios for its Extension line of business, one can infer that MCT ratio for Extension has exceeded 200% based on the following reasons:

- i. The total equity balance of 94.7 million in 18/19A produced an MCT score of 317%.
- ii. Prior years’ Total Equity balances have largely exceeded \$94.7 million, and have also exceeded today’s 200% MCT target of \$78.9 million (See Part V(i) Pro Formas EPF-3).

- iii. Today's Extension line of business carries at least as much risk as prior years, given that the line of business is larger, and has a higher allocation to equities than in prior years.

Figure 1 Multi-year - Statement of Changes in Equity

Line No.		For the Years Ended February,									
		2010A	2011A	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A
1	(C\$ 000s, rounding may affect totals)										
2	EXTENSION	2009/10A	2010/11A	2011/12A	2012/13A	2013/14A	2014/15A	2015/16A	2016/17A	2017/18A	2018/19A
3	Total Equity										
4	Retained Earnings		125,030								
5	Beginning Balance	116,392	125,030	124,495	118,550	144,741	162,582	130,216	84,708	94,871	102,493
6	Net Income (Loss) from annual operations	27,533	25,199	21,836	28,724	31,125	43,134	26,644	37,988	44,922	56,721
7	Transfer (to) / from Basic Retained Earnings	-	-	-	-	-	(75,500)	(72,729)	(27,825)	(37,300)	(60,000)
8	Transfer (to) / from Other LOB's & Funds	(18,895)	(25,734)	(27,781)	(2,533)	(13,284)	-	577	-	-	-
9	Total Retained Earnings	125,030	124,495	118,550	144,741	162,582	130,216	84,708	94,871	102,493	99,214
		18,895	27,677	27,533							
10	Total Accumulated Other Comprehensive Income										
11	Beginning Balance	(10,096)	3,509	6,557	3,346	6,305	4,012	3,115	1,721	4,209	1,097
12	Other Comprehensive Income (Loss)	13,605	3,048	(3,211)	2,959	(2,293)	(897)	(1,394)	2,488	(3,112)	(6,232)
13	Total Accumulated Other Comprehensive Income	3,509	6,557	3,346	6,305	4,012	3,115	1,721	4,209	1,097	(4,511)
14	Total Equity Balance	128,539	131,052	121,896	151,046	166,594	133,331	86,429	99,080	103,590	94,703
15	MCT Ratio (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	317%
16	Capital Target	35,000	35,000	35,000	35,000	72,000	72,000	71,000	67,000	64,000	

CMMG (MPI) 1-8

Part and Chapter:	Part III	Page No.:	18 or 27
PUB Approved Issue No:	1		
Topic:	Motorcycle Product Review		
Sub Topic:			

Preamble to IR (If Any):**Question:**

When does MPI estimate the motorcycle product review shall be completed and the results made available.

Rationale for Question:**RESPONSE:**

The motorcycle product review is estimated to be completed by the end of the 2019/20 fiscal year. The CMMG has been consulted and will continue to be consulted during the product review process. Results from the review will be provided in the 2021/2022 General Rate Application.

CMMG (MPI) 1-9

Part and Chapter:		Page No.:	
PUB Approved Issue No:	4		
Topic:	Financial forecast		
Sub Topic:			

Preamble to IR:**Question:**

Please update CMMG (MPI) 1-9 from last year's GRA showing the comparison of projected v. actual losses for the last period available.

Rationale for Question:**RESPONSE:**

Confirmation was received from counsel for CMMG that the referenced IR for updating should be 2019 GRA CMMG (MPI) 1-4. This information request has been answered on that basis.

Please see Figure 1 below.

