CMMG (MPI)

CMMG (MPI) 2-1

Question:

Please explain the Corporations forecast for a reduction in projected total premium for 2016 shown in the response to CMMG/PUB 1-1. Is this solely a function of the applied for decrease?

Rationale for Question:

Revenue requirements.

RESPONSE:

Refer to the table below which shows the derivation of the 'Projected Total Premium' per CMMG (MPI) 1-1.

Loss Year	Units	Average Rate	Total Premium
2015	15,000	$814	$12,210,000
2016	15,400	$758	$11,673,200

Source:
Loss Year 2015 – From the 2015 GRA:
Units – Volume II, Ratemaking page 37
Average Rate – MPI Response to PUB Order 135/14, RM.6 Part 1 (i.e. based on PUB approved rate change)

Loss Year 2016 – From the 2016 GRA:
Units – Volume II, Ratemaking page 37
Average Rate – Volume II, Ratemaking page 48

CMMG (MPI) 2-2

Question:

Was 2006's experience included in the calculations for the 2016 motorcycle rate?

Rationale for Question:

Actuarial methodology

RESPONSE:

Yes.

CMMG (MPI) 2-3

Question:

If 2006's experience was included, what would be the change in the 2016 rate requirement if it was not included?

Rationale for Question:

Reasonableness of rate calculations and actuarial methodology.

RESPONSE:

If 2006's experience was excluded from the calculation of the 2016 rate requirement, the indicated rate decrease for the Motorcycle major class would be 12.7% instead of 8.2%. The 12.7% was derived by changing the weights used in the calculation of the indicated pure premiums for the Motorcycle major class (refer to Vol II Ratemaking page 31). For Accident Benefits - Other and Income Replacement Indemnity, we applied the same weight to the 10 most recent years excluding 2006 (i.e. a 9-year weighted average).

CMMG (MPI) 2-4

Question:

With reference to the response in CMMG (MPI) 1-3B, please provide any evidence that motorcycles over 1000 cc's have a higher claims exposure or losses than the 500 to 100 cc class.

Rationale for Question:

Reasonableness and proof of assumptions.

RESPONSE:

On page 4 of Vol II Ratemaking Exhibit XII the 'Balanced Raw Relativity' for motorcycles over 1000 cc's is 1.2553, which is higher than the 1.0850 for motorcycles between 501 to 1000 cc's (i.e. all else equal, the average costs for motorcycles over 1000 cc's is approximately 16% (1.2553 / 1.0850 - 1) higher than that for motorcycles between 501 to 1000 cc's).

CMMG (MPI) 2-5

Question:

Again, in terms of 1-3B, explain how the experience adjustment rules reduced the amount of the decrease. Please describe in detail as opposed to a general section of the GRA Application.

Rationale for Question:

Explaining actuarial methodology in rate capping.

RESPONSE:

The experience adjustment rules "limits" indicated rate decreases in two ways:

- If the indicated rate decrease for a classification is greater than 10% but less than 25%, the classification only receives one-third of the indicated rate decrease above 10%. For example, if the indicated rate decrease was 16%, the applicable decrease would be 12% [(i.e. 10% + 1/3 * (16% - 10%)].

- If the indicated rate decrease for a classification is greater than 25%, the decrease for the classification is capped at 15%.

For the Motorcycle major class, of the 14,825 units (see Vol II Ratemaking RM.6), the indicated rate decrease for 4,256 units (i.e. 28.7%) were "limited" by the experience adjustment rules. This means that, for these 4,256 units, the rate decrease applied was less than the indicated rate decrease. As a result, on a total Motorcycle major class basis, this has the effect of increasing (i.e. offsetting) the indicated rate decrease of -8.2% by 0.23% [(per CMMG (MPI) 1-3(b)].

CMMG (MPI) 2-6

Question:

How many years experience does the Corporation rely on before indicating a certain amount of expense is a trend for a vehicle population like motorcycles? What actuarial rules are utilized by the Corporation in this determination of a trend?

