

October 24, 2023

Undertaking #009

MPI to calculate the proportion of claims for rating year 2025 that would be paid in each of the 2025, 2026, 2027 and 2028 and thereafter. To follow on that undertaking, MPI then apply the paid-to-paid ULAE ratios of the 2025 through 2028 to each of these four (4) portions to generate an average paid ULAE ratio for the e2025 rating year. Then apply the average paid ULAE ratio to generate a revised RI-10, performer 1, 2 and 3.

RESPONSE:

MPI prefaces this response by noting it is currently engaging with a third-party to review the integrated cost allocation methodology (ICAM) in compliance with PUB Directive 20, from Order 4/23. MPI expects to file in the 2025 GRA a five-year forecasting incorporating recommended changes to the ICAM. As a result, the transient scenario provided in response to this undertaking could change in a short timeframe.

Figure 1 below shows the portion of claims paid in each of the fiscal year for the 2024/25 rating year. Please note that weekly indemnity and accident benefit other (ABO) indexed was adjusted for indexation. Please refer to Part VII RI Appendix 3 Table 2 for the payment patterns for the 2024/25 rating year.

There is a reduction in claims expenses in the financial forecast, primarily due to reallocation of claims expenses. MPI has seen a trend of increasing claims in the SRE line of business recently, which results in higher allocation of the claims expenses to this book of business. Keeping the overall corporate claims expenses constant, the allocation to the Basic line of business reduces and therefore the ULAE ratio in the forecast attributed to the Basic line of business appears to be understated.

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Figure 1 Claims Payment by Fiscal Year for the 2024/25 Rating Year


Line No.	Fiscal Year	Indexed Weekly Indemnity	Indexed ABO	Indexed ABO - NI	Bodily Injury	Collision	Comprehensive	Property	Damage	Total ULAE	Ratio	Paid ULAE	
1	2024/25	\$5,808	\$6,593	\$3,473	\$19	\$217,382	\$40,544	\$14,414	\$288,233	16.4%	\$47,309		
2	2025/26	\$14,050	\$18,653	\$8,293	\$676	\$297,929	\$65,637	\$30,108	\$435,347	16.0%	\$69,830		
3	2026/27	\$7,435	\$6,547	\$6,196	\$1,157	\$19,603	\$9,522	\$5,249	\$55,710	14.8%	\$8,253		
4	2027/28	\$5,745	\$3,174	\$5,705	\$1,161	\$3,570	\$1,419	\$1,445	\$22,220	14.3%	\$3,177		
5	2028/29	\$4,894	\$2,075	\$4,579	\$1,000	\$858	\$383	\$345	\$14,136	NA	NA		
6	Thereafter	\$84,559	\$34,453	\$3,983	\$1,976	\$752	\$296	\$179	\$126,199	NA	NA		
7	Total	\$122,493	\$71,496	\$32,231	\$5,989	\$540,094	\$117,803	\$51,741	\$941,845				
										2024/25 - 2027/28	\$801,511 	16.0%	\$128,568

Figure 2 below is an update to RI-10 with using the calculated ULAE ratio of 16.0% from figure 1. In addition, Figures 3 to 6 are an update to PF.1, PF.2, PF.3 and PF.1a when using the calculated rate indication of -3.0% as shown on Figure 1.

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Figure 2 Rating Year 2024/25 Major Classification Applied for Rate Change

