

# Benchmarking, Claims Forecast

2021 General Rate Application



MANITOBA  
PUBLIC INSURANCE

# Benchmarking

## Operational Efficiency

- In previous years most of the Operational performance benchmarking metrics were provided by a third party vendor, The Ward Group, which compared MPI to various private insurers on a number of insurance industry metrics in both the US and Canada
- That service agreement has been terminated and MPI is now participating in a Crown benchmarking exercise that will compare results of various corporate and operational metrics with The Insurance Corporation of British Columbia (ICBC) and Saskatchewan General Insurance (SGI)
- It was anticipated that the Crown benchmarking results would be filed by September 30, 2020 however, due to the pandemic, priorities have shifted for the other crown corporations and MPI is unable to provide the results at this time



# Benchmarking (cont'd)

## Information Technology Service Delivery

- MPI has also terminated its contract with Gartner. MPI issued a tender in October 2019 as it continues to believe that it should be benchmarked against best practices in the auto-insurance industry to demonstrated operational effectiveness and strong financial and investment management practices.
- MPI selected Gartner as the top vendor from the process and they will continue to support the IT process maturity and cost benchmarking for the next three years.
- The most recent benchmarking results and recommendations were filed in July 2020

## Canadian Vehicle Rates Comparisons

- For all rate comparison metrics presented, MPI's rates are among the lowest of all vehicle insurers in Canada. MPI continues to provide exceptional value and affordable rates, and the yearly comparison of rates within Canada serves to validate this assertion.



# Benchmarking (cont'd)

## Average Premium Growth

- Since 2000/01, Manitoba's premium growth rate has been consistently lower when compared to the growth rates of other Canadian auto insurers and to the national average (currently, 1.76% per year for Manitoba)

## Serving Manitobans

- MPI receives feedback on the service we provide from customers and the general public. In achieving excellence in customer service, MPI aims to position itself as a strong corporate citizen by offering quality products and services. Overall, the benchmarking results indicate that MPI continues to perform very well in meeting the needs of Manitobans.



# Claims Forecast



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# Agenda

- **Claims Forecast**
  - **Total Basic compared to prior forecast**
  - **Improvements in Collision frequency**
  - **Centralized Reserving – Impact on forecast for Weekly Indemnity and Accident Benefits - Other (Indexed)**
  - **Forecasted impact of COVID-19**
  - **Forecasted impact of product changes (CERP)**



# Basic Total - Ultimate Losses

Accident Year	Ultimate (\$000)	Annual % Change	Last Year's Forecast (\$000)	Variance to Forecast (\$000)
2015/16	\$708,154	19.79%	\$708,443	(\$288)
2016/17	\$766,485	8.24%	\$764,360	\$2,125
2017/18	\$741,938	-3.20%	\$734,503	\$7,434
2018/19	\$777,029	4.73%	\$774,460	\$2,569
2019/20*	\$793,357	2.10%	\$805,662	(\$12,305)
2020/21	\$750,109	-5.45%	\$838,786	(\$88,677)
2021/22	\$822,206	9.61%	\$875,249	(\$53,043)
2022/23	\$836,649	1.76%	\$913,681	(\$77,031)
2023/24	\$867,539	3.69%	\$954,127	(\$86,588)
2024/25	\$899,870	3.73%		