Rationale for Question:

Checking actuarial assumptions.

RESPONSE:

In regards to claims costs trend, there is currently no written rule to determine an "appropriate" number of years for determining a trend. Every situation is unique, and requires a consideration of various factors e.g. credibility of the group, volatility in the observed trend, impact of internal and external changes that could influence claims costs, type of coverage, etc.

The rule of thumb is to see a consistent trend for at least five years. However, if a large credible group, e.g. the private passenger major class, is exhibiting a consistent Collision trend for the most recent three years, which is different from the prior years, the more recent trend would probably be used. This might not be the case if the same was observed for PIPP coverages. Claims costs for PIPP coverages exhibit significant year-over-year fluctuations. As such, reliance on the more recent trend would require evidence of a consistent trend over a longer period.

As stated above, every situation is unique, and we apply the same considerations to the Motorcycle major class.

CMMG (MPI) 2-7

Question:

With respect to CMMG (MPI) 1-4, what is the timeline for completing these investigations? When did they commence?

Rationale for Question:

Distracted driver loss reduction efforts.

RESPONSE:

Distracted driving as a contributing factor in traffic collisions is currently reported in the *Traffic Collision Statistics Report*. Handheld use of electronic communication devices while driving is monitored as a component of Manitoba Public Insurance topical polling of driver attitudes and behaviours related to distracted driving. The tracking of distracted driving collisions and polling information are key aspects of a comprehensive costing study of distracted driving collisions tentatively planned for 2016-2017.

CMMG (MPI) 2-8

Question:

Please confirm (with reference to CMMG (MPI) 1-5)) that the $197,000.00 forecast for motorcycle specific road safety programs is a reduced amount from monies earmarked by the Corporation in previous years. In answering, please provide the amounts both forecasted and spent for the last ten years for this road safety expense.

Rationale for Question:

Road safety changes.

RESPONSE:

The forecast amount of $197,000 for motorcycle specific safety programs provided in CMMG (MPI) 1-5 included the full value of motorcycle training subsidies (Corporate versus Basic share). For the purpose of this GRA, the forecast amount for 2016/17 and prior year budgets and actuals have been similarly restated.

As indicated below, the forecast for motorcycle specific road safety programs in 2016/17 is in alignment with previous year's expenditures. Fluctuations between budget and actuals relate primarily to demand for motorcycle training.

	Budget	**Actual**
2010/11	$130,674	$154,564
2011/12	$130,954	$161,459
2012/13	$171,372	$205,109
2013/14	$205,816	$169,254
2014/15	$178,537	$151,179
2015/16	$181,434	
2016/17 (forecast)	$183,436	

These numbers do not include budgeted dollars for awareness campaigns related to road safety risks that affect all road users without differentiating between

motorcyclists and other motorists, such as impaired driving, speed, distracted driving, and wildlife. The Corporation's position, as stated in CMMG (MPI) 1-5 and prior GRAs, is that broader public awareness campaigns apply and are of benefit to motorcyclists and other motorists alike.

CMMG (MPI) 2-9

Question:

With reference to CMMG (MIP) 1-6, please compare the budgeted amounts for wildlife collision initiatives with seal belt and distracted driving safety initiatives, by comparing the budged amounts for each of these road safety concerns with the estimated losses (total vehicle population losses, and on a loss per unit basis).

Rationale for Question:

Road safety expenditures.

RESPONSE:

Comparing the budgeted amounts for wildlife collision initiatives with seat belt and distracted driving safety initiatives, by comparing estimated losses, is not possible at this time. The Corporation has tentative plans in 2016/17 for a costing study that may be used for in future for estimating the losses attributed to distracted driving.

Refer to Vol III AI.13 Loss Prevention and Road Safety Appendix 6 for the Priority Setting Framework and Methodology which sets forth the methodological approach to establish road safety priorities and determines how the Corporation will allocate resources to target specific road safety issues.

