# MANITOBA PUBLIC INSURANCE

## 2022 GENERAL RATE APPLICATION

Round 2 Information Requests

September 15, 2021

Consumers' Association of Canada (Manitoba) (CAC)

CAC (MPI) 2-1

| Part and Chapter: | Part VIII EAR Attachment C; PWC Actuarial Support Letter (Exhibit MPI-10) | Page No.: | 2 |
|---|---|---|---|
| PUB Approved Issue No: | 10. Claims Forecasting | | |
| Topic: | OSFI reporting | | |
| Sub Topic: | | | |

**Preamble to IR:**

On page 2 of PWC's letter it states:

*"We have been asked to provide actuarial support to the audit engagement team of MPIC as at March 31, 2021 for statutory reporting purposes to the Office of the Superintendent of Financial Institutions (OSFI)."*

**QUESTION:**

For greater clarity please describe the statutory requirements of MPIC having to report to the Office of the Superintendent of Financial Institutions.

**RATIONALE FOR QUESTION:**

To understand and clarify the statutory reporting requirements of MPIC.

**RESPONSE:**

The Office of the Superintendent of Financial Institutions (OSFI) is an independent Federal Government Agency that regulates and supervises federally regulated financial institutions to determine whether they are in sound financial condition and are meeting their requirements. MPI is not federally regulated, and does not report to OSFI. MPI uses the OSFI frameworks and best practices in its assessment of:

- Acturial/Financial Stress Testing; and
- Minimum Capital Test Analysis, for which PWC provides the software for calculation thereof (based on OSFI standards/best practices).

The PWC report refers to the use of OSFI guidelines/standards to ensure consistency with industry best practice.

**CAC (MPI) 2-2**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **Part VIII EAR Attachment C; PWC Actuarial Support Letter (Exhibit MPI-10)** | **Page No.:** | **2** |
| **PUB Approved Issue No:** | **11. Claims Forecasting (including PIPP)** | | |
| **Topic:** | **PWC reviewed the Draft March 31, 2021 Actuarial Report** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

On page 2 of PWC's letter it states:

> *"Joe Cheng, a Fellow in good standing of the Canadian Institute of Actuaries (CIA), prepared the policy liabilities of the Company. Our examination of the methods, procedures and assumptions used to evaluate the policy liabilities as at March 31, 2021 is based on the draft actuarial report as of March 31, 2021 as well as the final report as of October 31, 2020 for Basic Insurance from Joe Cheng. The actuary's opinion is unqualified."*

**QUESTION:**

Please provide a narrative discussion as to whether there were any changes between the draft actuarial report and the final actuarial report as of March 31, 2021 that would impact the PWC's opinion of the Appointed Actuary's Policy Liability Valuation report as of March 31, 2021.

**RATIONALE FOR QUESTION:**

To better understand and clarify the use and impact of the draft actuaries report as of March 31, 2021 on PWC's opinion as provided in their letter dated May 21, 2021.

**RESPONSE:**

There were no changes between the draft actuarial report and the final actuarial report as of March 31, 2021 that would impact the PWC opinion of the Appointed Actuary's Policy Liability Valuation report as of March 31, 2021. PWC provided an unqualified opinion for MPI's financial statements for the year ended March 31, 2021 without any issues noted.

**<u>CAC (MPI) 2-3</u>**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **Part VIII EAR Attachment C; PWC Actuarial Support Letter (Exhibit MPI-10)** | **Page No.:** | **8** |
| **PUB Approved Issue No:** | **11. Claims Forecasting (including PIPP)** | | |
| **Topic:** | **Materiality** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

On page 8 PWC provides their materiality amounts as follows:

> ***"5. Materiality***
> *We have used the following materiality amounts to conduct our work with respect to the Financial*
>
> *Statements:*
> - *Overall Materiality: $16,000,000*
> - *Performance Materiality: $ 14,400,000*
> - *De Minimis Level: $ 800,000"*

**QUESTION:**

For greater clarity please describe, differentiate and explain the use/application of:

a) Overall Materiality
b) Performance Materiality
c) De Minimis Level

**RATIONALE FOR QUESTION:**

To better understand and clarify PWC's materiality levels in their review of the Appointed Actuary's Policy Liability Valuations reports.

**RESPONSE:**

Materiality is a crucial concept in financial reporting and auditing. PWC uses materiality in their assessment of financial significance while conducting the financial year-end audit work/testing. Under IFRS, 'Information is material if omitting, misstating or obscuring impacts and/or influence a users' decision.' In calculating materiality, PWC considers both qualitative and quantitative assessments. The latter, being the more crucial in audit work/testing. In terms of the definitions used by PWC:

a) **Overall Materiality** – is the threshold which could influence the economic decisions of a user of the financial statements and is calculated based on a percentage of net income along with judgement on the risk aspects of the company.

b) **Performance Materiality** - Performance materiality is an amount less than the overall materiality, and is lowered to diminish the risk that there may be several smaller error/omissions. The intent of having a performance materiality is to reduce the probability that the aggregate amount of uncorrected and undetected misstatements exceeds the materiality level for the financial statements.

c) **De Minimis Level –** represents the threshold used by the auditor to quantify and/or communicate audit differences to MPI. It is determined as a percentage of overall materiality. That percentage is a matter of professional judgment, but is based on the auditor's history of errors with the client. Any identified differences below this threshold are not carried to the Summary or Unadjusted Differences schedule.

## CAC (MPI) 2-4

| **Part and Chapter:** | **2022 Special Rebate Application** | **Page No.:** | **4** |
|---|---|---|---|
| **PUB Approved Issue No:** | **16. Risk Assessment and Risk Management** | | |
| **Topic:** | **Government Directive** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

On page 4 of the 2022 Special Rebate Application (SRA) it states the following:

> *"LA.1 Legal Application*
> *On June 17, 2021, the Government of Manitoba (the "Government") directed The*
> *1 Manitoba Public Insurance Corporation ("MPI") to distribute excess capital (as at*
> *2 March 31, 2021) from its universal compulsory automobile insurance line of business*
> *3 ("Basic") to ratepayers."*

**QUESTION:**

a) Please file a copy of the Government of Manitoba Directive directing MPIC to distribute excess capital to ratepayers.

b) Please file a copy of the Board of Directors board submission and Board of Directors Minute of the board meeting approving the distribution of excess capital as at March 31, 2021 and directing management of MPIC to rebate excess Basic Insurance Rate Stabilization reserves to ratepayers.

**RATIONALE FOR QUESTION:**

To better understand and clarify the authorization, bureaucracy and process of distributing excess RSR funds beyond 100% MCT.

**RESPONSE:**

a) and b)

Please see *Appendix 1* and *Appendix 2*.

Manitoba Public Insurance

# *Board of Directors Meeting*

| | | | |
|---|---|---|---|
| **Meeting Date**: | June 24, 2021 | **Agenda Item:** | 2.1.a |
| **Subject:** | Basic Rebate Approval | **Page:** 1 **of** 2 | |

## RECOMMENDATION:

That the Members, based upon Government direction, approve applying to the PUB to rebate excess Basic capital as at March 31, 2021; in addition, the rebate application is to also include further realized and forecasted Covid claims savings in 2021/22.

## KEY MESSAGES:

1. Prior to approval of a third rebate; Basic ended the fiscal year with an MCT value of 138% which represents $151 million in excess capital vs the 100% MCT target.
   a. Factoring in the premium tax credit, this creates a rebate potential of $155 million as at March 31, 2021

2. Before consideration of a third rebate MPI consolidated net income is $178 million; this results in a $97 million better than budget result

3. Within the 2022 GRA; the previously embedded 5% capital release will be removed from rates going forward, and is planned to be replaced with a one-time rebate

4. Rebating of the 5% capital release along with the other accumulated Covid savings and excess capital will result in a significant budget variance in 2021/22; all else equal

5. In discussion with Government, it has been determined that it is most appropriate to reflect this third rebate in the year in which the excess capital was generated – in 2020/21
   a. This treatment would limit P&L volatility for both MPI and Government consolidated summary accounts

6. Typically a rebate of this nature would be recognized for accounting purposes upon receipt of a PUB order

# *Board of Directors Meeting*

**Meeting Date**: June 24, 2021 **Agenda Item:** 2.1.a

**Subject:** Basic Rebate Approval **Page:** 2 **of** 2

7. Given the materiality of the rebate and its impact on summary Government financial results, Government has issued a letter of direction to rebate Basic excess capital as at March 31, 2021 (Attachment A)

8. This direction does not alter the Corporation's approach to the 2022 GRA. MPI will still file its GRA and subsequently follow this up with a special rebate application which will be heard concurrently by the PUB
   a. The final rebate sought will include the excess capital as at March 31, 2021; and additional claims savings brought on by the ongoing pandemic and potentially forecasted future savings at the time the final forecasts are submitted to PUB in advance of the hearing.

9. The Government letter of direction, along with MPI Board approval, will allow for the accruing of the excess capital as a rebate in 2020/21 when the excess was generated, as opposed to when the final PUB ruling will be received and rebates subsequently paid in 2021/22

10. Disclosure in the 2020/21 Financials and Annual Report is as follows:
    a. *On June 17, 2021 the Province of Manitoba directed the Corporation to distribute its excess capital from the Basic line of business as at March 31, 2021. The Corporation will include this rebate to policyholders within a special rebate application to be filed in 2021 concurrently with its 2022 general rate application process and subject to a final rebate amount to be ordered by the Public Utilities Board which may include additional net savings brought on by the Covid-19 pandemic over the course of the months leading up to the Public Utilities Board procedural hearing. The Board of Directors has approved the issuance of this rebate, and as a result, the Corporation has recorded a liability of $155.4 million for this rebate within accounts payable and accrued liabilities as at March 31, 2021.*

**SUMMARY:**

The Corporation has accumulated significant excess capital in the fiscal year 2020/21 and intends to rebate this excess capital in conjunction with the 2022 GRA process. Approval is sought to align to the Government direction and allow for the accruing of this third rebate in 2020/21.

Attachment A
Agenda 2.1.a
June 24, 2021

Manitoba
Crown Services

Deputy Minister's Office
Room 314 – 450 Broadway, Winnipeg, Manitoba, Canada R3C 0V8
**T** 204-945-2536
www.gov.mb.ca

June 17, 2021

Mr. Eric Herbelin
President and Chief Executive Officer
Manitoba Public Insurance
820 – 234 Donald Street
Winnipeg MB R3C 4A4
Email: eherbelin@mpi.mb.ca

Mr. Michael D. Sullivan
Board Chair
Manitoba Public Insurance
14 Garrioch Park Drive
Portage la Prairie MB R1N 3R9
Email: msullivan@mpi.mb.ca

Dear Mr. Eric Herbelin and Mr. Michael D. Sullivan:

Based on recent conversations, we understand Manitoba Public Insurance (MPI) has realized unanticipated surplus in the 2020/21 fiscal year due to the exceptional circumstances of the COVID pandemic that has impacted MPI business operations and customer behaviour. These financial savings are consistent with those reported earlier in the fiscal year that supported the two rebate programs that provided $179.5M to customers.

As these 2020/21 savings are directly related to the COVID pandemic, we are directing MPI to rebate its excess capital from the Basic line of business as at March 31, 2021 and apply to Public Utilities Board for the distribution of the special rebate.

Respectfully,

Bernadette Preun
Deputy Minister
Crown Services

c. Honourable Jeff Wharton, Minister of Crown Services
Ann Ulusoy
Ryan Klos
Mark Giesbrecht

*Board of Directors Meeting*

**DRAFT MINUTES**



[redacted]

21-076 **Basic Rebate Approval**

Mr. Giesbrecht presented the item 2.1.a Basic Rebate Approval.

Moved by Mr. Stefanson and seconded by Mr. Grestoni that the Members, based upon Government direction, approve applying to the PUB to rebate excess Basic capital as at March 31, 2021; in addition, the rebate application is to also include further realized and forecasted Covid claims savings in 2021/22.

CARRIED

Mr. Giesbrecht withdrew from the meeting.

## CAC (MPI) 2-5

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|---|---|---|---|
| **Part and Chapter:** | **2022 Special Rebate Application (SRA)** | **Page No.:** | **5** |
| **PUB Approved Issue No:** | **2. Ratemaking** | | |
| **Topic:** | **RSR Rebate (retrospective) vs Ratemaking (prospective)** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

On page 5 of the 2022 SRA it states the following:

> *Regarding the need to consolidate this Application or have it heard together with the 2022 GRA, MPI respectfully submits that doing so would be the most expeditious and least expensive means to determine the issues raised in each application. As will become apparent,* ***the issues to be resolved in this Application are inextricably linked with the issues raised by the 2022 GRA.*** *Further,* ***the outcome of one application will materially impact the other. MPI submits that the relief it requests through the 2022 GRA is just and reasonable only if the PUB is also prepared to grant the rebate relief requested herein. Conversely, the amount of the proposed rebate may be different if the PUB were to approve a lower overall rate indication than what MPI seeks through the 2022 GRA.*** *Emphases added.*

**QUESTION:**

a) Please explain in detail why the RSR rebate (which comprises of profits from prior years—retrospective results) is inextricably linked to the required proposed rates for 2022/23 rating year (prospective rates based on best actuarial estimates).

b) Please clarify in a narrative description what is meant by ***"the amount of the proposed rebate may be different if the PUB were to approve a lower overall rate indication than what MPI seeks through the 2022 GRA".***

**RATIONALE FOR QUESTION:**

To clarify and better understand the difference between retrospective results (and the consequence of a rebate or surcharge) and prospective ratemaking based on actuarial best estimates.

**RESPONSE:**

a) MPI seeks a 2.8% overall decrease in the break-even cost of Basic vehicle premiums – calculated in accordance with Accepted Actuarial Practice (AAP). MPI also requests the removal of the 5.0% capital release approved by the Public Utilities Board (PUB) in Orders 146/20 and 1/21. These are independent and separate requests within the 2022 General Rate Application (GRA).

   In 2022 Special Rebate Application (SRA), MPI requests a rebate calculated on the basis of actual and projected excess capital available from Basic. MPI seeks a rebate amount that would reduce the Minimum Capital Test (MCT) ratio of its Rate Stabilization Reserve (RSR) from its current value to 100% MCT, using actual savings ($155 million) and projected savings generated between March 31, 2021 and September 30, 2021.

   Even though rebates and capital releases are not mutually exclusive, part of the relief sought by MPI in the 2022 GRA, namely the removal of the 5% capital release, is the point that interconnects the two applications before the PUB. The amount of the estimated rebate is inversely proportional to no longer releasing capital under the provisions of the Capital Management Plan (CMP). That is, the two amounts behave opposite in nature, whereby unwinding the capital release provision allows for a greater rebate and puts premium dollars back into the hands of ratepayers more expeditiously.

b) MPI aims to maintain the MCT ratio of the RSR at 100%, as per its obligation under the *Reserves Regulation*, Man. Reg. 76/2019. Therefore, MPI submits that the rebate amount should be defined concurrently or immediately following its determination of the overall rate indication of which MPI seeks approval in the 2022 GRA. The rebate itself affects the overall rate indication as it assists in determining how much capital MPI will retain in the forecast years.

## CAC (MPI) 2-6

| **Part and Chapter:** | **2022 Special Rebate Application (SRA)** | **Page No.:** | **6** |
|---|---|---|---|
| **PUB Approved Issue No:** | **2. Ratemaking** | | |
| **Topic:** | **MPI cautions PUB on Forecasted rebate** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

On page 6 of 2022 SRA it states the following:

> *"Directly, the Pandemic impacts its claims experience. As*
> *17 accurately predicting when the frequency and magnitude of claims costs will return to*
> *18 normal is very difficult, MPI implemented a conservative approach to ensure it can*
> *19 respond to a variety of outcomes. Indirectly, the imposition or lifting of health*
> *20 restrictions impacts local, national and international markets, which ultimately affects*
> *21 the value of the MPI investment portfolio (positively or negatively).* ***MPI submits that***
> *22* ***the PUB should be mindful of this context when assessing the reasonableness of the***
> *23* ***requested rebate.*** *This Application requests a rebate calculated on the basis of actual*
> *24 and projected excess capital available from Basic." Emphases added.*

**QUESTION:**

Please provide specific examples and a range of possible outcomes the PUB should consider in assessing the reasonableness of the requested rebate.

**RATIONALE FOR QUESTION:**

To better understand and clarify MPI's caution in its robustness of forecasting the proposed RSR rebate for PUB's consideration and ultimate approval.

**RESPONSE:**

To properly understand the bolded portion of the above quote it is necessary to consider the two sentences MPI wrote that preceded the quote. Those sentences are:

> *"15.This is not to say that the impacts of the Pandemic on MPI are over. MPI continues 16. and will continue to be affected by the Pandemic for an unknown period of time, in 17. both direct and indirect ways."*

The PUB will assess the reasonableness of the Special Rebate Application (SRA). The rebate will be for a specified amount of money calculated in part on the basis of forecasts and stated assumptions. In assessing the reasonableness of the SRA, MPI advises that various factors may directly or indirectly impact the amount that should be rebated to customers at the time the PUB issues an Order in this matter.

For example, to the extent that the COVID-19 Pandemic continues and should the Province require further restrictions and lockdowns, the investment portfolio could be negatively impacted if businesses cannot return to normal operations. Since vaccination rates are relatively high (and are rising in most developed nations), the probability of this outcome, though greater than zero, appears to be relatively low.

**CAC (MPI) 2-7**

| **Part and Chapter:** | **2022 Special Rebate Application (SRA)** | **Page No.:** | **9** |
|---|---|---|---|
| **PUB Approved Issue No:** | **2. Ratemaking** | | |
| **Topic:** | **5% capital release provision increasing premiums written?** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

On page 9 of 2022 SRA it states the following:

"In 2022/23 and beyond, MPI expects earned premiums to be higher mainly due to the
8 anticipated elimination of the 5% capital release provision and the greater than
9 expected 2021/22 premiums."

**QUESTION:**

Please provide a narrative discussion on the reasons premiums would increase in 2022/23 due to the anticipated elimination of the 5% capital release provision.

**RATIONALE FOR QUESTION:**

To clarify and better understand the 5% capital release provision elimination impact on premiums written.

**RESPONSE:**

Earned premiums for 2022/23 increased in the 2022 GRA versus 2021 Special Rebate Application (SRA) II due to greater than expected 2021/22 premiums. In addition, the 2021 SRA II did not factor in the 2022 GRA premium rate change of +2.2%, which application includes the removal of the capital release provision.

## CAC (MPI) 2-8

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **2022 Special Rebate Application (SRA)** | **Page No.:** | **14 and 23** |
| **PUB Approved Issue No:** | **9. Cost of operations** | | |
| **Topic:** | **$156 million held in operational cash.** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

On page 14 of the 2022 SRA it states the following:

> *"MPI has significant cash and premium revenues it can use to fund the requested rebate. As at June 30, 2021, MPI holds $156.0 million of operational cash. It further expects that its cash reserve will increase by a sufficient amount between this date and the date on which it begins to mail out rebate cheques. In preparation for the distribution of a third rebate, MPI will optimize the investment of this **excess cash in liquid short-term** instruments to ensure the necessary funds will be available without impacting the health of the investment portfolio." Emphasis added.*

On page 23 of the 2022 SRA it states:

*Instead, MPI proposes that it issue cheques in January 2022.*

**QUESTION:**

Please provide an analysis of the cost/benefit of investing $150 to $200 million in liquid short term investments compared to investing these amounts in accordance with RSR Investment Policy Statement and supporting the cash shortage in January 2022 by bank financing.

**RATIONALE FOR QUESTION:**

To assess the cost/benefit of investing the potential rebate cash from today to January, 2022 in accordance with the Investment Policy Statement relating to RSR available funds and at the time of rebate possibly use bank financing on an interim basis to supplement the cash shortage, if any.

**RESPONSE:**

As indicated in the response to *CAC (MPI) 1-40*:

> *"For 2021/22 and 2022/23, MPI will not pursue debt financing as it works through the assessments of its long term objectives. MPI anticipates completion and sharing of a Management Review as part of a future GRA filing. At present, borrowing money to finance capital projects is not a priority of MPI."*

At June 30, 2021 MPI had $156M in operational cash. Investing $150 million to $200 million of surplus operational cash in the RSR portfolio and liquidating the investments to fund the rebate would expose MPI to significant investment risk (i.e. the value of the investments could decline significantly between now and January 2022).

