

October 23, 2021

2022 GENERAL RATE APPLICATION
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Undertaking #37

MPI to advise, based on the calculated capital release provision of \$69 million, how much capital could be rebated in 2021/'22 such that the MCT at the end of 2023/'24 would be at 100 percent based on the October update.

RESPONSE:

Based on the 2021/22 capital release as implemented (of approximately \$71 million), approximately \$210 million (versus the applied for \$180 million) in capital can be rebated in 2021/22 such that the MCT at the end of 2023/24 would be at 100 percent. However, as shown in *Figure 3*, MPI expects the MCT % for 2021/22 and 2022/23 to fall below 100%. Please see *Figures 1-5* below for pro-formas based on the alternate scenario.

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Figure 1 PF-1 Statement of Operations**Multi-year - Statement of Operations**

Line No.	Rate Update and Rebate so 2023/24 = 100% MCT (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2021A	2022P	2023FB	2024F	2025F	2026F
1							
2	BASIC	2020/21A	2021/22P	2022/23FB	2023/24F	2024/25F	2025/26F
3	Motor Vehicles (excludes Capital Release)	1,091,979	1,093,090	1,122,422	1,163,679	1,205,986	1,249,939
4	Capital Release		(70,932)				
5	Drivers	66,714	61,179	63,772	65,978	67,889	69,691
6	Reinsurance Ceded	(13,761)	(15,645)	(15,942)	(16,260)	(16,586)	(16,917)
7	Total Net Premiums Written	1,144,932	1,067,692	1,170,252	1,213,397	1,257,289	1,302,713
8	Net Premiums Earned						
9	Motor Vehicles	1,066,886	1,064,012	1,073,590	1,143,586	1,185,381	1,228,532
10	Drivers	67,343	63,506	62,499	64,895	66,951	68,806
11	Reinsurance Ceded	(13,761)	(15,645)	(15,942)	(16,260)	(16,586)	(16,917)
12	Total Net Premiums Earned	1,120,468	1,111,873	1,120,147	1,192,221	1,235,746	1,280,421
13	Service Fees & Other Revenues	25,792	25,468	29,104	29,337	30,082	31,730
14	Total Earned Revenues	1,146,260	1,137,341	1,149,251	1,221,558	1,265,828	1,312,151
15	Claims Incurred	620,145	751,946	906,605	944,401	985,168	1,023,873
16	DPAC \ Premium Deficiency Adjustment	(10,511)	-	-	-	-	-
17	(a) Claims Incurred - Interest Rate Impact	44,194	37,094	16,175	14,375	13,099	13,858
18	Total Claims Incurred	653,828	789,040	922,780	958,776	998,267	1,037,731
19	Claims Expense	141,720	144,353	152,737	157,586	154,951	148,618
20	Road Safety/Loss Prevention	7,708	11,571	12,469	12,477	12,598	12,216
21	Total Claims Costs	803,256	944,964	1,087,986	1,128,839	1,165,816	1,198,565
22	Expenses						
23	Operating	70,063	73,450	83,761	86,804	85,505	82,468
24	Commissions	43,384	45,752	48,094	52,568	55,121	55,140
25	Premium Taxes	23,978	27,533	34,083	36,254	37,570	38,920
26	Regulatory/Appeal	4,399	4,269	4,620	4,362	4,170	4,253
27	Total Expenses	141,824	151,004	170,558	179,988	182,366	180,781
28	Underwriting Income (Loss)	201,180	41,373	(109,293)	(87,269)	(82,354)	(67,195)
29	Investment Income	88,878	91,492	99,188	96,957	97,120	99,413
30	(b) Investment Income - Interest Rate Impact	650	57,776	911	(12)	(13)	(14)
31	Net Investment Income	89,528	149,268	100,099	96,945	97,107	99,399
32	Gain (Loss) on Sale of Property	74	-	-	-	-	-
33	Net Income (Loss) from Annual Operations	290,782	190,641	(9,194)	9,676	14,753	32,204
34	Total net Impact due to interest rate change (b) - (a)	(43,544)	20,682	(15,264)	(14,387)	(13,112)	(13,872)

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Figure 2 PF-2 Statement of Financial Position

