

2016 Dynamic Capital  
Adequacy Testing Report  
Basic Compulsory  
Automobile Insurance  
Revised October 7, 2016  
[Subject to Approval by Board  
of Directors]

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## 1.0 Executive Summary

### Amended Report

This DCAT report has been amended from the original report that was filed with the Public Utilities Board on June 17, 2016. The amendment was required as a result of the Corporation's filing of a revised 2017/18 Basic Rate Application on September 14, 2016 that included material changes to the base scenario. The two key changes to the base scenario are as follows:

- i. A revised interest rate forecast was utilized by the Corporation, which assumes that interest rates will not increase as quickly as anticipated in the original rate application. The original and revised base scenario forecasts for the Government of Canada 10-year bond yields are provided below.

#### Government of Canada 10 Year Bond Yields

	Base	Revised Base	Difference
Q1 2016/17	1.33%	1.32%	-0.01%
Q2 2016/17	1.42%	1.03%	-0.39%
Q3 2016/17	1.58%	1.05%	-0.52%
Q4 2016/17	1.76%	1.11%	-0.64%
Q1 2017/18	1.95%	1.19%	-0.76%
Q2 2017/18	2.14%	1.24%	-0.90%
Q3 2017/18	2.28%	1.31%	-0.98%
Q4 2017/18	2.43%	1.37%	-1.05%
Q1 2018/19	2.51%	1.69%	-0.82%
Q2 2018/19	2.68%	1.74%	-0.94%
Q3 2018/19	2.98%	1.84%	-1.15%
Q4 2018/19	3.30%	1.90%	-1.40%
Q1 2019/20	3.39%	1.97%	-1.42%
Q2 2019/20	3.39%	2.08%	-1.32%
Q3 2019/20	3.39%	2.21%	-1.19%
Q4 2019/20	3.39%	2.24%	-1.15%
Q1 2020/21	3.39%	2.24%	-1.15%
Q2 2020/21	3.39%	2.24%	-1.15%
Q3 2020/21	3.39%	2.24%	-1.15%
Q4 2020/21	3.39%	2.24%	-1.15%

- 1
- 2           ii. The applied for 2017/18 rate changed was increased from +2.0% to +4.3%
- 3               mainly as a result of the revised interest rate forecast.
- 4

5 All of the adverse scenarios presented in this report have been recalculated as a

6 result of the changes made to the base forecast.

## Summary of Findings

I have completed the annual investigation of the future financial condition of Basic Compulsory Autopac Insurance (Basic) as at February 29, 2016 in accordance with accepted actuarial practice in Canada.

I have analyzed the forecasted financial positions of the company during the five year forecast period under a series of scenarios. A description of these scenarios and their impact on the company is included within this report.

The most significant assumptions are described within this report. The investigation incorporates assumptions relating to business growth, investments, claims frequency and severity, transfer of capital between lines of business, and other internal and external conditions during the forecast period.

My report includes the identification of key risk exposures and the corrective management and regulatory actions that could be taken to mitigate the effect of plausible adverse scenarios.

In my opinion, the future financial condition of Basic is satisfactory because (i) Basic meets the Regulator's assumed minimum capital target under the base scenario over the forecast period and (ii) there are no plausible adverse scenarios at the selected 1-in-40 year probability level that cause the statement value of assets to fall below the statement value of liabilities over the forecast period.

Winnipeg, Manitoba

**[Subject to approval from MPI Board of Directors]**

Luke Johnston  
Fellow, Canadian Institute of Actuaries

**Satisfactory Expected Future Financial Condition**

The insurer's financial condition would be satisfactory if throughout the forecast period:

- Under the base scenario, the insurer meets the Manitoba Public Utilities Board's assumed minimum Rate Stabilization Reserve (RSR) target (as described in Section 3 of this report).
- Under the base scenario and all plausible adverse scenarios, the statement value of the insurer's assets is greater than the statement value of its liabilities.

**Base Scenario****Base Scenario (in millions)**

**Includes proposed 4.3% rate increase in 2017/18**

	2016/17	2017/18	2018/19	2019/20	2020/21
Net Income	(\$34)	(\$11)	\$24	\$8	\$8
Retained Earnings	\$160	\$149	\$173	\$182	\$189
AOCI <sup>1</sup>	\$36	\$45	\$40	\$48	\$58
Total Equity <sup>2</sup>	\$196	\$194	\$213	\$230	\$247
MCT Ratio <sup>3</sup>	37.2%	32.1%	37.5%	38.8%	45.1%

1. Accumulated Other Comprehensive Income

2. Total Equity = Retained Earnings + AOCI

3. Minimum Capital Test Ratio based on the 2015 MCT Guideline

**Adverse Scenarios**

Actuarial standards of practice require the actuary to test and report on a minimum of three plausible adverse scenarios posing the greatest threat to the insurer. In addition, the actuary must also report on all adverse scenarios that cause MPI Basic to fall below the Regulator's target capital requirement (see section RSR.3).

The table below summarizes the results from the most adverse scenarios tested in this report before applying assumed management and regulatory action.

**Adverse Scenarios before applying Management Action**  
**Basic Total Equity (in millions)**

Adverse Scenarios	2016/17	2017/18	2018/19	2019/20	2020/21
Combined Scenario	\$196	\$93	\$18	(\$4)	\$2
Interest Rate Decline	\$196	\$179	\$167	\$156	\$146
Equity Decline	\$196	\$148	\$124	\$99	\$108
High Loss Ratio	\$196	\$154	\$140	\$132	\$85

**Minimum Capital Test Ratio**

Adverse Scenarios	2016/17	2017/18	2018/19	2019/20	2020/21
Combined Scenario	37.2%	4.4%	-17.8%	-23.0%	-16.2%
Interest Rate Decline	37.2%	27.5%	23.1%	18.5%	19.9%
Equity Decline	37.2%	20.0%	13.1%	5.0%	11.5%
High Loss Ratio	37.2%	21.2%	17.3%	13.6%	5.3%

Based on the above results, the most adverse 1-in-40 year scenarios were selected at each of the four different return periods. In all cases the Combined Scenario was the most adverse scenario. The table below shows the results of the Combined Scenario for each return period before and after assumed management action.

**Combined Scenario Basic Total Equity before Management Action (in millions)**

Combined Scenarios	2016/17	2017/18	2018/19	2019/20	2020/21
1 year	\$196	\$53			
2 year	\$196	\$93	\$18		
3 year	\$196	\$120	\$51	(\$15)	
4 year	\$196	\$125	\$67	(\$27)	(\$56)

**Combined Scenario Basic Total Equity after Management Action (in millions)**

Combined Scenarios	2016/17	2017/18	2018/19	2019/20	2020/21
1 year	\$196	\$53			
2 year	\$196	\$93	\$38		
3 year	\$196	\$120	\$72	\$70	
4 year	\$196	\$125	\$87	\$67	\$145

As shown in the table above, MPI Basic maintains a positive Total Equity balance for all 1-in-40 year adverse scenarios tested in this report. As part of the DCAT collaboration with the Public Utilities Board, this report also provides the minimum Total Equity balance as at the beginning of the 2017/18 fiscal year (or end of the



2016/17 fiscal year) such that all 1-in-40 year adverse scenarios will maintain a Total Equity balance above zero over each return period. As shown in the table below, the minimum Total Equity balance such that all of Combined Scenarios after assumed management action remain above zero is \$159 million.

