LEGAL APPLICATION

2020 GENERAL RATE APPLICATION

June 20, 2019

MANITOBA
PUBLIC INSURANCE

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Legal Application

LA.1 Application

Manitoba Public Insurance (MPI) hereby applies to the Manitoba Public Utilities Board (PUB, or the Board) for approval of the premiums charged by MPI with respect to compulsory driver and vehicle insurance (rates for service), pursuant to Section 25(1) of *The Crown Corporations Governance and Accountability Act,* C.C.S.M. c. C336.

In this General Rate Application (GRA) MPI requests approval of rates for service for the 13 month period March 1, 2020, through March 31, 2021, including:

1. a 0.1% overall *increase* in the break-even cost of Basic vehicle premiums:
    a) calculated in accordance with Accepted Actuarial Practice (AAP);
    b) based provisionally on interest rate forecast as at Feb 28, 2019; and
    c) to be updated to a final rate indication based on the interest rate forecast as at September 30th, 2019,
2. discontinuance of anti-theft Discount for newly insured vehicles;
3. no changes to Miscellaneous Permits and Certificates;
4. no changes to driver premiums through the Driver Safety Rating (DSR) system, and no change to Vehicle Premium Discounts;
5. no changes to Basic Autopac Service and Transaction Fees; and
6. no Changes to Fleet Rebates and Surcharges.

MPI also requests approval of its proposed Capital Management Plan (CMP), which establishes:

a) the means and pathway to achieve the 100% Minimum Capital Test (MCT) capital level for the Basic Rate Stabilization Reserve (RSR), as codified in the Reserves Regulation (M.R. 76/2019); and

b) the assumed minimum regulatory target under the base scenario during the forecast period, used for determining satisfactory financial condition in the Dynamic Capital Adequacy Test (DCAT).

LA.2 Discussion

Tables detailing the requested rates and fees are presented in *Part VIII Application Rate Tables*. Experience-based rate adjustments ranging from -15% to +15%, as shown in *Part V(ii) Ratemaking Appendix 3* based on adjustment rules shown in *Part V(ii) Ratemaking RM.5*. Combined classification offsets for all vehicles except off-road vehicles, to achieve revenue neutrality in implementing rate group, rate line and classification changes for 2020/21, is shown in *Part V(ii) Ratemaking Appendix 2*.

LA.2.1 Provisional Rate Request

MPI has proposed that the rate request at the time of filing be provisionally based on an interest rate forecast at fiscal year-end, and that the rate request be updated and finalized based on an update of the interest rate forecast on September 30, 2019.

By letter dated March 28, 2019, the Board accepted the proposal and directed MPI to file, within four business days of September 30th, the following:

1. a Major Class Summary Report;
2. Pro Forma Financial Statements 1-3; and
3. the Overall and Major Class Required Rate Changes (with and without capital related provisions), with supporting schedules.

In addition, the Board directed that these exhibits include updates based on the naïve, standard and 50/50 interest rate forecasts, as well as a summary of changes in the various interest rate forecasts, including a narrative of impacts to Pro Forma financial statements, and material impacts to filed information request responses.

This final rate request will be subject to testing at the public hearing, and confirmation through PUB Order.

LA.2.2 Change in Fiscal Year End

MPI has changed its fiscal year end to align with the reporting periods of the Government of Manitoba and other provincial crown corporations. The change lengthens the current fiscal year from 12 to 13 months (March 1, 2019 to March 31, 2020).

To align the rating year with the fiscal year, MPI is applying for rates that will be in effect, on a one-time basis, for a 13 month period (March 1, 2020, through March 31, 2021). Customers who renew policies in March 2021 will see no change in their premium over the prior year.

In the 2021 GRA, MPI will return to seeking approval of its rates for service for a 12 month period (i.e. April 1, 2021 to March 31, 2022). With these actions, MPI expects to align the rating and fiscal years on April 1, 2021.

LA.2.3 Capital Management Plan

Discussion and analysis of the CMP is provided in *Part VI Rate Stabilization Reserve*. The CMP defines how MPI will manage funds in the Basic Rate Stabilization Reserve (RSR) towards the balance required under the *Reserves Regulation* (M.R. 76/2019).

In brief, when the RSR is below 100% MCT, the CMP will rely on transfers of surplus funds from the Extension line of business, and thereafter on a Capital Build provision, to move the Basic RSR towards 100% MCT, over a period of five years. When the RSR is above 100% MCT, a Capital Release provision will move the Basic RSR towards 100% MCT over a period of three years.

Owing to a transfer of $60 million in surplus capital from Extension on Feb 28, 2019, MPI does not require a Capital Build provision at this time. The forecast of Extension capital is provided in a new set of Pro Forma financial statements for the Extension line of business, provided in *Part V Pro Formas*.

Ratemaking

RM.1 Certificate Of The Actuary

I, Luke Johnston, a Fellow of the Canadian Institute of Actuaries, certify that:

1. I have derived the indicated rate(s) in accordance with Accepted Actuarial Practice (AAP) in Canada, on behalf of Manitoba Public Insurance (MPI), for the Basic Autopac program (Basic) for rates effective March 1, 2020 for new and renewal business.

2. I have reviewed the data underlying this rate application for reasonableness and consistency, and I believe the data is reliable and sufficient for the determination of the indicated rate changes.

3. The indicated rate changes, shown in the table below, have been calculated in accordance with AAP in Canada. These indicated rate changes assume a 0% profit provision.

Figure RM- 1 Indicated Rate Change

Line No.	Major Class	Current Average Rate	Indicated Average Rate	Indicated Rate Change
1	**Private Passenger**	$1,164	$1,161	-0.3%
2	**Commercial**	$809	$817	1.0%
3	**Public**	$1,928	$2,136	10.8%
4	**Motorcycles**	$810	$842	3.9%
5	**Trailers**	$79	$76	-3.6%
6	**Off-Road Vehicles**	$8	$7	-12.5%
7	**Overall**	$890	$891	0.1%

June 19, 2019 Winnipeg, MB

Signature of Actuary **Date** **Location**

RM.6 Summary And Distribution Reports

By major class, the proposed rate changes differ slightly from experience rate changes due to capping rules. A 15% increase/decrease cap is applied to experience-based indicators and all final rates are capped at a 20% increase/decrease.

Figure RM- 14 Major Class Summary Report

Line No.	Major Class	Vehicle Count	Current Average Rate	Proposed Average Rate	Proposed Rate Change	Experience Rate Change*
1	**Private Passenger**	807,724	$1,164	$1,161	-0.3%	-0.2%
2	**Commercial**	46,360	$809	$817	1.0%	1.1%
3	**Public**	12,785	$1,928	$2,136	10.8%	11.5%
4	**Motorcycles**	17,585	$810	$842	3.9%	3.9%
5	**Trailers**	205,299	$79	$76	-3.6%	-3.7%
6	**Off-Road Vehicles**	71,406	$8	$7	-12.5%	-10.9%
7	**Overall**	1,161,159	$890	$891	0.1%	0.1%
8	*Per Figure RM-13					

The following tables show the distribution of vehicles by dollar and percent changes after all adjustments. The proposed rate changes result in a rate decrease for 50.1% of vehicles, no change in rates for 9.4% of vehicles, and a rate increase for 40.6% of vehicles. 38.4% of vehicles experience a rate change of +/- $20 or less (including vehicles receiving a $0 change in rates) and 58.4% of vehicles experience a rate change of +/- 5% or less (including vehicles receiving no change in rates). More detailed tables can be found in *Figure RM-15*, *Figure RM-16* and *Figure RM-17*.

Appendix 11: Vehicle-for-Hire

Directive 11.8 in the Manitoba Public Utilities Board Order 159/18 requested that "*In the 2020 GRA, the Corporation shall report on its claims experience to date for the Vehicles-for-Hire Class.*"

In reponse to Directive 11.8, MPI provides the table below, which presents the claims experience as of February 28, 2019 for the different vehicle-for-hire classifications.

Figure RM App 11- 1 Vehicle-for-Hire Claims Experience as of February 28, 2019

Line No.	Classification	Incurred	Earned Unit	Earned Premium	Loss Ratio
1	Accessible Vehicle-for-Hire 1	18,160.09	3.47	5,548.92	327.27%
2	Accessible Vehicle-for-Hire 2	8,083.21	3.42	5,441.20	148.56%
3	Accessible Vehicle-for-Hire 3	8,613.30	7.00	12,200.57	70.60%
4	Accessible Vehicle-for-Hire 4	283,083.22	98.30	187,931.59	150.63%
5	**Accessible Vehicle-for-Hire Total**	**317,939.82**	**112.19**	**211,122.28**	**150.60%**
6	Limousine Vehicle-for-Hire 1	0.00	3.72	7,780.77	0.00%
7	Limousine Vehicle-for-Hire 2	0.00	0.79	1,175.55	0.00%
8	Limousine Vehicle-for-Hire 3	0.00	0.10	208.51	0.00%
9	Limousine Vehicle-for-Hire 4	58,036.26	61.79	175,733.71	33.03%
10	**Limousine Vehicle-for-Hire Total**	**58,036.26**	**66.40**	**184,898.54**	**31.39%**
11	Passenger Vehicle-for-Hire 1 (Passenger Vehicle)	63,763.87	30.38	50,165.87	127.11%
12	Passenger Vehicle-for-Hire 2 (Passenger Vehicle)	23,840.62	24.38	38,843.06	61.38%
13	Passenger Vehicle-for-Hire 3 (Passenger Vehicle)	9,869.13	15.42	26,198.09	37.67%
14	Passenger Vehicle-for-Hire 4 (Passenger Vehicle)	950,908.17	382.69	701,699.78	135.51%
15	Passenger Vehicle-for-Hire 1 (Truck 4,499 kg or less GVW)	0.00	0.00	0.00	0.00%
16	Passenger Vehicle-for-Hire 2 (Truck 4,499 kg or less GVW)	7,185.25	0.28	498.47	1441.46%
17	Passenger Vehicle-for-Hire 3 (Truck 4,499 kg or less GVW)	0.00	0.14	184.72	0.00%
18	Passenger Vehicle-for-Hire 4 (Truck 4,499 kg or less GVW)	24,034.50	9.64	13,998.40	171.69%
19	**Passenger Vehicle-for-Hire Total**	**1,079,601.54**	**462.93**	**831,588.39**	**129.82%**
20	Taxicab Vehicle-for-Hire 1	1,550.00	3.14	7,870.98	19.69%
21	Taxicab Vehicle-for-Hire 2	0.00	1.75	8,405.42	0.00%
22	Taxicab Vehicle-for-Hire 3	10,686.37	7.72	38,063.53	28.08%
23	Taxicab Vehicle-for-Hire 4	3,347,545.87	527.79	3,887,842.96	86.10%
24	**Taxicab Vehicle-for-Hire Total**	**3,359,782.24**	**540.41**	**3,942,182.89**	**85.23%**
25	**Vehicle-for-Hire Total**	**4,815,359.86**	**1,181.92**	**5,169,792.10**	**93.14%**

PF- 1 Statement of Operations: +0.1% Basic Rate Change

Multi-year - Statement of Operations

Line No.	*2020/21 Basic AAP break even rate change + 0.1%* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*						
1		**2019A**	**2020B**	**2020FB**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**	**2018/19A**	**2019/20B**	**2019/20FB**	**2020/21F**	**2021/22F**	**2022/23F**	**2023/24F**
3	Motor Vehicles	1,003,570	1,062,585	1,064,300	1,108,014	1,151,987	1,198,198	1,246,420
4	Drivers	66,959	70,903	70,267	72,280	74,110	75,948	77,445
5	Reinsurance Ceded	(12,502)	(12,808)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
6	**Total Net Premiums Written**	**1,058,027**	**1,120,680**	**1,120,417**	**1,165,861**	**1,211,375**	**1,259,130**	**1,308,549**
7	**Net Premiums Earned**							
8	Motor Vehicles	980,770	1,035,772	1,037,678	1,087,777	1,131,630	1,176,806	1,224,097
9	Drivers	58,667	69,801	68,568	71,268	73,190	75,024	76,693
10	Reinsurance Ceded	(12,502)	(12,808)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
11	**Total Net Premiums Earned**	**1,026,935**	**1,092,765**	**1,092,096**	**1,144,612**	**1,190,098**	**1,236,814**	**1,285,474**
12	Service Fees & Other Revenues	24,568	25,917	26,511	28,349	30,355	32,562	34,989
13	**Total Earned Revenues**	**1,051,503**	**1,118,682**	**1,118,607**	**1,172,961**	**1,220,453**	**1,269,376**	**1,320,463**
14	Claims Incurred	864,389	883,996	888,941	923,125	964,431	1,006,842	1,051,422
15	DPAC \ Premium Deficiency Adjustment	(12,983)	1,445	(13,156)	(7,023)	2,601	3,113	5,574
16	(a) Claims Incurred - Interest Rate Impact	40,852	(30,050)	(19,220)	11,195	12,682	11,913	12,032
17	**Total Claims Incurred**	**892,258**	**855,391**	**856,565**	**927,297**	**979,714**	**1,021,868**	**1,069,028**
18	Claims Expense	126,871	137,633	136,851	138,961	139,041	138,507	148,270
19	Road Safety/Loss Prevention	11,538	14,051	13,977	13,420	13,371	13,660	13,892
20	**Total Claims Costs**	**1,030,667**	**1,007,075**	**1,007,393**	**1,079,678**	**1,132,126**	**1,174,035**	**1,231,190**
21	**Expenses**							
22	Operating	76,124	74,521	73,385	73,969	75,258	76,765	82,001
23	Commissions	40,233	43,340	42,542	44,481	46,208	47,979	49,821
24	Premium Taxes	31,183	33,167	33,187	34,771	36,145	37,555	39,024
25	Regulatory/Appeal	4,315	5,317	5,315	5,326	5,334	5,423	5,514
26	**Total Expenses**	**151,855**	**156,345**	**154,429**	**158,547**	**162,945**	**167,722**	**176,360**
27	**Underwriting Income (Loss)**	**(131,019)**	**(44,738)**	**(43,215)**	**(65,264)**	**(74,618)**	**(72,381)**	**(87,087)**
28	**Investment Income**	194,333	73,392	73,036	74,435	75,735	77,770	80,766
29	(b) Investment Income - Interest Rate Impact	14,178	-	(144)	(251)	(315)	(388)	(481)
30	**Net Investment Income**	**208,511**	**73,392**	**72,892**	**74,184**	**75,420**	**77,382**	**80,285**
31	**Gain (Loss) on Sale of Property**	**1,345**	**-**	**-**	**-**	**-**	**-**	**-**
32	**Net Income (Loss)**	**78,837**	**28,654**	**29,677**	**8,920**	**802**	**5,001**	**(6,802)**
33	Total net Impact due to interest rate change (b) - (a)	(26,674)	30,050	19,076	(11,446)	(12,997)	(12,301)	(12,513)

PF- 2 Statement of Financial Position: +0.1% Basic Rate Change

Multi-year - Statement of Financial Position

2020/21 Basic AAP break even rate change +0.1%

Line No.	*(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*						
1		2019A	2020B	2020FB	2021F	2022F	2023F	2024F
2	**BASIC**	2018/19A	2019/20B	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
3	**Assets**							
4	Cash and cash equivalents	161,944	139,510	61,717	47,094	33,265	19,968	7,222
5	Investments	2,426,047	2,518,797	2,746,555	2,904,827	3,074,919	3,263,268	3,458,592
6	Investment property	41,892	20,759	20,571	20,224	20,088	20,730	21,607
7	Due from other insurance companies	1,495	-	-	-	-	-	-
8	Accounts receivable	422,793	368,488	369,902	383,994	398,001	412,489	427,488
9	Deferred policy acquisition costs	6,063	11,031	16,098	24,389	23,063	21,289	17,114
10	Reinsurers' share of unpaid claims	8,463	-	-	-	-	-	-
11	Property and equipment	88,983	88,038	92,904	95,508	96,594	98,819	102,795
12	Deferred development costs	45,926	56,513	47,392	64,421	81,361	88,509	81,543
13		**3,203,606**	**3,203,136**	**3,355,139**	**3,540,457**	**3,727,291**	**3,925,072**	**4,116,361**
14	**Liabilities**							
15	Due to other insurance companies	2,066	144	1,991	1,991	1,991	1,991	1,991
16	Accounts payable and accrued liabilites	70,282	41,285	41,259	41,594	42,006	42,211	44,902
17	Financing lease obligation	3,081	2,870	2,843	2,743	2,634	2,518	2,401
18	Unearned premiums and fees	543,416	571,611	572,810	597,680	622,874	649,428	677,088
19	Provision for employee current benefits	17,098	17,824	17,824	18,500	19,184	19,911	20,648
20	Provision for employee future benefits	342,046	355,541	350,707	365,778	381,010	396,439	412,439
21	Provision for unpaid claims	1,975,925	1,979,095	2,006,289	2,088,940	2,176,028	2,262,240	2,348,424
22		**2,953,914**	**2,968,370**	**2,993,723**	**3,117,226**	**3,245,727**	**3,374,738**	**3,507,893**
23	**Equity**							
24	Retained Earnings	309,812	254,966	402,589	454,759	501,061	555,912	597,976
25	Accumulated Other Comprehensive Income	(60,120)	(20,200)	(41,173)	(31,528)	(19,497)	(5,578)	10,492
26	**Total Equity**	**249,692**	**234,766**	**361,416**	**423,231**	**481,564**	**550,334**	**608,468**
27	**Total Liabilities & Equity**	**3,203,606**	**3,203,136**	**3,355,139**	**3,540,457**	**3,727,291**	**3,925,072**	**4,116,361**

PF- 2 Statement of Financial Position: +0.1% Basic Rate Change

Multi-year - Statement of Financial Position

Line No.	*2020/21 Basic AAP break even rate change +0.1%* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*						
1		2019A	2020B	2020FB	2021F	2022F	2023F	2024F
2	**BASIC**	2018/19A	2019/20B	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
3	**Assets**							
4	Cash and cash equivalents	161,944	139,510	61,717	47,094	33,265	19,968	~~72,222~~ 7,222
5	Investments	2,426,047	2,518,797	2,746,555	2,904,827	3,074,919	3,263,268	3,458,592
6	Investment property	41,892	20,759	20,571	20,224	20,088	20,730	21,607
7	Due from other insurance companies	1,495	-	-	-	-	-	-
8	Accounts receivable	422,793	368,488	369,902	383,994	398,001	412,489	427,488
9	Deferred policy acquisition costs	6,063	11,031	16,098	24,389	23,063	21,289	17,114
10	Reinsurers' share of unpaid claims	8,463	-	-	-	-	-	-
11	Property and equipment	88,983	88,038	92,904	95,508	96,594	98,819	102,795
12	Deferred development costs	45,926	56,513	47,392	64,421	81,361	88,509	81,543
13		**3,203,606**	**3,203,136**	**3,355,139**	**3,540,457**	**3,727,291**	**3,925,072**	**4,116,361**
14	**Liabilities**							
15	Due to other insurance companies	2,066	144	1,991	1,991	1,991	1,991	1,991
16	Accounts payable and accrued liabilites	70,282	41,285	41,259	41,594	42,006	42,211	44,902
17	Financing lease obligation	3,081	2,870	2,843	2,743	2,634	2,518	2,401
18	Unearned premiums and fees	543,416	571,611	572,810	597,680	622,874	649,428	677,088
19	Provision for employee current benefits	17,098	17,824	17,824	18,500	19,184	19,911	20,648
20	Provision for employee future benefits	342,046	355,541	350,707	365,778	381,010	396,439	412,439
21	Provision for unpaid claims	1,975,925	1,979,095	2,006,289	2,088,940	2,176,028	2,262,240	2,348,424
22		**2,953,914**	**2,968,370**	**2,993,723**	**3,117,226**	**3,245,727**	**3,374,738**	**3,507,893**
23	**Equity**							
24	Retained Earnings	309,812	254,966	402,589	454,759	501,061	555,912	597,976
25	Accumulated Other Comprehensive Income	(60,120)	(20,200)	(41,173)	(31,528)	(19,497)	(5,578)	10,492
26	**Total Equity**	**249,692**	**234,766**	**361,416**	**423,231**	**481,564**	**550,334**	**608,468**
27	**Total Liabilities & Equity**	**3,203,606**	**3,203,136**	**3,355,139**	**3,540,457**	**3,727,291**	**3,925,072**	**4,116,361**

PF- 3 Statement of Changes in Equity: +0.1% Basic Rate Change

Multi-year - Statement of Changes in Equity

Line No.	*2020/21 Basic AAP break even rate change + 0.1%* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*						
1		**2019A**	**2020B**	**2020FB**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**	**2018/19A**	**2019/20B**	**2019/20FB**	**2020/21F**	**2021/22F**	**2022/23F**	**2023/24F**
3	**Total Equity**							
4	**Retained Earnings**							
5	Beginning Balance	170,975	226,312	309,812	402,589	454,759	501,061	555,913
6	Net Income (Loss) from annual operations	78,837	28,654	29,677	8,920	802	5,001	(6,802)
7	Transfer from Extension Retained Earnings	60,000	-	63,100	43,250	45,500	49,850	48,865
8	**Total Retained Earnings**	**309,812**	**254,966**	**402,589**	**454,759**	**501,061**	**555,912**	**597,976**
9	**Total Accumulated Other Comprehensive Income**							
10	Beginning Balance	39,870	(28,433)	(60,120)	(41,173)	(31,528)	(19,497)	(5,578)
11	Other Comprehensive Income for the Year	(99,990)	8,233	18,947	9,645	12,031	13,919	16,070
12	**Total Accumulated Other Comprehensive Income**	(60,120)	(20,200)	(41,173)	(31,528)	(19,497)	(5,578)	10,492
13	**Total Equity Balance**	**249,692**	**234,766**	**361,416**	**423,231**	**481,564**	**550,334**	**608,468**
14	**MINIMUM CAPITAL TEST (C$ 000s)**							
15	Total Equity Balance	249,692	234,766	361,416	423,231	481,564	550,334	608,468
16	Less: Assets Requiring 100% Capital	45,926	56,513	47,392	64,421	81,361	88,509	81,543
17	Capital Available	203,766	178,253	314,024	358,810	400,203	461,825	526,925
18	Minimum Capital Required (100% MCT)	395,393	345,452	362,573	385,240	404,965	426,685	456,509
19	**MCT Ratio %** (Line 17) / (Line 18)	**51.5%**	**51.6%**	**86.6%**	**93.1%**	**98.8%**	**108.2%**	**115.4%**

PF- 4 Statement of Operations - 2018/19 Comparative

Line No.		2019 GRA 2018-19FB	2020 GRA 2018-19A	Inc (dec)	Ref.	Increase / (Decrease)
1	*(C$ 000s, except where noted)*	$	$	$		%
2	**Net Premiums Written**					
3	Motor Vehicles	1,019,281	1,003,570	(15,711)		-1.54%
4	Drivers	68,902	66,959	(1,943)		-2.82%
5	Reinsurance Ceded	(11,196)	(12,502)	(1,306)		11.66%
6	**Total Net Premiums Written**	**1,076,987**	**1,058,027**	**(18,960)**	**(1)**	**-1.76%**
7	**Net Premiums Earned**					
8	Motor Vehicles	991,058	980,770	(10,288)		-1.04%
9	Drivers	59,546	58,667	(879)		-1.48%
10	Reinsurance Ceded	(11,196)	(12,502)	(1,306)		11.66%
11	**Total Net Premiums Earned**	**1,039,408**	**1,026,935**	**(12,473)**		**-1.20%**
12	Service Fees & Other Revenues	23,832	24,568	736		3.09%
13	**Total Earned Revenues**	**1,063,240**	**1,051,503**	**(11,737)**		**-1.10%**
14	**Net Claims Incurred**	853,863	864,389	10,526		1.23%
15	DPAC \ Premium Deficiency Adjustment	(28,521)	(12,983)	15,538		-54.48%
16	(a) Claims Incurred - Interest rate impact	(8,203)	40,852	49,055		-598.03%
17	**Total Claims Incurred**	**817,139**	**892,258**	**75,119**	**(2)**	**9.19%**
18	Claims Expense	137,168	126,871	(10,297)	(4)	-7.51%
19	Road Safety/Loss Prevention	13,606	11,538	(2,068)	(4)	-15.20%
20	**Total Claims Costs**	**967,913**	**1,030,667**	**62,754**		**6.48%**
21	**Expenses**					
22	Operating	75,060	76,124	1,064	(4)	1.42%
23	Commissions	40,338	40,233	(105)		-0.26%
24	Premium Taxes	31,518	31,183	(335)		-1.06%
25	Regulatory/Appeal	4,669	4,315	**(354)**	**(4)**	-7.58%
26	**Total Expenses**	**151,585**	**151,855**	**270**		**0.18%**
27	**Underwriting Income (Loss)**	**(56,258)**	**(131,019)**	**(74,761)**		**132.89%**
28	**Investment Income**	191,814	194,333	2,519		1.31%
29	(b) Investment Income - Interest rate impact	-	14,178	14,178		0.00%
30	**Total Investment Income**	**191,814**	**208,511**	**16,697**	**(3)**	**8.70%**
31	**Gain (Loss) on Sale of Property**	-	**1,345**	**1,345**		0.00%
32	**Net Income (Loss)**	**135,556**	**78,837**	**(56,719)**		**-41.84%**
33	**Allocated Corporate Expenses**					
34	Claims Expense	137,168	126,871	(10,297)		-7.51%
35	Road Safety/Loss Prevention	13,606	11,538	(2,068)		-15.20%
36	Operating	75,060	76,124	1,064		1.42%
37	Regulatory/Appeal	4,669	4,315	(354)		-7.58%
38	**Total Allocated Corporate Expenses**	**230,503**	**218,848**	**(11,655)**		**-5.06%**
39	**Allocated Corporate Expenses**					
40	Normal Operations	227,083	213,866	(13,217)	(4)	-5.82%
41	Initiatives Implementation	3,420	4,982	1,562	(4)	45.67%
42	Initiatives Ongoing	-	-	-		0.00%
43	**Total Allocated Corporate Expenses**	**230,503**	**218,848**	**(11,655)**		**-5.06%**
44	***Total net positive impact due to interest rates**	**8,203**	**(26,674)**	**(34,877)**		**-425.17%**

Explanation of Significant Variances - 2018/19 Comparative

Line No.	Ref.	Category	(C$ 000s)	Explanation
1	(1)	Net Premiums Written	**1,076,987**	2019 GRA
2			(4,765)	Lower than expected premium related to volume
3			(1,306)	Higher than expected reinsurance premiums
4			(1,803)	Higher than expected fleet rebate
5			(1,942)	Lower driver premiums primarily due to lower volume
6			(9,144)	Lower motor vehicle premium upgrade, DSR, and other
7			**1,058,027**	2020 GRA
8	*detailed explanations along with commentary found in *Part V Revenues*			
9	(2)	Net Claims Incurred	**817,139**	2019 GRA
10			54,935	Actuarial Adjustment
11			49,055	Increased Interest Rate Impact
12			16,201	Increased Comprehensive claims (hail)
13			15,538	Increased Write Down DPAC
14			6,919	Increased PIPP and Liability claims
15			(40,946)	Decreased Collision claims
16			(13,531)	Reinsurance Ceded
17			(5,292)	Decreased Property Damage Claims
18			(3,981)	Decreased ULAE
19			(2,304)	Allowance for Doubtful Accounts
20			(1,474)	Decreased ILAE
21			**892,258**	2020 GRA
22	*detailed explanations along with commentary found in *Part V Claims Incurred*			
23	(3)	Investment Income	**191,814**	2019 GRA
24			14,794	Higher than expected ALM impact due to interest rate forecast
25			2,299	Higher than expected interest income
26			(11,567)	Lower than expected equity investment income
27			9,278	Higher than expected alternative investment income
28			889	Higher than expected investment manager fees
29			7,974	Lower than expected amortization of bond premium
30			(6,354)	Lower than expected pension expense
31			(616)	Other
32			**208,511**	2020 GRA
33	*detailed explanations along with commentary found in *Part VI Investments*			
34	(4)	Allocated Corporate Expenses	**227,083**	2019 GRA
35		(Normal Operations)	(4,619)	Lower than expected regular salaries
36			(1,425)	Lower than expected employee benefit expense
37			(925)	Lower than expected data processing expense
38			(1,854)	Lower than expected special services
39			(545)	Lower than expected building expenses
40			(1,149)	Lower than expected safety/loss prevention expense
41			526	Higher than expected postage
42			(704)	Lower than expected furniture and equipment expense
43			856	Higher than expected amortization on deferred development
44			(3,377)	Other
45			**213,867**	2020 GRA
46	(4)	Allocated Corporate Expenses	**3,420**	2019 GRA
47			1,398	Higher than expected data processing
48			163	Other
49			**4,981**	2020 GRA
50	*detailed explanations along with commentary found in *Part V Expenses*			

PF- 5 Statement of Operations - 2019/20 Comparative

Line No.		2019 GRA 2019-20F	2020 GRA 2019-20FB	Inc (dec)	Ref.	Increase / (Decrease)
1	*(C$ 000s, except where noted)*	$	$	$		%
2	**Net Premiums Written**					
3	Motor Vehicles	1,085,082	1,064,300	(20,782)		-1.92%
4	Drivers	70,903	70,267	(636)		-0.90%
5	Reinsurance Ceded	(11,420)	(14,150)	(2,730)		23.91%
6	**Total Net Premiums Written**	**1,144,565**	**1,120,417**	**(24,148)**	**(1)**	**-2.11%**
7	**Net Premiums Earned**					
8	Motor Vehicles	1,054,643	1,037,678	(16,965)		-1.61%
9	Drivers	69,896	68,568	(1,328)		-1.90%
10	Reinsurance Ceded	(11,420)	(14,150)	(2,730)		23.91%
11	**Total Net Premiums Earned**	**1,113,119**	**1,092,096**	**(21,023)**		**-1.89%**
12	Service Fees & Other Revenues	25,839	26,511	672		2.60%
13	**Total Earned Revenues**	**1,138,958**	**1,118,607**	**(20,351)**		**-1.79%**
		-				
14	**Net Claims Incurred**	896,982	888,941	(8,041)		-0.90%
15	DPAC \ Premium Deficiency Adjustment	(5,380)	(13,156)	(7,776)		144.54%
16	(a) Claims Incurred - Interest rate impact	8,610	(19,220)	(27,830)		-323.23%
17	**Total Claims Incurred**	**900,212**	**856,565**	**(43,647)**	**(2)**	**-4.85%**
18	Claims Expense	135,428	136,851	1,423	(4)	1.05%
19	Road Safety/Loss Prevention	12,693	13,977	1,284	(4)	10.12%
20	**Total Claims Costs**	**1,048,333**	**1,007,393**	**(40,940)**		**-3.91%**
21	**Expenses**					
22	Operating	73,606	73,385	(221)	(4)	-0.30%
23	Commissions	42,690	42,542	(148)		-0.35%
24	Premium Taxes	33,736	33,187	(549)		-1.63%
25	Regulatory/Appeal	4,840	5,315	**475**	**(4)**	9.81%
26	**Total Expenses**	**154,872**	**154,429**	**(443)**		**-0.29%**
27	**Underwriting Income (Loss)**	**(64,247)**	**(43,215)**	**21,032**		**-32.74%**
28	**Investment Income**	82,148	73,036	(9,112)		-11.09%
29	(b) Investment Income - Interest rate impact	-	(144)	(144)		0.00%
30	**Total Investment Income**	**82,147**	**72,892**	**(9,255)**	**(3)**	**-11.27%**
31	**Net Income (Loss)**	**17,900**	**29,677**	**11,777**		**65.79%**
32	**Allocated Corporate Expenses**					
33	Claims Expense	135,428	136,851	1,423		1.05%
34	Road Safety/Loss Prevention	12,693	13,977	1,284		10.12%
35	Operating	73,606	73,385	(221)		-0.30%
36	Regulatory/Appeal	4,840	5,315	475		9.81%
37	**Total Allocated Corporate Expenses**	**226,567**	**229,528**	**2,961**		**1.31%**
38	**Allocated Corporate Expenses**					
39	Normal Operations	221,926	225,855	3,929	(4)	1.77%
40	Initiatives Implementation	757	3,673	2,916	(4)	385.20%
41	Initiatives Ongoing	3,884	-	(3,884)	(4)	0.00%
42	**Total Allocated Corporate Expenses**	**226,567**	**229,528**	**2,961**		**1.31%**
43	***Total net positive impact due to interest rates**	**(8,610)**	**19,076**	**27,686**		**-321.54%**

Explanation of Significant Variances - 2019/20 Comparative

Line No.	Ref.	Category	(C$ 000s)	Explanation
1	(1)	Net Premiums Written	**1,144,565**	2019 GRA
2			(13,982)	Lower than expected 2018/19 actual premiums
3			(4,599)	Lower rate change due - 1.8 % vs 2.2% Rate Increase
4			(1,223)	Lower than expected premium related to volume
5			(528)	Higher than expected fleet rebate
6			(2,730)	Higher than expected reinsurance premiums
7			(636)	Lower driver premiums
8			(450)	Other
9			**1,120,417**	2020 GRA
10	*detailed explanations along with commentary found in *Part V Revenues*			
11	(2)	Net Claims Incurred	**900,212**	2019 GRA
12			(27,830)	Lower forecasted Interest Rate Impact
13			(17,795)	Lower forecast for Collision + Comprehensive claims
14			(7,776)	Lower forecasted Write Down DPAC
15			(7,356)	Lower forecasted ULAE from removal of DR Premium
16			(2,254)	Lower forecasted Property Damage claims
17			(41)	Lower forecasted ILAE
18			19,405	Higher forecasted PIPP claims
19			**856,565**	2020 GRA
20	*detailed explanations along with commentary found in *Part V Claims Incurred*			
21	(3)	Investment Income	**82,147**	2019 GRA
22			4,283	Higher than expected interest income
23			(2,369)	Lower than expected equity investment income
24			527	Higher than expected alternative investment income
25			127	Higher than expected investment manager fees
26			(10,849)	Higher than expected amortization of bond premium
27			(973)	Other
28			**72,761**	2020 GRA
29	*detailed explanations along with commentary found in *Part VI Investments*			
30	(4)	Allocated Corporate Expenses	**221,926**	2019 GRA
31		(Normal Operations)	997	Higher than expected salaries
32			(1,017)	Lower than expected employee benefit expense
33			(549)	Lower than expected data processing
34			542	Higher than expected special services
35			(979)	Lower than expected building expenses
36			557	Higher than expected safety / loss prevention
37			911	Higher than expected postage expenses
38			516	Higher than expected regulatory and appeal expenses
39			942	Higher than expected furniture and equipment
40			(990)	Lower than expected depreciation of capital
41			3,229	Higher than expected amortization of deferred development
42			(230)	Other
43			**225,855**	2020 GRA
44	(4)	Allocated Corporate Expenses	**757**	2019 GRA
45		(Initiatives Implementation)	2,916	Higher than expected data processing
46			**3,673**	2020 GRA
47	(4)	Allocated Corporate Expenses	**3,884**	2019 GRA
48		(Initiatives Ongoing)	(1,238)	Lower than expected data processing
49			(2,905)	Lower than expected amortization of deferred development
50			259	Other
51			**-**	2020 GRA
52	*detailed explanations along with commentary found in *Part V Expenses*			

