DCAT / Target Capital Matters Joint Actuary Testimony Issues List			
Areas of Agreement	**Areas of Disagreement**		
	Issue	**MPI View**	**CAC Manitoba View**
Stability over time in capital targets is important			Agreed.
Transparency with respect to methods and assumptions (and changes thereto), at least to a technical audience, is important			Agreed. CAC Manitoba also believes there should be an accurate and consumer friendly explanation of what the RSR does, the major risks it protects against and the risk tolerances assumed.
DCAT is an effective means of determining target capital levels			Agreed, provided the analysis is credible and evidence based.
A target capital range is preferable over a single target capital level			Agreed.
The target capital range should be expressed in terms of Total Equity (i.e., RSR + AOCI)			CAC Manitoba accepts the existing PUB determination.
The lower bound for the target capital range should be estimated based on a selected percentile outcome level for the adverse scenarios tested	The percentile outcome level that is appropriate for the lower bound of the target capital range	97.5^{th} percentile (1-in-40-year)	CAC Manitoba will provide its final position in closing argument. CAC Manitoba has traditionally argued that a 1 – in – 20 year event is the appropriate lower range. Ms Sherry and Dr. Simpson have considered between the 95^{th} percentile (1-in-20-year) and 97.5^{th} percentile (1-in-40-year) – 97.5^{th} percentile as a target capital level within a target capital range. They also see value in reporting the outcome of 1-in-10 year events.

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	Issue	MPI View	CAC Manitoba View
	Setting of the upper bound of the target capital range	Base on a 100% MCT ratio	CAC Manitoba will provide its final position in closing argument. CAC Manitoba has traditionally argued that a 1/100 event is too extreme for the upper bound of a monopoly insurer rate stabilization reserve. CAC Manitoba has traditionally argued that a 1-40 year event is an appropriate RSR range. Ms Sherry and Dr. Simpson have suggested that it be based on a selected percentile outcome level for the adverse scenarios tested somewhere between 97.5th percentile (1-in-40-year) and 99th percentile (1-in-100-year).
	Modeling the rebound in equity returns for the equity decline scenario	Already reflected in estimation of equity decline adverse assumptions by return period	Model the rebound explicitly
	Modeling of the interest rate decline scenario	Impose a limitation on how low modeled interest rates can realistically go	See the response to PUB/CAC Manitoba 1-6, DCAT scenarios should be evidence based, analytically credible and create meaningful probabalistic outcomes.
	Modeling of the inflation scenario to recognize up front the financial impact of the elevated inflation assumptions	Not practical since stakeholders would be unlikely to accept a departure from real life valuation and accounting practices	Ms Sherry and Dr. Simpson do not currently have a position.

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	Length of time horizon appropriate for target capital setting purposes (note, in this context "time horizon" is defined as the period over which the test conditions used for capital target setting purposes are applied, i.e., how long the entity is required to remain whole to allow time for extraordinary management /regulatory actions to be determined and initiated, beyond the routine management/ regulatory actions modeled in the scenario)	4 years	4 years
	Modeling of Minimum Capital Test ("MCT")	Use the latest MCT information available to them that can be incorporated into their financial model at the time the DCAT is prepared	CAC Manitoba will provide its final position in closing argument. CAC Manitoba has traditionally argued that the MCT should not be used for setting the RSR. However, the results of an evidence based DCAT analysis could then be used to produce a MCT output. Ms Sherry and Dr. Simpson have rejected the use of the MCT for the purposes of setting any RSR levels. However if any MCT analysis is used, Ms Sherry agrees that using the latest MCT information is appropriate.
	Any changes to the MCT proposed by OSFI should be proactively assessed if target capital levels rely on the MCT	Not declared	Agreed.

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	Management/Regulatory Assumptions	Maximum rate increase is 5% as a limit following an adverse event.	CAC Manitoba will provide its final position in closing argument. It notes that many Manitoba consumers have faced rate impacts in excess of 5% taking into account both over all rate increases and CLEAR adjustments. It also observes the comments of ratepayers in the Probe Research focus groups as well as past commentary by the Board. See PUB/CAC Manitoba 1-4. Ms Sherry and Dr. Simpson have taken no position on this issue but have noted past comments from the Board. See PUB/CAC Manitoba 1-4.
	Intergenerational Equity/Inequity	Smooth rates over long time. Customers are Manitobans sharing the risk.	CAC Manitoba notes that MPI has not established the RSR offers a positive net present value for consumers. This raises issues of intergenerational equity. Ms Sherry and Dr. Simpson have identified issues of intergeneration equity and cited past Board Findings to that effect. See PUB/CAC 1-8 which points out this may have implications both for the overall target range and for any RSR rebuilding fee.
	Use of DCAT for RSR	Now	CAC Manitoba will provide its final position in closing argument. Ms Sherry and Dr. Simpson suggest improving the DCAT scenario and using percentage of premiums until a consistent methodology is made for max and min.

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	Use of Interest Rate Decline in Scenario	Use the interest rate decline in scenario.	MPI has struggled to present credible evidence that can lead to evidence based probability scenarios. This undermines the Interest Rate and raises concerns about the Combined Scenario.