MANITOBA PUBLIC INSURANCE

2020 GENERAL RATE APPLICATION

Round 2 Information Requests

September 13, 2019

Public Utilities Board

MANITOBA PUBLIC INSURANCE

PUB (MPI) 2-1

Part and Chapter:	PUB (MPI) 1-1 Appendix 1	Page No.:	23
PUB Approved Issue No:	1. Requested Vehicle Rate and Any Changes to Other Fees and Discounts 9. Cost of Operations and Cost Containment Measures		
Topic:	Financial Overview		
Sub Topic:			

Preamble to IR:

MPI sought Board approval of various accounting policies.

Question:

Please file the policies that were approved by the Board. Please indicate which policies have changed from those used last year, and provide the impact on Basic or Extension reported income and balance sheet as a result of the changes.

Rationale for Question:

To understand Corporate decisions on accounting policies that impact Basic.

RESPONSE:

Please refer to *Appendix 1*. In particular, MPI updated the following policies:

- Policy B – Policy for Allocation of Improvement Initiative Costs
- Policy C – Policy for Allocation of Investment Income and Other Comprehensive Income (Loss)
- Policy F – Policy for Write-off of Uncollectible Accounts and Allowance for Doubtful Accounts

- Policy K – Policy for Funding the Employee Future Benefits Investment Portfolio (note: this is a new policy)
- Policy L – Policy for Classifications of Financial Instruments under the application of IAS 39 for the newly constructed investment portfolios (note: this is a new policy)

Policy B – is a regularly updated policy that allocates improvement initiative costs to the various lines of business. The impact of the update is outlined in the Policy.

There are three policies (new or revised) that result from the implementation of the Asset and Liability Management Study (i.e. Policies C, K and L). The impacts of these new Policies are outlined in the Investment section of the General Rate Application.

The impact of Policy F, relating to the write off of uncollectible accounts, is outlined in the Board Submission cover page found in the first 4 pages of *Appendix 1*.

SUBMISSION TO THE AUDIT, FINANCE & RISK COMMITTEE OF THE BOARD OF DIRECTORS OF MANITOBA PUBLIC INSURANCE

SUBJECT: Annual Review of Accounting Policies

RECOMMENDATION: That the Members recommend that the Board of Directors approve the following accounting policies effective March 1, 2019:

- Policy for Allocation of Expenses
- Policy for Allocation of Investment Income and Other Comprehensive Income (Loss)
- Policy for Allocation of Service Fees and Other Revenue
- Policy for Allocation of Reinsurance Ceded Premiums Written
- Policy for Write-Off of Uncollectible Accounts and Allowance for Doubtful Accounts
- Policy for Valuation of Private Equity, Venture Capital and Infrastructure Investments
- Policy for Writing Down Investments
- Policy for Capitalization of Organizational and Development Costs
- Policy for Allocation of Balance Sheet Items – Assets, Liabilities, Retained Earnings and Accumulated Other Comprehensive Income (Loss)
- Policy for Funding the Employee Future Benefits Investment Portfolio
- Policy for Classifications of Financial Instruments under the application of IAS 39 for the newly constructed investment portfolios

BACKGROUND: Annually the Audit, Finance & Risk Committee reviews and approves all accounting policies.

Details related to the policies are as follows:

- **Policy for Allocation of Expenses**

  In April 2012, Deloitte reviewed the current methodology employed by the Corporation (based on the 2009 Deloitte

Report), including the nature of the cost categories assigned or allocated to claims and operating expenses, and allocators used for that allocation. On December 3, 2012 the PUB approved the use of this allocation methodology.
No changes are recommended to the allocation of normal operations expenses which was previously approved and provided at the June 29, 2016 Board orientation. The policy is provided as Attachment A.

Changes to the allocation of improvement initiative costs are detailed in Attachment B.

- **Policy for Allocation of Investment Income and Other Comprehensive Income (Loss)**

  The Policy for Allocation of Investment Income and Other Comprehensive Income (Loss) has been changed to reflect the change from having investment assets pooled to having five distinct portfolios. These changes have been made to the policy which is detailed in Attachment C.

- **Policy for Allocation of Service Fees and Other Revenue**

  As new Services Fees and Other Revenue are determined, the allocation for those fees must be determined based on the line of business that should derive the benefit of those revenues and the proportion to be applied. No changes are recommended to the allocation of service fees and other revenue which was previously approved at the January 26, 2017 Audit, Finance and Risk Committee meeting. The policy is provided as Attachment D.

- **Policy for Allocation of Reinsurance Ceded Premiums Written**

  No changes are recommended to the allocation of reinsurance ceded premiums written which was previously approved and provided at the June 29, 2016 Board orientation. The policy is provided as Attachment E.

- **Policy for Write-Off of Uncollectible Accounts and Allowance for Doubtful Accounts**

  As more information is gathered around non-policy receivables, changes are being recommended to the policy for write-off of uncollectible accounts and allowance for doubtful accounts relating to the non-policy receivables. The changes are detailed in Attachment F.

- **Policy for Valuation of Private Equity, Venture Capital and Infrastructure Investments**

  No changes are being recommended to the policy for valuation of private equity, venture capital and infrastructure investments which was approved at the January 18, 2018 Audit, Finance & Risk Committee meeting. The policy is provided as Attachment G.

- **Policy for Writing Down Investments**

  No changes are being recommended to the policy for writing down investments which was approved at the January 26, 2017 Audit, Finance and Risk Committee meeting. The policy is provided as Attachment H.

- **Policy for Capitalization of Organizational and Development Costs**

  No changes are being recommended to the policy for capitalization of organizational and development costs which was approved at the January 26, 2017 Audit, Finance and Risk Committee meeting. The policy is provided as Attachment I.

- **Policy for Allocation of Balance Sheet Items – Assets, Liabilities, Retaining Earnings and Accumulated Other Comprehensive Income (Loss)**

  No changes are recommended to the allocation of balance sheet items – assets, liabilities, retained earnings and accumulated other comprehensive income (loss) which was previously approved and provided at the June 29, 2016 Board orientation. The policy is provided as Attachment J.

- **Policy for Funding the Employee Future Benefits Investment Portfolio**

  As a result of the Asset Liability Matching study, a separate investment portfolio is being established for Employee Future Benefits (EFB). The investments included in the EFB portfolio will be established effective March 1, 2019. The EFB portfolio is required to be funded by all lines of business and the portfolio is to be fully funded, whenever possible. The specific guidelines regarding the funding of the portfolio are included as Attachment K.

- **Policy for Classifications of Financial Instruments under the application of IAS 39 for the newly constructed investment portfolios**

  As part of the Asset Liability Matching study, a new policy has been established for the Classifications of Financial Instruments. The policy is outlined in Attachment L.

Attachment A
Agenda B.1
January 31, 2019

MANITOBA PUBLIC INSURANCE
POLICY FOR ALLOCATION OF EXPENSES

The allocation methodology and formulas are based on the new cost allocation methodology prepared by Deloitte in 2009 and approved by PUB for basic Autopac ratemaking in Order # 157/12. The Deloitte methodology focused on the allocation of normal operating costs to insurance or non-insurance categories of business, and did not include the determination of type of expense (claims, operating, road safety and regulatory). This aspect of the methodology was developed internally and is presented as Level E in this summary.

The allocation of improvement initiative costs has been based on a review of each project and the determination of which category and line of business will benefit from the project. Attachment B summarizes the allocation basis for each project.

The allocation methodology for normal operating costs is summarized below:

The first step of the process allocates corporate benefit costs to accounting units based on the percentage of salary costs to total corporate salary expense.

In the next step, occupancy costs are allocated to accounting units based on the percentage of square footage to total corporate square footage. Occupancy costs include; all building expenses, Premises department expenses and allocated corporate benefit costs.

Prior to the allocation of costs, direct department and directly assignable costs are charged to the insurance line of business or non-insurance category of business which directly benefits from the work performed in the department or particular cost expenditure.

The remaining "purified" cost categories are subject to allocation as set out in the following steps:

Cost Classification and Assignment:

<u>Level A -</u>
Cost categories at Level A are assigned to either one of the following:

i) directly to an insurance Line of Business (LOB) - Basic, Extension or SRE, or,
ii) directly to the non-insurance Category of Business (COB), DVL, with the balance to,
iii) non-assignable to an insurance LOB.

Level B -
Costs non-assignable to an insurance LOB (from Aiii), are assigned in Level B to one of the following:

i) Insurance COB (Allocated to Insurance LOB in Level D), or
ii) Subject to allocation in Level C.

Level C -
Costs subject to allocation (from Bii), are allocated in Level C to one of the following:

i) Insurance COB, or
ii) Non-insurance COB.

Level D -
Costs assigned to insurance COB (from Bi) and allocated to insurance COB (from Ci) are further allocated to the insurance lines of business (LOB):

i) Basic,
ii) Extension, or
iii) SRE.

Level E –
All costs assigned and allocated to the insurance LOB are further categorized into the following expense types:

i) Operating
ii) Claims
iii) Road Safety/Loss Prevention, or
iv) Regulatory/Appeal.

All costs assigned or allocated to the non-insurance COB are considered Operating.

The tables on the following pages reflect the results of the assignment, classification and allocation of expenses in Levels A to E of the methodology.

LEVEL A:
Cost categories assigned directly to an Insurance LOB or to Non-insurance COB

LEVEL B:
Cost categories assigned to Insurance COB or Subject to Allocation

Level A – Line of business	Basic	Ext.	SRE	Non-Ins.		
Level B – Category of business					**Insurance**	**Subject to Allocation**
Injury claims management - PIPP					X	
Claims Insurance support operations					X	
Loss prevention programs					X	
Driver licensing and control				X		
Driver records						X
Vehicle registration						X
Vehicle standards and inspection				X		
Claims centres					X	
Service centres						X
Physical damage centre					X	
Central administration						X
Physical properties						X
Corporate information technology						X
Human resources and training						X
Advertising and communications						X
Fair practices						X
Accounting and finance						X
Investments					X	
Injury claims management - Liability					X	
Employee benefits						X
Legal						X
Compulsory Insurance	X					
Extension		X				
Special risk extension			X			
Enterprise systems support						X
Internal Audit						X
Regulatory/appeal	X					
Management committee						X
Contact Centre Operations						X
Business Transformation Office						X
Product & Policy Management						X
ID Verification & Data Integrity						X
Customer Service & Support						X
Actuarial & Forecasting						X

LEVEL C:
Costs Subject to Allocation to Category of Business:

Based on the assignment of costs subject to allocation in Level B, the following table summarizes the allocators used to allocate these costs to insurance and non-insurance categories of business.

Cost Category	Basis of allocation
Driver records	Estimated work effort
Vehicle registration	Estimated work effort
Service centres	COB Salary ratio
Physical properties	Enterprise wide per square foot basis
Employee benefits	% of base salary costs
ID verification and data integrity	Estimated work effort
Business Transformation Office	% calculated based on allocation of all improvement initiatives
Central administration	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Corporate information technology	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Legal	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Customer service and support	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Human resources and training	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Advertising and communications	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Fair practices	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Accounting and finance	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Enterprise systems support	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Internal audit	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Management committee	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Contact Centre Operations	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Product & Policy Management	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)
Actuarial & Forecasting	4 year rolling average Weighted customer call centre contact ratio (WCCCCR)

LEVEL D:
Allocation of Assigned and Allocated Insurance COB Costs

Based on the assignment of costs to the insurance category of business in Level B, and costs allocated to insurance in Level C, the following table summarizes the allocators used to allocate these costs to the appropriate line of business.

Cost Category	Basis of allocation
Injury claims management – PIPP	4 year rolling average Claims Incurred Basic & Extension only
Driver records	Assigned to Basic LOB
Vehicle registration	Assigned to Basic LOB
Investments	Percentage of claims reserves and unearned premiums by insurance LOB
Injury claims management – Liability	4 year rolling average Claims Incurred
Business Transformation Office	% calculated based on allocation of all improvement initiatives
Claims Insurance support operations	4 year rolling average Claims Incurred
Loss prevention programs	4 year rolling average Claims Incurred
Claims centres	4 year rolling average Claims Incurred
Service centres	4 year rolling average Claims Incurred
Physical damage centre	4 year rolling average Claims Incurred
Central administration	4 year rolling average Claims Incurred
Corporate information technology	4 year rolling average Claims Incurred
Human resources and training	4 year rolling average Claims Incurred
Advertising and communications	4 year rolling average Claims Incurred
Fair practices	4 year rolling average Claims Incurred
Accounting and finance	4 year rolling average Claims Incurred
Legal	4 year rolling average Claims Incurred
ID verification and data integrity	4 year rolling average Claims Incurred
Customer service and support	4 year rolling average Claims Incurred
Enterprise systems support	4 year rolling average Claims Incurred
Internal audit	4 year rolling average Claims Incurred
Management committee	4 year rolling average Claims Incurred
Contact Centre Operations	4 year rolling average Claims Incurred
Product & policy Management	4 year rolling average Claims Incurred
Actuarial & Forecasting	4 year rolling average Claims Incurred

LEVEL E:
Allocation of Assigned and Allocated LOB Insurance Costs to Claims, Operating, Road Safety and Loss Prevention and Regulatory/Appeal

Based on the assignment of costs to an insurance line of business in Level D, and costs allocated to insurance in Level C, the following table summarizes the allocators used to allocate costs to the appropriate type of expense.

Cost Category	Basis of allocation
Injury claims management - PIPP	100% Claims
Claims Insurance support operations	100% Claims
Claims centres	100% Claims
Physical damage centre	100% Claims
Injury claims management - Liability	100% Claims
Regulatory/Appeal	100% Regulatory/Appeal
Loss prevention programs	100% Road Safety and Loss Prevention
Driver Records	100% Operating
Vehicle Registration	100% Operating
Central Administration	100% Operating
Human Resources and training	100% Operating
Advertising and communications	100% Operating
Accounting and finance	100% Operating
Investments	100% Operating
ID verification and data integrity	100% Operating
Customer service and support	100% Operating
Internal audit	100% Operating
Management Committee	100% Operating
Actuarial & Forecasting	100% Operating
Compulsory Insurance	100% Operating
Extension	100% Operating
Special risk extension	100% Operating
Service Centres	Allocated to Claims and Operating based on Staffing (FTE) budget
Corporate information technology	Allocated to Claims and Operating based on Staffing (FTE) budget
Product & Policy Management	Allocated to Claims and Operating based on Staffing (FTE) budget
Fair practices	Allocated to Claims and Operating based on Staffing (FTE) budget
Legal	Allocated to Claims and Operating based on Staffing (FTE) budget
Enterprise systems support	Allocated to Claims and Operating based on Staffing (FTE) budget
Contact Centre Operations	Allocated to Claims and Operating based on Staffing (FTE) budget

Attachment B
Agenda B.1
January 31, 2019

Manitoba Public Insurance
2019/20 Improvement Initiatives Costs Allocation

Annual Projects

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
AOL PUB Release GRA	Implementation of applicable changes to Autopac Online (AOL) pertaining to vehicle rates, driver license premiums, vehicle discounts, service fees, etc., as result of MPI's 2015 and future rate applications to the Public Utilities Board (PUB) and subsequent rulings.	100% Basic Operating.	100% Basic Operating.
Various Building Projects	Capital projects including: **Cityplace building competitive modernization project and parkade upgrades,** ~~Plessis Bldg C~~ & various HVAC, roof & land improvements.	Occupancy costs allocated to accounting units based on percentage square footage to total corporate square footage. Each cost category allocated per Levels A to E.	Occupancy costs allocated to accounting units based on percentage square footage to total corporate square footage. Each cost category allocated per Levels A to E.

Projects Commenced 2011/12

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
Human Resource Management System (HRMS)	Implement a robust and flexible human resource management system that enables all component of the HR Strategy Pillars: Recruitment, Development and Promotion, and Retention that will meet current and future needs of the corporation.	Project to be completed in 2018/19. Insurance & Non Insurance based on WCCCCR then LOB based on Claims Incurred 4 Year Average then Claims & Operating based on FTE percentage.	**Completed in 2018/19**. Insurance & Non Insurance based on WCCCCR then LOB based on Claims Incurred 4 Year Average then Claims & Operating based on FTE percentage.

Projects Commenced 2012/13

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
~~Physical Damage Reengineering~~	~~The goal of this project is to transform the physical damage claims operation to enhance the MPI Value Equation by providing measurable sustainable benefits to customer satisfaction and the claims cost structure. This will be achieved by streamlining existing workflows, eliminating low/no value work, leveraging existing and emerging technologies, creating a business model that allows customers to do business with MPI when and how they want and empowering both customers and business partners to take more ownership of the PD claims experience. The following projects have been removed from the comprehensive PDR category: Partner Portal; Customer Claims Reporting System; Appointment Manager; Enhanced DE Capabilities and Remote Estimating.~~	~~Completed in 2016/17. Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.~~	
~~Physical Damage Reengineering - Remote Estimating~~	~~The primary objective of this project is to utilize Mobile Video Collaboration technology.~~	~~Project cancelled in 2017/18. Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.~~	

Projects Commenced 2013/14

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
Credit Card Strategy (formerly PCI-DSS Compliance to Credit Card Handling Requirements)	The objective of this project is to ensure MPI is compliant with security standards that are required for the handling, storage and transmission of customer credit card information. Payment Card Industry Data Security Standard (PCI-DSS) is a set of security and process controls designed to protect the confidentiality and integrity of the credit cards that we have in our possession. This standard is enforced by the issuing bank and it is MPI's responsibility to demonstrate compliance with this standard in order to continue to process credit card transactions. MPI's contractual obligation to this standard is contained in our agreement with our bank.	To be completed in 2018/19. Insurance and Non-insurance based on WCCCCR, to LOB based on Claims Incurred 4 year average, then to Operating and Claims based on FTE percentage.	**To be completed in 2019/20**. Insurance & Non-insurance based on WCCCCR, to LOB based on Claims Incurred 4 year average, then to Operating & Claims based on FTE percentage.

Manitoba Public Insurance
2019/20 Improvement Initiatives Costs Allocation

Projects Commenced 2014/15

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
~~High School Driver Education – Phase 2~~	~~Phase two is a curriculum review and redesign of the current HSDE program. This new model should incorporate an integrated teaching/learning approach which includes, but is not limited to higher order training, technology for delivery.~~	~~Completed in 2017/18. LOB based on Claims Incurred 4 year average (B,E&SRE) then 100% Road Safety.~~	
~~Information Security Strategy & Road Map~~	~~The Information Security Strategy and Roadmap includes streams of work that will increase the maturity of Information Security at MPI compliant to the direction provided by the Members in June. The roadmap meets the following key objectives:~~ ~~* Assumes a degree of risk that is acceptable to the Members~~ ~~* Has a maturity level that is deemed acceptable to the Members~~ ~~Gartner has confirmed that the proposed Information Security Strategy and Roadmap is in alignment with the direction provided by the Members with respect to maturity levels and risk tolerance.~~	~~Phase 1 completed in 2016/17. Phase 2 completed in 2017/18. Insurance and Non-insurance based on WCCCCR, to LOB based on Claims Incurred 4 year average, then to Operating and Claims based on FTE percentage.~~	
Infor Lawson Upgrade	The objective of this project is the technical upgrade of the Lawson – Talent Management system as a predecessor for HRMS phase 3 & 4 implementations. This is also an upgrade of the Lawson financials and Payroll as S3 is also being upgraded.	Completed in 2017/18. Insurance and Non-insurance based on WCCCCR, to LOB based on Claims Incurred 4 year average, then to Operating and Claims based on FTE percentage.	**Completed in 2018/19.** Insurance and Non-insurance based on WCCCCR, to LOB based on Claims Incurred 4 year average, then to Operating and Claims based on FTE percentage.
Corporate Learning Management	The purpose of the new corporate learning management system is to provide a central location for all training and development. This central location extends from internal MPI staff to our many business partners. In doing so, the corporation will benefit from reduced administration costs, improved compliance for training control, better access to training and enhanced employee career development. All of which align with the Corporate Values, Mission, Vision and Goals.	To be completed in 2018/19. Insurance and Non-insurance based on WCCCCR, to LOB based on Claims Incurred 4 year average, then to Operating and Claims based on FTE percentage.	**Completed in 2018/19**. Insurance and Non-insurance based on WCCCCR, to LOB based on Claims Incurred 4 year average, then to Operating and Claims based on FTE percentage.
~~Specialty Plates - CancerCare~~	~~Implementation of changes to the IWS, AOL & Personalized Plates as well as administrative impacts to MPI staff & broker training to provide specialty plates for CancerCare. Plate is currently on hold.~~	~~Currently on hold.~~ ~~100% DVA Operating~~	

Projects Commenced 2015/16

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
~~PD Centre of Excellence~~	~~This project involves MPI utilizing its economy of scale to enable Manitoba repair trades to achieve leadership in:~~ ~~* safe, reliable vehicle repairs that are cost effective in the long term~~ ~~* development & delivery of training in Manitoba collision repair trade~~ ~~* consolidate & share leading technology issues with the trade~~ ~~This project will achieve the above goals by way of design, development and implementation of a new training facility for the repair industry based out of MPI's Physical Damage Centre.~~	~~Completed in 2017/18. LOB based on Claims Incurred 4 year average (B,E&SRE) then 100% Claims.~~	
SRE Projects	The objectives of this project are: - To define the SRE line of business of MPI to become a purely commercial underwriting department. - To define SRE's role of considering optional coverage for customers not eligible for Autopac Extension for commercial or non-commercial (i.e. 'facility'). - To modify SRE's current product offering and business processes to ensure profitability and competitiveness. - To reduce SRE's operating expenses by 1.5 million annually. - To strengthen SRE's involvement in supporting Manitoba's trucking industry. - To assess SRE's current 'system landscape' (e.g. Specialty Insurance Service) and recommend a new solution. - To clarify SRE's role on customer relationship management. - To better define and evolve the broker's role.	To be completed in 2019/20. 100% SRE then to Operating and Claims based on FTE percentage.	**Transferred to Legacy Modernization in 2018/19.** 100% SRE then to Operating and Claims based on FTE percentage.
Financial Re-engineering Initiative	As part of the Finance Division Review, MPI agreed on a vision and path forward which included shifting the role of Finance to be a partner to the business, enabling "One source of the truth" and accelerating performance. In order for Finance to achieve this vision and support MPI's strategic objectives, foundational capabilities including a scalable, efficient back end finance system are essential.	To be completed in 2020/21. Insurance & Non Insurance based on WCCCCR then LOB based on Claims Incurred 4 Year Average then Claims & Operating based on FTE percentage.	**To be completed in 2021/22.** Insurance & Non-insurance based on WCCCCR, to LOB based on Claims Incurred 4 year average, then to Operating & Claims based on FTE percentage.

