

CMMG (MPI)

CMMG (MPI) 2-1

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Preamble:**Question:**

Please provide the average motorcycle loss ratio for the last five (5) years.

Rationale for Question:

Reviewing if premiums are justified by loss experience.

RESPONSE:

Per CMMG (MPI) 1-1, the average motorcycle loss ratio (including "pool" loss) for the last five (5) years is 64.1%. Please refer to the response to CMMG (MPI) 2-3.

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Preamble:**Question:**

Please advise of the change in the required rate for motorcycles if the loss data of 2006/2007 is not utilized (i.e. a 9 year date pool).

Rationale for Question:

MPI's actuarial methodology of using 10 year's dates with no weighting is unusual and does not take into account recent trends for the last five years.

RESPONSE:

If 2006's experience was excluded from the calculation of the 2017 rate requirement, the indicated rate decrease for the Motorcycle major class would be 7.4% instead of 2.1%. The 7.4% was derived by changing the weights used in the calculation of the indicated pure premiums for the Motorcycle major class (please refer to *Volume II RM 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).

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Preamble: With reference to the Corporation's response in CMMG 1-12, we note that interest rates have been relatively flat for the past 4 years. The actual loss rates (excluding pool losses) for the last five (5) years have averaged less than 60%.

Question:

Given the consistency of these two factors and no other changes that we can identify, why are motorcyclists not continuing to experience decreases in premiums in the magnitude of 2014/15, 2015/16 and 2016/17 - which would be an average of a 6.49% decrease.

Rationale for Question:

Asking for proof that in this stable environment that MPI's rate requirement is correct given recent experience.

RESPONSE:

The derivation of the indicated rates for the motorcycle major class is based on a longer term view of claims costs. This is due to the significant year-over-year variability in the loss ratios, which is driven by the significant proportion of PIPP claim costs relative to total claims costs for the major class.

While it is true that the loss ratios (excluding pool losses) for the last five (5) years have averaged less than 60%, per CMMG (MPI) 1-1, the average loss ratio for the last six (6) years, i.e. the addition of just one more year, is closer to 70%. Further, the loss ratios (excluding pool losses) over the last five (5) years range from a low of 41% to a high of 93% i.e. a 52% spread.

The lower loss ratios in recent years are recognized and reflected in the Corporation's ratemaking methodology. Specifically, over the last four years, the motorcycle major class has seen a decrease in their average required rate even though the overall required rate change is increasing or unchanged. This is presented in the table below.

GRA	Overall	Motorcycle
2014	0.9%	-6.1%
2015	3.4%	-5.8%
2016	0.0%	-7.6%
2017	2.0%	-1.7%

The lower decrease for the 2017 GRA (when compared to the decrease in the three prior GRAs) is just an indication that the current average rate is very close to the "true" average rate given the information available at valuation.

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Preamble:**Question:**

What is the actual loss ratio for private passenger vehicles for the last five (5) years referred to above.

Rationale for Question:

Comparison with other major use groups.

RESPONSE:

Please refer to the table below.

Loss Ins Year	Actual Losses		Actual Total Premium [c]	Actual Loss Ratio	
	Excluding "Pool" Loss [a]	Including "Pool" Loss [b]		Excluding "Pool" Loss	Including "Pool" Loss
2011	448,785,587	471,224,867	690,284,214	65.01%	68.27%
2012	497,844,147	522,736,354	680,305,745	73.18%	76.84%
2013	540,290,015	567,304,516	682,187,895	79.20%	83.16%
2014	504,748,038	529,985,439	713,763,727	70.72%	74.25%
2015	581,019,720	610,070,706	763,568,847	76.09%	79.90%
TOTAL	2,572,687,507	2,701,321,882	3,530,110,428	72.88%	76.52%

Notes:

"Pool" Loss as defined in *Volume II RM page 27* and *page 28*

[a] *Volume II RM Exhibit VI*; Pure Premium No Trend * Number of Units; Sum over all coverages

[b] Actual Losses Excluding "Pool" Loss * 1.0500

[c] Earned premium from the Corporation's Data Warehouse; does not account for premium rebates

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Preamble: According to past MPI data, PIPP costs account for about 85% of the motorcycle premium, but only about 35% or less of the passenger vehicle and light truck premiums.