Line No.	Coverage	Overall	Private Pass.	Comm.	Public	Motor- cycles	Trailers	ORV's
1	24/25 Units	1,280,333	863,331	49,070	13,089	19,322	244,888	90,633
2	Claims	703.55	944.75	730.26	1,870.57	642.97	48.98	4.41
3	Claims Expense	107.87	144.85	111.96	286.80	98.58	7.51	0.68
4	Road Safety	9.45	12.81	12.81	12.81	12.81	0.00	0.00
5	Operating Expense	54.09	73.30	73.30	73.30	73.30	0.00	0.00
6	Regulatory/Appeal	3.35	4.54	4.54	4.54	4.54	0.00	0.00
7	Commission: Vehicle	36.82	48.93	43.25	105.88	32.64	3.01	0.22
8	Prem Tax: Vehicle	27.20	36.15	31.96	78.23	24.12	2.23	0.16
9	Comm & Prem Tax: Driver	2.85	3.87	3.87	3.87	3.87	0.00	0.00
10	Commission Flat Fee	5.70	7.73	7.73	7.73	7.73	0.00	0.00
11	Reins: Casualty	2.01	2.72	2.72	2.72	2.72	0.00	0.00
12	Reins: Catastrophe	11.38	12.45	12.45	12.45	0.00	12.45	0.00
13	Fleet Rebates	15.25	11.48	129.75	248.29	0.00	0.00	0.00
14	Anti-Theft Discount	0.57	0.84	0.00	0.00	0.00	0.00	0.00
15	Driver Prem	51.89	70.32	70.32	70.32	70.32	0.00	0.00
16	Service Fees	21.41	29.02	29.02	29.02	29.02	0.00	0.00
17	Req Rate	906.77	1,205.07	1,065.24	2,607.83	803.93	74.18	5.48
18	Adj. Req Rate	884.66	1,175.68	1,039.26	2,544.22	784.32	72.37	5.34
19	23/24 Average Rate	870.37	1,150.24	908.29	2,252.53	882.92	62.24	5.69
20	Major Class Drift	4.8%	6.0%	4.6%	1.2%	-0.1%	7.3%	0.0%
21	24/25 Average Rate							
22	Without Rate Change	912.02	1,218.86	949.64	2,279.87	882.12	66.81	5.69
23	Full Cred Req Change	-3.0%	-3.5%	9.4%	11.6%	-11.1%	8.3%	-6.1%
24	Applied for Change	0.0%	-0.6%	12.8%	15.0%	-8.3%	11.7%	-3.2%
25	Credibility		99.3%	89.1%	68.6%	76.3%	97.6%	93.8%
26	Cred Wtd Change		-0.6%	11.4%	10.3%	-6.4%	11.4%	-3.0%
27	Cred Wtd Req Rate	910.67	1,212.09	1,058.14	2,515.10	826.01	74.42	5.52
28	Cred Wtd Req Rate (Bal)	912.02	1,213.89	1,059.71	2,518.83	827.23	74.53	5.53
29	Cred Wtd Change (Bal)	0.0%	-0.4%	11.6%	10.5%	-6.2%	11.6%	-2.9%

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Figure 3: PF- 1 Statement of Operations: -3.0% Basic Rate Change

Line No.	2024 GRA Rate Update - Basic rate change of -3.0% (C\$ 000s, rounding may affect totals)	IFRS 4	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17
				For the Years Ended March 31,					
	Reclass Adj. from / (to)	2023A	IFRS 17 Adj.*	2023A	2024F	2025F	2026F	2027F	2028F
1									
2	BASIC								
3	Motor Vehicles	1,121,811	-	1,121,811	1,112,046	1,113,044	1,148,808	1,183,198	1,220,339
4	Capital Release Provision	(57,026)	-	(57,026)	-	-	-	-	-
5	Drivers	59,085	-	59,085	62,520	64,822	66,634	67,982	70,043
6	Reinsurance Ceded	(16,392)	-	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
7	Total Net Premiums Written	1,107,478	-	1,107,478	1,158,180	1,160,988	1,198,058	1,233,274	1,271,939
8	Net Premiums Earned								
9	Motor Vehicles	1,103,695	-	1,103,695	1,119,108	1,112,551	1,131,156	1,166,224	1,202,007
10	Capital Release Provision	(65,568)	-	(65,568)	(28,558)	-	-	-	-
11	Drivers	59,896	-	59,896	61,180	63,693	65,745	67,321	69,032
12	Reinsurance Ceded	(16,392)	-	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
13	Total Net Premiums Earned	1,081,631	-	1,081,631	1,135,344	1,159,366	1,179,517	1,215,639	1,252,596
14	Service Fees & Other F (a)	27,277	(436)	26,841	26,904	27,117	27,701	28,327	28,989
15	Total Earned Revenues	1,108,908	(436)	1,108,472	1,162,248	1,186,483	1,207,218	1,243,966	1,281,585
16	Claims Incurred (b)	903,129	604	903,733	915,089	969,941	1,004,648	1,039,727	1,076,734
17	DPAC \ Premium Deficiency Adjustn	-	-	-	-	-	-	-	-
18	(a) Claims Incurred - Inter (b)	(101,437)	(31,794)	(133,231)	(57,950)	13,849	6,221	(479)	(4,306)
19	Total Claims Incurred	801,692	(31,190)	770,502	857,139	983,790	1,010,869	1,039,248	1,072,428
20	Claims Expense	146,265	(1,408)	144,857	150,855	145,989	140,867	134,089	133,037
21	Road Safety/Loss Prevention	10,530	-	10,530	14,461	12,134	12,060	12,137	12,285
22	Total Claims Costs	958,487	(32,598)	925,889	1,022,455	1,141,913	1,163,796	1,185,474	1,217,750
23	Expenses								
24	Operating	86,526	(1,408)	85,118	94,979	93,960	90,487	87,121	86,207
25	Commissions (c)	47,548	297	47,845	50,817	54,829	54,610	54,832	55,104
26	Premium Taxes (c)	32,941	775	33,716	35,239	35,338	36,465	37,537	38,713
27	Regulatory/Appeal	4,769	-	4,769	4,637	4,239	4,328	4,346	4,366
28	Total Expenses	171,784	(336)	171,448	185,672	188,366	185,890	183,836	184,390
29	Underwriting Income (Lr a,b,c	(21,363)	32,498	11,135	(45,879)	(143,796)	(142,468)	(125,344)	(120,555)
30	Investment Income	98,194	-	98,194	113,955	134,306	140,344	147,026	156,304
31	(b) Investment Income - Interest Rate	(115,602)	-	(115,602)	(103,531)	-	-	-	-
32	Net Investment Income	(17,408)	-	(17,408)	10,424	134,306	140,344	147,026	156,304
33	Gain (Loss) on Sale of Property	112	-	112	-	-	-	-	-
34	Net Income (Loss) from Operations	(38,659)	32,498	(6,161)	(35,455)	(9,490)	(2,124)	21,682	35,749
36	Total net Impact due to interest rate ch	(14,165)	31,794	17,629	(45,581)	(13,849)	(6,221)	479	4,306
37	Net Income (Loss) from Operations				(35,455)	(9,490)	(2,124)	21,682	35,749
38	Adjust for Initiative Expenses (BO 12.1 d)				(27,608)	(24,017)	(24,202)	(6,935)	(1)
39	Net Income (Loss) for for Rate Setting Purposes				(7,847)	14,527	22,078	28,617	35,750