Figure 1 Comparison of Projected vs Actual for Motorcycle Major Class

Line No.	Loss Ins Year	Projected Losses [a]		Projected Total Premium [b]	Actual Losses		Actual Total Premium [e]	Actual Loss Ratio	
		Excluding "Pool" Loss	Including "Pool" Loss		Excluding "Pool" Loss [c]	Including "Pool" Loss [d]		Excluding "Pool" Loss	Including "Pool" Loss
1	2007	10,390,631	10,952,927	9,343,600	8,358,641	9,061,603	9,474,661	88.22%	95.64%
2	2008	12,106,150	12,761,721	10,994,400	9,716,789	10,533,971	10,686,013	90.93%	98.58%
3	2009	12,050,545	12,775,440	12,238,200	6,583,620	7,137,303	11,474,147	57.38%	62.20%
4	2010	12,072,057	12,825,747	13,576,300	14,414,984	15,627,285	12,156,455	118.58%	128.55%
5	2011	12,245,914	13,018,014	13,131,800	5,977,658	6,480,379	12,817,434	46.64%	50.56%
6	2012	9,347,361	10,054,858	11,687,400	6,774,688	7,344,439	12,986,962	52.17%	56.55%
7	2013	9,991,774	10,729,886	12,523,900	10,476,320	11,357,379	12,851,434	81.52%	88.37%
8	2014	9,209,789	9,859,082	12,594,800	6,805,221	7,377,540	12,845,431	52.98%	57.43%
9	2015	9,031,739	9,734,074	12,210,000	10,178,880	11,034,924	12,810,342	79.46%	86.14%
10	2016	8,226,228	8,815,160	11,673,200	11,919,250	12,921,659	12,748,322	93.50%	101.36%
11	2017	9,129,732	9,890,060	12,538,800	11,239,977	12,185,259	12,865,906	87.36%	94.71%
12	2018	10,258,926	11,054,969	13,498,000	12,789,486	13,865,082	13,498,225	94.75%	102.72%
13	2019	10,663,989	11,525,919	14,326,400					
14	2020	11,451,366	12,414,409	15,324,400					
15	TOTAL	146,176,201	156,412,267	175,661,200	115,235,514	124,926,821	147,215,331	78.28%	84.86%

16 Notes:

17 "Pool" Loss as defined in Part V, Ratemaking, pages 33 & 34

18 [a] From the respective GRA; Pure Premium * Projected Units

19 [b] From the respective GRA; PUB Approved Average Rate * Projected Units; 2020 based on Applied for Average Rate * Projected Units

20 [c] Part V, Ratemaking, Appendix 9, Table 9; Pure Premium No Trend * Number of Units; Sum over all coverages

21 [d] Actual Losses Excluding "Pool" Loss * 1.0841; 1.0841 = 12,414,409 / 11,451,366

22 [e] Earned premium from the Corporation's Data Warehouse; does not account for premium rebates

CMMG (MPI) 1-10

Part and Chapter:		Page No.:	
PUB Approved Issue No:	2		
Topic:			
Sub Topic:	Loss distributions		

Preamble to IR:**Question:**

Please update last year's CMMG 1-5 with respect to loss data by head of coverage.

Rationale for Question:**RESPONSE:**

Please refer to the *Appendix 1*.

Ran on Jul 17, 2019

**Motorcycle Claims Loss Data
By Insurance Year
All Physical Damage and Injuries, All Heads of Coverage**

Collision - Incurred

Ranges	2018		2017		2016		2015		2014	
	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount
< 0	1	(0)	3	(1,167)	2	(490)	3	(556)	1	(10)
0	56	-	25	-	28	-	18	-	25	-
0.01 to 25000	215	1,121,807	303	1,443,658	332	1,594,221	285	1,348,080	265	1,137,756
25001 to 50000	6	182,609	2	70,954			1	25,388		
50001 to 75000									1	50,385
Grand Total	278	1,304,416	333	1,513,445	362	1,593,731	307	1,372,912	292	1,188,131

Collision - Paid

Ranges	2018		2017		2016		2015		2014	
	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount
< 0	1	(0)	3	(1,167)	2	(490)	3	(556)	1	(10)
0	67	-	26	-	28	-	18	-	25	-
0.01 to 25000	205	1,023,624	302	1,442,458	332	1,594,221	285	1,348,080	265	1,137,756
25001 to 50000	5	153,235	2	70,954			1	25,388		
50001 to 75000									1	50,385
Grand Total	278	1,176,859	333	1,512,245	362	1,593,731	307	1,372,912	292	1,188,131

Ran on Jul 17, 2019

**Motorcycle Claims Loss Data
By Insurance Year
All Physical Damage and Injuries, All Heads of Coverage**

Public Liability - Incurred

Ranges	2018		2017		2016		2015		2014	
	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount
0			1	-					1	-
0.01 to 25000					1	587				
Grand Total	0	-	1	-	1	587	0	-	1	-

