

October 21, 2019

2020 GENERAL RATE APPLICATION  
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**Undertaking #20**

MPI to provide comparative details of the derivation of the three (3) MCT ratios: 51.5 percent, 87 percent, and near 100 percent.

**RESPONSE:**

Please refer to Figure 1 below.

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**Figure 1 MINIMUM CAPITAL TEST/BRANCH ADEQUACY OF ASSETS TEST: CAPITAL (MARGIN) REQUIRED AND MCT (BAAT) RATIO**

Line No.		Basic 2918/19 Q4	Basic 2019/20 Q1	Basic 2019/20 Q2
1	(\$'000)	Current Period	Current Period	Current Period
2	(55)	(01)	(01)	(01)
3	<b>Capital Available:</b>			
4	Capital available	203,767	276,933	341,087
5	(Specify)			
6	<b>Total Capital Available</b>	<b>203,767</b>	<b>276,933</b>	<b>341,087</b>
7	<b>Assets Available:</b>			
8	Net Assets Available			
9	(Specify)			
10	<b>Total Net Assets Available</b>			
11	<b>Capital (Margin) Required at Target:</b>			
12	Insurance Risk:			
13	Premium liabilities	93,202	98,085	95,685
14	Unpaid claims	205,988	207,822	213,864
15	Catastrophes			
16	Margin required for reinsurance ceded to unregistered insurers	0	365	249
17	Subtotal: Insurance risk margin	299,190	306,272	309,798
18	Market Risk:			
19	Interest rate risk	37,388	15,156	28,927
20	Foreign exchange risk	17,536	3,205	21,445
21	Equity risk	147,977	81,083	81,997
22	Real estate risk	68,420	30,185	30,365
23	Other market risk exposures	611	678	669
24	Subtotal: Market risk margin	271,932	130,307	163,403
25	Credit Risk:			
26	Counterparty default risk for balance sheet assets	23,386	35,455	45,740
27	Counterparty default risk for off-balance sheet exposures	1,279	1,279	1,279
28	Counterparty default risk for unregistered reinsurance collateral and SIRs			
29	Subtotal: Credit risk margin	24,665	36,734	47,018
30	Operational risk margin	77,718	67,779	72,007
31	Less: Diversification credit	80,416	64,411	66,964
32	<b>Total Capital (Margin) Required at Target</b>	<b>593,090</b>	<b>476,682</b>	<b>525,262</b>
33	Minimum Capital (Margin) Required (line above / 1.5)	395,393	317,788	350,175
34	(Specify)			
35	<b>Total Minimum Capital (Margin) Required</b>	<b>395,393</b>	<b>317,788</b>	<b>350,175</b>
36	<b>Excess Capital (Net Assets Available) over Minimum Capital (Margin)</b>	<b>(191,626)</b>	<b>(40,855)</b>	<b>(9,088)</b>
37	<b>MCT Ratio</b>	<b>52%</b>	<b>87%</b>	<b>97%</b>