

Undertaking # 4

MPI to indicate why there is a rate difference for a policy holder in Saskatchewan versus one in Manitoba.

RESPONSE:

There are many reasons why a policy holder in Saskatchewan could have a different rate than a Manitoba policy holder for similar coverage. Examples include:

- Saskatchewan has only one rating territory
- Saskatchewan has fewer insurance uses
- Differences in DSR-type rating systems
- Difference in use of the Canadian Loss Experience Automobile Ratings (CLEAR)
- Differences in Basic coverage (e.g. the basic deductible in Saskatchewan is \$700; injury benefits are not identical)
- Differences in the expense levels (e.g. operating expenses, commissions, road safety, etc) and allocation policy
- Differences in the rate setting methodology (e.g. MPI uses 10 year of serious loss experience)
- Differences in the investment portfolios supporting rates (e.g. different asset allocations)
- Sufficiency of rates (i.e. does the classification need a rate increase/decrease?)
- Actuarial soundness of rates (i.e. are rates for all classifications determined based on actuarial principles?)
- Policy-based rating consideration (e.g. the maximum vehicle premium discount)
- Different calculations of the Rate Stabilization Reserve
- Different overall financial conditions

Given the many ways that rates can differ between two provinces, the Corporation cannot ascertain specifically why there are rate differences between Manitoba and Saskatchewan for specific vehicle and driver scenarios.