

August 13, 2020

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|                        |  |           |                |
|------------------------|--|-----------|----------------|
| Part and Chapter:      | Part V- Claims Incurred  | Page No.: | 21, 26, 31, 40 |
| PUB Approved Issue No: | 1. Requested Vehicle Rate and Any Changes to Other Fees and Discounts<br>11. Claims forecasting (including PIPP) |           |                |
| Topic:                 | Claims Incurred  |           |                |
| Sub Topic:             |  |           |                |

Preamble to IR:

Question:

- a) For the incurred claims severity trend analyses for Weekly Indemnity, Accident Benefits Other – Indexed, Accident Benefits Other – Non-Indexed, and Public Liability – Bodily Injury, please calculate severity trends on the annual severities, using the same number of accident years as were used in the 2021 GRA, but without splitting the claims into different severity groups.
- b) Please provide the results of an alternate analysis of the Basic rate requirement (overall and by Major Use classification) assuming the severity trends as calculated above are used. Please include alternate AAP rate indications, with supporting schedules as appropriate.

Rationale for Question:

To gain further insight into the selection of the severity trends.

RESPONSE:

- a) See the figures below for the revised severity growth factors without splitting into different severity groups.

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Figure 1 Weekly Indemnity Ultimate Severity

| Line No. | Accident Year                          | Average Severity<br>\$0+ |
|----------|--|--------------------------|
| 1        | 2002/03                                | \$30,808                 |
| 2        | 2003/04                                | \$29,454                 |
| 3        | 2004/05                                | \$25,455                 |
| 4        | 2005/06                                | \$33,114                 |
| 5        | 2006/07                                | \$38,138                 |
| 6        | 2007/08                                | \$39,688                 |
| 7        | 2008/09                                | \$42,760                 |
| 8        | 2009/10                                | \$39,098                 |
| 9        | 2010/11                                | \$49,754                 |
| 10       | 2011/12                                | \$49,343                 |
| 11       | 2012/13                                | \$44,919                 |
| 12       | 2013/14                                | \$39,833                 |
| 13       | 2014/15                                | \$45,283                 |
| 14       | 2015/16                                | \$50,954                 |
| 15       | 2016/17                                | \$52,267                 |
| 16       | 2017/18                                | \$49,509                 |
| 17       | 2018/19                                | \$49,601                 |
| 18       | 2019/20*                               | \$57,022                 |
| 19       | Severity Growth                        | 3.99%                    |
| 20       | Total Incurred                         | \$1,271,371,399          |
| 21       | Weighted Average Severity Growth       | 3.99%                    |
| 22       | Indexation                             | 2.00%                    |
| 23       | Total Severity Growth                  | 5.99%                    |
| 24       | *13 month period ending March 31, 2020 |                          |

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Figure 2 ABO-Indexed Ultimate Severity

| Line No. | Accident Year                          | Average Severity<br>\$0+ |
|----------|--|--------------------------|
| 1        | 2002/03                                | \$5,658                  |
| 2        | 2003/04                                | \$4,971                  |
| 3        | 2004/05                                | \$5,792                  |
| 4        | 2005/06                                | \$5,395                  |
| 5        | 2006/07                                | \$5,984                  |
| 6        | 2007/08                                | \$6,311                  |
| 7        | 2008/09                                | \$5,146                  |
| 8        | 2009/10                                | \$5,720                  |
| 9        | 2010/11                                | \$5,005                  |
| 10       | 2011/12                                | \$5,851                  |
| 11       | 2012/13                                | \$5,236                  |
| 12       | 2013/14                                | \$4,404                  |
| 13       | 2014/15                                | \$4,825                  |
| 14       | 2015/16                                | \$5,584                  |
| 15       | 2016/17                                | \$6,233                  |
| 16       | 2017/18                                | \$5,914                  |
| 17       | 2018/19                                | \$6,019                  |
| 18       | 2019/20*                               | \$5,618                  |
| 19       | Severity Growth                        | -0.09%                   |
| 20       | Total Incurred                         | \$1,020,393,446          |
| 21       | Weighted Average Severity Growth       | -0.09%                   |
| 22       | Indexation                             | 2.00%                    |
| 23       | Total Severity Growth                  | 1.91%                    |
| 24       | *13 month period ending March 31, 2020 |                          |

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Figure 3 ABO-Non Indexed Ultimate Severity

| Line No. | Accident Year                          | Average Severity<br>\$0+ |
|----------|--|--------------------------|
| 1        | 2002/03                                | \$18,439                 |
| 2        | 2003/04                                | \$16,787                 |
| 3        | 2004/05                                | \$17,534                 |
| 4        | 2005/06                                | \$19,663                 |
| 5        | 2006/07                                | \$20,703                 |
| 6        | 2007/08                                | \$20,153                 |
| 7        | 2008/09                                | \$20,082                 |
| 8        | 2009/10                                | \$20,928                 |
| 9        | 2010/11                                | \$21,402                 |
| 10       | 2011/12                                | \$20,334                 |
| 11       | 2012/13                                | \$21,148                 |
| 12       | 2013/14                                | \$22,212                 |
| 13       | 2014/15                                | \$25,533                 |
| 14       | 2015/16                                | \$22,180                 |
| 15       | 2016/17                                | \$20,928                 |
| 16       | 2017/18                                | \$19,928                 |
| 17       | 2018/19                                | \$19,926                 |
| 18       | 2019/20*                               | \$22,352                 |
| 19       | Severity Growth                        | 1.45%                    |
| 20       | Total Incurred                         | \$478,901,995            |
| 21       | Weighted Average Severity Growth       | 1.45%                    |
| 22       | Indexation                             | 0.00%                    |
| 23       | Total Severity Growth                  | 1.45%                    |
| 24       | *13 month period ending March 31, 2020 |                          |

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Figure 4 Public Liability

| Line No. | Accident Year                          | Average Severity |
|----------|--|------------------|
|          |  | \$0+             |
| 1        | 2002/03                                | \$38,262         |
| 2        | 2003/04                                | \$33,183         |
| 3        | 2004/05                                | \$42,943         |
| 4        | 2005/06                                | \$36,140         |
| 5        | 2006/07                                | \$32,562         |
| 6        | 2007/08                                | \$35,922         |
| 7        | 2008/09                                | \$28,969         |
| 8        | 2009/10                                | \$44,018         |
| 9        | 2010/11                                | \$43,802         |
| 10       | 2011/12                                | \$37,970         |
| 11       | 2012/13                                | \$49,204         |
| 12       | 2013/14                                | \$34,505         |
| 13       | 2014/15                                | \$49,447         |
| 14       | 2015/16                                | \$49,477         |
| 15       | 2016/17                                | \$68,295         |
| 16       | 2017/18                                | \$62,788         |
| 17       | 2018/19                                | \$67,067         |
| 18       | 2019/20*                               | \$51,281         |
| 19       | Severity Growth                        | 3.59%            |
| 20       | Total Incurred                         | \$66,712,278     |
| 21       | Weighted Average Severity Growth       | 3.59%            |
| 22       | Indexation                             | 0.00%            |
| 23       | Total Severity Growth                  | 3.59%            |
| 24       | *13 month period ending March 31, 2020 |                  |

b) Please see [Figure 5](#) below which shows the breakeven rate indication and capital release provision based on the scenario requested.

Figure 5 Overall Required Rate Change and Forecasted MCT Ratio

| Line No. | New Money Yield | AAP Breakeven Rate Indication | Capital Build / (Release) Provision | MCT % After AAP Breakeven Rate Indication |       |        | MCT % After AAP Breakeven Rate Indication and Transfer from Extension |        | MCT % After AAP Breakeven Rate Indication and Transfer from Extension and Capital Build / Release |        |
|----------|-----------------|-------------------------------|-------------------------------------|---|-------|--------|---|--------|---|--------|
|          |                 |                               |                                     | 20/21                                     | 21/22 | 22/23  | 21/22   | 22/23  | 21/22   | 22/23  |
|          |                 |                               |                                     | 1   | 2.58% | -4.41% | -4.10%  | 117.5% | 111.2%  | 107.9% |

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The following supporting schedules are based on the alternate severity scenario requested.

