

**PUB (MPI) Pre-Ask 2**

<b>Part and Chapter:</b>	<b>MPI Exhibit #50</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>			
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Question:**

1. Please provide an alternative scenario:
  - a) MPI has provided the Rate Update using a Naïve interest rate based on a two-year bond yield. The current agreed methodology for the Naïve selection of the New Money Yield (NMY) uses the average duration of the claims liabilities (approximately 10 years, not two years). The Naïve NMY should be equal to the Marketable Bond Yield as shown on page 53 of 55 of MPI\_050, assuming it was properly calculated. Please using the current methodology for the selection of the Naïve forecast.
  - b) The approved Capital Management Plan has provision for capital build and capital releases. Please provide the scenario using the capital release provision in the approved Capital Management plan.
  - c) Please provide alternate rate indication, required rate changes, and updated PF-1, Pf-2, PF-3, EPF-1 and EPF-3 for this scenario.

**RESPONSE:**

NOTE: While preparing the revised Rate Update per part a) of this pre-ask, MPI discovered that the net income in the original rate update was overstated by \$57 million. Claims incurred included interest rate impacts as at August 31, 2022;

whereas, Investment income included interest rate impacts as at July 31, 2022 causing this \$57 million difference. The pro formas have been revised to ensure that the interest rate impacts and Investment income interest rate impacts are as at August 31, 2022. Both pre-ask 1 and 2 reflect this change.

Part a) – Please refer to the response for Pre Ask 1 part a)

Parts b) and c) - There is no alternative rate indication or required rate scenarios for the application of the capital management plan. Please refer to Appendix 1 for PF-1, PF-2, PF-3, EPF-1, EPF-2 on the alternative scenario requested.

**Appendix 1:  
 Rate Indication Table and MCT % after Rebate and Capital Management Plan**

Line No.	Scenario	New Money Yield	AAP Breakeven Rate Indication	Capital Build / (Release) Provision	Rebate (in million)				Transfer from Extension (in million)				MCT % After Basic Rebate, Transfer from Extension and Capital Build / Release			
					22/23	23/24	24/25	25/26	22/23	23/24	24/25	25/26	22/23	23/24	24/25	25/26
1	Rate Update - August 2022	4.17%	-0.29%	-4.86%	-	-	-	-	58.2	36.9	41.4	52.7	114.2%	112.3%	111.5%	121.0%
2	with Capital Release															

