

**PUB (MPI) Pre-Ask 6**

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

**Preamble to IR:**

**Question:**

With respect to PUB (MPI) 1-7a Figure 1 (a) Basic Claims Portfolio Expected Yield:

- a) Reflect the change in market yields in the MUSH bonds expected yield.
- b) Reflect the change in market yields in the Mortgages expected yield.
- c) Reflect the change in market yields in the Real Estate expected yield.
- d) Recalculate the total yield, taking into consideration the changes in the above three yields.
- e) Recalculate RI-10, PF-1, PF-2, and PF-3 based on this revised yield..

**Rationale for Question:**

**RESPONSE:**

- a) The MUSH assumption is only updated once a year, so the rate is still 4.20%. In order to update the data we would require reporting from investment accounting, and due to the current work stoppage, we have not received month end reporting for the last two months.

- b) The mortgage rate increased from 5.05% on March 31st to 5.73% on August 31st.
- c) The Real Estate yield increased from 6.10% on March 31st to 6.23% on August 31<sup>st</sup>.
- d) The total yield is re-calculated in the table below:

**Figure 1 Yield by Asset Type**

Asset Type	Portfolio Weight	Yield	Share of total yield
Provincial Bonds*	37%	4.31%	1.59%
Corporate Bonds*	28%	5.41%	1.51%
MUSH Bonds	20%	4.20%	0.84%
Mortgages	5%	5.73%	0.29%
Real Estate	10%	6.23%	0.62%
<b>Total</b>	<b>100%</b>		<b>4.86%</b>

\*Mix of long and mid term bonds from the FTSE Russell index used as a proxy for a bond with Duration of 8.6

The average yield changed from 4.45% in March to 4.86% in August, an increase of 41 bps.

- e) Figure 2- RI-10 using the alternative investment yield, net of investment expenses and Figures 3, 4, 5 for PF-1, PF-2, and PF-3 are provided below.

**PUB Figure 6-2**  
**Rating Year 2024/25 Major Classification Applied for Rate Change**

Line No.	Coverage	Private				Motor-		ORV's
		Overall	Pass.	Comm.	Public	cycles	Trailers	
1	<b>24/25 Units</b>	1,280,333	863,331	49,070	13,089	19,322	244,888	90,633
2	<b>Claims</b>	706.21	948.19	733.73	1,877.71	651.95	49.03	4.46
3	<b>Claims Expense</b>	121.50	163.13	126.24	323.06	112.17	8.44	0.77
4	<b>Road Safety</b>	9.47	12.83	12.83	12.83	12.83	0.00	0.00
5	<b>Operating Expense</b>	53.72	72.80	72.80	72.80	72.80	0.00	0.00
6	<b>Regulatory/Appeal</b>	3.35	4.54	4.54	4.54	4.54	0.00	0.00
7	<b>Commission: Vehicle</b>	38.29	50.89	44.92	110.00	34.30	3.12	0.23
8	<b>Prem Tax: Vehicle</b>	27.75	36.87	32.55	79.71	24.86	2.26	0.17
9	<b>Comm &amp; Prem Tax: Driver</b>	2.85	3.86	3.86	3.86	3.86	0.00	0.00
10	<b>Commission Flat Fee</b>	5.69	7.72	7.72	7.72	7.72	0.00	0.00
11	<b>Reins: Casualty</b>	2.01	2.72	2.72	2.72	2.72	0.00	0.00
12	<b>Reins: Catastrophe</b>	11.38	12.45	12.45	12.45	0.00	12.45	0.00
13	<b>Fleet Rebates</b>	15.28	11.50	129.97	248.72	0.00	0.00	0.00
14	<b>Anti-Theft Discount</b>	0.56	0.84	0.00	0.00	0.00	0.00	0.00
15	<b>Driver Prem</b>	51.80	70.20	70.20	70.20	70.20	0.00	0.00
16	<b>Service Fees</b>	21.41	29.02	29.02	29.02	29.02	0.00	0.00
17	<b>Req Rate</b>	924.84	1,229.11	1,085.11	2,656.89	828.52	75.29	5.63
18	<b>Adj. Req Rate</b>	903.90	1,201.28	1,060.54	2,596.73	809.76	73.58	5.50
19	<b>23/24 Average Rate</b>	870.37	1,150.24	908.29	2,252.53	882.92	62.24	5.69
20	<b>Major Class Drift</b>	4.8%	6.0%	4.6%	1.2%	-0.1%	7.3%	0.0%
21	<b>24/25 Average Rate</b>							
22	<b>Without Rate Change</b>	912.02	1,218.86	949.64	2,279.87	882.12	66.81	5.69
23	<b>Full Cred Req Change</b>	-0.9%	-1.4%	11.7%	13.9%	-8.2%	10.1%	-3.4%
24	<b>Applied for Change</b>	0.0%	-0.6%	12.7%	14.9%	-7.4%	11.1%	-2.5%
25	<b>Credibility</b>		99.3%	89.1%	68.6%	76.3%	97.6%	93.8%
26	<b>Cred Wtd Change</b>		-0.6%	11.3%	10.2%	-5.6%	10.9%	-2.4%
27	<b>Cred Wtd Req Rate</b>	910.66	1,212.12	1,056.95	2,513.13	832.46	74.07	5.56
28	<b>Cred Wtd Req Rate (Bal)</b>	912.02	1,213.94	1,058.53	2,516.90	833.71	74.18	5.57
29	<b>Cred Wtd Change (Bal)</b>	0.0%	-0.4%	11.5%	10.4%	-5.5%	11.0%	-2.2%

