2024 General Rate Application

October 2023

FINANCIAL FORECASTING

Ryan Kolaski
Vice President, Chief Financial Officer

Cara Low
Vice President, Chief Actuary & Chief Risk Officer

Cherity Ostapowich
Director, Valuation & Capital Management

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Agenda

Key Observations from the Financial Forecast

- Introduction
- Government of Manitoba
- IFRS 17 – MCT Impact Highlights
- IFRS 14 Regulatory Deferral Accounts
- Labour Interruption & FTE Impacts
- DVA Transfers From Extension
- Claims Incurred
- Interest Rate Impacts in Forecasting

Introduction

An interesting year for financial forecasting …

The final rate application embodies as a year of firsts:

- First Year – GoM directive for a 0% rate change
- First Year – GoM directed Organizational review months in advance of a Provincial election
- First Year – IFRS 17 from IFRS 4
- First Year – IFRS 9 from AIS 39
- First Year – IFRS 14 was raised for consideration
- First Year – Labor Interruption, Senior management and board of director changes
- First Year – Change in reported MCT for the same year, suggesting the potential of a rebate
- First Year – Expense allocations in the forecasting model saw material changes face challenges

Government of Manitoba Directives

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Government of Manitoba Directives

1. Government of Manitoba directive to apply for 0% Rate increase:

- GoM directed MPI to apply for a zero percent rate increase for 2024/25
- We have applied for a 0% rate indication as directed, but have also filed an AAP rate indication of -1.5%

2. Government of Manitoba Organization Review:

- E&Y was awarded the work through RFP
- The cost of the organization review will be captured within 2023/24
- As the findings are unknown, no specific action items have been considered or reflected within the 2024/25 forecast

IFRS 17 – MCT Impact Highlights

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IFRS 17 – 2022/23 Basic MCT

Actual results for 2022/23 were released under IFRS 4, but restated under IFRS 17 as part of the forecasting model for comparison purposes – forming the opening position:

Category ($ Millions)	22/23	23/24	24/25	25/26	26/27	27/28
MCT Ratio _IFRS 4 Reported	111%					
MCT Ratio _IFRS 17	136%	105%	99%	109%	127%	145%

Will a rebate application be brought forward with respect to 2022/23?

- No - MPI does not intend to apply to the PUB for a rebate. Our position is based on the following:
  - IFRS 17 is effective April 1, 2023. 2022/23 is being restated for comparison purposes only; as such IFRS 4 remains in effect for 2022/23
  - The MPI act reads that a “rebate will be determined and paid the first day after the year has ended”; our position is the ending balance on March 31 is the opening balance on April 1, being as calculated under IFRS 4
  - MPI’s Capital Management Plan requires the MCT to be based on audited financial statements; while not a requirement of the MPI act, we feel this reflects prudent fiscal management

IFRS 17 – MCT Five Year Basic & Extension Forecast

Category ($ Millions)	22/23	23/24	24/25	25/26	26/27	27/28
MCT Ratio _IFRS 17 _**Basic**	136%	105%	99%	109%	127%	145%
MCT Ratio _IFRS 17 _Extension	137%	144%	189%	200%	200%	200%

Capital Transfers:

- No capital transfers from Extension to Basic are forecasted

Rebate / Capital Build:

- A rebate to rate payers is forecasted for 2026/27

Other:

- Pricing on Extension products to be reviewed in 2024, this could favorably impact the Extension line of business and accelerate transfers to Basic

Impact on GRA Update

PF-6 Explanation of Significant Variances - 2024/25 Comparative

21	**Allocated Corporate Expenses**	**256,205**	**2024 GRA**
22		**2,856**	Higher than expected Salaries expense
23		**1,425**	Higher than expected Other including Auctioneer fees and Corporate capital tax
24		**200**	Higher than expected Special Services expense
25		**360**	Higher than expected Postage
26		**(3,000)**	Lower than expected Data Processing expense
27		**(1,544)**	Estimated IFRS application 17 impacts
28		**(180)**	Lower than expected Building expenses
29		**256,322**	**2024 GRA - Rate Update**

IFRS 14 Regulatory Deferral Accounts

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IFSR 14 - Regulatory Deferral Accounts

IFRS 14 Adoption:

