IFRS 17/9 Adoption & Expense Review

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Agenda

IFRS 17/9 Adoption

- Impacts around the world
- What is changing and our approach?
- MPI Policy decision Impacts

Expenses

- What are we facing…
- Expense movements over time
- Financial impacts

IFRS 17/9 Adoption Update

Impacts for IFRS 17 around the world…

Compliance

Data

Assumptions and Models

Comparability

Automation

People Readiness

Financial Systems

Transparency

IFRS 17 Standard will replace IFRS 4

- IFRS 17 for Insurance Contracts replaces interim standard IFRS 4 with the objective to increase consistency and comparability.
- IFRS 17 is required to be adopted for 2023/24 Fiscal Year; the comparative year is also required to be restated.
- There will not be a change in our Pricing Methodologies based on the adoption of IFRS 17
- A detailed evaluation of these required changes is in progressing well. Significant impacts will be:
    - Presentation and disclosure.
    - Condensed Income Statement with Revenue and Claims Expense amalgamated with more detailed disclosures on movements within insurance liability.
    - Acquisition costs will be expensed as incurred, rather than deferred and amortized.
    - New actuarial methodology for determining claims discount rate and risk adjustment.
    - Increased volatility impacts protected through the Asset Liability Matching Program

IFRS 9 Standard will replace IAS 39

- Expected Credit Loss [ECL] model – impacts to Accounts Receivable and Investments
- IFRS 9 Financial Instruments replaces IAS 39.
- IFRS 9 is required to be adopted for 2023/24 Fiscal Year and will be implemented with IFRS 17; we have chosen not to have a comparable period for our investments as does not add significant value to financial statement users.
- A detailed evaluation of IFRS 9 has been completed with the following impacts noted:
  - Increased volatility to the income statement as Assets that were classified through OCI will now be Fair Value through Profit and Loss on the Income Statement.
  - Non-marketable (MUSH) bonds will also be classified as Fair Value through Profit and Loss, with unrealized gain (or loss).
  - Earlier recognition of impairments and losses on both OCI investments and receivables.