Manitoba Public Insurance
2019/20 Improvement Initiatives Costs Allocation

Projects Commenced 2016/17

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
Technology Risk Management	The objective of this project is to implement projects that keep existing technology in a stable and supported state. Return on investment for these initiatives is based on meeting acceptable risk tolerance levels.	Phases to be completed annually with first phase completed in 2016/17 & final phase to be completed in 2022/23. Insurance & Non Insurance based on WCCCCR then LOB based on Claims Incurred 4 Year Average then Claims & Operating based on FTE percentage.	Phases to be completed annually with first phase completed in 2016/17 & final phase to be completed in **2023/24.** Insurance & Non Insurance based on WCCCCR then LOB based on Claims Incurred 4 Year Average then Claims & Operating based on FTE percentage.
~~Mandatory Ignition Interlock-2016~~	~~The government has introduced legislative changes via Bill 34 which make incremental changes to driver licensing tiered suspensions with respect to impaired driving. The changes require that MPI ensure all convicted impaired drivers participate in the ignition interlock program as a condition of driver license reinstatement by eliminating the option to 'sit out' the ignition interlock program enrollment period.~~	~~Completed in 2016/17. 100% DVA Operating.~~	
~~Specialty Plates-Fall 2016~~	~~• Paramedic Specialty plate will be available exclusively to members of the Paramedics Association of Manitoba for passenger vehicles and non-commercial trucks. A portion of this plate's sales will go to The Canadian Mental Association,~~ ~~• 92 CITI FM Specialty plate will be available for passenger vehicles, trucks and motorcycles. - Cancelled,~~ ~~• Basketball Manitoba Specialty Plate will be available for passenger vehicles, trucks and motorcycles~~	~~Completed in 2016/17. 100% DVA Operating.~~	
~~Certified Mail Kits~~	~~This project would enable MPI to reduce annual operating costs by reducing mailing and labour costs associated with sending certified mail that offers little value in terms of ensuring customer receipt for its high cost. It will also enable updating of long-standing certified mail business and system processes to ensure efficient use of corporate resources.~~	~~Completed in 2017/18. Insurance and Non-Insurance based on certified mail expenditures then on WCCCCR then to LOB based on Claims Incurred then 100% Operating.~~	
Certified Mail to Regular Mail	Initial Funding of $30,000 to perform business analysis to finalize approach to implementation of remaining certified letters.	On hold. Insurance and Non-Insurance based on certified mail expenditures then on WCCCCR then to LOB based on Claims Incurred then 100% Operating.	On hold. Insurance and Non-Insurance based on certified mail expenditures then on WCCCCR then to LOB based on Claims Incurred then 100% Operating.
Impaired Driving Technical Amendments Act - formerly called Federal Government Criminal Code Changes	The Objective of this project is to address changes to Criminal Code C-226 (Impaired Driving Act) which is being reviewed by the Federal Government. MPI will work with the Province to determine cost recovery amounts.	To be completed in 2018/19. 100% DVA Operating.	**Completed in 2018/19.** 100% DVA Operating.
~~Partner Portal~~	~~This project will introduce new partner portal technology and capabilities which will replace obsolete partner portal technology, and provide a secure and authenticated capability to communicate and transact with key MPI stakeholders. Formerly part of Physical Damage Reengineering.~~	~~Completed in 2017/18. Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.~~	

Projects Commenced 2017/18

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
Customer Claims Reporting System	This project will introduce a new claims first notice of loss (FNOL) customer self-service tool that is highly intuitive and user friendly. To ensure that a customer has a consistent customer service experience, the MPI contact centre process will also be modified to align to the customer self-service experience. These processes will be complemented by automated claims adjudication processing for common claim situations as well as eligible repair shop determination and shop appointment scheduling. Formerly part of Physical Damage Re-engineering.	To be completed in 2019/20. Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.	**Cancelled in 2017/18.** Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.
~~Appointment Manager~~	~~The Appointment Manager technology is being upgraded to modern technologies via the Technology Modernization Program. In parallel, the Customer Claims Reporting System as well as the Customer Self-Service projects have a business need to provide customer and repair shop self service abilities for appointment scheduling. This project will complete the necessary technical changes to the Appointment Manager system to meet the expanded business needs. Formerly part of Physical Damage Re-engineering.~~	~~Completed in 2017/18. Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.~~	

Manitoba Public Insurance
2019/20 Improvement Initiatives Costs Allocation

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
Enhanced DE Capabilities	This project will introduce expanded business capabilities for the Distributed Estimating process which is required to align to the trade negotiations and repair trade agreement. Formerly part of Physical Damage Re-engineering, the remaining Enhanced DR Capabilities work is made up of two sub projects. 1. Parts Strategy - The Optimized Repair aspect of the PDR Program highlighted the need to eliminate the automated bidding and award business model and implement a model for light vehicle collisions that creates a direct relationship between the repair shop and the parts recyclers. Thus, minimizing MPI's role and generate cost savings in MPI claims processing while also reducing key to key time for MPI customers. This component of Enhanced DR Capabilities will be referred to as the Parts Strategy. 2. LOU: This project will also include enhanced capabilities with respect to automating Loss of Use (rental car) approvals and expense management based on industry agreed terms.	Completed in 2017/18. Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.	**Completed in 2018/19.** Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.
Customer Self-Service	The objective of this project is to implement a new internet based service delivery channel for customers to perform high volume/low-value transactions to maximize customer service experience and lower MPI operating costs.	Phases to be completed annually with the first phase completed in 2018/19 and the final phase completed in 2020/21. Insurance & Non-insurance based on WCCCCR then LOB based on Claims Incurred (B,E&SRE) then Claims & Operating based on FTE percentage.	**Phase 1 - Release 1 & 2 completed in 2018/19 and Release 3 cancelled. Future phases to be transferred to Legacy Modernization in 2019/20.** Insurance & Non-insurance based on WCCCCR then LOB based on Claims Incurred (B,E&SRE) then Claims & Operating based on FTE percentage.
~~Broker Refresh~~	~~This project will involve refreshing Broker equipment required to perform business functions on behalf of MPI. This includes cameras, signature tablets, additional units, and project costs to document, distribute and support the deployment of the devices.~~	~~Completed in 2017/18. 100% Extension only.~~	
Parts Solution - formerly part of Enhanced DE Capabilities	The remaining Enhanced DR Capabilities work is made up of: Parts Strategy - The Optimized Repair aspect of the PDR Program highlighted the need to eliminate the automated bidding and award business model and implement a model for light vehicle collisions that creates a direct relationship between the repair shop and the parts recyclers. Thus, minimizing MPI's role and generate cost savings in MPI claims processing while also reducing key to key time for MPI customers. This component of Enhanced DR Capabilities will be referred to as the Parts Strategy.	To be completed in 2018/19. Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.	**Completed in 2018/19.** Basic and Extension insurance lines of business based on Claims Incurred 4 year average, then 100% Claims.
High School Driver Education - Phase 3	To improve the efficiency and effectiveness of the current High School Driver Education program. The objectives are to reduce operating costs, improve the class 5.0 road test pass rate, and address the specific needs of Manitoban's, including First Nations peoples and new immigrants. Phase three will implement curriculum redesign of the HSDE program. This new model will incorporate an integrated teaching/learning approach which includes, but is not limited to higher order training and technology for delivery.	To be completed in 2018/19. LOB based on Claims Incurred 4 year average (B,E&SRE) then 100% Road Safety.	**To be completed in 2019/20**. LOB based on Claims Incurred 4 year average (B,E&SRE) then 100% Road Safety.
Bill 30 Vehicles for Hire	Bill 30 - Vehicles for Hire comes into force on February 28, 2018 or a date to be fixed by proclamation, whichever comes first. It repeals *The Taxicab Act* and dissolves the Taxicab Board. Responsibility for regulating taxicabs is now exclusively within the purview of municipalities. This primarily affects the City of Winnipeg as it was the only municipality within the Taxicab Board's jurisdiction. The City of Winnipeg is specifically required to make a by-law regulating taxicabs. MPI is currently assessing the potential impact resulting from the legislative change.	To be completed in 2018/19 - 100% Basic Operating.	**Completed in 2018/19** - 100% Basic Operating.
Snoman	MPI Management is actively working with the Department of Sustainable Development, Manitoba Infrastructure, and Snoman (Snowmobilers of Manitoba) to prepare a proposal to government for the current Snoman trail pass program (Snopass) to become a mandatory component of snowmobile vehicle registration in Manitoba (with some exceptions). Sustainable Development is seeking to reduce ongoing operating expenses by transitioning the responsibilities for the maintenance and grooming of snowmobile trails in Manitoba provincial parks to Snoman. In return, Snoman hopes to realize a more stable and sustainable funding model for its members.	To be completed in 2018/19 - 100% DVA	**To be completed in 2019/20** - 100% DVA
Strengthening Distracted Driver Countermeasures	Manitoba Infrastructure has submitted a proposal to strengthen the penalties for distracted driving which would be introduced in the spring of 2018 if approved. The current proposal is not specific as to how penalties would be increased. A number of options have been put forward, including the short-term tiered administrative license suspensions and/or short term vehicle impoundment, and requiring law enforcement to immediately report careless driving charges to the Registrar of Motor Vehicles (Registrar) in order to rapidly invoke driver improvement and control measures. This project will also include Bill C-46 (Impaired Driving Technical Amendments Act) business changes.	To be completed in 2018/19 - 100% DVA	**Completed in 2018/19** - 100% DVA

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Manitoba Public Insurance
2019/20 Improvement Initiatives Costs Allocation

Projects Commenced 2018/19

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
BI3 / Fineos Upgrade 2020	In order to comply with the contractual provisions of the software licensing agreement between MPI and Fineos, MPI must maintain a 4-year vitality cycle on the Fineos platform. The last Fineos upgrade was completed in early 2016. Therefore, MPI must complete an upgrade of the Fineos platform before the end of calendar year 2020 to maintain status quo annual licensing rates.	To be completed in 2019/20. Basic & Extension based on Claims Incurred 4 year average; then 100% Claims.	**Majority of project moved to normal operations with external resources only to be included in project. To be completed in 2020/21.** Parts of project transferred to Normal Operations. Basic & Extension based on Claims Incurred 4 year average; then 100% Claims.
Legacy Modernization	The objective is to modernize current in-house applications/technology systems used today to meet future business needs. Scope covers: • Personal and commercial automobile insurance, • Driver licensing, vehicle registration, and associated registries, • Physical damage claims This initiative will replace application architecture that ranges between 25 and 40 years old and will address the corporation's need to meet future customer, business and marketplace demands that are constrained by the current legacy applications.	To be completed in 2022/23. Insurance & Non Insurance based on WCCCCR then LOB based on Claims Incurred 4 Year Average then Claims & Operating based on FTE percentage.	**To be completed in 2023/24**. Insurance & Non Insurance based on WCCCCR then LOB based on Claims Incurred 4 Year Average then Claims & Operating based on FTE percentage.

Projects Added During 2018/19

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
High School Driver Education - Phase 4	**To improve the efficiency and effectiveness of the current High School Driver Education program. The objectives are to reduce operating costs, improve the class 5.0 road test pass rate, and address the specific needs of Manitoban's, including First Nations peoples and new immigrants. Phase four is the implementation/production roll-out of the program.**		**To be completed in 2019/20. LOB based on Claims Incurred 4 year average (B,E&SRE) then 100% Road Safety.**
Traffic and Transit Modernization Act	**The Government of Manitoba has introduced legislation that will transform management of Manitoba roadways. The focus is to remove onerous and outdated regulations while keeping public safety in mind.** **The Traffic and Transportation Modernization Act would make amendments to The Drivers and Vehicles Act, The Highway Traffic Act, The Manitoba Public Insurance Act and The Provincial Railways Act, while replacing The Highways and Transportation Act and The Highways Protection Act with the proposed new Transportation Infrastructure Act. Changes are being driven by a desire to simplify vehicle registration and plating for the trucking industry.**		**To be completed in 2018/19 - 100% DVA**
Immediate Roadside Prohibition (IRP)	**The objectives of the IRP project are to implement the necessary regulatory, driver licensing and administration program changes as defined by Government.**		**To be completed in 2019/20 - 100% DVA**
Mandatory Entry Level Commercial Truck Driver Training (MELT)	**The objectives of the Mandatory Entry Level Commercial Truck Driver Training (MELT) project are to implement the necessary regulatory, driver training, driver licensing and administration program changes as defined by Government.**		**To be completed in 2019/20 - 100% DVA**

Manitoba Public Insurance
2019/20 Improvement Initiatives Costs Allocation
Projects to Commence During 2019/20

Initiative Name	Description	Effective March 1, 2018	Effective March 1, 2019
Information Security Maturity	The objective of this project is to implement the necessary system, process and administrative changes to achieve the cyber security target state as identified by the PWC Cyber Security Analysis and Roadmap engagement.		To be completed in 2020/21. Insurance & Non Insurance based on WCCCCR then LOB based on Claims Incurred 4 Year Average then Claims & Operating based on FTE percentage.
Total Loss	The objectives of the Total Loss project are to: • Standardize total loss evaluations • Streamline total loss settlement processes		To be completed in 2019/20. Claims Basic and Extension based on Claims Incurred.
International Registration Plan (IRP) Data Standardization	The objectives of the IRP Data Standardization project are to identify and implement the necessary system changes to meet the data standardization requirements as prescribed by IRP. This must be completed by the end of 2019/20 in order to be in compliance.		To be completed in 2019/20 - 100% DVA
Basic Deductible Review	The Basic Deductible Review project will implement the proposed Basic Autopac Deductible product changes as determined by the Product Suite Review initiative for all associated Basic Autopac products.		To be completed in 2019/20 - 100% Basic Operating
Basic Third-Party Liability (TPL) Review	The Basic TPL Review project will implement the proposed Basic TPL product changes as determined by the Product Suite Review initiative for all associated Basic Autopac products.		To be completed in 2019/20 - 100% Basic Operating
Basic Maximum Insured Value (MIV) Review	The Basic MIV Review project will implement the proposed Basic MIV product changes as determined by the Product Suite Review initiative for all associated Basic Autopac products.		To be completed in 2019/20 - 100% Basic Operating

Attachment C
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MANITOBA PUBLIC INSURANCE
POLICY FOR ALLOCATION OF INVESTMENT INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)

Description

The allocation of investment income and other comprehensive income (loss) is based on the liabilities and equities that each of the five investment portfolios are backing.

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Policy

The allocation of investment income and other comprehensive income (loss) for the five investment portfolios is as follows:

1. Basic Claims investment income and other comprehensive income(loss) is allocated 100% to the Basic line of business
2. Basic Rate Stabilization Reserve investment income and other comprehensive income(loss) is allocated 100% to the Basic line of business
3. Extension investment income and other comprehensive income(loss) is allocated 100% to the Extension line of business
4. Special Risk Extension (which includes Discontinued Operations (Personal and Commercial Lines) investment income and other comprehensive income (loss) is allocated to Special Risk Extension and Discontinued Operations (Personal and Commercial Lines) based on the proportionate amounts using prior month’s net equity position
5. Employee Future Benefits investment income and other comprehensive income (loss) is allocated to all lines of business based on the Payroll Ratio.

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MANITOBA PUBLIC INSURANCE POLICY FOR ALLOCATION OF SERVICE FEES AND OTHER REVENUE

Policy Allocation Formula:

Service Fees and Other Revenue	Allocation Basis
Motor Vehicle Transaction Fees	Allocation to Basic and Extension based on Motor Vehicles Direct Premiums Written Ratio
Time Payment Fees Late Payment Fees Motor Vehicle Dishonoured Cheque Fees (Including Brokers) Time Payment Interest Arrears Interest Time Payment Interest – Unearned Adjustment Pre –authorized Payment Default Fees	Allocation to Basic and Extension based on motor vehicles and drivers direct premiums written and driver licensing and vehicle registration fees ratio. Driver licensing and vehicle registration portion to be allocated to Extension.
Non-Policy Admin Fees Non-Policy Late Fees Non-Policy Electronic Dishonoured Fees Non-Policy Interest (net of unearned interest) Rental Car Certificate Replacement Fees	100% Extension
Enhanced Identity Application Charge Identity Card/Enhanced Identity Card Charge Identity Card/Enhanced Identity Card/Enhanced Drivers Licence Replacement Charge Commissions – Snoman Ignition Interlock Fee Drivers Licence Late Fees Motor vehicle information disclosure revenue Cognitive Assessments Fee Canadian Council of Motor Transport	100% *The Drivers and Vehicles Act* Operations (DVA)

Service Fees and Other Revenue Continued	Allocation Basis Continued
Driver's Education Course Fees Physical Damage – Training Revenue Garage Keeper's Act	Allocation to Basic, Extension and SRE based on claims incurred payments ratio
Salvage Sales Revenue Unclaimed Cheques Miscellaneous Revenue	Allocation to Basic, Extension, SRE and DVA based on earned revenue ratio
DriverCheck Payments SRE Fronting Fees IRP – SRE Time Payment Interest	100% SRE
Other Income - Basic	100% Basic
Specialty Plate Fees	Allocation to Basic and DVA based on Vehicle Registration work effort

Attachment E
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MANITOBA PUBLIC INSURANCE POLICY FOR ALLOCATION OF REINSURANCE CEDED PREMIUMS

Policy

For the allocation of the casualty program, the flat premium for the first layer is allocated based on a split between Basic and SRE. The SRE premium is determined by actual premiums written in the preceding year multiplied by the Gross Net Earned Premium Income. This is the rate that SRE paid on written premiums when these premiums were subject to a separate cession agreement. The remainder is allocated to Basic.

For the allocation of the catastrophe program, the premiums are allocated based on Gross Net Earned Premium Income.

Attachment F
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MANITOBA PUBLIC INSURANCE
POLICY ON ACCOUNTS RECEIVABLE WRITE-OFFS AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

1. **Motor Vehicle Accounts Receivable**

Description - Motor Vehicle receivables occur as a result of underpayment of insurance premiums, cheques not honoured by the client's bank and non payment of time payment installments (4-pay, policy, driver, and non-policy financing) or late payment fees.

Policy - Accounts are written-off if they have been outstanding for five years.

An allowance for Underpayments and Arrears ~~are~~ is established based on 2% of the receivables less than 4 years old and 100% of receivables 4 years old or greater.

An allowance for motor vehicle arrears resulting from policy and driver~~non-policy~~ financing agreements ~~are~~ is established based on 5% of receivables less than 4 years old and 100% of receivables 4 years old or greater.

An allowance for motor vehicle arrears resulting from non-policy financing agreements is established based on 5% of receivables less than 1 year old and 100% of receivables 1 year old or greater.

An allowance for motor vehicle arrears resulting from 4-pay Time Payments is established based on 1% of the receivables less than 4 years old and 100% of receivables 4 years old or greater.

Percentages are set based on historical analysis.

2. **<u>Drivers Underpayments Accounts Receivable</u>**

Description - Drivers receivables consist of underpayment of driver and additional driver premiums, cheques not honoured by the client's bank and non payment of time payment installments or late payment fees.

Policy - Accounts are written-off if they have been outstanding for five years, or earlier if the driver is deceased.

An allowance is established based on 5% of the receivables less than 4 years old and 100% of receivables 4 years old or greater.

Percentages are set based on historical analysis

3. **<u>Subrogation Accounts Receivable</u>**

Description - Subrogation accounts receivables are established when the Corporation is required to pay a third party claim for damages, injury or death caused by a first party who is uninsured or in breach of coverage.

Policy - Uncollectible subrogation files are written-off based on a review of each individual account. These items will be included in the annual write-off report, approved by the Board of Directors.

Expected future subrogation recoveries will be included in the actuary's valuation of policy and claim liabilities.

4. **<u>Fleet Surcharge Accounts Receivable</u>**

Description - Fleet surcharges consist of additional premiums charged to owners of ten or more vehicles who have an unfavourable loss experience. The assessment ranges between 1% and 50% of the original premiums paid in accordance with Manitoba Regulations 289/88R Section (63).

Policy - Accounts are written-off based on a review of each individual account.

An allowance is established based on a review of the collectability of each individual account.

5. **Reinsurance Ceded Accounts Receivable & Reinsurer's Share of Unpaid Claims**

Description - The Corporation cedes certain risks above certain limits to reinsurers. If the Corporation pays claims above these limits they become receivables from the company assuming these risks. In addition, unpaid claims are recognized as the reinsurer's share of unpaid claims and recorded as an asset.

Policy - On an annual basis, prior to fiscal year end, receivable accounts are written-off based on a review of each individual account.

An allowance for reinsurer's share of unpaid claims is included in the provision for adverse deviation (PFAD) component of the actuary's valuation of unpaid claims.

6. **Miscellaneous Accounts Receivables**

Description - Miscellaneous accounts receivables are established from a variety of sources such as outstanding rates appeal fees, salvage receivables, agents' receivables and miscellaneous returned cheques.

Policy - Accounts are written-off based on a review of each individual account.

An allowance is established based on a review of the collectability of each individual account.

Attachment G
Agenda B.1
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MANITOBA PUBLIC INSURANCE
POLICY FOR VALUATION OF PRIVATE EQUITY, VENTURE CAPTIAL AND INFRASTRUCTURE INVESTMENTS

Procedure

Management will perform an annual review of these investments prior to corporate fiscal year-end to determine the appropriate fair value to be used in the corporate financial statements.

Fair Value Considerations

Marketable securities are carried at fair value in the corporate financial statements which is usually based on quoted prices in active markets close to the date of assessment.

When active market prices (S&P/TSX) are not available, as is the case with Private Equity, Venture Capital and Infrastructure investments, estimates of fair value should be based on the best information available, including prices of similar investments or other acceptable valuation techniques.

The Department of Finance, in collaboration with MPI management, will calculate the new fair value by using current and past financial information for each investment, along with information provided by the fund manager. Other supplemental information that may be available like erosion of market share and going concern and liquidity issues will be incorporated into the valuation process. The change in fair value is then recorded in Accumulated Other Comprehensive Income (Available for Sale assets) or profit/loss (Fair Value Through Profit and Loss for Financial assets).

Declines in fair value, other than temporary, would be accounted for in a manner consistent with the valuation of publicly traded equities and bonds following the Policy for Writing Down Investments.

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MANITOBA PUBLIC INSURANCE
POLICY FOR WRITING DOWN INVESTMENTS

Procedure

Management will perform an annual review at corporate year end of all individual corporate investments with a market value below book value or cost by $150,000 or by 20% or more to assess whether there has been a loss in value that is other than a temporary decline in the value of the investment. Any other individual holdings identified in a non-specific manner as having a potential impairment will also be subject to review. The annual review will be on a per security basis, not on a per investment counsel basis and will only be deemed impaired if the impairment is significant or prolonged.

Definitions

Significance:

$2.5 million per security
With over $2.5 billion in investments, a movement of $150,000 is not significant (this is the threshold for review only). A 1% movement in the total investment portfolio would equate to $25 million. Significance on a portfolio basis would be $25 million. Significance on an individual security would be a portion of the portfolio significance. Ten percent of the portfolio movement would be $2.5 million and this would be considered significant on an individual security.

20% decline where decline is over $500 thousand
A 20% decline is significant so long as there is still a material dollar movement in the security. A 20% decline in an equity security also needs to be more than 20% of the overall significance of an individual security which is $500 thousand (20% of $2.5 million).

Prolonged:

A prolonged decline is any decline that has occurred for more than one year.

