Undertaking #39

MPI to add to previous Undertaking Number 38, calculate the duration of motorcycle reserves, apply an appropriate new-money yield to that based on that duration, calculate the impact on the rate from using this implied or hypothetical new-money yield on the current application, and see what 22 the change in the rate is.

RESPONSE:

MPI does not have a claim reserve duration specifically for the Motorcycle major class. However, the difference between the overall claim reserve duration and the corresponding PIPP claim reserve duration is approximately one year (9.96 vs 10.87). Assuming that claim reserves for the Motorcycle major class are 100% PIPP, the new money yield (NMY) based on a duration that is one year higher than the overall duration is 2.00% (compared to overall NMY of 1.94%). Based on a NMY of 2.00%, the required rate change for the Motorcycle major class will decrease by 0.4% from 6.9% per *Figure RM-13 in MPI Exhibit 27* to 6.5%.