MANITOBA PUBLIC INSURANCE

2022 GENERAL RATE APPLICATION

Round 2 Information Requests

September 15, 2021

Public Utilities Board (PUB)

MANITOBA PUBLIC INSURANCE

PUB (MPI) 2-1

Part and Chapter:	**Part VI Ratemaking PUB (MPI) 1-1**	**Page No.:**	**4**
PUB Approved Issue No:	**1. Requested Vehicle Rate and Any Changes to Other Fees and Discounts**		
Topic:	**Provisional Rate Request**		
Sub Topic:			

Preamble to IR:

The rate MPI requests at the time of the filing of the Application is based on fiscal-year end results and uses the Naïve interest rate forecast methodology as at March 31, 2021. MPI has proposed that the rate request be updated and finalized based on an update of the interest rate forecast dated on September, 30 2021.

Question:

a) The equivalent of Figure 1 from Exhibit 63 was not included in the response to PUB (MPI) 1-1. Please provide.

b) Please reconcile the 2.24% yield to maturity for provincial bonds and 3.06% for corporate bonds (as shown in the response to PUB (MPI) 1-1) to INV-14, INV-15 and INV 4.3.4, which show 2.20% for provincial bonds and 3.17% for corporate bonds.

c) Please explain why the investment mix of provincial/corporate/MUSH was 52/24/24, whereas the target mix is 60/20/20 and in Exhibit 63 (2021 GRA) it was 57/21/22.

d) What would be the impact on PF-1, PF-2, and PF-3 if the target mix were used for the determination of the claims discount rate?

e) Please explain why in Exhibit 63 (2021 GRA), for the new money yield, the percentage allocation was 73.4%/26.6% government/corporate, whereas in the response to this query it is 68.3%/31.7%.

RESPONSE:

a) MPI provided a simplified version of Figure 1 from Exhibit 63 (*2021 GRA*) in its response to *PUB (MPI) 1-1*. This figure details the necessary inputs and calculation for the New Money Yield. The difference between Exhibit 63 and the simplified version provided is that the latter excludes data not required to calculate the New Money Yield.

b) The 2.24% yield to maturity for provincial bonds and 3.06% for corporate bonds (as shown in the response to *PUB (MPI) 1-1*) are actual yields as at March 31, 2021. The 2.20% for provincial bonds and 3.17% for corporate bonds in *Investments Chapter INV-14*, *INV-15* and *INV 4.3.4* are forecasted numbers as at March 31, 2022.

c) The 60/20/20 split between provincial/corporate/MUSH bonds is the target investment mix as specified in the Investment Policy Statement. With asset values constantly changing, the actual investment mix rarely matches the exact target mix. The investment mix of 52/24/24 represents the actual investment mix of the Basic Claims portfolio as at March 31, 2021. The investment mix of 57/21/22 that is indicated in Exhibit 63 (2021 GRA) represents the forecasted investment mix.

d) If MPI used the target mix to determine the claims discount rate, the overall impact on PF-1, PF-2, and PF-3 would be a higher claims valuation and a lower projected income for 2021/2022.

e) In Exhibit 63 (2021 GRA), for the new money yield, the percentage allocation of 73.4%/26.6% government/corporate is again a forecasted percentage allocation, whereas the 68.3%/31.7% allocation provided in the response to the query is the actual percentage allocation as at March 31, 2021.

PUB (MPI) 2-2

Part and Chapter:	PUB (MPI) 1-3 Appendix 1	Page No.:	16,17 21-054/21-055
PUB Approved Issue No:	1. Requested Vehicle Rate and Any Changes to Other Fees and Discounts 7. Capital management plan		
Topic:	Financial Overview		
Sub Topic:	Corporate Expenses		

Preamble to IR:

Question:

a) Please file the analysis or presentation made to the MPI Board to support the transfer of excess Extension funds to DVA.

b) Please provide any available information on the discussions that led to the two decisions about the DVA transfer.

c) In 21-055, the MPI Board approved a motion that the CMP would change such that Basic would only release capital when the MCT is 120% or higher.

   i. Please indicate where in the GRA this information was included.

   ii. If it was not included, please indicate where in the MPI Board minutes was there a change to this decision.

   iii. If this decision has not been changed, please indicated why this decision by the MPI Board was not included in the GRA and indicate when MPI intended to inform the PUB of this change.

   iv. Please provide the evidence (analysis and CMP methodology) supporting this change.

v. Please explain the approved change and discuss its impact on the Application.

RESPONSE:

a) Please see *Appendix 1*.

b) As stated in *Overview Chapter, page 9*:

"MPI administers the DVA LOB on behalf of the Government of Manitoba and has done so since 2004. Its administration requires MPI to collect various fees and to transfer them to the Government, an agency relationship. In 2020/21, the DVA fees MPI collected and transferred to the Government totaled $212 million. In return for its services, the Government paid MPI $30.2 million. However, the actual costs to MPI were $32.9 million, or a shortfall of $2.7 million."

MPI and the Government of Manitoba have discussed an appropriate funding model for the DVA line of business since 2017 and have considered two options, at a high-level. The first option involves increasing customer service fees for certain DVA functions performed by MPI and then using the additional revenue to cover the funding shortfall. While this option would provide MPI with sufficient revenue to cover its funding needs, it would also increase the financial burden on all users of the services provided by MPI as administrator of the DVA. The second option involves the Government of Manitoba foregoing collection of the existing customer service fees and instead allowing MPI to retain more or all of the fees collected to cover the shortfall. And while this option would also rectify the funding shortfall dilemma, the move would result in a revenue loss for the Government of Manitoba.

As stated in *Overview Chapter*, the Government of Manitoba experienced significant financial losses as a result of the COVID-19 Pandemic (i.e. it currently projects a $2.08 billion deficit) and cannot forego the DVA customer fee revenue stream. As a result, option 2 is no longer viable. And option 1 is similarly unviable because the Government of Manitoba is not prepared to increase the financial burden on these customers at a time when the economy is still recovering from the effects of the Pandemic. As the next best alternative, MPI had $60 million in excess Extension reserves prior to March 31, 2021 and had forecasted it to grow to $54 million by March 31, 2022. Accordingly, the MPI Board of Directors (BoD) decided to use the $114 million in excess Extension reserves to cover the current and projected DVA funding shortfalls for the next 5 years.

c) The Capital Management Plan (CMP) is designed to operate in "normal" "business as usual" times; however, the past 18 months have been unprecedented times. The circumstances that lead to the accumulation of such excess capital over the past 18 months was unforeseen when the CMP was developed. Simply stated, portions of the CMP were not designed to respond to the current circumstances.

Nevertheless, MPI must respond to these circumstances in an appropriate manner. MPI has determined that it is appropriate to deviate from the existing CMP because it was not designed to address these unusual circumstances.

MPI has stated in response to *CAC (MPI) 1-95(c)*[1] that it is not at this time seeking amendments to the CMP but will bring forward proposed changes in the 2023 GRA. MPI has also indicated in the Special Rebate Application that it seeks to amend prior PUB Orders to rebate what has resulted in MPI having excess capital. The effect of the Special Rebate Application will be to restore MPI's capital position to 100% MCT in the RSR. This will restore MPI to its "normal" "business as usual" state and position MPI for the application of an amended CMP.

The details of the amended CMP need to be determined but in general terms

[1] "As previously mentioned, the impact of the excess capital generated via the COVID-19 Pandemic demonstrated a weakness in the CMP (in particular, its capital release methodology). Based on this, MPI will seek to adopt an alternative approach (such as a capital rebate methodology) that will allow it to quickly release large amounts of capital if accumulated in a relatively short period of time. MPI expects to share the details of this capital rebate methodology in the 2023 GRA".

the build provisions of the current CMP will remain but with changes will required to manage capital in excess of 100% MCT. MPI is of the view, as a general concept, that excess capital should be returned to rate payers by way of rebate once accumulated excess capital reaches 120% MCT. The specifics related to how this will be applied have not yet been determined.

With regard to motion 21-055, the following context needs to be considered. MPI prepares its General Rate Applications (GRAs) each year using an iterative process, in which its management makes point-in-time decisions based upon available information. While MPI management keeps its BoD informed and seeks their pre-approval of decisions (where required); its BoD also recognizes that information and opinions underlying past decisions can change (often quickly), and could result in the need to change course.

The 2022 GRA was first discussed at the March 25, 2021 BoD meeting. The BoD further discussed the 2022 GRA at the May 10, 2021 and June 24, 2021 meetings. During those subsequent meetings, the plans of MPI management to alter the CMP methodology for the 2022 GRA changed. While the BoD ultimately accepted the current approach used in this application, its approval was unfortunately not recorded in a formal BoD motion. However, MPI management complied with the new direction which resulted in the recommendation (120% MCT rebate threshold) not appearing in the 2022 GRA. MPI intended to make the Public Utilities Board aware of the rebate threshold, once the specifics were known, as part of the 2023 GRA and the amended CMP to be included therein.

The BoD will finalize the application at its September 29, 2021 meeting, including approval of the final rate indication for the 2022 GRA.

Manitoba Public Insurance

Board of Directors Meeting

Meeting Date:	March 25, 2021	**Agenda Item:**	4.2
Subject:	Extension Transfer to Driver Vehicle Administration	**Page:** 1 **of** 1	

RECOMMENDATION:

That the Members approve a transfer of all capital in excess of 200% MCT from the Extension line of business to the Driver Vehicle Administration line of business as at March 31, 2021.

KEY MESSAGES:

1. Extension MCT as at December 31, 2020 was 284%. Projected year-end (March 31, 2021) MCT for Extension will exceed 300% vs the target of 200%.
2. DVA currently has a negative total equity position and the financial position will deteriorate quickly beginning 2021/22 while funding for DVA Nova costs are yet to be obtained.
3. Excess Extension reserves can be used to fund the DVA shortfall while not compromising Basic's forecasted financial position as pandemic savings outpace the previously forecasted March 31, 2021 Extension transfer to Basic.
4. The proposed Extension transfer to Basic is a one-time transfer, which is not planned to re-occur in future years, pending Basic requirements and DVA financial performance (excess Extension profit was previously spoken for in the near-term through forecasted Basic transfers).
5. The estimated amount of excess capital in Extension as at March 31, 2021 is $54 million pending final year-end results.

SUMMARY:

The Extension line of business has excess capital while the DVA line of business has negative equity and its financial position will deteriorate quickly beginning in 2021 due to the onset of Nova costs. Excess Extension capital typically has been transferred to Basic in the recent past however Basic is well capitalized including two customer rebates and does not currently require additional transfer from Extension. Key points and considerations will be presented in the attached power point presentation (Attachment A).

Attachment A
Agenda 4.2
March 25, 2021

Extension Transfer to DVA

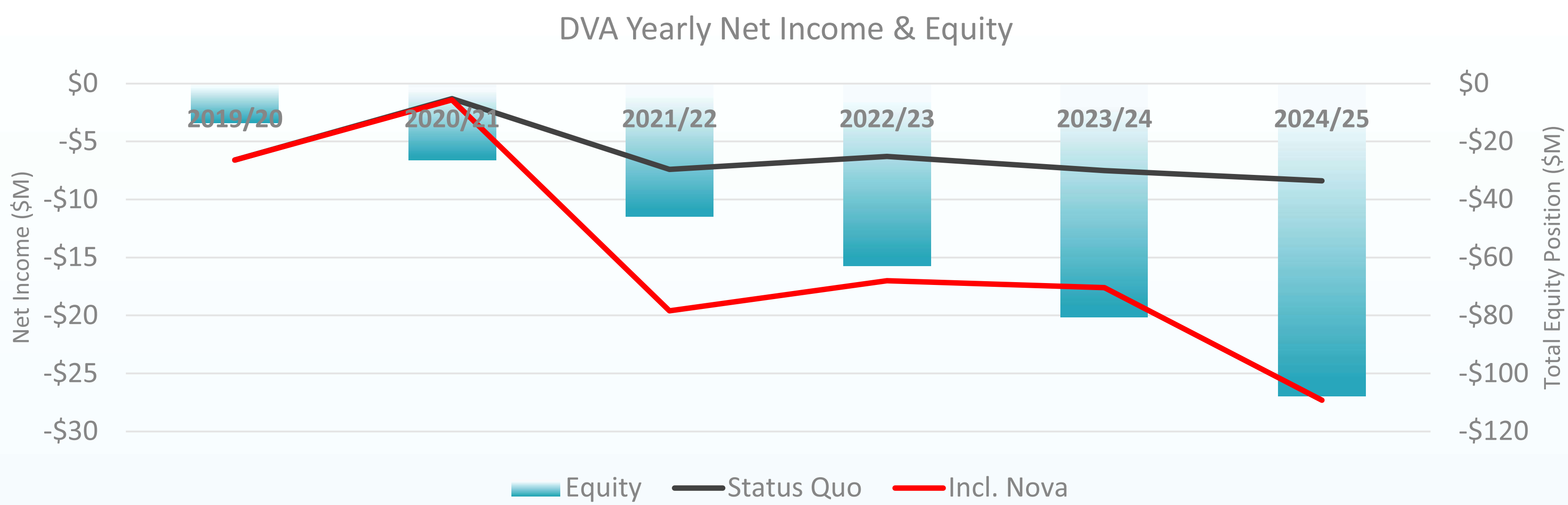
Capital Transfer 2021

Presentation to Board of Directors

March 25, 2021

MANITOBA PUBLIC INSURANCE

DVA Financials



- DVA will close 2020/21 with a small loss of approx. $1M and a total equity position of negative $26M ($9M R/E, $17M AOCI)
- 2021/22 will see annual DVA projected net income drop significantly due to Nova licensing fees
  - This drops further beginning 2024/25 as Nova amortization kicks in
- In the absence of any change in funding and transfers between lines of business, DVA is facing a $100M+ shortfall by 2024/25

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Capital Positions (Dec-2020)

Organizational Health

Capital Adequacy (Minimum Capital Test)

Basic

100%	100%	79%
ACTUAL Q3 2020/21	TARGET Q3 2020/21	*PAST Q3 2019/20

Extension

284%	200%	281%
ACTUAL Q3 2020/21	TARGET Q3 2020/21	*PAST Q3 2019/20

Special Risk Extension

274%	300%	244%
ACTUAL Q3 2020/21	TARGET Q3 2020/21	*PAST Q3 2019/20

- Current ratios are overstated as none factor DVA shortfall
- Basic cannot fund DVA
- Extension is the only non-Basic LOB with excess capital
- Excess Extension capital projected as at March 31, 2021 = approx. $54M

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Key Points

1. Extension MCT as at December 31, 2020 was 284%. Projected year-end March 31, 2021 MCT for Extension will exceed 300% vs the target of 200%.
2. The DVA financial position will deteriorate quickly beginning 2021/22 and funding for DVA Nova costs are yet to be obtained
3. Excess Extension reserves can used to fund the DVA shortfall while not compromising Basic's forecasted financial position as pandemic savings outpace the previously forecasted March 31, 2021 Extension transfer to Basic
4. Basic is well capitalized and has rebated tens of millions directly to customers due to pandemic related savings
5. Basic continues to accumulate excess reserves, to a greater extent than forecasted in the 2021 GRA and -8.8% approved rate indication
6. The proposed Extension transfer to Basic is a one-time transfer, which is not planned to re-occur in future years, pending Basic requirements and DVA financial performance (excess EXT profit was previously spoken for in the near-term through forecasted Basic transfers)

Capital Management Plan

2021 GRA

RSR 6.2 – Capital Transfers

if, at the end of the fiscal year, the MCT ratio of the Extension Reserve is:

- greater than 200% - MPI will transfer capital from the Extension Reserve to Basic until its MCT ratio is reduced to 200%.
- less than 200% - MPI will transfer no capital from Extension to Basic.

PUB 01_28: The CMP does not stipulate what accumulated profits generated by the Extension line of business may be used for but rather stipulates that at the end of each fiscal year, capital that remains in excess of 200% MCT is to be transferred to Basic… It is conceivable that Extension profits could be utilized for purposes other than transfers to Basic… At this time there are no plans to utilize excess Extension capital for any purpose other than transferring to Basic – as is evidenced by the capital transfers forecasted in the pro formas included in the 2021 GRA.

Oct 2 Transcript 579-580:

MCCANDLESS: However, in the future, could MPI make a decision to utilize excess monies rather than transfer to Basic as it had done previously? GIESBRECHT: That is a possibility. MCCANDLESS: So the Corporation does acknowledge that its position is it has the flexibility to not transfer those monies then? GIESBRECHT: Yes. MCCANDLESS: So another use for the funds could be deemed by a management business case, for example? GIESBRECHT: Possibly. MCCANDLESS: Or a direction from the Board of Directors? GIESBRECHT: That is correct, yeah. It should be stated, though, that there are no plans. That is not the case. However, if something were to arise where there was a need and it was deemed as the -- appropriate to utilize those funds, that -- that could be possible at the discretion of the MPI Board of Directors.

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Pros/Cons

Advantages	Disadvantages
Helps address funding gap in DVA	Transfer to DVA as opposed to Basic will directly impact/reduce a potential 3rd rebate
Capitalize on opportunity arising due to significant pandemic savings	PUB/Intervenors may view negatively and as a change of course from 2021 GRA
	A one-time transfer from EXT to DVA will not fully cover the forecasted shortfall

Recommendation

The pandemic provides an opportunity to utilize excess Extension profits to fund the current and projected DVA shortfall

- That the Members approve a transfer of capital from the Extension line of business to the Driver Vehicle Administration line of business as at March 31, 2021 of all capital in excess of 200% MCT.

- The estimated amount of excess capital in Extension as at March 31, 2021 is $54 million pending final year end results.

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Manitoba Public Insurance

Board of Directors Meeting

Meeting Date:	June 24, 2021	**Agenda Item:**	5.1
Subject:	Driver Vehicle Administration & Extension Funding Update	**Page: 1 of** 4	

RECOMMENDATION:

That the Members receive this report for discussion, and approve in principle, a planned transfer of all capital in excess of 200% MCT from the Extension line of business to the Driver Vehicle Administration (DVA) line of business as at March 31, 2022.

KEY MESSAGES:

1. Forecasting assumptions must be made to provide the financial basis for the 2022 General Rate Application (GRA).

2. Due to the nature of Extension's profitability and capital requirements, excess Extension capital is projected to exist at each future year-end.

3. After the $60 million transfer from Extension to DVA on March 31, 2021, the DVA line of business is now forecasted to fall into a deficit position during the 2023/24 fiscal year.

4. In order to fund the DVA's on-going operations and Nova project costs; additional funding is required.

5. Government has signaled that:
    a. It has no appetite at this time to raise DVA fees; 2023/24 would likely be the earliest these fees may be increased.
    b. It has little appetite to raise driver registration fees which represented greater than 70% of MPI's proposed fee increases.
    c. It would clarify its position and policy with respect to DVA funding over the coming months and whether long-term financing from Extension surplus may need to be considered.

6. With no immediate solution to the DVA funding issue in sight, alternate plans to address the issue must be made.

7. Extension is the only line of business with both the financial and legal ability to transfer funds to the DVA.

Board of Directors Meeting

Meeting Date:	June 24, 2021	**Agenda Item:**	5.1
Subject:	Driver Vehicle Administration & Extension Funding Update	**Page:** 2 of 4	

8. Extension is currently forecasted to have approximately $53 million in excess capital available as at March 31, 2022.

9. A transfer of $53 million in 2022 from Extension to DVA, in addition to the previously transferred $60 million, would pay for the project Nova costs as well as five years' operating deficits and carry the line of business to near the end of the 2026/27 fiscal year.

10. Transferring additional monies to DVA as opposed to Basic, would reduce the amount that would otherwise be available for a rebate to Basic policyholders.

SUMMARY:

Funding for the DVA line of business continues to be an issue. The $60 million transfer from Extension at March 31, 2021 has afforded DVA some breathing room, however additional funding is required to pay for on-going operational losses and to fund Nova implementation costs.

Since completing the last transfer of Extension excess capital to DVA, MPI has had further dialogue with Government as to the DVA funding and self-sufficiency. While no changes to DVA fees or funding have been accepted at this time, MPI has gained clarity as to Government's position towards the DVA's financial situation, namely:

a. No changes to DVA fees or funding are anticipated until at least 2023/24.
b. Government has little to no appetite at this time for raising fees for the driver registration as these fees affect all Manitobans on a yearly basis. This type of fee change would directly contradict the $10 reduction in vehicle registration fees announced by Government on May 13th (part of multi-year reduction in registration fees).
c. Increases in one-time fees such as driver road tests may be considered in future, but not at this time.
d. In the absence of fee increases, there is no opportunity for additional funding given the pandemic's impact on overall Government finances.
e. Government specifically asked MPI to consider Extension as a potential permanent source of DVA funding.

Board of Directors Meeting

Meeting Date: June 24, 2021 **Agenda Item:** 5.1

Subject: Driver Vehicle Administration & Extension Funding Update **Page:** 3 of 4

The following table displays the DVA's forecasted yearly deficit and impacts of project Nova:

DVA P&L ($M's)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Run DVA Operations	32.9	37.5	37.6	38.1	38.9	39.9	40.8	41.8	42.8	43.9	45.0
Nova on-going expenses	-	-	-	9.1	6.3	5.5	4.4	4.5	4.6	2.5	2.5
Nova efficiencies	-	-	-	(0.8)	(5.8)	(6.7)	(6.7)	(6.8)	(6.9)	(7.1)	(7.3)
Sub-total DVA Operations	32.9	37.5	37.6	46.4	39.4	38.6	38.5	39.5	40.5	39.3	40.2
Nova Project Costs	0.1	12.2	10.2	7.3	7.4	8.1	7.7	7.7	0.4	0	0
Funds Required	33.0	49.7	47.8	53.7	46.8	46.7	46.3	47.2	40.9	39.3	40.2
Funds Available	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2
Funding Gap	(2.7)	(19.4)	(17.6)	(23.4)	(16.6)	(16.5)	(16.0)	(17.0)	(10.6)	(9.0)	(10.0)
Investment Inc. on transfer	-	1.1	1.7	1.2	0.8	0.4	0.0	-	-	-	-
Net Income	**(2.7)**	**(18.3)**	**(15.9)**	**(22.2)**	**(15.8)**	**(16.1)**	**(16.0)**	**(17.0)**	**(10.6)**	**(9.0)**	**(10.0)**

Based on the assumption of Nova capital costs being amortized in 2023/24 through 2027/28, and the net benefits of Nova accruing to MPI beginning 2028/29; the DVA line of business is still forecasted to run a yearly deficit of $9-10 million post Nova. This model assumes that investment income generated by the capital transferred to DVA remains within the DVA line of business.

The following table displays the cumulative retained earnings position of the DVA including the proposed March 31, 2022 transfer:

Retained Earnings ($M's)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2029/30
Opening	(7.8)	49.5	84.2	68.3	46.1	30.3	14.2	(1.8)	(18.8)	(29.4)	(38.5)
Net Income	(2.7)	(18.3)	(15.9)	(22.2)	(15.8)	(16.1)	(16.0)	(17.0)	(10.6)	(9.0)	(10.0)
Transfer In	60.0	53.0									
Ending	**49.5**	**84.2**	**68.3**	**46.1**	**30.3**	**14.2**	**(1.8)**	**(18.8)**	**(29.4)**	**(38.5)**	**(48.4)**

Total transfers of $113 million would cover DVA funding requirements until near the end of 2026/27 and allow time to determine a permanent solution to the funding gap. The proposed $53 million transfer combined with the already transacted $60 million transfer would essentially pay for $61 million in Nova implementation costs plus $52 million towards approximately seven years of annual deficits.

Board of Directors Meeting

Meeting Date: June 24, 2021 **Agenda Item:** 5.1

Subject: Driver Vehicle Administration & Extension Funding Update **Page:** 4 of 4

The above tables reflect the financial positions through an accounting perspective. When considering the immediate cash flow needs to fund Nova, the need for funding is even greater.

Without the forecasted $53 million transfer DVA retained earnings would fall to minus $38 million by 2023/24 on a cash basis as opposed to minus $7 million on an accounting basis as presented in the following table:

DVA P&L ($M's)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2029/30
Sub-total DVA Operations	32.9	37.5	37.6	46.4	39.4	38.6	38.5	39.5	40.5	39.3	40.2
Nova Project Costs	0.1	25.0	23.1	12.9							
Funds Required	33.0	62.5	60.7	59.3	39.4	38.6	38.5	39.5	40.5	39.3	40.2
Funds Available	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2
Funding Gap	(2.7)	(32.3)	(30.4)	(29.0)	(9.2)	(8.4)	(8.3)	(9.3)	(10.2)	(9.0)	(10.0)
Investment Inc. on transfer	-	1.1	1.7	1.2	0.8	0.4	0.0	-	-	-	-
Net Income	**(2.7)**	**(31.2)**	**(28.8)**	**(27.8)**	**(8.4)**	**(8.0)**	**(8.3)**	**(9.3)**	**(10.2)**	**(9.0)**	**(10.0)**

Retained Earnings ($M's)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2029/30
Opening	(7.8)	49.5	18.3	(10.4)	(38.2)	(46.7)	(54.7)	(62.9)	(72.2)	(82.4)	(91.5)
Net Income	(2.7)	(31.2)	(28.8)	(27.8)	(8.4)	(8.0)	(8.3)	(9.3)	(10.2)	(9.0)	(10.0)
Transfer In	60.0										
Ending	**49.5**	**18.3**	**(10.4)**	**(38.2)**	**(46.7)**	**(54.7)**	**(62.9)**	**(72.2)**	**(82.4)**	**(91.5)**	**(101.4)**

The Extension line of business has excess capital, while the DVA line of business has negative equity and its financial position will deteriorate quickly beginning in 2021, due to the onset of Nova costs. Excess Extension capital typically has been transferred to Basic in the recent past and diverting a second transfer to DVA will directly impact the amount of a potential third Basic rebate to customers. However, Basic is over-capitalized and is not in need of Extension transfers while the DVA is clearly not covering its costs of operating and this shortfall must be absorbed by other profit centres, until such time that DVA revenues can fully cover its own costs.

PUB (MPI) 2-3

Part and Chapter:	PUB (MPI) 1-3 Appendix 1	Page No.:	20
PUB Approved Issue No:	10. Current IT Strategic Pan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years		
Topic:	Financial Overview		
Sub Topic:	Project Nova		

Preamble to IR:

Question:

Please file the Project Nova Spending Authority Matrix presented at the May 20, 2021 Board of Directors Meeting.

Rationale for Question:

To understand changes in the Project Nova status.

RESPONSE:

Please see *Appendix 1*.

Spending Authority Matrix

- Based on previous Board approvals and S.3 Directive for corporate signing authority
  - Program has authority to approve spend within approved base budget and this includes shifting of funds across streams without further approvals.
  - CEO has authority to approve contingency spend above base budget
  - Approval above contingency goes to the Board

<table>
<tr><th>Nova Leader</th><th>New Agreements</th><th>Existing IT Agreements</th><th>Contingent Workforce</th><th>Consumption of Approved Spend</th><th>Program Contingency</th><th>Spend Above Contingency</th></tr>
<tr><td>Product Manager</td><td></td><td></td><td></td><td rowspan="2">Manage approved spend in a stream~ no change to scope, contract deliverables or schedules</td><td></td><td></td></tr>
<tr><td>Operational Business Champion (OBC)</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Program Manager</td><td>2nd Signature for Program Director</td><td></td><td>Within Board Approved Budget</td><td rowspan="3">Manage approved spend for the program ~ includes changes to scope, contract deliverables, resources or schedules</td><td></td><td></td></tr>
<tr><td>Program Director</td><td>Up to $100k
2nd Signature for CTO</td><td>Within Board Approved Budget</td><td>Within Board Approved Budget</td><td></td><td></td></tr>
<tr><td>Chief Transformation Officer (CTO)</td><td>Up to $200k
2nd Signature or CEO</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Chief Executive Officer (CEO)</td><td>Up to $750k</td><td></td><td></td><td></td><td>Approval of up to $16.8M</td><td></td></tr>
<tr><td>Board of Directors</td><td></td><td></td><td></td><td></td><td></td><td>Approval to increase budget above contingency</td></tr>
</table>

PUB (MPI) 2-4

Part and Chapter:	Part II VFH PUB (MPI) 1-4	Page No.:	8, 9, 11
PUB Approved Issue No:	1. Requested Vehicle Rate and Any Changes to Other Fees and Discounts 12. Vehicles for Hire (VFH) class, including rates		
Topic:	Ratemaking		
Sub Topic:	VFH		

Preamble to IR:

"MPI is currently exploring possible revisions to the time bands, including their modification or altogether elimination. MPI is reviewing and developing specific product details and pricing related to these possible changes".

MPI is also looking at introducing a blanket policy and risk and incentive model.

Question:

a) Please indicate when MPI intends to launch any of the new product developments discussed at the VFH Technical Conference (TC).

b) Please indicate whether any additional work on these new product offerings has been completed, beyond that described at the VFH TC.

Rationale for Question:

To understand the expected delivery timetable of the new product developments.

RESPONSE:

a) MPI plans to implement the revised VFH framework, which may include some of the new product developments discussed at the technical conference, on April 1st 2023.

b) Since the technical conference, there has been consistent and ongoing work related to the VFH revised framework. MPI continues to consult with stakeholders to assist in confirming various aspects of model developments across the VFH groups.

PUB (MPI) 2-5

Part and Chapter:	Part V Pro Formas PUB (MPI) 1-5	Page No.:	5
PUB Approved Issue No:	4. Financial Forecast 7. Capital Management Plan		
Topic:	Capital Management Plan		
Sub Topic:			

Preamble to IR:

Question:

a) In Figure 1 of PUB (MPI) 1-5, please explain how the removal of a Capital Release provision results in additional premiums of $54,743.

b) Would it be a more accurate depiction to have included the $54,743 in Line 3, with nothing in Line 4, if MPI considers the Capital Release provision to be a one-year provision?

Rationale for Question:

To understand MPI's proposed changes to the CMP and their impact on the financial forecast.

RESPONSE:

a) and b)

The removal of a Capital Release Provision does not result in additional premiums and it would be a more accurate depiction to have included the $54,743 in Line 3, with nothing (nil) in Line 4. MPI would like to revise the prior filing of *Figure 1* (blacklined and clean).