PF- 6 Statement of Operations - 2020/21 Comparative

Line No.		2019 GRA 2020-21F	2020 GRA 2020-21F	Inc (dec)	Ref.	Increase / (Decrease)
1	*(C$ 000s, except where noted)*	$	$	$		%
2	**Net Premiums Written**					
3	Motor Vehicles	1,130,121	1,108,014	(22,107)		-1.96%
4	Drivers	72,885	72,280	(605)		-0.83%
5	Reinsurance Ceded	(11,648)	(14,433)	(2,785)		23.91%
6	**Total Net Premiums Written**	**1,191,358**	**1,165,861**	**(25,497)**	**(1)**	**-2.14%**
7	**Net Premiums Earned**					
8	Motor Vehicles	1,109,287	1,087,777	(21,510)		-1.94%
9	Drivers	71,887	71,268	(619)		-0.86%
10	Reinsurance Ceded	(11,648)	(14,433)	(2,785)		23.91%
11	**Total Net Premiums Earned**	**1,169,526**	**1,144,612**	**(24,914)**		**-2.13%**
12	Service Fees & Other Revenues	27,613	28,349	736		2.67%
13	**Total Earned Revenues**	**1,197,139**	**1,172,961**	**(24,178)**		**-2.02%**
14	**Net Claims Incurred**	943,502	923,125	(20,377)		-2.16%
15	DPAC \ Premium Deficiency Adjustment	(4,243)	(7,023)	(2,780)		65.52%
16	(a) Claims Incurred - Interest rate impact	11,453	11,195	(258)		-2.25%
17	**Total Claims Incurred**	**950,712**	**927,297**	**(23,415)**	**(2)**	**-2.46%**
18	Claims Expense	139,216	138,961	(255)	(4)	-0.18%
19	Road Safety/Loss Prevention	12,818	13,420	602	(4)	4.70%
20	**Total Claims Costs**	**1,102,746**	**1,079,678**	**(23,068)**		**-2.09%**
21	**Expenses**					
22	Operating	76,313	73,969	(2,344)	(4)	-3.07%
23	Commissions	44,835	44,481	(354)		-0.79%
24	Premium Taxes	35,435	34,771	(664)		-1.87%
25	Regulatory/Appeal	4,998	5,326	**328**	**(4)**	6.56%
26	**Total Expenses**	**161,581**	**158,547**	**(3,034)**		**-1.88%**
27	**Underwriting Income (Loss)**	**(67,188)**	**(65,264)**	**1,924**		**-2.86%**
28	**Investment Income**	84,863	74,435	(10,428)		-12.29%
29	(b) Investment Income - Interest rate impact	-	(251)	(251)		0.00%
30	**Total Investment Income**	**84,863**	**74,184**	**(10,679)**	**(3)**	**-12.58%**
31	**Net Income (Loss)**	**17,675**	**8,920**	**(8,755)**		**-49.53%**
32	**Allocated Corporate Expenses**					
33	Claims Expense	139,216	138,961	(255)		-0.18%
34	Road Safety/Loss Prevention	12,818	13,420	602		4.70%
35	Operating	76,313	73,969	(2,344)		-3.07%
36	Regulatory/Appeal	4,998	5,326	328		6.56%
37	**Total Allocated Corporate Expenses**	**233,345**	**231,676**	**(1,669)**		**-0.72%**
38	**Allocated Corporate Expenses**					
39	Normal Operations	227,212	226,767	(445)	(4)	-0.20%
40	Initiatives Implementation	757	1,114	357	(4)	47.16%
41	Initiatives Ongoing	5,376	3,795	(1,581)	(4)	-29.41%
42	**Total Allocated Corporate Expenses**	**233,345**	**231,676**	**(1,669)**		**-0.72%**
43	***Total net positive impact due to interest rates**	**(11,453)**	**(11,446)**	**7**		**-0.06%**

Explanation of Significant Variances - 2020/21 Comparative

Line No.	Ref.	Category	(C$ 000s)	Explanation
1	(1)	Net Premiums Written	**1,191,358**	2019 GRA
2			(20,254)	Lower than expected 2019/20 premiums
3			642	Impact of +0.06% rate change
4			(1,387)	Lower than expected premium related to volume factor
5			(534)	Higher than expected fleet rebate
6			(2,785)	Higher than expected reinsurance premiums
7			(605)	Lower driver premiums
8			(574)	Other
9			**1,165,861**	2020 GRA
10	*detailed explanations along with commentary found in *Part V Revenues*			
11	(2)	Net Claims Incurred	**950,712**	2019 GRA
12			(27,413)	Lower forecast for Collision + Comprehensive claims
13			(9,073)	Lower forecasted ULAE from removal of DR Premium
14			(3,025)	Lower forecasted Property Damage Claims
15			(2,781)	Lower forecasted Write Down DPAC
16			(13)	All other impacts
17			18,888	Increased forecast for PIPP and Liability claims
18			**927,297**	2020 GRA
19	*detailed explanations along with commentary found in *Part V Claims Incurred*			
20	(3)	Investment Income	**84,863**	2019 GRA
21			1,383	Higher than expected interest income
22			1,400	Lower than expected equity investment income
23			(594)	Lower than expected alternative investment income
24			(268)	Lower than expected investment manager fees
25			(11,588)	Higher than expected amortization of bond premium
26			(1,011)	Other
27			**74,184**	2020 GRA
28	*detailed explanations along with commentary found in *Part VI Investments*			
29	(4)	Allocated Corporate Expenses	**227,212**	2019 GRA
30		(Normal Operations)	(1,253)	Lower than expected employee benefit expense
31			(1,276)	Lower than expected data processing
32			527	Higher than expected special services
33			(1,823)	Lower than expected building expenses
34			821	Higher than expected postage
35			(1,114)	Lower than expected depreciation of capital
36			3,446	Higher than expected amortization of deferred development
37			227	Other
38			**226,767**	2020 GRA
39	(4)	Allocated Corporate Expenses	**5,376**	2019 GRA
40		(Initiatives Ongoing)	(2,317)	Lower than expected amortization of deferred development
41			736	Other
42			**3,795**	2020 GRA
43	*detailed explanations along with commentary found in *Part V Expenses*			

PF- 7 Statement of Operations - 2021/22 Comparative

Line No.		2019 GRA 2021-22F	2020 GRA 2021-22F	Inc (dec)	Ref.	Increase / (Decrease)
1	*(C$ 000s, except where noted)*	$	$	$		%
2	**Net Premiums Written**					
3	Motor Vehicles	1,176,226	1,151,987	(24,239)		-2.06%
4	Drivers	74,723	74,110	(613)		-0.82%
5	Reinsurance Ceded	(11,881)	(14,722)	(2,841)		23.91%
6	**Total Net Premiums Written**	**1,239,068**	**1,211,375**	**(27,693)**	**(1)**	**-2.23%**
7	**Net Premiums Earned**					
8	Motor Vehicles	1,154,898	1,131,630	(23,268)		-2.01%
9	Drivers	73,798	73,190	(608)		-0.82%
10	Reinsurance Ceded	(11,881)	(14,722)	(2,841)		23.91%
11	**Total Net Premiums Earned**	**1,216,815**	**1,190,098**	**(26,717)**		**-2.20%**
12	Service Fees & Other Revenues	29,525	30,355	830		2.81%
13	**Total Earned Revenues**	**1,246,340**	**1,220,453**	**(25,887)**		**-2.08%**
14	**Net Claims Incurred**	992,469	964,431	(28,038)		-2.83%
15	DPAC \ Premium Deficiency Adjustment	3,999	2,601	(1,398)		-34.96%
16	(a) Claims Incurred - Interest rate impact	10,124	12,682	2,558		25.27%
17	**Total Claims Incurred**	**1,006,592**	**979,714**	**(26,878)**	**(2)**	**-2.67%**
18	Claims Expense	144,330	139,041	(5,289)	(4)	-3.66%
19	Road Safety/Loss Prevention	13,003	13,371	368	(4)	2.83%
20	**Total Claims Costs**	**1,163,925**	**1,132,126**	**(31,799)**		**-2.73%**
21	**Expenses**					
22	Operating	79,998	75,258	(4,740)	(4)	-5.93%
23	Commissions	46,610	46,208	(402)		-0.86%
24	Premium Taxes	36,861	36,145	(716)		-1.94%
25	Regulatory/Appeal	5,114	5,334	220	(4)	4.30%
26	**Total Expenses**	**168,583**	**162,945**	**(5,638)**		**-3.34%**
27	**Underwriting Income (Loss)**	**(86,168)**	**(74,618)**	**11,550**		**-13.40%**
28	**Investment Income**	87,773	75,735	(12,038)		-13.71%
29	(b) Investment Income - Interest rate impact	-	(315)	(315)		0.00%
30	**Total Investment Income**	**87,773**	**75,420**	**(12,353)**	**(3)**	**-14.07%**
31	**Net Income (Loss)**	**1,605**	**802**	**(803)**		**-50.03%**
32	**Allocated Corporate Expenses**					
33	Claims Expense	144,330	139,041	(5,289)		-3.66%
34	Road Safety/Loss Prevention	13,003	13,371	368		2.83%
35	Operating	79,998	75,258	(4,740)		-5.93%
36	Regulatory/Appeal	5,114	5,334	220		4.30%
37	**Total Allocated Corporate Expenses**	**242,445**	**233,004**	**(9,441)**		**-3.89%**
38	**Allocated Corporate Expenses**					
39	Normal Operations	226,172	225,418	(754)	(4)	-0.33%
40	Initiatives Implementation	756	750	(6)	(4)	-0.79%
41	Initiatives Ongoing	15,517	6,836	(8,681)	(4)	-55.95%
42	**Total Allocated Corporate Expenses**	**242,445**	**233,004**	**(9,441)**		**-3.89%**
43	***Total net positive impact due to interest rates**	**(10,124)**	**(12,997)**	**(2,873)**		**28.38%**

Explanation of Significant Variances - 2021/22 Comparative

Line No.	Ref.	Category	(C$ 000s)	Explanation
1	(1)	Net Premiums Written	**1,239,068**	2019 GRA
2			(21,573)	Lower than expected 2020/21 premiums (-3.1% rate decrease)
3			(1,450)	Lower than expected premium related to volume factor
4			(521)	Higher than expected fleet rebate
5			(2,841)	Higher than expected reinsurance premiums
6			(613)	Lower driver premiums
7			(695)	Other
8			**1,211,375**	2020 GRA
9	*detailed explanations along with commentary found in *Part V Revenues*			
10	(2)	Net Claims Incurred	**1,006,592**	2019 GRA
11			(36,460)	Lower forecast for Collision + Comprehensive claims
12			(9,498)	Lower forecasted ULAE from removal of DR Premium
13			(3,861)	Lower forecasted Property Damage Claims
14			(1,398)	Lower forecasted Write Down DPAC
15			20,675	Increased forecast for PIPP and Liability claims
16			2,558	Higher forecasted Interest Rate Impact
17			1,106	Higher forecasted ILAE
18			**979,714**	2020 GRA
19	*detailed explanations along with commentary found in *Part V Claims Incurred*			
20	(3)	Investment Income	**87,773**	2019 GRA
21			(363)	Lower than expected interest income
22			1,985	Higher than expected equity investment income
23			(661)	Lower than expected alternative investment income
24			(379)	Lower than expected investment manager fees
25			(12,281)	Higher than expected amortization of bond premium
26			(653)	Other
27			**75,420**	2020 GRA
28	*detailed explanations along with commentary found in *Part VI Investments*			
29	(4)	Allocated Corporate Expenses	**226,172**	2019 GRA
30		(Normal Operations)	(1,266)	Lower than expected employee benefit expense
31			(1,366)	Lower than expected data processing
32			(1,923)	Lower than expected building expenses
33			835	Higher than expected postage
34			(695)	Lower than expected depreciation of capital
35			3,472	Higher than expected amortization of deferred development
36			189	Other
37			**225,418**	2020 GRA
38	(4)	Allocated Corporate Expenses	**15,517**	2019 GRA
39		(Initiatives Ongoing)	517	Higher than expected salaries
40			(1,466)	Lower than expected data processing
41			(7,873)	Lower than expected amortization of deferred development
42			141	Other
43			**6,836**	2020 GRA
43	*detailed explanations along with commentary found in *Part V Expenses*			

Figure 2 PF-1: Statement of Operations based on -1.2% Basic Rate Change

Multi-year - Statement of Operations

Line No.	*2020/21 Basic AAP break even rate change -1.9% & Basic Capital Build Provision of +0.7%* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*					
1		**2019A**	**2020FB**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**	**2018/19A**	**2019/20FB**	**2020/21F**	**2021/22F**	**2022/23F**	**2023/24F**
3	Motor Vehicles	1,003,570	1,064,300	1,094,124	1,137,550	1,183,187	1,230,805
4	Drivers	66,959	70,267	72,280	74,110	75,948	77,445
5	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
6	**Total Net Premiums Written**	**1,058,027**	**1,120,417**	**1,151,971**	**1,196,938**	**1,244,119**	**1,292,934**
7	**Net Premiums Earned**						
8	Motor Vehicles	980,770	1,037,678	1,080,317	1,117,446	1,162,060	1,208,761
9	Drivers	58,667	68,568	71,268	73,190	75,024	76,693
10	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
11	**Total Net Premiums Earned**	**1,026,935**	**1,092,096**	**1,137,152**	**1,175,914**	**1,222,068**	**1,270,138**
12	Service Fees & Other Revenues	24,568	26,511	28,069	30,048	32,226	34,620
13	**Total Earned Revenues**	**1,051,503**	**1,118,607**	**1,165,221**	**1,205,962**	**1,254,294**	**1,304,758**
14	Claims Incurred	864,389	889,131	922,929	964,418	1,006,819	1,051,410
15	DPAC \ Premium Deficiency Adjustment	(12,983)	(13,156)	3,283	2,778	3,643	6,047
16	(a) Claims Incurred - Interest Rate Impact	40,852	(19,410)	10,936	12,327	12,297	11,822
17	**Total Claims Incurred**	**892,258**	**856,565**	**937,148**	**979,523**	**1,022,759**	**1,069,279**
18	Claims Expense	126,871	136,851	138,958	139,083	138,549	148,312
19	Road Safety/Loss Prevention	11,538	13,977	13,420	13,376	13,665	13,897
20	**Total Claims Costs**	**1,030,667**	**1,007,393**	**1,089,526**	**1,131,982**	**1,174,973**	**1,231,488**
21	**Expenses**						
22	Operating	76,124	73,385	73,969	75,278	76,785	82,022
23	Commissions	40,233	42,542	44,288	45,747	47,500	49,322
24	Premium Taxes	31,183	33,187	34,548	35,719	37,113	38,564
25	Regulatory/Appeal	4,315	5,315	5,326	5,335	5,423	5,515
26	**Total Expenses**	**151,855**	**154,429**	**158,131**	**162,079**	**166,821**	**175,423**
27	**Underwriting Income (Loss)**	**(131,019)**	**(43,215)**	**(82,436)**	**(88,099)**	**(87,500)**	**(102,153)**
28	**Investment Income**	194,333	73,037	74,347	75,349	78,273	79,700
29	(b) Investment Income - Interest Rate Impact	14,178	(144)	(250)	(312)	(374)	(463)
30	**Net Investment Income**	**208,511**	**72,893**	**74,097**	**75,037**	**77,899**	**79,237**
31	**Gain (Loss) on Sale of Property**	**1,345**					
32	**Net Income (Loss)**	**78,837**	**29,678**	**(8,339)**	**(13,062)**	**(9,601)**	**(22,916)**
33	Total net Impact due to interest rate change (b) - (a)	(26,674)	19,266	(11,186)	(12,639)	(12,671)	(12,285)

Figure 3 PF-2: Statement of Financial Position based on -1.2% Basic Rate Change

Multi-year - Statement of Financial Position

Line No.	*2020/21 Basic AAP break even rate change -1.9% & Basic Capital Build Provision of + 0.7%* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*					
1		**2019A**	**2020FB**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**	**2018/19A**	**2019/20FB**	**2020/21F**	**2021/22F**	**2022/23F**	**2023/24F**
3	**Assets**						
4	Cash and cash equivalents	161,944	61,717	47,056	33,134	19,914	7,080
5	Investments	2,426,047	2,746,567	2,894,664	3,050,823	3,223,809	3,402,751
6	Investment property	41,892	20,571	20,224	20,088	20,730	21,607
7	Due from other insurance companies	1,495	-	-	-	-	-
8	Accounts receivable	422,793	369,902	380,310	394,172	408,507	423,347
9	Deferred policy acquisition costs	6,063	16,098	13,680	12,162	9,842	5,176
10	Reinsurers' share of unpaid claims	8,463	-	-	-	-	-
11	Property and equipment	88,983	92,904	95,508	96,594	98,819	102,795
12	Deferred development costs	45,926	47,392	64,421	81,358	88,505	81,538
13		**3,203,606**	**3,355,151**	**3,515,863**	**3,688,331**	**3,870,126**	**4,044,294**
14	**Liabilities**						
15	Due to other insurance companies	2,066	1,991	1,991	1,991	1,991	1,991
16	Accounts payable and accrued liabilites	70,282	41,259	41,594	42,006	42,211	44,902
17	Financing lease obligation	3,081	2,843	2,743	2,634	2,518	2,401
18	Unearned premiums and fees	543,416	572,810	591,250	616,190	642,478	669,859
19	Provision for employee current benefits	17,098	17,824	18,500	19,184	19,911	20,648
20	Provision for employee future benefits	342,046	350,713	365,802	381,053	396,498	412,515
21	Provision for unpaid claims	1,975,925	2,006,289	2,088,485	2,175,205	2,261,779	2,347,740
22		**2,953,914**	**2,993,729**	**3,110,365**	**3,238,263**	**3,367,386**	**3,500,056**
23	**Equity**						
24	Retained Earnings	309,812	402,596	437,058	469,643	509,959	535,949
25	Accumulated Other Comprehensive Income	(60,120)	(41,173)	(31,560)	(19,575)	(7,219)	8,290
26	**Total Equity**	**249,692**	**361,423**	**405,498**	**450,068**	**502,740**	**544,239**
27	**Total Liabilities & Equity**	**3,203,606**	**3,355,152**	**3,515,863**	**3,688,331**	**3,870,126**	**4,044,295**

Figure 4 Statement of Changes in Equity based on -1.2% Basic Rate Change

Multi-year - Statement of Changes in Equity

Line No.	*2020/21 Basic AAP break even rate change -1.9% & Basic Capital Build Provision of +0.7%* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*					
1		**2019A**	**2020FB**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**	**2018/19A**	**2019/20FB**	**2020/21F**	**2021/22F**	**2022/23F**	**2023/24F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	170,975	309,812	402,596	437,058	469,643	509,959
6	Net Income (Loss) from annual operations	78,837	29,677	(8,342)	(13,059)	(9,601)	(22,917)
7	Transfer from Extension Retained Earnings	60,000	63,107	42,804	45,644	49,917	48,906
8	**Total Retained Earnings**	**309,812**	**402,596**	**437,058**	**469,643**	**509,959**	**535,949**
9	**Total Accumulated Other Comprehensive Income**						
10	Beginning Balance	39,870	(60,120)	(41,173)	(31,560)	(19,575)	(7,219)
11	Other Comprehensive Income for the Year	(99,990)	18,947	9,614	11,985	12,356	15,509
12	**Total Accumulated Other Comprehensive Income**	(60,120)	(41,173)	(31,560)	(19,575)	(7,219)	8,290
13	**Total Equity Balance**	**249,692**	**361,423**	**405,499**	**450,068**	**502,740**	**544,239**
14	**MINIMUM CAPITAL TEST (C$ 000s)**						
15	Total Equity Balance	249,692	361,423	405,499	450,068	502,740	544,239
16	Less: Assets Requiring 100% Capital	45,926	47,392	64,421	81,358	88,505	81,538
17	Capital Available	203,766	314,031	341,078	368,710	414,235	462,701
18	Minimum Capital Required (100% MCT)	395,393	362,574	382,489	400,998	419,779	447,169
19	**MCT Ratio %** (Line 17) / (Line 18)	**51.5%**	**86.6%**	**89.2%**	**92.0%**	**98.7%**	**103.5%**

Figure 2 PF-1 Statement of Operations based on -1.0% Basic Rate Change

Multi-year - Statement of Operations

Line No.	*2020/21 Basic AAP break even rate change -1.0% with RSR Investment Income included in Basic AAP break-even rate* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*					
1		**2019A**	**2020FB**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**	**2018/19A**	**2019/20FB**	**2020/21F**	**2021/22F**	**2022/23F**	**2023/24F**
3	Motor Vehicles	1,003,570	1,064,300	1,096,111	1,139,615	1,185,334	1,233,039
4	Drivers	66,959	70,267	72,280	74,110	75,948	77,445
5	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
6	**Total Net Premiums Written**	**1,058,027**	**1,120,417**	**1,153,958**	**1,199,003**	**1,246,266**	**1,295,168**
7	**Net Premiums Earned**						
8	Motor Vehicles	980,770	1,037,678	1,081,384	1,119,475	1,164,169	1,210,954
9	Drivers	58,667	68,568	71,268	73,190	75,024	76,693
10	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
11	**Total Net Premiums Earned**	**1,026,935**	**1,092,096**	**1,138,219**	**1,177,943**	**1,224,177**	**1,272,331**
12	Service Fees & Other Revenues	24,568	26,511	28,110	30,091	32,273	34,671
13	**Total Earned Revenues**	**1,051,503**	**1,118,607**	**1,166,329**	**1,208,034**	**1,256,450**	**1,307,002**
14	Claims Incurred	864,389	889,131	922,929	964,421	1,006,823	1,051,411
15	DPAC \ Premium Deficiency Adjustment	(12,983)	(13,156)	(1,310)	2,680	3,399	5,813
16	(a) Claims Incurred - Interest Rate Impact	40,852	(19,410)	11,053	12,321	12,212	11,837
17	**Total Claims Incurred**	**892,258**	**856,565**	**932,672**	**979,422**	**1,022,434**	**1,069,061**
18	Claims Expense	126,871	136,851	138,958	139,058	138,534	148,297
19	Road Safety/Loss Prevention	11,538	13,977	13,420	13,373	13,664	13,895
20	**Total Claims Costs**	**1,030,667**	**1,007,393**	**1,085,050**	**1,131,853**	**1,174,632**	**1,231,253**
21	**Expenses**						
22	Operating	76,124	73,385	73,969	75,264	76,779	82,015
23	Commissions	40,233	42,542	44,316	45,813	47,569	49,394
24	Premium Taxes	31,183	33,187	34,580	35,780	37,176	38,629
25	Regulatory/Appeal	4,315	5,315	5,326	5,334	5,423	5,515
26	**Total Expenses**	**151,855**	**154,429**	**158,191**	**162,191**	**166,947**	**175,553**
27	**Underwriting Income (Loss)**	**(131,019)**	**(43,215)**	**(76,912)**	**(86,010)**	**(85,129)**	**(99,804)**
28	**Investment Income**	194,333	73,037	74,358	75,404	78,201	79,849
29	(b) Investment Income - Interest Rate Impact	14,178	(144)	(250)	(313)	(376)	(465)
30	**Net Investment Income**	**208,511**	**72,893**	**74,108**	**75,091**	**77,825**	**79,384**
31	**Gain (Loss) on Sale of Property**	**1,345**					
32	**Net Income (Loss)**	**78,837**	**29,678**	**(2,804)**	**(10,919)**	**(7,304)**	**(20,420)**
33	Total net Impact due to interest rate change (b) - (a)	(26,674)	19,266	(11,303)	(12,634)	(12,588)	(12,302)

Figure 3 PF-2 Statement of Financial Position based on -1.0% Basic Rate Change

Multi-year - Statement of Financial Position

Line No.	*2020/21 Basic AAP break even rate change -1.0% with RSR Investment Income included in Basic AAP break-even rate* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*					
1		**2019A**	**2020FB**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**	**2018/19A**	**2019/20FB**	**2020/21F**	**2021/22F**	**2022/23F**	**2023/24F**
3	**Assets**						
4	Cash and cash equivalents	161,944	61,717	47,061	33,153	19,923	7,096
5	Investments	2,426,047	2,746,509	2,896,091	3,054,194	3,229,434	3,410,689
6	Investment property	41,892	20,571	20,224	20,088	20,730	21,607
7	Due from other insurance companies	1,495	-	-	-	-	-
8	Accounts receivable	422,793	369,902	380,837	394,720	409,077	423,939
9	Deferred policy acquisition costs	6,063	16,098	18,330	16,912	14,838	10,408
10	Reinsurers' share of unpaid claims	8,463	-	-	-	-	-
11	Property and equipment	88,983	92,904	95,508	96,594	98,819	102,795
12	Deferred development costs	45,926	47,392	64,421	81,359	88,506	81,540
13		**3,203,606**	**3,355,093**	**3,522,472**	**3,697,020**	**3,881,327**	**4,058,074**
14	**Liabilities**						
15	Due to other insurance companies	2,066	1,991	1,991	1,991	1,991	1,991
16	Accounts payable and accrued liabilites	70,282	41,259	41,594	42,006	42,211	44,902
17	Financing lease obligation	3,081	2,843	2,743	2,634	2,518	2,401
18	Unearned premiums and fees	543,416	572,810	592,170	617,146	643,472	670,893
19	Provision for employee current benefits	17,098	17,824	18,500	19,184	19,911	20,648
20	Provision for employee future benefits	342,046	350,713	365,802	381,053	396,498	412,516
21	Provision for unpaid claims	1,975,925	2,006,289	2,088,602	2,175,319	2,261,812	2,347,789
22		**2,953,914**	**2,993,729**	**3,111,402**	**3,239,333**	**3,368,413**	**3,501,140**
23	**Equity**						
24	Retained Earnings	309,812	402,538	442,627	477,249	519,897	548,330
25	Accumulated Other Comprehensive Income	(60,120)	(41,173)	(31,555)	(19,564)	(6,983)	8,606
26	**Total Equity**	**249,692**	**361,365**	**411,072**	**457,685**	**512,914**	**556,936**
27	**Total Liabilities & Equity**	**3,203,606**	**3,355,094**	**3,522,474**	**3,697,018**	**3,881,327**	**4,058,076**

Figure 4 PF-3 Statement of Changes in Equity based on -1.0% Basic Rate Change

Multi-year - Statement of Changes in Equity

Line No.	*2020/21 Basic AAP break even rate change -1.0% with RSR Investment Income included in Basic AAP break-even rate* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*					
1		**2019A**	**2020FB**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**	**2018/19A**	**2019/20FB**	**2020/21F**	**2021/22F**	**2022/23F**	**2023/24F**
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	170,975	309,812	402,538	442,627	477,249	519,897
6	Net Income (Loss) from annual operations	78,837	29,677	(2,807)	(10,918)	(7,303)	(20,420)
7	Transfer from Extension Retained Earnings	60,000	63,049	42,896	45,541	49,950	48,853
8	**Total Retained Earnings**	**309,812**	**402,538**	**442,627**	**477,249**	**519,897**	**548,330**
9	**Total Accumulated Other Comprehensive Income**						
10	Beginning Balance	39,870	(60,120)	(41,173)	(31,555)	(19,564)	(6,983)
11	Other Comprehensive Income for the Year	(99,990)	18,947	9,619	11,991	12,581	15,588
12	**Total Accumulated Other Comprehensive Income**	(60,120)	(41,173)	(31,555)	(19,564)	(6,983)	8,606
13	**Total Equity Balance**	**249,692**	**361,365**	**411,072**	**457,686**	**512,914**	**556,935**
14	**MINIMUM CAPITAL TEST (C$ 000s)**						
15	Total Equity Balance	249,692	361,365	411,072	457,686	512,914	556,935
16	Less: Assets Requiring 100% Capital	45,926	47,392	64,421	81,359	88,506	81,540
17	Capital Available	203,766	313,973	346,651	376,327	424,408	475,395
18	Minimum Capital Required (100% MCT)	395,393	362,571	383,071	401,758	420,972	448,631
19	**MCT Ratio %** (Line 17) / (Line 18)	**51.5%**	**86.6%**	**90.5%**	**93.7%**	**100.8%**	**106.0%**

Manitoba Public Insurance
Multi-year - Statement of Operations

Line No.	*2020/21 Basic break even rate change -0.21% & -0.24% Capital Build / (Release) Provision - 50/50 Interest Rate Forecast* (C$ 000s, rounding may affect totals)	*For the Years Ended February,*					
1		**2019A**	**2020BF**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**						
3	Motor Vehicles	1,003,570	1,064,300	1,102,264	1,146,011	1,191,984	1,239,956
4	Drivers	66,960	70,267	72,280	74,110	75,948	77,445
5	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
6	**Total Net Premiums Written**	**1,058,028**	**1,120,417**	**1,160,111**	**1,205,399**	**1,252,916**	**1,302,085**
7	**Net Premiums Earned**						
8	Motor Vehicles	980,770	1,037,678	1,084,689	1,125,759	1,170,701	1,217,748
9	Drivers	58,668	68,568	71,268	73,190	75,024	76,693
10	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
11	**Total Net Premiums Earned**	**1,026,936**	**1,092,096**	**1,141,524**	**1,184,227**	**1,230,709**	**1,279,125**
12	Service Fees & Other Revenues	24,568	26,512	28,258	30,285	32,517	34,976
13	**Total Earned Revenues**	**1,051,504**	**1,118,608**	**1,169,782**	**1,214,512**	**1,263,226**	**1,314,101**
14	Claims Incurred	864,390	888,941	922,243	963,809	1,005,871	1,050,195
15	DPAC \ Premium Deficiency Adjustment	(12,983)	(14,642)	(3,920)	2,207	2,701	4,700
16	(a) Claims Incurred - Interest Rate Impact	40,852	(47,442)	19,159	(753)	1,162	(5,998)
17	**Total Claims Incurred**	**892,259**	**826,857**	**937,482**	**965,263**	**1,009,734**	**1,048,897**
18	Claims Expense	126,871	136,851	138,823	138,960	138,383	148,103
19	Road Safety/Loss Prevention	11,538	13,977	13,404	13,362	13,647	13,873
20	**Total Claims Costs**	**1,030,668**	**977,685**	**1,089,709**	**1,117,585**	**1,161,764**	**1,210,873**
21	**Expenses**						
22	Operating	76,124	73,385	73,902	75,217	76,704	81,919
23	Commissions	40,233	42,542	44,401	46,017	47,781	49,614
24	Premium Taxes	31,183	33,187	34,679	35,968	37,372	38,833
25	Regulatory/Appeal	4,315	5,315	5,326	5,334	5,422	5,514
26	**Total Expenses**	**151,855**	**154,429**	**158,308**	**162,536**	**167,279**	**175,880**
27	**Underwriting Income (Loss)**	**(131,019)**	**(13,506)**	**(78,235)**	**(65,609)**	**(65,817)**	**(72,652)**
28	**Investment Income**	194,333	74,537	77,266	78,791	82,628	88,255
29	(b) Investment Income - Interest Rate Impact	14,178	(28,641)	7,828	(11,702)	(9,233)	(16,120)
30	**Net Investment Income**	**208,511**	**45,896**	**85,094**	**67,089**	**73,395**	**72,135**
	Gain (Loss) on Sale of Property	**1,345**					
31	**Net Income (Loss)**	**78,837**	**32,390**	**6,859**	**1,480**	**7,578**	**(517)**
32	Total net Impact due to interest rate change (b) - (a)	(26,674)	18,801	(11,331)	(10,949)	(10,395)	(10,122)

Manitoba Public Insurance
Multi-year - Statement of Financial Position

Line No.	*2020/21 Basic break even rate change -0.21% & -0.24% Capital Build / (Release) Provision - 50/50 Interest Rate Forecast*						
	(C$ 000s, rounding may affect totals)	*For the Years Ended February,*					
1		**2019A**	**2020BF**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**						
3	**Assets**						
4	Cash and cash equivalents	161,944	61,935	44,793	26,781	5,873	-
5	Investments	2,426,047	2,717,090	2,881,366	3,036,950	3,214,539	3,374,252
6	Investment property	41,892	20,571	20,224	20,088	20,730	21,607
7	Due from other insurance companies	1,495	-	-	-	-	-
8	Accounts receivable	422,793	369,902	382,469	396,416	410,841	425,774
10	Deferred policy acquisition costs	6,063	17,584	22,605	21,667	20,299	16,990
12	Reinsurers' share of unpaid claims	8,463	-	-	-	-	-
13	Property and equipment	88,983	92,904	95,508	96,594	98,819	102,795
14	Deferred development costs	45,926	47,392	64,435	81,379	88,532	81,569
15		**3,203,606**	**3,327,378**	**3,511,400**	**3,679,875**	**3,859,633**	**4,022,987**
16	**Liabilities**						
17	Due to other insurance companies	2,066	1,991	1,991	1,991	1,991	1,991
18	Accounts payable and accrued liabilites	70,281	41,259	41,594	42,006	42,211	44,902
19	Financing lease obligation	3,081	2,843	2,743	2,634	2,518	2,401
20	Unearned premiums and fees	543,416	572,810	595,018	620,107	646,551	674,095
21	Provision for employee current benefits	17,098	17,824	18,500	19,184	19,911	20,648
22	Provision for employee future benefits	342,046	340,320	357,927	369,945	383,089	395,048
23	Provision for unpaid claims	1,975,925	1,978,068	2,067,799	2,140,831	2,215,322	2,282,248
24		**2,953,913**	**2,955,115**	**3,085,572**	**3,196,698**	**3,311,593**	**3,421,333**
25	**Equity**						
26	Retained Earnings	309,813	405,753	454,713	500,841	557,019	603,602
27	Accumulated Other Comprehensive Income	(60,119)	(33,489)	(28,885)	(17,664)	(8,980)	(1,948)
28	**Total Equity**	**249,694**	**372,264**	**425,828**	**483,177**	**548,039**	**601,654**
29	**Total Liabilities & Equity**	**3,203,607**	**3,327,379**	**3,511,400**	**3,679,875**	**3,859,632**	**4,022,987**