\*13 month period ending March 31, 2020



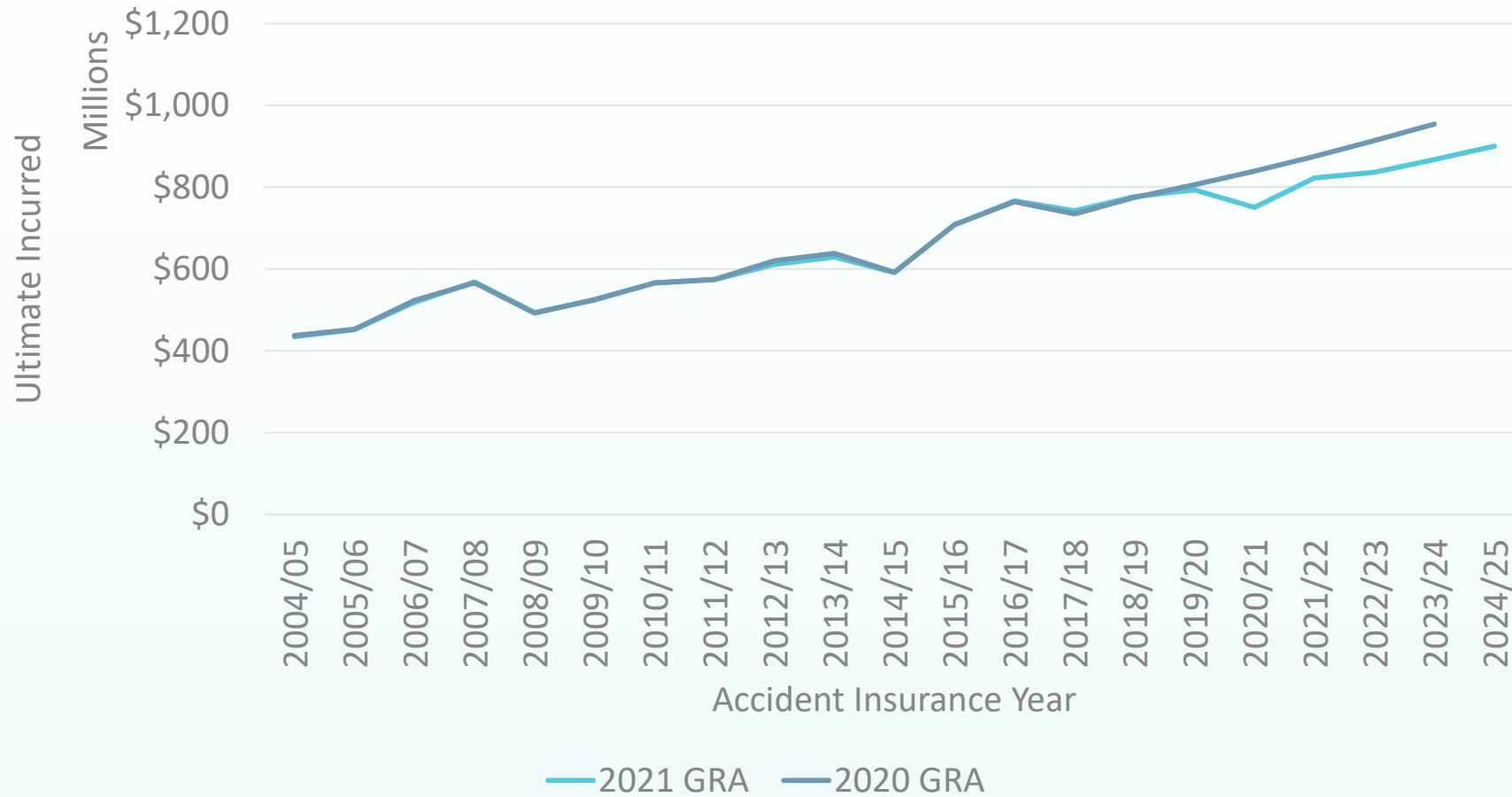
# Breakdown of 2021/22 Variance from Prior Forecast

- Collision: \$31.8 million decrease
  - Collision Frequency: \$26.5 million decrease
  - Collision Severity: \$5.3 million decrease
- Product Changes (CERP): \$15.1 million decrease
- Comprehensive Hail: \$2.4 million decrease
- Comprehensive Non-Hail: \$2.3 million decrease
- Property Damage: \$4.9 million decrease
- PIPP and Bodily Injury: \$3.5 million increase
- **Total: \$53.0 million decrease**





