MANITOBA PUBLIC INSURANCE

2023 GENERAL RATE APPLICATION

Round 1 Information Requests

August 30, 2022

Coalition of Manitoba Motorcycles Groups (CMMG)

MANITOBA PUBLIC INSURANCE

CMMG (MPI) 1-1

Part and Chapter:	PART VII Investments, Capital, Reserves & Risk Management	Page No.:	1 of 1
PUB Approved Issue No:	7. Performance of the Investment portfolio and the composition of i) the portfolio ii) benchmark portfolio(s) on a market value basis		
Topic:	Shadow Portfolio Returns (INV Appendix 11)		
Sub Topic:	Realized Shadow Portfolio Returns and Surplus Volatilities		

Preamble to IR:

MPI provided realized monthly returns for the actual, policy-passive, and various shadow portfolios, including the annual returns for the year ending March 31, 2022. MPI also provided monthly surplus volatility statistics for the year ending March 31, 2022. (This data for Basic is shown below, from page 2094.)

2023 General Rate Applic... 2094 / 3398 75%

July 12, 2022 — 2023 GENERAL RATE APPLICATION Part VII - INV Appendix 10

Surplus Volatility-Basic Claims Portfolio

	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Assets-Basic Claims Portfolio												
Actual (*)	0.29%	0.87%	1.57%	1.15%	0.01%	-1.68%	-0.21%	1.01%	1.75%	-3.86%	-0.87%	-2.82%
Policy-Passive	0.24%	0.87%	1.30%	1.37%	-0.18%	-1.71%	-1.15%	1.06%	1.96%	-4.13%	-0.85%	-3.46%
P1 Basic	-0.23%	1.46%	1.18%	1.41%	-0.19%	-1.52%	-1.39%	1.82%	2.15%	-4.35%	-0.63%	-3.21%
P2 Basic	-0.21%	2.75%	1.46%	1.44%	0.08%	-1.63%	-0.60%	2.26%	2.85%	-4.55%	-0.09%	-1.95%
Liabilities-Minimum Risk Portfolios												
Basic Claims Nominal	0.10%	1.02%	1.50%	1.18%	-0.26%	-1.80%	-0.87%	1.12%	2.25%	-4.64%	-0.91%	-3.14%
Basic Claims Real	-1.23%	2.51%	1.10%	1.12%	-0.28%	-1.07%	-1.26%	3.09%	2.52%	-4.70%	-0.22%	-1.83%
Surplus												
Nominal MRP												
Actual-Nominal MRP	0.19%	-0.15%	0.07%	-0.04%	0.27%	0.11%	0.66%	-0.11%	-0.50%	0.78%	0.04%	0.32%
Policy-Nominal MRP	0.14%	-0.14%	-0.20%	0.19%	0.08%	0.09%	-0.27%	-0.06%	-0.29%	0.51%	0.06%	-0.32%
P1 Basic-Nominal MRP	-0.33%	0.44%	-0.31%	0.23%	0.07%	0.27%	-0.52%	0.70%	-0.10%	0.29%	0.28%	-0.08%
P2 Basic-Nominal MRP	-0.31%	1.73%	-0.04%	0.26%	0.34%	0.16%	0.27%	1.13%	0.60%	0.09%	0.82%	1.18%
Real MRP												
Actual-Real MRP	1.53%	-1.64%	0.47%	0.03%	0.29%	-0.62%	1.05%	-2.07%	-0.77%	0.83%	-0.65%	-0.99%
Policy-Real MRP	1.48%	-1.64%	0.20%	0.26%	0.10%	-0.64%	0.11%	-2.03%	-0.56%	0.57%	-0.63%	-1.63%
P1 Basic-Real MRP	1.01%	-1.05%	0.09%	0.29%	0.09%	-0.46%	-0.13%	-1.26%	-0.37%	0.34%	-0.41%	-1.38%
P2 Basic-Real MRP	1.03%	0.24%	0.36%	0.32%	0.36%	-0.57%	0.66%	-0.83%	0.34%	0.15%	0.13%	-0.12%

Surplus Volatility	Apr 2021 to Mar
Nominal MRP	
Actual-Nominal MRP	1.15%
Policy-Nominal MRP	0.81%
P1 Basic-Nominal MRP	1.18%
P2 Basic-Nominal MRP	1.96%
Real MRP	
Actual-Real MRP	3.64%
Policy-Real MRP	3.40%
P1 Basic-Real MRP	2.35%
P2 Basic-Real MRP	1.65%

(*) Source: Ellement & MPI

Compounded (annualized) returns **since inception** of the Shadow Portfolio calculations, however, were not provided, nor were monthly surplus volatility statistics since inception.

Question:

a) Please provide the monthly returns, **since inception** of the Shadow Portfolios, in a spreadsheet (Excel).

b) What were the compounded (annualized) returns for the various portfolios since inception?

c) What were the monthly surplus volatility statistics for the various portfolios since inception?

Rationale for Question:

The performance and realized surplus volatility of the various portfolios should be judged over the longest available time horizon (i.e., since inception). This "since inception" information was made available last year at CMMG's request during last year's hearings.

RESPONSE:

a) Please see *CMMG R1 Workbook 01 to 30* (reproduced in *Figure 1* below) for an Excel spreadsheet identifying the monthly returns of the shadow portfolios since their inception.

Figure 1 Shadow Portfolio Returns

Line No.		Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19		
1	P1 Basic	3.22%	-0.04%	2.05%	1.31%	0.35%	2.13%	-0.98%	-0.55%	0.76%	-1.51%		
2	P2 Basic	2.83%	0.48%	1.06%	1.17%	0.32%	1.47%	-0.61%	-0.73%	0.88%	-0.92%		
3		Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
4	P1 Basic	3.74%	0.69%	-3.89%	4.97%	0.35%	2.30%	2.07%	-0.79%	0.25%	-0.92%	1.64%	0.55%
5	P2 Basic	3.03%	-0.04%	-6.29%	5.71%	1.00%	2.43%	3.03%	0.50%	-0.21%	-1.08%	3.56%	0.82%
6		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
7	P1 Basic	-1.59%	-3.40%	-1.93%	-0.23%	1.46%	1.18%	1.41%	-0.19%	-1.52%	-1.39%	1.82%	2.15%
8	P2 Basic	-1.43%	-2.06%	-0.77%	-0.21%	2.75%	1.46%	1.44%	0.08%	-1.63%	-0.60%	2.26%	2.85%
9		Jan-22	Feb-22	Mar-22									
10	P1 Basic	-4.35%	-0.63%	-3.21%									
11	P2 Basic	-4.55%	-0.09%	-1.95%									

b) Please see *Figure 2* below for the compounded (annualized) returns for the Basic Claims shadow portfolios, since inception.

Figure 2 Shadow Portfolio Returns Annualized Returns Since Inception (%)

Line No.		
1	P1 Basic	2.13%
2	P2 Basic	4.99%

c) Please see *Figure 3* below for the monthly surplus volatility statistics for the various shadow portfolios since inception.

Figure 3 Surplus Volatility Since Inception

Line No.	Nominal MRP	Mar 2019 to Mar-22
1	Actual-Nominal MRP	1.65%
2	Policy-Nominal MRP	1.00%
3	P1 Basic-Nominal MRP	1.44%
4	P2 Basic-Nominal MRP	3.57%
5	Real MRP	
6	Actual-Real MRP	2.68%
7	Policy-Real MRP	3.36%
8	P1 Basic-Real MRP	2.49%
9	P2 Basic-Real MRP	3.09%

CMMG (MPI) 1-2

Part and Chapter:	**Part VII – INV Appendix 12**	**Page No.:**	**2**
PUB Approved Issue No:	**20. Asset Liability Management Study (in accordance with Directives 11.19 and 11.20 of Order 134.21)**		
Topic:	**ALM Study**		
Sub Topic:	**ALM Study Update – Phase Three: motorcycle specific asset mix**		

Preamble to IR:

In the 2021 GRA IR process, in response to Information Request CMMG (MPI) CI 1-3 Confidential Pg 2 MPI stated that "it does not support the idea of creating a special backing portfolio for motorcycle claims liabilities".

In the ALM Study Update MPI has referenced that phase three of the ALM study is to "develop motorcycle specific asset mix"

Question:

Please advise what has changed that the Corporation is now considering the creation of a motorcycle specific asset mix.

Rationale for Question:

To understand the Corporation's change in position regarding a motorcycle specific asset mix for investments.

RESPONSE:

To be clear, MPI has not necessarily changed its position regarding a motorcycle-specific asset mix for investments. Rather, given that MPI is already undergoing a comprehensive review of its investment strategy, it believes that now is an appropriate time to review and evaluate the merits of developing a unique asset mix for motorcycles to decide whether MPI should change its position on this matter.

CMMG (MPI) 1-3

Part and Chapter:	Part VII - INV Appendix 12	Page No.:	2
PUB Approved Issue No:	20. Asset Liability Management Study (in accordance with Directives 11.19 and 11.20 of Order 134.21)		
Topic:	ALM Study Update		
Sub Topic:	Motorcycle Specific Asset Mix		

Preamble to IR:

MPI presented an ALM Study Update to the PUB and Intervenors on July 29, 2022 (MPI Exhibit #9), which included the following agenda item: "Phase Three: develop motorcycle specific asset mix".

Question:

a) Please describe the nature of what is being developed, along with the rationale.

b) Please confirm whether the recommendations from Mercer regarding a motorcycle specific asset mix will be filed as evidence in the 2023 GRA, and if so when.

c) Please confirm whether the recommendations being made to the ICWG which is scheduled to meet on October 13, 2022 will be filed as evidence in 2023 GRA and if so when.

d) Please confirm whether the recommendations being made to the Investment Committee which is scheduled to meet on November 10, 2022 will be filed as evidence in the 2023 GRA and if so when.

e) Please describe the stakeholder engagement plan related to the ICWG meeting scheduled for October 13, 2022 and the Investment Committee meeting scheduled for November 10, 2022.

f) In the event that the Investment Committee approves the creation of a motorcycle specific asset mix, what is MPI's proposed timeline for implementation of such a portfolio?

g) Assuming a motorcycle specific asset mix is implemented, please describe the implications of this portfolio for:

   i. The motorcycle stakeholders specifically; and
   ii. Other stakeholders more generally.

