



June 22, 2020

**Via E-Mail**

Dr. Darren Christle  
Board Secretary and Executive Director  
The Public Utilities Board  
400 – 330 Portage Avenue  
Winnipeg, MB R3C 0C4

Dear Dr. Christle:

**RE: Public Utilities Board (PUB) Order 79/20 2021 General Rate Application – Supplemental Filing**

Please find enclosed herewith the following schedules related to Extension, completing the list of Minimum Filing Requirements that MPI needs to file as per the Attachment of PUB Order 79/20:

- Revenue Appendix 3 - Ten-Year History of Extension Overall Average Rate Level Change Indication
- Revenue Appendix 4 - Key Assumption Areas Underlying the Extension Revenue Forecasts
- Claims Incurred Appendix 13 - Key Assumption Areas Underlying the Extension Claims Incurred Forecasts

Should you have any questions or concerns, please do not hesitate to contact me.

Yours truly,

Michael Triggs  
General Counsel and Corporate Secretary

MT/st

Encl.

cc: K. McCandless and PUB Advisors  
2020 GRA Registered Interveners

### Appendix 3: Ten-Year History of Extension Overall Average Rate Level Change Indication

- 1 The ten-year history of Extension Overall Average Rate Level Change Indication is  
2 provided below:

**Figure REV App 3- 1 Overall Average Rate Level Change**

Line No.	Rating Year	Overall Profit Target	Indicated Overall Rate Change	Actual Overall Rate Change
1	<b>2011</b>	*	*	-2.00%
2	<b>2012</b>	6.20%	*	1.24%
3	<b>2013</b>	15.70%	*	-3.78%
4	<b>2014</b>	19.10%	0.00%	-0.30%
5	<b>2015</b>	25.00%	1.01%	1.01%
6	<b>2016</b>	29.00%	1.07%	1.08%
7	<b>2017</b>	25.00%	0.00%	0.03%
8	<b>2018</b>	32.10%	0.30%	0.03%
9	<b>2019</b>	27.85%	-6.49%	-6.37%
10	<b>2020</b>	28.29%	0.01%	0.27%
11	Note: "*" indicates where profit target/rate change calculated on a			
12	product level (not overall)			

---

## Appendix 4: Key Assumption Areas Underlying the Extension Revenue Forecasts

---

1 MPI projects written premium revenue for Extension based on the combined effects of four  
2 factors:

- 3 • **Rate change** – Historical overall rate change for Extension is provided in REV  
4 Appendix 3.
- 5 • **Volume growth** – Projected volume growth is determined at the product level,  
6 either based on historical volume growth or changes in penetration rate which, for  
7 products, can be directly linked to Basic eligible units (i.e. reduced deductible).  
8 Figure REV App 4-1 below presents the historical overall volume growth for the last  
9 10 years and the forecasted growth for the forecast period based on an aggregation  
10 of the projected volume growth by product. Note that overall volume growth cannot  
11 be applied directly to written premium revenue since the different product offerings  
12 from Extension have significantly different rates. For example, an overall volume  
13 growth of 1% might result in a 0.1% revenue growth if the bulk of volume growth is  
14 from third party liability increased limits where the rate per unit is very low.
- 15 • **Upgrade** – Projected upgrade is determined at the sub-product level. For example,  
16 for the reduced deductible product, a separate upgrade is used for the \$100, \$200  
17 and \$300 deductible levels. The current methodology MPI employs is to use the  
18 latest indication (i.e. the indication for 2019/20) throughout the forecast years. MPI  
19 has not tracked the historical overall upgrade effect on written premium revenue.
- 20 • **Product shift** – Projected product shift is determined at the product level based on  
21 historical indications. Product shift represents the changes in the buying behavior of  
22 customers for certain Extension products. For example, regarding the reduced  
23 deductible product, the change to the percentage of customers buying \$200 reduced  
24 deductible represents a product shift. MPI has not tracked the historical overall  
25 product shift effect on written premium revenue.

26 Figure REV App 4-2 presents the historical and projected overall growth in written premium  
27 revenue for Extension, and provides a breakdown of the growth by rate change and all other  
28 factors (i.e. the combined effect of volume growth, upgrade, and product shift). The  
29 forecast for all other factors is comparable to historical indications.