Considerations

A loss in value of an investment is other than temporary when any one of the following three items occur in isolation or together: a significant decline in the market value below book value or cost; a prolonged decline; or significant changes with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of the investment may not be recovered.

The following guidelines, to satisfy International Accounting Standard 39 – Financial Instruments: Recognition and Measurement, will be used in evaluating whether other than temporary impairment in value of an investment may have occurred for consideration under the third requirement noted above.

- Has the issuer experienced severe market value losses in the current year or current and prior years?
- Have financial losses by the issuer existed for a period of years?
- Is the issuer experiencing depressed and declining earnings in relation to competition, erosion of market share, and deteriorating financial position?
- Has the trading of the security been suspended?
- Has the active market for this security disappeared?
- Does the issuer have going concern or liquidity concerns?
- Is the appraised value of the investment below the carrying value?
- What is the expected period of time required for any anticipated recovery in market value?
- Is there an expectation of, or actual default/delay, interest or principal payments for a fixed income security?

Write-Down of Impaired Investments

Once a decline in fair value of a corporate investment is considered other than temporary, it is deemed impaired. The accounting treatment of an impaired asset depends on its classification: 1. Assets measured at amortized cost (Held to Maturity) or 2. Assets measured at fair value (Available for Sale or Fair Value through Profit or Loss) and type (Equity or Fixed income).

1. Assets Measured at Amortized Cost

- **Held To Maturity**

  The amount of the impairment loss is the difference between the carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (effective interest rate computed at initial recognition) and recognized in profit/loss for the period.

Assets Measured at Fair Value

- **Available for Sale**

  Where a decline in fair value has been recognized in other comprehensive income, a cumulative loss is reclassified from accumulated other comprehensive income to profit/loss. The cumulative loss reclassified to profit/loss is the difference between book value (amortized cost) or cost and fair value less any impairment losses previously recognized.

- **Fair Value through Profit or Loss**

  The decline in fair value is recognized in profit/loss for the period with no impact on accumulated other comprehensive income.

A write-down of an impaired Available for Sale **equity** investment to reflect a decrease in value that is other than temporary will not be reversed through profit/loss if there is a subsequent increase in value of that investment. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

A write-down of an impaired Available for Sale **fixed income** investment to reflect a decrease in value that is other than temporary must be reversed through profit/loss if there is a subsequent increase in value of that investment and this increase can be related to a specific event after the loss was recognized.

When the fair value of an investment within a portfolio is significantly less than the book value or cost and no write-down has been taken, disclosure to the Audit, Finance & Risk Committee will be made of:

- the cost, book value, carrying value and the fair value of the investment; and,
- the reasons for not reducing the carrying amount, including the nature of the evidence that provides the basis for management's belief that the decrease in value will be recovered.

Fair Value

Determination of fair value starts with the identification of the current value as indicated by a quoted price (bid or last trade) in active markets, reasonably close to the date of assessment.

When quoted market prices are not available, estimates of fair value are based on the best information available, including prices for similar investments and the results of other acceptable valuation techniques.

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MANITOBA PUBLIC INSURANCE POLICY FOR CAPITALIZATION OF ORGANIZATIONAL AND DEVELOPMENT COSTS

Description

The Corporation has various Initiatives and Projects which are expensed or reviewed by management for capitalization in accordance with IFRS, IAS 38 Intangible Assets.

Deferred Development Costs, which are "internally generated intangible assets" under IFRS, IAS 38 Intangible Assets will be evaluated for all lines of business (Basic, Extension, Special Risk Extension and Driver & Vehicle Administration Operations) against the criteria for determining if such costs are to be deferred to future periods or expensed in the current period.

Policy

Projects are to be capitalized as an asset and deferred to future periods when they meet all of the following 4 criteria:

1. Identifiability – the asset is separable and arises from contractual or other legal rights.
2. Control – the corporation has the power to obtain the future economic benefit and/or restrict others to those benefits.
3. Future economic benefit – the corporation benefits from the use of the asset (revenue, cost savings or other benefits).
4. Total project costs to be deferred are equal to or greater than $500,000.

Capitalization also applies when the intention is to complete, to use or sell the intangible asset at a future date and that the flow of future economic benefits attributable to the use of the asset contain a degree of certainty on the basis of the evidence available at the time of the initial recognition.

When capitalizing a project, the following types of expenses may be considered to be deferred:

- Payments to outside companies such as contract fees, data centre services, consulting costs, travel and incidental costs;
- Payments associated with direct assigned employee compensation costs including travel and incidental costs;
- Data processing costs for testing computer systems being developed; and
- Packaged software costs.

Organizational and development projects will be amortized over a five year period unless the useful life is deemed to be shorter, starting the month after the asset becomes available for use.

Attachment J
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MANITOBA PUBLIC INSURANCE
POLICY FOR ALLOCATION OF BALANCE SHEET ITEMS – ASSETS, LIABILITIES, RETAINED EARNINGS AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Description

The Corporation began utilizing the allocation formulas as detailed in the July, 2010 Deloitte Asset and Liability Allocation Methodology Report effective March 1, 2011. The allocation formulas assign direct and common Balance Sheet items (assets, liabilities, retained earnings and accumulated other comprehensive income) between Basic, Extension, Special Risk Extension (SRE), Discontinued Operations and *The Drivers and Vehicles Act* Operations.

The balance sheet allocation is primarily used for internal management reporting purposes and to assist in the allocation of investment income.

The SRE line of business includes Balance Sheet items allocated to Discontinued Operations (Personal and Commercial Lines).

Policy

The allocation formulas assign Balance Sheet items (assets, liabilities, retained earnings and accumulated other comprehensive income) between Basic, Extension, Special Risk Extension (SRE), Discontinued Operations and *The Drivers and Vehicles Act* Operations based on:

1. direct identification; any balance sheet account that is identifiable with a specific line of business is assigned directly to that line of business.
2. common Balance Sheet items are allocated based on various ratios (direct premiums written, paid losses, expenses incurred, etc.).

Attachment K
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January 31, 2019

MANITOBA PUBLIC INSURANCE POLICY FOR FUNDING THE EMPLOYEE FUTURE BENEFITS INVESTMENT PORTFOLIO

Description	The Employee Future Benefits (EFB) Investment Portfolio has been established to support the liabilities for Pension, Employee Post Retirement Benefits and Severance. The EFB portfolio is required to be funded by all lines of business. This policy provides direction on funding of the EFB investment portfolio.
Policy	On an annual basis, the Corporation will analyze the value of the EFB portfolio, in comparison to the EFB liabilities and determine the plan's solvency ratio. In the event that the plan's solvency ratio falls below 80% (that is, the EFB portfolio assets are more than 20% below the value of the liabilities they back), the Corporation will increase the investments in the EFB portfolio over the next 12 months such that a minimum solvency ratio of 80% will be attained by the next assessment period; prior to the results of the subsequent actuarial valuation being applied. The additional funding or "special payments" will come from all operating lines of business and will be based on the Payroll Ratio in the same manner as current service costs are allocated. The additional funding will be provided by assets available in each line of business and may include transfers in kind from the Basic Rate Stabilization Reserve, Extension, and Special Risk Extension portfolios. If necessary, the portion of the funding that is required to come from *The Drivers and Vehicles Act* Operations line of business will be funded from the Extension portfolio. In the event that the EFB portfolio is overfunded in comparison to the liabilities it is backing and has a solvency ratio exceeding 100%, the excess funds will remain in the EFB portfolio, resulting in the possibility of reduced future contributions.

Attachment L
Agenda B.1
January 31, 2019

IAS 39 – FINANCIAL INSTRUMENTS CLASSIFICATION UNDER NEW ASSET-LIABILITY MATCHING STRATEGY

Recommendation

That the members approve the accounting classifications of the financial instruments as presented in this document effective for the fiscal years beginning March 1, 2019.

Introduction

As the implementation of the Corporation's new asset-liability management (ALM) strategy and asset allocation continues, the various assets backing each portfolio need to be classified as particular financial assets. Following the applicable standard; IAS 39 there are three categories applicable to these investments:

- Financial assets at fair value through profit or loss (FVTPL)
- Held-to-maturity investments (HTM)
- Available-for-sale financial assets (AFS)

The classification chosen will have implications on both how the carrying amount is valued on the balance sheet and how subsequent mark to market movements are flowed through the statement of comprehensive income as follows:

Classification	Carrying Value	Mark to Market movements
FVTPL	At Fair Value	Through Net Income
HTM	At amortized cost	N/A
AFS	At Fair Value	Through Other Comprehensive Income (OCI)

While there is some discretion for entities applying IAS 39, certain criteria must be met in order for securities to qualify for each classification. Generally speaking bonds that back claims liabilities are typically designated as FVTPL because they meet the criteria of addressing accounting mismatch; that is to say that the assets designated FVTPL are interest rate sensitive and move in opposite direction of the interest rate sensitive liabilities that they are intended to match; mitigating net income volatility when market interest rates move. Alternatively, bonds that back surplus are typically classified as AFS as they do not address accounting match. Additionally, bonds backing surplus do not meet the definition of FVTPL sub-category Held for Trading (HFT) as they are not typically acquired principally for the purpose of selling or repurchasing in the near-term.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated to the category at inception.

A financial asset is held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or if it is part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Trading assets include debt and equity securities and loans and receivables acquired by the entity with the intention of making a short-term profit from price.

The second sub-category includes any financial asset that an entity has decided to designate to the category on initial recognition provided such a designation results in more relevant information either:

- because it eliminates or significantly reduces a measurement or recognition inconsistency (that is, accounting mismatch); or
- because it is part of a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management strategy.

The decision to designate assets as FVTPL is irrevocable. The asset cannot be moved to another category during its life.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intent and ability to hold to maturity. Equity securities cannot be classified as held-to-maturity because they do not have a fixed maturity date. The intent and ability is assessed not only when the assets are initially acquired but also at each subsequent balance sheet date. A positive intent to hold assets to maturity is a much higher hurdle than simply having no present intention to sell.

If an entity sells more than an insignificant amount of held-to-maturity securities, other than in exceptional circumstances, this casts doubt on its intent or ability to hold investments to maturity. The consequences are harsh: the entity is prohibited from using the held-to-maturity classification for any financial assets for two financial years. All its held-to-maturity investments are reclassified as available for sale and measured at fair value. When the prohibition ends (at the end of the second financial year following the tainting), the portfolio becomes ‘cleansed’, and the entity is once more able to classify the securities as held to maturity.

Available-for-sale financial assets

All financial assets that are not classified in another category are classified as available for sale. The available for sale category includes all equity securities other than those classified as at fair value through profit or loss. An entity also has the right to designate any asset, other than a trading one, to this category at inception.

Summary of Changes

As compared to existing classifications the only recommended change relates to marketable bonds that back surplus. Currently in the co-mingled portfolio the bond holdings back claims liabilities however once split into unique portfolios, bonds will now back both liabilities and surplus. As bonds currently back the unpaid claims liabilities, they were originally designated as FVTPL, however the component of bonds that will back surplus when funded under the new ALM strategy will be classified as AFS.

Because the designation of FVTPL is irrevocable, there will be a transition period in which bonds backing surplus will be FVTPL or AFS depending on when they entered the portfolio. It is anticipated that the new classifications will be fully in effect by the end of 2019/20.

Currently the corporation employs the following classifications:

Fixed income excluding MUSH bonds – FVTPL
MUSH bonds – HTM
Equities – AFS
Infrastructure & Real estate – FVTPL

Following full segregation of the current single portfolio into the new five portfolios, these financial assets will need to be classified taking into consideration both the security type and also the purpose of the portfolio of which the security resides.

The following table outlines the recommended future classifications of each security type by portfolio:

Type	Portfolio	HFT	FVTPL	HTM	AFS
		Do any of the following apply? 1. acquired principally for the purpose of selling or repurchasing in the near-term. 2. Part of a portfolio that managed together have evidence of recent short-term profit taking; or 3. a derivative If Yes, asset is Held-for-trading	Do any of the following apply? 1. the designation reduces accounting mismatch 2. asset managed and performance evaluated on a fair value basis according to established investment strategy 3. is a hybrid contract containing embedded derivatives If Yes, FVTPL designation can be applied	Intent and ability to hold to maturity	All assets not classifed otherwise
Fixed Income	Basic Claims	No	*Y (1)*		
	EXT	No	No	No	*AFS*
	RSR	No	No	No	*AFS*
	SRE	No	*Y (1)*		
	EFB	No	No	No	*AFS*
Equities	EXT	No	No	No	*AFS*
	RSR	No	No	No	*AFS*
	SRE	No	No	No	*AFS*
	EFB	No	No	No	*AFS*
Alternatives	EXT	No	*Y (2)*		
	RSR	No	*Y (2)*		
	SRE	No	*Y (2)*		
	EFB	No	*Y (2)*		
MUSH	All	No	No	*HTM*	

Basic Claims

100% of Basic Claims will be allocated to fixed income. As the sole purpose of the portfolio is to back outstanding claims liabilities, these assets (including private debt but excluding MUSH) will be designated as FVTPL in order to hedge movements in the interest rate sensitive claims liabilities and therefore reduce accounting mismatch and interest rate risk.

MUSH bonds will continue to be classified as HTM. The corporation has the intent and ability to hold these securities to maturity and the MUSH bonds will roll off the portfolio as the various issues mature over time.

Rate Stabilization Reserve

Fixed income within the RSR is not principally bought to recognize short term trading gains and does not address accounting mismatch. However these securities are not necessarily intended to be held to maturity and therefore new assets assigned to the portfolio will be classified as AFS.

Extension

Fixed income within Extension is not principally bought to recognize short term trading gains and does not predominately address accounting mismatch. The Extension portfolio backs both claims and surplus; because the underlying claims are short term in nature (1 year duration), and not particularly interest rate sensitive, and because surplus currently represents approximately 80% of the value, the Extension portfolio is considered essentially surplus. These securities are not necessarily intended to be held to maturity and therefore new assets assigned to the portfolio will be classified as AFS.

Special Risk Extension

50% of SRE will be allocated to fixed income. The SRE portfolio backs both SRE claims and surplus; SRE claims carry a duration of approximately 2.7 years and currently make up nearly 50% of the value; for this reason fixed income will be designated as FVTPL to address the accounting mismatch.

Employee Future Benefits

50% of EFB will be allocated to fixed income. The EFB portfolio backs pension and other future employee obligations. While the EFB liability is sensitive to changing interest rates, these remeasurement gains/losses are recognized in Other Comprehensive Income and therefore the fixed income backing EFB will be classified as AFS.

Applicable to all Portfolios with allocations to growth assets

Equities do not meet the criteria to be classified as FVTPL or HTM and therefore will be classified as AFS within all portfolios.

Infrastructure and Real Estate are not principally bought to recognize short term trading gains and they do not address accounting mismatch. These alternative assets will be designated as FVTPL on the basis they are managed and performance evaluated on a fair value basis as appraisal gains are a significant component of their total return.

Interest Rate Risk Management (accounting mismatch)

The Basic Claims portfolio will be comprised of 100% fixed income and will be duration matched to its underlying unpaid claims liabilities. As such the hedge ratio will be 100% and in material respects the corporation will be immunized against changes in interest rates affecting both claims liabilities and matched assets in the Basic line of business.

The Extension portfolio backs both claims and surplus; because the underlying claims are short term in nature (1 year duration), and not particularly interest rate sensitive, and because surplus currently represents approximately 80% of the value, the Extension portfolio is considered essentially surplus.

However in reality there is a small exposure under this approach, albeit significantly less than a scenario designating Extension fixed income as FVTPL. The following two tables display sensitivity to a 100bps change in interest rates under each alternate classification:

Extension FI Designated as AFS	*For the Years Ended February,*					
Sensitivity (assuming no matched Bonds and 1.1 yrs claims duration)	2018A	2019BF	2020F	2021F	2022F	2023F
to 100bps parallel shift ($millions)						
Bonds	-	-	-	-	-	-
Claims Liabilities	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Net Impact	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
% of Net Income	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*

Extension FI Designated as FVTPL	*For the Years Ended February,*					
Sensitivity (assuming mid-term benchmark Bonds duration (7)	2018A	2019BF	2020F	2021F	2022F	2023F
and 1.1 yrs claims) to 100bps parallel shift ($millions)						
Bonds	4.7	6.3	7.9	9.9	12.1	14.5
Claims Liabilities	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Net Impact	4.4	6.0	7.6	9.6	11.7	14.1
% of Net Income	*9.7%*	*11.6%*	*16.2%*	*18.3%*	*20.6%*	*22.4%*

The SRE portfolio backs both SRE claims and surplus; SRE claims carry a duration of approximately 2.7 years and currently make up nearly 50% of the value; for this reason fixed income will be designated as FVTPL to address the accounting mismatch. However because the portfolio allocation to fixed income is set at 50% rather than tied to specific claims liability values, the dollar matching and hedge ratio will not be 100%. As liabilities fluctuate and surpluses in the line of business grow or deplete, this will also impact hedge ratio.

The following two tables display sensitivity to a 100bps change in interest rates under each alternate classification:

SRE FI Designated as FVTPL	*For the Years Ended February,*					
Sensitivity (assuming benchmark bonds duration (4.6) and 2.7 yrs claims) to 100bps parallel shift ($millions)	2018A	2019BF	2020F	2021F	2022F	2023F
Bonds	3.7	3.8	4.1	4.2	4.6	4.9
Claims Liabilities	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)	(2.4)
Net Impact	1.7	1.7	1.9	1.9	2.2	2.5
% of Forecasted Net Income	*15.2%*	*20.4%*	*30.5%*	*25.8%*	*24.7%*	*27.3%*

SRE FI Designated as AFS	*For the Years Ended February,*					
Sensitivity (assuming no matched Bonds and 2.7 yrs claims duration) to 100bps parallel shift ($millions)	2018A	2019BF	2020F	2021F	2022F	2023F
Bonds	-	-	-	-	-	-
Claims Liabilities	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)	(2.4)
Net Impact	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)	(2.4)
% of Net Income	*-18.7%*	*-26.4%*	*-36.1%*	*-30.6%*	*-26.5%*	*-26.7%*

While under both scenarios there is a potential mismatch and exposure to changing interest rates, the FVTPL designation will afford the corporation more flexibility and control in managing interest rate risk.

PUB (MPI) 2-2

Part and Chapter:	PUB (MPI) 1-2 V(i) Claims Incurred	Page No.:	17
PUB Approved Issue No:	1. Requested Vehicle Rate and any Changes to Other Fees and Discounts		
Topic:	Claims Incurred		
Sub Topic:			

Preamble to IR:

The response to PUB (MPI) 1-2 described how the accident years 2019/20 through 2023/24 Weekly Indemnity Ultimates of $82,460,000 to $85,834,000 were calculated based on a frequency severity approach.

Question:

Please explain how the above Ultimate accident year values of between $82 and $85 million become Reported fiscal year values of between $96 and $100 million in Figure CI-12 (2nd column), and then become Claims Incurred fiscal year values of $90 to $111 million (6th column). It is understood that this compares accident year to fiscal year, but the difference appears to be too large for this to explain the entire change in magnitude.

Rationale for Question:

To better understand the calculation of future fiscal years claims incurred.

RESPONSE:

The reason for this difference is that case reserves are indexed each year to reflect the new increased benefit levels. This indexation is applied to case reserves for all loss years. Without indexing case reserves, fiscal year Claims Incurred would vary from

$82 million to $84 million as expected from the changes in ultimate. More information about indexing case reserves can be found in *Part V(i) Claims Incurred CI.2.8 Indexed Case Reserves*.

PUB (MPI) 2-3

Part and Chapter:	PUB (MPI) 1-4 V(i) Claims Incurred	Page No.:	18, 22, 26, 33
PUB Approved Issue No:			
Topic:			
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 2020 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 understand the impact of using trends calculated on a combined basis instead of by severity group.

RESPONSE:

a) See the following figures for the updated forecasts. This change increased accident year ultimate claims by $100 million over the forecast period or $20 million per year on average.

PIPP claims can vary in severity from low severity claims and high severity claims. These types of claims can grow at different rates over time. By splitting into these different severity categories MPI can identify the underlying severity growths in the types of claims. This is done in a similar fashion for physical damage claims with repair and total loss claims.