Question:

What is the current percentage of PIPP costs in relation to premiums for each vehicle class, including those classes which do not pay PIPP.

Rationale for Question:

Questioning how the overall rate requirement is derived from each class to determine if it is equitable.

RESPONSE:

Please refer to the attached table which shows the proportion of Personal Injury Protection Plan (PIPP) losses to total losses for the private passenger, commercial, public and motorcycle major classes. There are no PIPP losses allocated to both the trailer and Off-Road Vehicle (ORV) major classes. In respect of Common/Private/Contract Carriers which do not pay premiums, 100% of their losses are PIPP losses.

PIPP Losses as Proportion of Total Losses

Actual Losses - Private Passenger				
Loss Ins Year	PIPP Losses [a]	Other Losses [b]	Total Losses	PIPP to Total Losses
2004	94,053,497	276,496,157	370,549,654	25.38%
2005	86,632,487	283,942,508	370,574,995	23.38%
2006	117,019,344	310,406,356	427,425,701	27.38%
2007	123,967,006	310,517,326	434,484,332	28.53%
2008	107,988,268	302,432,243	410,420,511	26.31%
2009	96,757,342	302,969,516	399,726,858	24.21%
2010	116,240,169	355,303,691	471,543,861	24.65%
2011	108,362,470	340,423,117	448,785,587	24.15%
2012	103,901,491	393,942,656	497,844,147	20.87%
2013	106,655,053	433,634,955	540,290,008	19.74%
2014	106,967,158	397,780,880	504,748,038	21.19%
2015	106,677,886	474,341,841	581,019,728	18.36%
TOTAL	1,275,222,172	4,182,191,246	5,457,413,417	23.37%
5-YEAR TOTAL	532,564,058	2,040,123,449	2,572,687,507	20.70%

Actual Losses - Commercial				
Loss Ins Year	PIPP Losses [a]	Other Losses [b]	Total Losses	PIPP to Total Losses
2004	6,602,351	11,126,187	17,728,537	37.24%
2005	5,900,744	10,934,398	16,835,142	35.05%
2006	4,646,299	11,121,032	15,767,332	29.47%
2007	8,506,247	12,223,693	20,729,940	41.03%
2008	8,854,213	11,251,817	20,106,030	44.04%
2009	5,546,529	10,423,973	15,970,502	34.73%
2010	3,854,362	11,874,922	15,729,284	24.50%
2011	7,835,340	11,824,850	19,660,190	39.85%
2012	7,388,536	13,143,522	20,532,058	35.99%
2013	9,827,820	14,980,047	24,807,868	39.62%
2014	10,642,731	14,490,687	25,133,418	42.34%
2015	3,738,678	15,955,689	19,694,366	18.98%
TOTAL	83,343,850	149,350,817	232,694,667	35.82%
5-YEAR TOTAL	39,433,104	70,394,796	109,827,900	35.90%

Notes:

[a] Volume II, Ratemaking, Exhibit VI; Pure Premium No Trend * Number of Units; sum of all Accident Benefit coverages

[b] Volume II, Ratemaking, Exhibit VI; Pure Premium No Trend * Number of Units; sum of Collision, Comprehensive, Bodily Injury and Property Damage

PIPP Losses as Proportion of Total Losses

Actual Losses - Public				
Loss Ins Year	PIPP Losses [a]	Other Losses [b]	Total Losses	PIPP to Total Losses
2004	2,417,217	7,441,993	9,859,210	24.52%
2005	2,303,923	7,431,944	9,735,867	23.66%
2006	2,181,822	8,548,270	10,730,092	20.33%
2007	4,279,918	9,286,978	13,566,897	31.55%
2008	3,020,826	9,154,034	12,174,859	24.81%
2009	4,670,857	8,527,669	13,198,525	35.39%
2010	2,515,782	9,746,677	12,262,459	20.52%
2011	4,504,609	9,989,955	14,494,563	31.08%
2012	5,515,274	11,354,995	16,870,268	32.69%
2013	3,903,712	12,433,035	16,336,746	23.90%
2014	4,182,236	11,069,152	15,251,387	27.42%
2015	3,624,519	11,737,427	15,361,946	23.59%
TOTAL	43,120,693	116,722,128	159,842,821	26.98%
5-YEAR TOTAL	21,730,349	56,584,563	78,314,911	27.75%

