

PUB (MPI) 1-56

Part and Chapter:	Part V- Expenses; EXP.6 Commissions, Figure EXP-43	Page No.:	59
PUB Approved Issue No:	9. Cost of operations and cost containment measures		
Topic:	Broker Commissions		
Sub Topic:			

Preamble to IR:**Question:**

- a) Please refile EXP-43 including Extension Commissions and the total commissions paid by MPI and indicate the relative mix of Basic vs. Extension commissions to be paid.
- b) Please supplement the information in (a) in a similar format to PUB (MPI) 2-19 2020 GRA including transaction fees and actual and forecast commission rates.

Rationale for Question:

To assess the reasonableness of Basic and Extension forecasts.

RESPONSE:

a) Please see the following figure:

Figure 1 Commissions Summary from Total Corporate and Basic Expenses

Line No.		2015/16A	2016/17A	2017/18A	2018/19A	2019/20A	2020/21FB	2021/22F	2022/23F	2023/24F	2024/25F
1	<i>(\$000's, except where noted)</i>										
2	Total Corporate Expenses	275,343	279,123	299,164	288,276	288,836	306,066	310,113	319,612	340,528	340,132
3	Basic Allocated Corporate Expenses										
4	Claims Expense	118,615	120,972	143,337	126,871	132,028	143,490	143,233	146,819	154,181	153,570
5	Road Safety/Loss Prevention	13,029	12,530	13,146	11,538	12,030	11,234	13,628	13,502	13,553	13,337
6	Operating	71,638	72,785	70,201	76,124	69,859	71,865	72,052	75,921	79,898	79,895
7	Regulatory/Appeal	3,675	4,889	4,443	4,315	4,647	5,120	5,160	5,201	5,293	5,392
8	Total Basic Allocated Corporate Expenses	206,957	211,176	231,127	218,848	218,564	231,709	234,073	241,443	252,925	252,193
9	Percentage of Corporate Operating Expenses	75.2%	75.7%	77.3%	75.9%	75.7%	75.7%	75.5%	75.5%	74.3%	74.1%
10	Basic Direct Expenses										
11	Commissions	33,862	35,086	37,378	40,233	42,332	43,823	43,408	42,817	44,298	45,825
12	Premium Taxes	26,205	27,563	29,143	31,183	33,102	32,292	33,289	32,811	33,965	35,155
13	Total Basic Direct Expenses	60,067	62,649	66,521	71,416	75,434	76,115	76,697	75,628	78,263	80,980
14	Extension Commission Expenses										
15	Commissions	35,303	34,025	34,138	35,256	34,788	35,060	37,094	40,329	41,709	43,169
16	MPI Total (Bas,Ext, DVA)										
17	Commissions	70,419	71,045	73,115	77,254	78,840	80,635	82,330	85,039	87,967	91,023
18	% of Basic commission vs MPI Total	48.1%	49.4%	51.1%	52.1%	53.7%	54.3%	52.7%	50.3%	50.4%	50.3%
19	% of Extension commission vs MPI Total	50.1%	47.9%	46.7%	45.6%	44.1%	43.5%	45.1%	47.4%	47.4%	47.4%

b) Please see the following figure:

Figure 2 Commissions/Fees Paid to Brokers

Line No.	Products/Transactions	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
1	<i>(\$000's, except where noted)</i>										
2	Basic	28,905	30,111	32,439	34,483	36,167	36,965	34,601	35,823	37,096	38,395
3	Extension	33,977	32,952	34,187	34,832	33,454	34,109	38,902	40,210	41,610	43,076
4	Basic Transactions / flat fees*	6,778	6,121	6,270	6,744	6,956	7,170	7,445	7,674	7,910	8,154
5	Extension Transactions / flat fees*	1,827	972	673	709	744	771	804	832	861	892
6	DVA Transactions / flat fees	1,254	1,934	1,599	1,765	1,720	1,752	1,828	1,893	1,960	2,029
7	Total Commission Written	72,741	72,090	75,168	78,533	79,041	80,767	83,580	86,433	89,437	92,546
8	Rate Changes in Year:										
9	Basic	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
10	Extension	21.25%	19.75%	19.75%	19.75%	19.75%	19.75%	19.75%	19.75%	19.75%	19.75%
11	CPI on Flat Fees					1.02	1.02	1.02	1.02	1.02	1.02
12	CPI on Flat Fees - non-resetting	1.042	1.054	1.067	1.085						
13	CPI on Flat Fees - resetting	1.109	1.128	1.139	1.152						
14	* Includes negotiated top-up paid as an adjustment/flat fee in 2015/16, and 2016/17										