Figure 1 Weekly Indemnity Ultimate Severity

Line No.	Accident Year	Average Severity $0+
1	2001/02	$25,795
2	2002/03	$29,825
3	2003/04	$28,783
4	2004/05	$25,521
5	2005/06	$33,004
6	2006/07	$38,714
7	2007/08	$39,113
8	2008/09	$40,904
9	2009/10	$39,144
10	2010/11	$48,789
11	2011/12	$49,003
12	2012/13	$46,315
13	2013/14	$42,232
14	2014/15	$43,484
15	2015/16	$47,923
16	2016/17	$47,186
17	2017/18	$45,332
18	2018/19	$54,134
19	Severity Growth	4.27%
20	Total Incurred	$1,213,690,218
21	Weighted Average Severity Growth	4.27%
22	Indexation	2.00%
23	Total Severity Growth	6.27%

Figure 2 Accident Benefits Other - Indexed Ultimate Severity

Line No.	Accident Year	Average Severity $0+
1	2001/02	$5,526
2	2002/03	$5,622
3	2003/04	$4,982
4	2004/05	$5,901
5	2005/06	$5,319
6	2006/07	$6,076
7	2007/08	$6,145
8	2008/09	$5,170
9	2009/10	$5,663
10	2010/11	$4,911
11	2011/12	$5,850
12	2012/13	$5,489
13	2013/14	$4,573
14	2014/15	$5,016
15	2015/16	$5,779
16	2016/17	$6,735
17	2017/18	$6,151
18	2018/19	$5,819
19	Severity Growth	0.08%
20	Total Incurred	$1,024,067,713
21	Weighted Average Severity Growth	0.08%
22	Indexation	2.00%
23	Total Severity Growth	2.08%

Figure 3 Accident Benefits Other – Non-Indexed Ultimate Severity

Line No.	Accident Year	Average Severity $0+
1	2001/02	$17,066
2	2002/03	$18,435
3	2003/04	$16,772
4	2004/05	$17,529
5	2005/06	$19,676
6	2006/07	$20,748
7	2007/08	$20,075
8	2008/09	$19,943
9	2009/10	$20,957
10	2010/11	$21,352
11	2011/12	$20,293
12	2012/13	$21,128
13	2013/14	$22,183
14	2014/15	$25,450
15	2015/16	$21,162
16	2016/17	$20,815
17	2017/18	$19,218
18	2018/19	$22,593
19	Severity Growth	1.80%
20	Total Incurred	$470,743,589
21	Weighted Average Severity Growth	1.80%
22	Indexation	0.00%
23	Total Severity Growth	1.80%

Figure 4 Weekly Indemnity Ultimate Losses

Line No.	Accident Year	Claim Count Incurred >$0	Severity	Ultimate ($000)	Annual % Change	Last Year's Forecast ($000)	Variance to Forecast ($000)
1	2004/05	2,040	$22,941	$46,800	-12.99%	$47,702	($902)
2	2005/06	1,942	$30,074	$58,404	24.79%	$58,646	($242)
3	2006/07	2,102	$36,011	$75,694	29.60%	$74,567	$1,127
4	2007/08	2,051	$36,566	$74,996	-0.92%	$72,882	$2,114
5	2008/09	1,883	$38,367	$72,244	-3.67%	$70,771	$1,473
6	2009/10	1,878	$37,094	$69,662	-3.57%	$66,966	$2,696
7	2010/11	1,929	$46,689	$90,063	29.28%	$85,539	$4,524
8	2011/12	1,833	$47,311	$86,721	-3.71%	$82,795	$3,926
9	2012/13	2,026	$45,020	$91,204	5.17%	$93,615	($2,411)
10	2013/14	1,896	$41,303	$78,303	-14.15%	$78,636	($333)
11	2014/15	1,663	$42,859	$71,262	-8.99%	$66,523	$4,738
12	2015/16	1,813	$47,390	$85,921	20.57%	$85,048	$873
13	2016/17	1,810	$46,844	$84,775	-1.33%	$81,912	$2,864
14	2017/18	1,915	$45,102	$86,374	1.89%	$76,173	$10,201
15	2018/19	1,837	$48,572	$89,213	3.29%	$76,840	$12,373
16	5-year Trend	1,942	$48,895	$94,416	4.85%	$80,827	
17	10-year Trend	1,811	$48,102	$87,267	0.62%	$78,774	
18	All year Trend	1,778	$51,874	$93,708	-0.03%	$86,380	
19	2019/20	1,809	$50,073	$90,582	1.53%	$76,953	$13,629
20	2020/21	1,800	$53,215	$95,811	5.77%	$77,046	$18,765
21	2021/22	1,792	$56,554	$101,340	5.77%	$77,119	$24,221
22	2022/23	1,783	$60,103	$107,185	5.77%	$77,171	$30,014
23	2023/24	1,775	$63,874	$113,365	5.77%		

Figure 5 Accident Benefits Other – Indexed Ultimate Losses

Line No.	Accident Year	Claim Count Incurred >$0	Severity	Ultimate ($000)	Annual % Change	Last Year's Forecast ($000)	Variance to Forecast ($000)
1	2004/05	11,327	$5,308	$60,119	20.54%	$59,287	$833
2	2005/06	10,756	$4,742	$51,001	-15.17%	$51,077	($77)
3	2006/07	12,061	$5,579	$67,290	31.94%	$67,600	($310)
4	2007/08	11,935	$5,695	$67,973	1.01%	$67,278	$695
5	2008/09	11,418	$4,772	$54,487	-19.84%	$55,127	($640)
6	2009/10	11,239	$5,292	$59,480	9.16%	$60,171	($691)
7	2010/11	11,840	$4,592	$54,371	-8.59%	$54,166	$206
8	2011/12	11,252	$5,549	$62,444	14.85%	$61,460	$984
9	2012/13	12,129	$5,255	$63,734	2.07%	$63,565	$169
10	2013/14	12,361	$4,397	$54,359	-14.71%	$55,811	($1,453)
11	2014/15	10,715	$4,890	$52,393	-3.62%	$54,637	($2,244)
12	2015/16	11,629	$5,679	$66,035	26.04%	$69,580	($3,545)
13	2016/17	11,667	$6,671	$77,834	17.87%	$69,406	$8,428
14	2017/18	11,897	$6,142	$73,067	-6.12%	$69,638	$3,429
15	2018/19	11,139	$6,623	$73,771	0.96%	$63,849	$9,922
16	5-year Trend	11,744	$7,180	$83,557	0.13%	$70,967	
17	10-year Trend	11,534	$6,516	$75,128	5.18%	$68,828	
18	All year Trend	11,637	$6,047	$70,151	2.57%	$66,103	
19	2019/20	11,803	$6,349	$74,938	1.58%	$64,567	$10,371
20	2020/21	11,827	$6,481	$76,656	2.29%	$65,294	$11,362
21	2021/22	11,852	$6,616	$78,412	2.29%	$66,028	$12,384
22	2022/23	11,876	$6,754	$80,209	2.29%	$66,770	$13,438
23	2023/24	11,900	$6,894	$82,046	2.29%		

Figure 6 Accident Benefits Other – Non-Indexed Ultimate Losses

Line No.	Accident Year	Claim Count Incurred >$0	Severity	Ultimate ($000)	Annual % Change	Last Year's Forecast ($000)	Variance to Forecast ($000)
1	2004/05	1,413	$17,523	$24,761	-2.37%	$24,781	($20)
2	2005/06	1,467	$19,664	$28,847	16.51%	$28,928	($80)
3	2006/07	1,641	$20,748	$34,048	18.03%	$34,070	($22)
4	2007/08	1,506	$20,053	$30,193	-11.32%	$30,183	$10
5	2008/09	1,441	$19,885	$28,654	-5.10%	$29,155	($501)
6	2009/10	1,439	$20,862	$30,010	4.73%	$29,987	$24
7	2010/11	1,351	$21,217	$28,655	-4.52%	$28,605	$49
8	2011/12	1,602	$20,096	$32,185	12.32%	$32,032	$153
9	2012/13	1,470	$20,800	$30,572	-5.01%	$30,277	$295
10	2013/14	1,295	$21,671	$28,061	-8.21%	$27,596	$465
11	2014/15	1,138	$24,597	$27,995	-0.24%	$28,224	($229)
12	2015/16	1,614	$20,186	$32,589	16.41%	$30,723	$1,866
13	2016/17	1,887	$19,667	$37,107	13.86%	$32,139	$4,968
14	2017/18	1,772	$18,709	$33,152	-10.66%	$30,213	$2,938
15	2018/19	1,623	$21,745	$35,290	6.45%	$30,911	$4,380
16	5-year Trend	1,945	$18,826	$37,773	1.06%	$31,901	
17	10-year Trend	1,729	$20,599	$35,215	4.26%	$30,807	
18	All year Trend	1,622	$21,474	$34,250	2.07%	$30,919	
19	2019/20	1,541	$21,726	$33,484	-5.12%	$31,350	$2,134
20	2020/21	1,541	$22,116	$34,085	1.80%	$31,796	$2,289
21	2021/22	1,541	$22,513	$34,697	1.80%	$32,249	$2,449
22	2022/23	1,541	$22,917	$35,320	1.80%	$32,707	$2,613
23	2023/24	1,541	$23,328	$35,954	1.80%		

b) The overall required rate change based on breakeven rates assuming that the severity trends are calculated as shown above is 1.7%. Figure 1 below shows the overall required rate change and the forecasted Minimum Capital Test (MCT) Ratio as at February 28, 2022. A capital build or release is not required.

Figure 7 Overall Required Rate Change and Forecasted MCT Ratio

Line No.	Steps in the Capital Management Plan	Required Rate Change	MCT Ratio as at February 28, 2022
1	No Rate Change	0.0%	47.2%
2	Required Rate Change	1.7%	56.3%
3	Capital Transfer from MPI's Extension Line of Busines	1.7%	92.7%

The following figures comprise the supporting documents including:

- Basic and Extension proformas based on an overall required rate change of 1.7% reflecting breakeven rates
- Revised *Part V(ii) Ratemaking Figure RM-12* showing the Major Classification Required Rate Changes based on an overall required rate change of 1.7% reflecting breakeven rates

Figure 8 PF-1: Statement of Operations based on 1.7% Basic Rate Change

Multi-year - Statement of Operations

Line No.	2020/21 Basic AAP break even rate change +1.7% and updated claims based on severity group (C$ 000s, rounding may affect totals)	For the Years Ended February,					
1		2019A	2020FB	2021F	2022F	2023F	2024F
2	BASIC	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
3	Motor Vehicles	1,003,570	1,064,300	1,126,179	1,170,867	1,217,830	1,266,841
4	Drivers	66,959	70,267	72,280	74,110	75,948	77,445
5	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
6	Total Net Premiums Written	1,058,027	1,120,417	1,184,026	1,230,255	1,278,762	1,328,970
7	Net Premiums Earned						
8	Motor Vehicles	980,770	1,037,678	1,097,533	1,150,179	1,196,089	1,244,152
9	Drivers	58,667	68,568	71,268	73,190	75,024	76,693
10	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
11	Total Net Premiums Earned	1,026,935	1,092,096	1,154,368	1,208,647	1,256,097	1,305,529
12	Service Fees & Other Revenues	24,568	26,511	28,716	30,758	33,005	35,477
13	Total Earned Revenues	1,051,503	1,118,607	1,183,084	1,239,405	1,289,102	1,341,006
14	Claims Incurred	864,389	899,606	939,552	986,700	1,035,789	1,087,560
15	DPAC \ Premium Deficiency Adjustment	(12,983)	(10,717)	(11,093)	4,589	8,210	10,017
16	(a) Claims Incurred - Interest Rate Impact	40,852	(19,520)	11,949	13,049	12,111	12,137
17	Total Claims Incurred	892,258	869,369	940,408	1,004,338	1,056,110	1,109,714
18	Claims Expense	126,871	136,851	139,015	139,151	138,724	148,612
19	Road Safety/Loss Prevention	11,538	13,977	13,426	13,383	13,685	13,932
20	Total Claims Costs	1,030,667	1,020,197	1,092,849	1,156,872	1,208,519	1,272,258
21	Expenses						
22	Operating	76,124	73,385	73,996	75,311	76,874	82,173
23	Commissions	40,233	42,542	44,732	46,810	48,606	50,472
24	Premium Taxes	31,183	33,187	35,064	36,701	38,133	39,625
25	Regulatory/Appeal	4,315	5,315	5,326	5,335	5,423	5,515
26	Total Expenses	151,855	154,429	159,118	164,157	169,036	177,785
27	Underwriting Income (Loss)	(131,019)	(56,019)	(68,883)	(81,624)	(88,453)	(109,037)
28	Investment Income	194,333	73,037	74,561	76,294	78,788	82,093
29	(b) Investment Income - Interest Rate Impact	14,178	(144)	(247)	(311)	(384)	(477)
30	Net Investment Income	208,511	72,893	74,314	75,983	78,404	81,616
31	Gain (Loss) on Sale of Property	1,345					
32	Net Income (Loss)	78,837	16,874	5,431	(5,641)	(10,049)	(27,421)
33	Total net Impact due to interest rate change (b) - (a)	(26,674)	19,376	(12,196)	(13,360)	(12,495)	(12,614)

Figure 9 PF-2 Statement of Financial Position based on 1.7% Basic Rate Change

Multi-year - Statement of Financial Position

Line No.	*2020/21 Basic AAP break even rate change +1.7% and updated claims based on severity group* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*					
1		2019A	2020FB	2021F	2022F	2023F	2024F
2	BASIC	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
3	Assets						
4	Cash and cash equivalents	161,944	61,717	47,217	33,509	20,316	7,653
5	Investments	2,426,047	2,746,530	2,916,676	3,101,845	3,304,609	3,513,133
6	Investment property	41,892	20,571	20,224	20,088	20,730	21,607
7	Due from other insurance companies	1,495	-	-	-	-	-
8	Accounts receivable	422,793	369,902	388,812	403,009	417,696	432,904
9	Deferred policy acquisition costs	6,063	13,659	26,546	23,253	16,405	7,809
10	Reinsurers' share of unpaid claims	8,463	-	-	-	-	-
11	Property and equipment	88,983	92,904	95,508	96,594	98,819	102,795
12	Deferred development costs	45,926	47,392	64,416	81,349	88,488	81,516
13		3,203,606	3,352,675	3,559,399	3,759,647	3,967,063	4,167,417
14	Liabilities						
15	Due to other insurance companies	2,066	1,991	1,991	1,991	1,991	1,991
16	Accounts payable and accrued liabilites	70,282	41,259	41,594	42,006	42,211	44,902
17	Financing lease obligation	3,081	2,843	2,743	2,634	2,518	2,401
18	Unearned premiums and fees	543,416	572,810	606,089	631,614	658,516	686,541
19	Provision for employee current benefits	17,098	17,824	18,500	19,184	19,911	20,648
20	Provision for employee future benefits	342,046	350,713	365,800	381,051	396,498	412,518
21	Provision for unpaid claims	1,975,925	2,016,655	2,115,119	2,221,920	2,332,523	2,448,057
22		2,953,914	3,004,095	3,151,836	3,300,400	3,454,168	3,617,058
23	Equity						
24	Retained Earnings	309,812	389,754	439,190	478,999	518,911	540,516
25	Accumulated Other Comprehensive Income	(60,120)	(41,173)	(31,627)	(19,753)	(6,016)	9,844
26	Total Equity	249,692	348,581	407,563	459,246	512,895	550,360
27	Total Liabilities & Equity	3,203,606	3,352,676	3,559,399	3,759,646	3,967,063	4,167,418

Figure 10 PF-3 Statement of Changes in Equity based on 1.7% Basic Rate Change

Multi-year - Statement of Changes in Equity

Line No.	*2020/21 Basic AAP break even rate change +1.7% and updated claims based on severity group* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*					
1		2019A	2020FB	2021F	2022F	2023F	2024F
2	BASIC	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
3	Total Equity						
4	Retained Earnings						
5	Beginning Balance	170,975	309,812	389,754	439,190	478,999	518,911
6	Net Income (Loss) from annual operations	78,837	16,873	5,430	(5,641)	(10,048)	(27,423)
7	Transfer from Extension Retained Earnings	60,000	63,069	44,006	45,450	49,960	49,029
8	Total Retained Earnings	309,812	389,754	439,190	478,999	518,911	540,516
9	Total Accumulated Other Comprehensive Income						
10	Beginning Balance	39,870	(60,120)	(41,173)	(31,627)	(19,753)	(6,016)
11	Other Comprehensive Income for the Year	(99,990)	18,947	9,546	11,874	13,736	15,860
12	Total Accumulated Other Comprehensive Income	(60,120)	(41,173)	(31,627)	(19,753)	(6,016)	9,844
13	Total Equity Balance	249,692	348,581	407,563	459,246	512,894	550,360
14	MINIMUM CAPITAL TEST (C$ 000s)						
15	Total Equity Balance	249,692	348,581	407,563	459,246	512,894	550,360
16	Less: Assets Requiring 100% Capital	45,926	47,392	64,416	81,349	88,488	81,516
17	Capital Available	203,766	301,189	343,147	377,897	424,406	468,844
18	Minimum Capital Required (100% MCT)	395,393	362,322	387,028	407,657	429,958	458,937
19	MCT Ratio % (Line 17) / (Line 18)	51.5%	83.1%	88.7%	92.7%	98.7%	102.2%

Figure 11 EPF-1 Extension Statement of Operations based on 1.7% Basic Rate Change

Multi-year - Statement of Operations

Line No.	*2020/21 Basic AAP break even rate change +1.7% and updated claims based on severity group* *(C$ 000s, rounding may affect totals)*						
1		2019A	2020FB	2021F	2022F	2023F	2024F
2	EXTENSION	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
3	Motor Vehicles	162,861	156,944	162,147	166,626	171,389	176,363
4	Reinsurance Ceded	(1,567)	(1,995)	(2,035)	(2,076)	(2,117)	(2,159)
5	Total Net Premiums Written	161,294	154,949	160,112	164,550	169,272	174,204
6	Net Premiums Earned						
7	Motor Vehicles	160,848	159,787	159,669	164,493	169,121	173,994
8	Reinsurance Ceded	(1,567)	(1,995)	(2,035)	(2,076)	(2,117)	(2,159)
9	Total Net Premiums Earned	159,281	157,792	157,634	162,417	167,004	171,835
10	Service Fees & Other Revenues	11,752	12,263	12,844	13,485	14,180	14,930
11	Total Earned Revenues	171,033	170,055	170,478	175,902	181,184	186,765
12	Net Claims Incurred	65,685	68,225	69,338	71,041	72,413	73,730
13	(a) Claims Incurred - Interest Rate Impact	-	10	3	(2)	-	-
14	Total Claims Incurred	65,685	68,235	69,341	71,039	72,413	73,730
15	Claims Expense	10,490	11,387	10,997	10,851	10,356	10,998
16	Road Safety/Loss Prevention	908	1,163	1,060	1,039	1,014	1,014
17	Total Claims Costs	77,083	80,785	81,398	82,929	83,783	85,742
18	Expenses						
19	Operating	9,431	9,307	9,251	9,388	9,364	9,784
20	Commissions	35,256	35,037	34,842	35,912	36,925	37,992
21	Premium Taxes	4,824	4,794	4,790	4,935	5,074	5,220
22	Regulatory/Appeal	8	12	11	11	16	22
23	Total Expenses	49,519	49,150	48,894	50,246	51,379	53,018
24	Underwriting Income (Loss)	44,431	40,120	40,186	42,727	46,022	48,005
25	Investment Income	12,455	6,412	4,536	4,275	4,378	4,295
26	(b) Investment Income - Interest Rate Impact	(278)	(161)	(100)	(120)	(132)	(144)
27	Net Investment Income	12,177	6,251	4,436	4,155	4,246	4,151
28	Gain (Loss) on Sale of Property	115					
29	Net Income (Loss) from Operations	56,723	46,371	44,622	46,882	50,268	52,156
30	Total net Impact due to interest rate change (b) - (a)	828	(170)	(99)	(121)	(133)	(144)

Figure 12 EPF-3 Extension Statement of Changes in Equity based on 1.7% Basic Rate Change

Multi-year - Statement of Changes in Equity

Line No. *2020/21 Basic AAP break even rate change +1.7% and updated claims based on severity group*
(C$ 000s, rounding may affect totals)

Line No.							
1		2019A	2020FB	2021F	2022F	2023F	2024F
2	EXTENSION	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
3	Total Equity						
4	Retained Earnings						
5	Beginning Balance	102,492	99,213	82,517	83,134	84,567	84,874
6	Net Income (Loss) from annual operations	56,722	46,373	44,623	46,883	50,267	52,157
7	Transfer (to) / from Basic Retained Earnings	(60,000)	(63,069)	(44,006)	(45,450)	(49,960)	(49,029)
8	Total Retained Earnings	99,214	82,517	83,134	84,567	84,874	88,002
9	Total Accumulated Other Comprehensive Income						
10	Beginning Balance	1,097	(4,511)	(3,577)	(2,289)	(753)	1,206
11	Other Comprehensive Income	(5,608)	934	1,288	1,536	1,959	2,562
12	Total Accumulated Other Comprehensive Income	(4,511)	(3,577)	(2,289)	(753)	1,206	3,768
13	Total Equity Balance	94,702	78,940	80,845	83,814	86,080	91,769
14	MCT Ratio (%)	317.4%	200.0%	200.0%	200.0%	200.0%	200.0%

Figure 13 Rating Year 2020/21 Major Classification Required Rate Changes - Breakeven Rates

Line No.	Coverage	Overall	Private Pass	Comm	Public	Motor-Cycle	Trailer	ORV
1	20/21 Units	1,210,000	835,300	47,900	13,200	18,200	219,200	76,200
2	Claims	737.93	971.64	669.94	1,797.12	722.64	54.20	5.73
3	Claims Expense	116.58	153.50	105.84	283.91	114.16	8.56	0.90
4	Road Safety	11.08	14.66	14.66	14.66	14.66	0.00	0.00
5	Operating Expense	62.33	82.46	82.46	82.46	82.46	0.00	0.00
6	Regulatory/Appeal	4.41	5.83	5.83	5.83	5.83	0.00	0.00
7	Commission: Vehicle	30.59	40.22	28.05	73.16	29.09	2.58	0.23
8	Prem Tax: Vehicle	28.32	37.24	25.98	67.74	26.94	2.39	0.21
9	Comm & Prem Tax: Driver	3.78	5.01	5.01	5.01	5.01	0.00	0.00
10	Commission Flat Fee	6.10	8.07	8.07	8.07	8.07	0.00	0.00
11	Reins: Casualty	1.07	1.41	1.41	1.41	1.41	0.00	0.00
12	Reins: Catastrophe	10.98	11.91	11.91	11.91	0.00	11.91	0.00
13	Fleet Rebates	14.10	19.03	19.03	19.03	0.00	0.00	0.00
14	Anti-Theft Discount	1.75	2.54	0.00	0.00	0.00	0.00	0.00
15	Driver Prem	60.64	80.23	80.23	80.23	80.23	0.00	0.00
16	Service Fees	24.25	32.08	32.08	32.08	32.08	0.00	0.00
17	Req Rate (Raw)	944.13	1,241.21	865.88	2,258.00	897.97	79.65	7.07
18	Req Rate (Bal)	930.02	1,222.66	852.94	2,224.26	884.55	78.46	6.97
19	19/20 Average Rate	887.37	1,160.49	805.36	1,918.04	805.72	79.79	8.07
20	Major Class Drift	5.2%	6.3%	4.7%	-0.1%	0.6%	4.4%	0.0%
21	20/21 Average Rate							
22	without Rate Change	933.56	1,233.34	842.95	1,916.56	810.80	83.30	8.07
23	Full Cred Req Change	-0.4%	-0.9%	1.2%	16.1%	9.1%	-5.8%	-13.6%
24	Applied for Change	1.7%	1.2%	3.3%	18.4%	11.3%	-3.9%	-11.9%
25	Credibility		99.3%	88.9%	68.8%	75.2%	97.3%	92.7%
26	Cred Wtd Change		1.2%	3.1%	13.2%	8.9%	-3.7%	-10.9%
27	Cred Wtd Req Rate		1,247.84	868.98	2,169.55	883.30	80.19	7.19
28	Cred Wtd Req Rate (Bal)	949.15	1,249.67	870.26	2,172.73	884.60	80.31	7.20
29	Cred Wtd Change (Bal)		1.3%	3.2%	13.4%	9.1%	-3.6%	-10.7%

PUB (MPI) 2-4

Part and Chapter:	PUB (MPI) 1-10 V(ii) Ratemaking; RM Appendix 9	Page No.:	28, 29, 39, 40, 50, 51
PUB Approved Issue No:	1. Requested Vehicle Rate and Any Changes to Other Fees and Discounts		
Topic:	Ratemaking		
Sub Topic:			

Preamble to IR:

For Accident Benefits Other – Indexed a for Accident Benefits – IRI, for each of Private Passenger, Commercial, and Public, the adjusted pure premium for Serious claims uses 10% weights for each of the last 10 accident years, whereas the adjusted pure premium for Other claims uses 20% weights for each of the last five years. The loss development factors applied to both categories of claims are the same.

In the response to PUB (MPI) 1-10, MPI acknowledges the PUB's indication that it may be more appropriate for it to use two different sets of development factors (i.e. one for Serious Losses and another for Other losses) and will consider same for future GRAs.

Question:

Please provide the results of an alternate analysis of the Basic rate requirement (overall and by Major Use classification) using 10% weights for each of the last 10 accident years for both Serious and Other claims, for the above coverages. Please include alternate AAP rate indications, with supporting schedules as appropriate.

Rationale for Question:

To determine the rate sensitivity to the use of different weights for Serious and Other claims.