Actual Losses - Motorcycle				
Loss Ins Year	PIPP Losses [a]	Other Losses [b]	Total Losses	PIPP to Total Losses
2004	3,439,901	988,357	4,428,259	77.68%
2005	5,212,035	1,023,197	6,235,231	83.59%
2006	11,335,885	1,242,237	12,578,122	90.12%
2007	6,599,478	1,235,337	7,834,815	84.23%
2008	6,927,637	1,382,850	8,310,486	83.36%
2009	5,943,522	1,393,398	7,336,921	81.01%
2010	12,042,750	1,473,427	13,516,177	89.10%
2011	4,682,819	1,262,443	5,945,262	78.77%
2012	4,225,465	1,126,750	5,352,214	78.95%
2013	10,753,190	1,213,179	11,966,370	89.86%
2014	5,733,079	1,220,021	6,953,099	82.45%
2015	6,648,098	1,523,724	8,171,822	81.35%
TOTAL	83,543,859	15,084,919	98,628,778	84.71%
5-YEAR TOTAL	32,042,651	6,346,117	38,388,768	83.47%

Notes:

[a] Volume II, Ratemaking, Exhibit VI; Pure Premium No Trend * Number of Units; sum of all Accident Benefit coverages

[b] Volume II, Ratemaking, Exhibit VI; Pure Premium No Trend * Number of Units; sum of Collision, Comprehensive, Bodily Injury and Property Damage

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Preamble: CMMG members have often complained that PIPP premiums are applied unfairly and that motorcycles have been placed in a separate rating classification, not because motorcyclists have more accidents, but due to severity of their injuries, resulting in higher (PIPP) costs. Even so, about 33% of PIPP claims are from un-licensed non-vehicle owners and drivers without a registered vehicle who do not pay PIPP. In addition, there are about 13,000 vehicles exempt from paying PIPP (2011 stats).

Question:

What would the per vehicle effect (percentage and dollar) of applying a flat rate for PIPP costs on all vehicle classes, both including and excluding exempt vehicle classes?

Rationale for Question:

Evaluating the equity and fairness of the current rating system.

RESPONSE:

PIPP cost allocation (PCA) was ordered by the Public Utilities Board in Order 97/05. This Order resulted in a reduction of approximately 20% of the PIPP claims costs allocated to the motorcycle major class. The expected PIPP claims costs after PCA are the basis for calculating the current motorcycle rates, and as such, the Corporation believes this methodology is a fair approach to recovering PIPP claims costs from the vehicles and drivers that are responsible for these costs.

As an approximate response to the above question, the Corporation has provided the estimated 2017/18 average PIPP claims costs per Highway Traffic Act (HTA) earned

unit and the average PIPP claims cost per licensed driver unit in the table below. The 'same rate for all' (i.e. "flat") approach suggested is not reasonable since all vehicles or drivers would pay the same PIPP premium regardless of the risk presented.

2017/18 Ultimate PIPP Claims Incurred	\$163,084,000
2017/18 HTA Vehicle Units	978,939
2017/18 PIPP per HTA Vehicle Unit	\$167
2017/18 Driver Units	875,971
2017/18 PIPP per Driver Unit	\$186

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Preamble: CMMG believes that vehicle ownership increases with the increase in merits and lower premiums and conversely, as drivers go down the scale with increased demerits and potentially higher premiums, the level of vehicle ownership decreases. This current bonus malus system encourages "high risk drivers" to transfer ownership to other members so as not to pay higher vehicle premiums and, therefore, not contribute fairly into the public insurance system.

Question:

What measures has MPI taken or does it intend to implement in order to discourage this practice?

Rationale for Question:

Determining if auto-avoidance policies need to be employed to deal with this issue.