**Minimum Total Equity Balance as of the end of Fiscal 2016/17  
Combined Scenario Basic Total Equity after Management Action (in millions)**

Combined Scenarios	2016/17	2017/18	2018/19	2019/20	2020/21
1 year	\$143	\$0			
2 year	<b>\$159</b>	\$55	<b>\$0</b>		
3 year	\$127	\$51	\$2	<b>\$0</b>	
4 year	\$131	\$59	\$21	<b>\$0</b>	\$78

### Rationale for Actuarial Opinion

Including plausible management and regulatory action, there are no adverse scenarios at the selected 1-in-40 year probability level that cause Basic Total Equity to fall below zero during the four-year forecast period.

### Maximum Total Equity Capital Target

In Order 128/15 the Public Utilities Board notionally approved that the maximum Total Equity capital target be selected based on a Minimum Capital Test ratio of 100%. The table below shows a restated base scenario such that the beginning 2017/18 Total Equity balance is adjusted to achieve the 100% MCT target, which equates to \$411 million. The supporting calculations for this scenario are provided in *Exhibit 6*.

**100% MCT Scenario (in millions)**

Combined Scenarios	2016/17	2017/18	2018/19	2019/20	2020/21
Total Equity	\$411	\$410	\$429	\$447	\$466
Capital Available	\$340	\$332	\$349	\$365	\$401
Capital Required	\$340	\$366	\$359	\$386	\$410
MCT Ratio	100.0%	90.9%	97.3%	94.6%	97.8%

## Review of Events Since the Previous DCAT Report

### Transfer of Capital

The Corporation transferred \$72.7 million in excess capital from its Extension line of business to Basic at the end of the 2015/16 fiscal year. The transfer was made to bring the year end 2015/16 Basic Total Equity balance up to the \$231 million target proposed by the Corporation in the 2016 Rate Application.

### PUB Order 128/15

The Public Utilities Board issued Order 128/15 on December 1, 2015. The following PUB orders are directly related to this DCAT report. The Corporation's response to each Order *as it relates to this year's DCAT report* is shown in **bold**.

**10.16** - MPI continue to participate in the collaborative process reflected in Order 135/14, and complete Phase II thereof. **Although the collaborative process was not completed at the time of the filing, the Corporation believes that this DCAT report will address all outstanding issues identified during the collaborative process. However, if these issues are not fully addressed by this report, the Corporation can provide additional information formally through the 2017 GRA interrogatory process or informally through the DCAT collaborative process. The Corporation remains committed to the full completion of the collaborative process with the Public Utilities Board.**

**10.17** – For Fiscal 2016, the two-year, 1-in-40, Combined scenario including Management and Regulatory action will be utilized for the purposes of setting the lower total equity capital target for Basic, calculated at \$231 million by MPI. **This year's DCAT report models the two-year, 1-in-40, Combined scenario along with adverse scenarios at various other return periods and risk levels.**

**10.18** – The use of a 100% MCT ratio for the upper target capital total for Basic is approved on a notional basis. **The projected 100% MCT ratio as of the start of the 2017/18 fiscal year is provided in this report.**

1           **10.19** – MPI report to the Board annually with respect to what MCT Guideline  
2           was used within the DCAT report, whether that MCT Guideline was the most  
3           recently issued Guideline, and what upper limit target capital level MPI seeks  
4           for the upcoming fiscal year. **The Corporation is using the 2015 MCT**  
5           **Guideline, which is the most recently issued Guideline. The upper**  
6           **limit target capital level based on 100% MCT is provided in this**  
7           **report.**

8  
9           **10.20** – MPI must commit to proactively model the MCT as it is changed by  
10          OSFI to assess how changes might affect target capital levels. **The**  
11          **Corporation now has a permanent resource in the Pricing,**  
12          **Forecasting, and Investment Department who is responsible for**  
13          **proactively modeling the MCT.**

#### 14           **DCAT Peer Review**

15           The 2015 DCAT report was peer reviewed by Joe S. Cheng, F.C.I.A. from J.S. Cheng  
16           & Partners. In Joe Cheng's report, dated November 10, 2015, he provided a list of  
17           'Findings and Recommendations'. This list is provided below along with the actions in  
18           response to each item (in **bold**).

- 19  
20
- 21           1. The definition of the maximum capital target is set based on the old Minimum  
22           Capital Test (MCT) which is no longer in use. The new (current) MCT includes  
23           additional considerations such as operational risk, revised unpaid claim margins,  
24           premium liability margins (new) and full recognition of deferred policy acquisition  
25           expenses (excl. accident and sickness) as capital available. I recommend the new  
26           MCT effective January 1, 2015 be used for setting capital targets; however no  
27           transitional measures should be applied to bridge the old and new formulation  
28           because they are not risk measures. **Response: The Corporation has**  
29           **calculated the 2015/16 MCT and the forecasted 2016/17 through**  
30           **2020/21 MCT results based on the new MCT guideline.**  
31
  - 32           2. The minimum capital target used in the report is based on a dollar threshold  
33           which in turn is based on the amount required to maintain positive equity in the  
34           most severe 1-in-40 year adverse event with management actions. This leads to  
35           a dollar value capital threshold that doesn't respond to changing risk exposures.

For example, if \$X is the capital target required based on current risk exposures, a 10% increase in common stock investments requires and increase in margin required and should raise the capital target to maintain the same capital ratio. I recommend the target capital be converted to an MCT ratio. **Response: The Corporation has provided projected MCT scores based on all DCAT scenarios in this report. If the Public Utilities Board determined that the DCAT minimum capital target should be converted to an MCT ratio, the Corporation would be supportive of that approach.**

### DCAT Collaborative Process

The Corporation continues to support and actively participate in the DCAT collaborative process. Listed below is the Corporation's understanding of the outstanding tasks stemming from the collaborative process based on discussions that occurred between the issuance of Order 128/15 and May 1, 2016. The current status of these tasks are provided in **bold**.