Rationale for Question:

The rationale for, and development of, a motorcycle specific asset mix is not clear.

RESPONSE:

a) Following the recommendations of Mercer, MPI is not developing a motorcycle-specific asset mix.

b) The analysis and recommendation of Mercer can be found in *Attachment A - Motorcycle Line ALM Initial Findings and Recommendations*.

c) MPI will file the recommendations made to the ICWG after their review and approval by the Investment Committee.

d) MPI will file the recommendations made to the Investment Committee after their review and approval by the Investment Committee.

e) MPI does not have a stakeholder engagement plan relating to the ICWG or Investment Committee meetings.

f) As the recommendation to be made to the Investment Committee will be to not approve the creation of a motorcycle specific asset mix, MPI does not have a proposed implementation timeline.

g) MPI cannot speculate on the implications of the implementation of a motorcycle specific asset mix that is not recommended, not defined and is unlikely to be approved by the Investment Committee.

Mercer

welcome to brighter

Angelo DiNoto, Principal

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Memo

To: Glenn Bunston, Director, ALM & Investment Management (MPI)

Date: 04 August 2022

From: Angelo DiNoto

Subject: Motorcycle Line ALM - Initial Findings and Recommendation

Copy: Neil Lloyd (Mercer), Mariusz Wielocha (Mercer), Jared Mickall (Mercer)

Manitoba Public Insurance ("MPI") engaged Mercer (Canada) Limited ("Mercer") to conduct an asset liability study on the Motorcycle Line Basic Claims. Our first step was to confirm whether the Motorcycle Line Basic Claims liabilities are materially different, in terms of interest rate and inflation sensitivity, from those of the overall Basic Claims liabilities. The claims liabilities are compared by deriving the nominal and real durations for each of the liabilities and noting any material differences.

Based on data provided by MPI as at March 31 2022, the claims liability durations are as follows:

	Basic Long Claims	Motorcycle Line Claims	Difference
Real Duration	8.93	9.01	+0.08
Nominal Duration	1.30	1.09	-0.21
Total Duration	10.23	10.10	-0.13

The liability profile as portrayed by the duration profile above would drive the Asset-Liability Modelling analysis. To the extent that two lines are very similar, we would not expect to see materially different results in the efficient frontier work which would develop optimal asset mixes across a spectrum of risk profiles.

A detailed breakdown of claims liabilities and their durations at March, 31, 2022 are shown in the appendix.

Recommendation: Given the high degree of similarities between Basic Long and Motorcycle, we do not recommend moving forward with the Motorcycle Line ALM as it would not show results that are materially different from the work already done for Basic Long.

Page 2
04 August 2022
Glenn Bunston, MPI

APPENDIX

As at March 31, 2022	Basic Long Claims		Motorcycle Claims	
	Claims Liabilities ($000s)	Duration	Claims Liabilities ($000s)	Duration
Accident Benefits - Pre-PIPP				
Weekly Indemnity	18,488	8.61	1,357	8.61
Other - Non-Indexed	2,833	0.49	407	0.49
Subtotal	21,321	7.49	1,765	6.73
Accident Benefits - PIPP				
Weekly Indemnity	898,401	11.87	69,551	11.86
Other - Indexed	546,453	8.54	24,588	8.57
Other - Non-Indexed	72,047	2.06	10,296	2.06
PIPP Enhancement	111,256	13.06	1,734	13.38
Subtotal	1,628,157	10.36	106,169	10.18
Public Liability - Bodily Injury				
Pre-PIPP	0	0.00	0	0.00
PIPP	17,466	2.09	0	0.00
Subtotal	17,466	2.09	0	0.00
Property Damage	N/A[1]	N/A[1]	1	0.73
Collision	N/A[1]	N/A[1]	181	0.62
Comprehensive	N/A[1]	N/A[1]	0	0.00
Total Bodily Injury	1,666,944	10.23	107,934	10.12
Total Physical Damage	**N/A[1]**	**N/A[1]**	182	0.62
TOTAL	1,666,944	10.23	108,116	10.10

[1] Excluded from Basic Long and instead modelled separately as Basic Short claims liabilities in Mercer's ALM analysis.

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Investment consulting services provided by Mercer (Canada) Limited.

CMMG (MPI) 1-4

Part and Chapter:	Part VII - INV Appendix 12	Page No.:	14
PUB Approved Issue No:	20. Asset Liability Management Study (in accordance with Directives 11.19 and 11.20 of Order 134.21)		
Topic:	ALM Study Update		
Sub Topic:	Leverage		

Preamble to IR:

MPI's ALM Study Update to the PUB and Intervenors on July 29, 2022 (MPI Exhibit #9) indicated that the issue regarding leverage was still being evaluated.

Question:

Please provide any update regarding MPI's willingness to permit leverage in the portfolios.

Rationale for Question:

The ALM Study is not complete, and it is unclear what constraints regarding leverage will be imposed by MPI.

RESPONSE:

Please see the response to *PUB (MPI) 1-133(b)*.

CMMG (MPI) 1-5

Part and Chapter:	**Part VII - INV Appendix 12**	**Page No.:**	**30**
PUB Approved Issue No:	**20. Asset Liability Management Study (in accordance with Directives 11.19 and 11.20 of Order 134.21)**		
Topic:	**ALM Study Update**		
Sub Topic:	**Recommended Asset Mixes**		

Preamble to IR:

The ALM Study Update to the PUB and Intervenors on July 29, 2022 (MPI Exhibit #9) presented the following timelines:

- Present Recommended Asset Mixes to ICWG: October 13
- Present Recommended Asset Mixes to Investment Committee: November 10

Intervenor evidence is due to be filed on October 7, 2022; hearings are scheduled from October 19 to November 9, 2022.

Question:

a) Will the recommended asset mixes being presented to the ICWG on October 13, 2022 be filed as evidence in the 2023 GRA?

  i. If yes, please advise when MPI anticipates filing those recommendations.

  ii. If no, please advise why this information will not be filed in the 2023 GRA.

b) Will the recommended asset mixes being present to the Investment Committee on November 10, 2022 be filed as evidence in the 2023 GRA?

  i. If yes, please advise when MPI anticipates filing those recommendations.

ii. If no, please advise why this information will not be filed in the 2023 GRA.

c) Part VII - INV Appendix 12 Slide 30 references “PUB & Intervenor Input” and provides various dates for Information Requests, Intervener Evidence and the 2023 GRA Hearing dates.

i. What input is MPI hoping to obtain from Interveners prior to the ICWG meeting scheduled for October 13, 2022?

ii. What input is MPI hoping to obtain from PUB prior to the ICWG meeting scheduled for October 13, 2022?

iii. What input is MPI hoping to obtain from Interveners prior to the Investment Committee Meeting scheduled for November 10, 2022?

iv. What input is MPI hoping to obtain from PUB prior to the Investment Committee Meeting scheduled for November 10, 2022?

Rationale for Question:

A key outcome from the ALM Study is the asset mix to be adopted by MPI, which will have a significant impact on return/risk tradeoffs over the long term.

RESPONSE:

a) See the response to <u>*CMMG (MPI) 1-3 c*</u>

b) See the response to <u>*CMMG (MPI) 1-3 d*</u>

c) The engagement process was an effort on the part of MPI to be transparent, inform the PUB and intervenors of the timely work completed and to provide them with an opportunity to provide input through the discovery process and by way of any intervenor evidence (to be filed no later than October 7, 2022). As was indicated at the ALM meeting on July 29, 2022, The MPI Board of

Directors are the ultimate authority regarding investment decisions and have the sole discretion to make all decisions. While the GRA is obviously a very important part of MPI's business, and MPI values input from its regulator and participating intervenors, the ALM Study was not commissioned for that reason.

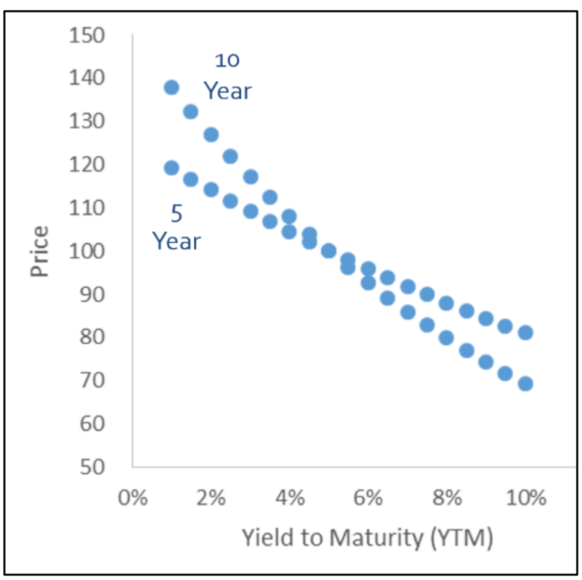
CMMG (MPI) 1-6

Part and Chapter:		**Page No.:**	
PUB Approved Issue No:	**7. Performance of the Investment portfolio and the composition of i) the portfolio ii) benchmark portfolio(s) on a market value basis** **4. d) Investment Income forecast**		
Topic:			
Sub Topic:	**Premium Rate (Cost) Sensitivities**		

Preamble to IR:

In CMMG (MPI) 1-10 of the **2021** GRA, MPI described the impact that interest rates had on the premium rate for the motorcycle class, compared to other classes.

The graph below shows the relationship between interest rates (yield to maturity or YTM) and the price of two bonds. Each bond pays a 5% coupon; one bond matures in 10 years, while the other matures in 5 years.



