Undertaking #6

If not already provided, MPI to provide copy of analysis provided for in the policy position papers.

RESPONSE:

Analysis of Acquisition Costs breakdown is provided in the IFRS 17 - Acquisition Cost Position paper and further below in this response.

Please note that the Deferred Policy Acquisition costs [DPAC] that will be written off to Retained earnings remains relatively consistent from year-to-year, as we have:

- March 31st, 2022 – Balance as $64.7M
- March 31st, 2021 – Balance as $64.6M

As part of the IFRS 17 adoption, MPI along with most insurers have made the policy choice to expense Acquisition costs to reduce the likelihood of Onerous contracts, which thus require significant additional disclosures and complexities. There is an unfavorable financial impact expected upon transition to the expense as incurred choice. However, MPI prefers to make decisions based on business considerations versus accounting treatment. Hence, it is recommended that MPI choose to expense acquisition costs as they are incurred since this choice:

- Does not result in increased income volatility subsequent to transition;
- Does not result in reduced information to users of financial statements;
- Involves less operational requirements; and
- Reduces the likelihood of requiring a loss component for potential future onerous groups of contracts. Historical Deferred Policy Acquisition Costs Trends and Post-transition Income Volatility

Upon adoption of the policy to expense acquisition costs as incurred, the balance of DPAC reported at the transition date will be written off, resulting in a negative impact to retained earnings.

The trend in IFRS 4 acquisition costs (i.e., commissions and premium taxes) in previous years was analyzed to determine if there was a seasonality effect which could have an impact on net income volatility under IFRS 17. For additional information, reference the Acquisition cost paper Appendix B.