RESPONSE:

Please refer to Figure 1 and Figure 2 below presenting a revised *Figure RM-11* and *Figure RM-12* respectively, (see *Part V(ii) Ratemaking Chapter*) which show the Major Classification Required Rate Changes based on the requested scenario. Additionally, please refer to Figure 3 below for a summary of the differences in the required rate changes (by major class) between the GRA scenario and the requested scenario.

Figure 3 below shows a marginal decrease in the required rates for the private passenger major class, which is offset by increases for the commercial, public and motorcycle major classes. This result is driven by the offsetting effects of two factors. First, taking the average of the pure premiums for the Other claims over 10 years (rather than 5 years) has the effect of decreasing the pure premiums, prior to balancing, for the private passenger, commercial and public major classes (see *PUB (MPI) 1-10 Figure 1*). The effect is greatest for the private passenger major class. Second, as a result of the decreases, the pro-rata adjustment to balance the major classes' pure premiums (by coverage) to the overall pure premium increased.

The offsetting effects of these two factors marginally decreased the required rate for the private passenger major class, and increased the required rate for the commercial and public major classes. The required rate for the motorcycle major class increased significantly because it was affected only by the increase in the pro-rata adjustment.

Figure 1 Rating Year 2020/21 Total Pure Premium by Major Class

Line No.	Coverage	Private Pass	Comm	Public	Motor-Cycle	Trailer	ORV
1	Pure Premium from Appendix 9, Table 9*						
2	**Acc. Benefits – Other (Ind)**	55.98	48.88	179.32	156.75	0.00	0.00
3	**Acc. Benefits – Other (Non-Ind)**	26.22	28.82	59.19	135.34	0.00	0.00
4	Bodily Injury	6.22	1.11	13.27	0.01	0.00	5.72
5	Collision	533.97	274.08	998.40	68.09	6.69	0.00
6	Comprehensive	111.78	77.36	110.49	0.00	45.82	0.00
7	Property Damage	50.48	77.80	90.47	3.63	0.23	0.90
8	Income Replacement Indemnity	82.43	81.07	195.00	284.22	0.00	0.00
9	Total	867.08	589.12	1,646.14	648.04	52.74	6.62
10	Balanced Pure Premium						
11	**Acc. Benefits – Other (Ind)**	88.80	77.55	284.46	248.66	0.00	0.00
12	**Acc. Benefits – Other (Non-Ind)**	24.30	26.72	54.87	125.47	0.00	0.00
13	Bodily Injury	5.25	0.93	11.20	0.01	0.00	4.83
14	Collision	557.73	286.28	1,042.83	71.12	6.99	0.00
15	Comprehensive	114.63	79.33	113.31	0.00	46.99	0.00
16	Property Damage	50.13	77.25	89.84	3.60	0.23	0.90
17	Income Replacement Indemnity	61.49	60.48	145.48	212.04	0.00	0.00
18	Total	902.34	608.54	1,741.98	660.90	54.20	5.73
19	**"Pool" Claims Costs**						
20	**Acc. Benefits – Other (Ind)**	26.41	26.41	26.41	26.41	0.00	0.00
21	**Acc. Benefits – Other (Non-Ind)**	9.45	9.45	9.45	9.45	0.00	0.00
22	Income Replacement Indemnity	17.05	17.05	17.05	17.05	0.00	0.00
23	Total Pure Premium	955.26	661.45	1,794.90	713.82	54.20	5.73

24 *Accident Benefits - Other and Income Replacement Indemnity adjusted for wildlife/livestock costs reduction
25 per Board Order 122/10.

26 *Collision adjusted for cost allocation per Board Order 156/06.

Figure 2 Rating Year 2020/21 Major Classification Required Rate Changes - Breakeven Rates

Line No.	Coverage	Overall	Private Pass	Comm	Public	Motor-Cycle	Trailer	ORV
1	20/21 Units	1,210,000	835,300	47,900	13,200	18,200	219,200	76,200
2	Claims	726.13	955.26	661.45	1,794.90	713.82	54.20	5.73
3	Claims Expense	114.94	151.20	104.70	284.11	112.99	8.58	0.91
4	Road Safety	11.07	14.65	14.65	14.65	14.65	0.00	0.00
5	Operating Expense	62.29	82.40	82.40	82.40	82.40	0.00	0.00
6	Regulatory/Appeal	4.41	5.83	5.83	5.83	5.83	0.00	0.00
7	Commission: Vehicle	30.12	39.57	27.72	73.09	28.75	2.58	0.23
8	Prem Tax: Vehicle	27.89	36.64	25.67	67.67	26.62	2.39	0.21
9	Comm & Prem Tax: Driver	3.78	5.01	5.01	5.01	5.01	0.00	0.00
10	Commission Flat Fee	6.10	8.07	8.07	8.07	8.07	0.00	0.00
11	Reins: Casualty	1.07	1.41	1.41	1.41	1.41	0.00	0.00
12	Reins: Catastrophe	10.98	11.91	11.91	11.91	0.00	11.91	0.00
13	Fleet Rebates	14.10	19.03	19.03	19.03	0.00	0.00	0.00
14	Anti-Theft Discount	1.75	2.54	0.00	0.00	0.00	0.00	0.00
15	Driver Prem	60.64	80.23	80.23	80.23	80.23	0.00	0.00
16	Service Fees	24.25	32.08	32.08	32.08	32.08	0.00	0.00
17	Req Rate (Raw)	929.73	1,221.21	855.54	2,255.77	887.23	79.67	7.07
18	Req Rate (Bal)	915.84	1,202.96	842.75	2,222.06	873.97	78.48	6.97
19	19/20 Average Rate	887.37	1,160.49	805.36	1,918.04	805.72	79.79	8.07
20	Major Class Drift	5.2%	6.3%	4.7%	-0.1%	0.6%	4.4%	0.0%
21	20/21 Average Rate Without Rate Change	933.56	1,233.34	842.95	1,916.56	810.80	83.30	8.07
22	Full Cred Req Change	-1.9%	-2.5%	0.0%	15.9%	7.8%	-5.8%	-13.6%
23	Applied for Change	0.1%	-0.5%	2.0%	18.3%	10.0%	-3.9%	-11.8%
24	Credibility		99.3%	88.9%	68.8%	75.2%	97.3%	92.7%
25	Cred Wtd Change		-0.5%	1.8%	12.6%	7.6%	-3.8%	-11.0%
26	Cred Wtd Req Rate		1,227.75	858.29	2,158.73	872.07	80.18	7.18
27	Cred Wtd Req Rate (Bal)	934.68	1,229.73	859.67	2,162.21	873.48	80.31	7.19
28	Cred Wtd Change (Bal)		-0.3%	2.0%	12.8%	7.7%	-3.6%	-10.8%

Figure 3 Differences in Required Rate Changes

Line No.	Major Class	PUB (MPI) 2-4	Filed in 2020 GRA	Difference
1	Private Passenger	-0.3%	-0.2%	-0.1%
2	Commercial	2.0%	1.2%	0.8%
3	Public	12.8%	11.5%	1.3%
4	Motorcycles	7.7%	4.0%	3.7%
5	Trailers	-3.6%	-3.6%	0.0%
6	Off-Road Vehicles	-10.8%	-10.9%	0.0%
7	Overall	0.1%	0.1%	0.0%

PUB (MPI) 2-5

Part and Chapter:	PUB (MPI) 1-11 I Compliance V RM.4.2.5	Page No.:	2 31
PUB Approved Issue No:	1. Requested Vehicle Rate Change		
Topic:	Compliance with Board Order 159/18		
Sub Topic:			

Preamble to IR:

Question:

a) Please confirm or correct:

i. $915.84 represents the required Basic average rate estimated for 2020/21 which does not include a Net Capital Maintenance Provision.

ii. $933.56 represents the Basic average rate for 2019/20, adjusted for vehicle drift which does include a Net Capital Maintenance Provision.

b) Please explain the statement from RM.4.2.5 which reads "MPI is retaining the 2.06% for rating year 2020/21 in light of its new Capital Management Plan".

c) Please provide supporting detail for the derivation of the 0.7% capital build provision presented in response to PUB (MPI) 1-11.

Rationale for Question:

To assess the impact of literal compliance with Board Order 159/18.

RESPONSE:

a) Please see the responses below:

i. MPI confirms that $915.84 is the rate it requires to cover the "*overall expected costs resulting from (Basic) policies issued for rating year 2020/21*" as set out in (*Part V(ii) Ratemaking, page 16*) of the GRA, *exclusive* of a Net Capital Maintenance Provision.

ii. As per *Part V(ii) Ratemaking, page 31*, $933.56 is the rate MPI requires, *inclusive* of a net Capital Maintenance Provision. Specifically, the pertinent quote reads:

> *"2020/21 average rate without rate change (of $933.56) includes a 2.06% net capital maintenance provision approved for rating year 2019/20."*

b) As set out in *Part V(i) Proformas, page 6* of the GRA, the Minimum Capital Test (MCT) ratio of the Rate Stabilization Reserve (RSR) as at February 28, 2022 is forecasted at 98.8%, based on a required rate change of 0.1%, which is inclusive of the 2.06% net Capital Maintenance Provision. Given that the MCT ratio of 98.8% falls below the 100% requirement set out in the Reserves Regulation, the Board of Directors of MPI included the previously approved 2.06% net Capital Maintenance Provision as part of the rate request for the 2020/21 rating year.

c) Based on the proposed Capital Management Plan, the target MCT ratio forecasted at February 28, 2022 is 92.0%. Currently, after factoring in 'Capital Transfer from MPI's Extension Line of Business' (as per *PUB (MPI) 1-11 Figure 1*), the RSR is at an MCT ratio of 89.3%. Therefore, in order to increase the MCT ratio of the RSR to achieve the target in accordance with the Capital Management Plan, MPI requires a capital build provision equal to 0.7% additional premium for the 2020/21 rating year. MPI determined the 0.7% additional premium amount iteratively, using the Financial Model (see: *Part V(ii), Rate Setting Framework, page 9*).

PUB (MPI) 2-6

Part and Chapter:	PUB (MPI) 1-14 V(ii) Ratemaking	Page No.:	5
PUB Approved Issue No:	2. Rate Indication		
Topic:	Break Even Objective		
Sub Topic:			

Preamble to IR:

Question:

a) Please explain how the proposed Capital Management Plan develops its estimate of the expected return on investment assets supporting Basic Total Equity.

b) Please confirm or correct:

i. The Corporation's definition of break-even rates is consistent with an expected excess of revenue over expenses for the projected policy year by the amount of the expected return on investment assets supporting Basic Total Equity.

ii. Rate indications determined in accordance with accepted actuarial practice in Canada can be estimated with or without recognizing the expected return on investment assets supporting Basic Total Equity.

c) In prior GRAs, the Corporation has indicated that the expected return on investment assets supporting Basic Total Equity was important to maintaining Basic's capital position. This argument was accepted by the Board and led to the Board's approval of the Net Capital Maintenance Provision in Board Order 159/18. This Net Capital Maintenance Provision included a provision for the expected return on investment assets supporting Basic Total Equity. With the proposed Capital

Management Plan in the current GRA now addressing the management of Basic's capital position, please explain why the Corporation "strongly disagrees" with recognizing the expected return on investment assets supporting Basic Total Equity in the rate indication determined in accordance with accepted actuarial practice in Canada.

Rationale for Question:

To assess the Corporation's approach to break even rate setting.

RESPONSE:

a) All factors that impact Total Equity over the rating period are now included in the calculation of MPI's Basic rates, to the extent that they influence Total Equity and the calculation of the Capital Build or Release provision. This includes the investment income earned on Total Equity and now prospectively includes capital transfers from other lines of business.

b) i. MPI does not agree with the statement that it collects excess revenue. The Basic break-even rate reflects the total cost of policies issued for the 2020/21 rating year, which does not include the expected investment income on Total Equity. All rating impacts related to Total Equity are captured through the capital adjustments, as described in part (a).

ii. Section 2600 Ratemaking of the Canadian Institute of Actuaries Standards of Practice states that the indicated rate would include a provision for profit. MPI's provision for profit is zero. Additionally, there is no mention in the Standards of Practice about utilizing the investment income on Total Equity in the calculation of indicated rates.

b) Please see part (a). MPI continues to agree that the investment income earned on Total Equity is a very important consideration in maintaining adequate capitalization for Basic. MPI's Capital Build and Release provisions include the intended impact of PUB order 159/18 with regards to maintaining capital, but also further benefits ratepayers by prospectively including the impact of Extension capital transfers in the rate setting process. MPI proposes that all capital adjustments be separated from the break-even rate indication.

Under MPI's proposed approach, the Basic break-even rate will only reflect the 'true' break even amount it requires to pay claims and expenses on new policies, which should not include investment income on Total Equity (as these funds were provided by prior year's ratepayers or from Extension) or other rating impacts (i.e. capital build provisions) that are not related to break-even rate setting.

The capital adjustment to rates will be calculated and shown separately from the break-even rate and will include the impact from all capital factors (investment income on Total Equity, capital transfers, capital build or release provisions).

In short, break-even ratemaking and capital are mutually exclusive.

PUB (MPI) 2-7

Part and Chapter:	PUB (MPI) 1-18 V(i) Pro Formas EPF-1	Page No.:	18
PUB Approved Issue No:	4. Financial Forecast		
Topic:	Financial Forecasts		
Sub Topic:			

Preamble to IR:

In the response to PUB (MPI) 1-18, Figure 2 provides Extension Claims Incurred Assumptions by line.

Question:

Please provide, for the most recent 10 historical periods, by line, exposures, claim counts (at 12 months as well as at ultimate), and average severities.

Rationale for Question:

To verify that the extension claims incurred assumptions are in line with either historical averages or the actual result of the prior year.

RESPONSE:

Please see the figure below. A correction for Comprehensive Hail in *PUB (MPI) 1-18*, the forecasted severity should be a 7 year up to date average excluding the minimum and maximum. In addition, Bodily Injury in *PUB (MPI) 1-18*, the forecasted severity should be 16 year up to date average.

Figure 1 Extension 10 year Historical Data for Exposure, Claim Counts, and Severity

Line No.		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1	Collision										
2	Volume	836,026	858,819	889,736	910,513	936,424	957,223	978,681	990,638	1,005,946	1,015,464
3	Claim count at 12 month	62,919	67,363	64,515	70,803	71,001	65,259	63,956	67,565	67,464	63,816
4	Claim count at ultimate	58,917	63,659	61,095	66,031	69,895	60,472	60,284	65,036	64,600	61,041
5	Severity at ultimate	$494	$502	$483	$482	$489	$485	$498	$490	$493	$496
6	Comprehensive - Hail										
7	Volume	895,966	922,896	961,162	986,854	1,019,132	1,044,654	1,068,731	1,084,666	1,103,708	1,117,269
8	Claim count at 12 month	8,987	5,926	6,202	6,306	5,346	2,688	9,740	8,137	1,638	8,004
9	Claim count at ultimate	9,050	6,186	6,336	6,414	5,304	2,753	9,345	8,276	1,696	8,101
10	Up to Date Severity at ultimate	$463	$490	$455	$430	$439	$454	$449	$406	$355	$438
11	Comprehensive - Without Hail										
12	Volume	895,966	922,896	961,162	986,854	1,019,132	1,044,654	1,068,731	1,084,666	1,103,708	1,117,269
13	Claim count at 12 month	65,377	65,920	76,136	73,889	69,710	74,258	84,966	86,936	89,694	86,499
14	Claim count at ultimate	77,937	78,909	86,780	84,378	80,305	85,176	96,379	98,760	100,930	97,899
15	Up to Date Severity at ultimate	$347	$346	$313	$316	$327	$312	$317	$327	$310	$317
16	Bodily Injury										
17	Volume	667,546	683,751	703,851	720,022	735,628	748,802	766,019	777,016	789,613	799,176
18	Claim count at 12 month	23	20	18	31	23	31	28	28	21	15
19	Claim count at ultimate	33	30	25	46	29	47	38	29	29	19
20	Up to Date Severity at ultimate	$82,006	$48,843	$7,752	$23,881	$78,990	$86,309	$83,311	$53,576	$169,597	$110,514
21	Property Damage										
22	Volume	661,556	676,997	696,233	711,852	726,566	739,217	756,075	766,643	779,508	789,459
23	Claim count at 12 month	473	515	329	298	290	207	195	202	206	136
24	Claim count at ultimate	546	639	388	383	375	258	233	270	257	172
25	Up to Date Severity at ultimate	$1,016	$942	$2,688	$1,200	$1,529	$1,505	$2,537	$2,415	$1,952	$4,041

PUB (MPI) 2-8

Part and Chapter:	PUB (MPI) 1-19 (c)	Page No.:	
PUB Approved Issue No:	4. Financial Forecast		
Topic:	Cost Allocation Methodology		
Sub Topic:	Cost Allocation to Extension		

Preamble to IR:

Question:

a) Please provide an updated schedule of Figure 2, including five years of historical expense allocations.

b) Provide a comparative schedule of (a) Expense Basic vs Extension, and indicate the relative % of expenses allocated or forecast to be allocated to Extension for each of the years and explain material changes.

Rationale for Question:

To further understand expenses allocated to Extension.

RESPONSE:

a)

Figure 1 Extension Expenses from 2014/15 to 2023/24

Line No.		Direct and allocated expenses									
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
1	*($000's, except where noted)*										
2	Total Direct Extension Expenses	3,098	3,136	3,325	3,567	4,054	4,255	4,394	4,528	4,617	4,712
3	Total Allocated Normal Operations Expenses	17,332	15,376	16,636	16,239	16,398	17,364	16,589	16,275	15,609	15,613
4	Total Allocated Improvement Initiative Expenses	1,235	890	(171)	1,641	386	250	382	602	709	1,776
5	Total Extension Expenses	21,665	19,402	19,790	21,447	20,838	21,868	21,365	21,405	20,935	22,101
6		EPF - 1									
7		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
8	*($000's, except where noted)*										
9	Claims Expenses	11,749	9,757	10,236	11,852	10,490	11,387	11,027	10,925	10,475	11,179
10	Operating Expenses	8,971	8,711	8,544	8,580	9,431	9,307	9,264	9,422	9,418	9,867
11	Road Safety Expenses	933	924	996	1,006	908	1,163	1,063	1,047	1,026	1,033
12	Regulatory Expenses	12	11	13	9	8	12	11	11	16	22
13	Total Extension Expenses	21,665	19,403	19,789	21,447	20,837	21,868	21,365	21,405	20,935	22,101
14	* Rounding may affect totals										

b) Please see Figure 2 below. The allocated or current forecast has no material changes in the relative % of expenses allocated or forecast to be allocated to Extension.

Figure 2 Basic and Extension Expenses from 2014/15 to 2023/24

Line No.											
		Total Extension Expenses by Category									
1		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
2	*($000's, except where noted)*										
3	Claims Expenses	11,749	9,757	10,236	11,852	10,490	11,387	11,027	10,925	10,475	11,179
4	Operating Expenses	8,971	8,711	8,544	8,580	9,431	9,307	9,264	9,422	9,418	9,867
5	Road Safety Expenses	933	924	996	1,006	908	1,163	1,063	1,047	1,026	1,033
6	Regulatory Expenses	12	11	13	9	8	12	11	11	16	22
7	Total Extension Expenses	21,665	19,403	19,789	21,447	20,837	21,868	21,365	21,405	20,935	22,101
8		Total Basic Expenses by Category									
9		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
10	*($000's, except where noted)*										
11	Claims Expenses	116,578	118,615	120,972	143,337	126,871	136,851	138,961	139,041	138,507	148,270
12	Operating Expenses	74,283	71,638	72,785	70,201	76,124	73,385	73,969	75,258	76,765	82,001
13	Road Safety Expenses	11,359	13,029	12,530	13,146	11,538	13,977	13,420	13,371	13,660	13,892
14	Regulatory Expenses	3,935	3,675	4,889	4,443	4,315	5,315	5,326	5,334	5,423	5,514
15	Total Basic Expenses	206,155	206,957	211,176	231,127	218,848	229,528	231,676	233,004	234,355	249,677
16		Percentage of Extension Expenses relative to Basic and Extension Expenses									
17		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
18	Claims Expenses	9%	8%	8%	8%	8%	8%	7%	7%	7%	7%
19	Operating Expenses	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
20	Road Safety Expenses	8%	7%	7%	7%	7%	8%	7%	7%	7%	7%
21	Regulatory Expenses	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
22	Total Relative % Extension Expenses	10%	9%	9%	8%	9%	9%	8%	8%	8%	8%
23	* Rounding may affect totals										

PUB (MPI) 2-9

Part and Chapter:	PUB (MPI) 1-22 EXP App 12-3 Corporate Annual Compensation Changes - Normal Operations	Page No.:	
PUB Approved Issue No:	5. Corporate Strategic Plan 9. Cost of Operations and Cost Containment Measures 11. Operational Benchmarking		
Topic:	Compensation Expense		
Sub Topic:			

Preamble to IR:

MPI has indicated that it has adopted a merit-based program and has moved away from automatic adjustments referred to as the step program.

It appears that the step in scale process has been used for payroll forecasting purposes, with the assumption that 50% of staff would be moving up a scale annually, which represents 3.5% @50% = 1.75%. Out-of-scope employees are assumed again where 50% of the employees are eligible and the annual impact is represented as 50% @4.5% = 2.25%. The summary table of assumptions Figure EXP-3 shows that these factors have not changed from the 2019 GRA.

Question:

a) Please explain how the new merit-based program has been incorporated in the budgeting process in 2019/20 and 2020/21 for both in-scope and out-of-scope employees.

b) Please indicate the number of employees that received a merit-based adjustment and what percentage of the total employees.

c) Please provide the range of merit-based adjustments provided under the new scheme.

Rationale for Question:

To assess reasonableness of forecasted compensation expense.

RESPONSE:

a) The new merit based program only applies to out-of-scope staff. The in-scope staff are still subject to the merit increments in accordance with the Collective Bargaining Agreement. Due to its lack of experience with the new merit based program, MPI has not incorporated any changes in methodology into its compensation budgeting and forecasting processes. MPI will incorporate these changes into the compensation forecasts once MPI obtains a better understanding of their impacts.

b) The merit based program only applies to out-of scope employees. As at May 25, 2019, 69.3% of them (i.e. 203 employees) received a merit adjustment.

c) The range of merit-based adjustments above 0.0% was 0.3% to 5.0%.

PUB (MPI) 2-10

Part and Chapter:	PUB (MPI) 1-23	Page No.:	
PUB Approved Issue No:	6. Changes, if any, to Integrated Cost Allocation Methodology		
Topic:	Integrated Cost Allocation Methodology Input Changes		
Sub Topic:			

Preamble to IR:

Question:

Please explain where the $9.2 million Cost Category M or equivalent amount of cost in this year's application is now allocated.

Rationale for Question:

To understand the changes made to the Cost Allocation Methodology.

RESPONSE:

Cost Category M is still comprised of Information Technology accounting units and is still allocated in the same manner. Please see *Part V(i) Expenses Appendix 13 page 2*.

