

Undertaking #4

Regarding the lower limit of target capital range, MPI will update amendment PUB 3-3 by re-running a two-year scenario without ALM and restate impact

RESPONSE:

- a) Without the ALM program, the Total Equity lower target limit of the 2-Year Combined scenario would be \$28 million higher. A minimum of \$259 million in Total Equity is required at the start of the 2016/17 fiscal year (or the end of the 2015/16 fiscal year) in order for all adverse scenarios to maintain a positive Total Equity balance over the forecast period without the implementation of the ALM program.
- b) Below are the tables on page 55 of the DCAT Report using the 2-Year Combined scenario.

EXCLUDING ALM: 2-Year Combined Scenario (in millions)

	2015/16	2016/17	2017/18	2018/19	2019/20
Earned Revenues	\$883	\$935	\$980	\$1,027	\$1,076
Total Claims Costs	\$723	\$1,030	\$992	\$999	\$1,038
Expenses	\$136	\$142	\$147	\$154	\$158
Investment Income	\$13	\$136	\$47	\$43	\$52
Net Income	\$37	(\$101)	(\$113)	(\$82)	(\$67)
Retained Earnings	\$215	\$114	\$1	(\$82)	(\$149)
Total Equity	\$247	\$96	(\$56)	(\$114)	(\$163)
MCT Ratio	52.6%	6.1%	-34.7%	-47.5%	-58.4%

EXCLUDING ALM: 2-Year Combined Scenario with Management Action (in millions)

	2015/16	2016/17	2017/18	2018/19	2019/20
Rate Changes	3.40%	0.00%	5.00%	2.50%	0.00%
Cumulative RSR Fee	0.00%	0.00%	0.00%	0.00%	0.00%
Earned Revenues	\$883	\$935	\$1,005	\$1,089	\$1,153
Total Claims Costs	\$723	\$1,030	\$972	\$994	\$1,036
Expenses	\$136	\$142	\$149	\$158	\$162
Investment Income	\$13	\$136	\$47	\$45	\$54
Net Income	\$37	(\$101)	(\$69)	(\$17)	\$9
Retained Earnings	\$215	\$114	\$45	\$27	\$36
Total Equity	\$247	\$96	(\$12)	(\$5)	\$23
MCT Ratio	52.6%	6.1%	-23.5%	-21.4%	-16.4%

Comparison of 2-Year Combined Scenarios with and without ALM

	2015/16	2016/17	2017/18	2018/19	2019/20
Total Equity incl ALM	\$262	\$139	\$31	\$46	\$80
Total Equity excl ALM	\$247	\$96	(\$12)	(\$5)	\$23
Change	\$16	\$43	\$43	\$51	\$57
Net Income incl ALM	\$43	(\$75)	(\$63)	(\$9)	\$15
Net Income excl ALM	\$37	(\$101)	(\$69)	(\$17)	\$9
Change	\$6	\$27	\$6	\$9	\$6