**Figure REV App 4-1 Extension Volume Historical and Forecast Growth Rates**

Line No.		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21FB <sup>*</sup>	2021/22F	2022/23F	2023/24F	2024/25F
1	Volume Growth Rate <sup>*</sup>	2.82%	3.75%	2.49%	2.63%	2.21%	1.87%	1.63%	1.60%	0.90%	0.66%	0.59%	1.97%	1.52%	1.57%	1.59%
2	<sup>*</sup> Volume growth rate was determined at product level and then aggregated at coverage level															
3	<sup>*</sup> Adjusted to reflect policy cancellations and non-renewals from government restrictions due to COVID-19 pandemic															

**Figure REV App 4-2 Extension Written Premium Historical and Forecast Growth Rates**

Line No.	Assumption Areas	2014/15A	2015/16A	2016/17A	2017/18A	2018/19A	2019/20A <sup>*</sup>	2020/21FB	2021/22F	2022/23F	2023/24F	2024/25F
1	Volume, Upgrade & Product Shift	3.50%	2.83%	3.53%	3.58%	2.76%	1.53%	1.66%	4.11%	3.35%	3.47%	3.52%
2	Rate Change	-0.30%	1.01%	1.08%	0.03%	0.03%	-5.82%	0.25%	9.50%	0.00%	0.00%	0.00%
3	<b>Overall</b>	<b>3.19%</b>	<b>3.87%</b>	<b>4.65%</b>	<b>3.61%</b>	<b>2.79%</b>	<b>-4.37%</b>	<b>1.91%</b>	<b>14.00%</b>	<b>3.35%</b>	<b>3.47%</b>	<b>3.52%</b>
4	<sup>*</sup> 12 months ending March 31, 2020											

**Appendix 13:  
Key Assumption Areas Underlying  
the Extension Claims Incurred Forecasts**

---

- 1 Figure CI App-1 below shows the ten-year history of actual values of Extension claims
- 2 incurred, on accident year basis. The figure also contains a five-year forecast, with key
- 3 assumptions.

Extension Ten-year Historical Data and Five-year Forecast for Extension Claims Exposure, Frequency, and Severity