Figure 1 PUB (MPI) 1-5 Blacklined, PF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	PUB 1-5 (Blacklined) *(C$ 000s, rounding may affect totals)*			*For the Years Ended March 31,*				
1		2021A	2022FB		2023F	2024F	2025F	2026F
2	**BASIC**	**2020/21A**	**2021/22FB**		**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles (excludes Capital Release Provision)	1,091,979	1,093,090	~~1,044,947~~	1,099,690	1,140,113	1,181,565	1,224,630
4	Motor Vehicles (Capital Release Provision)	-	(57,829)		~~54,743~~	-	-	-
5	Drivers	66,714	61,179		63,772	65,978	67,889	69,691
6	Reinsurance Ceded	(13,761)	(15,629)		(15,942)	(16,260)	(16,586)	(16,917)
7	**Total Net Premiums Written**	**1,144,932**	**1,080,811**		**1,147,520**	**1,189,831**	**1,232,868**	**1,277,404**
8	**Net Premiums Earned**							
9	Motor Vehicles	1,066,886	1,070,733		1,068,311	1,120,426	1,161,377	1,203,656
10	Drivers	67,343	63,506		62,499	64,895	66,951	68,806
11	Reinsurance Ceded	(13,761)	(15,629)		(15,942)	(16,260)	(16,586)	(16,917)
12	**Total Net Premiums Earned**	**1,120,468**	**1,118,610**		**1,114,868**	**1,169,061**	**1,211,742**	**1,255,545**
13	Service Fees & Other Revenues	25,792	26,228		30,063	30,405	31,269	33,044
14	**Total Earned Revenues**	**1,146,260**	**1,144,838**		**1,144,931**	**1,199,466**	**1,243,011**	**1,288,589**
15	Claims Incurred	620,145	839,934		904,591	941,024	980,586	1,023,972
16	DPAC \ Premium Deficiency Adjustment	(10,511)	3,432		302	3,362	10,711	6,873
17	(a) Claims Incurred - Interest Rate Impact	44,194	12,477		11,681	11,753	10,044	10,122
18	**Total Claims Incurred**	**653,828**	**855,843**		**916,574**	**956,139**	**1,001,341**	**1,040,967**
19	Claims Expense	141,720	149,509		147,719	151,167	152,772	156,205
20	Road Safety/Loss Prevention	7,708	13,249		13,070	12,934	12,598	12,800
21	**Total Claims Costs**	**803,256**	**1,018,601**		**1,077,363**	**1,120,240**	**1,166,711**	**1,209,972**
22	**Expenses**							
23	Operating	70,063	76,113		76,108	78,141	79,099	80,894
24	Commissions	43,384	45,961		48,013	51,667	54,152	54,166
25	Premium Taxes	23,978	32,607		33,924	35,560	36,850	38,174
26	Regulatory/Appeal	4,399	4,791		4,624	4,605	4,644	4,693
27	**Total Expenses**	**141,824**	**159,472**		**162,669**	**169,973**	**174,745**	**177,927**
28	**Underwriting Income (Loss)**	**201,180**	**(33,235)**		**(95,101)**	**(90,747)**	**(98,445)**	**(99,310)**
29	**Investment Income**	88,878	100,008		99,241	101,041	102,664	105,330
30	(b) Investment Income - Interest Rate Impact	650	541		483	(9)	(10)	(11)
31	**Net Investment Income**	**89,528**	**100,549**		**99,724**	**101,032**	**102,654**	**105,319**
32	Gain (Loss) on Sale of Property	74	-		-	-	-	-
33	**Net Income (Loss) from Annual Operations**	**290,782**	**67,314**		**4,623**	**10,285**	**4,209**	**6,009**
34	Total net Impact due to interest rate change (b) - (a)	(43,544)	(11,936)		(11,198)	(11,762)	(10,054)	(10,133)

Figure 2 PUB (MPI) 1-5 Clean, PF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	*PUB 1-5 (Clean)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles (excludes Capital Release Provision)	1,091,979	1,093,090	1,099,690	1,140,113	1,181,565	1,224,630
4	Motor Vehicles (Capital Release Provision)	-	(57,829)	-	-	-	-
5	Drivers	66,714	61,179	63,772	65,978	67,889	69,691
6	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
7	**Total Net Premiums Written**	**1,144,932**	**1,080,811**	**1,147,520**	**1,189,831**	**1,232,868**	**1,277,404**
8	**Net Premiums Earned**						
9	Motor Vehicles	1,066,886	1,070,733	1,068,311	1,120,426	1,161,377	1,203,656
10	Drivers	67,343	63,506	62,499	64,895	66,951	68,806
11	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
12	**Total Net Premiums Earned**	**1,120,468**	**1,118,610**	**1,114,868**	**1,169,061**	**1,211,742**	**1,255,545**
13	Service Fees & Other Revenues	25,792	26,228	30,063	30,405	31,269	33,044
14	**Total Earned Revenues**	**1,146,260**	**1,144,838**	**1,144,931**	**1,199,466**	**1,243,011**	**1,288,589**
15	Claims Incurred	620,145	839,934	904,591	941,024	980,586	1,023,972
16	DPAC \ Premium Deficiency Adjustment	(10,511)	3,432	302	3,362	10,711	6,873
17	(a) Claims Incurred - Interest Rate Impact	44,194	12,477	11,681	11,753	10,044	10,122
18	**Total Claims Incurred**	**653,828**	**855,843**	**916,574**	**956,139**	**1,001,341**	**1,040,967**
19	Claims Expense	141,720	149,509	147,719	151,167	152,772	156,205
20	Road Safety/Loss Prevention	7,708	13,249	13,070	12,934	12,598	12,800
21	**Total Claims Costs**	**803,256**	**1,018,601**	**1,077,363**	**1,120,240**	**1,166,711**	**1,209,972**
22	**Expenses**						
23	Operating	70,063	76,113	76,108	78,141	79,099	80,894
24	Commissions	43,384	45,961	48,013	51,667	54,152	54,166
25	Premium Taxes	23,978	32,607	33,924	35,560	36,850	38,174
26	Regulatory/Appeal	4,399	4,791	4,624	4,605	4,644	4,693
27	**Total Expenses**	**141,824**	**159,472**	**162,669**	**169,973**	**174,745**	**177,927**
28	**Underwriting Income (Loss)**	**201,180**	**(33,235)**	**(95,101)**	**(90,747)**	**(98,445)**	**(99,310)**
29	**Investment Income**	88,878	100,008	99,241	101,041	102,664	105,330
30	(b) Investment Income - Interest Rate Impact	650	541	483	(9)	(10)	(11)
31	**Net Investment Income**	**89,528**	**100,549**	**99,724**	**101,032**	**102,654**	**105,319**
32	Gain (Loss) on Sale of Property	74	-	-	-	-	-
33	**Net Income (Loss) from Annual Operations**	**290,782**	**67,314**	**4,623**	**10,285**	**4,209**	**6,009**
34	Total net Impact due to interest rate change (b) - (a)	(43,544)	(11,936)	(11,198)	(11,762)	(10,054)	(10,133)

PUB (MPI) 2-6

Part and Chapter:	**Part V- Pro Formas PUB (MPI) 1-6**	**Page No.:**	**4-7**
PUB Approved Issue No:	**4. Financial Forecast**		
Topic:	**Interest Rate Forecast**		
Sub Topic:			

Preamble to IR:

Question:

a) In the response to PUB (MPI) 1-6, in PF-1, there are certain lines with changes, the reasons for which are unclear. Please reconcile the changes to Lines 14, 18, 19, and 22.

b) Please re-file Figure 1 reflecting an alternative scenario in which a transfer of excess Extension RSR is made to Basic in 2021 and 2022, instead of to DVA.

Rationale for Question:

To understand the impact of changing interest rates on the actuarially indicated rate and forecasted financial results.

RESPONSE:

a) The Claims Incurred line includes the valuation based on the discount rate from the previous year. Any changes in that discount rate are reflected (slightly) in line 14. The interest rate impact (shown at line 16) is the difference between the valuations using the discount rates of the current previous years.

   The overall change in Claims Incurred, in turn, affects the allocation of Corporate Operating expenses via the claims incurred allocator. Please see *Expenses Chapter*

EXP 4.1.1 for a descrption of the Claims Incurred allocator. Generally speaking, an increase in interest rates will result in a lower Basic claims valuation and a lower allocation of corporate expenses to Basic.

b) Please see *Figure 1* which reflects a transfer of excess Extension RSR to Basic in 2020/21 and 2021/22, instead of to DVA. In addition, MPI also includes the corresponding results based on a 25-basis point increase in interest rates in 2021-2022 and a 25-basis point decrease in interest rates in 2021-2022.

Figure 1: Rate Indication Table and MCT % after alternate scenarios

Line No.	Scenario	New Money Yield	AAP Breakeven Rate Indication	Capital Build / (Release) Provision	Rebate (in million) 20/21*	Rebate (in million) 21/22	Transfer from Extension (in million) 20/21	21/22	22/23	23/24	MCT % After Basic Rebate, Transfer from Extension and Capital Build / Release 20/21	21/22	22/23	23/24
1	**PUB 2-6 b)**	2.46%	-2.82%	0.00%	(217.3)	(95.4)	60.0	54.6	39.2	46.7	100.0%	100.0%	102.6%	110.7%
2	**PUB 2-6 b) +25 bps**	2.69%	-3.42%	0.00%	(217.3)	(116.7)	60.0	55.1	38.8	46.6	100.0%	100.0%	103.1%	112.7%
3	**PUB 2-6 b) -25 bps**	2.24%	-2.22%	0.00%	(217.3)	(70.0)	60.0	53.9	39.3	46.7	100.0%	100.0%	102.4%	109.5%
4	* Excludes rebates approved from 2021 Special Rebate Applications													

PUB (MPI) 2-7

Part and Chapter:	**Part V Claims Incurred Part VII Investments Part VI Ratemaking PUB (MPI) 1-7 CAC (MPI) 1-69**	**Page No.:**	**13 8 21**
PUB Approved Issue No:	**4. Financial Forecast**		
Topic:	**Financial Forecast**		
Sub Topic:	**Interest Rate Impact**		

Preamble to IR:

Copy and paste IR Preamble from Interveners and PUB here.

Question:

a) Please explain the decision to expense the acquisition cash flows under IFRS 17 instead of amortizing them, with the resulting impact on the capital.

  i. Please provide the alternatives under IFRS 17 and the impact of these on capital. Please file draft position papers supporting the decision.

b) Please confirm that the $150 million gain was based on the bottom-up approach.

c) Please advise whether MPI made a similar determination using the top-down approach.

  i. If so, please file the results of that analysis.

d) The change in the Claims discount rate was estimated to have increased capital by $150 million, using assumptions as of August 2020.

i. Please provide the IFRS 17 claims discount rate or yield curve (including the split between the risk-free rate and the liquidity premium) used in the calculation at August 2020.

ii. Please estimate the equivalent IFRS 17 claims discount rate or yield curve indicated based on 31 March 2021 interest rates, and estimate the expected impact on capital due to the change in discount rate from IFRS 4 to IFRS 17 as at 31 March 2021.

iii. Please estimate the equivalent IFRS 17 claims discount rate or yield curve indicated based on 30 June 2021 interest rates, and estimate the expected impact on capital due to the change in discount rate from IFRS 4 to IFRS 17 as at 30 June 2021.

iv. Given the higher yield curve or discount rate being indicated for IFRS 17 discounting than for IFRS 4 discounting, please explain how this will impact the annual financial statements with regards to insurance finance expense from insurance contracts versus net investment income.

e) Part (d) of CAC (MPI) 1-69 states that the transfer of relevant unrealized gains or losses as at 31 June 2021 from AOCI to retained earnings would be approximately $142.2 million. Given that PF-3 of the GRA shows total AOCI at 31 March 2021 of -$14.7 million, and at 31 March 2022 of -$13.9 million, please reconcile to the $142.2 million.

f) Please file the detailed components of AOCI in PF-3.

g) Please provide the valuation basis for MUSH and determination of the $70.4 million gain.

h) With respect to part (e) of PUB (MPI) 1-7, is IAS 19 expected to have an impact on the valuation of employee benefits? If yes, please indicate the current estimate of the expected impact.

Rationale for Question:

To understand the impact of changes in accounting standards on rate-setting.

RESPONSE:

a) The decision to expense acquisition cash flows under IFRS 17 instead of deferring and amortizing them will result in the elimination of the deferred policy acquisition costs (DPAC) financial statement line item. The resulting impact will decrease retained earnings capital by the amount of DPAC on the transition date, and eliminate a DPAC balance, with the offset to retained earnings. MPI estimates the amount of this transition adjustment to be $63.8 million as at June 30, 2021 (since this is the DPAC balance as at that date). The expected impact will fluctuate with fluctuations in the DPAC balance, and the ultimate financial impact will depend on the DPAC balance at the IFRS 17 transition date.

   This will be a one-time accounting adjustment, to account for the earlier recognition pattern (i.e. timing difference) of IFRS 17 acquisition costs. This is currently the only estimated transitional day one IFRS impact that negatively affects capital (i.e. retained earnings), and it is offset by the other expected IFRS impacts (see: CAC (MPI) 1-69 part c Figure 1).

   The working assumption is to exercise the option to expense acquisition cash flows as they are incurred, rather than defer and amortize them, since this option is available as a practical expedient to implementing IFRS 17 when the insurer is eligible for the Premium Allocation Approach. MPI does not expect that choosing to expense acquisition costs will increase net income volatility (post-transition) or reduce the usefulness or level of information currently disclosed. Additionally, choosing to expense acquisition cash flows as they are incurred will reduce the complexity of required disclosures, insurance contract liability calculations, and onerous contract assessments.

   If MPI deferred the acquisition costs and amortized them instead of expensing them as incurred, it would avoid a $63.8 million one-time accounting transition adjustment. The DPAC balance would be netted with the insurance contract liability on the statement of financial position for accounting presentation purposes. Additional disclosure and operational requirements would apply related to insurance contract liability calculations and onerous contract assessments.

b) Confirmed.

c) MPI has not yet made a similar determination using the top-down approach. Further actuarial testing and modelling during 2021/22 will provide this analysis. Theoretically speaking both approaches should yield a similar result.

d) Please see responses below:

i. The IFRS 17 claims discount rate is based on the formula from CIA note "IFRS 17 Discount Rates and Cash Flow Considerations for Property and Casualty Insurance Contracts". The formula is:

The IFRS 17 claims discount rate [under a bottom-up approach]
= Risk-free rate + 0.50% + 75% of the Canadian Investment Grade Bonds Spread

The previous calculation was a preliminary assessment by MPI based on using a single rate and, as it continues to research and refine its methodology, MPI now uses the yield curve and looks at multiple rates along the yield curve.

MPI Investment Department advises the use of the Government of Canada 10 year Bond for the risk free rate. The table below recalculates the IFRS discount rate for the respective dates:

Date	Risk free rate GoC 10yr Bond	MPI's Corp Bond Portfolio	Margin	Credit Spread	Discount Rate IFRS 17
(1)	(2)	(3)	(4)	(5)=(3)-(2)	(6)=(2)+(4)+0.75*(5)
31-Aug-20	0.63%	2.69%	0.50%	2.06%	2.68%
31-Mar-21	1.56%	3.17%	0.50%	1.61%	3.27%
30-Jun-21	1.39%	3.02%	0.50%	1.63%	3.11%

MPI assumed a single rate in this analysis and, following further research, notes that there are different methods to interpret the risk-free component of the discount rate formula. MPI is currently reviewing the options and financial impacts of same.

ii. and iii.

Further actuarial testing and modelling during 2021/22 will provide analysis on discount rate methodology including risk free rate and liquidity premium. MPI will update impacts as it progresses.

iv. Upon adoption to IFRS 17, MPI will record the impact of the initial conversion from an IFRS 4 claims discount rate to an IFRS 17 claims discount rate as a transition adjustment booked to retained earnings. Subsequent to adoption, MPI will record changes to the insurance liability due to changes in the claims discount rate in the IFRS 17 Statement of Operations line item: insurance finance expense (or income) from insurance contracts.

e) and f)

Note that Accumulated Other Comprehensive Income (AOCI) includes employee future benefit (EFB) actuarial gains and losses as well as unrealized gains (and losses) from investments classified as Available for Sale (AFS).

MPI disclosed the estimated dollar impacts, including the $142.2 million, on a corporate basis, in *CAC (MPI) 1-69*. The $142.2 million is an estimated amount intended to indicate the directional impact of transition on a corporate basis based on market inputs as at June 30, 2021. The investments in the Basic portfolio are already classified as Fair Value Through Profit and Loss (FVTPL); therefore, the

AOCI related to unrealized gains (and losses) on AFS investments are not attributable to the Basic portfolio. There are investments classified as AFS currently within the Extension, Special Risk Extension, Rate Stabilization Reserve, and EFB investment portfolios; many of which will be required to change classification to FVTPL under IFRS 9. A change in classification from AFS to FVTPL will result in a transition adjustment whereby the accumulated unrealized gain (or loss) within AOCI related to the AFS investments as at the transition date will be transferred to retained earnings. The net result is that MPI will present the financial statements, as at the transition date, as if MPI has always applied IFRS 17 (i.e. a retrospective transition approach).

MPI estimated the $142.2 million amount using the most recent information available at the time (i.e. June 30, 2021). The details for PF-3 are not relevant to reconcile to the $142.2 million since they do not reflect actuals as at June 30, 2021 and relate only to the Basic line of business. It is more appropriate to reconcile the $142.2 million amount with the quarterly financial statement note disclosures, which are also on a corporate basis and incorporate the actual market inputs as at the same date:

Figure 1 Reconciling IFRS AOCI impact as at June 30, 2021 to Quarterly Financial Statement Disclosures

Line No.	(in $millions)	Explanation of reconciling item
1	**142.2**	As per CAC (MPI) 1-69.
2	**(4.3)**	Foreign exchange impacts not included in initial estimate.
3	**0.4**	Unrealized gains in other investments not included in initial estimate.
4	**(2.8)**	Remove impact of investments within an AFS asset class, which still are classified as
5		FVTPL as they have yet to turnover since the current ALM was implemented and the
6		initial FVTPL classification under IAS 39 was irrevocable.
7	**135.5**	**As per June 30, 2021 quarterly financial statements, Note 4 page 17, “Total AFS**
8		**equity and other investments” under “Unrealized Gains/Losses” column.**

g) An implied market value is calculated for the MUSH bond portfolio every month based upon interest rates published by the Province of Manitoba for newly issued MUSH bonds (i.e. the bonds are marked to market by discounting their future cash flows at current interest rates). The difference between the book value and the implied market value resulted in an unrealized gain of $70.8 million as at June 30, 2021 (as indicated in *CAC (MPI) 1-69(c)*. Please note that this is a point in time valuation which changes as market conditions (i.e. prevailing interest rates) change.

h) IAS 19 prescribes the accounting treatment for employee benefits, and since MPI already accounted for employee benefits in accordance with IAS 19 following its adoption of IFRS, it expects no changes to the valuation of employee benefits. Under this standard, MPI recognizes actuarial gains and losses in OCI, in the current period.

PUB (MPI) 2-8

Part and Chapter:	Part V CI Appendix 13 PUB (MPI) 1-9 (2021 GRA) PUB (MPI) 1-9 (2022 GRA)	Page No.:	2
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:

In Figure 3 the original expectation was that about 75% of those without existing Extension deductible coverage would decline the Extension coverage offered; however, it appears closer to 75% are not declining.

Question:

a) The impact of CERP for Public Liability and for Property Damage appears to have changed for Basic as shown in Figure 2. Please reconcile the differences.

b) With fewer customers to date taking the $750 deductible, would this mean that more customers have not elected to decline the $500 deductible offered through Extension than expected? Is this an accurate depiction now?

c) To what extent have Extension premium forecasts been adjusted to reflect this difference?

Rationale for Question:

To assess the reasonableness of the CERP impacts on the financial forecasts.

RESPONSE:

a) In the 2021 GRA, for the claims costs transferred from Extension to Basic as a result of increasing the Basic third party liability limit, MPI calculated the split between public liability and property damage based on the total Basic and Extension third party liability incurred amount. However, a more accurate way (and one that MPI used in the 2022 GRA), would be to calculate the split based on claims costs transferred from Extension to Basic. This change in methodology adjusted the ratio between public liability and property damage (from 84%/16% to 70%/30%).

b) Per *PUB (MPI) 1-9, Figure 3*, based on actual customer adoption for the first three months of rating year 2021 (April 1 to June 30), 11% of customers chose the $500 deductible offered under Extension compared to 4% projected in the 2021 GRA (higher than previously projected).

c) MPI has not adjusted the Extension premium forecasts filed with the 2022 GRA in June to reflect actual customer adoption. MPI expects to write approximately $2.3 million higher Extension premiums (i.e. $176.7M per *Pro Formas Chapter EPF-1*) for fiscal year 2021 if the actual experience in the first three months of the 2021 rating year holds for the remainder of the year.

PUB (MPI) 2-9

Part and Chapter:	**Part V Revenues Appendix 3 PUB (MPI) 1-10 and 1-21**	**Page No.:**	**1 Fig. Rev App 3-1**
PUB Approved Issue No:	**4. Financial Forecasts**		
Topic:	**Financial Forecasts**		
Sub Topic:	**Extension Profit Margin**		

Preamble to IR:

Question:

a) Please indicate how MPI has elected to respond to the reduced commissions being paid to brokers for the Extension coverage with regards to profit margin targets?

b) Reviewing Figures 1, 2, and 3 in PUB (MPI) 1-21, the majority of the change in net income for Extension appears to be due to lower commissions. Premiums charged do not appear to have been reduced for the decrease in commissions. Please confirm and explain.

c) Reviewing PF-5 through PF-7 in the GRA, commissions for Basic have increased, while they have decreased for Extension. Please explain.

Rationale for Question:

To understand the impact of changes in commissions.

RESPONSE:

a) The reduced commissions resulted in higher Extension profit margins for MPI in 2021/22 and thereafter. For 2022/23, MPI did not adjust the overall rate requirement for Extension in order to reduce the profit margin. The MPI Board of Directors is reviewing the profit margins of the Extension line of business.

b) Commissions is the primary driver in the change in net income. This is due to the updated commission rates negotiated with Insurance Brokers Association of Manitoba (IBAM). The effective Extension commission rate on premiums, changed from 21.60% in the 2021 GRA to 17.50% in the 2022 GRA.

c) Please see *Expenses Chapter EXP.6.2, Figure EXP-45*, which provides the rates recently negotiated with IBAM. Although Basic in-person premium commission rates will increase, the online commission rates will decrease. MPI expects online uptake to begin in 2023/24 and to continuously drive down overall Basic commission rates from that point onwards.

PUB (MPI) 2-10

Part and Chapter:	**PUB (MPI) 1-11 Part V Expenses**	**Page No.:**	**Figure 3 16-17 Figure EXP 8, 9**
PUB Approved Issue No:	**4. Financial Forecasts**		
Topic:	**Financial Forecasts**		
Sub Topic:	**Corporate Expenses**		

Preamble to IR:

Question:

a) Please update Figures 1 and 2 including 2018/19 and 2019/20 and indicate the percentage change on Line 24 for each of the years.

b) Please provide a comparison of the forecast in (a) for 2022/22 with 2019/20 pre-pandemic levels and explain changes.

c) Please indicate the extent to which the forecast for 2021/22 may change, given the actual experience for the first quarter.

d) Please provide Figure 3, with updated detail of DVA operations for the last five fiscal years.

e) Please explain the major increase in DVA compensation in 2021/22.

f) Please explain the major increase in DVA data processing expenses for 2021/22 and 2022/23 and explain why the amounts do not qualify for capitalization under IAS 38.

g) Please explain how MPI is treating software as a service (SaaS) expenditures related to Project Nova for accounting purposes.

Rationale for Question:

To understand costs allocated to DVA.

RESPONSE:

a) Please see *Figures 1 and 2* below:

Figure 1 Total Basic Operating Expenses – 8-year Summary of Basic Total Expenses

Line No.	Expense	2018/19A	2019/20A*	2020/21A	2021/22FB	2022/23F	2023/24F	2024/25F	2025/26F
1	*($000's, except where noted)*								
2	Compensation - Salaries	97,334	101,616	99,745	104,148	107,055	107,596	103,935	106,775
3	Compensation - Overtime	1,114	1,087	853	1,095	1,074	1,052	1,086	1,026
4	Compensation - Benefits	23,618	23,337	27,300	26,330	26,324	26,120	26,563	27,156
5	Compensation - H & E Tax	2,090	2,163	2,159	2,408	2,423	2,419	2,461	2,516
6	Sub Total - Compensation	**124,156**	**128,203**	**130,057**	**133,981**	**136,876**	**137,187**	**134,045**	**137,473**
7	*% increase / (decrease) over prior year*		*3.3%*	*1.4%*	*3.0%*	*2.2%*	*0.2%*	*-2.3%*	*2.6%*
8	Data Processing	23,854	23,640	31,845	38,412	37,538	41,960	40,004	41,183
9	Special Services	4,417	4,209	7,575	7,233	6,774	6,767	6,861	7,018
10	Building Expenses	7,698	7,339	6,700	6,484	6,334	5,841	5,939	6,074
11	Safety/Loss Prevention Programs	3,209	3,046	1,948	3,867	3,547	3,508	3,567	3,648
12	Telephone/Telecommunications	1,558	1,417	1,482	1,501	1,492	1,475	1,501	1,535
13	Public Information/Advertising	2,130	2,447	1,577	2,746	2,805	2,774	2,820	2,884
14	Printing, Stationery, Supplies	1,303	1,209	996	1,510	1,503	1,484	1,507	1,539
15	Postage	3,413	3,495	3,309	3,062	3,046	3,012	2,678	2,758
16	Regulatory/Appeal	3,939	4,177	4,165	4,521	4,349	4,325	4,355	4,395
17	Travel and Vehicle Expense	776	797	381	834	836	830	831	850
18	Driver Education Program	3,664	3,479	1,391	4,068	4,178	4,132	4,201	4,299
19	Grants in Lieu of Taxes	1,430	1,437	1,437	1,427	1,421	1,406	1,431	1,462
20	Furniture & Equipment	571	1,173	429	2,480	2,002	1,736	1,488	1,523
21	Merchant Fees & Bank Charges	8,811	8,653	8,162	7,997	8,083	8,157	8,319	8,486
22	Other	4,110	4,514	3,543	7,796	7,066	6,670	6,482	6,743
23	Sub total - Other Expenses	**70,883**	**71,032**	**74,940**	**93,938**	**90,974**	**94,077**	**91,984**	**94,397**
24	*% increase / (decrease) over prior year*		*0.2%*	*5.5%*	*25.4%*	*-3.2%*	*3.4%*	*-2.2%*	*2.6%*
25	Depreciation-Capital Assets	3,736	4,191	4,118	4,603	4,652	4,955	5,495	6,271
26	Amortization-Deferred Development	20,073	15,138	14,775	11,140	9,018	10,628	17,589	16,451
27	Subtotal - Depreciation / Amortization	**23,809**	**19,329**	**18,893**	**15,743**	**13,670**	**15,583**	**23,084**	**22,722**
28	*% increase / (decrease) over prior year*		*-18.8%*	*-2.3%*	*-16.7%*	*-13.2%*	*14.0%*	*48.1%*	*-1.6%*
29	Total Expenses	**218,848**	**218,564**	**223,890**	**243,662**	**241,520**	**246,847**	**249,113**	**254,592**
30	Note: Figures includes improvement initiative (ongoing and implementation) expenses								
31	*12 months ending March 31, 2020								

Figure 2 Total Extension Operating Expenses – 8-year Summary of Extension Total Expenses

Line No.	Expense	2018/19A	2019/20A*	2020/21A	2021/22FB	2022/23F	2023/24F	2024/25F	2025/26F
1	*($000's, except where noted)*								
2	**Compensation - Salaries**	8,363	8,906	8,174	8,442	8,855	9,725	9,829	10,312
3	**Compensation - Overtime**	91	90	69	89	89	95	102	99
4	**Compensation - Benefits**	2,055	2,044	2,234	2,140	2,177	2,359	2,488	2,589
5	**Compensation - H & E Tax**	182	189	176	195	201	218	230	241
6	**Sub Total - Compensation**	**10,691**	**11,229**	**10,653**	**10,866**	**11,322**	**12,397**	**12,649**	**13,241**
7	***% increase / (decrease) over prior year***		*5.0%*	*-5.1%*	*2.0%*	*4.2%*	*9.5%*	*2.0%*	*4.7%*
8	**Data Processing**	1,946	1,979	2,647	3,168	3,139	3,749	3,705	3,868
9	**Special Services**	360	349	625	592	564	618	649	676
10	**Building Expenses**	631	610	551	529	527	531	560	585
11	**Safety/Loss Prevention Programs**	219	256	162	319	298	324	341	356
12	**Telephone/Telecommunications**	129	119	123	124	125	136	144	150
13	**Public Information/Advertising**	234	284	155	321	236	256	271	282
14	**Printing, Stationery, Supplies**	96	95	65	111	113	122	129	134
15	**Postage**	282	294	275	253	256	277	262	275
16	**Regulatory/Appeal**	8	12	20	12	11	25	44	63
17	**Travel and Vehicle Expense**	65	69	32	68	70	76	80	83
18	**Driver Education Program**	303	293	116	336	351	381	402	419
19	**Grants in Lieu of Taxes**	117	120	118	116	118	128	135	140
20	**Furniture & Equipment**	47	99	35	204	167	157	142	148
21	**Merchant Fees & Bank Charges**	3,401	3,224	2,853	2,635	2,665	2,694	2,750	2,806
22	**Other**	339	380	297	645	592	613	628	666
23	**Sub total - Other Expenses**	**8,177**	**8,183**	**8,074**	**9,433**	**9,232**	**10,087**	**10,242**	**10,651**
24	***% increase / (decrease) over prior year***		*0.1%*	*-1.3%*	*16.8%*	*-2.1%*	*9.3%*	*1.5%*	*4.0%*
25	**Depreciation-Capital Assets**	306	350	340	377	388	452	521	606
26	**Amortization-Deferred Development**	1,660	1,273	1,230	919	756	929	1,496	1,394
27	**Subtotal - Depreciation / Amortization**	**1,966**	**1,623**	**1,570**	**1,296**	**1,144**	**1,381**	**2,017**	**2,000**
28	***% increase / (decrease) over prior year***		*-17.4%*	*-3.3%*	*-17.5%*	*-11.7%*	*20.7%*	*46.1%*	*-0.8%*
29	**Total Expenses**	**20,834**	**21,035**	**20,297**	**21,595**	**21,698**	**23,865**	**24,908**	**25,892**

30 Note: Figures includes improvement initiative (ongoing and implementation) expenses

31 *12 months ending March 31, 2020

b) Please see *Figure 3* below. MPI intended 2021/22 to be the assumed fiscal year.

Figure 3 Basic and Extension Operating Expense Comparative – 2019/20 vs 2021/22

Line No.	Expense Category	Total - Basic 2019/20	2021/22	Chg.	Total - Extension 2019/20	2021/22	Chg.
1	*(C$000s,rounding may affect totals)*						
2	Compensation - Salaries	101,616	104,148	2,532	8,906	8,442	(464)
3	Compensation - Overtime	1,087	1,095	8	90	89	(1)
4	Compensation - Benefits	23,337	26,330	2,993	2,044	2,140	96
5	Compensation - H & E Tax	2,163	2,408	245	189	195	6
6	**Subtotal - Compensation**	**128,203**	**133,981**	**5,778**	**11,229**	**10,866**	**(363)**
7	Data Processing	23,640	38,412	14,772	1,979	3,168	1,189
8	Special Services	4,209	7,233	3,024	349	592	243
9	Building Expenses	7,339	6,484	(855)	610	529	(81)
10	Safety / Loss Prevention Program	3,046	3,867	821	256	319	63
11	Telephone/Telecommunications	1,417	1,501	84	119	124	5
12	Advertising & Public Info	2,447	2,746	299	284	321	37
13	Printing, Stationery & Supplies	1,209	1,510	301	95	111	16
14	Postage	3,495	3,062	(433)	294	253	(41)
15	Regulatory/Appeal	4,177	4,521	344	12	12	-
16	Travel & Vehicle Expense	797	834	37	69	68	(1)
17	Driver Education Program	3,479	4,068	589	293	336	43
18	Grant in Lieu of Taxes	1,437	1,427	(10)	120	116	(4)
19	Furniture & Equipment	1,173	2,480	1,307	99	204	105
20	Merchant Fees	8,653	7,997	(656)	3,224	2,635	(589)
21	Other	4,514	7,796	3,282	380	645	265
22	**Subtotal - Other Operating Expenses**	**71,032**	**93,938**	**22,906**	**8,183**	**9,433**	**1,250**
23	Depreciation of Capital Investments	4,191	4,603	412	350	377	27
24	Amortization of Deferred Development	15,138	11,140	(3,998)	1,273	919	(354)
25	**Total Expenses**	**218,564**	**243,662**	**25,098**	**21,035**	**21,595**	**560**

Overall, the expenses for Basic in the 2021/22 fiscal year are $25.1 million greater than they were in 2019/20. This is primarily due to data processing expenses, special services, and other expenses.

c) Based on a review of experience for the period ending July 31, 2021, MPI expects the overall 2021/22 corporate operating expense forecast to be approximately $11 million lower than 2021/22 forecast base by year end.

d) Please see *Figure 4* below:

Figure 4 Total DVA Operating Expenses - 11-year Summary of DVA Total Expenses

Line No.	Expense	2015/16A	2016/17A	2017/18A	2018/19A	2019/20A*	2020/21A	2021/22FB	2022/23F	2023/24F	2024/25F	2025/26F
1	*($000's, except where noted)*											
2	Compensation - Salaries	16,280	16,811	16,453	16,203	17,682	17,821	22,409	22,623	22,436	19,350	19,984
3	Compensation - Overtime	233	145	105	153	174	118	213	210	208	215	203
4	Compensation - Benefits	3,932	3,933	3,839	3,892	3,990	4,901	5,427	5,365	5,376	5,484	5,593
5	Compensation - H & E Tax	347	368	349	344	370	388	496	494	498	508	518
6	**Sub Total - Compensation**	**20,792**	**21,257**	**20,746**	**20,592**	**22,216**	**23,228**	**28,545**	**28,692**	**28,518**	**25,557**	**26,298**
7	*% increase / (decrease) over prior year*		*2.2%*	*-2.4%*	*-0.7%*	*7.9%*	*4.6%*	*22.9%*	*0.5%*	*-0.6%*	*-10.4%*	*2.9%*
8	Data Processing	4,505	4,369	1,815	3,887	4,042	2,424	16,810	13,756	11,315	7,342	6,431
9	Special Services	637	523	460	398	446	490	723	677	684	696	709
10	Building Expenses	1,299	1,149	1,054	994	1,044	965	1,095	1,069	996	1,016	1,036
11	Safety/Loss Prevention Programs	-	-	-	-	-	-	-	-	-	-	-
12	Telephone/Telecommunications	164	142	130	121	111	144	169	169	169	172	176
13	Public Information/Advertising	338	179	256	217	220	104	224	232	232	237	242
14	Printing, Stationery, Supplies	2,627	2,350	2,824	2,539	1,945	2,446	2,855	2,848	2,839	2,896	2,953
15	Postage	1,113	1,067	1,111	1,217	1,188	1,034	1,185	1,185	1,185	1,209	1,123
16	Regulatory/Appeal	12	13	8	8	12	25	17	16	33	56	79
17	Travel and Vehicle Expense	249	203	177	186	188	77	230	230	225	228	232
18	Driver Education Program	-	-	-	-	-	-	-	-	-	-	-
19	Grants in Lieu of Taxes	212	195	194	185	205	213	241	240	240	245	250
20	Furniture & Equipment	46	38	39	46	95	49	286	232	203	173	177
21	Merchant Fees & Bank Charges	-	-	38	34	37	70	56	56	57	58	59
22	Other	671	624	520	567	542	490	751	677	655	684	569
23	**Sub total - Other Expenses**	**11,873**	**10,852**	**8,626**	**10,399**	**10,075**	**8,531**	**24,642**	**21,387**	**18,833**	**15,012**	**14,036**
24	*% increase / (decrease) over prior year*		*-8.6%*	*-20.5%*	*20.6%*	*-3.1%*	*-15.3%*	*188.9%*	*-13.2%*	*-11.9%*	*-20.3%*	*-6.5%*
25	Depreciation-Capital Assets	599	542	497	467	553	574	741	765	824	916	1,046
26	Amortization-Deferred Development	642	821	1,598	1,774	1,314	1,529	1,425	941	8,213	8,363	9,007
27	**Subtotal - Depreciation / Amortization**	**1,241**	**1,363**	**2,095**	**2,241**	**1,867**	**2,103**	**2,166**	**1,706**	**9,037**	**9,279**	**10,053**
28	*% increase / (decrease) over prior year*		*9.8%*	*53.7%*	*7.0%*	*-16.7%*	*12.6%*	*3.0%*	*-21.2%*	*429.7%*	*2.7%*	*8.3%*
29	**Total Expenses**	**33,906**	**33,472**	**31,467**	**33,232**	**34,158**	**33,862**	**55,353**	**51,785**	**56,388**	**49,848**	**50,387**
30	Note: Figures includes improvement initiative (ongoing and implementation) expenses											
31	*12 months ending March 31, 2020											

e) DVA compensation expenses increased in 2021/22 due to costs related to Project NOVA that did not meet capitalization requirements. MPI expensed the leadership costs for Project NOVA to their respective line of business using the NOVA allocator. The Nova allocator is based on the budget distribution for the NOVA program costs in that year.

f) DVA data processing expenses increased in 2021/22 and 2022/23 due to subscription costs, which did not meet capitalization criteria. The amount did not qualify for capitalization because the criteria of control was not met.

g) Software as a service (SaaS) expenditures relating to project Nova have been assessed against IAS 38 and capitalization criteria. Subscriptions that do not meet capitalization criteria (based on IAS 38) are accounted for as expenses as ongoing operations.

