

Undertaking # 30

MPI to determine net positive impact to net income based on holding assets at a two (2) year lower duration than claims, and compare it to what it is at minus one (1) duration.

RESPONSE:

Attached are the revised pro-formas that assumed the duration gap forecast was -2.0 years instead of the base forecast (-1.0 years starting in Q2 2014/15). The average rating year net income impact of this scenario was \$3.1 million higher compared to the base GRA forecast.

Manitoba Public Insurance
Statement of Retained Earnings
Base Scenario with -2.0 Year Duration Gap over Five Year Forecast

(C\$ 000s, except where noted)

	<i>For the Years Ended February,</i>							
	<u>2012A</u>	<u>2013A</u>	<u>2014A</u>	<u>2015P</u>	<u>2016P</u>	<u>2017P</u>	<u>2018P</u>	<u>2019P</u>
RATE STABILIZATION RESERVE (RSR)		<u>Restated</u>						
Basic Insurance Rate Stabilization Reserve								
Beginning Balance	140,525	155,700	149,800	99,876	62,619	61,088	80,422	110,417
Transfer from Basic Retained Earnings	15,175	-	(49,924)	(37,257)	(1,531)	19,334	29,995	23,772
Transfer to Basic Retained Earnings	-	(5,900)	-	-	-	-	-	-
Ending Balance	155,700	149,800	99,876	62,619	61,088	80,422	110,417	134,189
Minimum RSR based on PUB rules	77,000	77,900	77,900	82,300	89,000	93,200	97,600	102,100
Maximum RSR based on PUB rules	154,000	149,800	155,700	164,300	177,700	186,100	194,700	203,600
MPI RSR Target	210,000	200,000	200,000	172,000	172,000	172,000	172,000	172,000
Retained Earnings								
Beginning Balance	-	57,983	19,239	-	-	-	-	-
Restatement of Beginning Balance		18,460						
Restated Beginning Balance		76,443						
Net Income (Loss) from annual operations	22,278	(63,104)	(69,163)	(37,257)	(1,531)	19,334	29,995	23,772
Retained Earnings Prior to Transfers	22,278	13,339	(49,924)	(37,257)	(1,531)	19,334	29,995	23,772
Transfer to Rate Stabilization Reserve	(15,175)	-	49,924	37,257	1,531	(19,334)	(29,995)	(23,772)
Transfer from Rate Stabilization Reserve	-	5,900	-	-	-	-	-	-
Transfer from Immobilizer Incentive Fund	-	-	-	-	-	-	-	-
Transfer (to) from IT Optimization Fund	65,000	-	-	-	-	-	-	-
Premium Rebate	(14,120)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Balance of Fund	57,983	19,239	-	-	-	-	-	-
IT Optimization Fund								
Beginning Balance	65,000	-	-	-	-	-	-	-
Transfer to Basic Retained Earnings	(65,000)	-	-	-	-	-	-	-
Balance of Fund	-	-	-	-	-	-	-	-
Immobilizer Incentive Fund								
Beginning Balance	-	-	-	-	-	-	-	-
Transfer to Basic Retained Earnings	-	-	-	-	-	-	-	-
Balance of Fund	-	-	-	-	-	-	-	-
Total Basic Retained Earnings	\$ 213,683	\$ 169,039	\$ 99,876	\$ 62,619	\$ 61,088	\$ 80,422	\$ 110,417	\$ 134,189

Manitoba Public Insurance
Multi-year Statements - Underwriting Income
Base Scenario with -2.0 Year Duration Gap over Five Year Forecast

(C\$ 000s, except where noted)