Question:

a) Please provide a graph that shows the tradeoffs facing the motorcycle class, where the Y axis shows the premium (rate) paid by the motorcycle class and the X axis shows a relevant yield. Please include the related data in a table.

b) Please provide a comparable graph and data table for other classes (e.g., private passenger major class).

c) Please interpret the above information.

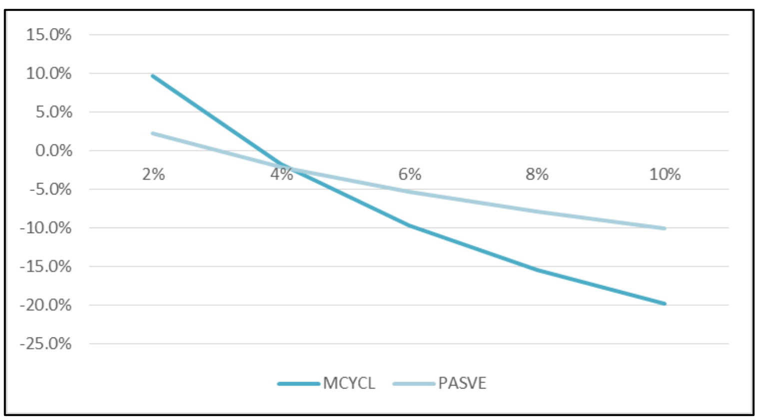
Rationale for Question:

To determine the impact that yields (interest rates, expected returns) have on the motorcycle class compared to other classes.

RESPONSE:

a) and b)

Figure 1 Indicated Rate Change



c) Based on the figure above, Motorcycles are more sensitive to changes in interest rates than private passenger vehicles. The higher sensitivity can be explained by higher Personal Injury Protection Plan (PIPP) costs for the motorcycle group.

CMMG (MPI) 1-7

Part and Chapter:		Page No.:	
PUB Approved Issue No:	7. Performance of the Investment portfolio and the composition of i) the portfolio ii) benchmark portfolio(s) on a market value basis		
Topic:			
Sub Topic:	Capital Market Assumptions		

Preamble to IR:

The table below shows the median 10 year return assumptions from the previous (2017) ALM Study, along with the assumptions from the current ALM Study (2023 GRA) as at December 31, 2021 and March 31, 2022. (The data is sorted from lowest return to highest using the 2023 GRA assumptions.)

		2017	Dec 2021	Mar 2022
Fixed Income	Treasury Bills	1.4%	0.9%	1.2%
	Real return bonds	2.7%	1.7%	3.0%
	Provincial long-term bonds	3.0%	2.3%	3.5%
	Commercial mortgages	2.7%	3.3%	4.1%
	Corporate long-term bonds	3.8%	3.3%	4.5%
Equities & Other	Canadian equity (large cap.)	6.7%	5.7%	6.1%
	Core real estate	5.4%	5.9%	6.3%
	Infrastructure	6.2%	5.9%	6.3%
	Emerging equity	8.7%	7.3%	7.6%

Page 2165 describes the basis of Mercer's Capital Market Assumptions, which Mercer states incorporate a wide range of considerations. In the case of equities, these considerations include: current level of equity earnings yield; inflation expectations; and expected economic growth.

Other considerations stated by Mercer include:

- Expected relative relationships between asset classes; and
- Some forward-looking judgment.

Mercer added that, "in general, we assume that future returns will be consistent with assumed risk levels".

Question:

a) Please provide the rationale for the higher expected return for real estate and infrastructure, compared to Canadian equity (large cap), in the 2023 GRA.

b) Please provide the assumptions (e.g., building blocks) for Canadian equity (large cap), showing for example: current level of equity earnings yield; inflation expectations; and expected economic growth.

c) Are the values for the building blocks for other equities, such as Global equity (large cap), materially different from those for Canadian equity (large cap)? If so, please provide the breakdowns.

d) Please describe what "forward-looking judgment" informed the volatility and correlation assumptions for the various asset classes in the ALM Study. Please also describe how the "forward-looking judgment" differed between the current ALM Study (2022) and the previous Study (2017).

e) From a risk perspective (i.e., considering volatilities and correlations – but not returns), please describe why equities look more (or less) attractive than nominal bonds today (2022), given the changes:

   i. Between the two ALM Studies (2017 vs 2022); and
   ii. More recently (e.g., since COVID, higher realized inflation, Russia/Ukraine war).

Rationale for Question:

ALM optimizations are very sensitive to certain assumptions, and some of the "rankings" of return assumptions in ALM Studies have changed over time.

RESPONSE:

With assistance from Mercer:

a) Mercer develops its assumptions for alternative asset classes, such as real estate and infrastructure based on a risk factor model that considers expected return premia other than simply equity risk premium (e.g., illiquidity premium). Furthermore, as of December 31, 2021, Mercer considers equity valuations above the "fair value" range in its model and include an allowance for a correction in equity prices, making them less attractive.

b) As the Canadian equity market represents a small share of the total global equity market, Mercer does not develop a distinct return assumption for Canadian equity directly. Rather, it develops equity return assumptions for global developed markets as a whole, and uses that same return assumption for Canadian equities. This approach effectively means that, over the long-term, Mercer does not see Canadian equities being more/less attractive, from a return perspective. It does, however, reflect a different risk profile of Canadian equities through its volatility and correlation assumptions.

The table below shows the building blocks for global developed market equity return assumptions as of December 31, 2021. The approach separately considers U.S. versus World ex U.S., given the significant size of the American market, and then combines the results for an overall global developed market equity return assumption.

	United States	MSCI World ex US
Inflation	2.4%	1.7%
Real Growth of Earnings	2.0%	1.3%
Dividend Yield	2.4%	2.9%
P/E Ratio Adjustment	-1.2%	-0.4%
Total	5.6%	5.5%

On a combined basis, considering the weight of U.S. and World ex U.S., on December 31, 2021, the weighted average expected return for developed market equities is 5.6% (USD). A currency adjustment factor is further applied to arrive at an expected return of 5.7%, used for Canadian equity (large cap.), on December 31, 2021.

c) As in the previous response, Mercer builds return assumptions for developed market equities using a global perspective and uses no specific building blocks for Canadian equities.

d) The phrase "forward-looking adjustment" means that, although volatility and correlation assumptions are built primarily using historical data, judgement is used to choose the time period for historical data. Furthermore, assumptions do not necessarily use exact historical data calculations. Mercer "rounds" this data for materiality and consistency with its overall assumption set. Note that Mercer changed correlation assumptions in 2020 (i.e., to be based on the 15-year period from 2005-2019). The 2017 ALM study based correlation assumptions on a 10-year period from 2006-2015. This is the only material adjustment between the two ALM studies.

e) Mercer does not update volatility and correlation assumptions frequently and, when it does, does not expect them to change materially. While it updated correlation assumptions in 2020, those assumptions did not materially change (and certainly not to the point that it would change the relative attractiveness of bonds vs. equities from a risk perspective). Correlations assumptions remain unchanged between the two ALM studies. Finally, Mercer has yet to review volatility and correlation assumptions for recent developments (e.g., COVID, higher realized inflation, Russia/Ukraine war).

CMMG (MPI) 1-8

Part and Chapter:	Part VI – RM Appendix 9	Page No.:	16 of 165
PUB Approved Issue No:	2. Ratemaking		
Topic:	Ratemaking methodology		
Sub Topic:			

Preamble to IR:

Part VI – RM Appendix 9 Table 6 Pure Premium Trend – PIPP (Pg 16)

ABO (Non-Indexed) shows a negative trend using both 10 years and All years. The R-squared for these are also higher than some of the other trends where these calculations were used in selecting a trend.

Question:

a) What is the rationale for not recognizing negative pure premium trends?

b) By not allowing for negative trends, is MPI's stance that pure premium never goes down?

Rationale for Question:

To allow for examination of the reasonableness of MPI's assumptions for the purposes of ratemaking.

RESPONSE:

a) MPI judgmentally selected a 0.00% trend (if the indicated exponential trend was negative) based on the assumption that claims costs will grow at the same pace as the growth in units (i.e. claims costs increases as exposure increases).

b) A selected trend of 0.00% does not imply preventing premium reductions over the years. The method of premium calculation utilizes past experience and a historic reduction in loss cost results in purer premium being reduced. The selected trend applies to the current estimate of loss cost and projects it to the forthcoming year. If the most recent years show lower pure premiums, MPI will recognize that in the indicated pure premiums.

CMMG (MPI) 1-9

Part and Chapter:	**Part VI – RM Appendix 9**	**Page No.:**	**(15 /16 and 26/27) of 165**
PUB Approved Issue No:	**2. Ratemaking**		
Topic:	**Rate making methodology**		
Sub Topic:			

Preamble to IR:

Part VI - RM Appendix 9 Table 6 – Other Than PIPP (Pg 15) states:

> *"[d] For Ultimate Incurred Claims and Pure Premium, for Collision and Property Damage, Accident Year 20/21 was excluded from the calculations to remove the effect of COVID-19 on claims costs"*

Part VI - RM Appendix 9 Table 6 –PIPP (Pg 16) states:

> *"[c] For Ultimate Incurred Claims and Pure Premium, for IRI and ABO (Indexed), Accident Year 20/21 was excluded from the calculations to remove the effect of COVID-19 on claims costs"*

Part VI - RM Appendix 9 Table 7 shows the weights given to each year to determine the pure premium selected.

Question:

What is the rationale for including Accident Year 20/21 for IRI and ABO (Indexed) when they were excluded in the trend derivation?

Rationale for Question:

To allow for examination of the reasonableness of MPI's assumptions for the purposes of ratemaking.

RESPONSE:

MPI noticed that COVID-19 did not materially impact IRI and ABO (indexed) for all major classes. For consistency in selection between all major classes, MPI included 2020/21 in determining the weights, as shown in *Ratemaking RM Appendix 9 Table 7 Major Classes Pure Premiums*.