The $9.2 million in costs previously contained in accounting unit 081 remain primarily within Cost Category M and have been transferred to accounting unit 093, which is also allocated via Cost Category M. Some costs were moved to Cost Category Q (Finance). The allocation of Cost Categories Q & M remain unchanged.

PUB (MPI) 2-11

Part and Chapter:	PUB (MPI) 1-25 V(i) Pro Formas	Page No.:	18, 24
PUB Approved Issue No:	7. Capital Rate Request Based on Man. Reg. 76/2019		
Topic:	Extension Financial Forecasts		
Sub Topic:			

Preamble to IR:

Question:

From the response to PUB (MPI) 1-25 d), please augment the ten-year history shown in Figure 1 to include the overall average rate level change indication, the underlying profit provision included in the indication, and the actual implemented overall average rate level change.

Rationale for Question:

To better understand the foundation for the Extension financial forecasts and the resulting expected transfers of excess capital from Extension to Basic.

RESPONSE:

Please, refer to Figure 1 below.

Figure 1 Overall Average Rate Level Change

Line No.	Rating Year	Overall Profit Target	Indicated Overall Rate Change	Actual Overall Rate Change
1	2009	*	*	-4.59%
2	2010	*	*	-2.62%
3	2011	*	*	-2.00%
4	2012	6.20%	*	1.24%
5	2013	15.70%	*	-3.78%
6	2014	19.10%	0.00%	-0.30%
7	2015	25.00%	1.01%	1.01%
8	2016	29.00%	1.07%	1.08%
9	2017	25.00%	0.00%	0.03%
10	2018	32.10%	0.30%	0.03%

Note: "*" indicates where profit target/rate change calculated on a product level (not overall)

PUB (MPI) 2-12

Part and Chapter:	CAC (MPI) 1-15 VI RSR.7.2	Page No.:	9, 15
PUB Approved Issue No:	7. Capital Management Plan and update of Dynamic Capital Adequacy Testing		
Topic:	DCAT Key Assumptions: Risk tolerance		
Sub Topic:			

Preamble to IR:

In the response part a) of CAC (MPI) 1-15, it is stated that OSFI has selected a conditional tail expectation of 99% which corresponds to a 1-in-100 year.

Conditional tail expectation, or CTE, otherwise known as tail value at risk, or TVaR, quantifies the expected value of the loss given that an event outside a given probability level has occurred.

Question:

Please explain the conclusion that a conditional tail expectation of 99% corresponds to a 1-in-100 year.

Rationale for Question:

The DCAT depends on a number of key assumptions, including the risk tolerance standard(s). It is importance to understand the magnitude of risk faced by the Corporation if judged against a risk tolerance standard established by the independent regulator.

RESPONSE:

The conditional tail expectation of 99% is the probability weighted average of all events at or exceeding the 1-in-100 year event. MPI has selected the minimum of these events, in other words the 1-in-100 year event. If MPI had selected an event equal to the conditional tail expectation of 99%, the event would be much more severe than the 1-in-100 year event it ultimately chose.

PUB (MPI) 2-13

Part and Chapter:	PUB (MPI) 1-29 VI INV Figure INV-3	Page No.:	14
PUB Approved Issue No:	8.(i) Performance of the Investment Portfolio and the Composition of the Portfolio		
Topic:	Investment Portfolio		
Sub Topic:	Major Asset Class		

Preamble to IR:

Copy and paste IR Preamble from Interveners and PUB here.

Question:

a) Please indicate the forecast level of investment in Corporate bonds in each of the remaining quarters of the current fiscal year.

b) Please indicate the forecasted yield on Corporate bonds for 2019/20 and 2020/21 based on the actual and forecast purchases.

Rationale for Question:

To assess the reasonableness of forecast investment income.

RESPONSE:

a) Please see the figure below for the forecasted level of corporate bond investment for the remaining portions of fiscal year 2019/20:

Figure 1 Ending Corporate Bond Asset Values From Q2-Q4 Current Fiscal Year

Line No.	Ending Corporate Bond Asset Values Portfolio	2019/20 Q2	Q3	Q4
1	*(C$ 000's)*			
2	Basic	$ 406,720.50	$ 416,659.40	$ 426,580.20
3	RSR	$ 24,838.50	$ 31,220.40	$ 56,844.20
4	EFB	$ 95,858.90	$ 95,992.40	$ 96,114.00

Corporate bond allocations within the Basic Claims, Rate Stabilization Reserve (RSR) and Employee Future Benefits (EFB) portfolios were modeled to be fully funded at target weight by the end of Q1 2019/20. However, in actuality this did not occur. Specifically, the RSR and EFB portfolios were fully funded by Q1 2019/20 as originally projected, but Basic Claims was at approximately 70% of the target weight for corporate bonds at the end of Q1 2019/20. The Basic Claims portfolio was fully funded by August 30, 2019.

b) Please see Figure 2 below for the forecasted corporate bond yields for 2019/20 and 2020/21:

Figure 2 Forecasted Corporate Bond Yields for 2019/20 and 2020/21 (Incorrect Corporate Bond Turnover Assumption Within Basic Claims)

Line	Annualized Forecasted Corporate Bond Yields	2019/20			2020/21			
No.	Portfolio	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Basic	4.11%	4.12%	4.12%	4.13%	4.13%	4.13%	4.14%
2	RSR	3.50%	3.43%	3.38%	3.33%	3.29%	3.26%	3.23%
3	EFB	4.19%	4.06%	3.95%	3.86%	3.78%	3.72%	3.67%

Due to a modeling oversight, the forecasted marketable bond turnover was not properly linked to corporate bonds within the Basic Claims portfolio. Net Income was therefore overstated by approximately $500,000 within the current fiscal year. Corporate bond yields have not been revised to reflect actual purchases made to date (i.e. this is the forecast from the 2020 GRA model).

The figure below shows the forecasted corporate bond yields within the Basic Claims portfolio based upon the correct turnover assumption.

Figure 3 Forecasted Corporate Bond Yields for 2019/20 and 2020/21 (Correct Corporate Bond Turnover Assumption Within Basic Claims)

Line No.	Annualized Forecasted Corporate Bond Yields Portfolio	2019/20 Q2	2019/20 Q3	2019/20 Q4	2020/21 Q1	2020/21 Q2	2020/21 Q3	2020/21 Q4
1	Basic	3.99%	3.89%	3.80%	3.74%	3.68%	3.63%	3.59%
2	RSR	3.50%	3.43%	3.38%	3.33%	3.29%	3.26%	3.23%
3	EFB	4.19%	4.06%	3.95%	3.86%	3.78%	3.72%	3.67%

PUB (MPI) 2-14

Part and Chapter:	PUB (MPI) 1-31 (a), (b) Attachment E	Page No.:	
PUB Approved Issue No:	8. Performance of the Investment Portfolio and Composition of the Portfolio		
Topic:	Investments		
Sub Topic:	Interest Rate Forecast		

Preamble to IR:

Question:

Please provide an update to this response as at the end of September 2019.

Rationale for Question:

To understand the details that support the interest rate forecast tables and to obtain a most recent version.

RESPONSE:

MPI will be able to answer this information request when it files its finalized rate request shortly after September 30, 2019. MPI will base its updated Rate Request upon the yield of the Government of Canada 10 year bond at September 30, 2019. As requested by the PUB, MPI will also provide information and rate indications on the most recently available interest rate forecasts of the major banks (i.e. the Standard Interest Rate Forecast or SIRF).

PUB (MPI) 2-15

Part and Chapter:	PUB (MPI) 1-32 (b) Attachment C Section 7.1 VI INV	Page No.:	14
PUB Approved Issue No:	8. Performance of the Investment Portfolio and Composition of the Portfolio		
Topic:	Investment Policy Statement		
Sub Topic:	Review of Investment Policy Statement		

Preamble to IR:

Question:

Please explain why the maximum weight for MUSH bonds was increased from 25% to 30% for the Basic Claims, portfolio in light of the forecast target reduction in investments in MUSH.

Rationale for Question:

To understand the forecasting of investment income.

RESPONSE:

The maximum weight for MUSH bonds was increased from 25% to 30% within the Basic Claims portfolio because the MUSH bonds –originally intended to be included in the Special Risk Extension (SRE), Extension (EXT), and Rate Stabilization Reserve (RSR) portfolios – were moved into the Basic Claims portfolio.

MUSH bonds had a target weight of 5% within the SRE/EXT/RSR portfolios and were valued at approximately $25 million, but they represented only 1.5% of the Basic Claims portfolio due to its significantly larger size. The long-term target weight for MUSH bonds in the Basic Claims portfolio (20%) was not adjusted, but the maximum allowable weight was increased from 25% to 30% to recognize that there will be a temporary increase in MUSH bonds within the portfolio. This change was not related to planned future purchases of MUSH bonds, which is expected to be minimal; rather, it was due to a reallocation of MUSH bonds between portfolios.

The MUSH bonds were moved into the Basic Claims portfolio in order to maximize the yield of this portfolio.

PUB (MPI) 2-16

Part and Chapter:	PUB (MPI) 1-34	Page No.:	
PUB Approved Issue No:	8. Performance of the Investment Portfolio and Composition of the Portfolio		
Topic:	Basic Line of Business Investment Income		
Sub Topic:	Investment Income		

Preamble to IR:

Question:

File an update to the detail of Figures INV-51 to INV-55 based on the September 30, 2019 interest rate update when available, and indicate the impact of the interest rate change on the forecast of investment income.

Rationale for Question:

To understand the impact of the updated interest rates on the forecast of investment income.

RESPONSE:

Please see the response to *PUB (MPI) 2-14*.

PUB (MPI) 2-17

Part and Chapter:	PUB (MPI) 1-44	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Operating Expense		
Sub Topic:	Capitalization of Operating Expenses		

Preamble to IR:

MPI has indicated that it is now capitalizing building project costs previously expensed.

MPI has established four criteria that have to be met when a project cost is to be capitalized versus being treated as a period cost.

Question:

Please provide a description of projects which were expensed last year and are now being capitalized, and how the four capitalization criteria set out in the policy are now met.

Rationale for Question:

To assess the reasonableness of operating expenses.

RESPONSE:

As stated in *PUB (MPI) 1-44*, MPI has made no changes to its accounting policy.

These project costs in previous years did not meet the criteria for capitalization in the Policy for Capitalization of Organizational and Development Costs[1], specifically:

> *4. Total project costs to be deferred are equal to or greater than $500,000.*

For the 2020 GRA, the projects that MPI contemplates it will capitalize are capitalized in the forecast and are not expensed. As MPI is currently considering a larger vision for its overall building strategy, a number of smaller projects that would otherwise have been expensed will instead be in scope to that capital project. Please see *Part IV Value Management Appendix 1* (filed confidentially), for an update on the overall building strategy.

[1] 2019 GRA PUB (MPI) 2-1 Appendix 1

PUB (MPI) 2-18

Part and Chapter:	PUB (MPI) 1-47(a)(ii) Attachment B, Attachment C	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Service Agreements		
Sub Topic:			

Preamble to IR:

The Broker compensation schedule based on MPI's new service delivery model was established August 8, 2008. A fee schedule indicating a transition of the fee arrangement was included in the agreement. The agreement was subsequently amended on September 19, 2012. According to the amendment, MPI included a schedule detailing the anticipated total Broker compensation. Based on filed correspondence, the agreement was extended October 23, 2017 and further on November 12, 2018 and is set to expire on February 28, 2021.

Question:

a) Please file a table similar to Appendix A Schedule #6 at page 21 of Attachment B, including additional columns for fees for service changes from March 1, 2013 as revised by subsequent agreements and amendments, and reflecting what is forecast through 2023/24.

b) Please file a comparison of the Total compensation for each of the years 2012 through 2017 in the same level of detail as Amendment Agreement Appendix A, September 2012.

c) Please file an extension of the table in (b), including the years 2018/19 and 2019/20, and forecast through 2023/24.

Rationale for Question:

To understand Corporate decisions that have an impact on Basic.

RESPONSE:

a) Please see *Appendix 1 - Agents' Commission and Flat Fee Historical*.

b) and c)

Please refer to *PUB (MPI) 2-19*.

Appendix 1: Agents' Commission and Flat Fee Historical

	Type	Class (For Insurance use see Agent Schedule)	Transaction	1-Mar-13	1-Mar-14	1-Mar-15	1-Mar-16	1-Mar-17	1-Mar-18	1-Mar-19
Basic Autopac	Regular, Commercial & ORV Transactions									
	NEW/REN/REP /RAP/REA	A1,AR,A4,A5,A6,A7,A8,B1,C1,C2,C3,C4 (All applicable uses except "Insurance Exempt")	New Registration	3%	3%	3%	3%	3%	3%	3%
			Renewal/Reapplication	3%	3%	3%	3%	3%	3%	3%
			Reassessment	3%	3%	3%	3%	3%	3%	3%
			Late Renewal/Reactivation	3%	3%	3%	3%	3%	3%	3%
Basic Autopac	Fleets									
	NEW/REN/REP /RAP/REA		New Registration	4%	4%	4%	4%	4%	4%	4%
			Renewal/Reapplication	4%	4%	4%	4%	4%	4%	4%
			Reassessment	4%	4%	4%	4%	4%	4%	4%
			Late Renewal/Reactivation	4%	4%	4%	4%	4%	4%	4%
Autopac Optional Coverage	Declared Exceess Value (MIV)									
	NEW/REN/REP /RAP/REA	A1,AR,A4,A5,A6,A7,A8,C1,C2,C5 (Specific Use - see Agent Schedule)	New Registration	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
			Renewal/Reapplication	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
			Reassessment	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
			Late Renewal/Reactivation	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
	Optional Extension									
	NEW/REN/REP /RAP/REA	A1,AR,A4,A5,A6,B1,C1,C5 (Specific Use - see Agent Schedule)	New Registration	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
			Renewal/Reapplication	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
			Reassessment	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
			Late Renewal/Reactivation	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
	Auto Lay-Up									
	LU1	A1,AR,A5,A6,C1,C5 (Specific Use - see Agent Schedule)	New Registration	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
			Renewal/Reapplication	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
			Reassessment	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
			Late Renewal	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
	Vehicle Protection									
	NEW	A1,AR,A4,A5,C5	New Registration	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%
	Regular, Commercial & ORV Transactions									
	BOT	A1, A4, A5, A6, A7, A8, AR,B1, C1, C2, C5	Buy out Transaction	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
			Buy out Transaction	$ 8.52	$ 8.69	$ 8.87	$ 9.02	$ 9.11	$ 9.22	$ 9.45
			Buy out Transaction	$ 10.65	$ 10.86	$ 11.09	$ 11.28	$ 11.39	$ 11.52	$ 11.81

	Type	Class (For Insurance use see Agent Schedule)	Transaction	1-Mar-13	1-Mar-14	1-Mar-15	1-Mar-16	1-Mar-17	1-Mar-18	1-Mar-19
Flat Fee Transactions	Regular, Commercial & ORV Transactions									
	CIF	A1,AR,A4,A5,A6,B1,C1,C2,C3,C5 (All applicable uses except "Insurance Exempt")	Change Customer Information	$ 7.00	$ 7.15	$ 7.29	$ 7.38	$ 7.47	$ 7.60	$ 7.78
	CHG		Change Vehicle Class/Policy Details	$ 6.00	$ 6.13	$ 6.25	$ 6.32	$ 6.40	$ 6.51	$ 6.67
	TSF		Vehicle Transfer	$ 6.00	$ 6.13	$ 6.25	$ 6.32	$ 6.40	$ 6.51	$ 6.67
	EST		Estate-to-Spouse Transfer	$ 6.00	$ 6.13	$ 6.25	$ 6.32	$ 6.40	$ 6.51	$ 6.67
	PLT		Plate Replacement	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	STK		Sticker Replacement	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	CHG	Greater of current Ext Rate commission on difference in premiums or current flat fee	Rental Car - Mid-Term Change	$ 6.00	$ 6.13	$ 6.25	$ 6.32	$ 6.40	$ 6.51	$ 6.67
	CHG		Car Protection - Mid Term Change (Minimum Flat Fee)	$ 6.00	$ 6.13	$ 6.25	$ 6.32	$ 6.40	$ 6.51	$ 6.67
	CHG		Midterm change - ORV/Motorcycle	$ 6.00	$ 6.13	$ 6.25	$ 6.32	$ 6.40	$ 6.51	$ 6.67
	LU2	A1,A5,A6,C1 (Specific Use - see Agent Schedule)	Midterm change - "On-Road" to/from "Lay Up"	$ 10.65	$ 10.86	$ 11.09	$ 11.28	$ 11.39	$ 11.52	$ 11.81
	CAN	A1, A4, A5, A6, A7, A8,AR, B1, C1, C2, C5 (All applicable uses except "Insurance Exempt")	Cancellation	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	OWD		Ownership Document	$ 8.52	$ 8.69	$ 8.87	$ 9.02	$ 9.11	$ 9.22	$ 9.45
	OTH		Document Search	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	OTH	B3	Single Trip Weight Increase Permit	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	OTH	B9	Temporary Registration	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72

	Type	Class (For Insurance use see Agent Schedule)	Transaction	1-Mar-13	1-Mar-14	1-Mar-15	1-Mar-16	1-Mar-17	1-Mar-18	1-Mar-19
Flat Fee Transactions	Off Road Vehicles Act									
	NEW	B1 (registration exempt)	New Registration	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REN	B1 (registration exempt)	Renewal	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REP	B1 (registration exempt)	Reapplication	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REA	B1 (registration exempt)	Reactivation	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	Semi Trailer (Registration Only)									
	NEW	A8 (Excludes Federal Govt vehicles)	New Registration	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REN		Renew	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REP		Reapplication	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REA		Reactivation	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	TSF		Vehicle Transfer	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	PLT		Plate Replacement	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	STK		Sticker Replacement	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	Farm Trucks									
	NEW	A6 (additional fee for territory 2, not incl. Commuter)	New Registration	$ 6.39	$ 6.52	$ 6.65	$ 6.77	$ 6.83	$ 6.91	$ 7.09
	REN		Renew	$ 6.39	$ 6.52	$ 6.65	$ 6.77	$ 6.83	$ 6.91	$ 7.09
	REP		Reapplication	$ 6.39	$ 6.52	$ 6.65	$ 6.77	$ 6.83	$ 6.91	$ 7.09
	REA		Reactivation	$ 6.39	$ 6.52	$ 6.65	$ 6.77	$ 6.83	$ 6.91	$ 7.09
	Passenger Vehicles and A5 and C5 Trucks (Additional Compensation for Territory 2, not including Commuter)									
	NEW	A1,AR,A5,C5 (All applicable uses except "Insurance Exempt")	New Registration	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REN		Renew	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REP		Reapplication	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REA		Reactivation	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	Federal Gov't and Other State/Province Vehicles									
	CHG	Insurance Exempt Vehicles Only (see Agent Schedule for Reg Class and Insurance Use specifics)	Change Vehicle Class/Policy Details	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	NEW		New Application	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REN		Renewal	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REP		Reapplication	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	REA		Reactivation	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	TSF		Vehicle Transfer	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	PLT		Plate Replacement	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	STK		Sticker Replacement	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	CAN		Cancellation	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	BOT		Buy out transaction	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	Short Term Policy - New Registrations and Reapplications									
	NEW	Additional commisison on Insurance Transactions for Applicants in Terr. 2 (not incl. Commuter)	New application	$ 5.00	$ 5.11	$ 5.21	$ 5.27	$ 5.34	$ 5.43	$ 5.56
	REA		Reactivation	$ 5.00	$ 5.11	$ 5.21	$ 5.27	$ 5.34	$ 5.43	$ 5.56

	Type	Class (For Insurance use see Agent Schedule)	Transaction	1-Mar-13	1-Mar-14	1-Mar-15	1-Mar-16	1-Mar-17	1-Mar-18	1-Mar-19
Driver Licence & MPI Insurance Certificate Issuance	Driver Licence Issuance									
	IND		New Application	3%	3%	3%	3%	3%	3%	3%
	RAD		Reassessment	3%	3%	3%	3%	3%	3%	3%
	RDW		Renewal	3%	3%	3%	3%	3%	3%	3%
	IND		New Application	$ 2.13	N/A	N/A	N/A	N/A	N/A	N/A
	DDR		Driver Licence Replacement	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	DRP		Reapplication	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	DRA		Reactivation	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	EII		Enhanced DL Interview Application	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	KT1-6,A,S		Knowledge Test Application	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	RT1-6 A,S		Road Test Application	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	DEA		Driver Education Application	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
Identification Card Issuance	Identification Card Issuance									
	IIC		New application	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	RNI		Renewal	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	RIC		Replacement	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	RPI		Reapplication	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	RAI		Reactivation	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
	EII		Enhanced IC Interview Application	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
WTP	Winter Tire Loans									
	PLA		Process Loan Authorization	N/A	$ 7.50	$ 7.82	$ 7.91	$ 8.00	$ 8.14	$ 8.34
Snopass	Snopass									
	SAR		Replace Annual Snopass	$ 4.26	$ 4.34	$ 4.44	$ 4.51	$ 4.56	$ 4.61	$ 4.72
		Snopass	New, Renewal, Reassess, Mid Term Change, Transfer, Reapplication, Reactivation	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
		Annual Snopass		$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
		7 Day Snopass		$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
New Customer Trx	New Customer Setup									
	ADC		New Customer Setup	N/A	N/A	N/A	$ 20.00	$ 21.34	$ 21.70	$ 22.24

PUB (MPI) 2-19

Part and Chapter:	CAC (MPI) 1-1(a)	Page No.:	
PUB Approved Issue No:	9. Cost of operations and cost containment measures		
Topic:	Agreements with partners including broker commissions and agreement(s)		
Sub Topic:			

Preamble to IR:

Question:

Please provide an update to Figure 1 to include the forecast for years 2019/20 through 2023/24, and explain any changes in commissions.

Rationale for Question:

To understand the impact of the current agreement with brokers on ratepayers, as well as the impact on ratepayers of future changes to the service delivery model between MPI and IBAM.

RESPONSE:

Please see below figure.

Figure 1 Commissions/Fees Paid to Brokers

Line No.	Products/Transactions	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/4
1	*($000's, except where noted)*															
2	Basic	38,925	39,661	35,298	27,163	25,816	26,855	28,905	30,111	32,439	34,483	36,550	38,029	39,511	41,067	42,679
3	Extension*	23,909	26,204	26,021	32,380	36,096	34,560	33,977	32,952	34,187	34,832	33,567	34,679	35,637	36,656	37,720
4	Basic Transactions / flat fees**	5,978	7,226	6,538	6,563	5,048	6,624	6,778	6,121	6,270	6,744	7,032	7,273	7,522	7,780	8,047
5	Extension Transactions / flat fees**	282	316	366	5,327	408	2,011	1,827	972	673	709	754	780	807	835	863
6	DVA Transactions / flat fees	608	994	1,070	1,089	1,083	1,188	1,254	1,934	1,599	1,765	1,833	1,897	1,963	2,032	2,103
7	Total Commission Written	69,702	74,401	69,293	72,522	68,451	71,238	72,741	72,090	75,168	78,533	79,736	82,658	85,441	88,370	91,412
8	Rate Changes in Year:															
9	Basic	5.00%	4.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
10	Extension	18.50%	18.50%	18.50%	24.25%	24.25%	22.75%	21.25%	19.75%	19.75%	19.75%	19.75%	19.75%	19.75%	19.75%	19.75%
	CPI on Flat Fees											1.02	1.02	1.02	1.02	1.02
11	CPI on Flat Fees - non-resetting	1.014	1.02	1.043	1.065	Reset	1.022	1.042	1.054	1.067	1.085					
12	CPI on Flat Fees - resetting	N/A	N/A	N/A	N/A	Reset	1.086	1.109	1.128	1.139	1.152					

13 * Includes staggered retro raising the 18.50% to 19.39% (2009/10), 19.93% (2010/11), 19.75% (2011/12) in 2012/13
14 ** Includes negotiated top-up paid as an adjustment/flat fee in 2014/15, 2015/16, and 2016/17

15 Response limited to the last ten years as commission details prior to streamlined renewal are not considered relevant nor readily obtainable.