Rather than liquidating any investments to fund the rebate, MPI could instead borrow the funds required and repay the debt incurred using its operational cash. However, that too could be risky and expensive as accumulating $150 million to $200 million of operational cash may require a significant amount of time if traffic volumes and accident frequencies normalize by the time the rebate is paid in January 2022.

While MPI expects that the long-term returns in the RSR portfolio would exceed the short-term financing cost, return volatility in each asset class could result in RSR portfolio returns that do not exceed financing cost.

## CAC (MPI) 2-9

| **Part and Chapter:** | **2022 Special Rebate Application (SRA)** | **Page No.:** | **23** |
|---|---|---|---|
| **PUB Approved Issue No:** | **9. Cost of operations** | | |
| **Topic:** | **Outstanding cheques from 2021 SRA I and SRA II** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

On page 23 of 2022 SRA it states:

> *"In the 2021 SRA I and II, MPI outlined the various problems it anticipated could arise during the implementation phase of the rebate initiative, as well as its proposed solutions. This time around, MPI suggests that it avoid issuing rebate cheques during a peak holiday season, as occurred in the 2021 SRA II. Instead, MPI proposes that it issue cheques in January 2022. Proceeding in this fashion would alleviate the need for staff to work additional overtime to compensate for lower capacity due to scheduled vacations."*

**QUESTION:**

Please provide an analysis of the 2021 SRA I and SRA II in terms of total amounts, number of cheques issued, number of cheques not yet cashed and the amounts of uncashed cheques. In the event policyholders do not cash a cheque, please elaborate on MPI's processes and procedures relating to uncashed cheques.

**RATIONALE FOR QUESTION:**

To obtain a better understanding of MPI's processes relating to uncashed policyholder rebate cheques.

**RESPONSE:**

Please see *CAC (MPI) 1-95 - Figure 1* for an analysis of the 2021 SRA I and SRA II in terms of total amounts, number of cheques issued, number of cheques not yet cashed and the amounts of uncashed cheques.

MPI writes off outstanding cheques two years after their date of issue. MPI completes these write offs during its year-end process.

## CAC (MPI) 2-10

| Part and Chapter: | CAC (MPI) 1-22 | Page No.: | Attachment A page 6 |
|---|---|---|---|
| PUB Approved Issue No: | 9. Cost of Operations | | |
| Topic: | Special Advisor | | |
| Sub Topic: | | | |

**Preamble to IR:**

**Question:**

Please provide a narrative discussion on the duties and responsibilities of the Special Advisor listed on page 6 of the 2020 Compensation Report.

**RATIONALE FOR QUESTION:**

To better understand the duties and responsibilities of the Special Advisor and the value provided to MPIC basic insurance by this individual for an annual compensation of $118,029.

**RESPONSE:**

The Special Advisor applies unique knowledge of corporate systems and business practices, along with processes and procedures, to directly contribute to the resolution of day-to-day to issues, all the while identifying areas for improvement from a Technical and/or Business perspective. The activities of the Special Advisor have a major impact on the ability of MPI to attain its tactical and strategic goals via the documentation and maintenance of the corporate software and its socialization and enforcement to affected work units.

The Special Advisor works in a matrix reporting environment wherein the position guides the Enterprise System Support team through the influencing of others (both direct and indirect), through thought leadership in key domain areas and through presentation to the MPI Management team. The Special Advisor takes part in the Business Continuity Management Process (BCMP) by assessing technical and business impact to systems.

The Special Advisor represents the director and the department on various committees as needed. The Special Advisor also investigates issues and/or prepares reports that are often urgent in nature and/or deal with subjects that are sensitive or confidential in nature.

The Special Advisor acted as a Product Manager and was key to introducing Agile product teams to the Insurance and DVA value streams by working directly with senior leaders of MPI to identify and prioritize critical corporate initiatives.

**CAC (MPI) 2-11**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-23** | **Page No.:** | **Figure 1, page 2** |
| **PUB Approved Issue No:** | **9. Cost of Operations** | | |
| **Topic:** | **Special Services-Other** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

Special Services – Other represents in excess of 40% of the Total Special Services account ranging between $3.6 million to $4.1 million for fiscal years 2020/21 to 2023/24.

**QUESTION:**

Please provide a detailed account analysis along with descriptions of each transaction included in Special Services – Other for the fiscal years 2020/21 through to 2023/24.

**RATIONALE FOR QUESTION:**

To better understand the operational expense details contained in Special Services – Other.

**RESPONSE:**

*Figure 1* contains the detailed breakdown of Special Services – Other by department.

**Figure 1 Special Services - Other - Total Corporate**

| Line No. | Department | 2020/21A | 2021/22B | 2022/23F | 2023/24F |
|---|---|---|---|---|---|
| 1 | *(C$000s, except where noted)* | | | | |
| 2 | Financial Reporting | 18 | 60 | 60 | 60 |
| 3 | Subrogation | 9 | 9 | 9 | 9 |
| 4 | Financial Operations | 2 | 20 | 20 | 20 |
| 5 | Physical Damage Management | 4 | 133 | 133 | 133 |
| 6 | Corporate Services | 58 | - | - | - |
| 7 | Health Care Services & Quality Assurance | - | 1 | 1 | 1 |
| 8 | Corporate Controller | 114 | 400 | 400 | 400 |
| 9 | Executive Committee | 164 | 410 | 418 | 427 |
| 10 | ALM & Investment Management | 136 | 125 | 125 | 125 |
| 11 | Identity Verification & Data Integrity | - | 9 | 9 | 9 |
| 12 | Employee Experience | 21 | 25 | 25 | 25 |
| 13 | Enterprise Application Management | 323 | 290 | 290 | 290 |
| 14 | Special Investigation Unit | - | 13 | 13 | 13 |
| 15 | Talent Management & Learning Development | 48 | 80 | 80 | 80 |
| 16 | KMS Instructional Design | 195 | 200 | 200 | 200 |
| 17 | Vendor Management | 1,169 | 1,049 | 1,064 | 1,095 |
| 18 | Agile Project Management Office | 137 | 50 | 50 | 50 |
| 19 | Platform Engineering & Infrastructure | 34 | - | - | - |
| 20 | Vehicle Registration | - | 21 | 21 | 21 |
| 21 | Driver Testing Policy & Evaluation | - | 1 | 1 | 1 |
| 22 | Driver Fitness | 20 | 38 | 38 | 38 |
| 23 | Enterprise Risk Management | 31 | - | - | - |
| 24 | Information Security Office | 676 | 325 | 325 | 325 |
| 25 | Enterprise Architecture | 2 | - | - | - |
| 26 | Design & Digital Media | 16 | 80 | 80 | 80 |
| 27 | HR Systems & Support | 14 | 50 | 50 | 50 |
| 28 | Forecasting & Reinsurance | - | 5 | 5 | 5 |
| 29 | Digital Workplace & Service Management | 66 | 31 | 31 | 31 |
| 30 | Infrastructure | 100 | 20 | 20 | 20 |
| 31 | Data Management & Analytics | - | 600 | - | - |
| 32 | BCMP Incident Response | 284 | - | - | - |
| 33 | CityPlace - Building | 12 | 40 | 6 | 25 |
| 34 | King Edward Service Centre - Building | 1 | - | - | - |
| 35 | St. Mary's Rd Service Centre - Building | - | - | - | 2 |
| 36 | Main St Service Centre - Building | - | - | - | 9 |
| 37 | Gateway Rd Service Centre - Building | 1 | - | - | - |
| 38 | Bison Dr Service Centre - Building | 1 | - | - | 7 |
| 39 | Portage la Prairie Service Centre - Building | - | - | 7 | - |
| 40 | Winkler Service Centre - Building | - | - | 7 | - |
| 41 | Receiving & Security - Building C | 43 | 46 | 53 | 57 |
| 42 | Salvage - Building B | - | - | 6 | - |
| 43 | Other | 3 | - | - | - |
| 44 | **Total Special Services - Other** | **3,702** | **4,131** | **3,547** | **3,608** |

## CAC (MPI) 2-12

| Part and Chapter: | CAC (MPI) 1-28 | Page No.: | Attachment A, Page 2 |
|---|---|---|---|
| PUB Approved Issue No: | 9. Cost of operations | | |
| Topic: | No data changes between Dec 31, 2020 to March 31, 2021 | | |
| Sub Topic: | | | |

**Preamble to IR:**

The membership data table shown on page 2 of Attachment A is the same as at Dec 31, 2020 and March 31, 2021

**QUESTION:**

a) For greater clarity please explain why the membership data does not change from Dec 31, 2020 to March 31, 2021 and yet some of the assumptions reflected in Appendix II, page 16 change for the date points stated in the preamble.

b) Please discuss the number of years Ellement has been performing the pension liability valuation services for MPI and if MPI has considered a review of this service to ensure value is received and also adhere to governance best practices.

**RATIONALE FOR QUESTION:**

To clarify the data selection and application in the Actuarial Pension Liability Valuation Report.

**RESPONSE:**

a) Membership data is only available from The Civil Service Superannuation Board of Manitoba (CSSB) once a year (at the plan year end date - December 31). MPI requested that Ellement provide a benefits and pension valuation as at March 31 in order to align with its fiscal year end. Ellement prepared a certified Valuation Report reflecting the December 31, 2020 data provided by CSSB (adjusted for age, service and salary growth as at March 31, 2021) using the interest rates from the Fiera Curve, as at March 31, 2021.

The above would not reflect demographic movement of new entrants, retirements, deaths, and terminations occurring within the 90-day window following December 31, 2020; but is a substantial improvement over the historical method which used the Excel roll-forward technique from December 31, 2020. Additionally, no significant movements in demographics can be seen between December 31, 2020 and March 31, 2021. For additional concurrence, the External Auditor verified the valuation report provided by Ellement.

b) MPI has utilized the services of Ellement since 2016. Ellement performs the actuarial valuation for CSSB, as well as the other crown corporations, and provides value and service. While MPI continuously monitors the value of all its vendors (and will consider whether a more detailed review is warranted in the case of Ellement), it does not intend to use another actuarial advisor at this time.

## CAC (MPI) 2-13

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-33** | **Page No.:** | **2** |
| **PUB Approved Issue No:** | **10—Current IT Strategic Plan and IT Expenses and Projects, Including Project Nova** | | |
| **Topic:** | **Project Nova** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

In response to CAC (MPI) 1-33 a) in part it states the following to measure the success of NOVA:

> *"While MPI is exercising financial prudence in the management of its costs and optimizing the net ongoing financial benefits upon its implementation, it will measure the success of NOVA in light of its ability to meet all of the following objectives:*
> - *Stable Technology Platform*
> - *Agility in delivery of features and capabilities to address Business Needs*
> - *Cost Savings and Operational Efficiencies*
> - *Availability and Portability for External Partners/Customers*
> - *Automation of SRE*
> - *Secured Solution*
> - *Transform the Customer Experience"*

In response to CAC (MPI) 1-33 b) in part it states the following with respect to NOVA greatest risks:

*"Currently, the greatest risk to achieving this target is a slippage in the schedule. Mitigation plans to address this and other risks include risk management, integrations, organization change management, training, and testing."*

**QUESTION:**

a) In general please provide a narrative description of the 7 measures of success of NOVA as listed in the preamble.

b) Please provide a narrative discussion on the 5 slippage mitigation plan elements listed in the preamble.

**RATIONALE FOR QUESTION:**

To better understand and provide clarity of the NOVA measures of success objectives and slippage mitigation plans.

**RESPONSE:**

a) Measures of success have been identified for Nova objectives.

**Stable technology platform:** MPI has performed robust RFPs to select industry-leading products and services, and has entered into agreements with primarily SaaS solutions, ensuring stable products to meet our Service Level Agreements (SLAs). MPI is leveraging SaaS solutions to provide software currency.

**Agility in delivery of features and capabilities to address Business Needs:** MPI is leveraging agile methodology to reach agreement on Minimal Viable Product that will meet business objectives through the delivery of these solutions. New technology is configurable, versus legacy systems that require custom development.

**Cost Savings and Operational Efficiencies**: Nova is focused on business process rationalization and optimization to ensure that the committed savings are achieved. One of the primary objectives is to align to COTS configuration versus customized development to achieve targeted efficiencies. MPI has partnered with system integrators to reach its self-sufficiency goals, which will result in MPI reducing the dependency on external vendors. This is being measured by the Value Management team as part of the benefits realization.

**Availability and Portability for External Partners/Customers**: With the new solutions, MPI is introducing high availability and disaster recovery capabilities to allow 24/7 access to customer and partner portals, enabling around the clock access to its products and services. The new solutions can be accessed from various devices of choice (i.e. laptops, phones, tablets).

**Automation of SRE**: SRE is being automated by leveraging the Duck Creek SaaS solution to move from paper based processes and manual work assignments to automated underwriting workflows and digital work assignments. The success of this automation will be measured by the agreed to business SLAs.

**Secured Solution**: MPI is leveraging SaaS solutions that are fully maintained by the product vendors, meeting and maintaining high security standards. The vendors provide annual security audits, and compliance validation is performed by third party security assessment firms. The solutions have been confirmed to meet and exceed MPI's security requirements, now and into the future.

**Transform the Customer Experience**: A self-serve online experience is being introduced. Today there are broker and Service Center options; tomorrow MPI will be providing broker, Service Center, and 24/7 online products and services. The solutions will focus on high volume transactions. MPI is introducing a model office and engaging broker working groups and customer focus groups to obtain early feedback from key stakeholders.

b) The largest current risk is schedule slippage, which is impacted by integrations, organizational change management, training, and testing. MPI plans to mitigate this risk as follows:

- Integrations Team capacity has been increased by 30%, and MPI retained a Senior Project Manager with significant integration project experience with a large insurance company as of July 2021. MPI also made feature first reporting, highlighting when dependent work is completed and giving visibility to all streams, program and the enterprise, available starting in mid-August. Additionally, MPI put an integrations Specialized Work Action Team (SWAT) in place, with a focus on the organizational integration landscape. It also engaged Gartner to discuss the Mulesoft platform and apply lessons learned from other organizations.

- Through Organizational Change Management, changes in leadership shifted focus on individual releases encompassing all aspects of the solution versus individual products. NOVA also engaged System Integrators (SIs) to deliver services based on change impact assessments and support model services.

- Through training leadership changes, NOVA also shifted focus on individual releases that encompass all aspects of the solution versus individual products, and NOVA engaged SIs to deliver services based on training impact assessments and support model services. MPI will leverage external training services to address capacity for the program.

- Contract negotiations with a testing vendor for capacity assistance, organizational maturity, and delivery of key quality assurance testing activities is underway and targeted to be ready for October 2021. Quality Assurance SWAT is in place, focused on implementing new processes so that the code being created is being implemented into the System Integration Testing environment in a coordinated manner to allow sufficient time for end to end testing.

## CAC (MPI) 2-14

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-35** | **Page No.:** | |
| **PUB Approved Issue No:** | **10. IT Expenses and Projects** | | |
| **Topic:** | **Finance Re-Engineering** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

MPI indicates that the Finance Re-engineering project closure report will be available by August 31, 2021.

**QUESTION:**

Please file a copy of the Finance Re-engineering project closure report.

**RATIONALE FOR QUESTION:**

To review the project closure report re the Finance Re-engineering project to gain a better understanding of its benefits to MPI.

**RESPONSE:**

Please see *Appendix 1*.

# Project Closeout Report

Finance Re-engineering - dEPM

2850

# Table of Contents

# Revision History

| Date | Document Version | Description of Changes | Author |
|---|---|---|---|
| 31/8/2021 | 1.0 | Finalize updates | K. Skibinski |
| 8/9/2021 | 1.1 | Completed updates | K. Skibinski |

# 1. Introduction

## 1.1. Purpose

The purpose of this document is to mark the completion of the project by assessing the project's performance, identifying the lessons learned and best practices for future projects, and confirming that essential procedures and other project closure activities have been completed.

This document is also used to measure the benefits/outcomes delivered by the project.

Information within the closeout report will be leveraged for post project audits and or post implementation reviews, and therefore must include within this document attachments, embedded screenshots/documents, or links to the location of the source documents in SharePoint.

## 1.2. Project Closeout Report Goals

This Project Closeout Report is created to accomplish the following goals:

Review and validate the deliverables, milestones and success of the project against the original project plan and business case.

- Identify project highlights, lessons learned and best proposed practices for future projects.
- Document and confirm outstanding issues, risks, defects, and recommendations.
- Outline outstanding tasks activities and assigned owners to transition to operations and close off the project.

# 2. PROJECT ASSESSMENT

## 2.1. Goals and Objectives Performance

The following table provides a comparison of the original project objectives to what the project delivered.

| OBJECTIVE | STATUS | SUPPORTING EVIDENCE |
|---|---|---|
| Purchase and install the d/EPM module | Completed | The d/EPM system dev, test, Production Support and Production environments have all been implemented. |
| Investigate fully the complete functionality of dEPM | Completed | During numerous cycles of User Acceptance Testing, the functionality was thoroughly tested while the full extent of the products functionality was validated. |
| Enable the functionality of the Project Accounting module | Completed | The Project Accounting module was configured, tested and implemented in May 2020. |

## 2.2. Project Changes and Decisions

The following table summarizes impacts through Change Requests (CRs) and Decision Requests (DRs).

| DATE | CR NUMBER (with hyperlink) | NAME/DESCRIPTION OF CHANGES | STATUS | Scope/Objective | Benefits | Resources | Schedule | Budget | IBM/Vendor | Infor Security | Other |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2/21/2020 | 2850 FRE dEPM - CR001 | 2850 – FRE d/EPM Schedule Adjustment | Approved | ☐ | ☐ | ☐ | ☒ | ☐ | ☐ | ☐ | ☐ |
| 6/19/2020 | 2850 - FRE dEPM - CR002 | CR002 – 2020 Training Extension | Approved | ☐ | ☐ | ☐ | ☒ | ☒ | ☐ | ☐ | ☐ |
| 1/18/2021 | 28050 - FRE DEPM - CR003 | CR003 – d/EPM v12.011 upgrade, requirement enhancement and delivery timeline | Approved | ☒ | ☐ | ☒ | ☒ | ☒ | ☐ | ☐ | ☐ |

**Total Value of CR Changes $ 563,852**

FRE Project Control Log Link

| DATE | DR NUMBER (with hyperlink) | NAME/DESCRIPTION OF CHANGES | STATUS | Scope/Objective | Benefits | Resources | Schedule | Budget | IBM/Vendor | Infor Security | Other |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 4/24/2019 | DR-001 | DR-001- 2850 - FRE - dEPM Project Control Log | Approved | ☒ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |

**Total Value of DR Changes $ 0**

## 2.3. Planned Scope of Work – Project Control Log

The following link identifies the actual key project deliverables that were produced throughout the project lifecycle.

Project Control Log Link

## 2.4. Project Summary: Schedule and Effort

This section provides a comparison between planned and actual schedule, planned and actual effort and SPI (schedule performance index).

***Remarks** – An SPI ratio greater than 1 indicates that you're ahead of schedule. Likewise, an SPI ratio less than 1 indicates that you're behind schedule. For example, an SPI of 1.5 means that you've taken only 67 percent of the planned time to complete a portion of a task in a given time period. An SPI of 0.8 means that you've spent 25 percent more time on a task than was planned.

