

CAC (MPI) 2-12

Part and Chapter:	Part IX Expenses Appendix 7 Fig. EXP APP 7-1, Fig. EXP APP 7-2, Exp Appendices 10, 11 Fig. EXP 10-1	Page No.:	PUB (MPI) 1-47 CAC (MPI) 1-2
PUB Approved Issue No:	10. Cost of operations		
Topic:	Staffing level scenarios		
Sub Topic:			

Preamble to IR:

Per page 2, PUB (MPI) 1-47 corporate staffing (FTEs) is increasing by 126.1 from 2021/22 of 1,879.5 to 2,005.6 in 2022/23.

Per page 3, PUB (MPI) 1-47 corporate staffing (FTEs) is increasing by 145.2 from 2022/23 of 2,005.6 to 2,150.8 in 2023/24 Budget. The 2023/24 staffing budget for 2023/24 is also contained in Part IX – EXP Appendix 11 updated July 24, 2023 (MPI Exhibit #8)

The staffing FTEs is increasing from 2021/22 of 1,879.5 to 2,150.8 in 2023/24 budget, a total increase in FTEs over the two years of 271.3 FTEs.

Question:

- a) Please confirm the FTE staffing changes as stated in the preamble. If incorrect, please correct.
- b) Please file a copy of the Corporate Staffing (FTE) forecasts for 2024/25 and 2025/26 in a format similar to Part IX – EXP Appendix 11.
- c) Please calculate the compensation expense reduction by maintaining the Corporate staffing (FTEs) at the 2021/22 level of 1,879.5 FTEs throughout the forecasting period, that is a reduction in FTEs of 271.3 FTEs.

- d) Please calculate the compensation expense reduction by maintaining the Corporate staffing (FTEs) at the 2022/23 level of 2,005.6 FTEs throughout the forecasting period, that is a reduction in FTEs of 145.2 FTEs.
- e) Please re-forecast PF-8, PF-9 and PF-10 by incorporating the results of c. above including the corresponding impact on rates for the rating per period.
- f) Please re-forecast PF-8, PF-9 and PF-10 by incorporating the results of d. above including the corresponding impact on rates for the rating per period.

Rationale for Question:

To review the basic rate impact on various scenarios relating to reasonable staffing levels.

RESPONSE:

- a) Confirmed, no changes
- b) Due to the labour interruption, MPI is unable to provide a complete response to this part as required. MPI is committed to providing this as Appendix 1 to this response, when conditions of work normalize, and with updates to the PUB and interveners as required.
- c) Please see figure 1 below:

Figure 1 Compensation expense reduction by maintaining Corporate staffing at 2021/22 level

Line No.		2024/25F	2025/26F
1	Normal Operations FTE	2,052.50	2,017.80
2	Average Salary	81,302	84,916
3	Average Compensation	166,872,401	171,344,411
4	Maintain FTEs at 2021/22 Level	1,879.50	1,879.50
5	Compensation at 2021/22 Level	152,807,151	159,600,467
6	Compensation Reduction	14,065,250	11,743,945

d) Please see figure 2 below:

Figure 2 Compensation expense reduction by maintaining Corporate staffing at 2022/23 level

Line No.		2024/25F	2025/26F
1	Normal Operations FTE	2,052.50	2,017.80
2	Average Salary	81,302	84,916
3	Average Compensation	166,872,401	171,344,411
4	ntain FTEs at 2022/23 Level	2,005.60	2,005.60
5	Compensation at 2022/23 L	163,059,336	170,308,431
6	Compensation Reduction	3,813,065	1,035,981

e) Please see below for PFs:

