

**Manitoba Public Insurance**  
**2015 GRA Round 3 Interrogatories**  
**September 24, 2014**

**PUB (MPI) 2015 GRA Information Requests**

**PUB (MPI) 3-1**

Reference: PUB/MPI 1-2(a) Attachment p. 4

Please advise of the amount of the net proceeds realized on the sale of the redundant data centre assets and indicate how those proceeds are reflected in the application.

**PUB (MPI) 3-2**

Reference: PUB/MPI 1-2(e), p. 4, AI.4, p. 4

Please provide details of the change to IBC's CLEAR injury rating recommendations and the impact thereof upon the results of MPI's use of the CLEAR recommendations.

**PUB (MPI) 3-3**

Reference: PUB/MPI 1-12(a) Attachment

Please update the table to include the actual and forecast % return on capital and % total return for Canadian Equity investments.

**PUB (MPI) 3-4**

Reference: PUB/MPI 1-14 Attachment

Please update the table to include the actual and forecast % return on capital and % total return for US Equity investments.

**PUB (MPI) 3-5**

Reference: PUB/MPI 1-21 Attachment

The investment policy strategy as set out in the Investment Policy Statement, p. 6:

The Corporation may, from time to time, request external equity investment counsels to realize capital gains that have accumulated in the manager's account. The ability to realize gains is subject to the ratio of the market value to book value of the total of both the Canadian and US equity portfolios (in their native currencies) exceeding 105%. The market value to book value ratio must not fall below 105% as a result of the gains taking process.

- a) Given the large amount of unrealized gains in the portfolio, (FMV 127% of book value at May 31, 2014), please provide the parameters applied by the ICWG in recommending the realization of gains and advise whether the Corporation has recommended any action to external equity investment counsels.
- b) Please explain why MPI is not forecasting any gains on the US equity investments given the \$22 million in unrealized gains at May 31, 2014.

**PUB (MPI) 3-6**

Reference: PUB/MPI 1-27

Please advise whether the Financial Forecast Model Test Report addresses testing undertaken by MPI or by the external party.

**PUB (MPI) 3-7**

Reference: PUB/MPI 1-54

Please explain the trend in increasing the percentage of new parts and declining the percentage of aftermarket and recycled parts since 2008, explain the factors that have led to these changes and discuss the impact of these changes on claims costs.

**PUB (MPI) 3-8**

Reference: PUB/MPI 1-55(a) Attachment

- a) Please explain the factors behind the increase in the Operating Expense Ratio since 2010.
- b) In addition, please explain the factors that have led to an increase in the Operating Expense Ratio in 2014 and 2015 given the forecast of no change in 2014 and a 1.1% decline in 2015 forecast last year.
- c) In light of these changes to the forecast year over year, please explain why the Corporation is now expecting either declines or no change in the Operating Expense Ratio in 2016, 2017 and 2018.

**PUB (MPI) 3-9**

Reference: PUB/MPI 1-55(c), line 5, PUB/MPI 1-52(c) Attachment (2014 GRA)

At last year's GRA MPI forecast operating costs growing from \$67.05 per policy in 2013 to \$70 per policy in 2018 with a forecast 4 year compounded annual growth rate of 0.3% (2013 to 2016). In this year's GRA MPI is forecasting operating costs per policy of \$75.36 for 2018, to grow to \$79.51 for 2019.

- a) Please explain the operational factors behind the escalation in the forecast growth of operating costs per policy in light of the Corporation's commitment to contain operating costs.
- b) Please refile PUB/MPI 1-55 (c) Attachment C, adding two columns including the compounded annual growth rate for 2009/10 through 2013/14 and 2013/14 to 2016/17.

**PUB (MPI) 3-10**

Reference: PUB/MPI 1-55(c), PUB/MPI 1-32(c) Attachment

Please explain the factors that have led the Corporation to forecast an increasing annual number of claims for 2014 through 2018 compared to the flat forecast at last year's GRA.

**PUB (MPI) 3-11**

Reference: PUB/MPI 1-59(b),(d),(f) & (h) Attachment

- a) Please explain the major compound annual growth of 11.7% in Special Service expenditures from 2009/10 to 2013/14.
- b) Please indicate to what extent Special Services Other (PUB/MPI 1-59 (d)) has been or will be allocated to Basic. If any costs are allocated, please provide a general description of the main categories of expenditures under "Other".
- c) Please indicate to what extent costs for the Employee Opinion Survey (PUB/MPI 1-59 (d)) have been or will be allocated to Basic and, if allocated, please advise of why there is a substantial increase (ten-fold) forecast through 2016/17.
- d) Please refile PUB/MPI 1-59 (f) including the detail of compensation for the years 2009/10, through 2011/12.
- e) Please explain why Basic Building expenses (PUB/MPI 1-59 (h)) increased by \$1.7 million or 23.7% in 2013/14 over the prior year, and why the increase is forecast to continue through the outlook period.