# Basic Total - Ultimate Losses



Average Annual Growth 2004/05 to 2019/20 = 3.71%



# Collision

Accident Year	Claim Frequency	Severity	CERP Impact (\$000)	Ultimate (\$000)	Annual % Change	Last Year's Forecast (\$000)	Variance to Forecast (\$000)
2010/11	0.137	\$2,552		\$271,204	11.85%	\$271,224	(\$20)
2011/12	0.128	\$2,699		\$273,142	0.71%	\$273,155	(\$12)
2012/13	0.136	\$2,812		\$310,694	13.75%	\$310,691	\$4
2013/14	0.142	\$2,983		\$349,411	12.46%	\$349,350	\$62
2014/15	0.122	\$3,123		\$317,802	-9.05%	\$317,689	\$113
2015/16	0.120	\$3,455		\$352,280	10.85%	\$352,243	\$36
2016/17	0.125	\$3,574		\$386,054	9.59%	\$385,820	\$234
2017/18	0.124	\$3,763		\$408,331	5.77%	\$408,218	\$113
2018/19	0.121	\$3,824		\$409,515	0.29%	\$405,314	\$4,201
2019/20*	0.111	\$4,168		\$442,707	8.11%	\$452,857	(\$10,151)
2020/21	0.106	\$4,385	\$0	\$416,058	-6.02%	\$477,312	(\$61,254)
2021/22	0.116	\$4,423	(\$7,835)	\$464,594	11.67%	\$504,207	(\$39,613)
2022/23	0.115	\$4,551	(\$15,554)	\$478,478	2.99%	\$532,673	(\$54,195)
2023/24	0.114	\$4,762	(\$15,425)	\$501,246	4.76%	\$562,803	(\$61,557)
2024/25	0.113	\$4,984	(\$15,282)	\$525,114	4.76%		

\*13 month period ending March 31, 2020



# Improvements in Collision Frequency

- 2019/20 Collision frequency was 10% below the 2020 GRA forecast.
- Continued decreases in Collision frequency has lowered the forecast.
- This has lowered claims costs by approximately \$26.5 million for accident year 2021/22.
- MPI suspects improved driving behavior and vehicle technology has resulted in fewer collisions in recent years.

Accident Year	2020 GRA Forecast	COVID-19 Adjustment	CERP Impact	Frequency Impact	Severity Impact	Total Impact	2021 GRA Forecast
2020/21	\$477,312	(\$35,315)	\$0	(\$20,996)	(\$4,944)	(\$61,254)	\$416,058
2021/22	\$504,207	\$0	(\$7,835)	(\$26,479)	(\$5,298)	(\$39,613)	\$464,594
2022/23	\$532,673	\$0	(\$15,554)	(\$32,467)	(\$6,174)	(\$54,195)	\$478,478
2023/24	\$562,803	\$0	(\$15,425)	(\$38,997)	(\$7,135)	(\$61,557)	\$501,246



# Collision Frequency - August 31, 2020 Update



# Centralized Reserving

- In 2018, MPI implemented centralized reserving whereby a centralized team does the case reserving for all PIPP claims that are still open after 24 months
- Weekly Indemnity – forecast for 2021 GRA is \$10 million higher compared to 2020 GRA
  - Centralized reserving has resulted in earlier reporting of case reserves
  - Loss development factors increased for the first 12 to 60 months of claims development.
  - Not clear whether the earlier loss development will be offset by favourable development beyond 60 months
- Accident Benefits - Other (Indexed) – forecast for 2021 GRA is \$6 million lower compared to 2020 GRA
  - Actual experience indicates that earlier case reserving is resulting in favourable development later in the claim life cycle (i.e. the ‘tail’ development)



