

**Undertaking # 44**

MPI to indicate the benchmarks employed on a financial basis based on the pre-system targets.

**RESPONSE:**

MPI has implemented meaningful benchmarks from both a financial and operational basis based on historical data. The following are the two main financial benchmarks that are currently being evaluated on a monthly basis:

Claim Retention

One of the key benchmarks MPI monitors is claims retention. An objective of MPI is to assist claimants with returning to their pre-accident status in a timely manner. The table below shows the number and percentage of income replacement claims open at various stages of development (i.e. actual) relative to historical pre-BI3 benchmarks. As discussed by Mr. Johnston at this year's hearings, the Corporation is still working towards achieving pre-BI3 benchmarks in recent loss years. Since the formal benchmark process began in March 2014 the current year results have been better than the benchmarks (i.e. 2014/15 loss year is 5.48% below benchmark as of September 2014). However, as discussed in Undertaking #45, these preliminary results do not have any significant impact on the current claims forecast for the 2015/16 rating years.

## Active IRI Covers March 1 2014 to September 30 2014

Change since March  
1, 2014

Date of Loss	Benchmark		Actual		(Favourable) / Unfavourable Actual - Benchmark		(Favourable) / Unfavourable Actual - Benchmark	
	Active Claims	Percentage of Total	Active Claims	Percentage of Total	Active Claims	Percentage of Total	Active Claims	Percentage of Total
2014/15	364	33.25%	304	27.78%	-60	-5.48%	n/a	n/a
2013/14	220	11.61%	269	14.21%	49	2.60%	-113	-6.00%
2012/13	130	6.42%	163	8.03%	33	1.60%	-11	-0.50%
2011/12	90	4.93%	119	6.50%	29	1.58%	-3	-0.12%
2010/11	73	3.77%	112	5.82%	39	2.04%	9	0.44%
2009/10	60	3.20%	83	4.42%	23	1.22%	-6	-0.38%
2008/09	51	2.73%	88	4.67%	37	1.95%		
2007/08			83	4.04%				
2006/07			92	4.37%				
2005/06			63	3.24%				
2004/05			51	2.50%				
2003/04			64	3.03%				
2002/03			56	2.55%				
2001/02			44	1.98%				
2000/01			45	1.93%				
1999/00 and older			277					

Claim Retention Reduced by Residual Capacity Determination or Canada Pension Plan Disability Benefits

As stated above, MPI strives to keep its claim retention as low as possible. The MPI legislation provides the ability to reduce future claim exposure by performing a residual capacity determination<sup>1</sup> after the second anniversary of the claim or

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**New determination after second anniversary of accident**

107 From the second anniversary date of an accident, the corporation may determine an employment for a victim of the accident who is able to work but who is unable because of the accident to hold the employment referred to in section 81 (full time or additional employment) or section 82 (more remunerative employment), or determined under section 106.

**I.R.I. for reduced income from determined employment**

115 If a victim becomes able to hold employment determined for him or her under section 107 or 108 but, because of bodily injury caused by the accident, earns from the employment a gross income that is less than the gross income used by the corporation to compute the income replacement indemnity that the victim was receiving before the employment was determined, the victim is entitled, after the end of the year referred to in clause 110(1)(d), to an income replacement indemnity equal to the difference between the income replacement indemnity the victim was receiving at the time the employment was determined and the net income the victim earns or could earn from the employment.

applying for Canada Pension Plan Disability Benefits. These reductions are not applied until rehabilitation efforts have been exhausted and the claimant will not return to their pre-accident employment due to the MVA related injuries.

In accordance with MPI's reserving guidelines, claims in excess of five years have a very low probability of returning to work. Based on historical data, MPI has established a benchmark of 58% of these claims will have a reduction applied. Reductions impact claims incurred as soon as the reduction is confirmed (residual capacity determination decision letter issued or an approved Canada Pension Plan Disability Benefits application has been received). Claims payments are not impacted by residual capacity determinations until one year after the decision is rendered.

As shown in the table below, the Corporation is currently below the benchmark of 58% of active claims with reduced entitlement. However, it is expected that the benchmark will be achieved in 2015 when the reductions are applied.

**IRI Claims 2009/10 and Prior  
Open Status**

Department	Benchmark	As at February 28, 2014		As of September 30, 2014	
		Active IRI Claims	Active Claims with Reduced Entitlement	Active IRI Claims	Active Claims with Reduced Entitlement
Rehabilitation Management*	58%	669	51%	608	50%
Serious and Long Term Care	43%	177	36%	175	35%

\* 40 Residual Capacity Determinations approved YTD in 2014. Reductions to be applied in 2015. Once applied active claims with reduction will be 57%.