Manitoba Public Insurance
Multi-year - Statement of Changes in Equity

Line No.	*2020/21 Basic break even rate change -0.21% & -0.24% Capital Build / (Release) Provision - 50/50 Interest Rate Forecast* *(C$ 000s, except where noted)*	*For the Years Ended February,*					
1		**2019A**	**2020BF**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**						
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	170,975	309,813	405,753	454,713	500,841	557,019
6	Net Income (Loss) from annual operations	78,838	32,390	6,860	1,478	7,578	(517)
7	Transfer (to) / from Non-Basic Retained Earnings	60,000	63,550	42,100	44,650	48,600	47,100
8	**Total Retained Earnings**	309,813	405,753	454,713	500,841	557,019	603,602
9	**Total Accumulated Other Comprehensive Income**						
10	Beginning Balance	39,870	(60,119)	(33,489)	(28,885)	(17,664)	(8,980)
11	Other Comprehensive Income for the Year	(99,989)	26,630	4,604	11,220	8,684	7,032
12	**Total Accumulated Other Comprehensive Income**	(60,119)	(33,489)	(28,885)	(17,664)	(8,980)	(1,948)
13	**Total Equity Balance**	**249,693**	**372,264**	**425,828**	**483,177**	**548,039**	**601,654**
14	**MINIMUM CAPITAL TEST (C$ 000s)**						
15	Total Equity Balance	249,693	372,264	425,828	483,177	548,039	601,654
16	Less: Assets Requiring 100% Capital	45,926	47,392	64,435	81,379	88,532	81,569
17	Capital Available	203,767	324,872	361,393	401,798	459,507	520,085
18	Minimum Capital Required (100% MCT)	395,393	360,404	383,011	401,779	422,809	452,081
19	**MCT Ratio % (Line 17) / (Line 18)**	**51.5%**	**90.1%**	**94.4%**	**100.0%**	**108.7%**	**115.0%**

Manitoba Public Insurance
Multi-year - Statement of Operations

Line No.	*2020/21 Basic break even rate change -0.55% & -0.66% Capital Build / (Release) Provision - SIRF Interest Rate Forecast* (C$ 000s, rounding may affect totals)	*For the Years Ended February,*					
1		**2019A**	**2020BF**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**						
3	Motor Vehicles	1,003,570	1,064,300	1,093,754	1,137,166	1,182,787	1,230,390
4	Drivers	66,960	70,267	72,280	74,110	75,948	77,445
5	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
6	**Total Net Premiums Written**	**1,058,028**	**1,120,417**	**1,151,601**	**1,196,554**	**1,243,719**	**1,292,519**
7	**Net Premiums Earned**						
8	Motor Vehicles	980,770	1,037,678	1,080,119	1,117,069	1,161,667	1,208,353
9	Drivers	58,668	68,568	71,268	73,190	75,024	76,693
10	Reinsurance Ceded	(12,502)	(14,150)	(14,433)	(14,722)	(15,016)	(15,316)
11	**Total Net Premiums Earned**	**1,026,936**	**1,092,096**	**1,136,954**	**1,175,537**	**1,221,675**	**1,269,730**
12	Service Fees & Other Revenues	24,568	26,514	28,109	30,149	32,400	34,886
13	**Total Earned Revenues**	**1,051,504**	**1,118,610**	**1,165,063**	**1,205,686**	**1,254,075**	**1,304,616**
14	Claims Incurred	864,390	888,941	921,392	963,204	1,004,934	1,049,018
15	DPAC \ Premium Deficiency Adjustment	(12,983)	(16,070)	(85)	1,868	2,371	3,955
16	(a) Claims Incurred - Interest Rate Impact	40,852	(74,528)	26,560	(13,466)	(8,780)	(22,320)
17	**Total Claims Incurred**	**892,259**	**798,343**	**947,867**	**951,606**	**998,525**	**1,030,653**
18	Claims Expense	126,871	136,851	138,709	138,877	138,259	147,927
19	Road Safety/Loss Prevention	11,538	13,977	13,392	13,353	13,633	13,853
20	**Total Claims Costs**	**1,030,668**	**949,171**	**1,099,968**	**1,103,836**	**1,150,417**	**1,192,433**
21	**Expenses**						
22	Operating	76,124	73,385	73,849	75,177	76,643	81,829
23	Commissions	40,233	42,542	44,283	45,735	47,487	49,309
24	Premium Taxes	31,183	33,187	34,542	35,708	37,101	38,551
25	Regulatory/Appeal	4,315	5,315	5,326	5,334	5,422	5,514
26	**Total Expenses**	**151,855**	**154,429**	**158,000**	**161,954**	**166,653**	**175,203**
27	**Underwriting Income (Loss)**	**(131,019)**	**15,010**	**(92,905)**	**(60,104)**	**(62,995)**	**(63,020)**
28	**Investment Income**	194,333	75,930	79,838	81,780	87,183	94,861
29	(b) Investment Income - Interest Rate Impact	14,178	(56,011)	15,471	(22,402)	(17,336)	(30,090)
30	**Net Investment Income**	**208,511**	**19,919**	**95,309**	**59,378**	**69,847**	**64,771**
	Gain (Loss) on Sale of Property	**1,345**					
31	**Net Income (Loss)**	**78,837**	**34,929**	**2,404**	**(726)**	**6,852**	**1,751**
32	Total net Impact due to interest rate change (b) - (a)	(26,674)	18,517	(11,089)	(8,936)	(8,556)	(7,770)

Manitoba Public Insurance
Multi-year - Statement of Financial Position

Line No.	*2020/21 Basic break even rate change -0.55% & -0.66% Capital Build / (Release) Provision - SIRF Interest Rate Forecast* *(C$ 000s, rounding may affect totals)*	*For the Years Ended February,*					
1		**2019A**	**2020BF**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**						
3	**Assets**						
4	Cash and cash equivalents	161,944	62,113	42,524	20,404	-	-
5	Investments	2,426,047	2,688,706	2,856,145	2,995,250	3,151,801	3,275,230
6	Investment property	41,892	20,571	20,224	20,088	20,730	21,607
7	Due from other insurance companies	1,495	-	-	-	-	-
8	Accounts receivable	422,793	369,902	380,212	394,070	408,401	423,236
10	Deferred policy acquisition costs	6,063	19,012	19,950	19,341	18,293	15,719
12	Reinsurers' share of unpaid claims	8,463	-	-	-	-	-
13	Property and equipment	88,983	92,904	95,508	96,594	98,819	102,795
14	Deferred development costs	45,926	47,392	64,446	81,396	88,554	81,595
15		**3,203,606**	**3,300,600**	**3,479,009**	**3,627,143**	**3,786,598**	**3,920,182**
16	**Liabilities**						
17	Due to other insurance companies	2,066	1,991	1,991	1,991	1,991	1,991
18	Accounts payable and accrued liabilites	70,281	41,259	41,594	42,006	42,211	44,902
19	Financing lease obligation	3,081	2,843	2,743	2,634	2,518	2,401
20	Unearned premiums and fees	543,416	572,810	591,079	616,013	642,293	669,666
21	Provision for employee current benefits	17,098	17,824	18,500	19,184	19,911	20,648
22	Provision for employee future benefits	342,046	329,967	349,913	358,872	369,890	378,166
23	Provision for unpaid claims	1,975,925	1,950,982	2,047,264	2,106,978	2,170,590	2,220,017
24		**2,953,913**	**2,917,676**	**3,053,084**	**3,147,678**	**3,249,404**	**3,337,791**
25	**Equity**						
26	Retained Earnings	309,813	408,691	451,910	495,110	549,373	596,542
27	Accumulated Other Comprehensive Income	(60,119)	(25,766)	(25,983)	(15,644)	(12,178)	(14,150)
28	**Total Equity**	**249,694**	**382,925**	**425,927**	**479,466**	**537,195**	**582,392**
29	**Total Liabilities & Equity**	**3,203,607**	**3,300,601**	**3,479,011**	**3,627,144**	**3,786,599**	**3,920,183**

Manitoba Public Insurance
Multi-year - Statement of Changes in Equity

Line No.	*2020/21 Basic break even rate change -0.55% & -0.66% Capital Build / (Release) Provision - SIRF Interest Rate Forecast* *(C$ 000s, except where noted)*	*For the Years Ended February,*					
1		**2019A**	**2020BF**	**2021F**	**2022F**	**2023F**	**2024F**
2	**BASIC**						
3	**Total Equity**						
4	**Retained Earnings**						
5	Beginning Balance	170,975	309,813	408,691	451,910	495,110	549,373
6	Net Income (Loss) from annual operations	78,838	34,928	2,404	(725)	6,853	1,749
7	Transfer (to) / from Non-Basic Retained Earnings	60,000	63,950	40,815	43,925	47,410	45,420
8	**Total Retained Earnings**	309,813	408,691	451,910	495,110	549,373	596,542
9	**Total Accumulated Other Comprehensive Income**						
10	Beginning Balance	39,870	(60,119)	(25,766)	(25,983)	(15,644)	(12,178)
11	Other Comprehensive Income for the Year	(99,989)	34,353	(217)	10,339	3,465	(1,972)
12	**Total Accumulated Other Comprehensive Income**	(60,119)	(25,766)	(25,983)	(15,644)	(12,178)	(14,150)
13	**Total Equity Balance**	**249,693**	**382,925**	**425,927**	**479,467**	**537,195**	**582,392**
14	**MINIMUM CAPITAL TEST (C$ 000s)**						
15	Total Equity Balance	249,693	382,925	425,927	479,467	537,195	582,392
16	Less: Assets Requiring 100% Capital	-	47,392	64,446	81,396	88,554	81,595
17	Capital Available	249,693	335,533	361,481	398,071	448,641	500,797
18	Minimum Capital Required (100% MCT)	395,393	358,329	380,318	397,944	418,067	446,146
19	**MCT Ratio % (Line 17) / (Line 18)**	**51.5%**	**93.6%**	**95.1%**	**100.0%**	**107.3%**	**112.3%**

Appendix 2: Summary of Basic Expenses by Category

Figure EXP App 2- 1 Normal Operations

5 Year Summary of Basic Expenses by Category - Normal Operations Expenses

Line		Claims					Operating					Road Safety				
No.	Expense	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F
1	*($000's, except where noted)*															
2	Compensation - Salaries	66,794	64,149	72,183	74,365	75,632	29,116	30,898	30,820	31,727	32,269	1,891	1,870	2,115	2,011	2,027
3	Compensation - Overtime	644	914	1,094	1,088	1,086	154	185	269	267	267	2	-	13	13	13
4	Compensation - Benefits	15,718	15,563	16,802	17,144	17,510	7,140	7,545	7,198	7,338	7,495	447	424	471	442	448
5	Compensation - H & E Tax	1,429	1,377	1,554	1,597	1,625	648	667	664	682	694	41	38	44	41	41
6	**Subtotal - Compensation**	**84,585**	**82,003**	**91,633**	**94,194**	**95,853**	**37,058**	**39,295**	**38,951**	**40,014**	**40,725**	**2,381**	**2,332**	**2,643**	**2,507**	**2,529**
7	Data Processing	12,544	11,914	13,610	13,741	13,946	5,487	7,117	5,531	5,584	5,667	14	5	14	1	-
8	Special Services	2,314	2,107	2,048	2,045	1,984	3,218	2,161	3,103	3,086	2,989	90	148	196	166	158
9	Building Expenses	5,794	5,210	5,861	5,264	5,311	2,293	2,389	2,313	2,077	2,098	100	94	153	104	101
10	Safety/Loss Prevention Programs	-	-	66	53	50	-	-	-	-	-	3,029	3,209	3,597	2,869	2,737
11	Telephone/Telecommunications	1,162	970	1,129	1,183	1,182	518	588	485	508	507	-	-	-	-	-
12	Public Information/Advertising	16	228	216	212	211	95	156	162	158	156	1,825	1,746	2,245	2,200	2,183
13	Printing, Stationery, Supplies	468	654	919	840	840	552	599	640	585	584	60	50	59	53	53
14	Postage	1	1	1	1	1	3,241	3,412	3,084	3,100	3,157	-	-	-	-	-
15	Regulatory/Appeal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Travel and Vehicle Expense	524	610	758	754	753	138	152	216	215	215	7	11	19	18	18
17	Driver Education Program	-	-	-	-	-	-	-	-	-	-	3,600	3,664	4,079	4,282	4,388
18	Grants in Lieu of Taxes	1,065	968	1,020	1,031	1,049	422	444	403	407	414	18	17	27	20	20
19	Furniture & Equipment	182	211	1,082	675	663	307	360	904	564	554	-	-	1	-	-
20	Merchant Fees & Bank Charges	-	-	-	-	-	8,460	8,811	9,706	10,037	10,374	-	-	-	-	-
21	Other	793	1,227	1,149	1,120	1,119	3,080	2,782	3,114	3,034	3,030	87	100	144	143	142
22	**Subtotal - Other Expenses**	**24,863**	**24,100**	**27,859**	**26,919**	**27,109**	**27,811**	**28,971**	**29,661**	**29,355**	**29,745**	**8,830**	**9,044**	**10,534**	**9,856**	**9,800**
23	Depreciation-Capital Assets	2,641	2,454	2,552	2,877	3,141	1,074	1,118	1,014	1,162	1,278	113	162	171	148	126
24	Amortization-Deferred Development	13,760	15,142	12,678	11,419	7,615	3,338	4,931	2,215	2,213	1,388	-	-	629	777	775
25	**Total**	**125,849**	**123,699**	**134,722**	**135,409**	**133,718**	**69,281**	**74,315**	**71,841**	**72,744**	**73,136**	**11,324**	**11,538**	**13,977**	**13,288**	**13,230**
26	**Rounding may affect totals*															

27		Regulatory Appeal					Total				
28	Expense	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F
29	($000's, except where noted)										
30	Compensation - Salaries	**240**	**262**	**353**	**364**	**370**	**98,041**	**97,179**	**105,471**	**108,467**	**110,298**
31	Compensation - Overtime	5	10	8	8	8	805	1,109	1,384	1,376	1,374
32	Compensation - Benefits	59	86	83	85	86	23,364	23,618	24,554	25,009	25,539
33	Compensation - H & E Tax	5	8	8	8	8	2,123	2,090	2,270	2,328	2,368
34	**Subtotal - Compensation**	**309**	**366**	**452**	**465**	**472**	**124,333**	**123,996**	**133,679**	**137,180**	**139,579**
35	Data Processing	-	-	-	-	-	18,045	19,036	19,155	19,326	19,613
36	Special Services	1	1	1	-	1	5,623	4,417	5,348	5,297	5,132
37	Building Expenses	6	5	6	5	5	8,193	7,698	8,333	7,450	7,515
38	Safety/Loss Prevention Programs	-	-	-	-	-	3,029	3,209	3,663	2,922	2,787
39	Telephone/Telecommunications	-	-	-	-	-	1,680	1,558	1,614	1,691	1,689
40	Public Information/Advertising	-	-	-	-	-	1,936	2,130	2,623	2,570	2,550
41	Printing, Stationery, Supplies	-	-	1	1	1	1,080	1,303	1,619	1,479	1,478
42	Postage	-	-	-	-	-	3,242	3,413	3,085	3,101	3,158
43	Regulatory/Appeal	4,122	3,939	4,850	4,850	4,850	4,122	3,939	4,850	4,850	4,850
44	Travel and Vehicle Expense	1	1	2	2	2	670	774	995	989	988
45	Driver Education Program	-	-	-	-	-	3,600	3,664	4,079	4,282	4,388
46	Grants in Lieu of Taxes	1	1	1	1	1	1,506	1,430	1,451	1,459	1,484
47	Furniture & Equipment	-	-	-	-	-	489	571	1,987	1,239	1,217
48	Merchant Fees & Bank Charges	-	-	-	-	-	8,460	8,811	9,706	10,037	10,374
49	Other	1	-	-	-	-	3,961	4,109	4,407	4,297	4,291
50	**Subtotal - Other Expenses**	**4,132**	**3,947**	**4,861**	**4,859**	**4,860**	**65,636**	**66,062**	**72,915**	**70,989**	**71,514**
51	Depreciation-Capital Assets	2	2	2	2	2	3,830	3,736	3,739	4,189	4,547
52	Amortization-Deferred Development	-	-	-	-	-	17,098	20,073	15,522	14,409	9,778
53	**Total**	**4,443**	**4,315**	**5,315**	**5,326**	**5,334**	**210,897**	**213,867**	**225,855**	**226,767**	**225,418**
54	**Rounding may affect totals*										

Figure EXP App 2- 2 Improvement Initiatives

5 Year Summary of Basic Expenses by Category - Initiative Expenses

Line		Claims					Operating					Road Safety				
No.	Expense	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F
1	*($000's, except where noted)*															
2	Compensation - Salaries	15	93	-	-	-	25	62	-	-	-	-	-	-	17	-
3	Compensation - Overtime	21	1	-	-	-	12	4	-	-	-	-	-	-	-	-
4	Compensation - Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Compensation - H & E Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Subtotal - Compensation	**36**	**94**	**-**	**-**	**-**	**37**	**66**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**-**
7	Data Processing	17,243	3,076	2,129	2,228	2,434	878	1,742	1,544	622	806	1,822	-	-	115	-
8	Special Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Building Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Safety/Loss Prevention Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Telephone/Telecommunications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Public Information/Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Printing, Stationery, Supplies	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Postage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Regulatory/Appeal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Travel and Vehicle Expense	-	1	-	-	-	1	1	-	-	-	-	-	-	-	-
17	Driver Education Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Grants in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	141
19	Furniture & Equipment	188	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Merchant Fees & Bank Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Other	7	1	-	-	-	4	-	-	-	-	-	-	-	-	-
22	Subtotal - Other Expenses	**17,441**	**3,078**	**2,129**	**2,228**	**2,434**	**883**	**1,743**	**1,544**	**622**	**806**	**1,822**	**-**	**-**	**115**	**141**
23	Depreciation-Capital Assets	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Amortization-Deferred Development	-	-	-	1,324	2,889	-	-	-	603	1,316	-	-	-	-	-
25	Total	**17,488**	**3,172**	**2,129**	**3,552**	**5,323**	**920**	**1,809**	**1,544**	**1,225**	**2,122**	**1,822**	**-**	**-**	**132**	**141**
26	**Rounding may affect totals*															

Line		Regulatory Appeal					Total				
27											
28	Expense	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F
29	($000's, except where noted)										
30	Compensation - Salaries	**-**	**-**	**-**	**-**	**-**	**40**	**155**	**-**	**17**	**-**
31	Compensation - Overtime	-	-	-	-	-	33	5	-	-	-
32	Compensation - Benefits	-	-	-	-	-	-	-	-	-	-
33	Compensation - H & E Tax	-	-	-	-	-	-	-	-	-	-
34	Subtotal - Compensation	**-**	**-**	**-**	**-**	**-**	**73**	**160**	**-**	**17**	**-**
35	Data Processing	-	-	-	-	-	19,943	4,818	3,673	2,965	3,240
36	Special Services	-	-	-	-	-	-	-	-	-	-
37	Building Expenses	-	-	-	-	-	-	-	-	-	-
38	Safety/Loss Prevention Programs	-	-	-	-	-	-	-	-	-	-
39	Telephone/Telecommunications	-	-	-	-	-	-	-	-	-	-
40	Public Information/Advertising	-	-	-	-	-	-	-	-	-	-
41	Printing, Stationery, Supplies	-	-	-	-	-	3	-	-	-	-
42	Postage	-	-	-	-	-	-	-	-	-	-
43	Regulatory/Appeal	-	-	-	-	-	-	-	-	-	-
44	Travel and Vehicle Expense	-	-	-	-	-	1	2	-	-	-
45	Driver Education Program	-	-	-	-	-	-	-	-	-	-
46	Grants in Lieu of Taxes	-	-	-	-	-	-	-	-	-	141
47	Furniture & Equipment	-	-	-	-	-	188	-	-	-	-
48	Merchant Fees & Bank Charges	-	-	-	-	-	-	-	-	-	-
49	Other	-	-	-	-	-	11	1	-	-	-
50	Subtotal - Other Expenses	**-**	**-**	**-**	**-**	**-**	**20,146**	**4,821**	**3,673**	**2,965**	**3,381**
51	Depreciation-Capital Assets	-	-	-	-	-	11	-	-	-	-
52	Amortization-Deferred Development	-	-	-	-	-	-	-	-	1,927	4,205
53	Total	**-**	**-**	**-**	**-**	**-**	**20,230**	**4,981**	**3,673**	**4,909**	**7,586**
54	**Rounding may affect totals*										

Figure EXP App 2- 3 Total

5 Year Summary of Basic Expenses by Category - Total Expenses

Line		Claims					Operating					Road Safety				
No.	Expense	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F
1	*($000's, except where noted)*															
2	Compensation - Salaries	67,695	64,242	72,183	74,365	75,632	29,172	30,960	30,820	31,727	32,269	1,930	1,870	2,115	2,028	2,027
3	Compensation - Overtime	665	915	1,094	1,088	1,086	166	189	269	267	267	2	-	13	13	13
4	Compensation - Benefits	15,718	15,563	16,802	17,144	17,510	7,140	7,545	7,198	7,338	7,495	447	424	471	442	448
5	Compensation - H & E Tax	1,429	1,377	1,554	1,597	1,625	648	667	664	682	694	41	38	44	41	41
6	**Subtotal - Compensation**	**85,507**	**82,097**	**91,633**	**94,194**	**95,853**	**37,126**	**39,361**	**38,951**	**40,014**	**40,725**	**2,420**	**2,332**	**2,643**	**2,524**	**2,529**
7	Data Processing	28,895	14,990	15,739	15,969	16,380	6,334	8,859	7,075	6,206	6,473	1,796	5	14	116	-
8	Special Services	2,314	2,107	2,048	2,045	1,984	3,218	2,161	3,103	3,086	2,989	90	148	196	166	158
9	Building Expenses	5,794	5,210	5,861	5,264	5,311	2,293	2,389	2,313	2,077	2,098	100	94	153	104	101
10	Safety/Loss Prevention Programs	-	-	66	53	50	-	-	-	-	-	3,029	3,209	3,597	2,869	2,737
11	Telephone/Telecommunications	1,162	970	1,129	1,183	1,182	518	588	485	508	507	-	-	-	-	-
12	Public Information/Advertising	16	228	216	212	211	95	156	162	158	156	1,825	1,746	2,245	2,200	2,183
13	Printing, Stationery, Supplies	471	654	919	840	840	552	599	640	585	584	60	50	59	53	53
14	Postage	1	1	1	1	1	3,241	3,412	3,084	3,100	3,157	-	-	-	-	-
15	Regulatory/Appeal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Travel and Vehicle Expense	529	611	758	754	753	139	153	216	215	215	8	11	19	18	18
17	Driver Education Program	-	-	-	-	-	-	-	-	-	-	3,600	3,664	4,079	4,282	4,529
18	Grants in Lieu of Taxes	1,065	968	1,020	1,031	1,049	422	444	403	407	414	18	17	27	20	20
19	Furniture & Equipment	370	211	1,082	675	663	307	360	904	564	554	-	-	1	-	-
20	Merchant Fees & Bank Charges	-	-	-	-	-	8,460	8,811	9,706	10,037	10,374	-	-	-	-	-
21	Other	801	1,228	1,149	1,120	1,119	3,084	2,782	3,114	3,034	3,030	87	100	144	143	142
22	**Subtotal - Other Expenses**	**41,418**	**27,178**	**29,988**	**29,147**	**29,543**	**28,663**	**30,714**	**31,205**	**29,977**	**30,551**	**10,613**	**9,044**	**10,534**	**9,971**	**9,941**
23	Depreciation-Capital Assets	2,652	2,454	2,552	2,877	3,141	1,074	1,118	1,014	1,162	1,278	113	162	171	148	126
24	Amortization-Deferred Development	13,760	15,142	12,678	12,743	10,504	3,338	4,931	2,215	2,816	2,704	-	-	629	777	775
25	**Total**	**143,337**	**126,871**	**136,851**	**138,961**	**139,041**	**70,201**	**76,124**	**73,385**	**73,969**	**75,258**	**13,146**	**11,538**	**13,977**	**13,420**	**13,371**
26	**Rounding may affect totals*															

27		Regulatory Appeal					Total				
28	Expense	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F
29	*($000's, except where noted)*										
30	Compensation - Salaries	**240**	**262**	**353**	**364**	**370**	**99,037**	**97,334**	**105,471**	**108,484**	**110,298**
31	Compensation - Overtime	5	10	8	8	8	838	1,114	1,384	1,376	1,374
32	Compensation - Benefits	59	86	83	85	86	23,364	23,618	24,554	25,009	25,539
33	Compensation - H & E Tax	5	8	8	8	8	2,123	2,090	2,270	2,328	2,368
34	**Subtotal - Compensation**	**309**	**366**	**452**	**465**	**472**	**125,362**	**124,156**	**133,679**	**137,197**	**139,579**
35	Data Processing	-	-	-	-	-	37,025	23,854	22,828	22,291	22,853
36	Special Services	1	1	1	-	1	5,623	4,417	5,348	5,297	5,132
37	Building Expenses	6	5	6	5	5	8,193	7,698	8,333	7,450	7,515
38	Safety/Loss Prevention Programs	-	-	-	-	-	3,029	3,209	3,663	2,922	2,787
39	Telephone/Telecommunications	-	-	-	-	-	1,680	1,558	1,614	1,691	1,689
40	Public Information/Advertising	-	-	-	-	-	1,936	2,130	2,623	2,570	2,550
41	Printing, Stationery, Supplies	-	-	1	1	1	1,083	1,303	1,619	1,479	1,478
42	Postage	-	-	-	-	-	3,242	3,413	3,085	3,101	3,158
43	Regulatory/Appeal	4,122	3,939	4,850	4,850	4,850	4,122	3,939	4,850	4,850	4,850
44	Travel and Vehicle Expense	1	1	2	2	2	677	776	995	989	988
45	Driver Education Program	-	-	-	-	-	3,600	3,664	4,079	4,282	4,529
46	Grants in Lieu of Taxes	1	1	1	1	1	1,506	1,430	1,451	1,459	1,484
47	Furniture & Equipment	-	-	-	-	-	677	571	1,987	1,239	1,217
48	Merchant Fees & Bank Charges	-	-	-	-	-	8,460	8,811	9,706	10,037	10,374
49	Other	1	-	-	-	-	3,973	4,110	4,407	4,297	4,291
50	**Subtotal - Other Expenses**	**4,132**	**3,947**	**4,861**	**4,859**	**4,860**	**84,826**	**70,883**	**76,588**	**73,954**	**74,895**
51	Depreciation-Capital Assets	2	2	2	2	2	3,841	3,736	3,739	4,189	4,547
52	Amortization-Deferred Development	-	-	-	-	-	17,098	20,073	15,522	16,336	13,983
51	**Total**	**4,443**	**4,315**	**5,315**	**5,326**	**5,334**	**231,127**	**218,848**	**229,528**	**231,676**	**233,004**
52	**Rounding may affect totals*										

Appendix 3:
10-Year Summary Basic Total Expenses by Category

Figure EXP APP 3- 1 10 Year Summary of Basic Expenses by Category - Total Claims Expenses

Line No.	Expense	2014/15A	2015/16A	2016/17A	2017/18A	Claims Expenses 2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
1	*($000's, except where noted)*										
2	Compensation - Salaries	61,090	64,266	63,061	66,809	64,242	72,183	74,365	75,632	77,295	79,195
3	Compensation - Overtime	1,389	1,147	1,049	665	915	1,094	1,088	1,086	1,088	1,088
4	Compensation - Benefits	13,448	15,323	15,201	15,718	15,563	16,802	17,144	17,510	17,904	18,331
5	Compensation - H & E Tax	1,271	1,354	1,421	1,429	1,377	1,554	1,597	1,625	1,658	1,687
6	**Subtotal - Compensation**	**77,198**	**82,090**	**80,732**	**84,621**	**82,097**	**91,633**	**94,194**	**95,853**	**97,945**	**100,301**
7	Data Processing	13,274	12,468	13,765	29,787	14,990	15,739	15,969	16,380	16,860	19,210
8	Special Services	2,200	2,157	1,973	2,314	2,107	2,048	2,045	1,984	2,037	2,074
9	Building Expenses	6,523	6,709	6,239	5,794	5,210	5,861	5,264	5,311	5,437	5,542
10	Safety/Loss Prevention Programs	-	-	-	-	-	66	53	50	51	52
11	Telephone/Telecommunications	1,387	1,319	1,234	1,162	970	1,129	1,183	1,182	1,207	1,231
12	Public Information/Advertising	17	3	53	16	228	216	212	211	215	219
13	Printing, Stationery, Supplies	769	789	811	471	654	919	840	840	858	875
14	Postage	-	-	1	1	1	1	1	1	1	1
15	Regulatory/Appeal	-	-	-	-	-	-	-	-	-	-
16	Travel and Vehicle Expense	758	742	725	524	611	758	754	753	770	785
17	Driver Education Program	-	-	-	-	-	-	-	-	-	-
18	Grants in Lieu of Taxes	966	1,026	1,059	1,065	968	1,020	1,031	1,049	1,074	1,095
19	Furniture & Equipment	471	189	142	370	211	1,082	675	663	678	691
20	Merchant Fees & Bank Charges	-	-	-	-	-	-	-	-	-	-
21	Other	443	900	968	800	1,228	1,149	1,120	1,119	1,142	1,166
22	**Subtotal - Other Normal Operating Expenses**	**26,808**	**26,302**	**26,970**	**42,304**	**27,178**	**29,988**	**29,147**	**29,543**	**30,330**	**32,941**
23	Depreciation-Capital Assets	3,384	2,998	2,730	2,652	2,454	2,552	2,877	3,141	3,194	3,302
24	Amortization-Deferred Development	9,188	7,225	10,540	13,760	15,142	12,678	12,743	10,504	7,038	11,726
25	**Subtotal - Depreciation / Amortization**	**12,572**	**10,223**	**13,270**	**16,412**	**17,596**	**15,230**	**15,620**	**13,645**	**10,232**	**15,028**
26	**Total Expenses**	**116,578**	**118,615**	**120,972**	**143,337**	**126,871**	**136,851**	**138,961**	**139,041**	**138,507**	**148,270**

Figure EXP APP 3- 2 10 Year Summary of Basic Expenses by Category - Total Operating Expenses

Line No.	Expense	2014/15A	2015/16A	2016/17A	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
						Operating Expenses					
1	($000's, except where noted)										
2	**Compensation - Salaries**	29,533	29,813	30,425	29,141	30,960	30,820	31,727	32,269	32,990	33,823
3	**Compensation - Overtime**	354	270	195	166	189	269	267	267	267	267
4	**Compensation - Benefits**	6,769	7,440	7,374	7,140	7,545	7,198	7,338	7,495	7,667	7,855
5	**Compensation - H & E Tax**	639	656	689	648	667	664	682	694	709	722
6	**Subtotal - Compensation**	**37,295**	**38,179**	**38,683**	**37,095**	**39,361**	**38,951**	**40,014**	**40,725**	**41,633**	**42,667**
7	**Data Processing**	7,440	5,799	6,687	6,365	8,859	7,075	6,206	6,473	6,661	7,703
8	**Special Services**	3,258	4,148	2,905	3,218	2,161	3,103	3,086	2,989	3,062	3,126
9	**Building Expenses**	2,755	2,717	2,591	2,293	2,389	2,313	2,077	2,098	2,153	2,200
10	**Safety/Loss Prevention Programs**	-	-	-	-	-	-	-	-	-	-
11	**Telephone/Telecommunications**	680	622	585	518	588	485	508	507	518	528
12	**Public Information/Advertising**	470	225	240	95	156	162	158	156	161	165
13	**Printing, Stationery, Supplies**	667	687	556	552	599	640	585	584	597	609
14	**Postage**	2,945	3,072	2,995	3,241	3,412	3,084	3,100	3,157	3,224	3,288
15	**Regulatory/Appeal**	-	-	-	-	-	-	-	-	-	-
16	**Travel and Vehicle Expense**	295	231	211	139	153	216	215	215	220	224
17	**Driver Education Program**	-	-	-	-	-	-	-	-	-	-
18	**Grants in Lieu of Taxes**	416	420	439	422	444	403	407	414	425	435
19	**Furniture & Equipment**	330	339	324	307	360	904	564	554	566	577
20	**Merchant Fees & Bank Charges**	7,339	7,570	8,186	8,460	8,811	9,706	10,037	10,374	10,582	10,793
21	**Other**	4,004	3,889	3,546	3,084	2,782	3,114	3,034	3,030	3,095	3,157
22	**Subtotal - Other Normal Operating Expenses**	**30,598**	**29,719**	**29,265**	**28,694**	**30,714**	**31,205**	**29,977**	**30,551**	**31,264**	**32,805**
23	**Depreciation-Capital Assets**	1,533	1,311	1,220	1,074	1,118	1,014	1,162	1,278	1,305	1,361
24	**Amortization-Deferred Development**	4,857	2,429	3,617	3,338	4,931	2,215	2,816	2,704	2,563	5,168
25	**Subtotal - Depreciation / Amortization**	**6,390**	**3,740**	**4,837**	**4,412**	**6,049**	**3,229**	**3,978**	**3,982**	**3,868**	**6,529**
26	**Total Expenses**	**74,283**	**71,638**	**72,785**	**70,201**	**76,124**	**73,385**	**73,969**	**75,258**	**76,765**	**82,001**

Figure EXP APP 3- 3 10 Year Summary of Basic Expenses by Category - Total Road Safety Expenses

Line No.	Expense	Road Safety Expenses 2014/15A	2015/16A	2016/17A	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
1	($000's, except where noted)										
2	Compensation - Salaries	1,220	1,597	1,762	1,891	1,870	2,115	2,028	2,027	2,071	2,124
3	Compensation - Overtime	15	6	14	2	-	13	13	13	13	13
4	Compensation - Benefits	286	317	352	447	424	471	442	448	457	468
5	Compensation - H & E Tax	27	28	33	41	38	44	41	41	42	43
6	**Subtotal - Compensation**	**1,548**	**1,948**	**2,161**	**2,381**	**2,332**	**2,643**	**2,524**	**2,529**	**2,583**	**2,648**
7	Data Processing	102	309	29	1,836	5	14	116	-	32	-
8	Special Services	146	414	118	90	148	196	166	158	161	164
9	Building Expenses	95	99	99	100	94	153	104	101	103	105
10	Safety/Loss Prevention Programs	3,725	3,897	4,131	3,029	3,209	3,597	2,869	2,737	2,795	2,851
11	Telephone/Telecommunications	-	-	-	-	-	-	-	-	-	-
12	Public Information/Advertising	1,947	2,348	2,328	1,825	1,746	2,245	2,200	2,183	2,230	2,274
13	Printing, Stationery, Supplies	41	100	84	60	50	59	53	53	54	55
14	Postage	-	-	-	-	-	-	-	-	-	-
15	Regulatory/Appeal	-	-	-	-	-	-	-	-	-	-
16	Travel and Vehicle Expense	14	6	5	7	11	19	18	18	18	18
17	Driver Education Program	3,256	3,378	3,399	3,600	3,664	4,079	4,282	4,529	4,623	4,712
18	Grants in Lieu of Taxes	13	14	17	18	17	27	20	20	20	21
19	Furniture & Equipment	1	-	1	-	-	1	-	-	-	-
20	Merchant Fees & Bank Charges	-	-	-	-	-	-	-	-	-	-
21	Other	367	443	102	87	100	144	143	142	145	148
22	**Subtotal - Other Normal Operating Expenses**	**9,707**	**11,008**	**10,313**	**10,652**	**9,044**	**10,534**	**9,971**	**9,941**	**10,181**	**10,348**
23	Depreciation-Capital Assets	104	73	56	113	162	171	148	126	119	120
24	Amortization-Deferred Development	-	-	-	-	-	629	777	775	777	776
25	**Subtotal - Depreciation / Amortization**	**104**	**73**	**56**	**113**	**162**	**800**	**925**	**901**	**896**	**896**
26	**Total Expenses**	**11,359**	**13,029**	**12,530**	**13,146**	**11,538**	**13,977**	**13,420**	**13,371**	**13,660**	**13,892**