# Weekly Indemnity – Ultimate Losses

Accident Year	Claim Count Incurred >\$0	Severity	Ultimate (\$000)	Annual % Change	Last Year's Forecast (\$000)	Variance to Forecast (\$000)
2010/11	1,929	\$47,127	\$90,909	32.35%	\$90,063	\$846
2011/12	1,832	\$47,131	\$86,345	-5.02%	\$86,721	(\$377)
2012/13	2,023	\$43,189	\$87,372	1.19%	\$91,204	(\$3,832)
2013/14	1,894	\$38,527	\$72,969	-16.48%	\$78,303	(\$5,333)
2014/15	1,661	\$44,418	\$73,779	1.11%	\$71,262	\$2,517
2015/16	1,813	\$50,257	\$91,116	23.50%	\$85,921	\$5,195
2016/17	1,810	\$51,856	\$93,859	3.01%	\$84,775	\$9,083
2017/18	1,918	\$49,415	\$94,788	0.99%	\$86,374	\$8,414
2018/19	1,904	\$49,688	\$94,585	-0.21%	\$89,213	\$5,372
2019/20*	1,976	\$50,553	\$99,907	5.63%	\$82,460	\$17,447
2020/21	1,653	\$50,849	\$84,040	-15.88%	\$83,294	\$746
2021/22	1,823	\$51,649	\$94,161	12.04%	\$84,134	\$10,027
2022/23	1,817	\$52,424	\$95,260	1.17%	\$84,981	\$10,279
2023/24	1,811	\$53,210	\$96,371	1.17%	\$85,834	\$10,537
2024/25	1,805	\$54,008	\$97,494	1.16%		

\*13 month period ending March 31, 2020



# Accident Benefits Other – Indexed

Accident Year	Claim Count Incurred >\$0	Severity	Ultimate (\$000)	Annual % Change	Last Year's Forecast (\$000)	Variance to Forecast (\$000)
2010/11	11,833	\$4,614	\$54,602	-7.86%	\$54,371	\$231
2011/12	11,249	\$5,475	\$61,591	12.80%	\$62,444	(\$854)
2012/13	12,125	\$4,926	\$59,730	-3.02%	\$63,734	(\$4,004)
2013/14	12,351	\$4,159	\$51,362	-14.01%	\$54,359	(\$2,997)
2014/15	10,707	\$4,631	\$49,587	-3.46%	\$52,393	(\$2,806)
2015/16	11,616	\$5,421	\$62,966	26.98%	\$66,035	(\$3,069)
2016/17	11,658	\$6,116	\$71,303	13.24%	\$77,834	(\$6,530)
2017/18	11,898	\$5,864	\$69,772	-2.15%	\$73,067	(\$3,295)
2018/19	11,254	\$6,039	\$67,967	-2.59%	\$73,771	(\$5,804)
2019/20*	11,372	\$6,156	\$70,013	3.01%	\$74,302	(\$4,289)
2020/21	10,310	\$6,093	\$62,822	-10.27%	\$75,373	(\$12,550)
2021/22	11,393	\$6,156	\$70,142	11.65%	\$76,458	(\$6,316)
2022/23	11,393	\$6,250	\$71,213	1.53%	\$77,559	(\$6,346)
2023/24	11,393	\$6,346	\$72,301	1.53%	\$78,675	(\$6,375)
2024/25	11,393	\$6,443	\$73,405	1.53%		