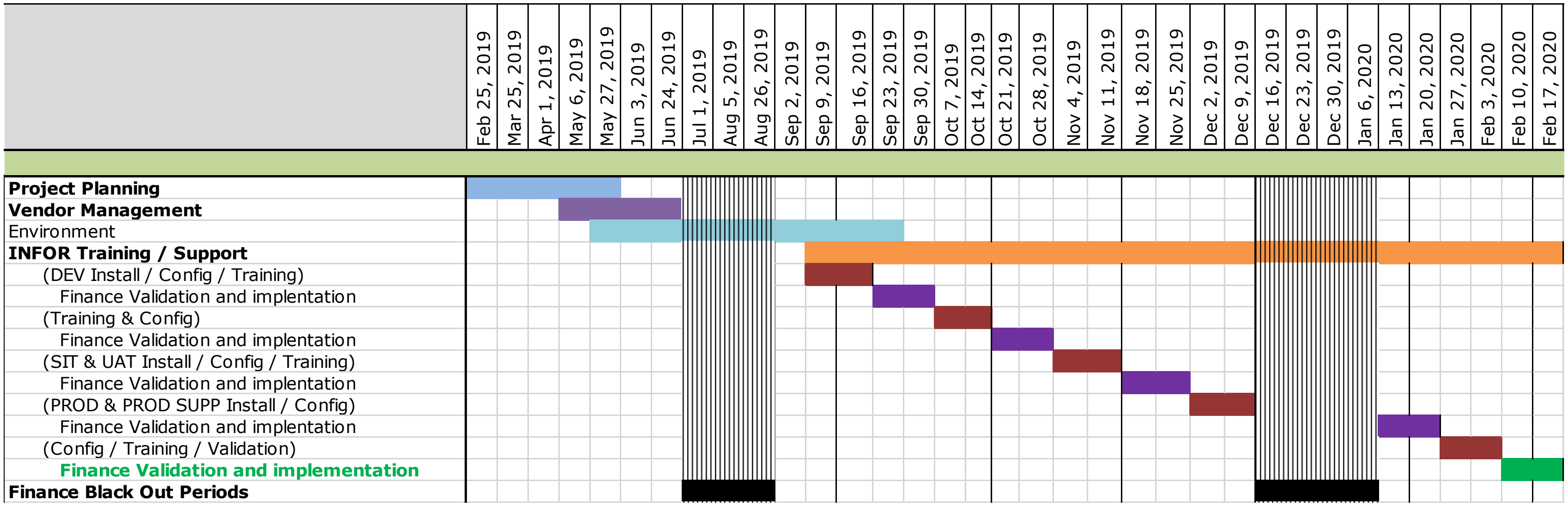
**Project Manager Note**: This Close-out report was completed by the 3rd Project Manager supporting the project. Prior schedule and milestone dates were only available at a high level from previous artifacts compiled by previous Project Managers. Specific metrics supporting the SPI ratio could not be determined at the completion of this report due to the lack of detailed data supporting effort versus actuals. Project actuals will be identified in the financial overview (link provided in this report). Overall the project was delivered much later than anticipated (approx. 11 months) due primarily to the instability of the initial d/EPM version deployed for configuration by the Vendor and more than 3 additional sub versions installed and tested for stability. The instability of required functionality created the need to continue pursuing and validating new upgraded versions as they became available by the Vendor. The final version incorporated a developed patch by the Vendor which eventually proved to provide the required stability and acceptance by the business as a Production candidate. Increased scope to include configured functionality not available in the initial version was also added which in turn impacted the overall delivery timeline.

The initially planned and final timelines are reflected below.

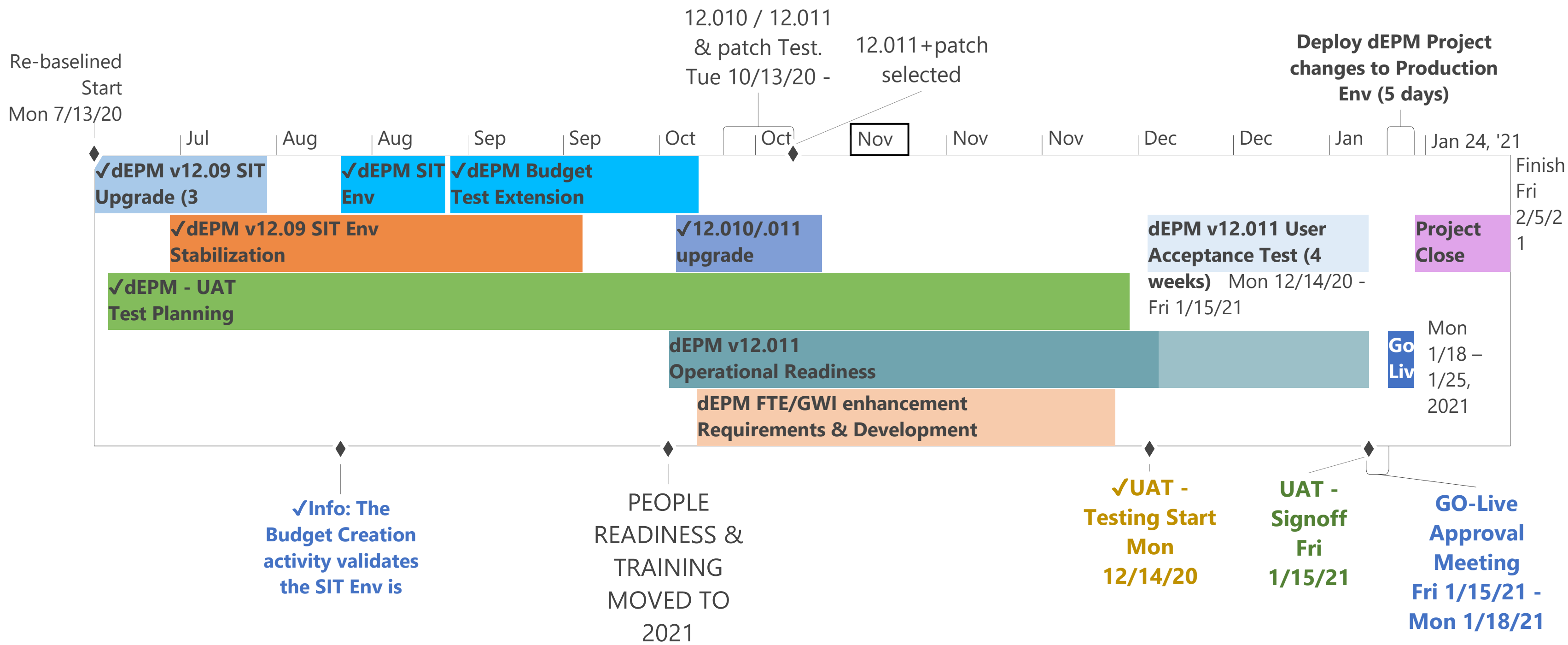
MANITOBA PUBLIC INSURANCE

Finance Re-engineering - dEPM, 2850

## Initial Project Timeline:



## Final Project Timeline:




## Additional Project artifact links:

[Project Financials Link]

[Project Charter Link]

[Project Plan Link]

# 3. Transition to Operations

## 3.1. Project to Operations Transition Form

The following link outlines outstanding defects, Remedy tickets, or items have been accepted as work, which have been accepted and will be corrected through Operations.

Operational Support Model Link

## 3.2. Outstanding Issues

The following table outlines outstanding deliverables, issues, or actions from the project that remain to be completed. To ensure clear understanding, information pertaining to the resolution, status, who is assigned the issue, or next steps should be included. Where appropriate, provide recommendations/actions as to how these may be dealt with.

| ISSUE | DETAILS | ACTIONS | ASSIGNED TO |
|---|---|---|---|
| Training material pending development by the Knowledge Management Systems (KMS) group. | Due to the extensive testing executed by the Finance team to support multiple upgrades of the d/EPM version, the product stability was not achieved until a month before go-live. There was not enough time available to develop training material with the Finance team supporting the KMS group needs and concurrently execute and complete User Acceptance Testing. It was decided by key stakeholders to defer the training material until a later date and have it developed by the KMS team operationally. | The Finance support team/subject matter experts have developed a support document outlining how to use d/EPM. Cross training of Finance staff and required managers from all Business units on how to use d/EPM will be provided by the Finance team/subject matter experts. | Candace Prozyk |

# 4. Project Outcomes

## 4.1. Lessons Learned

This section identifies and describes the major successes, issues and challenges encountered during the course of the project. These Lessons Learned will be incorporated into EPMO's consolidated Lessons Learned database and recommendations derived from successes will contribute to continuous improvement best practices.

FRE Lessons Learned Document Link

## 4.2. Post Implementation - Value Management

This section provides the specific planned/intended business benefits or positive results expected from the operations of the project end-result. These benefits/outcomes were identified in the business case. The below table is used to confirm that specified outcomes were realized.

| **Outcome** | **Status** | **Supporting evidence** |
|---|---|---|
| Provide timely access to accurate financial information | Completed | The d/EPM system;<br>- provides more detailed financial information from the general ledger.<br>- Allows Finance to be more responsive to requests for information. |
| Increase efficiency and effectiveness of financial processes and system integration | Completed | The d/EPM system and data integrations;<br>- reduce errors by decreasing the amount of manual transactions keyed into the system.<br>- provide data reliability through increased automation of processes from source systems, replacing the use of excel for Budget data inputs and the addition of enhanced reporting capabilities.<br>- provide trusted information from one source of truth supported by enterprise planning, budgeting and forecasting. |

If the outcomes are not immediately realized, the table below indicates how the metric will be monitored and measured, by whom, and how frequently.

| **Benefit** | **Action** | **Date** | **Responsible** |
|---|---|---|---|
| Provide appropriate support (through additional financial analysis and information and easier access to financial data) to all Divisions within the | The benefit will be realized once;<br>- The d/EPM system knowledge/usage increases | Nov 2021 | Candace Prozyk |

| | | | |
|---|---|---|---|
| Corporation to guide decision making that has a financial impact | within the Finance team/Subject Matter Experts.<br>- The cross training for all manager end-users within the corporation has been completed to support a Budget cycle.<br>- Increased analytics rather than transactional processing are established and reporting capabilities utilized to provide beneficial information. | | |

REVIEW AND APPROVAL

This section contains the signatures of key stakeholders, signifying they have reviewed and accepted the project close-out document and have agreed to close the project.

| | | | |
|---|---|---|---|
| **Name:** | Michael Gandhi | **Signature: Date:** | *See SharePoint Workflow* |
| **Role:** | Project Sponsor | **Title:** | Corporate Controller |
| **Name:** | Lindsay Jurkowski | **Signature / Date:** | *See SharePoint Workflow* |
| **Role:** | Project Owner | **Title** | Manager, Budgeting & Project Accounting |
| **Name:** | Jon Rekrut | **Signature:** | *See SharePoint Workflow* |
| **Role:** | Business Relationship Manager | **Title** | Business Relationship Manager |
| **Name:** | Kerry Skibinski | **Signature: Date:** | *Approval implied/provided with initiation of workflow to other reviewers.* |
| **Role:** | Project Manager | **Title** | Senior Project Manager |

## CAC (MPI) 2-15

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-38** | **Page No.:** | **2** |
| **PUB Approved Issue No:** | **10. Project Nova** | | |
| **Topic:** | **Project NOVA** | | |
| **Sub Topic:** | **Research conducted by KPMG** | | |

**Preamble to IR:**

In the response to CAC (MPI) 1-38 it states in part the following:

*"Project NOVA leveraged this internal research, along with additional research conducted by KPMG, to further understand customer "pain points" and perspectives on digital service."*

MPI further states:

*"MPI engaged KPMG to assist it in delivering a more detailed and comprehensive customer experience roadmap and implementation plan (from an organizational lens), for use by Project NOVA."*

**QUESTION:**

a) Please file a copy of the KPMG research report referred to in the preamble.

b) Please file the "detailed and comprehensive customer experience roadmap and implementation plan (from an organizational lens), for use by Project NOVA."

**RATIONALE FOR QUESTION:**

To review KPMG's research report relating to project Nova customer "pain points".

**RESPONSE:**

a) Attached to this IR response please find the following appendices, for which MPI is seeking confidential treatment:

- *Appendix 1* - KPMG MPI Workshop 2 Mass Transactions Output Summary - CONFIDENTIAL
- *Appendix 2* - KPMG Art of the Possible MPI Experience Design Framework - CONFIDENTIAL
- *Appendix 3* - KPMG MPI Workshop 3 Critical Enablers - CONFIDENTIAL
- *Appendix 4* - KPMG CX Maturity Assessment Results - CONFIDENTIAL

b) MPI engaged KPMG to assist it in preparing a more detailed and comprehensive customer experience roadmap and implementation plan, for use by Project NOVA. MPI expects the product of this engagement by end of October 2021.

# Appendix 1:
# KPMG MPI Workshop 2 Mass Transactions Output Summary

This material is the subject of a confidential motion.

# Appendix 2:
# KPMG Art of the Possible MPI Experience Design Framework

This material is the subject of a confidential motion.

# Appendix 3:
# KPMG MPI Workshop 3 Critical Enablers

This material is the subject of a confidential motion.

# Appendix 4:
# KPMG CX Maturity Assessment Results

This material is the subject of a confidential motion.

## CAC (MPI) 2-16

| Part and Chapter: | CAC (MPI) 1-66 | Page No.: | 3-4 |
|---|---|---|---|
| PUB Approved Issue No: | 9. Cost of operation and cost containment measures | | |
| Topic: | Dispute resolution process. | | |
| Sub Topic: | | | |

**Preamble to IR:**

**Question:**

a) With reference to response CAC (MPI) 1-66 a) Figure 1, the AICAC (Automobile Injury Compensation Appeal Commission) outstanding 'denial of PIPP benefits' remains at 152 cases. Please provide a narrative discussion relating to the nature of these outstanding dispute cases and the length of time they have been outstanding on average.

b) In response b) "MPI launched the new Customer Complaint & Resolution Tracking Program on June 11, 2021." Please provide a description of this tracking system (if there is a program description document, please file this document).

c) Based on Figure 1, there are 965 disputes outstanding (IRO -164, AICAC – 622 and MED – 179). In order of magnitude, please provide the total ultimate claims incurred relating to these disputes by dispute process.

**RATIONALE FOR QUESTION:**

To gain a better understanding of the nature of customer disputes and the process of resolving these disputes.

**RESPONSE:**

a) For clarity, the 152 cases figure represents the number of issues under appeal, not the number of claimants with Automobile Injury Compensation Appeal Commission (AICAC) appeals. Appeals may and do involve multiple issues. The available data is constrained and cannot be reported by claimant. Therefore, MPI is unable to provide the average appeal time. MPI can however confirm that the average resolution time for AICAC appeals concluded in 2019 and 2020 (for all issues under appeal) is 3.66 years. MPI submits that prolonged resolution times are not typically the result of any delay on its part.

A number of factors, many of which are beyond the control of MPI, can increase the resolution time for AICAC appeals, including:

- Claimants may require time to obtain representation.
- Claimants may seek additional medical assessments or reports, which can take months, particularly if the practitioner is a specialist.
- AICAC may take extra time to prepare the index of documents that are to be used at a hearing, particularly if the matter has numerous documents.
- There may be multiple case conferences to sort out the issues, witnesses, and the like.
- The inability to locate and communicate with claimants in an efficient manner or at all.
- There may be other delays in the claimant's ability to provide needed information, such as tax returns, particularly if a claimant has not filed returns.

'Denial of PIPP benefits' encompasses various components of PIPP. For example, a claimant may have a pre-existing shoulder injury which is deemed not causally related to the accident and the denial would be for permanent impairment and treatment specific to the shoulder injury. The same claimant may have a knee injury (limiting range of motion) which is causally related to the accident, which hypothetically entitles them to income replacement, personal care assistance, treatment (rehabilitation) and permanent impairment payment. The appeal being heard and categorized under 'denial of PIPP benefits' would be specific to the shoulder injury, while at the same time the claimant continues to receives PIPP benefits related to the knee injury.

b) MPI recognizes that it must take all complaints seriously, and attempt to resolve them in a manner satisfactory to its customers. In order to track successes and identify opportunities for improvements in the process for resolving customer complaints, MPI launched a new Customer Complaint Resolution & Tracking program in June 2021. The focus of this program is to:

- Create a centralized database to track customer complaints and resolutions of those complaints, no matter where within the organization they are initiated:
    - The database is the Remedy Action Request System, which is a ticketing application used to track internal problems and customer-reported issues
    - The Remedy system was already utilized by a number of MPI teams, so this additional use of the system allowed MPI to leverage existing capabilities for this new application
    - Data is captured within a simple form that staff complete indicating the nature of the issue, the area of the business involved, the location involved, and the details of how the complaint was resolved by either: the front-line staff member, or via an escalation to a supervisor or manager, or via an escalation to the Fair Practices & Customer Relations (FP/CR) department
- Implement a complaint resolution model that staff can use as a tool/guide to aid in discussions with customers
    - A copy of this model is attached for reference in *Appendix 1*.

- This model is not intended to replace the already existing customer service procedures for each of the areas of the business, rather it is intended to enhance existing procedures

- Post signage in MPI locations to create awareness for customers about opportunities to speak with staff when complaints arise

- Streamline the process for escalating complaints that could not be resolved by frontline staff through, to the FP/CR department

    - Staff now utilize the same complaint tracking form to submit a referral to FP/CR, whereas prior to the launch of this program, all escalations were routed via the MPI contact centre.

Implementing a corporate-wide centralized tracking tool and data repository for complaints allows MPI to use the information collected to analyze the challenges our customers face, and to identify opportunities for improvement. These opportunities could include: improved policies or procedures, enhanced staff training, development of new products or services, or adjustments to service delivery.

c) Claims incurred is not reflective of the impact of the dispute process as each individual issue relates to a component of incurred, this minimizes the significance of incurred when evaluating the dispute process. For example the issue under dispute could be treatment, which could equate to a value of $2,500, however the incurred on the claim could be $1 million. Once a claim proceeds to AICAC; reserves are not maintained (limiting the value of this data). On average, only 2.8% of disputed issues are overturned or varied. Additionally, data constraints limit the ability of MPI to provide this information.

Manitoba Public Insurance

Information Services

# Customer Complaint Resolution Process (Substituted)

Any staff member who learns of a customer complaint must take steps to resolve that complaint as soon as possible. Many of our interactions with customers occur in the event of a collision—an inconvenient and/or highly stressful or life altering situation. Effectively resolving issues or complaints that arise during these times is essential for maintaining a positive customer experience.

## Definition of a Complaint

A complaint is an expression of dissatisfaction when a customer perceives the product or the service they received to be unfair, inequitable, or contrary to MPI's legislation, policies, and/or procedures. Complaints can be related to any of MPI's programs, services, facilities, or staff members.

The following items are **not** considered a complaint for the purposes of the Complaint Tracking Process:

- A request for a specific service
- A general inquiry or specific request for information
- A request for statistical data
- An opinion or comment about government, Manitoba's public auto system, or insurance in general
- A suggestion or idea submitted by a customer with the aim of improving services, programs, or processes (unless that suggestion is related to a specific complaint about service already received)
- A customer who is simply unhappy regarding the outcome of staff appropriately following procedure (for example, held liable for an accident, or did not pass road test) where there are no issues with the service provided, just that they had hoped for a different outcome

## Tracking Complaints

MPI's centralized tracking tool and data repository for complaints provides MPI with information that helps us to analyze the challenges our customers face and identify opportunities for improvement.

Whenever you handle a customer complaint for any reason, follow your regular operational processes for handling the specific issue, and also follow the steps in this customer complaint resolution process. If you are able to resolve the customer's issue, complete the Customer Complaint Resolution & Tracking Form. If you are unable to resolve the issue, escalate the issue to your leader. You or your leader can complete the Customer Complaint Resolution & Tracking Form when the issue is either resolved or escalated to Fair Practices & Customer Relations.

For more information, see Track All Customer Complaints.

## Resolving Complaints

The specifics of how a complaint is resolved will vary depending on the type of transaction, but there are common steps for how to resolve a complaint, no matter the nature of the transaction.

The very first step in resolving an issue or complaint is to avoid it in the first place. By giving each customer your focused attention, listening to their needs, treating them respectfully, being attentive, and acting quickly, most of your interactions will be a positive experience for our customers. Many customer complaints happen because they did not feel heard, or did not fully understand a situation and believed no one took the time to fully explain it to them.

When complaints do arise, here are the key steps you need to immediately take:

## 1. Listen

Listen to not only what the customer is telling you, but really hear what they are saying and what they mean by it.

