

**CAC (MPI) 1-2**

<b>Part and Chapter:</b>	<b>LA.4</b>	<b>Page No.:</b>	<b>P.22, L 1-7 P.7, L 12-15 P.7, L 22-25</b>
<b>PUB Approved Issue No:</b>			
<b>Topic:</b>	<b>Quatum of Rebate</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

*"MPI calculates the \$69 million rebate requested herein on the basis of improvements in claims incurred before provisions (i.e. before interest rate impacts and DPAC adjustments) and anticipated favorable operating expenses. The rationale for the proposed rebate is that, given the reduced claims costs and operating expenses, customers would have paid significantly less to insure their motor vehicles between March 16, 2020 and November 21, 2020, had MPI calculated premiums on a monthly (as opposed to annual) basis."*

*And*

*"Should the PUB approve its request for a \$69 million rebate, MPI expects the MCT ratio for the RSR to decrease to 117% at the end of this fiscal year. This is the minimum MCT ratio at which the RSR can be to permit the 5% capital release for the 2021/2022 rating year under the CMP, as requested in the 2021 GRA. MPI respectfully submits that any rebate ordered above this amount would require MPI to amend its 2021 GRA."*

*And*

*"The proposed rebate, following an approach similar to the one approved by the PUB in the 2021 SRA I, will accelerate the distribution of excess monies to policyholders in the form of a one-time payment, instead of via lower rates. Due to the seriousness of the COVID-19 pandemic and the economic hardship facing many Manitobans, these*

*funds must be distributed to ratepayers in a responsible, yet expeditious manner, a balance which MPI respectfully submits this rebate strikes.”*

**Question:**

- a) Please discuss the extent to which the amount of \$69 million to rebate was calculated on the basis of maximizing the rebate without impacting the 2021 GRA rate and capital release request?
- b) Please provide an estimate of the rebate amount, if it were increased so that the 5.0% capital release, applied for the in 2021 GRA, resulted in approximately 100% MCT at the end of 2021/22.
- c) Please confirm that the 111.1% MCT Ratio in 2021/22 (see PF-3), is the expected capital adequacy after the 5% release in 2021 rates, and \$69 million rebate requested in this application. Please discuss if the immediate release of the 11.1% excess capital in Basic would also help relieve serious economic hardship facing many Manitobans.

**Rationale for Question:**

To understand the basis for the \$69 million rebate amount, and potential alternative values.

**RESPONSE:**

- a) The \$69 million rebate was calculated by determining the maximum excess capital available in 2020/21 such that the 2021 GRA rate and release request remains unchanged and satisfies AAP pricing requirements and the capital management plan (CMP).
- b) The rebate amount, if it were increased so that the 5.0% capital release, applied for the in 2021 GRA, resulted in approximately 100% Minimum Capital Test (MCT) at the end of 2021/22, would be approximately \$115 million. Please note this

scenario results in an ending 2022/23 MCT of 94.8% and would conflict with the 5.0% capital release over a three year period as per the CMP.

⌘) Alternatively, an estimate of the rebate amount, if it were increased so that the 5.0% capital release applied for in the 2021 GRA resulted in approximately 100% MCT at the end of 2022/23, is \$90 million.

⌘) Confirmed, the 111.1% MCT ratio in 2021/22 (see PF-3), is the expected capital adequacy after the 5% release in 2021 rates, and the \$69 million rebate requested in this application.

The immediate release of an additional 11.1% of excess capital in Basic could help relieve serious economic hardship facing many Manitobans. However, this would be a deviation from the approved CMP, whereby the goal of any release is to restore the Basic MCT to 100% over a three year period. MPI seeks a rebate that complies with the approved CMP, to ensure the Public Utilities Board can fully assess its performance and amend the CMP if necessary.

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*And*

*"Should the PUB approve its request for a \$69 million rebate, MPI expects the MCT ratio for the RSR to decrease to 117% at the end of this fiscal year. This is the minimum MCT ratio at which the RSR can be to permit the 5% capital release for the 2021/2022 rating year under the CMP, as requested in the 2021 GRA. MPI respectfully submits that any rebate ordered above this amount would require MPI to amend its 2021 GRA."*

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*"The proposed rebate, following an approach similar to the one approved by the PUB in the 2021 SRA I, will accelerate the distribution of excess monies to policyholders in the form of a one-time payment, instead of via lower rates. Due to the seriousness of the COVID-19 pandemic and the economic hardship facing many Manitobans, these*

*funds must be distributed to ratepayers in a responsible, yet expeditious manner, a balance which MPI respectfully submits this rebate strikes.”*

**Question:**

- a) Please discuss the extent to which the amount of \$69 million to rebate was calculated on the basis of maximizing the rebate without impacting the 2021 GRA rate and capital release request?
- b) Please provide an estimate of the rebate amount, if it were increased so that the 5.0% capital release, applied for the in 2021 GRA, resulted in approximately 100% MCT at the end of 2021/22.
- c) Please confirm that the 111.1% MCT Ratio in 2021/22 (see PF-3), is the expected capital adequacy after the 5% release in 2021 rates, and \$69 million rebate requested in this application. Please discuss if the immediate release of the 11.1% excess capital in Basic would also help relieve serious economic hardship facing many Manitobans.

**Rationale for Question:**

To understand the basis for the \$69 million rebate amount, and potential alternative values.

**RESPONSE:**

- a) The \$69 million rebate was calculated by determining the maximum excess capital available in 2020/21 such that the 2021 GRA rate and release request remains unchanged and satisfies AAP pricing requirements and the capital management plan (CMP).
- b) The rebate amount, if it were increased so that the 5.0% capital release, applied for the in 2021 GRA, resulted in approximately 100% Minimum Capital Test (MCT) at the end of 2021/22, would be approximately \$115 million. Please note this

scenario results in an ending 2022/23 MCT of 94.8% and would conflict with the 5.0% capital release over a three year period as per the CMP.

Alternatively, an estimate of the rebate amount, if it were increased so that the 5.0% capital release applied for in the 2021 GRA resulted in approximately 100% MCT at the end of 2022/23, is \$90 million.

- c) Confirmed, the 111.1% MCT ratio in 2021/22 (see PF-3), is the expected capital adequacy after the 5% release in 2021 rates, and the \$69 million rebate requested in this application.

The immediate release of an additional 11.1% of excess capital in Basic could help relieve serious economic hardship facing many Manitobans. However, this would be a deviation from the approved CMP, whereby the goal of any release is to restore the Basic MCT to 100% over a three year period. MPI seeks a rebate that complies with the approved CMP, to ensure the Public Utilities Board can fully assess its performance and amend the CMP if necessary.