PUB (MPI) 2-20

Part and Chapter:	PUB (MPI) 1-51(b) V(i) EXP Appendix 4	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	ICAM		
Sub Topic:			

Preamble to IR:

The Compound annual growth for Compensation for 2015/15 through 2018/19 was 1.7% for Basic but appears to be -0.4% for Extension for the same time period. Other operating expenses declined by -0.1% for Basic while the compound annual growth for Extension was -2.4%.

Question:

a) Please update the schedule to include the detail of Extension expenses for each of the years 2015/16 to 2018/19.

b) Please update the Extension compound growth analysis with for 2019/20 to 2020/21, and 2022/23 to 2023/24 and compare the growth rates with Basic. Please explain the differences noted in the preamble as well as any other material differences from the updated analysis.

Rationale for Question:

To understand the reasonableness of the Extension forecast.

RESPONSE:

a) and b)

Please refer to the following figure. The differences noted in the preamble can all be explained via the allocation process and improvement initiative expenses. The CAGR results for Basic and Extension are driven by fluctuations in allocations for normal operations and fluctuations for improvement initiative expenses. The compensation category for Basic grew an annual average of 1.7% from 2015/16 to 2018/19 whereas the compensation category for Extension grew an annual average of -0.4%. This is primarily due to a greater allocation in 2014/15 to extension as compared to 2018/19. For instance, in level D (please refer to *Part V(i) Expenses Figure EXP-32*) the claims incurred allocator for extension was 8.3% in 2014/15 whereas in 2018/19 the extension allocation was 7.2%.

Figure 1 Extension Expense by Category

Line No.	Corporate Total	2014/15A	2015/16A	2016/17A	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F	Growth Rates 15/16 - 18/19	19/20 - 21/22	22/23 - 22/24
1												(4 years)	(3 years)	(2 years)
2	Compensation - Salaries	8,591	7,729	7,902	8,318	8,364	9,148	8,996	9,053	8,906	9,038	-0.7%	2.7%	-0.1%
3	Compensation - Overtime	175	117	106	68	91	114	108	107	103	102	-15.1%	5.7%	-2.5%
4	Compensation - Benefits	1,917	1,869	1,902	1,909	2,055	2,128	2,073	2,095	2,062	2,091	1.7%	0.6%	-0.1%
5	Compensation - H & E Tax	181	165	178	173	182	197	193	194	191	192	0.1%	2.2%	-0.5%
6	Sub Total - Compensation	10,863	9,879	10,088	10,469	10,691	11,587	11,370	11,449	11,261	11,423	-0.4%	2.3%	-0.1%
7	Data Processing	2,586	2,063	1,757	3,116	1,947	1,842	1,748	1,776	1,768	2,028	-6.9%	-3.0%	6.9%
8	Special Services	480	550	418	461	360	440	418	401	395	399	-6.9%	3.6%	-0.2%
9	Building Expenses	890	775	749	676	631	685	586	585	576	582	-8.3%	-2.5%	-0.3%
10	Safety / Loss Prevention Program	199	185	286	170	219	305	231	218	214	216	2.5%	-0.2%	-0.6%
11	Telephone/Telecommunications	199	157	154	139	129	134	134	132	129	131	-10.3%	0.9%	-0.6%
12	Advertising & Public Info	304	282	287	228	235	297	282	278	274	276	-6.3%	5.9%	-0.4%
13	Printing, Stationery & Supplies	124	112	109	74	96	124	107	106	104	105	-6.1%	3.3%	-0.5%
14	Postage	283	249	253	268	282	257	245	247	242	244	-0.1%	-4.3%	-0.6%
15	Regulatory / Appeal	12	11	13	9	8	12	11	11	16	22	-10.5%	11.5%	42.0%
16	Travel & Vehicle Expense	103	80	80	56	65	85	81	80	78	79	-10.7%	6.8%	-0.4%
17	Driver Education Program	313	273	287	298	303	339	339	355	348	351	-0.8%	5.4%	-0.6%
18	Grant in Lieu of Taxes	133	119	127	124	117	119	115	116	114	115	-3.0%	-0.5%	-0.3%
19	Furniture & Equipment	77	43	39	56	47	165	98	95	93	94	-11.4%	26.4%	-0.5%
20	Merchant Fees	2,868	3,062	3,184	3,245	3,401	3,511	3,630	3,751	3,825	3,901	4.4%	3.3%	2.0%
21	Other	462	424	424	328	339	366	340	335	329	332	-7.4%	-0.4%	-0.6%
22	Sub total - Other Normal Operating Expenses	9,031	8,384	8,167	9,247	8,180	8,682	8,365	8,486	8,507	8,875	-2.4%	1.2%	2.3%
						-	-	-	-	-	0			
23	Depreciation of Capital Investments	479	356	337	317	307	308	330	355	346	355	-10.5%	5.0%	0.0%
24	Amortization of Deferred Development	1,291	782	1,198	1,414	1,660	1,291	1,300	1,115	822	1,448	6.5%	-12.4%	14.0%
25	Subtotal - Depreciation / Amortization	1,770	1,138	1,535	1,731	1,966	1,600	1,631	1,469	1,168	1,803	2.7%	-9.3%	10.8%
						-	-	-	-	-	-			
26	Total Expenses	21,665	19,402	19,790	21,447	20,837	21,868	21,366	21,404	20,936	22,101	-1.0%	0.9%	1.6%

PUB (MPI) 2-21

Part and Chapter:	PUB (MPI) 1-52 PUB (MPI) 1-53 Figure EXP App 11-1	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Compensation		
Sub Topic:			

Preamble to IR:

Question:

a) Please reconcile the FTEs and vacancy FTEs included in PUB (MPI) 1-52 with PUB (MPI) 1-53, and explain why the forecasted salaries include a provision for vacant positions for 2019/20.

b) Please reconcile the assumed vacant position per the vacancy allowance in PUB(MPI) 1-53 with the forecasted vacant positions provided in PUB (MPI) 1-52

c) Please provide a comparison of actual FTE headcount by category, and the forecasted level of FTEs per Figure EXP App 11- 1 Staffing Levels by Category. Please provide the assumed Payroll based on maintaining the current staffing level, and compare that with what is forecast for the year.

d) Please provide a comparison of staffing levels by category for 2018/19 (actual) with 2019/20 (forecast) and explain the reasons for the forecast changes.

Rationale for Question:

To understand the changes in payroll costs.

RESPONSE:

a) The Full-time Equivalent (FTE) counts included in *PUB (MPI) 1-52* are based on total corporate FTE counts (including improvement initiatives), whereas the FTE counts provided in *PUB (MPI) 1-53* are based on normal operating FTE counts (not including improvement initiatives). MPI continues to utilize a vacancy provision against budgeted salaries as turnover is expected to continue from year to year.

b) The vacancy allowance is only an estimated amount of dollars to apply against budgeted salaries to account for turnover and unfilled positions. Although, the YTD avg FTE count in 2019/20 is 102.3 lower than budget (per *PUB (MPI) 1-52(b)*, MPI budgeted a vacancy allowance of an estimated 20 FTE's lower than budget (per *PUB (MPI) 1-53(c)*. As at July 2019, MPI is reflecting a larger vacancy allowance as compared to budget.

c) and d)

Please refer to the following figures:

Figure 1 Staffing Levels by Category 2018/19

NORMAL OPERATIONS STAFFING LEVELS
2018/19 Total Staff Actual (FTE)

Line No.	Category	Customer Service	Product & Risk Management	HR & Corp. Services	Finance	Executive Office	Legal & General Counsel	Information Technology & Business Transformation	Total
1	Management	52.1	11.6	15.2	15.9	8.2	0.8	21.7	125.5
2	Supervisory	117.8	7.4	4.5	3.0	0.0	1.0	6.8	140.5
3	Technical/Professional	526.8	66.5	97.5	77.1	5.5	21.3	213.6	1,008.3
4	Clerical	407.8	29.8	19.3	20.4	0.2	4.7	7.8	490.0
5	Student/Intern	2.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
6	Total	1,106.5	115.3	136.5	116.4	13.9	27.8	249.9	1,766.3

7 SPECIALTY PROGRAMS STAFFING LEVELS
8 2018/19 Total Staff Actual (FTE)

9 10 11 12	Category	Customer Service	Product & Risk Management	HR & Corp. Services	Finance	Executive Office	Legal & General Counsel	Information Technology & Business Transformation	Total
13	Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Supervisory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Technical/Professional	0.0	0.0	0.0	2.5	0.0	0.0	0.0	2.5
16	Clerical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17	Student/Intern	0.0	0.0	3.9	0.0	0.0	0.0	0.0	3.9
18	Total	0.0	0.0	3.9	2.5	0.0	0.0	0.0	6.4

19 IMPROVEMENT INITIATIVE STAFFING LEVELS
20 2018/19 Total Staff Actual (FTE)

21 22 23 24	Category	Customer Service	Product & Risk Management	HR & Corp. Services	Finance	Executive Office	Legal & General Counsel	Information Technology & Business Transformation	Total
25	Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	Supervisory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Technical/Professional	0.0	0.0	0.0	0.0	0.0	0.0	16.6	16.6
28	Clerical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Student/Intern	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30	Total	0.0	0.0	0.0	0.0	0.0	0.0	16.6	16.6

31 TOTAL CORPORATE STAFFING LEVELS
32 2018/19 Total Staff Actual (FTE)

33 34 35 36	Category	Customer Service	Product & Risk Management	HR & Corp. Services	Finance	Executive Office	Legal & General Counsel	Information Technology & Business Transformation	Total
37	Management	52.1	11.6	15.2	15.9	8.2	0.8	21.7	125.5
38	Supervisory	117.8	7.4	4.5	3.0	0.0	1.0	6.8	140.5
39	Technical/Professional	526.8	66.5	97.5	79.6	5.5	21.3	230.2	1,027.4
40	Clerical	407.8	29.8	19.3	20.4	0.2	4.7	7.8	490.0
41	Student/Intern	2.0	0.0	3.9	0.0	0.0	0.0	0.0	5.9
42	Total	1,106.5	115.3	140.4	118.9	13.9	27.8	266.5	1,789.3

Figure 2 Staffing Budget in 2019/20

NORMAL OPERATIONS STAFFING LEVELS

2019/20 Total Budget (FTE)

Line No.	CATEGORY	Customer Service	Actuarial and Risk Management	HR & Corp. Services	Finance	Executive	Legal & General Counsel	Information Technology & Business Transformation	Total
1	Management	56.0	9.0	18.0	14.3	7.0	1.0	23.0	128.3
2	Supervisory	122.0	4.0	3.0	3.0	0.0	1.0	6.0	139.0
3	Technical/Professional	558.0	53.3	117.8	83.0	4.0	22.0	244.2	1,082.3
4	Clerical	481.9	11.0	23.0	22.0	0.0	4.0	8.0	549.9
5	Student/Intern	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Total	1,217.9	77.3	161.8	122.3	11.0	28.0	281.2	1,899.5

7 SPECIALTY PROGRAMS STAFFING LEVELS

8 2019/20 Total Budget (FTE)

9 10 11 12	CATEGORY	Customer Service	Actuarial and Risk Management	HR & Corp. Services	Finance	Executive	Legal & General Counsel	Information Technology & Business Transformation	Total
13	Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Supervisory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Technical/Professional	2.0	0.0	3.0	1.0	0.0	0.0	2.0	8.0
16	Clerical	0.0	0.0	2.0	1.6	0.0	0.0	0.0	3.6
17	Student/Intern	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	Total	2.0	0.0	5.0	2.6	0.0	0.0	2.0	11.6

19 IMPROVEMENT INITIATIVE STAFFING LEVELS

20 2019/20 Total Budget (FTE)

21 22 23 24	CATEGORY	Customer Service	Actuarial and Risk Management	HR & Corp. Services	Finance	Executive	Legal & General Counsel	Information Technology & Business Transformation	Total
25	Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	Supervisory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Technical/Professional	0.0	0.0	0.0	0.0	0.0	0.0	16.9	16.9
28	Clerical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Student/Intern	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30	Total	0.0	0.0	0.0	0.0	0.0	0.0	16.9	16.9

31 CORPORATE STAFFING LEVELS

32 2019/20 Total Budget (FTE)

33 34 35 36	CATEGORY	Customer Service	Actuarial and Risk Management	HR & Corp. Services	Finance	Executive	Legal & General Counsel	Information Technology & Business Transformation	Total
37	Management	56.0	9.0	18.0	14.3	7.0	1.0	23.0	128.3
38	Supervisory	122.0	4.0	3.0	3.0	0.0	1.0	6.0	139.0
39	Technical/Professional	560.0	53.3	120.8	84.0	4.0	22.0	263.1	1,107.2
40	Clerical	481.9	11.0	25.0	23.6	0.0	4.0	8.0	553.5
41	Student/Intern	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
42	Total	1,219.9	77.3	166.8	124.9	11.0	28.0	300.1	1,927.9

Figure 3 Comparative: Actual Staffing Levels 2018/19 vs 2019/20 Budget

NORMAL OPERATIONS STAFFING LEVELS

2018/19 Actual vs 2019/ Budget

Line No.	CATEGORY	Customer Service	Actuarial and Risk Management	HR & Corp. Services	Finance	Executive	Legal & General Counsel	Information Technology & Business Transformation	Total
1	Management	(3.9)	2.6	(2.8)	1.6	1.2	(0.2)	(1.3)	(2.8)
2	Supervisory	(4.2)	3.4	1.5	0.0	0.0	0.0	0.8	1.5
3	Technical/Professional	(31.2)	13.2	(20.3)	(5.9)	1.5	(0.7)	(30.6)	(74.0)
4	Clerical	(74.1)	18.8	(3.7)	(1.6)	0.2	0.7	(0.2)	(59.9)
5	Student/Intern	2.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
6	Total	(111.4)	38.0	(25.3)	(5.9)	2.9	(0.2)	(31.3)	(133.2)

7 SPECIALTY PROGRAMS STAFFING LEVELS

8 2018/19 Actual vs 2019/ Budget

9								Information	
10			Actuarial and	HR &			Legal &	Technology &	
11		Customer	Risk	Corp.			General	Business	
12	CATEGORY	Service	Management	Services	Finance	Executive	Counsel	Transformation	Total
13	Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Supervisory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Technical/Professional	(2.0)	0.0	(3.0)	1.5	0.0	0.0	(2.0)	(5.5)
16	Clerical	0.0	0.0	(2.0)	(1.6)	0.0	0.0	0.0	(3.6)
17	Student/Intern	0.0	0.0	3.9	0.0	0.0	0.0	0.0	3.9
18	Total	(2.0)	0.0	(1.1)	(0.0)	0.0	0.0	(2.0)	(5.2)

19 IMPROVEMENT INITIATIVE STAFFING LEVELS

20 2018/19 Actual vs 2019/ Budget

21								Information	
22			Actuarial and	HR &			Legal &	Technology &	
23		Customer	Risk	Corp.			General	Business	
24	CATEGORY	Service	Management	Services	Finance	Executive	Counsel	Transformation	Total
25	Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	Supervisory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Technical/Professional	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	(0.3)
28	Clerical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Student/Intern	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30	Total	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	(0.3)

31 CORPORATE STAFFING LEVELS

32 2018/19 Actual vs 2019/ Budget

33								Information	
34			Actuarial and	HR &			Legal &	Technology &	
35		Customer	Risk	Corp.			General	Business	
36	CATEGORY	Service	Management	Services	Finance	Executive	Counsel	Transformation	Total
37	Management	(3.9)	2.6	(2.8)	1.6	1.2	(0.2)	(1.3)	(2.8)
38	Supervisory	(4.2)	3.4	1.5	0.0	0.0	0.0	0.8	1.5
39	Technical/Professional	(33.2)	13.2	(23.3)	(4.4)	1.5	(0.7)	(32.9)	(79.8)
40	Clerical	(74.1)	18.8	(5.7)	(3.2)	0.2	0.7	(0.2)	(63.5)
41	Student/Intern	2.0	0.0	3.9	0.0	0.0	0.0	0.0	5.9
42	Total	(113.4)	38.0	(26.4)	(6.0)	2.9	(0.2)	(33.6)	(138.6)

PUB (MPI) 2-22

Part and Chapter:	PUB (MPI) 1-53 PUB (MPI) 1-57	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:			
Sub Topic:			

Preamble to IR:

Question:

a) Please reconcile the staff levels used in the Benchmarking Figure 2 lines 8 to 10 with that forecast for the Corporation in PUB (MPI) 1-53.

b) Please extend the analysis of benchmarks to include the years 2017/18 through 2020/21 based on MPI's understanding of the data utilized by Ward of MPI's financial information.

c) Please provide an update on the preliminary discussion of joint benchmarking with other Crown auto insurers.

Rationale for Question:

To evaluate benchmarking information presented.

RESPONSE:

a) The difference in staffing levels is primarily the result of the methodology the Ward Group used to determine Full-time Equivalent (FTE) counts for the purposes of benchmarking, which does not include non-insurance related activities. Instead, Ward Group determines the total number of FTEs based on the percentage of insurance-related activities performed by each employee. As a result, MPI cannot practicably reconcile the staff levels used in *PUB (MPI) 1-57 Figure 2, lines 8 to 10* with that forecast for MPI in *PUB (MPI) 1-53*.

b) As the benchmarking process used by Ward Group does not forecast any metrics into the future, MPI is not able to extend the analysis of benchmarks as requested.

c) Representatives of MPI, Saskatchewan General Insurance and the Insurance Corporation of British Columbia met on July 30th to establish common interests and explore options, but did not make any decisions or set any direction. The Crown Corporations expressed interest in advancing the endeavour and agreed that confirming the content to be benchmarked was the next logical step. MPI expects more discussions to take place in the fall of 2019 and, based on early dialogue, further expects that many of the metrics currently analyzed in the GRA will continue to be available.

PUB (MPI) 2-23

Part and Chapter:	PUB (MPI) 1-54 VIII – AR Appendix 3 CAC (MPI) 1-1 (K)	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Commissions		
Sub Topic:			

Preamble to IR:

On page 5 of MPI's Annual Report, the Corporation reports that it paid $85.6 million in commissions expenses in 2018/19. In response to PUB (MPI) 1-54, the amount detailed paid to Brokers is $75.5 million.

Question:

a) Please reconcile the difference in reported Broker commissions in the Annual Report with that indicated in response to PUB (MPI) 1-54 for 2018/19.

b) Please provide a revised schedule detailing all payments to Brokers for each of the years 2012 through 2023/24.

c) Please update the schedule indicating the amount of trailing fee payments (in similar detail to CAC (MPI) 1-1 (k)) made or forecast to be made in each year under the existing arrangements of (b).

Rationale for Question:

To assess the reasonableness of the Basic financial forecast assumptions.

RESPONSE:

a) The response to *PUB (MPI) 1-54(c)* excludes DVA and SRE commissions. Please see Figure 1 for the reconciliation.

Figure 1 Commissions

Line No.		2018/19
1	*($000's, except where noted)*	
2	Basic	33,489
3	Extension*	34,545
4	Basic Transactions / flat fees**	6,744
5	Extension Transactions / flat fees**	711
6	DVA Transactions / flat fees	1,765
7	SRE	8,384
8	Total Commission Per Annual Report	85,638

b) Refer to *PUB (MPI) 2-19*.

c) The forecast is not prepared at the transaction level as the commission rate is consistent whether year 1 (renewal) or years 2 through 5 (reassessment). The commission forecast has been provided in *PUB (MPI) 2-19*.

PUB (MPI) 2-24

Part and Chapter:	PUB (MPI) 1-64	Page No.:	
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	Expenses		
Sub Topic:	IT Expenses		

Preamble to IR:

Question:

Please expand Figure 1 and Figure 2 and provide a forecast to be spent by consultant and project for each of the years 2018/19 and 2019/20 and explain.

Rationale for Question:

To understand the level of external consulting expense.

RATIONALE FOR REFUSAL:

MPI is unable to provide a response because the information sought does not exist. The request asks for spend by 'consultant and project', however MPI is unclear what exactly is meant by consultant (i.e. consulting firm/vendor, or individual)

PUB (MPI) 1-64 Figure 2 outlines the consultant costs per vendor and improvement initiative for the past 3 years (actuals) including 2018/19. MPI cannot extend this table to include 2019/20 on a forecast basis, because MPI does not forecast by project and vendor, but by role requirement using a blended rate. As fiscal year 2019/20 has not concluded, MPI cannot update Figure 2 for actuals.

If the request is for individual consultants, MPI cannot provide that detail for prior years, because MPI does not track costs on an individual consultant name basis as individuals may work on multiple projects or have changes in assignments throughout the year. MPI would need to analyze individual time cards for all consultants for the past three years to provide that level of detail.

PUB (MPI) 2-25

Part and Chapter:	PUB (MPI) 1-65 (i), (j)	Page No.:	
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	Basic Capital Expenditures		
Sub Topic:	Project Cost Comparison		

Preamble to IR:

Question:

a) Please indicate the extent to which the Financial Re-Engineering (FRE) project is to address financial reporting requirements for insurance contracts under IFRS-17, and when the FRE system changes will need to be fully functioning.

b) Please file all reports or analysis undertaken that address financial reporting changes required to implement IFRS-17.

c) Please provide an updated EXP Appendix 17 schedule that adds a column for % change for each of the comparative years, and indicate the extent to which the changes relate to changes in the timing of project expenditures versus a change in the total budget for the project.

Rationale for Question:

To understand the changes of notable Basic capital expenditure projects.

RESPONSE:

a) While the Financial Re-Engineering (FRE) project is primarily focused on technology and process changes, these changes will align with the IFRS standards. The FRE project currently addresses the budgeting process through its introduction of a dEPM (Dynamic Enterprise Performance Management) module and by enabling project accounting capabilities within the existing software.

b) MPI continues to evaluate the proposed changes to *International Financial Reporting Standards (IFRS) 17* and *IFRS 9*. Work has commenced on a number of IFRS 17 position papers, however, as the Board of Directors has yet to approve them, they cannot be filed.