Figure 6 PF-1 Statement of Operations

## Multi-year - Statement of Operations

| Line No. | 2021 GRA Base with Claims Scenario PUB 1-8(b) with RI and CMP<br>(C\$ 000s, rounding may affect totals) | For the Years Ended March 31, |           |           |           |           |           |
|----------|---|-------------------------------|-----------|-----------|-----------|-----------|-----------|
|          |   | 2020A                         | 2021BF    | 2022F     | 2023F     | 2024F     | 2025F     |
| 1        |   |                               |           |           |           |           |           |
| 2        | BASIC   |                               |           |           |           |           |           |
| 3        | Motor Vehicles  | 1,055,113                     | 1,079,495 | 1,028,785 | 1,066,157 | 1,105,040 | 1,144,782 |
| 4        | Drivers   | 66,411                        | 67,146    | 68,094    | 69,212    | 70,412    | 71,588    |
| 5        | Reinsurance Ceded   | (14,099)                      | (13,615)  | (13,887)  | (14,166)  | (14,447)  | (14,737)  |
| 6        | Total Net Premiums Written  | 1,107,425                     | 1,133,026 | 1,082,992 | 1,121,203 | 1,161,005 | 1,201,633 |
| 7        | Net Premiums Earned   |                               |           |           |           |           |           |
| 8        | Motor Vehicles  | 1,036,651                     | 1,067,604 | 1,053,516 | 1,047,931 | 1,086,077 | 1,125,400 |
| 9        | Drivers   | 66,733                        | 66,781    | 67,623    | 68,656    | 69,816    | 71,004    |
| 10       | Reinsurance Ceded   | (14,099)                      | (13,615)  | (13,888)  | (14,165)  | (14,448)  | (14,738)  |
| 11       | Total Net Premiums Earned   | 1,089,285                     | 1,120,770 | 1,107,251 | 1,102,422 | 1,141,445 | 1,181,666 |
| 12       | Service Fees & Other Revenues   | 27,161                        | 28,208    | 27,578    | 29,144    | 30,833    | 32,641    |
| 13       | Total Earned Revenues   | 1,116,446                     | 1,148,978 | 1,134,829 | 1,131,566 | 1,172,278 | 1,214,307 |
| 14       | Claims Incurred   | 787,799                       | 825,549   | 911,522   | 933,986   | 974,004   | 1,013,520 |
| 15       | DPAC \ Premium Deficiency Adjustment  | (17,406)                      | (8,509)   | 1,298     | (1,890)   | 4,643     | 14,216    |
| 16       | (a) Claims Incurred - Interest Rate Impact  | (8,938)                       | 35,430    | 7,811     | 13,323    | 10,821    | 11,053    |
| 17       | Total Claims Incurred   | 761,455                       | 852,470   | 920,631   | 945,419   | 989,468   | 1,038,789 |
| 18       | Claims Expense  | 132,028                       | 143,490   | 143,262   | 146,906   | 154,359   | 153,858   |
| 19       | Road Safety/Loss Prevention   | 12,030                        | 11,234    | 13,631    | 13,512    | 13,571    | 13,366    |
| 20       | Total Claims Costs  | 905,513                       | 1,007,194 | 1,077,524 | 1,105,837 | 1,157,398 | 1,206,013 |
| 21       | Expenses  |                               |           |           |           |           |           |
| 22       | Operating   | 69,859                        | 71,865    | 72,065    | 75,962    | 79,981    | 80,029    |
| 23       | Commissions   | 42,332                        | 43,823    | 43,723    | 43,562    | 45,070    | 46,625    |
| 24       | Premium Taxes   | 33,102                        | 32,292    | 33,634    | 33,498    | 34,677    | 35,892    |
| 25       | Regulatory/Appeal   | 4,647                         | 5,120     | 5,160     | 5,201     | 5,294     | 5,392     |
| 26       | Total Expenses  | 149,940                       | 153,100   | 154,582   | 158,223   | 165,022   | 167,938   |
| 27       | Underwriting Income (Loss)  | 60,993                        | (11,316)  | (97,277)  | (132,494) | (150,142) | (159,644) |
| 28       | Investment Income   | 54,159                        | 83,796    | 89,262    | 91,874    | 90,732    | 91,936    |
| 29       | (b) Investment Income - Interest Rate Impact  | 5,455                         | 575       | 313       | 146       | 63        | 14        |
| 30       | Net Investment Income   | 59,614                        | 84,371    | 89,575    | 92,020    | 90,795    | 91,950    |
| 31       | Gain (Loss) on Sale of Property   | -                             | -         | 5,997     | -         | -         | -         |
| 32       | Net Income (Loss) from Annual Operations  | 120,607                       | 73,055    | (1,705)   | (40,474)  | (59,347)  | (67,694)  |
| 33       | Premium Rebate  | -                             | (58,000)  | -         | -         | -         | -         |
| 34       | Net Income (Loss) after Premium Rebate  | 120,607                       | 15,055    | (1,705)   | (40,474)  | (59,347)  | (67,694)  |
| 35       | Total net Impact due to interest rate change (b) - (a)  | 14,393                        | (34,855)  | (7,498)   | (13,177)  | (10,758)  | (11,039)  |

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Figure 7 PF-2 Statement of Financial Position

## Multi-year - Statement of Financial Position

| Line No. | 2021 GRA Base with Claims Scenario PUB 1-8(b) with RI and CMP<br>(C\$ 000s, rounding may affect totals) | For the Years Ended March 31, |           |           |           |           |           |
|----------|---|-------------------------------|-----------|-----------|-----------|-----------|-----------|
|          |   | 2020A                         | 2021BF    | 2022F     | 2023F     | 2024F     | 2025F     |
| 1        |   |                               |           |           |           |           |           |
| 2        | BASIC   |                               |           |           |           |           |           |
| 3        | Assets  |                               |           |           |           |           |           |
| 4        | Cash and cash equivalents   | 186,762                       | 57,868    | 54,007    | 49,809    | 51,230    | 52,676    |
| 5        | Investments   | 2,648,873                     | 2,964,904 | 3,068,399 | 3,175,269 | 3,288,195 | 3,413,282 |
| 6        | Investment property   | 20,969                        | 20,910    | 20,735    | 20,324    | 20,327    | 20,044    |
| 7        | Due from other insurance companies  | 381                           | -         | -         | -         | -         | -         |
| 8        | Accounts receivable   | 406,844                       | 413,919   | 406,451   | 419,864   | 433,870   | 448,216   |
| 9        | Prepaid expenses  | -                             | -         | -         | -         | -         | -         |
| 10       | Deferred policy acquisition costs   | 25,582                        | 30,972    | 30,080    | 33,182    | 29,800    | 16,873    |
| 11       | Reinsurers' share of unearned premiums  | -                             | -         | (1)       | -         | (1)       | (2)       |
| 12       | Reinsurers' share of unpaid claims  | 5,072                         | -         | -         | -         | -         | -         |
| 13       | Property and equipment  | 88,465                        | 93,323    | 96,761    | 99,203    | 97,064    | 91,133    |
| 14       | Deferred development costs  | 34,964                        | 39,658    | 61,994    | 70,074    | 67,750    | 58,574    |
| 15       | Total Assets  | 3,417,912                     | 3,621,554 | 3,738,426 | 3,867,725 | 3,988,235 | 4,100,796 |
| 16       | Liabilities   |                               |           |           |           |           |           |
| 17       | Due to other insurance companies  | 595                           | 545       | 545       | 545       | 545       | 545       |
| 18       | Accounts payable and accrued liabilities  | 50,053                        | 70,311    | 71,241    | 73,423    | 78,228    | 78,137    |
| 19       | Financing lease obligation  | 5,475                         | 5,368     | 5,253     | 5,131     | 5,008     | 4,885     |
| 20       | Unearned premiums and fees  | 569,706                       | 582,458   | 559,746   | 580,193   | 601,542   | 623,436   |
| 21       | Provision for employee current benefits   | 18,213                        | 18,903    | 19,600    | 20,341    | 21,092    | 21,852    |
| 22       | Provision for employee future benefits  | 336,307                       | 347,934   | 360,191   | 372,329   | 384,561   | 397,192   |
| 23       | Provision for unpaid claims   | 2,031,336                     | 2,102,285 | 2,198,144 | 2,293,261 | 2,392,412 | 2,493,650 |
| 24       | Total Liabilities   | 3,011,685                     | 3,127,804 | 3,214,720 | 3,345,223 | 3,483,388 | 3,619,697 |
| 25       | Equity  |                               |           |           |           |           |           |
| 26       | Retained Earnings   | 440,522                       | 520,236   | 543,804   | 538,444   | 517,152   | 489,916   |
| 27       | Accumulated Other Comprehensive Income  | (34,296)                      | (26,486)  | (20,098)  | (15,942)  | (12,304)  | (8,816)   |
| 28       | Total Equity  | 406,226                       | 493,750   | 523,706   | 522,502   | 504,848   | 481,100   |
| 29       | Total Liabilities & Equity  | 3,417,911                     | 3,621,554 | 3,738,426 | 3,867,725 | 3,988,236 | 4,100,797 |