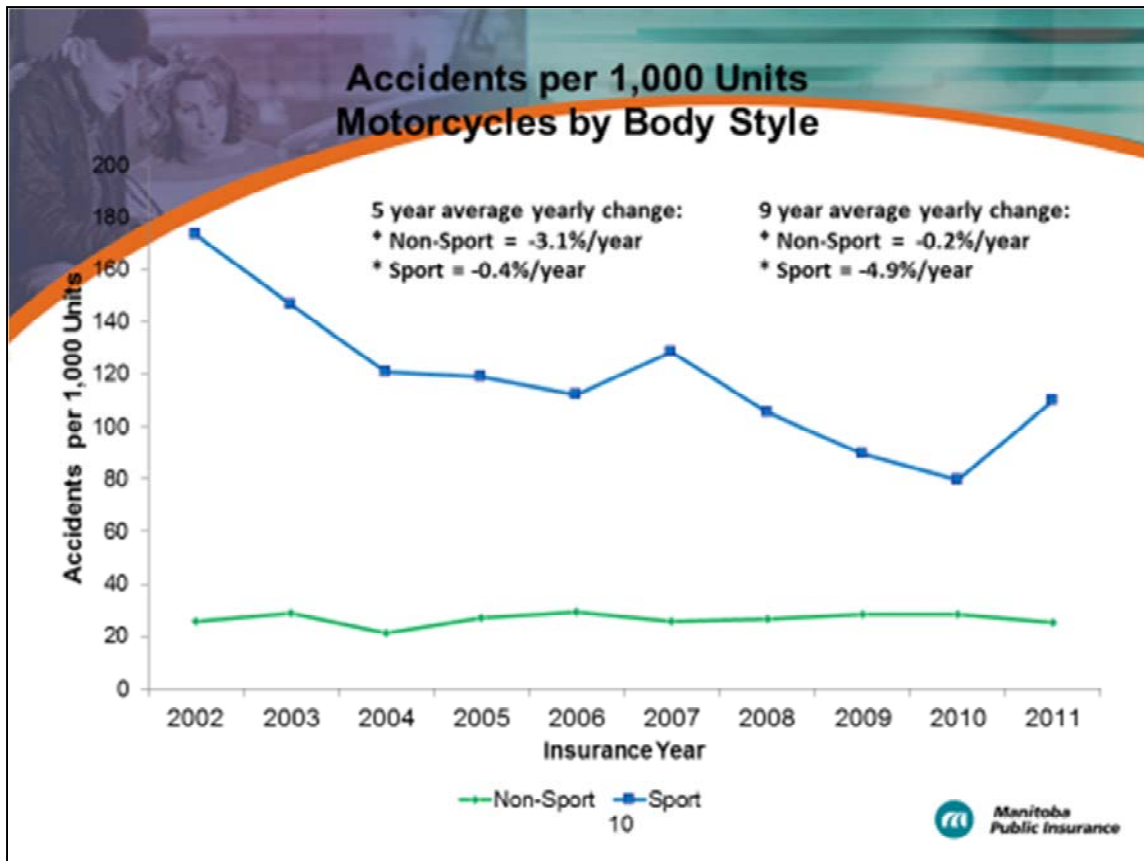
RESPONSE:

The Corporation has not made any recent changes and does not have any planned changes to the way vehicles are currently registered.

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Preamble: In 2012 Mr. Luke Johnston gave a very informative presentation to CMMG members that included the following table:



Question:

Could MPI provide a similar table with updates to 2015? It would also be helpful if the non-sport category could be divided into sub-groups as well.

Rationale for Question:

Examining "style" factors in the rating to determine trends and loss experience.

