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2024 GENERAL RATE APPLICATION
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Undertaking #020

For MPI to provide PF1, PF2, PF3 based on the agreed use of the naïve forecast for interest rates, including the yield curve used for discounting with all year-ends 2023, '24 and thereafter based on August 31, 2023, yield curve and not the implied forward curve, which would imply changes over time.

RESPONSE:

Please see Figures 1 to 4 below.

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Figure 1: PF- 1 Statement of Operations: 0.0% Basic Rate Change – Naïve Yield Curve

		2024 GRA Rate Update - Basic rate change of 0.0% - With Naïve Yield Curve								
		IFRS 4	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17		
		For the Years Ended March 31,								
Line No.	(C\$ 000s, rounding may affect totals)	Reclass Adj. from / (to)	2023A	IFRS 17 Adj.*	2023A	2024F	2025F	2026F	2027F	2028F
1	BASIC									
2										
3	Motor Vehicles		1,121,811	-	1,121,811	1,112,046	1,148,089	1,184,975	1,220,445	1,258,751
4	Capital Release Provision		(57,026)	-	(57,026)	-	-	-	-	-
5	Drivers		59,085	-	59,085	62,520	64,822	66,634	67,982	70,043
6	Reinsurance Ceded		(16,392)	-	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
7	Total Net Premiums Written		1,107,478	-	1,107,478	1,158,180	1,196,033	1,234,225	1,270,521	1,310,351
8	Net Premiums Earned									
9	Motor Vehicles		1,103,695	-	1,103,695	1,119,108	1,130,299	1,166,769	1,202,938	1,239,844
10	Capital Release Provision		(65,568)	-	(65,568)	(28,558)	-	-	-	-
11	Drivers		59,896	-	59,896	61,180	63,693	65,745	67,321	69,032
12	Reinsurance Ceded		(16,392)	-	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
13	Total Net Premiums Earned		1,081,631	-	1,081,631	1,135,344	1,177,114	1,215,130	1,252,353	1,290,433
14	Service Fees & Other Revenues	(a)	27,277	(436)	26,841	26,904	27,117	27,703	28,333	28,999
15	Total Earned Revenues		1,108,908	(436)	1,108,472	1,162,248	1,204,231	1,242,833	1,280,686	1,319,432
16	Claims Incurred	(b)	903,129	604	903,733	915,089	968,085	1,003,165	1,038,975	1,076,447
17	DPAC \ Premium Deficiency Adjustment		-	-	-	-	-	-	-	-
18	(a) Claims Incurred - Interest Rate Impact	(b)	(101,437)	(31,794)	(133,231)	(57,950)	-	-	-	-
19	Total Claims Incurred		801,692	(31,190)	770,502	857,139	968,085	1,003,165	1,038,975	1,076,447
20	Claims Expense		146,265	(1,408)	144,857	150,855	145,989	140,867	134,089	133,037
21	Road Safety/Loss Prevention		10,530	-	10,530	14,461	12,134	12,060	12,137	12,285
22	Total Claims Costs		958,487	(32,598)	925,889	1,022,455	1,126,208	1,156,092	1,185,201	1,221,769
23	Expenses									
24	Operating		86,526	(1,408)	85,118	94,979	93,960	90,487	87,121	86,206
25	Commissions	(c)	47,548	297	47,845	50,817	56,280	56,078	56,311	56,596
26	Premium Taxes	(c)	32,941	775	33,716	35,239	36,389	37,550	38,655	39,866
27	Regulatory/Appeal		4,769	-	4,769	4,637	4,239	4,328	4,346	4,366
28	Total Expenses		171,784	(336)	171,448	185,672	190,868	188,443	186,433	187,034
29	Underwriting Income (Loss)	a,b,c	(21,363)	32,498	11,135	(45,879)	(112,845)	(101,702)	(90,948)	(89,371)
30	Investment Income		98,194	-	98,194	113,955	134,717	142,149	150,657	162,049
31	(b) Investment Income - Interest Rate Impact		(115,602)	-	(115,602)	(103,531)	-	-	-	-
32	Net Investment Income		(17,408)	-	(17,408)	10,424	134,717	142,149	150,657	162,049
33	Gain (Loss) on Sale of Property		112	-	112	-	-	-	-	-
34	Net Income (Loss) from Operations		(38,659)	32,498	(6,161)	(35,455)	21,872	40,447	59,709	72,678
36	Total net Impact due to interest rate change (b) - (a)		(14,165)	31,794	17,629	(45,581)	-	-	-	-
37	Net Income (Loss) from Operations					(35,455)	21,872	40,447	59,709	72,678
38	Adjust for Initiative Expenses (BO 12.1 d)					(27,608)	(24,017)	(24,202)	(6,935)	(1)
39	Net Income (Loss) for for Rate Setting Purposes					(7,847)	45,889	64,649	66,644	72,679

* IFRS 17 Adjustments are for fiscal year 2022-23 only.