PUB (MPI) 2-11

Part and Chapter:	**PUB (MPI) 1-18(b) Part V Expenses**	**Page No.:**	**49 EXP-36, 37**
PUB Approved Issue No:	**4. Financial Forecast**		
Topic:	**ICAM**		
Sub Topic:	**Cost Allocation**		

Preamble to IR:

Copy and paste IR Preamble from Interveners and PUB here.

Question:

a) Please provide the history of changes to the funding envelope.

b) Please file, in similar level of detail, the historical operating statement for DVA for the last five fiscal years and indicate the funding provided in each of those years.

Rationale for Question:

To understand costs allocated to Basic and DVA to assess the changes proposed in the CMP.

RESPONSE:

a) DVA recoveries provided based on funding envelope:

- 2015/16 - $27.90M
- 2016/17 - $29.27M
- 2017/18 - $30.17M
- 2018/19 - $30.25M

- 2019/20 - $32.77M [13 months for 2019/20 as transition year end change followed the subsequent year]
- 2020/21 - $30.25M

b) Please see *Figure 1.*

Figure 1 DVA Normal Operations by Category

Line No.	Expense	2015/16	2016/17	2017/18	2018/19	* 13 Month Year 2019/20	2020/21
1	*($000's except where noted)*						
2	Compensation - Salaries	16,228	16,804	16,441	15,982	18,460	17,711
3	Compensation - Overtime	210	143	101	146	182	117
4	Compensation - Benefits	3,932	3,933	3,839	3,891	4,334	4,901
5	Compensation - H & E Tax	347	368	349	344	398	388
6	**Subtotal - Compensation**	**20,718**	**21,248**	**20,730**	**20,364**	**23,374**	**23,117**
7	Data Processing	1,380	1,540	1,419	1,500	1,666	2,103
8	Special Services	614	523	460	398	463	490
9	Building Expenses	1,299	1,149	1,054	994	1,119	965
10	Loss Prev/Safety Program	-	-	-	-	-	-
11	Telephone/Telecommunications	164	142	130	121	121	144
12	Advertising & Public Info	284	179	256	217	262	104
13	Printing, Stationery & Supplies	2,627	2,344	2,818	2,509	2,653	2,439
14	Postage	1,113	1,067	1,111	1,217	1,269	1,034
15	Regulatory/Appeal Expenses	12	13	8	8	12	25
16	Travel & Vehicle Expense	244	202	176	183	189	77
17	Driver Education Program	-	-	-	-	-	-
18	Grant in Lieu of Taxes	212	195	194	185	220	213
19	Furniture & Equipment/DP Equip	46	38	39	46	103	43
20	Merchant Fees, Credit & Debit Card & Bank Fees	-	-	38	34	40	70
21	Other	666	623	519	566	565	482
22	**Subtotal - Other Normal Operating Expenses**	**8,661**	**8,015**	**8,222**	**7,978**	**8,682**	**8,189**
23	Amortization of Capital Investments	599	542	497	467	597	574
24	Amortization of Deferred Development	642	878	1,598	1,774	1,419	1,529
25	**Subtotal - Depreication / Amortization**	**1,241**	**1,420**	**2,095**	**2,241**	**2,016**	**2,103**
26	**Total Expenses**	**30,620**	**30,683**	**31,047**	**30,583**	**34,072**	**33,409**
27	**The Drivers and Vehicles Act Operations Recovery**	**27,900**	**29,272**	**30,177**	**30,250**	**32,770**	**30,250**

PUB (MPI) 2-12

Part and Chapter:	Part VII Rate Stabilization Reserve PUB (MPI) 1-22	Page No.:	5
PUB Approved Issue No:	4. Financial Forecast 7. Capital management plan		
Topic:	Capital Management Plan		
Sub Topic:	4. Financial Forecast 7. Capital management plan		

Preamble to IR:

Question:

a) Please provide alternative PF-1, PF-2, and PF-3 scenarios in which MPI does not rebate excess capital and uses the CMP to release the capital in accordance with the CMP without capping, such that the MCT at the end of 2023/24 is 100.0%.

b) Please provide the supporting calculations for the capital release in (a).

c) Please set out in the schedule the impact of the release on the forecast of each year's revenues.

d) Please explain why, under the current scenario, the target MCT ratio is 116.2% for 2023/24.

Rationale for Question:

To understand the impact of rebates on financial forecast.

RESPONSE:

a) The estimated capital release provision, such that the Minimum Capital Test (MCT) achieves 100% at the end of 2023/24, is approximately -16%. In consideration of the scenario requested, it must be remembered that the intent of a capital release (or build) provision under the Capital Management Plan (CMP) is to assist in maintaining the capital position of the Rate Stabilization Reserve to meet a target MCT ratio of 100% (at the end of 2024/25). MPI applied the capital release provision throughout the forecast to show the impact on achieving a 100% MCT ratio. MPI cautions against applying the capital release provision beyond policies written in 2022 as the mechanics of the CMP require that the capital build/release provision be recalculated annually.

   Please see *Figures 1 to 3* for PF-1, PF-2 and PF-3 prepared in the context of the alternative scenario described above.

Figure 1 PF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	*PUB 2-12(a)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles (excludes Capital Release Provision)	1,091,979	1,093,090	1,103,253	1,143,807	1,185,393	1,228,596
4	Motor Vehicles (Capital Release Provision)	-	(57,829)	(179,945)	(186,544)	(193,310)	(200,340)
5	Drivers	66,714	61,179	63,772	65,978	67,889	69,691
6	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
7	Total Net Premiums Written	**1,144,932**	**1,080,811**	**971,138**	**1,006,981**	**1,043,386**	**1,081,030**
8	Net Premiums Earned						
9	Motor Vehicles	1,066,886	1,070,733	977,833	940,726	975,124	1,010,639
10	Drivers	67,343	63,506	62,499	64,895	66,951	68,806
11	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
12	Total Net Premiums Earned	**1,120,468**	**1,118,610**	**1,024,390**	**989,361**	**1,025,489**	**1,062,528**
13	Service Fees & Other Revenues	25,792	26,228	26,493	26,553	27,115	28,558
14	Total Earned Revenues	**1,146,260**	**1,144,838**	**1,050,883**	**1,015,914**	**1,052,604**	**1,091,086**
15	Claims Incurred	620,145	839,935	904,747	940,849	980,333	1,023,763
16	DPAC \ Premium Deficiency Adjustment	(10,511)	3,690	(244)	3,231	10,774	6,887
17	(a) Claims Incurred - Interest Rate Impact	44,194	17,314	1,217	9,518	11,702	10,689
18	Total Claims Incurred	**653,828**	**860,939**	**905,720**	**953,598**	**1,002,809**	**1,041,339**
19	Claims Expense	141,720	149,509	147,748	151,135	152,726	156,172
20	Road Safety/Loss Prevention	7,708	13,249	13,073	12,931	12,593	12,797
21	Total Claims Costs	**803,256**	**1,023,697**	**1,066,541**	**1,117,664**	**1,168,128**	**1,210,308**
22	Expenses						
23	Operating	70,063	76,113	76,122	78,126	79,077	80,879
24	Commissions	43,384	45,961	45,199	44,669	46,629	46,605
25	Premium Taxes	28,641	34,027	31,210	30,169	31,262	32,383
26	Regulatory/Appeal	4,399	4,791	4,624	4,604	4,644	4,693
27	Total Expenses	**146,487**	**160,892**	**157,155**	**157,568**	**161,612**	**164,560**
28	Underwriting Income (Loss)	**196,517**	**(39,751)**	**(172,813)**	**(259,318)**	**(277,136)**	**(283,782)**
29	Investment Income	88,878	102,438	103,764	110,689	107,309	93,005
30	(b) Investment Income - Interest Rate Impact	650	466	621	861	1,155	699
31	Net Investment Income	**89,528**	**102,904**	**104,385**	**111,550**	**108,464**	**93,704**
32	Gain (Loss) on Sale of Property	74	-	-	-	-	-
33	Net Income (Loss) from Annual Operations	**286,119**	**63,153**	**(68,428)**	**(147,768)**	**(168,672)**	**(190,078)**
34	Total net Impact due to interest rate change (b) - (a)	(43,544)	(16,848)	(596)	(8,657)	(10,547)	(9,990)

Figure 2 PF-2 Statement of Financial Position

Multi-year - Statement of Financial Position

Line No.	PUB 2-12(a) (C$ 000s, rounding may affect totals)	For the Years Ended March 31,					
1		2021A	2022FB	2023F	2024F	2025F	2026F
2	BASIC	2020/21A	2021/22FB	2022/23F	2023/24F	2024/25F	2025/26F
3	Assets						
4	Cash and cash equivalents	138,600	100,000	75,607	45,345	118,745	209,085
5	Investments	2,947,377	3,138,705	3,197,182	3,228,489	3,162,169	3,064,961
6	Investment property	6,065	5,890	5,480	5,483	5,200	4,574
7	Due from other insurance companies	109	-	-	-	-	-
8	Accounts receivable	405,876	409,261	380,451	393,830	407,213	420,812
9	Deferred policy acquisition costs	37,259	30,344	31,489	31,475	21,339	15,261
10	Reinsurers' share of unpaid claims	2,172	-	-	-	-	-
11	Property and equipment	110,262	114,807	117,424	115,636	109,952	103,484
12	Deferred development costs	32,042	43,012	51,124	52,936	42,139	32,480
13	**Total Assets**	**3,679,762**	**3,842,019**	**3,858,757**	**3,873,194**	**3,866,757**	**3,850,657**
14	Liabilities						
15	Due to other insurance companies	395	559	559	559	559	559
16	Accounts payable and accrued liabilities	45,391	78,435	77,385	80,493	79,840	81,337
17	Financing lease obligation	5,427	5,326	5,204	5,081	4,958	4,835
18	Unearned premiums and fees	592,939	557,353	505,698	525,036	544,782	565,277
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	397,294	408,748	420,204	431,662	443,120
21	Provision for unpaid claims	2,045,997	2,134,872	2,221,453	2,311,243	2,404,195	2,497,981
22	**Total Liabilities**	**3,095,023**	**3,193,536**	**3,239,421**	**3,363,667**	**3,487,724**	**3,615,514**
23	Equity						
24	Retained Earnings	599,440	662,593	630,888	530,835	415,786	279,675
25	Accumulated Other Comprehensive Income	(14,701)	(14,112)	(11,553)	(21,306)	(36,750)	(44,530)
26	**Total Equity**	**584,739**	**648,481**	**619,335**	**509,529**	**379,036**	**235,145**
27	**Total Liabilities & Equity**	**3,679,762**	**3,842,017**	**3,858,756**	**3,873,196**	**3,866,760**	**3,850,659**

Figure 3 PF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	*PUB 2-12(a)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		2021A	2022FB	2023F	2024F	2025F	2026F
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	440,522	599,440	662,593	630,888	530,835	415,786
6	Net Income (Loss) from annual operations	286,119	63,153	(68,428)	(147,768)	(168,672)	(190,078)
7	Premium Rebate	(127,201)	-	-	-	-	-
8	Premium Rebate (accrued)	-	-	-	-	-	-
9	Transfer from Extension Retained Earnings	-	-	36,723	47,715	53,623	53,967
10	**Total Retained Earnings**	**599,440**	**662,593**	**630,888**	**530,835**	**415,786**	**279,675**
11	**Total Accumulated Other Comprehensive Income**						
12	Beginning Balance	(34,296)	(14,701)	(14,112)	(11,553)	(21,306)	(36,750)
13	Other Comprehensive Income on Available for Sale Assets	53,984	589	2,559	(9,753)	(15,444)	(7,780)
14	Change in Remeasurement of Employee Future Benefits	(34,389)	-	-	-	-	-
15	**Total Accumulated Other Comprehensive Income**	(14,701)	(14,112)	(11,553)	(21,306)	(36,750)	(44,530)
16	**Total Equity Balance**	**584,739**	**648,481**	**619,335**	**509,529**	**379,036**	**235,145**
17	**MINIMUM CAPITAL TEST (C$ 000s)**						
18	Total Equity Balance	584,597	648,481	619,335	509,529	379,036	235,145
19	Less: Assets Requiring 100% Capital	32,042	43,012	51,124	52,936	42,139	32,480
20	Capital Available	552,555	605,469	568,211	456,593	336,897	202,665
21	Minimum Capital Required (100% MCT)	401,793	407,647	447,426	456,580	451,150	444,942
22	**MCT Ratio % (Line 20) / (Line 21)**	**137.5%**	**148.5%**	**127.0%**	**100.0%**	**74.7%**	**45.6%**

b) Please see *Figure 4* below:

Figure 4 Motor Vehicle Premiums Written and Earned: -2.8% Rate Change & Uncapped Capital Release Provision & No Rebate

Line No.	BASIC	2021A	2022FB	2023F	2024F	2025F	2026F
		For the Years Ended March,					
1	*(C$ 000s, except where noted)*						
2	HTA Volume Change	1.11%	1.25%	1.13%	1.06%	1.06%	1.06%
3	HTA Upgrading & Other Changes	2.27%	2.44%	2.59%	2.58%	2.54%	2.55%
4	Rate Change	(0.50%)	(3.76%)	(2.82%)	0.00%	0.00%	0.00%
5	Capital Build / (Release) Provision	0.00%	(5.00%)	(11.11%)	0.00%	0.00%	0.00%
6	Premiums Unearned during Year	49.42%	48.70%	48.70%	48.70%	48.70%	48.70%
7	Basic Insurance Written						
8	Last Year Premiums Written before Capital Release	1,074,249	1,115,102	1,113,600	1,128,890	1,170,215	1,212,678
9	Volume Increase	11,924	13,939	11,925	9,989	10,355	10,731
10	Total Volume Written	1,086,173	1,129,040	1,125,525	1,138,879	1,180,570	1,223,408
11	Upgrading & Other Changes	24,656	27,549	27,641	24,570	25,076	26,088
12	Total With Upgrading	1,110,829	1,156,589	1,153,166	1,163,449	1,205,647	1,249,497
13	Impact of Rate Change	(5,599)	(43,465)	(30,875)	-	-	-
14	Impact of Capital Release Provision	-	(57,829)	(179,945)	(186,544)	(193,310)	(200,340)
15	Adjustments	9,871					
16	Total Premium Written Before Rebates	**1,115,102**	**1,055,295**	**942,346**	**976,906**	**1,012,337**	**1,049,156**
17	Fleet Rebates	(21,583)	(18,621)	(17,710)	(18,401)	(19,100)	(19,832)
18	Anti Theft & Other Charges	(1,539)	(1,412)	(1,328)	(1,241)	(1,155)	(1,068)
19	Total Premiums Written	**1,091,979**	**1,035,261**	**923,308**	**957,263**	**992,083**	**1,028,256**
20	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
21	Total Net Premiums Written	**1,078,218**	**1,019,632**	**907,366**	**941,002**	**975,497**	**1,011,339**
22	Basic Insurance Earned						
23	Beginning Unearned Premium Balance	514,587	539,680	504,208	449,683	466,220	483,178
24	Premiums Written	1,091,979	1,035,261	923,308	957,263	992,083	1,028,256
25	Unearned Premiums during Year	539,680	504,208	449,683	466,220	483,178	500,796
26	Premiums Earned	**1,066,886**	**1,070,733**	**977,833**	**940,726**	**975,124**	**1,010,639**
27	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
28	Total Net Premiums Earned	**1,053,125**	**1,055,104**	**961,892**	**924,465**	**958,539**	**993,721**

c) *Figure 1*, line 4 shows the impact of the release on the revenue forecasts of each year.

d) In *PUB (MPI) 1-22(b)*, MPI understood the request as seeking provision of an alternative scenario whereby MPI does not rebate excess capital and instead releases capital in accordance with the CMP (without capping). In this alternative scenario, MPI calculates the capital release so as to restore the MCT ratio of Basic to 100% within a **three year period**. Please see *Rate Stabilization Reserve Chapter RSR.6.3* of the 2021 GRA for details as to how MPI determines the target MCT ratio under the CMP.

MPI calculated the target MCT ratio of 116.2% for 2023/24 under the current scenario as follows:

Step 1: Determine the Basic MCT at the beginning of the rating period.

Basic MCT at beginning of the rating period (April 1, 2022) is 148.53%.

Step 2: Calculate the Capital Release Ratio

The formula for the Capital Release Ratio is:

[100% MCT – Beginning Basic MCT Ratio] / 3

Under the current scenario and using the formula above, the Capital Release Ratio is:

[100% MCT – 148.53%] / 3 = -16.18%

Step 3: Calculate the Target MCT ratio for the end of the current rating period.

The formula for the Target MCT is:

Target MCT = Beginning Basic MCT Ratio + [2 years x Capital Release Ratio]

Under the current scenario and using the formula above, the Target MCT is:

148.53% + [2 years x -16.18%] = 116.2%

PUB (MPI) 2-13

Part and Chapter:	**Part VII Rate Stabilization Reserve PUB (MPI) 1-25**	**Page No.:**	**10**
PUB Approved Issue No:	**1. Requested vehicle rate and any changes to other fees and discounts.** **7. Capital Management Plan**		
Topic:	**Capital Management Plan capital release**		
Sub Topic:			

Preamble to IR:

In PF-3, the MCT ratio at the end of 2023/24 is 109.2%.

Question:

a) As requested in PUB (MPI) 1-25, please estimate the required capital release provision in order to achieve a 100.0% MCT at the end of 2023/24, instead of 105.4%. Please assume that the AAP rate is unchanged and the premium rebate is unchanged. Please do not adjust the capital release provision if the MCT falls below 100.0% at the end of 2021/22 or 2022/23. MPI was able to run other scenarios in which the MCT fell below 100%, so please do not provide the same answer as provided in IR1.

b) Please provide alternative Pro-Formas reflecting the scenario in (a).

Rationale for Question:

To provide insight as to the amount of capital that could be released and still attain a 100.0% MCT at the end of 2023/24, without affecting the amount of the planned rebate in 2021/22.

RESPONSE:

a) MPI misunderstood the request in PUB 1-25(a) whereby the required capital release provision was such that the MCT does not fall below 100.0% at the end of 2021/22 or 2022/23, but remained at or above 100.0% at the end of 2023/24.

   The scenario has been updated whereby the required capital release provision in order to achieve a 100.0% MCT at the end of 2023/24 is estimated to be -3.00%.

b) Please see Figures 1 to 5 below.

Figure 1 PF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	*PUB 2-13* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles	1,091,979	1,035,261	1,067,105	1,106,334	1,146,560	1,188,352
4	Drivers	66,714	61,179	63,772	65,978	67,889	69,691
5	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
6	**Total Net Premiums Written**	**1,144,932**	**1,080,811**	**1,114,935**	**1,156,052**	**1,197,863**	**1,241,126**
7	**Net Premiums Earned**						
8	Motor Vehicles	1,066,886	1,070,733	1,051,596	1,087,228	1,126,968	1,167,998
9	Drivers	67,343	63,506	62,499	64,895	66,951	68,806
10	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
11	**Total Net Premiums Earned**	**1,120,468**	**1,118,610**	**1,098,153**	**1,135,863**	**1,177,333**	**1,219,887**
12	Service Fees & Other Revenues	25,792	26,228	29,404	29,694	30,502	32,215
13	**Total Earned Revenues**	**1,146,260**	**1,144,838**	**1,127,557**	**1,165,557**	**1,207,835**	**1,252,102**
14	Claims Incurred	620,145	839,935	904,588	940,999	980,570	1,023,957
15	DPAC \ Premium Deficiency Adjustment	(10,511)	3,428	267	3,376	10,711	6,848
16	(a) Claims Incurred - Interest Rate Impact	44,194	12,388	11,024	12,043	10,058	9,691
17	**Total Claims Incurred**	**653,828**	**855,751**	**915,879**	**956,418**	**1,001,339**	**1,040,496**
18	Claims Expense	141,720	149,509	147,719	151,167	152,772	156,205
19	Road Safety/Loss Prevention	7,708	13,249	13,070	12,934	12,598	12,800
20	**Total Claims Costs**	**803,256**	**1,018,509**	**1,076,668**	**1,120,519**	**1,166,709**	**1,209,501**
21	**Expenses**						
22	Operating	70,063	76,113	76,108	78,141	79,099	80,894
23	Commissions	43,384	45,961	47,494	50,374	52,762	52,769
24	Premium Taxes	23,978	32,607	33,423	34,564	35,818	37,104
25	Regulatory/Appeal	4,399	4,791	4,624	4,605	4,644	4,693
26	**Total Expenses**	**141,824**	**159,472**	**161,649**	**167,684**	**172,323**	**175,460**
27	**Underwriting Income (Loss)**	**201,180**	**(33,143)**	**(110,760)**	**(122,646)**	**(131,197)**	**(132,859)**
28	**Investment Income**	88,878	100,008	99,022	102,822	102,367	102,994
29	(b) Investment Income - Interest Rate Impact	650	541	481	211	148	84
30	**Net Investment Income**	**89,528**	**100,549**	**99,503**	**103,033**	**102,515**	**103,078**
31	Gain (Loss) on Sale of Property	74	-	-	-	-	-
32	**Net Income (Loss) from Annual Operations**	**290,782**	**67,406**	**(11,257)**	**(19,613)**	**(28,682)**	**(29,781)**
33	Total net Impact due to interest rate change (b) - (a)	(43,544)	(11,847)	(10,543)	(11,832)	(9,910)	(9,607)

Figure 2 PF-2 Statement of Financial Position

Multi-year - Statement of Financial Position

Line No.	PUB 2-13 (C$ 000s, rounding may affect totals)	For the Years Ended March 31,					
1		2021A	2022FB	2023F	2024F	2025F	2026F
2	**BASIC**	2020/21A	2021/22FB	2022/23F	2023/24F	2024/25F	2025/26F
3	**Assets**						
4	Cash and cash equivalents	138,600	100,000	100,000	100,000	100,000	100,000
5	Investments	2,947,377	2,939,896	3,071,796	3,214,115	3,377,544	3,542,394
6	Investment property	6,065	5,890	5,480	5,483	5,200	4,574
7	Due from other insurance companies	109	-	-	-	-	-
8	Accounts receivable	405,876	409,261	422,442	437,360	452,323	467,561
9	Deferred policy acquisition costs	37,259	30,606	31,240	31,081	21,008	14,970
10	Reinsurers' share of unpaid claims	2,172	-	-	-	-	-
11	Property and equipment	110,262	114,807	117,424	115,636	109,952	103,484
12	Deferred development costs	32,042	43,012	51,126	52,937	42,138	32,478
13	**Total Assets**	**3,679,762**	**3,643,472**	**3,799,508**	**3,956,612**	**4,108,165**	**4,265,461**
14	**Liabilities**						
15	Due to other insurance companies	395	559	559	559	559	559
16	Accounts payable and accrued liabilites	196,153	78,435	77,385	80,493	79,840	81,337
17	Financing lease obligation	5,427	5,326	5,204	5,081	4,958	4,835
18	Unearned premiums and fees	592,939	557,353	575,732	597,638	620,018	643,249
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	397,294	408,748	420,204	431,662	443,120
21	Provision for unpaid claims	2,045,997	2,129,946	2,226,176	2,318,640	2,410,186	2,503,167
22	**Total Liabilities**	**3,245,785**	**3,188,610**	**3,314,178**	**3,443,666**	**3,568,951**	**3,698,672**
23	**Equity**						
24	Retained Earnings	448,678	468,754	496,351	523,598	548,018	572,116
25	Accumulated Other Comprehensive Income	(14,701)	(13,894)	(11,023)	(10,656)	(8,808)	(5,331)
26	**Total Equity**	**433,977**	**454,860**	**485,328**	**512,942**	**539,210**	**566,785**
27	**Total Liabilities & Equity**	**3,679,762**	**3,643,470**	**3,799,506**	**3,956,608**	**4,108,161**	**4,265,457**

Figure 3 PF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	*PUB 2-13* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	440,522	448,678	468,754	496,351	523,598	548,018
6	Net Income (Loss) from annual operations	290,782	67,406	(11,257)	(19,613)	(28,682)	(29,781)
7	Premium Rebate	(127,201)	(47,330)	-	-	-	-
8	Premium Rebate (accrued)	(155,425)					
9	Transfer from Extension Retained Earnings	-	-	38,854	46,860	53,102	53,879
10	**Total Retained Earnings**	**448,678**	**468,754**	**496,351**	**523,598**	**548,018**	**572,116**
11	**Total Accumulated Other Comprehensive Income**						
12	Beginning Balance	(34,296)	(14,701)	(13,894)	(11,023)	(10,656)	(8,808)
13	Other Comprehensive Income on Available for Sale Assets	53,984	807	2,871	367	1,848	3,477
14	Change in Remeasurement of Employee Future Benefits	(34,389)	-	-	-	-	-
15	**Total Accumulated Other Comprehensive Income**	(14,701)	(13,894)	(11,023)	(10,656)	(8,808)	(5,331)
16	**Total Equity Balance**	**433,977**	**454,860**	**485,328**	**512,942**	**539,210**	**566,785**
17	**MINIMUM CAPITAL TEST (C$ 000s)**						
18	Total Equity Balance	433,835	454,860	485,328	512,942	539,210	566,785
19	Less: Assets Requiring 100% Capital	32,042	43,012	51,126	52,937	42,138	32,478
20	Capital Available	401,793	411,848	434,202	460,005	497,072	534,307
21	Minimum Capital Required (100% MCT)	401,793	411,857	441,839	460,142	479,073	501,144
22	**MCT Ratio % (Line 20) / (Line 21)**	**100.0%**	**100.0%**	**98.3%**	**100.0%**	**103.8%**	**106.6%**

Figure 4 EPF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	PUB 2-13 *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023A**	**2024F**	**2025F**	**2026F**
2	**EXTENSION**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles	160,042	176,718	182,999	188,872	195,189	201,661
4	Reinsurance Ceded	(1,789)	(1,948)	(1,987)	(2,027)	(2,067)	(2,109)
5	**Total Net Premiums Written**	**158,253**	**174,770**	**181,012**	**186,845**	**193,122**	**199,552**
6	**Net Premiums Earned**						
7	Motor Vehicles	156,701	169,339	179,976	186,046	192,149	198,547
8	Reinsurance Ceded	(1,789)	(1,948)	(1,987)	(2,027)	(2,067)	(2,109)
9	**Total Net Premiums Earned**	**154,912**	**167,391**	**177,989**	**184,019**	**190,082**	**196,438**
10	Service Fees & Other Revenues	10,902	12,437	13,241	13,625	14,122	14,779
11	**Total Earned Revenues**	**165,814**	**179,828**	**191,230**	**197,644**	**204,204**	**211,217**
12	**Net Claims Incurred**	55,933	78,317	94,794	94,912	95,953	97,172
13	(a) Claims Incurred - Interest Rate Impact	99	123	(128)	-	-	-
14	**Total Claims Incurred**	**56,032**	**78,440**	**94,666**	**94,912**	**95,953**	**97,172**
15	Claims Expense	11,792	12,330	12,387	13,784	14,444	15,027
16	Road Safety/Loss Prevention	641	1,093	1,098	1,193	1,208	1,249
17	**Total Claims Costs**	**68,465**	**91,863**	**108,151**	**109,889**	**111,605**	**113,448**
18	**Expenses**						
19	Operating	7,851	8,160	8,202	8,885	9,235	9,553
20	Commissions	34,142	33,655	32,228	32,649	31,758	30,936
21	Premium Taxes	4,701	5,080	5,399	5,581	5,764	5,956
22	Regulatory/Appeal	13	12	11	25	44	63
23	**Total Expenses**	**46,707**	**46,907**	**45,840**	**47,140**	**46,801**	**46,508**
24	**Underwriting Income (Loss)**	**50,642**	**41,058**	**37,239**	**40,615**	**45,798**	**51,261**
25	**Investment Income**	5,038	15,991	10,279	10,281	9,891	9,533
26	(b) Investment Income - Interest Rate Impact	4	187	224	104	79	53
27	**Net Investment Income**	**5,042**	**16,178**	**10,503**	**10,385**	**9,970**	**9,586**
28	**Gain (Loss) on Sale of Property**	**6**	**-**	**-**	**-**	**-**	**-**
29	**Net Income (Loss) from Annual Operations**	**55,690**	**57,236**	**47,742**	**51,000**	**55,768**	**60,847**
30	**Total net Impact due to interest rate change (b) - (a)**	**(95)**	**64**	**352**	**104**	**79**	**53**

Figure 5 EPF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	*PUB 2-13* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		2020A	2021FB	2022F	2023F	2024F	2025F
2	**EXTENSION**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	142,866	86,234	89,980	98,868	103,007	105,671
6	Net Income (Loss) from annual operations	55,690	57,237	47,741	50,999	55,767	60,847
7	Premium Rebate	(52,322)	-	-	-	-	-
8	Transfer (to) / from DVA Retained Earnings	(60,000)	(53,491)				
9	Transfer (to) / from Basic Retained Earnings			(38,854)	(46,860)	(53,102)	(53,879)
10	**Total Retained Earnings**	**86,234**	**89,980**	**98,867**	**103,007**	**105,672**	**112,639**
11	**Total Accumulated Other Comprehensive Income**						
12	Beginning Balance	(2,367)	10,706	4,242	2,338	1,127	341
13	Other Comprehensive Income on Available for Sale Assets	15,989	(6,464)	(1,904)	(1,211)	(786)	(341)
14	Change in Remeasurement of Employee Future Benefits	(2,917)	-	-	-	-	-
15	**Total Accumulated Other Comprehensive Income**	10,705	4,242	2,338	1,127	341	-
16	**Total Equity Balance**	**96,940**	**94,223**	**101,206**	**104,133**	**106,012**	**112,640**
17	**MINIMUM CAPITAL TEST (C$ 000s)**						
18	Total Equity Balance	96,940	94,223	101,206	104,133	106,012	112,640
19	Less: Assets Requiring 100% Capital	2,696	3,633	4,316	4,436	3,514	2,696
20	Capital Available	94,244	90,590	96,890	99,697	102,498	109,944
21	Minimum Capital Required (100% MCT)	48,028	45,295	48,445	49,847	51,248	54,972
22	MCT Ratio % (Line 17) / (Line 18)	**196%**	**200%**	**200%**	**200%**	**200%**	**200%**

PUB (MPI) 2-14

Part and Chapter:	Part VII Rate Stabilization Reserve PUB (MPI) 1-26	Page No.:	10
PUB Approved Issue No:	2. Requested vehicle rate and any changes to other fees and discounts. 7a. CMP. Transfers of excess capital from Extension to Driver and Vehicle Administration.		
Topic:	Indicated premium rebate and/or capital release provision		
Sub Topic:			

Preamble to IR:

MPI has indicated that it has or will be transferring $113.5 million of Extension retained earnings to DVA instead of transferring them to Basic.