**PUB (MPI) 3-12**

Reference: PUB/MPI 1-62(a) & (c), PUB/MPI 1-80(a) Attachment (2014 GRA)

- a) Please describe the external labour arrangements for AOL and CARS including the number of external contractors engaged by the Corporation.
- b) At the last GRA, the Corporation forecast a reduction in external labour AOL expenditures in 2013/14, to \$813,000, followed by an increase to \$867,000 in 2017/18. Per this year's application, MPI incurred \$3.1 million in 2013/14 and has forecast to incur over \$2.7 million per year through the outlook period. Please explain the major increase in AOL external labour expenses from that forecast last year.
- c) Please explain the difference in forecast external labour expenses for CARS in this application from that forecast last year.

- d) Please update the table referenced in the response to PUB/MPI 1-62(c) to include a line reflecting the actual and forecast Initiative Implementation expenses for the years 2005/06 through 2018/19 and provide a total IT expenditure table on this basis.

**PUB (MPI) 3-13**

Reference: PUB/MPI 1-63(b)

In table format, please file a 3-year historical analysis of each of the metrics provided in AI.12 for Corporate Performance and Claims Performance for the fiscal years 2010 through 2012, including all relevant data to determine the ratios.

**PUB (MPI) 3-14**

Reference: PUB/MPI 1-75(a) & (b)

- a) Please update the table to reflect which costs are deferred versus expensed.
- b) Please describe the business re-visioning exercise undertaken and advise of any resultant savings.
- c) Please describe the loss prevention aspects of the project and advise of any resultant savings.
- d) Please advise of the nature of the website re-design, and whether the re-design is being done for the Corporation's website or supplier sites.
- e) Please explain why there are no forecast implementation costs in Year 7 but \$5.7 million is forecast on the project?

**PUB (MPI) 3-15**

Reference: PUB/MPI 1-79 Attachment, PUB/MPI 1-62 (2014 GRA), PUB/MPI 2-23 Attachment (2013 GRA)

The CIO Scorecard makes a number of recommendations relative to controlling costs under its implication sections which do not appear to be included in the attached response.

- a) Please file any Gartner reports which detail any new recommendations not included in the response.
- b) Please explain why recommendations made in previous years have not yet been evaluated; in particular see recommendations 2.01, 3.04, 4.08, 4.09 and 4.10.
- c) Please explain why recommendation 3.01 made in 2012, "To establish a target Transformation budget for IT investments such as mobile, social media that can change the dynamic as to how MPI empowers and interacts with Manitobans" was not accepted in the 2013 GRA and is currently under evaluation.
- d) Please explain why recommendations 3.02, 3.03 and 3.04 made in 2012 related to MPI's IT enterprise architecture were indicated to be in progress at the 2013 GRA and are now "under evaluation".
- e) Please explain why Gartner's 2012 recommendation 4.03 to "Develop, document and implement an information strategy", previously indicated to be in progress, has now been put on hold.
- f) Please refile the response to PUB/MPI 1-79 and include the targeted time frame within which MPI intends to address each recommendation still in progress or to be evaluated.

**PUB (MPI) 3-16**

Reference: PUB/MPI 1-81

Please provide a breakdown of the actual and forecast number of IT Staff separated into employees and contractors for the years 2013/14 through 2018/19.

**ARM (MPI) 2015 GRA Information Requests****ARM (MPI) 3-1**

Please advise how much the Corporation has spent in the last three (3) years on Mitchell and other computer software related to physical damage. Please break it down by year and category/function of the software expenditure (i.e. glass, collision, etc)

**ARM (MPI) 3-2**

Please update the answer to PUB 1-54 with the year to date (2014) or the first six months expenditure in 2014, as well as previous years requested on the various type of parts (i.e. new, recycled and after market).

**ARM (MPI) 3-3**

Please provide another column for ARM 1-10 showing the number of glass claims. What does the Corporation attribute the straight line dramatic increase in glass claims over those 10 years? Please confirm that the increase is 236 % over this period.

**ARM (MPI) 3-4**

Please estimate all the combined salaries and overhead in operating the RPP office in an annual basis.

**ARM (MPI) 3-5**

Please answer the ARM 1-11 in dollar values instead of number of parts. Please also answer what is the number and value of parts attributable to the new five new participants by calendar year and by new participant.