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Figure 2: PF- 2 Statement of Financial Position: 0.0% Basic Rate Change – Naïve Yield Curve

		<i>2024 GRA Rate Update - Basic rate change of 0.0% - With Naïve Yield Curve</i>					
Line No.		<i>IFRS 17</i>	<i>IFRS 17</i>	<i>IFRS 17</i>	<i>IFRS 17</i>	<i>IFRS 17</i>	<i>IFRS 17</i>
	<i>(C\$ 000s, rounding may affect totals)</i>	<u>2023A</u>	<u>2024F</u>	<u>2025F</u>	<u>2026F</u>	<u>2027F</u>	<u>2028F</u>
1							
2	BASIC						
3	Assets						
4	Cash and cash equivalents	101,407	59,555	51,671	40,670	32,727	24,892
5	Investments	2,768,029	2,811,725	2,887,671	3,009,390	3,193,972	3,402,130
6	Investment property	5,759	5,604	5,449	5,295	5,140	4,985
7	Accounts receivable	117,843	-	-	-	-	-
8	Prepaid expenses	2,732					
9	Reinsurance asset	3,838	-	-	-	-	-
10	Property and Equipment	117,471	133,543	144,396	167,842	168,994	170,146
11	Deferred development costs	45,518	33,972	36,441	34,092	27,910	22,032
12	Total Assets	3,162,596	3,044,399	3,125,628	3,257,289	3,428,743	3,624,185
13	Liabilities						
14	Due to other insurance companies						
15	Accounts payable and accrued liabilities	45,687	69,113	66,856	64,607	61,987	61,517
16	Reinsurance Liability	-	320	320	320	320	320
17	Lease obligation	5,014	5,276	5,153	5,031	4,908	4,785
18	Insurance contract liability	2,288,292	2,157,682	2,207,407	2,261,244	2,319,366	2,382,286
19	Provision for employee current benefits	18,889	20,670	21,347	22,024	22,701	23,378
20	Provision for employee future benefits	313,985	327,878	339,210	350,543	361,876	373,208
21	Total Liabilities	2,671,867	2,580,939	2,640,293	2,703,769	2,771,158	2,845,494
22	Equity						
23	Retained Earnings	435,784	441,208	463,082	531,267	635,334	756,439
24	Accumulated Other Comprehensive Income	54,946	22,251	22,251	22,251	22,251	22,251
25	Total Equity	490,729	463,459	485,333	553,518	657,585	778,690
26	Total Liabilities & Equity	3,162,596	3,044,397	3,125,626	3,257,287	3,428,743	3,624,184

* Includes April 1, 2022 and fiscal 2022-23 adjustments

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Figure 3: PF- 3 Statement of Changes in Equity: 0.0% Basic Rate Change – Naïve Yield Curve