CMMG (MPI) 1-10

Part and Chapter:	**Part VI – Driver Safety Rating**	**Page No.:**	**5 of 15**
PUB Approved Issue No:	**11. Driver Safety Rating**		
Topic:	**DSR Transition Plan**		
Sub Topic:			

Preamble to IR:

Part VI – Driver Safety Rating DSR.1 Introduction

> *"Had MPI adopted an exclusive actuarial approach moving the vehicle premium discounts straight to their actuarially indicated levels in the 2023 GRA, it would have required an increase of 16% in the base rate (within a one-year period). MPI submits that such an increase would not have been unacceptable [sic] to ratepayers."*

Question:

a) In MPI's view, what is a reasonable increase in base rates within a one-year period?

b) What is the highest discount increase that can be allocated to the top DSR level using the response to (a)?

Rationale for Question:

To examine alternatives to move the DSR discount faster towards the indicated.

RESPONSE:

a) The movement in rates over a one-year period is a function of a variety of factors. Some of those factors are external and beyond the control of MPI (e.g., inflation, supply/demand, economic cycle etc.). The reasonableness of such change can vary from one year to the next (depending on other demographic and economic variables). However, MPI considers an annual increase of 2% to the base rate to be reasonable. Furthermore, 3% is considered acceptable for the capital build over a one-year period. Therefore, as a combination, MPI considers a 5% combined increase to the aggregate rate indication to be reasonable.

b) For the DSR discount rate change, MPI understands that an increase over a one-year period is being referred to in the question. Since the discounts range from 2% to 36%, the 5% threshold specified above appears to be too high over one period. Therefore, a discount increase exceeding 3% would require further examination.

CMMG (MPI) 1-11

Part and Chapter:	Part VI – Driver Safety Rating	Page No.:	(12 and 14) of 15
PUB Approved Issue No:	11. Driver Safety Rating		
Topic:			
Sub Topic:			

Preamble to IR:

MPI has provided the following figures:

Figure DSR- 3 Current Vs Indicated Rates

Line No.	DSR	Average Rate Current	Indicated	Variance	% Variance
1	15	$963	$651	-$312	-32.4%
2	14	$1,045	$849	-$196	-18.8%
3	13	$1,067	$870	-$197	-18.5%
4	12	$1,102	$890	-$212	-19.2%
5	11	$1,114	$924	-$190	-17.1%
6	10	$1,142	$957	-$185	-16.2%
7	9	$1,171	$1,004	-$167	-14.3%
8	8	$1,171	$1,054	-$117	-10.0%
9	7	$1,181	$1,113	-$68	-5.8%
10	6	$1,268	$1,172	-$96	-7.6%
11	5	$1,349	$1,229	-$120	-8.9%
12	4	$1,349	$1,308	-$41	-3.0%
13	3	$1,434	$1,376	-$58	-4.0%
14	2	$1,428	$1,475	$47	3.3%
15	1	$1,519	$1,561	$42	2.8%
16	0	$1,543	$1,616	$73	4.7%
17	-1 to -20	$1,575	$1,621	$46	2.9%
18	**Total**	**$1,165**	**$1,165**	**$0**	**0%**

Figure DSR- 5 Proposed Rates

Line No.	DSR	Average Rate Indicated	Current	Selected	Variance	% Variance
1	**15**	$651	$931	$931	$0	0.0%
2	**14**	$849	$1,050	$1,019	-$31	-2.9%
3	**13**	$870	$1,077	$1,062	-$16	-1.4%
4	**12**	$890	$1,095	$1,079	-$16	-1.4%
5	**11**	$924	$1,123	$1,108	-$16	-1.4%
6	**10**	$957	$1,160	$1,144	-$16	-1.4%
7	**9**	$1,004	$1,205	$1,189	-$16	-1.3%
8	**8**	$1,054	$1,213	$1,213	$0	0.0%
9	**7**	$1,113	$1,224	$1,224	$0	0.0%
10	**6**	$1,172	$1,310	$1,310	$0	0.0%
11	**5**	$1,229	$1,386	$1,386	$0	0.0%
12	**4**	$1,308	$1,398	$1,398	$0	0.0%
13	**3**	$1,376	$1,473	$1,473	$0	0.0%
14	**2**	$1,475	$1,492	$1,492	$0	0.0%
15	**1**	$1,561	$1,572	$1,572	$0	0.0%
16	**0**	$1,616	$1,616	$1,616	$0	0.0%
17	**-1 to -20**	$1,621	$1,621	$1,621	$0	0.0%
18	**Total**	**$992**	**$1,174**	**$1,169**	**-$4**	**-0.3%**

Question:

Why are the current rates from Figure DSR-3 and Figure DSR-5 different by DSR?

Rationale for Question:

To confirm the correct figures used.

RESPONSE:

MPI revised *Driver Safety Rating Chapter Figure DSR-3* in error and it can be found in the Errors and Omissions filing *MPI Exhibit 12.*

CMMG (MPI) 1-12

Part and Chapter:	Part VI – Driver Safety Rating	Page No.:	13 of 15
PUB Approved Issue No:	11. Driver Safety Rating		
Topic:	DSR Transition Plan		
Sub Topic:			

Preamble to IR:

In the Driver Safety Rating section MPI notes as follows: "Specifically, the following increases to the vehicle discounts are recommended:

- +1% for DSR +16 (DSR +17 is set equal to DSR +16)
- +2% for DSR +14
- +1% for DSR +9 through +13

MPI did not adjust the DSR discount for DSR +15, given that the actuarially indicated discount of 56% is largely influenced by DSR levels potentially higher than +15. As MPI expands the DSR scale, MPI can then determine the true relative risk of DSR +15."

Question:

DSR +15 was left unchanged citing the large indicated discount is due to levels higher than +15. Why was DSR +16 (+17) only increased 1 point given the large gap in indication?

Rationale for Question:

To allow for examination of the reasonableness of MPI's assumptions for the purposes of ratemaking.

RESPONSE:

MPI judgmentally increased the DSR scale for DSR +16 and +17 by 1% to ensure that the allocation of the provisional 0.90% overall rate decrease could be spread to the other DSR levels as well. If MPI were to increase the discount for DSR +16 and +17 by more than 1%, a concurrent increase to the overall required rate would be needed to make up the resulting reduction in revenue.

CMMG (MPI) 1-13

Part and Chapter:	Part VI – DSR Appendix 3	Page No.:	2 of 13
PUB Approved Issue No:	11. Driver Safety Rating		
Topic:	DSR Actuarial Review		
Sub Topic:			

Preamble to IR:

When discussing the data used for the DSR Actual Review MPI states as follows:

> *"For Collision, Comprehensive, Property Damage and Bodily Injury coverages, MPI used the reported losses and earned units as of December 31, 2021 for insurance years 2017 to 2021."*

Question:

What is the rational for including years 20/21 (Effects of COVID) in the analysis?

Rationale for Question:

To allow for examination of the reasonableness of MPI's assumptions for the purposes of ratemaking.

RESPONSE:

MPI did not adjust for the effects of the Pandemic since the impact of COVID is universal across all groups (territories, insurance use, rate groups and DSR levels). Therefore, to analyze relativities, MPI does not require an adjustment. Further, MPI considered multiple historical insurance years to ensure that the experience of one year did not significantly affect the results.

CMMG (MPI) 1-14

Part and Chapter:	**Part VI – DSR Appendix 3**	**Page No.:**	**3 of 13**
PUB Approved Issue No:	**11. Driver Safety Rating**		
Topic:	**DSR Actuarial Review**		
Sub Topic:			

Preamble to IR:

When discussing excluded data for merit eligible vehicles MPI provided the following comment:

> *"MPI did not use the data for merit eligible motorcycles and merit eligible motorhomes. These vehicle types are not 'typical' vehicle types (i.e., they are insured by a smaller subset of Manitobans). Further, given their seasonal nature, these vehicle types do not reflect the same risk as vehicles used year-round. Finally, the risk potential of these vehicle types is different than the more general passenger vehicles and light trucks (e.g., higher proportion of PIPP losses to total losses for motorcycles)."*

Question:

a) Given that Motorcycles have different risk potential, is it appropriate to apply these DSR discounts to Motorcycles?

b) What would the indicated discounts be for the Motorcycle class using its proportion of PIPP losses to total losses?

Rationale for Question:

To examine the impact of DSR levels on Motorcycles given their different risk potential

RESPONSE:

a) MPI currently uses one Driver Safety Rating (DSR) scale for all merit eligible vehicles, as prescribed by legislation. At this time, MPI does not plan to seek adjustments to the DSR discounts applicable to Motorcycles.

b) The DSR level represents the driving behaviour of an individual, including in cases where the individual drives multiple classes of vehicles. Most motorcyclists are expected to also hold driving licenses for other classes of vehicles as well e.g. passenger vehicle. Therefore, the DSR level from other vehicles is expected to be a better indicator of the driving behaviour. Also, given the low number of Motorcycle units, a DSR analysis of Motorcycles would not yield credible results. Further, Personal Injury Protection Plan (PIPP) claims for Motorcycles are higher than other major classes. As a result, MPI believes the indicated discounts for the Motorcycle class may be lower than those presented in the 2023 GRA.

CMMG (MPI) 1-15

Part and Chapter:	**Part III – Benchmarking**	**Page No.:**	**27 of 30**
PUB Approved Issue No:	**12. Operation Benchmarking**		
Topic:			
Sub Topic:			

Preamble to IR:

In the Benchmarking chapter MPI provided observations regarding Total Gross Expense per FTE as follows:

> *"The Total Gross Expenses personnel expense per FTE of MPI remained consistent from 2017/18 to 2020/21. Its Gross Expenses per FTE continues to be much lower than the other Crown Corporations, as SGI and ICBC note a metric of 179K and 111K, respectively. This can be attributed to the lower operating costs of MPI relative to the FTE required to operate our service offerings."*

In the Benchmarking chapter MPI provided observations regarding the Loss Ratio as follows:

> *MPI experienced a consistent decrease in its loss ratio from 79.9% in 2017/18 to 58.4% in 2020/21. The significant decrease in this ratio is also caused by the impacts of the Pandemic on driving patters and consequently, claims volumes. MPI's loss ratios are lower than the benchmark groups in the past and the other Crown Corporations. For comparison, SGI and ICBC have noted a Loss Ratio of 63.3% and 59.0%, respectively.*

Question:

a) How are the differences in cost of living expenses between provinces accounted for in BMK.4.1.5 Total Gross Expense Per FTE?

b) Do the loss ratios in BMK.4.1.6 Loss Ratio include rebates from COVID-19 or any other excess premiums returned?