Public Liability - Paid

Ranges	2018		2017		2016		2015		2014	
	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount
0			1	-					1	-
0.01 to 25000					1	587				
Grand Total	0	-	1	-	1	587	0	-	1	-

Ran on Jul 17, 2019

**Motorcycle Claims Loss Data
By Insurance Year
All Physical Damage and Injuries, All Heads of Coverage**

Property Damage - Incurred

Ranges	2018		2017		2016		2015		2014	
	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount
0	15	-	18	-	15	-	18	-	14	-
0.01 to 25000	32	28,811	38	57,100	39	53,768	44	88,187	24	19,275
Grand Total	47	28,811	56	57,100	54	53,768	62	88,187	38	19,275

Property Damage - Paid

Ranges	2018		2017		2016		2015		2014	
	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount
0	19	-	18	-	15	-	18	-	14	-
0.01 to 25000	28	25,786	38	57,100	39	53,768	44	88,187	24	19,275
Grand Total	47	25,786	56	57,100	54	53,768	62	88,187	38	19,275

Ran on Jul 17, 2019

**Motorcycle Claims Loss Data
By Insurance Year
All Physical Damage and Injuries, All Heads of Coverage**

Accident Benefits - Incurred Ranges	2018		2017		2016		2015		2014	
	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount
< 0					3	(1,682)				
0	21	-	36	-	31	-	27	-	31	-
0.01 to 25000	86	784,354	95	874,103	104	902,822	103	791,355	100	663,716
25001 to 50000	26	896,169	35	1,271,895	39	1,389,555	23	777,209	15	554,758
50001 to 75000	17	1,030,852	10	630,393	16	960,148	10	603,589	13	763,161
75001 to 100000	2	176,895	4	379,521	6	549,702	4	331,632	3	252,943
100001 to 125000	5	540,364	3	325,809	4	444,758	10	1,145,708	4	459,482
125001 to 150000	1	142,750	2	271,260	2	284,392			4	562,170
150001 to 175000	3	500,859	2	346,133	3	476,862			1	174,236
175001 to 200000			1	183,296			1	197,003		
200001 to 225000	2	423,007	3	652,886			1	201,547	1	211,385
225001 to 250000			1	234,694	1	249,988	1	247,056		
250001 to 275000							1	257,831		
300001 to 325000			1	310,809	1	308,907				
325001 to 350000			2	680,579						
350001 to 375000	1	363,420	1	355,760			1	350,533	1	350,008
375001 to 400000							1	380,985	1	389,567
400001 to 425000									1	423,035
425001 to 450000							1	443,453		
450001 to 475000					1	452,932				
475001 to 500000	1	500,000			1	491,770				
525001 to 550000	2	1,063,995								
575001 to 600000					1	582,466			1	579,758
600001 to 625000					2	1,236,323	1	617,782		
650001 to 675000							1	654,771		
750001 to 775000					1	766,656				
825001 to 850000							1	834,031		
850001 to 875000							2	1,727,660		
875001 to 900000							1	880,000		
1000001 to 1025000									1	1,001,249
1175001 to 1200000							1	1,175,921		
1200001 to 1225000					1	1,214,473				
1250001 to 1275000					1	1,251,016				
2375001 to 2400000			1	2,389,844						
Grand Total	167	6,422,665	197	8,906,982	218	11,561,090	191	11,618,067	177	6,385,469