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Figure 4: PF- 2 Statement of Financial Position: -3.0% Basic Rate Change

Line No.	2024 GRA Rate Update - Basic rate change of -3.0% (C\$ 000s, rounding may affect totals)	IFRS 17 2023A	IFRS 17 2024F	IFRS 17 2025F	IFRS 17 2026F	IFRS 17 2027F	IFRS 17 2028F
2	BASIC						
3	Assets						
4	Cash and cash equivalents	101,407	59,555	51,505	40,289	31,772	23,190
5	Investments	2,768,029	2,811,725	2,866,850	2,953,754	3,100,989	3,268,761
6	Investment property	5,759	5,604	5,449	5,295	5,140	4,985
7	Accounts receivable	117,843	-	-	-	-	-
8	Prepaid expenses	2,732					
9	Reinsurance asset	3,838	-	-	-	-	-
10	Property and Equipment	117,471	133,543	144,396	167,842	168,994	170,146
11	Deferred development costs	45,518	33,972	36,441	34,092	27,910	22,032
12	Total Assets	3,162,596	3,044,399	3,104,641	3,201,272	3,334,805	3,489,114
13	Liabilities						
14	Due to other insurance companies						
15	Accounts payable and accrued liabilities	45,687	69,113	66,856	64,607	61,987	61,517
16	Reinsurance Liability	-	320	320	320	320	320
17	Lease obligation	5,014	5,276	5,153	5,031	4,908	4,785
18	Insurance contract liability	2,288,292	2,157,682	2,217,782	2,279,161	2,337,388	2,396,104
19	Provision for employee current benefits	18,889	20,670	21,347	22,024	22,701	23,378
20	Provision for employee future benefits	313,985	327,878	339,210	350,543	361,876	373,208
21	Total Liabilities	2,671,867	2,580,939	2,650,668	2,721,686	2,789,180	2,859,312
22	Equity						
23	Retained Earnings	435,784	441,208	431,720	457,334	523,373	607,548
24	Accumulated Other Comprehensive Income	54,946	22,251	22,251	22,251	22,251	22,251
25	Total Equity	490,729	463,459	453,971	479,585	545,624	629,799
26	Total Liabilities & Equity	3,162,596	3,044,397	3,104,639	3,201,271	3,334,805	3,489,112

* Includes April 1, 2022 and fiscal 2022-23 adjustments

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Figure 5: PF- 3 Statement of Changes in Equity: -3.0% Basic Rate Change