Express to the customer that you are taking their complaint seriously, and that their feedback is important to you. It can be helpful to repeat back a summary of what you heard so they know that you have understood their point of view. For example, you might say, "So if I've understood you correctly, you feel that your placement on the Driver Safety Rating is incorrect. I'd be pleased to look into that for you."

Practice active listening. Don't interrupt the customer, allow them to express the complaint. Remain calm and show you are listening. Some ways to do this can include: acknowledging their comments by saying "I see", or "I hear you", and when in person, making eye contact, occasionally nodding (where appropriate).

## 2. Get all the Facts

Ask supportive, probing questions that demonstrate your willingness to understand and to help. Avoid anything that might give them the impression that you are questioning the validity of the complaint. Explaining why you are asking the question can be helpful. For example, you may say "I'd like to understand what occurred, can you tell me more about…."

Encourage the customer to share as much information as possible about what went wrong and ask them to describe exactly where they feel the process failed them.

Use the tools available to you to get more information about the issue. These tools can include:

- Departmental manuals
- Policy and procedure documents
- Applicable legislation
- KnowledgeNet
- Intranet resources
- Corporate directives
- The corporate website
- internal systems and databases (like CARS, IWS and BI3) and many others

## 3. Take notes

Taking notes about the important details will help you recall key facts in case you need to follow up at a later time. In addition, it conveys to your customer that you are taking their complaint seriously.

Accurate notes create a comprehensive record of the complaint. This can help identify issues or trends that when acted upon, improve future customer interactions.

## 4. Apologize Sincerely

An apology can go a long way to improve relationships with our customers.

Even if there has been no error or wrongdoing, let your customer know that it's regrettable that they have had a negative experience. We strive for positive customer experiences, so where that falls short, we should sincerely apologize and mean it.

If there has been an error or some wrongdoing, own it and express that we are sorry it happened. Also assure the customer that appropriate follow-up and coaching will take place with staff once the issue is resolved. Complaint resolution is an opportunity for improvement.

> For privacy and confidentiality reasons, customers will not be given the outcome or an update on any individual coaching or staff development activities that take place as a result of the complaint.

Don't pass blame. Accept responsibility even if it's on behalf of another employee, or for a situation that was beyond your (or the Corporation's) control. Next, shift the focus to discussion about a satisfactory resolution. Customers are much more likely to be satisfied when the first person they speak with has the means to rectify their problem. In addition, if a customer thinks that an employee simply passed them off to someone else, they will be that much more unhappy when they have to take more time to talk to someone else – not to mention, having to repeat their story all over again.

## 5. Explain the Resolution and Act Quickly

If you are able to fix the problem, correct a mistake, or otherwise resolve the issue, fully explain to the customer what actions you will take. Being courteous and thorough in your explanation will assure the customer that the issue is being resolved, and can prevent further complaints.

Take action immediately. The longer the process goes on, the less confident the customer will be in getting a satisfactory resolution. In addition, corrections are almost always easiest if done as soon as possible.

If it's not possible to resolve the issue at the time of the customer's complaint, explain why and give them a realistic time frame of when they can expect it to be resolved. Let them know that you will contact them to confirm once concluded. Provide your contact information to the customer so that they can also follow up with you later, if they wish.

## 6. Escalate Only When Absolutely Necessary

As stated, customers are much more likely to be satisfied when the first person they speak with has the means to rectify their problem. While that's not always possible for a variety of reasons, you must take all steps possible to try to resolve the issue at the operational level.

If you cannot resolve the customer's complaint, discuss it with your leader who will also review and attempt resolution. It may be appropriate at this point for your leader to speak with the customer.

When your leader has fully reviewed and is in agreement that all attempts at resolution have been made, but the customer remains dissatisfied, it is then appropriate to advise the customer of the option for escalating the complaint. It will be up to the customer if they wish to escalate within MPI to Fair Practices & Customer Relations, or if they wish to contact the Manitoba Ombudsman.

## 7. Follow Up

If you were unable to immediately resolve the customer's complaint and promised to get back to them – keep that promise. Failure to follow-up will only result in additional complaints. If you don't have the resolution by the time that you promised one, then contact the customer to explain and provide an updated timeline.

Once the issue has been resolved, review the complaint again looking for opportunities for where we may be able to improve our customer service, our processes, or even our policies and procedures. If you believe you have a recommendation for a change, discuss it with your leader. We all have a role in the Corporation's efforts toward continuous improvement. Learning from customer complaints can be an excellent opportunity to make meaningful change!

## 8. Track the Customer Complaint

If you were able to resolve the customer's complaint or if you will need to escalate it to Fair Practices & Customer Relations, complete the Customer Complaint Resolution & Tracking Form. For more information, see Track all Customer Complaints.

**CAC (MPI) 2-17**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-89** | **Page No.:** | |
| **PUB Approved Issue No:** | **7. Capital Management Plan** | | |
| **Topic:** | **Comingle premiums based on prospective rates and rebates based on surpluses accumulated over time in the past. How to best manage these two concepts using the Capital Management Plan.** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

**Question:**

In light of the recent surplus distribution events and processes, which did not entirely follow the Capital Management Plan (CMP), what changes would MPI recommend to the current Capital Management Plan? Please provide a detailed narrative discussion of the recommended changes going forward to the CMP, if any.

**RATIONALE FOR QUESTION:**

To engage MPI in a discussion to build a CMP, including regulations, that is simple, practical and can be applied under all circumstances with minimal confusion to customers, reduced bureaucracy and administrative activity and costs.

**RESPONSE:**

Please see *CAC (MPI) 1-95(c) and (g)*

**CAC (MPI) 2-18**

| **Part and Chapter:** | **PUB (MPI) 1-47** | **Page No.:** | **7** |
|---|---|---|---|
| **PUB Approved Issue No:** | **9. Cost of operations and cost containment** | | |
| **Topic:** | **Staffing and new organizational structure** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

**Question:**

a) With reference to Figure 1 {PUB (MPI) 1-47} “2020/21 Total Staff Actual FTE Compared to 2021/22 Total Budget FTE”, please provide a narrative discussion describing the new organization including how the new organization will better meet MPI’s future objectives.

b) Please describe and justify the need and value proposition for an increase in staffing of 216.1 FTEs or 12% year over year (2020/21 actual FTEs of 1,801.3 to 2021/22 budgeted FTEs of 2,017.4).

**RATIONALE FOR QUESTION:**

To gain a better understanding for the significant increase in staffing year over year a resulting in a new organizational structure.

**RESPONSE:**

a) MPI engages in and carries out activities for all classes of automobile insurance (i.e. it administers the Universal Compulsory (Basic) and Extension automobile insurance programs). In addition, MPI also administers the driver and vehicle licencing program. As MPI strengthens its core foundational services to improve fulfillment of its mandate, it must transform its business to prepare for future demands including digital offerings and data analytics. This required structural reorganization.

The key drivers of the change in organization are:

- the new President & CEO (welcomed in January 2021), who ensured the readiness of MPI for the future by securing the right people, processes and technologies; and
- Project NOVA, which moves from the planning and discovery phases to the execution and implementation phases, which phases require proper alignment and organizational design to achieve project objectives.

The result of this change will be a more robust organization that can service Manitobans by adhering to the following MPI values:

**Striving for Excellence**

We provide exceptional coverage and service. We adapt to meet evolving customer and industry needs, focusing on continuous improvement.

**Providing Value to Manitobans**

We maintain affordable rates and ensure accessible coverage. As a public auto insurer, fiscal responsibility is at the forefront of everything we do.

**Doing What's Right**

We act with integrity and accountability. We strive to be open and transparent.

**Investing in People**

MPI empowers its employees to provide excellent service and works in cooperation with its business, community and road safety partners to fulfil its mission.

b) The organizational changes referenced above provide the rationale for increasing the FTE requirements of the business. The actual and budgeted FTEs are not aligned due to:

- General vacancies, which are higher than normal due to constraints resulting from the COVID-19 Pandemic and difficulty in attracting new employees; and
- Vacancies within specialized positions (e.g. IT), which are difficult to fill notwithstanding the above.

**CAC (MPI) 2-19**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-69** | **Page No.:** | **6** |
| **PUB Approved Issue No:** | **10. Claims Forecasting** | | |
| **Topic:** | **IFRS 17 potential financial impact** | | |
| **Sub Topic:** | **PfAD** | | |

**Preamble to IR:**

Per EAR Attachment B: Actuary Report – Mar 31 2021 page PDF 2136 the Provision for Adverse Deviation (PfAD) – Excluding ILAE Provision is stated as $238,456,000.

Figure 1 per CAC (MPI) 1-69 Page 6 indicates "Day one impact from IFRS 17 and IFRS 9" to be a favourable (preliminary) amount of $157 million and $150 million of that amount relating to a reduction in claims liabilities.

**QUESTION:**

Please provide a narrative discussion of the treatment of the PfAD provision under the IFRS 17 standard, if changed from the current accounting standard.

**RATIONALE FOR QUESTION:**

To clarify the treatment of the PfAD provision under the IFRS 17 standard, if changed.

**RESPONSE:**

The $150 million amount referenced is the estimated impact (as at August 2020) of the changing claims discount rate methodology under IFRS 17, and assumes use of the bottom-up approach.

There are no PfAD provisions under IFRS 17. There will instead be an IFRS 17 risk adjustment for non-financial risks. MPI has yet to determine the financial impact of this change but will complete additional actuarial testing and modelling in 2021/22.

**CAC (MPI) 2-20**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC(MPI) 1-3** | **Page No.:** | |
| **PUB Approved Issue No:** | **1. Requested vehicle rate and any changes to other fees and discounts**<br>**2. Ratemaking** | | |
| **Topic:** | **Corporate Priority Reviews** | | |
| **Sub Topic:** | **Basic Product Changes** | | |

**Preamble to IR:**

In response to the above referenced IR, MPI stated:

c) Below is a summary of customer sentiments regarding CERP enhancements and service received:

- Most customers feel they can make informed decisions and that their insurance needs are met
- Most customers can easily understand information about these changes
- Customers generally agree with some of the tenets behind making these changes
- Brokers play a significant role in informing customers about these changes
- Just over 25% of customers indicate having read the renewal notice

**QUESTION:**

Please elaborate on the principles (tenets) that customers generally agree with, and also those that customer do not generally agree with.

**RATIONALE FOR QUESTION:**

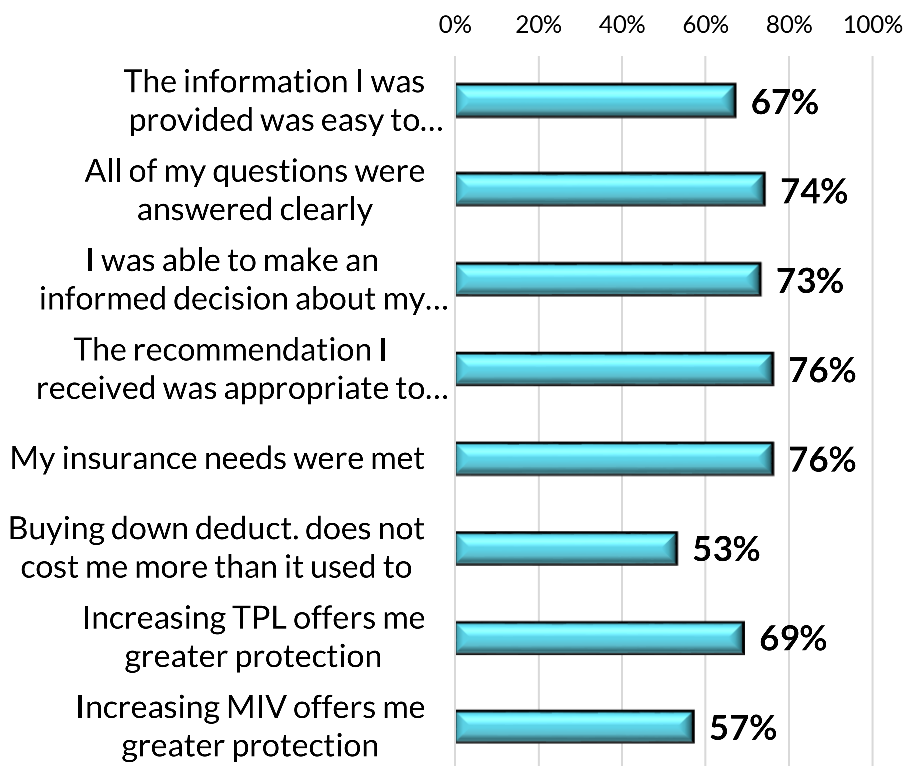
To understand MPI’s position on customer perception of the product changes.

**RESPONSE:**

To clarify, the CERP survey posed three statements regarding the tenets behind making the changes, and customers generally agree with all three:

- Slightly over half (53%) agree that buying down the deductible does not cost more than it used to
- Nearly six in ten (57%) agree that increasing Maximum Insured Value offers greater protection
- About two-thirds (69%) agree that increasing Third Party Liability offers greater protection

**Sentiments regarding CERP enhancements and service received (% agree)**



**CAC (MPI) 2-21**

| **Part and Chapter:** | **CAC (MPI) 1-12** | **Page No.:** | |
|---|---|---|---|
| **PUB Approved Issue No:** | **14. Operational benchmarking** | | |
| **Topic:** | **Benchmarking** | | |
| **Sub Topic:** | **Crown Benchmarking Results** | | |

**Preamble to IR:**

In the above referenced IR, MPI states:

*MPI has a higher FTEs per $100 million of GPW because of its unique business model, which provides end-to-end customer service performed by MPI employees and requires more employees than SGI and ICBC*

and

*ICBC has the lowest FTE per 100M in GPW, Total Gross Expense as a % of GPW, as well as the highest Gross Premiums Written per FTE and the Adjusted Policies in Force per FTE, due to the size and scale of ICBC relative to MPI, creating economies of scale within the operations.*

**QUESTION:**

a) Please describe the specific differences between MPI and SGI business models, that lead to MPI providing end-to-end customer service where SGI does not. Please also elaborate on the differences with ICBC, recognizing that the benchmarking data at issue may not reflect ICBC's new no-fault framework.

b) Referencing PUB(MPI) 1-48, Figure 2, please confirm that the benchmarking exercise was completed with Actual FTEs, rather than budgeted. If not confirmed, please explain the rationale for selecting the underlying data, and recalculate the metrics for actual FTEs.

c) Please confirm that the benchmarking results are based on the equivalent of MPI's Basic operations and do not contain extension or DVA operations for MPI, or the peers. If not confirmed, please discuss the rationale for this approach, and identify any differences in scope of service at SGI and ICBC that could impact the comparison.

d) Please identify the cost centers (or business function) believed to be the source of ICBC's economies of scale, such as perhaps IT/Data Analytics, buildings/facilities, certain finance department functions. Please indicate MPI's annual operational cost of these business functions, in both dollars, and as a percentage of total annual operating costs. Please provide the same for ICBC if available.

**RATIONALE FOR QUESTION:**

To fully understand the results of MPI's crown benchmarking.

**RESPONSE:**

a) The key difference between Saskatchewan Government Insurance (SGI) and MPI business is a fundamental one, as MPI is incorporated as one entity with a non-profit centric mandate and a common mission and vision, whereas, SGI is segregated as two companies with differing mission and vision. The first is the SGI Autofund which is akin to MPI's Basic Line of Business, and the second being SGI Canada which holds the profitable lines of business which includes a more diverse set of product portfolios when compared to MPI's and is based on a profit-centric model which differs significantly from MPI's mandate. The end to end business differences are driven from a strategic stand-point based on SGI's for-profit centric model.

In our 2020/21 Crown Benchmarking with SGI/ICBC MPIe will evaluate the core business functions/business offerings of SGI and contrast against MPI

b) Crown Benchmarking used actual FTEs for SGI, MPI, and ICBC.

c) Crown Benchmarking used Basic lines of business for SGI, MPI, and ICBC.

d) ICBC did not disclose during the time of the benchmarking their itemized expense line details to perform the analysis requested. In the 2020/21 Crown Benchmarking MPI will attain additional expense details to further evaluate the cost structure differences noted across its crown peers.

## CAC (MPI) 2-22

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-16** | **Page No.:** | |
| **PUB Approved Issue No:** | **14. Operational benchmarking** | | |
| **Topic:** | **Benchmarking Gartner Executive Report** | | |
| **Sub Topic:** | **IT Spending per enterprise Employee** | | |

**Preamble to IR:**

In the above referenced IR, MPI states:

*As a result, while IT spend as a percent of overall IT expense percentages are similar between MPI and the peers; the peers had a larger absolute dollar expense for IT, thereafter divided by the similar number of enterprise employees (the dollar spend per employee of MPI thus fell below its peers*

The Gartner Executive report at PDF page 239 presents the following:

**QUESTION:**

Please provide the data and illustrative calculations supporting MPI's statement, and Gartner's related metric presented in the preamble.

If it is necessary to aggregate the data for confidentiality purposes, please provide descriptive statistics of the aggregated data.

**RATIONALE FOR QUESTION:**

To fully understand MPI's IT spending and staffing, relative to peers.

**RESPONSE:**

Gartner provided the following response to this IR:


**Steps for calculating IT Staffing as a Percentage of Enterprise Employees (Peers)**

Step 1: Calculate the IT Staff as a percentage of Enterprise employees for each individual peer company
(Total IT Employee / Total Enterprise Employee).

Step 2: Average of IT Staff % of Enterprise Employees (from Step 1) of the 15 peer companies **19.84%**

**25th percentile = 13.6%**
**Average = 19.8%**
**75th Percentile = 25.6%**

**Steps for calculating IT Staffing as a Percentage of Enterprise Employees (MPI)**

1. Total IT Employee / Total Enterprise Employee = 347 / 1890 = **18.36%**

**CAC (MPI) 2-23**

| Part and Chapter: | CAC (MPI) 1-29 | Page No.: | |
|---|---|---|---|
| PUB Approved Issue No: | 9. Cost of operations | | |
| Topic: | Appendix 10 and 11 - Staffing Levels | | |
| Sub Topic: | | | |

**Preamble to IR:**

In response to the above noted IR, MPI states:

> *The main reason for the need to increase the FTE budget in 2021/22 is Information Technology Transformation. Appendix 10-1 reflects average actual FTE for fiscal year 2020/21 whereas Appendix 11-1 reflects the budget FTE for 2021/22. The budgeted FTE level does not consider the corporate vacancy provision.*

**QUESTION:**

Please refile a version of EXP Appendix 10 that uses the same divisional headings as EXP Appendix 11, to facilitate a comparison between prior year's budget and actual, and the current budget and forecast. Please also provide in excel format.

**RATIONALE FOR QUESTION:**

To understand year over year changes to budget and actual staffing.

**RESPONSE:**

As a result of the corporate reorganization, divisional changes occurred after the 2020/21 fiscal year (i.e. effective May 31, 2021). MPI cannot adjust for actual average full-time equivalents (FTE) in this fiscal year as the changes occurred in the next fiscal year.

MPI cannot compare actual to budget FTE figures as these are go-forward changes in the 2021/22 fiscal year. *Figure 1* below reflects the total budget FTE for 2020/21 in the new organizational units to facilitate comparison.

**Figure 1 2020/21 Total FTE Budget**

| Line No. | CATEGORY | Insurance & Risk Management | Legal & Compliance | Customer | Finance | People & Culture | Information & Technology | Executive | Operations | Digital & Transformation | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Management** | 8.0 | 4.0 | 7.0 | 17.0 | 8.0 | 12.0 | 7.0 | 53.0 | 12.0 | 128.0 |
| 2 | **Supervisory** | 4.0 | 1.0 | - | 4.0 | - | 7.0 | - | 121.0 | - | 137.0 |
| 2 | **Technical/Professional** | 46.3 | 36.0 | 49.7 | 98.0 | 34.0 | 240.2 | 4.0 | 565.0 | 73.5 | 1,146.7 |
| 3 | **Clerical** | 10.5 | 6.0 | 5.0 | 29.0 | 4.0 | 11.0 | - | 475.3 | 1.0 | 541.8 |
| 3 | **Total** | **68.8** | **47.0** | **61.7** | **148.0** | **46.0** | **270.2** | **11.0** | **1,214.3** | **86.5** | **1,953.5** |

## CAC (MPI) 2-24

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-45** | **Page No.:** | |
| **PUB Approved Issue No:** | **4. Financial forecasts**<br>**18. Impacts of COVID-19** | | |
| **Topic:** | **Revenues** | | |
| **Sub Topic:** | **Vehicle Upgrade forecast and COVID-19** | | |

**Preamble to IR:**

In response to the above noted IR, MPI states:

Per Part V Revenue,

> *"MPI estimates the actual upgrade factors using the Rate Model Method. The Rate Model Method takes a snapshot of the vehicle fleet at the same point in time from the current year and the previous year. MPI then calculates the average premium for both vehicle populations using the approved rates of the most recent year (i.e. 2021/22)." This process requires a fair amount of resources to appropriately restate the two snapshots with the same rate groups and rates. As such, MPI currently only reviews upgrades annually.*

**QUESTION:**

Please provide a summary of the data on an annual basis, that also illustrates the pre pandemic vehicle upgrades, including 2019/20, 2020/21 and 2020/22.