**PF-1 Statement of Operations: -0.3% Basic Rate Change**

**Multi-year - Statement of Operations**

Line No.		For the Years Ended March 31,					
2023/24 Basic AAP Break even rate change of -0.3% with -4.86% Capital Release (C\$ 000s, rounding may affect totals)		2022A	2023FB	2024F	2025F	2026F	2027F
1							
2	<b>BASIC</b>	<b>2021/22A</b>	<b>2022/23FB</b>	<b>2023/24F</b>	<b>2024/25F</b>	<b>2025/26F</b>	<b>2026/27F</b>
3	Motor Vehicles	1,092,643	1,116,144	1,153,724	1,194,462	1,237,318	1,281,676
4	Capital Release Provision	(73,275)	(57,857)	(57,168)	-	-	-
5	Drivers	61,511	59,444	63,390	65,996	68,165	70,094
6	Reinsurance Ceded	(15,659)	(16,386)	(16,843)	(17,348)	(17,868)	(18,404)
7	<b>Total Net Premiums Written</b>	<b>1,065,220</b>	<b>1,101,345</b>	<b>1,143,103</b>	<b>1,243,110</b>	<b>1,287,615</b>	<b>1,333,366</b>
8	<b>Net Premiums Earned</b>						
9	Motor Vehicles	1,094,496	1,105,705	1,135,264	1,174,451	1,216,266	1,259,887
10	Capital Release Provision	(36,176)	(66,536)	(57,506)	(28,082)	-	-
11	Drivers	63,747	60,389	61,452	64,716	67,100	69,147
12	Reinsurance Ceded	(15,659)	(16,363)	(16,843)	(17,348)	(17,868)	(18,404)
13	<b>Total Net Premiums Earned</b>	<b>1,106,408</b>	<b>1,083,195</b>	<b>1,122,367</b>	<b>1,193,737</b>	<b>1,265,498</b>	<b>1,310,630</b>
14	Service Fees & Other Revenues	24,652	28,073	27,570	27,283	27,903	28,564
15	<b>Total Earned Revenues</b>	<b>1,131,060</b>	<b>1,111,268</b>	<b>1,149,937</b>	<b>1,221,020</b>	<b>1,293,401</b>	<b>1,339,194</b>
16	Claims Incurred	838,574	923,837	938,522	987,363	1,035,885	1,084,512
17	DPAC \ Premium Deficiency Adjustment	-	-	-	-	-	7,668
18	(a) Claims Incurred - Interest Rate Impact	(132,765)	(134,263)	(595)	(841)	(2,579)	717
19	<b>Total Claims Incurred</b>	<b>705,809</b>	<b>789,574</b>	<b>937,927</b>	<b>986,522</b>	<b>1,033,306</b>	<b>1,092,897</b>
20	Claims Expense	146,277	151,542	157,376	158,005	156,360	153,311
21	Road Safety/Loss Prevention	10,337	12,469	14,975	14,054	14,403	14,813
22	<b>Total Claims Costs</b>	<b>862,423</b>	<b>953,585</b>	<b>1,110,278</b>	<b>1,158,581</b>	<b>1,204,069</b>	<b>1,261,021</b>
23	<b>Expenses</b>						
24	Operating	75,945	89,578	107,488	108,141	107,803	106,209
25	Commissions	44,925	47,913	50,689	57,096	58,310	57,346
26	Premium Taxes	28,966	32,988	34,178	36,334	38,503	39,873
27	Regulatory/Appeal	4,530	4,618	4,815	4,428	4,508	4,606
28	<b>Total Expenses</b>	<b>154,366</b>	<b>175,097</b>	<b>197,170</b>	<b>205,999</b>	<b>209,124</b>	<b>208,034</b>
29	<b>Underwriting Income (Loss)</b>	<b>114,271</b>	<b>(17,414)</b>	<b>(157,511)</b>	<b>(143,560)</b>	<b>(119,792)</b>	<b>(129,861)</b>
30	<b>Investment Income</b>	79,813	125,669	119,652	118,849	124,547	130,216
31	(b) Investment Income - Interest Rate Impact	(126,997)	(124,386)	(346)	(320)	(303)	(294)
32	<b>Net Investment Income</b>	<b>(47,184)</b>	<b>1,283</b>	<b>119,306</b>	<b>118,529</b>	<b>124,244</b>	<b>129,922</b>
33	Gain (Loss) on Sale of Property	104	-	-	-	-	-
34	<b>Net Income (Loss) from Annual Operations</b>	<b>67,191</b>	<b>(16,131)</b>	<b>(38,205)</b>	<b>(25,031)</b>	<b>4,452</b>	<b>61</b>
35	Total net Impact due to interest rate change (b) - (a)	5,768	9,877	249	521	2,276	(1,011)

