

**PUB (MPI) Pre-Ask 2**

<b>Part and Chapter:</b>	<b>Exhibit #50</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>			
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Preamble to IR:**

**Question:**

As shown in PF-4 Explanation, PF-5 Explanation, and PF-6 Explanation, there have been multiple changes to the projected financials with respect to Net Claims Incurred and Allocated Corporate Expenses.

- a) Provide any changes to any of the IFRS 17 accounting policies that have resulted in the changes shown.
- b) Provide a narrative of the change made.
- c) Provide detailed calculation showing the value before the change and after the change, in Excel with working formulas, for each of 2022/23 through 2027/28.
- d) The above would apply to the following items:
  - a. Incorporated Change in Yield Curve on Risk Adjustment
  - b. Ceded claims added to Forecasting model
  - c. Change to Non-Proportional ULAE
  - d. Other (Allowance for subro and Claim Buybacks)

- e. Favorable or Unfavorable interest rate impact
  - f. IFRS 17 Model Change Affecting PIPP Enhancements
  - g. IFRS 17 expense allocation review impacts
  - h. Other yield curve impacts
  - i. Lower than expected Data processing expenses
  - j. Higher or lower than expected special services (Organization Review)
  - k. Lower than expected Amortization of Deferred Development
  - l. Higher than expected salaries expense
  - m. Higher than expected Other including Auctioneer fees and Corporate capital tax
  - n. Higher than expected Postage
  - o. Lower than expected Building expenses
- e) Given the Naïve interest rate assumption, explain why there is an interest rate impact to net claims incurred in 2024/25, as the naïve assumption is that there is no change in interest rates from 31 August 2023 onwards..

**Rationale for Question:**

**RESPONSE:**

a) and b)

There is no impact arising from accounting policy changes under IFRS 17. The policies applied under IFRS 17 are the same as those reported in position papers filed; there was one update that involved selecting an election to not adjust the Liability for Incurred Claims for the time value of money and effects of financial risk for contracts measured under PAA when the cash flows are expected to settle within one year or less from the date the claim is incurred. There is no financial impact arising from taking this election because MPI does not have claims that fall within scope for this election.

c) Please refer to Appendix 1. The calculation for Claims in ISE and IFE are electronically attached, in an compressed (\*.zip) format, for both before (2024 GRA folder) and after the changes (2024 GRA Rate Update folder).

d) See responses below:

a. Previously, interest rate impact only included the change of discount rate for fulfillment cashflows. MPI has not incorporated the change of discount rate impact to the risk adjustment into this line item as well. There is no impact to net claims incurred from this change, as it is simply reallocating this line item from Claims Incurred (gross of IR impact) to Interest Rate Impact.

b. In the 2024 GRA, ceded claims were not accounted for. MPI has no accident-year forecast for ceded claims, but unpaid ceded claims from prior accident years are now accounted for in the IFRS 17 discounting model, and are run off in future accident years.

c. After year-end, and between the 2024 GRA and 2024 Rate Update, the Non-Proportional ULAE data was updated to align with actual paid amounts in the general ledger.

d. These accounts are not forecasted and were not accounted for in the initial 2024 GRA. They have now been included in fiscal year 2022/23 to align with the general ledger.

e. Changes to interest rate impact are driven by updating the yield curve to August and including commercial mortgages in the yield curve calculations.

For fiscal year 2023/24, the impact is related to the difference between the March curve and the August curve. For future years, favourability with respect to interest rate impact is dependent on the forward rates curves implied through both the August and March assumptions. Please refer to [Appendix 1](#).

f. The 2022/23 PIPP Enhancement paid claims data feeding into the financial forecasting model was using cumulative paid when those paid amounts should be incremental. . Please refer to [Appendix 1](#).

h. In updating the yield curve, there are other impacts aside from the change of discount rate line item, including the unwinding of discount (part of IFE) and the discounting impact of current Accident-Year cashflows (part of ISE). . Please refer to [Appendix 1](#).

g., i., j., k., l., m., n., and o.

Detailed values before the changes have been filed within the Expense Chapter of the initial application and during Round 1 and 2 interrogatory process.

Detailed values after the changes shown on PF-4 and PF-5 are provided below in Figures 1,2 and 3. Please note, detailed values are not readily available for the forecast period beginning in 2024-25 and onward. MPI anticipates to provide details with explanations upon finalization and external review of the expense allocation methodology under IFRS 17, within next year's application.

e) Under IFRS 17, discounting of claims now follows a yield curve as opposed to a flat discount rate. The August 31, 2023 IFRS 17 discount curve is directly used for the fiscal year 2023/24. This curve, which varies by tenor, implicitly assumes a different curve in future periods, which are calculated directly through forward rates of the initial curve. The forward rate curve at a forward period of 1 is used at year-end 2023/24, forward period of 2 for 2025/26, and so on.

