

October 16, 2012**Undertaking # 3**

Undertaking # 3

MPI to provide the numbers for run-off of claims liabilities from first quarter review, as well as the results of the first and second quarter reviews.

RESPONSE:

Refer to the attachments which present:

- Results of the liability review as of April 30, 2012.
- Results of the liability review as of July 31, 2012.
- Run-off of claim liabilities per the review as of April 30, 2012 and July 31, 2012.

Note that the quarterly liability reviews are limited only to the review/update of PIPP benefits (including PIPP Enhancement and Section 138 Enhancement).

Liability Review as of April 30, 2012

The policy liability valuation resulted in an increase in PIPP unpaid claim liabilities of \$16.8 million i.e. the indicated PIPP IBNR was \$16.8 million higher than booked. This \$16.8 million can be broken down as follows:

- \$11.3 million from PIPP excluding enhancements.
- \$5.5 million from PIPP enhancements (including Section 138 Enhancement)

In performing the valuation, the same assumptions and methodology were used as with the valuation as of February 29, 2012. Figures were updated only to reflect actual development of claims for the two months ending April 30, 2012, as well as the change in the real interest rates between February 29, 2012 and April 30, 2012 which increased from 1.52% to 1.66%.

For PIPP excluding enhancements, the higher than booked IBNR of \$11.3 million can be attributed to the following:

- Indicated IBNR was increased by \$5.0 million to offset decreases in excess reserves.
- Indicated IBNR is \$4.9 million higher than booked IBNR for the most recent insurance year i.e. 2012/13.

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- The remaining \$1.4 million is attributable to differences in expected vs. actual development of losses.

For PIPP enhancements, the higher than booked IBNR of \$5.5 million can be attributed to the following:

- \$5.5 million from lower than expected reporting of benefits, especially benefits under Section 138 Enhancements.
- (\$1.6) million from change in real interest rate, which is not accounted for in the booked value.
- The remaining \$1.6 million is attributable to differences in expected vs. actual development of losses.

Liability Review as of July 31, 2012

The policy liability valuation resulted in an increase in PIPP unpaid claim liabilities of \$13.8 million i.e. the indicated PIPP IBNR was \$13.8 million higher than booked. This \$13.8 million can be broken down as follows:

- \$1.6 million from PIPP excluding enhancements.
- \$12.2 million from PIPP enhancements (including Section 138 Enhancement)

In performing the valuation, the same assumptions and methodology were used as with the valuation as of February 29, 2012. Figures were updated only to reflect actual development of claims for the five months ending July 31, 2012, as well as the change in the real interest rates between April 30, 2012 and July 31, 2012 which decreased from 1.66% to 1.42%.

For PIPP enhancements, the higher than booked IBNR of \$12.2 million can be attributed to the following:

- \$6.5 million from lower than expected reporting of benefits, especially benefits under Section 138 Enhancements.
- \$3.2 million from change in real interest rate, which is not accounted for in the booked value.
- The remaining \$2.5 million is attributable to differences in expected vs. actual development of losses.

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Undertaking #3 Attachment

Manitoba Public Insurance
 Automobile Insurance Division
 Summary of Policy Claim Liabilities - PIPP Only
 As of April 30, 2012
 Basic
 (\$000)

Exhibit 1
 Sheet 1

A. Claim Liabilities

	Direct & Agency	Ceded	Net	MPI Carried Before Review
1. Incurred But Not Reported Claims & External Adjustment Expenses				
Accident Benefits - Weekly Indemnity	77,941	-	77,941	
Accident Benefits - Other				
Indexed	38,652	-	38,652	
Non-Indexed	10,758	-	10,758	
Total	127,350	-	127,350	
2. CIA Rules Adjustments				
i. Discount Amount - Excl. Internal Adjustment Expense	(169,834)	-	(169,834)	
ii. Provision for Adverse Deviation - Excl. Internal Adjustment Expense	228,934	2,212	226,722	
	59,100	2,212	56,888	
3. Adjusted IBNR & External Adjustment Expense (1+2i+2ii)	186,450	2,212	184,238	172,942
4. Adjusted IBNR - PIPP Enhancement	38,823	-	38,823	33,290
5. Adjusted IBNR - Section 138 Enhancement	27,032	-	27,032	27,032
6. Total Actuarial Liabilities (3+4+5)	252,305	2,212	250,093	233,264
7. Case Reserve Outstanding				
PIPP Enhancement	42,568	-	42,568	
Section 138 Enhancement	2,078	-	2,078	
Other than Enh	780,190	22,121	758,069	
Total	824,836	22,121	802,715	802,715
8. Total - PIPP Claim Liabilities (6+7)	1,077,141	24,333	1,052,808	1,035,979