**PF- 1 Statement of Operations: -0.89% Basic Rate Change**

Line No.	2024/25 Rate Update with Basic Rate change of -0.89% (C\$ 000s, rounding may affect totals)	IFRS 17 2023A	IFRS 17 2024BF	IFRS 17 2025F	IFRS 17 2026F	IFRS 17 2027F	IFRS 17 2028F
1	<b>BASIC</b>						
3	Motor Vehicles	1,121,811	1,112,046	1,137,693	1,174,245	1,209,395	1,247,356
	Capital Release Provision	(57,026)	-	-	-	-	-
4	Drivers	59,085	62,520	64,822	66,634	67,982	70,043
5	Reinsurance Ceded	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
6	<b>Total Net Premiums Written</b>	<b>1,107,478</b>	<b>1,158,180</b>	<b>1,185,637</b>	<b>1,223,495</b>	<b>1,259,471</b>	<b>1,298,956</b>
7	<b>Net Premiums Earned</b>						
8	Motor Vehicles	1,103,695	1,119,108	1,125,034	1,156,204	1,192,046	1,228,619
	Capital Release Provision	(65,568)	(28,558)	-	-	-	-
9	Drivers	59,896	61,180	63,693	65,745	67,321	69,032
10	Reinsurance Ceded	(16,392)	(16,386)	(16,878)	(17,384)	(17,906)	(18,443)
11	<b>Total Net Premiums Earned</b>	<b>1,081,631</b>	<b>1,135,344</b>	<b>1,171,849</b>	<b>1,204,565</b>	<b>1,241,461</b>	<b>1,279,208</b>
12	Service Fees & Other Revenues	26,841	26,904	27,117	27,702	28,331	28,996
13	<b>Total Earned Revenues</b>	<b>1,108,472</b>	<b>1,162,248</b>	<b>1,198,966</b>	<b>1,232,267</b>	<b>1,269,792</b>	<b>1,308,204</b>
14	Claims Incurred	903,733	915,089	969,941	1,004,648	1,039,727	1,076,734
15	DPAC \ Premium Deficiency Adjustment	-	-	-	-	-	-
16	(a) Claims Incurred - Interest Rate Impact	(133,231)	(57,950)	13,849	6,221	(479)	(4,306)
17	<b>Total Claims Incurred</b>	<b>770,502</b>	<b>857,139</b>	<b>983,790</b>	<b>1,010,869</b>	<b>1,039,248</b>	<b>1,072,428</b>
18	Claims Expense	144,857	150,855	145,989	140,867	134,089	133,037
19	Road Safety/Loss Prevention	10,530	14,461	12,134	12,060	12,137	12,285
20	<b>Total Claims Costs</b>	<b>925,889</b>	<b>1,022,455</b>	<b>1,141,913</b>	<b>1,163,796</b>	<b>1,185,474</b>	<b>1,217,750</b>
21	<b>Expenses</b>						
22	Operating	85,118	94,979	93,960	90,487	87,121	86,207
23	Commissions	47,845	50,817	55,850	55,643	55,873	56,153
24	Premium Taxes	33,716	35,239	36,077	37,228	38,323	39,524
25	Regulatory/Appeal	4,769	4,637	4,239	4,328	4,346	4,366
26	<b>Total Expenses</b>	<b>171,448</b>	<b>185,672</b>	<b>190,126</b>	<b>187,686</b>	<b>185,663</b>	<b>186,250</b>
27	<b>Underwriting Income (Loss)</b>	<b>11,135</b>	<b>(45,879)</b>	<b>(133,073)</b>	<b>(119,215)</b>	<b>(101,345)</b>	<b>(95,796)</b>
28	<b>Investment Income</b>	98,194	113,764	134,886	141,995	150,358	160,823
29	(b) Investment Income - Interest Rate Impact	(115,602)	(103,531)	-	-	-	-
30	<b>Net Investment Income</b>	<b>(17,408)</b>	<b>10,233</b>	<b>134,886</b>	<b>141,995</b>	<b>150,358</b>	<b>160,823</b>
31	<b>Gain (Loss) on Sale of Property</b>	112	-	-	-	-	-
32	<b>Net Income (Loss) from Annual Operations</b>	<b>(6,161)</b>	<b>(35,646)</b>	<b>1,813</b>	<b>22,780</b>	<b>49,013</b>	<b>65,027</b>
35	Total net Impact due to interest rate change (b) - (a)	17,629	(45,581)	(13,849)	(6,221)	479	4,306
32	<b>Net Income (Loss) from Annual Operations</b>	<b>(35,646)</b>	<b>1,813</b>	<b>22,780</b>	<b>49,013</b>	<b>65,027</b>	
33	Adjust for Initiative Expenses (BO 12.1 d)	(27,608)	(24,017)	(24,202)	(6,935)	(1)	
34	<b>Net Income (Loss) for for Rate Setting Purposes</b>	<b>(8,038)</b>	<b>25,830</b>	<b>46,982</b>	<b>55,948</b>	<b>65,028</b>	