1. Provide details of all improvements made to MPI's financial modeling since the filing of its latest DCAT.

**The improvements to financial modeling since the last DCAT are as follows:**

- **The allocation of Investment Income was updated from a static allocation to a dynamic allocation consistent with the corporate allocation methodology.**
- **The premiums written calculation was updated so the rate change now properly includes the volume impact.**
- **The deferred policy acquisition cost and the premium deficiency calculation are now dynamically included in the financial model.**
- **The modeled MCT calculations were updated based on 2015 OSFI Guideline.**

2. Provide details of a refreshed DCAT base scenario (adapted from the latest DCAT) incorporating the improvements made to MPI's financial modeling and including modeled MCT ratios. **This information was provided to stakeholders as part of the DCAT collaboration. The base scenario in this report reflects all the financial modeling changes listed above.**

- 1
- 2
3. Provide details of a refreshed DCAT selected worst case adverse scenario (run
- 3 against the refreshed DCAT base scenario from 3) above) at each of a 95<sup>th</sup>
- 4 percentile outcome level and a 97.5<sup>th</sup> percentile outcome level, including modeled
- 5 MCT ratios. **The requested adverse scenarios are provided in this report**
- 6 **for various percentile outcome levels including the 95<sup>th</sup> percentile (1-in-**
- 7 **20) and the 97.5<sup>th</sup> percentile (1-in-40) levels. MCT ratios are only**
- 8 **modeled for the selected adverse scenarios at the 1-in-40 level;**
- 9 **however, the Corporation can provide the results for any other adverse**
- 10 **scenarios through information requests or the DCAT collaborative**
- 11 **process.**
- 12
- 13 4. Undertake a version of the Phase 2 iterative process (for each of a 95<sup>th</sup> and 97.5<sup>th</sup>
- 14 percentile outcome level and each of a 2 and 4 year time horizon) as follows:
- 15
- 16 • By iterative adjustment, create and provide details of a modified lower
  - 17 limit refreshed base scenario under which (i) the Total Equity balance as
  - 18 at 28 February 2015 is adjusted to a proposed lower limit Total Equity
  - 19 target level (adjusting Basic investment assets proportionately), and (ii)
  - 20 the Total Equity balance after 28 February 2015 is adjusted such that the
  - 21 resulting forecasted MCT ratio as at 28 February 2015 is forecasted to
  - 22 remain unchanged throughout the forecast period.
  - 23
  - 24 • Create and provide details of a modified lower limit refreshed worst case
  - 25 adverse scenario by applying the refreshed DCAT selected worst case
  - 26 adverse scenario assumptions to the modified lower limit refreshed base
  - 27 scenario.
  - 28
  - 29 • By iterative adjustment, adjust the proposed lower limit Total Equity
  - 30 target level until the forecasted Total Equity balance under the modified
  - 31 lower limit refreshed worst case adverse scenario approximates \$0 at the
  - 32 lowest point over the selected time horizon within the forecast period.
  - 33
  - 34

1                   **This DCAT report includes the iterative adjustment referenced**  
2                   **above for the most adverse 1-in-40 year scenarios at each return**  
3                   **period. If the Corporation’s interpretation of this request is not**  
4                   **correct, the Corporation can provide updated information through**  
5                   **the interrogatory process or DCAT collaboration process.**

## Recommendations

1. Set the minimum Total Equity target at \$159 million for Basic. This amount represents the amount of Total Equity required at the beginning of the 2017/18 fiscal year such that the base scenario and all adverse scenarios at a 1-in-40 year probability level maintain a positive Total Equity balance over the forecast period.
2. Establish a range above the recommended minimum capital target such that Basic can withstand a reasonable level of variability in its financial results without falling below the minimum capital target. A range would also protect the Basic program from other risk factors that are not easily quantifiable. The Public Utilities Board notionally approved an upper capital target equal to an MCT ratio of 100% in the 2016 GRA, which is equivalent to an upper target of \$411 million as of the beginning of the 2017/18 fiscal year. I believe this upper target is reasonable for this purpose.
3. If the Total Equity balance falls below the recommended minimum target, management should implement a plan to restore Total Equity to above the target.
4. If there is a significant increase in projected claims costs, management should be prepared to increase rates as quickly as possible.
5. Management should continue to monitor loss cost and premium trends to determine if there are any threats to the financial condition of Basic.
6. Management should continue to monitor its reinsurance coverage as the severity of the modeled adverse scenarios could increase substantially if this coverage is reduced.
7. Management should continue to monitor the net impacts to assets and liabilities caused by changes in interest rates and assess if the level of interest rate risk contained in their base forecast is reasonable relative to the capital targets set by the Regulator.

- 1 8. Management should continue to monitor other important risk factors such as  
2 inflation, policy liability risk, and changes to International Financial Reporting  
3 Standards (IFRS).



## 2. 0 Introduction

### Role of the Appointed Actuary

As per Subsection 2520 of the Canadian Institute of Actuaries Standards of Practice:

*The appointed actuary should make an investigation at least once during each financial year of the insurer's recent and current financial position, and financial condition, as revealed by dynamic capital adequacy testing for selected scenarios.*

*The appointed actuary should make a report of each investigation in writing to the insurer's board of directors (or to their audit committee if they so delegate) or its chief agent for Canada. The report should identify possible actions for dealing with any threats to satisfactory financial condition that the investigation reveals.*

*The appointed actuary should also make an interim investigation if there is a material adverse change in the insurer's circumstances.*

*The appointed actuary should ensure that the investigation is current. The investigation should take into consideration recent events and recent financial operating results of the insurer.*

*The actuary's investigations would be done with a frequency sufficient to support timely corrective actions by management and the board of directors or chief agent for Canada.*

### Purpose

The purpose of DCAT is to identify plausible threats to satisfactory financial condition, actions that would lessen the likelihood of those threats, and actions that would mitigate a threat if it materialized.

## Scope

1 The DCAT report contains the key assumptions of the base scenario and the plausible  
2 adverse scenarios posing the greatest risk to the satisfactory financial condition of  
3 MPI Basic. The report discloses each of the risk categories considered in undertaking  
4 the DCAT analysis, including those identified in the CIA Standards of Practice.

5  
6 If the investigation identifies any plausible threat to the satisfactory financial  
7 condition of MPI Basic, then the actuary would identify corrective management action  
8 that would lessen or mitigate that threat if it materialized. For each adverse scenario  
9 reported upon, the actuary would report the results both with and without the effect  
10 of corrective management action. (See section 2520.35 of CIA Standards of  
11 Practice).

12  
13 The DCAT analysis was performed by Luke Johnston, FCIA, FCAS, Chief Actuary and  
14 Executive Director of Pricing, Forecasting, and Investments. Mr. Johnston is available  
15 to answer any questions in regards to this report and can be reached at the following  
16 address:

17  
18 Manitoba Public Insurance  
19 705-234 Donald Street Box 6300  
20 Winnipeg, MB R3C 4A4  
21 Telephone: (204) 985-8770 ext 8050  
22 Email: [ljohnston@mpi.mb.ca](mailto:ljohnston@mpi.mb.ca)

## Use and Distribution

23 The DCAT report was prepared for the internal use of Manitoba Public Insurance. A  
24 copy of this report may be provided to the Company's external auditors and to the  
25 Public Utilities Board.

## Process

DCAT has the following key elements:

- Development of a base scenario;
- Analysis of the impact of adverse scenarios;
- Identification and analysis of the effectiveness of various strategies to mitigate risks;
- A report on the results of the analysis and recommendations to the insurer's management and the Board of Directors; and
- An opinion signed by the actuary and included in the report on the financial condition of the insurer.

## Method

The Corporation's internal financial model was used to perform the 2016 DCAT analysis. Detailed output from the financial model is provided in the supporting exhibits for the base scenario and for each adverse scenario tested in this report.