**ARM (MPI) 3-6**

With respect to ARM (MPI) 1-20 please set out more information relative to the calculations of savings, breaking down and qualifying same for the distributed estimating initiative.

**ARM (MPI) 3-7**

Why was the recycled parts industry in Manitoba not asked for input in the design and building of the Physical Damage Re-Engineering Program? Why were the industries concerns not addressed?

**ARM (MPI) 3-8**

Why does the Mitchell computer software system not share the same information with the recyclers that the body shops receive (i.e. pictures as one example, OEM part numbers and pricing)?

**ARM (MPI) 3-9**

Please explain the drop in recycled parts usage as evidenced in PUB 1-54.

**ARM (MPI) 3-10**

Does just the bidding of recycled parts on claims help MPI reduce cost whether a recycled parts is sold or not?

**ARM (MPI) 3-11**

Does the decline in the number of used parts bids directly effect the cost of claims?

**ARM (MPI) 3-12**

MPI had a recycled first policy when it came to recycled parts, please explain what this policy means? Is it still in effect? If not, when and why?

**ARM (MPI) 3-13**

Why did the policy on recycled glass change?

**ARM (MPI) 3-14**

IN 2008 recycled parts dollars were reported as \$8,567,417.00 and glass payments were reported as \$3,527,256.00, what percentage of this was recycled glass?

**ARM (MPI) 3-15**

In 2013 recycled parts dollars were reported as \$7,551, 129.00 and glass payments were reported as \$8,328,001.00, what percentage of this was recycled glass?

**ARM (MPI) 3-16**

When did e-glass start? When was its implementation completed?



**ARM (MPI) 3-17**

As per AI.10 PDR Program Charter it states cost savings of \$3,000,000.00 for parts sourcing. How is this expected to be realized? Is this over and above the savings already realized by the use of recycled parts?

**ARM (MPI) 3-18**

To ensure health of the repair industry as stated in PDR Program Charter, what percentage of recycled parts is to be used in the repair process? Where is this goal stated by MPI if in fact MPI has an objective or goal quantitatively stated?

**ARM (MPI) 3-19**

The recycled parts industry is in an unprecedented decline, what measures if any are in place by MPI to ensure its survival? Is MPI committed to ensuring there is a healthy recycled parts industry to offer savings to its insured?

**BW (MPI) 2015 GRA Information Requests**

**BW (MPI) 3-1**

Reference: BW (MPI) 1-2(b)

With respect to IR 1-2b):

- a) Please provide the total number of registered vehicles in the City of Winnipeg (by postal code Forward Sortation Area (FSA - first three digits) of the registrant), by general class, since the inception of no-fault in 1994.
- b) If the FSA for Winnipeg is not used, please explain the method used to identify and count the registered vehicles for Winnipeg.

**BW (MPI) 3-2**

Reference: BW (MPI) 1-2(c)

With respect to IR 1-2c):

- a) Please provide the total number of crashes (property only) and bodily injuries that occurred in the City of Winnipeg, since the inception of no-fault in 1994.
- b) Please present this information in the same tabular format as 1-2b) above.

**BW (MPI) 3-3**

Reference: BW (MPI) 1-2(b), (c)

With respect to IR 1-2b) and IR 1-2c):

Please comment on the association and correlation of total number of registered vehicles in the City of Winnipeg with the total number of crashes (property only) and bodily injuries in Winnipeg.

**BW (MPI) 3-4**

Reference: BW (MPI) 1-4

With respect to IR 1-4:

- a) Please provide the component expenditures from the Claims Incurred section of the 2015 Rate application (Volume II) that make up the stated "\$495.5 million (before expenses) Autopac physical damage claims"
- b) Please provide the component expenditures from the Claims Incurred section of the 2015 rate application (Volume II) that make up the stated "\$145.9 million on injury claims"
- c) Please explain the reasons for the difference between the stated "\$26.3 million paid to Manitoba Health" and the \$24.8 million for 2013/14 of Manitoba Health payments in section CI 8.2 of the 2015 GRA
- d) Please provide "MPIs Contribution to Manitoba's Economic Landscape" for physical damages, injury claims, and Manitoba Health payments as stated for 2013/14, and back 10 years.

**BW (MPI) 3-5**

Reference: BW (MPI) 1-7

With respect to IR 1-7:

- a) Please outline the efforts the Corporation has made in the last 5 years to discover the road safety activities, programs and evaluations done by SAAQ in Quebec.
- b) Please provide the hyperlinks or exact citation of the B.C. documents referred to in 1-7c)

**BW (MPI) 3-6**

Reference: BW (MPI) 1-8(a), (b)

With respect to IR 1-8 a) and b):

Please indicate any new or amended plans or programs that seek to change the road safety behaviour of drivers of motor vehicles towards vulnerable road users.

