

October 31, 2020

2021 GENERAL RATE APPLICATION
Undertaking #41 Transcript Page 1769

Undertaking #41

MPI to provide re MPI Exhibit Number 27 RM1, the indicated rate change updated to October 9th, 2020, but removing the methodology change of separating out serious versus non-serious losses.

RESPONSE:

Figure 1 presents *Figure RM-13 of MPI Exhibit 27* without the separate loss development factors for Serious vs. non-Serious losses.

October 31, 2020

2021 GENERAL RATE APPLICATION
Undertaking #41 Transcript Page 1769**Figure 1 Rating Year 2021/22 Major Classification Required Rate Changes - Breakeven Rates including Capital Release Provision**

Line No.	Coverage	Overall	Private Pass	Comm	Public	Motor-Cycle	Trailer	ORV
1	21/22 Units	1,200,300	828,900	47,500	12,800	18,000	218,100	75,000
2	Claims	711.06	931.88	688.33	1,769.85	793.75	50.34	5.73
3	Claims Expense	124.82	163.58	120.83	310.67	139.33	8.84	1.01
4	Road Safety	11.37	15.05	15.05	15.05	15.05	0.00	0.00
5	Operating Expense	62.35	82.50	82.50	82.50	82.50	0.00	0.00
6	Regulatory/Appeal	4.32	5.71	5.71	5.71	5.71	0.00	0.00
7	Commission: Vehicle	30.20	39.53	29.50	73.72	32.73	2.46	0.23
8	Prem Tax: Vehicle	27.79	36.37	27.15	67.84	30.12	2.26	0.22
9	Comm & Prem Tax: Driver	3.59	4.74	4.74	4.74	4.74	0.00	0.00
10	Commission Flat Fee	6.26	8.29	8.29	8.29	8.29	0.00	0.00
11	Reins: Casualty	1.10	1.46	1.46	1.46	1.46	0.00	0.00
12	Reins: Catastrophe	10.59	11.48	11.48	11.48	0.00	11.48	0.00
13	Fleet Rebates	14.62	19.74	19.74	19.74	0.00	0.00	0.00
14	Anti-Theft Discount	1.35	1.95	0.00	0.00	0.00	0.00	0.00
15	Driver Prem	57.28	75.79	75.79	75.79	75.79	0.00	0.00
16	Service Fees	25.70	34.00	34.00	34.00	34.00	0.00	0.00
17	Req Rate (Raw)	926.45	1,212.50	904.99	2,261.26	1,003.89	75.37	7.18
18	Req Rate (Bal)	917.58	1,200.89	896.33	2,239.60	994.27	74.65	7.11
19	20/21 Average Rate	902.85	1,181.56	825.28	2,132.98	843.75	76.50	6.97
20	Major Class Drift	5.6%	6.4%	4.7%	1.2%	0.3%	5.0%	0.0%
21	21/22 Average Rate							
22	Without Rate Change	953.38	1,257.62	863.99	2,158.89	846.14	80.34	6.97
23	Full Cred Req Change	-3.8%	-4.5%	3.7%	3.7%	17.5%	-7.1%	2.0%
24	Applied for Change	-8.8%	-9.5%	-1.7%	-1.7%	11.4%	-11.9%	-3.3%
25	Credibility		99.3%	88.8%	68.1%	75.0%	97.3%	92.6%
26	Cred Wtd Change		-9.5%	-2.4%	-3.9%	6.4%	-11.8%	-3.7%
27	Cred Wtd Req Rate		1,138.51	842.83	2,074.20	899.93	70.84	6.71
28	Cred Wtd Req Rate (Bal)	869.87	1,140.32	844.17	2,077.50	901.36	70.95	6.73
29	Cred Wtd Change (Bal)		-9.3%	-2.3%	-3.8%	6.5%	-11.7%	-3.6%

Figure 2 presents the impact of using separate loss development factors for Serious vs. non-Serious losses on the required rates and the required rate changes by major class.

October 31, 2020

2021 GENERAL RATE APPLICATION
Undertaking #41 Transcript Page 1769**Figure 2 Impact of Using Separate Loss Development Factors**

Line No.	Coverage	Private Pass	Comm	Public	Motor-Cycle	Trailer	ORV
1	Figure RM-13 of MPI Exhibit 27						
2	Credibility Weighted Required Rate	1,140.10	846.39	2,079.01	904.51	70.95	6.73
3	Credibility Weighted Required Rate Change	-9.3%	-2.0%	-3.7%	6.9%	-11.7%	-3.5%
4	Remove Change: Separate Loss Development Factors						
5	Credibility Weighted Required Rate	1,140.32	844.17	2,077.50	901.36	70.95	6.73
6	Impact of Change*	-0.22	2.22	1.51	3.14	0.00	0.00
7	Credibility Weighted Required Rate Change	-9.3%	-2.3%	-3.8%	6.5%	-11.7%	-3.6%
8	Impact of Change*	0.0%	0.3%	0.1%	0.4%	0.0%	0.0%
9	*Reflects the impact of making the change						

The impact presented in *Figure 2* is significantly different than what was provided in *Ratemaking, Figure RM App 8-1*. The difference is due to the order of the changes i.e. MPI looked first at the impact of having separate loss development factors followed by the impact of changing how the major classes' indicated pure premiums were calculated. *Figure 3* presents a revised version of *Ratemaking, Figure RM App 8-1* with the order of changes reversed.

Figure 3 Impact of Methodology and Assumption Changes

Line No.	Coverage	Private Pass	Comm	Public	Motor-Cycle	Trailer	ORV
1	2021 General Rate Application - Per Part V, Ratemaking						
2	Credibility Weighted Required Rate	1,118.48	827.38	2,038.52	867.46	70.42	6.56
3	Credibility Weighted Required Rate Change	-11.0%	-4.2%	-5.5%	2.6%	-12.3%	-5.9%
4	Remove Change: Separate Loss Development Factors						
5	Credibility Weighted Required Rate	1,118.69	825.24	2,037.07	864.54	70.42	6.56
6	Impact of Change*	-0.21	2.13	1.45	2.92	0.00	0.00
7	Credibility Weighted Required Rate Change	-11.0%	-4.4%	-5.6%	2.2%	-12.3%	-5.9%
8	Impact of Change*	0.0%	0.2%	0.1%	0.3%	0.0%	0.0%
9	Remove Change: Calculating the Major Classes' Indicated Pure Premiums						
10	Credibility Weighted Required Rate	1,120.42	811.49	2,023.19	831.56	70.40	6.56
11	Impact of Change*	-1.73	13.75	13.88	32.98	0.02	0.00
12	Credibility Weighted Required Rate Change	-10.9%	-6.0%	-6.2%	-1.7%	-12.4%	-5.9%
13	Impact of Change*	-0.1%	1.6%	0.6%	3.9%	0.0%	0.0%
14	*Reflects the impact of making the change						