The Corporation's base scenario was generated through the combined effort of several departments and committees, including:

- Actuarial Services Unit
- Investments Unit
- Financial Forecasting and Reinsurance Unit
- Forecasting Committee
- Management Committee

The assumptions and forecasts generated by the above units and committees are the inputs for the Corporation's financial model. A written summary of the base scenario assumptions are contained in Section 4 of this report, while detailed model output for the base scenario is contained in Exhibit 1.

The modeling of plausible adverse scenarios involves reviewing all of the assumptions (or inputs) of the base scenario and determining how they are impacted by the event. A new set of assumptions and forecasts are then generated based on

1 the assumed plausible adverse scenario. These assumptions are then input into the  
2 financial model and the results are compared to the base scenario.  
3

## **Data Sources**

4 To perform this valuation, I have used information provided by:

- 5 • Glenn Bunston, Manager, Investments
- 6 • Wes Sprenger, Senior Investment Forecasting Specialist, Investments
- 7 • Dean Dunstone, Assistant Manager, Financial Forecasting and Reinsurance
- 8 • Tyler Clearwater, Actuarial Analyst, Actuarial Services
- 9 • Mark Russo, Accountant 2, Financial Forecasting and Reinsurance

### 3.0 Capital Adequacy Management

#### Definition of the Minimum Regulatory Capital Requirement

The Public Utilities Board (PUB) in Manitoba sets the Corporation's minimum and maximum capital levels under the Basic Compulsory program. Basic Total Equity, net of any special appropriations, is referred to as the Rate Stabilization Reserve (RSR). Based on the Order 128/15, the PUB currently uses the DCAT analysis at a 1-in-40 year probability level to determine the minimum capital target and the MCT at 100% (notionally) to determine the upper capital target. Based on the analysis in this DCAT report, using the PUB's current methodology in 2017/18 would result in projected minimum and maximum allowable RSR targets of \$159 million and \$411 million respectively. The PUB capital targets and the capital target methodology can change at any time by a PUB Order.

The proposed DCAT-based minimum \$159 million capital target produced in this report represents an MCT score of 26% as of the *beginning* of the 2017/18 year. Assuming the DCAT analysis would produce a similar MCT score in future years, the table below shows the projected minimum and maximum RSR targets at 26% MCT and 100% MCT ratios over the forecast period. The calculations assume that the Corporation's application for a 4.3% rate change in 2017/18 will be approved by the Public Utilities Board.

<b>Fiscal Year Beginning</b>	<b>Minimum RSR (\$millions)</b>	<b>Maximum RSR (\$millions)</b>
2017/18	\$159	\$411
2018/19	\$172	\$443
2019/20	\$172	\$439
2020/21	\$181	\$468

## Materiality

1 As per Canadian actuarial standards of practice, an omission, understatement or  
2 overstatement is material if the actuary expects it materially to affect either the  
3 user's decision making or the user's reasonable expectations. We have judgmentally  
4 selected a materiality standard of \$10 million, which is 2.5 times the materiality  
5 standard used in the *February 2016 Basic Appointed Actuary's Report*. The higher  
6 standard reflects the much greater uncertainty associated with the DCAT projections  
7 relative to the uncertainty of the base forecast. The materiality standard is  
8 approximately equal to 1.0% of projected net earned revenues for Basic in 2017/18.

9  
10 Note: The materiality level is not intended to represent the range of reasonable  
11 values or the inherent uncertainty in an actuarial estimate.

## 4.0 Background Discussion

### Description of Basic

MPI Basic is the Corporation's compulsory automobile insurance product. The Corporation has a monopoly on the sale of Basic products. The Basic coverages are as follows:

- All perils coverage with a \$500 deductible
- No-fault accident benefits (Personal Injury Protection Plan)
- Third Party Liability with a \$200,000 limit.

### Recent and Current Financial Position

#### Historical Results (in millions)

	2011/12	2012/13	2013/14	2014/15	2015/16
Earned Revenues	\$780	\$775	\$785	\$823	\$881
Total Claims Costs	\$733	\$783	\$875	\$874	\$798
Expenses	\$130	\$128	\$127	\$136	\$135
Investment Income	\$101	\$72	\$148	\$188	(\$4)
Net Income	\$19	(\$63)	(\$69)	(\$2)	(\$56)
Restatements <sup>1</sup>	\$0	\$18	\$0	\$0	\$0
Rebates	(\$14)	\$0	\$0	\$0	\$0
Transfers from Competitive Lines	\$0	\$0	\$0	\$76	\$73
IT Optimization Fund	\$65	\$0	\$0	\$0	\$0
Retained Earnings	\$214	\$169	\$100	\$178	\$194
AOCI <sup>2</sup>	\$49	\$57	\$70	\$35	\$37
Total Equity <sup>3</sup>	\$263	\$226	\$170	\$213	\$231
MCT Ratio <sup>4</sup>	n/a	62.9%	41.6%	53.4%	48.8%

1. Restatement was based on the amended International Accounting Standards 19R – Employee Benefits.

2. Accumulated Other Comprehensive Income

3. Total Equity = Retained Earnings + AOCI

4. Minimum Capital Test (MCT) Ratio. The Corporation started calculating MCT scores in 2012/13. Prior year's MCT scores are not available. The 2015/16 MCT ratio is calculated based on the 2015 Guideline.

## Base Scenario

As per Canadian actuarial standards of practice (section 2520.18):

*The base scenario would be a realistic set of assumptions used to forecast the insurer's financial position over the forecast period. Normally, the base scenario would be consistent with the insurer's business plan. The actuary would accept the business plan's assumptions for use in the base scenario unless these assumptions are so inconsistent or unrealistic that the resulting report would be misleading. The actuary would report any material inconsistency between the base scenario and the business plan.*

Details of the Corporation's base scenario are provided in the following sections.

## Description of Economic Assumptions in the Base Scenario

**Volume growth:** The number of insured units (excluding trailers and ORVs) is assumed to increase 1.75% per year over the forecast period, which is consistent with the historical averages. Trailers and ORVs have higher growth rates, but represent less than 1% of annual loss costs.

**Vehicle Upgrade Factor:** The average premium can increase or decrease without rate changes as customers' change their vehicle preferences (e.g. SUV's versus cars), where they live (e.g. Winnipeg versus rural), or how they use their vehicle (e.g. all purpose versus pleasure). The vehicle upgrade factor (excluding trailers and ORVs) is assumed to be 2.60% per year over the entire forecast period, which is approximately equal to the most recent three year average.

**Inflation:** Projected Manitoba and Canadian Consumer Price Inflation (CPI) are forecasted at 1.8% in 2016/17 then 2.2% and 2.1% respectively in 2017/18. Thereafter, both CPI forecasts are projected at 2.0% per year. These rates are based on the consensus forecast from various banks and economic forecasting firms rounded to the nearest 10 basis points.



**Interest rates and yields:** The projected interest rates and yields for the investment portfolio are shown in the table below. The Government of Canada 10 year bond rate forecast was calculated using a 50% weight with the Standard Interest Rate Forecast<sup>1</sup> and a 50% weight with the naïve forecast<sup>2</sup>. The Canadian 91 Day T-Bill forecast is based on the average forecast from various banks and economic forecasting firms. The returns for MUSH (i.e. non-marketable provincial bonds), equities, real estate, and infrastructure are the Corporation's internal forecasts.