   Please note that the standard is effective for fiscal years commencing on or after January 1, 2022, which, for MPI begins in the fiscal year ending March 31, 2023.

c) MPI reviews its budgets annually for all new and existing improvement initiatives. Timing is the largest factor for variances from year to year. MPI reassesses budgeted implementation costs to determine the expected amount required in a given year and the timing of these costs in the duration of the initiative.

Figure 1 Basic Capital Expenditures - Project Costs Comparison

Line No.	Project	2019 GRA (2018/19B)	2020 GRA (2018/19A)	Difference (2020 GRA - 2019 GRA)	% Difference (2020 GRA - 2019 GRA)	2019 GRA (2019/20F)	2020 GRA (2019/20FB)	Difference (2020 GRA - 2019 GRA)	% Difference (2020 GRA - 2019 GRA)	2019 GRA (2020/21F)	2020 GRA (2020/21F)	Difference (2020 GRA - 2019 GRA)	% Difference (2020 GRA - 2019 GRA)
1	*(C$000s, except where noted)*												
2	Deferred Development												
3	HR Management System Phase 3 & 4	-	-	-	-	-	-	-	-	-	-	-	-
4	Physical Damage Re-Engineering	-	-	-	-	-	-	-	-	-	-	-	-
5	BI3 Fineos Upgrade 2020	1,159	-	(1,159)	-100%	941	-	(941)	-100%	-	-	-	-
6	High School Driver Education Phase 2	-	-	-	-	-	-	-	-	-	-	-	-
7	High School Driver Education Phase 3	786	1,916	1,130	144%	-	391	391	100%	-	-	-	-
8	High School Driver Education Phase 4	-	14	14	100%	-	902	902	100%		72	72	100%
9	Infor/Lawson Upgrade	-	340	340	100%	-	-	-	-	-	-	-	-
10	Corporate Learning Management	204	421	217	106%	-	-	-	-	-	-	-	-
11	Information Security Strategy and	-	-	-	-	-	-	-	-	-	-	-	-
12	Road Map Phase 1												
13	Information Security Strategy and	-	56	56	100%	-	-	-	-	-	-	-	-
14	Road Map Phase 2												
15	Technology Risk Management - 2016/17	-	-	-	-	-	-	-	-	-	-	-	-
16	Technology Risk Management - 2017	186	1,123	937	504%	-	-	-	-	-	-	-	-
17	Technology Risk Management - 2018	3,070	2,912	(158)	-5%	-	-	-	-	-	-	-	-
18	Technology Risk Management - 2019	-	-	-	-	3,256	1,396	(1,860)	-57%	-	-	-	-
19	Technology Risk Management - 2020	-	-	-	-	-	-	-	-	3,256	3,204	(52)	-2%
20	Appointment Manager	-	45	45	100%	-	-	-	-	-	-	-	-
21	Customer Claims Reporting System	-	714	714	100%	-	-	-	-	-	-	-	-
22	Enhanced DR Capabilities	-	767	767	100%	-	-	-	-	-	-	-	-
23	Partner Portal	-	6	6	100%	-	-	-	-	-	-	-	-
24	Financial Re-engineering Initiative	-	-	-	-	5,460	2,338	(3,122)	-57%	5,217	2,400	(2,817)	-54%
25	Customer Self Service	1,221	2,373	1,152	94%	814	-	(814)	-100%	814	-	(814)	-100%
26	Credit Card Strategy	810	1,897	1,087	134%	-	2,068	2,068	100%	-	-	-	-
27	Legacy Systems Modernization	-	-	-	-	8,140	8,010	(130)	-2%	16,280	26,673	10,393	64%
28	INFOR Major Upgrade 2022	-	-	-	-	-	-	-	-	1,628	1,602	(26)	-2%
29	Information Security Maturity	-	-	-	-	-	1,602	1,602	100%	-	1,602	1,602	100%
30	Total Loss	-	-	-	-	-	943	943	100%	-	-	-	-
31	Subtotal - Deferred Development	7,436	12,584	5,148	69%	18,611	17,650	(961)	-5%	27,195	35,553	8,358	31%
32	Impairment of Deferred Development	-	(2,686)	(2,686)	100%	-	-	-	-	-	-	-	-
33	Capital Expenditures - None	-	-	-	-	-	-	-	-	-	-	-	-

	Project	2019 GRA (2018/19B)	2020 GRA (2018/19A)	Difference (2020 GRA - 2019 GRA)	Difference (2020 GRA - 2019 GRA)	2019 GRA (2019/20F)	2020 GRA (2019/20FB)	Difference (2020 GRA - 2019 GRA)	Difference (2020 GRA - 2019 GRA)	2019 GRA (2020/21F)	2020 GRA (2020/21F)	Difference (2020 GRA - 2019 GRA)	Difference (2020 GRA - 2019 GRA)
34	*(C$000s, except where noted)*												
35	Implementation Expense												
36	HR Management System Phase 3 & 4	163	71	(92)	-56%	-	-	-	-	-	-	-	-
37	Physical Damage Re-Engineering	-	-	-	-	-	-	-	-	-	-	-	-
38	High School Driver Education Phase 2	-	-	-	-	-	-	-	-	-	-	-	-
39	High School Driver Education Phase 4		-	-	-		-	-	-		133	133	100%
40	Infor/Lawson Upgrade	-	-	-	-	-	-	-	-	-	-	-	-
41	Corporate Learning Management	-	-	-	-	-	-	-	-	-	-	-	-
42	Physical Damage - Centre of Excellence	-	-	-	-	-	-	-	-	-	-	-	-
43	Information Security Strategy and	-	-	-	-	-	-	-	-	-	-	-	-
44	Road Map Phase 1												
45	Information Security Strategy and	-	-	-	-	-	-	-	-	-	-	-	-
46	Road Map Phase 2												
47	Technology Innovation & Capabilities	-	-	-	-	-	-	-	-	-	-	-	-
48	Technology Risk Management - 2016/17	-	-	-	-	-	-	-	-	-	-	-	-
49	Technology Risk Management - 2017	-	218	218	100%	-	-	-	-	-	-	-	-
50	Technology Risk Management - 2018	407	201	(206)	-51%	-	-	-	-	-	-	-	-
51	Technology Risk Management - 2019	-	-	-	-	407	1,110	703	173%	-	401	401	100%
52	Technology Risk Management - 2020	-	-	-	-	-	-	-	-	407	-	(407)	-100%
53	Customer Claims Reporting System	-	-	-	-	-	-	-	-	-	-	-	-
54	Enhanced DR Capabilities	461	14	(447)	-97%	-	-	-	-	-	-	-	-
55	Financial Re-engineering Initiative	407	52	(355)	-87%	-	-	-	-	-	-	-	-
56	Customer Self Service	-	(125)	(125)	100%	-	-			-	-	-	-
57	Credit Card Strategy	4	-	(4)	-100%	-	50	50	100%	-	-	-	-
58	Legacy Systems Modernization	1,628	1,419	(209)	-13%	-	-	-	-	-	-	-	-
59	AOL PUB Release	350	17	(333)	-95%	350	350	-	-	350	350	-	-
60	BI3 Fineos Upgrade 2020	-	61	61	100%	-	231	231	100%	-	231	231	100%
61	Basic Deductible Review	-		-	-	-	140	140	100%	-	-	-	-
62	Basic TPL Review	-		-	-	-	110	110	100%	-	-	-	-
63	Basic MIV Review	-		-	-	-	80	80	100%	-	-	-	-
64	Insertions of Work	-	369	369	100%	-	1,602	1,602	100%	-	-	-	-
65	Subtotal - Implementation Expenses	3,420	2,297	(1,123)	-33%	757	3,673	2,916	385%	757	1,115	358	47%
66	Impairment of Deferred Development	-	2,686	2,686	100%	-	-	-	-	-	-	-	-
67	Total Expenditures	10,856	14,881	4,025	37%	19,368	21,323	1,955	10%	27,952	36,668	8,716	31%

PUB (MPI) 2-26

Part and Chapter:	PUB (MPI) 1-62 IV(i) Benchmarking	Page No.:	39
PUB Approved Issue No:	11. Operational Benchmarking 17. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	Benchmarking		
Sub Topic:	Future Benchmarking of IT Service Delivery		

Preamble to IR:

MPI has indicated its intention to issue a Request for Proposals (RFP) for Information Technology Benchmarking services to review the 2018/19 fiscal year.

Question:

Please provide the RFP issued. If not yet issued, please provide when issued.

Rationale for Question:

To understand the details of planned benchmarking services to support future IT benchmarking strategy.

RESPONSE:

The RFP is under development and is planned to be issued in late October 2019.

PUB (MPI) 2-27

Part and Chapter:	PUB (MPI) 1-65 V(i) Expenses EXP Appendix 17	Page No.:	1
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	Basic Capital Expenditures		
Sub Topic:	Project Cost Comparison		

Preamble to IR:

MPI has indicated that additional testing was required for HSDE, which contributed to the budget overrun in 2018/19.

Question:

a) With respect to HSDE, please provide additional details noting the key drivers related to testing, which contributed to the overrun (i.e., testing was planned but undersized).

b) With respect to HSDE, please indicate whether the Value Management Process was used to initially assess the testing effort.

c) With respect to LSM, please detail the planning tasks, resources used, and costs/task to further explain the $10M increase.

Rationale for Question:

As planning and testing contribute to overall successful management of time, budget and scope as well as overall quality and value delivery, further understanding of the drivers used to determine budgets for testing and planning on key initiatives as executed per the VMP will provide context for evaluating proposed budgets for current and future initiatives.

RESPONSE:

a) The initial project budget for High School Drivers Education (HSDE) was forecasted to end at the beginning of the project pilot. After further review of its business and technical risks, MPI elected to increase the scope of the HSDE project (which increased the forecasted spend by $1.13M), and fund the complete effort through implementation. Deferred items were included in the project scope such as French language, enhanced user experience functions and features, mobile application testing, and performance load testing. These factors resulted in an expanded project scope, timeline, and forecasted spend.

b) The Value Management process was applied to the HSDE project in late 2017 with the creation of an updated business case and related financial analysis to support the capital budget. In Fall 2018, the Value Management Office was involved in the re-assessment of the business case in terms of scope adjustments, deliverables and updating of project forecasted costs and benefits. The Board approved additional $1.13M forecast identified the need for additional testing.

c) The LSM project financials reported in the 2019 GRA represented the capital forecast for 5 years, not the entire project. Further planning has occurred with the capital forecast in the 2020 GRA totaling $106.8M. The difference of $10.0M is due to the updated project forecast per year. For a yearly breakdown of the capital budget for the LSM Program, please see: *Part IV(ii) Information Technology Appendix 5 Figure IT App 5−1 LSM Yearly One-Time Costs*.

PUB (MPI) 2-28

Part and Chapter:	PUB (MPI) 1-66	Page No.:	
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	Capital Projects		
Sub Topic:	Legacy Systems Modernization		

Preamble to IR:

It is not clear what expenditures MPI will be incurring for RFPs for the LSM project.

Question:

Please provide supporting analysis for the RFP-related costs budgeted for the year, and indicate whether these costs are internal or external to the Corporation.

Rationale for Question:

To assess reasonableness of LSM spending.

RESPONSE:

The Legacy System Modernization (LSM) Program has a number of Requests for Proposals (RFPs) planned in Year 1. The DVA and P&C System Integrator RFPs are the largest of these and are the foundation for work in the subsequent years. The API Management and Business Application Platform RFPs are technology-centric and include the initial implementation costs in the Year 1 budget.

Figure 1 below, provides a breakdown of the forecasted hours for internal and external resources by RFP. The Subject Matter Expert (SME) effort to evaluate the RFP proposals has not been included in this forecast.

The actual RFP costs to-date have been significantly lower than originally forecasted. This is due to a change in the labour mix between internal and external resources. MPI is now relying on internal labour for most of the RFP effort.

Figure 1 LSM RFP Spending

			RFP Development			Implementation		
Line No.	Business Streams	Budget ($)	Cost ($)	External Effort	Internal Effort	Cost ($)	External Effort	Internal Effort
1	DVA RFP Costs	1,250,000	1,250,000	10,000		Not Included		
2	P&C System Integrator RFP Costs	625,000	625,000	5,000		Not Included		
3	RFP Development and Implementation	1,105,986	529,825	1,247	4,986	576,161	1,356	5,423
4	• **API Management**							
5	• **Business Application Platform (HPAP)**							
6	• **Independent Program Governance Advisor**							

PUB (MPI) 2-29

Part and Chapter:	PUB (MPI) 1-68	Page No.:	
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	Administrative and Investment Capital Spending		
Sub Topic:			

Preamble to IR:

Question:

Please provide details of the $5.9M forecast to be spent on Land and Buildings for 2019/20, and any business cases prepared supporting the project.

Rationale for Question:

To review and understand administrative and investment capital forecast spending.

RESPONSE:

These capital costs include structural repair costs and improvement initiatives for physical properties. Please see *Part IV(ii) Value Management Appendix 1*, filed through to the PUB's Commercially Sensitive Information (CSI) process, for details.

PUB (MPI) 2-30

Part and Chapter:	PUB (MPI) 1-71 IV(ii) IT IT Appendix 3, IT App 3-8	Page No.:	7
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	IT Personnel and Consultant Costs		
Sub Topic:			

Preamble to IR:

MPI noted that for Figure IT App 3-8, the forecast submitted represented the consulting costs specific to the Basic component of projects only. The 2020 figures have been updated to include all project consulting costs (Basic and Extension) plus all operational costs. The amounts now align with the amounts presented in other figures in this chapter.

Question:

For this figure, please also provide the breakdown of IT personnel by Basic and Extension and please provide a comparison from last year to this year on Basic and explain the differences.

Rationale for Question:

To compare base year to prior year and assess costs.

RESPONSE:

In order to accurately compare this year's forecast to the one provided in the 2019 GRA for the Basic line of business, MPI has updated *Part (IV(ii) Appendix 3 Figure IT App 3-8* using only Basic costs and the same forecasting methodology used in prior years. The revised figures follow the historical approach used by MPI and are presented below:

Figure 1 IT Personnel – Consultant Costs

Line No.	Fiscal Year	2020 GRA Forecast	2019 GRA Forecast	Variance 2020 vs 2019	% Change
1	*(C$000s except where noted)*				
2	2017/18(A)	$ 14,346	$ 14,346	$ -	0.0%
3	2018/19(A)	$ 11,517	$ 11,517	$ -	0.0%
4	2019/20(B)	$ 11,039	$ 10,333	$ 706	6.8%
5	2020/21(F)	$ 11,211	$ 10,334	$ 877	8.5%
6	2021/22(F)	$ 11,386	n/a		
7	The updated IT Appendix 3-8 figure presents consultant costs for Basic.				

Differences between these forecasts may be explained as follows:

The forecasted numbers for 2019/20 onward utilize a higher base rate-per-consultant to align with actual spending that occurred during 2018/19. The numbers increased as a result of CPI adjustments, a change in resource mix and assignments from prior years.

PUB (MPI) 2-31

Part and Chapter:	PUB (MPI) 1-72 IV(ii) IT IT Appendix 2 and 3 MPI Exhibit 13	Page No.:	2
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	IT Staffing		
Sub Topic:	Conversion Opportunities		

Preamble to IR:

With respect to Figure 1, IT Personnel, for 2019/20 and forward there are 69 consultants remaining for each of the years. MPI has indicated that "Any changes to the planned improvement initiatives for 2020/21 and 2021/22 will impact the number of consultants" (MPI Exhibit 13).

Question:

a) Please provide to which initiatives the 69 consultants will be allocated for the last three years presented.

b) If any of the 69 consultants will be at least partially allocated to the LSM initiative, please provide the rationale for the allocation to LSM.

Rationale for Question:

To further understand the use of consultants.

RESPONSE:

a) Please see *PUB (MPI) 2-34(a)*.

b) MPI currently has 6 consultants actively engaged on the Legacy Systems Modernization (LSM) initiative:

- Four consultants are part of the program delivery office and perform project management and project coordination functions. This is an interim assignment while the program team determines its long term staffing requirements in this area.

- One consultant is being leveraged for their specific expertise in MPI data structures and data migration processes. Their focus is on identifying data requirements to migrate (new systems) vs. archive (data warehouses). This is anticipated to be a long term requirement for the program but will not have a role in operations after program completion.

- One consultant is being leveraged to develop a framework to describe / present the changes in Information Technology (IT) Capabilities resulting from the program. This is a short term assignment.

PUB (MPI) 2-32

Part and Chapter:	PUB (MPI) 1-87 IV(ii) IT IT Appendix 2	Page No.:	3
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	Contingent Workforce Savings		
Sub Topic:			

Preamble to IR:

In response to PUB (MPI) 1-87, MPI has provided a list of 66 roles requested via RFSO. Within Appendix B.1, one role (61) coincides with agile team members. In response to PUB (MPI) 1-83(a) MPI provided a list of new roles, including Business Owner, Product Manager, and Scrum Master, who take the place of a project manager on initiatives.

Question:

a) With respect to the anticipated shift to agile delivery models, indicate whether the proposed RSPO roles will meet expected roles for agile delivery as noted in PUB (MPI) 1-83(a).

b) Please provide a rate table by role for chosen consulting vendors selected to date, and budget spent for the year, if any.

Rationale for Question:

To understand the budget usage of third party vendors to support existing MPI skill gaps to effectively deliver agile-based projects.

RESPONSE:

a) The RFSO agreements include roles and rates for the Scrum Master and Agile Coach. The remaining 'Agile' roles are not ones that should be outsourced as those roles are focused on setting a strategic vision and prioritizing changes to achieve that vision.

b) Please see *Appendix 1*, which MPI is filing confidentially, for roles and rates.

Figure 1 The Budget Spent YTD as at August 31, 2019 is $160,794

Line No.	Vendor/ Consultant	Total
1	Norima	$36,400.00
2	Business Architect	$36,400.00
3	Paradigm	$58,064.00
4	Project Manager 1	$42,320.00
5	Project Manager 2	$15,744.00
6	Select IT	$66,330.00
7	IT Risk Management Specialist	$66,330.00
8	Grand Total	$160,794.00

Appendix 1:
Consulting Vendors Rate Table

This material is the subject of a confidential motion.

PUB (MPI) 2-33

Part and Chapter:	PUB (MPI) 1-88	Page No.:	
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Project		
Topic:	LSM Project		
Sub Topic:			

Preamble to IR:

Question:

a) Please explain what is envisioned for Operational Efficiencies costs.

b) Please provide the budget presented, by year of anticipated expenditure.

Rationale for Question:

To assess the reasonableness of the LSM project budget.

RESPONSE:

a) Please see *PUB (MPI) CSI 1-14(b)* for details on Operational Efficiencies costs.

b) Please see *Part IV(ii) Information Technology Appendix 5 Figure IT App 5−1 LSM Yearly One-Time Costs* for the yearly breakdown of the capital budget.

PUB (MPI) 2-34

Part and Chapter:	PUB (MPI) 1-93 MPI Exhibit 13 , EXP Appendix 19, Figure EXP APP 19-4	Page No.:	
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Project		
Topic:	Staffing Counts		
Sub Topic:			

Preamble to IR:

In the 2019 GRA, the Corporation indicated that it needed 80 FTE external consultants in 2019/20 and 2020/21, including 20 FTE for operational needs and 60 FTE for improvement initiatives. The consultant costs were forecast at $10.8 million for each of the years. In this application, the forecast has been reduced to 69 FTE, including 22 FTE for operational needs and 47 FTE for improvement initiatives; however the cost for the years is now $11.0 million in 2019/20 and $11.2 million in 2020/21.

Question:

a) Please explain the changes in the forecast of consultants cost and FTE cost forecast last year with that provided in the update (MPI Exhibit 13), including the need for two additional consultants in IT operations, the reduction in those required for improvement initiatives, and the increase in forecast consulting costs with about 14% less contracted FTE.

b) Please reconcile the external consultant costs in PUB (MPI) 1-93 with those presented in MPI Exhibit 13. Provide a table in similar level of detail in MPI Exhibit 13, reflecting the full consultants cost in PUB (MPI) 1-93.

Rationale for Question:

To understand variances in consultant and FTE costs.

RESPONSE:

a) Specific consulting resources required for future years are often uncertain at the time of preparing the General Rate Application (GRA). Consulting needs are determined when operational requests are made and as project plans are finalized. The consultant numbers will scale up and down in response to the needs of the particular operational request and/or project. MPI's best estimate of consultant costs is based on a formula which utilizes the most recent compliment of consultants at the time of GRA submission and the actual spend that MPI has experienced over the last full year of operations.

Please see below for the formulas currently used by MPI to forecast future spending on consultants for specific operations/projects and refer to *MPI Exhibit #13* for the forecasted amounts for 2019/20.

IT Operational Activities:

Formula - Operational budget for consultants $3,055 *80% for Basic = $2,444 the forecasted amount for 2019/20.

Improvement Initiatives estimated spend for 2019/20:

Formula - Actual spend from prior year (2018/19) $10,241 divided by 2018/19 Actual consultants (56 for Improvement Initiatives) = $182.88 multiplied by the estimated improvement initiative consultants for 2019/20 (47) = $8,595.36

In the prior year, the actual overall spend ($11,778) was lower in relation to the number of improvement initiative consultants on hand (90), therefore the forecasted amount for the next year was lower.

Without full visibility into the work that lies ahead, the forecast is designed to maintain consultant numbers at the level at the time of the submission (i.e. 69 as at April 2019).

MPI acknowledges that it can improve upon its forecasting approach and will do so in its next GRA submission.

In regards to the changes in forecast from last year to the current year this can be explained as follows:

In the *2019 GRA*, MPI provided a list of 82 external consultants (*Part IV(ii) Information Technology Appendix 1 Figure App 1-12*), which identified 13 working in operations, 7 working in operations and on projects (the 7 were added to operations, increasing the total number to 20) and 62 working solely on projects.

In the 2020 GRA, MPI provided an update to the external consultant list. This update identified 5 resources working specifically on operations, 17 working in operations and on projects (they were added to operations, increasing the total number to 22) and 47 working solely on projects. Although, there were 2 extra consultants identified as supporting operations in 2020, there were more consultants that supported both operations and projects (17 in 2020 vs 7 in 2019) and less that solely supported operations (5 in 2020 vs 13 in 2019).

The resources that support both operations and projects (which are captured as 100% operations) skew the operations numbers. Another factor is that the amount that each consultant is utilized plays a big role in determining costs as not all consultants work 100% throughout the year.

As indicated above, MPI will review our approach in presenting these numbers for next year's GRA.

b) Reconciliation as follows:

Figure 1 External Consultant Costs

External Consultant Costs	2019/20B	2020/21F	2021/22F
(C$000s, except where noted)			
PUB (MPI) 1-93	27,386	43,037	38,075
MPI Exhibit 13	8,595	8,767	8,942
Difference	18,791	34,270	29,133

The difference between the PUB (MPI) 1-93 & MPI Exhibit 13 is due to the differences in forecasting presentation. MPI Exhibit #13 represents only the deferred development of consultant costs and only the Basic portion of the deferred expenses. This resulted in significant differences between the tables.