Multi-year - Statement of Financial Position

Line No.	Rate Update and Rebate so 2023/24 = 100% MCT (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2021A	2022P	2023FB	2024F	2025F	2026F
1							
2	BASIC	2020/21A	2021/22P	2022/23FB	2023/24F	2024/25F	2025/26F
3	Assets						
4	Cash and cash equivalents	138,600	89,609	93,319	96,192	99,141	100,000
5	Investments	2,947,377	2,934,489	3,070,719	3,221,156	3,403,214	3,613,200
6	Investment property	6,065	5,917	5,788	5,660	5,531	5,402
7	Due from other insurance companies	109	-	-	-	-	-
8	Accounts receivable	405,876	406,959	438,595	454,105	469,676	485,545
9	Deferred policy acquisition costs	37,259	36,547	37,481	40,932	41,616	42,485
10	Reinsurers' share of unpaid claims	2,172	-	-	-	-	-
11	Property and equipment	110,262	128,045	149,307	167,649	179,880	186,035
12	Deferred development costs	32,042	46,450	56,887	59,629	45,888	33,864
13	Total Assets	3,679,762	3,648,016	3,852,096	4,045,323	4,244,946	4,466,531
14	Liabilities						
15	Due to other insurance companies	395	559	559	559	559	559
16	Accounts payable and accrued liabilities	196,153	80,153	81,318	85,170	82,519	79,385
17	Financing lease obligation	5,427	5,326	5,204	5,081	4,958	4,835
18	Unearned premiums and fees	592,939	550,972	602,673	625,568	648,960	673,244
19	Provision for employee current benefits	19,028	19,697	20,374	21,051	21,728	22,405
20	Provision for employee future benefits	385,846	409,517	420,943	432,373	443,803	455,234
21	Provision for unpaid claims	2,045,997	2,143,796	2,247,511	2,344,258	2,440,150	2,537,440
22	Total Liabilities	3,245,785	3,210,020	3,378,582	3,514,060	3,642,677	3,773,102
23	Equity						
24	Retained Earnings	448,678	429,571	465,237	519,029	585,521	671,546
25	Accumulated Other Comprehensive Income	(14,701)	8,426	8,275	12,236	16,746	21,882
26	Total Equity	433,977	437,997	473,512	531,265	602,267	693,428
27	Total Liabilities & Equity	3,679,762	3,648,017	3,852,094	4,045,325	4,244,944	4,466,530

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Figure 3 PF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	Rate Update and Rebate so 2023/24 = 100% MCT (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2021A	2022P	2023FB	2024F	2025F	2026F
1							
2	BASIC	2020/21A	2021/22P	2022/23FB	2023/24F	2024/25F	2025/26F
3	Total Equity						
4	Retained Earnings						
5	Beginning Balance	440,522	448,678	429,571	465,237	519,029	585,521
6	Net Income (Loss) from annual operations	290,782	190,641	(9,194)	9,676	14,753	32,204
7	Premium Rebate	(127,201)	(209,748)	-	-	-	-
8	Premium Rebate (accrued)	(155,425)					
9	Transfer from Extension Retained Earnings	-	-	44,860	44,116	51,739	53,821
10	Total Retained Earnings	448,678	429,571	465,237	519,029	585,521	671,546
11	Total Accumulated Other Comprehensive Income						
12	Beginning Balance	(34,296)	(14,701)	8,426	8,275	12,236	16,746
13	Other Comprehensive Income on Available for Sale Assets	53,984	36,288	(151)	3,961	4,510	5,136
14	Change in Remeasurement of Employee Future Benefits	(34,389)	(13,161)	-	-	-	-
15	Total Accumulated Other Comprehensive Income	(14,701)	8,426	8,275	12,236	16,746	21,882
16	Total Equity Balance	433,977	437,997	473,512	531,265	602,267	693,428
17	MINIMUM CAPITAL TEST (C\$ 000s)						
18	Total Equity Balance	433,835	437,997	473,512	531,265	602,267	693,428
19	Less: Assets Requiring 100% Capital	32,042	46,450	56,887	59,629	45,888	33,864
20	Capital Available	401,793	391,547	416,625	471,636	556,379	659,564
21	Minimum Capital Required (100% MCT)	401,793	420,388	446,060	471,606	496,167	521,651
22	MCT Ratio % (Line 20) / (Line 21)	100.0%	93.1%	93.4%	100.0%	112.1%	126.4%

