

October 18, 2021

**Undertaking #6**

MPI to provide the backup calculation for the increased forecasted interest rate impact noted at line 11 of page 20 of MPI Exhibit number 37.

**RESPONSE:**

The interest rate impact on claims incurred represents the valuation changes based on the claims discount rate from the previous year.

MPI initially forecasted the claims discount rate to decrease 5 basis points, from 2.88% (as at 2020/21) to 2.83% (as at 2021/22), resulting in an unfavourable impact of \$12.5 million to claims incurred. MPI re-forecasted the 2021/22 claims discount rate to 2.72% (an additional decrease of 11 basis points), resulting in a further \$24.6 million unfavourable impact to claims incurred with an overall unfavourable impact on claims incurred of \$37.1 million.

While the actual calculation to determine the interest rate impact is done by comparing the valuation change based on changing the claims discount rate to the same set of undiscounted cash flows, a simple test of the calculation can be illustrated below:

**Figure 1      Approximated 2021/22 Interest Rate Impact on Claims**

Line No.		
1	Unpaid claims valuation as at March 31, 2022:	\$2.1 billion, multiplied by
2	Change in Claims Discount rate from 2020/21:	-16 basis points, multiplied by
3	<u>Approximate Duration of Unpaid Claims</u>	<u>10.3 years =</u>
4	Approximated 2021/22 Interest Rate Impact on Claims:	\$34 million