Question:

a) Please estimate the capital release provision with a target MCT ratio of 100.0% at 2023/24 of 100.0%, ignoring any movement below 100% in intervening years that would be indicated if the Extension retained earnings were transferred to Basic instead of to DVA, and the additional capital was used for purposes of the capital release provision. Please provide alternative Pro-Formas.

b) Please confirm that Figure 1 is incorrect, in that it shows capital build provisions for PUB 1-26(b) and PUB 1-26(c).

Rationale for Question:

To provide insight as to the impact of the transfer of Extension retained earnings to DVA instead of to Basic.

RESPONSE:

a) Please see *Figures 1 to 5* below:

Figure 1 PF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	PUB 2-14(a) (C$ 000s, rounding may affect totals)	For the Years Ended March 31,					
1		2021A	2022FB	2023F	2024F	2025F	2026F
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles	1,091,979	1,035,261	985,929	1,022,180	1,059,354	1,097,975
4	Drivers	66,714	61,179	63,772	65,978	67,889	69,691
5	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
6	**Total Net Premiums Written**	**1,144,932**	**1,080,811**	**1,033,759**	**1,071,898**	**1,110,657**	**1,150,749**
7	**Net Premiums Earned**						
8	Motor Vehicles	1,066,886	1,070,733	1,009,956	1,004,525	1,041,249	1,079,166
9	Drivers	67,343	63,506	62,499	64,895	66,951	68,806
10	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
11	**Total Net Premiums Earned**	**1,120,468**	**1,118,610**	**1,056,513**	**1,053,160**	**1,091,614**	**1,131,055**
12	Service Fees & Other Revenues	25,792	26,228	27,762	27,922	28,591	30,152
13	**Total Earned Revenues**	**1,146,260**	**1,144,838**	**1,084,275**	**1,081,082**	**1,120,205**	**1,161,207**
14	Claims Incurred	620,145	839,935	904,587	940,954	980,479	1,023,887
15	DPAC \ Premium Deficiency Adjustment	(10,511)	3,425	192	3,301	10,743	6,856
16	(a) Claims Incurred - Interest Rate Impact	44,194	12,341	9,616	10,700	10,844	9,948
17	**Total Claims Incurred**	**653,828**	**855,701**	**914,395**	**954,955**	**1,002,066**	**1,040,691**
18	Claims Expense	141,720	149,509	147,719	151,151	152,742	156,189
19	Road Safety/Loss Prevention	7,708	13,249	13,070	12,933	12,595	12,799
20	**Total Claims Costs**	**803,256**	**1,018,459**	**1,075,184**	**1,119,039**	**1,167,403**	**1,209,679**
21	**Expenses**						
22	Operating	70,063	76,113	76,108	78,133	79,085	80,886
23	Commissions	43,384	45,961	46,198	47,153	49,300	49,289
24	Premium Taxes	23,978	32,607	32,174	32,083	33,246	34,439
25	Regulatory/Appeal	4,399	4,791	4,624	4,604	4,644	4,693
26	**Total Expenses**	**141,824**	**159,472**	**159,104**	**161,973**	**166,275**	**169,307**
27	**Underwriting Income (Loss)**	**201,180**	**(33,093)**	**(150,013)**	**(199,930)**	**(213,473)**	**(217,779)**
28	**Investment Income**	88,878	98,342	102,364	107,680	106,983	102,897
29	(b) Investment Income - Interest Rate Impact	650	502	675	398	494	325
30	**Net Investment Income**	**89,528**	**98,844**	**103,039**	**108,078**	**107,477**	**103,222**
31	Gain (Loss) on Sale of Property	74	-	-	-	-	-
32	**Net Income (Loss) from Annual Operations**	**290,782**	**65,751**	**(46,974)**	**(91,852)**	**(105,996)**	**(114,557)**
33	Total net Impact due to interest rate change (b) - (a)	(43,544)	(11,839)	(8,941)	(10,302)	(10,350)	(9,623)

Figure 2 PF-2 Statement of Financial Position

Multi-year - Statement of Financial Position

Line No.	*PUB 2-14(a)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Assets**						
4	Cash and cash equivalents	198,600	100,000	100,000	91,831	99,910	96,533
5	Investments	2,947,377	3,055,365	3,131,601	3,204,804	3,276,826	3,353,664
6	Investment property	6,065	5,890	5,480	5,483	5,200	4,574
7	Due from other insurance companies	109	-	-	-	-	-
8	Accounts receivable	405,876	409,261	398,737	412,786	426,858	441,170
9	Deferred policy acquisition costs	37,259	30,609	31,317	31,233	21,127	15,081
10	Reinsurers' share of unpaid claims	2,172	-	-	-	-	-
11	Property and equipment	110,262	114,807	117,424	115,636	109,952	103,484
12	Deferred development costs	32,042	43,012	51,126	52,937	42,140	32,480
13	**Total Assets**	**3,739,762**	**3,758,944**	**3,835,685**	**3,914,710**	**3,982,013**	**4,046,986**
14	**Liabilities**						
15	Due to other insurance companies	395	559	559	559	559	559
16	Accounts payable and accrued liabilities	196,153	78,435	77,385	80,493	79,840	81,337
17	Financing lease obligation	5,427	5,326	5,204	5,081	4,958	4,835
18	Unearned premiums and fees	592,939	557,353	536,196	556,653	577,546	599,233
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	397,294	408,748	420,204	431,662	443,120
21	Provision for unpaid claims	2,045,997	2,129,899	2,224,720	2,315,796	2,408,036	2,501,204
22	**Total Liabilities**	**3,245,785**	**3,188,563**	**3,273,186**	**3,399,837**	**3,524,329**	**3,652,693**
23	**Equity**						
24	Retained Earnings	508,678	581,763	570,740	526,326	474,514	413,317
25	Accumulated Other Comprehensive Income	(14,701)	(11,384)	(8,241)	(11,449)	(16,828)	(19,022)
26	**Total Equity**	**493,977**	**570,379**	**562,499**	**514,877**	**457,686**	**394,295**
27	**Total Liabilities & Equity**	**3,739,762**	**3,758,942**	**3,835,685**	**3,914,714**	**3,982,015**	**4,046,988**

Figure 3 PF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	*PUB 2-14(a)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	440,522	508,678	581,763	570,740	526,326	474,514
6	Net Income (Loss) from annual operations	290,782	65,751	(46,974)	(91,852)	(105,996)	(114,557)
7	Premium Rebate	(127,201)	(47,330)	-	-	-	-
8	Premium Rebate (accrued)	(155,425)					
9	Transfer from Extension Retained Earnings	60,000	54,664	35,951	47,438	54,184	53,360
10	**Total Retained Earnings**	**508,678**	**581,763**	**570,740**	**526,326**	**474,514**	**413,317**
11	**Total Accumulated Other Comprehensive Income**						
12	Beginning Balance	(34,296)	(14,701)	(11,384)	(8,241)	(11,449)	(16,828)
13	Other Comprehensive Income on Available for Sale Assets	53,984	3,317	3,143	(3,208)	(5,379)	(2,194)
14	Change in Remeasurement of Employee Future Benefits	(34,389)	-	-	-	-	-
15	**Total Accumulated Other Comprehensive Income**	(14,701)	(11,384)	(8,241)	(11,449)	(16,828)	(19,022)
16	**Total Equity Balance**	**493,977**	**570,379**	**562,499**	**514,877**	**457,686**	**394,295**
17	**MINIMUM CAPITAL TEST (C$ 000s)**						
18	Total Equity Balance	493,835	570,379	562,499	514,877	457,686	394,295
19	Less: Assets Requiring 100% Capital	32,042	43,012	51,126	52,937	42,140	32,480
20	Capital Available	461,793	527,367	511,373	461,940	415,546	361,815
21	Minimum Capital Required (100% MCT)	401,793	422,056	445,290	461,895	471,389	483,001
22	**MCT Ratio % (Line 20) / (Line 21)**	**114.9%**	**125.0%**	**114.8%**	**100.0%**	**88.2%**	**74.9%**

Figure 4 EPF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	*PUB 2-14(a)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023A**	**2024F**	**2025F**	**2026F**
2	**EXTENSION**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles	160,042	176,718	182,999	188,872	195,189	201,661
4	Reinsurance Ceded	(1,789)	(1,948)	(1,987)	(2,027)	(2,067)	(2,109)
5	**Total Net Premiums Written**	**158,253**	**174,770**	**181,012**	**186,845**	**193,122**	**199,552**
6	**Net Premiums Earned**						
7	Motor Vehicles	156,701	169,339	179,976	186,046	192,149	198,547
8	Reinsurance Ceded	(1,789)	(1,948)	(1,987)	(2,027)	(2,067)	(2,109)
9	**Total Net Premiums Earned**	**154,912**	**167,391**	**177,989**	**184,019**	**190,082**	**196,438**
10	Service Fees & Other Revenues	10,902	12,437	13,255	13,633	14,122	14,773
11	**Total Earned Revenues**	**165,814**	**179,828**	**191,244**	**197,652**	**204,204**	**211,211**
12	**Net Claims Incurred**	55,933	78,318	94,794	94,912	95,953	97,172
13	(a) Claims Incurred - Interest Rate Impact	99	142	(147)	-	-	-
14	**Total Claims Incurred**	**56,032**	**78,460**	**94,647**	**94,912**	**95,953**	**97,172**
15	Claims Expense	11,792	12,330	12,387	13,786	14,447	15,043
16	Road Safety/Loss Prevention	641	1,093	1,098	1,193	1,208	1,250
17	**Total Claims Costs**	**68,465**	**91,883**	**108,132**	**109,891**	**111,608**	**113,465**
18	**Expenses**						
19	Operating	7,851	8,160	8,202	8,885	9,236	9,560
20	Commissions	34,142	33,655	32,228	32,649	31,758	30,936
21	Premium Taxes	4,701	5,080	5,399	5,581	5,764	5,956
22	Regulatory/Appeal	13	12	11	25	44	63
23	**Total Expenses**	**46,707**	**46,907**	**45,840**	**47,140**	**46,802**	**46,515**
24	**Underwriting Income (Loss)**	**50,642**	**41,038**	**37,272**	**40,621**	**45,794**	**51,231**
25	**Investment Income**	5,038	16,051	10,178	10,542	10,174	9,771
26	(b) Investment Income - Interest Rate Impact	4	189	226	100	78	52
27	**Net Investment Income**	**5,042**	**16,240**	**10,404**	**10,642**	**10,252**	**9,823**
28	**Gain (Loss) on Sale of Property**	**6**	**-**	**-**	**-**	**-**	**-**
29	**Net Income (Loss) from Annual Operations**	**55,690**	**57,278**	**47,676**	**51,263**	**56,046**	**61,054**
30	**Total net Impact due to interest rate change (b) - (a)**	**(95)**	**47**	**373**	**100**	**78**	**52**

Figure 5 EPF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	PUB 2-14(a) (C$ 000s, rounding may affect totals)	For the Years Ended March 31,					
1		2020A	2021FB	2022F	2023F	2024F	2025F
2	**EXTENSION**	2020/21A	2021/22FB	2022/23F	2023/24F	2024/25F	2025/26F
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	142,866	86,234	88,849	100,576	104,399	106,262
6	Net Income (Loss) from annual operations	55,690	57,279	47,677	51,262	56,047	61,053
7	Premium Rebate	(52,322)	-	-	-	-	-
8	Transfer (to) / from DVA Retained Earnings	-	-	-	-	-	-
9	Transfer (to) / from Basic Retained Earnings	(60,000)	(54,664)	(35,951)	(47,438)	(54,184)	(53,360)
10	**Total Retained Earnings**	**86,234**	**88,849**	**100,575**	**104,400**	**106,262**	**113,955**
11	**Total Accumulated Other Comprehensive Income**						
12	Beginning Balance	(2,367)	10,706	4,177	2,408	1,290	543
13	Other Comprehensive Income on Available for Sale Assets	15,989	(6,528)	(1,769)	(1,118)	(747)	(293)
14	Change in Remeasurement of Employee Future Benefits	(2,917)	-	-	-	-	-
15	**Total Accumulated Other Comprehensive Income**	10,705	4,178	2,408	1,290	543	250
16	**Total Equity Balance**	**96,940**	**93,027**	**102,984**	**105,689**	**106,804**	**114,204**
17	**MINIMUM CAPITAL TEST (C$ 000s)**						
18	Total Equity Balance	96,940	93,027	102,984	105,689	106,804	114,204
19	Less: Assets Requiring 100% Capital	2,696	3,633	4,316	4,435	3,514	2,696
20	Capital Available	94,244	89,394	98,668	101,254	103,290	111,508
21	Minimum Capital Required (100% MCT)	48,028	44,697	49,336	50,627	51,645	55,754
22	MCT Ratio % (Line 17) / (Line 18)	**196%**	**200%**	**200%**	**200%**	**200%**	**200%**

b) Confirmed. Please see the revised *Figure 6* below, which includes the summary results from the alternative scenario in a).

Figure 6 Basic MCT % after Rebate and Capital Management Plan

Line No.	Scenario	Capital Build / (Release) Provision	Rebate (in million) 20/21**	Rebate (in million) 21/22	Transfer from Extension (in million) 20/21	Transfer from Extension (in million) 21/22	Transfer from Extension (in million) 22/23	Transfer from Extension (in million) 23/24	MCT % After Basic Rebate, Transfer from Extension and Capital Build / Release 20/21	21/22	22/23	23/24
1	**PUB 1-26 a)**	-5.00%	(155.4)	(47.3)	60.0	54.7	37.6	47.1	114.9%	125.0%	120.2%	117.6%
2	**PUB 1-26 a)***	-7.86%	(155.4)	(47.3)	60.0	54.7	37.6	47.1	114.9%	125.0%	117.7%	108.3%
3	**PUB 1-26 b)**	0.00%	(155.4)	(156.0)	60.0	54.7	39.1	46.7	114.9%	100.0%	102.2%	110.7%
4	**PUB 1-26 c)**	0.00%	(155.4)	(156.0)	-	-	39.3	46.7	100.0%	74.4%	77.7%	86.7%
5	**PUB 2-14 a)**	-10.39%	(155.4)	(47.3)	60.0	54.7	36.0	47.4	114.9%	125.0%	114.8%	100.0%
6	*uncapped Capital Release Provision, where 23/24 MCT% = Target MCT%											
7	** Excludes rebates approved from 2021 Special Rebate Applications											

PUB (MPI) 2-15

Part and Chapter:	**Part VII Rate Stabilization Reserve PUB (MPI) 1-29**	**Page No.:**	**8**
PUB Approved Issue No:	**7. Capital Management Plan**		
Topic:	**Capital Management Plan**		
Sub Topic:			

Preamble to IR:

PUB Order 1/21 Section 10.7 stated "In the 2022 GRA, the Corporation shall file an analysis supporting the level of the Basic target capital level (100% MCT) or the use of a single target capital level (vs. a range) to promote rate stability."

MPI indicates in the Application that it complied with this in RSR.8. RSR.8 provides information about the MCT test, but does not appear to provide any support for the level of the Basic target capital level.

The Corporation provided an updated estimate of the Basic target capital range reflecting market interest rates as of the end of September 2018. This updated Basic Total Equity target capital range was $140 million to $315 million (or an MCT range of 34% to 88%), after correction of a calculation error with respect to the lower threshold was provided in oral testimony. (Order 159/18 p.96)

PUB (MPI) 1-29 (b) requested an analysis be provided which is consistent with that used at the 2019 GRA with respect to method and approach and provide the range of capital in both dollars and MCT basis. The Corporation has not provided this analysis. The most current analysis of an appropriate range provided to the Board would be the analysis provided at the 2019 GRA of an MCT range of 34% to 88%.

Question:

a) Please file the analysis requested with regard to a target range.

b) Please estimate the premium rebate that would result in Basic MCT at 88.0% at the end of 2021/22 if the Extension retained earnings in 2021/22 were still transferred to DVA instead of to Basic. Please provide alternative Pro-Formas.

c) Please estimate the premium rebate that would result in Basic MCT at 88.0% at the end of 2021/22 if the Extension retained earnings in 2021/22 were transferred to Basic instead of to DVA. Please provide alternative Pro-Formas.

In answering (b) and (c), do not adjust the rate level from those filed in the GRA.

Rationale for Question:

To compare the use of a target MCT ratio with the use of a range.

RESPONSE:

a) MPI has not completed a target capital range analysis. In light of its mandatory adherence to a single point target under the Reserves Regulation (see MPI's response to *CAC (MPI) 1-96*), and having moved away from use of the Dynamic Capital Adequacy Test, the range analysis was not prioritized by MPI. In addition, with the departure of MPI's Chief Actuary in June 2021, a response to the request made of MPI in *PUB (MPI) 1-29(b)* was not possible. MPI will however be proposing amendments to its Capital Management Plan in the 2023 GRA (which may involve the use of a range in conjuction with its 100% MCT target under the Reserves Regulation). Although the details of any such mechanism are not yet conceived, MPI will ensure that this analysis is available to the PUB for review and consideration in the course of that GRA.

b) Please see *Figures 1 to 5* below:

Figure 1 PF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	*PUB 2-15(b)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles	1,091,979	1,035,261	1,099,690	1,140,113	1,181,565	1,224,630
4	Drivers	66,714	61,179	63,772	65,978	67,889	69,691
5	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
6	**Total Net Premiums Written**	**1,144,932**	**1,080,811**	**1,147,520**	**1,189,831**	**1,232,868**	**1,277,404**
7	**Net Premiums Earned**						
8	Motor Vehicles	1,066,886	1,070,733	1,068,311	1,120,426	1,161,377	1,203,656
9	Drivers	67,343	63,506	62,499	64,895	66,951	68,806
10	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
11	**Total Net Premiums Earned**	**1,120,468**	**1,118,610**	**1,114,868**	**1,169,061**	**1,211,742**	**1,255,545**
12	Service Fees & Other Revenues	25,792	26,228	30,063	30,405	31,269	33,044
13	**Total Earned Revenues**	**1,146,260**	**1,144,838**	**1,144,931**	**1,199,466**	**1,243,011**	**1,288,589**
14	Claims Incurred	620,145	839,934	904,590	941,022	980,582	1,023,965
15	DPAC \ Premium Deficiency Adjustment	(10,511)	3,430	303	3,357	10,704	6,867
16	(a) Claims Incurred - Interest Rate Impact	44,194	12,435	11,705	11,654	9,906	10,025
17	**Total Claims Incurred**	**653,828**	**855,799**	**916,598**	**956,033**	**1,001,192**	**1,040,857**
18	Claims Expense	141,720	149,509	147,719	151,167	152,772	156,205
19	Road Safety/Loss Prevention	7,708	13,249	13,070	12,934	12,598	12,800
20	**Total Claims Costs**	**803,256**	**1,018,557**	**1,077,387**	**1,120,134**	**1,166,562**	**1,209,862**
21	**Expenses**						
22	Operating	70,063	76,113	76,108	78,141	79,099	80,894
23	Commissions	43,384	45,961	48,013	51,667	54,152	54,166
24	Premium Taxes	23,978	31,080	33,924	35,560	36,850	38,174
25	Regulatory/Appeal	4,399	4,791	4,624	4,605	4,644	4,693
26	**Total Expenses**	**141,824**	**157,945**	**162,669**	**169,973**	**174,745**	**177,927**
27	**Underwriting Income (Loss)**	**201,180**	**(31,664)**	**(95,125)**	**(90,641)**	**(98,296)**	**(99,200)**
28	**Investment Income**	88,878	100,032	99,284	101,096	102,718	105,385
29	(b) Investment Income - Interest Rate Impact	650	540	485	(9)	(10)	(11)
30	**Net Investment Income**	**89,528**	**100,572**	**99,769**	**101,087**	**102,708**	**105,374**
31	Gain (Loss) on Sale of Property	74	-	-	-	-	-
32	**Net Income (Loss) from Annual Operations**	**290,782**	**68,908**	**4,644**	**10,446**	**4,412**	**6,174**
33	Total net Impact due to interest rate change (b) - (a)	(43,544)	(11,895)	(11,220)	(11,663)	(9,916)	(10,036)

Figure 2 PF-2 Statement of Financial Position

Multi-year - Statement of Financial Position

Line No.	*PUB 2-15(b)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Assets**						
4	Cash and cash equivalents	138,600	100,000	100,000	100,000	100,000	100,000
5	Investments	2,947,377	2,890,534	3,045,951	3,221,762	3,421,167	3,624,391
6	Investment property	6,065	5,890	5,480	5,483	5,200	4,574
7	Due from other insurance companies	109	-	-	-	-	-
8	Accounts receivable	405,876	409,261	431,957	447,224	462,544	478,155
9	Deferred policy acquisition costs	37,259	30,604	31,201	31,062	20,996	14,939
10	Reinsurers' share of unpaid claims	2,172	-	-	-	-	-
11	Property and equipment	110,262	114,807	117,424	115,636	109,952	103,484
12	Deferred development costs	32,042	43,012	51,126	52,937	42,138	32,478
13	**Total Assets**	**3,679,762**	**3,594,108**	**3,783,139**	**3,974,104**	**4,161,997**	**4,358,021**
14	**Liabilities**						
15	Due to other insurance companies	395	559	559	559	559	559
16	Accounts payable and accrued liabilites	196,153	78,435	77,385	80,493	79,840	81,337
17	Financing lease obligation	5,427	5,326	5,204	5,081	4,958	4,835
18	Unearned premiums and fees	592,939	557,353	591,602	614,090	637,066	660,918
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	397,294	408,748	420,204	431,662	443,120
21	Provision for unpaid claims	2,045,997	2,129,993	2,226,905	2,319,004	2,410,409	2,503,732
22	**Total Liabilities**	**3,245,785**	**3,188,657**	**3,330,777**	**3,460,482**	**3,586,222**	**3,716,906**
23	**Equity**						
24	Retained Earnings	448,678	419,347	463,292	520,419	577,852	637,822
25	Accumulated Other Comprehensive Income	(14,701)	(13,897)	(10,930)	(6,798)	(2,078)	3,291
26	**Total Equity**	**433,977**	**405,450**	**452,362**	**513,621**	**575,774**	**641,113**
27	**Total Liabilities & Equity**	**3,679,762**	**3,594,107**	**3,783,139**	**3,974,103**	**4,161,996**	**4,358,019**

Figure 3 PF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	*PUB 2-15(b)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	440,522	448,678	419,347	463,292	520,419	577,852
6	Net Income (Loss) from annual operations	290,782	68,908	4,644	10,446	4,412	6,174
7	Premium Rebate	(127,201)	(98,239)	-	-	-	-
8	Premium Rebate (accrued)	(155,425)					
9	Transfer from Extension Retained Earnings	-	-	39,301	46,681	53,021	53,796
10	**Total Retained Earnings**	**448,678**	**419,347**	**463,292**	**520,419**	**577,852**	**637,822**
11	**Total Accumulated Other Comprehensive Income**						
12	Beginning Balance	(34,296)	(14,701)	(13,897)	(10,930)	(6,798)	(2,078)
13	Other Comprehensive Income on Available for Sale Assets	53,984	804	2,967	4,132	4,720	5,369
14	Change in Remeasurement of Employee Future Benefits	(34,389)	-	-	-	-	-
15	**Total Accumulated Other Comprehensive Income**	(14,701)	(13,897)	(10,930)	(6,798)	(2,078)	3,291
16	**Total Equity Balance**	**433,977**	**405,450**	**452,362**	**513,621**	**575,774**	**641,113**
17	**MINIMUM CAPITAL TEST (C$ 000s)**						
18	Total Equity Balance	433,835	405,450	452,362	513,621	575,774	641,113
19	Less: Assets Requiring 100% Capital	32,042	43,012	51,126	52,937	42,138	32,478
20	Capital Available	401,793	362,438	401,236	460,684	533,636	608,635
21	Minimum Capital Required (100% MCT)	401,793	411,813	444,202	466,838	489,068	513,650
22	**MCT Ratio % (Line 20) / (Line 21)**	**100.0%**	**88.0%**	**90.3%**	**98.7%**	**109.1%**	**118.5%**

Figure 4 EPF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	PUB 2-15(b) *(C$ 000s, rounding may affect totals)*	For the Years Ended March 31,					
1		2021A	2022FB	2023A	2024F	2025F	2026F
2	**EXTENSION**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles	160,042	176,718	182,999	188,872	195,189	201,661
4	Reinsurance Ceded	(1,789)	(1,948)	(1,987)	(2,027)	(2,067)	(2,109)
5	**Total Net Premiums Written**	**158,253**	**174,770**	**181,012**	**186,845**	**193,122**	**199,552**
6	**Net Premiums Earned**						
7	Motor Vehicles	156,701	169,339	179,976	186,046	192,149	198,547
8	Reinsurance Ceded	(1,789)	(1,948)	(1,987)	(2,027)	(2,067)	(2,109)
9	**Total Net Premiums Earned**	**154,912**	**167,391**	**177,989**	**184,019**	**190,082**	**196,438**
10	Service Fees & Other Revenues	10,902	12,437	13,236	13,622	14,122	14,782
11	**Total Earned Revenues**	**165,814**	**179,828**	**191,225**	**197,641**	**204,204**	**211,220**
12	**Net Claims Incurred**	55,933	78,317	94,794	94,912	95,953	97,172
13	(a) Claims Incurred - Interest Rate Impact	99	123	(128)	-	-	-
14	**Total Claims Incurred**	**56,032**	**78,440**	**94,666**	**94,912**	**95,953**	**97,172**
15	Claims Expense	11,792	12,330	12,387	13,770	14,430	15,027
16	Road Safety/Loss Prevention	641	1,093	1,098	1,192	1,206	1,249
17	**Total Claims Costs**	**68,465**	**91,863**	**108,151**	**109,874**	**111,589**	**113,448**
18	**Expenses**						
19	Operating	7,851	8,160	8,202	8,878	9,228	9,553
20	Commissions	34,142	33,655	32,228	32,649	31,758	30,936
21	Premium Taxes	4,701	5,080	5,399	5,581	5,764	5,956
22	Regulatory/Appeal	13	12	11	25	44	63
23	**Total Expenses**	**46,707**	**46,907**	**45,840**	**47,133**	**46,794**	**46,508**
24	**Underwriting Income (Loss)**	**50,642**	**41,058**	**37,234**	**40,634**	**45,821**	**51,264**
25	**Investment Income**	5,038	15,991	10,269	10,188	9,796	9,421
26	(b) Investment Income - Interest Rate Impact	4	187	225	106	80	54
27	**Net Investment Income**	**5,042**	**16,178**	**10,494**	**10,294**	**9,876**	**9,475**
28	**Gain (Loss) on Sale of Property**	**6**	**-**	**-**	**-**	**-**	**-**
29	**Net Income (Loss) from Annual Operations**	**55,690**	**57,236**	**47,728**	**50,928**	**55,697**	**60,739**
30	**Total net Impact due to interest rate change (b) - (a)**	**(95)**	**64**	**353**	**106**	**80**	**54**

Figure 5 EPF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	*PUB 2-15(b)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2020A**	**2021FB**	**2022F**	**2023F**	**2024F**	**2025F**
2	**EXTENSION**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	142,866	86,234	89,977	98,403	102,650	105,324
6	Net Income (Loss) from annual operations	55,690	57,237	47,728	50,928	55,695	60,739
7	Premium Rebate	(52,322)	-	-	-	-	-
8	Transfer (to) / from DVA Retained Earnings	(60,000)	(53,494)	(39,301)	(46,681)	(53,021)	(53,796)
9	Transfer (to) / from Basic Retained Earnings	86,234	89,977	98,404	102,650	105,324	112,267
10	**Total Retained Earnings**						
11	**Total Accumulated Other Comprehensive Income**	(2,367)	10,706	4,242	2,307	1,061	252
12	Beginning Balance	15,989	(6,464)	(1,935)	(1,246)	(809)	(352)
13	Other Comprehensive Income on Available for Sale Assets	(2,917)	-	-	-	-	-
14	Change in Remeasurement of Employee Future Benefits	10,705	4,242	2,307	1,061	252	(100)
15	**Total Accumulated Other Comprehensive Income**	96,940	94,219	100,711	103,711	105,577	112,168
16	**Total Equity Balance**						
17	**MINIMUM CAPITAL TEST (C$ 000s)**	**96,940**	**94,219**	**100,711**	**103,711**	**105,577**	**112,168**
18	Total Equity Balance	2,696	3,633	4,316	4,436	3,516	2,697
19	Less: Assets Requiring 100% Capital	94,244	90,586	96,395	99,275	102,061	109,471
20	Capital Available						
		48,028	45,294	48,197	49,636	51,029	54,738
21	Minimum Capital Required (100% MCT)						
22	MCT Ratio % (Line 17) / (Line 18)	**196%**	**200%**	**200%**	**200%**	**200%**	**200%**

c) Please see *Figures 6 to 10* below:

Figure 6 PF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	*PUB 2-15(c)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles	1,091,979	1,035,261	1,099,690	1,140,113	1,181,565	1,224,630
4	Drivers	66,714	61,179	63,772	65,978	67,889	69,691
5	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
6	**Total Net Premiums Written**	**1,144,932**	**1,080,811**	**1,147,520**	**1,189,831**	**1,232,868**	**1,277,404**
7	**Net Premiums Earned**						
8	Motor Vehicles	1,066,886	1,070,733	1,068,311	1,120,426	1,161,377	1,203,656
9	Drivers	67,343	63,506	62,499	64,895	66,951	68,806
10	Reinsurance Ceded	(13,761)	(15,629)	(15,942)	(16,260)	(16,586)	(16,917)
11	**Total Net Premiums Earned**	**1,120,468**	**1,118,610**	**1,114,868**	**1,169,061**	**1,211,742**	**1,255,545**
12	Service Fees & Other Revenues	25,792	26,228	30,063	30,405	31,269	33,044
13	**Total Earned Revenues**	**1,146,260**	**1,144,838**	**1,144,931**	**1,199,466**	**1,243,011**	**1,288,589**
14	Claims Incurred	620,145	839,934	904,593	941,022	980,581	1,023,964
15	DPAC \ Premium Deficiency Adjustment	(10,511)	3,435	297	3,357	10,704	6,867
16	(a) Claims Incurred - Interest Rate Impact	44,194	12,524	11,583	11,649	9,907	10,026
17	**Total Claims Incurred**	**653,828**	**855,893**	**916,473**	**956,028**	**1,001,192**	**1,040,857**
18	Claims Expense	141,720	149,509	147,719	151,167	152,772	156,205
19	Road Safety/Loss Prevention	7,708	13,249	13,070	12,934	12,598	12,800
20	**Total Claims Costs**	**803,256**	**1,018,651**	**1,077,262**	**1,120,129**	**1,166,562**	**1,209,862**
21	**Expenses**						
22	Operating	70,063	76,113	76,108	78,141	79,099	80,894
23	Commissions	43,384	45,961	48,013	51,667	54,152	54,166
24	Premium Taxes	23,978	29,548	33,924	35,560	36,850	38,174
25	Regulatory/Appeal	4,399	4,791	4,624	4,605	4,644	4,693
26	**Total Expenses**	**141,824**	**156,413**	**162,669**	**169,973**	**174,745**	**177,927**
27	**Underwriting Income (Loss)**	**201,180**	**(30,226)**	**(95,000)**	**(90,636)**	**(98,296)**	**(99,200)**
28	**Investment Income**	88,878	97,828	101,311	103,288	104,941	107,629
29	(b) Investment Income - Interest Rate Impact	650	339	532	(10)	(11)	(12)
30	**Net Investment Income**	**89,528**	**98,167**	**101,843**	**103,278**	**104,930**	**107,617**
31	Gain (Loss) on Sale of Property	74	-	-	-	-	-
32	**Net Income (Loss) from Annual Operations**	**290,782**	**67,941**	**6,843**	**12,642**	**6,634**	**8,417**
33	Total net Impact due to interest rate change (b) - (a)	(43,544)	(12,185)	(11,051)	(11,659)	(9,918)	(10,038)