Figure EXP APP 3- 4 10 Year Summary of Basic Expenses by Category - Total Regulatory/Appeal Expenses

Line		Regulatory/Appeal Expenses									
No.	Expense	2014/15A	2015/16A	2016/17A	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
1	($000's, except where noted)										
2	Compensation - Salaries	-	-	247	240	262	353	364	370	378	388
3	Compensation - Overtime	-	-	4	5	10	8	8	8	8	8
4	Compensation - Benefits	-	-	59	59	86	83	85	86	88	90
5	Compensation - H & E Tax	-	-	6	5	8	8	8	8	8	8
6	**Subtotal - Compensation**	**-**	**-**	**316**	**309**	**366**	**452**	**465**	**472**	**482**	**494**
7	Data Processing	-	-	-	-	-	-	-	-	-	-
8	Special Services	-	-	-	1	1	1	-	1	1	-
9	Building Expenses	-	-	-	6	5	6	5	5	6	6
10	Safety/Loss Prevention Programs	-	-	-	-	-	-	-	-	-	-
11	Telephone/Telecommunications	-	-	-	-	-	-	-	-	-	-
12	Public Information/Advertising	-	-	-	-	-	-	-	-	-	-
13	Printing, Stationery, Supplies	-	-	1	-	-	1	1	1	1	1
14	Postage	-	-	-	-	-	-	-	-	-	-
15	Regulatory/Appeal	3,935	3,675	4,555	4,122	3,939	4,850	4,850	4,850	4,928	5,008
16	Travel and Vehicle Expense	-	-	1	1	1	2	2	2	2	2
17	Driver Education Program	-	-	-	-	-	-	-	-	-	-
18	Grants in Lieu of Taxes	-	-	-	1	1	1	1	1	1	1
19	Furniture & Equipment	-	-	-	-	-	-	-	-	-	-
20	Merchant Fees & Bank Charges	-	-	-	-	-	-	-	-	-	-
21	Other	-	-	16	1	-	-	-	-	-	-
22	**Subtotal - Other Normal Operating Expenses**	**3,935**	**3,675**	**4,573**	**4,132**	**3,947**	**4,861**	**4,859**	**4,860**	**4,939**	**5,018**
23	Depreciation-Capital Assets	-	-	-	2	2	2	2	2	2	2
24	Amortization-Deferred Development	-	-	-	-	-	-	-	-	-	-
25	**Subtotal - Depreciation / Amortization**	**-**	**-**	**-**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
26	**Total Expenses**	**3,935**	**3,675**	**4,889**	**4,443**	**4,315**	**5,315**	**5,326**	**5,334**	**5,423**	**5,514**

Figure EXP APP 3- 5 10 Year Summary of Basic Expenses by Category - Total Expenses

Line No.	Expense	2014/15A	2015/16A	2016/17A	2017/18A	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
						Total Expenses					
1	*($000's, except where noted)*										
2	Compensation - Salaries	91,843	95,676	95,495	98,081	97,334	105,471	108,484	110,298	112,734	115,530
3	Compensation - Overtime	1,758	1,423	1,262	838	1,114	1,384	1,376	1,374	1,376	1,376
4	Compensation - Benefits	20,503	23,080	22,986	23,364	23,618	24,554	25,009	25,539	26,116	26,744
5	Compensation - H & E Tax	1,937	2,038	2,149	2,123	2,090	2,270	2,328	2,368	2,417	2,460
6	**Subtotal - Compensation**	**116,041**	**122,217**	**121,892**	**124,406**	**124,156**	**133,679**	**137,197**	**139,579**	**142,643**	**146,110**
7	Data Processing	20,816	18,576	20,481	37,988	23,854	22,828	22,291	22,853	23,553	26,913
8	Special Services	5,604	6,719	4,996	5,623	4,417	5,348	5,297	5,132	5,261	5,364
9	Building Expenses	9,373	9,525	8,929	8,193	7,698	8,333	7,450	7,515	7,699	7,853
10	Safety/Loss Prevention Programs	3,725	3,897	4,131	3,029	3,209	3,663	2,922	2,787	2,846	2,903
11	Telephone/Telecommunications	2,067	1,941	1,819	1,680	1,558	1,614	1,691	1,689	1,725	1,759
12	Public Information/Advertising	2,434	2,576	2,621	1,936	2,130	2,623	2,570	2,550	2,606	2,658
13	Printing, Stationery, Supplies	1,477	1,576	1,452	1,083	1,303	1,619	1,479	1,478	1,510	1,540
14	Postage	2,945	3,072	2,996	3,242	3,413	3,085	3,101	3,158	3,225	3,289
15	Regulatory/Appeal	3,935	3,675	4,555	4,122	3,939	4,850	4,850	4,850	4,928	5,008
16	Travel and Vehicle Expense	1,067	979	942	671	776	995	989	988	1,010	1,029
17	Driver Education Program	3,256	3,378	3,399	3,600	3,664	4,079	4,282	4,529	4,623	4,712
18	Grants in Lieu of Taxes	1,395	1,460	1,515	1,506	1,430	1,451	1,459	1,484	1,520	1,552
19	Furniture & Equipment	802	528	467	677	571	1,987	1,239	1,217	1,244	1,268
20	Merchant Fees & Bank Charges	7,339	7,570	8,186	8,460	8,811	9,706	10,037	10,374	10,582	10,793
21	Other	4,815	5,232	4,632	3,972	4,110	4,407	4,297	4,291	4,382	4,471
22	**Subtotal - Other Normal Operating Expenses**	**71,050**	**70,704**	**71,121**	**85,782**	**70,883**	**76,588**	**73,954**	**74,895**	**76,714**	**81,112**
23	Depreciation-Capital Assets	5,021	4,382	4,006	3,841	3,736	3,739	4,189	4,547	4,620	4,785
24	Amortization-Deferred Development	14,045	9,654	14,157	17,098	20,073	15,522	16,336	13,983	10,378	17,670
25	**Subtotal - Depreciation / Amortization**	**19,066**	**14,036**	**18,163**	**20,939**	**23,809**	**19,261**	**20,525**	**18,530**	**14,998**	**22,455**
26	**Total Expenses**	**206,155**	**206,957**	**211,176**	**231,127**	**218,848**	**229,528**	**231,676**	**233,004**	**234,355**	**249,677**

RSR.5 Transfer to Basic RSR

MPI's Board of Directors (BoD) directed that $60.0 million be transferred from Extension to Basic as at February 28, 2019. Although the BOD had not formally approved the CMP at the time, this transfer was deemed consistent with the intent of the proposed CMP. Prior to the transfer, the MCT ratios of Basic and Extension, as at February 28, 2019, were 37% and 527% respectively. As a result of the transfer, as at February 28, 2019, the MCT ratio for Basic increased to 52% while the MCT ratio for Extension decreased to 317%.

This is the fifth consecutive year in which the BoD has directed a transfer from Extension to the Basic RSR. More than $273 million was transferred over that period, equivalent to approximately 70% of the $395 million in Capital Required for a 100% MCT ratio for Basic as at February 28, 2019. The financial forecast supporting this year's GRA assumes that MPI will continue to transfer capital at the end of each fiscal year to ensure the financial adequate of the Basic RSR. These capital transfers will be further discussed below.

RSR.6 Capital Management Plan

MPI's proposed CMP describes the means and pathway to achieve 100% MCT for the Basic RSR, as codified in the Reserves Regulation. Note that the CMP outlined below has been approved by MPI's Board of Directors, and has been modified from the initial proposal presented at the CMP Technical Conference, on April 16, 2019.

The CMP includes the following components:

- Accepted Actuarial Practice (AAP) ratemaking;
- capital targets by line of business;
- capital transfer rules; and
- capital build or release provisions.

In the 2019 GRA, MPI indicated that the CMP would also include a Net Capital Maintenance Provision. However, based on the revised CMP (described below), MPI no longer requires a Net Capital Maintenance Provision.

Note: As described in OV.7, MPI will be changing its fiscal year end from February 28/29 to March 31 effective March 31, 2020. Since MPI is still in the process of converting its rate and financial models to the new year end process, the Capital Management Plan and the DCAT analysis continue to be based on the current fiscal year end in this GRA.

RSR.6.1 Accepted Actuarial Practice

The calculation of the Basic rate indication is performed per AAP and is independent of the CMP. The determination of required capital adjustments is determined *after* applying the 2020 Basic AAP rate indication to the forecast.

RSR.6.2 Capital Transfers

After applying the Basic rate indication to the forecast, MPI will then determine whether there is excess capital in MPI's Extension line of business that it can transfer to Basic. If, at each fiscal year end, the Extension MCT ratio is:

- *greater* than 200% - MPI will transfer capital from Extension to Basic until the ratio is 200%.
- *less* than 200% - MPI will not make any capital transfers from Extension.

Included for the entire five year forecast period are the projected capital transfers from Extension to Basic at each year end. It is necessary to include capital transfers beyond the current fiscal year in order to determine whether MPI is adequately building or releasing capital towards the 100% MCT target within in the CMP timeframe.

RSR.6.3 Capital Build or Release Provision

After applying the Basic rate indication and all assumed capital transfers from Extension, MPI then determines the need for a capital build or release provision. Except by coincidence, the Basic MCT ratio will never be exactly 100% at the beginning of the rating year. Therefore, MPI will require a capital build or release provision in each GRA unless:

- capital transfers from Extension can build capital to the 100% MCT target in less than five years; or
- a natural decline in the Basic MCT ratio will release capital to the 100% MCT target in less than three years.

The following steps will be used to determine if a **capital build provision** is required:

- **Step 1: Determine the Basic MCT at the beginning of the rating period**.
    - If MCT is *less* than 100% at the beginning of the rating period, a capital build provision *may* be required - proceed to step 2.
    - If MCT is *greater* than 100% at the beginning of the rating period, go to the rules pertaining to capital release provisions.

    Note: For the 2020 GRA, the beginning of the rating period (i.e. beginning MCT ratio) is March 1, 2020.

- **Step 2: Calculate the Capital Build Ratio**. The Capital Build Ratio is the annual increase in the MCT ratio that is required to restore the Basic MCT ratio to 100% within a five year period. The five year time horizon proposed by MPI is a reasonable amount of time to rebuild capital in order to be in compliance with the Reserve Regulation.

The formula for the Capital Build Ratio is:

[100% MCT – Beginning Basic MCT Ratio] / 5

- **Step 3: Calculate the Target MCT ratio for the end of the current rating period**. The 2020/21 rating period extends from March 1, 2020 to February 28, 2022. In order to achieve a 100% MCT ratio in five years, the Target MCT must increase incrementally each year by the Capital Build Ratio. Therefore, the Target MCT for February 2020 is:

  Target MCT = Beginning Basic MCT Ratio + [2 years x Capital Build Ratio]

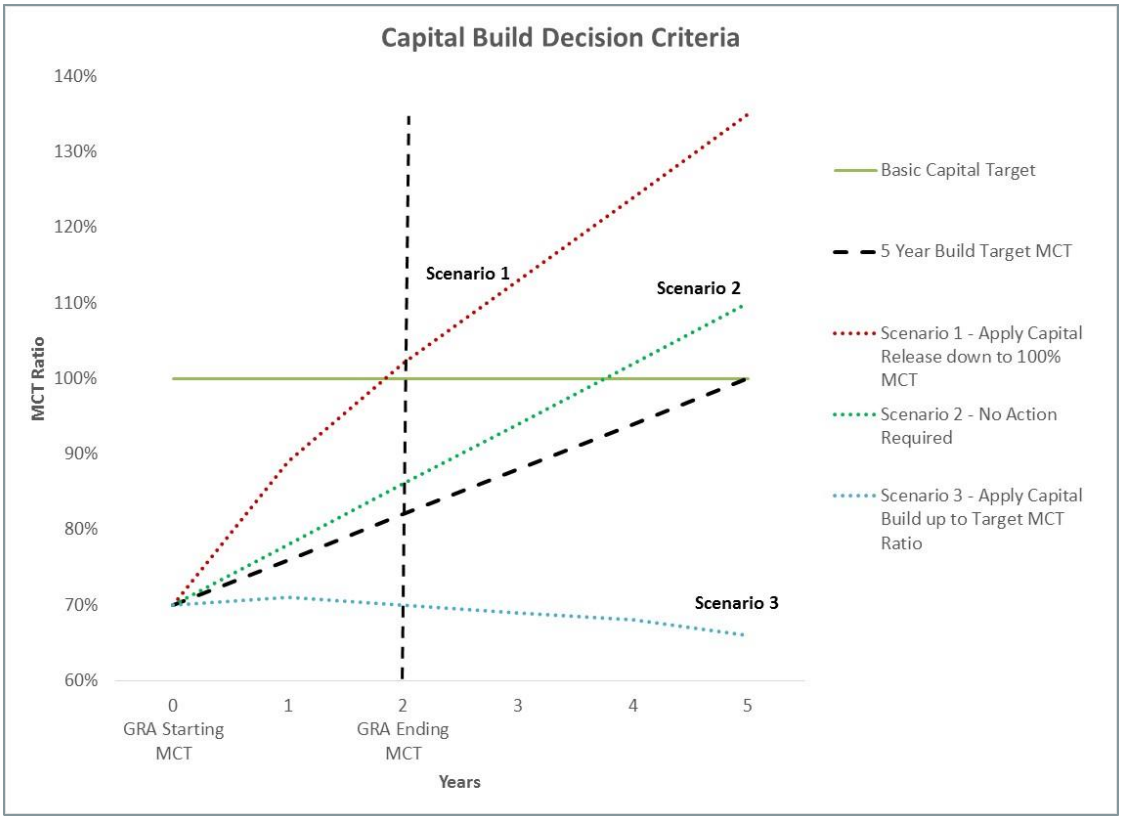
- **Step 4: Compare the Targeted MCT ratio to the forecasted MCT ratio at the end of the rating period**.

  - Scenario 1: If the forecasted MCT at the end of the rating period (i.e. February 28, 2022) is *greater* than 100%, apply a capital release provision such that forecasted MCT at February 28, 2022 equals 100%.

  - Scenario 2: If the forecasted MCT ratio is *greater* than the target MCT ratio (but not greater than 100% MCT), no capital build provision is required.

  - Scenario 3: If the forecasted MCT ratio is *less* than the target MCT ratio, apply a capital build provision such that the forecasted MCT equals the target MCT as at February 28, 2022.

Figure RSR- 1 Capital Build Decision Criteria Graph



The following steps will be used to determine if a **capital release provision** is required:

- **Step 1: Determine the Basic MCT at the beginning of the rating period**.
  - If MCT is *greater* than 100% at the beginning of the rating period, a capital release provision *may* be required - proceed to step 2.
  - If MCT is *less* than 100% at the beginning of the rating period, go to the rules pertaining to capital build provisions.
- **Step 2: Calculate the Capital Release Ratio**. The Capital Release Ratio is the annual decrease in the MCT ratio that is required to restore the Basic MCT ratio to 100% within a three year period. The three year time horizon proposed by MPI is a reasonable amount of time to release capital. MPI's view is that capital releases (rate decreases) should occur at a faster pace than capital builds (rate increases).

  The formula for the Capital Release Ratio is:

  [100% MCT – Beginning Basic MCT Ratio] / 3
- **Step 3: Calculate the Target MCT ratio for the end of the current rating period**. The 2020/21 rating period extends from March 1, 2020 to February 28, 2022. In order to achieve a 100% MCT ratio in three years, the Target MCT must decrease incrementally each year by the Capital Release Ratio. Therefore, the Target MCT for February 2020 is:

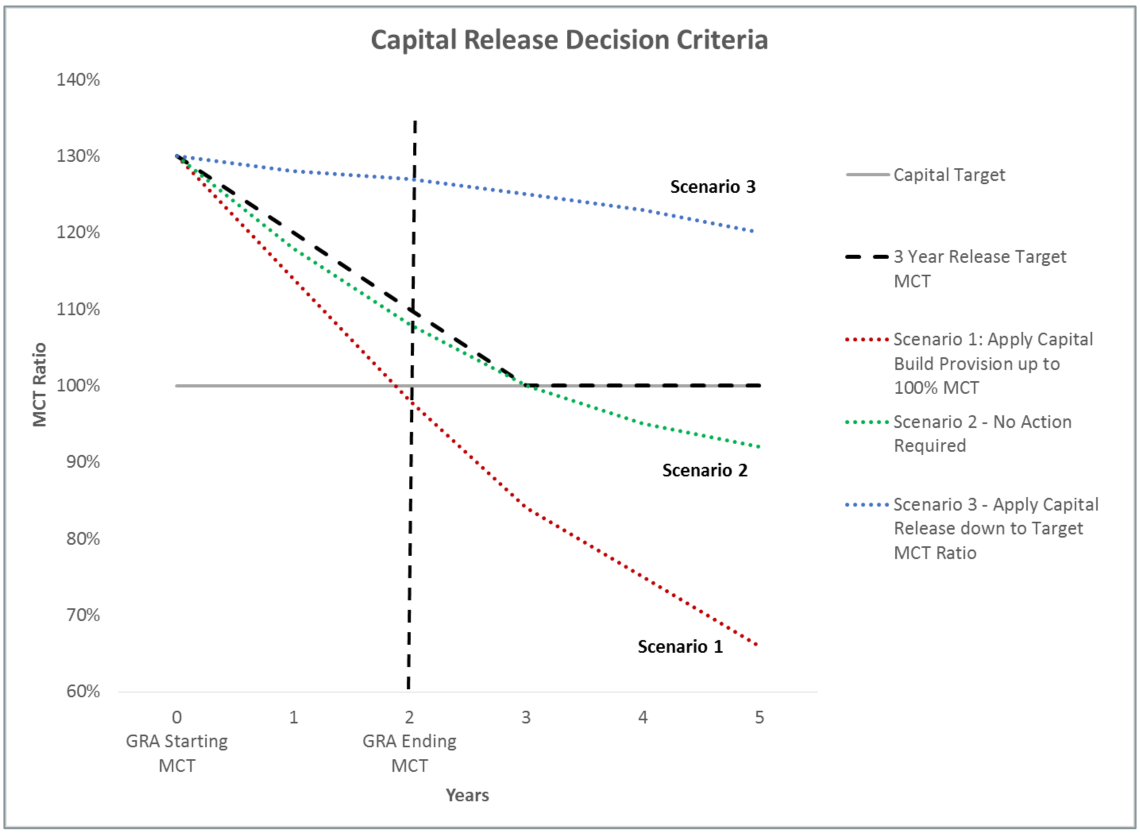
  Target MCT = Beginning Basic MCT Ratio + [2 years x Capital Release Ratio]
- **Step 4: Compare the Targeted MCT ratio to the forecasted MCT ratio at the end of the rating period** (i.e. February 28, 2022).

- Scenario 1: If the forecasted MCT as at February 28, 2022 is less than 100%, apply a capital build provision such that forecasted MCT at February 28, 2022 equals 100%.

- Scenario 2: If the forecasted MCT ratio is less than the target MCT ratio (but not less than 100% MCT), no capital release provision is required.

- Scenario 3: If the forecasted MCT ratio is greater than the target MCT ratio, apply a capital release provision such that forecasted MCT equals target MCT as at February 28, 2022.

Figure RSR- 2 Capital Release Decision Criteria Graph



RSR.6.4 Capping Rules

MPI has proposed capping rules to ensure rate changes generated from the CMP are publically acceptable. The following rules are proposed:

- **AAP break-even rate indication** – There are no additional capping rules proposed to AAP rate indications besides those that already exist as part of the PUB approved ratemaking process (e.g. credibility, +/- 15% experience adjustment caps, +/- 20% cap on all rate changes).

- **Capital Release Provision –** In order to manage rate volatility, which is the main purpose of the RSR, MPI has proposed a 5% cap on capital release provisions in a given GRA.

- **Capital Build Provision –** In order to manage rate volatility and rate 'shock', MPI has proposed that capital build provisions are only applied when the AAP rate increase is less than +5%. The capital build provision would then be capped at either (i) +5% or (ii) the rate change that brings the total overall rate indication from all sources to +5%.

RSR.6.5 Results of the Capital Management Plan

Based on the CMP rules described in the previous section, the application of the CMP on the 2020 GRA is as follows:

1. The selected Basic AAP rate indication is +0.1% as described in *Part V Ratemaking, page 34*.

   The figure below shows the Basic and Extension MCT ratios with the calculated AAP rate indication, before capital transfers.

Figure RSR- 3 MCT Ratio Forecast – with AAP Rate Indication and Before Capital Transfer

Line No.	MCT - %	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
1	**Basic**	51.5%	69.8%	66.0%	62.2%	61.5%	60.9%
2	**Extension**	317.0%	280.4%	314.3%	343.5%	366.9%	404.7%

2. Capital was transferred from Extension to Basic in each fiscal year over the forecast period such that the Extension MCT ratio was lowered to200%.

The figure below shows the Basic and Extension MCT ratios before and after the capital transfers.

Figure RSR- 4 MCT Ratio Forecast – After Capital Transfer

Line No.	MCT - %	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
1	**Basic**	51.5%	86.6%	93.1%	98.8%	108.2%	115.4%
2	**Extension**	317.0%	200.0%	200.0%	200.0%	200.0%	200.0%

3. The Basic MCT ratio at the beginning of the rating period (March 1, 2020) is less than 100.0% MCT. Therefore, calculate the annual Capital Build Ratio.

4. The annual Capital Build Ratio is equal to 2.2%. [100.0% - 89.0%]/5.

5. The Target MCT ratios are calculated by adding the incremental Capital Build Ratio to each fiscal year from the beginning of the rating period (March 1, 2020) to the end of the forecast period.

The Targeted and Forecasted MCT ratios for Basic over the forecast period are as shown in the figure below.

Figure RSR- 5 MCT Ratio Forecast vs Target - Basic

Line No.	MCT - %	2018/19A	2019/20FB	2020/21F	2021/22F	2022/23F	2023/24F
1	Forecast	51.5%	86.6%	93.1%	98.8%	108.2%	115.4%
2	Target	51.5%	86.6%	89.3%	92.0%	94.6%	97.3%

6. The Forecasted MCT ratio at the end of the rating period (February 28, 2022) is above the Target MCT ratio, but below 100% MCT. Therefore, no capital build or capital release is required in this year’s GRA.

Manitoba Public Insurance Annual IT Benchmark Executive Summary

October 2018
Update

Gartner®

Objectives

MPI has retained Gartner to conduct an annual review of the IT service delivery capability (organization, processes, and infrastructure), and to provide a benchmark of IT spending

Three Structured Evaluation Instruments

1. IT Budget Assessment
2. Infrastructure & Operations (I&O) Scorecard
3. IT Score Survey

Outcomes

- Evaluate the relative maturity of the IT organization in critical IT disciplines
- Assess the IT organization's ability to react to rapidly changing business requirements and make calculated IT investments
- Compare relative funding levels of IT at MPI and the distribution of those expenditures
- Compare MPI's infrastructure and operations costs, staffing and service levels with those of similar enterprises and document findings.
- Establish a baseline for infrastructure and operations spending, staffing and service levels, providing an indicator of where improvements are possible

October 2018 Update

Benchmarking Approach
The recommendations and roadmap contained in this report were developed in collaboration with MPI IT Management

Assess maturity of MPI's IT Service Management Processes

IT Score Surveys

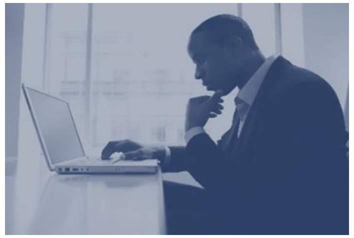
*Assessment of the maturity of MPIs IT Service Management processes established through **IT Score Surveys***

Benchmark IT Spending and Staffing

Spending, staffing and workload data collection and analysis

*Analysis of spending, staffing levels and IT workloads compared with **peer organizations***

Input from Industry Leading Experts in the area of IT Service delivery for Insurance organisations



Gartner Insights, Experience and Practices

*Industry thought leaders provide **research into best practices** applicable to the delivery of IT services within Insurance organizations*

Validate results with MPI Management

Workshops with MPI IT management to validate findings and recommendations

*Recommendations based on **accurate information**, and are actionable, attributable, measurable and prioritized accordingly.*

INTERNAL or RESTRICTED

October 2018 Update

Gartner

Key Benchmark Findings

- During the 2017/18 fiscal year, MPI continued its trend of cost efficiency improvements while simultaneously enhancing the maturity of its IT service delivery.
- MPI IT achieved a high level of service delivery maturity while reducing IT spending and staffing.

Spending

- IT Spending as a % of Operating Expense dropped from 5.45% to 5.37%
- It is lower than the peer average of 5.42%
- MPI have significantly narrowed the gap with peers in spending on infrastructure and operations from 22% in 2016/17 to 5% in 2017/18
- MPI's spending on personnel continues to be higher than peer organizations (62%)

Investment Allocation

- Similar to previous years, MPI continues to allocate a higher percentage of IT spending to changing the business than peer organizations (38% vs 26.5%)
- Spending on "changing the business" (as opposed to "run the business") enables organizations to continue to expand the business value that IT delivers to MPI.
- MPI's allocation to outsourcing as a spending category is higher than peer organizations

Process Maturity & Service Levels

- MPI's IT service delivery processes are more mature than peer organizations in every domain with the exception of Enterprise Architecture.
- MPI's overall enterprise IT process maturity score is at level 3.1 in 2017/18
- Peer organization IT process maturity is 2.9 on the 5 point scale
- The overall IT Maturity score stayed constant using the IT Score methodology comparing domains common to 2016/17 and 2017/18

October 2018 Update

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The MPI Benchmark Analysis includes some normalization and specialized peer group selection

Analysis Challenge	Analysis Risk	Analysis Mitigation
▪ MPI is a hybrid organization – it is an Insurer and an issuer or Driver Licenses and Vehicle Registrations ▪ Its public mission is to serve Manitobans, not maximize revenues	▪ MPI's mission is to provide high levels of service to Manitobans while driving down prices ▪ Revenues will therefore be lower than those of similar organizations that focus on profit maximization	▪ The analysis included 2 Canadian public sector Peers ▪ The analysis focuses on IT spending as a % of operating expense rather than on IT spending as a % of revenue

Peer Selection

- A total of 11 peer organizations are included in the 2017/18 comparison.
- It is important to note that the peer group changes from year-to-year as organizations do not necessarily participate every year.
- The peer group contains 8 organizations from the previous year's analysis and 3 new organizations with data reported in the 2017 fiscal year.
- Year-to-year changes in peer results are reflective of changes in the peer group as well as changes to the individual organisations' data.

Enterprise Metrics from 2013/14 to 2017/18

	5 Year Trend	CAGR	2017/18	2016/17 - 2017/18 Growth
MPI Revenue		4.0%	$ 1,390,931,650	8.0%
MPI Expenses		1.3%	$ 1,299,856,131	-5.3%
MPI IT Budget		-4.8%	$ 69,756,736	-6.7%
MPI Run The Business IT Cost		-1.4%	$ 43,457,008	-1.5%
MPI Change the Business IT Investment		-9.4%	$ 26,299,729	-14.2%
MPI Employees		-0.9%	1,865	-5.4%
MPI IT FTEs		-0.9%	320	-4.8%
MPI IT as a % or Revenue		-8.5%	5.0%	-13.6%
MPI IT as a % of Operating Expense		-6.1%	5.37%	-1.5%
MPI Enterprise Maturity Score		0.0%	3.10	0.0%

Observations:

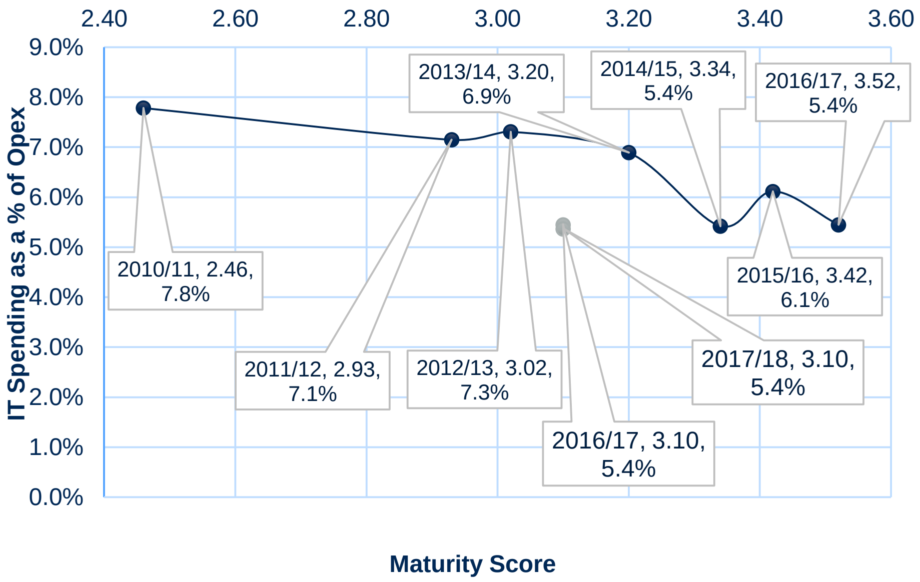
- Revenue has increased while business costs associated with running the business have decreased
- IT spending has decreased significantly over the 5 year prior period and since the previous measurement
- MPI's IT Spending as a % of Revenue has decreased by 13.6% year over year and has decreased by 8.5% during the last 5 years
- MPI's IT Spending as a % of Operating Expense has decreased by 1.5% year over year and has decreased by 6.1% over the last 5 years
- MPI's enterprise maturity score is assessed at the same level (3.1) in 2017/18 and 2016/17.

October 2018 Update

MPI has demonstrated a long-term trend of reduced IT spending as a proportion of operating expenses with a simultaneous improvement in IT process maturity

Observations:

- IT spending as a percentage of business operating expense is used as a primary indicator of IT intensity for MPI (comparisons vs revenue are considered to be of secondary importance because MPI does not have a revenue maximization mandate.)
- MPI is supporting a growing business workload due to the growth in the number of insured vehicles* with a reduced level of IT spending (OPEX decreased by 5.3% but IT spending decreased by 6.7%.)
- MPI's IT spending as a percentage of operating expense is slightly lower than the peer group (5.37% for MPI vs 5.42% for the peer group)
- Using a similar set of maturity domains between 2017/18 and 2016/17. IT Maturity is at a similar level (3.1). IT maturity improvements will help MPI contain costs and provide leverage in pursuing new initiatives.



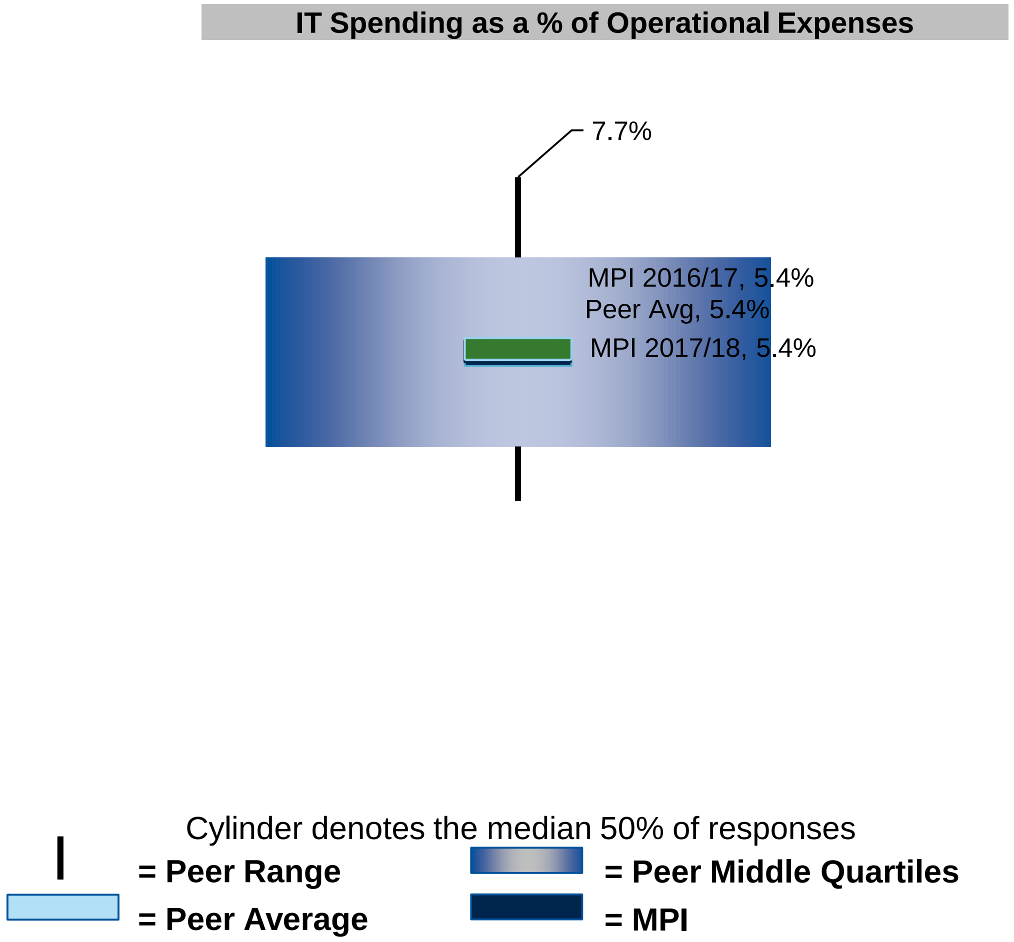
	Maturity Score (CIO Dashboard)	Maturity Score (IT Scorecard)	IT as a % of OpEx
2010/11	2.46		7.8%
2011/12	2.93		7.1%
2012/13	3.02		7.3%
2013/14	3.20		6.9%
2014/15	3.34		5.4%
2015/16	3.42		6.1%
2016/17	3.52	3.1	5.4%
2017/18		3.1	5.4%
2017/18 Peer		2.9	5.4%

* Source: Manitoba Public Insurance Annual Report page 21

October 2018 Update

Gartner

MPI IT Spending as a % of Operational Expense has decreased slightly Year over Year and is similar to peers

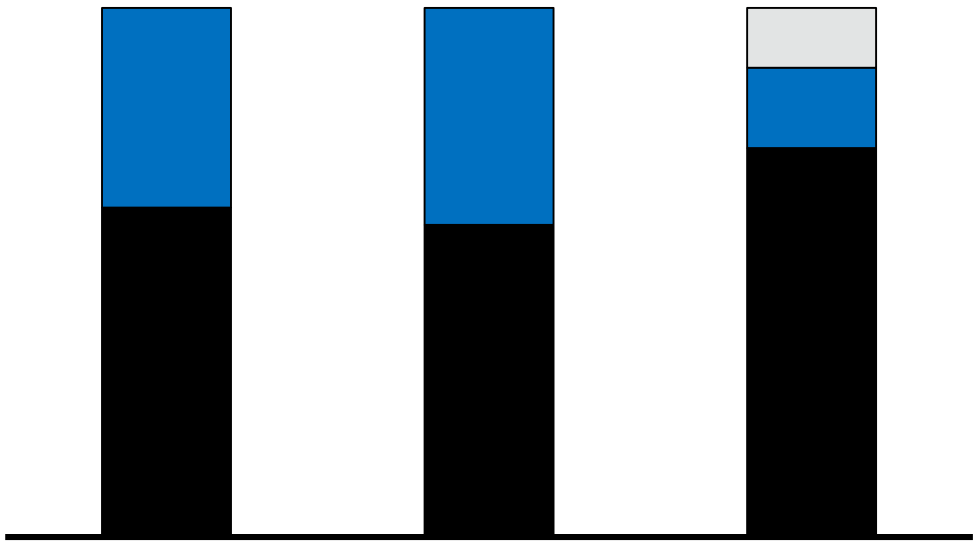


Observations:

- MPIs spending as a percentage of OPEX is similar to the peer group average.
- IT Spending has decreased by 6.7%
- Overall operating expenses have decreased by 5.3%

MPI has reduced its “Change the Business” budget, however, it is higher than peers. This allocation enables MPI to deliver better value to the business through IT.

