

TC (MPI) 1-1

Part and Chapter:	LA.4.1	Page No.:	P 23, Table 15 P.22 L10-11
PUB Approved Issue No:			
Topic:	Average Rebate Calculation		
Sub Topic:			

Preamble to IR:**Figure 15 Average Dollar Rebate by Major Class**

Line No.	Major Class	2021 Rate Model		2020 Average Rate	2019 Average Rate	Avg Rate for Earning Period from Mar 16, 2020 to Nov 21, 2020	Avg \$ Rebate for Earning Period from Mar 16, 2020 to Nov 21, 2020
		Number of Vehicles	2020 Total Premiums				
1	[1]	[2]	[3]	[4]	[5]	[6]	[7]
2	Private Passenger	812,577	962,170,215	1,184	1,195	1,191	111
3	Commercial	46,597	38,585,701	828	823	825	77
4	Public	12,562	26,896,699	2,141	1,940	2,016	187
5	Motorcycles	17,694	14,986,833	847	806	821	76
6	Trailers	209,135	16,060,505	77	81	79	7
7	ORVs	71,939	503,573	7	8	8	1
8	[5] = [4] / (1 + Major Class average change from the 2020 GRA compliance filing)						
9	[6] = 62.5% * [5] + 37.5% * [4] based on the assumption of uniform renewals throughout the year						
10	[7] = [6] * 9.28%						

And

"If the rebate is approved, customers who meet the above criteria will receive an approximate 6% rebate of their Basic earned premium during this period."

Question:

- a) Figure 15 (reproduced above) at line 9 references two percentages (62.5% and 37.5%) that appear to be used to weight the calculated 2019 and 2020 average rates respectively. Please clarify what those percentages refer to, and describe how they were calculated.
- b) Please confirm that line 10 of Figure 15 indicates a 9.28% flat rebate applied to the earning period average rate for each major class.
- c) Please explain how the 9.28% referenced in Figure 15 relates to the statement that customers receive an approximate 6% rebate of their Basic earned premium during this period (referenced above). Please provide illustrative calculations if possible.
- d) Please provide the calculations for deriving the 9.28%.
- e) Please confirm that the 9.28% rebate is applied evenly across all vehicles, with no differences between the insurance uses. Please confirm that only the cost of the policy and the length of time the policy was in force (between March 16th and November 21st) are variables that impact the magnitude of the rebate. If not confirmed, please list the variables that would impact an individual rebate.
- f) Please confirm that some customer rebates will be based on 2019 rates, and some will be based on 2020 rates. Please provide a brief and general discussion of the implications for customer cohorts with different base rates. Please discuss if this approach fairly captures the COVID-19 effects at the customer level.

Rationale for Question:

To understand the method of calculating rebates, and the implications for fairness between customers and insurance uses.

RESPONSE:

- a) The 62.5% and 37.5% percentages reflect the portion of the earned premiums for the earning period (i.e. March 16, 2020 to November 21, 2020), that are attributable to the 2019 and 2020 rating years, respectively. Put another way, 62.5% of earned premiums between Mar 16, 2020 and Nov 21, 2020 are assumed to be based on 2019 rates given the staggering of renewals. The remaining 37.5% is assumed to be based on 2020 rates. These percentages are an approximation and are the result of applying the parallelogram method, a standard actuarial technique.
- b) Confirmed.
- c) Please refer to PUB (MPI) 1-9.
- d) Based on MPI data, for the earning period (i.e. March 16, 2020 to November 21, 2020), total Basic earned premiums were \$743 million. The proposed rebate of \$69 million is therefore equivalent to 9.3% of the \$743 million earned premiums in this period.
- e) The 9.3% figure is applied on Basic premiums earned in the earning period (i.e. March 16, 2020 to November 21, 2020). The magnitude of the rebate is determined as the amount of Basic premiums earned in the earning period, multiplied by 9.3%.
- f) Within the earning period (i.e. March 16, 2020 to November 21, 2020), a policyholder may have earned premiums under 2019 and/or 2020 rates. The rating year is not relevant for determining the amount of the rebate. As per the response to e) above, the rebate is determined simply based on how much Basic premium was earned in the earning period (multiplied by 9.3%). Please see also the response to CAC (MPI) 1-7(b).

TC (MPI) 1-2

Part and Chapter:	LA.2.2	Page No.:	P.11, Figure 6 P12, L5-8
PUB Approved Issue No:			
Topic:	COVID Impact on Claims Incurred		
Sub Topic:			

Preamble to IR:**Figure 6 Basic Claims Experience – April 1, 2020 to March 31, 2021**

