

**CMMG (CAC) 1-1**

<b>Part and Chapter:</b>	<b>Oliver Wyman Report</b>	<b>Page No.:</b>	<b>13</b>
<b>PUB Approved Issue No:</b>	2. a & b Rate indication based on accepted actuarial practice in Canada Rate Making – Ratemaking methodology		
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Preamble to IR:**

The Oliver Wyamn report provides an alternative approach to estimated trends (Comprehensive, property damage, income replacement, accident benefits other (non-indexed), collision and bodily injury) to address concerns regarding selected trends in the 2022 GRA.

**Question:**

1. Please provide a breakdown of the rate indication that would result for each major vehicle class where the proposed trends were applied.
2. Where a breakdown cannot be provided please provide an explanation of how the proposed alternative approach would impact the rate indication generally.
3. Please provide a discussion of how the proposed alternative approach would impact the motorcycle class.

**Rationale for Question:**

To review and understand the proposal and it's impact on each vehicle class.

**RESPONSE:**

**Oliver Wyman response:**

1. As noted in our response to part PUB (CAC) 1-3, the analysis of pure premium trends supports the calculation of the overall rate level, not only the allocation to Major Class.

Although we cannot fully replicate the MPI model<sup>1</sup>, we estimate that if MPI were to adopt our proposed trends, the resulting "Full Cred Req Change" in Figure RM- 14 would change from -2.8% to -10.2% or a decrease of approximately 7.4 percentage points.

2. We generally expect similar changes by major class.
3. We generally expect similar changes by major class.

**RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:**

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<sup>1</sup> We are not able to replicate the balancing adjustment and have assumed that the same percentage adjustment would apply to our unbalanced indications. In developing our indications, we used the same trend rate for all major classifications. As a result, at a minimum, our estimate will deviate by balancing factor for major classification trend difference included in the MPI filing.

**CMMG (CAC) 1-2**

<b>Part and Chapter:</b>	<b>Oliver Wyamn Report</b>	<b>Page No.:</b>	<b>11</b>
<b>PUB Approved Issue No:</b>	13. Driver Safety Rating (DSR) including but not limited to MPI's progress towards changes to the DSR system		
<b>Topic:</b>	DSR		
<b>Sub Topic:</b>			

**Preamble to IR:**

The Oliver Wyman Report states "MPI did not adopt the actuarially indicated DSR credits citing public acceptability concerns".

**Question:**

Does Oliver Wyamn agree with MPI's position that a shift to the actuarially indicated DSR discounts would cause a change in rates that would not be publically acceptable?

**Rationale for Question:**

To further examine MPI's rationale for rejecting a shift to actuarially indicated DSR levels.

**RESPONSE:****Oliver Wyman response:**

We do not consider "public acceptability" an actuarial issue; but consider large rate increases to be a public policy issue.

**RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:**

**CMMG (CAC) 1-3**

<b>Part and Chapter:</b>	<b>Oliver Wyman Report</b>	<b>Page No.:</b>	<b>11</b>
<b>PUB Approved Issue No:</b>	13. Driver Safety Rating (DSR) including but not limited to MPI's progress towards changes to the DSR system		
<b>Topic:</b>	DSR		
<b>Sub Topic:</b>			

**Preamble to IR:**

The Oliver Wyman Report States: "Given the stated goals of the program and fairness issues with the subsidization, we recommend that the Public Utilities Board adopt actuarially indicated DSR credits with due consideration to the acceptability of year-over-year rates changes and the use of capping to address acceptability."

**Question:**

1. What does Oliver Wyman propose would be considered reasonable year-over-year rate changes?
2. What does Oliver Wyman suggest should be used as reasonable capping to address acceptability?
3. Does Oliver Wyman agree that the DSR rating system should be increased to include DSR levels up to +20?

**Rationale for Question:**

To understand the recommendations as presented by the Oliver Wyman Report.

**RESPONSE:**

**Oliver Wyman response:**

1. Based on the Preamble and part 2 of the question, we understand the reference to “reasonable” in the IR to reference public acceptability. As noted in our response to CMMG 1-2, we do not consider “public acceptability” an actuarial issue.
2. See response to part 1.
3. Referring to Figure 2 and Figure 3 of our report, we note the following:
  - There is a significant gap in the experience between DSR Level 14 and DSR Level 15. This gap is not a desirable feature, and scale expansion is a possible approach to address the gap.
  - The gap partly results from the subsidization from policyholders with better experience to policyholders with poorer experience. If the subsidization were removed, scale expansion may not be necessary.
  - We have not reviewed the data for policyholders within DSR level 15 and therefore have no view on the appropriateness of the scale expansion. (The required data for such a review was not available in the GRA.)

**RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:**

**CMMG (CAC) 1-4**

<b>Part and Chapter:</b>	<b>Oliver Wyman Report</b>	<b>Page No.:</b>	<b>11</b>
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<b>Topic:</b>	DSR		
<b>Sub Topic:</b>			

**Preamble to IR:**

The Oliver Wyman Report states: "Although we recognize that ratemaking is a prospective exercise, we also appreciate that perpetuating the subsidy increases the cumulative detriment to Manitoba policyholders with better experience."

MPI has proposed a new DSR level be implemented at +16 with the same discount level as +15. The 2022 GRA notes that one third of Manitoba Drivers have reached the +15 DSR level (Part VI DSR, Pg 12) and that of those drivers at DSR level +15, 94.8% of those drivers will be eligible to move up to the +16 level (CMMG (MPI) 1-3 Pg 3).

As noted by the Oliver Wyamn report, there is a cumulative impact to insureds so long as cross subsidization continues. Many inividuals have maintained a clean driving record for years after reaching the +15 level with no further benefit for their licensing costs.

**Question:**

Please provide commentary on whether the following proposal would help to ameliorate the cross subsidization in MPIs current proposal for the changes to the DSR system:

A change to the DSR system which provides for an exemption for individuals who have maintained the highest level DSR rating for 5+ years, from any DSR demerits in the event of one at fault claim.

**Rationale for Question:**

To examine alternative and/or complimentary changes to the DSR system as proposed by MPI.

**RESPONSE:**

**Oliver Wyman response:**

We have not reviewed policyholder data and, therefore, cannot comment on the actuarial merits of the proposed change. (The required data for such a review was not available in the GRA.)

We note that “first accident forgiveness” is a feature of other automobile insurance programs.

**RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:**