Ran on Jul 17, 2019

**Motorcycle Claims Loss Data
By Insurance Year
All Physical Damage and Injuries, All Heads of Coverage**

Accident Benefits - Paid Ranges	2018		2017		2016		2015		2014	
	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount
0	25	-	39	-	37	-	27	-	31	-
0.01 to 25000	114	539,011	117	602,845	129	721,168	112	564,524	100	665,855
25001 to 50000	15	489,323	17	604,520	20	752,167	17	599,062	15	545,148
50001 to 75000	7	419,341	6	359,303	8	470,064	9	534,555	13	762,452
75001 to 100000	2	159,479	4	331,732	5	465,517	3	252,301	3	253,249
100001 to 125000	1	101,355	1	102,920	10	1,141,346	10	1,157,325	3	334,711
125001 to 150000			5	683,630	2	265,320	2	288,780	6	811,642
150001 to 175000			2	319,276	1	158,359	2	331,947	1	171,436
175001 to 200000			1	183,296	1	180,796	3	546,438	1	187,400
200001 to 225000	1	208,089							2	426,945
225001 to 250000			1	245,734	2	486,797	2	486,658		
250001 to 275000					1	268,978	1	273,604	2	534,503
275001 to 300000							1	289,230		
300001 to 325000			1	310,809			1	300,525		
325001 to 350000			2	682,710						
350001 to 375000	1	363,420								
375001 to 400000					1	398,349				
400001 to 425000	1	407,389	1	422,255						
475001 to 500000					1	491,770				
500001 to 525000							1	521,400		
Grand Total	167	2,687,407	197	4,849,032	218	5,800,629	191	6,146,348	177	4,693,341

CMMG (MPI) 1-11

Part and Chapter:		Page No.:	
PUB Approved Issue No:	1		
Topic:			
Sub Topic:	Applied v. Approved Rates		

Preamble to IR:**Question:**

Please update CMMG 1-6 for last year.

Rationale for Question:**RESPONSE:**

Please see Figure 1 below.

Figure 1 History of Rates and Rate Changes for Motorcycle Major Class

Line No.	Loss Ins Year	Actual Loss Ratio [a]	Approved Avg Rate	Approved Avg Rate Change	Sought for Avg Rate Change
1	2005	92.85%	942	13.86%	15.01%
2	2006	173.03%	952	5.00%	12.70%
3	2007	95.64%	994	5.00%	8.36%
4	2008	98.58%	1,018	9.16%	9.16%
5	2009	62.20%	1,046	7.21%	7.21%
6	2010	128.55%	1,069	5.67%	5.67%
7	2011	50.56%	1,034	-2.50%	1.62%
8	2012	56.55%	906	-10.79%	-10.33%
9	2013	88.37%	901	-0.22%	-0.22%
10	2014	57.43%	851	-6.07%	-6.02%
11	2015	86.14%	814	-5.79%	-6.55%
12	2016	101.36%	758	-7.63%	-7.63%
13	2017 [b]	94.71%	774	2.25%	-1.65%
14	2018	102.72%	794	2.48%	2.70%
15	2019		814	2.14%	3.06%
16	2020 [c]		842		3.90%

17 Notes:

18 [a] Per CMMG (MPI) 1-4

19 [b] Based on the initial 2017 GRA filing on Jun 17, 2016; MPI did not rerun the rate
20 model based on the revised filing per PUB (MPI) 2-25

21 [c] Based on proposed average rate per Part V, Ratemaking, Page 54

CMMG (MPI) 1-12

Part and Chapter:		Page No.:	
PUB Approved Issue No:	2		
Topic:			
Sub Topic:	Loss Ratios/Claims Frequency		

Preamble to IR:**Question:**

Please update CMMG 1-7 for last year.

Rationale for Question:**RESPONSE:**

Please see Figure 1 and Figure 2 below which compare the loss experience as of February 28, 2019 for the Motorcycle major class and the Private Passenger major class. The comparison is done separately for Collision and PIPP.