**PF- 2 Statement of Financial Position: -0.89% Basic Rate Change**

Line No.	2024/25 Rate Update with Basic Rate change of -0.89% (C\$ 000s, rounding may affect totals)	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17	IFRS 17
		2023A	2024BF	2025F	2026F	2027F	2028F
2	<b>BASIC</b>						
3	<b>Assets</b>						
4	Cash and cash equivalents	101,407	59,555	51,621	40,621	32,389	24,315
5	Investments	2,768,029	2,811,535	2,881,611	2,993,354	3,167,794	3,364,486
6	Investment property	5,759	5,604	5,449	5,295	5,140	4,985
7	Accounts receivable	117,843	-	-	-	-	-
8	Prepaid Expenses	2,732					
9	Reinsurance asset	3,838	-	-	-	-	-
10	Property and Equipment	117,471	133,543	144,396	167,842	168,994	170,146
11	Deferred development costs	45,518	33,972	36,441	34,092	27,910	22,032
12	<b>Total Assets</b>	<b>3,162,596</b>	<b>3,044,209</b>	<b>3,119,518</b>	<b>3,241,204</b>	<b>3,402,227</b>	<b>3,585,964</b>
13	<b>Liabilities</b>						
14	Due to other insurance companies						
15	Accounts payable and accrued liabilities	45,687	69,113	66,856	64,607	61,987	61,517
16	Reinsurance Liability	-	320	320	320	320	320
17	Lease obligation	5,014	5,276	5,153	5,031	4,908	4,785
18	Insurance contract liability	2,288,292	2,157,682	2,221,549	2,283,047	2,341,390	2,400,232
19	Provision for employee current benefits	18,889	20,670	21,347	22,024	22,701	23,378
20	Provision for employee future benefits	313,985	327,878	339,210	350,543	361,876	373,208
21	<b>Total Liabilities</b>	<b>2,671,867</b>	<b>2,580,939</b>	<b>2,654,435</b>	<b>2,725,572</b>	<b>2,793,182</b>	<b>2,863,440</b>
22	<b>Equity</b>						
23	Retained Earnings	435,784	441,017	442,832	493,380	586,793	700,272
24	Accumulated Other Comprehensive Income	54,946	22,251	22,251	22,251	22,251	22,251
25	<b>Total Equity</b>	<b>490,729</b>	<b>463,268</b>	<b>465,083</b>	<b>515,631</b>	<b>609,044</b>	<b>722,523</b>
26	<b>Total Liabilities &amp; Equity</b>	<b>3,162,596</b>	<b>3,044,207</b>	<b>3,119,518</b>	<b>3,241,203</b>	<b>3,402,227</b>	<b>3,585,963</b>