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Figure 4 EPF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	Rate Update and Rebate so 2023/24 = 100% MCT (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2021A	2022P	2023FB	2024F	2025F	2026F
1							
2	EXTENSION	2020/21A	2021/22P	2022/23FB	2023/24F	2024/25F	2025/26F
3	Motor Vehicles	160,042	178,307	182,999	188,872	195,189	201,661
4	Reinsurance Ceded	(1,789)	(1,949)	(1,987)	(2,027)	(2,067)	(2,109)
5	Total Net Premiums Written	158,253	176,358	181,012	186,845	193,122	199,552
6	Net Premiums Earned						
7	Motor Vehicles	156,701	170,164	180,741	186,046	192,149	198,547
8	Reinsurance Ceded	(1,789)	(1,949)	(1,987)	(2,027)	(2,067)	(2,109)
9	Total Net Premiums Earned	154,912	168,215	178,754	184,019	190,082	196,438
10	Service Fees & Other Revenues	10,902	11,944	12,528	12,871	13,322	13,930
11	Total Earned Revenues	165,814	180,159	191,282	196,890	203,404	210,368
12	Net Claims Incurred	55,933	78,317	94,796	94,910	95,952	97,172
13	(a) Claims Incurred - Interest Rate Impact	99	75	(52)	-	-	-
14	Total Claims Incurred	56,032	78,392	94,744	94,910	95,952	97,172
15	Claims Expense	11,792	11,826	12,600	13,919	14,337	14,250
16	Road Safety/Loss Prevention	641	950	1,029	1,116	1,187	1,187
17	Total Claims Costs	68,465	91,168	108,373	109,945	111,476	112,609
18	Expenses						
19	Operating	7,851	7,907	8,944	9,440	9,636	9,632
20	Commissions	34,142	33,777	32,384	32,649	31,758	30,936
21	Premium Taxes	4,701	5,105	5,422	5,581	5,764	5,956
22	Regulatory/Appeal	13	8	12	12	12	12
23	Total Expenses	46,707	46,797	46,762	47,682	47,170	46,536
24	Underwriting Income (Loss)	50,642	42,194	36,147	39,263	44,758	51,223
25	Investment Income	5,038	13,412	13,442	9,886	9,377	8,849
26	(b) Investment Income - Interest Rate Impact	4	329	378	230	181	129
27	Net Investment Income	5,042	13,741	13,820	10,116	9,558	8,978
28	Gain (Loss) on Sale of Property	6	-	-	-	-	-
29	Net Income (Loss) from Annual Operations	55,690	55,935	49,967	49,379	54,316	60,201
30	Total net Impact due to interest rate change (b) - (a)	(95)	255	430	230	181	129

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Figure 5 EPF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	Rate Update and Rebate so 2023/24 = 100% MCT (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2020A	2022P	2023FB	2024F	2025F	2026F
1							
2	EXTENSION	2020/21A	2021/22P	2022/23FB	2023/24F	2024/25F	2025/26F
3	Total Equity						
4	Retained Earnings						
5	Beginning Balance	142,866	86,234	88,770	93,878	99,141	101,719
6	Net Income (Loss) from annual operations	55,690	55,935	49,967	49,379	54,317	60,201
7	Premium Rebate	(52,322)	-	-	-	-	-
8	Transfer (to) / from DVA Retained Earnings	(60,000)	(53,399)				
9	Transfer (to) / from Basic Retained Earnings			(44,860)	(44,116)	(51,739)	(53,821)
10	Total Retained Earnings	86,234	88,770	93,877	99,141	101,719	108,099
11	Total Accumulated Other Comprehensive Income						
12	Beginning Balance	(2,367)	10,706	11,828	6,320	4,264	2,732
13	Other Comprehensive Income on Available for Sale Assets	15,989	2,234	(5,507)	(2,056)	(1,532)	(912)
14	Change in Remeasurement of Employee Future Benefits	(2,917)	(1,112)	-	-	-	-
15	Total Accumulated Other Comprehensive Income	10,705	11,828	6,321	4,264	2,732	1,820
16	Total Equity Balance	96,940	100,598	100,198	103,405	104,452	109,920
17	MINIMUM CAPITAL TEST (C\$ 000s)						
18	Total Equity Balance	96,940	100,598	100,198	103,405	104,452	109,920
19	Less: Assets Requiring 100% Capital	2,696	3,916	4,804	5,009	3,830	2,804
20	Capital Available	94,244	96,682	95,394	98,396	100,622	107,116
21	Minimum Capital Required (100% MCT)	48,028	48,341	47,696	49,199	50,311	53,558
22	MCT Ratio % (Line 17) / (Line 18)	196%	200%	200%	200%	200%	200%