**Figure 1 EXP App 2- 1 Normal Operations**

Line No.	IFRS 17 Classification Expense	Maintenance		Acquisition		Operating		Total	
		2022/23A	2023/24BF	2022/23A	2023/24BF	2022/23A	2023/24BF	2022/23A	2023/24BF
1	<i>(\$000's, except where noted)</i>								
2	Compensation - Salaries	66,690	68,526	3,939	5,341	33,361	35,526	103,989	109,393
3	Compensation - Overtime	1,255	1,070	95	55	293	298	1,642	1,422
4	Compensation - Benefits	16,655	16,446	925	1,303	8,033	9,050	25,612	26,800
5	Compensation - H & E Tax	1,533	1,561	85	124	740	861	2,359	2,546
6	<b>Subtotal - Compensation</b>	<b>86,132</b>	<b>87,603</b>	<b>5,044</b>	<b>6,824</b>	<b>42,427</b>	<b>45,735</b>	<b>133,603</b>	<b>140,162</b>
7	Data Processing	17,772	17,307	-	-	9,938	10,208	27,709	27,516
8	Special Services	6,394	4,398	256	348	3,853	4,730	10,503	9,476
9	Building Expenses	4,705	4,445	171	155	1,457	1,338	6,333	5,938
10	Safety/Loss Prevention Programs	474	485	-	-	2,152	4,040	2,626	4,525
11	Telephone/Telecommunications	854	792	-	-	476	467	1,330	1,259
12	Public Information/Advertising	-	-	-	-	30	153	30	153
13	Printing, Stationery, Supplies	712	403	6	17	698	502	1,416	921
14	Postage	1	1	-	-	3,236	2,864	3,236	2,864
15	Regulatory/Appeal	-	-	1,829	1,617	-	-	1,829	1,617
16	Travel and Vehicle Expense	543	797	42	99	206	405	791	1,301
17	Driver Education Program	-	-	-	-	3,200	4,465	3,200	4,465
18	Grants in Lieu of Taxes	990	993	36	35	291	299	1,318	1,326
19	Furniture & Equipment	985	726	-	0	730	693	1,715	1,419
20	Merchant Fees & Bank Charges	-	-	-	-	526	502	526	502
21	Other	657	1,244	27	112	5,128	3,785	5,812	5,142
22	<b>Subtotal - Other Expenses</b>	<b>34,086</b>	<b>31,592</b>	<b>2,368</b>	<b>2,383</b>	<b>31,920</b>	<b>34,450</b>	<b>68,374</b>	<b>68,424</b>
23	Depreciation-Capital Assets	3,083	3,417	105	109	940	1,085	4,128	4,611
24	Amortization-Deferred Development	2,769	2,110	-	-	1,542	1,244	4,311	3,354
25	<b>Total</b>	<b>126,070</b>	<b>128,201</b>	<b>7,517</b>	<b>9,480</b>	<b>76,829</b>	<b>84,684</b>	<b>210,416</b>	<b>216,551</b>
26	*Rounding may affect totals								