**PF-2 Statement of Financial Position: -0.3% Basic Rate Change****Multi-year - Statement of Financial Position**

Line No.		<i>For the Years Ended March 31,</i>					
<i>(C\$ 000s, rounding may affect totals)</i>		<b>2022A</b>	<b>2023FB</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
<b>2023/24 Basic AAP Break even rate change of -0.3% with -4.86% Capital Release</b>							
1							
2	<b>BASIC</b>	<b>2021/22A</b>	<b>2022/23FB</b>	<b>2023/24F</b>	<b>2024/25F</b>	<b>2025/26F</b>	<b>2026/27F</b>
3	<b>Assets</b>						
4	Cash and cash equivalents	153,131	205,333	192,288	185,406	174,091	164,706
5	Investments	2,750,044	2,713,813	2,790,708	2,886,788	3,009,041	3,182,504
6	Investment property	5,912	5,735	5,566	5,398	5,230	5,062
7	Due from other insurance companies	14	-	-	-	-	-
8	Accounts receivable	398,612	360,664	373,706	407,073	421,678	436,795
9	Deferred policy acquisition costs	37,672	37,111	41,486	43,349	43,023	36,340
10	Reinsurers' share of unearned premiums	-	23	23	23	23	23
11	Reinsurers' share of unpaid claims	2,457	-	-	-	-	-
12	Property and equipment	111,880	134,472	143,777	154,630	178,076	179,228
13	Deferred development costs	44,687	45,258	49,415	52,467	52,085	43,686
14	<b>Total Assets</b>	<b>3,504,409</b>	<b>3,502,409</b>	<b>3,596,969</b>	<b>3,735,134</b>	<b>3,883,247</b>	<b>4,048,344</b>
15	<b>Liabilities</b>						
16	Due to other insurance companies	369	325	325	325	325	325
17	Accounts payable and accrued liabilities	60,876	70,072	69,620	72,037	70,982	71,336
18	Financing lease obligation	5,361	5,282	5,159	5,036	4,913	4,791
19	Unearned premiums and fees	548,725	570,352	592,454	643,298	667,001	691,450
20	Provision for employee current benefits	19,281	19,995	20,672	21,349	22,026	22,703
21	Provision for employee future benefits	355,244	301,431	312,762	324,095	335,428	346,761
22	Provision for unpaid claims	2,103,789	2,071,586	2,135,839	2,192,423	2,247,763	2,307,710
23	<b>Total Liabilities</b>	<b>3,093,645</b>	<b>3,039,043</b>	<b>3,136,831</b>	<b>3,258,563</b>	<b>3,348,438</b>	<b>3,445,076</b>
24	<b>Equity</b>						
25	Retained Earnings	359,335	401,390	400,132	416,532	473,656	538,810
26	Accumulated Other Comprehensive Income	51,429	61,976	60,003	60,036	61,149	64,457
27	<b>Total Equity</b>	<b>410,764</b>	<b>463,366</b>	<b>460,135</b>	<b>476,568</b>	<b>534,805</b>	<b>603,267</b>
28	<b>Total Liabilities &amp; Equity</b>	<b>3,504,409</b>	<b>3,502,409</b>	<b>3,596,966</b>	<b>3,735,131</b>	<b>3,883,243</b>	<b>4,048,343</b>

PF-3 Statement of Changes in Equity: -0.3% Basic Rate Change

Multi-year - Statement of Changes in Equity

Line No.	2023/24 Basic AAP Break even rate change of -0.3% with -4.86% Capital Release (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2022A	2023FB	2024F	2025F	2026F	2027F
1							
2	<b>BASIC</b>						
3	<b>Total Equity</b>	<b>2021/22A</b>	<b>2022/23FB</b>	<b>2023/24F</b>	<b>2024/25F</b>	<b>2025/26F</b>	<b>2026/27F</b>
4	<b>Retained Earnings</b>						
5	Beginning Balance	448,678	359,335	401,390	400,132	416,532	473,656
6	Net Income (Loss) from annual operations	67,191	(16,131)	(38,205)	(25,031)	4,452	61
7	Rebate to Policyholders	(156,534)	-	-	-	-	-
8	Transfer from Extension Retained Earnings	-	58,186	36,947	41,431	52,672	65,093
9	<b>Total Retained Earnings</b>	<b>359,335</b>	<b>401,390</b>	<b>400,132</b>	<b>416,532</b>	<b>473,656</b>	<b>538,810</b>
10	<b>Total Accumulated Other Comprehensive Income</b>						
11	Beginning Balance	(14,700)	51,429	61,976	60,003	60,036	61,149
12	Other Comprehensive Income on Available for Sale Assets	25,485	(51,545)	(1,973)	33	1,113	3,308
13	Change in Remeasurement of Employee Future Benefits	40,644	62,092	-	-	-	-
14	<b>Total Accumulated Other Comprehensive Income</b>	<b>51,429</b>	<b>61,976</b>	<b>60,003</b>	<b>60,036</b>	<b>61,149</b>	<b>64,457</b>
15	<b>Total Accumulated Other Comprehensive Income Balance</b>						
16	<b>Employee Future Benefits Portfolio</b>						
17	Available for Sale Assets	44,591	22,983	22,857	23,180	23,937	25,065
18	Employee Future Benefits Liabilities	(26,941)	35,382	35,382	35,382	35,382	35,382
19	<b>Rate Stabilization Reserve Portfolio</b>						
20	Available for Sale Assets	33,778	3,611	1,765	1,475	1,830	4,010
21	<b>Total Accumulated Other Comprehensive Income Balance</b>	<b>51,429</b>	<b>61,976</b>	<b>60,003</b>	<b>60,036</b>	<b>61,149</b>	<b>64,457</b>
22	<b>Total Equity Balance</b>	<b>410,764</b>	<b>463,366</b>	<b>460,135</b>	<b>476,568</b>	<b>534,805</b>	<b>603,267</b>
23	<b>MINIMUM CAPITAL TEST (C\$ 000s)</b>						
24	Total Equity Balance	410,761	463,366	460,135	476,568	534,805	603,267
25	Less: Assets Requiring 100% Capital	44,687	45,258	49,415	52,467	52,085	43,686
26	Capital Available	366,074	418,108	410,720	424,101	482,720	559,581
27	Minimum Capital Required (100% MCT)	384,411	366,123	365,684	380,260	399,124	424,328
28	<b>MCT Ratio % (Line 26) / (Line 27)</b>	<b>95.2%</b>	<b>114.2%</b>	<b>112.3%</b>	<b>111.5%</b>	<b>121.0%</b>	<b>131.9%</b>
29	<b>MCT Ratio % - (Excludes AOCI unrealized gains on EFB Liability)</b>	<b>95.2%</b>	<b>103.7%</b>	<b>101.8%</b>	<b>101.4%</b>	<b>111.3%</b>	<b>122.8%</b>

