

Undertaking # 35

MPI to provide a description at a high level of how the MCT is changing in 2015, indicating direction and order of magnitude of the impact of those changes on the Corporation's MCT ratio as at February 28, 2014.

RESPONSE:

MPI will not be using the 2015 version of the MCT, until the February 2016 year end. MPI consistently uses a version of the MCT which is one year prior; this is because, for example, for the fiscal year ended February 2014 the 2014 MCT was only in draft form at that time (both guidelines and electronic files). Therefore, for the fiscal year end February 2014, MPI used the 2013 MCT. As a result, for the upcoming year end of February 2015, MPI will be using the 2014 MCT version.

The Office of the Superintendent of Financial Institutions Canada issued a capital impact summary of the proposed changes to the 2015 regulatory capital framework for property and casualty insurers. In this summary, the total impact of the changes from first draft through adjustments proposed indicates the MCT ratio (ratio of capital available divided by capital required) will increase by 4%. In addition, the summary indicates the minimum capital requirements increased by 3% for Canadian companies in the study.