

October 31, 2022

2023 GENERAL RATE APPLICATION  
Undertaking #21 Transcript Page 705**Undertaking #21**

MPI to explain calculation of decrease of \$5.388 million in claims expenses and to provide explanation for the increase of \$2.308 million in road safety, loss prevention reconciled against lines 26 and 27 at page 2 of pro forma 6 in MPI-58. And to provide the explanation for the increase of \$2.308 million in road safety, loss prevention reconciled against lines 26 and 27 at page 2 of pro forma 6 in MPI Exhibit number 58.

**RESPONSE:****Decrease in Claims Expenses:**

The primary driver for the decrease in Basic claims expenses is due to a change in allocators.

As shown in Figure 1 below, the allocation between claims and operating related FTE proportions has shifted 3.1% from the initial 2023 GRA application. The resulting impact increases allocated expenses to the Operating line item (line 22 on PF-6) and decreases the allocated expenses to the Claims expense line item (line 18 on PF-6) on the Statement of Operations. This resulted in the reallocation of \$5,388 from Claim Expenses to Operating Expenses.

**Figure 1 FTE Proportions between Claims and Operating Allocator Variance – 2023 GRA Initial vs 2023 GRA Rate Update**

Line No.	Fiscal Year	2023 GRA	2023 GRA	Variance
		Forecast	Rate Update Forecast	
1	2023/24F - Claims	64.55%	61.48%	-3.07%
2	2023/24F - Operating	35.45%	38.52%	3.07%
3	2024/25F - Claims	64.55%	61.48%	-3.07%
4	2024/25F - Operating	35.45%	38.52%	3.07%
5	2025/26F - Claims	64.55%	61.48%	-3.07%
6	2025/26F - Operating	35.45%	38.52%	3.07%

October 31, 2022

2023 GENERAL RATE APPLICATION  
Undertaking #21 Transcript Page 705**Increase in Road Safety/Loss Prevention Expenses:**

The explanation of variances on Page 2 of Pro forma 6 shows changes to the expense categories for all corporate operating expenses, whereas page 1 of Pro forma 6, shows allocated corporate operating expenses categorized by four expense line items (Claims, Road Safety/Loss Prevention, Operating, and Regulatory/Appeal). As a result, these two items do not reconcile completely.

To assist in explaining the \$2.308 million increase to road safety/loss prevention expenses the following figure has been provided

**Figure 2 Road Safety/Loss Prevention Variance**

Line No.	Basic's Share	2023/24 2023 GRA	2023/24 2023 GRA Rate Update	Difference
1	<i>(C\$000's, except where noted)</i>			
2	Driver Education and Improvement	4,039	4,569	531
3	Impaired Driving Prevention Strategies	2,760	2,854	94
4	Speed Management Strategies	536	722	186
5	Occupant Safety Education Strategies	279	381	102
6	Auto-Crime Prevention Strategies	4	4	-
7	Fraud Prevention	-	-	-
8	Motorcycle Safety Education	61	65	3
9	Vulnerable Road User Education Strategy	395	1,624	1,229
10	Safety Programming Other	494	547	53
11	Safety Grants and Sponsorships	-	-	-
12	Road Safety Production and Advertising	81	79	(1)
13	Program Evaluation	204	125	(79)
14	Cell Phone/Distracted Driver Advertising	673	767	94
15	*Other	886	970	84
16	Departmental Expenses	2,256	2,269	13
17	<b>Total</b>	<b>12,667</b>	<b>14,975</b>	<b>2,309</b>

Overall, Basic's allocated expenses increased by \$8.776 million from the 2023 GRA base application to the 2023 GRA rate update. Although Basic's allocated claims expenses decreased by \$5.388 million, this was more than offset by the increase in

October 31, 2022

2023 GENERAL RATE APPLICATION  
Undertaking #21 Transcript Page 705

Basic's allocated Road Safety/Loss Prevention, Operating, and Regulatory/Appeal expenses of \$14.164 million.

**Figure 3 PF-6 Allocated Corporate Expenses (Line 32 to Line 37)**

Line No.		2023 GRA 2023-24F	2023 GRA Rate Update 2023-24F	Inc (dec)
1	<b>Allocated Corporate Expenses</b>			
2	Claims Expense	162,764	157,376	-5,388
3	Road Safety/Loss Prevention	12,667	14,975	2,308
4	Operating	95,966	107,488	11,522
5	Regulatory/Appeal	4,481	4,815	334
6	<b>Total Allocated Corporate Expenses</b>	<b>275,878</b>	<b>284,654</b>	<b>8,776</b>