EPF-1 Extension Statement of Operations: Basic Rate Change of -0.3%

Multi-year - Statement of Operations

Line No.	2023/24 Basic AAP Break even rate change of -0.3% with -4.86% Capital Release (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2022A	2023FB	2024F	2025F	2026F	2027F
2	<b>EXTENSION</b>	<b>2021/22A</b>	<b>2022/23FB</b>	<b>2023/24F</b>	<b>2024/25F</b>	<b>2025/26F</b>	<b>2026/27F</b>
3	Motor Vehicles	180,476	187,902	193,228	199,871	206,808	214,031
4	Reinsurance Ceded	(1,949)	(2,007)	(2,063)	(2,125)	(2,189)	(2,254)
5	<b>Total Net Premiums Written</b>	<b>178,527</b>	<b>185,895</b>	<b>191,165</b>	<b>197,746</b>	<b>204,619</b>	<b>211,777</b>
6	<b>Net Premiums Earned</b>						
7	Motor Vehicles	170,804	184,309	190,651	196,657	203,452	210,536
8	Reinsurance Ceded	(1,949)	(2,004)	(2,063)	(2,125)	(2,189)	(2,254)
9	<b>Total Net Premiums Earned</b>	<b>168,855</b>	<b>182,305</b>	<b>188,588</b>	<b>194,532</b>	<b>201,263</b>	<b>208,282</b>
10	Service Fees & Other Revenues	10,725	12,939	13,563	13,422	13,763	14,106
11	<b>Total Earned Revenues</b>	<b>179,580</b>	<b>195,244</b>	<b>202,151</b>	<b>207,954</b>	<b>215,026</b>	<b>222,388</b>
12	<b>Net Claims Incurred</b>	75,510	90,439	92,108	93,259	94,438	95,528
13	(a) Claims Incurred - Interest Rate Impact	(702)	(257)	8	-	-	-
14	<b>Total Claims Incurred</b>	<b>74,808</b>	<b>90,182</b>	<b>92,116</b>	<b>93,259</b>	<b>94,438</b>	<b>95,528</b>
15	Claims Expense	11,817	15,001	15,346	16,534	16,186	17,439
16	Road Safety/Loss Prevention	872	1,199	1,526	1,325	1,399	1,402
17	<b>Total Claims Costs</b>	<b>87,497</b>	<b>106,382</b>	<b>108,988</b>	<b>111,118</b>	<b>112,023</b>	<b>114,369</b>
18	<b>Expenses</b>						
19	Operating	7,979	10,565	12,142	12,908	13,268	13,733
20	Commissions	33,664	32,656	34,049	34,462	33,664	33,137
21	Premium Taxes	5,124	5,530	5,720	5,900	6,104	6,316
22	Regulatory/Appeal	18	12	13	12	13	13
23	<b>Total Expenses</b>	<b>46,785</b>	<b>48,763</b>	<b>51,924</b>	<b>53,282</b>	<b>53,049</b>	<b>53,199</b>
24	<b>Underwriting Income (Loss)</b>	<b>45,298</b>	<b>40,099</b>	<b>41,239</b>	<b>43,554</b>	<b>49,954</b>	<b>54,820</b>
25	<b>Investment Income</b>	4,368	10,707	6,959	6,835	7,252	7,652
26	(b) Investment Income - Interest Rate Impact	(76)	(15)	10	4	3	3
27	<b>Net Investment Income</b>	<b>4,292</b>	<b>10,692</b>	<b>6,969</b>	<b>6,839</b>	<b>7,255</b>	<b>7,655</b>
28	Gain (Loss) on Sale of Property	9	-	-	-	-	-
29	<b>Net Income (Loss) from Annual Operations</b>	<b>49,598</b>	<b>50,791</b>	<b>48,208</b>	<b>50,393</b>	<b>57,209</b>	<b>62,475</b>
30	<b>Total net Impact due to interest rate change (b) - (a)</b>	<b>626</b>	<b>242</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>3</b>