**BW (MPI) 3-7**

Reference: BW (MPI) 1-10

With respect to IR 1-10:

- a) Please indicate whether or not the statistics provided in IR 1-10a), particularly regarding 2011 and 2012, have been affected by any changes in accident reporting processes with the Police, City, or MPI. If so, please outline those changes.
- b) Please outline MPI's interpretation of the following contributing factors to cycling injuries:
  - (i) Driver Action - Driving Properly and Human Condition
  - (ii) Failing to Yield Right of Way
- c) Please outline MPI's new or amended plans or programs to address the complacency of drivers towards injury of cyclists.

**BW (MPI) 3-8**

Reference: BW (MPI) 1-12

With respect to IR 1-12:

Please indicate the years since the inception of no fault in 1994 that the phrase "Sharing the road", with or without further qualifying phrases or statements, has been used in programs or campaigns.

**BW (MPI) 3-9**

Reference: BW (MPI) 1-14

With respect to IR 1-14:

- a) Please indicate the number of road user victims, by victim type, that are caused by "collisions for which liability is assessed against drivers in the targeted age grouping currently over represented"
- b) Please indicate the number of road user victims, by victim type, that are caused by collisions for which liability is not assessed against drivers in the targeted age grouping currently over represented.
- c) Please indicate whether or not MPI expects a 2% decrease in bodily injury claims by vulnerable road users, including cyclists, as a result of its High School Driver Education Redevelopment project.

**BW (MPI) 3-10**

Reference: BW (MPI) 1-15

With respect to IR 1-15:

- a) Please indicate whether or not the content of the road test will be changed in order to achieve improvements of the Class 5 road test. If so, please indicate the intended changes.
- b) Please indicate the expected decrease in the number of new drivers from changing the road test passing grade from 50% to 75%.

**BW (MPI) 3-11**

Reference: BW (MPI) 1-17

With respect to IR 1-17:

- a) Please indicate whether or not incidents involving any type of vulnerable road users, including cyclists, lead to Driver Improvement and Control interventions, regardless of fault or no-fault status of the driver.
  
- b) Please provide a rationale for the response in a).

**BW (MPI) 3-12**

Reference: BW (MPI) 1-18

With respect to IR 1-18

- a) Please provide the expected costs saved by one less fatality in 2015.
  
- b) Please indicate whether or not this expected cost is different by victim type. If there is a difference, please explain why.

**CAC (MPI) 2015 GRA Information Requests****CAC (MPI) 3-1**

Reference: CAC (MPI) 1-3 and PUB (MPI) 1-75 Collaborative Estimating Initiative

Preamble: With respect to the detailed Collaborative Estimating Initiative project costs, the response refers to PUB (MPI) 1-75(b).

- a) Please confirm that the collaborative estimating project cost is the line labeled “Optimized Adjusting”; if not, please identify the line in PUB (MPI) 1-75(b) that relates to collaborative estimating.
- b) With respect to PUB (MPI) 1-75(c), please reconcile the 2013 GRA PDR budget of \$56.4 million to the 2015 GRA budget of \$65.5 by itemizing and justifying the additional costs of \$9.1 million.

**CAC (MPI) 3-2**

Reference: CAC (MPI) 1-5 Claims frequency, Severity and Incurred statistics

Preamble: On page 1 of the response to CAC (MPI) 1-5 it indicates that the Corporation’s forecasts are based on claims counts.

- a) Please explain the reason for the change from forecasting based on cover count to claim count. Please explain the difference between cover count and claim count by way of an example.
- b) Please advise whether the Corporation is continuing to track claims cover counts by coverage in its claims systems.
- c) Please recast and re-file the schedules from page 1 to 9 based on claim count in CAC (MPI) 1-5.

- d) On page 2 of CAC (MPI) 1-5 severity for Collision for 2014/15 is projected to be \$2,769, a reduction of \$246 from 2013/14 of \$3,015. Please provide a detailed explanation for this projected reduction of \$246 in collision severity.
- e) On page 2 of CAC (MPI) 1-5 severity for PIPP Total for 2014/15 is projected to be \$1,805, a reduction of \$1,149 from 2013/14 of \$2,954. Please provide a detailed explanation for this projected reduction of \$1,149 in PIPP severity.
- f) On page 2 of CAC (MPI) 1-5 severity for Post Mar 1/94 Public Liability for 2014/15 is projected to be \$28,734, an increase of \$11,377 from 2013/14 of \$17,357. Please provide a detailed explanation for this projected increase of \$11,377 in post Mar 1/94 Public Liability severity.
- g) On page 30 of Volume II Claims Incurred, it indicates that collision frequency increased significantly above historical norms from December to February. Please elaborate as to whether the severity, for this period, was higher or lower than the historical norms and provide a detailed analysis supporting the response.
- h) For the Collision Severity by Claim Type @ 12 Months as shown on page 30 of Volume II Claims Incurred, please provide a schedule (similar format) showing the claim count and claims incurred, by year, supporting the Repair Severity, Total Loss Severity and Total Severity.