For the Years Ended February,

	2012A	2013A	2014A	2015P	2016P	2017P	2018P	2019P
BASIC								
Motor Vehicles	760,039	722,774	756,642	795,233	859,397	897,828	937,861	979,588
Drivers	26,593	32,692	41,520	46,992	51,284	55,427	59,418	62,982
Reinsurance Ceded	(6,679)	(9,422)	(13,422)	(13,661)	(13,934)	(14,213)	(14,497)	(14,787)
Total Net Premiums Written	779,953	746,044	784,740	828,564	896,747	939,042	982,782	1,027,783
Net Premiums Earned								
Motor Vehicles	748,948	739,654	741,077	769,872	829,240	879,765	919,045	959,977
Drivers	24,037	29,299	37,015	44,330	49,138	53,355	57,422	61,201
Reinsurance Ceded	(11,308)	(12,202)	(13,422)	(13,722)	(13,934)	(14,213)	(14,497)	(14,787)
Total Net Premiums Earned	761,677	756,751	764,670	800,480	864,444	918,908	961,971	1,006,390
Service Fees & Other Revenues	18,736	18,452	20,384	19,799	21,079	22,815	24,671	26,786
Total Earned Revenues	780,413	775,203	785,053	820,279	885,523	941,723	986,641	1,033,176
Net Claims Incurred	612,037	661,288	747,435	628,842	673,080	729,019	749,355	827,551
Claims Expense	109,760	108,587	114,552	116,249	120,488	126,012	127,318	138,325
Road Safety/Loss Prevention	12,982	13,032	12,816	11,350	10,514	10,564	10,606	10,648
Total Claims Costs	734,779	782,907	874,803	756,441	804,082	865,596	887,279	976,523
Expenses								
Operating	57,465	63,758	67,982	73,568	74,791	79,063	81,043	87,298
Commissions	41,034	37,545	32,058	33,496	34,173	35,970	37,450	38,991
Premium Taxes	22,766	23,069	23,343	24,426	26,351	27,994	29,294	30,635
Regulatory/Appeal	3,423	3,392	3,765	3,261	3,314	3,380	3,447	3,516
Total Expenses	124,688	127,764	127,148	134,751	138,630	146,406	151,233	160,440
Underwriting Income (Loss)	(79,054)	(135,467)	(216,898)	(70,914)	(57,189)	(70,280)	(51,871)	(103,786)
Investment Income	101,243	72,363	147,735	33,656	55,658	89,613	81,866	127,558
Net Income (Loss) from Operations	22,189	(63,104)	(69,163)	(37,257)	(1,531)	19,334	29,995	23,772
Allocated from Property	89	-	-	-	-	-	-	-
Transfer from Immobilizer Incentive Fund	-	-	-	-	-	-	-	-
Net Income (Loss)	22,278	(63,104)	(69,163)	(37,257)	(1,531)	19,334	29,995	23,772

Manitoba Public Insurance
Multi-year Statements - Balance Sheet
Base Scenario with -2.0 Year Duration Gap over Five Year Forecast

(C\$ 000s, except where noted)

For the Years Ended February,

	2012A	2013A	2014A	2015P	2016P	2017P	2018P	2019P
BASIC								
Assets								
Cash and investments	1,308,214	1,298,217	1,424,341	1,314,725	1,269,572	1,366,668	1,404,501	1,508,188
Equity investments	424,986	473,796	600,483	619,999	699,616	673,497	717,785	737,224
Investment property	161,186	175,142	32,226	31,194	30,949	30,710	30,503	30,357
Due from other insurance companies	1,956	945	1,755	-	-	-	-	-
Accounts receivable	222,487	232,595	235,616	249,289	266,732	277,983	289,586	301,525
Prepaid expenses	699	716	731	568	568	568	568	568
Deferred policy acquisition costs	22,958	3,884	-	-	-	-	-	-
Reinsurers' share of unearned premiums	2,779	-	-	-	-	-	-	-
Reinsurers' share of unearned claims	23,782	26,130	17,625	-	-	-	-	-
Property and equipment	85,275	87,709	80,108	85,033	85,517	83,746	82,549	80,948
Deferred development costs	33,736	40,884	54,685	70,701	81,714	86,063	90,579	77,606
	2,288,058	2,340,018	2,447,570	2,371,509	2,434,667	2,519,235	2,616,070	2,736,416
Liabilities								
Due to other insurance companies	4,718	1,114	1,213	1,596	1,596	1,596	1,596	1,596
Accounts payable and accrued liabilities	32,891	31,827	35,769	35,673	38,169	39,780	41,440	43,148
Financing lease obligation	3,137	3,091	2,841	3,079	3,020	2,956	2,887	2,814
Unearned premiums and fees	393,285	382,507	402,982	438,580	474,105	497,716	522,278	547,717
Provision for employee current benefits	14,568	14,896	15,389	16,544	17,653	18,782	19,931	21,103
Provision for employee future benefits	207,912	230,117	235,172	249,058	262,114	276,474	291,389	306,958
Provision for unpaid claims	1,368,857	1,450,626	1,584,042	1,493,457	1,499,013	1,528,803	1,544,782	1,602,795
	2,025,368	2,114,178	2,277,408	2,237,988	2,295,671	2,366,106	2,424,303	2,526,131
Equity								
Retained earnings								
Basic Insurance Retained Earnings								
Rate Stabilization Reserve	155,700	149,800	99,876	62,619	61,088	80,422	110,417	134,189
Retained Earnings	57,983	19,239	-	-	-	-	-	-
Information Technology Optimization Fund	-	-	-	-	-	-	-	-
	213,683	169,039	99,876	62,619	61,088	80,422	110,417	134,189
Accumulated Other Comprehensive Income	49,007	56,800	70,284	70,902	77,909	72,707	81,350	76,096
Total Equity	262,690	225,839	170,160	133,521	138,997	153,129	191,767	210,285
	2,288,058	2,340,017	2,447,568	2,371,509	2,434,667	2,519,235	2,616,070	2,736,416