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Figure 8 PF-3 Statement of Changes in Equity

## Multi-year - Statement of Changes in Equity

| Line |  | For the Years Ended March 31, |          |          |          |          |          |
|------|--|-------------------------------|----------|----------|----------|----------|----------|
| No.  | <i>2021 GRA Base with Claims Scenario PUB 1-8(b) with RI and CMP</i> | 2020A                         | 2021BF   | 2022F    | 2023F    | 2024F    | 2025F    |
| 1    | (C\$ 000s, rounding may affect totals)                               |                               |          |          |          |          |          |
| 2    | BASIC  |                               |          |          |          |          |          |
| 3    | Total Equity   |                               |          |          |          |          |          |
| 4    | Retained Earnings  |                               |          |          |          |          |          |
| 5    | Beginning Balance  | 319,914                       | 440,522  | 520,236  | 543,804  | 538,444  | 517,152  |
| 6    | Net Income (Loss) from annual operations                             | 120,607                       | 73,056   | (1,707)  | (40,472) | (59,347) | (67,694) |
| 7    | Premium Rebate   | -                             | (58,000) | -        | -        | -        | -        |
| 8    | Transfer (to) / from Non-Basic Retained Earnings                     | -                             | 64,659   | 25,275   | 35,113   | 38,054   | 40,459   |
| 9    | Total Retained Earnings  | 440,522                       | 520,236  | 543,804  | 538,444  | 517,152  | 489,916  |
| 10   | Total Accumulated Other Comprehensive Income                         |                               |          |          |          |          |          |
| 11   | Beginning Balance  | (48,956)                      | (34,296) | (26,486) | (20,098) | (15,942) | (12,304) |
| 12   | Other Comprehensive Income on Available for Sale Assets              | 14,660                        | 7,810    | 6,388    | 4,156    | 3,638    | 3,488    |
| 13   | Total Accumulated Other Comprehensive Income                         | (34,296)                      | (26,486) | (20,098) | (15,942) | (12,304) | (8,816)  |
| 14   | Total Equity Balance   | 406,226                       | 493,750  | 523,706  | 522,503  | 504,848  | 481,100  |
| 15   | MINIMUM CAPITAL TEST (C\$ 000s)                                      |                               |          |          |          |          |          |
| 16   | Total Equity Balance   | 406,226                       | 493,750  | 523,706  | 522,503  | 504,848  | 481,100  |
| 17   | Less: Assets Requiring 100% Capital                                  | 34,964                        | 39,658   | 61,994   | 70,074   | 67,750   | 58,574   |
| 18   | Capital Available  | 371,262                       | 454,092  | 461,712  | 452,429  | 437,098  | 422,526  |
| 19   | Minimum Capital Required (100% MCT)                                  | 350,820                       | 386,520  | 412,255  | 427,508  | 443,020  | 459,650  |
| 20   | MCT Ratio % (Line 17) / (Line 18)                                    | 105.8%                        | 117.5%   | 112.0%   | 105.8%   | 98.7%    | 91.9%    |



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Figure 9 EPF-1 Extension Statement of Operations

## Multi-year - Statement of Operations

| Line No. | 2021 GRA Base with Claims Scenario PUB 1-8(b) with RI and CMP<br>(C\$ 000s, rounding may affect totals) | For the Years Ended March 31, |          |         |         |         |         |
|----------|---|-------------------------------|----------|---------|---------|---------|---------|
|          |   | 2020A                         | 2021BF   | 2022F   | 2023F   | 2024F   | 2025F   |
| 2        | EXTENSION   |                               |          |         |         |         |         |
| 3        | Motor Vehicles  | 155,063                       | 158,100  | 180,316 | 186,381 | 192,868 | 199,666 |
| 4        | Reinsurance Ceded   | (1,903)                       | (1,778)  | (1,814) | (1,850) | (1,887) | (1,924) |
| 5        | Total Net Premiums Written  | 153,160                       | 156,322  | 178,502 | 184,531 | 190,981 | 197,742 |
| 6        | Net Premiums Earned   |                               |          |         |         |         |         |
| 7        | Motor Vehicles  | 157,842                       | 156,644  | 169,669 | 183,474 | 189,759 | 196,408 |
| 8        | Reinsurance Ceded   | (1,903)                       | (1,778)  | (1,814) | (1,850) | (1,887) | (1,925) |
| 9        | Total Net Premiums Earned   | 155,939                       | 154,866  | 167,855 | 181,624 | 187,872 | 194,483 |
| 10       | Service Fees & Other Revenues   | 12,461                        | 12,065   | 12,940  | 13,540  | 14,182  | 14,872  |
| 11       | Total Earned Revenues   | 168,400                       | 166,931  | 180,795 | 195,164 | 202,054 | 209,355 |
| 12       | Net Claims Incurred   | 69,516                        | 65,135   | 82,556  | 96,594  | 97,389  | 98,713  |
| 13       | (a) Claims Incurred - Interest Rate Impact  | -                             | (27)     | (106)   | -       | -       | -       |
| 14       | Total Claims Incurred   | 69,516                        | 65,108   | 82,450  | 96,594  | 97,389  | 98,713  |
| 15       | Claims Expense  | 11,100                        | 11,745   | 11,663  | 12,118  | 13,760  | 14,017  |
| 16       | Road Safety/Loss Prevention   | 1,013                         | 919      | 1,109   | 1,115   | 1,223   | 1,229   |
| 17       | Total Claims Costs  | 81,629                        | 77,772   | 95,222  | 109,827 | 112,372 | 113,959 |
| 18       | Expenses  |                               |          |         |         |         |         |
| 19       | Operating   | 8,910                         | 7,849    | 8,137   | 8,776   | 9,609   | 9,795   |
| 20       | Commissions   | 34,788                        | 35,060   | 37,094  | 40,329  | 41,709  | 43,169  |
| 21       | Premium Taxes   | 4,735                         | 3,139    | 5,090   | 5,504   | 5,693   | 5,892   |
| 22       | Regulatory/Appeal   | 12                            | 12       | 12      | 12      | 18      | 23      |
| 23       | Total Expenses  | 48,445                        | 46,060   | 50,333  | 54,621  | 57,029  | 58,879  |
| 24       | Underwriting Income (Loss)  | 38,326                        | 43,099   | 35,240  | 30,716  | 32,653  | 36,517  |
| 25       | Investment Income   | (723)                         | 7,700    | 6,112   | 7,187   | 7,245   | 7,640   |
| 26       | (b) Investment Income - Interest Rate Impact  | 280                           | 989      | 165     | 4       | (18)    | (25)    |
| 27       | Net Investment Income   | (443)                         | 8,689    | 6,277   | 7,191   | 7,227   | 7,615   |
| 28       | Gain (Loss) on Sale of Property   | -                             | -        | 516     | -       | -       | -       |
| 29       | Net Income (Loss) from Operations   | 37,883                        | 51,788   | 42,033  | 37,907  | 39,880  | 44,132  |
| 30       | Premium Rebate  | -                             | (52,000) | -       | -       | -       | -       |
| 31       | Net Income (Loss) after premium rebate  | 37,883                        | (212)    | 42,035  | 37,906  | 39,881  | 44,131  |
| 32       | Total net Impact due to interest rate change (b) - (a)  | 280                           | 1,016    | 271     | 4       | (18)    | (25)    |

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Figure 10 EPF-3 Extension Statement of Changes in Equity

