

CMMG (MPI) 1-1

Part and Chapter:	LA.4	Page No.:	22 of 24 Line 15-16
PUB Approved Issue No:	Rebate Rules		
Topic:			
Sub Topic:			

Preamble to IR:

MPI stated "If a policy is not earning premium during this period, the customer pays no premium and no financial relief is justified."

The concept of an 'earned premium' discussed in detail during the Special Rebate Application in May.

Question:

- a) Please clarify whether the period within which a premium is earned represents the same period within which a premium is paid by an insured.
- b) Please clarify whether the period within which a premium is earned represents the same period within which an insured is covered by the policy.

Rationale for Question:

To ensure accuracy of the information provided in the Special Rebate Application II.

RESPONSE:

- a) An insured may pay their premium at various times. Some insureds pay their entire premium before their policy is in-force, while others may pay their premium

monthly or quarterly. The earning of premium reflects when customers are *billed* by MPI for their policies. This distinction is important. If MPI used the amount *paid*, rather than the amount *earned*, customers who paid for their policies prior to the start of the pandemic (for example), would receive no rebate because they paid no premiums during the rebate period. However, since these insureds were clearly exposed and their policies were earning premium, MPI believes they should be entitled to the rebate. For motorcycles, the entire earning period is between May 1 and September 30 of each year. Therefore, 100% of motorcycle premium is earned during the pandemic period used to calculate this rebate.

- b) Not in all cases. Motorcycles continue to have coverage even when premium is not being earned (e.g. motorcycles earn premium in May through September, but have coverage all year if their policy remains in-force).

CMMG (MPI) 1-2

Part and Chapter:	LA. 4, LA.5	Page No.:	22 & 23
PUB Approved Issue No:			
Topic:	Rebate Rules, Implementation Strategy		
Sub Topic:			

Preamble to IR:

Board Order 67/20 required MPI to issue a rebate to ratepayers with policies in force on March 15, 2020. In Board Order 71/20 the Board found (among other things) that “the fact that MPI, for accounting purposes, does not consider a premium to be earned until the riding season was not persuasive to the Board” to be determinative of those insureds eligible for the rebate.

MPI has submitted in this application that those policy holders who have a Basic policy in force and earning premiums between March 16, 2020 and November 21, 2020 will qualify for the rebate. MPI has estimated that approximately 675,000 customers will qualify for the rebate under these rules.

Question:

How many customers does MPI estimate would qualify for the rebate where the rebate is instead granted based on all policy holders with a Basic policy in force between March 16, 2020 and November 21, 2020?

Rationale for Question:

To provide alternatives for eligibility criteria for the proposed rebate.

RESPONSE:

MPI used the *in-force* methodology in Special Rebate Application (SRA) I because there was a limited amount of pandemic-related experience. Although MPI advocated that use of this approach within the context of that SRA was the best available option, it acknowledges its downsides. For example, a customer who cancelled their policy the week before the selected in-force date would not qualify for the rebate under this approach.

For the SRA II, MPI has nine months of policyholder data that it can use to calculate the appropriate rebate. MPI will rebate customers a consistent percentage of the premium their policies actually earned over the rebate period, rather than a percentage of the premium in-force on a particular date. This approach is consistent with how MPI has calculated past rebates, with the exception that this rebate reflects earned premiums over a specific period (i.e. the pandemic period) rather than a given rating year of earned premium.

See response to [CMMG 1-1](#) for an explanation of why earned premium is the appropriate method for the rebate in this SRA. MPI believes that it would not be appropriate to calculate the rebate using Basic policies in-force over the pandemic period.