PUB (MPI) 1-2

Part and Chapter:	Pro Formas PF-4 MPI Exhibit 27 (2021 GRA)	Page No.:	6 of 15
PUB Approved Issue No:	Financial Forecast		
Topic:	Financial Strength of MPI		
Sub Topic:			

Preamble to IR:

Question:

a) Please file a comparison of 2020/21 Basic and Extension forecasts in SRA II with those provided in MPI Exhibit 27 Scenario 3 (COVID-19 Q4 scenario) in similar format as PF-4, and explain the differences.

b) Please provide a summary of the key assumptions in each of the forecasts in (a), and indicate what assumptions have changed and why.

Rationale for Question:

To understand the Corporation's financial strength to support the issuance of the proposed rebate.

RESPONSE:

a) Please refer to the attached *PF.4* and *EPF.4* variance explanation.

b) A summary of key assumptions used in 2021 GRA MPI Exhibit 27 Scenario 3 (COVID-19 Q4 Scenario) and 2021 SRA II, along with subsequent changes include the following:

Interest rate forecast – The naïve interest rate used in the SRA II forecast is as at September 30, 2020, whereas the naïve interest rate used in MPI Exhibit 27, Scenario 3 (COVID-19 Q4 Scenario) forecast is as at August 31, 2020.

Claims incurred – The claims assumptions in the COVID 19 Q4 Scenario provided in MPI Exhibit 27 assume claims frequency will gradually return to normal (each month would progressively get closer to expected budget) from August 31, 2020 to March 31, 2021. The claims assumptions used in the SRA II assume a maintained low frequency assumption to December 31, 2020 and then a gradual return to normal would occur to March 31, ~~2020~~2021. So effectively the difference being a longer assumed lower frequency in the SRA II scenario versus the COVID 19 – Q4 scenario. Following the province-wide move to Critical (Red) on the Pandemic Response System on November 12, 2020, it became clear that the prior assumptions provided in the Q4 scenario would overstate the amount of claims expected for the remainder of 2020/21.

Investment Asset values – Both scenarios have updated investment asset balances and associated Accumulated Other Comprehensive Income to reflect current market valuations. The SRA II forecast includes updated balances as at September 30, 2020 whereas MPI Exhibit 27, Scenario 3 (COVID-19 Q4 Scenario) forecast includes updated balances as at August 31, 2020.

Total Corporate Operating Expenses – Assumptions remained the same in both scenarios. The difference relates to the updated actual values for the two scenarios.

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