IT Spending to Run, Grow and Transform the Business



		MPI 2017/18	MPI 2016/17	Peer Avg
Change the business	Transform	0.0%	0.0%	11.3%
	Grow	37.7%	41.0%	15.2%
	Run	62.3%	59.0%	73.5%

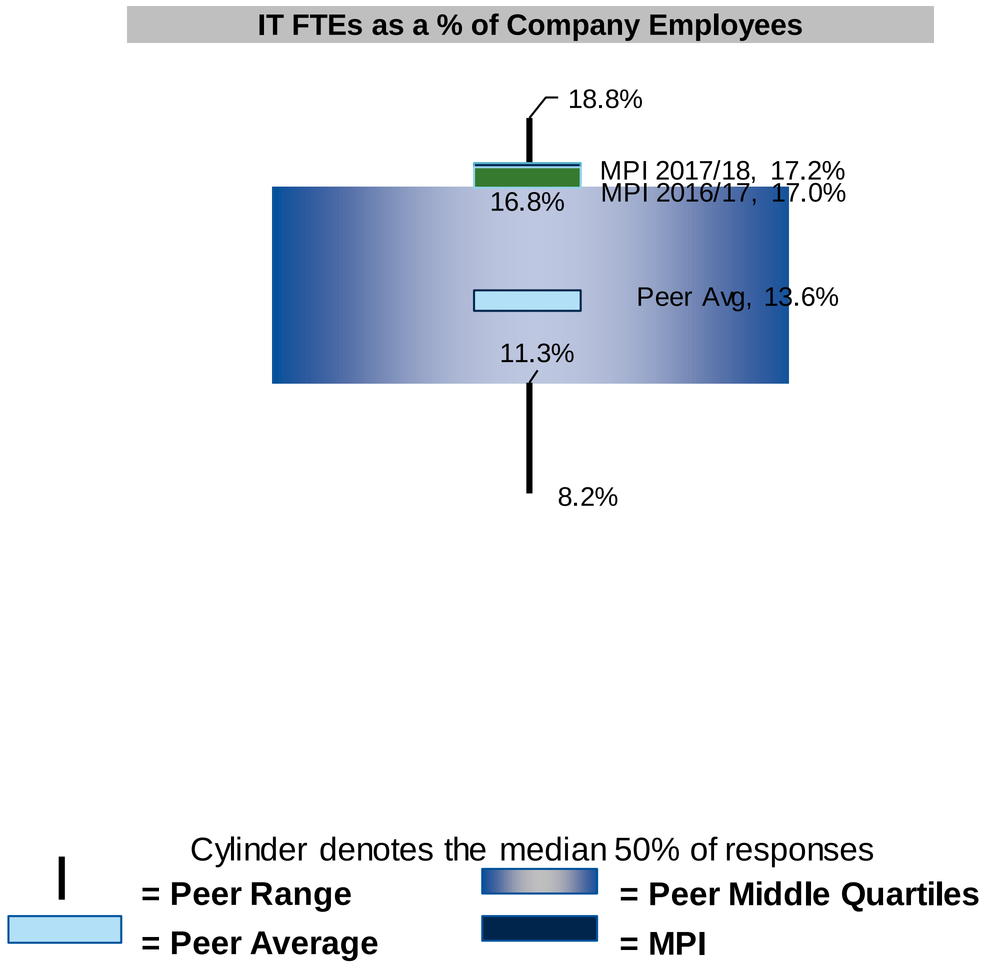
Run: Run-the-business IT initiatives are aimed at essential (and generally non-differentiated) business processes. The objective of a run-the-business initiative is to improve or maintain the desired balance among cost, quality and risk for these essential processes.
Grow the business: This is an indicator of how much of the IT resource is consumed and focused on developing and enhancing IT systems in support of business growth (typically organic growth).
Transform the business: This is an indicator of how much of the IT resource is consumed and focused on implementing technology systems that enable the enterprise to enact new business models

Observations:

- MPI spending on running the business is lower than the peer group average
- MPI spending on growing the business is higher than the peer group average
- MPI spending on transforming the business is lower than the peer group average
- As the core infrastructure “catch-up” investments end, the run the business metric has remained flat
- MPI has been making investments to continue to support customer service improvements to Manitobans.

October 2018 Update

MPI has more IT FTEs as a percentage of total company employees than peers



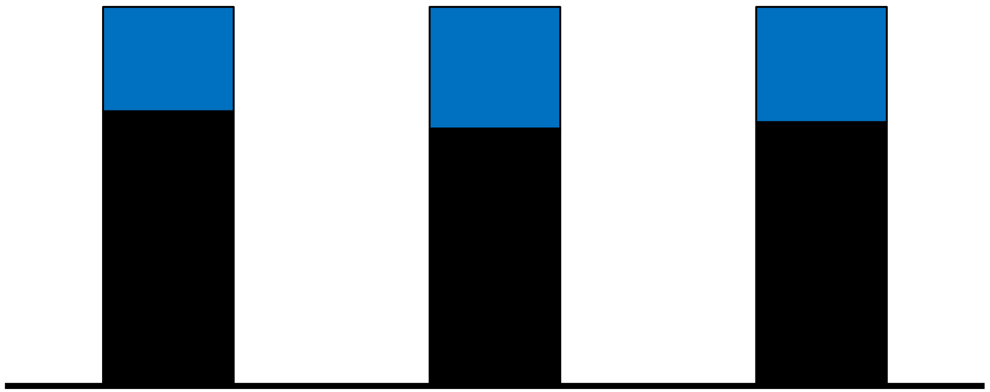
Observations:

- MPI's overall staffing level decreased from 336 FTEs to 320 FTEs
- As a percentage of all MPI employees, staffing levels for IT increased from 17.0% to 17.2%
- MPI's staffing level as a percentage of company employees is higher than the peers
- MPI continues to transition to third-party services for a number of areas within Infrastructure and Operations
- The benchmark measured a high level of availability for infrastructure functions (service levels increased year over year and are better than peer averages)

October 2018 Update

MPI’s proportion of contractors is lower than in 2016/17 and lower than peers

In House vs. Contractor IT FTE



	MPI 2017/18	MPI 2016/17	Peer Avg
Contractors	27.5%	32.1%	30.4%
In House	72.5%	67.9%	69.6%

Observations:

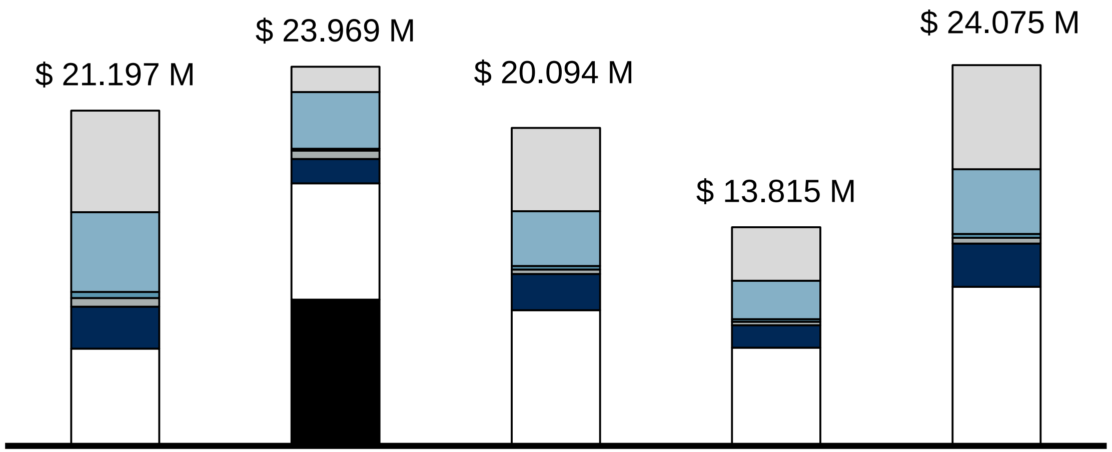
- MPIs proportion of contractors is lower than the peer group average and lower than the previous year’s measurement
- MPI have transitioned a number of contractor positions to full time internal positions

October 2018 Update

Gartner

MPI have reduced spending in Infrastructure & Operations by $2.8M compared with 2016/17 and narrowed the gap with peers to 5%. Service levels are higher than peer organizations in most functions.

I & O Total Spending by Cost Category



	MPI 2017/18	MPI 2016/17	Peer Avg	Peer 25th	Peer 75th
Hardware	$ 6.422 M	$ 1.602 M	$ 5.258 M	$ 3.375 M	$ 6.582 M
Software	$ 5.042 M	$ 3.582 M	$ 3.468 M	$ 2.431 M	$ 4.102 M
Disaster Recovery	$ 0.386 M	$ 0.116 M	$ 0.216 M	$ 0.175 M	$ 0.247 M
Occupancy	$ 0.551 M	$ 0.528 M	$ 0.298 M	$ 0.220 M	$ 0.355 M
Transmission	$ 2.648 M	$ 1.542 M	$ 2.290 M	$ 1.417 M	$ 2.742 M
Personnel	$ 6.148 M	$ 7.366 M	$ 8.564 M	$ 6.196 M	$ 10.046 M
Unallocated	$ 0.000 M	$ 9.233 M	$ 0.000 M	$ 0.000 M	$ 0.000 M
Total	$ 21.197 M	$ 23.969 M	$ 20.094 M	$ 13.815 M	$ 24.075 M

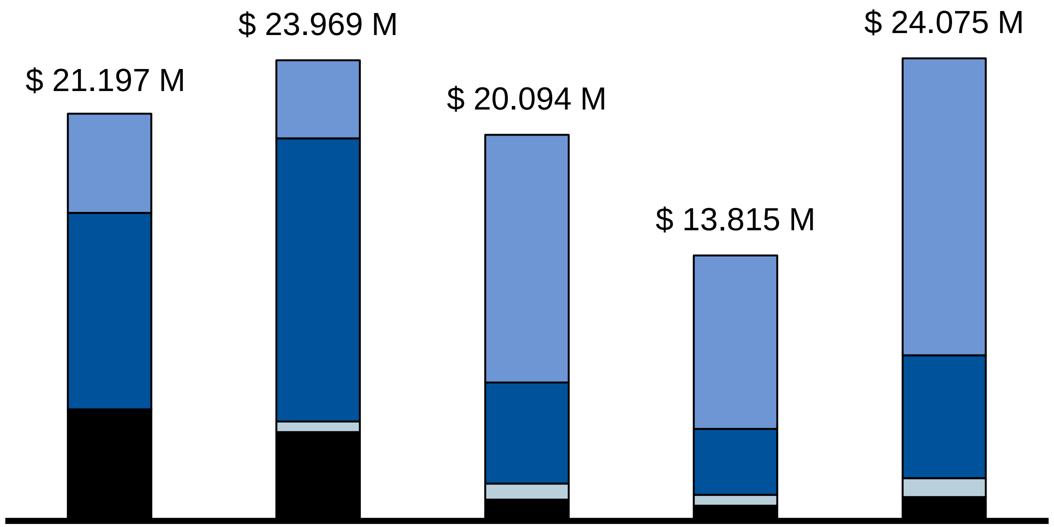
Observations:

- IT Spending is 5% higher than workload peers (previously 22% in 2016/17 and 35% in 2016/17)
- Variances to peers are highest in Occupancy (85%) and Disaster Recovery (79%)
- Software and Hardware are areas that could potentially benefit from efficiency measures
- Higher spending on infrastructure and operations should be considered in the context of the fact that higher levels of availability are attained compared to peer organizations in most domains

October 2018 Update

MPI's Infrastructure and Operations costs are 5.5% higher than the peer average, and 13% lower than prior year costs

I & O Total Spending by Sourcing Type



	MPI 2017/18	MPI 2016/17	Peer Avg	Peer 25th	Peer 75th
Insourced	$ 5.159 M	$ 4.057 M	$ 12.880 M	$ 9.018 M	$ 15.448 M
Outsourced	$ 10.234 M	$ 14.732 M	$ 5.262 M	$ 3.434 M	$ 6.396 M
Contractor	$ 0.004 M	$ 0.549 M	$ 0.839 M	$ 0.569 M	$ 0.993 M
Maintenance	$ 5.801 M	$ 4.631 M	$ 1.114 M	$ 0.794 M	$ 1.238 M
Total	$ 21.197 M	$ 23.969 M	$ 20.094 M	$ 13.815 M	$ 24.075 M

Observations:

- Outsourced spending is 94% higher than the peer group average, reflecting MPIs operating model
- Outsourced spending is 31% lower than the previous year
- Maintenance costs are 421% higher than the peer group average and 25% higher than the previous year. A large proportion of the maintenance cost (73%) is for software maintenance.
- Contractor salaries are substantially lower than in 2016/17
- Insourced labour is higher than in 2016/17 (27%)

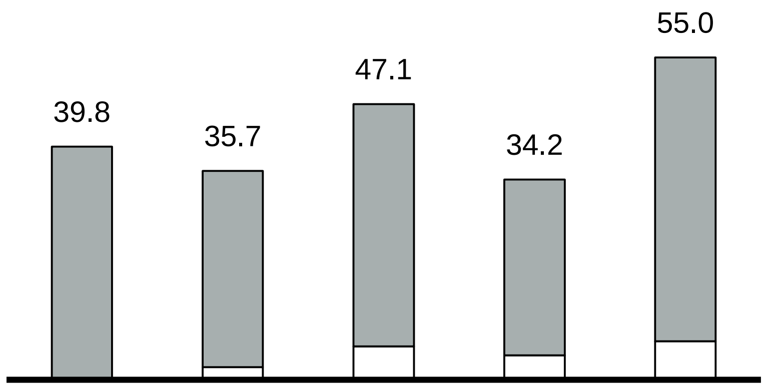
Notes:

- MPI's outsourcing costs include a prepayment for future upgrades as part of a 'vitality' clause in the IBM contract which avoids large single year increases, but presents a higher yearly cost than might be expected.
- Lower maintenance costs for the peer organizations relative to MPI are due in part to the practice of maintenance bundling for software enterprise license agreements and hardware purchases. This bunding is offered by vendors to facilitate optimization of capex spending.

October 2018 Update

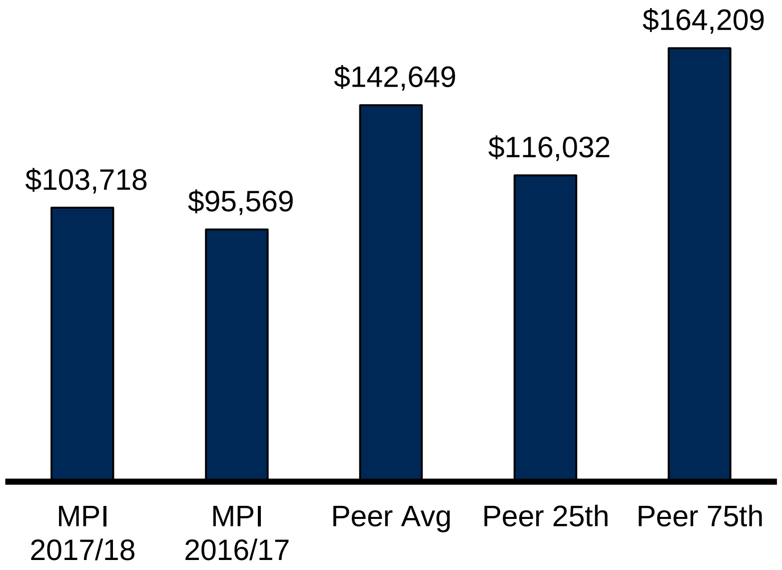
MPI's staffing levels for I&O are higher than in 2016/17 and higher than the peer group

In House vs. Contractor IT FTE



	MPI 2017/18	MPI 2016/17	Peer Avg	Peer 25th	Peer 75th
Insourced	39.8	33.5	41.4	30.0	48.4
Contractor	0.0	2.2	5.7	4.2	6.6
Total	39.8	35.7	47.1	34.2	55.0

Cost per blended FTE



Observations:

- Insourced headcount for I&O has increased from 33.5 to 39.8, while contractors have decreased
- The cost per blended FTE has increased since 2016/17, but is lower than the peer group average
- MPI has embraced outsourcing for 8 of 10 I&O functions, including Windows Server, Unix Server, Linux Servers, Storage, LAN, WAN, Internet Access Servers, Voice Premises Technology. Service Desk and End-User Computing are retained by MPI.

MPI's Enterprise IT Process Maturity Score is 3.1, which is similar to 2016/17 There have been improvements in Enterprise Architecture, Applications, Vendor Management and Information Security

	MPI 2017/18	MPI 2016/17	Insurance Avg
Executive View	3.5	3.4	
Applications Organization	2.5	2.4	2.3
Enterprise Architecture	2.6	2.3	2.7
Infrastructure & Operations	2.7	2.7	2.4
Vendor Management	3.1	3.0	2.5
Program and Portfolio Management	3.6	3.6	3.1
Security and Risk Management - Privacy	4.1	4.1	2.8
Security and Risk Management - Information Security	3.7	3.6	3.0
Enterprise Score	3.1	3.1	

	MPI 2017/18
Data and Analytics	2.4
Strategy and Execution	2.5
Enterprise Score for all domains including Data & Analytics and Strategy and Execution	2.9

Note: Gartner does not provide benchmarks at the overall Enterprise level. The Enterprise and Executive score / assessments are based on a varying compilation of survey types across participants, not just a single survey.

Observations:

- Significant improvements have been made in Enterprise Architecture
- Improvements have also been made in Applications, Vendor Management and Information Security

October 2018 Update

Gartner

MPI continues to increase its IT Service Levels and IT Process Maturity while reducing the relative spending on IT

There are four potential opportunities, should MPI wish to continue to invest in continuous improvement in IT process maturity

R1: Develop a plan to enhance IT staff development through more formal skills and training

R2: Extend current operations vendor management disciplines to project initiation and execution

R3: Improve enterprise architecture maturity by enhancing EA Governance

R4: Rationalize legacy applications, and move high cost, high risk legacy applications to modern platforms

October 2018 Update

Gartner

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Appendix 1: Gartner's Recommendations – Status Update

As part of the annual scorecard review, Gartner provides MPI with recommendations to further improve process maturity where it concerns Information Technology (IT). These recommendations reflect industry best practices based upon Gartner research. Gartner provides recommendations for all subject areas, meaning that the presence of a recommendation does not represent an area where MPI is deficient (in several cases, Gartner has provided recommendations to areas where MPI exceeds its peer group). MPI reviews and acts upon these recommendations as part of its operational and project activities. All recommendations in this report, and changes made to previously provided recommendations are investigated and applied as resources (staff time and budget) allow. For readability, recommendations marked as rejected, withdrawn by Gartner, included in other recommendations, complete or operational in the 2019 GRA Benchmarking Appendix 01 have not been included in this document.

MPI does not currently track progress on completed or operational recommendations at this time. Once a recommendation has been completed or operational, it improves a capability which is measured in MPI's process maturity scores. Gartner considers MPI process maturity and industry trends when making its annual recommendations.

For additional clarity, the following recommendations were completed between this year and last year:

- 2.09: Determine if the skills required for digital transformation exist within the organization or are needed from the outside (adaptive sourcing): MPI has identified that the skills required for digital transformation reside outside the organization. As part of the Legacy System Modernization program, MPI will be working with a variety of external partners and service providers to complete the change. As part of this process, MPI aims to bring the knowledge (and related skills) in house without adding long term external resources.

- 4.12: Review compensation strategies to ensure that MPI is competitive with market rates and can attract the talent it needs to deliver on its mission. The changes noted in GRA 2019 have been implemented and MPI continues to review all job descriptions as part of a larger corporate review occurring this fiscal year.

As noted in GRA 2019 Part IV (i) BMK Benchmarking Attachment A, page 15 Gartner transitioned from the CIO Dashboard to the IT Score assessment tool. As part of this, Gartner conducted a review of all outstanding recommendations provided using the CIO Dashboard tool and confirmed that they remained appropriate and measurable using the IT Score tool. This resulted in the following changes:

- Where Gartner identified a new recommendation, based on a recommendation which was in the 2019 GRA, it will be referenced in the comments.
- Where Gartner has identified a new recommendation, not based on previous recommendations, it will be found in *Section 6*
- Where possible, MPI will provide a projected date for completion of the recommendation. If a completion date is not known, then next action on the recommendation (such as an annual checkpoint to review if it can be started/completed) will be provided.

#	Description	2020 Application Status	2019 Application Status	Current Status
4.	**In order for Manitoba Public Insurance (MPI) to be more effective and innovative, MPI should consider :**			
4.13	Use a Pace-Layered Application strategy to balance maturity based Information Technology Infrastructure Library (ITIL) and Capability Maturity Model Integration (CMMI) processes with evolution towards Agile, DevOps, and Automation Reusable used in development for cloud implementation.	In progress (Completion planned for (Q4-2019/20)	In progress (Q4-2018/19)	MPI currently leverages ITIL based processes in the delivery of IT services. MPI has multiple pilots of Agile in progress and initial feedback is positive, with specific Agile metrics and measures in development. MPI is actively reviewing DevOps in 2019/20 to see how it aligns / differs from Agile. Legacy Systems Modernization has the potential to change how MPI uses these different processes / capabilities. These changes will be considered as part of the project once the key solutions and system integrator are selected, and able to provide their recommendations and methodologies. An update on this specific recommendation will be available for the 2021 GRA.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider:**			
5.01	Continue to Maintain Technology Currency: With the accomplishment of modernization and technical updates, MPI should maintain IT assets and continue to invest in technology refreshes to avoid significant capital outlays in future years. Make periodic assessments of technology investments and report findings to executive leadership for Infrastructure and Operations (I&O).	Ongoing	New	This continues to be addressed by the Technology Risk Management Program which involves an annual review of IT assets and creation of projects to invest in technology refreshes and other work to maintain said assets. Expense related investments (ex. refresh of laptops, a number of devices each year) are handled as part of the annual budget process.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd):***			
5.02	Continue to Improve Enterprise Architecture (EA) Maturity: EA requires stronger relationships with business stakeholders, because it involves finding opportunities to deliver transformative value to the business operations by applying information technology to back and front office processes, business information assets, new products and services. Human collaboration and networked relationships should be tested and exploited. Establish reporting for the EA program using metrics to track value delivered to the organization and business outcomes as well as metrics to track continuous improvement of the EA practice itself. Ensure metrics are quantitative (linked to the business outcomes) and qualitative (measuring the perceptions of its stakeholders).	Ongoing	New	The Enterprise Architecture (EA) concept was presented to the MPI Executive Committee and the next step is to create/refine a terms of reference for a working committee which includes both business and IT participants. The current Enterprise Architecture working group is exclusively from IT. MPI has explored EA metrics with Gartner (both research and analyst calls). The creation, tracking, and review of metrics will occur once the terms of reference is finalized and the working committee is in place. MPI will provide an update on this recommendation in GRA 2021.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.02 *(cont'd)*	Build future state models linked with current state models, ensuring that the future state is consistent with the relevant architecture principles. Integrate Applications into EA by involving enterprise architects in the Applications strategy. Utilize EA principles as a way to ensure the Applications strategy is linked to a business strategy which delivers measurable business value.			
5.03	Improve IT Governance Maturity: Improve IT governance maturity by continuing the existing process which matches IT services to business demand and by capturing better metrics to measure the achievement of business outcomes. The governance structure needs to be made more explicit, and should incorporate multiple levels within the organization that are capable of resolving process and policy discrepancies. Governance decisions should be mapped to balancing IT investments against run, grow and transform allocations.	In Progress (Progress planned for Q4–2019/20)	New	MPI has reviewed this recommendation and requires further time to assess the impact. Gartner research has been consulted on the topic, but so far this review has not resulted in any specific changes.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.04	Improve People & Skills Management: Implement process roles within the organization and address collaboration and innovation culture required to improve the relationship with the business. Skills development and training should be improved for all areas of IT, especially for I&O. Build a comprehensive strategic workforce plan with specific goals. Establish formalized training policies, mentoring programs and training development plan across all roles. Track employees' skills and competencies, documenting gaps. Define skills requirements and acquire people skills necessary to meet commitments. Utilize the skills inventory to ensure vendor management skills are in place to effectively oversee external providers. Continue to integrate "process" as an organizing construct to complement functional, product and geographical orientation within the organization.	In Progress (Completion planned for Q4–2021/22)	New	MPI continues to invest in the development of corporate culture and focuses on both innovation and collaboration in those activities. Gartner's recommendations will be included in the appropriate department level work plans. MPI believes this specific point has been fully addressed. MPI is conducting work force planning activities at the directorate level which will incorporate many of the recommendations listed, as related to training and development. These activities continue this fiscal year.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.04 *(cont'd)*	Employees should be able to anticipate the impact of change beyond the processes they participate in and the constituents affected by the processes. Ensure that collaboration becomes second nature and resistance to change should be deemed inappropriate. Develop a culture of innovation.			Additional activities related to training and development are indicated in point 6.01 With the approval to proceed with Legacy Systems Modernization, the scope of this recommendation has increased significantly and will be completed as part of program deliverables (this could be 2 years out, as the overall plan and timeline for deliverables is still being determined). MPI will provide a further update on these points in GRA 2021.
5.05	Improve the IT Strategic Plan: Implement the following improvements to the IT strategic plan: Ensure that the I&O component of the IT strategic plan is documented and formally approved to serve as the basis for annual operational plans and major upgrade initiatives.	In Progress (Completion planned for (Q1-2020/21)	New	MPI has provided an updated IT Strategy this year which reflects MPI's focus on business objectives, strategies, and plans. This practice will continue and evolve over time. MPI believes this point has been fully addressed. MPI is developing a separate strategy to address changes to I&O which occur as a result of Legacy Systems Modernization. This I&O centered strategy is targeted for completion by Q1- 2020/21 and will be considered in next iteration of the IT Strategy.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.05 *(cont'd)*	Ensure business objectives, strategies, plans and needs drive the I&O component of the IT strategic plan and that business needs are defined in sufficient detail to drive investment decisions. Improve alignment between IT and business strategic planning processes.			
5.06	Improve the Use of Standards: Ensure standards are consistently used, measured and monitored. Implement standard, documented processes for Application Development. Maintain a standardized operating environment and work with IBM to increase standardization within the infrastructure	In Progress (Completion planned for Q4-2019/20)	New	MPI has made significant progress in the standardization and adoption of project deliverables (including those related to Application Development). MPI is developing new standards for Agile development. This is currently a work in progress as MPI continues to learn. MPI actively engages with IBM to ensure the enterprise computing environment is standardized and appropriately documented. Remediation of any discrepancies found, occurs operationally or as part of major projects. This work is ongoing.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.06 *(cont'd)*				Both processes (project standards and environment standards) are now consistently applied, with continuous improvement occurring regularly. A checkpoint will occur in 2019/20 to confirm this is still occurring, at which point this recommendation will be set to complete in the 2021 GRA. There were no incremental costs associated with either activity. For the IBM environment standardization, this is included within our contract. For the project and Agile standards, these are leveraging internal staff to conduct process review improvement as part of their day-to-day roles. MPI believes this point to be fully addressed.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.07	Improve IT Financial Management Disciplines and Key Performance Indicators (KPIs): Realign cost accounting and financial management away from the asset focused paradigms of a cost center, toward the activity based costing of the service, value and outcome oriented paradigms of a business. IT Financial Management approaches should therefore be based on IT as a service provider which utilizes analytics based asset tracking, chargeback based on volumes and usage and service line trending. For Applications, MPI should continue to improve financial transparency. Develop KPIs for financial management of business applications and categorize spending to develop tighter links to business capability delivery. Include total life cycle costing for Applications that includes operations spending.	In Progress (Checkpoint planned for Q4-2019/20)	New	MPI has completed the transition of IT Business Services into the Finance division. This resulted in improved alignment of cost accounting and financial management. MPI believes this point to be fully addressed. MPI does not currently have the capability to do the suggested level of tracking and chargeback. This capability was explored and costs exceeding $350,000 one-time, with an ongoing cost to maintain. It was decided to not make this investment at this time, and evaluate again at the completion of the FRE program. MPI believes this point to be on hold pending completion of FRE. MPI has created a cost model for its applications for review and evaluation by external parties as part of the Legacy Modernization assessment. This model met MPI's immediate needs but required additional technology to maintain going forward. Further investment in this technology will depend on the outcome of the FRE program. MPI continues to develop its asset tracking and management capabilities to support Information Security. This work is ongoing. A checkpoint on this recommendation will occur later in 2019/20 with an update in the 2021 GRA.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.07 *(cont'd)*	For I&O, create business based financial management and performance reporting. Implement tools for business management as well as improved financial management. MPI should continue work on asset/license management, track asset utilization and usage and implement allocation of specific service costs based upon simple IT user metrics (e.g. number of users, PCs, phone sets) as well as unit cost metrics (e.g. cost per Windows Instance).			
5.08	Implement Bimodal Service Delivery Capabilities: Implement bimodal service delivery by creating differentiated processes for predictable Mode 1 work and developing more agile processes for exploratory or experimental Mode 2 work.	In Progress (Check Point planned for Q4–2019/20)	New	MPI continues to pilot the use of Agile processes in projects and operations. MPI expects to further leverage Agile processes on the Legacy Systems Modernization program. The specific processes, and degree of adoption is dependent on the vendors selected. An update will be provided in GRA 2021.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.09	Improve Vendor Management Capabilities: Implement consistent vendor management approaches, expand vendor management to all vendors and departments and develop standard terms and templates for contracts. Work with vendors to develop better service level agreements (SLAs), and look at ways to integrate IT operations management tools. Create a formalized vendor engagement model, with defined vendor management processes which are implemented for all vendor interactions. Segment vendors that require centralized management and delegate responsibilities for those vendors that do not require sophisticated management. Put in place reporting capabilities for spending management and demand management that support vendor management. Identify vendor performance metrics, track the metrics using tools and enforce consistently across all spending categories.	In Progress (Check Point planned for Q4-2019/20)	New	The Vendor Management department continues to expand its practices and procedures to more agreements and to partner with MPI departments to ensure consistency in approach and templates. MPI continues to leverage its workflow platform (Remedy) to track and report on commitments for both internal service delivery, and external vendors (IBM). This work is ongoing. The Vendor Strategy (referenced in this document last year) has been deferred to 2019/20 allowing the team to focus on several high priority procurement activities in 2018/19. Resources will be allocated / available in Q3 to start work on the document for a Q4 completion. Vendor performance metrics are currently in place for IBM and Mitchell, our largest IT vendors, as part of their services agreements. New performance measures are being put in place as part of the contingent workforce RFP. Other vendor agreements will be evaluated on a case by case basis as part of the Vendor Strategy. MPI will provide an update on these activities in GRA 2021.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.10	Reduce the Risk associated with Privacy Issues: This should be accomplished by ensuring that policies and processes and other defined elements of the enterprise privacy program are reviewed regularly, with solicitation of feedback concerning policy acceptance and performance. Solicit involvement from marketing, employee representatives, external auditors and compliance officers and develop a plan for measuring the success of the enterprise's privacy awareness program. Work to link disparate and currently disjointed elements of the established privacy program and ensure privacy policies apply to all business units and locations.	Complete	New	As noted in 2018/19 MPI has a very comprehensive privacy program. Based upon the review of Gartner's recommendations, MPI believes these recommendations are addressed through current practices. To expand further, policies and processes are regularly reviewed with the appropriate authorities and are consistently communicated and applied across the corporation. MPI believes these recommendations have been addressed fully.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.11	Reduce Information Security Risks: This should be accomplished by creating a formal cross-organizational committee to collaborate on information security issues focused on realistic, actionable metrics for measuring the success and challenges of the security program. Ensure TVM (Threat and Vulnerability Management) processes are documented and formalized, with associated RASCI charts and performance metrics, integrated with the IT change management process and increase the resources allocated to performing formal threat research. Define a formal risk management process using controls assessment tools and services and continue practice of reporting risks to technical staff and perform updated assessment using a 3rd party.	In Progress (Completion planned for Q4–2021/22)	New	MPI has the Information Security Governance Committee (ISGC) which is composed of MPI Executives which regularly meets to review Information Security Policies and the progress of improvement initiatives (operational or projects) related to Information Security. Formal TVM process documentation was completed in 2018/19 via a Technology Risk Management initiative. The definition of an IT risk framework is in progress. Once defined, it will need to applied, communicated / audited. This is starting in 2019/20 but may not be completely applied / consistently audited until 2021/22. An update on this will be provided in GRA 2021.
5.12	Explore the Utilization of Cloud Services: Explore dynamic resource sharing (e.g. Cloud) Become the broker of best fit solutions – Cloud and Internal	In Progress Checkpoint to review next action in Q4-2019/20)	New	MPI is actively reviewing Cloud service offerings as part of the Legacy Modernization Assessment and developing the appropriate policies to effectively govern them. This work is occurring in 2019/20 and will be in place prior to any new service turn-up. An update will be provided in GRA 2021.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.13	Pursue Improvements in IT Service Management Processes: Establish common processes and ensure they are consistently followed across all teams. Formalize process improvement programs. Invest in process discovery technologies, such as business process analysis, and start building a business process framework and architecture. The IT organization should work with relevant groups within MPI to apply BPM techniques using iterative methods with process owners driving iterations. These methods should be a collection of best practices drawn from Six Sigma, Lean and other methodologies. Pilot use of process modeling and build support for this practice. Build cross-platform IT Service Management processes for incident management, problem management and change management. Formalize release, capacity and service level management. Improve service level management by formulating comprehensive end to end SLAs with customers.	In Progress (Completion planned for Q4-2021/22)	New	MPI currently has operational IT processes which are consistently applied across all teams. These include incident and change management. Process improvement occurs regularly within each process (conducted by the process leader as opposed to a centralized team). This point has been fully addressed. MPI is leveraging business capability models provided by its partners as part of the Legacy Modernization Assessment. This is comparable to what Gartner has recommended here. MPI is actively developing Lean capabilities and has trained multiple employees and management. As part of this training process, employees conducted process improvement activities in their respective areas (to apply knowledge and gain benefit). This is expected to be an ongoing activity and has full management support. These activities replace the previous assessment of different BPM practices and technologies and fully addresses this point and previous BPM recommendations. MPI has cross platform processes for Incident, Problem, and Change Management. These processes, as well as release, capacity, and service level management will change based upon the platforms / partners selected as part of Legacy Systems modernization. Work in this area will be ongoing in 2020/21 and 2021/22.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.13 *(cont'd)*	Define and implement process ownership roles. Define and implement business service management processes and tools. Focus IT processes on automating and optimizing individual service delivery and support processes and perform continuous IT process optimization through trending.			MPI has expanded the use of its IT self-service portal for internal staff members. As part of the establishment of new services in this internal portal, these services are required to have end to end service levels (which are tracked / monitored). These SLAs were set in consultation with upstream and downstream departments to ensure optimal flow. This avoids IT working towards a 3 day SLA on a new employee setup which HR can't use until day 5 in their larger process. This work is ongoing. MPI is defining process and business ownership roles as part of its IT Risk Management framework and work on the Agile delivery processes. This work is ongoing (no defined ETA at the time of this review). MPI considers Remedy as its business service management tool (this is the technology which enables IT self-service for our internal staff). MPI plans to expand the adoption of this platform in 2019/20. This will also help MPI focus on automation (via self-service), optimization (via process design to enable automation), and measurement (tracking / reporting on service levels). This work is ongoing. MPI will provide an update in the 2021 GRA.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.14	Improve Project Portfolio Management (PPM) Maturity through the use of tools: Expand the use of tools which were recently implemented for strategy development and resource management, decision support and risk modelling. Standardize the use of tools where multiple tools exist.	In Progress (Completion planned for Q4–2019/20)	New	MPI has required its corporate projects leverage the PPM tool and has all major projects tracking / reporting being generated from the PPM platform at the time of this review. MPI is working with a technology provider to improve its use of PPM capabilities such as resource management and decision support. This work is ongoing in 2019/20. Other identified items such as strategy development (done as part of current corporate practices) and risk modelling (part of corporate Enterprise Risk Management practices) are completed outside of the specific PPM tools / processes, but will use PPM as an input. MPI expects the work on resource and decision support to complete within the fiscal year which will fully address this recommendation.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.15	Determine improvements that can be made to the information management strategy. Starting in 2017/18, information management maturity will be measured using the data and analytics survey in the IT Score survey.	In Progress (Completion planned for Q4-2019/20)	New	The data strategy was completed in Q1, 2018/19 and a roadmap of operational activities were completed in Q2-Q4 2018/19. Updates were made to the draft version (referenced last year in the currents status of 5.15) and it was finalized. MPI sees this point as complete and fully addressed. MPI has conducted a review of multiple industry frameworks and selected a different framework which is non-proprietary and better aligns to its Information Security activities. Measurement of data / analytics practices, aligned to this framework will be completed in 2019/20 and findings will be used to identify opportunities (future business cases) for the 2020/21 budget process. MPI will provide an update on this point in the 2021 GRA.