**EPF-3 Extension Statement of Changes in Equity: Basic Rate Change of -0.3%**

**Multi-year - Statement of Changes in Equity**

Line No.	2023/24 Basic AAP Break even rate change of -0.3% with -4.86% Capital Release (C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2022A	2023FB	2024F	2025F	2026F	2027F
2	<b>EXTENSION</b>	2021/22A	2022/23FB	2023/24F	2024/25F	2025/26F	2026/27F
3	<b>Total Equity</b>						
4	<b>Retained Earnings</b>						
5	Beginning Balance	86,234	78,832	71,446	82,708	91,669	96,205
6	Net Income (Loss) from annual operations	49,598	50,800	48,209	50,392	57,208	62,474
7	Transfer (to) / from DVA Retained Earnings	(57,000)	-	-	-	-	-
8	Transfer (to) / from Basic Retained Earnings		(58,186)	(36,947)	(41,431)	(52,672)	(65,093)
9	<b>Total Retained Earnings</b>	<b>78,832</b>	<b>71,446</b>	<b>82,708</b>	<b>91,669</b>	<b>96,205</b>	<b>93,586</b>
10	<b>Total Accumulated Other Comprehensive Income</b>						
11	Beginning Balance	10,706	15,832	9,841	9,445	9,128	9,009
12	Other Comprehensive Income on Available for Sale Assets	1,692	(11,202)	(395)	(317)	(119)	55
13	Change in Remeasurement of Employee Future Benefits	3,434	5,210	-	-	-	-
14	<b>Total Accumulated Other Comprehensive Income</b>	<b>15,832</b>	<b>9,840</b>	<b>9,446</b>	<b>9,128</b>	<b>9,009</b>	<b>9,064</b>
15	<b>Total Accumulated Other Comprehensive Income Balance</b>						
16	<b>Employee Future Benefits Portfolio</b>						
17	Available for Sale Assets	3,768	1,929	1,918	1,945	2,009	2,103
18	Employee Future Benefits Liabilities	(2,277)	2,969	2,969	2,969	2,969	2,969
19	<b>Extension Portfolio</b>						
20	Available for Sale Assets	14,340	4,943	4,558	4,214	4,032	3,992
21	<b>Total Accumulated Other Comprehensive Income Balance</b>	<b>15,832</b>	<b>9,841</b>	<b>9,445</b>	<b>9,128</b>	<b>9,009</b>	<b>9,064</b>
22	<b>Total Equity Balance</b>	<b>94,664</b>	<b>81,287</b>	<b>92,153</b>	<b>100,797</b>	<b>105,215</b>	<b>102,650</b>
23	<b>MINIMUM CAPITAL TEST (C\$ 000s)</b>						
24	Total Equity Balance	94,664	81,287	92,153	100,797	105,215	102,650
25	Less: Assets Requiring 100% Capital	3,701	10,085	18,491	24,185	25,249	19,046
26	Capital Available	90,963	71,202	73,662	76,612	79,966	83,604
27	Minimum Capital Required (100% MCT)	45,159	35,601	36,831	38,306	39,983	41,802
28	<b>MCT Ratio % (Line 26) / (Line 27)</b>	<b>201%</b>	<b>200%</b>	<b>200%</b>	<b>200%</b>	<b>200%</b>	<b>200%</b>