Figure 1 PF- 1 Statement of Operations: -0.42% Basic Rate Change

Multi-year - Statement of Operations

Line No.	2024 GRA Base with -0.42% Rate Indication (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,							
		IFRS 4 2023A	IFRS 17 Adj.	IFRS 17 2023BF	IFRS 17 2024BF	IFRS 17 2025F	IFRS 17 2026F	IFRS 17 2027F	IFRS 17 2028F
1									
2	BASIC								
3	Motor Vehicles	1,121,811	-	1,121,811	1,112,046	1,143,183	1,179,912	1,215,231	1,253,373
4	Capital Release Provision	(57,026)	-	(57,026)	-	-	-	-	-
5	Drivers	59,085	-	59,085	62,520	64,822	66,634	67,982	70,043
6	Reinsurance Ceded	(16,392)	-	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
7	Total Net Premiums Written	1,107,478	-	1,107,478	1,158,180	1,191,127	1,229,162	1,265,307	1,304,973
8	Net Premiums Earned								
9	Motor Vehicles	1,103,695	-	1,103,695	1,119,108	1,127,814	1,161,783	1,197,798	1,234,547
10	Capital Release Provision	(65,568)	-	(65,568)	(28,558)	-	-	-	-
11	Drivers	59,896	-	59,896	61,180	63,693	65,745	67,321	69,032
12	Reinsurance Ceded	(16,392)	-	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
13	Total Net Premiums Earned	1,081,631	-	1,081,631	1,135,344	1,174,629	1,210,144	1,247,213	1,285,136
14	Service Fees & Other Revenues	27,277	(588)	26,689	26,904	27,120	27,705	28,335	29,000
15	Total Earned Revenues	1,108,908	(588)	1,108,320	1,162,248	1,201,749	1,237,849	1,275,548	1,314,136
16	Claims Incurred	903,129	57,095	960,224	922,894	969,379	1,002,628	1,038,266	1,074,941
17	DPAC \ Premium Deficiency Adjustment	-	-	-	-	-	-	-	-
18	(a) Claims Incurred - Interest Rate Impact	(101,437)	(21,018)	(122,455)	7,177	(4,531)	(11,152)	(11,511)	(12,182)
19	Total Claims Incurred	801,692	36,077	837,769	930,071	964,848	991,476	1,026,755	1,062,759
20	Claims Expense	146,265	-	146,265	155,922	140,565	142,706	140,760	140,545
21	Road Safety/Loss Prevention	10,530	-	10,530	14,461	11,997	12,001	12,184	12,333
22	Total Claims Costs	958,487	36,077	994,564	1,100,454	1,117,410	1,146,183	1,179,699	1,215,637
23	Expenses								
24	Operating	86,526	-	86,526	98,357	90,108	92,100	91,441	91,296
25	Commissions	47,548	935	48,483	50,817	56,077	55,873	56,104	56,387
26	Premium Taxes	32,941	775	33,716	35,239	36,242	37,398	38,498	39,704
27	Regulatory/Appeal	4,769	-	4,769	4,637	4,205	4,300	4,346	4,366
28	Total Expenses	171,784	1,710	173,494	189,050	186,632	189,671	190,389	191,753
29	Underwriting Income (Loss)	(21,363)	(38,375)	(59,738)	(127,256)	(102,293)	(98,005)	(94,540)	(93,254)
30	Investment Income	98,194	-	98,194	125,102	127,222	132,228	138,710	147,645
31	(b) Investment Income - Interest Rate Impact	(115,602)	-	(115,602)	496	-	-	-	-
32	Net Investment Income	(17,408)	-	(17,408)	125,598	127,222	132,228	138,710	147,645
33	Gain (Loss) on Sale of Property	112	-	112	-	-	-	-	-
34	Net Income (Loss) from Annual Operations	(38,659)	(38,375)	(77,034)	(1,658)	24,929	34,223	44,170	54,391
35	Total net Impact due to interest rate change (b) - (a)	(14,165)	21,018	6,853	(6,681)	4,531	11,152	11,511	12,182
36	Net Income (Loss) from Annual Operations				(1,658)	24,929	34,223	44,170	54,391
37	Adjust for Initiative Expenses (BO 12.1 d)				(29,195)	(26,142)	(26,609)	(10,735)	(3,634)
38	Net Income (Loss) for Rate Setting Purposes				27,537	51,071	60,832	54,905	58,025