#	Description	2020 Application Status	2019 Application Status	Current Status
5.	**Using the IT Score tool set, Gartner recommends MPI consider *(cont'd)*:**			
5.16	Replace the CIO Scorecard with Gartner's IT Score Methodology: Replace the CIO Scorecard with Gartner's IT Score methodology which compares MPI with the insurance industry in similar areas and new ones that expand the scope of the analysis. Add two additional surveys (Strategy & Execution, Data & Analytics) to the IT Score methodology to assess the maturity of the IT Strategy and information management disciplines. The addition of these two surveys will also increase the overall confidence level of the enterprise view.	Complete	New	MPI has replaced the CIO Scorecard with Gartner's IT Score methodology and included it in the 2019 and 2020 GRA documents. MPI sees this point as fully addressed. MPI completed the 2 additional surveys, recommended by Gartner, and included the findings as part of the report filed in the 2020 GRA. MPI sees this point as fully addressed.

#	Description	2020 Application Status	2019 Application Status	Current Status
6.	**Gartner Recommendations: IT Score (2017/18)**			
6.01	Develop a plan to enhance IT staff development through more formal skills and training	New (Next steps to be determined by Q4-2019/20)	N/A	MPI has a staff development plan as part of its performance management system. This plan is developed with the manager / supervisor and incorporates corporate needs into it. Staff with completed development plans have access to digital courses through a subscription service, which they can complete during the work day. More formal training (instructor lead) is provided on a case by case basis. MPI is working on a larger skill development strategy as part of the Legacy System Modernization program in 2020/21 FY. Some initial work in the 2019/20 FY will occur, but the main body of work cannot begin until the specific technologies, selected as part of the Legacy Systems Modernization, program have been confirmed. An update will be provided in GRA 2021.
6.02	Extend current operations vendor management disciplines to project initiation and execution	New (Next steps to be determined by Q4-2019/20)	N/A	MPI has provided an orientation on vendor management disciplines and processes to project managers in Q4 – 2018/19 this will help ensure that proper processes are followed, and that sufficient time is included in plans to properly execute vendor management activities (such as, procurement, negotiation and planning). An update will be provided in GRA 2021.

#	Description	2020 Application Status	2019 Application Status	Current Status
6.	**Gartner Recommendations: IT Score (2017/18)** ***(cont'd)***			
6.03	Improve enterprise architecture maturity by enhancing EA Governance	New (Next steps to be determined by Q4-2019/20)	N/A	This recommendation is aligned to 5.02. MPI will continue to address those recommendations first, prior to looking for additional ways to enhance governance.
6.04	Rationalize legacy applications, and move high cost, high risk legacy applications to modern platforms.	New (Next steps to be determined by Q4-2019/20)	N/A	MPI is actively performing these activities as part of the Legacy Systems Modernization for its core systems. MPI leverages its Application Portfolio Management (APM) process to assess other high cost / high risk applications and propose recommendations. Recommendations are documented in business cases, and approved business cases would be delivered via an approved project or program.

= *(2020/21 Required Rate / 2020/21 Avg. Rate Without Rate Change)* - 1
= ($915.84 / $933.56) – 1 = -1.9%

The 2020/21 average rate without rate change (of $933.56) includes a 2.06% net capital maintenance provision approved for rating year 2019/20. MPI is retaining the 2.06% for rating year 2020/21 in light of its new Capital Management Plan (CMP). As such, the required rate change must be adjusted as follows:

2020/21 Adjusted Required Rate Change
= *(2020/21 Required Rate / (2020/21 Avg. Rate Without Rate Change / 1.0206))* - 1
= ($915.84 / ($933.56 / 1.0206)) – 1 = 0.1%

The overall required rate change based on breakeven rates is 0.1%.

RM.4.2.6 Capital Management Program

For the 2020 General Rate Application, MPI is requesting approval of its Capital Management Program (CMP), which establishes the means and pathway to achieve capital of 100% Minimum Capital Test (MCT) ratio for the Basic Rate Stabilization Reserve. Details pertaining to the CMP is presented in *Part VI Rate Stabilization Reserve*.

For rating year 2020/21, there is no requirement to build or release capital based on the rules of the Capital Management Program. The forecasted MCT ratio as at February 28, 2022 is 98.8%, which is higher than the MCT ratio of 92.0% from the CMP. The following table shows the forecasted MCT ratio as at February 28, 2022 after the application of the CMP.

Figure RM- 8 Forecasted MCT ratio as at February 28, 2022

Line No.	Steps in the Capital Management Plan	Required Rate Change	MCT Ratio as at February 28, 2022
1	No Rate Change	0.0%	62.2%
2	Required Rate Change based on Breakeven Rates	0.1%	62.9%
3	Capital Transfer from MPI's Extension Line of Business	0.1%	99.1%

Appendix 19: Corporate Information Technology Costs

The following tables provide a comprehensive analysis of Corporate Information Technology (CIT) expenses and capital expenditures. This includes both historical actual from 2014/15 to 2018/19 and the forecast period from 2019/20 to 2023/24.

The first figure provides a summary, including compounded annual growth rates for all corporate expense costs related to IT within MPI.

Figure EXP App 19- 1 Information Technology Costs (Corporate)

Line No.	Summary	2014/15A	2015/16A	2016/17A	2017/18A	2018/19A	2019/20BF	2020/21F	2021/22F	2022/232F	2023/242F
	(C$000s, except where noted)										
1	**Total IT Expenses**	**64,170**	**57,479**	**64,289**	**85,093**	**75,748**	**71,266**	**70,692**	**69,912**	**66,728**	**80,706**
2	**Deferred Development Costs**	17,079	20,847	27,671	204	12,330	21,747	46,429	42,809	23,412	14,300
3	**Data Processing Equipment**	1,029	624	110	142	2,147	2,353	1,073	1,180	770	3,365
4	**Total IT Costs**	**18,108**	**21,471**	**27,781**	**346**	**14,477**	**24,100**	**47,502**	**43,989**	**24,182**	**17,665**

Line No.		Compound Annual Growth Rate	
5		**Compound Annual Growth Rate**	
6		**2014/15A-2018/19A**	**2019/20F-2023/24F**
7		**(5 years)**	**(5 years)**
8	**Total IT Expenses**	**5.5%**	**1.6%**

The following two figures provide details of the summary, showing first, the budgeted and forecasted amounts for the three IT related departments within MPI, and next the corporate capital IT costs.

Figure EXP App 19- 2 Total Information Technology Expenses

Line No.	IT Expenses	2014/15A	2015/16A	2016/17A	2017/18A	2018/19B	2019/20BF	2020/21F	2021/22F	2022/23F	2023/24F
1	*($C 000s, except where noted)*										
2	CIT Departmental Expenses:										
3	Data processing:										
4	Computer Costs	14	-	-	-	-	-	-	-	-	-
5	Licence Charges	5,698	6,219	5,826	7,408	7,342	8,059	8,191	8,250	8,416	8,584
6	Computer Maintenance	1,348	1,371	1,484	1,787	1,779	1,584	1,566	1,571	1,603	1,635
7	Software	702	277	805	176	326	315	315	315	321	327
8	IBM Data Centre	6,080	7,276	9,550	9,176	9,777	9,953	10,076	10,399	10,607	10,819
9	IBM Security Operations Centre	-	-	-	-	541	550	550	550	561	572
10	External Labour										
11	AOL	2,955	2,313	2,305	1,230	1,158	1,805	1,805	1,805	1,841	1,878
12	CARS	739	578	576	308	290	445	445	445	454	463
13	Other	2,414	1,522	2,324	1,672	1,867	770	770	770	785	801
14	**Total Data Processing**	**19,950**	**19,556**	**22,870**	**21,756**	**23,079**	**23,481**	**23,718**	**24,105**	**24,588**	**25,079**
15	Compensation	9,388	10,044	11,231	11,521	11,126	13,466	13,861	14,098	14,372	14,728
16	Training	144	142	132	127	74	134	134	134	137	139
17	Special Services	969	766	991	1,024	950	695	675	675	688	702
18	Printing, Stationery and Supplies	338	295	231	169	341	577	211	211	215	219
19	Telephone and Telecommunications	2,562	2,377	2,221	2,054	1,905	2,009	2,107	2,107	2,149	2,192
20	Computer Equipment Expense	674	289	167	295	382	1,869	939	913	931	950
21	Miscellaneous	115	30	116	42	61	93	93	93	95	97
22	**Total CIT Dept Exp (before Dep'n/Amort)**	**34,140**	**33,499**	**37,959**	**36,989**	**37,918**	**42,324**	**41,738**	**42,336**	**43,175**	**44,106**
23	Depreciation - Data Processing Equipment	826	1,075	672	411	374	532	1,073	1,387	1,387	1,387
24	Amortization of Deferred Dev Costs	7,941	8,534	9,415	12,702	14,847	8,842	8,842	5,552	3,582	1,537
25	**Total CIT Direct Departmental Expenses**	**42,907**	**43,108**	**48,046**	**50,103**	**53,138**	**51,698**	**51,653**	**49,275**	**48,144**	**47,030**
26	Allocated Building Expenses	1,293	1,292	1,309	1,112	1,261	355	365	369	375	381
27	Allocated Corporate Benefits	2,870	2,951	3,092	3,304	3,900	3,856	3,900	4,021	4,096	4,172
28	DP - Microfiche	44	43	43	43	36	44	45	46	46	46
29	DP - External Labour - Other	247	376	264	244	155	235	235	235	240	240
30	**Total CIT Departmental Expenses including allocations**	**47,361**	**47,770**	**52,754**	**54,806**	**58,490**	**56,188**	**56,198**	**53,946**	**52,901**	**51,869**
31	Implementation Expense:										
32	Licence Charges	52	33	12	243	-	-	-	-	-	-
33	Computer Maintenance	-	-	-	-		-	-	-	-	-
34	IBM Data Centre	-	-	150	161	(26)	-	-	-	-	-
35	Software	-	5	-	-		-	-	-	-	-
36	Deferred Development Impairment				20,258	3,026	-	-	-	-	-
37	External Labour	5,707	4,891	4,290	1,571	4,807	5,128	1,252	850	886	1,750
38	**Total Implementation Expense**	**5,759**	**4,929**	**4,452**	**22,233**	**7,807**	**5,128**	**1,252**	**850**	**886**	**1,750**
39	Ongoing expense:										
40	Licence Charges	-	-	205	-	-	-	1,555	1,804	1,844	1,922
41	Amortization of Deferred Dev Costs	-	-	-	-	-	-	2,406	5,660	7,360	19,798
42	Computer Maintenance	-	-	-	-	-	-	20	41	42	43
43	Software	-	-	-	-	-	-	163	163	163	2,563
44	IBM Data Centre	1,513	1,808	-	-	-	-	362	863	1,116	1,468
45	**Total Ongoing Expense**	**1,513**	**1,808**	**205**	**-**	**-**	**-**	**4,507**	**8,531**	**10,524**	**25,794**
46	**Total other CIT Exp**	**11,726**	**11,399**	**9,365**	**26,936**	**13,159**	**9,618**	**10,304**	**14,052**	**16,168**	**32,383**
47	Depreciation - Data Processing	903	-	-	-	-	-	-	-	-	-
48	Amortization of Deferred Dev Costs	8,634	2,972	6,878	8,055	9,451	9,950	8,735	6,585	2,416	1,294
49	**Total CIT other Exp (after Dep'n/Amort)**	**21,263**	**14,371**	**16,243**	**34,991**	**22,610**	**19,568**	**19,039**	**20,637**	**18,584**	**33,676**
50	**Total IT Expenses**	**64,170**	**57,479**	**64,289**	**85,093**	**75,748**	**71,266**	**70,692**	**69,912**	**66,728**	**80,706**

Figure EXP App 19- 3 Corporate Capital Expenditures - Deferred Development Costs

Line No.	Project Description	2014/15A	2015/16A	2016/17A	2017/18A	2018/19B	2019/20BF	2020/21F	2021/22F	2022/23F	2023/24F	Unassigned Capital
1	*(C$000s, except where noted)*											
2	Projects that do not impact Basic	135	533	3,154	31	-	-	2,050	1,500	-	-	-
3	Projects that impact Basic											
5	IT Optimization	-	-	46	-	-	-	-	-	-		-
6	Disaster Recovery	-	-	14	-	-	-	-	-	-		-
7	HR Management System Phase 1 & 2	(302)	-	1,579	-	-	-	-	-	-		-
8	HR Management System Phase 3 & 4	145	-	-	-	-	-	-	-	-	-	-
9	Physical Damage Re-engineering Phase 1 & 2	1,674	-	390	-	-	-	-	-	-		-
10	PDR Opt Repair - Collaborative Estimating & JSST	9,676	387	688	-	-	-	-	-	-		-
11	PDR Opt Repair - Distributed Estimating	1,296	1,593	2,343	2	-	-	-	-	-	-	-
12	Physical Damage Re-engineering Main/Phase 3	(4,529)	4,707	(2,434)	282	-	-	-	-	-	-	-
13	PDR Opt Repair - Remote Estimating	1	42	70	115	-	-	-	-	-	-	-
14	BI3 Fineos Upgrade 2016	1,462	2,002	577	-	-	-	-	-	-		-
15	Enterprise Data Masking	1,189	1,077	3	-	-	-	-	-	-		-
16	High School Driver Education Phase 2	314	327	1,333	112	-	-	-	-	-	-	-
17	High School Driver Education Phase 3	-	-	-	681	2,194	448	-	-	-	-	-
18	High School Driver Education Phase 4					16	1,034	83	-	-	-	-
19	Infor/Lawson Upgrade	172	978	1,258	1,101	455	-	-	-	-	-	-
20	Infor Major Upgrade 2022	-	-	-	-	-	-	2,000	1,000	-	-	-
21	ITO - High Availability	2,919	4,881	938	-	-	-	-	-	-		-
22	Legal Management Project	1,086	1,536	(8)	-	-	-	-	-	-		-
23	Predictive Analytics	1,578	600	1	-	-	-	-	-	-		-
24	Corporate Learning Management	263	-	1,123	1,406	563	-	-	-	-	-	-
25	Physical Damage - Centre of Excellence	-	537	283	-	-	-	-	-	-	-	-
26	Information Security Strategy and Road Map Phase 1	-	1,298	1,934	130	-	-	-	-	-	-	-
27	Information Security Strategy and Road Map Phase 2	-	337	659	1,756	75	-	-	-	-	-	-
28	Technology Innovation & Capabilities	-	12	(12)	-	-	-	-	-	-	-	-
29	Technology Risk Management - 2016/17	-	-	2,213	145	-	-	-	-	-	-	-
30	Technology Risk Management - 2017	-	-	-	2,902	1,501	-	-	-	-	-	-
31	Technology Risk Management - 2018	-	-	-	-	3,890	-	-	-	-	-	-
32	Technology Risk Management - 2019	-	-	-	-	-	1,742	-	-	-	-	-
33	Technology Risk Management - 2020	-	-	-	-	-	-	4,000	-	-	-	-
34	Technology Risk Management - 2021	-	-	-	-	-	-	-	4,000	-	-	-
35	Technology Risk Management - 2022	-	-	-	-	-	-	-	-	4,000	-	-
36	Technology Risk Management - 2023					-	-	-	-	-	4,000	-
37	Appointment Manager	-	-	2	1,402	49	-	-	-	-	-	-
38	Customer Claims Reporting System	-	-	10,592	5,032	714	-	-	-	-	-	-
39	Enhanced DR Capabilities	-	-	292	1,422	824	-	-	-	-	-	-
40	Partner Portal	-	-	291	2,256	6	-	-	-	-	-	-
41	Financial Re-Engineering Initiative	-	-	342	1	-	2,919	2,996	3,009	2,212	-	-
42	Customer Self Service	-	-	-	1,679	2,535	-	-	-	-	-	-
43	Credit Card Strategy	-	-	-	255	2,534	2,582	-	-	-	-	-
44	Legacy Systems Modernization	-	-	-	-	-	10,000	33,300	33,300	17,200	10,300	400
45	Information Security Maturity	-	-	-	-	-	2,000	2,000	-	-	-	-
46	Total Loss	-	-	-	-	-	1,022	-	-	-	-	-
47	**Total Deferred Development Costs**	**17,079**	**20,847**	**27,671**	**20,710**	**15,356**	**21,747**	**46,429**	**42,809**	**23,412**	**14,300**	**400**
48	Impairment of Deferred Development	-	-	-	(20,506)	(3,026)	-	-	-	-	-	-
49	Data Processing Equipment:											
50	Provision for New and Replacement	1,029	624	110	142	2,147	2,353	1,073	1,180	770	3,365	-
51	Projects that impact Basic	-	-	-	-	-	-	-	-	-	-	-
52	**Total Data Processing Equipment**	**1,029**	**624**	**110**	**142**	**2,147**	**2,353**	**1,073**	**1,180**	**770**	**3,365**	**-**
53	**Total Capital Requirements for IT**	**18,108**	**21,471**	**27,781**	**346**	**14,477**	**24,100**	**47,502**	**43,989**	**24,182**	**17,665**	**400**

The figure below provides the number of Consultants supporting IT operational activities as well as Consultants utilized on projects. The corresponding costs for Basic for these Consultant activities are also provided.

Figure EXP App 19- 4 Summary of Consultant Costs and FTE

Line No.	Consultants - Corporate[1]	2014/15A	2015/16A	2016/17A	2017/18A	2018/19B	2019/20BF[4]	2020/21F[4]	2021/22F[4]
1	**IT Operational Activities**	40	37	31	17	26	22	22	22
2	**Improvement Initiatives**	70	77	76	90	56	47	47	47
3	**Total**	**110**	**114**	**107**	**107**	**82**	**69**	**69**	**69**
4	**Consulting Costs - Basic only**								
5	**IT Operational Activities[2]**	5,084	3,831	4,376	2,568	2,658	2,444	2,444	2,444
6	**Improvement Initiatives**	14,553	17,214	15,528	11,778	10,991	9,409	9,597	9,789
7	**Total**	**19,637**	**21,045**	**19,904**	**14,346**	**13,649**	**11,853**	**12,041**	**12,233**

8 (1) Contractor counts vary throughout the year. For this table on September of each fiscal year (mid-point) thus 2018-19 actuals do
9 not reflect all contractor conversions in Q3 and Q4.
10 Please see GRA 2017 Volume I, Chapter 8, IT.2 for details on this.
11 (2) Basic IT Operational Activities are estimated at 80% of Corporate
12 (3) Adjusted as the improvement initiatives total had previously included IT Operational Activities, some license fees and software maintenance.
13 (4) Any changes to the planned improvement initiatives for 2020/21 and 2021/22 will impact the number of consultants.

MANITOBA PUBLIC INSURANCE

INFORMATION TECHNOLOGY STRATEGY

Published: June 3, 2019

Effective Year: 2019-20 Fiscal

Next Full Review: Q1 - 2020/21

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Message from the Chief Information Officer at MPI

Manitoba Public Insurance's Information Technology Strategy establishes the direction for Information Technology (IT) investments within the corporation for the foreseeable future. At its core, the strategy is intended to guide the development of IT capabilities that will be needed to support the business capabilities required to achieve the Corporation's business objectives.

This annual strategy is aligned to the key priorities, mission, vision, and values identified in the 2019/20 Annual Business plan and builds upon the 2018/19 strategy. Enterprise Architecture principles and practices have been extensively used to connect strategy to capabilities and projects, using industry standard models and insights gained from the Legacy Modernization Assessment.

Last year, MPI performed the Legacy Modernization Assessment of MPI's in-scope systems and confirmed that the corporation is a candidate for modernization. This conclusion was based on two independent vendor assessments. These independent assessments, combined with industry research provided sufficient insights and recommendations leading to the creation of a compelling case for change, which ultimately will result in important business benefits such as: better management of technology risk, enabled online supported services, improved information security controls, increased business agility, and cost savings and efficiencies from the replacement of MPI's core systems.

The business case for Legacy Systems Modernization (LSM) was presented to the MPI Board of Directors in early 2019 and received approval to proceed. This program will have a significant impact on all facets of the business, dramatically changing the delivery of corporate IT services including changes to people, processes, providers, and platforms.

To be successful, this initiative must be business driven by and focused on business results. This started early in the process with active involvement and added responsibilities for key business leaders. This continues by creating and developing effective partnerships between MPI business units, software and services vendors, and key stakeholders.

MPI is committed to openness, transparency and accountability, and intends to secure external expertise to review and report on the progress of the program against cost / delivery schedules and the achievement of the stated business benefits. MPI will actively prioritize other projects and operational activities to ensure the continued achievement of its mission during the LSM program.

LSM will significantly alter the way in which IT capabilities are provided to the corporation. These improvements will provide value to the corporation and ultimately to the citizens of Manitoba well into the future.

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Brad Bunko

Vice President, IT, Business Transformation & Chief Information Officer

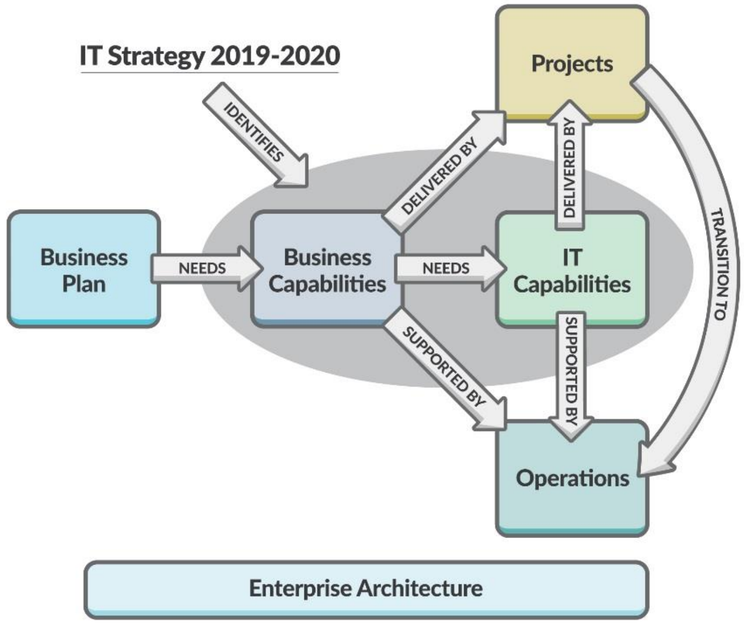
1. Executive Summary

This IT Strategy continues the fundamental shift in how MPI views implementing new technology. The following table summarizes the changes we have adopted in our strategy, identifying our new practice, how we ensure our change will be effective, and where we have made changes in the past year.

Where we are going	How we are going to measure success	Progress we've made
Adopt proven mainstream technology	Through the maturity of the products and solutions we implement	RFPs issued for mainstream technology solutions to replace our legacy systems
Identify key risks prior to project initiation and incorporate into project decision	Risks initially unaccounted for do not surface during or post project delivery. Projects attain value and benefits stream projections	Improved value monitoring during and post project. Creation of an Enterprise Risk Management function which incorporates input from an IT Risk and Compliance program Improved project risk practices.
Project sponsor is the Operational Business Champion, will have shared accountability with the Business Transformation Office and has a long term stake in ensuring the benefits stream is met	Ongoing benefit realization is achieved through the Operational Business Champion.	Operational Business Champions assigned are being assigned to all new projects. Role expectations are clear and training / support has been provided. LSM has 5 Operational Business Champions assigned.
Align, wherever possible, MPI's processes to industry best practices that are incorporated in vendor provided software	Reduced software costs and adoption of industry best practices	Latest upgrade to bodily injury claims system includes reduction in customization for cost savings. LSM has specific governance to limit impactful customization.
Value management discipline becomes engrained in MPI process and culture and participates through the project lifecycle and beyond	Project decisions are based on the Value Management Process. IT expenditures will only be incurred after a value management assessment has been completed.	Business case process and templates are mature. Value Management throughout the project lifecycle and post project completion, to track benefits to the business case.
IT capabilities are created to support Business Capabilities that are needed in pursuit of a business objective	Business value for IT expenditures	LSM is business driven, with significant contribution by and responsibilities assigned to key business leaders. New investments in agile project delivery focus on business value in shorter iterations.

This IT Strategy is an incremental update from our previous version (June 2018) with an emphasis on supporting the MPI business. This IT Strategy also reflects improved process maturity in several key areas:

- Enterprise Architecture: Increased emphasis on industry frameworks.
- Information Security: Continued alignment to industry frameworks and best practices.
- Agile Delivery: Projects completed with closer partnership with business stakeholders, in faster iterations – reducing time to value.



By design the IT Strategy sets the technology path forward based on the business context, business objectives, and business strategies for the current fiscal year and future years. The IT Strategy then applies guiding principles and considers major influences to develop the business capabilities and IT capabilities required to be successful. Business and IT capabilities are delivered by projects. Successfully implemented projects result in the transfer of business and IT capabilities to operational areas, which leverage and maintain these capabilities.

The Value Management process provides oversight to these projects to ensure they deliver appropriate business value for the investment made, as documented in the business case.

The Enterprise Architecture discipline is applied throughout the strategy to ensure the effective translation of business direction into capabilities, capabilities into projects, and projects into results.

The Enterprise Risk Management discipline, including IT Risk Management, is further matured at MPI and will be used to ensure that capabilities include the appropriate risk monitoring and controls, and that projects effectively identify, plan for, and mitigate delivery risks.

2. Introduction

This IT Strategy uses the concept of capabilities (combinations of people, processes and technologies to achieve a business outcome), to ensure there are effective links between major documents such as the Annual Business Plan to the Corporate Capital Master Summary. The advantage of this approach is that it results in continuity and consistency across multiple parallel initiatives and can be adjusted based upon the approved program portfolio. This compliments the Value Management process / business cases which establish that the proposed projects are prudent and necessary.

The IT Strategy is focused on the current and future needs of the business and captures the key context, considerations and principles which frame this understanding. This includes the following Strategic Priorities:

- Rate Stability and Predictability
- Operational Excellence
- Product and Service Leadership

The IT Strategy then outlines the capabilities to meet these needs and the approach to integrate these capabilities into projects and operations in the 2019/20 fiscal year. The information is organized as follows:

- Business Context, Business Objectives and Strategies; highlights the current context, objectives and strategies for business success which will be considered in this IT strategy
- Major Influences and Guiding Principles; describes several major influencers that need to be considered in the strategy. Reflecting experiences and best practices which are used to guide all IT decisions, and shape the development of business and IT capabilities
- Developing Business and IT Capabilities and Required Capabilities; defines and explains the business and IT capabilities which are required for development through active or yet to be planned projects (aligned to key business objectives and strategies)
- Applying the IT Strategy to Projects and Operations; provides an overview of the methodology, and highlights how the strategy is expected to impact both business and IT capabilities, and the organization in general

3. Business Context

These external drivers will shape our business over the foreseeable future:

- *Changing customer expectations:*
  Customers expect the same enhanced service capabilities, which are oriented toward the customer experience, that they have grown accustomed to from online retailers. These enhanced service capabilities affect the speed (faster responses from insurance companies), access to and quality of service (more self-service and better analytical insight into customer preferences), and product features (more-individualized products and services). These customer expectations vary based upon demographics and require MPI to refine its methods for measuring customer expectations and engagement, and further developing analytic capabilities.

- *Partnerships and the extended enterprise:*
  Product delivery through insurance brokers and physical damage claims services provided by the repair industry are critical to the MPI service delivery model. MPI will continue to be an extended enterprise, reliant upon partners to provide services directly to customers with IT systems acting as the conduit between all parties. These systems need to interoperate with an increasing volume and variety of partner and customer technologies. MPI continues to develop and leverage analytics to measure the value of key cost and service metrics.

- *Traffic Safety Culture:*
  MPI in partnership with Manitoba Infrastructure is pursuing the goal of having the safest roads in Canada, with the specific objective of significantly reducing fatalities on our roadways. This goal is challenged by new trends such as “texting and driving” which impacts claims frequency, as well as impacts which result from the legalization of cannabis. MPI continues to invest in education, control and awareness programs. Integrating technology solutions into these programs allows MPI to reach customers in new ways. Through the use of analytics, program results can be further quantified and improved.

- *Vehicle technology changes:*
  New technologies, such as partial and fully autonomous vehicles and the Internet of Things, are changing the risk landscape for insurance companies. With the potential to affect premiums going forward there is the need to monitor these changes and take appropriate actions to mitigate their associated risks. The near term impact can be seen in physical damage costs as new technologies (ex. automatic parking, pedestrian emergency braking) reduce the frequency of accidents but result in higher severity (aluminum alloys require special tools and training; and in-vehicle technologies increase the cost and complexity of repairs). This requires the technology behind estimating and adjusting solutions to be flexible, continuously updated and consistently available – connecting MPI and its repair partners.

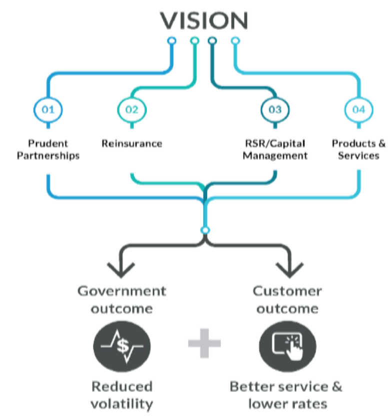
- *Insurance Industry Requirements:*
  The insurance industry is facing changing regulations and in some cases, more supervision by regulators at the federal or global level. This results in stricter solvency capital regulations that are forcing insurers to set aside more capital for the business that they are underwriting, and to increase investments in information and cyber security. MPI needs to continue to monitor these regulatory changes so as to be prepared for and to ensure compliance as required.

4. Business Vision, Mission, and Priorities

MPI's corporate mission and vision highlight how MPI will be successful as a business:

Mission: Exceptional coverage and service, affordable rates and safer roads through effective public auto insurance.

Vision: The trusted auto insurance and driver services provider for every Manitoban



The vision aligns to the three key priorities shared in the 2018/19 IT Strategy:

Objective 1: Rate Stability and Predictability

Strategy: The Basic compulsory insurance program must be operated on a self-sustaining basis with sufficient capital reserves, while maintaining stability, predictability and affordability. Strategic focus will be on risks, opportunities and threats which materially impact this goal; such as agreement negotiations with brokers and the repair industry, investment and capitalization strategies, claims control programs, and management of enterprise risk and related safeguards such as reinsurance.

Outcome: Reduced Volatility

Objective 2: Operational Excellence

Strategy: The Corporation will continue to demonstrate fiscal prudence and sound financial management practices streamlining operations. This strategy will be supported by capital projects and major technological initiatives will focus on supporting and optimizing core business functions, including ensuring the Corporation's ability to adapt appropriately to changes in the auto insurance and registration environment. These enterprise wide activities include modernizing legacy systems.

Outcome: Lower Rates

Objective 3: Product and Service Leadership

Strategy: The Corporation will continue to evolve to address the changing needs of Manitobans. This will be facilitated through the review and refinement of the existing product suite, the implementation of a customer needs and experience framework, and by creating an overall roadmap for online services, in partnership with key stakeholders.

Outcome: Better Service

Clearly defined business priorities, backed by strategies to achieve them, are the first step in defining the business capabilities required for success. Section 6 outlines key considerations which help MPI guide the selection and prioritization of new capabilities. Section 8 outlines those capabilities and the need for changes and improvements to ensure success.

