

PUB (MPI) Pre-Ask 4

Part and Chapter:		Page No.:	
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:

Question:

With respect to PF-1(a) IFRS 17 Forecast with IFRS 17 Presentation:

- a) Provide any changes to any of the IFRS 17 accounting policies that have resulted in changes to any of the line items.
- b) It would appear that expenses have been shifted from Insurance service expenses to Other operating expenses. Provide both narrative and quantitative details of the change.

Rationale for Question:

RESPONSE:

MPI to insert response here.

- a) Policies under IFRS 17 are not changed from the position papers that were filed other than an election taken to not adjust the Liability for Incurred Claims for the time value of money and effects of financial risk for contracts measured under PAA when the cash flows are expected to settle within one year or less from the date the claim is incurred. There is no impact arising from taking this election because MPI does not have claims that fall into scope for this election.

There is no change to any of the line items arising from a change in accounting policies under IFRS 17.

- b) Other Operating Expenses reports operating expenses that are considered not directly related to acquiring or maintaining insurance contracts. It includes expenses arising from regulatory appeal; loss prevention and road safety; and expense allocations from departments that provide support for the insurance related operations and activities (e.g., finance, HR, communications, systems support, procurement).

The expense shift from Insurance service expenses to Other operating expenses is a result of differences in assumptions between the initial 2024 GRA application and the rate update. In the initial 2024 GRA application, IFRS 17 allocations were approximated based off of a prior assessment applied to IFRS 4 expense categories. In the rate update, the IFRS 17 allocation process had been completed. The preliminary assumption understated Other Operating Expenses and overstated Insurance service expenses. However, Basic's share of expenses have remained comparable between the initial application and the rate update. Please refer to Figure 1 below reconciling 2022/23 Expenses under IFRS 4 allocations and the approximations used for IFRS 17 estimates along with a comparison to IFRS 17 actuals.

Figure 1: 2022/23 - Expense Comparative - IFRS 4 vs IFRS 17 – Basic

Line No.	IFRS 4 2022/23A	IFRS 17 2022/23BF	2024 GRA IFRS 17 2022/23A	2024 GRA Rate Update IFRS 17 2022/23A
1	Expense Category	Expense Category	(%)*	(%)
2		Claims Expense (Maintenance)	146,265	
3		Allocated Operating Expense (Acquisition)	4,579	5%
4		Allocated Operating Expense (Maintenance)	53,193	61%
5		Expenses within Insurance Service Expense	204,037	82%
6				Directly Attributable Acquisition
7	Claims	146,265		8,561
8	Road Safety/Loss Prevention	10,530		3%
9	Operating	86,526		Directly Attributable Maintenance
10	Regulatory/Appeal	4,769		147,272
11	248,090	248,090		60%
				Expenses within Insurance Service Expense
				155,833
				Other Operating Expenses
				90,466
				37%

* Operating Expense allocated to IFRS 17 categories