Figure 7 PF-2 Statement of Financial Position

Multi-year - Statement of Financial Position

Line No.	*PUB 2-15(c)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Assets**						
4	Cash and cash equivalents	138,600	100,000	100,000	100,000	100,000	100,000
5	Investments	2,947,377	2,895,100	3,052,916	3,231,146	3,432,963	3,638,662
6	Investment property	6,065	5,890	5,480	5,483	5,200	4,574
7	Due from other insurance companies	109	-	-	-	-	-
8	Accounts receivable	405,876	409,261	431,957	447,224	462,544	478,155
9	Deferred policy acquisition costs	37,259	30,599	31,203	31,064	20,998	14,941
10	Reinsurers' share of unpaid claims	2,172	-	-	-	-	-
11	Property and equipment	110,262	114,807	117,424	115,636	109,952	103,484
12	Deferred development costs	32,042	43,012	51,126	52,937	42,138	32,478
13	**Total Assets**	**3,679,762**	**3,598,669**	**3,790,106**	**3,983,490**	**4,173,795**	**4,372,294**
14	**Liabilities**						
15	Due to other insurance companies	395	559	559	559	559	559
16	Accounts payable and accrued liabilites	196,153	78,435	77,385	80,493	79,840	81,337
17	Financing lease obligation	5,427	5,326	5,204	5,081	4,958	4,835
18	Unearned premiums and fees	592,939	557,353	591,602	614,090	637,066	660,918
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	397,294	408,748	420,204	431,662	443,120
21	Provision for unpaid claims	2,045,997	2,130,082	2,226,874	2,318,968	2,410,374	2,503,697
22	**Total Liabilities**	**3,245,785**	**3,188,746**	**3,330,746**	**3,460,446**	**3,586,187**	**3,716,871**
23	**Equity**						
24	Retained Earnings	448,678	421,191	467,412	526,674	586,255	648,455
25	Accumulated Other Comprehensive Income	(14,701)	(11,269)	(8,053)	(3,631)	1,352	6,966
26	**Total Equity**	**433,977**	**409,922**	**459,359**	**523,043**	**587,607**	**655,421**
27	**Total Liabilities & Equity**	**3,679,762**	**3,598,668**	**3,790,105**	**3,983,489**	**4,173,794**	**4,372,292**

Figure 8 PF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	*PUB 2-15(c)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023F**	**2024F**	**2025F**	**2026F**
2	**BASIC**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	440,522	448,678	421,191	467,412	526,674	586,255
6	Net Income (Loss) from annual operations	290,782	67,941	6,843	12,642	6,634	8,417
7	Premium Rebate	(127,201)	(149,294)	-	-	-	-
8	Premium Rebate (accrued)	(155,425)					
9	Transfer from Extension Retained Earnings	-	53,866	39,378	46,620	52,947	53,783
10	**Total Retained Earnings**	**448,678**	**421,191**	**467,412**	**526,674**	**586,255**	**648,455**
11	**Total Accumulated Other Comprehensive Income**						
12	Beginning Balance	(34,296)	(14,701)	(11,269)	(8,053)	(3,631)	1,352
13	Other Comprehensive Income on Available for Sale Assets	53,984	3,432	3,216	4,422	4,983	5,614
14	Change in Remeasurement of Employee Future Benefits	(34,389)	-	-	-	-	-
15	**Total Accumulated Other Comprehensive Income**	(14,701)	(11,269)	(8,053)	(3,631)	1,352	6,966
16	**Total Equity Balance**	**433,977**	**409,922**	**459,359**	**523,043**	**587,607**	**655,421**
17	**MINIMUM CAPITAL TEST (C$ 000s)**						
18	Total Equity Balance	433,835	409,922	459,359	523,043	587,607	655,421
19	Less: Assets Requiring 100% Capital	32,042	43,012	51,126	52,937	42,138	32,478
20	Capital Available	401,793	366,910	408,233	470,106	545,469	622,943
21	Minimum Capital Required (100% MCT)	401,793	416,649	449,588	472,470	494,938	519,827
22	**MCT Ratio % (Line 20) / (Line 21)**	**100.0%**	**88.1%**	**90.8%**	**99.5%**	**110.2%**	**119.8%**

Figure 9 EPF-1 Statement of Operations

Multi-year - Statement of Operations

Line No.	*PUB 2-15(c)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2021A**	**2022FB**	**2023A**	**2024F**	**2025F**	**2026F**
2	**EXTENSION**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	Motor Vehicles	160,042	176,718	182,999	188,872	195,189	201,661
4	Reinsurance Ceded	(1,789)	(1,948)	(1,987)	(2,027)	(2,067)	(2,109)
5	**Total Net Premiums Written**	**158,253**	**174,770**	**181,012**	**186,845**	**193,122**	**199,552**
6	**Net Premiums Earned**						
7	Motor Vehicles	156,701	169,339	179,976	186,046	192,149	198,547
8	Reinsurance Ceded	(1,789)	(1,948)	(1,987)	(2,027)	(2,067)	(2,109)
9	**Total Net Premiums Earned**	**154,912**	**167,391**	**177,989**	**184,019**	**190,082**	**196,438**
10	Service Fees & Other Revenues	10,902	12,437	13,236	13,622	14,122	14,782
11	**Total Earned Revenues**	**165,814**	**179,828**	**191,225**	**197,641**	**204,204**	**211,220**
12	**Net Claims Incurred**	55,933	78,317	94,794	94,912	95,953	97,172
13	(a) Claims Incurred - Interest Rate Impact	99	123	(128)	-	-	-
14	**Total Claims Incurred**	**56,032**	**78,440**	**94,666**	**94,912**	**95,953**	**97,172**
15	Claims Expense	11,792	12,330	12,387	13,770	14,430	15,027
16	Road Safety/Loss Prevention	641	1,093	1,098	1,192	1,206	1,249
17	**Total Claims Costs**	**68,465**	**91,863**	**108,151**	**109,874**	**111,589**	**113,448**
18	**Expenses**						
19	Operating	7,851	8,160	8,202	8,878	9,228	9,553
20	Commissions	34,142	33,655	32,228	32,649	31,758	30,936
21	Premium Taxes	4,701	5,080	5,399	5,581	5,764	5,956
22	Regulatory/Appeal	13	12	11	25	44	63
23	**Total Expenses**	**46,707**	**46,907**	**45,840**	**47,133**	**46,794**	**46,508**
24	**Underwriting Income (Loss)**	**50,642**	**41,058**	**37,234**	**40,634**	**45,821**	**51,264**
25	**Investment Income**	5,038	16,010	10,258	10,166	9,776	9,407
26	(b) Investment Income - Interest Rate Impact	4	188	225	106	80	53
27	**Net Investment Income**	**5,042**	**16,198**	**10,483**	**10,272**	**9,856**	**9,460**
28	**Gain (Loss) on Sale of Property**	**6**	**-**	**-**	**-**	**-**	**-**
29	**Net Income (Loss) from Annual Operations**	**55,690**	**57,256**	**47,717**	**50,906**	**55,677**	**60,724**
30	**Total net Impact due to interest rate change (b) - (a)**	**(95)**	**65**	**353**	**106**	**80**	**53**

Figure 10 EPF-3 Statement of Changes in Equity

Multi-year - Statement of Changes in Equity

Line No.	*PUB 2-15(c)* *(C$ 000s, rounding may affect totals)*	*For the Years Ended March 31,*					
1		**2020A**	**2021FB**	**2022F**	**2023F**	**2024F**	**2025F**
2	**EXTENSION**	**2020/21A**	**2021/22FB**	**2022/23F**	**2023/24F**	**2024/25F**	**2025/26F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	142,866	86,234	89,625	97,965	102,250	104,979
6	Net Income (Loss) from annual operations	55,690	57,257	47,717	50,906	55,676	60,725
7	Premium Rebate	(52,322)	-	-	-	-	-
8	Transfer (to) / from DVA Retained Earnings	(60,000)	(53,866)	(39,378)	(46,620)	(52,947)	(53,783)
9	Transfer (to) / from Basic Retained Earnings	86,234	89,625	97,964	102,251	104,979	111,921
10	**Total Retained Earnings**						
11	**Total Accumulated Other Comprehensive Income**	(2,367)	10,706	4,222	2,283	1,040	235
12	Beginning Balance	15,989	(6,484)	(1,938)	(1,243)	(805)	(350)
13	Other Comprehensive Income on Available for Sale Assets	(2,917)	-	-	-	-	-
14	Change in Remeasurement of Employee Future Benefits	10,705	4,222	2,284	1,040	235	(115)
15	**Total Accumulated Other Comprehensive Income**	96,940	93,847	100,248	103,290	105,214	111,805
16	**Total Equity Balance**						
17	**MINIMUM CAPITAL TEST (C$ 000s)**	**96,940**	**93,847**	**100,248**	**103,290**	**105,214**	**111,805**
18	Total Equity Balance	2,696	3,633	4,316	4,436	3,516	2,697
19	Less: Assets Requiring 100% Capital	94,244	90,214	95,932	98,854	101,698	109,108
20	Capital Available						
		48,028	45,106	47,965	49,429	50,849	54,554
21	Minimum Capital Required (100% MCT)						
22	MCT Ratio % (Line 17) / (Line 18)	**196%**	**200%**	**200%**	**200%**	**200%**	**200%**

PUB (MPI) 2-16

Part and Chapter:	**Part VII Rate Stabilization Reserve PUB (MPI) 1-29**	**Page No.:**	**8**
PUB Approved Issue No:	**7. Capital Management Plan**		
Topic:	**Capital Management Plan**		
Sub Topic:			

Preamble to IR:

In PUB (MPI) 1-29 MPI states:

> *"However as per RSR.6, MPI has applied in this GRA for the removal of the capital release provision and also now applied for a special rebate of excess capital. With the intention to utilize rebates as a future means to release capital it would be reasonable and necessary to establish a threshold at which rebates may be considered and applied for. The amount of which would need to be higher than the 100% MCT target, creating a range of sorts. MPI plans to bring support for this in the 2023 GRA as a way to continue to utilize periodic rebates in times outside of the pandemic."*

Question:

a) Please indicate what level this range for RSR would be.

b) Please advise if MPI now takes the position that a range is better than a point estimate.

c) Although in Order 176/19 the PUB found the Reserves Regulation to be invalid, MPI has stated its position is that it is required to follow the regulation. Please provide the basis upon which MPI's statement above regarding rebates and "a range of sorts" accords with the provisions of the regulation.

i. Bill 35, The Public Utilities Ratepayer Protection and Regulatory Reform Act, if enacted, would amend the MPIC Act to mandate that Basic MCT ratio be maintained at 100% and bars the Corporation from using the RSR for rebates. Please confirm MPI's understanding of the effect of Bill 35, and advise how MPI's statement above accords with Bill 35.

Rationale for Question:

To compare the use of a target MCT ratio with the use of a range.

RESPONSE:

a) At this point it is too early to confirm an optimal range for the rebate threshold mechanism. As indicated in *CAC (MPI) 1-95(c) and (g)*, MPI is currently reviewing and expects to present a proposal on this change in the 2023 GRA.

b) Please refer to *PUB (MPI) 1-29(a)* for a discussion on the range vs target. MPI is considering a range (> 100% MCT) to establish future rebates, as this would be a logical mechanism to release capital faster versus the capital release under the CMP in scenarios where large amounts of excess capital is accumulated in a short period of time.

c) Section 2 of Reserves Regulation 76/2019 states that:

"For the purpose of section 18 of the Act, the minimum amount the corporation must maintain (a) in its rate stabilization reserve is the amount determined using a MCT ratio of 100%."

Accordingly, MPI could maintain the Rate Stabilization Reserve (RSR) in a range of sorts provided the lower end of the range was not less than 100% MCT.

i. Bill 35, *The Public Utilities Ratepayer Protection and Regulatory Reform Act*, as currently drafted, requires MPI to maintain its RSR at a target MCT ratio of 100%. The Bill also provides MPI with discretion when the amounts in its

RSR exceed its target.

While MPI agrees that Bill 35, as currently drafted, prohibits the use of the RSR to issue rebates, its Special Rebate Application seeks to amend prior Board Orders to rebate excess premiums collected by MPI and not required to meet its break-even mandate.

PUB (MPI) 2-17

Part and Chapter:	**PUB (MPI) 1-31 (a) Appendix 1 CAC (MPI) 1-78 (a) Attachment C**	**Page No.:**	
PUB Approved Issue No:	**8. Performance of the Investment Portfolio and the composition of i) the portfolio, ii) benchmark portfolio(s) on market value basis**		
Topic:	**Investment portfolio**		
Sub Topic:	**Major Asset Classes**		

Preamble to IR:

Question:

a) Please indicate whether the Completion portfolio is a subset of the Basic Claims portfolio and included in the fixed income issues list.

b) Please indicate the extent to which the Completion portfolio is included in PUB (MPI) 1-31(a). Please identify and update the response.

c) Please explain how this new moment matching strategy impacts the returns from MUSH bonds.

Rationale for Question:

To assess the reasonableness of forecasted investment income.

RESPONSE:

a) MPI created the Completion portfolio on May 31, 2021 and it has been a subset of the Basic Claims fixed income portfolio since then. Assets were not segregated as of March 2021 because the Completion portfolio did not exist at that time.

b) MPI did not include the Completion portfolio in *PUB (MPI) 1-31(a)*. Please also refer to its response to part (a) above.

c) The new moment matching strategy does not have any impact on the returns of the MUSH bond portfolio.

PUB (MPI) 2-18

Part and Chapter:	**PUB (MPI) 1-31 (b)**	**Page No.:**	
PUB Approved Issue No:	**8. Performance of the Investment Portfolio and the composition of i) the portfolio, ii) benchmark portfolio(s) on market value basis**		
Topic:	**Investment portfolio**		
Sub Topic:	**Major Asset Classes**		

Preamble to IR:

Question:

a) Please update the Figure 1 table to include the 2019/20 composition of corporate bonds by credit rating and provide a comparison.

b) Please provide the corporate bond dollar allocation by portfolio for 2019/20 and 2020/21, and include a comparison of the change.

c) Please provide the credit rating allocation by portfolio for both 2019/20 and 2020/21.

d) Please file updates to (a) to (c) based on changes in the composition of portfolio at the end of August 2021.

Rationale for Question:

To assess the reasonableness of forecasted investment income.

RESPONSE:

a) to d)

Please refer to *Appendix 1*.

Corporate Bonds
Basic Claims Portfolio
Allocation by credit rating

	As of March 31, 2021		As of March 31, 2020		
Credit Ratings	**MVs (in $)**	**Weights (in %**	**MVs (in $)**	**Weights (in %)**	**Change (in $)**
AAA	-	0.00%	1,147,463	0.23%	(1,147,463)
AA	8,172,997	1.63%	2,541,573	0.51%	5,631,424
A	199,286,132	39.71%	163,836,772	32.65%	35,449,360
BBB	294,362,043	58.66%	220,500,540	43.94%	73,861,502
Total	**501,821,172**	**100.00%**	**388,026,348**	**77.32%**	**113,794,823**

Corporate Bonds
Allocation by portfolio

	As of March 31, 2021	As of March 31, 2020	
Portfolio	**MVs (in $)**	**MVs (in $)**	**Change (in $)**
Basic Claims	502,649,226	388,817,111	113,832,115
RSR	53,873,615	36,017,217	17,856,398
EFB	94,663,334	83,998,259	10,665,075
Total	**651,186,175**	**508,832,587**	**142,353,588**

Corporate Bonds
Allocation by portfolio and credit rating

Basic Claims Portfolio	As of March 31, 2021		As of March 31, 2020		
Credit Ratings	**MVs (in $)**	**Weights (in %)**	**MVs (in $)**	**Weights (in %)**	**Change (in $)**
AAA	-	0.00%	1,147,463	0.30%	(1,147,463)
AA	8,172,997	1.63%	2,541,573	0.66%	5,631,424
A	199,286,132	39.71%	163,836,772	42.22%	35,449,360
BBB	294,362,043	58.66%	220,500,540	56.83%	73,861,502
Total	**501,821,172**	**100.00%**	**388,026,348**	**100.00%**	**113,794,823**

RSR Portfolio	As of March 31, 2021		As of March 31, 2020		
Credit Ratings	**MVs (in $)**	**Weights (in %)**	**MVs (in $)**	**Weights (in %)**	**Change (in $)**
AAA	287,600	0.54%	323,857	0.91%	(36,257)
AA	3,505,053	6.57%	4,225,031	11.82%	(719,978)
A	22,208,574	41.62%	14,918,295	41.74%	7,290,279
BBB	27,359,531	51.27%	16,273,061	45.53%	11,086,470
Total	**53,360,759**	**100.00%**	**35,740,244**	**100.00%**	**17,620,514**

EFB Portfolio	As of March 31, 2021		As of March 31, 2020		
Credit Ratings	**MVs (in $)**	**Weights (in %)**	**MVs (in $)**	**Weights (in %)**	**Change (in $)**
AAA	-	0.00%	-	0.00%	-
AA	675,111	0.72%	111,133	0.14%	563,979
A	47,240,812	50.33%	45,511,125	55.35%	1,729,687
BBB	45,941,256	48.95%	36,601,187	44.51%	9,340,069
Total	**93,857,179**	**100.00%**	**82,223,445**	**100.00%**	**11,633,735**

Corporate Bonds

Allocation by portfolio

Portfolio	As of August 31, 2021 MVs (in $)	As of March 31, 2021 MVs (in $)	As of March 31, 2020 MVs (in $)
Basic Claims	521,551,799	502,649,226	388,817,111
RSR	59,878,320	53,873,615	36,017,217
EFB	98,839,848	94,663,334	83,998,259
Total	**680,269,967**	**651,186,175**	**508,832,587**

Corporate Bonds

Allocation by portfolio and credit rating

Basic Claims Portfolio	As of August 31, 2021		As of March 31, 2021		As of March 31, 2020	
Credit Ratings	**MVs (in $)**	**Weights (in %)**	**MVs (in $)**	**Weights (in %)**	**MVs (in $)**	**Weights (in %)**
AAA	5,634,341	1.09%	-	0.00%	1,147,463	0.30%
AA	6,177,099	1.19%	8,172,997	1.63%	2,541,573	0.66%
A	210,134,085	40.49%	199,286,132	39.71%	163,836,772	42.22%
BBB	296,979,709	57.23%	294,362,043	58.66%	220,500,540	56.83%
Total	**518,925,234**	**100.00%**	**501,821,172**	**100.00%**	**388,026,348**	**100.00%**

RSR Portfolio	As of August 31, 2021		As of March 31, 2021		As of March 31, 2020	
Credit Ratings	**MVs (in $)**	**Weights (in %)**	**MVs (in $)**	**Weights (in %)**	**MVs (in $)**	**Weights (in %)**
AAA	293,761	0.50%	287,600	0.54%	323,857	0.91%
AA	848,030	1.45%	3,505,053	6.57%	4,225,031	11.82%
A	28,189,136	48.32%	22,208,574	41.62%	14,918,295	41.74%
BBB	29,012,166	49.73%	27,359,531	51.27%	16,273,061	45.53%
Total	**58,343,094**	**100.00%**	**53,360,759**	**100.00%**	**35,740,244**	**100.00%**

EFB Portfolio	As of August 31, 2021		As of March 31, 2021		As of March 31, 2020	
Credit Ratings	**MVs (in $)**	**Weights (in %)**	**MVs (in $)**	**Weights (in %)**	**MVs (in $)**	**Weights (in %)**
AAA	-	0.00%	-	0.00%	-	0.00%
AA	467,722	0.48%	675,111	0.72%	111,133	0.14%
A	50,789,345	52.43%	47,240,812	50.33%	45,511,125	55.35%
BBB	45,610,742	47.09%	45,941,256	48.95%	36,601,187	44.51%
Total	**96,867,809**	**100.00%**	**93,857,179**	**100.00%**	**82,223,445**	**100.00%**

PUB (MPI) 2-19

Part and Chapter:	PUB (MPI) 1-32	Page No.:	35 INV 4.3.4, INV-18
PUB Approved Issue No:	8. Performance of the Investment Portfolio and the composition of i) the portfolio, ii) benchmark portfolio(s) on market value basis		
Topic:	Investment portfolio		
Sub Topic:	Investment Yields		

Preamble to IR:

Question:

a) Please file a schedule detailing the full duration of provincial and corporate bond spreads from the 2021 GRA (final), the 2022 GRA, and the June 30 update, and a comparison of the spread change from the Application filing and June 30.

b) Please file an update to (a), including bond spreads incorporated in the filing update and provide a narrative of the change and the impact on the update.

Rationale for Question:

To understand the changes in the spreads on bonds since March 31, 2020 to assess impact on Basic.

RESPONSE:

a) Please see *Figure 1 and 2* below the Provincial and Corporate bond spreads from the 2021 GRA (final), the 2022 GRA, and the June 30th update, as well as a comparison of the spread change from GRA filing date and from June 30th:

Figure 1 Provincial Bond Yield Spread

Line No.	Duration	2021 GRA*	2022 GRA	30-Jun-21	Change
1	**7.0 years**	55 bps	11 bps	18 bps	7 bps
2	**8.0 years**	69 bps	27 bps	31 bps	4 bps
3	**9.0 years**	83 bps	42 bps	43 bps	1 bps
4	**10.0 years**	97 bps	58 bps	56 bps	-2 bps
5	**11.0 years**	105 bps	72 bps	69 bps	-3 bps
6	**12.0 years**	111 bps	82 bps	77 bps	-5 bps
7	**13.0 years**	117 bps	91 bps	86 bps	-5 bps
8	* From 2021 GRA Update [different than PUB 1-32 (initial 2021 GRA)]				
9	** Filing update as at August 31, 2021				

Figure 2 Corporate Bond Yield Spread

Line No.	Duration	2021 GRA*	2022 GRA	30-Jun-21	Change
1	**7.0 years**	128 bps	70 bps	94 bps	24 bps
2	**8.0 years**	154 bps	99 bps	115 bps	16 bps
3	**9.0 years**	180 bps	127 bps	135 bps	8 bps
4	**10.0 years**	206 bps	156 bps	156 bps	0 bps
5	**11.0 years**	219 bps	168 bps	171 bps	3 bps
6	**12.0 years**	224 bps	180 bps	186 bps	6 bps
7	**13.0 years**	228 bps	192 bps	202 bps	10 bps
8	* From 2021 GRA Update [different than PUB 1-32 (initial 2021 GRA)]				
9	** Filing update as at August 31, 2021				

b) Please see on the next page an update to (a), including bond spreads as at August 31, 2021 incorporated into the filing update. Provincial and Corporate bond spreads rose to elevated levels at the onset of the COVID-19 Pandemic and the resulting economic uncertainty. Bond spreads declined from between the 2021 and 2022 GRAs as the economic fallout caused by the Pandemic became clearer. Bond spreads have since increased from the 2022 GRA filing date to the update as more economic uncertainty arose from the more transmissible strain of COVID-19 (i.e. the “Delta” variant) and from an increase in global COVID-19 case counts. Bond yields are composed of a benchmark yield, usually based on a risk-free government bond, plus a spread.

All else equal, an increase in a bond spread results in a decline in the market value of that bond. Bond yields and prices also depend on the yield of the underlying Government bond.

Figure 3 Provincial Bond Yield Spread

Line No.	Duration	2021 GRA*	2022 GRA	Update**	Change
1	**7.0 years**	55 bps	11 bps	23 bps	12 bps
2	**8.0 years**	69 bps	27 bps	36 bps	9 bps
3	**9.0 years**	83 bps	42 bps	48 bps	6 bps
4	**10.0 years**	97 bps	58 bps	61 bps	3 bps
5	**11.0 years**	105 bps	72 bps	74 bps	2 bps
6	**12.0 years**	111 bps	82 bps	83 bps	1 bps
7	**13.0 years**	117 bps	91 bps	95 bps	4 bps
8	* From 2021 GRA Update [different than PUB 1-32 (initial 2021 GRA)]				
9	** Filing update as at August 31, 2021				

Figure 4 Corporate Bond Yield Spread

Line No.	Duration	2021 GRA*	2022 GRA	Update**	Change
1	**7.0 years**	128 bps	70 bps	94 bps	24 bps
2	**8.0 years**	154 bps	99 bps	116 bps	17 bps
3	**9.0 years**	180 bps	127 bps	138 bps	11 bps
4	**10.0 years**	206 bps	156 bps	160 bps	4 bps
5	**11.0 years**	219 bps	168 bps	177 bps	9 bps
6	**12.0 years**	224 bps	180 bps	195 bps	15 bps
7	**13.0 years**	228 bps	192 bps	212 bps	20 bps
8	* From 2021 GRA Update [different than PUB 1-32 (initial 2021 GRA)]				
9	** Filing update as at August 31, 2021				

PUB (MPI) 2-20

Part and Chapter:	**PUB (MPI) 1-45 Part V Expenses**	**Page No.:**	**Figure 8, p. 23 of 42 3-7 Appendix 7 Figure EXP APP 7-1 Figure EXP APP 7-2**
PUB Approved Issue No:	**9. Cost of operations and cost containment**		
Topic:	**ICAM**		
Sub Topic:			

Preamble to IR:

Question:

Please explain the increase in allocation for Compensation and Administration expenses for DVA in 2021/22 and 2022/23, from the 2021 GRA to this GRA.

Rationale for Question:

To understand the reasonableness of the Extension and DVA forecast.

RESPONSE:

The increase in allocation is primarily driven by the increase in DVA implementation expenses related to salaries and data processing. Please see pages 29 and 32 of *PUB (MPI) 1-45* which provide the detail. As the corporate proportion of DVA dollars increases, so too does the percentage allocation.

PUB (MPI) 2-21

Part and Chapter:	**PUB (MPI) 1-47 Part V Expenses**	**Page No.:**	**Figure 1 Exp Appendix 11 EXP APP 11-1**
PUB Approved Issue No:	**9. Cost of operations and cost containment**		
Topic:	**Compensation**		
Sub Topic:			

Preamble to IR:

Question:

a) Please file the Corporate strategic plan underpinning the re-organization.

b) Please provide a schedule summarizing the payroll related to each of the divisions and the average payroll by category.

Rationale for Question:

To understand changes in the Corporation's staffing budget.

RESPONSE:

a) Please refer to *CAC (MPI) 1-2(b) Appendix 1*.

b) *Figure 1* below reflects a schedule of the normal operations budgeted salary amounts by division and job category. These amounts do not include benefits, tax, overtime or other salary amounts not budgeted at the role level. This schedule also does not include specialty program or initiative salaries as this level of granular detail (budgeted average salary by role) is not available.

Figure 1 2021/22 Budget - Salaries-Regular

Line No.	Category	Insurance & Risk Management	Legal & Compliance	Customer	Finance	People & Culture	Information & Technology	Executive	Operations	Digital & Transformation	Total
1	**Normal Operations**	5,698,249	4,717,034	5,405,539	10,957,530	3,246,111	25,180,403	1,778,747	82,172,774	5,079,010	144,235,397

PUB (MPI) 2-22

Part and Chapter:	PUB (MPI) 1-42 (d) PUB (MPI) 1-48 (a) Part V Expenses	Page No.:	Figure 1 20 Appendix 11 EXP-11
PUB Approved Issue No:	9. Cost of operations and cost containment		
Topic:	Corporate Normal Operating Expense		
Sub Topic:	Compensation Expense		

Preamble to IR:

Question:

a) What is the forecast turnover rate assumed relative to the retirement benefits forecast for 2021/22?

b) Please explain the forecast increase in salaries-severance /retirement pay-out in 2021/22.

Rationale for Question:

To understand Corporation's forecast attrition rate and impact on compensation.

RESPONSE:

a) The 2021/22 budget forecasts 68 retirements.

b) The 2020/21 budget forecasted 61 retirements forecasted at the projected average payout for 2019-20. As mentioned, the 2021/22 budget forecasts 68 retirements at the projected payout for 2020-21.

PUB (MPI) 2-23

Part and Chapter:	PUB (MPI) 1-48(c) Part V Expenses	Page No.:	Figure 3 20 Appendix 11 EXP-11
PUB Approved Issue No:	9. Cost of operations and cost containment		
Topic:	Corporate Normal Operating Expense		
Sub Topic:	Compensation Expense		

Preamble to IR:

Question:

Please indicate the difference in the budget versus actual dollar impact of the vacancy allowance for 2020/21.

Rationale for Question:

To review staff turnover history and impact on forecast.

RESPONSE:

The corporate vacancy provision budgeted in the 2020/21 fiscal year is $6,210,000. This amount serves to reduce the budgeted salary amounts to account for periods when roles are not filled. The corporate vacancy provision only applies to budgeted salaries.

Expenses Chapter Figure EXP- 11 outlines Normal Operations full time equivalent (FTE) filled to budget variance. In 2020/21A, there was a 140.3 difference between budget and filled positions. This is an average filled for the year as compared to budget FTE, therefore actual dollar value can only be estimated at $11,170,000.

PUB (MPI) 2-24

Part and Chapter:	**PUB (MPI) 1-49 Part V Expenses**	**Page No.:**	**21 EXP-12 EXP APP-12, 12-1, 12-2, 12-3**
PUB Approved Issue No:	**9. Cost of operations and cost containment**		
Topic:	**Compensation**		
Sub Topic:	**Vacancy Allowance**		

Preamble to IR:

Question:

a) Please provide a comparison of the current vacancy level versus that included in the budget for 2021/22 in similar format to PUB (MPI) 2-25 (2021 GRA).

b) Please explain how the Corporation determined the level of the current vacancy allowance.

Rationale for Question:

To assess reasonableness of compensation expense.

RESPONSE:

a) *Figure 1* below compares the total budgeted corporate vacancy provision of $8,300,000 for 2021/22 to a point in time for full-time equivalent (FTE) vacancy as at July 31, 2021. MPI also used the estimate factor it used to calculate the budgeted corporate vacancy provision to estimate the cost of the FTE vacancy, assuming the amount remained constant over the year. Please note the vacant FTE total will change over the fiscal year due to movement of staff and other turnover activities.

Figure 1 Estimated Vacancy Provision – Comparative Budget to Actual FTE 2021/22

Line No.	Fiscal Year	Estimated Vacancy @ July 31/21	Related FTE Estimate	Budgeted Vacancy Amount	Related FTE Estimate	Change vs. Budget
1		*($000,00)*		*($000,00)*		*($000,00)*
2	**2021/22**	13,695	181.50	8,300	110.00	5,395.00

b) The corporate vacancy provision is an estimate based on historical trends and expectations for the budget year.

PUB (MPI) 2-25

Part and Chapter:	**PUB (MPI) 1-54(b)**	**Page No.:**	**1**
PUB Approved Issue No:	**10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years**		
Topic:	**Benchmarking**		
Sub Topic:	**Operational Efficiency Benchmarking**		

Preamble to IR:

Question:

a) Please clarify how normalization by analyzing results per $100 million of GPW or % of GPW and/or % of Net Premiums Written identifies variations between SGI and ICBC on:

  i. Cost structures; and
  ii. Strategic offerings.

Rationale for Question:

To understand how MPI will close the gap to further measure and manage Operational Efficiency going forward.

RESPONSE:

MPI continues to build on established industry comparison methodologies to provide valuable insights into operational efficiencies and conduct a wholesome review of its operations. MPI believes the Crown Benchmarking is an important part of achieving its goals in this regard. In reviewing and comparing the metrics of MPI with those of SGI and ICBC, it is important to normalize them against $100 million of Gross Premiums

Written (GPW) or a percentage of GPW and/or a percentage of Net Premiums Written (NPW) as doing so provides a common base for measurement.