**Figure 2 EXP App 2- 2 Improvement Initiatives & Direct Charges**

Line No.	IFRS 17 Classification Expense	Maintenance		Acquisition		Operating		Total		
		2022/23A	2023/24BF	2022/23A	2023/24BF	2022/23A	2023/24BF	2022/23A	2023/24BF	
1	<i>(\$000's, except where noted)</i>									
2	Compensation - Salaries	224	2,316	4	-	122	1,372	350	3,688	
3	Compensation - Overtime	11	-	-	-	6	-	17	-	
4	Compensation - Benefits	-	-	-	-	-	-	-	-	
5	Compensation - H & E Tax	-	-	-	-	-	-	-	-	
6	<b>Subtotal - Compensation</b>	<b>235</b>	<b>2,316</b>	<b>4</b>	<b>-</b>	<b>128</b>	<b>1,372</b>	<b>367</b>	<b>3,688</b>	
7	Data Processing	12,512	19,132	780	978	4,265	8,580	17,558	28,691	
8	Special Services	2,204	2,282	-	-	87	86	2,291	2,368	
9	Building Expenses	-	-	-	-	-	-	-	-	
10	Safety/Loss Prevention Programs	-	-	-	-	307	424	307	424	
11	Telephone/Telecommunications	-	-	-	-	-	-	-	-	
12	Public Information/Advertising	-	-	-	-	1,865	2,388	1,865	2,388	
13	Printing, Stationery, Supplies	0	1	-	-	0	1	0	2	
14	Postage	-	-	-	-	-	-	-	-	
15	Regulatory/Appeal	2,579	2,520	-	-	0	-	2,579	2,520	
16	Travel and Vehicle Expense	1	1	-	-	0	0	1	1	
17	Driver Education Program	-	-	-	-	-	-	-	-	
18	Grants in Lieu of Taxes	-	-	-	-	-	-	-	-	
19	Furniture & Equipment	384	-	-	-	214	-	597	-	
20	Merchant Fees & Bank Charges	779	786	-	-	5,988	6,037	6,767	6,823	
21	Other	4	1	259	196	78	100	341	297	
22	<b>Subtotal - Other Expenses</b>	<b>18,463</b>	<b>24,724</b>	<b>1,040</b>	<b>1,174</b>	<b>12,805</b>	<b>17,616</b>	<b>32,307</b>	<b>43,514</b>	
23	Depreciation-Capital Assets	-	-	-	-	-	-	-	-	
24	Amortization-Deferred Development	1,505	513	-	-	704	666	2,209	1,179	
25	<b>Total</b>	<b>20,203</b>	<b>28,152</b>	<b>1,044</b>	<b>1,174</b>	<b>13,636</b>	<b>20,020</b>	<b>34,883</b>	<b>48,381</b>	
26	*Rounding may affect totals									

**Figure 3 EXP App 2- 3 Total**

Line No.	IFRS 17 Classification Expense	Maintenance		Acquisition		Operating		Total		
		2022/23A	2023/24BF	2022/23A	2023/24BF	2022/23A	2023/24BF	2022/23A	2023/24BF	
1	<i>(\$000's, except where noted)</i>									
2	Compensation - Salaries	66,913	70,841	3,943	5,341	33,483	36,899	104,339	113,082	
3	Compensation - Overtime	1,266	1,070	95	55	299	298	1,659	1,422	
4	Compensation - Benefits	16,655	16,446	925	1,303	8,033	9,050	25,612	26,800	
5	Compensation - H & E Tax	1,533	1,561	85	124	740	861	2,359	2,546	
6	<b>Subtotal - Compensation</b>	<b>86,367</b>	<b>89,919</b>	<b>5,048</b>	<b>6,824</b>	<b>42,554</b>	<b>47,108</b>	<b>133,969</b>	<b>143,850</b>	
7	Data Processing	30,284	36,439	780	978	14,203	18,789	45,267	56,207	
8	Special Services	8,598	6,681	256	348	3,939	4,815	12,794	11,844	
9	Building Expenses	4,705	4,445	171	155	1,457	1,338	6,333	5,938	
10	Safety/Loss Prevention Programs	474	485	-	-	2,459	4,464	2,933	4,950	
11	Telephone/Telecommunications	854	792	-	-	476	467	1,330	1,259	
12	Public Information/Advertising	-	-	-	-	1,895	2,541	1,895	2,541	
13	Printing, Stationery, Supplies	712	404	6	17	698	502	1,416	923	
14	Postage	1	1	-	-	3,236	2,864	3,236	2,864	
15	Regulatory/Appeal	2,579	2,520	1,829	1,617	0	-	4,408	4,137	
16	Travel and Vehicle Expense	543	798	42	99	207	405	792	1,302	
17	Driver Education Program	-	-	-	-	3,200	4,465	3,200	4,465	
18	Grants in Lieu of Taxes	990	993	36	35	291	299	1,318	1,326	
19	Furniture & Equipment	1,368	726	-	0	944	693	2,312	1,419	
20	Merchant Fees & Bank Charges	779	786	-	-	6,514	6,539	7,293	7,325	
21	Other	661	1,246	286	308	5,206	3,885	6,153	5,439	
22	<b>Subtotal - Other Expenses</b>	<b>52,549</b>	<b>56,316</b>	<b>3,407</b>	<b>3,557</b>	<b>44,725</b>	<b>52,066</b>	<b>100,681</b>	<b>111,939</b>	
23	Depreciation-Capital Assets	3,083	3,417	105	109	940	1,085	4,128	4,611	
24	Amortization-Deferred Development	4,274	2,622	-	-	2,246	1,911	6,520	4,533	
25	<b>Total</b>	<b>146,273</b>	<b>156,353</b>	<b>8,561</b>	<b>10,654</b>	<b>90,465</b>	<b>104,704</b>	<b>245,299</b>	<b>264,932</b>	
26	*Rounding may affect totals									