

October 22, 2020

Undertaking #13

MPI to provide an update to PUB-(MPI) 2-16 to advise what the indicated capital release would be, based on the updated info from October 9th, if Extension transfers did not occur.

RESPONSE:

In the absence of capital transferred from Extension (all excess Extension capital assumed to remain in Retained Earnings), the capital build/release provision changes from -5.00% to +1.50%. The scenario assumes a Basic AAP break-even rate indication as indicated in the October 9, 2020 rate update. Please see Basic Pro-Forma results below.

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**2021 GENERAL RATE APPLICATION
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Figure 1 PF-1 Statement of Operations**Multi-year - Statement of Operations**

Line No.		2021/22 Basic AAP Break-even rate change -0.76%, CERP change -3.00%, Capital Build Provision +1.50%, No capital transfers (C\$ 000s, rounding may affect totals) For the Years Ended March 31,					
1		2020A	2021FB	2022F	2023F	2024F	2025F
2	BASIC	2019/20A	2020/21FB	2021/22F	2022/23F	2023/24F	2024/25F
3	Motor Vehicles	1,055,113	1,080,096	1,100,868	1,140,846	1,182,441	1,224,963
4	Drivers	66,411	67,146	68,094	69,212	70,412	71,588
5	Reinsurance Ceded	(14,099)	(13,721)	(13,887)	(14,166)	(14,447)	(14,737)
6	Total Net Premiums Written	1,107,425	1,133,521	1,155,075	1,195,892	1,238,406	1,281,814
7	Net Premiums Earned						
8	Motor Vehicles	1,036,651	1,067,912	1,090,738	1,121,349	1,162,156	1,204,225
9	Drivers	66,733	66,781	67,623	68,656	69,816	71,004
10	Reinsurance Ceded	(14,099)	(13,721)	(13,888)	(14,165)	(14,448)	(14,738)
11	Total Net Premiums Earned	1,089,285	1,120,972	1,144,473	1,175,840	1,217,524	1,260,491
12	Service Fees & Other Revenues	27,161	27,963	29,116	30,804	32,627	34,573
13	Total Earned Revenues	1,116,446	1,148,935	1,173,589	1,206,644	1,250,151	1,295,064
14	Claims Incurred	787,799	794,920	905,402	920,511	953,936	986,448
15	DPAC \ Premium Deficiency Adjustment	(17,406)	(2,150)	1,590	(1,019)	5,225	14,974
16	(a) Claims Incurred - Interest Rate Impact	(8,938)	157,903	10,398	18,241	15,536	13,989
17	Total Claims Incurred	761,455	950,673	917,390	937,733	974,697	1,015,411
18	Claims Expense	132,028	139,366	144,032	147,640	155,076	154,471
19	Road Safety/Loss Prevention	12,030	9,434	13,714	13,590	13,648	13,428
20	Total Claims Costs	905,513	1,099,473	1,075,136	1,098,963	1,143,421	1,183,310
21	Expenses						
22	Operating	69,859	69,299	72,421	76,306	80,317	80,317
23	Commissions	42,332	43,832	44,745	45,951	47,545	49,190
24	Premium Taxes	33,102	32,301	34,751	35,700	36,959	38,257
25	Regulatory/Appeal	4,647	4,390	5,161	5,202	5,295	5,394
26	Total Expenses	149,940	149,822	157,078	163,159	170,116	173,158
27	Underwriting Income (Loss)	60,993	(100,360)	(58,625)	(55,478)	(63,386)	(61,404)
28	Investment Income	54,159	81,379	86,440	84,395	83,967	85,600
29	(b) Investment Income - Interest Rate Impact	5,455	124,736	406	(115)	(143)	(149)
30	Net Investment Income	59,614	206,115	86,846	84,280	83,824	85,451
31	Gain (Loss) on Sale of Property	-	-	5,997	-	-	-
32	Net Income (Loss) from Annual Operations	120,607	105,755	34,218	28,802	20,438	24,047
33	Total net Impact due to interest rate change (b) - (a)	14,393	(33,167)	(9,992)	(18,356)	(15,679)	(14,138)

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Figure 2 PF-2 Statement of Financial Position