While important and useful, the normalization process does not capture all variations, including some significant ones. For example, the SGI business model separates its overall operations between two companies: the for-profit SGI Canada and the non-profit SGI Auto Fund. Conversely, the for-profit and not-for-profit lines of business of business of MPI are contained within a single corporate entity. These business structures also operate towards different corporate mandates, which further decreases their comparability. Scale is another variation that must be considered as ICBC has approximately three times the NPW as MPI, allowing for significant economies of scale within its operations.

MPI will continue to normalize its metrics and refine this methodology over time, establishing best practices and creating significant business value in the process.

PUB (MPI) 2-26

Part and Chapter:	**PUB (MPI) 1-56(c) PUB (MPI) 1-58(c)**	**Page No.:**	**2 2**
PUB Approved Issue No:	**10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years**		
Topic:	**Benchmarking**		
Sub Topic:	**Operational Efficiency Benchmarking**		

Preamble to IR:

MPI states in 1-56(c):

> *"MPI provided the Crown Benchmarking completed with SGI and ICBC for 2019/20. MPI will continue to benchmark against its Crown corporation peers on an annual basis and will also use third party benchmarking from time-to-time to ensure additional best practices/integration against its profit centric private/public company peers within the Property & Casualty group."*

MPI states in PUB (MPI) 1-58(c) that the Crown Benchmarking exercise is incomplete and is expected to be completed by the end of 2021.

Question:

Please clarify whether finalization of benchmarking method will be completed by the end of 2021.

Rationale for Question:

To understand the expected plan and approach to be undertaken to most appropriately move the operational benchmarking forward.

RESPONSE:

MPI will start conversations with SGI and ICBC to update the Crown Benchmarking comparatives for 2020/2021. MPI intends to begin this work in 2021 and expects to complete it in Q1/2022. MPI will continue to provide regular progress updates as requested.

PUB (MPI) 2-27

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

Preamble to IR:

The operating expense/policy dollar value measures the cost efficiency or activity cost of issuing a policy.

Question:

Please provide the benchmark comparison of Administrative/Operating expenses per policy with SGI and ICBC, and comment on MPI's result relative to peers.

Rationale for Question:

To understand the relative efficiency of MPI relative to peers on the level of Administrative/Operating expenses.

RESPONSE:

	SGI	**MPI**	**ICBC**
Total Gross Expenses per Adjusted Policies in Force	177.2	129.9	97.8

MPI compares favourably to SGI but unfavourably to ICBC.

Compared to SGI, the overall expenses of MPI are significantly lower, despite maintaining a similar number of in-force policies. This supports the conclusion that, in the running of operations, the MPI expense base is leaner than SGI. It also supports the strong expense/budget management skills of MPI.

Compared to ICBC, MPI notes that the scale of their operations skews the results. ICBC has triple the number of in-force policies compared to MPI, which impacts the ratio. MPI attributes the favourable position of ICBC on its economy of scale. The Crown Benchmarking exercise for 2020/21 will detail, compare and contrast the respective expense bases of the three Crown Corporations.

PUB (MPI) 2-28

Part and Chapter:	**PUB (MPI) 1-59(b), (c) Part III Benchmarking**	**Page No.:**	**27**
PUB Approved Issue No:	**10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years**		
Topic:	**Benchmarking**		
Sub Topic:	**Operational Efficiency Benchmarking 4.1.3**		

Preamble to IR:

Question:

Please elaborate on how MPI's end-to-end business differs from SGI.

Rationale for Question:

To understand the expected plan and approach to respond to MPI's comparative benchmark being higher than other Crown corporations.

RESPONSE:

The main and fundamental difference between the businesses of SGI and MPI is that MPI is incorporated as a single entity with a single mission and vision, whereas SGI is segregated into two companies, each with their own unique purpose, mission and vision: SGI Autofund and SGI Canada. SGI Autofund is similar to the MPI Basic line of business (LOB), whereas SGI Canada contains the profit-seeking LOB (whose product portfolios are more diverse and profit-centric than MPI). The 2020/21 Crown Benchmarking exercise will evaluate, compare and contrast the additional core business functions and business offerings of SGI and MPI.

PUB (MPI) 2-29

Part and Chapter:	**PUB (MPI) 1-63(d)**	**Page No.:**	**3**
PUB Approved Issue No:	**10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years**		
Topic:	**Information Technology**		
Sub Topic:	**Project Nova**		

Preamble to IR:

MPI states: *"Yes, NOVA uses accumulated costs, schedule, feature burndown and team velocity to measure the progress of completed work and the ability to complete remaining work. MPI is defining and implementing business value as part of Earned Value."*

Question:

Please list KPIs to monitor accumulated costs, schedule, feature burndown and team velocity to assist with monitor ability to complete remaining work.

Rationale for Question:

To understand how MPI will use Earned Value to measure progress through Project Nova.

RESPONSE:

The accumulated costs KPI used include forecasted variance (i.e. forecasted spend versus actual spend per program increment, by month, and by fiscal year) and budget variance (i.e. actual spend versus budgeted spend per program increment, by month and by fiscal year).

The schedule KPIs used include a baseline of features created from the Program Feature Roadmap, with priority towards Minimal Viable Product, updated to include the result of the features committed during Program Increment planning compared with the actual completed features. MPI used this alongside a release management plan that outlines the implementation tasks required to complete the individual release.

Feature Burndown is a KPI that illustrates the accumulated completion of work. As items are completed, the trend moves down towards zero work remaining.

Team velocity is the KPI MPI used to develop plans with reference to previous team performance. During PI planning, teams use their average velocity to measure if they have committed too much work to the increment or if they are on trend. As teams aim to increase velocity over each increment, a decrease may signal concerns.

PUB (MPI) 2-30

Part and Chapter:	PUB (MPI) 1-64(d)	Page No.:	3
PUB Approved Issue No:	10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years		
Topic:	Information Technology		
Sub Topic:	Project Nova		

Preamble to IR:

MPI states:

"Project Nova has a threshold of 10% technical debt based on feature count, to be carried into the next [program increment]. This threshold is a cumulative measurement, based on functional delivery across all completed [program increments]."

and

"Project Nova completed one [program increment] to date, and the technical debt accumulated during the [program increment] is 6%. MPI incorporated the 6% technical debt into the feature baseline capacity for the ensuing [program increments]."

Question:

a) As MPI has tracked 60% towards technical debt threshold in program increment (PI) 1 of 13, please comment on whether this indicates early risk concerns of excess technical debt accumulation.

b) Please provide a table breaking down the allocation of technical debt accumulation in PI 1 across each technical debt category:

i. Feature Planning
ii. Software Configuration, Development and Testing
iii. Business Rules and Requirements
iv. Dependencies
v. Risks Actions Issues and Decisions

c) Please explain how MPI is addressing each of the identified technical debt accumulated.

Rationale for Question:

To understand the impact of accumulated technical debt on further project risk and delivery.

RESPONSE:

a) At the end of Program Increment (PI) 1, MPI had no concerns with the 6% accumulated technical debt, as this was the first and foundational PI that focused on technology stand-up with minimal cross stream dependencies. Because of this, MPI absorbed the technical debt into future PIs and considered the release date to still be achievable. Due to external dependencies, unplanned enablers, and team velocity, MPI anticipates that teams will be unable to deliver on the technical debt for PI 2. Current trending suggests that additional debt is likely to be added. There is currently a review underway to determine the overall risk to program objectives, with a target completion date for end of September 2021. As part of this review, MPI is focusing on the complexities of coordinating integrations across streams and System Integrations Testing (SIT), as these are key activities that can drive technical debt based on their complexity. These key complex activities also feed the Business User Acceptance Testing deliverable and the development of end-to-end processes.

b) As PI 1 was primarily a foundational one, the technical debt accumulated during it fell into two categories:

- Feature Planning, where MPI planned work to be spread across more than a single PI because the work was not broken down into manageable and achievable pieces of scope within one PI.
- Dependencies where the DVA stream SIT environment was not available to complete testing at the conclusion of the PI, or the lack of environment prevented other teams from consuming work completed by the DVA team.

A breakdown of the 6% debt is as follows:

- Feature Planning: 20% of total PI 1 technical debt
- Dependencies: 80% of total PI 1 technical debt

c) Mitigation action plan reduced the Quality Assurance technical debt for PI 1 from 15% down to 6%, which is targeted to be completed in the final PI 2 testing.

  - To execute end-to-end solution testing all streams will follow a defined process, prioritizing features for SIT testing, and trending to complete SIT testing by September 10th for PI 2.
  - Contract negotiations with a Testing vendor for capacity assistance, organizational maturity and delivery of key Quality Assurance testing activities is underway and targeted to be ready for October 2021.
  - Quality Assurance Specialized Work Action Team is in place, focused on implementing new processes so that the code being created is implemented into the SIT environment in a coordinated manner to allow sufficient time for end-to-end testing.

PUB (MPI) 2-31

Part and Chapter:	PUB (MPI) 1-67(d)	Page No.:	4
PUB Approved Issue No:	10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years		
Topic:	Information Technology		
Sub Topic:	Project Nova		

Preamble to IR:

Question:

a) Please file summary counts of Risks, Assumptions, Issues, Dependencies (RAID) metrics accumulated year to date for Project Nova.

b) Please file current counts of Risks overlayed on Risk Heat Map.

c) Please provide a table including summary description, status of risk, and treatment details for all risks identified as "red" from Risk Heat Map.

Rationale for Question:

To understand the current risk profile of Project Nova.

RESPONSE:

a) *Figure 1* below contains the summary counts of Program Risks, Actions, Issues, and Decisions (RAID) metrics accumulated year to date for Project Nova as of September 7, 2021:

Figure 1 Project Nova - Summary Counts for Program RAID

Line No.	State	Program Risks	Program Actions	Program Issues	Program Decisions
1	New	0	1	4	0
2	In Progress	2	29	5	0
3	Committed	33	-	1	-
4	Completed	6	73	1	1
5	Resolved	4	-		-
6	Closed	53	2		3
7	**Program Total**	**98**	**105**	**11**	**4**

b) The table below contains the current counts of Program Risks overlaid on Risk Heat Map as of September 7, 2021:

Risk Heat Map

5 Near Certainty		1	1	1	
4 Highly Likely			1	4	
3 Likely			9	4	
2 Low Likelihood		3	2	3	2
1 Not Likely			1	1	2
	1 Minimal Impact	2 Minor Impact	3 Moderate Impact	4 Significant Impact	5 Critical Impact

c) Below is a the table including summary description, status of risk, and treatment details for all risks identified as “red” from Risk Heat Map as of September 7, 2021:

Summary Description	Status	Plan
If there is not sufficient time to deliver full MVP for the release dates, then there could be a delay in implementation resulting in schedule or budget impacts.	Committed	• Continual assessment of organizational capacities and capabilities ongoing – *Active* • Periodic program reviews taking place to ensure attainability of MVP, schedule and budget – *Active* • Periodic program assessments and SWAT teams in place for the main cross-stream teams (Integrations, QA Testing, Data Migration and Analytics) to maintain required velocity – *Active* • Complete in-depth inter-dependency planning in development of agile program increments, and sprints – *Active* • Establish an Architecture solution team – *Complete* • Implement acceptance criteria that includes code/module inter-dependencies – *Complete* • Adopt visual Kanban board for program increments to visually identify inter-dependencies – *Complete* • Prepare a program test strategy – *Complete* • Adding Quality Management Code Reviews - *Complete*
If QA required cleansed and converted data in SIT is not available to support test efforts for the program, then there could be delay in implementation resulting in schedule and budget impacts.	In Progress	• Risk owners identified - *Complete* • Schedule adjustments to ensure that data is available on time – *Active* • Identifying proactive activities that can be completed early or manually - *Active*
If the expected level of efficiencies identified in the business case are not achieved, then the Return on Investment (ROI) from staff reductions and operating costs may not be realized.	Committed	• Detailed revalidation of the timing of benefits realization in progress; due to be completed by fall 2021 - *Active* • The Return on Investment (ROI) from staff reductions and operation costs are reviewed and completed at an enterprise level each year in alignment with the annual budget cycle – *Active*

Summary Description	Status	Plan
		• Tracked and updated quarterly as part of the Value Management Strategy that is in place
If the cross-platform solutioning for customer master, partner master, billing management are not finalized in time for development activities, then there could be delay in implementation resulting in schedule and budget impacts.	Committed	• Solution architecture is being designed incrementally for each Program Increment (PI) which is allowing other streams to consume work just in time for the committed features - *Active* • Weekly meetings and reviews of progress are being held - *Active* • System integrator partner feedback on progress and residual gaps/risks - *Active* • Business approval of solution architecture - *Complete*
If unexpected events significantly impact the schedule or velocity, then there could be significant budget impacts.	In Progress	• Controls are in place with CR and DR processes to manage changes and decisions at a program level - *Active* • Fixed price contracts with System Integrators to control scope, costs, and schedule - *Active* • Focus on configuration of COTS solutions with no customization. Executive approval process in place for customizations. - *Active* • Implementation of RAID process - *Active*
If there is a change in Board/Exec Sponsorship teams and strategic direction, then there could be impacts to scope, business case and objectives.	Committed	• Communicate the risk to the Executive / Sponsors with any change to Government, Board or Executive – *Active* • Implementation of Lean Portfolio management to manage the organization’s commitment to initiatives based on capacity and budgets - *Active*

PUB (MPI) 2-32

Part and Chapter:	**PUB (MPI) 1-68**	**Page No.:**	**2-3**
PUB Approved Issue No:	**10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years**		
Topic:	**Information Technology**		
Sub Topic:	**Project Nova**		

Preamble to IR:

Question:

a) Please provide a summary project timeline (Gantt) for each of the eight projects listed as dependencies for Project Nova completion along with a single line timeline (Gantt) of Project Nova.

b) Please indicate the current list and brief description of operational initiatives required for Project Nova required to deliver the legislative changes.

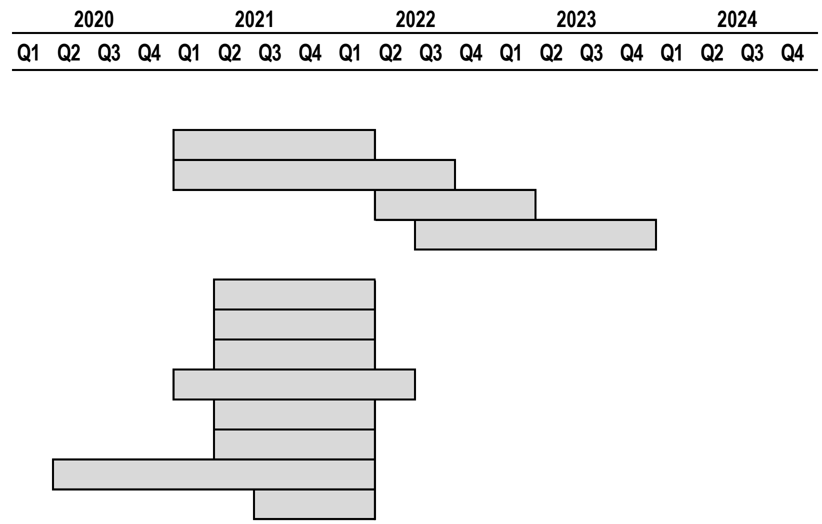
Rationale for Question:

To further understand the relationship of Project Nova and any related projects.

RESPONSE:

a) Please see Gantt chart below.

Project	Start Date	End Date
Project Nova		
Release 1A - SRE	3/1/2021	25-Mar-22
Release 2A - IRP	3/1/2021	30-Sep-22
Release 3A	4/1/2022	1-Apr-23
Release 4A -	7/1/2022	30-Nov-23
3054 - eTransfer Capability	1-Apr-21	31-Mar-22
3053 – eSignature	1-Apr-21	31-Mar-22
3052 - eCash payment capability and direct deposit	1-Apr-21	31-Mar-22
3066 - Decommission Enhanced DL and ID Cards	1-Jan-21	30-Jun-22
3070 - IT Transformation – Data Warehouse Technologies	10-May-21	31-Mar-22
3064 - Enterprise Monitoring	21-Jun-21	31-Mar-22
2929 - IAM Solution and Deployment - infrastructure standup	1-Apr-20	31-Mar-22
3035 - Cryptographic Key Management (Implementation	1-Oct-21	31-Mar-22



b) The operational initiatives required for Project Nova to deliver the legislative changes involve MPI's Driver and Vehicle Policy and Administration team preparing government approval documents and working with Manitoba Government's legislative drafter to prepare the required legislative amendments. The majority of the changes required for Project Nova do not require system enhancements outside of Nova.

PUB (MPI) 2-33

Part and Chapter:	PUB (MPI) 1-69(a) Part IV Nova	Page No.:	26
PUB Approved Issue No:	10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years		
Topic:	Information Technology		
Sub Topic:	Project Nova		

Preamble to IR:

Question:

a) Please update the table in (a) indicating to which of the lines of business each of the commissionable fees relate (e.g., DVA, Basic).

b) Please indicate the amount of the commissionable fees in (a) that were paid by Basic on behalf of DVA.

Rationale for Question:

To understand the relationship and expectations of the broker compensation strategy as it pertains to the overall value stream benefit for Project Nova.

RESPONSE:

a) As requested, MPI updated the table previously submitted under Information Request *PUB (MPI) 1-69* (2022 GRA) to include the additional breakdown by lines of business:

Business Transaction Code	Transaction Description	Basic	Extension	Driver	Driver Allocated to Basic
ADC	New Customer Setup	X		X	468,274
CAN	Cancel Policy/Registration	X			
CHG	Mid Term Change Policy/Registration	X	X		
CIF	Change Customer Information	X			
COR	Correction Policy/Registration-Future	X	X		
DDR	Driver License Replacement			X	
DEA	Request Driver Education Service			X	
DRA	Reactivate Driver License			X	
DRP	Reapply for Driver License			X	
DRW	Renewal Driver License			X	335,246
EII	Request for Enhanced Identity Interview Service			X	
EST	Estate Transfer Policy	X			
FCR	Fleet - Correction Policy/Registration-Future	X	X		
FNE	Fleet - New Policy	X	X		
FRA	Fleet - Reasess Policy	X	X		
FRE	Fleet - Reactivate Policy	X	X		
FRM	Fleet - Remove Policy	X	X		
FRN	Fleet - Renewal Policy	X	X		
FRP	Fleet - Reapply Policy	X	X		
IIC	Apply for Identity Card			X	
IND	Issue new Driver License			X	
KT1	Request Knowledge Test Class 1 Service			X	
KT2	Request Knowledge Test Class 2 Service			X	
KT3	Request Knowledge Test Class 3 Service			X	
KT4	Request Knowledge Test Class 4 Service			X	
KT5	Request Knowledge Test Class 5 Service			X	
KT6	Request Knowledge Test Class 6 Service			X	
KTA	Request Knowledge Test Air Brake Service			X	
KTS	Request Knowledge Test School Bus Service			X	
LU1	Layup - Mid Term Change	X	X		
LU2	Layup - Mid Term Change		X		
NEW	New Policy/Registration	X	X		
OTH	Other Sales	X			
OWF	Record Ownership Document Fee	X			
PLA	Process Loan Authorization - Winter Tire		X		
PLT	Plate Replacement	X			
RAD	Reassess Driver License			X	1,333,326
RAI	Reactivate Identity Card			X	
RAP	Reassess Policy/Registration	X	X		
REA	Reactivation Policy/Registration	X	X		
REM	Undo Policy/Registration	X	X		
REN	Renewal Policy/Registration	X	X		
REP	Reapplication Policy/Registration	X	X		
REV	Reversal Policy/Registration	X			
RIC	Identity Card Replacement			X	
RNI	Renewal Identity Card			X	
RPI	Reapply for Identity Card			X	
RT1	Request Road Test Class 1 Service			X	
RT2	Request Road Test Class 2 Service			X	
RT3	Request Road Test Class 3 Service			X	
RT4	Request Road Test Class 4 Service			X	
RT5	Request Road Test Class 5 Service			X	
RT6	Request Road Test Class 6 Service			X	
RTA	Request Road Test Air Brake/Slack Service			X	
SAR	Snopass Annual Replacement			X*	
TSF	Transfer Policy			X	
				Total	2,136,845

X* = Allocated to Snoman Inc.

b) The chart above includes the commissionable fees paid by Basic on behalf of DVA. Please refer to the last column, titled: "Driver Allocated to Basic".

PUB (MPI) 2-34

Part and Chapter:	**PUB (MPI) 1-69(d)**	**Page No.:**	**4**
PUB Approved Issue No:	**10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years**		
Topic:	**Information Technology**		
Sub Topic:	**Project Nova**		

Preamble to IR:

MPI forecasts online adoption to start at 10% in 2023/24, increase to 25% in 2024/25, 30% in 2025/26, 35% in 2026/27 and 40% in 2027/28 and beyond.

Question:

a) Please describe and categorize the potential impact if online adoption forecasts are not achieved in timelines noted.

b) Please indicate the impact on both cost and scheduled completion of Project Nova, if the assumed online adoption rate is at half the pace contemplated in the plan.

c) Please provide a sensitivity analysis reflecting three scenarios: where adoption rates are 10% lower than forecast, 25% lower than forecast, and 40% lower than forecast, and provide narrative on the results.

d) Please provide a sensitivity analysis reflecting three scenarios: where adoption rates are 10% greater than forecast, 25% greater than forecast and 40% greater than forecast and provide narrative on the results.

e) Please discuss how the changes in the sensitivity scenarios in (b), (c) and (d) would materially affect the NPV analysis for the project.

Rationale for Question:

To understand impact on online adoption to business if forecasted adoption levels are not achieved.

RESPONSE:

a) NOVA team intends to closely monitor online adoption rates. If rates begin to trend below forecast, the team will investigate the reasons why (i.e. technology, awareness, education, etc.) and address them. The aim will be to address any concerns quickly and bring online adoption rates back in line with projections.

b) As requested, Scenario 1 is defined as an online adoption rate that takes twice as long to reach a 40% uptake rate. The overall broker commission savings achieved by 2033/34 would be ($60.22M) less than the rebaselined business case ($88.40M in savings compared to $148.62M in the rebaselined business case). Details below:

Figure 1 Scenario 1 - Online uptake completed at Half pace

Line No.	Uptake % Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Total
1	b) Half paced (i.e. 10 years to reach 40% uptake)	5.0%	12.5%	15.0%	17.5%	20.0%	24%	28%	32%	36%	40.0%	40.0%	
2	Half Paced Scenario - Commissions Paid ($M)	92.58	93.86	95.37	97.35	99.36	100.53	101.66	102.75	103.80	104.80	108.45	
3	Status Quo - Estimated Commissions Paid	90.63	93.77	97.02	100.38	103.86	107.46	111.18	115.03	119.02	123.15	127.41	
4	(Prior IBAM Agreement)												
5	**Net Savings $M (Status Quo less New Comm)**	**(1.96)**	**(0.09)**	**1.65**	**3.03**	**4.50**	**6.93**	**9.52**	**12.28**	**15.22**	**18.34**	**18.97**	**88.40**
6	**Rebaselined Business Case - Estimated Commissions**												
7	**Uptake % Assumptions**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**Total**
8	Current Business Case (forecast)	10.0%	25.0%	30.0%	35.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	
9	Rebaselined Business Case - Estimated Commissions	90.25	87.58	87.66	88.04	88.35	91.42	94.59	97.88	101.28	104.80	108.45	
10	Status Quo - Estimated Commissions Paid	90.63	93.77	97.02	100.38	103.86	107.46	111.18	115.03	119.02	123.15	127.41	
11	(Forecast based on prior IBAM Agreement)												
12	**Net Savings $M (Status Quo less New Comm)**	**0.38**	**6.20**	**9.36**	**12.34**	**15.51**	**16.04**	**16.59**	**17.15**	**17.74**	**18.34**	**18.97**	**148.62**

Under scenario 1, the overall scheduled completion, milestones and the related project costs are not affected by the realized adoption rates.

c) Sensitivity analysis related to the three requested scenarios are presented in scenarios 2-4 below:

Scenario 2 - Online uptake 10% lower than forecast:

Under this scenario, the online uptake reaches a maximum of 36% compared to 40% in the rebaselined business case. The reduction lowers the overall broker commission savings to $126.40M, compared to the rebaselined savings amount of $148.62M. The response to part e) below provides the revised NPV results.

Figure 2 Online uptake 10% lower than forecast

Line No.	Uptake % Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Total
1	Online Uptake 10% lower than forecast (c)	9.0%	22.5%	27.0%	31.5%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%	
2	10% lower uptake Scenario - Commissions Paid	90.72	88.83	89.20	89.90	90.55	93.69	96.95	100.32	103.80	107.41	111.14	
3	Status Quo - Estimated Commissions Paid	90.63	93.77	97.02	100.38	103.86	107.46	111.18	115.03	119.02	123.15	127.41	
3	(Forecast based on prior IBAM Agreement)												
4	**Net Savings (Status Quo less New Comm)**	**(0.09)**	**4.94**	**7.82**	**10.48**	**13.31**	**13.76**	**14.23**	**14.72**	**15.22**	**15.74**	**16.27**	**126.40**

Scenario 3 - Online uptake 25% lower than forecast:

Under this scenario, the online uptake rate is 25% below the rebaselined estimates. Overall the uptake rate reaches a maximum of 30% compared to 40% in the rebaselined business case. As expected, the change lowers the overall broker commission savings to $93.07M, compared to the rebaselined savings amount of $148.62M. The response to part e) below provides the revised NPV results.

Figure 3 Online uptake 25% lower than forecast

Line No.													
1	**Uptake % Assumptions**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**Total**
2	Online Uptake 25% lower than forecast (c)	7.5%	18.8%	22.5%	26.3%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
3	25% lower uptake Scenario - Commissions Paid	91.42	90.72	91.52	92.70	93.85	97.11	100.48	103.97	107.58	111.32	115.19	
4	Status Quo - Estimated Commissions Paid	90.63	93.77	97.02	100.38	103.86	107.46	111.18	115.03	119.02	123.15	127.41	
4	(Forecast based on prior IBAM Agreement)												
5	**Net Savings (Status Quo less New Comm)**	**(0.79)**	**3.05**	**5.50**	**7.69**	**10.01**	**10.35**	**10.70**	**11.06**	**11.44**	**11.83**	**12.23**	**93.07**

Scenario 4 - Online uptake 40% lower than forecast:

Under this scenario, the online uptake rate is 40% below the rebaselined estimates. Overall the uptake rate reaches a maximum of 24% compared to 40% in the rebaselined business case. The change lowers the overall broker commission savings to $59.73M, compared to the rebaselined savings amount of $148.62M. The response to part e) below provides the revised NPV results.

Figure 4 Online uptake 40% lower than forecast

Line No.	Uptake % Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Total
1	Online Uptake 40% lower than forecast (c)	6.0%	15.0%	18.0%	21.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	
2	40% lower uptake Scenario - Commissions Paid	92.12	92.60	93.83	95.49	97.15	100.53	104.02	107.63	111.36	115.23	119.23	
3	Status Quo - Estimated Commissions Paid	90.63	93.77	97.02	100.38	103.86	107.46	111.18	115.03	119.02	123.15	127.41	
3	(Forecast based on prior IBAM Agreement)												
4	**Net Savings (Status Quo less New Comm)**	**(1.49)**	**1.17**	**3.19**	**4.89**	**6.71**	**6.93**	**7.17**	**7.41**	**7.66**	**7.92**	**8.18**	**59.73**

d) Sensitivity analysis related to the three scenarios with higher online uptake rates are presented as scenarios 5-7 below:

Scenario 5 - Online uptake 10% higher than forecast:

Under this scenario, the online uptake rate is 10% above the rebaselined estimates. Overall the uptake rate reaches a maximum of 44% compared to 40% in the rebaselined business case. The change increases the overall broker commission savings to $170.85M, compared to the rebaselined savings amount of $148.62M. The response to part e) below provides the revised NPV results.

Figure 5 Online uptake 10% higher than forecast

Line No.	Uptake % Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Total
1	Online uptake 10% greater than forecast (d)	11.0%	27.5%	33.0%	38.5%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	
2	10% higher uptake Scenario - Commissions Paid	89.78	86.32	86.11	86.18	86.15	89.14	92.24	95.44	98.76	102.20	105.75	
3	Status Quo - Estimated Commissions Paid	90.63	93.77	97.02	100.38	103.86	107.46	111.18	115.03	119.02	123.15	127.41	
3	(Forecast based on prior IBAM Agreement)												
4	**Net Savings (Status Quo less New Comm)**	**0.85**	**7.45**	**10.91**	**14.20**	**17.72**	**18.32**	**18.94**	**19.59**	**20.26**	**20.95**	**21.66**	**170.85**

Scenario 6 - Online uptake 25% higher than forecast:

Under this scenario, the online uptake rate is 25% above the rebaselined estimates. Overall the uptake rate reaches a maximum of 50% compared to 40% in the rebaselined business case. The change increases the overall broker commission savings to $204.18M, compared to the rebaselined savings amount of $148.62M. The response to part e) below provides the revised NPV results.

Figure 6 Online uptake 25% higher than forecast

Line No.	Uptake % Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Total
1	Online uptake 25% greater than forecast (d)	12.5%	31.3%	37.5%	43.8%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	
2	25% higher uptake Scenario - Commissions Paid	89.08	84.44	83.80	83.38	82.84	85.72	88.71	91.79	94.98	98.29	101.71	
3	Status Quo - Estimated Commissions Paid	90.63	93.77	97.02	100.38	103.86	107.46	111.18	115.03	119.02	123.15	127.41	
3	(Forecast based on prior IBAM Agreement)	90.63	93.77	97.02	100.38	103.86	107.46	111.18	115.03	119.02	123.15	127.41	
4	**Net Savings (Status Quo less New Comm)**	**1.55**	**9.34**	**13.22**	**17.00**	**21.02**	**21.74**	**22.48**	**23.24**	**24.04**	**24.86**	**25.71**	**204.18**

Scenario 7 - Online uptake 40% higher than forecast:

Under this scenario, the online uptake rate is 40% above the rebaselined estimates. Overall the uptake rate reaches a maximum of 56% compared to 40% in the rebaselined business case. The change increases the overall broker commission savings to $237.52M, compared to the rebaselined savings amount of $148.62M. The response to part e) below provides the revised NPV results.

Figure 7 Online uptake 40% higher than forecast

Line No.	Uptake % Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Total
1	d) Online uptake 40% greater than forecast	14%	35.0%	42.0%	49.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	
2	40% higher uptake Scenario - Commissions Paid	88.38	82.55	81.48	80.59	79.54	82.31	85.17	88.14	91.20	94.38	97.66	
3	Status Quo - Estimated Commissions Paid	90.63	93.77	97.02	100.38	103.86	107.46	111.18	115.03	119.02	123.15	127.41	
3	(Forecast based on prior IBAM Agreement)												
4	**Net Savings (Status Quo less New Comm)**	**2.25**	**11.22**	**15.54**	**19.79**	**24.32**	**25.15**	**26.01**	**26.90**	**27.82**	**28.77**	**29.75**	**237.52**

e) The NPV results for all the scenarios identified above are presented below:

Figure 8 Summary of NPV results based on Scenarios 1-7

Line No.	Scenario	NPV	Increase / (Decrease) Scenario NPV vs Rebaselined NPV
1	Rebaselined Business Case	$ 18,427,581	
2	Scenario 1 - Online uptake completed at Half pace	$ (13,523,681)	$ (31,951,262)
3	Scenario 2 - Online uptake 10% lower than forecast	$ 8,131,634	$ (10,295,947)
4	Scenario 3 - Online uptake 25% lower than forecast	$ (7,312,286)	$ (25,739,867)
5	Scenario 4 - Online uptake 40% lower than forecast	$ (22,756,206)	$ (41,183,787)
6	Scenario 5 - Online uptake 10% greater than forecast	$ 28,723,528	$ 10,295,947
7	Scenario 6 - Online uptake 25% greater than forecast	$ 44,167,448	$ 25,739,867
8	Scenario 7 - Online uptake 40% greater than forecast	$ 59,611,369	$ 41,183,788

PUB (MPI) 2-35

Part and Chapter:	PUB (MPI) 1-75 Part V Expenses	Page No.:	Figure 2 p. 6 1-5 Appendix 19 EXP APP 19-1, 19-2, 19-3
PUB Approved Issue No:	10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years		
Topic:	Expenses		
Sub Topic:	IT Expenses		

Preamble to IR:

Question:

Please file an updated schedule, including all costs incurred on each of the list of projects and include a total column.

Rationale for Question:

To understand the level of IT expenses by line of business.

RESPONSE:

MPI only has available Appendix 19-1 and 19-2 on a total corporate-basis. Please refer to *PUB (MPI) 1-45* for additional information pertaining to the IT costs for the requested lines of business.