## Multi-year - Statement of Changes in Equity

| Line No. | 2021 GRA Base with Claims Scenario PUB 1-8(b) with RI and CMP<br>(C\$ 000s, rounding may affect totals) | For the Years Ended March 31, |          |          |          |          |          |
|----------|---|-------------------------------|----------|----------|----------|----------|----------|
|          |   | 2020A                         | 2021BF   | 2022F    | 2023F    | 2024F    | 2025F    |
| 1        |   |                               |          |          |          |          |          |
| 2        | EXTENSION   |                               |          |          |          |          |          |
| 3        | Retained Earnings   |                               |          |          |          |          |          |
| 4        | Beginning Balance   | 104,983                       | 142,866  | 77,996   | 94,755   | 97,548   | 99,375   |
| 5        | Net Income / (Loss)   | 37,883                        | 51,788   | 42,035   | 37,906   | 39,881   | 44,131   |
| 6        | Premium Rebate  | -                             | (52,000) | -        | -        | -        | -        |
| 7        | Transfer (to) / from Basic Retained Earnings  | -                             | (64,659) | (25,275) | (35,113) | (38,054) | (40,459) |
| 8        | Total Retained Earnings   | 142,866                       | 77,995   | 94,756   | 97,548   | 99,375   | 103,047  |
| 9        | Total Accumulated Other Comprehensive Income  |                               |          |          |          |          |          |
| 10       | Beginning Balance   | (3,966)                       | (2,367)  | (1,948)  | (696)    | 753      | 2,036    |
| 11       | Other Comprehensive Income on Available for Sales Assets  | 1,599                         | 419      | 1,252    | 1,449    | 1,283    | 1,160    |
| 12       | Total Accumulated Other Comprehensive Income  | (2,367)                       | (1,948)  | (696)    | 753      | 2,036    | 3,196    |
| 13       | Total Equity Balance  | 140,499                       | 76,048   | 94,059   | 98,301   | 101,411  | 106,244  |
| 14       | MINIMUM CAPITAL TEST (C\$ 000s)   |                               |          |          |          |          |          |
| 15       | Total Equity Balance  | 140,499                       | 76,048   | 94,059   | 98,301   | 101,411  | 106,244  |
| 16       | Less: Assets Requiring 100% Capital   | 2,979                         | 3,432    | 5,379    | 6,093    | 5,915    | 5,112    |
| 17       | Capital Available   | 137,520                       | 72,616   | 88,680   | 92,208   | 95,496   | 101,132  |
| 18       | Minimum Capital Required (100% MCT)   | 42,340                        | 36,308   | 44,340   | 46,104   | 47,748   | 50,566   |
| 19       | MCT Ratio % (Line 17) / (Line 18)   | 324.8%                        | 200.0%   | 200.0%   | 200.0%   | 200.0%   | 200.0%   |

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Figure 11 Rating Year 2021/22 Major Classification Required Rate Changes -  
Breakeven Rates

| Line No. | Coverage                | Overall   | Private Pass | Comm   | Public   | Motor-Cycle | Trailer | ORV    |
|----------|-------------------------|-----------|--------------|--------|----------|-------------|---------|--------|
| 1        | 21/22 Units             | 1,200,300 | 828,900      | 47,500 | 12,800   | 18,000      | 218,100 | 75,000 |
| 2        | Claims                  | 709.92    | 930.19       | 689.24 | 1,766.41 | 797.57      | 50.25   | 5.62   |
| 3        | Claims Expense          | 122.69    | 160.76       | 119.12 | 305.27   | 137.84      | 8.68    | 0.97   |
| 4        | Road Safety             | 11.31     | 14.96        | 14.96  | 14.96    | 14.96       | 0.00    | 0.00   |
| 5        | Operating Expense       | 62.19     | 82.29        | 82.29  | 82.29    | 82.29       | 0.00    | 0.00   |
| 6        | Regulatory/Appeal       | 4.32      | 5.71         | 5.71   | 5.71     | 5.71        | 0.00    | 0.00   |
| 7        | Commission: Vehicle     | 30.07     | 39.35        | 29.46  | 73.39    | 32.79       | 2.45    | 0.23   |
| 8        | Prem Tax: Vehicle       | 27.68     | 36.21        | 27.11  | 67.54    | 30.18       | 2.25    | 0.21   |
| 9        | Comm & Prem Tax: Driver | 3.60      | 4.76         | 4.76   | 4.76     | 4.76        | 0.00    | 0.00   |
| 10       | Commission Flat Fee     | 6.28      | 8.31         | 8.31   | 8.31     | 8.31        | 0.00    | 0.00   |
| 11       | Reins: Casualty         | 1.10      | 1.46         | 1.46   | 1.46     | 1.46        | 0.00    | 0.00   |
| 12       | Reins: Catastrophe      | 10.59     | 11.48        | 11.48  | 11.48    | 0.00        | 11.48   | 0.00   |
| 13       | Fleet Rebates           | 14.58     | 19.68        | 19.68  | 19.68    | 0.00        | 0.00    | 0.00   |
| 14       | Anti-Theft Discount     | 1.35      | 1.96         | 0.00   | 0.00     | 0.00        | 0.00    | 0.00   |
| 15       | Driver Prem             | 57.46     | 76.02        | 76.02  | 76.02    | 76.02       | 0.00    | 0.00   |
| 16       | Service Fees            | 25.69     | 33.99        | 33.99  | 33.99    | 33.99       | 0.00    | 0.00   |
| 17       | Req Rate (Raw)          | 922.53    | 1,207.10     | 903.55 | 2,251.24 | 1,005.85    | 75.11   | 7.03   |
| 18       | Req Rate (Bal)          | 910.83    | 1,191.79     | 892.09 | 2,222.69 | 993.09      | 74.15   | 6.94   |
| 19       | 20/21 Average Rate      | 902.35    | 1,180.90     | 824.82 | 2,131.80 | 843.28      | 76.50   | 6.97   |
| 20       | Major Class Drift       | 5.6%      | 6.4%         | 4.7%   | 1.2%     | 0.3%        | 5.0%    | 0.0%   |
| 21       | 21/22 Average Rate      |           |              |        |          |             |         |        |
| 22       | Without Rate Change     | 952.86    | 1,256.92     | 863.51 | 2,157.69 | 845.66      | 80.34   | 6.97   |
| 23       | Full Cred Req Change    | -4.4%     | -5.2%        | 3.3%   | 3.0%     | 17.4%       | -7.7%   | -0.4%  |
| 24       | Applied for Change      | -4.4%     | -5.2%        | 3.3%   | 3.0%     | 17.4%       | -7.7%   | -0.4%  |
| 25       | Credibility             |           | 99.3%        | 88.8%  | 68.1%    | 75.0%       | 97.3%   | 92.6%  |
| 26       | Cred Wtd Change         |           | -5.2%        | 2.4%   | 0.6%     | 12.0%       | -7.6%   | -0.7%  |
| 27       | Cred Wtd Req Rate       |           | 1,191.87     | 884.62 | 2,171.59 | 946.92      | 74.23   | 6.92   |
| 28       | Cred Wtd Req Rate (Bal) | 910.84    | 1,193.80     | 886.06 | 2,175.11 | 948.45      | 74.35   | 6.93   |
| 29       | Cred Wtd Change (Bal)   |           | -5.0%        | 2.6%   | 0.8%     | 12.2%       | -7.5%   | -0.6%  |

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Figure 12 Rating Year 2021/22 Major Classification Required Rate Changes -  
Breakeven Rates including Capital Release Provision

