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2024 GENERAL RATE APPLICATION
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Manitoba Public Insurance to advise how the claims experience has tracked since Compulsory and Extension Revision Project (CERP) was introduced and deductibles were increased.

RESPONSE:

CERP was implemented on April 1, 2021, as customers renewed their policies. Outlined in the *2023 GRA Part II Basic Autopac Coverage BAC.3*, customers who received a Renewal/Statement of Account Notice for the 2021/22 insurance year were initially mapped to the coverage level closest to what they already carried, to facilitate the product change.¹ MPI expects a reduction in Basic claims amounts from the increase of the Basic deductible from \$500 to \$750. If customers continue to purchase deductible buy-down products, such as the \$200 deductible, there would be an expected increase in the Extension claims amounts to cover the difference from the Basic deductible. For example, a customer with a \$200 deductible would pay a \$200 deductible, Extension covers \$550², and Basic covers excess above \$750. Before CERP, the customer would pay a \$200 deductible, Extension covers \$300³, Basic covers excess above \$500.

MPI estimated in the 2021 GRA that there would be approximately \$34 million of savings to Basic from CERP deductible changes in accident year 2022/23⁴. Based on the claims forecasting work that was done for the 2024 GRA, MPI can confirm that based on accident year 2022/23 loss experience, the actual savings per year is tracking slightly higher than that at \$37 million. As expected, there is an increased cost on Extension as customers continue to purchase deductible buy-down products.

¹ For renewals effective April 1, 2021: (A) **Deductible:** \$100 mapped to \$200 Plus; \$200 mapped to \$200 Plus; \$300 mapped to \$300; \$500 (Basic) mapped to \$500 (extension), and \$750 (Basic) became the new Basic deductible, available for purchase; (B) **Third Party Liability:** \$200,000 (Basic) mapped to \$500,000 (Basic); No changes to mapping of the existing \$1M, \$2M, \$5M, \$7M, \$10M.

² \$550 = \$750 Basic Deductible - \$200 Extension Reduced Deductible

³ \$300 = \$500 Basic Deductible - \$200 Extension Reduced Deductible

⁴ 2021 GRA Information Request CAC (MPI) 1-24 Figure 1

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To assess the Board's concern that some Manitoban drivers may be hesitant to report a claim and repair their vehicle properly due to a higher Basic policy deductible, MPI calculated the net deductible amount. This is the actual deductible the customer would pay in 2020 and in 2022 considering the net effect of Basic deductible and Extension deductible buy-down products if purchased. MPI believes that the net deductible amount customers carry on their auto insurance policy impacts their claiming behavior, rather than the Basic deductible amount alone.

MPI calculates that between 2020 and 2022 the average net deductible amount only increased \$15, from \$252 to \$267, although Basic deductible increased from \$500 to \$750. Given this small increase in the net deductible, MPI believes that there is minimal to no impact from CERP deductible changes on Manitoban driver's claiming behavior, i.e., hesitancy to make a claim due to an increased Basic deductible amount.