Rationale for Question:

To understand the figures used in the comparisons.

RESPONSE:

a) There were no adjustments for cost of living in the Crown Benchmarking ratios.

b) Loss Ratio is calculated based on the claims losses plus direct claims applicable expenses divided by premiums earned. There is no impact from rebates on the loss ratio. The calculation is consistent across MPI, Saskatchewan Government Insurance (SGI), and the Insurance Corporation of British Columbia (ICBC).

CMMG (MPI) 1-16

Part and Chapter:	**Part VII – EAR Attachment A**	**Page No.:**	**11 of 343**
PUB Approved Issue No:	**2. Ratemaking**		
Topic:	**External Actuary Review**		
Sub Topic:	**Inflation Risk**		

Preamble to IR:

Part VII - EAR Attachment A states:

> *"There is a limitation upon the accuracy of claim liabilities as there is an inherent uncertainty in any estimate of claim liabilities. This inherent uncertainty is present because future events could affect the ultimate claim settlement. Some examples of such future events are:*
>
> a) *High/low inflation*
> b) *High/low investment return*
> c) *High/low termination rate*
> d) *Increase/decrease in benefit levels (other than regular indexation)*
> e) *Introduction of new benefits applicable to all insurance years"*

Question:

What is the impact on the required rates with the current high inflation environment?

Rationale for Question:

To understand the risk underlying the assumptions used in the EAR on the required premiums.

RESPONSE:

MPI calculates the revised overall rate indication (before adjusting for the high inflation environment) to be -3.1% (i.e., -2.2% less when compared to the provisional rate indication of -0.9% sought in the 2023 GRA).

CMMG (MPI) 1-17

Part and Chapter:	Part VI – RM Appendix 11. MPI Exhibit #5.	Page No.:	3 of 5
PUB Approved Issue No:	2. Ratemaking		
Topic:	Ratemaking methodology		
Sub Topic:			

Preamble to IR:

Figure RM App 11- 2 Investment Return by Duration

Line No.	Duration (Years)	Investment Return
1	1	2.85%
2	2	2.85%
3	3	2.85%
4	4	2.97%
5	5	3.09%
6	6	3.16%
7	7	3.24%
8	8	3.31%
9	9	3.44%
10	10	3.41%
11	11	3.41%
12	12	3.61%
13	13	3.82%
14	14	3.93%
15	15	3.95%
16	16	3.97%
17	Thereafter	3.97%

Question:

Why is there a dip in the yield curve at year 10 and 11?

Rationale for Question:

To understand the figures used.

RESPONSE:

The dip in the yield curve at year 10 and year 11 is due to the adjustments made within the model to the Government Bond and Corporate Bond yields at these years in order to align the net weighted interest rate with the beginning actual claims discount rate.

CMMG (MPI) 1-18

Part and Chapter:	Part IX – LP Appendix 1	Page No.:	5
PUB Approved Issue No:	2. Ratemaking		
Topic:	Large Vehicle Study		
Sub Topic:			

Preamble to IR:

Part IX - LP Appendix 1 Table 1 summarizes the costs for the different types of vehicles.

Larger vehicles have a higher VRU (vulnerable road user) cost. These claims costs would fall under Bodily Injury.

Question:

a) Please confirm that CLEAR rate groups do not account for third party Bodily Injury claims costs.

b) Please confirm that MPI does not use their own vehicle rate groups for bodily injury in their rating.

c) Given the results of the Large Vehicle Study, how does MPI plan to incorporate the findings that third party Bodily Injury claims vary depending on the vehicle size?

Rationale for Question:

To understand the rating factors used by MPI and their inclusions.

RESPONSE:

a) Canadian Loss Experience Automobile Rating System (CLEAR) rate groups do not account for third party Bodily Injury claims costs.

b) MPI does not use its own vehicle rate groups for third party Bodily Injury in its rating.

c) MPI does not plan to make any changes based on the findings of the Large Vehicle study. For collisions involving an MPI-insured vehicle and a cyclist or pedestrian (irrespective of fault), MPI allocates 50% of injured VRU PIPP costs to the major class in which the vehicle belongs, in accordance with PUB Order 97/05.

CMMG (MPI) 1-19

Part and Chapter:	**Part VI – Driver Safety Rating**	**Page No.:**	**10 and 15 of 15**
PUB Approved Issue No:	**11. Driver Safety Rating**		
Topic:	**DSR and Driving Behaviour**		
Sub Topic:			

Preamble to IR:

In the 2023 GRA MPI made the following statements:

> *"MPI has updated this actuarial analysis (Appendix 3 – Driver Safety Rating Actuarial Review) for the 2023 GRA and will do so for each year of the Transition Plan. MPI will perform a pricing analysis and reassess the Transition Plan to allow for a dynamic and controlled method to accommodate changes to the discounts, specifically for the new*
>
> *DSR levels **and the expected changes in driver behavior as a result of more accurate pricing**. This will resolve some of the uncertainties that currently prevent MPI from creating a more comprehensive plan."*

And

> *"MPI does not anticipate a reduction in claims and/or claim costs as a result of the extension of the DSR scale or changes to the discount percentages."*

Question:

Please clarify MPI's position on whether more accurate pricing leads to improved driving behaviour.

Rationale for Question:

To understand MPI's position regarding the benefits of the DSR program and how they may have changed since inception of the program.

RESPONSE:

By applying actuarially indicated discounts and extending the DSR scale, MPI intends to better segment risk, provide equitable pricing and reward safe driving behaviours. It is difficult to say whether more accurate pricing incentivizes improved driving behaviour and ultimately reduces claims and claim costs. MPI will continue to monitor the underlying experience and the emergence of possible improvements in the rates.

CMMG (MPI) 1-20

Part and Chapter:	**Part VI – Driver Safety Rating**	**Page No.:**	**14 of 15**
PUB Approved Issue No:	**11. Driver Safety Rating**		
Topic:	**DSR Scenarios**		
Sub Topic:			

Preamble to IR:

Figure DSR -5 provides the variance between the current and selected rates.

Figure DSR- 5 Proposed Rates

Line No.	DSR	Average Rate: Indicated	Current	Selected	Variance	% Variance
1	15	$651	$931	$931	$0	0.0%
2	14	$849	$1,050	$1,019	-$31	-2.9%
3	13	$870	$1,077	$1,062	-$16	-1.4%
4	12	$890	$1,095	$1,079	-$16	-1.4%
5	11	$924	$1,123	$1,108	-$16	-1.4%
6	10	$957	$1,160	$1,144	-$16	-1.4%
7	9	$1,004	$1,205	$1,189	-$16	-1.3%
8	8	$1,054	$1,213	$1,213	$0	0.0%
9	7	$1,113	$1,224	$1,224	$0	0.0%
10	6	$1,172	$1,310	$1,310	$0	0.0%
11	5	$1,229	$1,386	$1,386	$0	0.0%
12	4	$1,308	$1,398	$1,398	$0	0.0%
13	3	$1,376	$1,473	$1,473	$0	0.0%
14	2	$1,475	$1,492	$1,492	$0	0.0%
15	1	$1,561	$1,572	$1,572	$0	0.0%
16	0	$1,616	$1,616	$1,616	$0	0.0%
17	-1 to -20	$1,621	$1,621	$1,621	$0	0.0%
18	**Total**	**$992**	**$1,174**	**$1,169**	**-$4**	**-0.3%**

Question:

a) Please recreate this figure including replacing the “Selected” column with the proposed discounts for scenario 1 from DSR– 1.

b) Please perform the same exercise as a) but with the proposed discounts for scenario 2.

c) Please perform the same exercise as a) but with the proposed discounts for scenario 3.

Rationale for Question:

To examine the other options available for the DSR transition plan as proposed by MPI.

RESPONSE:

a)

Figure 1 Scenario 1 Proposed Rates *(updated Driver Safety Rating Figure DSR-5)*

		Average Rate				
Line No.	DSR	Indicated	Current	Proposed Discount	Variance	% Variance
1	**15**	$651	$931	$739	-$192	-20.6%
2	**14**	$849	$1,050	$787	-$262	-25.0%
3	**13**	$870	$1,077	$827	-$250	-23.2%
4	**12**	$890	$1,095	$860	-$235	-21.4%
5	**11**	$924	$1,123	$918	-$206	-18.3%
6	**10**	$957	$1,160	$953	-$207	-17.8%
7	**9**	$1,004	$1,205	$1,012	-$193	-16.0%
8	**8**	$1,054	$1,213	$1,068	-$146	-12.0%
9	**7**	$1,113	$1,224	$1,126	-$98	-8.0%
10	**6**	$1,172	$1,310	$1,196	-$115	-8.7%
11	**5**	$1,229	$1,386	$1,240	-$147	-10.6%
12	**4**	$1,308	$1,398	$1,316	-$82	-5.9%
13	**3**	$1,376	$1,473	$1,375	-$98	-6.7%
14	**2**	$1,475	$1,492	$1,475	-$17	-1.1%
15	**1**	$1,561	$1,572	$1,539	-$33	-2.1%
16	**0**	$1,616	$1,616	$1,616	$0	0.0%
17	**-1 to -20**	$1,621	$1,621	$1,621	$0	0.0%
18	**Total**	**$992**	**$1,174**	**$1,025**	**-$149**	**-12.7%**

b)