CMMG (MPI) 2-10

Question:

In CMMG (MPI) 1- 12, the Corporation answered in the affirmative that its assumptions and other selected factors (not numbers as stated) have changed. Instead of a general reference to the ratemaking sections of the GRA, please list which assumptions and factors for motorcycles have changed over the last decade.

Rationale for Question:

Checking actuarial assumptions.

RESPONSE:

Over the last decade, major changes that have taken place which had an impact on the rating of motorcycles are as follows:

- (2006 GRA) Introduction of Pleasure Use – For policy year 2006 and thereafter, owners of motorcycles and mopeds can now register their vehicles as either all purpose or pleasure use. This change had no impact on the average required rate for the Motorcycle major class. However, the change redistributes the premiums collected from the Motorcycle major class, with owners paying more if their vehicles were registered as all purpose, and paying less otherwise.

- (2007 GRA) Synchronization of Rates – The Corporation synchronized the rates for mopeds, and motorcycles with a motorscooter body style and an engine displacement less than or equal to 500cc's. Specifically, the rates for the aforementioned motorcycles were reduced to equal the rates for mopeds, with future rate changes applying equally to both groups. This change had no impact on the average required rate for the Motorcycle major class. However, the initial shortfall minimally increased the rates for all other vehicles.

- (2007 GRA) Allocation of PIPP Claims Costs (I) – Per Board Order 97/05, the total PIPP costs for an accident are to be allocated equally to all vehicles involved in the accident. Prior to this, PIPP costs were allocated on a first party basis (i.e. to

the vehicle driven by the injured party). Further, for accidents involving "non-vehicles" (e.g. cyclists, pedestrians, and occupant(s) of out-of-province vehicles), 50 percent of the total PIPP costs for the accident are to be allocated across all vehicle rating categories. Prior to this, 100% of the PIPP costs for "non-vehicles" were allocated across all vehicle rating categories, with the remaining PIPP costs allocated on a first party basis. In the 2007 GRA, per Vol II TI.2 and CMMG (MPI) 1-16, the impact of this change for the Motorcycle major class is a decrease in the Full Credibility Required Change of 24.9% (from 48.9% down to 24.0%) or approximately $256.

- (2008 GRA) Allocation of Collision Claims Costs – For multiple vehicle accidents involving a motorcycle, only 50% of the Collision costs for the motorcycle are allocated to the Motorcycle major class (previously 100%). For the 2016 GRA, the impact of this change for the Motorcycle major class is a decrease in the Full Credibility Required Change of 3.5% or approximately $29.

- (2012 GRA) Allocation of PIPP Claims Costs (II) – Per Board Order 126/10, for accidents involving wildlife/livestock, 50% of PIPP costs are now allocated across all vehicle rating categories. Prior to this 100% of PIPP costs were allocated on a first party basis. For the 2016 GRA, the impact of this change for the Motorcycle major class is a decrease in the Full Credibility Required Change of 4.0% or approximately $33.

- (2012 GRA) Pure Premiums for Accident Benefits – The derivation of the projected/indicated pure premiums for non-Serious Accident Benefits for the Motorcycle major class were revised from using a five-year weighted average to a ten-year weighted average. The intent of this change is to better smooth out the fluctuations observed in the historical pure premiums, and therefore any large swings in the rate requirement for the major class.

- (2016 GRA) Selected Pure Premium Trend for Collision – Details of this change is presented in Volume II, Ratemaking, Appendix H. As a result of this change, the selected pure premium trend for Collision for the Motorcycle Major Class was reduced from 3.75% to 0.00%. For the 2016 GRA, the impact of this change for

the Motorcycle major class is a decrease in the Full Credibility Required Change of 2.1 percent or approximately $17.

Apart from the major changes highlighted above, for each GRA, we review and update the selected loss development factors for all coverages to reflect one more year of actual experience. Similarly, rate relativities for the Motorcycle major class are reviewed and updated annually.