- MPI was asked to review and consider adopting the IFSR 14 accounting standard
- IFRS 14 is an accounting standard that deals with deferral accounts for regulated entities
- Deloitte was retained to advise on the applicability
  - They reported that IFRS 14 could not be adopted by MPI
- The forecast does break out and illustrate deferral amounts in a similar fashion as per IFRS 14

Labour Interruption & FTE Impacts

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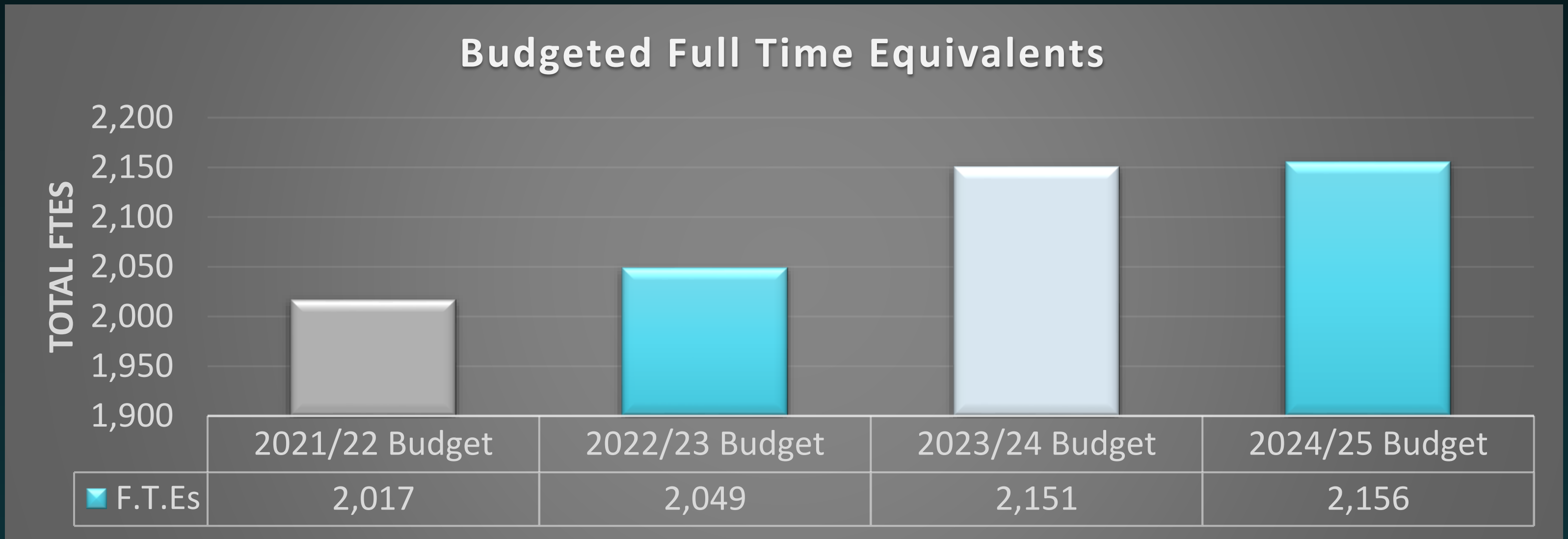
Labor Interruption & FTE Impacts

MPI was subject to a prolonged labor interruption:

- MPI has not reflected estimates for LI impacts within the 2024 application;
- Quantification of impacts from LI are ongoing. There are labor savings, but there will be additional future costs as we look to return to a steady operating state and clear a backlog of work across all departments;
- Positives from LI include AI Hail scanning technology; Customer entry of claims online;

MPI is looking to hold FTEs flat through 2024/25, as illustrated below



DVA Transfers From Extension

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DVA Impacts

DVA is expected to run a deficit for 2024/25:

- MPI has not been given direction from GoM on how self sufficiency will be obtained for this line of business
- No transfers from the Extension line of business to the DVA line of business is expected for 2024/25
- GoM has advised, at least at this point in time, MPI should not expect that additional funding that has been provided to date will continue past 2023/24
- The deficit for 2024/25 is expected to be funded from the current equity position

Claims Incurred

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Changes to Financial Reporting of Claims Incurred

Key Message:
The transition from IFRS 4 to IFRS 17 had several impacts to the financial reporting of claims incurred such as the way its presented in the financials and the assumptions used to discount the claim liabilities.