| Line No. | Coverage                | Overall   | Private Pass | Comm   | Public   | Motor-Cycle | Trailer | ORV    |
|----------|-------------------------|-----------|--------------|--------|----------|-------------|---------|--------|
| 1        | 21/22 Units             | 1,200,300 | 828,900      | 47,500 | 12,800   | 18,000      | 218,100 | 75,000 |
| 2        | Claims                  | 709.92    | 930.19       | 689.24 | 1,766.41 | 797.57      | 50.25   | 5.62   |
| 3        | Claims Expense          | 122.69    | 160.76       | 119.12 | 305.27   | 137.84      | 8.68    | 0.97   |
| 4        | Road Safety             | 11.31     | 14.96        | 14.96  | 14.96    | 14.96       | 0.00    | 0.00   |
| 5        | Operating Expense       | 62.19     | 82.29        | 82.29  | 82.29    | 82.29       | 0.00    | 0.00   |
| 6        | Regulatory/Appeal       | 4.32      | 5.71         | 5.71   | 5.71     | 5.71        | 0.00    | 0.00   |
| 7        | Commission: Vehicle     | 30.07     | 39.35        | 29.46  | 73.39    | 32.79       | 2.45    | 0.23   |
| 8        | Prem Tax: Vehicle       | 27.68     | 36.21        | 27.11  | 67.54    | 30.18       | 2.25    | 0.21   |
| 9        | Comm & Prem Tax: Driver | 3.60      | 4.76         | 4.76   | 4.76     | 4.76        | 0.00    | 0.00   |
| 10       | Commission Flat Fee     | 6.28      | 8.31         | 8.31   | 8.31     | 8.31        | 0.00    | 0.00   |
| 11       | Reins: Casualty         | 1.10      | 1.46         | 1.46   | 1.46     | 1.46        | 0.00    | 0.00   |
| 12       | Reins: Catastrophe      | 10.59     | 11.48        | 11.48  | 11.48    | 0.00        | 11.48   | 0.00   |
| 13       | Fleet Rebates           | 14.58     | 19.68        | 19.68  | 19.68    | 0.00        | 0.00    | 0.00   |
| 14       | Anti-Theft Discount     | 1.35      | 1.96         | 0.00   | 0.00     | 0.00        | 0.00    | 0.00   |
| 15       | Driver Prem             | 57.46     | 76.02        | 76.02  | 76.02    | 76.02       | 0.00    | 0.00   |
| 16       | Service Fees            | 25.69     | 33.99        | 33.99  | 33.99    | 33.99       | 0.00    | 0.00   |
| 17       | Req Rate (Raw)          | 922.53    | 1,207.10     | 903.55 | 2,251.24 | 1,005.85    | 75.11   | 7.03   |
| 18       | Req Rate (Bal)          | 910.83    | 1,191.79     | 892.09 | 2,222.69 | 993.09      | 74.15   | 6.94   |
| 19       | 20/21 Average Rate      | 902.35    | 1,180.90     | 824.82 | 2,131.80 | 843.28      | 76.50   | 6.97   |
| 20       | Major Class Drift       | 5.6%      | 6.4%         | 4.7%   | 1.2%     | 0.3%        | 5.0%    | 0.0%   |
| 21       | 21/22 Average Rate      |           |              |        |          |             |         |        |
| 22       | Without Rate Change     | 952.86    | 1,256.92     | 863.51 | 2,157.69 | 845.66      | 80.34   | 6.97   |
| 23       | Full Cred Req Change    | -4.4%     | -5.2%        | 3.3%   | 3.0%     | 17.4%       | -7.7%   | -0.4%  |
| 24       | Applied for Change      | -8.5%     | -9.2%        | -1.1%  | -1.4%    | 12.4%       | -11.7%  | -4.7%  |
| 25       | Credibility             |           | 99.3%        | 88.8%  | 68.1%    | 75.0%       | 97.3%   | 92.6%  |
| 26       | Cred Wtd Change         |           | -9.2%        | -1.9%  | -3.7%    | 7.2%        | -11.6%  | -5.0%  |
| 27       | Cred Wtd Req Rate       |           | 1,140.75     | 846.68 | 2,078.45 | 906.31      | 71.04   | 6.62   |
| 28       | Cred Wtd Req Rate (Bal) | 871.77    | 1,142.60     | 848.05 | 2,081.82 | 907.77      | 71.16   | 6.64   |
| 29       | Cred Wtd Change (Bal)   |           | -9.1%        | -1.8%  | -3.5%    | 7.3%        | -11.4%  | -4.8%  |

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|                        |  |           |                |
|------------------------|--|-----------|----------------|
| Part and Chapter:      | Part V- Claims Incurred  | Page No.: | 21, 26, 31, 40 |
| PUB Approved Issue No: | 1. Requested Vehicle Rate and Any Changes to Other Fees and Discounts<br>11. Claims forecasting (including PIPP) |           |                |
| Topic:                 | Claims Incurred  |           |                |
| Sub Topic:             |  |           |                |

Preamble to IR:

Question:

- a) For the incurred claims severity trend analyses for Weekly Indemnity, Accident Benefits Other – Indexed, Accident Benefits Other – Non-Indexed, and Public Liability – Bodily Injury, please calculate severity trends on the annual severities, using the same number of accident years as were used in the 2021 GRA, but without splitting the claims into different severity groups.
- b) Please provide the results of an alternate analysis of the Basic rate requirement (overall and by Major Use classification) assuming the severity trends as calculated above are used. Please include alternate AAP rate indications, with supporting schedules as appropriate.

Rationale for Question:

To gain further insight into the selection of the severity trends.

RESPONSE:

- a) See the figures below for the revised severity growth factors without splitting into different severity groups.

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Figure 1 Weekly Indemnity Ultimate Severity

| Line No. | Accident Year                          | Average Severity<br>\$0+ |
|----------|--|--------------------------|
| 1        | 2002/03                                | \$30,808                 |
| 2        | 2003/04                                | \$29,454                 |
| 3        | 2004/05                                | \$25,455                 |
| 4        | 2005/06                                | \$33,114                 |
| 5        | 2006/07                                | \$38,138                 |
| 6        | 2007/08                                | \$39,688                 |
| 7        | 2008/09                                | \$42,760                 |
| 8        | 2009/10                                | \$39,098                 |
| 9        | 2010/11                                | \$49,754                 |
| 10       | 2011/12                                | \$49,343                 |
| 11       | 2012/13                                | \$44,919                 |
| 12       | 2013/14                                | \$39,833                 |
| 13       | 2014/15                                | \$45,283                 |
| 14       | 2015/16                                | \$50,954                 |
| 15       | 2016/17                                | \$52,267                 |
| 16       | 2017/18                                | \$49,509                 |
| 17       | 2018/19                                | \$49,601                 |
| 18       | 2019/20*                               | \$57,022                 |
| 19       | Severity Growth                        | 3.99%                    |
| 20       | Total Incurred                         | \$1,271,371,399          |
| 21       | Weighted Average Severity Growth       | 3.99%                    |
| 22       | Indexation                             | 2.00%                    |
| 23       | Total Severity Growth                  | 5.99%                    |
| 24       | *13 month period ending March 31, 2020 |                          |

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Figure 2 ABO-Indexed Ultimate Severity

| Line No. | Accident Year                          | Average Severity<br>\$0+ |
|----------|--|--------------------------|
| 1        | 2002/03                                | \$5,658                  |
| 2        | 2003/04                                | \$4,971                  |
| 3        | 2004/05                                | \$5,792                  |
| 4        | 2005/06                                | \$5,395                  |
| 5        | 2006/07                                | \$5,984                  |
| 6        | 2007/08                                | \$6,311                  |
| 7        | 2008/09                                | \$5,146                  |
| 8        | 2009/10                                | \$5,720                  |
| 9        | 2010/11                                | \$5,005                  |
| 10       | 2011/12                                | \$5,851                  |
| 11       | 2012/13                                | \$5,236                  |
| 12       | 2013/14                                | \$4,404                  |
| 13       | 2014/15                                | \$4,825                  |
| 14       | 2015/16                                | \$5,584                  |
| 15       | 2016/17                                | \$6,233                  |
| 16       | 2017/18                                | \$5,914                  |
| 17       | 2018/19                                | \$6,019                  |
| 18       | 2019/20*                               | \$5,618                  |
| 19       | Severity Growth                        | -0.09%                   |
| 20       | Total Incurred                         | \$1,020,393,446          |
| 21       | Weighted Average Severity Growth       | -0.09%                   |
| 22       | Indexation                             | 2.00%                    |
| 23       | Total Severity Growth                  | 1.91%                    |
| 24       | *13 month period ending March 31, 2020 |                          |

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Figure 3 ABO-Non Indexed Ultimate Severity

| Line No. | Accident Year                          | Average Severity<br>\$0+ |
|----------|--|--------------------------|
| 1        | 2002/03                                | \$18,439                 |
| 2        | 2003/04                                | \$16,787                 |
| 3        | 2004/05                                | \$17,534                 |
| 4        | 2005/06                                | \$19,663                 |
| 5        | 2006/07                                | \$20,703                 |
| 6        | 2007/08                                | \$20,153                 |
| 7        | 2008/09                                | \$20,082                 |
| 8        | 2009/10                                | \$20,928                 |
| 9        | 2010/11                                | \$21,402                 |
| 10       | 2011/12                                | \$20,334                 |
| 11       | 2012/13                                | \$21,148                 |
| 12       | 2013/14                                | \$22,212                 |
| 13       | 2014/15                                | \$25,533                 |
| 14       | 2015/16                                | \$22,180                 |
| 15       | 2016/17                                | \$20,928                 |
| 16       | 2017/18                                | \$19,928                 |
| 17       | 2018/19                                | \$19,926                 |
| 18       | 2019/20*                               | \$22,352                 |
| 19       | Severity Growth                        | 1.45%                    |
| 20       | Total Incurred                         | \$478,901,995            |
| 21       | Weighted Average Severity Growth       | 1.45%                    |
| 22       | Indexation                             | 0.00%                    |
| 23       | Total Severity Growth                  | 1.45%                    |
| 24       | *13 month period ending March 31, 2020 | -                        |