Line No.	Coverage (Based on Accident Year basis)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21FB	2021/22F	2022/23F	2023/24F	2024/25F	Assumptions
1	<b>Collision</b>																
2	Exposure Units	858,819	889,736	910,513	936,424	957,223	978,681	990,638	1,005,946	1,015,464	1,017,202	1,024,413	1,036,710	1,050,569	1,065,727	1,081,715	
3	Exposure Growth Rate*		3.60%	2.34%	2.85%	2.22%	2.24%	1.22%	1.55%	0.95%	0.17%	0.71%	1.20%	1.34%	1.44%	1.50%	
4	Frequency (per 1,000 exposures)**	74.12	68.67	72.52	74.64	63.17	61.61	65.73	64.11	63.23	59.65	61.04	61.04	61.04	61.04	61.04	3 yr Weighted average <sup>1</sup> with 20%, 30% and 50% weights to 3 most recent years
5	Severity (\$)	502	483	482	489	485	498	490	491	488	482	490	490	490	490	490	5 yr Hi-Lo average <sup>2</sup>
6	<b>Total Incurred (\$ '000s)</b>	<b>31,985</b>	<b>29,529</b>	<b>31,830</b>	<b>34,187</b>	<b>29,333</b>	<b>30,014</b>	<b>31,938</b>	<b>31,671</b>	<b>31,329</b>	<b>29,260</b>	<b>30,631</b>	<b>30,999</b>	<b>31,413</b>	<b>31,866</b>	<b>32,345</b>	
7	<b>Comprehensive Hail</b>																
8	Exposure Units	922,896	961,162	986,854	1,019,132	1,044,654	1,068,731	1,084,666	1,103,708	1,117,269	1,122,715	1,133,810	1,150,142	1,168,147	1,187,565	1,207,928	
9	Exposure Growth Rate*		4.15%	2.67%	3.27%	2.50%	2.30%	1.49%	1.76%	1.23%	0.49%	0.99%	1.44%	1.57%	1.66%	1.71%	
10	Frequency (per 1,000 exposures)**	6.69	6.46	6.30	5.20	2.64	8.96	7.73	1.52	7.14	1.89	5.02	5.02	5.02	5.02	5.02	6 yr Simple average <sup>3</sup>
11	Severity (\$)	422	410	399	404	425	416	386	345	401	308	392	392	392	392	392	8 yr Hi-Lo average due to volatility
12	<b>Total Incurred (\$ '000s)</b>	<b>2,604</b>	<b>2,550</b>	<b>2,480</b>	<b>2,139</b>	<b>1,170</b>	<b>3,977</b>	<b>3,233</b>	<b>580</b>	<b>3,197</b>	<b>655</b>	<b>2,229</b>	<b>2,261</b>	<b>2,297</b>	<b>2,335</b>	<b>2,375</b>	
13	<b>Comprehensive No Hail</b>																
14	Exposure Units	922,896	961,162	986,854	1,019,132	1,044,654	1,068,731	1,084,666	1,103,708	1,117,269	1,122,715	1,133,810	1,150,142	1,168,147	1,187,565	1,207,928	
15	Exposure Growth Rate*		4.15%	2.67%	3.27%	2.50%	2.30%	1.49%	1.76%	1.23%	0.49%	0.99%	1.44%	1.57%	1.66%	1.71%	
16	Frequency (per 1,000 exposures)**	85.50	90.28	85.50	78.78	81.51	90.16	91.04	91.45	88.29	89.50	89.65	89.65	89.65	89.65	89.65	3 Yr Weighted average with 20%, 30% and 50% weights to 3 most recent years
17	Severity (\$)	295	272	281	296	288	299	315	304	314	314	314	314	314	314	314	2 yr Simple average
18	<b>Total Incurred (\$ '000s)</b>	<b>23,308</b>	<b>23,632</b>	<b>23,685</b>	<b>23,754</b>	<b>24,548</b>	<b>28,802</b>	<b>31,092</b>	<b>30,656</b>	<b>30,966</b>	<b>31,514</b>	<b>31,893</b>	<b>32,353</b>	<b>32,859</b>	<b>33,405</b>	<b>33,978</b>	
19	<b>Bodily Injury</b>																
20	Exposure Units	683,751	703,851	720,022	735,628	748,802	766,019	777,016	790,574	800,818	808,812	818,587	830,036	841,678	853,519	865,565	
21	Exposure Growth Rate*		2.94%	2.30%	2.17%	1.79%	2.30%	1.44%	1.74%	1.30%	1.00%	1.21%	1.40%	1.40%	1.41%	1.41%	
22	Frequency (per 1,000 exposures)**	0.04	0.04	0.06	0.04	0.06	0.05	0.04	0.04	0.03	0.04	0.04	0.04	0.05	0.04	0.04	10 yr Simple average due to volatility
23	Severity (\$)	37,173	7,005	19,923	70,647	64,084	76,687	39,002	161,575	243,956	69,796	67,361	67,361	67,361	67,361	67,361	10 yr Hi-Lo average due to volatility
24	<b>Total Incurred (\$ '000s)</b>	<b>1,115</b>	<b>175</b>	<b>916</b>	<b>2,049</b>	<b>2,948</b>	<b>2,837</b>	<b>1,170</b>	<b>4,686</b>	<b>6,099</b>	<b>2,094</b>	<b>2,425</b>	<b>2,425</b>	<b>2,560</b>	<b>2,560</b>	<b>2,560</b>	
25	<b>Property Damage</b>																
26	Exposure Units	661,556	676,997	696,233	711,852	726,566	739,217	756,075	766,643	779,508	798,221	807,770	818,959	830,335	841,904	853,671	
27	Exposure Growth Rate*		2.33%	2.84%	2.24%	2.07%	1.74%	2.28%	1.40%	1.68%	2.40%	1.20%	1.39%	1.39%	1.39%	1.40%	
28	Frequency (per 1,000 exposures)**	0.97	0.57	0.55	0.53	0.36	0.32	0.36	0.34	0.25	0.22	0.22	0.22	0.22	0.22	0.22	2 yr Simple average due to decreasing trend
29	Severity (\$)	803	2,305	1,063	1,373	1,384	2,364	2,393	3,225	4,454	5,074	3,502	3,502	3,502	3,502	3,502	5 yr Simple average
30	<b>Total Incurred (\$ '000s)</b>	<b>513</b>	<b>897</b>	<b>407</b>	<b>516</b>	<b>357</b>	<b>553</b>	<b>644</b>	<b>851</b>	<b>855</b>	<b>898</b>	<b>634</b>	<b>644</b>	<b>651</b>	<b>662</b>	<b>669</b>	

31 **COMPREHENSIVE TOTAL = HAIL + COMPREHENSIVE NO HAIL**

32 \* Exposure growth rate was determined at product level and then aggregated at coverage level

33 \*\* Stated frequency assumptions are based on 12-month claim counts which is used to calculate ultimate claim count frequency

34 (1) Weighted Average :- Arithmetic average with weights assigned to each data point to reflect its importance

35 (2) Hi-Lo Average :- Arithmetic average excluding the maximum and minimum values

36 (3) Simple Average :- Arithmetic average