

PUB (MPI) Pre-Ask 1

Part and Chapter:	Rebate Application	Page No.:	Page 7 of 27, Figure 3 Claims Incurred before Provisions – Basic
PUB Approved Issue No:			
Topic:	Claims Incurred Forecast		
Sub Topic:			

Preamble to IR:

MPI has indicated a material improvement in Claims Incurred from the Compliance Filing for the fiscal years 2019/20, 2020/21 and the forecast period.

Question:

- a) Please provide the budgeted claims incurred and frequency by month for 2019/20 and 2020/21 and indicate which budget the total should reconcile to for Collision, PIPP and Basic Property Damage.
- b) Are the actual and budgeted collision claims amounts consistent with each other relative to lags in reporting?
- c) Please indicate to what extent the adequacy of reserves at March 31, 2020 has been reviewed by the external actuary.
- d) Is the rebate application consistent with external actuarial review of adequacy of reserves?

Rationale for Question:

RESPONSE:

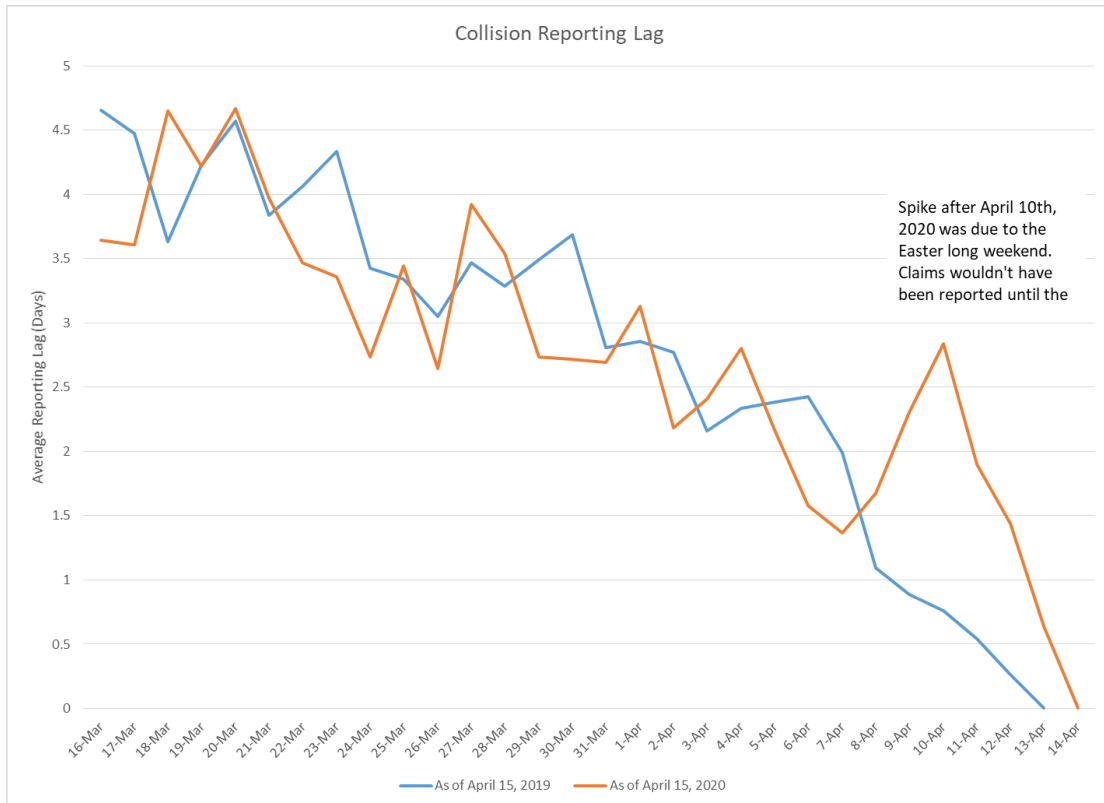
a) The table below provides the budgeted Collision figures by month:

Figure 1 – Collision Ultimate Budget by Month

Line No.	Month	Collision (Repair)		Collision (Total Loss)		Collision (Total)	
		Incurred	Claim Counts	Incurred	Claim Counts	Incurred	Claim Counts
1	Mar-19	\$22,482,871	7,489	\$13,564,424	2,045	\$36,047,295	9,533
2	Apr-19	\$17,669,631	5,834	\$10,796,817	1,583	\$28,466,448	7,417
3	May-19	\$18,523,583	5,903	\$11,846,540	1,672	\$30,370,123	7,575
4	Jun-19	\$19,883,142	6,106	\$12,596,443	1,764	\$32,479,585	7,870
5	Jul-19	\$20,025,382	6,065	\$12,718,353	1,753	\$32,743,735	7,818
6	Aug-19	\$19,185,537	5,881	\$13,007,218	1,775	\$32,192,755	7,656
7	Sep-19	\$20,446,632	6,079	\$13,086,422	1,857	\$33,533,054	7,936
8	Oct-19	\$22,601,038	6,565	\$15,442,808	2,133	\$38,043,847	8,698
9	Nov-19	\$28,641,879	7,813	\$19,662,934	2,719	\$48,304,813	10,532
10	Dec-19	\$33,856,089	9,745	\$21,746,466	3,015	\$55,602,555	12,760
11	Jan-20	\$32,339,648	9,679	\$19,567,471	2,817	\$51,907,119	12,497
12	Feb-20	\$26,117,404	7,964	\$16,133,447	2,312	\$42,250,852	10,276
13	Mar-20	\$21,470,912	6,852	\$12,618,764	1,854	\$34,089,676	8,706
14	Apr-20	\$17,471,026	5,643	\$10,777,918	1,507	\$28,248,944	7,150
15	May-20	\$18,845,335	5,869	\$12,070,717	1,624	\$30,916,052	7,493
16	Jun-20	\$20,176,679	6,020	\$12,721,433	1,726	\$32,898,112	7,747
17	Jul-20	\$20,181,570	6,029	\$12,721,020	1,700	\$32,902,590	7,729
18	Aug-20	\$19,607,513	5,875	\$13,164,227	1,729	\$32,771,741	7,604
19	Sep-20	\$21,024,289	6,065	\$13,540,725	1,826	\$34,565,013	7,891
20	Oct-20	\$23,210,344	6,583	\$15,846,050	2,098	\$39,056,394	8,682
21	Nov-20	\$28,777,564	7,558	\$19,448,375	2,576	\$48,225,939	10,134
22	Dec-20	\$31,803,018	8,827	\$20,849,363	2,746	\$52,652,381	11,573
23	Jan-21	\$31,025,712	8,958	\$19,080,608	2,601	\$50,106,320	11,559
24	Feb-21	\$27,375,760	7,941	\$16,838,321	2,297	\$44,214,081	10,239
25	Mar-21	\$22,055,005	6,644	\$13,481,340	1,846	\$35,536,345	8,491

MPI does not maintain a monthly budget for Property Damage (PD), and bodily injury (BI) claims. In order to calculate the savings for the Summary Rebate Application, MPI assumed a perfect correlation between Collision, PD, and BI claims in terms of frequency. *Figure 5 - Forecasted Basic Claims Savings – March 16, 2020 to April 15, 2020* of the Summary Rebate Application provides further details on the forecast.

- b) Average Reporting Lag is average lapse of time between the date of the accident and the reporting date. The chart below compares the period of March 16 to April 15, between 2019 and 2020:



There is no significant change in reporting lag from last year. The spike after April 10, 2020 is due to the Easter long weekend in which claims would not have been reported until the following Monday or Tuesday.

- c) and d) MPI is currently performing its year-end valuation of policy liabilities. The valuation has not been reviewed by the external actuary. However, MPI can confirm that the October 31, 2019 valuation, which has been signed off by the external actuary, resulted in a decrease of \$31.9 million from the MPI carried book value (i.e. a favourable adjustment). Since October 31, 2019, reported PIPP claims incurred have continued to track below budgeted values. MPI is not anticipating any material unfavourable changes to the claims forecast as a result of the March 31, 2019 valuation.