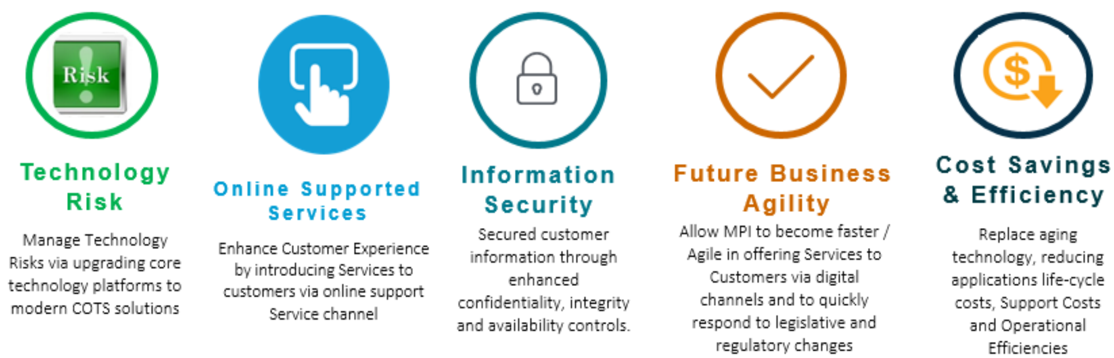
5. Major Influences

The following projects and processes have a significant impact on many business and IT capabilities proposed in this strategy. A brief summary of each and their impacts is highlighted here:

Legacy Systems Modernization

MPI's LSM initiative is a corporate initiative aimed to modernize MPI core legacy systems, to deliver MPI products and services to personal and commercial customers with greater business agility, and improved customer experience while reducing MPI's technology risk.

The LSM program is the result of assessments performed for MPI by two independent consulting firms (Deloitte and Avasant) who produced recommendations for a "Case for Change" to modernize MPI's Legacy systems – to address the following key areas:



The program operates within the following strategic guiding principles (adapted from the IT Strategy)

Strategic Theme	Guiding Principle
Focus on the Core	The design will prioritize MPI's core lines of business, ensuring a strong foundation while enabling long-term improvement and exploration through adjacent opportunities as required.
Agility & Adaptability	The design will enable MPI to rapidly adapt to regulatory and market changes through agile modular deployment capabilities of offerings and securely integrate systems as required in the future to provide for more responsive, rapid and cost-effective to changing business needs
Drive Operational Efficiency	The design will promote financial discipline, operational efficiency, effectiveness and consistency of processes, systems, and organizational structure, considering total cost of ownership
Emphasize Customer Experience	The design will enable trusted high-quality customer experiences focused on value based offerings with efficient online support service capabilities for both brokers and end-customers
Prioritize Simplicity	The design will leverage out-of-the-box solutions and avoid customization to drive simplicity while balancing customer experience, security and facilitating system flexibility for future features
Actionable Implementation Plan	The design will focus on an actionable mix of quick wins and longer term designs to gain financial and non-financial benefits in a timely manner and demonstrate real and meaningful change
Security by Design	The solution design will ensure security and privacy principles are integral in the solution. This supports Confidentiality, Integrity, Availability and Accountability principles built into the solution design protecting information entrusted to and generated by MPI as well as supporting legislative and regulatory requirement.

The business objectives of MPI's LSM initiative is to modernize current in-house applications and technology footprint (e.g. AOL, DLS, CARS) used today to deliver services for - personal and commercial automobile insurance, driver licensing, vehicle registration and associated registries, physical damage claims.

- **Stable Technology Platform** - reduce technology risks/technology debt by moving to modern technology and infrastructure.
- **Agility in delivery of features and capabilities to address business needs** - implement changes to systems and processes in a timely / agile methodology leveraging new tools and technologies.
- **Cost Savings and Operational Efficiencies** – optimize service delivery and bring operational efficiencies by moving MPI services into new custom off the shelf (COTS) applications for Property and Casualty (P&C), Driver Licensing and Vehicle Registration.
- **Availability and Portability for External Partners/Customers** - to provide around the clock availability via desktop and mobile platforms for accessing the new COTS applications for P&C, Driver Licensing and Vehicle Registration.
- **Automation of Special Risk Extension (SRE)** –replace manual SRE insurance product offerings with automated processes for faster quote to bind lead time and leverage operational efficiencies.
- **Secured Solution** – Address the security deficit in legacy information systems by establishing modernized platforms and services that align with MPIs security architecture and code of best practices in support of MPI's target maturity model.
- **Customer Experience** - transform customer experience by introducing online supported service options for high volume transactions (where possible).

The key drivers for program success are:

Key Drivers to Successfully Realize the Business Vision
Committed Stakeholders – Key project stakeholders (Internal and External), Sponsors and MPI board are committed to the business case, the project requirements and success measurements.
Tangible Business Benefits Realized – Benefits are documented and agreed upon (see the business case), tangible business benefits (i.e. quantitative and non-quantitative) and measurements (i.e. success criteria) are in alignment with MPI value management and the achievement of those benefits are tracked and accurately measured.
Manage Program Risks (Risk Management & Mitigation Strategy) – Program Risks are identified with respect to resources, schedule and scope. Clear risk communication channels are defined, and work schedule predictability is monitored by MPI delivery and governance teams. Identified risks are mitigated with appropriate mitigation strategies i.e. risk transfer or risk retention.
High Skilled Team – Program implementation teams include the right people in the right roles. Experienced and highly talented individuals from MPI internal divisions are utilized, team performance and collaboration is closely monitored by the Program delivery and governance teams.
Realistic and Manageable Scope – Scope is realistic, the outcomes are clearly defined and MPI change management and stakeholder management processes are in place.
Delivery Approach and Governance Model – Utilize an Agile Approach to align with product and implementation vendors, reduce delivery risks and improve delivery times.
Organization Readiness – MPI as an organization must be ready to adopt the new change in the form of legacy modernization by planning appropriate Resource Capacity required for this initiative. Moreover, help, educate and train external/internal stakeholders for this upcoming change/transformation.

Information Security and IT Risk Management Processes

Mature Information Security and IT Risk Management are critical to the success of the modern corporation due to the complex and changing IT and information security risk landscapes. Effective governance and oversight must exist to continually identify threats, evaluate risks, and to enhance controls and capabilities. To guide these activities, MPI has formed the Information Security Office (ISO) which manages three key governance functions: Information Security, IT Risk and Compliance management and Information Security Architecture. The focus areas for ISO in 2019/20 include:

- Establishment of an Information Security future state maturity target (approved in Q1 2019) which considers industry peers' maturity and includes the review of information from the Office of the Superintendent of Financial Institutions (OSFI).
- Deliver security initiatives in alignment with the National Institute of Standards and Technology (NIST) security services model to achieve the target maturity level. In parallel, MPI initiated plans to address its security deficit through modernization of legacy systems and environments.
- MPI's Corporate Information Security Office (CISO) has an established accountability and independence through dual reporting lines which includes the Technology Committee of the MPI Board of Directors.

Data and Analytics Processes

MPI Data and Analytics Functions operate as a series of virtual teams (referred to as the Data / Analytics Ecosystem), supported by a Business Analytics centre of excellence which provides corporate services related to Data Warehousing, Dashboards and Visualizations, and Advanced Analytics. In 2018/19 the focus was on delivery, understanding and improving the use of data by and between departments. In 2019/20, the focus is on better data governance, ensuring consistent responses are provided by the right teams, from easily sourced and trusted data.

Technology Risk Management Program

The Technology Risk Management program provides regular investment in technology systems and processes. This ensures that existing technologies stay on supported versions, and technology risks are addressed through process and technology improvements. Investments are identified and prioritized annually. The 2019/20 program budget will be spread across 4 key areas: Application Risk Management, Infrastructure Risk Management, Information Security Risk Management and Risk Registry Remediation. Investments in 2019/20 include the disaster recovery testing, upgrade of corporate e-mail services, and the upgrade and/or replacement of significant parts of the IBM managed IT infrastructure (including network and servers). These projects will require careful planning and coordination to minimize any downtime associated with the changes.

Enterprise Architecture Process

Enterprise Architecture (EA) is the discipline of proactively and holistically understanding business and IT capabilities by identifying and analyzing the execution of change toward the desired business vision and outcomes. EA actively integrates business plans, business capabilities, IT capabilities, and leverages industry best practices and MPI guiding principles to ensure consistency and efficiency across the enterprise. EA delivers value by presenting business and IT leaders with complete recommendations for adjusting processes and projects to achieve business outcomes that align to the business plan.

MPI is actively pursuing improvements to its EA process maturity as a way to reduce the risk and cost associated with implementation of the key business strategies. The additional detail found in the business capability and IT capability models in this document are an example of these improvements. EA involves Business Architecture, Technical / Data Architecture, and Security Architecture. EA is a critical process to the development and maintenance of the IT Strategy.

Agile Delivery

MPI recognized that in replacing the core legacy systems, the way these systems need to be configured and delivered also needed to change. MPI has determined that adopting agile design and delivery practices are key to providing business value and to effectively work with any modern platform provider.

MPI started its agile journey in 2018 with a pilot project (one application and one team). Based upon the success of this pilot, agile adoption has expanded further, while integrating lessons learned along the way. The MPI agile capability is now guided by a working group which monitors initiatives (such as the deployment of MPI's new website in an agile method) and recommends further opportunities. With itsfocus on continuous improvement and increasing the number of practitioners, MPI prepares to work with new solution vendors and service providers on the LSM program.

6. Guiding Principles

Guiding principles represent distilled organizational knowledge and best practices acquired through experience and are used to support organizational decision making. This knowledge was collected and considered as part of the preparation of this strategy, and will be used to guide the development of business and IT capabilities.

Business Guiding Principles

This strategy leverages the following guidance from the MPI Business Plan:

- The Basic compulsory insurance rates will be kept as stable, predictable and affordable as possible.
- The Corporation will continue to be proactive in preparing for structural changes in the automobile industry and collaborating with Manitoba's vehicle collision repair industry to ensure that vehicles damaged in motor vehicle collisions are properly repaired to original manufacturer specifications. The Corporation is also expected to evolve its business model to prepare for the anticipated introduction of autonomous vehicles.
- The Corporation will continue to invest in Manitoba where prudent, recognizing that doing so provides jobs to Manitobans and results in broader contributions to the provincial economy through the Corporation's relationships with strategic partners.
- The Corporation will continue to hire and train employees predominantly in Manitoba with a commitment to excellent service.
- The financial affairs of the Corporation will be managed in a manner that will not adversely impact the consolidated financial statements of the Province of Manitoba.

Information and Technology Guiding Principles

MPI maintains a comprehensive set of IT principles, the key principles applicable to this strategy include:

- EA shall align solutions with the Corporation's mission and vision to maximize business value while providing business agility and adaptability while reducing complexity and total cost of ownership.
- IT services of the Corporation shall be governed and managed centrally.
- IT services and solutions shall be secure by design and evolve with the Corporation's security, privacy and business continuity policies, standards and requirements to ensure information is appropriately safeguarded.
- Technology solutions shall leverage industry proven technologies and shall be maintained such that they align within the vendors' supported set of technologies and best practices.
- Commercial off the shelf solutions shall be considered before in-house custom development.
- Cloud based solutions shall be preferred over on premise solutions where there is a business benefit which offsets any added information security risks and mitigating controls.
- IT services and solutions shall provide high-quality customer experiences focused on value based offerings with efficient online support service capabilities for customers.

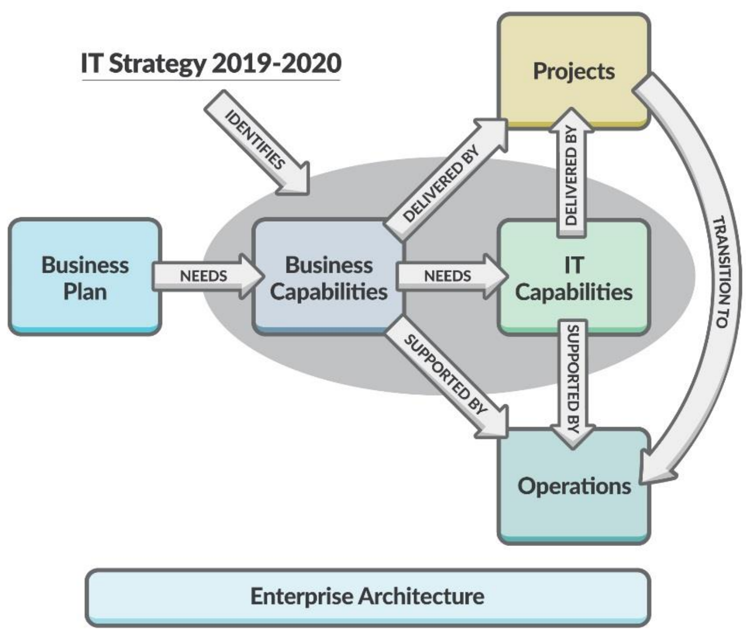
7. Developing Business and IT Capabilities

EA identifies two concepts (Business Capability and IT Capability) which enable the connection between business strategy, objectives and specific IT initiatives:

- Business Capability: A business capability refers to a combination of resources (people, organizational structures, assets, systems, technologies and partnerships) that are necessary to reach the future state described by the business strategy. For MPI, the business strategy is included in the 2019/20 Business Plan.
- IT Capability: An IT capability refers to a combination of resources (people, organizational structures, assets, systems, technologies and partnerships) that are necessary to support a business capability. For MPI, IT projects are completed to add or change IT capabilities.

MPI continues to invest operational effort towardestablishing and advancing EAbased upon industry best practices.

The MPI Business Plan summarizes the needs of the corporation for the next fiscal year. These needs are met using a combination of people, processes and technology to achieve the intended business result. Within this IT Strategy, MPI has shared the business and IT capabilities which will achieve the top business objectives. The next section illustrates that business capabilities may exist independently, or may be supported by one or more technology solutions, each with their own requirements for people, process, and technology. These have been referred to in this strategy as IT capabilities. MPI deploys new capabilities via projects, and then transfers ongoing support, maintenance and continuous improvement of capabilities to operational departments.



The IT Strategy illustrates how business priorities (outlined in the Business Plan), translate into business capabilities and IT capabilities, and will be delivered by projects and supported by operations. Each major project in the Corporate Capital Master Summary has a business case associated with it, which outlines the specific needs of the business. These needs can be translated into business capabilities which can be linked back to this IT Strategy.
New to 2019/20, MPI has leveraged an industry taxonomy to identify / standardize the business capabilities. As part of the EA work completed during the Legacy Modernization Assessment Project,

the following business capabilities were documented: Those highlighted in tan ( ) represent the set of capabilities reviewed and documented so far. The items in light gray ( ) will be documented further by subsequent projects. For example, the Financial Management capabilities will be documented by the Finance Re-Engineering program.

Property & Casualty Administration					Driver and Vehicle Administration				Shared & Corporate Services				
Policy Management	**Product Management**	**Re-Insurance**	**Bodily Injury Claims Management**	**Physical Damage Claims Management**	**Driver Licensing**	**Identification Management**	**Vehicle Registration**	**Road Safety**	**Billing Management**	**Broker / Partner Management**	**Reporting and Analytics**	**Customer Management**	
Policy Quotes/ Estimator	Product Assessment	Loss Reserve Management		First Notice of Loss (FNOL)	Enhanced Driver's License (EDL) Management	Personal Identification Management	Vehicle Registration	Driver Education	Billing Plan Definition & Mgmt.	Assessment & Registration	Customer Categorization and Segmentation	Complaints / Disputes	Corporate Planning
Bind and Issue	New Product Design/ Development			Claim Segmentation/ Triage	Driver's License (DL) Management	Corporate Identification Management	Vehicle Inspection	Driver Fitness and Medical Compliance Assessment	Payment Plan Definition & Mgmt.	Commission Setup and Calculation	Product and Service Delivery	Customer Contact Centers	Corporate Audit
Risk Rating and Pricing	Product Life-cycle Management			Claims Case Planning & Monitoring	Road and Knowledge Test	Identity Card Management	License Plate Management	Driver Safety Services Program	Billing Account Management	Training & Development	Digital Analytics – Self-Service and online Channels	Contact Management	Actuarial & Risk Management
Underwriting				Claims Subrogation / Recoveries	Violation Ticket Process and Disputes		Commercial Vehicle Registration (SRE)	Driver Improvement and Control	Account Billing Method Management	Billing / Payment	Pricing and new product demand forecasting	Customer Service Management	Facility Management
Renewals				Claim Investigation	Driver Safety Rating (DSR)		International Registration Plan (IRP)		Payment Management	Relationship Management	Operational KPIs and reporting		Human Resource Management
Policy Changes				Claims Adjudication / Evaluation	License Suspension				Disbursements & Refunds	Remuneration & Rewards			Financial Management
Fleet Audits				Claims Benefits Administrating & Payment					Delinquency Management	Performance & Agreement Management			Content & Document Management
Account Management				Claim Dispute Resolution Management					Financial Account Management				Digital Engagement
Issue Autopac Extension				Claim Quality Management					Billing Document Production				Special Investigations
				Claim Fraud Management					Billing Issue / Exception Management				Business Continuity Management
				Claim Reserve Management					Billing IRP				Information Technology Management
				Physical Loss Recovery									Information Security Management
				Repair Research & Training									

This following table illustrates, at a high level, the expected impact of the LSM program on MPI business capabilities.

- Represents capabilities that are changing
- Represents capabilities that are being impacted by change
- Represents capabilities that are not impacted

Property & Casualty Administration					Driver and Vehicle Administration				Shared & Corporate Services				
Policy Management	Product Management	Re-Insurance	Bodily Injury Claims Management	Physical Damage Claims Management	Driver Licensing	Identification Management	Vehicle Registration	Road Safety	Billing Management	Broker / Partner Management	Reporting and Analytics	Customer Management	
Policy Quotes/ Estimator	Product Assessment	Loss Reserve Management		First Notice of Loss (FNOL)	Enhanced Driver's License (EDL) Management	Personal Identification Management	Vehicle Registration	Driver Education	Billing Plan Definition & Mgmt.	Assessment & Registration	Customer Categorization and Segmentation	Complaints / Disputes	Corporate Planning
Bind and Issue	New Product Design/Development			Claim Segmentation/ Triage	Driver's License (DL) Management	Corporate Identification Management	Vehicle Inspection	Driver Fitness and Medical Compliance Assessment	Payment Plan Definition & Mgmt.	Commission Setup and Calculation	Product and Service Delivery	Customer Contact Centers	Corporate Audit
Risk Rating and Pricing	Product Life-cycle Management			Claims Case Planning & Monitoring	Road and Knowledge Test	Identity Card Management	License Plate Management	Driver Safety Services Program	Billing Account Management	Training & Development	Digital Analytics – Self-Service and online Channels	Contact Management	Actuarial & Risk Management
Underwriting				Claims Subrogation / Recoveries	Violation Ticket Process and Disputes		Commercial Vehicle Registration (SRE)	Driver Improvement and Control	Account Billing Method Management	Billing / Payment	Pricing and new product demand forecasting	Customer Service Management	Facility Management
Renewals				Claim Investigation	Driver Safety Rating (DSR)		International Registration Plan (IRP)		Payment Management	Relationship Management	Operational KPIs and reporting		Human Resource Management
Policy Changes				Claims Adjudication / Evaluation	License Suspension				Disbursements & Refunds	Remuneration & Rewards			Financial Management
Fleet Audits				Claims Benefits Administrating & Payment					Delinquency Management	Performance & Agreement Management			Content & Document Management
Account Management				Claim Dispute Resolution Management					Financial Account Management				Digital Engagement
Issue Autopac Extension				Claim Quality Management					Billing Document Production				Special Investigations
				Claim Fraud Management					Billing Issue / Exception Management				Business Continuity Management
				Claim Reserve Management					Billing IRP				Information Technology Management
				Physical Loss Recovery									Information Security Management
				Repair Research & Training									

MPI will continue to develop its IT capability model. Efforts will focus on defining the IT capabilities which reside in current systems, and then mapping those capabilities to the business capabilities they support. As part of this exercise, MPI will identify capabilities which overlap and look at opportunities to streamline / optimize. In the interim, MPI will use the same approach to the 2018/19 IT Strategy to describe IT capabilities.

8. Required Business and IT Capabilities

The following key capabilities are under development, with most starting within the 2019/2020 fiscal year.

8.1 Deliver online services and improve operations through modernized systems and processes

Business Priority: Operational Excellence, Product and Service Leadership

Business Capabilities: Policy Management, Product Management, Physical Damage Claims Management, Driver Licensing, Identification Management, Vehicle Registration, Billing Management, Broker / Partner Management, Customer Management (Contact Management), Digital Engagement, Reporting and Analytics (impact to be confirmed)

IT Capabilities: Ability to deliver services using new technologies, delivery models (agility), and to effectively engage and manage new strategic technology partners. Additional focus / emphasis will be placed on governance, value management, enterprise architecture and program delivery practices.

Related Project(s): Legacy Systems Modernization

8.2 Increase efficiency and effectiveness of corporate financial reporting processes and controls

Business Priority: Operational Excellence

Business Capabilities: Financial Management, Billing Management

IT Capabilities: The existing financial platform will be further reviewed to confirm it can perform the business functions required, and can be augmented with additional solutions as required and feasible. As part of the assessment, vendor and industry best practices will be reviewed to identify opportunities to meet business needs and further leverage platform capabilities. IT capabilities will include technology solutions to facilitate self service capabilities and process automation opportunities.

Related Project(s): Financial Re-Engineering (FRE)

8.3 Increase efficiency and effectiveness of key corporate processes

Business Priority: Operational Excellence

Business Capabilities: Identification Management, Physical Damage Claims Management (Physical Loss Recovery, Claim Dispute Resolution Management), Vehicle Registration (Vehicle Inspection), Digital Engagement

IT Capabilities: Ability to deliver services using new technologies that are integrated with an ecosystem of partners and technologies. Additional focus / emphasis will be placed on information security, operating models (cloud technologies) and data governance.

Related Project(s): Identity Management Upgrade

8.4 Transform the Driver's Education Program to modern learning tools, media, introduce social media collaboration

Business Priority: Product and Service Leadership

Business Capabilities: Road Safety (Driver Education)

IT Capabilities: These business capabilities require new skill sets within MPI and new technical capabilities (web development for mobile devices, including standards for accessibility, as well as enhanced testing). These platforms also have a higher expectation for availability (24/7 operation), which require different types of support and transaction processing to avoid downtime. These activities also generate new types of transactions and related meta-data which require different solutions to track and manage in ways that are secure and efficient.

Related Project(s): High School Driver's Education Program

8.5 Ensure consistent and necessary investments in Information Security Resiliency and IT Risk Management

Business Priority: Rate Stability and Predictability, Operational Excellence

Business Capabilities: Information Security Management, Information Technology Management, Business Continuity Management

IT Capabilities: This requires the introduction of new IT capabilities throughout the lifecycle of a system. This begins with requirements, design, and development, including security requirements and review throughout. It continues into testing and through implementation, ensuring no security gaps exist when a project is deployed into production. This continues with regular reviews to ensure operational activities reduce risks consistently (ex. system patching and defect fixes), and do not create new security vulnerabilities. Monitoring capabilities are enhanced to look for known threats and unusual patterns of behavior (emerging threats or MPI specific attacks). MPI is also expanding its delivery capabilities, using agile processes to more closely align delivery timelines and outcomes to business needs. LSM will have a major impact on these capabilities, introducing new platforms and partners which need to be secured and managed.

Related Project(s): Technology Risk Management, Credit Card Strategy, BI3 Fineos Upgrade, Infor Major Upgrade 2022, Information Security Maturity

8.6 Complete market and stakeholder analysis to ensure continued product excellence

Business Priority: Product and Service Leadership

Business Capabilities: Policy Management, Product Management

IT Capabilities: Leverages existing capabilities to manage system configurations and reporting.

Related Project(s): AOL PUB Release, Basic Product Reviews, Insertions of Work

9. Applying the IT Strategy

Overview

The IT Strategy outlines both the business and IT capabilities which will be required to achieve corporate objectives. Implementation of this strategy cannot occur in isolation and must occur in the context of:

Organizational Impact

Executing the LSM program, a reduced portfolio of initiatives, and operational activities necessary to achieve MPI's business objectives will have a major impact on MPI staffing and will require continued focus and prioritization. To facilitate this, the corporation has aligned each division's objectives to the corporate vision and priorities and continues to mature key corporate practices:

- Value Management: Value Management continues to play an integral part of the IT business case creation process. In addition to vetting business cases that form part of the IT Capital and Operational budgets, Value Management also focuses on tracking and reporting changes to the business case that arise during the project through the Change Request and Decision Request process. These updated business cases are the basis for Value Management's measuring of achieved value of completed initiatives. The Value Management Office has been an active party in the creation, iteration and review of the LSM business case. A dedicated Value Management resource will be assigned to the monitoring of the objectives, costs, benefits, risks and assumptions that underline the Net Present Value estimates of LSM and all significant changes will be part of the regular project status reporting.
- Program Governance: All key projects now have an Operational Business Champion (OBC), accountable for the achievement of the business case and responsible for making key decisions on the initiative (in consultation with Executive Sponsors). Due to its size and complexity, LSM has five (5) OBCs contributing different business (4) and technical (1) expertise to project decision making. To further support LSM program governance, an independent party is being hired to perform oversight of this function.
- Advanced Procurement and Contract Negotiation Processes: IT Vendor Management (consolidated in 2017/18) has leveraged its improved Request For Proposal development and execution process for over 20 different RFPs, including the P&C solution (a key part of the LSM program).

Changing roles, skills, and priorities to support business and IT capabilities

As part of continued operational improvements, MPI is executing an external labour strategy to ensure MPI transitions knowledge and skills from external contractors / consultants to internal staff, as well as a contingent workforce strategy to secure a widening variety of resources at market competitive rates.

As part of LSM, MPI will determine the long term volume and mix of resources required to support its critical applications and propose a new staffing strategy to align to the long term corporate requirements. To ensure an effective transition from current to future platforms, MPI will be heightening its use of internal resources on projects. This will be accommodated by significantly reducing time / efforts in the remediation of outstanding, non-critical defects on platforms targeted for replacement. This will also ensure that at program completion, MPI has the knowledge and skills required to support these platforms without reliance on contractors in operational roles.

Delivering projects which result in new / enhanced IT and business capabilities

To support the deployment of the business and IT capabilities identified in section 8, some projects will require an additional delivery approach which provides more agility and provides value sooner. The existing delivery model focuses on structure, rigor and consistency and has a formal progression of steps including:

- Production of detailed business requirements
- Detailed technical requirements and solution designs
- Comprehensive testing and implementation
- Solution delivery and warranty

MPI is currently adopting an agile methodology which can operate in parallel and focuses on rapid delivery of business value in small iterations. Agile methodology allows MPI to bring solutions to production more quickly. Pilot activities in 2018/19 have been successful, and provided MPI with practical experience which will be critical to effectively working with vendors on the LSM program. As part of LSM: Property and Casualty solution RFP and demos, all vendors leverage agile delivery techniques to implement their solutions.

Ongoing Oversight and Governance

Developing this IT Strategy continued to provide MPI with the opportunity to confirm the alignment of the business plan, business capabilities, IT capabilities and IT projects. The result is a single document which succinctly links the MPI business plan, business strategy, key business process documentation, and project documents (such as business cases and project / program charters) resulting in increased transparency and clarity. This document is used within MPI to guide project and operational teams.

EA concepts and practices continue to be critical to the development of this strategy. As seen in this document, EA process maturity continues to improve, and further clarity on future business and IT capabilities have resulted in improved maturity of our models and roadmaps.

On an annual basis, MPI will update this strategy to reflect the progress made and any changes required to maintain alignment to the Corporation's business plan.

Shadow Portfolio 1
Basic (including RRBs)

	Asset Class	Asset Allocation Weights (%)	Mar-19 Returns (%)	Apr-19 Returns (%)	March-April 2019 Returns (%)
Fixed Income	Real Return Bonds	24.0%	4.13%	0.16%	4.30%
	Mid-Term Provincials	27.0%	2.07%	0.13%	2.20%
	Long-Term Provincials	9.0%	4.69%	-0.79%	3.86%
	Mid-Term Corporate	9.0%	2.18%	0.52%	2.71%
	Long-Term Corporate	11.0%	3.88%	-0.20%	3.67%
	MUSH Bonds	20.0%	3.12%	-0.32%	2.79%
	Total	**100.0%**			**3.18%**

Notes:

For Real Return Bonds, the monthly returns of the RRB Canada Index were applied.

For other asset classes, the returns were based on the benchmarks as defined in the Investment Policy Statement for each investment portfolio (effective July 31, 2018).

Shadow Portfolio 2
Basic (Unconstrained)

	Asset Class	Asset Allocation Weights (%)	Mar-19 Returns (%)	Apr-19 Returns (%)	March-April 2019 Returns (%)
Fixed Income	**Short-Term Provincials**	22.0%	0.86%	0.22%	1.08%
	Mid-Term Provincials	10.0%	2.07%	0.13%	2.20%
	MUSH Bonds	10.0%	3.12%	-0.32%	2.79%
	Private Debt-Universe	15.0%	2.35%	-0.10%	2.25%
	3X Real Return Bonds	16.0%	12.13%	0.20%	12.35%
Public Equities	**Canadian Equity**	13.0%	0.72%	2.70%	3.43%
	Private Equity	5.0%	1.01%	3.22%	4.27%
Alternatives	**Real Estate**	7.0%	1.00%	0.77%	1.77%
	Infrastructure	2.0%	1.08%	0.85%	1.94%
	Total	**100.0%**			**3.87%**

Notes:

The 3X Real Return Bonds returns were based on the monthly returns of the RRB Canada Index and borrowing costs at the 90 day T-bill rate.

The 1% allocation to the Diversified Growth Fund was added to the 5% Real Estate allocation.

For Private Equity, the returns of the S&P/TSX Total Return Index were assumed.

For other asset classes, the returns were based on the benchmarks as defined in the Investment Policy Statement for each investment portfolio (effective July 31, 2018).

Shadow Portfolio 3
Pension (including RRBs)

	Asset Class	Asset Allocation Weights (%)	Mar-19 Returns (%)	Apr-19 Returns (%)	March-April 2019 Returns (%)
Fixed Income	**Real Return Bonds**	10.0%	4.13%	0.16%	4.30%
	Long-Term Corporate	10.0%	3.88%	-0.20%	3.67%
	Private Debt-Long	20.0%	4.50%	-0.73%	3.74%
Public Equities	**Canadian Equity**	10.0%	0.72%	2.70%	3.43%
	Global Equity (large cap)	18.0%	2.91%	3.89%	6.91%
	Global Equity (low vol)	7.0%	2.91%	3.89%	6.91%
Alternatives	**Real Estate**	15.0%	1.00%	0.77%	1.77%
	Infrastructure	10.0%	1.08%	0.85%	1.94%
	Total	**100.0%**			**4.07%**

Notes:

Global Equity (large cap) and Global Equity (low vol) returns were based on the returns of the MSCI Net World Index in USD converted into CAD.

For other asset classes, the returns were based on the benchmarks as defined in the Investment Policy Statement for each investment portfolio (effective July 31, 2018).

Shadow Portfolio 4
Pension (Unconstrained)

	Asset Class	Asset Allocation Weights (%)	Mar-19 Returns (%)	Apr-19 Returns (%)	March-April 2019 Returns (%)
Fixed Income	**Mid-Term Provincials**	20.0%	2.07%	0.13%	2.20%
	MUSH Bonds	10.0%	3.12%	-0.32%	2.79%
	Private Debt-Universe	15.0%	2.35%	-0.10%	2.25%
Public Equities	**3X Real Return Bonds**	8.5%	12.13%	0.20%	12.35%
	3X Long-Term Provincials	18.5%	13.81%	-2.65%	10.79%
	Canadian Equity	14.0%	0.72%	2.70%	3.43%
	Private Equity	6.0%	1.01%	3.22%	4.27%
Alternatives	**Real Estate**	3.0%	1.00%	0.77%	1.77%
	Infrastructure	5.0%	1.08%	0.85%	1.94%
	Total	**100.0%**			**4.99%**

Notes:

The 3X Real Return Bonds returns were based on the monthly returns of the RRB Canada Index and borrowing costs at the 90 day T-bill rate.

The 3X Long Term Provincials returns were based on the monthly returns of the Long Term Provincial Index and borrowing costs at the 90 day T-bill rate.

For Private Equity, the returns of the S&P/TSX Total Return index were applied.

For other asset classes, the returns were based on the benchmarks as defined in the Investment Policy Statement for each investment portfolio (effective July 31, 2018).

HEALTH WEALTH CAREER

SHADOW PORTFOLIOS ALIGNED WITH PUB ORDERS 11.17 AND 11.19

MANITOBA PUBLIC INSURANCE

8 MARCH 2019 (UPDATED 29 MAY 2019)

Dave Makarchuk **Angelo DiNoto** **Mariusz Wielocha**

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SHADOW PORTFOLIOS ARE A REQUIREMENTS OF PUB ORDERS 11.17 AND 11.19

11.17 The Corporation shall run shadow portfolios for the Basic and Pension portfolios, effective March 1, 2019, with the inclusion of Real Return Bonds as part of an optimal bond portfolio mix. The Corporation shall consult with the Board on the selection and management of the assets chosen for the shadow portfolios.

11.19 The Corporation shall immediately engage Mercer to run shadow portfolios for Basic and Pension effective March 1, 2019, without the constraints imposed by the Corporation, and file Mercer's report in that regard in the 2020 GRA.

Identify 2 Shadow Portfolios each for Basic and Pension consistent with the PUB orders:

Shadow Portfolios 1: Bond Portfolio with RRB’s and modest credit risk
Shadow Portfolios 2: Unconstrained Portfolio

GENERAL CONSIDERATIONS/ASSUMPTIONS

- Basic Portfolio has evolved since the AL Study:
  - May 2018 Discount Rate methodology change
  - Periodically adjusted, as mandated by MPI's Operational ALM Policy
  - Replacing MUSH with Private Debt – Universe

- To maintain comparability/consistency with the AL Study, we used:
  - Mercer August 2017 Forward Curve Capital Market Assumptions
  - Real Liability Benchmarks used in the AL Study
  - Pre-ALS study "Current" asset mix portfolio (noted as "2017 Current")
  - Full set of asset classes, where applicable
  - "Minimally Constrained" approach to allocations (satisfies required level of liquidity)

FULL SET OF ASSET CLASSES CONSIDERED

	Return Seeking	Inflation Sensitive	Interest Rate Sensitive
Broad Markets	**Canadian Equity** US Equity **EAFE Equity**	Real Return Bonds 3x Real Return Bonds	Cash MUSH Bonds Provincial Bonds Federal Bonds Canadian Corporate Bonds 3X Long Provincial Bonds
Other Markets	Emerging Markets Equity Global Low Volatility Equity		Global Bonds High Yield Bonds Emerging Market Debt
Alternative Investments	Private Equity Diversified Growth Fund	Infrastructure – Direct Global Real Estate - Direct Cdn	Private Debt – Universe Private Debt – Long Commercial Mortgages Long Comm. Mortgages

Asset classes already included in the target asset mix

Additional asset classes included in the analysis as suggested by Mercer (approved by MPI Investment Committee)

RECALL FROM NOVEMBER 2017
CONSTRAINTS

- Practical and reasonable modelling approaches and constraints are necessary. Mercer recommendations on modelling are as follows:

  ✓ U.S./EAFE/Emerging Markets Equity should be bundled into a single ACWI[1] equity mandate

  - Single ACWI mandate provides greater mandate efficiency, affordability
  - Expands equities to include Emerging Markets Equity (note: Samsung is an example)
  - Allows the manager to select best in class stocks without artificial geographic boundaries (i.e., attaching a multinational company to a single country)

  ✓ Global Bonds/High Yield Bonds/Emerging Market Debt (one-third each), hereafter referred to as Growth Fixed Income

  - Diversified package of liquid bonds which diversifies return and risk sources of the Growth Portfolio

ACWI is All Country World Index. MSCI ACWI is currently about 54% US, 32% EAFE, 12% Emerging Markets and 3% Canadian Equity.