Please refer to *Figure 1* below for an updated version of EXP App 19-3 with a total column:

Figure 1: Corporate Capital Expenditures by Project – Deferred Development Costs Total

Line No.	Deferred Development Costs:	2016/17A	2017/18A	2018/19A	2019/20A	2020/21A	2021/22F	2022/23F	2023/24F	2024/25F	2025/26F	Unassigned Capital	Total
1	*(C$000s, except where noted)*												
2	Projects that do not impact Basic	3,154	31	-	-	-	-	-	-	-	-	-	3,185
3	IT Optimization	46	-	-	-	-	-	-	-	-	-	-	46
4	Disaster Recovery	14	-	-	-	-	-	-	-	-	-	-	14
5	HR Management System Phase 1 & 2	1,579	-	-	-	-	-	-	-	-	-	-	1,579
6	Physical Damage Re-engineering Phase 1 & 2	390	-	-	-	-	-	-	-	-	-	-	390
7	PDR Opt Repair - Collaborative Estimating & JSST	688	-	-	-	-	-	-	-	-	-	-	688
8	PDR Opt Repair - Distributed Estimating	2,343	2	-	-	-	-	-	-	-	-	-	2,345
9	Physical Damage Re-engineering Main/Phase 3	(2,434)	282	-	-	-	-	-	-	-	-	-	(2,152)
10	PDR Opt Repair - Remote Estimating	70	115	-	-	-	-	-	-	-	-	-	185
11	BI3 Fineos Upgrade 2016	577	-	-	-	-	-	-	-	-	-	-	577
12	Enterprise Data Masking	3	-	-	-	-	-	-	-	-	-	-	3
13	High School Driver Education Phase 2	1,333	112	-	-	-	-	-	-	-	-	-	1,445
14	High School Driver Education Phase 3	-	681	2,194	467	-	-	-	-	-	-	-	3,342
15	High School Driver Education Phase 4	-	-	16	678	51	-	-	-	-	-	-	745
16	Infor/Lawson Upgrade	1,258	1,101	455	-	-	-	-	-	-	-	-	2,814
17	ITO - High Availability	938	-	-	-	-	-	-	-	-	-	-	938
18	Legal Management Project	(8)	-	-	-	-	-	-	-	-	-	-	(8)
19	Predictive Analytics	1	-	-	-	-	-	-	-	-	-	-	1
20	Corporate Learning Management	1,123	1,406	563	-	-	-	-	-	-	-	-	3,092
21	Physical Damage - Centre of Excellence	283	-	-	-	-	-	-	-	-	-	-	283
22	Information Security Strategy and Road Map Phase 1	1,934	130	-	-	-	-	-	-	-	-	-	2,064
23	Information Security Strategy and Road Map Phase 2	659	1,756	75	-	-	-	-	-	-	-	-	2,490
24	Technology Innovation & Capabilities	(12)	-	-	-	-	-	-	-	-	-	-	(12)
25	Technology Risk Management - 2016/17	2,213	145	-	-	-	-	-	-	-	-	-	2,358
26	Technology Risk Management - 2017	-	2,902	1,501	-	-	-	-	-	-	-	-	4,403
27	Technology Risk Management - 2018	-	-	3,890	1,438	622	-	-	-	-	-	-	5,950
28	Technology Risk Management - 2019	-	-	-	701	1,286	-	-	-	-	-	-	1,987
29	Technology Risk Management - 2020	-	-	-	-	1,445	-	-	-	-	-	-	1,445
30	Technology Risk Management - 2021	-	-	-	-	-	3,080	-	-	-	-	-	3,080

Corporate Capital Expenditures by Project – Deferred Development Costs Total *(cont'd)*

Line No.	Deferred Development Costs:	2016/17A	2017/18A	2018/19A	2019/20A	2020/21A	2021/22F	2022/23F	2023/24F	2024/25F	2025/26F	Unassigned Capital	Total
31	*(C$000s, except where noted)*												
32	Technology Risk Management - 2022	-	-	-	-	-	-	4,000	-	-	-	-	4,000
33	Technology Risk Management - 2023	-	-	-	-	-	-	-	4,000	-	-	-	4,000
34	Technology Risk Management - 2024	-	-	-	-	-	-	-	-	4,000	-	-	4,000
35	Technology Risk Management - 2025	-	-	-	-	-	-	-	-	-	4,000	-	4,000
36	Appointment Manager	2	1,402	49	-	-	-	-	-	-	-	-	1,453
37	Customer Claims Reporting System	10,592	5,032	773	-	-	-	-	-	-	-	-	16,397
38	Enhanced DR Capabilities	292	1,422	831	-	-	-	-	-	-	-	-	2,545
39	Partner Portal	291	2,256	6	-	-	-	-	-	-	-	-	2,553
40	Financial Re-Engineering Initiative	342	1	-	854	1,301	-	-	-	-	-	-	2,498
41	Customer Self Service	-	1,679	2,809	116	-	-	-	-	-	-	-	4,604
42	Credit Card Strategy	-	255	2,534	1,422	-	-	-	-	-	-	-	4,211
43	Nova	-	-	-	-	13,024	34,669	26,186	12,099	5,056	-	4,523	95,557
44	Information Security Maturity	-	-	-	373	1,693	2,541	38	-	-	-	-	4,645
45	Total Loss	-	-	-	1,570	(125)	-	-	-	-	-	-	1,445
46	HRMS Optimization - Phase 1	-	-	-	-	65	-	-	-	-	-	-	65
47	Salvage Management System	-	-	-	134	457	-	-	-	-	-	-	591
48	Microsoft 365	-	-	-	-	895	1,474	-	-	-	-	-	2,369
49	Driver Licence Renewal Term Changes (10yr)	-	-	-	-	-	563	-	-	-	-	-	563
50	Year 1 Data and Analytics Spend	-	-	-	-	-	3,000	-	-	-	-	-	3,000
51	CERP - Additional Product Changes	-	-	-	135	132	-	-	-	-	-	-	267
52	**Total Deferred Development Costs**	**27,671**	**20,710**	**15,696**	**7,888**	**20,846**	**45,327**	**30,224**	**16,099**	**9,056**	**4,000**	**4,523**	**202,040**
53	Impairment of Deferred Development	-	(20,506)	(3,026)	(1,841)	(930)	-	-	-	-	-	-	(26,303)
54	Data Processing Equipment:												-
55	Provision for New and Replacement Equipment	110	142	72	231	43	1,840	100	595	1,915	283		5,331
56	Projects that impact Basic	-	-	-	-	-	-	-	-	-			-
57	Total Data Processing Equipment	110	142	72	231	43	1,840	100	595	1,915	283	-	**5,331**
58	**Total Capital Requirements for IT**	**27,781**	**346**	**12,742**	**6,278**	**19,959**	**47,167**	**30,324**	**16,694**	**10,971**	**4,283**	**4,523**	**181,068**
59	* List of Projects up to line 52												

PUB (MPI) 2-36

Part and Chapter:	**PUB (MPI) 1-76** **Part V Expenses**	**Page No.:**	**2, 4** **Appendix 19** **EXP APP 19-2, 19-4**
PUB Approved Issue No:	**10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years**		
Topic:	**Expenses**		
Sub Topic:	**IT Expenses**		

Preamble to IR:

Question:

a) Please indicate the extent to which the external operating expenses are being capitalized.

b) Please indicate what services are being provided, and explain how MPI determined that 80% of the activities were attributed to Basic.

Rationale for Question:

To understand the level of external operating expense.

RESPONSE:

a) MPI is not capitalizing external operating expenses.

b) Consultant costs reflect services for external labour. Departments with different allocators can require external labour. MPI uses an average allocation to estimate the Basic portion of total consultant costs in *2022 GRA EXP Appendix 19-4.*

PUB (MPI) 2-37

Part and Chapter:	**Part V Claims Incurred PUB (MPI) 1-77**	**Page No.:**	**16**
PUB Approved Issue No:	**11. Claims forecasting, including but not limited to PIPP and changes or enhances to claims forecasting design**		
Topic:	**Claims Incurred**		
Sub Topic:	**Impact of CERP**		

Preamble to IR:

In the 2021 GRA PUB (MPI) 2-4, MPI indicated that it did not adjust the forecast for Property Damage Third Party Deductible Transfer to reflect the fact that for claims that are not at fault, MPI pays the full amount of the loss. In these situations, increases in PDTPD loss costs resulting from the higher deductible are completely offset by reductions in Collision loss costs. MPI did not calculate the amount transferable from PDTPD to Collision given that there is no effect on overall loss costs.

Question:

a) Based on the Deductible Transfer frequency forecast in CI-69, please calculate the number of Deductible Transfer claims projected to occur in each of 2021/22 through 2025/26.

b) For each of the above years, please multiply each of the above claim counts by $250 (the amount of the increase in the basic deductible). For 2021/22 multiply the answer by one half to reflect the implementation of CERP.

c) Please provide an alternative Figure CI-7 in which the amounts in (b) are subtracted from Collision and added to Property Damage.

d) Please provide alternative Figures CI-12, CI-39, CI-40, CI-71, CI-72, and RM-2 to which the amount calculated in (b) is subtracted from Collision and added to Property Damage.

Rationale for Question:

Given the fact that the increase in deductible costs will increase claims costs for Property Damage, with a reduction to Collision costs, the forecasts should reflect this.

RESPONSE:

a) Please refer to *Figure 1* below for the number of deductible transfer claims projected to occur in each of 2021/22 through 2025/26.

b) Please refer to *Figure 1* below for the estimated amount from deductible transfer due to the increase in the Basic deductible. Please note that the calculation below is a very high level estimate and will slightly overstate the actual transfers because it assumes that all claims are at least $750 (i.e receive the full transfer of $250).

Figure 1 CERP Deductible Transfer Forecast

Line No.	Years	Frequency	Claim Count	Estimated TPD	
1	**2021/22**	3.5%	31,465	$3,933,184	*
2	**2022/23**	3.6%	32,989	$8,247,311	
3	**2023/24**	3.5%	32,397	$8,099,227	
4	**2024/25**	3.4%	31,788	$7,947,076	
5	**2025/26**	3.3%	31,163	$7,790,786	
6	*multiplied by one half to reflect the implementation of CERP				

c) Please refer to *Figure 2* below for a revised CI-7.

Figure 2 Assumed Impacts to Ultimates from CERP

Line No.	Accident Year	Public Liability	Collision	Comprehensive	Property Damage	Total
1	***($000)***					
2	**2021/22**	$525	($11,185)	($7,955)	$4,158	($14,457)
3	**2022/23**	$1,050	($23,657)	($16,309)	$8,697	($30,219)
4	**2023/24**	$1,050	($23,360)	($16,719)	$8,549	($30,480)
5	**2024/25**	$1,050	($23,043)	($17,140)	$8,397	($30,736)
6	**2025/26**	$1,050	($22,877)	($17,615)	$8,241	($31,201)

d) Please refer to *Figures 3 to 8* below for the revised figures:

Figure 3 Claims Incurred before Provisions Forecast

Line No.	Fiscal Year	2021/22	2022/23	2023/24	2024/25	2025/26
1	*($000)*					
2	Weekly Indemnity	$117,851	$128,650	$133,323	$137,546	$143,161
3	ABO - Indexed	$77,055	$84,261	$86,889	$89,237	$91,740
4	ABO – Non-Indexed	$29,513	$32,758	$33,362	$33,869	$34,382
5	PIPP Enhancements	$10,614	$10,950	$11,248	$11,328	$11,542
6	Public Liability - BI	$6,136	$7,014	$7,321	$7,616	$7,922
7	Collision	$425,185	$460,202	$482,388	$505,787	$530,080
8	Comprehensive	$100,783	$97,097	$102,078	$107,242	$112,608
9	Property Damage	$43,139	$50,914	$50,941	$51,037	$51,131
10	**Basic Total**	**$810,277**	**$871,846**	**$907,551**	**$943,661**	**$982,566**

Figure 4 Collision Ultimate Incurred

Line No.	Accident Year	Claim Frequency	Severity	CERP Impact ($000)	Ultimate ($000)	Annual % Change	Last Year's Forecast ($000)	Variance to Forecast ($000)
1	2011/12	0.125	$2,725		$271,448	-2.91%	$273,142	($1,694)
2	2012/13	0.138	$2,809		$315,840	16.35%	$310,694	$5,145
3	2013/14	0.143	$2,982		$350,405	10.94%	$349,411	$994
4	2014/15	0.119	$3,168		$313,814	-10.44%	$317,802	($3,987)
5	2015/16	0.121	$3,473		$355,302	13.22%	$352,280	$3,023
6	2016/17	0.126	$3,577		$387,341	9.02%	$386,054	$1,287
7	2017/18	0.124	$3,769		$408,891	5.56%	$408,331	$561
8	2018/19	0.121	$3,832		$409,529	0.16%	$409,515	$14
9	2019/20	0.113	$4,064		$407,821	-0.42%	$442,707	($34,886)
10	2020/21	0.086	$4,163		$319,704	-21.61%	$416,058	($96,354)
11	5-year Trend	0.087	$4,321		$345,754	-21.63%	$440,848	
12	10-year Trend	0.101	$4,386		$410,379	-7.87%	$460,473	
13	All year Trend	0.106	$4,329		$422,679	-4.80%	$461,628	
14	2021/22	0.105	$4,319	($11,185)	$423,429	32.44%	$464,594	($41,165)
15	2022/23	0.114	$4,395	($23,657)	$459,619	8.55%	$478,478	($18,859)
16	2023/24	0.113	$4,611	($23,360)	$482,037	4.88%	$501,246	($19,209)
17	2024/25	0.112	$4,838	($23,043)	$505,451	4.86%	$525,114	($19,663)
18	2025/26	0.110	$5,073	($22,877)	$529,731	4.80%		

Figure 5 Collision Claims Incurred

Line No.	Fiscal Year	Reported	Change in IBNR: Interest Rate Impact	Change in IBNR: All Other Changes	Change in IBNR: Total Change in IBNR	Claims Incurred	Last Year's Forecast	Variance to Forecast
1	***($000)***							
2	**2016/17**	$382,916	($23)	$9,604	$9,581	$392,497	$392,497	$0
3	**2017/18**	$413,823	($50)	$2,133	$2,083	$415,906	$415,906	$0
4	**2018/19**	$399,157	$134	($282)	($148)	$399,010	$399,010	$0
5	**2019/20***	$444,302	$99	$2,017	$2,117	$446,419	$446,419	$0
6	**2020/21**	$323,490	$88	($10,021)	($9,934)	$313,557	$417,121	($103,564)
7	**2021/22**	$420,579	$33	$4,573	$4,605	$425,185	$465,348	($40,163)
8	**2022/23**	$457,199	$33	$2,971	$3,003	$460,202	$478,767	($18,565)
9	**2023/24**	$480,434	$34	$1,922	$1,955	$482,388	$501,621	($19,233)
10	**2024/25**	$504,031	$29	$1,727	$1,755	$505,787	$525,508	($19,721)
11	**2025/26**	$528,380	$30	$1,671	$1,700	$530,080		
12	*13 month period ending March 31, 2020							

Figure 6 Property Damage Ultimate Incurred

Line No.	Accident Year	CERP Impact ($000)	Ultimate ($000)	Annual % Change	Last Year's Forecast ($000)	Variance to Forecast ($000)
1	**2011/12**		$37,189	-3.17%	$37,432	($243)
2	**2012/13**		$42,344	13.86%	$41,816	$528
3	**2013/14**		$45,176	6.69%	$45,619	($442)
4	**2014/15**		$40,683	-9.95%	$41,040	($358)
5	**2015/16**		$41,086	0.99%	$41,022	$65
6	**2016/17**		$43,656	6.25%	$43,734	($78)
7	**2017/18**		$46,701	6.97%	$46,350	$351
8	**2018/19**		$43,253	-7.38%	$43,198	$55
9	**2019/20**		$39,276	-9.20%	$43,681	($4,405)
10	**2020/21**		$31,022	-21.02%	$38,701	($7,679)
11	**3-year Trend**		$25,619	-26.16%	$37,363	
12	**5-year Trend**		$30,974	-26.09%	$39,312	
13	**All year Trend**		$38,839	-12.81%	$43,293	
14	**2021/22**	$225	$43,039	38.74%	$43,312	($274)
15	**2022/23**	$450	$50,792	18.01%	$43,642	$7,150
16	**2023/24**	$450	$50,916	0.24%	$43,856	$7,060
17	**2024/25**	$450	$51,026	0.22%	$44,076	$6,951
18	**2025/26**	$450	$51,122	0.19%		

Figure 7 Property Damage Claims Incurred

Line No.	Fiscal Year	Reported	Change in IBNR: Interest Rate Impact	Change in IBNR: All Other Changes	Change in IBNR: Total Change in IBNR	Claims Incurred	Last Year's Forecast	Variance to Forecast
1	*($000)*							
2	**2016/17**	$42,478	($7)	$298	$291	$42,769	$42,769	$0
3	**2017/18**	$47,295	($12)	$1,364	$1,352	$48,647	$48,647	$0
4	**2018/19**	$41,877	$33	$901	$933	$42,810	$42,810	$0
5	**2019/20***	$45,004	$26	($1,106)	($1,079)	$43,925	$43,925	$0
6	**2020/21**	$31,135	$27	($1,254)	($1,227)	$29,909	$38,719	($8,811)
7	**2021/22**	$42,413	$7	$719	$726	$43,139	$43,384	($245)
8	**2022/23**	$49,371	$7	$1,534	$1,542	$50,914	$43,663	$7,251
9	**2023/24**	$50,635	$7	$298	$306	$50,941	$43,867	$7,073
10	**2024/25**	$50,953	$6	$77	$84	$51,037	$44,087	$6,950
11	**2025/26**	$51,083	$6	$41	$47	$51,131		

12 *13 month period ending March 31, 2020

Figure 8 Rating Year 2022/23 Discounted Claims Costs

Line No.	Coverage	Discounted Claims Costs
1	*($000)*	
2	Bodily Injury	5,513
3	Impact of Product Change	970
4	Property Damage	41,821
5	Impact of Product Change	8,545
6	Income Replacement Indemnity	96,563
7	PIPP Enhancement	1,195
8	Accident Benefits – Other (Indexed)	68,306
9	PIPP Enhancement	4,805
10	ULAE[1]	32,023
11	Accident Benefits – Other (Non-Indexed)	31,591
12	PIPP Enhancement	1,014
13	Collision	490,486
14	Impact of Product Change	-23,415
15	ULAE[1]	2,066
16	Comprehensive	115,260
17	Impact of Product Change	-16,392
18	Incurred Claims (Excl Impct of Prd Chng, PIPP Enh & ULAE[1])	849,541
19	Impact of Product Change	-30,292
20	PIPP Enhancement	7,014
21	ULAE[1]	34,089
22	**Total Incurred Claims**	**860,353**

23 [1]ULAE refers to Unallocated Loss Adjustment Expense, which are claims costs which cannot
24 be allocated to individual claims.

<u>PUB (MPI) 2-38</u>

Part and Chapter:	**Part V Claims Incurred PUB (MPI) 1-78**	**Page No.:**	
PUB Approved Issue No:	**11. Claims forecasting, including but not limited to PIPP and changes or enhancements to claims forecasting design**		
Topic:	**Claims Incurred**		
Sub Topic:			

Preamble to IR:

MPI has changed its weighting approach for coverages in which the claims were split into different severity groups.

Question:

a) Please confirm that the use of no severity groups in the selection of severity trends for the four mentioned coverages would reduce the rate indication by about -0.3% overall, with a larger impact for mainly motorcycles.

b) Please confirm that the use of severity groups weighted by incurred amounts would reduce the rate indication by about -1.4%, with a large impact for mainly motorcycles. In other words, please confirm that changing from weighting severity group indicated trends by incurred amounts to weighting by claim counts has increased the rate indication by about 1.4% overall.

Rationale for Question:

To understand the impact of the use of severity groups and the use of different weightings for the indicated severity trends by severity group.

RESPONSE:

a) MPI confirms that, for the 2022 GRA, using a severity growth for PIPP without dividing it along separate severity groups' results in a lower rate indication. MPI believes that calculating severity growth for low, medium and high severity claims separately is preferable to lumping them into a single group as these claims types can differ dramatically, particularly across the various classes of vehicles.

   The larger impact for motorcycles is because the decrease is driven by decreases in claims costs for PIPP coverages, which represents approximately 90% of the claims costs for motorcycles.

b) Confirmed. As stated in *2021 GRA PUB (MPI) 2-6(a)*, MPI believes that weighting by claim counts instead of incurred to be a representation of the severity growth of PIPP and Bodily Injury. Adding a few high severity claims can result in a large increase in incurred which would disproportionally increase the weights for those groups as compared to the many smaller severity claims. The larger impact for motorcycles is because the decrease is driven by decreases in claims costs for PIPP coverages, which represents approximately 90% of the claims costs for motorcycles.

PUB (MPI) 2-39

Part and Chapter:	Part VI Ratemaking PUB (MPI) 1-82	Page No.:	RM Appendix 9 Table 13
PUB Approved Issue No:	13. Driver Safety Rating (DSR), including but not limited to MPI's progress towards changes to the DSR system		
Topic:	Ratemaking		
Sub Topic:			

Preamble to IR:

PUB Order 1/21 stated, in part:

11. In the 2022 GRA, the Corporation shall file proposed driver premium rates and vehicle premium discounts that are more statistically consistent with the estimated claims cost per driver for each level of the Driver Safety Rating scale, including incorporating the Driver Safety Rating into its minimum bias analysis used to set rating relativities.

In the 2021 GRA, an analysis was provided which included the DSR in the calculation of the relativities for territory and use. Submitted after the initial 2022 GRA filing, the DSR analysis (Part VI – DSR Appendix 1 page 4) provided indicated that territory and use and vehicle rate groups were used in the estimation of the DSR discount.

It appears that the indicated differentials appear to be significantly different at times when the DSR and rate groups are included in the minimum bias with territory and use.

Question:

Does MPI have any suggestions as to how these alternative indicated differentials could be incorporated into the proposed rate changes that would take into consideration the limitations noted by MPI?

Rationale for Question:

To gain insight into the impact of including DSR in the minimum bias for territory and use relativity indications.

RESPONSE:

MPI will review its ratemaking methodology for the 2023 GRA to reconcile these differences. On a preliminary basis, MPI will review using consistent data sets in both its analysis and treatment of PIPP losses and then make appropriate changes based on its review.

PUB (MPI) 2-40

Part and Chapter:	PUB (MPI) 1-85 Part VI DSR Part V Rev	Page No.:	9 DSR-1
PUB Approved Issue No:	13. Driver Safety Rating (DSR), including but not limited to MPI's progress towards changes to the DSR system		
Topic:	DSR Scale		
Sub Topic:	Actuarially indicated rate		

Preamble to IR:

Question:

a) Given the indicated movement in Figure 1, please provide the expected rate change by DSR level over each of the next five years due to this change in vehicle discount rates. For this purpose, reconcile the total premium amount to be charged in line with the forecast premiums in PF-1.

b) Please indicate the level of vehicle premium discounts and driver licence surcharges that are currently provided at each level, by year, relative to the assumed movement on the DSR scale and the total impact on written premiums.

Rationale for Question:

To understand implications of moving the DSR scale towards actuarially indicated rates.

RESPONSE:

a) *Figure 1* shows the expected increase in the base rates for 2022/23 to 2026/27 to offset the revenue loss from providing higher discounts per *PUB (MPI) 1-85, Figure 1*. The figures presented in *Figure 1* were determined using the DSR simulation model used to determine driver premium and DSR upgrade as detailed in *Revenues Chapter Rev.2*.

Figure 2 updates *PUB (MPI) 1-85, Figure 1* to include the changes to average rates by DSR level for 2022/23 to 2026/27 including the offset per *Figure 1*.

Figure 1 Increase in Base Rates to Offset Revenue Loss

Line No.		Rating Year 2022/23	2023/24	2024/25	2025/26	2026/27
1	**Increase in Base Rates to Offset Revenue Loss**	4.2%	3.7%	4.6%	4.1%	4.6%

Figure 2 Vehicle Premium Discounts

Line	DSR	Discount % for Rating Year... [a]						Change to Discount % for Rating Year...					Change to Average Rate for Rating Year... [b]				
No.	Level	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2022/23	2023/24	2024/25	2025/26	2026/27	2022/23	2023/24	2024/25	2025/26	2026/27
1	**15**	33.0%	38.0%	42.0%	47.0%	51.0%	56.0%	5.0%	4.0%	5.0%	4.0%	5.0%	-3.6%	-3.0%	-4.5%	-3.8%	-6.1%
2	**14**	30.0%	33.0%	36.0%	39.0%	42.0%	46.0%	3.0%	3.0%	3.0%	3.0%	4.0%	-0.3%	-0.9%	-0.3%	-1.0%	-2.6%
3	**13**	29.0%	32.0%	35.0%	38.0%	42.0%	45.0%	3.0%	3.0%	3.0%	4.0%	3.0%	-0.2%	-0.8%	-0.3%	-2.6%	-0.8%
4	**12**	28.0%	31.0%	34.0%	37.0%	41.0%	44.0%	3.0%	3.0%	3.0%	4.0%	3.0%	-0.1%	-0.8%	-0.2%	-2.5%	-0.7%
5	**11**	27.0%	30.0%	33.0%	36.0%	39.0%	42.0%	3.0%	3.0%	3.0%	3.0%	3.0%	-0.1%	-0.7%	-0.1%	-0.8%	-0.6%
6	**10**	26.0%	29.0%	32.0%	35.0%	37.0%	40.0%	3.0%	3.0%	3.0%	2.0%	3.0%	0.0%	-0.7%	-0.1%	0.9%	-0.4%
7	**9**	25.0%	28.0%	30.0%	33.0%	35.0%	38.0%	3.0%	2.0%	3.0%	2.0%	3.0%	0.0%	0.8%	0.1%	1.0%	-0.2%
8	**8**	25.0%	27.0%	29.0%	31.0%	33.0%	35.0%	2.0%	2.0%	2.0%	2.0%	2.0%	1.4%	0.9%	1.6%	1.1%	1.5%
9	**7**	25.0%	26.0%	28.0%	29.0%	31.0%	32.0%	1.0%	2.0%	1.0%	2.0%	1.0%	2.8%	0.9%	3.1%	1.2%	3.1%
10	**6**	20.0%	22.0%	24.0%	25.0%	27.0%	29.0%	2.0%	2.0%	1.0%	2.0%	2.0%	1.6%	1.1%	3.2%	1.3%	1.7%
11	**5**	15.0%	17.0%	19.0%	21.0%	23.0%	25.0%	2.0%	2.0%	2.0%	2.0%	2.0%	1.8%	1.2%	2.0%	1.5%	1.9%
12	**4**	15.0%	16.0%	17.0%	18.0%	20.0%	21.0%	1.0%	1.0%	1.0%	2.0%	1.0%	3.0%	2.5%	3.3%	1.6%	3.3%
13	**3**	10.0%	11.0%	12.0%	14.0%	15.0%	16.0%	1.0%	1.0%	2.0%	1.0%	1.0%	3.1%	2.6%	2.2%	2.9%	3.3%
14	**2**	10.0%	10.0%	10.0%	11.0%	11.0%	11.0%	0.0%	0.0%	1.0%	0.0%	0.0%	4.2%	3.7%	3.4%	4.1%	4.6%
15	**1**	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	0.0%	0.0%	0.0%	1.0%	0.0%	4.2%	3.7%	4.6%	3.0%	4.6%
16								**Increase in Base Rates to Offset Revenue Loss:**					**4.2%**	**3.7%**	**4.6%**	**4.1%**	**4.6%**

17 Notes:
18 [a] 2021/22 reflects current vehicle premium discounts and 2026/27 reflects indicated vehicle premium discounts
19 [b] For rating year j, Change = $(1 - \text{Discount}_j) / (1 - \text{Discount}_{j-1}) * (1 + \text{Offset}_j) - 1$

b) Please see *Appendix 1* and *Appendix 2*. *Appendix 1* shows the estimated impact on vehicle premiums by DSR level for the forecast years as a result of adjusting the forecasted driver movement probabilities in 2021/22. *Appendix 2* shows the corresponding estimated impact on driver premiums by DSR level.