RESPONSE:

Figure 1, Claim Count per 1000 Units for Motorcycles

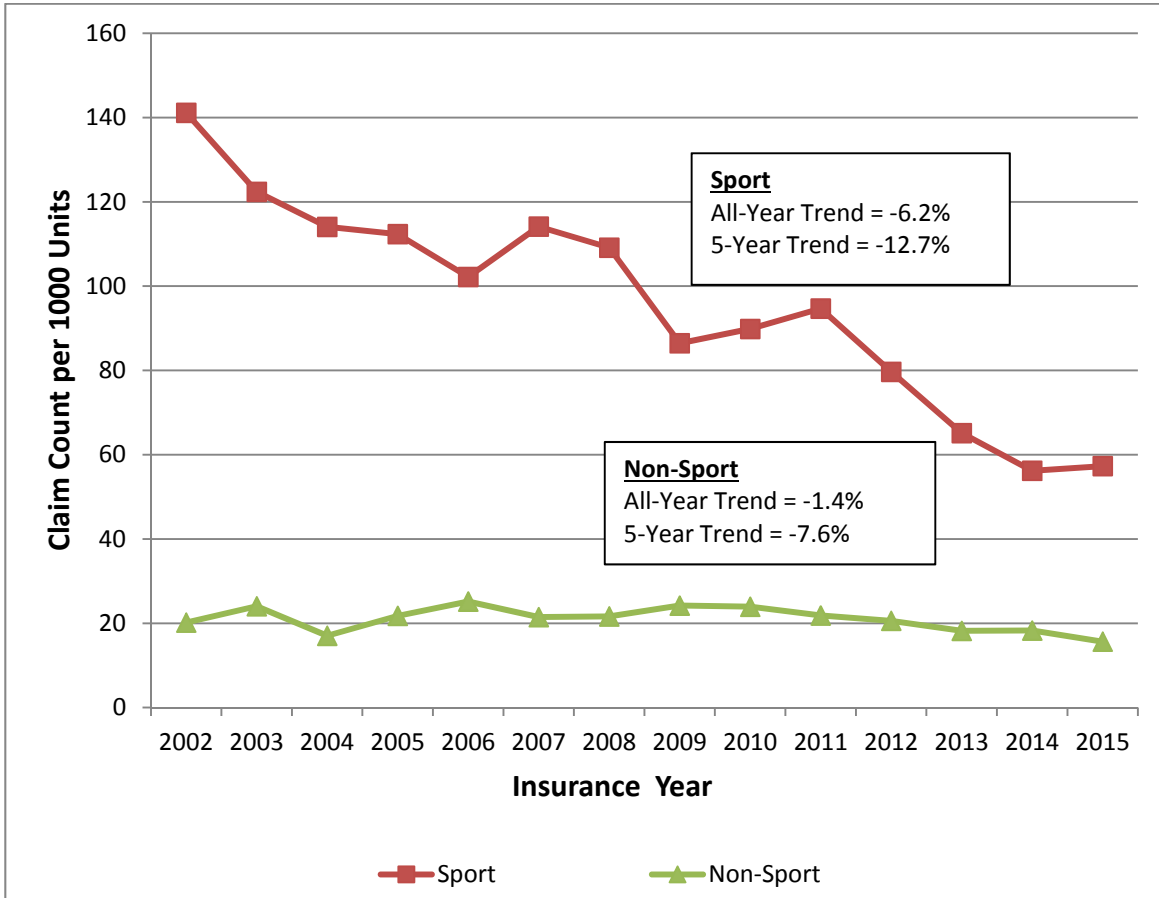
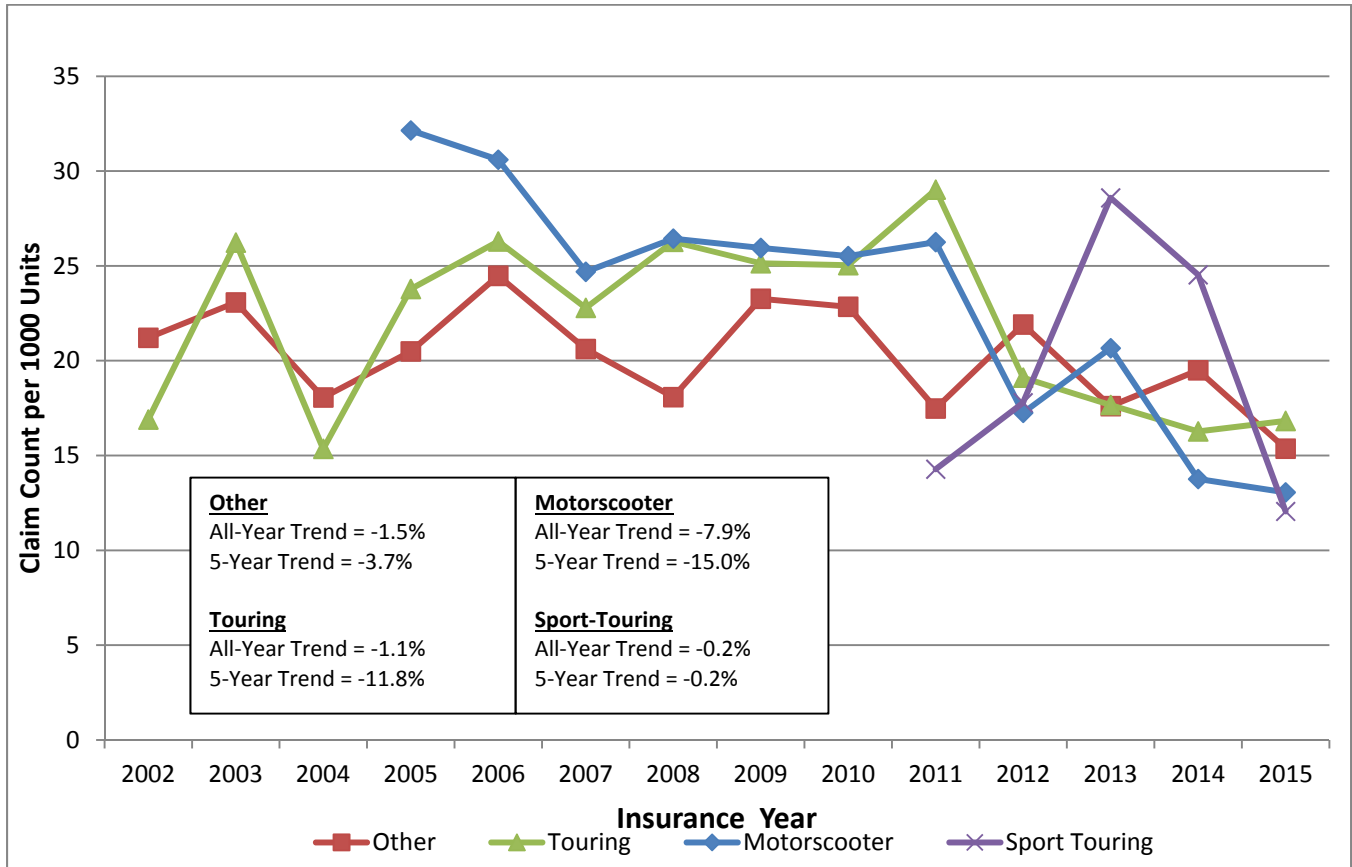


Figure 2, Claim Count per 1000 Units for Motorcycles



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Preamble: The average age of motorcyclists has been increasing with many riders now in their 60s, 70s and even 80s. Even though there is an Experienced Rider course available, the cost is \$279.00.

Question:

Has MPI audited this course to determine if it addresses the skill needs of the aging rider and, as well, has MPI considered providing incentives to encourage riders to take this course? If no, why not? Are incentives/discounts for training courses used by other auto insurers in other jurisdictions?

Rationale for Question:

Determining if there should be incentives for experienced rider courses.

RESPONSE:

The *Experienced Rider Program* and other motorcycle training options are offered through Safety Services Manitoba and provide curricula developed by the Canada Safety Council. The *Experienced Rider* course offering was requested by Manitoba Public Insurance, based on input received from the Coalition of Manitoba Motorcycle Groups indicating high demand for the program in the province. The *Experienced Rider Program* was delivered once in 2015 and has not been delivered since due to lack of inquiries from the public, though it remains on offer.

The Corporation has not audited the course but has confirmed that the content is based on curricula developed and offered nationally through the Canada Safety Council, and is targeted at motorcycle riders who are experienced but not necessarily mature riders.

The Corporation is not currently considering an economic incentive for the *Experienced Rider Program*.