

**TC (MPI) CI 2-1 CONFIDENTIAL**

<b>Part and Chapter:</b>	<b>TC(MPI) 1-10(p) Attachment 1</b>	<b>Page No.:</b>	<b>9 of 9</b>
<b>PUB Approved Issue No:</b>	<b>18. Capital Management Plan</b>		
<b>Topic:</b>	<b>RSR Target and Range</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

MNP identifies 9 data/calculation concerns, and MPI Management responds that it has reviewed the concerns and will address them, as Management sees fit.

**Question:**

- a) Please explain which data/calculation issues MPI has acted on and why. Please explain why MPI has not acted on the remaining issues identified by MNP
- b) Please quantify the impact that each of the data/calculation issue on the MCT calculation. Please provide an aggregate impact on the calculation of the issues MPI has addressed, and those is has not addressed.
- c) Please comment on MNP's process observations 1 & 2, at page 9 of the report.

**Rationale for Question:**

To understand impacts on the MCT calculation, resulting from MNP's review.

**RESPONSE:**

- a) MPI has acted upon all data/calculation issues outlined by MNP to enhance and refine the MCT calculation.

b) Please see table below:

1. Tab 30.64	Data not readily available to reflect impact on MCT score
2. Tab 30.64	Net unearned premium used instead of net premium liabilities
	1. & 2. impact
	Corporate 13.6%
	BAS 12.8%
	EXT 25.6%
	DVA 0.0%
	SRE 8.8%
3. Tab 30.66	No impact on MCT Score
4. Tab 30.66	Owner Occupied Properties are included at cost value in 30.66 No impact on MCT Score Will review further
5. Tab 30.71	No impact on MCT score. Amount is \$26K and a 0.25% risk factor
6. Tab 30.71	Impact on MCT Score as follows:
	Corporate 1.20%
	BAS 1.20%
	EXT 0.0%
	DVA 0.0%
	SRE 0.2%
7. Tab 40.52	The must have meant 40.22 as Private Debt is not on 40.52 It is appropriate
8. Tab 60.20	Beginning Net Unearned Premiums updated No impact on MCT Score
9. Multiple Tabs	Hard Coded Numbers Reviewed hard coded numbers (only a few) found no issues Will reference sources

c) As highlighted in the MNP audit report, the challenges of using the MCT software for lines of business will continue as it was developed for use at a corporate level. However, as MPI required a Line of Business MCT for its Capital Management Plan, it accepts the additional work-effort/system limitations.

Forecasting the MCT for premium rebate determination will continue to be difficult given the fact that MCT calculations can only provide a point in time assessment of capital requirements, and that future occurrences, such as hailstorms/significant claims events, can easily render a forecast inaccurate.