**CAC (MPI) 3-3**

Reference: CAC (MPI) 1-7(a) Claims severity

Preamble: On page 14 and 15 of the response to CAC (MPI) 1-7(a) Repair Claim Payments and Average Physical Damage Repair Payments (“a simple form of severity”) are reported for a number of years.



a) Please complete the following table:

Fiscal Year	Repair Claim Payments (\$000)		Average Physical Damage Repair Payment	
	Amount	% Inc. (Dec.)	Amount	% Increase
2006/07	\$208,796		\$1,499	
2007/08	219,075	4.9	1,588	5.9
2008/09	227,699	3.9	1,633	2.8
2009/10	234,304	2.9	1,656	1.4
2010/11	229,598	(2.0)	1,722	4.0
2011/12	256,405	11.7	1,775	3.1
2012/13				
2013/14				
2014/15 P				
2015/16 P				

P - Projected

- b) Please confirm that the repair claim payments in a) above include all collision, comprehensive and property damage for all lines of business; if not, please state which coverages are included or excluded.
- c) Please reproduce the table in a. above for basic insurance only.
- d) Please reproduce the table in a. above for basic insurance collision coverage only.

**CAC (MPI) 3-4**

Reference: CAC (MPI) 1-39

Preamble: The response to CAC (MPI) 1-39 states "Ongoing IT systems optimization is critical to the long term goals of the Corporation. MPI depends on highly integrated, quality systems to serve Manitobans and to support the Corporation's cost containment initiatives."

Please elaborate on the financial impact qualified and trained claims adjusters and claims estimators have on controlling MPI's claims incurred costs vs. IT systems.

**CAC (MPI) 3-5**

Reference: CAC (MPI) 1-40(b)

Preamble: The response to CAC (MPI) 1-40(b) indicates annual cost savings of \$5,400,000 for Special Investigations Unit (SIU) and \$6,700,000 for Special Account Services (SAS).

Please provide details as to the source of the mentioned incremental annual claims incurred savings in the preamble. Are these cost savings expected to be over and above the normal annual claims recoveries made by SIU and SAS?

**CAC (MPI) 3-6**

Reference: CAC (MPI) 1-46(a)

Preamble: The response to CAC (MPI) 1-46(a) shows the budget for 2014/15 and not 2013/14 as per the IR.

Please confirm that the Corporate and Basic Budget as per the response to CAC (MPI) 1-46(a) represents the 2013/14 budget, if not please re-file attachment a) with the 2013/14 budget.

**CAC (MPI) 3-7**

Reference: CAC (MPI) 1-48

Preamble: The response to CAC (MPI) 1-48 indicates the following “Therefore, it is not possible to put forward a comparable adjustment while maintaining the existing business model and adhering to the Corporation’s not-for-profit mandate.”

Please confirm that the “FTE per \$100 million of GPW” benchmark is meaningless for MPI compared to the industry.

**CAC (MPI) 3-8**

Reference: CAC (MPI) 1-56

Preamble: The response to CAC (MPI) 1-56(a) indicates the audit fees from 2013/14 to 2014/15 are budgeted to increase by about 104% from \$173,262 to \$353,380.

Please explain the reason for the budgeted increase of \$180,118 in audit fees from 2013/14 to 2014/15.

**CAC (MPI) 3-9**

Reference: CAC (MPI) 1-57 and 1-45(b)

Preamble: The response to CAC (MPI) 1-45(a) indicates the claims expense cost per reported claim for 2012/13 is \$263. The response to CAC (MPI) 1-57 (line 6 of the attachment) indicates the claims expense per claims for 2012/13 is \$453.29.

Please provide the source data for each statistic; reconcile and explain the differences between the two claims expense per claim values shown in the preamble.

**CAC (MPI) 3-10**

Reference: CAC (MPI) 1-58

Preamble: The reference PUB (MPI) 1-32(c) should have read PUB (MPI) 1-52(c) from the 2014 GRA.

Please update and file the PUB (MPI) 1-52(c) schedule from the 2014 GRA to include 2018/19.