Figure App 1-1 Estimated Impact on Vehicle Premiums by DSR ('000s)

Line		Vehicle Premiums after Driver Movement Adjustment					Vehicle Premiums before Driver Movement Adjustment					Impact of Adjustment on Vehicle Premiums				
No.	DSR Level	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
1	15	$394,125	$404,807	$415,839	$433,781	$444,322	$387,600	$398,197	$410,747	$428,211	$438,369	$6,525	$6,610	$5,092	$5,570	$5,953
2	14	$33,676	$34,619	$42,875	$35,643	$36,573	$32,802	$35,840	$42,154	$34,943	$38,861	$874	($1,221)	$720	$700	($2,288)
3	13	$36,660	$45,557	$37,636	$38,699	$46,851	$37,953	$44,758	$36,894	$41,183	$46,562	($1,294)	$799	$741	($2,485)	$289
4	12	$40,843	$32,008	$33,009	$41,419	$36,982	$40,051	$31,337	$35,798	$41,195	$36,814	$792	$671	($2,790)	$224	$168
5	11	$34,657	$35,823	$45,118	$40,214	$42,958	$33,895	$38,965	$44,875	$40,052	$43,153	$762	($3,142)	$243	$162	($194)
6	10	$37,687	$47,704	$42,408	$45,457	$49,932	$41,123	$47,428	$42,272	$45,591	$49,528	($3,435)	$276	$137	($134)	$405
7	9	$33,813	$27,647	$30,610	$34,380	$32,071	$33,587	$27,720	$30,823	$34,119	$31,799	$226	($73)	($213)	$261	$272
8	8	$27,438	$30,758	$34,293	$32,073	$34,477	$27,554	$30,824	$34,041	$31,798	$34,600	($116)	($66)	$252	$275	($123)
9	7	$27,804	$30,706	$28,737	$31,129	$34,106	$27,677	$30,481	$28,496	$31,168	$33,876	$128	$226	$241	($38)	$229
10	6	$30,736	$28,956	$31,591	$34,437	$34,648	$30,487	$28,688	$31,509	$34,188	$34,275	$249	$269	$81	$249	$374
11	5	$30,731	$33,718	$36,503	$36,988	$37,761	$30,400	$33,460	$36,234	$36,554	$36,147	$331	$259	$270	$434	$1,614
12	4	$31,259	$33,606	$34,300	$34,799	$36,850	$30,818	$33,338	$33,856	$33,060	$37,725	$441	$268	$444	$1,738	($874)
13	3	$34,934	$36,016	$36,215	$38,338	$39,000	$34,611	$35,472	$34,118	$39,505	$40,451	$323	$543	$2,097	($1,167)	($1,450)
14	2	$35,809	$35,617	$37,711	$38,420	$40,429	$35,162	$33,256	$39,140	$40,056	$41,422	$647	$2,361	($1,429)	($1,636)	($992)
15	1	$35,705	$37,883	$38,624	$40,712	$43,059	$32,965	$39,666	$40,512	$41,896	$43,969	$2,740	($1,783)	($1,887)	($1,183)	($910)
16	0	$48,795	$49,727	$52,534	$55,567	$58,116	$51,634	$52,483	$54,339	$56,809	$59,301	($2,839)	($2,756)	($1,805)	($1,242)	($1,186)
17	-1	$12,698	$13,514	$14,504	$15,180	$15,951	$14,038	$14,179	$14,985	$15,861	$16,401	($1,340)	($665)	($481)	($681)	($450)
18	-2	$9,304	$10,716	$12,007	$12,572	$13,277	$10,792	$11,754	$12,598	$12,855	$13,681	($1,488)	($1,038)	($591)	($284)	($405)
19	-3	$6,909	$7,980	$8,414	$8,900	$9,307	$8,066	$8,464	$8,550	$9,295	$9,698	($1,157)	($484)	($136)	($395)	($391)
20	-4	$9,163	$9,974	$10,602	$11,255	$11,931	$10,314	$10,405	$11,372	$11,872	$12,382	($1,151)	($432)	($769)	($616)	($451)
21	-5	$5,465	$6,975	$7,372	$7,820	$8,262	$6,631	$7,590	$7,794	$8,130	$8,544	($1,166)	($615)	($422)	($311)	($281)
22	-6	$4,208	$4,647	$4,944	$5,303	$5,594	$4,834	$5,042	$5,279	$5,587	$5,836	($626)	($395)	($335)	($284)	($241)
23	-7	$3,970	$4,183	$4,615	$4,961	$5,260	$4,414	$4,692	$5,008	$5,236	$5,482	($443)	($509)	($393)	($275)	($222)
24	-8	$2,974	$3,147	$3,354	$3,555	$3,752	$3,320	$3,398	$3,541	$3,718	$3,921	($346)	($251)	($186)	($163)	($169)
25	-9	$2,408	$2,634	$2,843	$3,036	$3,225	$2,810	$2,890	$3,047	$3,230	$3,379	($403)	($256)	($204)	($195)	($154)
26	-10	$2,539	$2,654	$2,931	$3,112	$3,299	$2,810	$2,967	$3,152	$3,285	$3,441	($271)	($313)	($221)	($173)	($142)
27	-11	$1,376	$1,476	$1,595	$1,701	$1,810	$1,568	$1,650	$1,718	$1,808	$1,903	($192)	($173)	($123)	($107)	($93)
28	-12	$1,460	$1,568	$1,675	$1,804	$1,918	$1,626	$1,732	$1,826	$1,922	$2,011	($165)	($164)	($151)	($118)	($93)
29	-13	$1,886	$1,926	$2,048	$2,170	$2,292	$1,947	$2,074	$2,179	$2,284	$2,397	($60)	($148)	($131)	($114)	($104)
30	-14	$674	$724	$780	$836	$890	$769	$807	$846	$892	$937	($95)	($83)	($66)	($56)	($47)
31	-15	$767	$833	$883	$945	$1,000	$861	$903	$953	$1,000	$1,046	($94)	($70)	($69)	($55)	($46)
32	-16	$674	$712	$758	$805	$852	$735	$772	$810	$848	$889	($61)	($60)	($52)	($43)	($37)
33	-17	$452	$478	$509	$544	$579	$503	$523	$552	$581	$609	($51)	($45)	($43)	($37)	($30)
34	-18	$457	$474	$495	$524	$555	$501	$506	$529	$554	$580	($44)	($32)	($34)	($30)	($26)
35	-19	$305	$324	$345	$368	$391	$334	$356	$374	$392	$412	($29)	($32)	($29)	($25)	($21)
36	-20	$2,322	$2,474	$2,615	$2,759	$2,909	$2,465	$2,623	$2,760	$2,891	$3,025	($144)	($149)	($145)	($132)	($117)
37	**Total**	**$984,683**	**$1,022,564**	**$1,061,295**	**$1,100,205**	**$1,141,187**	**$987,656**	**$1,025,237**	**$1,063,682**	**$1,102,571**	**$1,143,423**	**($2,973)**	**($2,673)**	**($2,387)**	**($2,366)**	**($2,236)**

Figure App 2-1 Estimated Impact on Driver Premiums by DSR ('000s)

Line		Driver Premiums after Driver Movement Adjustment					Driver Premiums before Driver Movement Adjustment					Impact of Adjustment on Driver Premiums				
No.	DSR Level	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
1	**15**	$4,700	$4,712	$4,724	$4,810	$4,810	$4,605	$4,614	$4,646	$4,729	$4,726	$95	$97	$79	$82	$83
2	**14**	$531	$532	$644	$522	$523	$515	$549	$630	$510	$554	$16	($16)	$14	$12	($31)
3	**13**	$593	$720	$580	$583	$688	$612	$704	$566	$617	$681	($19)	$16	$14	($35)	$7
4	**12**	$683	$522	$526	$644	$561	$667	$509	$568	$638	$556	$16	$13	($42)	$6	$5
5	**11**	$570	$575	$707	$615	$641	$555	$622	$700	$610	$641	$15	($48)	$7	$5	($0)
6	**10**	$635	$784	$681	$712	$764	$690	$776	$675	$711	$754	($55)	$8	$5	$1	$9
7	**9**	$751	$599	$647	$710	$646	$743	$598	$649	$701	$638	$8	$1	($2)	$8	$8
8	**8**	$752	$823	$895	$817	$858	$752	$821	$885	$807	$857	($0)	$2	$11	$10	$0
9	**7**	$854	$920	$841	$889	$951	$847	$910	$830	$886	$941	$7	$11	$11	$3	$10
10	**6**	$945	$869	$925	$985	$967	$934	$857	$919	$974	$953	$11	$12	$7	$11	$14
11	**5**	$930	$996	$1,052	$1,041	$1,037	$916	$984	$1,040	$1,024	$989	$13	$12	$12	$16	$48
12	**4**	$1,061	$1,113	$1,109	$1,098	$1,135	$1,042	$1,100	$1,090	$1,039	$1,158	$19	$14	$19	$59	($22)
13	**3**	$1,405	$1,414	$1,388	$1,434	$1,424	$1,387	$1,386	$1,301	$1,471	$1,471	$18	$27	$86	($37)	($47)
14	**2**	$1,570	$1,525	$1,576	$1,567	$1,609	$1,537	$1,417	$1,628	$1,627	$1,642	$34	$107	($52)	($60)	($33)
15	**1**	$1,948	$2,017	$2,008	$2,066	$2,132	$1,792	$2,103	$2,096	$2,117	$2,169	$156	($86)	($89)	($51)	($36)
16	**0**	$3,287	$3,269	$3,371	$3,481	$3,553	$3,465	$3,435	$3,471	$3,544	$3,611	($179)	($166)	($100)	($63)	($58)
17	**-1**	$2,370	$2,462	$2,579	$2,634	$2,702	$2,610	$2,571	$2,652	$2,741	$2,767	($241)	($110)	($74)	($107)	($65)
18	**-2**	$1,774	$1,994	$2,181	$2,229	$2,297	$2,050	$2,177	$2,278	$2,269	$2,358	($276)	($183)	($97)	($41)	($61)
19	**-3**	$1,929	$2,175	$2,238	$2,311	$2,359	$2,244	$2,296	$2,264	$2,403	$2,448	($315)	($122)	($26)	($92)	($89)
20	**-4**	$3,375	$3,585	$3,720	$3,855	$3,989	$3,785	$3,724	$3,972	$4,049	$4,123	($410)	($139)	($252)	($194)	($134)
21	**-5**	$2,341	$2,916	$3,009	$3,115	$3,213	$2,830	$3,160	$3,167	$3,225	$3,309	($489)	($243)	($158)	($110)	($96)
22	**-6**	$1,852	$1,996	$2,073	$2,170	$2,235	$2,120	$2,156	$2,203	$2,277	$2,322	($268)	($160)	($130)	($107)	($87)
23	**-7**	$2,260	$2,323	$2,502	$2,625	$2,717	$2,503	$2,595	$2,703	$2,759	$2,821	($243)	($271)	($201)	($134)	($104)
24	**-8**	$2,091	$2,159	$2,247	$2,324	$2,394	$2,325	$2,321	$2,361	$2,420	$2,492	($234)	($162)	($114)	($96)	($98)
25	**-9**	$1,936	$2,067	$2,178	$2,270	$2,354	$2,251	$2,258	$2,324	$2,405	$2,456	($316)	($191)	($146)	($136)	($103)
26	**-10**	$2,176	$2,220	$2,394	$2,481	$2,567	$2,400	$2,471	$2,563	$2,608	$2,667	($223)	($251)	($169)	($127)	($100)
27	**-11**	$1,425	$1,493	$1,575	$1,639	$1,702	$1,619	$1,661	$1,688	$1,735	$1,782	($193)	($168)	($114)	($96)	($80)
28	**-12**	$1,696	$1,777	$1,853	$1,948	$2,021	$1,881	$1,954	$2,011	$2,067	$2,111	($185)	($177)	($158)	($119)	($90)
29	**-13**	$2,549	$2,540	$2,636	$2,727	$2,811	$2,621	$2,723	$2,792	$2,858	$2,928	($72)	($183)	($157)	($131)	($116)
30	**-14**	$1,229	$1,289	$1,355	$1,418	$1,473	$1,397	$1,430	$1,464	$1,506	$1,545	($168)	($141)	($108)	($89)	($72)
31	**-15**	$1,379	$1,462	$1,514	$1,580	$1,633	$1,543	$1,578	$1,625	$1,665	$1,701	($164)	($116)	($111)	($85)	($68)
32	**-16**	$1,318	$1,359	$1,412	$1,464	$1,512	$1,433	$1,467	$1,503	$1,536	$1,572	($115)	($108)	($91)	($72)	($60)
33	**-17**	$875	$903	$939	$979	$1,017	$970	$983	$1,013	$1,041	$1,065	($95)	($81)	($74)	($62)	($48)
34	**-18**	$926	$938	$956	$989	$1,021	$1,013	$997	$1,018	$1,040	$1,064	($86)	($58)	($62)	($52)	($43)
35	**-19**	$727	$753	$783	$814	$845	$793	$824	$844	$865	$887	($66)	($71)	($61)	($51)	($42)
36	**-20**	$5,740	$5,970	$6,161	$6,344	$6,528	$6,074	$6,303	$6,472	$6,620	$6,763	($334)	($333)	($311)	($276)	($235)
37	**Total**	**$61,179**	**$63,773**	**$65,978**	**$67,889**	**$69,691**	**$65,519**	**$67,036**	**$68,612**	**$70,098**	**$71,523**	**($4,340)**	**($3,264)**	**($2,634)**	**($2,209)**	**($1,832)**

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Part and Chapter:	**PUB (MPI) 1-89 2022 Special Rebate Application**	**Page No.:**	**Figure 1 p. 3 12, 13 Figure 6, 7**
PUB Approved Issue No:	**18. a Special Rebate Application for actual and projected savings generated between March 31, 2021 and September 30, 2021**		
Topic:	**COVID-19 Impact**		
Sub Topic:			

Preamble to IR:

Question:

a) Please update Figure 1 extending the table through the end of August.

b) Please refile the table in Figure 1 using the monthly budget for 2022 used in the application, and provide a narrative on the changes.

c) Please reconcile the 2022 budget monthly claims provided in the SRA with the claims amount and count projected in the 2022 GRA, and explain the differences.

Rationale for Question:

To understand the impact of COVID-19 on Claims Incurred.

RESPONSE:

a) to c)

Please see *Figure 1* below for an update through the end of August 2021. The figures in the column labeled “Budget” are from the 2022 GRA (i.e. April 2021 to March 2022). The main difference is the impact of COVID-19. In the original budget, MPI assumed a 10% decrease in frequency until September 31, 2021. It later revised that assumption to 20% reduction in Q1 of 2021 and a 10% reduction in Q2 2021 (following the institution of the vaccination plan of the Government of Manitoba).

Figure 1 Budgeted (2022 GRA) and Actual Claims by Reported Month

Line No.	Reported Month	Budget Direct Basic Collision Incurred	Actual Direct Basic Collision Incurred	Difference Direct Basic Collision Incurred
1	Apr-20	$31,555,949	$12,693,238	($18,862,711)
2	May-20	$29,999,545	$16,356,897	($13,642,648)
3	Jun-20	$29,963,557	$24,343,914	($5,619,643)
4	Jul-20	$32,120,691	$28,965,298	($3,155,393)
5	Aug-20	$32,394,818	$28,616,752	($3,778,066)
6	Sep-20	$34,187,907	$31,060,434	($3,127,473)
7	Oct-20	$39,498,048	$33,826,692	($5,671,356)
8	Nov-20	$44,780,915	$31,522,812	($13,258,103)
9	Dec-20	$50,065,715	$28,372,825	($21,692,890)
10	Jan-21	$55,351,829	$33,973,527	($21,378,302)
11	Feb-21	$43,085,903	$27,810,055	($15,275,848)
12	Mar-21	$40,933,158	$25,947,763	($14,985,395)
13	Apr-21	$21,267,686	$22,119,809	$852,123
14	May-21	$24,347,562	$19,092,403	($5,255,159)
15	Jun-21	$25,113,579	$24,347,840	($765,739)
16	Jul-21	$29,591,867	$26,945,098	($2,646,769)
17	Aug-21	$30,022,437	$28,110,185	($1,912,252)
18	Sep-21	$31,504,699		
19	Oct-21	$40,157,182		
20	Nov-21	$45,666,159		
21	Dec-21	$44,995,211		
22	Jan-22	$53,490,455		
23	Feb-22	$40,777,872		
24	Mar-22	$37,426,388		

PUB (MPI) 2-42

Part and Chapter:	**Exhibit 23 - AR Appendix 5 – Annual Business Plan**	**Page No.:**	
PUB Approved Issue No:	**5. Annual Business Plan**		
Topic:			
Sub Topic:			

Preamble to IR:

Question:

Please provide the date the annual business plan was submitted to the Government of Manitoba.

Rationale for Question:

To understand the timeframe of the annual business plan.

RESPONSE:

Manitoba Public Insurance (MPI) provided its draft annual business plan to the Department of Crown Services on February 18, 2021. On March 18, 2021, MPI received initial feedback from the Department. MPI addressed this feedback with a revised annual business plan that it provided to the Department on March 29, 2021. On May 4, 2021, the Department advised MPI that the revised annual business plan required further revisions. MPI made the additional revisions and provided the finalized plan to the Department on July 15, 2021. On July 27, 2021, the Department informed MPI of the approval of its annual business plan. Following the approval, MPI arranged for the translation of its annual business plan into French and posted it online August 26, 2021.

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Part and Chapter:	**Exhibit 23 - AR Appendix 5 Annual Business Plan**	**Page No.:**	**14**
PUB Approved Issue No:	**7. Capital management plan**		
Topic:			
Sub Topic:			

Preamble to IR:

In 2.1.6, the annual business plan states: *"MPI will continue to utilize its Capital Management Plan in 2021/22."*

And

"The Capital Management Plan includes the following components: Capital targets by line of business based on MCT ratios, Basic Capital Build and Release provision, Excess Capital Policy for Competitive Lines of Business."

Question:

a) Please indicate the date at which MPI decided to change from the use of the Capital Build and Release provision to a Capital Release Policy.

b) Please provide the Excess Capital Policy for Competitive Lines of Business.

Rationale for Question:

To understand changes in the CMP.

RESPONSE:

a) On March 16, 2021, MPI decided to seek approval of a rebate to replace of the 5% capital release provision currently embedded in 2021 rates. MPI made this decision primarily as a result of its unexpected accumulation of capital over a short period of time. For clarification, MPI does not request any changes to the capital build methodology within its Capital Management Plan (CMP).

b) The capital policies to which MPI adheres are based on the following:

   i. *The Reserves Regulation,* Man. Reg. 76/2019, which identifies the capital targets expressed as a Minimum Capital Test (MCT) percentage by line of business as follows:

      - Basic 100% MCT
      - Extension 200% MCT
      - SRE 300% MCT

   ii. The CMP as originally presented in the 2020 GRA and approved by the PUB in Order 176-19.

PUB (MPI) 2-44

Part and Chapter:	Exhibit 23 - AR Appendix 5 - Annual Business Plan	Page No.:	20
PUB Approved Issue No:	8. Performance of the investment portfolio		
Topic:			
Sub Topic:			

Preamble to IR:

3.0 of the annual business plan indicates a performance objective of Basic ALM budget variance on a quarterly basis of +/- $10 million.

Question:

a) Please provide MPI's current and forecast 2021/22 performance against each of the KPIs and explain.

b) Please indicate if the Corporation was able to stay within this budget variance for Q1 of 2021/22, and if not, please explain why.

Rationale for Question:

To potentially understand sources of income variance due to interest rates.

RESPONSE:

a) As per Section 3.0 of the Annual Business Plan, there is a single Key Performance Indicator (KPI) related to the Basic Asset and Liability Management (ALM) budget variance. MPI does not forecast performance against KPIs. Please see the response to part (b) below for the most recent performance of the Basic ALM budget variance.

b) The net impact of interest rates at June 30, 2021 was a net gain of $28.4 million, or $26.5 million higher than the $1.9 million budget. The majority of the gain occurred in May 2021 and pertained to yield pick-up as a result of selling shorter term bonds and buying higher-yielding, longer-term bonds. Addenda built their "completion portfolio" in May 2021 in order to permit the implementation of the new moment matching ALM strategy.

PUB (MPI) 2-45

Part and Chapter:	**Exhibit 23 - AR Appendix 5 Annual Business Plan**	**Page No.:**	**23**
PUB Approved Issue No:	**7. Capital Management Plan** **16. Risk Assessment and Risk Management**		
Topic:			
Sub Topic:			

Preamble to IR:

In 3.2 of the annual business plan, the largest $ change from the base scenario is from the 1-in-40 adverse loss ratio scenario, which generates -$116,955,000 lower net income than the base scenario.

Question:

What return period would be required for the adverse loss ratio scenario in order to indicate a required capital of $400 million?

Rationale for Question:

To assess an appropriate level or range of capital.

RESPONSE:

MPI does not use the sensitivity analysis in the annual business plan to determine the required level of capital. The level of capital MPI must maintain is an amount equal to a Minimum Capital Test ratio of 100%. The sensitivity analysis determines the relative severity of the primary risks faced by MPI. A 1-in-1000 adverse loss ratio scenario would result in a $400 million impact to corporate net income. However, the high loss ratio is but one risk to which MPI is exposed and it cannot appropriately manage its required capital to a single scenario. MPI estimates that only a four-year, 1-in-30 combined scenario would reduce corporate total equity by $400 million in 2024/25.

PUB (MPI) 2-46

Part and Chapter:	**Part VIII AR Appendix 5**	**Page No.:**	**2-4**
PUB Approved Issue No:	**5. Annual Business Plan** **9. Cost of operations and cost containment**		
Topic:	**Compensation**		
Sub Topic:	**Staffing Levels**		

Preamble to IR:

Question:

Please reconcile the staffing levels forecasts for 2021/22 in the annual business plan with that presented in Figure Exp App 10-1 and explain the differences.

Rationale for Question:

To ensure accuracy of information regarding forecast staffing levels.

RESPONSE:

Please see *Figure 1* below, which highlights the differences between *Post-Reorganization* (reflecting FTE numbers from EXP Appendix 10-1) and *Pre Reorganization* (reflecting FTE numbers from the Annual Business Plan). Staffing levels for the 2021/22 budget, which are outlined in the annual business plan, do not reflect this corporate reorganization.

Figure 1 Full-Time Employees

Line No.	Category	Post Re-org 2021/22B	Pre Re-org 2021/22B	Difference
1	**Senior Management (1)**	35.0	44.0	(9.0)
2	**Management (2)**	113.0	112.0	1.0
3	**Employees (3)**	1,869.4	1,861.4	8.0
4	**Total**	**2,017.4**	**2,017.4**	**(0.0)**
5	(1) Senior Management - Executives & directors			
6	(2) Management - Managers & assistant managers			
7	(3) Employees not included in above			

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Part and Chapter:	Part VIII AR Appendix 5	Page No.:	25
PUB Approved Issue No:	5. Annual Business Plan		
Topic:	Compensation		
Sub Topic:	Staffing Levels		

Preamble to IR:

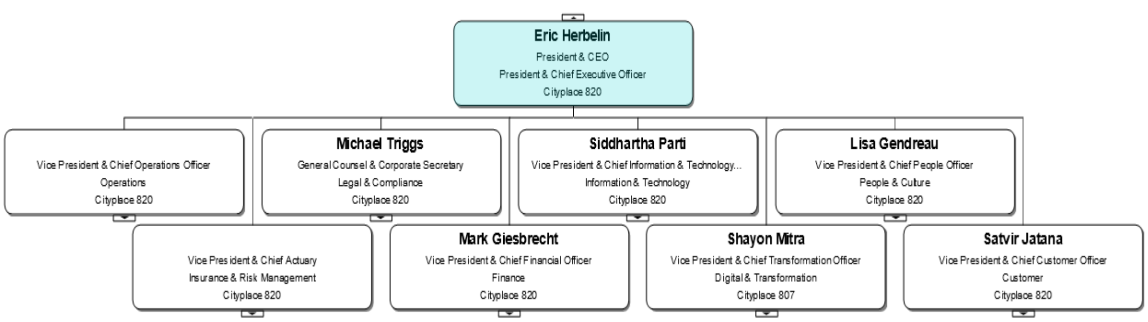
Question:

Please provide the Organization chart indicating the name of the individual reflected in the senior management of the Corporation.

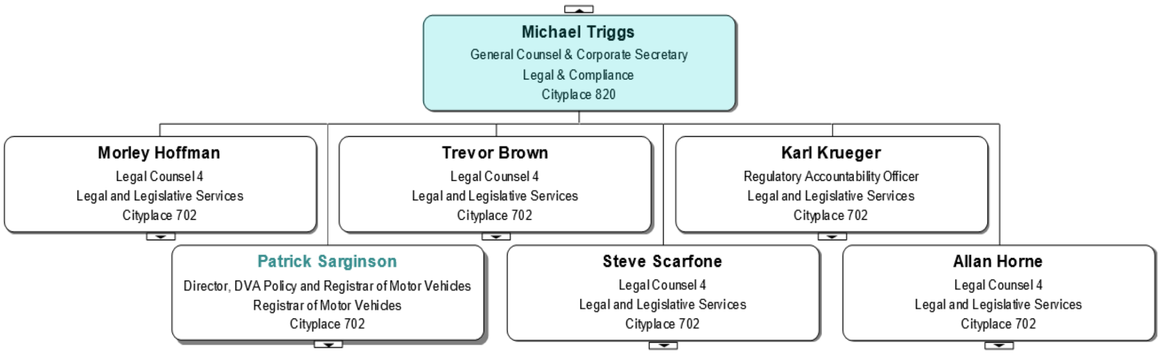
Rationale for Question:

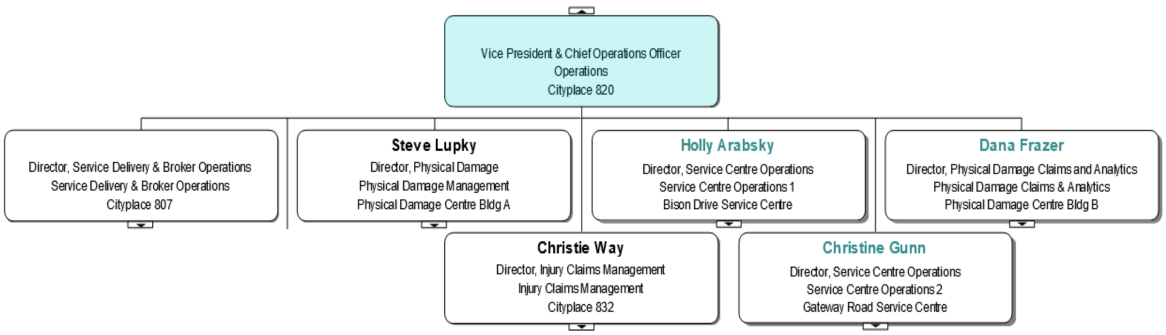
To understand the current management of the organization.

RESPONSE: As of August 31, 2021

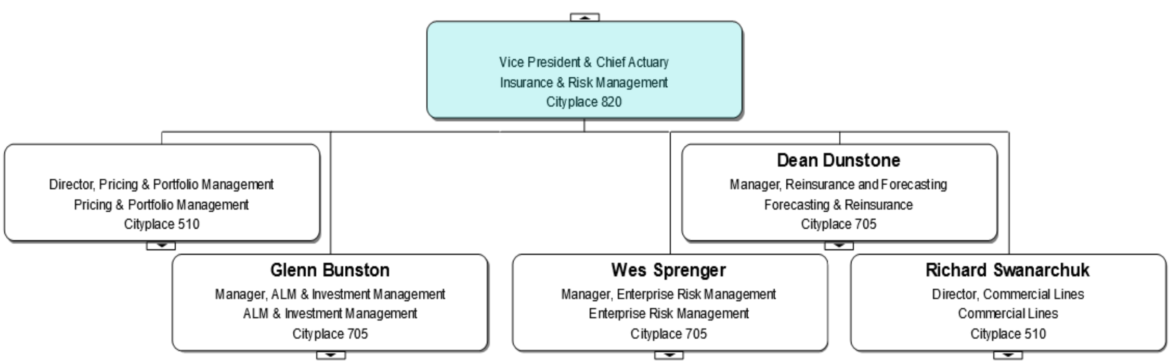


Note: *Marnie Kacher will move from the OBC, Nova DVA position into the Vice President & Chief Operations Officer position as of September 7, 2021.*
Note: *Cara Low will join as Vice President & Chief Actuary position effective September 20, 2021.*



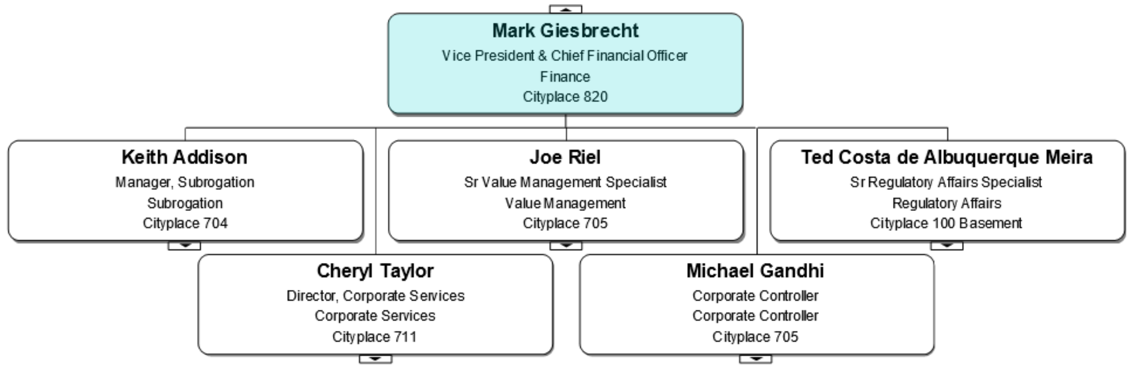


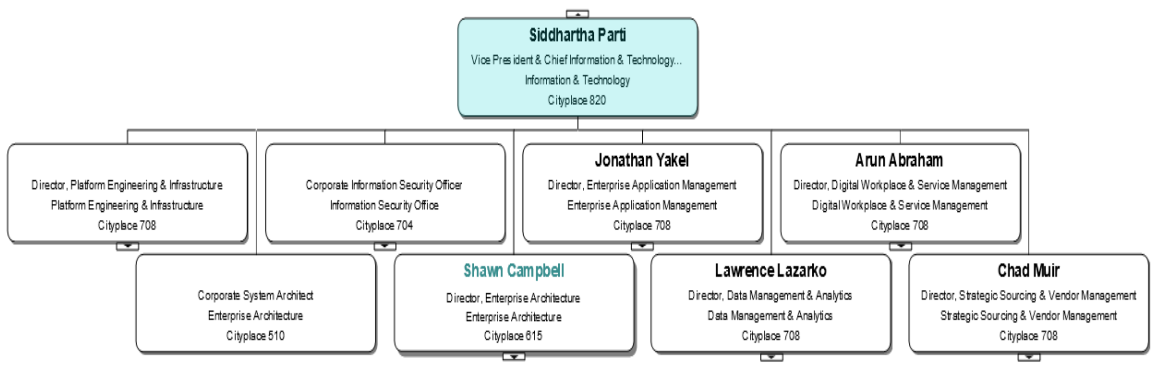
Note: *Marnie Kacher will move from the OBC, Nova DVA position into the Vice President & Chief Operations Officer position as of September 7, 2021.*

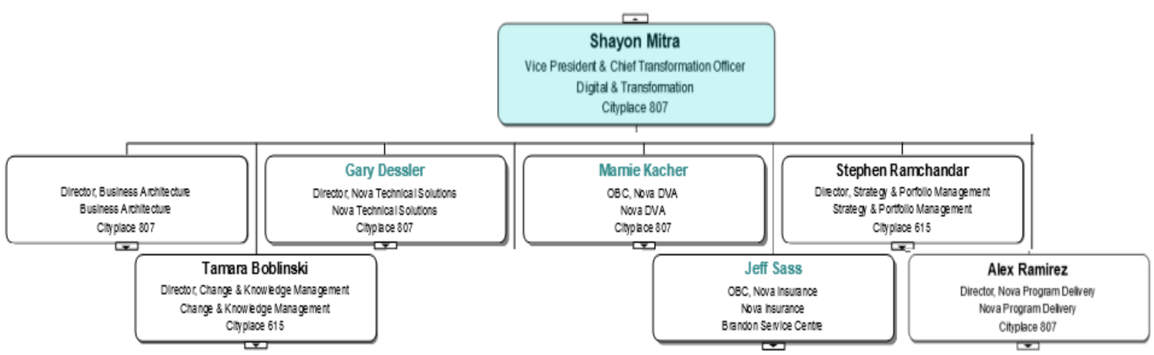


Note: *Cara Low will join as Vice President & Chief Actuary position effective September 20, 2021.*

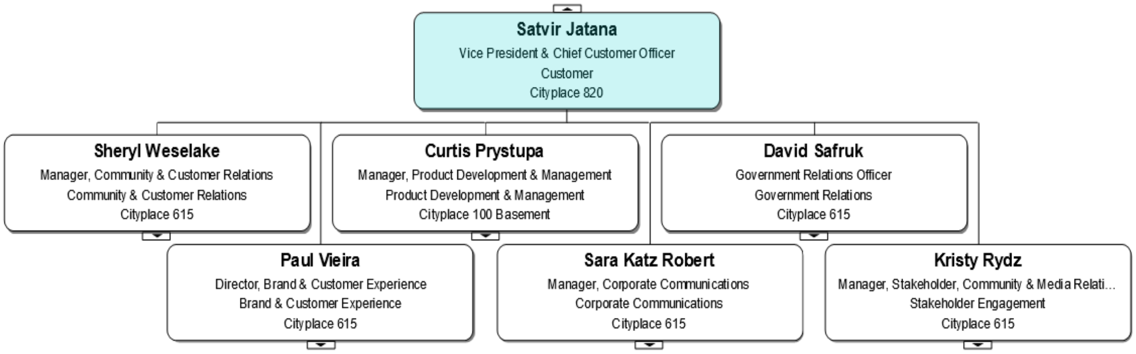
Note: *Jing Lang will join as Director, Pricing & Portfolio Management effective September 7, 2021.*

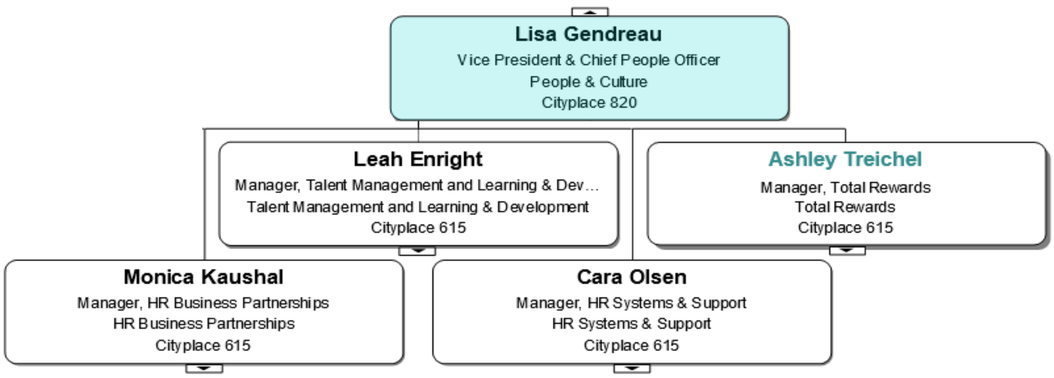






Note: *Marnie Kacher will move from the OBC, Nova DVA position into the Vice President & Chief Operations Officer position as of September 7, 2021.*


Satvir Jatana
Vice President & Chief Customer Officer
Customer
Cityplace 820
Sheryl Weselake
Manager, Community & Customer Relations
Community & Customer Relations
Cityplace 615
Curtis Prystupa
Manager, Product Development & Management
Product Development & Management
Cityplace 100 Basement
David Safruk
Government Relations Officer
Government Relations
Cityplace 615
Paul Vieira
Director, Brand & Customer Experience
Brand & Customer Experience
Cityplace 615
Sara Katz Robert
Manager, Corporate Communications
Corporate Communications
Cityplace 615
Kristy Rydz
Manager, Stakeholder, Community & Media Relati...
Stakeholder Engagement
Cityplace 615


Lisa Gendreau
Vice President & Chief People Officer
People & Culture
Cityplace 820
Leah Enright
Manager, Talent Management and Learning & Dev...
Talent Management and Learning & Development
Cityplace 615
Ashley Treichel
Manager, Total Rewards
Total Rewards
Cityplace 615
Monica Kaushal
Manager, HR Business Partnerships
HR Business Partnerships
Cityplace 615
Cara Olsen
Manager, HR Systems & Support
HR Systems & Support
Cityplace 615