Line No.	2024 GRA Rate Update - Basic rate change of -3.0% (C\$ 000s, except where noted)	IFRS 4	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17
		2023A	IFRS 17 Adj.	2023A	2024F	2025F	2026F	2027F
		<i>For the Years Ended March 31,</i>						
	BASIC							
1	Total Equity							
2	Retained Earnings							
3	Beginning Balance	359,335		435,784	435,784	441,208	431,718	457,332
4	Restatement of AOCI on AFS Assets (IFRS 9)				46,845	-	0	0
5	Restatement of MUSH Assets to FVTPL (IFRS 9)				(5,966)	-	-	-
6	Restatement of Claims Discount Rate (IFRS 17)*	-	(30,155)	-	-	-	-	-
7	Restatement of Risk Adjustment (IFRS 17)*	-	116,438	-	-	-	-	-
8	Restatement of DPAC (IFRS 17)*	-	(37,673)	-	-	-	-	-
9	Net Income (Loss) from Operations	(38,659)	32,498	(35,455)	(9,490)	(2,124)	21,682	35,749
10	Rebate to Policyholders	-	-	-	-	-	-	-
11	Transfer (to) / from Non-Basic Retained Earnings	34,000	-	-	-	27,738	44,358	48,425
12	Total Retained Earnings	354,676	81,108	435,784	441,208	431,718	457,332	523,372
13	Total Accumulated Other Comprehensive Income							
14	Beginning Balance	51,428		51,428	54,946	22,251	22,251	22,251
15	Other Comprehensive Income on Available for Sale Ass	(31,291)		(31,480)	1,846	-	0	-
16	Restatement of AOCI on AFS Assets (IFRS 9)				(46,845)	-	(0)	(0)
17	Change in Remeasurement of Employee Future Benefit	36,656		34,998	12,304	-	-	-
18	Total Accumulated Other Comprehensive Income	56,793	(1,847)	54,946	22,251	22,251	22,251	22,251
19	Total Accumulated Other Comprehensive Income Balance							
20	Employee Future Benefits Portfolio							
21	Available for Sale Assets	30,889		29,492	0	0	0	0
22	Employee Future Benefits Liabilities	9,946		9,496	22,251	22,251	22,251	22,251
23	Rate Stabilization Reserve Portfolio							
24	Available for Sale Assets	15,957		15,957	0	0	0	0
25	Total Accumulated Other Comprehensive Income Balance	56,793		54,946	22,251	22,251	22,251	22,251
26	Total Equity Balance	411,469	79,261	490,730	463,459	453,969	479,583	545,623
		<i>*Restatement calculated as at April 1, 2022</i>						
27	MINIMUM CAPITAL TEST (C\$ 000s)							
28	Total Equity Balance	411,467	79,263	490,730	463,459	453,969	479,583	545,623
29	Less: Assets Requiring 100% Capital	28,366		28,366	33,972	36,441	34,092	27,910
30	Capital Available (a)	383,101	79,263	462,364	429,487	417,528	445,491	517,713
31	Minimum Capital Required (100% MCT) (b)	345,847	(4,518)	341,329	407,357	437,092	453,312	471,738
32	MCT Ratio % (a) / (b)	110.8%	24.7%	135.5%	105.4%	95.5%	98.3%	109.8%

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Figure 6: PF- 1a Statement of Operations – IFRS 17 Presentation: -3.0% Basic Rate Change

Line No.	2024 GRA Rate Update - Basic rate change of -3.0% (C\$ 000s, rounding may affect totals)	IFRS 17					
		For the Years Ended March 31,					
		2023A	2024F	2025F	2026F	2027F	2028F
1	BASIC						
2							
3	Insurance revenue	1,113,717	1,167,950	1,192,593	1,213,602	1,250,623	1,288,516
4	Insurance service expenses	1,058,088	1,069,166	1,125,565	1,154,290	1,182,044	1,216,251
5	Recovered claims from reinsurance contracts	2,963	(46)	(21)	(8)	(8)	(9)
6	Expenses from reinsurance contracts held	16,392	16,386	16,878	17,384	17,906	18,443
7	Insurance service result	42,200	82,398	50,150	41,927	50,674	53,823
8	Net investment income	(17,408)	10,424	134,306	140,344	147,026	156,304
9	Finance expenses from insurance contracts issued	(51,466)	36,788	107,683	101,603	97,267	96,560
10	Finance income from reinsurance contracts held	(90)	44	150	122	107	97
11	Net insurance finance expenses	(51,376)	36,745	107,532	101,481	97,160	96,463
12	Net insurance and investment result	76,167	56,031	76,903	80,783	100,531	113,654
13	Other Income	11,148	10,684	10,768	11,000	11,249	11,512
14	Other Operating expenses	93,588	102,170	97,159	93,907	90,098	89,416
15	Gain (loss) on disposal of property and equipment	112	-	-	-	-	-
17	Net Income (Loss) from Operations	(6,161)	(35,455)	(9,488)	(2,124)	21,682	35,750
18	Adjust for Initiative Expenses (BO 12.1 d)	-	(27,608)	(24,017)	(24,202)	(6,935)	(1)
19	Net Income (Loss) for for Rate Setting Purposes	(6,161)	(7,847)	14,529	22,078	28,617	35,751