Fiscal Year	CDN 91 Day T-Bill	Government of Canada 10 Year	MUSH Rate	CDN/US Equities	Real Estate	Infrastructure
2016/17	0.45%	1.11%	4.59%	7.30%	5.80%	6.80%
2017/18	1.06%	1.37%	4.41%	7.30%	6.20%	7.20%
2018/19	2.68%	1.90%	4.28%	7.30%	6.00%	7.00%
2019/20	2.92%	2.24%	4.19%	7.30%	6.00%	7.00%
2020/21	2.92%	2.24%	4.13%	7.30%	6.00%	7.00%

\*The interest rates and yields in the above table are for the fourth quarter of each fiscal year. The Corporation creates forecasts for each quarter (not shown).

**Claims Liability Discount Rate:** The discount rate used for claim liabilities is calculated directly from the current average yields on the Corporation's fixed income portfolio. The assumed claim liability discount rates are shown in the table below.

#### Assumed Claims Liability Discount Rate

Fiscal Year End	Nominal	Real
2016/17	3.29%	1.26%
2017/18	3.46%	1.44%
2018/19	3.89%	1.85%
2019/20	4.13%	2.09%
2020/21	4.14%	2.10%

<sup>1</sup> The standard interest rate forecast used is the average forecast of the five major Canadian banks and Global Insight as of August 2016.

<sup>2</sup> The naïve forecast is the existing interest rate held constant for the entire interest rate forecast. The naïve forecast was 1.03%, which is based on the GoC 10 year rate as of July 31, 2016.

**Rate changes and RSR Rebuilding Fees**

Vehicle premiums: The base forecast includes the following rate change and RSR rebuilding fee assumptions over the forecast period.

Policy Year	Rate Change	RSR Rebuilding Fee
2016/17	0.0% (approved)	0.0% (approved)
2017/18	4.3% (proposed)	0.0% (proposed)
2018/19	0.0% (assumed)	0.0% (assumed)
2019/20	0.0% (assumed)	0.0% (assumed)
2020/21	0.0% (assumed)	0.0% (assumed)

Per the above table, the Corporation has applied for a 4.3% rate increase and no RSR rebuilding fee in the 2017/18 policy year. The base forecast assumes the Corporation's proposal will be approved by the Regulator.

In the 2018/19 to the 2020/21 policy years the base forecast assumes that there will be no additional rate changes or RSR rebuilding fees.

**Driver premiums:** The Corporation is not proposing any changes to the driver rates over the forecast period. Future driver premiums are based on the historical movement patterns of drivers on the Corporation's Driver Safety Rating scale.

**Rebates**

The base forecast assumes that no rebates will be ordered by the Public Utilities Board over the forecast period.

**Reinsurance**

The Corporation's reinsurance structure is as follows:

- Catastrophe program in excess of \$15 million with a limit of \$300 million. MPI retains 1/3 of the \$100 million excess of \$200 million layer.
- Casualty program with retention of \$5 million and a limit of \$50 million.

No changes in coverage are anticipated for the reinsurance program over the projection period.

## Deferred Policy Acquisition Costs (DPAC) Write-Down and Premium Deficiencies

As of February 29, 2016, MPI Basic had no premium deficiency and \$23.6 million deferred policy acquisition cost (DPAC) write-down. The table below shows the assumed changes in the premium deficiency and DPAC write-down over the forecast period. These amounts are included in the base forecast.

### Change in the Premium Deficiency or DPAC Write Down (\$000)

	2016/17	2017/18	2018/19	2019/20	2020/21
Change	(\$293)	(\$14,451)	\$624	(\$3,316)	(\$2,708)

### Base Forecast

The table below shows the Corporation's base forecast used in the DCAT report. This base forecast is the same as the revised base forecast provided to the Public Utilities Board on September 14, 2016 as part of the 2017/18 General Rate Application.

### Base Scenario (in millions) – Includes 4.3% Rate Increase in 2017/18 and No Rate Changes or RSR Rebuilding Fees thereafter.

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$934	\$1,001	\$1,067	\$1,117	\$1,170
Total Claims Costs	\$915	\$899	\$911	\$989	\$1,079
Expenses	\$144	\$149	\$158	\$162	\$170
Investment Income	\$91	\$36	\$26	\$43	\$87
Net Income	(\$34)	(\$11)	\$24	\$8	\$8
Retained Earnings/RSR	\$160	\$149	\$173	\$182	\$189
AOCI	\$36	\$45	\$40	\$48	\$58
Total Equity	\$196	\$194	\$213	\$230	\$247
MCT Ratio	37.2%	32.1%	37.5%	38.8%	45.1%

## **Discussion of Prior Year's DCAT Results, Recommendations, and Management Actions**

1 Last year's DCAT report found that the two-year, 1-in-40, Combined Interest Rate,  
2 Equity Decline, and High Loss Ratio adverse scenario required a minimum of \$231  
3 million in Total Equity at the start of the 2016/17 fiscal year in order for all adverse  
4 scenarios to maintain a positive Total Equity balance over the forecast period.

5  
6 As discussed in the 'Review of Events since the Previous DCAT Report' section, the  
7 PUB approved the findings from the DCAT as the basis for the lower capital target in  
8 2016/17.

## 5. 0 Adverse Scenarios

### Summary of Results

A summary of the projected Total Equity and MCT scores for the selected plausible adverse scenarios (before management and regulatory action) are shown in the table below. The adverse scenarios listed below are considered to have the most significant financial impact to the Corporation's financial position. All other risk categories are discussed in the 'Analysis of All Property and Casualty Insurer Risk Categories' section of this report.

#### Total Equity (in millions) – Adverse Scenarios *before* Management Action

Scenario	2016/17	2017/18	2018/19	2019/20	2020/21
Base	\$196	\$194	\$213	\$230	\$247
Combined Scenario	\$196	\$93	\$18	(\$4)	\$2
Interest Rate Decline	\$196	\$179	\$167	\$156	\$146
Equity Decline	\$196	\$148	\$124	\$99	\$108
High Loss Ratio	\$196	\$154	\$140	\$132	\$85

#### Minimum Capital Test Ratios – Adverse Scenarios *before* Management Action

Scenario	2016/17	2017/18	2018/19	2019/20	2020/21
Base	37.2%	32.1%	37.5%	38.8%	45.1%
Combined Scenario <sup>1</sup>	37.2%	4.4%	-17.8%	-23.0%	-16.2%
Interest Rate Decline	37.2%	27.5%	23.1%	18.5%	19.9%
Equity Decline	37.2%	20.0%	13.1%	5.0%	11.5%
High Loss Ratio	37.2%	21.2%	17.3%	13.6%	5.3%

1. The MCT ratio can be negative even when Total Equity is positive because deferred development costs now require 100% capital. Therefore, it is possible for Total Equity to be positive while the MCT ratio is negative as long as the deferred development costs exceed the available capital.