MPI Policy Decision Impacts

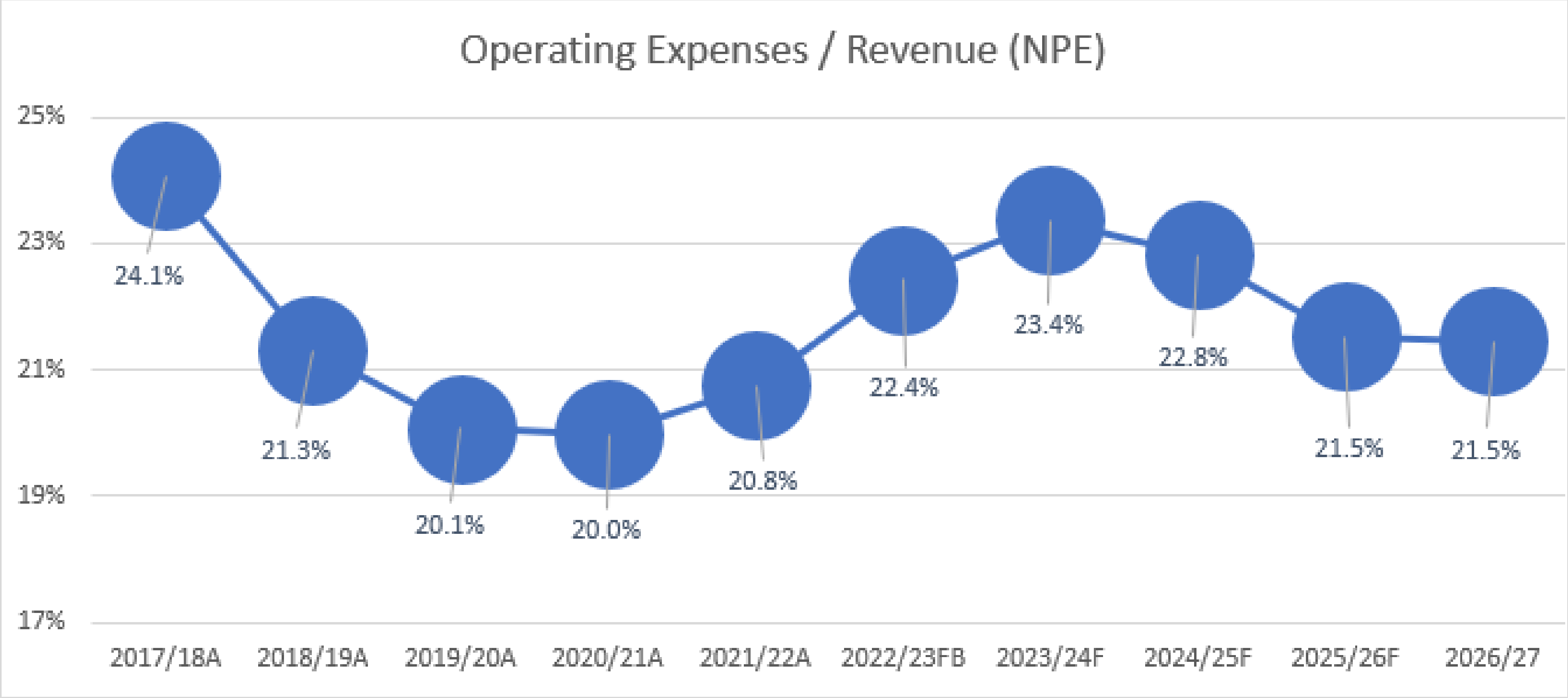
Topic	Election/ Rational	Impacts – Financial/Business	Same as peers?	Certainty
Measurement Model	Premium Allocation Approach	Tracking and measurement of insurance contracts is accounted for under the simplified approach.	SGI: YES ICBC: YES	
Level of Aggregation	Five portfolios based on criteria	Potentially earlier recognition of losses for onerous contracts. Two portfolios for direct insurance contracts and three for reinsurance.	N/A	
Acquisition Costs	Expense as incurred	DPAC no longer recognized, write off at transition - ~$64.6M at adoption. This will negatively impact equity and will be a transitional impact.	SGI: YES ICBC: YES	
Financial Instruments Classification	Goal is to maintain low interest rate risk	More fair value measurement (i.e. MUSH bonds). New criteria; potentially losing some OCI options. MUSH bonds: ~$10.3M unrealized gains will be a positive day one impact.	SGI: YES ICBC: YES	

MPI Policy Decision Impacts

Topic	Election/ Rational	Impacts – Financial/Business	Same as peers?	Certainty
Transition Methodology (IFRS 17)	Full Retrospective Approach for IFRS 17	Simplified measurement model means that there are less transition expedients available. We will be using a full retrospective review of our IFRS 17 assumptions as though IFRS 17 had always been in place.	SGI: YES ICBC: YES	●
Transition Methodology (IFRS 9)	Comparatives not restated for IFRS 9	Option to restate the comparative year for IFRS 9. We will be doing so prospectively and not restating prior period based.	SGI: N/A ICBC: NO	●
Discount Rate Methodology	Top Down Approach	Actuarial estimate – variable based on discount rates.	SGI: NO ICBC: NO	●
Risk Adjustment	Quantile Method	Replaces PfAD – favorable adjustment as PfADs are removed, replaced with the Risk adjustment	SGI: TBD ICBC: NO	●