RECALL FROM NOVEMBER 2017
MINIMALLY CONSTRAINED APPROACH - PARAMETERS

Asset Class	Single	Group
MUSH Bonds Private Debt Commercial Mortgages	Min. 10% of total portfolio	Max. 25% of total portfolio
Real Estate Infrastructure Private Equity Growth Fixed Income		Not exceed Equity portfolio

BASIC
REAL LIABILITY BENCHMARK

IDENTIFY PORTFOLIO FOR BASIC SHADOW 1

SHADOW PORTFOLIO 1: BASIC (including RRBs)

This is a Bond Portfolio with RRB's and modest credit risk.

	2017 Current	A: Lowest Risk	B: Basic.3	C: Basic.5
Fixed Income	70.0%	100.0%	100.0%	100.0%
Treasury Bills	--	26.0%	--	--
Real Return Bonds	--	64.0%	--	24.0%
Short-term Bonds (Prov)	6.5%	--	--	--
Mid-term Bonds (Prov)	12.0%	--	28.0%	27.0%
Long-term Bonds (Prov)	29.5%	--	32.0%	9.0%
Mid-term Bonds (Corp)	2.0%	--	9.0%	9.0%
Long-term Bonds (Corp)	--	--	11.0%	11.0%
MUSH Bonds	20.0%	10.0%	20.0%	20.0%
Private Debt - Universe	--	--	--	--
3X Real Return Bonds	--	--	--	--
Public Equities	15.0%	--	--	--
Canadian Equity	10.0%	--	--	--
U.S. Equity	5.0%	--	--	--
Alternatives	15.0%	--	--	--
Private Equity	--	--	--	--
Real Estate	10.0%	--	--	--
Infrastructure	5.0%	--	--	--
Diversified Growth Fund	--	--	--	--
Risk/Return Metrics				
Expected 10-Year Return	4.2%	2.5%	3.1%	3.1%
Surplus Volatility	3.8%	0.3%	4.5%	3.2%
Information Ratio (Excess Return/Risk)	0.47	0.18	0.17	0.22

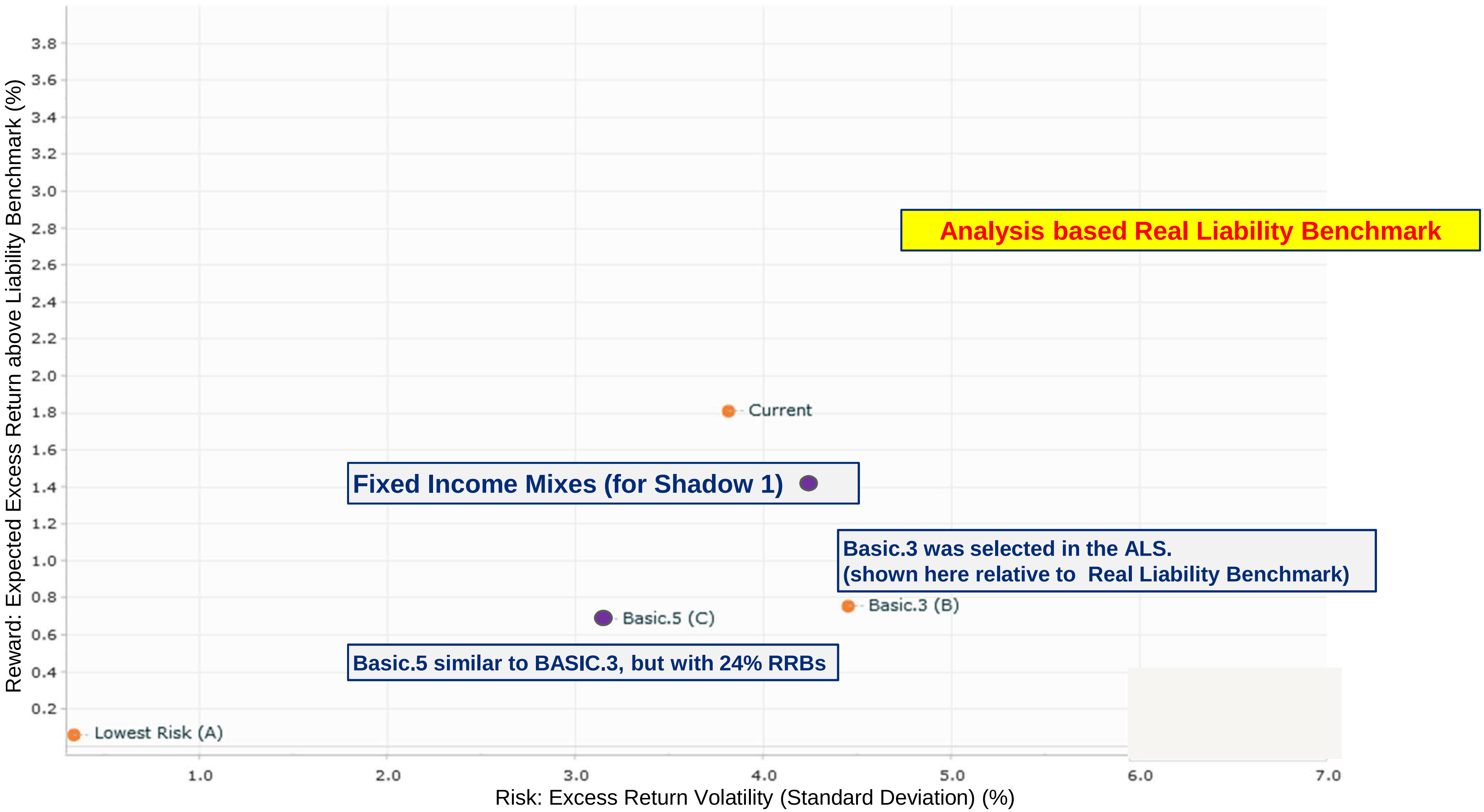
Analysis based Real Liability Benchmark

Basic.5 RRB Allocation
Given the relatively small size of the RRB market in Canada and the dollar size of Basic, RRB allocation was constrained to 24%. See Appendix for RRB Market Considerations.

Fixed Income Mixes (for Shadow 1)
BASIC.3 was selected during the AL Study
BASIC.5 is a variation of Basic.3, if the Real Liability Benchmark is selected and similar credit risk is taken.

Note: Expected 10-year (geometric) return of liability benchmark is 2.4%

REWARD/RISK
BASIC SHADOW PORTFOLIO 1



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PORTFOLIO FOR BASIC SHADOW 1
VERSUS NOMINAL LIABILITY BENCHMARK

SHADOW PORTFOLIO 1: BASIC (including RRBs)

This is a Bond Portfolio with RRB's and modest credit risk.

	2017 Current	A: Lowest Risk	B: Basic.3	C: Basic.5
Fixed Income	70.0%	100.0%	100.0%	100.0%
Treasury Bills	--	26.0%	--	--
Real Return Bonds	--	64.0%	--	24.0%
Short-term Bonds (Prov)	6.5%	--	--	--
Mid-term Bonds (Prov)	12.0%	--	28.0%	27.0%
Long-term Bonds (Prov)	29.5%	--	32.0%	9.0%
Mid-term Bonds (Corp)	2.0%	--	9.0%	9.0%
Long-term Bonds (Corp)	--	--	11.0%	11.0%
MUSH Bonds	20.0%	10.0%	20.0%	20.0%
Private Debt - Universe	--	--	--	--
3X Real Return Bonds	--	--	--	--
Public Equities	15.0%	--	--	--
Canadian Equity	10.0%	--	--	--
U.S. Equity	5.0%	--	--	--
Alternatives	15.0%	--	--	--
Private Equity	--	--	--	--
Real Estate	10.0%	--	--	--
Infrastructure	5.0%	--	--	--
Diversified Growth Fund	--	--	--	--
Risk/Return Metrics				
Expected 10-Year Return	4.2%	2.5%	3.1%	3.1%
Surplus Volatility	4.1%	4.2%	1.3%	2.2%
Information Ratio (Excess Return/Risk)	0.34	-0.09	0.24	0.11

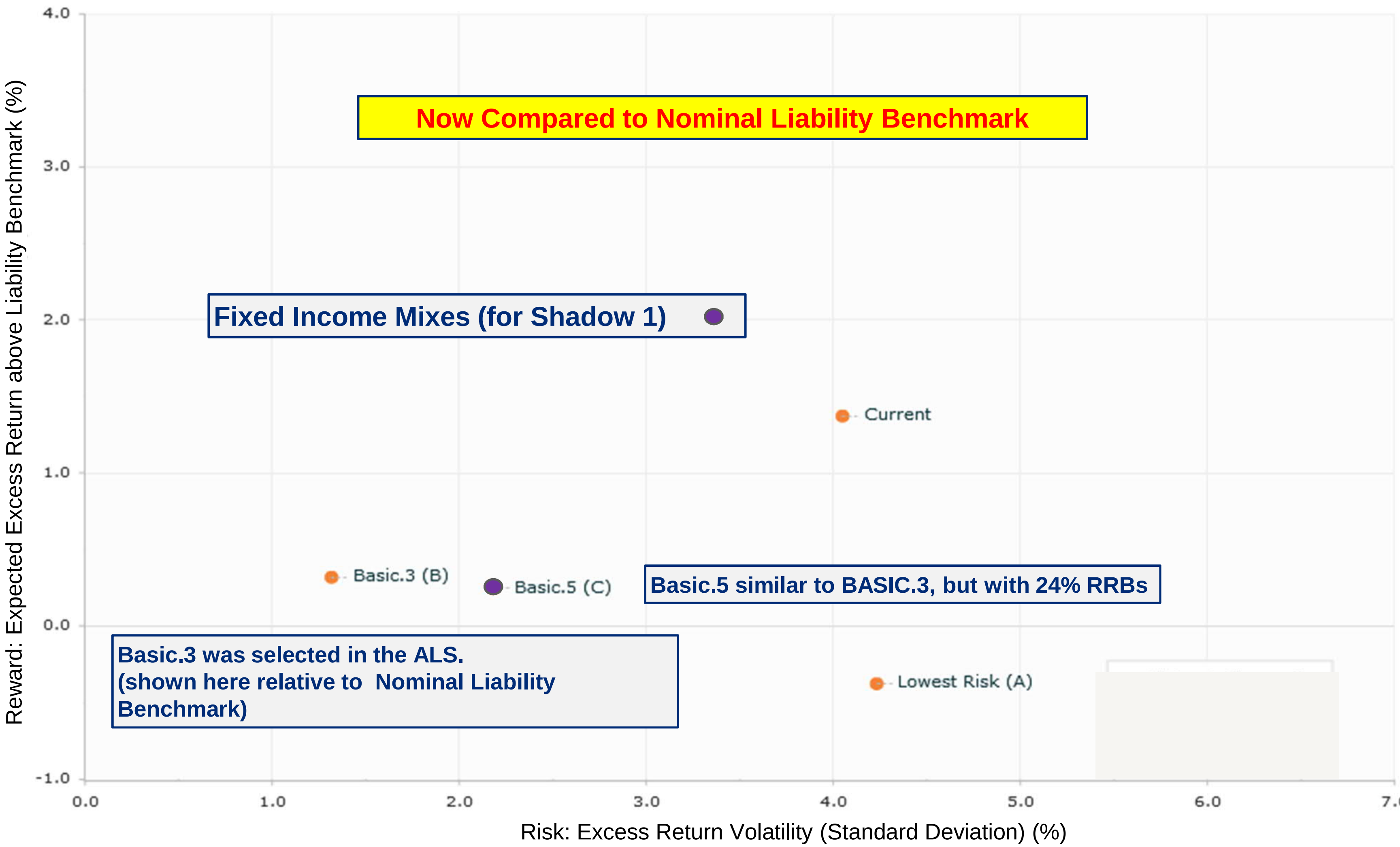
Now Compared to Nominal Liability Benchmark

Basic.5 RRB Allocation
Given the relatively small size of the RRB market in Canada and the dollar size of Basic, RRB allocation was constrained to 24%. See Appendix for RRB Market Considerations.

Fixed Income Mixes (for Shadow 1)
BASIC.3 was selected during the AL Study
BASIC.5 is a variation of Basic.3, if the Real Liability Benchmark is selected and similar credit risk is taken.

Note: Expected 10-year (geometric) return of liability benchmark is 2.8%

REWARD/RISK
BASIC SHADOW PORTFOLIO 1



IDENTIFY PORTFOLIO FOR BASIC SHADOW 2

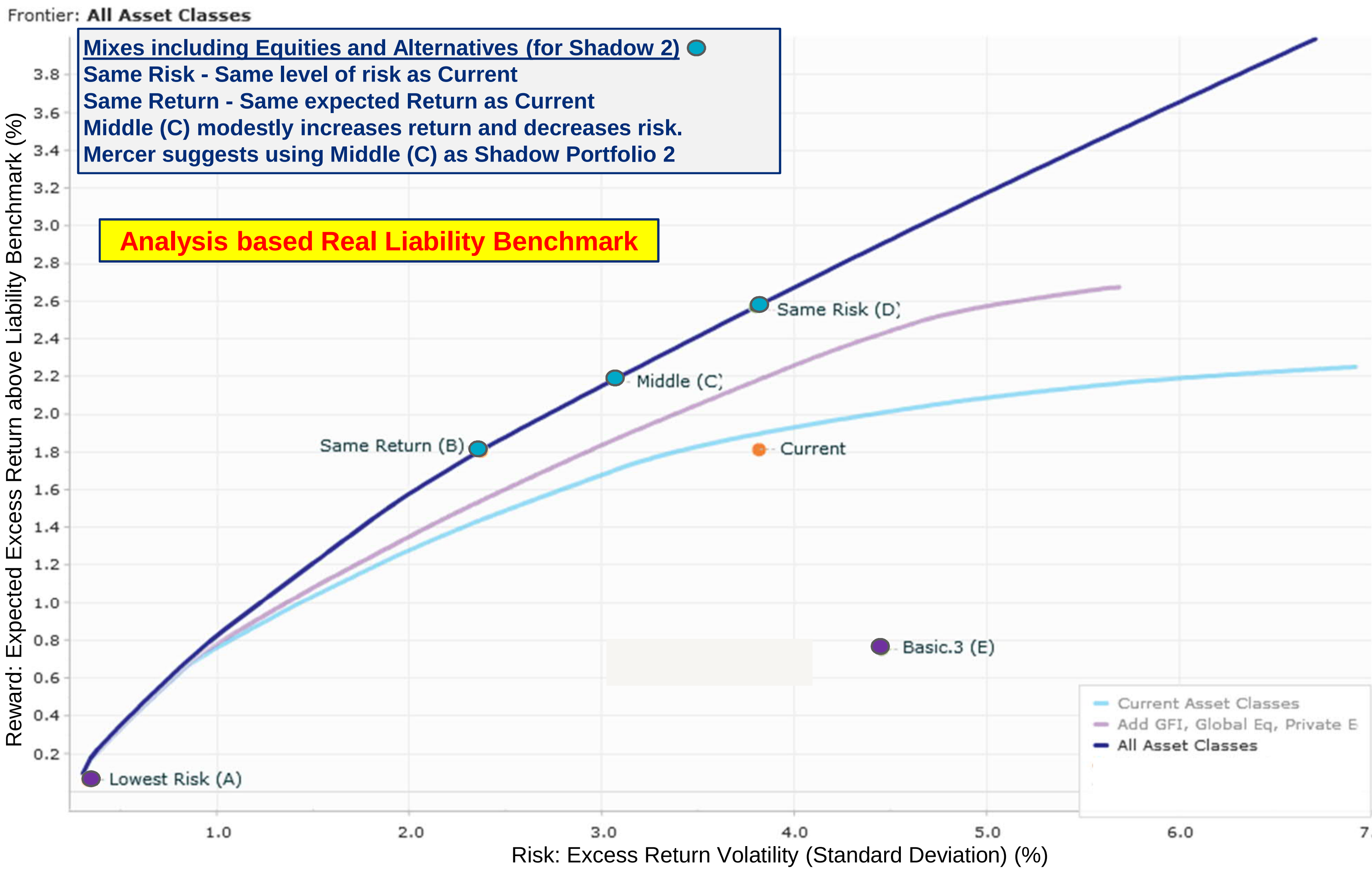
SHADOW PORTFOLIO 2: BASIC (UNCONSTRAINED)

Analysis based Real Liability Benchmark

	2017 Current	A: Lowest Risk	B: Same Return	C: Middle	D: Same Risk	E. Basic.3
Fixed Income	70.0%	100.0%	77.5%	73.0%	68.0%	100.0%
Treasury Bills	--	26.0%	--	--	--	--
Real Return Bonds	--	64.0%	--	--	--	--
Short-term Bonds (Prov)	6.5%	--	35.5%	22.0%	3.5%	--
Mid-term Bonds (Prov)	12.0%	--	--	10.0%	24.5%	28.0%
Long-term Bonds (Prov)	29.5%	--	--	--	--	9.0%
Mid-term Bonds (Corp)	2.0%	--	--	--	--	9.0%
Long-term Bonds (Corp)	--	--	--	--	--	11.0%
MUSH Bonds	20.0%	10.0%	10.0%	10.0%	10.0%	20.0%
Private Debt - Universe	--	--	15.0%	15.0%	15.0%	--
3X Real Return Bonds	--	--	17.0%	16.0%	15.0%	--
Public Equities	15.0%	--	10.5%	13.0%	15.0%	--
Canadian Equity	10.0%	--	10.5%	13.0%	15.0%	--
U.S. Equity	5.0%	--	--	--	--	--
Alternatives	15.0%	--	12.0%	14.0%	17.0%	--
Private Equity	--	--	3.0%	5.0%	6.5%	--
Real Estate	10.0%	--	6.5%	6.0%	5.5%	--
Infrastructure	5.0%	--	1.5%	2.0%	3.0%	--
Diversified Growth Fund	--	--	1.0%	1.0%	2.0%	--
Risk/Return Metrics						
Expected 10-Year Return	4.2%	2.5%	4.2%	4.5%	4.9%	3.1%
Surplus Volatility	3.8%	0.3%	2.4%	3.1%	3.8%	4.5%
Information Ratio (Excess Return/Risk)	0.47	0.18	0.76	0.71	0.68	0.17

Note: Expected 10-year (geometric) return of liability benchmark is 2.4%

EFFICIENT FRONTIERS (MINIMALLY CONSTRAINED)
ADDING LEVERAGE (BOND OVERLAY)



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PENSION
REAL LIABILITY BENCHMARK

IDENTIFY PORTFOLIOS FOR PENSION SHADOW 1

SHADOW PORTFOLIO 1: PENSION (including RRBs)

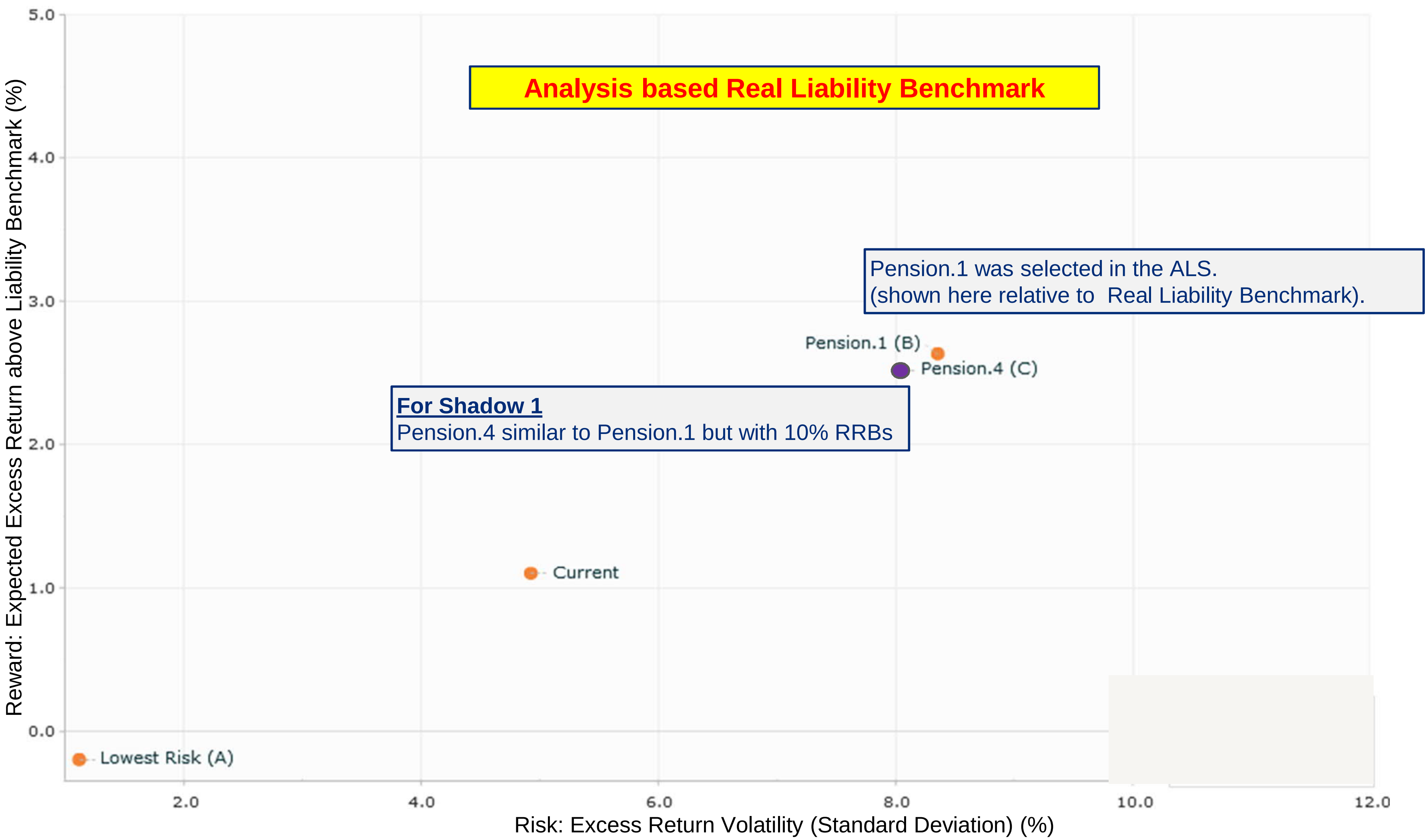
	2017 Current	A: Lowest Risk	B: Pension.1	C: Pension.4
Fixed Income	70.0%	100.0%	40.0%	40.0%
Real Return Bonds	--	71.0%	--	10.0%
Short-term Bonds (Prov)	6.5%	--	--	--
Mid-term Bonds (Prov)	12.0%	--	--	--
Long-term Bonds (Prov)	29.5%	19.0%	--	--
Long-term Bonds (Corp)	2.0%	--	20.0%	10.0%
MUSH Bonds	20.0%	10.0%	--	--
Private Debt - Universe	--	--	--	--
Private Debt - Long	--	--	20.0%	20.0%
3X Real Return Bonds	--	--	--	--
3X Long-Term Bonds (Prov)	--	--	--	--
Public Equities	15.0%	--	35.0%	35.0%
Canadian Equity	10.0%	--	10.0%	10.0%
U.S. Equity	5.0%	--	--	--
Global Equity (large cap)	--	--	18.0%	18.0%
Global Equity (low vol)	--	--	7.0%	7.0%
Alternatives	15.0%	--	25.0%	25.0%
Private Equity	--	--	--	--
Real Estate	10.0%	--	15.0%	15.0%
Infrastructure	5.0%	--	10.0%	10.0%
Risk/Return Metrics				
Expected 10-Year Return	4.2%	2.8%	5.6%	5.5%
Return Volatility	5.4%	7.1%	7.7%	7.5%
Surplus Volatility	4.9%	1.1%	8.4%	8.0%
Information Ratio (Excess Return/Risk)	0.22	-0.18	0.31	0.31

Note: Expected 10-year (geometric) return of liability benchmark is 3.0%

Analysis based Real Liability Benchmark

Pension.1 was selected during the AL Study
Pension.4 is a variation of Pension.1,
if the Real Liability Benchmark is selected and if 50% of the liquid public bonds are allocated to RRBs. In arriving at 50%, considerations were given (1) overall allocation to fixed income, (2) desire to obtain fixed income return enhancement from corporate bonds an private debt (3) some pass through inflation exists in equities, infrastructure and real estate.

REWARD/RISK POSITION
PENSION SHADOW PORTFOLIO 1



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IDENTIFY PORTFOLIOS FOR PENSION SHADOW 2

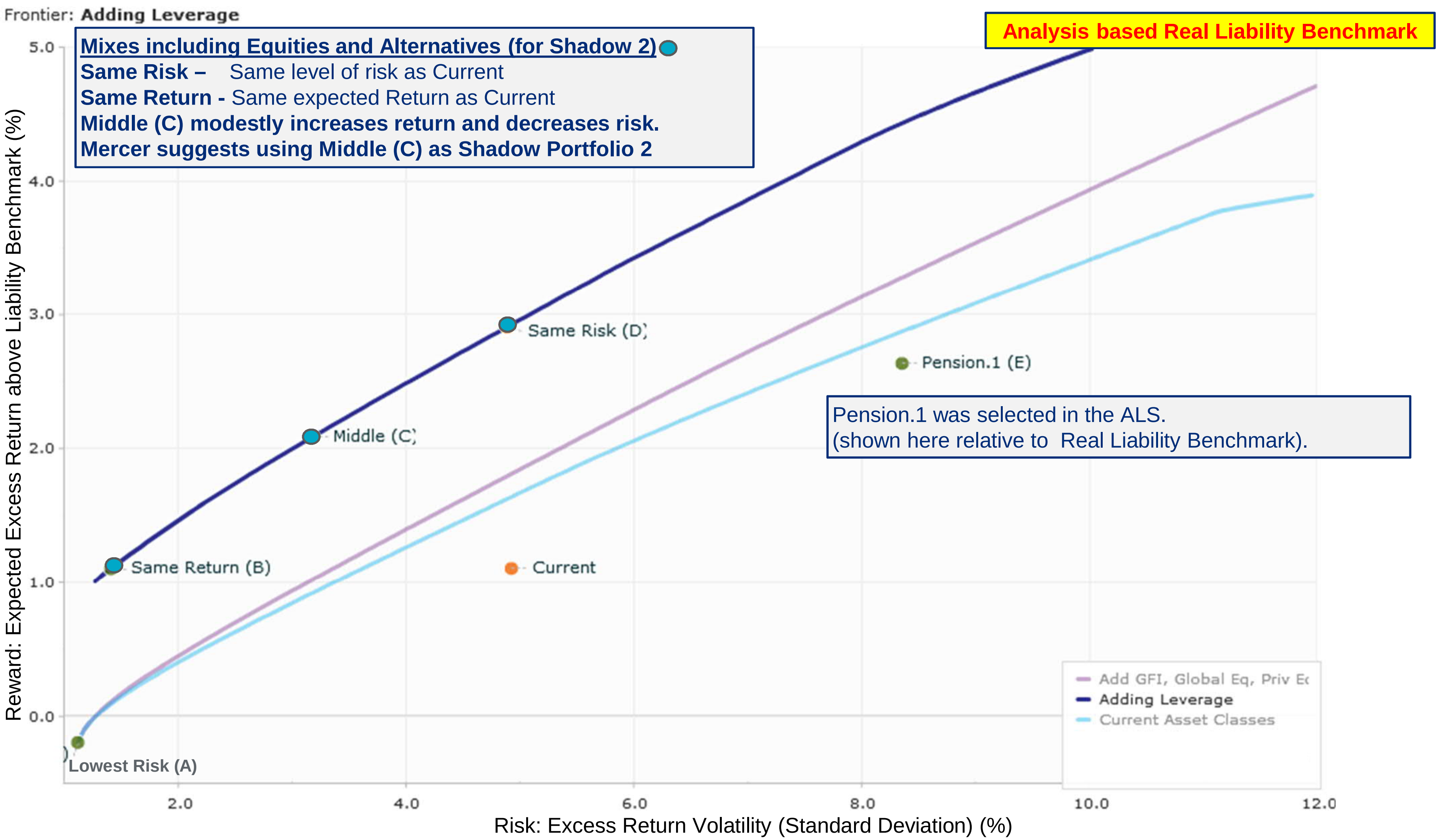
Analysis based Real Liability Benchmark

SHADOW PORTFOLIO 2: PENSION (UNCONSTRAINED)

	2017 Current	A: Lowest Risk	B: Same Return	C: Middle	D: Same Risk	E: Pension.1
Fixed Income	70.0%	100.0%	84.0%	72.0%	62.5%	40.0%
Real Return Bonds	--	71.0%	--	--	--	--
Short-term Bonds (Prov)	6.5%	--	29.0%	--	--	--
Mid-term Bonds (Prov)	12.0%	--	--	20.0%	6.5%	--
Long-term Bonds (Prov)	29.5%	19.0%	1.0%	--	1.0%	--
Long-term Bonds (Corp)	2.0%	--	--	--	--	20.0%
MUSH Bonds	20.0%	10.0%	10.0%	10.0%	10.0%	--
Private Debt - Universe	--	--	15.0%	15.0%	15.0%	--
Private Debt - Long	--	--	--	--	--	20.0%
3X Real Return Bonds	--	--	9.0%	8.5%	15.0%	--
3X Long-Term Bonds (Prov)	--	--	23.0%	18.5%	15.0%	--
Public Equities	15.0%	--	7.5%	14.0%	18.5%	35.0%
Canadian Equity	10.0%	--	7.5%	14.0%	18.5%	10.0%
U.S. Equity	5.0%	--	--	--	--	--
Global Equity (large cap)	--	--	--	--	--	18.0%
Global Equity (low vol)	--	--	--	--	--	7.0%
Alternatives	15.0%	--	7.5%	14.0%	19.0%	25.0%
Private Equity	--	--	1.5%	6.0%	10.5%	--
Real Estate	10.0%	--	5.0%	3.0%	1.0%	15.0%
Infrastructure	5.0%	--	1.0%	5.0%	7.5%	10.0%
Risk/Return Metrics						
Expected 10-Year Return	4.2%	2.8%	4.0%	5.0%	5.7%	5.6%
Return Volatility	5.4%	7.1%	8.5%	9.3%	10.3%	7.7%
Surplus Volatility	4.9%	1.1%	1.4%	3.2%	4.9%	8.4%
Information Ratio (Excess Return/Risk)	0.22	-0.18	0.78	0.66	0.59	0.31

Note: Expected 10-year (geometric) return of liability benchmark is 3.0%

EFFICIENT FRONTIERS (MINIMALLY CONSTRAINED)
ADDING LEVERAGE (BOND OVERLAY)



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APPENDIX

RRB MARKET CONSIDERATIONS

RRB MARKET CONSIDERATIONS

- Assuming Shadow Portfolio 2 for Basic and Pension, RRB allocation is ~ $550M
  - BASIC: $860M ($1,790M x 48% equivalent physical exposure)
  - PENSION: $41M ($162M x 26% equivalent physical exposure)
- Canadian RRB Market Overview:
  - Issues : 14 (8 GoC, 4 Quebec, 1 Manitoba, 1 Ontario)
  - Government of Canadas are fairly liquid with a market value of ~$77B
  - Provincials are illiquid with a market value of ~$10B
  - Daily Volume: ~$20M (volatile volume, ~2% of MPI Shadow 2 RRB exposure)
  - Using an overlay RRB strategy to synthetically obtained levered RRB exposure, puts the same strain on the RRB market as obtaining physical RRB exposure
- Some alternatives to Canadian RRB Market:
  - US TIPs are prohibitively expensive (~75bps) to hedge unwanted currency risk, US/Canadian inflation correlation is 0.6 (monthly data from 1981-2018)
  - Canadian real estate has a very narrow inflation focus (i.e., rent/property inflation)

APPENDIX
CAPITAL MARKET ASSUMPTIONS

CAPITAL MARKET ASSUMPTIONS
10-YEAR ASSUMPTIONS

Asset Class	Median 10 year return	Standard deviation
1 Treasury Bills	1.4%	1.5%
2 Federal short-term bonds	1.9%	3.5%
3 Federal mid-term bonds	2.1%	6.5%
4 Federal long-term bonds	2.0%	8.5%
5 Real return bonds	2.7%	7.5%
6 Provincial short-term bonds	2.3%	3.5%
7 Provincial mid-term bonds	2.8%	6.5%
8 Provincial long-term bonds	3.0%	8.5%
9 Corporate short-term bonds	2.8%	3.5%
10 Corporate mid-term bonds	3.5%	6.5%
11 Corporate long-term bonds	3.8%	8.5%
12 Global bonds	0.8%	8.6%
13 High yield bonds	3.9%	9.5%
14 Emerging debt	6.8%	12.0%
15 Canadian equity (large cap.)	6.7%	19.5%
16 U.S. equity (large cap.)	6.7%	17.0%
17 Int'l equity (large cap.)	6.7%	17.1%
18 Global equity (large cap.)	6.7%	16.1%
19 Global low vol equity	6.1%	13.0%
20 Emerging equity	8.7%	25.0%
21 Private equity	10.1%	25.0%
22 Real estate	5.4%	13.0%
23 Diversified Growth Fund	4.9%	9.8%
24 Direct Infrastructure	6.2%	13.0%
25 MUSH Bonds	3.0%	6.5%
26 Commercial Mortgages	2.7%	3.5%
27 Long Commercial Mortgages	2.5%	5.3%
28 Private Debt - Universe	3.3%	5.4%
29 Private Debt - Long	3.5%	8.5%

Inflation: 2.0%

Fixed income returns based on projected yields implied by the current yield curve.

Source: Mercer's Canadian long-term capital market assumptions (August 31, 2017). Expected return represents expected return over the next 10 years.
Note: 3X Long Provincial Bonds is defined as 300% Provincial Long Bonds less 200% Treasury Bills and a 0.7% leverage cost. 3X Real Return Bonds is defined as 300% Real Return Bonds less 200% Treasury Bills and a 0.7% leverage cost.

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