Figure 2 Scenario 2 Proposed Rates *(updated Driver Safety Rating Figure DSR-5)*

Line No.	DSR	Average Rate Indicated	Current	Proposed Discount	Variance	% Variance
1	**15**	$651	$931	$902	-$30	-3.2%
2	**14**	$849	$1,050	$1,019	-$31	-2.9%
3	**13**	$870	$1,077	$1,046	-$31	-2.9%
4	**12**	$890	$1,095	$1,064	-$31	-2.9%
5	**11**	$924	$1,123	$1,092	-$32	-2.8%
6	**10**	$957	$1,160	$1,128	-$32	-2.7%
7	**9**	$1,004	$1,205	$1,173	-$32	-2.7%
8	**8**	$1,054	$1,213	$1,181	-$32	-2.7%
9	**7**	$1,113	$1,224	$1,191	-$33	-2.7%
10	**6**	$1,172	$1,310	$1,294	-$16	-1.2%
11	**5**	$1,229	$1,386	$1,370	-$16	-1.2%
12	**4**	$1,308	$1,398	$1,382	-$16	-1.2%
13	**3**	$1,376	$1,473	$1,457	-$16	-1.1%
14	**2**	$1,475	$1,492	$1,475	-$17	-1.1%
15	**1**	$1,561	$1,572	$1,572	$0	0.0%
16	**0**	$1,616	$1,616	$1,616	$0	0.0%
17	**-1 to -20**	$1,621	$1,621	$1,621	$0	0.0%
18	**Total**	**$992**	**$1,174**	**$1,150**	**-$23**	**-2.0%**

In this figure, the proposed discount for DSR 1 reflects a revision in error made to the 2023 GRA's *Driver Safety Rating Chapter Figure DSR-1* Proposed Scenarios. MPI revised the average rate for DSR 1 to be 5% instead of 7%. This update is in the Errors and Omissions filing in *MPI Exihibit # 14*.

c)

Figure 3 **Scenario 3 Proposed Rates *(updated Driver Safety Rating Figure DSR-5)***

Line No.	DSR	Average Rate Indicated	Current	Proposed Discount	Variance	% Variance
1	**15**	$651	$931	$931	$0	0.0%
2	**14**	$849	$1,050	$988	-$62	-5.9%
3	**13**	$870	$1,077	$1,015	-$62	-5.8%
4	**12**	$890	$1,095	$1,032	-$63	-5.7%
5	**11**	$924	$1,123	$1,060	-$63	-5.6%
6	**10**	$957	$1,160	$1,096	-$64	-5.5%
7	**9**	$1,004	$1,205	$1,173	-$32	-2.7%
8	**8**	$1,054	$1,213	$1,213	$0	0.0%
9	**7**	$1,113	$1,224	$1,224	$0	0.0%
10	**6**	$1,172	$1,310	$1,310	$0	0.0%
11	**5**	$1,229	$1,386	$1,386	$0	0.0%
12	**4**	$1,308	$1,398	$1,398	$0	0.0%
13	**3**	$1,376	$1,473	$1,473	$0	0.0%
14	**2**	$1,475	$1,492	$1,492	$0	0.0%
15	**1**	$1,561	$1,572	$1,572	$0	0.0%
16	**0**	$1,616	$1,616	$1,616	$0	0.0%
17	**-1 to -20**	$1,621	$1,621	$1,621	$0	0.0%
18	**Total**	**$992**	**$1,174**	**$1,161**	**-$13**	**-1.1%**

CMMG (MPI) 1-21

Part and Chapter:		**Page No.:**	
PUB Approved Issue No:	**11. Driver Safety Rating**		
Topic:	**DSR Distribution**		
Sub Topic:			

Preamble to IR:

Question:

Please provide the distribution of units by DSR level (-20 to +16) for each major class.

Rationale for Question:

To better understand the DSR rating distribution of each major class.

RESPONSE:

Please see *Figure 1* below. In reviewing same, please note the following:

1. the figure excludes vehicles with only extension coverage; and

2. there are no vehicle counts for DSR Level +16 in the 2023 Rate Model.

Figure 1 **Distribution Report of Vehicle Units by DSR Level for each Major Class with "Proposed 2023 DSR LEVEL DISCOUNTS' APPLIED**

Line No.	DSR LEVEL	MAJOR CLASS Private	Commercial	Public	Motorcycle	Trailer	Off Road
1	**-20**	1,199	55	2	39	290	89
2	**-19**	184	6	-	5	39	10
3	**-18**	227	8	1	7	67	22
4	**-17**	279	10	3	7	89	29
5	**-16**	444	12	2	12	95	24
6	**-15**	421	13	3	13	93	53
7	**-14**	421	25	1	9	94	27
8	**-13**	1,207	40	2	41	324	105
9	**-12**	842	41	1	25	220	77
10	**-11**	784	26	1	22	174	68
11	**-10**	1,487	37	6	47	366	129
12	**-9**	1,460	56	6	25	356	134
13	**-8**	1,832	69	3	63	511	171
14	**-7**	2,399	82	3	76	637	273
15	**-6**	2,600	81	4	93	739	294
16	**-5**	3,562	93	7	70	846	324
17	**-4**	5,969	148	13	162	1,548	611
18	**-3**	4,461	117	13	143	1,187	485
19	**-2**	6,270	133	8	155	1,311	514
20	**-1**	8,052	190	5	241	1,988	841
21	**0**	85,174	32,404	10,364	724	34,544	7,868
22	**1**	23,708	472	36	506	4,625	1,930
23	**2**	23,456	430	38	528	4,529	1,924
24	**3**	22,903	450	46	544	4,796	1,992
25	**4**	21,305	362	32	482	4,352	1,835
26	**5**	21,722	380	33	494	4,556	1,818
27	**6**	23,143	436	31	552	5,219	2,059
28	**7**	21,430	407	27	532	4,811	1,940
29	**8**	23,092	417	31	581	5,456	1,909
30	**9**	26,432	554	30	664	6,568	2,570
31	**10**	29,767	589	35	722	7,543	2,745
32	**11**	31,135	619	58	808	7,848	2,805
33	**12**	33,420	720	41	867	9,165	3,379
34	**13**	31,437	688	34	827	8,412	3,136
35	**14**	32,650	690	61	874	8,930	2,984
36	**15**	350,614	7,856	291	8,548	93,090	34,120
37	**TOTAL - ALL DSR LEVELS**	**845,488**	**48,716**	**11,272**	**19,508**	**225,418**	**79,294**

CMMG (MPI) 1-22

Part and Chapter:	**Part VII – RSR**	**Page No.:**	**9 of 24**
PUB Approved Issue No:	**14. Risk Assessment and Risk Management;** **18. Capital Management Plan**		
Topic:	**MCT Targets**		
Sub Topic:			

Preamble to IR:

MPI states:

- *Industry standards set by OSFI requires P&C insurers to always maintain a 100% MCT ratio. Further to this, OSFI has established an industry-wide supervisory target of 150%. This serves several purposes:*
  - *provides a cushion above the minimum requirement*
  - *facilitates OSFI's early intervention process*
  - *provides additional capacity to absorb unexpected losses*
  - *addresses capital needs through on-going market access*
- *Federally regulated P&C insurers are also required to establish an internal target based on their own risk profile and maintain on-going capital above that target. The internal target is determined through Own Risk Solvency Assessment (ORSA). The expectation is that internal target is higher than the supervisory target.*

Question:

a) Please explain if MPI is attempting to establish either a supervisory target, or an internal target in setting the CMP rebate trigger point at 120% MCT.

b) If so, please explain how MPI's situation is comparable to P&C Insurers in a competitive market, such that it would require either a supervisory target, or an internal target. Please also explain why the Reserves Regulation is silent on either of these targets, and why MPI's initial CMP did not contemplate such targets.

c) Please confirm that MPI's Basic customers are fully captured, and that MPI holds a monopoly on Basic insurance in Manitoba.

d) Please confirm that federally regulated P&C insurers operate in a competitive market, and that a financially distressed insurer may lose market share and revenue if customers switch to an insurer believed to be able to meet its financial obligations.

e) Please confirm that competitive P&C insurers' internal targets must eventually pass the scrutiny of shareholders (who forgo dividends of excess capital) and the competitive market (which forgoes lower pricing, and is therefore less competitive). Please also confirm that MPI faces no such scrutiny from either shareholders or the market.

Rationale for Question:

To fully understand the rationale for the 120% rebate target.

RESPONSE:

a) and b) When the Reserves Regulation was being drafted the RSR was at ~30% MCT, the primary goal was to attain the minimum target level of 100%. It was envisioned the easiest and best way to return excess capital to ratepayers was through capital releases. The RSR was expected to float around 100% MCT once it reached that level.

MPI learned over the past few years that it was incorrect to assume the RSR would simply float around 100% MCT, and that a capital release would not create rate fluctuation. Accordingly, MPI considered industry practices for guidance in determining how best to manage excess capital in the RSR. Industry best practice requires the insurer to manage its capital reserves with a range. As such, MPI would like to establish a range with a minimum target of 100% and a upper target at 120% MCT. When the reserve is below the minimum target there would be plans to raise it to that level, when the reserve is above the target there would be plans to rebate it to at or near the minimum tartet.

c) Agreed; Manitoban's who wish to operate a motor vehicle must insure their automobile through MPI's Basic compulsory coverage.

d) OSFI regulated companies operate in a competitive market. Financially distressed insurers that fall at or under the OSFI supervisory target will have regulatory intervention.

e) Auto insurance is regulated in the competitive markets. This includes approval of return on equity and return on premium assumptions so does not allow for higher pricing to build up capital.