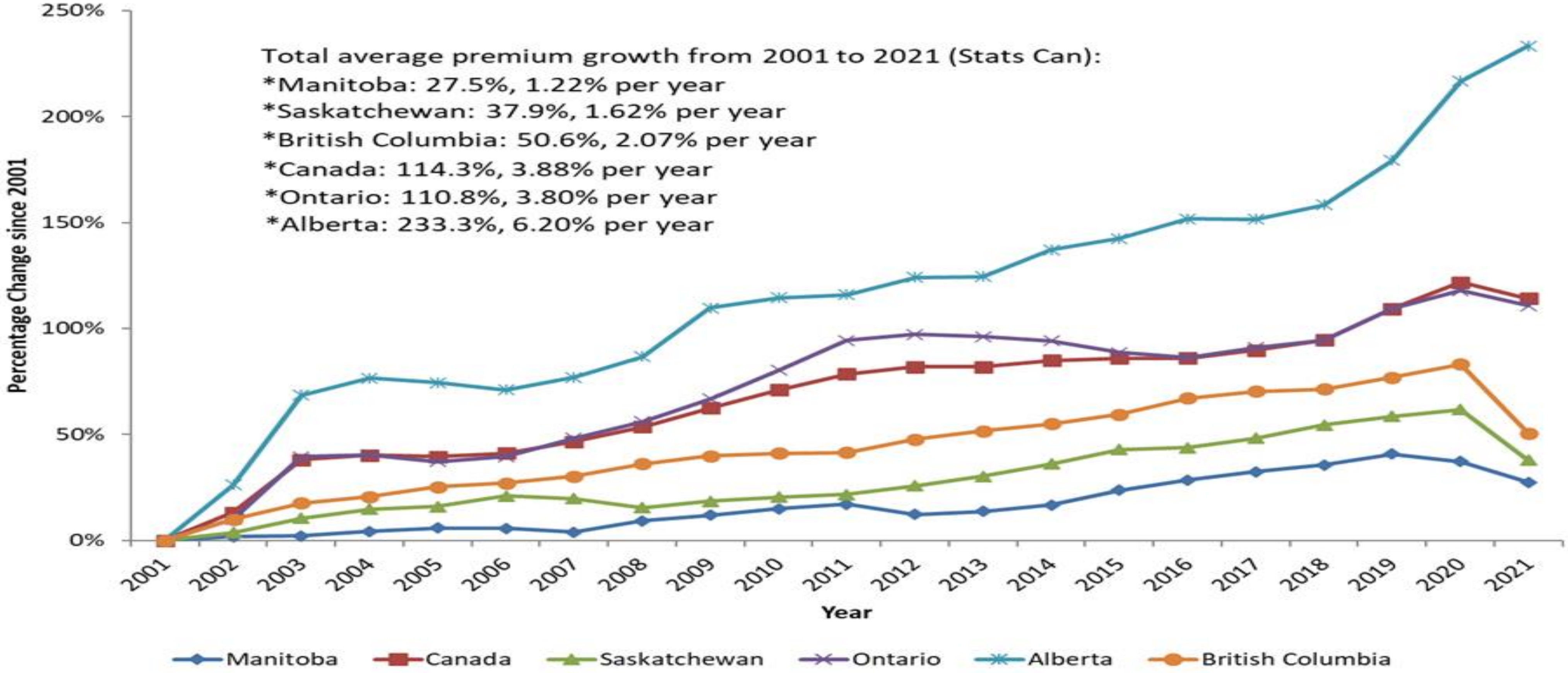
Expenses

Movement in Expenses over time



Historical Rate Indication Overview

MPI is proud to have the lowest rate increases since 2001, demonstrating our commitment to our core vision and mandate to Manitobans to keep rates stable and affordable.



Many Pressures currently impacting MPI

- Inflation and labour market competition are placing significant pressure on salaries and ability to attract and retain key staff
- Rising transaction counts coupled with repair delays caused by supply chain issues have led to longer customer wait times and reduced service levels
- Nova Release 1 & 2 require significant resourcing input from the business, discovery and development work for release 3 & 4 will further accelerate this
- After years of cost cutting and limited investment in many areas of the business, capability gaps and risks have emerged – moving towards industry best practices requires investment

We are investing in our Core

Investment is required to:

- Improve customer service levels
- Successfully enable Nova
- Move support functions towards industry best practices
- Ultimately paving the way to fulfilling the MPI 2.0 Vision