**Figure 1 Loss Comparison Between Motorcycle and Private Passenger Major Classes
- Collision**

Line No.	Loss Yr	Units	Premium	Count	Incurred	Frequency	Severity	Loss Ratio
1	Motorcycle							
2	2007	10,742	9,474,661	314	1,201,867	2.92%	3,828	12.69%
3	2008	11,688	10,686,013	344	1,335,127	2.94%	3,881	12.49%
4	2009	11,758	11,474,147	326	1,234,356	2.77%	3,786	10.76%
5	2010	11,860	12,156,455	313	1,390,370	2.64%	4,442	11.44%
6	2011	12,542	12,817,434	322	1,159,216	2.57%	3,600	9.04%
7	2012	13,559	12,986,962	320	1,092,818	2.36%	3,415	8.41%
8	2013	13,927	12,851,434	287	1,155,979	2.06%	4,028	8.99%
9	2014	14,285	12,845,431	282	1,198,223	1.97%	4,249	9.33%
10	2015	15,088	12,810,342	307	1,385,226	2.03%	4,512	10.81%
11	2016	16,103	12,748,322	351	1,595,858	2.18%	4,547	12.52%
12	2017	16,758	12,865,906	320	1,500,007	1.91%	4,688	11.66%
13	2018	17,315	13,498,225	234	1,314,710	1.35%	5,618	9.74%
14	Private Passenger							
15	2007	673,707	592,904,534	92,598	216,088,552	13.74%	2,334	36.45%
16	2008	689,022	620,602,184	94,677	224,393,123	13.74%	2,370	36.16%
17	2009	700,521	648,298,934	92,278	226,026,088	13.17%	2,449	34.86%
18	2010	711,929	671,010,213	101,724	253,158,637	14.29%	2,489	37.73%
19	2011	726,645	690,284,214	96,717	254,709,813	13.31%	2,634	36.90%
20	2012	744,066	680,305,745	105,662	290,201,980	14.20%	2,747	42.66%
21	2013	754,058	682,187,895	111,990	326,781,979	14.85%	2,918	47.90%
22	2014	763,887	713,763,727	97,276	297,123,993	12.73%	3,054	41.63%
23	2015	775,395	763,568,847	97,067	329,316,298	12.52%	3,393	43.13%
24	2016	787,943	802,758,074	102,361	359,600,108	12.99%	3,513	44.80%
25	2017	798,642	849,010,549	100,856	375,341,806	12.63%	3,722	44.21%
26	2018	806,761	902,911,460	89,759	361,293,118	11.13%	4,025	40.01%

**Figure 2 Loss Comparison Between Motorcycle and Private Passenger Major Classes
- PIPP**

Line No.	Loss Yr	Units	Premium	Count	Incurred	Frequency	Severity	Loss Ratio
1	Motorcycle							
2	2007	10,742	9,474,661	161	9,658,861	1.50%	59,993	101.94%
3	2008	11,688	10,686,013	186	9,310,638	1.59%	50,057	87.13%
4	2009	11,758	11,474,147	165	6,718,675	1.40%	40,719	58.55%
5	2010	11,860	12,156,455	168	16,387,088	1.42%	97,542	134.80%
6	2011	12,542	12,817,434	166	8,940,988	1.32%	53,861	69.76%
7	2012	13,559	12,986,962	169	7,397,999	1.25%	43,775	56.96%
8	2013	13,927	12,851,434	154	11,716,696	1.11%	76,082	91.17%
9	2014	14,285	12,845,431	153	6,454,041	1.07%	42,183	50.24%
10	2015	15,088	12,810,342	177	12,225,205	1.17%	69,069	95.43%
11	2016	16,103	12,748,322	197	11,644,282	1.22%	59,108	91.34%
12	2017	16,758	12,865,906	166	9,180,519	0.99%	55,304	71.36%
13	2018	17,315	13,498,225	159	6,657,724	0.92%	41,872	49.32%
14	Private Passenger							
15	2007	673,707	592,904,534	10,944	135,410,165	1.62%	12,373	22.84%
16	2008	689,022	620,602,184	10,468	120,331,331	1.52%	11,495	19.39%
17	2009	700,521	648,298,934	10,273	108,922,019	1.47%	10,603	16.80%
18	2010	711,929	671,010,213	10,885	123,406,196	1.53%	11,337	18.39%
19	2011	726,645	690,284,214	10,272	123,518,752	1.41%	12,025	17.89%
20	2012	744,066	680,305,745	11,099	131,767,141	1.49%	11,872	19.37%
21	2013	754,058	682,187,895	11,501	103,172,513	1.53%	8,971	15.12%
22	2014	763,887	713,763,727	9,895	109,786,001	1.30%	11,095	15.38%
23	2015	775,395	763,568,847	10,865	138,801,469	1.40%	12,775	18.18%
24	2016	787,943	802,758,074	10,970	154,047,354	1.39%	14,043	19.19%
25	2017	798,642	849,010,549	11,101	102,949,100	1.39%	9,274	12.13%
26	2018	806,761	902,911,460	11,684	71,834,989	1.45%	6,148	7.96%

CMMG (MPI) 1-13

Part and Chapter:		Page No.:	
PUB Approved Issue No:	20		
Topic:			
Sub Topic:	Road Safety Budget		

Preamble to IR:**Question:**

Please answer the same question expressed in CMMG 1-8 with respect to the road safety budget for exclusively motorcycle initiatives for the application year.