**CAC (MPI) 3-11**

Reference: CAC (MPI) 1-62(a)

- a) Please provide the source of the starting values (2009/10) in Tables 3 and 4 in Column 3 of \$83.79 and \$47.63 respectively.
- b) Please reproduce Tables 3 and 4 updating Column 3 in Table 3 with the starting value of \$88.29 instead of \$83.79 and Table 4 with the starting value of \$48.24 instead of \$47.63.

**CAC (MPI) 3-12**

Reference: CAC (MPI) 1-69 and PUB (MPI) 1-59(d)

The chart in PUB (MPI) 1-59(d) indicates an amount of \$4.7 million for special services – other for 2013/14 and approximately the same amount per year for the forecast periods. Please provide a detailed analysis, by expense type, of the \$4.7 million relating to basic insurance.

**CAC (MPI) 3-13**

Reference: CAC (MPI) 1-72

Preamble: The response to CAC (MPI) 1-72 states “Thus, the goal of the benchmarking exercise is not to establish benchmark targets (aside from the macro mandate measures which have historically had targets) for the Corporation, rather it is focused on making external comparisons to identify potential areas of improvement.”

- a) In absence of setting benchmark targets, please elaborate on the rate at which the corporation decides to action identified areas of improvement based on the benchmarking exercise.
- b) Please elaborate on the effectiveness of the management and corporate accountability framework without clearly established benchmark or performance targets.

**CAC (MPI) 3-14**

Reference: CAC (MPI) 1-92 and CAC (MPI) 1-45 of the 2014 GRA

- a) Please file the Compliance with Legislative Authorities report for the year ended February 28, 2014 similar to the report filed in CAC (MPI) 1-45 for the 2014 GRA.
- b) In case the corporation did not prepare the Compliance with Legislative Authorities report for the year ended February 28, 2014, please provide the reason for not preparing this report.

**CAC (MPI) 3-15**

Reference: CAC (MPI) 1-94 Risk Management

Preamble: The response to CAC (MPI) 1-94 in part states “Reporting occurs in April and October of each year to the Audit Committee according to a schedule based on the inherent and residual risk rating.”

Please file a copy of the Audit Committee Minutes for April, 2013, October, 2013 and April, 2014 relating to risk management reporting.

**CAC (MPI) 3-16**

Reference: CAC (MPI) 1-184 Lifecycle of PDR project

Please provide an opinion on MPI’s expectation of the lifecycle costs of the PDR project. In case MPI does not have an opinion on the lifecycle costs of the PDR project, would MPI support the PUB Board to engage an IT expert to provide an opinion on the lifecycle costs of the PDR project as it is likely that these costs may have a significant impact on basic insurance rates in the future?

**CAC (MPI) 3-17**

Reference: CMMG (MPI) 1-32 Adjusters working as a team

Preamble: The response to CMMG (MPI) 1-32, in part, states: "This initiative for Service Centre Operations was aimed at improved customer service to our claimants and vendors by ensuring availability of any member of an adjusting team to promptly process claims and respond to queries."

- a) Has the corporation measured the claims process cycle times before and after the adjusting team initiative was implemented, if yes, please provide the results.
  
- b) Has the corporation surveyed claimants to assess whether the adjusting team approach is effective for claimants or would claimants prefer to deal with a single adjuster, if yes, please provide the results.

**CAC (MPI) 3-18**

Reference: CMMG (MPI) 1-34 Operational costs compared to Insurance Industry

Please reproduce the response to CMMG (MPI) 1-34 excluding commissions in total expenses for both MPI and the Insurance Industry.

**CAC (MPI) 3-19**

Reference: With reference to the Corporation's response to CAC (MPI) 1-74

Are the amounts of coverage the same for the companies compared?

**CAC (MPI) 3-20**

Reference: With reference to the Corporation's response to CAC (MPI) 1-99

Please provide the exact same comparison for a 40 year old male primary driver, no claims or convictions, and a 50 year old female primary driver, no claims or convictions.

**CAC (MPI) 3-21**

Reference: With reference to the Corporation's response to CAC (MPI) 1-74

Please give the market share of the 10 competitors used in the comparisons.

**CAC (MPI) 3-22**

Reference: September 5 response to PUB (MPI) 1-15

Preamble: The September 5 response to PUB (MPI) 1-15, provides additional information on the actual and anticipated income from the infrastructure portfolio. CAC would like to better understand the basis for the forecast returns and the calculations thereof.