Figure 2 PF- 2 Statement of Financial Position: -0.42% Basic Rate Change

Multi-year - Statement of Financial Position

Line No.	2024 GRA Base with -0.42% Rate Indication	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17
		As at March 31,					
	(C\$ 000s, rounding may affect totals)	2023BF	2024BF	2025F	2026F	2027F	2028F
2	BASIC						
3	Assets						
4	Cash and cash equivalents	102,396	2,090	4,905	7,896	11,261	15,100
5	Investments	2,786,044	2,918,650	2,980,724	3,084,198	3,236,709	3,408,372
6	Investment property	5,759	5,604	5,449	5,295	5,140	4,985
7	Accounts receivable	-	-	-	-	-	-
8	Reinsurance asset	4,322	-	-	-	-	-
9	Property and Equipment	124,238	133,543	144,396	167,842	168,994	170,146
10	Deferred development costs	28,271	33,972	36,422	34,057	27,862	21,971
11	Total Assets	3,051,030	3,093,859	3,171,896	3,299,288	3,449,966	3,620,574
12	Liabilities						
13	Due to other insurance companies						
14	Accounts payable and accrued liabilities	58,748	69,113	63,712	62,610	61,937	61,529
15	Reinsurance Liability	-	320	320	320	320	320
16	Lease obligation	5,308	5,276	5,153	5,031	4,908	4,785
17	Insurance contract liability	2,203,302	2,230,879	2,276,489	2,318,497	2,364,265	2,413,365
18	Provision for employee current benefits	19,784	20,670	21,347	22,024	22,701	23,378
19	Provision for employee future benefits	328,847	340,182	351,515	362,847	374,180	385,513
20	Total Liabilities	2,615,989	2,666,440	2,718,536	2,771,329	2,828,311	2,888,890
21	Equity						
22	Retained Earnings	378,246	417,467	443,412	518,009	611,706	721,734
23	Accumulated Other Comprehensive Income	56,793	9,947	9,947	9,947	9,947	9,947
24	Total Equity	435,039	427,414	453,359	527,956	621,653	731,681
25	Total Liabilities & Equity	3,051,029	3,093,855	3,171,896	3,299,285	3,449,964	3,620,572

Figure 3 PF- 3 Statement of Changes in Equity: -0.42% Basic Rate Change

Multi-year - Statement of Changes in Equity

Line No.	2024 GRA Base with -0.42% Rate Indication							
	IFRS 4 2023A	IFRS 17 Adj.	IFRS 17 2023BF	IFRS 17 2024F	IFRS 17 2025F	IFRS 17 2026F	IFRS 17 2027F	IFRS 17 2028F
1	<i>(C\$ 000s, except where noted)</i>							
2	BASIC							
3	Total Equity							
4	Retained Earnings							
5	359,335		378,246	378,246	417,467	443,412	518,009	611,706
6				46,845	0	0	(0)	-
7				(5,966)	-	-	-	-
8	-	86,273	-	-	-	-	-	-
9	-	13,345	-	-	-	-	-	-
10	-	(37,673)	-	-	-	-	-	-
11	(38,659)	(38,375)		(1,658)	24,929	34,223	44,170	54,391
12	-	-	-	-	-	-	-	-
13	34,000	-	-	-	1,016	40,374	49,527	55,637
14	354,676	23,570	378,246	417,467	443,412	518,009	611,706	721,734
15	Total Accumulated Other Comprehensive Income							
16	51,428		51,428	56,793	9,947	9,947	9,947	9,947
17	(31,291)		(31,291)	(1)	0	0	-	-
18				(46,845)	(0)	(0)	0	-
19	36,656		36,656	-	-	-	-	-
20	56,793	-	56,793	9,947	9,947	9,947	9,947	9,947
21	Total Accumulated Other Comprehensive Income Balance							
22	Employee Future Benefits Portfolio							
23	30,889		30,889	0	0	0	0	0
24	9,946		9,946	9,946	9,946	9,946	9,946	9,946
25	Rate Stabilization Reserve Portfolio							
26	15,957		15,957	0	0	0	0	0
27	56,793	-	56,793	9,947	9,947	9,947	9,947	9,947
28	411,469	23,570	435,039	427,414	453,359	527,956	621,653	731,681
29	MINIMUM CAPITAL TEST (C\$ 000s)							
30	411,467	23,570	435,037	427,414	453,359	527,956	621,653	731,681
31	28,366		28,366	33,972	36,422	34,057	27,862	21,971
32	383,101	23,570	406,671	393,442	416,937	493,899	593,791	709,710
33	345,847	5,526	351,373	430,389	447,971	470,189	492,853	519,078
34	110.8%	5.0%	115.8%	91.4%	93.1%	105.0%	120.5%	136.7%

f) Please see below:

Figure 4 PF- 4 Statement of Operations: -0.19% Basic Rate Change

Multi-year - Statement of Operations

Line No.	2024 GRA Base with -0.19% Rate Indication (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,							
		IFRS 4 2023A	IFRS 17 Adj.	IFRS 17 2023BF	IFRS 17 2024BF	IFRS 17 2025F	IFRS 17 2026F	IFRS 17 2027F	IFRS 17 2028F
1									
2	BASIC								
3	Motor Vehicles	1,121,811	-	1,121,811	1,112,046	1,145,870	1,182,684	1,218,086	1,256,318
4	Capital Release Provision	(57,026)	-	(57,026)	-	-	-	-	-
5	Drivers	59,085	-	59,085	62,520	64,822	66,634	67,982	70,043
6	Reinsurance Ceded	(16,392)	-	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
7	Total Net Premiums Written	1,107,478	-	1,107,478	1,158,180	1,193,814	1,231,934	1,268,162	1,307,918
8	Net Premiums Earned								
9	Motor Vehicles	1,103,695	-	1,103,695	1,119,108	1,129,175	1,164,514	1,200,613	1,237,448
10	Capital Release Provision	(65,568)	-	(65,568)	(28,558)	-	-	-	-
11	Drivers	59,896	-	59,896	61,180	63,693	65,745	67,321	69,032
12	Reinsurance Ceded	(16,392)	-	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
13	Total Net Premiums Earned	1,081,631	-	1,081,631	1,135,344	1,175,990	1,212,875	1,250,028	1,288,037
14	Service Fees & Other Revenues	27,277	(588)	26,689	26,904	27,120	27,705	28,335	29,001
15	Total Earned Revenues	1,108,908	(588)	1,108,320	1,162,248	1,203,110	1,240,580	1,278,363	1,317,038
16	Claims Incurred	903,129	57,095	960,224	922,894	969,379	1,002,628	1,038,266	1,074,941
17	DPAC \ Premium Deficiency Adjustment	-	-	-	-	-	-	-	-
18	(a) Claims Incurred - Interest Rate Impact	(101,437)	(21,018)	(122,455)	7,177	(4,531)	(11,152)	(11,511)	(12,182)
19	Total Claims Incurred	801,692	36,077	837,769	930,071	964,848	991,476	1,026,755	1,062,759
20	Claims Expense	146,265	-	146,265	155,922	144,844	146,950	140,760	140,545
21	Road Safety/Loss Prevention	10,530	-	10,530	14,461	12,092	12,095	12,184	12,333
22	Total Claims Costs	958,487	36,077	994,564	1,100,454	1,121,784	1,150,521	1,179,699	1,215,637
23	Expenses								
24	Operating	86,526	-	86,526	98,357	92,511	94,482	91,441	91,296
25	Commissions	47,548	935	48,483	50,817	56,188	55,985	56,218	56,501
26	Premium Taxes	32,941	775	33,716	35,239	36,322	37,481	38,584	39,793
27	Regulatory/Appeal	4,769	-	4,769	4,637	4,230	4,324	4,346	4,366
28	Total Expenses	171,784	1,710	173,494	189,050	189,251	192,272	190,589	191,956
29	Underwriting Income (Loss)	(21,363)	(38,375)	(59,738)	(127,256)	(107,925)	(102,213)	(91,925)	(90,555)
30	Investment Income	98,194	-	98,194	125,102	127,167	131,962	138,256	147,308
31	(b) Investment Income - Interest Rate Impact	(115,602)	-	(115,602)	496	-	-	-	-
32	Net Investment Income	(17,408)	-	(17,408)	125,598	127,167	131,962	138,256	147,308
33	Gain (Loss) on Sale of Property	112	-	112	-	-	-	-	-
34	Net Income (Loss) from Annual Operations	(38,659)	(38,375)	(77,034)	(1,658)	19,242	29,749	46,331	56,753
35	Total net Impact due to interest rate change (b) - (a)	(14,165)	21,018	6,853	(6,681)	4,531	11,152	11,511	12,182
36	Net Income (Loss) from Annual Operations				(1,658)	19,242	29,749	46,331	56,753
37	Adjust for Initiative Expenses (BO 12.1 d)				(29,195)	(26,142)	(26,609)	(10,735)	(3,634)
38	Net Income (Loss) for Rate Setting Purposes				27,537	45,384	56,358	57,066	60,387

