

Undertaking #17

MPI to check what the historical record reflects in terms of the two year fiscal periods.

RESPONSE:

The Corporation has used the same ratemaking methodology to determine the overall indicated rate and overall indicated rate change since the 1998 GRA after the implementation of staggered renewals made this appropriate. Specifically, using policy year 2016/17 as an example, the overall indicated rate for policies issued in policy year 2016/17 are determined based on the expected costs for those policies. The expected costs are determined by taking the average of the projected costs for two fiscal years i.e. fiscal years 2016/17 and 2017/18.

As a consequence of the above methodology, whenever the applied for rate change is equal or approximately equal to the indicated rate change, the average projected fiscal year net incomes (for fiscal years 2016/17 and 2017/18) ends up being approximately zero. Such is the situation with the rates being applied for policy year 2016/17.