

CMMG (MPI) 2-1

With reference to the data in the table in CMMG (MPI) 1-1, what loss rates does the Corporation calculate to be break even given the load for claims costs and other expenses? Please provide a detailed calculation showing how the Corporation sees a 75% loss ratio as “breaking even” (i.e. calculate other expenses in percentages showing total).

RESPONSE:

Refer to the table below.

Adjustments	Loss Ratio
Actual Loss Ratio per CMMG (MPI) 1-1	75.02%
Add: “Pool” Claims Costs <ul style="list-style-type: none"> • Per TI.19, Page 40 • = 75.02% * (\$771.93 / \$718.83) 	80.56%
Adjust for Expenses and Income <ul style="list-style-type: none"> • Per TI.19, Page 45 • = 80.56% * (\$898.01 / \$771.93) 	93.72%

Note that the loss ratios above were calculated using premiums that did not consider the rebates ordered by the Public Utilities Board in recent years. If we considered the most recent 45% rebate alone (on 2010/11 premiums), the final adjusted loss ratio will exceed 100%.