Assumption Changes → Presentational Changes → Comparison to IFRS 4 → Bridging of impacts

- Assumption Changes due to IFRS 17
- Presentational/reporting changes due to IFRS 17
- Comparing the Claims Incurred forecast under IFRS 17 and IFRS 4
- Bridging the gap between the 2023 Rate Update and the 2024 Rate Update

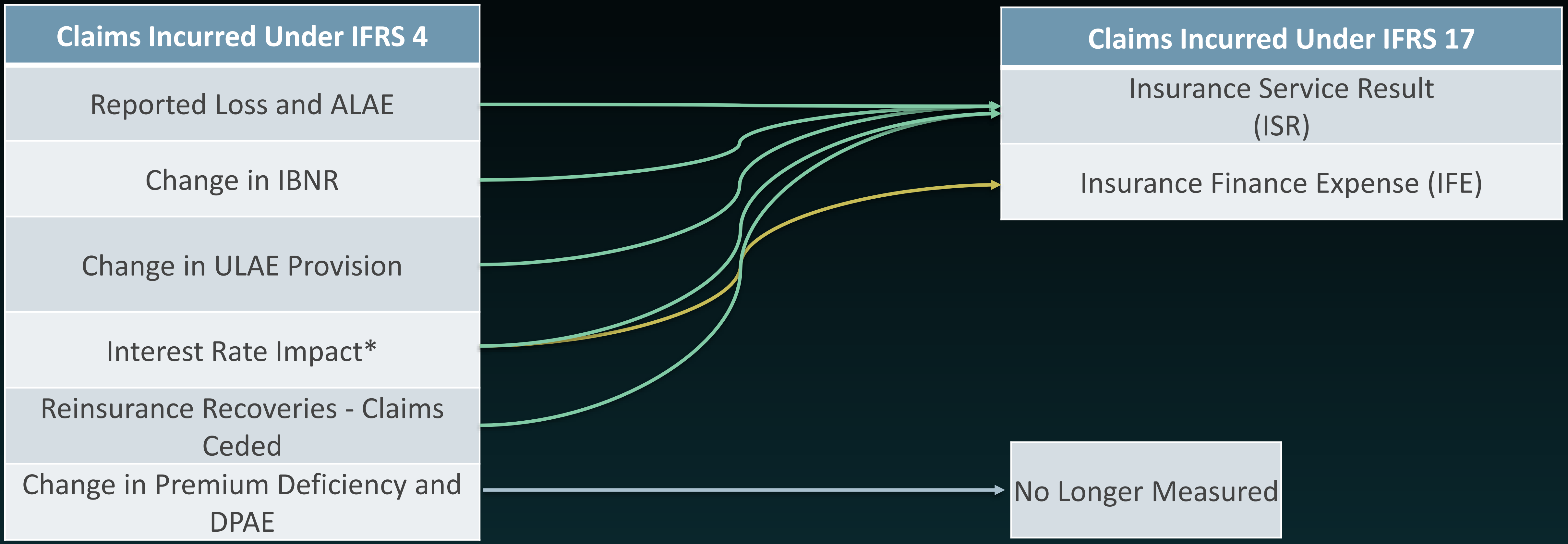
IFRS 4 vs. IFRS17 - Major Assumptions

	IFRS 4	IFRS 17
Ultimate Losses	*Unchanged*	
Unallocated Loss Adjustment Expense (ULAE)	*Unchanged*	
Indexation	*Unchanged*	
Uncertainty Provisions	Interest Rate PfAD Claims PfAD Reinsurance PfAD	Risk Adjustment for Non-Financial Risk
Discounting	Flat Discount Rate	Yield Curve varying by tenor

PfAD - Provision for Adverse Deviation

Comparison – IFRS 4 to IFRS 17

Income Statement Comparison



**Affects both ISR & IFE*

ALAE - Allocated Loss Adjustment Expenses
IBNR – Incurred But Not Reported
ULAE - Unallocated Loss Adjustment Expenses
DPAE - Deferred Policy Acquisition Expenses