Relative to the base forecast, the largest reductions in Total Equity (before management and regulatory action) for each return period and probability level are for the Combined Scenarios. As a result, the Combined Scenarios were used to apply assumed management and regulatory action assumptions, which are shown in the table below. The information in the table can be interpreted as follows: "Rate" means a rate increase for that policy year; "RSR" mean an *additional* RSR rebuilding fee is applied in that policy year. E.g. For the 4 year combined scenario there is a total RSR rebuilding fee of 6% by the 2020/21 policy year.

**Assumed Management and Regulatory Action for Combined Scenarios**

Combined Scenarios	2017/18	2018/19	2019/20	2020/21
Base	4.3% Rate			
1 year	4.3% Rate	n/a	n/a	n/a
2 year	4.3% Rate	0% Rate & 2% RSR	n/a	n/a
3 year	4.3% Rate	0% Rate & 2% RSR	2% Rate & 2% RSR	n/a
4 year	4.3% Rate	0% Rate & 2% RSR	3% Rate & 2% RSR	3% Rate & 2% RSR

The Combined Scenarios *including* the above management and regulatory action assumptions are shown in the table below.

**Total Equity (in millions) – Combined Scenarios *including* Management Action**

Combined Scenario	2016/17	2017/18	2018/19	2019/20	2020/21
Base	\$196	\$194	\$213	\$230	\$247
1 year	\$196	\$53	n/a	n/a	n/a
2 year	\$196	\$93	\$38	n/a	n/a
3 year	\$196	\$120	\$72	\$70	n/a
4 year	\$196	\$125	\$87	\$67	\$145

**Minimum Capital Test Ratios – Combined Scenarios *including* Management Action**

Scenario	2016/17	2017/18	2018/19	2019/20	2020/21
Base	37.2%	32.1%	37.5%	38.8%	45.1%
1 year	37.2%	-6.9%	n/a	n/a	n/a
2 year	37.2%	4.4%	-11.9%	n/a	n/a
3 year	37.2%	11.9%	-2.3%	-3.2%	n/a
4 year	37.2%	13.0%	2.0%	-3.9%	20.0%

Despite the significant reductions from the base forecast *before* application of management and regulatory actions, the Total Equity forecasts for all Combined scenarios remains positive throughout the forecast period *after* management and regulatory action.

**Management and Regulatory Action**

The following management and regulatory action assumptions were used for all adverse scenarios:

- Per discussions with management, we have assumed that the maximum combined rate increase and/or additional RSR rebuilding fee in a given rate

application is 5.0%. In prior year's rate applications, the maximum additional RSR rebuilding fee approved by the PUB in a given year was 2.0%. The maximum rate increase approved by the PUB in the past 20 years was 4.1% in 1996. We believe this assumption is reasonable in light of the historical experience.

- Per discussions with management, we have assumed that there are no capital transfers between lines of business. Although transfers from the Corporation's competitive lines of business have occurred in the past, as of February 29, 2016 there was minimal amounts of excess capital in the competitive lines of business due to the magnitude of previous transfers to Basic.
- 2017/18 Rate Application: Since the adverse scenarios do not occur until the 2017/18 fiscal year, we have assumed that none of the adverse scenarios would change the applied for 4.3% rate change in the 2017/18 rate application.
- 2018/19 Rate Application: Since the adverse scenarios are assumed to occur in the 2017/18 fiscal year and thereafter, it was assumed that the 2018/19 rate application *could* be impacted by the results of adverse scenarios if the impacts of these scenario were apparent by the time the Corporation released its second quarter financial statements (or before the end of the October rate hearings). Otherwise, it was assumed that the Corporation would not have full knowledge of the 2017/18 adverse scenarios at the time they put forward their 2018/19 rate application, and therefore, the adverse scenario would not impact the applied for rate change or RSR rebuilding fee.
- 2019/20 and 2020/21 Rate Applications:
  - The adverse scenarios will impact the rate and RSR rebuilding fee proposals in the 2019/20 and 2020/21 rate applications.
  - At each fiscal year end the break-even rate requirement for MPI Basic will be reassessed for the given rating period, and if necessary, rates will be assumed to increase to produce break even net income. The methodology for determining the revised forecasts, rate changes, and RSR rebuilding fees will be described with each adverse scenario (in the sections that follow).

## Decline in Equity Markets

### Scenario Description

The Corporation's equity assets experience a decline beginning in the 2017/18 fiscal year.

### Ripple Effects

None identified – other than those impacts already incorporated into the Corporation's financial model.

### Changes from Last Year's DCAT Report

None.

### Scenario Justification

The S&P/TSX Composite Total Return Index is used to model this scenario. The table below shows the actual total returns at the 0.5th, 1st, 2.5th, and 5th percentiles for the S&P/TSX Composite from 1956 to present (April 29, 2016).

#### Historical Total Returns on the S&P/TSX by Percentile and Return Period (Cumulative)

Time Period	Percentile	Return Period (Years)			
		1	2	3	4
1956-present	0.5th	-33.2%	-33.5%	-26.4%	-11.3%
1956-present	1st	-32.4%	-29.4%	-24.5%	-9.3%
1956-present	2.5th	-26.2%	-23.3%	-11.9%	-2.9%
1956-present	5th	-17.7%	-15.7%	-6.0%	0.5%

Based on the historical results above, the Corporation's selected equity decline scenarios are based on fitted distributions that best represent the historical data. The assumptions are shown as total return in the table below.



**Selected Adverse Scenarios by Percentile and Return Period (Cumulative)**

Percentile	Return Period (Years)			
	1	2	3	4
0.5th	-36.0%	-31.2%	-26.4%	-12.0%
1st	-31.5%	-27.3%	-21.6%	-9.2%
2.5th	-24.9%	-21.2%	-14.3%	-4.5%
5th	-19.2%	-15.6%	-7.7%	0.2%

**Dividend Yield**

The dividend yield used in the Equity Decline scenarios is the same dividend yield as the base forecast – see table below.

**Dividend Yield**

Index	Canadian Equities	U.S Equities
2016/17	3.4%	2.9%
2017/18	3.5%	3.3%
2018/19	3.7%	3.4%
Thereafter	3.7%	3.4%

Dividend income is calculated based on the market value of the portfolio multiplied by the dividend yield. When the market value of the equity portfolio declines in the scenario analysis, dividends received as investment income also decline on a proportionate basis.

**Realized Losses**

For Canadian equities, it is assumed that 20% of the unrealized losses are realized each year, which is unchanged from last year's base scenario. Equity turnover indicates the rate at which gains or losses are realized in the equity portfolio on an annual basis. During the most recent market decline in 2015, equity turnover in the portfolio was relatively low at 18%, based on the current composition of the Canadian managers. During the global financial crisis in calendar years 2008 and 2009, the Canadian equity turnover ratio was 31% and 16% respectively. The base forecast Canadian equity turnover ratio was 20%, which was based on the 5 year average of the turnover ratio. Therefore, for DCAT modeling purposes, it is assumed that Canadian equity unrealized gains/losses are realized at 20% per year.

The U.S. equity portfolio is passively managed and gains or losses are only realized when units are sold. Therefore, it is assumed that 0% of the U.S. equity gains or losses are realized, which is the same as the base forecast.

