

October 29, 2020

2021 GENERAL RATE APPLICATION
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MPI to provide the discount rate used for the calculation of the interest rate impact on claims incurred in PUB-MPI-2-11 and MPI Exhibit Number 27; and, if possible, include the calculations involved in the calculation of the discount rate as at June 30, 2020, and August 31, 2020.

RESPONSE:

Please see Figures 1 and 2 below supporting the Basic claims discount rate as well as the New Money Yield calculations.

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Undertaking #28 Transcript Page 1262**Figure 1 Basic Claims Discount Rate and New Money Yield - 2021 GRA – PUB (MPI) 2-11 revised**

Line No.	2020/21	2021/22				2022/23				2023/24				2024/25				
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Basic Claims Liability Duration	10.52	10.55	10.56	10.57	10.46	10.48	10.49	10.50	10.44	10.46	10.47	10.48	10.41	10.43	10.44	10.45	10.38
2	Fixed Income Weighted Average Duration																	
3	Government Bonds	7.89	7.84	7.86	7.88	7.89	7.78	7.80	7.81	7.83	7.77	7.79	7.80	7.81	7.74	7.75	7.76	7.77
4	Corporate Bonds	2.69	2.69	2.69	2.69	2.68	2.68	2.68	2.68	2.68	2.67	2.67	2.67	2.67	2.67	2.67	2.68	2.68
5	Total Fixed Income Weighted Average Duration	10.58	10.52	10.55	10.56	10.57	10.46	10.48	10.49	10.50	10.44	10.46	10.47	10.48	10.41	10.43	10.44	10.45
6	Net ALM Duration Gap	0.06	(0.03)	(0.01)	(0.01)	0.12	(0.02)	(0.01)	(0.01)	0.06	(0.02)	(0.01)	(0.01)	0.07	(0.02)	(0.01)	(0.01)	0.06
7	Percentage Allocations																	
8	Government Bonds	56%	57%	57%	58%	58%	59%	59%	59%	59%	60%	60%	61%	61%	61%	62%	62%	62%
9	Corporate Bonds	21%	21%	21%	21%	21%	21%	21%	21%	21%	22%	22%	22%	22%	22%	22%	22%	22%
10	MUSH	23%	22%	22%	21%	21%	20%	20%	19%	19%	18%	18%	18%	17%	17%	16%	16%	16%
11	Total Fixed Income Assets	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
12	Yield To Maturity																	
13	Government Bonds	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%
14	Corporate Bonds	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
15	MUSH	4.39%	4.37%	4.34%	4.32%	4.30%	4.28%	4.26%	4.23%	4.21%	4.19%	4.17%	4.15%	4.12%	4.10%	4.08%	4.06%	4.04%
16	Total Fixed Income Yield to Maturity	2.50%	2.47%	2.46%	2.44%	2.43%	2.40%	2.39%	2.38%	2.37%	2.34%	2.33%	2.32%	2.31%	2.29%	2.28%	2.27%	2.26%
17	Management Fees	0.07%	0.07%	0.07%	0.06%	0.07%	0.07%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
18	Basic Claims Discount Rate	2.43%	2.40%	2.39%	2.38%	2.36%	2.34%	2.33%	2.31%	2.30%	2.28%	2.27%	2.26%	2.25%	2.23%	2.22%	2.21%	2.19%
19	New Money Yield Calculation																	
20	Percentage Allocations																	
21	Government Bonds				73.41%													
22	Corporate Bonds				26.59%													
23	Yield To Maturity																	
24	Government Bonds				1.61%													
25	Corporate Bonds				2.82%													
26	New Money Yield				1.93%													

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Undertaking #28 Transcript Page 1262**Figure 2 Basic Claims Discount Rate and New Money Yield - 2021 GRA - October 9, 2020 update**

Line No.		2020/21	2021/22				2022/23				2023/24				2024/25			
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Basic Claims Liability Duration	10.66	10.65	10.67	10.68	10.57	10.60	10.61	10.62	10.61	10.63	10.64	10.65	10.63	10.65	10.66	10.66	10.65
2	Fixed Income Weighted Average Duration																	
3	Government Bonds	7.85	7.91	7.90	7.92	7.93	7.83	7.86	7.87	7.89	7.88	7.90	7.91	7.92	7.90	7.92	7.93	7.94
4	Corporate Bonds	2.74	2.75	2.75	2.75	2.75	2.74	2.74	2.74	2.74	2.73	2.73	2.73	2.73	2.72	2.72	2.72	2.72
5	Total Fixed Income Weighted Average Duration	10.60	10.66	10.65	10.67	10.68	10.57	10.60	10.61	10.62	10.61	10.63	10.64	10.65	10.63	10.65	10.66	10.66
6	Net ALM Duration Gap	(0.07)	0.01	(0.01)	(0.01)	0.11	(0.03)	(0.01)	(0.01)	0.01	(0.02)	(0.01)	(0.01)	0.03	(0.02)	(0.01)	(0.01)	0.02
7	Percentage Allocations																	
8	Government Bonds	57%	56%	57%	57%	57%	58%	58%	59%	59%	59%	60%	60%	60%	61%	61%	61%	62%
9	Corporate Bonds	21%	21%	21%	21%	21%	22%	22%	22%	22%	22%	22%	22%	22%	22%	23%	23%	23%
10	MUSH	22%	23%	22%	22%	21%	20%	20%	20%	19%	19%	18%	18%	17%	17%	16%	16%	16%
11	Total Fixed Income Assets	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
12	Yield To Maturity																	
13	Government Bonds	1.65%	1.66%	1.66%	1.66%	1.66%	1.65%	1.65%	1.65%	1.66%	1.65%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%
14	Corporate Bonds	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%
15	MUSH	4.39%	4.37%	4.35%	4.33%	4.31%	4.28%	4.26%	4.24%	4.22%	4.20%	4.18%	4.16%	4.14%	4.12%	4.10%	4.08%	4.06%
16	Total Fixed Income Yield to Maturity	2.48%	2.49%	2.47%	2.46%	2.45%	2.41%	2.40%	2.39%	2.38%	2.35%	2.34%	2.33%	2.32%	2.30%	2.29%	2.28%	2.27%
17	Management Fees	0.07%	0.07%	0.07%	0.06%	0.06%	0.07%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
18	Basic Claims Discount Rate	2.41%	2.42%	2.41%	2.40%	2.38%	2.35%	2.34%	2.33%	2.31%	2.29%	2.28%	2.27%	2.26%	2.24%	2.23%	2.22%	2.21%
19	New Money Yield Calculation																	
20	Percentage Allocations																	
21	Government Bonds			72.76%														
22	Corporate Bonds			27.24%														
23	Yield To Maturity																	
24	Government Bonds			1.66%														
25	Corporate Bonds			2.69%														
26	New Money Yield			1.94%														