Question:

- a) CAC notes that the "Annual Return" is expressed to 2 decimal place accuracy. CAC observes that the income return for 2017/19 and 2018/19 is 10,955 and the Market Value through out that period is a constant 160,549. CAC calculates that 160,549 times 7.00% equals 11,238.43, a difference of 283, or implying a return of 6.82%. Please explain the apparent variance and describe the methodology used to arrive at the forecast income based on these forecast rates of return?
- b) If the forecast annual return is applied to some factor other than market value, what is that factor?
- c) CAC observes that the 2012/13 and 2013/14 income numbers resulted in annual returns of 8.9% and 17.3%, in each case somewhat greater than the forecast returns of 6.5% to 7%. In light of the superior historical performance please explain why CPI plus 5% as indicated in PDF page 13 of the Investment Policy Statement is a reasonable forecast.
- d) CAC notes that MPI has observed that the interest rate forecasts of the various chartered banks have been imperfect indicators of future interest rates. CAC observes that the CPI forecasts in Section II.13.4 of Investment Income are drawn from the same forecasters. Please discuss the historical accuracy of the CPI forecasts, and whether MPI would prefer an alternative CPI forecast methodology.

- e) CAC notes that the market value for 2012/13 is indicated to be 22,431 and the Income for the 2013/14 year is indicated to have been 2,573 representing an annual return of 17.3%. CAC calculates that the number in respect of which 17.3% would lead to the result of 2,573 is approximately 14,872 [ $2,573 / 0.173 = 14872$ ]. Please provide the detailed calculation of the annual return for 2012/13 and 2013/14 and explain why the calculation of the 2013/14 annual return appears to be based upon a value lower than the 2012/13 ending market value.
- f) In light of the forecast of 2% CPI growth in 2016 and beyond, please explain why the Market Value of infrastructure is not increasing, at a minimum with the rate of inflation.
- g) CAC observes that the actual market value in 2012/13 and 2013/14 increase by an amount greater than the Funding Amounts, while thereafter, the Forecasted Market Values only increase by the Funding amounts. Why is this constant value the best forecasting methodology?

### **CAC (MPI) 3-23**

Reference: September 5 response to CAC (MPI) 1-127, and, the original response to CAC (MPI) 1-146.

Preamble: In CAC (MPI) 1-127 the applicant indicates that between October 2010 and May 2012, certain fixed income assets averaging \$186.2 million were excluded from the duration calculation.

CAC (MPI) 1-146 at page 5 provides a table of Fixed Income Duration , Duration Variance and the amount of Fixed Income Assets for various dates including the period from August 2010 to August 2012. During certain of those dates the Duration Variance was close to and in excess of 2.0.

CAC observes that the Fixed Income Assets dropped from \$1.8 billion in August 2010 to \$1.5 billion in November 2010, going from a surplus to a deficit with respect to claims liabilities.



CAC also observes that the variance duration dropped from an “beyond policy value” of -2.7 in August 2010 to a “within policy value” of -1.8 as fixed income duration rose from 6.7 in August 2010 to 7.6 in November 2010.

CAC notes that the beneficial effects are reversed after May 2012 where we see the Fixed Income Duration dropping precipitously from an 8.3 factor to a 6.9 factor and the variance duration spike from -0.8 to -2.0.

CAC also notes that part (b) of CAC (MPI) 1-127, requested that where “any of the duration calculations actual or forecast in this application based on the exercise of that authority”, we be provide with “the unaffected calculation”.

Question:

- a) Was any of the information provided in CAC (MPI) 1-127, including the table on page 5, affected by the use of this discretionary authority, and if so please provide the unaffected calculation?
- b) Please identify any other information related to the discussion of duration which was affected by the use of this discretionary authority.
- c) In providing any “unaffected” calculation of Variance Duration, please increase the accuracy from one decimal place to two decimal places.

### **CAC (MPI) 3-24**

Reference: September 5 response to CAC (MPI) 1-127, and the original response to CAC (MPI) 1-146.

Preamble: In CAC (MPI) 1-127 the applicant indicates that between October 2010 and May 2012, cash from investments and floating rate notes averaging \$186.2 million were excluded from the duration calculation.

The Applicant also notes that “Increased cash balances, beyond what is normally required, were held to fund alternative asset classes such as real estate and infrastructure. CAC observes that the average of \$186.2 million excluded from the duration calculation for a period of 20 months is a very large amount relative to investments undertaken in infrastructure and real estate in the fiscal years spanning the October 2010 to May 2012 period.