**RATIONALE FOR QUESTION:**

To understand how the data support MPI's assumptions in respect of vehicle upgrade.

**RESPONSE:**

Please see *Figures 1, 2 and 3* below. MPI judgmentally increased the upgrade factor for 2020/21 by 0.24% (from 2.03% to 2.27%). The 0.24% increase reflects half of the difference between the forecasted vehicle upgrade of 2.45% in the 2021 General Rate Application (GRA) and the actual vehicle upgrade of 1.97% i.e. (2.45% - 1.97%) / 2.

MPI increased the upgrade factor to recognize the effect of the COVID-19 Pandemic. Per *Part V Revenue* and *CAC (MPI) 1-44*, MPI observed decreases in earned units in the first few months of 2020/21. However, these decreases did not persist throughout the year, and the growth in earned units in the later months were higher than forecasted. Given that the upgrade factor for 2020/21 is based on the snapshot population of vehicles as at November 1, 2020, MPI assumes the upgrade factor to be understated given the growth in the earned units in the later months.

**Figure 1 2022 GRA - 2020/21 Total Upgrade Factor**

| Line No. | Major Class | 2019 Vehicle Count | Total Premium (2019 Count @ 2021 Rates) | Avg Premium (2019 Count @ 2021 Rates) | 2020 Vehicle Count | Total Premium (2020 Count @ 2021 Rates) | Avg Premium (2020 Count @ 2021 Rates) | % Average Premium Increase |
|---|---|---|---|---|---|---|---|---|
| 1 | **Private Passenger** | 812,577 | 923,239,915 | 1,136.19 | 824,512 | 958,269,308 | 1,162.23 | 2.29% |
| 2 | **Commercial** | 46,597 | 39,101,337 | 839.14 | 46,950 | 40,606,901 | 864.90 | 3.07% |
| 3 | **Public** | 12,562 | 27,121,077 | 2,158.98 | 10,994 | 23,522,488 | 2,139.58 | -0.90% |
| 4 | **Motorcycle** | 17,694 | 16,084,954 | 909.06 | 18,080 | 16,329,867 | 903.20 | -0.64% |
| 5 | **Total** | **889,430** | **1,005,547,283** | **1,130.55** | **900,536** | **1,038,728,564** | **1,153.46** | **2.03%** |

**Figure 2 2021 GRA - 2019/20 Total Upgrade Factor**

| Line No. | Major Class | 2018 Vehicle Count | Total Premium (2018 Count @ 2020 Rates) | Avg Premium (2018 Count @ 2020 Rates) | 2019 Vehicle Count | Total Premium (2019 Count @ 2020 Rates) | Avg Premium (2019 Count @ 2020 Rates) | % Average Premium Increase |
|---|---|---|---|---|---|---|---|---|
| 1 | **Private Passenger** | 807,724 | 933,871,921 | 1,156.18 | 812,577 | 963,812,335 | 1,186.12 | 2.59% |
| 2 | **Commercial** | 46,360 | 37,776,159 | 814.84 | 46,597 | 38,603,901 | 828.46 | 1.67% |
| 3 | **Public** | 12,785 | 27,203,995 | 2,127.81 | 12,562 | 26,897,899 | 2,141.21 | 0.63% |
| 4 | **Motorcycle** | 17,585 | 14,965,822 | 851.06 | 17,694 | 14,986,833 | 847.00 | -0.48% |
| 5 | **Total** | **884,454** | **1,013,817,897** | **1,146.26** | **889,430** | **1,044,300,968** | **1,174.12** | **2.43%** |

**Figure 3 2020 GRA - 2018/19 Total Upgrade Factor**

| Line No. | Major Class | 2017 Vehicle Count | Total Premium (2017 Count @ 2019 Rates) | Avg Premium (2017 Count @ 2019 Rates) | 2018 Vehicle Count | Total Premium (2018 Count @ 2019 Rates) | Avg Premium (2018 Count @ 2019 Rates) | % Average Premium Increase |
|---|---|---|---|---|---|---|---|---|
| 1 | **Private Passenger** | 801,726 | 910,858,047 | 1,136.12 | 807,724 | 942,315,050 | 1,166.63 | 2.69% |
| 2 | **Commercial** | 46,246 | 36,772,383 | 795.15 | 46,360 | 37,533,983 | 809.62 | 1.82% |
| 3 | **Public** | 12,630 | 26,404,056 | 2,090.58 | 12,785 | 24,651,949 | 1,928.19 | -7.77% |
| 4 | **Motorcycle** | 17,023 | 13,859,862 | 814.18 | 17,585 | 14,243,674 | 809.99 | -0.52% |
| 5 | **Total** | **877,625** | **987,894,348** | **1,125.65** | **884,454** | **1,018,744,656** | **1,151.83** | **2.33%** |

## CAC (MPI) 2-25

| Part and Chapter: | CAC (MPI) 1-44 | Page No.: | |
|---|---|---|---|
| PUB Approved Issue No: | 4. Financial forecasts<br>18. Impacts of COVID-19 | | |
| Topic: | Revenue Forecasts | | |
| Sub Topic: | HTA units forecast | | |

**Preamble to IR:**

In response to the above noted IR, MPI provided the follow table:

**Figure 1** **Policy Year 2020/21 Forecasted vs. Actual Growth in First 12 Months**

| Line No. | | Private Passenger Forecast Growth | Private Passenger Actual Growth | Private Passenger Diff. | Commercial Forecast Growth | Commercial Actual Growth | Commercial Diff. | Public Forecast Growth | Public Actual Growth | Public Diff. | Motorcycles Forecast Growth | Motorcycles Actual Growth | Motorcycles Diff. | Trailers Forecast Growth | Trailers Actual Growth | Trailers Diff. | Off Road Vehicles Forecast Growth | Off Road Vehicles Actual Growth | Off Road Vehicles Diff. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Mar | 31 | (69) | (100) | 5 | 0 | (5) | (1) | (21) | (20) | 0 | 0 | (0) | 12 | (4) | (16) | 6 | (3) | (9) |
| 2 | Apr | 36 | (599) | (636) | 2 | (46) | (48) | 1 | (62) | (64) | 2 | (20) | (22) | 14 | (89) | (103) | 5 | (12) | (18) |
| 3 | May | 60 | (726) | (786) | 2 | (49) | (51) | 2 | (102) | (104) | 1 | (18) | (19) | 23 | (66) | (89) | 9 | 16 | 7 |
| 4 | Jun | 79 | (394) | (473) | 3 | (7) | (9) | 2 | (136) | (138) | 3 | (10) | (13) | 31 | 113 | 82 | 12 | 70 | 58 |
| 5 | Jul | 146 | (100) | (245) | 4 | (9) | (13) | 3 | (180) | (183) | 5 | 7 | 2 | 60 | 255 | 195 | 22 | 115 | 93 |
| 6 | Aug | 229 | 208 | (21) | 6 | 12 | 6 | 5 | (157) | (162) | 12 | 29 | 17 | 96 | 379 | 283 | 36 | 149 | 113 |
| 7 | Sep | 317 | 452 | 136 | 8 | 26 | 19 | 6 | (125) | (131) | 19 | 40 | 21 | 133 | 467 | 334 | 52 | 170 | 119 |
| 8 | Oct | 441 | 653 | 212 | 10 | 36 | 26 | 7 | (109) | (116) | 28 | 61 | 33 | 183 | 562 | 379 | 73 | 211 | 137 |
| 9 | Nov | 541 | 671 | 129 | 13 | 26 | 13 | 8 | (100) | (107) | 35 | 59 | 24 | 224 | 591 | 367 | 93 | 238 | 145 |
| 10 | Dec | 612 | 721 | 109 | 14 | 63 | 49 | 8 | (108) | (116) | 46 | 61 | 14 | 288 | 687 | 398 | 122 | 333 | 211 |
| 11 | Jan | 664 | 1,035 | 371 | 15 | 89 | 74 | 8 | (115) | (123) | 57 | 64 | 7 | 312 | 795 | 484 | 136 | 476 | 340 |
| 12 | Feb | 645 | 1,098 | 453 | 14 | 97 | 83 | 9 | (160) | (169) | 54 | 59 | 4 | 301 | 747 | 446 | 134 | 416 | 282 |

**QUESTION:**

Please provide similar tables for each of the 3 years prior to 2020/21. Please file as an excel workbook, with formulas intact.

**RATIONALE FOR QUESTION:**

To understand historical forecasting performance, relative to the pandemic forecast.

**RESPONSE:**

MPI did not perform a similar analysis for prior policy years. MPI completed the analysis only for policy year 2020/21 in order to track the impact of the COVID-19 Pandemic on unit growth for the policy year (to allow for appropriate adjustments when forecasting unit growth).

**CAC (MPI) 2-26**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-47** | **Page No.:** | |
| **PUB Approved Issue No:** | **4. Financial forecast** | | |
| **Topic:** | **Revenue Forecast** | | |
| **Sub Topic:** | **Fleet Rebate Forecast** | | |

**Preamble to IR:**

In response to the above noted IR, MPI states:

> *The $20.05, for the Private Passenger, Commercial and Public major classes, is derived as $18,179,000 (fleet rebates for rating year 2022/23 per Figure RM-4) divided by 906,700 units (total units for the Private Passenger, Commercial and Public major classes per Figure RM-13). MPI allocates the fleet rebates to these major classes because only vehicles in these major classes are eligible for the fleet program.*

**QUESTION:**

a) Please provide the number of fleet vehicles in each of the Private Passenger, Commercial and Public major classes, both as a number of units and percentage of the total units for each major class. Please also identify the number of fleet vehicles by insurance use within each major class.

b) Please discuss the rationale for fleet program costs being dispersed across a large segment of MPI's customers, whereas the benefits are concentrated among a small proportion of commercial customers.

**RATIONALE FOR QUESTION:**

To understand the extent and rationale for the fleet program subsidy.

**RESPONSE:**

a) Based on the data as per the rate model used for the 2022 General Rate Application (GRA), there are a total of 59,124 fleet vehicles. By major class, the unit count and percentage of total units are as follows:

- Private Passenger – 30,508 (3.70%)
- Commercial – 19,510 (41.55%)
- Public – 9,106 (82.83%)

Please see *Figures 1, 2 and 3* below for the number of fleet vehicles by insurance use for each major class:

**Figure 1 Unit Count of Fleet Vehicles - Private Passenger**

| Line No. | Insurance Use | Units |
|---|---|---|
| 1 | Pleasure Passenger Vehicle | 282 |
| 2 | All Purpose Passenger Vehicle | 6,233 |
| 3 | Collector Passenger Vehicle | 21 |
| 4 | Farm Passenger Vehicle | 460 |
| 5 | Farming All Purpose Truck | 3,099 |
| 6 | Fishing All Purpose Truck | 1 |
| 7 | Disabled Persons/Private/Business Bus | 602 |
| 8 | Pleasure Motorhome | 26 |
| 9 | All Purpose Motorhome | 11 |
| 10 | All Purpose Truck | 19,694 |
| 11 | Antique Vehicle - Truck | 4 |
| 12 | Collector Truck 4,540 kg or less GVW | 10 |
| 13 | Pleasure Truck | 65 |
| 14 | **Total** | **30,508** |

**Figure 2 Unit Count of Fleet Vehicles - Commercial**

| Line No. | Insurance Use | Units |
|---|---|---|
| 1 | Farming All Purpose Truck | 2,970 |
| 2 | Artisan Truck | 46 |
| 3 | Sand/Gravel Truck | 1,467 |
| 4 | Petroleum/Chemical Truck | 747 |
| 5 | Logging Truck | 68 |
| 6 | Cement/Brick/Exploration Truck | 434 |
| 7 | Tow Truck | 142 |
| 8 | Common Carrier Local Passenger Vehicle | 249 |
| 9 | Common Carrier Truck Local Within City or Mun. | 321 |
| 10 | Common Carrier Passenger Vehicle Within 161km in MB | 11 |
| 11 | Common Carrier Truck Within 161km in MB | 575 |
| 12 | Common Carrier Passenger Vehicle Over 161km in MB | 7 |
| 13 | Common Carrier Truck Over 161km in MB | 200 |
| 14 | Common Carrier Truck Over 161km in MB > 16,330 kg | 312 |
| 15 | Driveaway Over 161km outside MB | 6 |
| 16 | Dealer All Uses except Motorcycles | 2,353 |
| 17 | Repairer | 615 |
| 18 | Other Truck | 8,987 |
| 19 | **Total** | **19,510** |

**Figure 3 Unit Count of Fleet Vehicles - Public**

| Line No. | Insurance Use | Units |
|---|---|---|
| 1 | U Drive Bus | 6 |
| 2 | U Drive Motorhome | 10 |
| 3 | U Drive Passenger Vehicle | 3,786 |
| 4 | Transit Bus | 691 |
| 5 | School Bus | 2,490 |
| 6 | Charter Bus Local | 29 |
| 7 | Police/Emergency Passenger Vehicle | 653 |
| 8 | Police/Emergency Truck | 113 |
| 9 | Funeral Passenger Vehicle | 22 |
| 10 | Common Carrier Bus Within MB | 66 |
| 11 | U Drive Truck | 1,229 |
| 12 | Common Carrier Bus Over 161km outside MB | 11 |
| 14 | **Total** | **9,106** |

b) MPI understands that the fleet program is both accessible and beneficial to all vehicles in the above major classes. Per *Figures 1, 2 and 3* above, almost all insurance uses in these major classes have access to the fleet program. Further, to the extent that fleets perform well in regards to managing towards a lower number of accidents (and therefore the net rebate) means safer roads for all users. Recognizing this, MPI submits that it is appropriate that the costs are shared (on a per unit basis) by the above three major classes.

**CAC (MPI) 2-27**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-50** | **Page No.:** | |
| **PUB Approved Issue No:** | **13. Driver Safety Rating** | | |
| **Topic:** | **DSR** | | |
| **Sub Topic:** | **2022 Vehicle Premium Discount** | | |

**Preamble to IR:**

In response to the above referenced IR, MPI states:

*Please see Driver Safety Rating Chapter, pages 12 and 13.*

At the provided reference MPI provides the following reason related to DSR level 16:

*Extending the scale to +20 or higher: aligns with SK (scale goes to +25) and moves closer to BC (considers up to 40 years of driving experience), better rewards safe driving for more experienced drivers, and allows for a greater distribution of drivers on the scale.*

**QUESTION:**

a) Please confirm this above reference to extending the scale is the only rationale relied on by MPI. If not, please fully explain.

b) Please explain why alignment with SK and BC is relevant.

c) Please explain why a greater distribution of drivers along the DSR scale is desirable.

d) Please discuss when MPI plans to differentiate the vehicle premium discount for DSR 16 drivers.

**RATIONALE FOR QUESTION:**

To provide a more detail to the original request.

**RESPONSE:**

a) Apart from the rationale cited in the preamble, per Driver Safety Rating Chapter, page 12, *"Other benefits include: responds to the feedback from Manitobans ("rewarding having a good driving record" is the top priority), increases the perceived fairness of the system, and encourages safe driving."*

b) MPI considers the practices and experiences of other jurisdictions when reviewing programs and policies. While MPI need not align with these practices, the fact that SGI and ICBC utilize scales with larger ranges supports the changes proposed by MPI on the positive side of the DSR scale (i.e. extension of the scale to +20 or higher).

c) Per Driver Safety Rating Chapter, page 12, *"About one-third of drivers in Manitoba have reached the top of the DSR scale (+15)"*. By comparison, per Revenues Appendix 1 Driver Premium Forecast by DSR Level, drivers are more equally distributed between DSR levels 5 to 14. By expanding the scale, MPI believes that one-third of drivers at DSR level 15 will be more appropriately distributed to achieve the following:

- Provide the greatest reward to the safest drivers (i.e. 15 years incident-free vs 20 years incident-free).
- Reduce cross-subsidization by allowing for differentiation between drivers at DSR level 15 and drivers at DSR levels 16 to 20.
- More appropriately reflect the differences in loss exposure for the one-third of drivers at DSR level 15.

d) MPI believes that vehicle premium discounts will be different for DSR levels 15 and 16 by the 2024 GRA. This will allow for the collection of at least one year of data to appropriately differentiate the loss exposure. Notwithstanding this, it is common to see the same vehicle premium discounts for multiple DSR levels (e.g. DSR levels 7 to 9 have vehicle premium discounts of 25%). The proposal of MPI in the 2022/23 GRA is the first step in moving towards actuarially indicated vehicle premium discounts.

## CAC (MPI) 2-28

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-53** | **Page No.:** | |
| **PUB Approved Issue No:** | **13. Driver Safety Rating** | | |
| **Topic:** | **DSR** | | |
| **Sub Topic:** | **Driver Safety Rating Pricing Review** | | |

**Preamble to IR:**

In the above referenced IR response, MPI states:

> *Please see Part VI DSR Appendix 1, Figure DSR App 1-3. The "Average Fixed Expenses" are shown in the column labeled "Other Loss Cost & Exp". This column includes operating expenses. Claims expenses are included as a 17.6% load on claims costs.*

**QUESTION:**

a) Please provide the derivation of the $41.13 in average fixed expenses, including a description and value of the cost components included in the total costs.

b) Please confirm that 17.6% load for claims expense is applied to both 'Collision Comp PD and BI', and PIPP costs. If not confirmed please fully explain. If confirmed, please also explain if equal loading across coverage types is reasonable.

c) Please explain if the 17.6% load was applied prior to the relativity calculation, or added to the average loss costs. Please explain the impact of both MPI's approach, and the alternative.

d) Please present a derivation of the 17.6% average claims expense.

**RATIONALE FOR QUESTION:**

To better understand the DSR pricing analysis, and allocation of fixed costs.

**RESPONSE:**

a) *Figure 1* below shows the derivation of the Major Classification Required Rate Changes filed as *Figure 7* in the 2021 Compliance Filing on January 12, 2021. *Figure 2* below summarizes, based on the figures for the Private Passenger major class, the average costs of the cost components that make up the $41.13 in average fixed expenses.