**PF- 3 Statement of Changes in Equity: -0.89% Basic Rate Change**

Line No.	2024/25 Rate Update with Basic Rate change of -0.89% (C\$ 000s, except where noted)	For the Years Ended March 31,				
		IFRS 17 2023A	IFRS 17 2024F	IFRS 17 2025F	IFRS 17 2026F	IFRS 17 2027F
<b>BASIC</b>						
1	<b>Total Equity</b>					
2	<b>Retained Earnings</b>					
3	Beginning Balance	435,784	441,017	442,832	493,380	586,793
4	Restatement of AOCI on AFS Assets (IFRS 9)	46,845	-	(0)	0	-
5	Restatement of MUSH Assets to FVTPL (IFRS 9)	(5,966)	-	-	-	-
4	Net Income (Loss) from annual operations	(35,645)	1,815	22,781	49,015	65,029
6	Rebate to Policyholders	-	-	-	-	-
7	Transfer (to) / from Non-Basic Retained Earnings	-	-	27,767	44,399	48,449
8	<b>Total Retained Earnings</b>	<b>435,784</b>	<b>441,017</b>	<b>442,832</b>	<b>493,380</b>	<b>586,793</b>
9	<b>Total Accumulated Other Comprehensive Income</b>					
10	Beginning Balance	54,946	22,251	22,251	22,251	22,251
11	Other Comprehensive Income on Available for Sale Assets	1,846	-	-	-	-
	Restatement of AOCI on AFS Assets (IFRS 9)	(46,845)	-	0	(0)	-
12	Change in Remeasurement of Employee Future Benefits	12,304	-	-	-	-
13	<b>Total Accumulated Other Comprehensive Income</b>	<b>54,946</b>	<b>22,251</b>	<b>22,251</b>	<b>22,251</b>	<b>22,251</b>
14	<b>Total Accumulated Other Comprehensive Income Balance</b>					
15	<b>Employee Future Benefits Portfolio</b>					
16	Available for Sale Assets	0	0	0	0	0
17	Employee Future Benefits Liabilities	22,251	22,251	22,251	22,251	22,251
18	<b>Rate Stabilization Reserve Portfolio</b>					
19	Available for Sale Assets	0	0	0	0	0
20	<b>Total Accumulated Other Comprehensive Income Balance</b>	<b>54,946</b>	<b>22,251</b>	<b>22,251</b>	<b>22,251</b>	<b>22,251</b>
21	<b>Total Equity Balance</b>	<b>490,729</b>	<b>463,268</b>	<b>465,083</b>	<b>515,631</b>	<b>609,044</b>
22	<b>MINIMUM CAPITAL TEST (C\$ 000s)</b>					
23	Total Equity Balance	490,730	463,268	465,083	515,631	609,044
24	Less: Assets Requiring 100% Capital	28,366	33,972	36,441	34,092	27,910
25	Capital Available	462,364	429,296	428,642	481,539	581,134
26	Minimum Capital Required (100% MCT)	341,329	407,333	437,695	455,565	477,971
27	<b>MCT Ratio % (Line 25) / (Line 26)</b>	<b>135.5%</b>	<b>105.4%</b>	<b>97.9%</b>	<b>105.7%</b>	<b>121.6%</b>