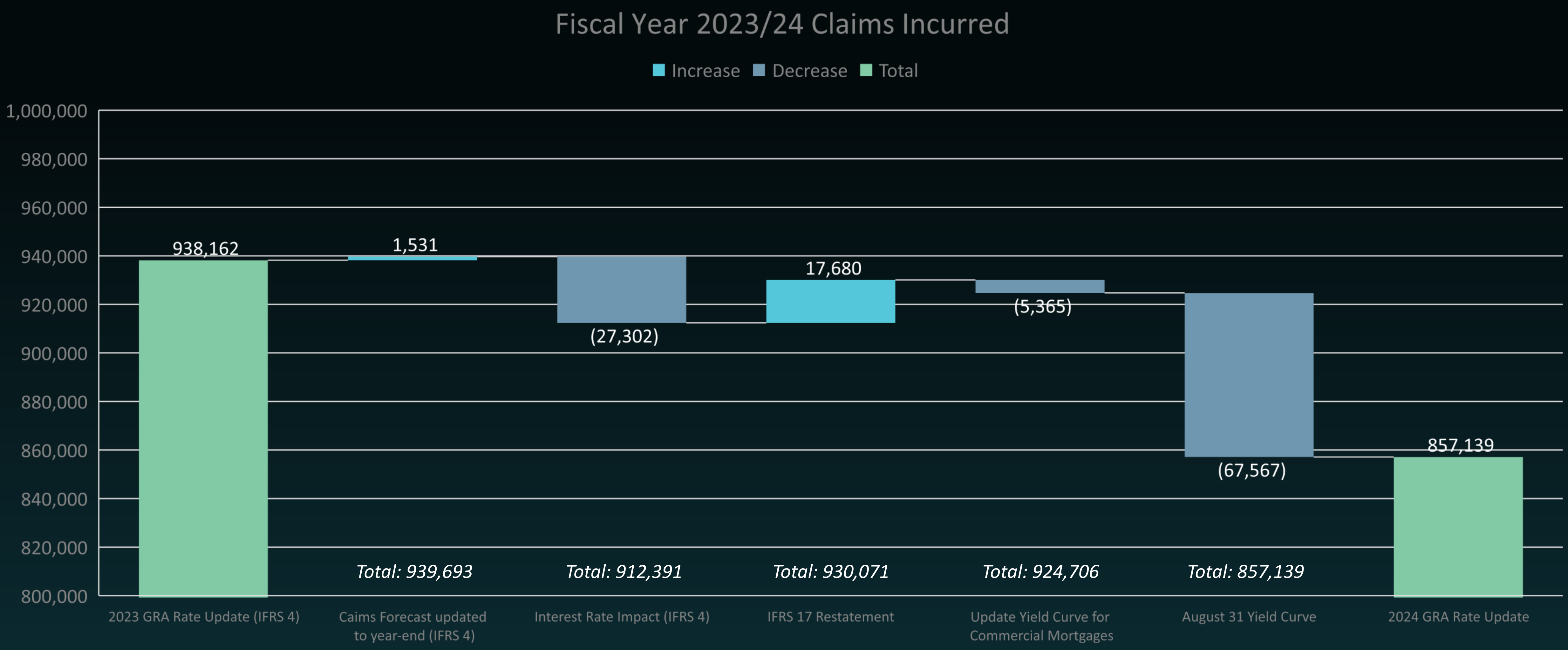
Comparison – IFRS 4 to IFRS 17

Claims Incurred Forecast Comparison ($000)