CMMG (MPI) 1-23

Part and Chapter:	**Part VII – RSR Appendix 2**	**Page No.:**	**1 of 1**
PUB Approved Issue No:	**14. Risk Assessment and Risk Management** **18. Capital Management Plan**		
Topic:	**RSR & MCT targets**		
Sub Topic:			

Preamble to IR:

MPI has provided a history of the RSR balance with transfers to and from, for the years 2003/04 through 2025/26 forecast.

Question:

a) Please add the following columns to this table, and populate with the relevant data:

- Beginning RSR expressed as % MCT (for all years where an MCT calculation was completed.
- Gross Premiums Written
- Beginning RSR/Gross Premiums Written

b) Please prepare a chart that plots Beginning RSR Balance, PUB Approved RSR Range/Target.

Rationale for Question:

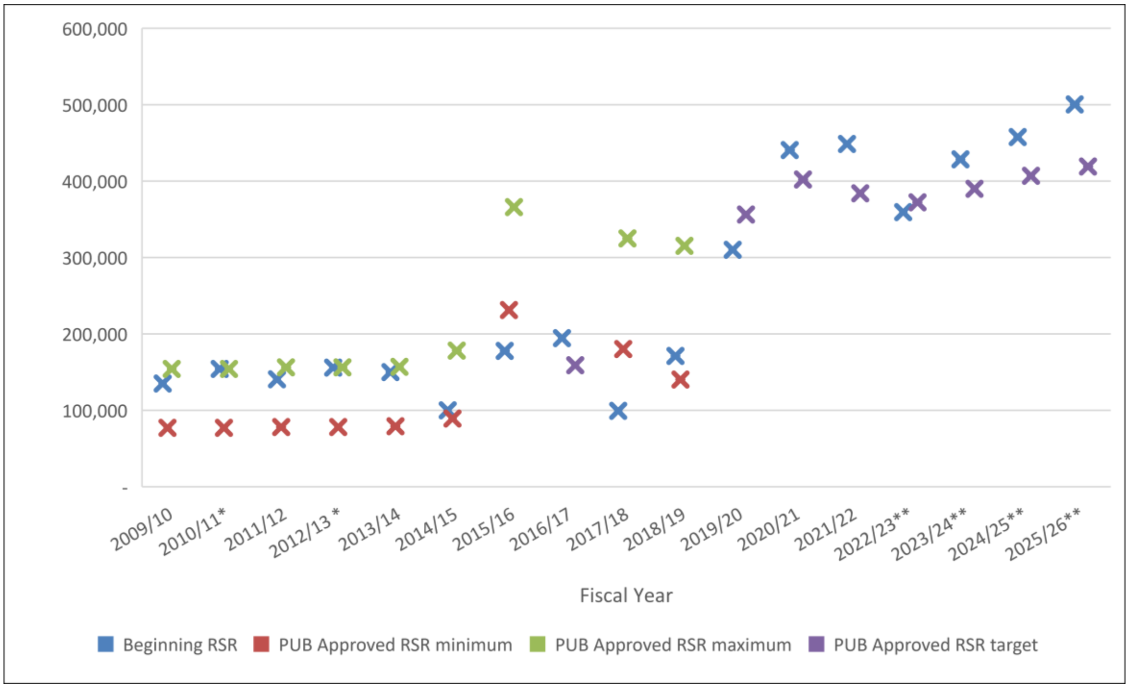
To evaluate how the RSR has progressed since inception as compared to the proposed increase in MCT target for the RSR by MPI in the 2023 GRA.

RESPONSE:

a) Please see *Appendix 1 Rate Stabilization Reserve Capital with Minimum Capital and Gross Premiums Written Figure App 1-1* with new columns added.

b) Please see chart below.

Figure 1 Beginning RSR and PUB Approved RSR Range/Target in $1000s



* Restated
** Forecasted

Figure App 1-1 Rate Stabilization Reserve Capital with Minimum Capital and Gross Premiums Written

Line No.	Fiscal Year	Beginning RSR/Retained Earnings Balance (a)	Net Income (b)	Transfer from Non-Basic (c)	Rebate to Policyholders (d)	Adjustments (e)	Transfer (to)/from Retained Earnings (f)	Transfer (to)/from IIF (g)	Transfer (to)/from ITOF (h)	Ending RSR (i)	Retained Earnings (j)	Immobilizer Incentive Fund (IIF) (k)	Information Technology Optimization Fund (ITOF) (l)	Total Retained Earnings (m)	Accumulated Other Comprehensive Income (Loss) (n)	Total Equity ^ (o)	PUB Approved RSR Range ^ (p)	Ending MCT (%) (q)	Beginning MCT (%) (r)	Minimum Capital Required (s)	Gross Premiums Written (t)	Beginning RSR/ Gross Premiums Written (u)
1	*(C$000s, except where noted)*									Total (a) to (h)				Total (i) to (l)		(m) + (n)						(a) / (t)
2	**2003/04**	35,366	3,358	4,049	-	-	-	-	-	42,773	-	-	-	42,773	-	42,773	$50-80M	N/A	N/A		N/A	N/A
3	**2004/05***	42,773	59,943	33,907	-	(10,619)	-	-	-	126,004	-	-	-	126,004	-	126,004	$50-80M	N/A	N/A		N/A	N/A
4	**2005/06**	126,004	85,703	19,427	(58,000)	-	-	(37,063)	-	136,071	-	37,063	-	173,134	-	173,134	$50-80M	N/A	N/A		N/A	N/A
5	**2006/07**	136,071	47,783	-	(59,652)	-	-	3,920	-	128,122	-	33,143	-	161,265	-	161,265	$69-105M	N/A	N/A		N/A	N/A
6	**2007/08**	128,122	69,040	-	(62,565)	(22,693)	-	15,218	-	127,122	-	17,925	-	145,047	20,012	165,059	$69-106M	N/A	N/A		N/A	N/A
7	**2008/09**	127,122	(8,165)	-	54	-	-	15,904	-	134,915	-	2,021	-	136,936	(101,501)	35,435	$72-109M	N/A	N/A		N/A	N/A
8	**2009/10**	134,915	87,773	-	-	-	(70,709)	2,021	-	154,000	70,709	-	-	224,709	34,645	259,354	$77-154M	87%	N/A	253,912	752,331	18%
9	**2010/11***	154,000	283,855	-	(321,678)	18,639	70,709	-	(65,000)	140,525	-	-	65,000	205,525	73,082	278,607	$77-154M	89%	87%	269,514	768,356	20%
10	**2011/12**	140,525	22,278	-	(14,120)	-	(57,983)	-	65,000	155,700	57,983	-	-	213,683	49,007	262,690	$78-156M	79%	89%	282,983	786,632	18%
11	**2012/13 ***	155,700	(63,103)	-	-	-	57,203	-	-	149,800	19,240	-	-	169,040	56,800	225,840	$78-156M	63%	79%	322,693	755,466	21%
12	**2013/14**	149,800	(69,162)	-	-	-	19,240	-	-	99,878	-	-	-	99,878	70,284	170,162	$79-157M	42%	63%	325,135	798,162	19%
13	**2014/15**	99,878	2,440	75,500	-	-	-	-	-	177,818	-	-	-	177,818	35,262	213,080	$89-178M	53%	42%	365,554	838,694	12%
14	**2015/16**	177,818	(56,050)	72,729	-	-	-	-	-	194,497	-	-	-	194,497	36,503	231,000	$231-366M	48%	53%	342,459	900,788	20%
15	**2016/17**	194,497	(123,070)	27,824	-	-	-	-	-	99,251	-	-	-	99,251	81,749	181,000	$159M	30%	48%	366,039	935,424	21%
16	**2017/18**	99,251	34,424	37,300	-	-	-	-	-	170,975	-	-	-	170,975	39,870	210,845	$180-325M	44%	30%	351,203	1,005,887	10%
17	**2018/19**	170,975	78,837	60,000	-	-	(309,812)	-	-	-	309,812	-	-	309,812	(60,120)	249,692	$140-315M	52%	44%	395,393	1,070,529	16%
18	**2019/20**	309,812	130,710	-	-	-	-	-	-	-	440,522	-	-	440,522	(34,296)	406,226	$356M	104%	52%	356,082	1,239,263	25%
19	**2020/21**	440,522	290,782	-	(282,626)	-	-	-	-	-	448,678	-	-	448,678	(14,701)	433,977	$402M	100%	104%	401,793	1,158,693	38%
20	**2021/22**	448,678	67,191	-	(156,534)	-	-	-	-	-	359,335	-	-	359,335	51,429	410,764	$384M^^	95.23%^^^	100%	384,411	1,154,154	39%
21	**2022/23****	359,335	26,739	42,299	-	-	-	-	-	-	428,373	-	-	428,373	23,009	451,382	$372M^^	108%	95.23%^^^	371,696	1,179,154	30%
22	**2023/24****	428,373	(8,667)	37,761	-	-	-	-	-	-	457,467	-	-	457,467	20,056	477,523	$390M^^	109%	108%	389,976	1,213,689	35%
23	**2024/25****	457,467	939	41,953	-	-	-	-	-	-	500,359	-	-	500,359	23,018	523,377	$407M^^	115%	109%	407,575	1,256,913	36%
24	**2025/26****	500,359	14,101	52,673	(118,620)	-	-	-	-	-	448,513	-	-	448,513	26,265	474,778	$419M^^	100%	115%	418,912	1,301,810	38%

25 * - Restated

26 ^ - Capital, and stabilization of rates is now backed by Total Equity, as such the specific RSR component of retained earnings was transferred back into retained earnings in 2018/19

27 ** - Forecasted

28 ^^ - 100% MCT - includes assets that require 100% capital

29 ^^^ - 2021/22 and forecast period includes MCT corrections

CMMG (MPI) 1-24

Part and Chapter:		**Page No.:**	
PUB Approved Issue No:	**9. Claims Forecasting**		
Topic:	**Motorcycle Claims Frequencies**		
Sub Topic:			

Preamble to IR:

Question:

Please update CMMG (MPI) 1-9 from the 2022 GRA.

Rationale for Question:

To review motorcycle claims frequencies and trends.