\*13 month period ending March 31, 2020

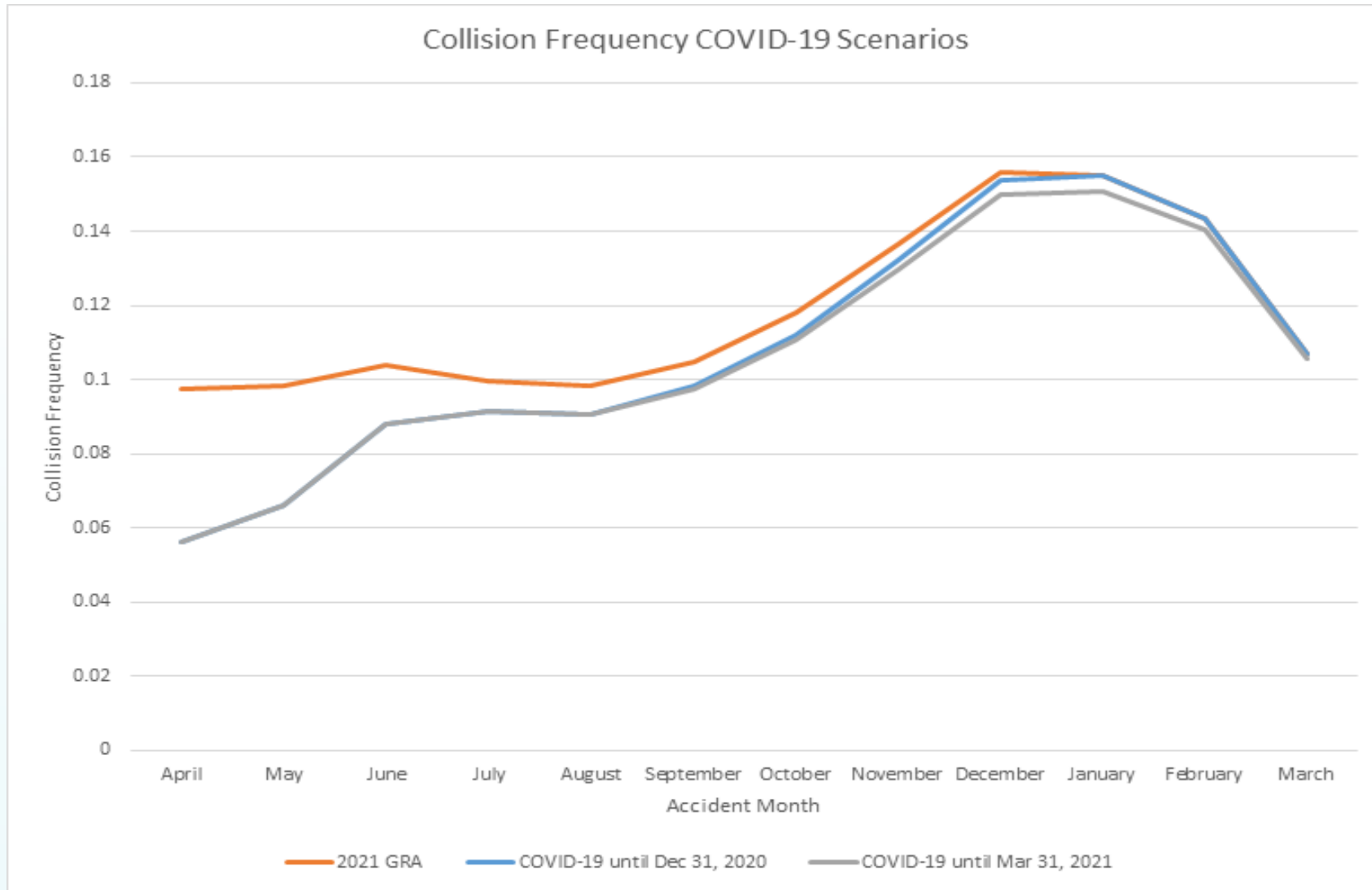


# COVID-19 Update

- In June 2020, MPI issued a \$110 million rebate comprised of \$52 million capital release from the excess maintained by MPI in its Extension Reserve, coupled with a \$58 million reduction in Basic premiums.
- As of August 31, 2020, Collision incurred is \$13 million below what was originally forecasted in the 2021 GRA.
- Collision frequency has steadily increased since May 2020.
- Two scenarios for Collision
  - COVID-19 until December 31, 2020 – Additional \$15 million of savings
  - COVID-19 until March 31, 2021 – Additional \$27 million of savings







# CERP – Product Changes

- Increasing Basic deductible from \$500 to \$750 for passenger vehicles
- Increasing Basic Third Party Liability (TPL) limit from \$200,000 to \$500,000
- Increasing Basic Maximum Insured Value (MIV) limit from \$50,000 to \$70,000
- Establishing new Extension reduced deductible options
- Customers transition to the new deductible and limits on their annual renewal or reassessment date i.e. staggered transition:
  - As such, only 50% of the total impact on claims is observed for accident year 2021/22; 100% thereafter

Accident Year	Public Liability	Collision	Comprehensive	Property Damage	Total
(\$000)					
2021/22	\$630	(\$7,835)	(\$7,990)	\$120	(\$15,076)
2022/23	\$1,260	(\$15,554)	(\$16,348)	\$240	(\$30,402)
2023/24	\$1,260	(\$15,425)	(\$16,726)	\$240	(\$30,651)