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**Figure 4** Public Liability Ultimate Severity

| Line No. | Accident Year                          | Average Severity<br>\$0+ |
|----------|--|--------------------------|
| 1        | 2002/03                                | \$38,262                 |
| 2        | 2003/04                                | \$33,183                 |
| 3        | 2004/05                                | \$42,943                 |
| 4        | 2005/06                                | \$36,140                 |
| 5        | 2006/07                                | \$32,562                 |
| 6        | 2007/08                                | \$35,922                 |
| 7        | 2008/09                                | \$28,969                 |
| 8        | 2009/10                                | \$44,018                 |
| 9        | 2010/11                                | \$43,802                 |
| 10       | 2011/12                                | \$37,970                 |
| 11       | 2012/13                                | \$49,204                 |
| 12       | 2013/14                                | \$34,505                 |
| 13       | 2014/15                                | \$49,447                 |
| 14       | 2015/16                                | \$49,477                 |
| 15       | 2016/17                                | \$68,295                 |
| 16       | 2017/18                                | \$62,788                 |
| 17       | 2018/19                                | \$67,067                 |
| 18       | 2019/20*                               | \$51,281                 |
| 19       | Severity Growth                        | 3.59%                    |
| 20       | Total Incurred                         | \$66,712,278             |
| 21       | Weighted Average Severity Growth       | 3.59%                    |
| 22       | Indexation                             | 0.00%                    |
| 23       | Total Severity Growth                  | 3.59%                    |
| 24       | *13 month period ending March 31, 2020 |                          |

b) Please see **Figure 5** below which shows the breakeven rate indication and capital release provision based on the scenario requested.

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**Figure 5** Overall Required Rate Change and Forecasted MCT Ratio

| Line No. | New Money Yield | AAP Breakeven Rate Indication | Capital Build / (Release) Provision | MCT % After AAP Breakeven Rate Indication |        |        | MCT % After AAP Breakeven Rate Indication and Transfer from Extension |        | MCT % After AAP Breakeven Rate Indication and Transfer from Extension and Capital Build / Release |        |
|----------|-----------------|-------------------------------|-------------------------------------|---|--------|--------|---|--------|---|--------|
|          |                 |                               |                                     | Breakeven Rate Indication                 |        |        | Breakeven Rate Indication and Transfer from Extension                 |        | Breakeven Rate Indication and Transfer from Extension and Capital Build / Release                 |        |
|          |                 |                               |                                     | 20/21                                     | 21/22  | 22/23  | 21/22   | 22/23  | 21/22   | 22/23  |
| 1        | 2.58%           | -4.41%                        | -4.10%                              | 117.5%                                    | 111.2% | 107.9% | 116.8%  | 120.8% | 112.0%  | 105.8% |

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The following supporting schedules are based on the alternate severity scenario requested.

Figure 6 PF-1 Statement of Operations

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| Multi-year - Statement of Operations |   |                               |           |           |           |           |           |
|--------------------------------------|---|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| Line No.                             | 2021 GRA Base with Claims Scenario PUB 1-8(b) with RI and CMP<br>(C\$ 000s, rounding may affect totals) | For the Years Ended March 31, |           |           |           |           |           |
|                                      |   | 2020A                         | 2021BF    | 2022F     | 2023F     | 2024F     | 2025F     |
| 2                                    | BASIC   |                               |           |           |           |           |           |
| 3                                    | Motor Vehicles  | 1,055,113                     | 1,079,495 | 1,028,785 | 1,066,157 | 1,105,040 | 1,144,782 |
| 4                                    | Drivers   | 66,411                        | 67,146    | 68,094    | 69,212    | 70,412    | 71,588    |
| 5                                    | Reinsurance Ceded   | (14,099)                      | (13,615)  | (13,887)  | (14,166)  | (14,447)  | (14,737)  |
| 6                                    | Total Net Premiums Written  | 1,107,425                     | 1,133,026 | 1,082,992 | 1,121,203 | 1,161,005 | 1,201,633 |
| 7                                    | Net Premiums Earned   |                               |           |           |           |           |           |
| 8                                    | Motor Vehicles  | 1,036,651                     | 1,067,604 | 1,053,516 | 1,047,931 | 1,086,077 | 1,125,400 |
| 9                                    | Drivers   | 66,733                        | 66,781    | 67,623    | 68,656    | 69,816    | 71,004    |
| 10                                   | Reinsurance Ceded   | (14,099)                      | (13,615)  | (13,888)  | (14,165)  | (14,448)  | (14,738)  |
| 11                                   | Total Net Premiums Earned   | 1,089,285                     | 1,120,770 | 1,107,251 | 1,102,422 | 1,141,445 | 1,181,666 |
| 12                                   | Service Fees & Other Revenues   | 27,161                        | 28,208    | 27,578    | 29,144    | 30,833    | 32,641    |
| 13                                   | Total Earned Revenues   | 1,116,446                     | 1,148,978 | 1,134,829 | 1,131,566 | 1,172,278 | 1,214,307 |
| 14                                   | Claims Incurred   | 787,799                       | 825,549   | 911,522   | 933,986   | 974,004   | 1,013,520 |
| 15                                   | DPAC \ Premium Deficiency Adjustment  | (17,406)                      | (8,509)   | 1,298     | (1,890)   | 4,643     | 14,216    |
| 16                                   | (a) Claims Incurred - Interest Rate Impact  | (8,938)                       | 35,430    | 7,811     | 13,323    | 10,821    | 11,053    |
| 17                                   | Total Claims Incurred   | 761,455                       | 852,470   | 920,631   | 945,419   | 989,468   | 1,038,789 |
| 18                                   | Claims Expense  | 132,028                       | 143,490   | 143,262   | 146,906   | 154,359   | 153,858   |
| 19                                   | Road Safety/Loss Prevention   | 12,030                        | 11,234    | 13,631    | 13,512    | 13,571    | 13,366    |
| 20                                   | Total Claims Costs  | 905,513                       | 1,007,194 | 1,077,524 | 1,105,837 | 1,157,398 | 1,206,013 |
| 21                                   | Expenses  |                               |           |           |           |           |           |
| 22                                   | Operating   | 69,859                        | 71,865    | 72,065    | 75,962    | 79,981    | 80,029    |
| 23                                   | Commissions   | 42,332                        | 43,823    | 43,723    | 43,562    | 45,070    | 46,625    |
| 24                                   | Premium Taxes   | 33,102                        | 32,292    | 33,634    | 33,498    | 34,677    | 35,892    |
| 25                                   | Regulatory/Appeal   | 4,647                         | 5,120     | 5,160     | 5,201     | 5,294     | 5,392     |
| 26                                   | Total Expenses  | 149,940                       | 153,100   | 154,582   | 158,223   | 165,022   | 167,938   |
| 27                                   | Underwriting Income (Loss)  | 60,993                        | (11,316)  | (97,277)  | (132,494) | (150,142) | (159,644) |
| 28                                   | Investment Income   | 54,159                        | 83,796    | 89,262    | 91,874    | 90,732    | 91,936    |
| 29                                   | (b) Investment Income - Interest Rate Impact  | 5,455                         | 575       | 313       | 146       | 63        | 14        |
| 30                                   | Net Investment Income   | 59,614                        | 84,371    | 89,575    | 92,020    | 90,795    | 91,950    |
| 31                                   | Gain (Loss) on Sale of Property   | -                             | -         | 5,997     | -         | -         | -         |
| 32                                   | Net Income (Loss) from Annual Operations  | 120,607                       | 73,055    | (1,705)   | (40,474)  | (59,347)  | (67,694)  |
| 33                                   | Premium Rebate  | -                             | (58,000)  | -         | -         | -         | -         |
| 34                                   | Net Income (Loss) after Premium Rebate  | 120,607                       | 15,055    | (1,705)   | (40,474)  | (59,347)  | (67,694)  |
| 35                                   | Total net Impact due to interest rate change (b) - (a)  | 14,393                        | (34,855)  | (7,498)   | (13,177)  | (10,758)  | (11,039)  |

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Figure 7 PF-2 Statement of Financial Position