	March 1 2010	Feb 28 2011	Feb 29 2012	Feb 28 2013	Feb 28 2014	Increase 2010-2012	Increase 2011-2013
Cash	92,888	65,556	135,888	170,882	93,208		
Infrastructure			11,590	22,431	48,049	11,590	22,431
Investment Property & Real Estate	38,541	123,521	190,990	209,087	231,232	152,449	85,566
						164,039	107,997

Question:

- a) Please confirm that cash and floating rate notes have relatively short duration, or if unable to confirm, provide the correct proposition.
- b) Please confirm that the effect of excluding cash and floating rate notes from the duration calculation was to increase the calculated duration of the remaining fixed income assets, and thereby reduced the duration variance, or, if unable to confirm, provide the correct proposition.
- c) To assist us in understanding why such a large amount of capital was withdrawn from the duration calculation, please provide a table for each quarter in the period August 2010 to May 2012, setting out the (1) cash balance, (2) the value of floating rate notes excluded from the duration calculation, (3) the value of floating rate notes, if any, still included in the duration calculation, (4) the anticipated capital required for infrastructure and real estate investments for the ensuing quarter, (5) capital expended on and real estate and infrastructure investments in that quarter, (6) the anticipated capital required for infrastructure investments for the ensuing year, (7) capital expended on and real estate and infrastructure investments in that year, and (8) the then value of fixed income assets excluded from the duration calculation.

**CAC (MPI) 3-25**

Reference: September 5 response to CAC (MPI) 1-127, September 5 response to CAC (MPI) 1-134(c), and, the original response to CAC (MPI) 1-142

Preamble: The applicant has provided 5 characteristics which distinguish its chosen index for comparison to its MUSH portfolio but has not comment on the implications of any of these variances. For example, CAC anticipates that one might expect in periods of rising interest rates that an index based on market values would show lower returns as the new and higher return demanded by the market reduces the market value of bonds, while the book value of bonds in the MUSH portfolio remain unchanged.

In the original response to CAC (MPI) 1-146 the applicant, appears to indicate that it is inappropriate to compare an income return to one which includes both capital appreciation and income, saying:

*"Chart 7.3 provides the income return for the index, which does not include capital appreciation. The reference to the real estate pooled fund returns are total return, which include both capital appreciation and income. Therefore, the income return of the index and the last two years of total returns for the real estate pooled fund are not comparable."*

[Emphasis added]

Question:

- a) To the extent not covered in the September 5 response to CAC (MPI) 1-134(c), please explain how the differences in each of the 5 characteristics affect the comparability of the results of the MUSH portfolio to the DEX Provincial **Total Return** Index.
- b) In light of the answer provided in the original response to CAC (MPI) 1-146, please explain why the comparison of the MUSH income return to the DEX Provincial Total Return Index is appropriate.

**CAC (MPI) 3-26**

Reference: September 5 response to CAC (MPI) 1-146(i)

Preamble: The September 5 response to CAC (MPI) 1-146(i) does not provide the date for which the data provided is applicable.

Question:

What is the “as at date” of the data provided?

**CMMG (MPI) 2015 GRA Information Requests****CMMG (MPI) 3-1**

With respect to CMMG (MPI) 1-22, what information does the Corporation have relative to the estimated claims cost attributed to distracted drivers over any period?

**CMMG (MPI) 3-2**

With respect to CMMG (MPI) 1-24, please advise what percentage of the charges in executive remuneration in 2009 and 2012 were related to executive bonuses. Is there a different name used by the Corporation for "bonuses"?

**CMMG (MPI) 3-3**

With respect to CMMG (MPI) 1-30, please show a table with the administrative cost of a claim averaged for each of the past five (5) years.

**CMMG (MPI) 3-4**

Please state your source of information for the "Insurance Industry" statistics reproduced in your answer.

**CMMG (MPI) 3-5**

Please identify the one asset donated or disposed of at a loss in the last five (5) years and summarize the cost and loss associated with same.

**CMMG (MPI) 3-6**

Please calculate the average actual loss rate for motorcycles for the last three (3) years available (i.e. 2011, 2012, 2013).

**CMMG (MPI) 3-7**

The actual losses shown in CMMG 1-1 seem considerably higher than the aggregate of the heads of damage set out in the attachments to CMMG 1-4. Please explain the difference.

**CMMG (MPI) 3-8**

With respect to CMMG 1-5, kindly advise what the Corporation would retrospectively require for a decrease in rate for motorcycle in 2012/2013 if MPI was required to provide motorcycle insurance on a break even or cost basis recognizing the loss rate was only 40% in this year.

**CMMG (MPI) 3-9**

When were the case reserves for motorcycle bodily injury claim last independently reviewed?

**CMMG (MPI) 3-10**

Comparing the information provided by the Corporation in CMMG 1-5 for motorcycle loss ratios and CMMG 1-12 for private passenger, please advise what the required decrease for motorcycles would be required for the last three years to result in the same actual loss ratios as indicated in CMMG 1-12 for private passenger vehicles.