### Rebalancing Assumptions

The asset allocation tolerance ranges for each asset class are summarized in the table below:

Asset Class Group	Minimum	Target	Maximum
Cash and short-term	0.0%	0.0%	5.0%
<b>Fixed Income</b>			
Marketable Bonds	40.0%	50.0%	60.0%
Non-Marketable Bonds	15.0%	20.0%	25.0%
<b>Total Debt</b>	60.0%	70.0%	80.0%
<b>Public Equities</b>			
Canadian	7.0%	10.0%	13.0%
U.S.	3.0%	5.0%	7.0%
<b>Total Public Equities</b>	10.0%	15.0%	20.0%
<b>Alternative Investments</b>			
Canadian Real Estate	7.0%	10.0%	15.0%
Private Equity	0.0%	0.0%	0.5%
Infrastructure	2.0%	5.0%	8.0%
<b>Total Alternative Investments</b>	9.0%	15.0%	21.5%

In the Equity Decline scenarios that were run, the Canadian and U.S. equities did not go outside of their respective tolerance ranges, with one exception (noted below). For information, the Canadian minimum/target/maximum tolerance ranges are 7%/10%/13% of the total portfolio, and the U.S. equity tolerance ranges are 3%/5%/7%.

The one exception was the 1 year 1-in-200 scenario, which experienced a one year decline of -36.0%. As a result, the Canadian equity portfolio fell below 7.0% minimum in Q1 2017/18 to 6.8%. No rebalancing was required since by Q3 2017/18 Canadian equities were back within the tolerance range.

## Impairments

Manitoba Public Insurance's (MPI) Impairment Policy is consistent with the IFRS Standards. Equities are held at market value on the financial statements. Therefore modeled losses are fully reflected in Total Equity at all times. When equities are impaired, the impairment reclassifies the loss from Accumulated Other Comprehensive Income to Net Income. This impairment reclassification does not have any impact on the reported Total Equity.

Impairments are recognized in the model based on the following conditions:

1. If the market value falls below 80% of book value at a fiscal year end, an impairment is recognized.
2. If market value remains below 100% of the book value for a period longer than a year, then at the following fiscal year-end an impairment is recognized.

When the impairment occurs, the book value of the equity portfolio is adjusted to equal the market value.

## Results before Management and Regulatory Action

The tables below show the projected Total Equity for each of the Equity Decline scenarios described above. The results are shown without management or regulatory action.

The highlighted cells indicate where the base forecast equity assumptions were used. We've identified these cells because the historical data indicates that equity returns are not independent from year-to-year (especially after large declines), and therefore, these results may not be plausible beyond the return period tested. The highlighted results are for information only and will not be used in the selection of the most adverse equity decline scenario.

**Decline in Equity Markets Scenario**  
**Total Equity (in millions)**

Probability	Return Period	2017/18	2018/19	2019/20	2020/21
1-in-200	1 year + base	\$37	\$45	\$50	\$54
1-in-100	1 year + base	\$53	\$62	\$68	\$74
1-in-40	1 year + base	\$77	\$88	\$96	\$104
1-in-20	1 year + base	\$97	\$109	\$119	\$128
1-in-200	2 year + base	\$104	\$47	\$52	\$57
1-in-100	2 year + base	\$112	\$62	\$67	\$73
1-in-40	2 year + base	\$125	\$84	\$91	\$98
1-in-20	2 year + base	\$137	\$104	\$113	\$122
1-in-200	3 year + base	\$131	\$94	\$58	\$64
1-in-100	3 year + base	\$138	\$106	\$75	\$81
1-in-40	3 year + base	\$148	\$124	\$99	\$108
1-in-20	3 year + base	\$157	\$139	\$121	\$131
1-in-200	4 year	\$155	\$136	\$116	\$92
1-in-100	4 year	\$158	\$141	\$124	\$101
1-in-40	4 year	\$163	\$150	\$136	\$117
1-in-20	4 year	\$167	\$159	\$148	\$134
<b>Base</b>		\$194	\$213	\$230	\$247
<b>Difference from Base</b>					
1-in-40, 1 year		(\$117)			
1-in-40, 2 year		(\$69)	(\$129)		
1-in-40, 3 year		(\$46)	(\$89)	(\$131)	
1-in-40, 4 year		(\$32)	(\$63)	(\$94)	(\$130)

Of the 1-in-40 probability scenarios, the largest overall decline in Total Equity relative to the base forecast (highlighted cells excluded) occurs for the three-year scenario (\$131 million lower than the base forecast). The results for this scenario are shown in the table below and in *Exhibit 2a to 2g*.

**Decline in Equity Markets Scenario (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$934	\$1,001	\$1,067	\$1,117	\$1,170
Total Claims Costs	\$915	\$899	\$909	\$989	\$1,079
Expenses	\$144	\$149	\$158	\$162	\$170
Investment Income	\$91	\$31	\$2	\$8	\$77
Net Income	(\$34)	(\$16)	\$3	(\$26)	(\$3)
Retained Earnings	\$160	\$144	\$147	\$120	\$117
Total Equity	\$196	\$148	\$124	\$99	\$108
MCT Ratio	37.2%	20.0%	13.1%	5.0%	11.5%

**Decline in Equity Markets Scenario - Difference from Base Forecast (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$0	\$0	\$0	\$0	\$0
Total Claims Costs	\$0	(\$0)	(\$2)	(\$0)	\$0
Expenses	\$0	\$0	\$0	\$0	\$0
Investment Income	\$0	(\$6)	(\$23)	(\$35)	(\$11)
Net Income	\$0	(\$6)	(\$21)	(\$35)	(\$11)
Retained Earnings	\$0	(\$6)	(\$27)	(\$61)	(\$72)
Total Equity	\$0	(\$46)	(\$89)	(\$131)	(\$140)
MCT Ratio	0.0%	-12.1%	-24.5%	-33.8%	-33.6%

**High Loss Ratio****Scenario Description**

The Corporation experiences a significant increase in its loss ratio beginning in the 2017/18 fiscal year.

**Changes from Last Year's DCAT Report**

None.

**Ripple Effects**

*Claims Expenses:* The claims expenses, including internal claims adjustment costs (ICAC), were adjusted based on the increased level of claims costs. Claims expenses were restated using the cost allocation rules in the Corporation's financial model. ICAC was adjusted based on the estimated level of unpaid losses and incurred-but-not-reported (IBNR) at each fiscal year end.

1 *Actuarial Adjustments:* The claims impacts were estimated by simulating ultimate  
2 loss costs. The most adverse ultimate loss scenarios were then selected for input into  
3 the financial model (it is not practical to run every simulation through the financial  
4 model), which discounts and adjusts the ultimate losses for actuarial provisions for  
5 adverse deviation (per actuarial standards of practice).  
6

7 *Reinsurance:* The adverse scenario was assumed to have no impact on future  
8 reinsurance premiums.  
9

10 *Premium Deficiency and/or Deferred Policy Acquisition Cost (DPAC) Write-Down:* A  
11 significant increase in the loss ratio could result the unearned premiums being  
12 insufficient to cover expected claims costs and expenses. The impact of a premium  
13 deficiency/DPAC write-down is included in the simulated results.  
14

## 15 **Scenario Justification**

### 16 *Simulation of Ultimate Losses*

17 The details of the simulation model are provided in Appendix A.  
18

## 19 **Results before Management and Regulatory Action**

20 The table below shows the results of the incurred simulations by probability level and  
21 return period along with a comparison to the base forecast. For each scenario, the  
22 results are shown assuming the simulated impact for the given return period and the  
23 base forecast thereafter. We have assumed that claims costs deviations from the  
24 base forecast are independent from the previous year's deviations.