Servicing Manitoban's

- Operations

Nova Enablement

- IT
- D&T
- Operations

Critical Capabilities

- Actuarial
- Risk
- Finance
- HR

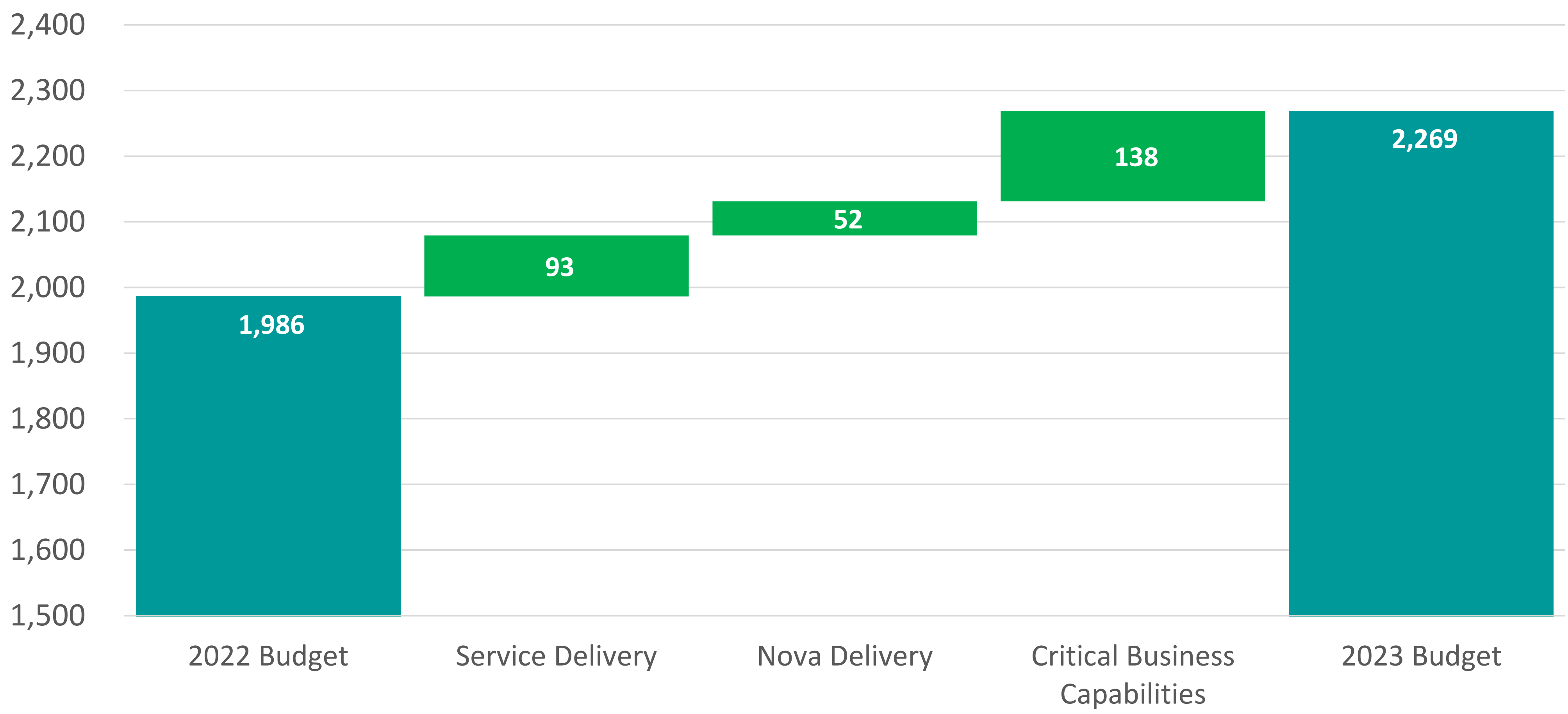
Moving towards MPI 2.0

Operating Expenses – FTE by Division

Division	2022/23 Budget	2023/24 Budget	Change
Digital & Transformation	86	122	36
Information Technology	299	387	88
Operations	1,262	1,364	102
Actuarial, Investment & Risk	23	45	22
People & Culture	40	55	15
Finance	149	161	12
Customer	65	72	7
Legal & Compliance	50	51	1
Executive Office	12	12	-
Total Normal Ops FTE	**1,986**	**2,269**	**283**
Permanent	1,939	2,188	249
Term	47	81	34