Rationale for Question:**RESPONSE:**

In 2018/19, MPI spent \$178,535 (Basic share) on motorcycle specific road safety programs and initiatives. Total spending on overall road safety programs in 2018/19 was \$11,537,300 (Basic share); therefore, specific motorcycle safety programs represents 1.55% of total road safety expenditures in 2018/19. On a per-vehicle basis, total spending on road safety programming is forecasted at \$10.46/vehicle compared to \$11.33/motorcycle on motorcycle specific initiatives.

However, MPI's public awareness campaigns and safety interventions, for the most part, are not segmented into motorcycle and passenger vehicle programs. Rather, road safety programs are designed to address road user behaviours that contribute to collisions on Manitoba roadways, such as driver distraction, speed and driver impairment.

CMMG (MPI) 1-14

Part and Chapter:		Page No.:	
PUB Approved Issue No:	20		
Topic:	Road Safety		
Sub Topic:	Driver/Rider Training		

Preamble to IR:**Question:**

Did MPI complete its business case review for the Experienced Rider Program and is it available? What can the Corporation do to reverse the decline in enrollment in the 21 hour motorcycle training program? What is the amount of the decrease in the overall volume of motorcyclists for this training?

Rationale for Question:**RESPONSE:**

A business case for the Experienced Rider Program has not been completed.

Enrollment for motorcycle training overall, both the one day Basic (8 hour) course and three day Gearing Up (21 hour) course, has declined each year since 2015. When comparing the previous three year average (2013-2015) to current three year average (2016-2018), enrollment overall has declined (-7.0%). However, enrollment in the 21 hour training has increased (8.6%), while enrollment in 8 hour training has declined (-18.2%) during this time period. When comparing 2018 to 2017, enrollment in the 21 hour course remained fairly consistent (-0.2%), while enrollment in the 8 hour course declined significantly (-18.7%).

Further, from 2016 to 2018, 2,724 students enrolled in Basic motorcycle training, and 2,605 students enrolled in Gearing Up training. Enrollment in the Gearing Up course has consistently remained slightly below enrollment numbers for Basic training, except in 2018. In 2018, 833 students enrolled in Gearing Up, compared to 789 students enrolled in Basic motorcycle training.

As a result, there are no changes planned.

CMMG (MPI) 1-15

Part and Chapter:	Part VII – LP Appendix 1	Page No.:	
PUB Approved Issue No:	20		
Topic:	Road Safety		
Sub Topic:	Accident Maps		

Preamble to IR:**Question:**

What conclusions has the Corporation made by the date expressed in these “hot maps” and is there any initiatives or new practices identified by the Corporation from this data?

Rationale for Question:**RESPONSE:**

MPI sees value in identifying potential locations of concern through the use of “hot-maps”. Presently, MPI is considering conducting a further analysis of potentially problematic locations using video analytic technology. The technology would be used to monitor a number of high collision intersection locations within the cities of Winnipeg and Brandon. Data from the research can then be used to help better identify underlying causation factors influencing collisions at these locations that may not otherwise be apparent and assist in the development of new initiatives that will reduce crashes and potential traffic conflicts between all road users.

CMMG (MPI) 1-16

Part and Chapter:	Part IV (ii)	Page No.:	51 & 52
PUB Approved Issue No:	9		
Topic:	Physical Damage and Re-Engineering		
Sub Topic:			

Preamble to IR:**Question:**

Of the \$21,626,245.00 spent by the Corporation on this project, how much of that resulted in value to Manitobans? Please identify which sums spent resulted in value and substantiate the components of this investment by its actual resulting value. Were any of the costs “wasted”? Please explain Figure VM-9 in a narrative summary.