**Figure 1 Rating Year 2021/22 Major Classification Required Rate Changes - Breakeven Rates Including Capital Release**

| 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 | 933.77 | 674.92 | 1,752.87 | 754.09 | 50.34 | 5.73 |
| 3 | Claims Expense | 124.82 | 163.91 | 118.47 | 307.69 | 132.37 | 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 | 39.60 | 28.95 | 73.02 | 31.11 | 2.46 | 0.23 |
| 8 | Prem Tax: Vehicle | 27.79 | 36.45 | 26.65 | 67.20 | 28.62 | 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 | 1,214.87 | 888.18 | 2,239.97 | 954.15 | 75.37 | 7.18 |
| 18 | Req Rate (Bal) | 917.58 | 1,203.23 | 879.67 | 2,218.52 | 945.01 | 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% | -4.3% | 1.8% | 2.8% | 11.7% | -7.1% | 2.0% |
| 24 | Applied for Change | -8.8% | -9.3% | -3.5% | -2.6% | 5.9% | -11.9% | -3.3% |
| 25 | Credibility | | 99.3% | 88.8% | 68.1% | 75.0% | 97.3% | 92.6% |
| 26 | Cred Wtd Change | | -9.3% | -4.1% | -4.6% | 2.2% | -11.8% | -3.7% |
| 27 | Cred Wtd Req Rate | | 1,140.72 | 828.81 | 2,060.59 | 864.91 | 70.84 | 6.71 |
| 28 | Cred Wtd Req Rate (Bal) | 869.87 | 1,142.13 | 829.84 | 2,063.14 | 865.98 | 70.92 | 6.72 |
| 29 | Cred Wtd Change (Bal) | | -9.2% | -4.0% | -4.4% | 2.3% | -11.7% | -3.6% |

**Figure 2 Average Fixed Expenses**

| Line No. | Cost Component | Average Cost* |
|---|---|---|
| 1 | Road Safety | 15.05 |
| 2 | Operating Expense | 82.50 |
| 3 | Regulatory/Appeal | 5.71 |
| 4 | Commission & Premium Tax: Driver | 4.74 |
| 5 | Commission Flat Fee | 8.29 |
| 6 | Reinsurance: Casualty | 1.46 |
| 7 | Reinsurance: Catastrophe | 11.48 |
| 8 | Fleet Rebates | 19.74 |
| 9 | Anti-Theft Discount | 1.95 |
| 10 | Driver Premium | -75.79 |
| 11 | Service Fees | -34.00 |
| 12 | **Total** | **41.13** |
| 13 | *Based on the Private Passenger major class | |

b) Per *Figure 1*, based on the Overall figures, the 17.6% is equal to 'Claims Expense' of $124.82 divided by 'Claims' of $711.06. The 17.6% load does not differ by major class or coverage (i.e. the 17.6% load is simply applied to the Claims costs determined for each major class and coverage).

MPI confirms that the 17.6% load for Claims Expense is applied to both 'Collision Comp PD and BI', and PIPP costs in *Part VI DSR Appendix 1, Figure DSR App 1-3*. MPI's ratemaking methodology currently determines Claims Expense (and the corresponding Claims Expense load) on an overall basis. This is discussed in *Part VI Ratemaking, RM.4.2.2*. MPI has not explored the allocation of Claims Expense by coverage type.

c) MPI added the 17.6% load to the average loss costs by coverage type. Applying the 17.6% load prior to the calculation of the relativities would not change the 'Fitted Relativities' in *Driver Safety Rating Appendix 1, Figure DSR App 1-3*. This is because the application of the same load on a percentage basis (i.e. applying 17.6%) to all DSR levels does not change the relative risks between DSR levels.

d) Please see the response to (b).

**CAC (MPI) 2-29**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-61** | **Page No.:** | |
| **PUB Approved Issue No:** | **9. Cost of operations and cost containment measures** | | |
| **Topic:** | **Revenue Forecast** | | |
| **Sub Topic:** | **Reinsurance** | | |

**Preamble to IR:**

In response to the above noted IR, MPI states:

> *First, MPI desired an alignment of its reinsurance limits with a 1-in-100 target risk level, as recent modelling projections predict that a 1-in-100 year scenario would exceed the current reinsurance protection available to MPI (i.e. $300 million). Specifically, internal modelling predicts that a 1-in 100 year event would result in MPI incurring approximately $340 million in claims costs (with external modelling predicting a similar result).*

And

> *MPI believes the cost ($2 million) of the $100 million of additional protection it obtained is relatively low compared to the value its ascribes to its ability to adequately respond to the effects of climate change in Manitoba.*

**QUESTION:**

a) Please discuss the role of the RSR in the context of such a re-insurance program, by elaborating on the conceptual boundaries between these programs and overlap among them.

b) Please estimate the impact to the RSR of an equivalent event to Calgary-2020 occurred, without the additional reinsurance in place.

c) Please identify the costs to ratepayers of MPI of both holding capital equal to 100% MCT and holding reinsurance coverage at a 1-100 year risk level. Please discuss which approach provides better value to ratepayers.

d) Please elaborate on the reasons why reinsurers might have provided such high value (inexpensive) coverage.

e) Referencing PUB (MPI) 1-81 or other relevant data please demonstrate the tangible effects of climate change on MPI's weather related losses.

f) Generally, please comment on the steps being taken by MPI to prepare for the effects of climate change in Manitoba, including the unique and sudden weather events that are happening across Canada and around the world. Please also comment on steps being taken by other insurers to prepare for the effects of climate change.

**RATIONALE FOR QUESTION:**

To further understand MPI's rational for increasing reinsurance coverage.

**RESPONSE:**

a) The purpose of the RSR is to protect motorists from rate increases that would otherwise have been necessary due to unexpected variances from forecasted results and due to events and losses arising from non-recurring events or factors. The RSR can only cover claim losses sustained by MPI to the extent it is funded. Reinsurance coverage protects MPI against losses exceeding $40 million.

b) MPI estimates that an event in Winnipeg similar to the 2020 Calgary hail storm would result in it incurring approximately $350 million in claims losses. Without the protection of the $400 million limit, MPI would pay approximately $90 million on a claim loss (i.e. the aggregate annual deductible of $40 million plus another $50 million in excess of the previous $300 million limit). Although MPI could use the

RSR to recover these losses, the move would trigger a capital build of up to 5% in the following year (and likely future years).

c) For a review of Reinsurance Program costs please see the 2022 General Rate Application, Part V Revenues Chapter REV.3. In the 2022/23 fiscal year, MPI expects to pay approximately $15.9 million in reinsurance premiums to protect against large losses from catastrophic events and large casualty losses from vehicle incidents.

d) MPI cannot speak for its reinsurer but understands that reinsurers typically consider a variety of factors when determining product pricing. The primary factors are current market conditions and historical claims experience. Despite less than ideal market conditions, MPI expects its favourable claims experience assisted it in obtaining a low rate on a higher limit. As it would most likely have to be a "worst case/black swan" type event for there to be a single large or high frequency of large losses enough to impact the top layer of the program, reinsurers pricing is based on the amount they require to lend capital/their capacity to the program in the event of such loss scenarios. This translates to a 2.05% Rate-On-Line or "annual cost" for their capacity on the top layer ($100 million excess of $300 million).

e) Due to its central location and northern latitude, Manitoba experiences earlier and more severe changes in its climate than do many other parts of the world. Over the past several years, MPI experienced an increased frequency in catastrophic losses (i.e. 2015, 2016 and 2018), including an unprecedented ice storm in 2019. The increase in catastrophic loss frequency and severity continues to trend upwards on a global and national basis, and is reflected in an upward movement in the 5, 10 and 15 year observed averages and increased occurrence of secondary peril losses.

f) Large weather related events occur in Canada and around the world throughout the year. MPI learns about these events through industry reports and analytics to better understand the likelihood of Manitoba to sustain events that could impact its catastrophe reinsurance program.

MPI understands that other insurers are working to understand and manage the impact of volatile natural disasters and changing climate, including:

- Developing a climate change strategy which establishes a governance model and strategy, quantifying the impact of climate change and developing a roadmap to mitigate risk;
- Reviewing climate change analytics through current catastrophe models; and
- Reviewing underwriting strategies within the context of climate change.

## CAC (MPI) 2-30

| Part and Chapter: | CAC (MPI) 1-82 | Page No.: | |
|---|---|---|---|
| PUB Approved Issue No: | 8. Investment portfolio | | |
| Topic: | Investments | | |
| Sub Topic: | Investment Return Forecast | | |

**Preamble to IR:**

In the above referenced IR response, MPI states:

> *Overall, the results show low variance between the actual returns and the forecasted returns. However, it is important to note that the variance analysis was performed with a maximum of 8 data points and as few as 2 data points. There are 8 years of historical data for five asset classes and for the new asset classes, such as Private Debt, Global Equity and Low Volatility Global Equity, just two years of historical data is available. On this basis, MPI can conclude that there is insufficient data to conduct meaningful statistical analysis and therefore cannot determine the predictive ability of the assumptions.*

**QUESTION:**

a) Please explain how MPI concluded there is "low variance between the actual returns and the forecasted returns", while also concluding that "there is insufficient data to conduct meaningful statistical analysis". Please also describe MPI's threshold for "low".

b) Please discuss if MPI believes it has filed for approval of an investment income forecast that meets the 'best estimate' standard.

c) Is MPI aware of any forecasting techniques that may have produced better results?

**RATIONALE FOR QUESTION:**

To understand the results of the investment forecast variance analysis.

**RESPONSE:**

a) MPI believes that 2-8 data points is insufficient for the purposes of conducting a robust correlation or regression analysis (or any other statistical analysis). Instead, it compared the difference between the average actual return and the average forecasted return, called the "variance". The threshold of MPI for a low variance is a difference of 1.0%, a level at or below which 4 of the 6 asset classes (with 6 years or more of data) existed.

b) Yes, MPI believes its investment income forecast meets the 'best estimate' standard.

c) No, MPI is not aware of any forecasting techniques that may have produced better results.

## CAC (MPI) 2-31

| Part and Chapter: | CAC (MPI) 1-95 and CAC (MPI) 1-43 | Page No.: | |
|---|---|---|---|
| PUB Approved Issue No: | 2. Ratemaking and revenue forecasting | | |
| Topic: | Miscellaneous basic service fees | | |
| Sub Topic: | Capital Rebates for 2021/22 | | |

**Preamble to IR:**

In response to CAC (MPI) 1-95, MPI provided the following table:

**Figure 1 COVID Cheques as at July 26, 2021**

| Line No. | May 2020 Rebate | Customer Count | Dollars |
|---|---|---|---|
| 1 | Outstanding - includes returns | 20,536 | $ 2,528,528 |
| 2 | Total Issued | 649,029 | 109,783,189 |
| 3 | Oustanding % | 3.16% | 2.30% |
| 4 | | | |
| 5 | **December 2020 Rebate** | | |
| 6 | Outstanding - includes returns | 26,024 | $ 2,191,171 |
| 7 | Total Issued | 644,256 | 69,167,591 |
| 8 | Outstanding % | 4.04% | 3.17% |

In response to CAC (MPI) 1-43, MPI provided the following table:

**Figure 1 Miscellaneous Fees Forecast – Detail**

| Line No. | Item Description | 2020/21(a) | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|---|---|---|
| 1 | *($000s)* | | | | | | |
| 2 | Miscellaneous | 287 | 287 | 287 | 287 | 287 | 287 |
| 3 | COVID-19 Fees | 1,375 | - | - | - | - | - |
| 4 | Unclaimed Cheques | 891 | 900 | 909 | 918 | 937 | 946 |
| 5 | Unclaimed Cheques - Rebate | - | - | 2,500 | 1,000 | - | - |
| 6 | **Total - Corporate** | **2,553** | **1,187** | **3,696** | **2,205** | **1,224** | **1,233** |
| 7 | Basic's Share - % | 78.3% | 78.4% | 78.2% | 77.8% | 77.4% | 77.0% |
| 8 | **Total - Basic** | **1,998** | **931** | **2,892** | **1,716** | **947** | **949** |

**QUESTION:**

a) Please demonstrate that the forecast of unclaimed cheques in 2022/23 and 2023/24 is consistent with MPI's experience of unclaimed cheques in 2020.

b) Please estimate the cost of printing and mailing the outstanding cheques in 2020, including an estimate of internal costs.

**RATIONALE FOR QUESTION:**

To understand the costs of MPI's approach to rebating, and assess the miscellaneous fees forecast.

**RESPONSE:**

a) As shown in the first figure referenced in the preamble, the dollar value of all unclaimed rebate cheques at the end of July 2021 is between 2.30% and 3.17% of the total amount rebated. The combined percentage of unclaimed cheques in 2022/23 and 2023/24 on the total rebate (issued and projected) is 0.92%. MPI expects the value of the preamble rebate cheques to decline over time. Please see the supporting calculations in *Figure 1* below:

**Figure 1 Unclaimed cheques as a percentage of Rebate - Corporate**

| Line No. | Item Description | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|---|---|---|
| 1 | ***($000s)*** | | | | | | |
| 2 | Rebate (Issued and Projected) | 334,948 | 47,330 | - | - | - | - |
| 3 | Unclaimed Cheques - Rebate | - | - | 2,500 | 1,000 | - | - |
| 4 | **% Unclaimed Cheques - Rebate** | **-** | **-** | 0.75% | 2.11% | **-** | **-** |
| 5 | **% Unclaimed Cheques - Rebate (Combined)** | | | | 0.92% | | |

b) MPI estimates the total cost associated with outstanding cheques to be $50,926.

## CAC (MPI) 2-32

| Part and Chapter: | Part VI DSR | Page No.: | Page 9-12 of 14 |
|---|---|---|---|
| PUB Approved Issue No: | 13. Driver Safety Rating | | |
| Topic: | Driver Safety Rating | | |
| Sub Topic: | | | |

**Preamble to IR:**

Section DSR.5 provides information on indicated and proposed average rates by DSR Level.

**QUESTION:**

a) Would "Proposed" be a more appropriate column heading than "Indicated" in Figure DSR-3?

b) Please provide a figure that presents the "Variance" as the difference between the revenue neutral actuarial indication from Figure DSR-1 and the "Proposed" Average Rates. In this figure, please include the number of vehicle owners at each DSR Level to support the calculation of the "Total" row.

**RATIONALE FOR QUESTION:**

To better understand the relationship between current, proposed and indicated rates by DSR level.

**RESPONSE:**

a) MPI used both 'Proposed' and 'Indicated' to represent rates and rate changes after adjustments to the current rates. Indicated to reflect the actuarial rate required, and proposed to reflect the fact it forms part of the relief sought in the 2022

General Rate Application. Notwithstanding, MPI agrees that 'Proposed' would be a more appropriate column heading for use in Figure DSR-3.

b) Please see *Figure 1*:

**Figure 1 Current vs. Indicated vs. Proposed Rates**

| Line | | Average Rate | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Variance | | |
| No. | DSR | Units | Current | Indicated [a] | Proposed [b] | Ind vs. Curr | Prop vs. Curr | Prop vs. Ind |
| 1 | **15** | 330,774 | $963 | $770 | $906 | -$193 | -$58 | $136 |
| 2 | **14** | 36,695 | $1,045 | $988 | $1,015 | -$56 | -$30 | $27 |
| 3 | **13** | 34,734 | $1,067 | $1,010 | $1,037 | -$58 | -$30 | $28 |
| 4 | **12** | 27,567 | $1,102 | $1,049 | $1,071 | -$53 | -$31 | $22 |
| 5 | **11** | 34,697 | $1,114 | $1,074 | $1,083 | -$39 | -$31 | $9 |
| 6 | **10** | 32,539 | $1,142 | $1,123 | $1,127 | -$20 | -$15 | $4 |
| 7 | **9** | 21,517 | $1,171 | $1,178 | $1,171 | $8 | $0 | -$8 |
| 8 | **8** | 25,786 | $1,171 | $1,229 | $1,171 | $58 | $0 | -$58 |
| 9 | **7** | 21,978 | $1,181 | $1,298 | $1,181 | $117 | $0 | -$117 |
| 10 | **6** | 20,409 | $1,268 | $1,372 | $1,268 | $105 | $0 | -$105 |
| 11 | **5** | 22,285 | $1,349 | $1,448 | $1,349 | $99 | $0 | -$99 |
| 12 | **4** | 20,480 | $1,349 | $1,529 | $1,349 | $180 | $0 | -$180 |
| 13 | **3** | 20,480 | $1,434 | $1,625 | $1,434 | $191 | $0 | -$191 |
| 14 | **2** | 22,040 | $1,428 | $1,714 | $1,428 | $286 | $0 | -$286 |
| 15 | **1** | 22,001 | $1,519 | $1,833 | $1,519 | $314 | $0 | -$314 |
| 16 | **0** | 79,908 | $1,543 | $1,877 | $1,543 | $334 | $0 | -$334 |
| 17 | **-1 to -20** | 45,090 | $1,575 | $1,916 | $1,575 | $341 | $0 | -$341 |
| 18 | **Total** | **818,980** | **$1,165** | **$1,165** | **$1,136** | **$0** | **-$29** | **-$29** |

19 Notes:
20 [a] Part VI Driver Safety Rating, Figure DSR-1; includes 22% adjustment to the base rate to offset revenue loss
21 [b] Part VI Driver Safety Rating, Figure DSR-3

**CAC (MPI) 2-33**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **Part VI DSR** | **Page No.:** | **Page 9 of 14** |
| **PUB Approved Issue No:** | **13. Driver Safety Rating** | | |
| **Topic:** | **Driver Safety Rating** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

MPI indicates that *"rate changes of [the] magnitude [implied by the actuarial DSR indications] are not publicly acceptable in a one year period."*

Page 50 of 61 of Part VI RM indicates that *"In response to PUB Order 148/04, all 2022/23 rates are subject to a ± 20% cap from 2021/22 rates."* We note that *PUB Order 148/04* is dated December 3, 2004. We further note that the DSR was proposed and approved by *PUB Order No. 89/09* dated May 28, 2009.

**QUESTION:**

a) Does MPI consider it publicly acceptable for registered owners in DSR +10 through DSR +15 to subsidize other registered owners at lower DSR Levels?

b) PUB Order 148/04 predates the introduction of the DSR Program.

    i. Could the cap be reasonably interpreted as applying to rates after application of DSR discounts?

    ii. If so, should the cap define the limits of "public acceptability."

    iii. If not, please provide MPI's standard with respect to "public acceptability."

**RATIONALE FOR QUESTION:**

To understand the rationale for not adopting the indicated DSR discounts.

**RESPONSE:**

a) MPI proposes moving towards actuarially indicated vehicle premium discounts in the 2022/23 GRA via an incremental step that will reduce cross-subsidization between registered owners at different DSR levels. While MPI recognizes that this does not immediately resolve the cross-subsidization issue, it also appreciates that the 21.7% increase in the base rate (within a one year period), that would result from moving completely to the actuarially indicated vehicle premium discounts, would be unacceptable to ratepayers (by any measure).

b) MPI understands that the ± 20% cap rule is that it's applicable to the few situations where, as a result of the various steps in the ratemaking process, the prior year's rates change exceeds 20%. MPI understands that this cap does not define what is publically acceptable. Rather, the rule represents an attempt by the PUB to address the issue of rate shock, as per Order 148/04, page 75.

   In regards to public acceptability, MPI submits that a 21.7% increase in the base rate (in a one-year period) would not be accepted by the public (which belief is supported by the existing cap rule). MPI submits that "*A gradual implementation of the required adjustments will acknowledge the need to avoid large rate dislocations*" (*Driver Safety Rating, page 13*). MPI looks forward to a robust discussion on this matter with the PUB and other stakeholders throughout the 2022 GRA process (and beyond).

## CAC (MPI) 2-34

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **Part VI DSR Appendix 1 CAC (MPI) 1-55** | **Page No.:** | **Page 5 of 15** |
| **PUB Approved Issue No:** | **13. Driver Safety Rating** | | |
| **Topic:** | **Driver Safety Rating** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

In its response to CAC (MPI) 1-55, MPI stated that "MPI considers the DSR level as an ordinal categorical variable."

**QUESTION:**

The linear model presented in Part VI – DSR Appendix 1 treats DSR as a numerical, not categorical, variable. Does MPI agree?

**RATIONALE FOR QUESTION:**

To understand MPI's approach for developing indicated DSR discounts.

**RESPONSE:**

MPI does not agree that it treats the DSR level as a numerical variable. Per its response to *CAC (MPI) 1-55*, "*MPI considers the DSR level as an ordinal categorical variable in that it is a categorical variable that has a clear ordering of categories (from +15 to -20), and the use of linear regression is appropriate.*"

**CAC (MPI) 2-35**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **Part VI DSR Appendix 1** | **Page No.:** | **Page 5 of 15** |
| **PUB Approved Issue No:** | **13. Driver Safety Rating** | | |
| **Topic:** | **Driver Safety Rating** | | |
| **Sub Topic:** | | | |

**Preamble to IR:**

A concern with any classification scheme is its predictive value. This is a particular concern with the registered owner model.

**QUESTION:**

Has MPI measured pure premiums for each DSR level over time (for example, pure premiums by DSR Level over several rating years) and tested whether there are significant differences between the means of DSR level pure premiums using a t-test (for example)?

If MPI has performed such testing, please provide the analysis.

