Undertaking # 29

MPI to provide reasoning as to why the two (2) years are being utilized for the purposes of picking the assumption, and what the difference would be in the dollar amounts if you used the average total return assumption for the relevant investment asset classes expected over the period that premiums are assumed to be written.

RESPONSE:

The initial question per PUB (MPI) 1-46 required that the Corporation determine "*the contribution of the expected investment return on the assets supporting Basic Total Equity*" for rating year 2015/16. To determine this, we used the average of the corresponding figures for fiscal years 2015/16 and 2016/17 as presented in PUB (MPI) 2-17. This method is similar to the derivation of certain expenses and income per AI.9, specifically road safety/loss prevention, operating expenses, regulatory appeal, reinsurance, and service fees and other revenues.

The table below presents the results if the average total return from non-fixed income assets were used.

(All figures in $000)		Fiscal Year	
		2014/15	**2015/16**
Total Equity	Pro Formas, Pg 4	132,738	133,408
		2015/16	**2016/17**
Average total return from non-fixed income assets		6.88%	6.88%
Investment Income from Equity [a]		9,132	9,178
Average Investment Income from Equity			9,155
[a] Investment income is assumed to be earned on the assets as at the end of the fiscal year.			