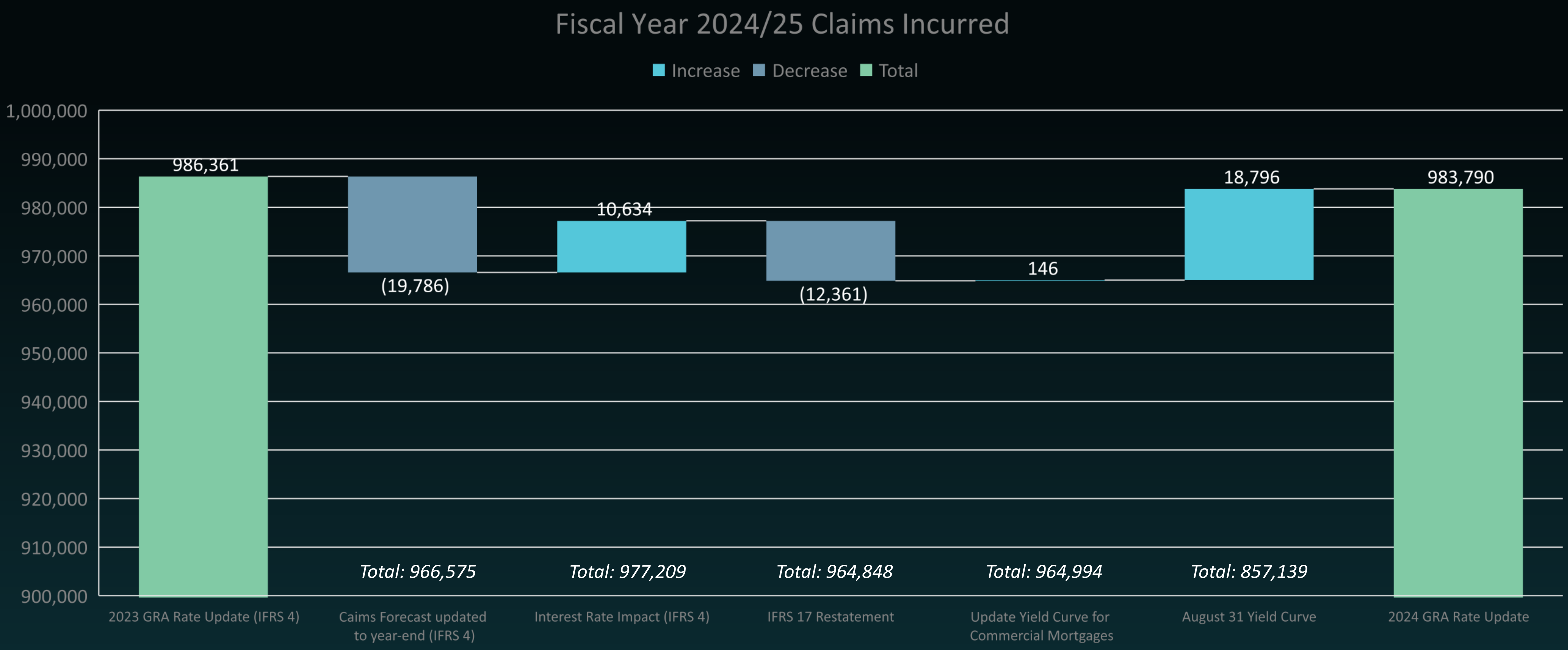
Row	Fiscal Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
(1)	Net Claims Incurred Under IFRS 4 (March 31, 2023)	$801,692	$912,391	$977,209	$1,007,183	$1,047,243	$1,085,167
(2)	Net Claims Incurred Under IFRS 17 (March 31, 2023)	$770,502	$924,706	$964,994	$991,816	$1,027,030	$1,063,007
(3) = (2) – (1)	**Difference**	**($27,910)**	**$12,315**	**($12,215)**	**($15,367)**	**($20,213)**	**($22,160)**
(4)	Net Claims Incurred Under IFRS 17 (August 31 Yield Curve)	$770,502	$857,139	$983,790	$1,010,869	$1,039,248	$1,072,428
(5) = (4) – (2)	**Difference (March vs August Curve)**	**$0**	**($67,567)**	**$18,796**	**$19,053**	**$12,218**	**$9,421**

Much of the above impact is attributable to changes in discounting methodology

Changes to Claims Incurred



Changes to Claims Incurred



Interest Rate Impacts

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Interest Rate Impacts

Disconnect in 5 year forecast between asset assumptions and liabilities assumptions

Asset Assumptions continue to be naïve; whereas Liabilities are using forward rates

5 year interest rate risk from proformas:

Year	Liabilities	Assets	Net Impact of Interest Rates
2023/24	($58.0M)	($103.5M)	($45.6M)
2024/25	$13.9M	$0.0M	($13.9M)
2025/26	$6.2M	$0.0M	($6.2M)
2026/27	($0.5M)	$0.0M	$0.5M
2027/28	($4.3M)	$0.0M	$4.3M