Rationale for Question:**RESPONSE:**

The Physical Damage Re-engineering (PDR) program was comprised of a series of many projects which were initiated in FY 2012/13 and concluded in FY 2019/20. Due to the complexity and project inter-dependencies, it would have been difficult to execute the projects individually versus as a program. It is therefore also difficult to translate a direct ‘investment to value’ co-relation by each project/component. The PDR program did however enable the transformation of physical damage claims processing from an MPI, repair shops and customer service experience perspective. Since much has been shared over many General Rate Application (GRA) proceedings over recent years regarding the PDR program (including a number of reports from the Gartner Group), MPI provides the following summary of the qualitative and quantitative value realized:

Qualitative Value

- Continued health of the overall Repair industry measured by the continued profitability of the Manitoba repair industry
- New MPI accreditation program that modernized MPI repair shop training, tools, repair process, quality of repair, and estimating practices
- Vehicle repairs meet relevant standards as defined and measured by quality of repair standards and Key Performance Indicators (KPIs)
- Enhanced quality of physical damage claims estimates due to the implementation of Mitchell software
- Enhanced customer service with the option to attend a repair shop for estimate and repair and thereby eliminating the need to visit an MPI Service Centre
- Smaller MPI operational footprint achieved through the decommissioning and/or repurposing MPI Service Centres
- Direct Repair program has provided repair shops with more autonomy to operate independently and without MPI oversight
- Technology debt and risks mitigated by upgraded or new technology (i.e. Appointment Manager, Partner Portal)

Quantitative Value and Narrative Summary of VM-9

- Internal Efficiencies/Process Improvement:
 - The Direct Repair program has resulted in MPI FTE reductions associated with the claims estimating process. In relation to GRA 2019 analysis, incremental MPI FTE reductions have been realized in the near-term based on the volume of claims transitioned from MPI to Direct Repair shops. However, the long-term forecasted FTE reductions have been decreased due to an anticipated shortfall in long-term Direct Repair claims transition volume due to current customer uptake on Direct Repair.
- Labour Rate/Repair Shop Savings – The Mitchell software licensing agreement and MPI incurring the associated software licensing costs for repair shops has provided opportunity to reduce repair shop labour rates incurred for repairs. In

relation to the 2019 GRA analysis, no changes have been experienced and no change to projections are anticipated.

- Parts Sourcing Savings - Introduction of new vehicle repair PARTS solution and diamond standards have resulted in reductions in claims repair costs over the pre-PDR operational model. In relation to the 2019 GRA analysis, Part Sourcing actuals realized in FY 18/19 were less than forecasted. The forecasted savings have therefore been adjusted accordingly.
- Loss Prevention/Predictive Analytics - Introduction of Predictive Analytics software has resulted in incremental insurance fraud case investigations and claims recoveries in relation to the pre-PDR operational model. In relation to the 2019 GRA analysis, actuals realized in FY 18/19 were less than forecasted. Ongoing refinements will continue to be made to the Predictive Analytics fraud model, however, MPI is no longer confident that significant fraud claims recoveries will be realized. The forecast has therefore been adjusted accordingly.
- Loss of Use – The PDR program envisioned a new Loss of Use claims expenses model that would be successfully negotiated and adopted by the repair shops. Based on recent repair shop negotiations, the new Loss of Use model could not be agreed to and was therefore abandoned during negotiations. This has resulted in a projected shortfall in anticipated Loss of Use claims expense reductions in future years. The Loss of Use model will continue to be tabled with the repair shops in future negotiations with the objective of achieving a mutually acceptable model and updated financial benefit and reduction in Loss of Use claims expenses. Total Loss Valuation with Salvage – MPI management made the decision to remove this project from the PDR program scope of work in order to conclude the PDR program at the end of FY18/19. Therefore, the expected project expenses and benefits value were removed from the PDR program financials and benefits analysis. A separate independent project and business case have been prepared for this project for FY 18/19 and the project is in the implementation phase at this time. Claims Audit Recoveries - Direct Repair KPI's and the claims audit program have resulted in audit recoveries due

to vehicle repair overpayments to repair shops that were not anticipated in the original Direct Repair model. The claims audit recoveries are now forecasted as a claims operating expense savings in future years.

With respect to any “wasted” costs, as shared in 2019 GRA PUB (MPI) 1-63, the PDR program did impair some of the deferred development costs incurred by the program with the most significant being the Customer Claims Reporting System (CCRS) project.

CMMG (MPI) 1-17

Part and Chapter:		Page No.:	
PUB Approved Issue No:	9		
Topic:			
Sub Topic:	IBAM Compensation		

Preamble to IR:**Question:**

Please explain why MPI pays \$250,000.00 to IBAM and what the monies are used for (i.e. breakdown).

Rationale for Question:**RESPONSE:**

Refer to CAC (MPI) 1-1(f).