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## Multi-year - Statement of Financial Position

| Line No. | 2021 GRA Base with Claims Scenario PUB 1-8(b) with RI and CMP<br>(C\$ 000s, rounding may affect totals) | For the Years Ended March 31, |           |           |           |           |           |
|----------|---|-------------------------------|-----------|-----------|-----------|-----------|-----------|
|          |   | 2020A                         | 2021BF    | 2022F     | 2023F     | 2024F     | 2025F     |
| 2        | BASIC   |                               |           |           |           |           |           |
| 3        | Assets  |                               |           |           |           |           |           |
| 4        | Cash and cash equivalents   | 186,762                       | 57,868    | 54,007    | 49,809    | 51,230    | 52,676    |
| 5        | Investments   | 2,648,873                     | 2,964,904 | 3,068,399 | 3,175,269 | 3,288,195 | 3,413,282 |
| 6        | Investment property   | 20,969                        | 20,910    | 20,735    | 20,324    | 20,327    | 20,044    |
| 7        | Due from other insurance companies  | 381                           | -         | -         | -         | -         | -         |
| 8        | Accounts receivable   | 406,844                       | 413,919   | 406,451   | 419,864   | 433,870   | 448,216   |
| 9        | Prepaid expenses  | -                             | -         | -         | -         | -         | -         |
| 10       | Deferred policy acquisition costs   | 25,582                        | 30,972    | 30,080    | 33,182    | 29,800    | 16,873    |
| 11       | Reinsurers' share of unearned premiums  | -                             | -         | (1)       | -         | (1)       | (2)       |
| 12       | Reinsurers' share of unpaid claims  | 5,072                         | -         | -         | -         | -         | -         |
| 13       | Property and equipment  | 88,465                        | 93,323    | 96,761    | 99,203    | 97,064    | 91,133    |
| 14       | Deferred development costs  | 34,964                        | 39,658    | 61,994    | 70,074    | 67,750    | 58,574    |
| 15       | Total Assets  | 3,417,912                     | 3,621,554 | 3,738,426 | 3,867,725 | 3,988,235 | 4,100,796 |
| 16       | Liabilities   |                               |           |           |           |           |           |
| 17       | Due to other insurance companies  | 595                           | 545       | 545       | 545       | 545       | 545       |
| 18       | Accounts payable and accrued liabilities  | 50,053                        | 70,311    | 71,241    | 73,423    | 78,228    | 78,137    |
| 19       | Financing lease obligation  | 5,475                         | 5,368     | 5,253     | 5,131     | 5,008     | 4,885     |
| 20       | Unearned premiums and fees  | 569,706                       | 582,458   | 559,746   | 580,193   | 601,542   | 623,436   |
| 21       | Provision for employee current benefits   | 18,213                        | 18,903    | 19,600    | 20,341    | 21,092    | 21,852    |
| 22       | Provision for employee future benefits  | 336,307                       | 347,934   | 360,191   | 372,329   | 384,561   | 397,192   |
| 23       | Provision for unpaid claims   | 2,031,336                     | 2,102,285 | 2,198,144 | 2,293,261 | 2,392,412 | 2,493,650 |
| 24       | Total Liabilities   | 3,011,685                     | 3,127,804 | 3,214,720 | 3,345,223 | 3,483,388 | 3,619,697 |
| 25       | Equity  |                               |           |           |           |           |           |
| 26       | Retained Earnings   | 440,522                       | 520,236   | 543,804   | 538,444   | 517,152   | 489,916   |
| 27       | Accumulated Other Comprehensive Income  | (34,296)                      | (26,486)  | (20,098)  | (15,942)  | (12,304)  | (8,816)   |
| 28       | Total Equity  | 406,226                       | 493,750   | 523,706   | 522,502   | 504,848   | 481,100   |
| 29       | Total Liabilities & Equity  | 3,417,911                     | 3,621,554 | 3,738,426 | 3,867,725 | 3,988,236 | 4,100,797 |



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Figure 9 EPF-1 Extension Statement of Operations

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## Multi-year - Statement of Operations

| Line<br>No. | 2021 GRA Base with Claims Scenario PUB 1-8(b) with RI and CMP<br>(C\$ 000s, rounding may affect totals) | For the Years Ended March 31, |          |         |         |         |         |
|-------------|---|-------------------------------|----------|---------|---------|---------|---------|
|             |   | 2020A                         | 2021BF   | 2022F   | 2023F   | 2024F   | 2025F   |
| 1           |   |                               |          |         |         |         |         |
| 2           | EXTENSION   |                               |          |         |         |         |         |
| 3           | Motor Vehicles  | 155,063                       | 158,100  | 180,316 | 186,381 | 192,868 | 199,666 |
| 4           | Reinsurance Ceded   | (1,903)                       | (1,778)  | (1,814) | (1,850) | (1,887) | (1,924) |
| 5           | Total Net Premiums Written  | 153,160                       | 156,322  | 178,502 | 184,531 | 190,981 | 197,742 |
| 6           | Net Premiums Earned   |                               |          |         |         |         |         |
| 7           | Motor Vehicles  | 157,842                       | 156,644  | 169,669 | 183,474 | 189,759 | 196,408 |
| 8           | Reinsurance Ceded   | (1,903)                       | (1,778)  | (1,814) | (1,850) | (1,887) | (1,925) |
| 9           | Total Net Premiums Earned   | 155,939                       | 154,866  | 167,855 | 181,624 | 187,872 | 194,483 |
| 10          | Service Fees & Other Revenues   | 12,461                        | 12,065   | 12,940  | 13,540  | 14,182  | 14,872  |
| 11          | Total Earned Revenues   | 168,400                       | 166,931  | 180,795 | 195,164 | 202,054 | 209,355 |
| 12          | Net Claims Incurred   | 69,516                        | 65,135   | 82,556  | 96,594  | 97,389  | 98,713  |
| 13          | (a) Claims Incurred - Interest Rate Impact  | -                             | (27)     | (106)   | -       | -       | -       |
| 14          | Total Claims Incurred   | 69,516                        | 65,108   | 82,450  | 96,594  | 97,389  | 98,713  |
| 15          | Claims Expense  | 11,100                        | 11,745   | 11,663  | 12,118  | 13,760  | 14,017  |
| 16          | Road Safety/Loss Prevention   | 1,013                         | 919      | 1,109   | 1,115   | 1,223   | 1,229   |
| 17          | Total Claims Costs  | 81,629                        | 77,772   | 95,222  | 109,827 | 112,372 | 113,959 |
| 18          | Expenses  |                               |          |         |         |         |         |
| 19          | Operating   | 8,910                         | 7,849    | 8,137   | 8,776   | 9,609   | 9,795   |
| 20          | Commissions   | 34,788                        | 35,060   | 37,094  | 40,329  | 41,709  | 43,169  |
| 21          | Premium Taxes   | 4,735                         | 3,139    | 5,090   | 5,504   | 5,693   | 5,892   |
| 22          | Regulatory/Appeal   | 12                            | 12       | 12      | 12      | 18      | 23      |
| 23          | Total Expenses  | 48,445                        | 46,060   | 50,333  | 54,621  | 57,029  | 58,879  |
| 24          | Underwriting Income (Loss)  | 38,326                        | 43,099   | 35,240  | 30,716  | 32,653  | 36,517  |
| 25          | Investment Income   | (723)                         | 7,700    | 6,112   | 7,187   | 7,245   | 7,640   |
| 26          | (b) Investment Income - Interest Rate Impact  | 280                           | 989      | 165     | 4       | (18)    | (25)    |
| 27          | Net Investment Income   | (443)                         | 8,689    | 6,277   | 7,191   | 7,227   | 7,615   |
| 28          | Gain (Loss) on Sale of Property   | -                             | -        | 516     | -       | -       | -       |
| 29          | Net Income (Loss) from Operations   | 37,883                        | 51,788   | 42,033  | 37,907  | 39,880  | 44,132  |
| 30          | Premium Rebate  | -                             | (52,000) | -       | -       | -       | -       |
| 31          | Net Income (Loss) after premium rebate  | 37,883                        | (212)    | 42,035  | 37,906  | 39,881  | 44,131  |
| 32          | Total net Impact due to interest rate change (b) - (a)  | 280                           | 1,016    | 271     | 4       | (18)    | (25)    |



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Figure 11 Rating Year 2021/22 Major Classification Required Rate Changes - Breakeven Rates