RESPONSE:

Please see *Appendix 1 Unique Asset Mix for Motorcycles*.

Ran on August 12, 2022

Motorcycle Claims Loss Data

By Insurance Year

All Physical Damage and Injuries, All Heads of Coverage

Collision - Incurred

	2021		2020		2019		2018		2017	
Ranges	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount	Claim Count	Incurred Amount
< 0	1	(877)	1	(400)	1	(602)	1	(15)	3	(1,167)
0	60	-	17	-	26	-	24	-	20	-
0.01 to 25000	222	1,243,723	246	1,333,659	252	1,327,875	268	1,345,506	308	1,490,033
25001 to 50000	1	36,947	4	121,328	3	107,539	4	128,207	2	70,954
50001 to 75000										
Grand Total	**284**	**1,279,792**	**268**	**1,454,587**	**282**	**1,434,812**	**297**	**1,473,698**	**333**	**1,559,820**

Collision - Paid

	2021		2020		2019		2018		2017	
Ranges	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount	Claim Count	Paid Amount
< 0	1	(877)	1	(400)	1	(602)	1	(15)	3	(1,167)
0	82	-	20	-	27	-	24	-	20	-
0.01 to 25000	200	1,112,924	243	1,328,584	251	1,311,350	268	1,345,506	308	1,490,033
25001 to 50000	1	36,947	4	121,328	3	107,539	4	128,207	2	70,954
50001 to 75000										
Grand Total	**284**	**1,148,993**	**268**	**1,449,512**	**282**	**1,418,287**	**297**	**1,473,698**	**333**	**1,559,820**

CMMG (MPI) 1-26

Part and Chapter:	**Part I - Overview**	**Page No.:**	**9 and 10**
PUB Approved Issue No:	**18. Capital Management Plan a) Transfer of Extension excess capital**		
Topic:	**Proposed changes to the CMP**		
Sub Topic:			

Preamble to IR:

MPI states:

> *"MPI anticipates that in more certain times, ratepayers will, because of transfers from the Extension line of business, receive rebates every two to three years"*

MPI also states:

> *"On March 30, 2022, the Government issued a letter to the BoD advising that it should not transfer any excess capital from Extension to the DVA for a period of two years"*

Question:

Please advise of any other lines of business that MPI can transfer Extension monies to prior to fiscal year end.

Rationale for Question:

To understand the implications of Extension transfers on MPIs proposed changes to the CMP

RESPONSE:

While MPI could theoretically transfer Extension monies to its Special Risk Extension line of business, there is no expectation that it will do so as Special Risk Extension is an independent for-profit line of business.

CMMG (MPI) 1-27

Part and Chapter:	Part III - Benchmarking	Page No.:	9
PUB Approved Issue No:	12. Operational Benchmarking		
Topic:	Motorcycle Rate Comparison		
Sub Topic:			

Preamble to IR:

In each driver profile the cost for a Sport 2008 Suzuki GSX – R750 in Manitoba is far greater than the cost for the same motorcycle in Saskatchewan at the same deductible level.

Question:

Acknowledging that MPI coverage is for a 12-month period, while SGI coverage is for a 5 months period, seasonal weighting in Mantioba results in customers paying the majority of their premiums in the 5 month riding season. Please provide an explanation for the drastically different cost for coverage of the same motorcycle between provinces.

Rationale for Question:

RESPONSE:

MPI determines motorcycle rates based on the following factors: declared value, territory, insurance use, body style and engine displacement. It then uses relativity analysis to ensure the appropriate charging of rates for each risk segmentation. For motorcycles, the majority of rates MPI charges cover the cost of PIPP claims (e.g., accident benefits and income replacement). In comparison, the scale of PIPP benefits in Saskatchewan is lower. There may be other differences in the scope of benefits, however, it may not be possible to comment on their approach to pricing. *Ratemaking*

RM.2 Appendix 9, Table 7 shows the pure premiums for each major class. For further details on how rates are determined, please refer to *Ratemaking Chapter* in the 2023 GRA.

MPI understands that pricing methodology and pricing approach may vary substantially between jurisdictions. While MPI cannot confirm the precise difference in rates among providers, many factors may cause rate disparity, including:

- Better underlying experience
- Lower benefit scale
- Difference in approach to cross-subsidization across different makes/models
- Fewer or higher number of such vehicles
- Differences in demographics
- Road/weather conditions
- costs of parts due to different suppliers
- differences in wages/labor costs
- provincial inflation etc.

CMMG (MPI) 1-28

Part and Chapter:	Part IX – LP Appendix 1	Page No.:	5-19
PUB Approved Issue No:	21 Road Safety		
Topic:	Large Vehicle Study		
Sub Topic:			

Preamble to IR:

MPI has provided the result of the Large Vehicle study, including data outlining total injury cost and total VRU cost.

Question:

a) For Tables 1 – 8, please replicate the tables provided and include a column for "total 3rd party liability cost"

b) Please provide tables for each vehicle category used in the study (Pickup trucks, Compact cars etc..) with a column for Total and Average cost of "Incident Cost", "PD Cost", "VRU Cost" and "Third party Liability Cost" separated out for At-Fault incidents of each vehicle category and Not-At Fault incidents of each vehicle category.

Rationale for Question:

To assist in evaluating the impact that large vehicles have on other road users in a collision.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

MPI believes that adding 3rd party liability cost would have limited value for evaluating the impact that large vehicles have on other road users in a collision. The analytical approach of MPI for the study used cost measures that are not easily deconstructed into “total 3rd party liability cost” and other costs. MPI specifically tailored the analytical methodology to the original study objectives and it is therefore not well suited to respond to the questions posed here.

These questions are fundamentally different from the one posed in the Large Vehicle Study, in that they explore how cost is allocated, rather than whether larger vehicles cause more damage to smaller vehicles and VRUs. Answering these questions would require either a major overhaul of the existing data and analysis, or an altogether new analysis of a comparable scale.

This work would entail the following steps:

- Develop a methodology for how 3rd party liability cost can be retroactively captured in the cost measures that have been used in the study data. Costs included in this study are sourced from multiple indicators to get the best view of total damage; all data would need to be examined against indicators of 3rd party liability.
- Develop new queries for gathering the additional 3rd party liability cost data.
- Append 3rd party liability costs to the existing data set.
- Conduct data cleaning to prepare the new dataset for analysis.
- Depending on whether the 3rd party liability data can be accurately appended to this study, a complete rework of the data may be required. In this case, an additional reconciliation exercise would be required to understand any differences from the original Large Vehicle Study data.
- Analysis and interpretation of the new dataset, including the production of the requested tables.

- Writing of an addendum to the Large Vehicle Study to explain the new findings and how they differ from the findings of the original analysis.

MPI estimates that this work would require 8 weeks of effort for an analyst to complete over a timeframe of 6 months.

CMMG (MPI) 1-29

Part and Chapter:		**Page No.:**	
PUB Approved Issue No:	**9. Claims forecasting, including but not limited to PIPP and changes or enhancements to claims forecasting design;** **21. Road Safety**		
Topic:	**Motorcycle claims costs**		
Sub Topic:			

Preamble to IR:

Question:

Please provide data for motorcycle collisions over the last 3 years as follows:

- Total motorcycle collisions
- # of motorcycle collisions that are single vehicle collisions
- # of motorcycle collisions involving other VRU
- # of motorcycle collisions involving 1 other vehicle
- # of motorcycle collisions involving more than 1 other vehicle

Rationale for Question:

To examine motorcycle collisions in the province with a specific focus on single motorcycle collisions.

RESPONSE:

Figure 1 Motorcycle Collisions

Line No.	Year	(a) Total Motorcycle Collisions	(b) # of Motorcycle Collisions that are Single Vehicle Collisions	(c) # of Motorcycle Collisions Involving Other VRU	(d) # of Motorcycle Collisions Involving 1 Other Vehicle	(e) # of Motorcycle Collisions Involving More than 1 Other Vehicle
1	**2019**	184	103	6	75	3
2	**2020**	189	115	2	70	4
3	**2021**	227	143	10	71	10
4	**Total**	**600**	**361**	**18**	**216**	**17**

Please note that column (c) includes collisions between motorcycles, and these collisions are also counted in columns (d) and (e), so rows do not sum to the total in column (a).

CMMG (MPI) 1-30

Part and Chapter:		Page No.:	
PUB Approved Issue No:	21 Road Safety		
Topic:	Motorcycle Training Enrollment		
Sub Topic:			

Preamble to IR:

Question:

Please provide information on motorcycle road testing as follows:

a) Number of Courses offered for the Basic Motorcycle Course in each of the last 3 years;

   i. Of the courses offered please confirm how many were at full capacity.

b) Number of Courses offered for the Gearing Up Motorcycle Course in each of the last 3 years;

   i. Of the courses offered please confirm how many were at full capacity.

Rationale for Question:

To review the adequacy of motorcycle training being provided in Manitoba.

RESPONSE:

a)

Figure 1 Basic Motorcycle Course

Line No.	Year	# of 'Basic' Courses	(a) Classes at Full Capacity	% of Classes at Full Capacity
1	**2019**	51	42	82%
2	**2020**	49	44	90%
3	**2021**	128	124	97%
4	**Total**	**228**	**210**	**92%**

b)

Figure 2 Gearing up Motorcycle Course

Line No.	Year	# of 'Gearing Up' Courses	(b) Classes at Full Capacity	% of Classes at Full Capacity
1	**2019**	39	21	54%
2	**2020**	25	22	88%
3	**2021**	42	40	95%
4	**Total**	**106**	**83**	**78%**

Safety Services Manitoba (SSM), the training provider of the 'Basic' and 'Gearing Up' motorcycle training courses, worked intently to increase capacity (through the number and sizes of classes offered during the Pandemic) to meet the growing need. SSM reports investing in more capital by purchasing more motorcycles, training more motorcycle instructors and by scheduling more classes.