Multi-year - Statement of Financial Position

Line No.		For the Years Ended March 31,					
		2020A	2021FB	2022F	2023F	2024F	2025F
1		<i>2021/22 Basic AAP Break-even rate change of -0.76%, -3.00% CERP change, +1.50% Capital build provision, no capital transfers</i>					
2		<i>(C\$ 000s, rounding may affect totals)</i>					
3		2019/20A	2020/21FB	2021/22F	2022/23F	2023/24F	2024/25F
4		BASIC					
5		Assets					
6		Cash and cash equivalents	186,762	100,000	100,000	100,000	100,000
7		Investments	2,648,873	3,045,027	3,174,003	3,308,650	3,456,107
8		Investment property	20,969	20,464	20,289	19,878	19,881
9		Due from other insurance companies	381	-	-	-	-
10		Accounts receivable	406,844	414,220	427,524	441,700	456,498
11		Deferred policy acquisition costs	25,582	24,613	23,656	25,895	21,940
12		Reinsurers' share of unpaid claims	5,072	-	-	-	-
13		Property and equipment	88,465	93,323	96,761	99,203	97,064
14		Deferred development costs	34,964	39,658	61,942	69,991	67,649
15		Total Assets	3,417,912	3,737,305	3,904,175	4,065,317	4,219,139
16		Liabilities					
17		Due to other insurance companies	595	545	545	545	545
18		Accounts payable and accrued liabilities	50,053	70,311	71,241	73,423	78,228
19		Financing lease obligation	5,475	5,368	5,253	5,131	5,008
20		Unearned premiums and fees	569,706	582,751	594,900	616,618	639,290
21		Provision for employee current benefits	18,213	18,903	19,600	20,341	21,092
22		Provision for employee future benefits	336,307	413,181	425,438	437,576	449,808
23		Provision for unpaid claims	2,031,336	2,207,962	2,308,751	2,398,165	2,485,468
24		Total Liabilities	3,011,685	3,299,021	3,425,728	3,551,799	3,679,439
25		Equity					
26		Retained Earnings	440,522	488,277	522,494	551,297	571,734
27		Accumulated Other Comprehensive Income	(34,296)	(49,993)	(44,047)	(37,779)	(32,034)
28		Total Equity	406,226	438,284	478,447	513,518	539,700
29		Total Liabilities & Equity	3,417,911	3,737,305	3,904,175	4,065,317	4,219,139

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Figure 3 PF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line		2021/22 Basic AAP Break-even rate change -0.76%, CERP change -3.00%, Capital Build Provision +1.50%, No capital transfers					
No.		(C\$ 000s, rounding may affect totals)					
		For the Years Ended March 31,					
1		2020A	2021FB	2022F	2023F	2024F	2025F
2	BASIC	2019/20A	2020/21FB	2021/22F	2022/23F	2023/24F	2024/25F
3	Total Equity						
4	Retained Earnings						
5	Beginning Balance	319,914	440,522	488,277	522,494	551,297	571,734
6	Net Income (Loss) from annual operations	120,607	105,755	34,217	28,803	20,437	24,048
7	Premium Rebate	-	(58,000)	-	-	-	-
8	Transfer from Extension Retained Earnings	-	-	-	-	-	-
9	Total Retained Earnings	440,522	488,277	522,494	551,297	571,734	595,782
10	Total Accumulated Other Comprehensive Income						
11	Beginning Balance	(48,956)	(34,296)	(49,993)	(44,047)	(37,779)	(32,034)
12	Other Comprehensive Income for the Year	(1,857)	49,550	5,946	6,268	5,745	5,230
13	Change in Remeasurement of Employee Future Benefits	16,517	(65,247)	-	-	-	-
14	Total Accumulated Other Comprehensive Income	(34,296)	(49,993)	(44,047)	(37,779)	(32,034)	(26,804)
15	Total Equity Balance	406,226	438,284	478,447	513,518	539,701	568,978
16	MINIMUM CAPITAL TEST (C\$ 000s)						
17	Total Equity Balance	406,226	438,284	478,447	513,518	539,701	568,978
18	Less: Assets Requiring 100% Capital	35,532	39,658	61,942	69,991	67,649	58,466
19	Capital Available	370,694	398,626	416,505	443,527	472,052	510,512
20	Minimum Capital Required (100% MCT)	356,082	394,600	427,704	443,524	458,399	482,019
21	MCT Ratio % (Line 17) / (Line 18)	104.1%	101.0%	97.4%	100.0%	103.0%	105.9%