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| Line No. | Coverage                | Overall   | Private Pass | Comm   | Public   | Motor-Cycle | Trailer | ORV    |
|----------|-------------------------|-----------|--------------|--------|----------|-------------|---------|--------|
| 1        | 21/22 Units             | 1,200,300 | 828,900      | 47,500 | 12,800   | 18,000      | 218,100 | 75,000 |
| 2        | Claims                  | 709.92    | 930.19       | 689.24 | 1,766.41 | 797.57      | 50.25   | 5.62   |
| 3        | Claims Expense          | 122.69    | 160.76       | 119.12 | 305.27   | 137.84      | 8.68    | 0.97   |
| 4        | Road Safety             | 11.31     | 14.96        | 14.96  | 14.96    | 14.96       | 0.00    | 0.00   |
| 5        | Operating Expense       | 62.19     | 82.29        | 82.29  | 82.29    | 82.29       | 0.00    | 0.00   |
| 6        | Regulatory/Appeal       | 4.32      | 5.71         | 5.71   | 5.71     | 5.71        | 0.00    | 0.00   |
| 7        | Commission: Vehicle     | 30.07     | 39.35        | 29.46  | 73.39    | 32.79       | 2.45    | 0.23   |
| 8        | Prem Tax: Vehicle       | 27.68     | 36.21        | 27.11  | 67.54    | 30.18       | 2.25    | 0.21   |
| 9        | Comm & Prem Tax: Driver | 3.60      | 4.76         | 4.76   | 4.76     | 4.76        | 0.00    | 0.00   |
| 10       | Commission Flat Fee     | 6.28      | 8.31         | 8.31   | 8.31     | 8.31        | 0.00    | 0.00   |
| 11       | Reins: Casualty         | 1.10      | 1.46         | 1.46   | 1.46     | 1.46        | 0.00    | 0.00   |
| 12       | Reins: Catastrophe      | 10.59     | 11.48        | 11.48  | 11.48    | 0.00        | 11.48   | 0.00   |
| 13       | Fleet Rebates           | 14.58     | 19.68        | 19.68  | 19.68    | 0.00        | 0.00    | 0.00   |
| 14       | Anti-Theft Discount     | 1.35      | 1.96         | 0.00   | 0.00     | 0.00        | 0.00    | 0.00   |
| 15       | Driver Prem             | 57.46     | 76.02        | 76.02  | 76.02    | 76.02       | 0.00    | 0.00   |
| 16       | Service Fees            | 25.69     | 33.99        | 33.99  | 33.99    | 33.99       | 0.00    | 0.00   |
| 17       | Req Rate (Raw)          | 922.53    | 1,207.10     | 903.55 | 2,251.24 | 1,005.85    | 75.11   | 7.03   |
| 18       | Req Rate (Bal)          | 910.83    | 1,191.79     | 892.09 | 2,222.69 | 993.09      | 74.15   | 6.94   |
| 19       | 20/21 Average Rate      | 902.35    | 1,180.90     | 824.82 | 2,131.80 | 843.28      | 76.50   | 6.97   |
| 20       | Major Class Drift       | 5.6%      | 6.4%         | 4.7%   | 1.2%     | 0.3%        | 5.0%    | 0.0%   |
| 21       | 21/22 Average Rate      |           |              |        |          |             |         |        |
| 22       | Without Rate Change     | 952.86    | 1,256.92     | 863.51 | 2,157.69 | 845.66      | 80.34   | 6.97   |
| 23       | Full Cred Req Change    | -4.4%     | -5.2%        | 3.3%   | 3.0%     | 17.4%       | -7.7%   | -0.4%  |
| 24       | Applied for Change      | -4.4%     | -5.2%        | 3.3%   | 3.0%     | 17.4%       | -7.7%   | -0.4%  |
| 25       | Credibility             |           | 99.3%        | 88.8%  | 68.1%    | 75.0%       | 97.3%   | 92.6%  |
| 26       | Cred Wld Change         |           | -5.2%        | 2.4%   | 0.6%     | 12.0%       | -7.6%   | -0.7%  |
| 27       | Cred Wld Req Rate       |           | 1,191.87     | 884.62 | 2,171.59 | 946.92      | 74.23   | 6.92   |
| 28       | Cred Wld Req Rate (Bal) | 910.84    | 1,193.80     | 886.06 | 2,175.11 | 948.45      | 74.35   | 6.93   |
| 29       | Cred Wld Change (Bal)   |           | -5.0%        | 2.6%   | 0.8%     | 12.2%       | -7.5%   | -0.6%  |

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Figure 12 Rating Year 2021/22 Major Classification Required Rate Changes -  
Breakeven Rates including Capital Release Provision

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| Line No. | Coverage                | Overall   | Private Pass | Comm   | Public   | Motor-Cycle | Trailer | ORV    |
|----------|-------------------------|-----------|--------------|--------|----------|-------------|---------|--------|
| 1        | 21/22 Units             | 1,200,300 | 828,900      | 47,500 | 12,800   | 18,000      | 218,100 | 75,000 |
| 2        | Claims                  | 709.92    | 930.19       | 689.24 | 1,766.41 | 797.57      | 50.25   | 5.62   |
| 3        | Claims Expense          | 122.69    | 160.76       | 119.12 | 305.27   | 137.84      | 8.68    | 0.97   |
| 4        | Road Safety             | 11.31     | 14.96        | 14.96  | 14.96    | 14.96       | 0.00    | 0.00   |
| 5        | Operating Expense       | 62.19     | 82.29        | 82.29  | 82.29    | 82.29       | 0.00    | 0.00   |
| 6        | Regulatory/Appeal       | 4.32      | 5.71         | 5.71   | 5.71     | 5.71        | 0.00    | 0.00   |
| 7        | Commission: Vehicle     | 30.07     | 39.35        | 29.46  | 73.39    | 32.79       | 2.45    | 0.23   |
| 8        | Prem Tax: Vehicle       | 27.68     | 36.21        | 27.11  | 67.54    | 30.18       | 2.25    | 0.21   |
| 9        | Comm & Prem Tax: Driver | 3.60      | 4.76         | 4.76   | 4.76     | 4.76        | 0.00    | 0.00   |
| 10       | Commission Flat Fee     | 6.28      | 8.31         | 8.31   | 8.31     | 8.31        | 0.00    | 0.00   |
| 11       | Reins: Casualty         | 1.10      | 1.46         | 1.46   | 1.46     | 1.46        | 0.00    | 0.00   |
| 12       | Reins: Catastrophe      | 10.59     | 11.48        | 11.48  | 11.48    | 0.00        | 11.48   | 0.00   |
| 13       | Fleet Rebates           | 14.58     | 19.68        | 19.68  | 19.68    | 0.00        | 0.00    | 0.00   |
| 14       | Anti-Theft Discount     | 1.35      | 1.96         | 0.00   | 0.00     | 0.00        | 0.00    | 0.00   |
| 15       | Driver Prem             | 57.46     | 76.02        | 76.02  | 76.02    | 76.02       | 0.00    | 0.00   |
| 16       | Service Fees            | 25.69     | 33.99        | 33.99  | 33.99    | 33.99       | 0.00    | 0.00   |
| 17       | Req Rate (Raw)          | 922.53    | 1,207.10     | 903.55 | 2,251.24 | 1,005.85    | 75.11   | 7.03   |
| 18       | Req Rate (Bal)          | 910.83    | 1,191.79     | 892.09 | 2,222.69 | 993.09      | 74.15   | 6.94   |
| 19       | 20/21 Average Rate      | 902.35    | 1,180.90     | 824.82 | 2,131.80 | 843.28      | 76.50   | 6.97   |
| 20       | Major Class Drift       | 5.6%      | 6.4%         | 4.7%   | 1.2%     | 0.3%        | 5.0%    | 0.0%   |
| 21       | 21/22 Average Rate      |           |              |        |          |             |         |        |
| 22       | Without Rate Change     | 952.86    | 1,256.92     | 863.51 | 2,157.69 | 845.66      | 80.34   | 6.97   |
| 23       | Full Cred Req Change    | -4.4%     | -5.2%        | 3.3%   | 3.0%     | 17.4%       | -7.7%   | -0.4%  |
| 24       | Applied for Change      | -8.5%     | -9.2%        | -1.1%  | -1.4%    | 12.4%       | -11.7%  | -4.7%  |
| 25       | Credibility             |           | 99.3%        | 88.8%  | 68.1%    | 75.0%       | 97.3%   | 92.6%  |
| 26       | Cred Wld Change         |           | -9.2%        | -1.9%  | -3.7%    | 7.2%        | -11.6%  | -5.0%  |
| 27       | Cred Wld Req Rate       |           | 1,140.75     | 846.68 | 2,078.45 | 906.31      | 71.04   | 6.62   |
| 28       | Cred Wld Req Rate (Bal) | 871.77    | 1,142.60     | 848.05 | 2,081.82 | 907.77      | 71.16   | 6.64   |
| 29       | Cred Wld Change (Bal)   |           | -9.1%        | -1.8%  | -3.5%    | 7.3%        | -11.4%  | -4.8%  |