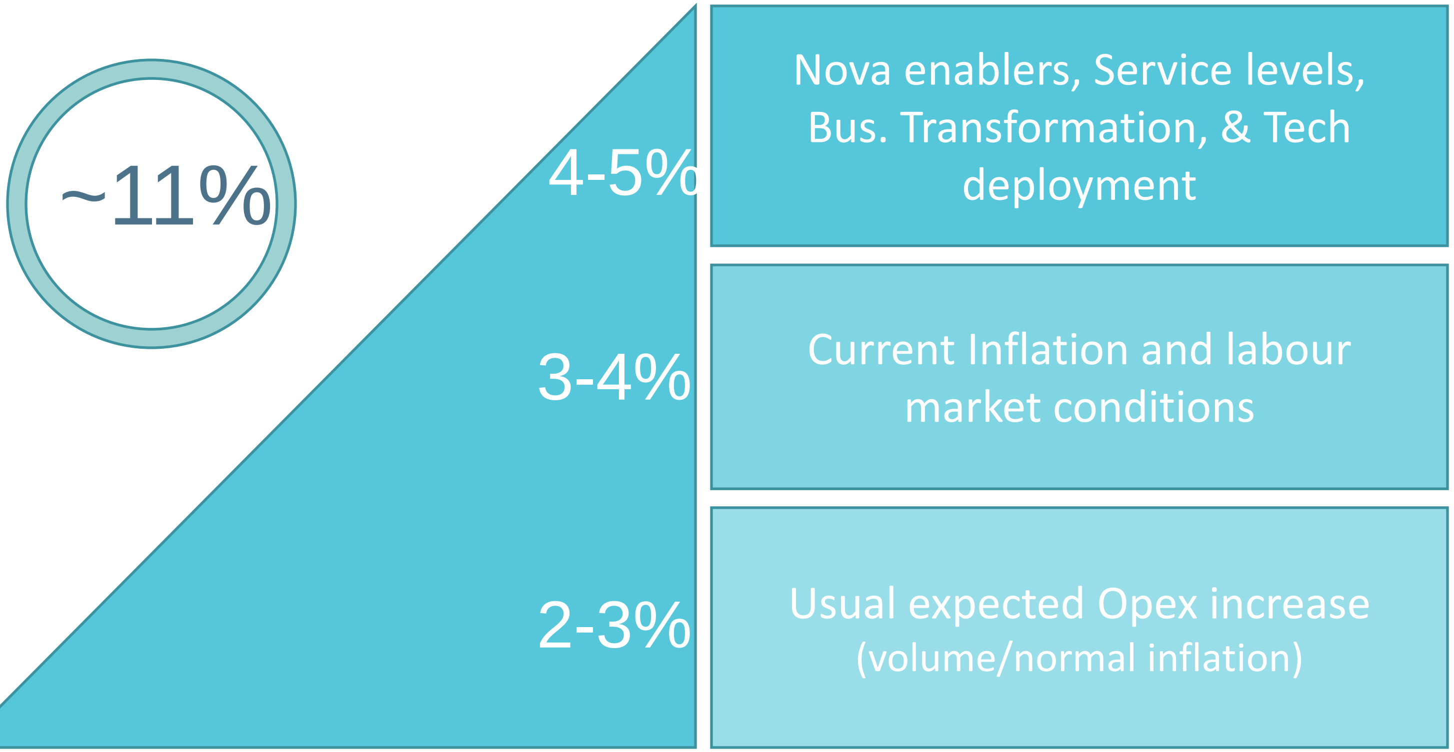
- FTE's are slated to increase by 14%
- IT includes approx. 30 roles that had previously been assumed as consultants and therefore cost neutral

Corporate Priorities Driving FTE Growth



Projected 2023/24 Year-over-Year Expense Growth

Key pressures for our overall Expense base is mainly driven by inflation and requirements to Service Manitobans.



Impact on GRA Update

PF-6 Explanation of Significant Variances - 2023/24 Comparative

20	(4)	Allocated Corporate Expenses	**275,878**	2023 GRA
21			(1,649)	Lower than expected special services expense
22			(1,049)	Lower than expected data processing expense
23			(731)	Lower than expected amortization expense
24			(601)	Lower than expected merchant fees
25			8,439	Higher than expected compensation expense
26			1,936	Higher than expected loss prevention/road safety expense
27			589	Higher than expected driver education program expenses
28			569	Higher than expected travel and vehicle expense
29			1,273	Other
30			**284,654**	2023 GRA - Rate Update

Summary

- Inflation and a tight labour market are putting pressure on MPI's compensation line
- Customer service levels need to be addressed
- Temporary additional staffing are required to enable Nova
- Critical capabilities of supporting functions require resourcing
- MPI is making investments in its core to address these issues and to move towards its vision of being a customer-centric, data-driven, employee-empowered organization.