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Undertaking #3 Attachment

Manitoba Public Insurance
 Automobile Insurance Division
 Summary of Policy Claim Liabilities - PIPP Only
 As of July 31, 2012
 Basic
 (\$000)

Exhibit 1
 Sheet 1

A. Claim Liabilities

	Direct & Agency	Ceded	Net	MPI Carried Before Review
1. Incurred But Not Reported Claims & External Adjustment Expenses				
Accident Benefits - Weekly Indemnity	82,821	-	82,821	
Accident Benefits - Other				
Indexed	44,883	-	44,883	
Non-Indexed	10,832	-	10,832	
Total	138,537	-	138,537	
2. CIA Rules Adjustments				
i. Discount Amount - Excl. Internal Adjustment Expense	(151,512)	-	(151,512)	
ii. Provision for Adverse Deviation - Excl. Internal Adjustment Expense	242,931	2,453	240,477	
	91,419	2,453	88,966	
3. Adjusted IBNR & External Adjustment Expense (1+2i+2ii)	229,956	2,453	227,502	225,874
4. Adjusted IBNR - PIPP Enhancement	44,390	-	44,390	32,214
5. Adjusted IBNR - Section 138 Enhancement	27,032	-	27,032	27,032
6. Total Actuarial Liabilities (3+4+5)	301,378	2,453	298,925	285,120
7. Case Reserve Outstanding				
PIPP Enhancement	42,517	-	42,517	
Section 138 Enhancement	3,356	-	3,356	
Other than Enh	787,248	24,533	762,715	
Total	833,120	24,533	808,587	808,587
8. Total - PIPP Claim Liabilities (6+7)	1,134,498	26,986	1,107,512	1,093,707

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Undertaking #3 Attachment

Net Runoff for Fiscal Year 2012/13 (\$'000)*
By Coverage and Insurance Year

As of Apr 30, 2012

Ins Yr Ending 28-Feb	Acc Ben - Weekly Indemnity	Acc Ben - Other (Indexed)	Acc Ben - Other (Non-Ind)	PIPP Enhance- ment [a]
1996	350	698	-29	-63
1997	558	255	-4	-27
1998	363	549	-32	-48
1999	434	269	-5	-24
2000	600	296	0	-275
2001	75	78	-16	-23
2002	311	529	-46	-7
2003	-202	768	-3	-43
2004	247	234	-19	0
2005	1,768	-654	11	-54
2006	2,129	555	-74	-157
2007	577	204	-20	7
2008	783	762	-18	-70
2009	225	626	-21	-193
2010	1,150	739	9	199
2011	110	635	-330	-425
2012	-200	134	-72	35
TOTAL	9,279	6,677	-670	-1,169

As of Jul 31, 2012

Ins Yr Ending 28-Feb	Acc Ben - Weekly Indemnity	Acc Ben - Other (Indexed)	Acc Ben - Other (Non-Ind)	PIPP Enhance- ment [a]
1996	65	-318	-29	-88
1997	730	-115	-40	-32
1998	699	529	-41	-58
1999	-648	478	-5	-26
2000	403	253	-175	-281
2001	-88	-333	-12	57
2002	429	928	-79	-20
2003	-221	323	-19	-855
2004	-192	-535	-82	-3
2005	1,277	-1,055	-50	-64
2006	2,126	-503	-74	101
2007	742	540	-100	-36
2008	-151	67	96	-86
2009	-1,841	-329	-94	-203
2010	536	709	-407	196
2011	-944	299	-1,031	-689
2012	-2,217	2,050	507	-193
TOTAL	705	2,990	-1,634	-2,282

*Positive figures indicate favourable runoff
[a] Excludes Section 138 Enhancements