If MPI has not performed such testing, please provide (reported or estimated ultimate) pure premiums by DSR Level over rating years 2010 through 2018 in excel format.

**RATIONALE FOR QUESTION:**

To understand whether the DSR scale is appropriately addressing risk differences.

**RESPONSE:**

a) MPI has not perform the above-noted testing.

MPI completed its Driver Safety Rating (DSR) pricing analysis using actual loss experience by the DSR of the registered owner over a period of six insurance years for Personal Injury Protection Plan (PIPP) and over a period of five insurance years for Other than PIPP. Based on the analysis, MPI observed that the relative risk increased as the DSR levels decreased (i.e. from +15 to -20). MPI fit curves to the actual DSR relativities, and these fitted curves exhibited a relatively high R-Squared. Per *Driver Safety Rating Appendix 1, Figure DSR App 1-1*, for Other than PIPP, the two fitted curves had an R-Squared of 0.982 and 0.930 respectively. Per *Driver Safety Rating Appendix 1, Figure DSR App 1-2*, the fitted curve for PIPP had an R-Squared of 0.831. Based on this DSR pricing analysis, and the goodness-of-fit of the fitted curves (as measured by the R-sqaured), MPI believes it appropriately addressed the risk differences for different DSR levels.

b) Please see the response to part (a).

c) Please see *Appendix 1*, which shows the pure premiums for PIPP and Other than PIPP based on reported losses as at March 31, 2021.

**Figure App 1-1 2010-2018 Other than PIPP Loss Amounts by DSR (PASVE and LTRUCK)**

| Line | | Insurance Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| No. | DSR | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 1 | **15** | $31,492,762 | $60,322,946 | $67,239,318 | $72,238,326 | $63,946,767 | $99,191,959 | $129,723,196 | $125,168,487 | $133,414,916 |
| 2 | **14** | $0 | $2,449,664 | $5,459,688 | $5,760,314 | $25,813,752 | $35,239,463 | $19,172,541 | $19,245,016 | $18,616,845 |
| 3 | **13** | $0 | $2,777,375 | $6,010,671 | $33,145,712 | $34,448,452 | $20,262,113 | $23,234,072 | $19,922,660 | $16,226,793 |
| 4 | **12** | $0 | $2,057,630 | $33,022,146 | $42,080,391 | $18,265,889 | $22,702,285 | $22,679,105 | $13,906,759 | $19,630,778 |
| 5 | **11** | $0 | $30,433,847 | $44,605,594 | $22,073,642 | $21,094,717 | $21,852,784 | $15,842,731 | $21,417,840 | $22,197,599 |
| 6 | **10** | $49,164,823 | $58,309,304 | $24,191,764 | $25,932,262 | $20,289,767 | $16,337,642 | $24,664,694 | $24,115,424 | $19,615,543 |
| 7 | **9** | $15,703,952 | $22,791,407 | $23,214,533 | $20,597,969 | $11,509,759 | $21,502,099 | $22,068,548 | $13,039,382 | $17,648,018 |
| 8 | **8** | $10,958,880 | $23,610,889 | $19,384,056 | $14,369,044 | $19,113,303 | $19,881,667 | $14,778,543 | $17,624,978 | $16,578,256 |
| 9 | **7** | $16,800,447 | $19,353,276 | $12,591,555 | $21,258,174 | $17,019,147 | $15,125,048 | $18,309,350 | $16,413,103 | $13,923,007 |
| 10 | **6** | $4,429,602 | $10,924,851 | $18,666,287 | $16,527,740 | $12,238,891 | $17,711,440 | $15,648,750 | $13,614,748 | $16,524,665 |
| 11 | **5** | $9,050,840 | $17,421,525 | $15,029,286 | $13,993,207 | $14,783,877 | $15,486,599 | $14,449,035 | $17,332,375 | $16,803,970 |
| 12 | **4** | $7,510,043 | $10,993,737 | $11,859,826 | $16,052,527 | $12,964,083 | $13,471,704 | $17,259,892 | $16,438,637 | $15,522,512 |
| 13 | **3** | $3,936,555 | $10,394,568 | $14,587,234 | $13,793,855 | $11,545,252 | $16,530,528 | $17,092,309 | $15,717,472 | $17,200,313 |
| 14 | **2** | $7,690,198 | $13,576,407 | $12,297,572 | $13,648,973 | $14,128,986 | $15,627,661 | $17,146,632 | $18,860,046 | $18,295,214 |
| 15 | **1** | $7,518,546 | $11,317,749 | $11,620,706 | $16,328,155 | $13,942,642 | $17,362,619 | $18,830,930 | $19,420,405 | $19,640,303 |
| 16 | **0** | $4,893,711 | $10,513,514 | $15,128,074 | $17,292,809 | $17,327,746 | $20,380,810 | $22,279,374 | $23,468,378 | $23,428,232 |
| 17 | **-1** | $1,181,553 | $3,997,006 | $5,340,955 | $6,207,059 | $6,270,282 | $7,722,004 | $7,893,808 | $8,247,544 | $8,641,143 |
| 18 | **-2** | $2,848,643 | $4,192,555 | $4,553,228 | $5,993,149 | $5,550,690 | $6,157,008 | $7,198,582 | $7,191,684 | $6,605,051 |
| 19 | **-3** | $772,435 | $2,261,801 | $3,695,937 | $3,832,378 | $3,888,579 | $4,810,631 | $5,558,552 | $5,035,191 | $5,214,533 |
| 20 | **-4** | $1,398,530 | $3,201,594 | $3,848,271 | $4,339,229 | $4,830,357 | $6,198,163 | $6,467,170 | $7,420,920 | $6,609,812 |
| 21 | **-5** | $149,387 | $1,512,408 | $2,773,628 | $3,513,111 | $3,526,829 | $4,055,985 | $5,114,761 | $4,825,933 | $5,053,082 |
| 22 | **-6** | $697,311 | $1,535,808 | $2,046,354 | $2,430,580 | $2,635,573 | $3,037,014 | $3,619,826 | $3,860,792 | $3,883,768 |
| 45 | **-7** | $329,798 | $1,023,532 | $1,749,647 | $2,745,653 | $2,549,856 | $3,425,339 | $3,519,205 | $3,535,359 | $3,404,696 |
| 46 | **-8** | $211,464 | $740,591 | $1,527,804 | $1,910,214 | $1,720,821 | $2,218,954 | $2,402,713 | $2,321,869 | $2,489,024 |
| 47 | **-9** | $148,046 | $564,736 | $1,401,219 | $1,669,413 | $1,939,450 | $2,162,085 | $2,405,463 | $2,274,377 | $2,591,602 |
| 48 | **-10** | $113,326 | $555,128 | $1,175,421 | $1,385,771 | $1,661,238 | $1,892,920 | $1,969,322 | $2,140,485 | $2,284,892 |
| 49 | **-11** | $62,845 | $306,723 | $818,703 | $834,332 | $1,159,473 | $1,553,826 | $1,581,294 | $1,247,997 | $1,316,118 |
| 50 | **-12** | $125,507 | $394,903 | $581,223 | $1,269,089 | $1,165,805 | $1,077,660 | $1,709,687 | $1,344,956 | $1,430,378 |
| 51 | **-13** | $56,861 | $182,210 | $547,274 | $738,410 | $1,236,038 | $1,325,151 | $1,612,103 | $1,761,359 | $1,509,678 |
| 52 | **-14** | $78,364 | $299,287 | $420,177 | $610,007 | $651,517 | $754,438 | $876,082 | $713,840 | $723,641 |
| 53 | **-15** | $22,563 | $100,817 | $315,783 | $496,574 | $538,955 | $703,157 | $778,277 | $818,267 | $619,470 |
| 54 | **-16** | $100,491 | $141,822 | $270,774 | $498,505 | $457,874 | $450,819 | $753,615 | $731,416 | $650,363 |
| 55 | **-17** | $54,014 | $84,998 | $213,229 | $357,923 | $384,973 | $505,998 | $570,907 | $429,446 | $555,468 |
| 56 | **-18** | $57,960 | $105,636 | $206,333 | $278,599 | $351,784 | $444,742 | $482,382 | $477,639 | $396,087 |
| 57 | **-19** | $12,103 | $45,723 | $96,483 | $236,520 | $253,149 | $345,337 | $334,691 | $263,951 | $360,574 |
| 58 | **-20** | $63,533 | $248,330 | $740,944 | $1,274,414 | $1,841,540 | $1,875,893 | $2,401,681 | $2,847,569 | $2,629,779 |
| 59 | **Total** | **$177,635,093** | **$328,744,296** | **$367,231,696** | **$405,714,029** | **$371,047,812** | **$439,383,545** | **$470,429,821** | **$453,196,305** | **$462,236,124** |

**Figure App 1-2 2010-2018 PIPP Loss Amounts by DSR (PASVE and LTRUCK)**

| Line | | Insurance Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| No. | DSR | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 1 | 15 | $9,650,430 | $17,522,326 | $18,594,674 | $16,819,719 | $10,721,941 | $23,357,958 | $23,075,688 | $28,708,457 | $28,822,710 |
| 2 | 14 | $0 | $640,720 | $1,675,035 | $1,249,446 | $4,870,258 | $9,146,029 | $8,139,694 | $2,296,967 | $8,177,773 |
| 3 | 13 | $0 | $1,334,096 | $1,087,616 | $4,887,599 | $9,642,856 | $3,162,853 | $6,404,108 | $5,030,436 | $2,374,228 |
| 4 | 12 | $0 | $239,805 | $7,169,635 | $10,150,274 | $5,100,331 | $6,809,027 | $11,889,505 | $4,008,244 | $2,919,040 |
| 5 | 11 | $0 | $9,387,020 | $10,635,527 | $4,208,807 | $4,501,672 | $4,196,893 | $3,022,795 | $5,691,119 | $4,286,717 |
| 6 | 10 | $19,421,344 | $15,150,367 | $6,633,060 | $4,031,959 | $6,931,693 | $2,938,974 | $4,550,382 | $4,995,325 | $3,568,199 |
| 7 | 9 | $5,040,372 | $11,002,273 | $5,574,697 | $3,613,643 | $2,549,423 | $5,331,418 | $5,415,763 | $5,152,674 | $3,622,914 |
| 8 | 8 | $3,904,778 | $15,706,197 | $7,444,307 | $2,979,799 | $4,215,737 | $4,499,524 | $2,587,493 | $4,530,295 | $2,467,908 |
| 9 | 7 | $7,229,241 | $4,263,725 | $1,530,160 | $6,091,177 | $2,676,519 | $3,227,913 | $4,960,186 | $4,008,963 | $2,164,160 |
| 10 | 6 | $1,727,934 | $2,735,052 | $4,313,550 | $2,950,987 | $2,695,971 | $7,633,543 | $4,858,868 | $2,586,051 | $4,771,959 |
| 11 | 5 | $1,159,689 | $3,829,174 | $7,611,482 | $4,436,543 | $4,643,429 | $4,898,155 | $7,829,683 | $8,831,331 | $3,614,141 |
| 12 | 4 | $1,543,439 | $3,344,728 | $3,008,813 | $3,293,356 | $5,474,386 | $3,313,899 | $5,667,732 | $2,711,064 | $3,324,538 |
| 13 | 3 | $2,092,041 | $2,385,823 | $5,762,166 | $3,621,480 | $1,170,906 | $5,088,807 | $2,860,925 | $3,261,694 | $4,628,731 |
| 14 | 2 | $2,735,570 | $6,532,638 | $3,039,907 | $3,452,104 | $7,950,118 | $7,662,881 | $4,667,952 | $6,116,435 | $3,465,296 |
| 15 | 1 | $4,106,655 | $3,545,703 | $1,788,807 | $3,011,305 | $2,454,657 | $4,219,012 | $9,124,053 | $4,953,466 | $7,592,139 |
| 16 | 0 | $1,657,894 | $3,190,364 | $4,709,145 | $2,486,106 | $4,563,153 | $4,179,186 | $6,540,417 | $6,120,172 | $5,501,801 |
| 17 | -1 | $111,058 | $1,076,699 | $1,783,143 | $817,776 | $2,309,882 | $1,479,257 | $1,525,217 | $1,645,948 | $1,104,613 |
| 18 | -2 | $591,570 | $2,283,613 | $1,409,241 | $993,786 | $2,557,388 | $2,964,725 | $4,504,105 | $1,450,413 | $1,667,961 |
| 19 | -3 | $174,150 | $760,932 | $2,960,325 | $614,488 | $441,292 | $1,672,544 | $932,018 | $7,044,972 | $698,296 |
| 20 | -4 | $264,734 | $2,384,422 | $4,922,193 | $530,795 | $943,343 | $1,351,625 | $1,016,307 | $3,584,876 | $5,081,487 |
| 21 | -5 | $3,092 | $117,945 | $4,004,438 | $439,981 | $529,500 | $1,350,711 | $463,469 | $2,029,027 | $503,354 |
| 22 | -6 | $115,603 | $125,688 | $552,810 | $958,307 | $184,056 | $1,329,240 | $643,506 | $476,649 | $397,813 |
| 45 | -7 | $87,306 | $129,194 | $3,338,681 | $787,749 | $372,435 | $293,404 | $1,538,242 | $1,307,614 | $594,557 |
| 46 | -8 | $2,423 | $65,373 | $794,458 | $792,516 | $221,573 | $224,604 | $2,767,911 | $140,832 | $219,090 |
| 47 | -9 | $2,613 | $71,002 | $258,881 | $312,589 | $1,402,515 | $656,979 | $456,957 | $3,478,915 | $496,074 |
| 48 | -10 | $1,998 | $169,820 | $48,726 | $83,190 | $3,095,582 | $511,061 | $302,925 | $133,614 | $257,060 |
| 49 | -11 | $2,857 | $19,302 | $85,332 | $289,251 | $528,839 | $305,297 | $136,872 | $446,283 | $77,588 |
| 50 | -12 | $262 | $57,492 | $594,724 | $97,583 | $50,185 | $156,802 | $224,783 | $927,866 | $321,342 |
| 51 | -13 | $2,731 | $47,984 | $54,641 | $84,594 | $301,150 | $78,636 | $80,847 | $502,975 | $166,807 |
| 52 | -14 | $4,081 | $13,847 | $27,594 | $1,340,516 | $62,034 | $72,839 | $51,159 | $70,810 | $245,761 |
| 53 | -15 | $0 | $188,070 | $50,908 | $18,507 | $11,430 | $709,670 | $23,025 | $118,784 | $802,582 |
| 54 | -16 | $159 | $18,746 | $16,114 | $864,073 | $10,948 | $380,990 | $138,134 | $54,267 | $129,520 |
| 55 | -17 | $17,663 | $11,205 | $6,492 | $44,889 | $65,876 | $21,196 | $689,867 | $133,279 | $28,022 |
| 56 | -18 | $400 | $1,700 | $593,212 | $7,841 | $600,362 | $202,013 | $471,645 | $21,986 | $581,795 |
| 57 | -19 | ($404) | $9,871 | $72,043 | $10,992 | $33,983 | $31,592 | $281,471 | $96,322 | $27,426 |
| 58 | -20 | $992 | $2,372 | $64,563 | $80,240 | $1,677,372 | $851,487 | $311,280 | $362,029 | $404,016 |
| 59 | **Total** | **$61,652,676** | **$108,365,290** | **$112,217,101** | **$86,453,970** | **$95,562,793** | **$114,310,747** | **$128,154,984** | **$123,030,154** | **$105,107,421** |

**Figure App 1-3 2010-2018 Earned Units by DSR (PASVE and LTRUCK)**

| Line | | Insurance Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| No. | DSR | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 1 | **15** | 91,654 | 192,476 | 195,534 | 194,891 | 194,672 | 237,702 | 292,717 | 305,519 | 316,150 |
| 2 | **14** | 0 | 6,217 | 12,485 | 12,878 | 59,331 | 75,955 | 35,901 | 36,323 | 36,289 |
| 3 | **13** | 0 | 6,927 | 14,030 | 65,822 | 83,626 | 39,037 | 40,097 | 40,300 | 30,002 |
| 4 | **12** | 0 | 5,210 | 68,119 | 89,024 | 39,072 | 39,200 | 37,262 | 25,019 | 34,034 |
| 5 | **11** | 0 | 69,448 | 100,180 | 43,294 | 41,812 | 38,874 | 26,198 | 36,523 | 37,839 |
| 6 | **10** | 103,618 | 139,576 | 49,006 | 45,034 | 41,122 | 27,701 | 39,161 | 41,116 | 31,523 |
| 7 | **9** | 29,173 | 47,081 | 40,950 | 35,386 | 21,286 | 33,047 | 32,807 | 21,919 | 26,462 |
| 8 | **8** | 17,798 | 43,453 | 35,240 | 21,311 | 32,544 | 31,741 | 21,483 | 26,131 | 24,645 |
| 9 | **7** | 24,497 | 34,402 | 20,182 | 31,111 | 29,373 | 20,385 | 25,050 | 23,080 | 19,353 |
| 10 | **6** | 6,490 | 18,632 | 29,048 | 25,889 | 18,915 | 23,717 | 21,504 | 18,309 | 22,924 |
| 11 | **5** | 11,948 | 26,645 | 22,017 | 17,818 | 22,479 | 20,305 | 17,512 | 22,104 | 21,753 |
| 12 | **4** | 9,200 | 15,505 | 15,552 | 20,622 | 18,094 | 16,410 | 20,742 | 20,281 | 18,803 |
| 13 | **3** | 3,972 | 13,097 | 18,752 | 16,425 | 15,461 | 19,502 | 19,196 | 18,385 | 20,213 |
| 14 | **2** | 7,810 | 16,194 | 14,438 | 14,403 | 18,112 | 18,231 | 17,979 | 19,907 | 19,891 |
| 15 | **1** | 6,958 | 12,080 | 12,597 | 16,631 | 16,783 | 17,386 | 19,178 | 19,404 | 19,430 |
| 16 | **0** | 3,831 | 10,954 | 15,097 | 16,206 | 17,453 | 19,139 | 19,762 | 20,350 | 21,007 |
| 17 | **-1** | 750 | 3,348 | 5,088 | 5,533 | 6,409 | 6,696 | 7,073 | 7,603 | 7,655 |
| 18 | **-2** | 2,281 | 3,544 | 3,876 | 5,376 | 5,423 | 5,721 | 6,034 | 6,184 | 6,351 |
| 19 | **-3** | 476 | 2,060 | 3,241 | 3,444 | 3,798 | 4,370 | 4,429 | 4,415 | 4,674 |
| 20 | **-4** | 887 | 2,599 | 3,159 | 3,749 | 4,729 | 5,227 | 5,369 | 5,565 | 5,764 |
| 21 | **-5** | 142 | 1,018 | 2,354 | 2,913 | 3,161 | 3,502 | 3,658 | 3,646 | 3,842 |
| 22 | **-6** | 373 | 1,129 | 1,658 | 1,943 | 2,274 | 2,599 | 2,647 | 2,761 | 2,831 |
| 45 | **-7** | 112 | 690 | 1,335 | 1,825 | 2,205 | 2,470 | 2,502 | 2,622 | 2,716 |
| 46 | **-8** | 145 | 564 | 981 | 1,282 | 1,484 | 1,658 | 1,709 | 1,804 | 1,928 |
| 47 | **-9** | 60 | 429 | 922 | 1,155 | 1,369 | 1,563 | 1,563 | 1,556 | 1,628 |
| 48 | **-10** | 76 | 340 | 673 | 991 | 1,219 | 1,349 | 1,433 | 1,455 | 1,422 |
| 49 | **-11** | 32 | 205 | 462 | 699 | 805 | 869 | 915 | 975 | 999 |
| 50 | **-12** | 58 | 203 | 415 | 603 | 776 | 854 | 950 | 987 | 980 |
| 51 | **-13** | 14 | 129 | 319 | 539 | 721 | 865 | 975 | 1,062 | 1,114 |
| 52 | **-14** | 26 | 105 | 239 | 355 | 406 | 501 | 518 | 491 | 542 |
| 53 | **-15** | 12 | 66 | 166 | 307 | 375 | 445 | 462 | 477 | 466 |
| 54 | **-16** | 12 | 80 | 155 | 264 | 313 | 347 | 400 | 386 | 396 |
| 55 | **-17** | 8 | 43 | 119 | 174 | 260 | 281 | 310 | 319 | 294 |
| 56 | **-18** | 8 | 47 | 105 | 149 | 185 | 222 | 238 | 251 | 261 |
| 57 | **-19** | 1 | 21 | 57 | 108 | 159 | 209 | 221 | 204 | 224 |
| 58 | **-20** | 22 | 109 | 284 | 576 | 798 | 996 | 1,132 | 1,223 | 1,333 |
| 59 | **Total** | **322,443** | **674,627** | **688,837** | **698,731** | **707,003** | **719,073** | **729,091** | **738,656** | **745,737** |