Figure 5 PF- 5 Statement of Financial Position: -0.19% Basic Rate Change

Multi-year - Statement of Financial Position

Line No.	2024 GRA Base with -0.19% Rate Indication (C\$ 000s, rounding may affect totals)	IFRS 17					
		2023BF	2024BF	2025F	2026F	2027F	2028F
As at March 31,							
2	BASIC						
3	Assets						
4	Cash and cash equivalents	102,396	2,090	4,906	7,894	11,140	14,972
5	Investments	2,786,044	2,918,650	2,976,422	3,074,718	3,227,856	3,401,905
6	Investment property	5,759	5,604	5,449	5,295	5,140	4,985
7	Accounts receivable	-	-	-	-	-	-
8	Reinsurance asset	4,322	-	-	-	-	-
9	Property and Equipment	124,238	133,543	144,396	167,842	168,994	170,146
10	Deferred development costs	28,271	33,972	36,422	34,057	27,862	21,971
11	Total Assets	3,051,030	3,093,859	3,167,595	3,289,806	3,440,992	3,613,979
12	Liabilities						
13	Due to other insurance companies						
14	Accounts payable and accrued liabilities	58,748	69,113	65,413	64,309	61,937	61,529
15	Reinsurance Liability	-	320	320	320	320	320
16	Lease obligation	5,308	5,276	5,153	5,031	4,908	4,785
17	Insurance contract liability	2,203,302	2,230,879	2,276,900	2,318,921	2,364,701	2,413,816
18	Provision for employee current benefits	19,784	20,670	21,347	22,024	22,701	23,378
19	Provision for employee future benefits	328,847	340,182	351,515	362,847	374,180	385,513
20	Total Liabilities	2,615,989	2,666,440	2,720,648	2,773,452	2,828,747	2,889,341
21	Equity						
22	Retained Earnings	378,246	417,467	436,999	506,404	602,295	714,689
23	Accumulated Other Comprehensive Income	56,793	9,947	9,947	9,947	9,947	9,947
24	Total Equity	435,039	427,414	446,946	516,351	612,242	724,636
25	Total Liabilities & Equity	3,051,029	3,093,855	3,167,594	3,289,803	3,440,989	3,613,977

Figure 6 PF- 6 Statement of Changes in Equity: -0.19% Basic Rate Change

Multi-year - Statement of Changes in Equity

Line No.	2023A	IFRS 4	For the Years Ended March 31,					IFRS 17
			IFRS 17		IFRS 17	IFRS 17	IFRS 17	
			IFRS 17	IFRS 17				
			2023BF	2024F	2025F	2026F	2027F	2028F
<i>2024 GRA Base with -0.19% Rate Indication</i>								
1	<i>(C\$ 000s, except where noted)</i>							
2	BASIC							
3	Total Equity							
4	Retained Earnings							
5	359,335		378,246	378,246	417,467	436,999	506,404	602,295
6				46,845	0	-	-	-
7				(5,966)	-	-	-	-
8	-	86,273	-	-	-	-	-	-
9	-	13,345	-	-	-	-	-	-
10	-	(37,673)	-	-	-	-	-	-
11	(38,659)	(38,375)	(1,658)	19,242	29,749	46,331	56,753	
12	-	-	-	-	-	-	-	
13	34,000	-	-	290	39,656	49,560	55,641	
14	354,676	23,570	378,246	417,467	436,999	506,404	602,295	714,689
15	Total Accumulated Other Comprehensive Income							
16	51,428		51,428	56,793	9,947	9,947	9,947	9,947
17	(31,291)		(31,291)	(1)	0	-	-	-
18				(46,845)	(0)	-	-	-
19	36,656		36,656	-	-	-	-	-
20	56,793	-	56,793	9,947	9,947	9,947	9,947	9,947
21	Total Accumulated Other Comprehensive Income Balance							
22	Employee Future Benefits Portfolio							
23	30,889		30,889	0	0	0	0	0
24	9,946		9,946	9,946	9,946	9,946	9,946	9,946
25	Rate Stabilization Reserve Portfolio							
26	15,957		15,957	0	0	0	0	0
27	56,793	-	56,793	9,947	9,947	9,947	9,947	9,947
28	411,469	23,570	435,039	427,414	446,946	516,351	612,242	724,636
29	MINIMUM CAPITAL TEST (C\$ 000s)							
30	411,467	23,570	435,037	427,414	446,946	516,351	612,242	724,636
31	28,366		28,366	33,972	36,422	34,057	27,862	21,971
32	383,101	23,570	406,671	393,442	410,524	482,294	584,380	702,665
33	345,847	5,526	351,373	430,397	448,196	470,438	489,933	519,728
34	110.8%	5.0%	115.8%	91.4%	91.6%	102.5%	119.3%	135.2%