CMMG (MPI) 1-18

Part and Chapter:		Page No.:	
PUB Approved Issue No:	9		
Topic:			
Sub Topic:	IBAM Compensation		

Preamble to IR:**Question:**

Please confirm if the issue of compensation to IBAM members has been settled for the Application year or if further changes are expected. Please summarize the compensation changes in the most recent contract.

Rationale for Question:**RESPONSE:**

Confirmed. The issue of broker compensation is settled for this current Application year. On November 12, 2018, MPI informed IBAM that, on the advice of the Government of Manitoba, it would be extending the existing Broker Accord for an additional two (2) year period, March 1, 2019 to February 28, 2021.

CMMG (MPI) 1-19

Part and Chapter:		Page No.:	
PUB Approved Issue No:	7		
Topic:	RSR		
Sub Topic:			

Preamble to IR:**Question:**

Please update CMMG 1-11 from last GRA.

Rationale for Question:**RESPONSE:**

Please see Figure 1.

Figure 1 RSR Basic Program Amounts

Line No.	Fiscal Year	Beginning RSR Balance (a)	Net Income (b)	Transfer from Non-Basic (c)	Surplus Distribution (d)	Adjustments (e)	Transfer (to)/from Retained Earnings (f)	Transfer (to)/from IIF (g)	Transfer (to)/from ITOF (h)	Ending RSR (i)	Retained Earnings (j)	Immobilizer Fund (IIF) (k)	Information Technology Optimization Fund (ITOF) (l)	Total Retained Earnings (m)	Accumulated Other Comprehensive Income (n)	Total Equity [^] (o)	PUB Approved RSR Range [^]
1	<i>(C\$000s, except where noted)</i>									Total (a) to (h)		Total (i) to (l)			Total (m) + (n)		
2	2003/04	35,366	3,358	4,049	-		-			42,773		-	-	42,773	-	42,773	\$50-80M
3	2004/05*	42,773	59,943	33,907	-	(10,619)	-			126,004		-	-	126,004	-	126,004	\$50-80M
4	2005/06	126,004	85,703	19,427	(58,000)			(37,063)		136,071	37,063	-	-	173,134	-	173,134	\$50-80M
5	2006/07	136,071	47,783	-	(59,652)			3,920		128,122	33,143	-	-	161,265	-	161,265	\$69-105M
6	2007/08	128,122	69,040	-	(62,565)	(22,693)		15,218		127,122	17,925	-	-	145,047	20,012	165,059	\$69-106M
7	2008/09	127,122	(8,165)	-	54			15,904		134,915	2,021	-	-	136,936	(101,501)	35,435	\$72-109M
8	2009/10	134,915	87,773	-	-		(70,709)	2,021	-	154,000	70,709	-	-	224,709	34,645	259,354	\$77-154M
9	2010/11*	154,000	283,855	-	(321,678)	18,639	70,709	-	(65,000)	140,525		-	65,000	205,525	73,082	278,607	\$77-154M
10	2011/12	140,525	22,278	-	(14,120)		(57,983)	-	65,000	155,700	57,983	-	-	213,683	49,007	262,690	\$78-156M
11	2012/13 *	155,700	(63,103)	-	-		57,203	-		149,800	19,240	-	-	169,040	56,800	225,840	\$78-156M
12	2013/14	149,800	(69,162)	-	-		19,240	-		99,878	-	-	-	99,878	70,284	170,162	\$79-157M
13	2014/15	99,878	2,440	75,500	-		-	-		177,818	-	-	-	177,818	35,262	213,080	\$89-178M
14	2015/16	177,818	(56,050)	72,729	-		-	-		194,497	-	-	-	194,497	36,503	231,000	\$231-366M
15	2016/17	194,497	(123,070)	27,824	-		-	-		99,251	-	-	-	99,251	81,749	181,000	\$159M
16	2017/18	99,251	34,424	37,300	-		-	-		170,975	-	-	-	170,975	39,870	210,845	\$180-325M
17	2018/19	170,975	78,837	60,000			(309,812)			-	309,812			309,812	(60,120)	249,692	\$140-315M

* - Restated

[^] - Capital, and stabilization of rates is now backed by Total Equity, as such the specific RSR component of retained earnings was transferred back into retained earnings in 2018/19