**Figure App 1-4 2010-2018 Other than PIPP Pure Premium by DSR (PASVE and LTRUCK)**

| Line | | Insurance Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| No. | DSR | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 1 | **15** | $344 | $313 | $344 | $371 | $328 | $417 | $443 | $410 | $422 |
| 2 | **14** | $0 | $394 | $437 | $447 | $435 | $464 | $534 | $530 | $513 |
| 3 | **13** | $0 | $401 | $428 | $504 | $412 | $519 | $579 | $494 | $541 |
| 4 | **12** | $0 | $395 | $485 | $473 | $467 | $579 | $609 | $556 | $577 |
| 5 | **11** | $0 | $438 | $445 | $510 | $505 | $562 | $605 | $586 | $587 |
| 6 | **10** | $474 | $418 | $494 | $576 | $493 | $590 | $630 | $587 | $622 |
| 7 | **9** | $538 | $484 | $567 | $582 | $541 | $651 | $673 | $595 | $667 |
| 8 | **8** | $616 | $543 | $550 | $674 | $587 | $626 | $688 | $674 | $673 |
| 9 | **7** | $686 | $563 | $624 | $683 | $579 | $742 | $731 | $711 | $719 |
| 10 | **6** | $682 | $586 | $643 | $638 | $647 | $747 | $728 | $744 | $721 |
| 11 | **5** | $758 | $654 | $683 | $785 | $658 | $763 | $825 | $784 | $772 |
| 12 | **4** | $816 | $709 | $763 | $778 | $716 | $821 | $832 | $811 | $826 |
| 13 | **3** | $991 | $794 | $778 | $840 | $747 | $848 | $890 | $855 | $851 |
| 14 | **2** | $985 | $838 | $852 | $948 | $780 | $857 | $954 | $947 | $920 |
| 15 | **1** | $1,081 | $937 | $922 | $982 | $831 | $999 | $982 | $1,001 | $1,011 |
| 16 | **0** | $1,277 | $960 | $1,002 | $1,067 | $993 | $1,065 | $1,127 | $1,153 | $1,115 |
| 17 | **-1** | $1,576 | $1,194 | $1,050 | $1,122 | $978 | $1,153 | $1,116 | $1,085 | $1,129 |
| 18 | **-2** | $1,249 | $1,183 | $1,175 | $1,115 | $1,023 | $1,076 | $1,193 | $1,163 | $1,040 |
| 19 | **-3** | $1,623 | $1,098 | $1,140 | $1,113 | $1,024 | $1,101 | $1,255 | $1,141 | $1,116 |
| 20 | **-4** | $1,576 | $1,232 | $1,218 | $1,157 | $1,021 | $1,186 | $1,204 | $1,333 | $1,147 |
| 21 | **-5** | $1,055 | $1,485 | $1,178 | $1,206 | $1,116 | $1,158 | $1,398 | $1,324 | $1,315 |
| 22 | **-6** | $1,867 | $1,360 | $1,234 | $1,251 | $1,159 | $1,168 | $1,367 | $1,398 | $1,372 |
| 45 | **-7** | $2,934 | $1,483 | $1,310 | $1,505 | $1,157 | $1,387 | $1,407 | $1,348 | $1,253 |
| 46 | **-8** | $1,463 | $1,312 | $1,557 | $1,490 | $1,159 | $1,338 | $1,406 | $1,287 | $1,291 |
| 47 | **-9** | $2,475 | $1,318 | $1,520 | $1,445 | $1,417 | $1,384 | $1,539 | $1,462 | $1,592 |
| 48 | **-10** | $1,501 | $1,631 | $1,748 | $1,398 | $1,363 | $1,403 | $1,374 | $1,471 | $1,607 |
| 49 | **-11** | $1,985 | $1,493 | $1,773 | $1,194 | $1,440 | $1,789 | $1,729 | $1,280 | $1,318 |
| 50 | **-12** | $2,146 | $1,949 | $1,399 | $2,103 | $1,503 | $1,261 | $1,801 | $1,363 | $1,460 |
| 51 | **-13** | $3,952 | $1,413 | $1,718 | $1,369 | $1,713 | $1,533 | $1,654 | $1,659 | $1,356 |
| 52 | **-14** | $3,013 | $2,846 | $1,759 | $1,717 | $1,605 | $1,507 | $1,692 | $1,454 | $1,334 |
| 53 | **-15** | $1,911 | $1,536 | $1,900 | $1,620 | $1,437 | $1,581 | $1,683 | $1,715 | $1,330 |
| 54 | **-16** | $8,149 | $1,775 | $1,748 | $1,890 | $1,464 | $1,301 | $1,885 | $1,895 | $1,642 |
| 55 | **-17** | $7,182 | $1,984 | $1,794 | $2,063 | $1,479 | $1,804 | $1,839 | $1,348 | $1,891 |
| 56 | **-18** | $7,344 | $2,233 | $1,959 | $1,870 | $1,899 | $2,005 | $2,027 | $1,903 | $1,519 |
| 57 | **-19** | $8,771 | $2,139 | $1,683 | $2,188 | $1,591 | $1,655 | $1,512 | $1,291 | $1,613 |
| 58 | **-20** | $2,915 | $2,286 | $2,612 | $2,214 | $2,306 | $1,884 | $2,121 | $2,328 | $1,972 |
| 59 | **Total** | **$551** | **$487** | **$533** | **$581** | **$525** | **$611** | **$645** | **$614** | **$620** |

**Figure App 1-5 2010-2018 PIPP Pure Premium by DSR (PASVE and LTRUCK)**

| Line | | Insurance Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| No. | DSR | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 1 | 15 | $105 | $91 | $95 | $86 | $55 | $98 | $79 | $94 | $91 |
| 2 | 14 | $0 | $103 | $134 | $97 | $82 | $120 | $227 | $63 | $225 |
| 3 | 13 | $0 | $193 | $78 | $74 | $115 | $81 | $160 | $125 | $79 |
| 4 | 12 | $0 | $46 | $105 | $114 | $131 | $174 | $319 | $160 | $86 |
| 5 | 11 | $0 | $135 | $106 | $97 | $108 | $108 | $115 | $156 | $113 |
| 6 | 10 | $187 | $109 | $135 | $90 | $169 | $106 | $116 | $121 | $113 |
| 7 | 9 | $173 | $234 | $136 | $102 | $120 | $161 | $165 | $235 | $137 |
| 8 | 8 | $219 | $361 | $211 | $140 | $130 | $142 | $120 | $173 | $100 |
| 9 | 7 | $295 | $124 | $76 | $196 | $91 | $158 | $198 | $174 | $112 |
| 10 | 6 | $266 | $147 | $148 | $114 | $143 | $322 | $226 | $141 | $208 |
| 11 | 5 | $97 | $144 | $346 | $249 | $207 | $241 | $447 | $400 | $166 |
| 12 | 4 | $168 | $216 | $193 | $160 | $303 | $202 | $273 | $134 | $177 |
| 13 | 3 | $527 | $182 | $307 | $220 | $76 | $261 | $149 | $177 | $229 |
| 14 | 2 | $350 | $403 | $211 | $240 | $439 | $420 | $260 | $307 | $174 |
| 15 | 1 | $590 | $294 | $142 | $181 | $146 | $243 | $476 | $255 | $391 |
| 16 | 0 | $433 | $291 | $312 | $153 | $261 | $218 | $331 | $301 | $262 |
| 17 | -1 | $148 | $322 | $350 | $148 | $360 | $221 | $216 | $216 | $144 |
| 18 | -2 | $259 | $644 | $364 | $185 | $472 | $518 | $746 | $235 | $263 |
| 19 | -3 | $366 | $369 | $913 | $178 | $116 | $383 | $210 | $1,596 | $149 |
| 20 | -4 | $298 | $917 | $1,558 | $142 | $199 | $259 | $189 | $644 | $882 |
| 21 | -5 | $22 | $116 | $1,701 | $151 | $168 | $386 | $127 | $557 | $131 |
| 22 | -6 | $310 | $111 | $333 | $493 | $81 | $511 | $243 | $173 | $141 |
| 45 | -7 | $777 | $187 | $2,500 | $432 | $169 | $119 | $615 | $499 | $219 |
| 46 | -8 | $17 | $116 | $810 | $618 | $149 | $135 | $1,619 | $78 | $114 |
| 47 | -9 | $44 | $166 | $281 | $271 | $1,024 | $420 | $292 | $2,236 | $305 |
| 48 | -10 | $26 | $499 | $72 | $84 | $2,540 | $379 | $211 | $92 | $181 |
| 49 | -11 | $90 | $94 | $185 | $414 | $657 | $351 | $150 | $458 | $78 |
| 50 | -12 | $4 | $284 | $1,431 | $162 | $65 | $184 | $237 | $940 | $328 |
| 51 | -13 | $190 | $372 | $172 | $157 | $417 | $91 | $83 | $474 | $150 |
| 52 | -14 | $157 | $132 | $116 | $3,774 | $153 | $145 | $99 | $144 | $453 |
| 53 | -15 | $0 | $2,866 | $306 | $60 | $30 | $1,595 | $50 | $249 | $1,723 |
| 54 | -16 | $13 | $235 | $104 | $3,275 | $35 | $1,100 | $346 | $141 | $327 |
| 55 | -17 | $2,349 | $262 | $55 | $259 | $253 | $76 | $2,222 | $418 | $95 |
| 56 | -18 | $51 | $36 | $5,633 | $53 | $3,241 | $911 | $1,982 | $88 | $2,231 |
| 57 | -19 | ($293) | $462 | $1,257 | $102 | $214 | $151 | $1,272 | $471 | $123 |
| 58 | -20 | $46 | $22 | $228 | $139 | $2,101 | $855 | $275 | $296 | $303 |
| 59 | **Total** | **$191** | **$161** | **$163** | **$124** | **$135** | **$159** | **$176** | **$167** | **$141** |

## CAC (MPI) 2-36

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **Part V Claims Incurred** | **Page No.:** | **Page 11 of 91** |
| **PUB Approved Issue No:** | **2. Ratemaking** | | |
| **Topic:** | **Actuarial Assumptions** | | |
| **Sub Topic:** | **Development** | | |

**Preamble to IR:**

Figure CI-3 Percentage of Total Ultimate Incurred in Each Year. Figure CI-3 indicates that 5.20% and 5.48% of ultimate incurred amounts for Accident Benefits – WI and ABO – Indexed, respectively, emerge in the 10th year and later. Figure CI-3 also indicates that there is no emergence in years 7 through 9 for Accident Benefits – WI and no emergence in years 4 through 9 for ABO – Indexed.

**QUESTION:**

Please comment on the consistency in these assumptions for each coverage. That is, please comment as to why there is an expectation for significant development in the 10+ interval, given that there is expectation for no development (within rounding) for several periods before age 10. In the comments, please reference the consideration of any changes to indexation of case reserves for these coverages that occurred in 2015/16.

Prior to the case reserve changes that occurred for these index coverages in 2015/16, what was the comparable 10+ year emergence to those noted above (at 5.20% and 5.48%)?

**RATIONALE FOR QUESTION:**

To assess the assumption related to claims development in light of case reserve indexation

**RESPONSE:**

Following its implementation in 2018, centralized reserving is completed on the second anniversary of the claim, based on the available medical information and reserving guidelines, and is updated annually thereafter. Between 24 months and 60 months, further development is recognized annually based on the tabular reserving calculator, which considers anticipated claim closure rates and indexation. After 60 months, the annual reserve review primarily considers indexation and any changes in medical or employment status. The recent three year experience demonstrates that the average claim sustains only minimal development before year ten. Claim development after year 10 is typically the result of a relapse, a change in the ability of a claimant to perform a job, a deterioration in their health and/or a reversal of an earlier decision (i.e. through mediation, the IRO or AICAC).

The purpose of case reserve indexation, which began in 2015/16 as part of the claims forecasting process, is to ensure that the fiscal year reported, which flows into the Statement of Operations, accurately recognizes the impact of indexation. There is no impact to the selected tail development, since the selections are part of the Review of Policy Liabilities that precedes the claims forecasting process.

Prior to the implementation of the centralized reserving process in 2018, the comparable tail factors for Accident Benefits – WI and ABO – Indexed (to the 5.2% and 5.48%) were 3.85% and 8.08% respectively.

**CAC (MPI) 2-37**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **Part VII Rate Stabilization Reserve** | **Page No.:** | **Page 7 of 10** |
| **PUB Approved Issue No:** | **7. Capital Management Plan** | | |
| **Topic:** | **Capital Management Plan** | | |
| **Sub Topic:** | **Rebate and capital release** | | |

**Preamble to IR:**

MPI proposes a special rebate rather than a capital release for the 2022 rating year.

**QUESTION:**

a) Does MPI consider the capital release versus the special rebate to be an "either/or" option? Specifically, would it possible to maintain the capital build/release plan **and** have a special rebate as a result of unexpected underwriting income resulting from the COVID-19 pandemic.

b) If the current -5% capital build/release is removed, this would result in an increase to the average premiums proposed. Does rate capping (+/-20%) apply before or after the adjustment to the indicated rate for the capital build/release?

**RATIONALE FOR QUESTION:**

To better understand the options for returning surplus to the ratepayer.

**RESPONSE:**

a) MPI does not consider the capital release and the capital rebate to be an "either/or" option, but rather different methodologies that allow for MPI to return excess capital to policyholders. The two methodologies differ primarily in the timing and execution. MPI provided a variety of the capital rebate and capital release scenarios throughout the 2022 GRA in order to illustrate the outcome of both events. MPI acknowledges there are various ways to return excess capital. It could be released expeditiously through a special capital rebate, released slowly through a capital release, or released via a hybrid approach through both rebate and release. However, as discussed in the Overview chapter, MPI is of the view that the most favourable (and palpable) outcome for the public is to immediately release excess capital through a capital rebate while also removing the previously approved capital release provision.

MPI plans to bring an update to the Capital Management Plan in the 2023 GRA to reflect the Corporation's recommendation for the most appropriate method of returning excess capital in a post-pandemic world.

b) Please see the response to *PUB (MPI) 1-2*. The rate change cap of +/-20% applies to the change in 2022/23 AAP rates from 2021/22 AAP rates, which does not include the 5.0% capital release in 2021/22.

## CAC (MPI) 2-38

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **Part VI RM** | **Page No.:** | **Appendix 9, pdf 15-21/166** |
| **PUB Approved Issue No:** | **2. Ratemaking** | | |
| **Topic:** | **Pure Premium Trend** | | |
| **Sub Topic:** | **Fitted Model** | | |

**Preamble to IR:**

In our review of MPI's selected loss cost trend rates, we observe several supporting models have insignificant p-values for the time covariate. That is, the model fails to reject the null hypothesis that the coefficient (and implied trend rate) is statically different from zero.

The following coverages have models with insignificant p-values for time and non-zero trend rate selections.

| **Coverage** | ***p*-Value** |
|---|---|
| ABO (Indexed) | 0.186 |
| Comprehensive | 0.150 |
| IRI | 0.728 |
| Property Damage | 0.376 |

**QUESTION:**

a) For each of the loss cost models listed in **Error! Reference source not found.,** explain why a non-zero trend rate was selected and is reasonable even though the time covariate is not significant.

b) As a sensitivity test, provide an updated rate level indication, if a 0% trend rate were selected instead of those in **Error! Reference source not found.**

**RATIONALE FOR QUESTION:**

A p-value as an important statistical metric in evaluating the significance of a regression model's implied trend rate.

**RESPONSE:**

a) A failure to reject the null hypothesis (i.e. that the implied trend rate is equal to zero), does not mean the hypothesis is true. MPI interprets these results as there being insufficient evidence in the sample to reject the null hypothesis.

As an example, suppose the hypothesis is that all drivers of red cars are women. If a sampling of 10 red cars indicates that the drivers are women, then the test would fail to reject the hypothesis. However, that does not prove that all drivers of red cars are women, rather it simply shows that the claim cannot be rejected on the basis of the available evidence.

b) Per *Ratemaking Appendix 9, Table 6*, the selected trend for ABO (Indexed) is 0.00%. *Figure 1* below shows the impact on the required rates and required rate changes by major class as a result of selecting a 0.00% trend for Comprehensive, Income Replacement Indemnity and Property Damage.

**Figure 1 Impact of Changing the Selected Trends**

| Line No. | Coverage | Overall | Private Pass | Comm | Public | Motor-Cycle | Trailer | ORV |
|---|---|---|---|---|---|---|---|---|
| 1 | **2022 General Rate Application - Per Part VI, Ratemaking** | | | | | | | |
| 2 | **Credibility Weighted Required Rate** | 934.20 | 1,236.44 | 907.36 | 2,243.85 | 917.44 | 71.98 | 6.50 |
| 3 | **Credibility Weighted Required Rate Change** | -0.2% | -0.2% | -0.7% | 3.6% | 1.1% | -6.5% | -7.4% |
| 4 | **Change: Selected Trends** | | | | | | | |
| 5 | **Credibility Weighted Required Rate** | 934.20 | 1,236.46 | 907.88 | 2,244.63 | 917.36 | 71.72 | 6.52 |
| 6 | **Impact of Change** | 0.00 | 0.03 | 0.52 | 0.78 | -0.08 | -0.26 | 0.02 |
| 7 | **Credibility Weighted Required Rate Change** | -0.2% | -0.2% | -0.7% | 3.7% | 1.1% | -6.9% | -7.1% |
| 8 | **Impact of Change** | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% | -0.3% | 0.3% |

**CAC (MPI) 2-39**

| | | | |
|---|---|---|---|
| **Part and Chapter:** | **CAC (MPI) 1-77** | **Page No.:** | **3-4** |
| **PUB Approved Issue No:** | **11. Claims forecasting** | | |
| **Topic:** | **PIPP claims** | | |
| **Sub Topic:** | **Claims management and centralized reserving** | | |

**Preamble to IR:**

In response to CAC (MPI) 1-77, MPI states:

> *"A reduced claims duration resulted from the improved claims management that flowed from the 2017 review. The figure below demonstrates that, in the more recent loss years (2018-2020), fewer claims remain active beyond the 2 year (24 month) stage."*

MPI also states:

> *"COVID-19 caused disruptions that will hamper the ability of MPI to evaluate trends and select new LDFs based on centralized reserving. MPI currently requires more evidence to confidently change the LDF selections for ABO – Indexed."*

**QUESTION:**

a) Please confirm that "a reduced claims duration" from the preamble and Figure 1 in response to CAC (MPI) 1-77 means that a larger percentage of claimants are receiving income replacement for a shorter period of time after the 12 months mark in the 2018-2020 period as compared to the 2011-2017 period. If not confirmed, please clarify what the excerpt in the preamble and Figure 1 demonstrates.

b) Please elaborate on the disruptions caused by COVID-19 with respect to MPI's ability to evaluate trends and select new LDFs based on centralized reserving.

**Rationale for Question:**

**RESPONSE:**

a) Confirmed, this is the correct understanding.

b) As claim volumes were significantly lower than prior years, MPI derived the trends seen in the current loss year using less data. For claims that did occur, public health restrictions created different trends, such as increased claims when restrictions loosened and less out-of-province claims (as a result of Manitobans not travelling). Public health restrictions also delayed treatment/rehabilitation programs and reduced the availability of work (due to workplace closures/reductions). Overall, the changing conditions created unique and exceptional trends that MPI should not rely upon when making LDF selections. MPI anticipates that claims volumes and trends will return to pre-Pandemic levels in the near future, making these trends outliers.