Line No.	Forecast excluding COVID-19	COVID-19 Adjustment	2021 GRA	COVID-19 until March 31, 2021	Difference from			
					Forecast excluding COVID-19 Adjustment	Difference from 2021 GRA		
	[a]	[b]	[c] = [a] + [b]	[d]	[e] = [d] - [a]	%	[f] = [d] - [c]	
1	Weekly Indemnity	\$93,074,139	(\$9,033,837)	\$84,040,303	\$77,504,546	(\$15,569,593)	-16.73%	(\$6,535,756)
2	ABO-Indexed	\$69,087,548	(\$6,265,301)	\$62,822,247	\$57,530,471	(\$11,557,077)	-16.73%	(\$5,291,776)
3	ABO-NonIndexed	\$33,820,374	(\$3,363,053)	\$30,457,321	\$28,162,847	(\$5,657,527)	-16.73%	(\$2,294,474)
4	Collision	\$451,372,477	(\$35,314,526)	\$416,057,952	\$375,866,156	(\$75,506,321)	-16.73%	(\$40,191,795)
5	Property Damage	\$42,868,368	(\$4,167,240)	\$38,701,127	\$34,450,951	(\$8,417,417)	-19.64%	(\$4,250,177)
6	Total		(\$58,143,957)			(\$116,707,935)		(\$58,563,978)

And

“Regarding PD claims, MPI expects a higher decrease, of 19.6%, as compared to the 2021 GRA Rate Update. Based on these assumptions, the 6 projected Basic ultimate claims savings from April 1, 2020 through March 31, 2021 is \$58.6 million.”

Question:

- a) Please explain why PD losses are expected to be more significantly impacted at 19.64%, as against the %16.73 forecast for other perils.

- b) Please confirm that \$116.7 million is the total expected impact on Basic Claims as a result of COVID-19. If not confirmed please explain.

- c) Please update elements of TC(MPI) 1-2 Figure 1, specifically loss ratios for Taxicab VFH for July 2020 through November 2020 (or to however recently the data is available).

- d) Please provide the loss ratio (and inputs as in part c) above) for the Basic program overall for March through November 2020 (or to however recently the data is available).

Rationale for Question:

To understand the impact of COVID-19 on Taxi VFH relative to the overall fleet of vehicles insured by MPI.

RESPONSE:

- a) PIPP savings were assumed to equal the same percentage savings as Collision (16.73%). Property Damage is based on actual and forecasted experience. Property Damage is more adversely affected by COVID-19, since it is largely dependant on frequency. The severity of Property Damage claims is fairly static and thus changes in frequency directly affect Property Damage.

- b) Confirmed.

- c) Refer to Figure 1 below. Note that the figures below are not developed to ultimate, which for Basic overall would be expected to increase the reported claims incurred by 20% to 30%. Also, the earned premiums are not adjusted for the impact of the first Basic rebate application.

Figure 1 Accident Year 2020 Taxicab Vehicle-for-Hire Claims Experience as of November 30, 2020

Line No.	Classification	Month	Incurred	Earned Unit	Earned Premium	Loss Ratio
1	Taxicab Vehicle-for-Hire	March	201,020.90	51.05	378,805.20	53.07%
2	Taxicab Vehicle-for-Hire	April	70,174.17	30.63	216,460.58	32.42%
3	Taxicab Vehicle-for-Hire	May	93,398.97	42.75	322,168.23	28.99%
4	Taxicab Vehicle-for-Hire	June	351,854.45	47.58	365,195.36	96.35%
5	Taxicab Vehicle-for-Hire	July	201,895.62	51.01	393,735.32	51.28%
6	Taxicab Vehicle-for-Hire	August	147,809.28	51.68	402,366.46	36.73%
7	Taxicab Vehicle-for-Hire	September	193,152.81	50.37	395,634.08	48.82%
8	Taxicab Vehicle-for-Hire	October	261,080.33	52.33	412,759.85	63.25%
9	Taxicab Vehicle-for-Hire	November	163,944.91	50.73	401,097.58	40.87%
10	Taxicab Vehicle-for-Hire	Total	1,684,331.44	428.14	3,288,222.66	51.22%

- d) Refer to [Figure 2](#) below. Note that the figures below are not developed to ultimate, which for Basic overall would be expected to increase the reported claims incurred by 20% to 30%. Also, the earned premiums are not adjusted for the impact of the first Basic rebate application.

Figure 2 Accident Year 2020 Overall Basic Claims Experience as of November 30, 2020

Line No.	Classification	Month	Incurred	Earned Unit	Earned Premium	Loss Ratio
1	Overall Basic	March	37,047,979.06	97,987.95	88,012,689.98	42.09%
2	Overall Basic	April	23,362,448.25	94,508.30	84,020,382.08	27.81%
3	Overall Basic	May	31,655,831.18	99,593.69	90,821,562.80	34.85%
4	Overall Basic	June	47,298,921.62	98,556.51	89,841,646.75	52.65%
5	Overall Basic	July	45,282,581.33	103,219.36	94,230,786.78	48.05%
6	Overall Basic	August	46,875,103.37	104,130.73	95,173,555.42	49.25%
7	Overall Basic	September	47,067,739.83	101,170.44	92,655,110.74	50.80%
8	Overall Basic	October	46,887,267.91	104,006.75	92,469,969.58	50.71%
9	Overall Basic	November	27,222,816.13	99,058.54	88,484,008.65	30.77%
10	Overall Basic	Total	352,700,688.68	902,232.26	815,709,712.78	43.24%