2024 GRA Rate Update - Basic rate change of 0.0% - With Naïve Yield Curve

Line No.		IFRS 4	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17	
		2023A	IFRS 17 Adj.	2023A	2024F	2025F	2026F	2027F	2028F
		<i>For the Years Ended March 31,</i>							
BASIC									
1	Total Equity								
2	Retained Earnings								
3	Beginning Balance	359,335		435,784	435,784	441,208	463,080	531,265	635,332
4	Restatement of AOCI on AFS Assets (IFRS 9)				46,845	-	(0)	0	-
5	Restatement of MUSH Assets to FVTPL (IFRS 9)				(5,966)	-	-	-	-
6	Restatement of Claims Discount Rate (IFRS 17)*	-	(30,155)	-	-	-	-	-	-
7	Restatement of Risk Adjustment (IFRS 17)*	-	116,438	-	-	-	-	-	-
8	Restatement of DPAC (IFRS 17)*	-	(37,673)	-	-	-	-	-	-
9	Net Income (Loss) from Operations	(38,659)	32,498	(35,455)	21,872	40,447	59,709	72,678	
10	Rebate to Policyholders	-	-	-	-	-	-	-	-
11	Transfer (to) / from Non-Basic Retained Earnings	34,000	-	-	-	27,738	44,358	48,425	
12	Total Retained Earnings	354,676	81,108	435,784	441,208	463,080	531,265	635,332	756,435
13	Total Accumulated Other Comprehensive Income								
14	Beginning Balance	51,428		51,428	54,946	22,251	22,251	22,251	22,251
15	Other Comprehensive Income on Available for Sale Assets	(31,291)		(31,480)	1,846	-	(0)	-	-
16	Restatement of AOCI on AFS Assets (IFRS 9)				(46,845)	-	0	(0)	-
17	Change in Remeasurement of Employee Future Benefits	36,656		34,998	12,304	-	-	-	-
18	Total Accumulated Other Comprehensive Income	56,793	(1,847)	54,946	22,251	22,251	22,251	22,251	22,251
19	Total Accumulated Other Comprehensive Income Balance								
20	Employee Future Benefits Portfolio								
21	Available for Sale Assets	30,889		29,492	0	0	0	0	0
22	Employee Future Benefits Liabilities	9,946		9,496	22,251	22,251	22,251	22,251	22,251
23	Rate Stabilization Reserve Portfolio								
24	Available for Sale Assets	15,957		15,957	0	0	0	0	0
25	Total Accumulated Other Comprehensive Income Balance	56,793		54,946	22,251	22,251	22,251	22,251	22,251
26	Total Equity Balance	411,469	79,261	490,730	463,459	485,331	553,516	657,583	778,686
	<i>*Restatement calculated as at April 1, 2022</i>								
27	MINIMUM CAPITAL TEST (C\$ 000s)								
28	Total Equity Balance	411,467	79,263	490,730	463,459	485,331	553,516	657,583	778,686
29	Less: Assets Requiring 100% Capital	28,366		28,366	33,972	36,441	34,092	27,910	22,032
30	Capital Available (a)	383,101	79,263	462,364	429,487	448,890	519,424	629,673	756,654
31	Minimum Capital Required (100% MCT) (b)	345,847	(4,518)	341,329	407,357	436,138	457,290	479,372	510,805
32	MCT Ratio % (a) / (b)	110.8%	24.7%	135.5%	105.4%	102.9%	113.6%	131.4%	148.1%

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Figure 4: PF- 1a Statement of Operations – IFRS 17 Presentation: 0.0% Basic Rate Change – Naïve Yield Curve

		<i>2024 GRA Rate Update - Basic rate change of 0.0% - With Naïve Yield Curve</i>					
Line No.		<i>IFRS 17</i>	<i>IFRS 17</i>	<i>IFRS 17</i>	<i>IFRS 17</i>	<i>IFRS 17</i>	<i>IFRS 17</i>
		<i>For the Years Ended March 31,</i>					
		<u>2023A</u>	<u>2024F</u>	<u>2025F</u>	<u>2026F</u>	<u>2027F</u>	<u>2028F</u>
	<i>(C\$ 000s, rounding may affect totals)</i>						
1							
2	BASIC						
3	Insurance revenue	1,113,717	1,167,950	1,210,341	1,249,216	1,287,341	1,326,360
4	Insurance service expenses	1,058,088	1,069,166	1,124,764	1,153,074	1,181,371	1,216,405
5	Recovered claims from reinsurance contracts	2,963	(46)	(23)	(8)	(8)	(8)
6	Expenses from reinsurance contracts held	16,392	16,386	16,878	17,384	17,906	18,443
7	Insurance service result	42,200	82,398	68,700	78,758	88,064	91,513
8	Net investment income	(17,408)	10,424	134,717	142,149	150,657	162,049
9	Finance expenses from insurance contracts issued	(51,466)	36,788	95,256	97,658	100,265	103,077
10	Finance income from reinsurance contracts held	(90)	44	127	113	108	104
11	Net insurance finance expenses	(51,376)	36,745	95,129	97,545	100,157	102,973
12	Net insurance and investment result	76,167	56,031	108,265	123,353	138,556	150,580
13	Other Income	11,148	10,684	10,768	11,001	11,251	11,516
14	Other Operating expenses	93,588	102,170	97,159	93,907	90,098	89,416
15	Gain (loss) on disposal of property and equipment	112	-	-	-	-	-
17	Net Income (Loss) from Operations	(6,161)	(35,455)	21,874	40,447	59,709	72,679
18	Adjust for Initiative Expenses (BO 12.1 d)	-	(27,608)	(24,017)	(24,202)	(6,935)	(1)
19	Net Income (Loss) for for Rate Setting Purposes	(6,161)	(7,847)	45,891	64,649	66,644	72,680