**High Loss Ratio Scenario  
Total Equity (in millions)**

Probability	Return Period	2017/18	2018/19	2019/20	2020/21
1-in-200	1 year + base	\$95	\$117	\$127	\$136
1-in-100	1 year + base	\$117	\$138	\$149	\$159
1-in-40	1 year + base	\$128	\$150	\$162	\$173
1-in-20	1 year + base	\$136	\$158	\$171	\$183
1-in-200	2 year + base	\$150	\$65	\$80	\$87
1-in-100	2 year + base	\$127	\$89	\$102	\$108
1-in-40	2 year + base	\$135	\$106	\$120	\$129
1-in-20	2 year + base	\$153	\$127	\$142	\$151
1-in-200	3 year + base	\$137	\$95	\$31	\$43
1-in-100	3 year + base	\$170	\$108	\$58	\$69
1-in-40	3 year + base	\$168	\$167	\$92	\$106
1-in-20	3 year + base	\$135	\$140	\$121	\$132
1-in-200	4 year	\$119	\$52	\$51	\$16
1-in-100	4 year	\$118	\$97	\$50	\$34
1-in-40	4 year	\$154	\$140	\$132	\$85
1-in-20	4 year	\$157	\$111	\$146	\$108
Base		\$194	\$213	\$230	\$247
<b>Difference from Base</b>					
1-in-40, 1 year		(\$66)			
1-in-40, 2 year		(\$59)	(\$107)		
1-in-40, 3 year		(\$26)	(\$46)	(\$138)	
1-in-40, 4 year		(\$41)	(\$73)	(\$98)	(\$163)

Based on the above results, the most significant adverse scenarios (relative to the base forecast) are the four year scenarios. We selected the four year scenario (before management and regulatory action) at the 1-in-40 probability level for modeling purposes. The results for this scenario are shown in the table below and in *Exhibits 3a to 3g*.

**High Loss Ratio Scenario (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$934	\$1,001	\$1,067	\$1,117	\$1,170
Total Claims Costs	\$915	\$938	\$941	\$1,010	\$1,136
Expenses	\$144	\$149	\$158	\$162	\$171
Investment Income	\$91	\$39	\$26	\$40	\$82
Net Income	(\$34)	(\$47)	(\$5)	(\$15)	(\$55)
Retained Earnings	\$160	\$113	\$107	\$92	\$37
Total Equity	\$196	\$154	\$140	\$132	\$85
MCT Ratio	37.2%	21.2%	17.3%	13.6%	5.3%

**High Loss Ratio Scenario - Difference from Base Forecast (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$0	\$0	\$0	\$0	\$0
Total Claims Costs	\$0	\$39	\$30	\$21	\$58
Expenses	\$0	\$0	\$0	\$0	\$0
Investment Income	\$0	\$3	\$0	(\$3)	(\$5)
Net Income	\$0	(\$37)	(\$30)	(\$24)	(\$63)
Retained Earnings	\$0	(\$37)	(\$66)	(\$90)	(\$152)
Total Equity	\$0	(\$41)	(\$73)	(\$98)	(\$163)
MCT Ratio	0.0%	-10.9%	-20.2%	-25.2%	-39.8%

**Interest Rate Decline Scenario****Scenario Description**

Interest rates decline or remain at sustained low levels over the forecast period.

**Ripple Effects**

The impacts from interest rate changes are incorporated into the Corporation's financial model.

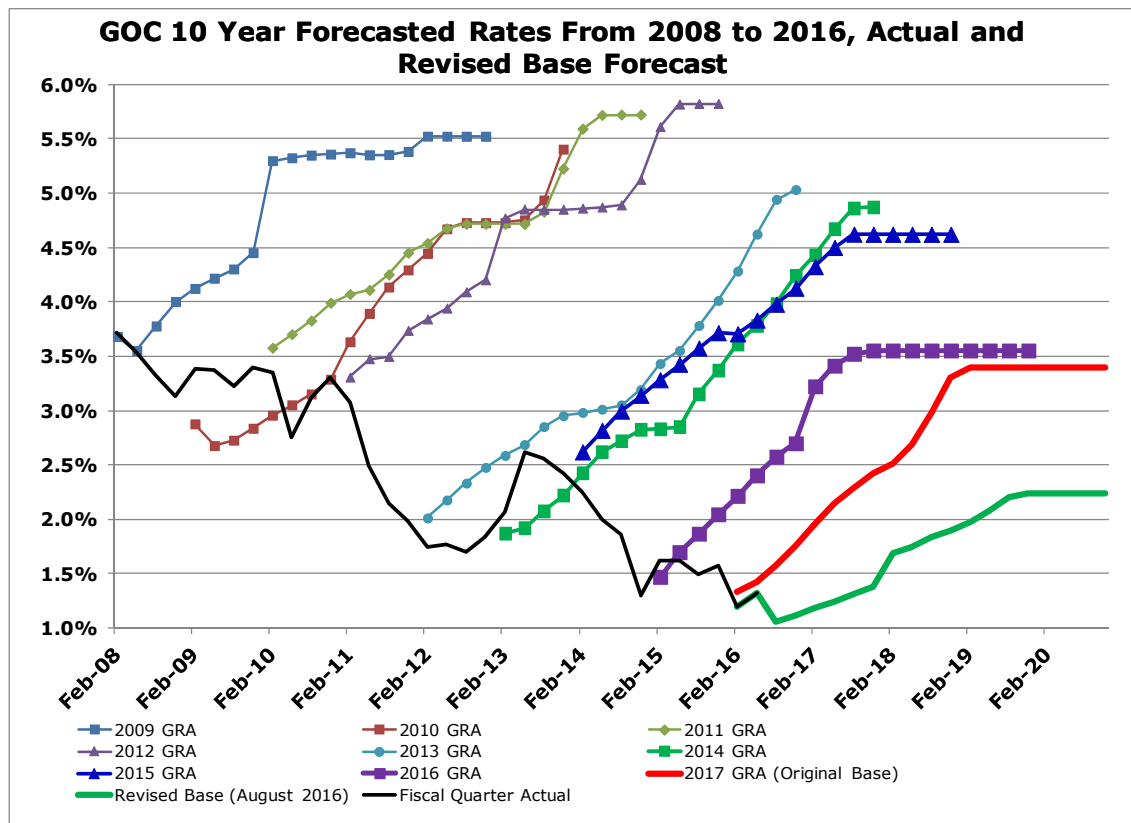
**Changes from Last Year's DCAT Report**

*Interest Rate Floor Assumption:* A floor is applied to ensure that interest rates do not fall below the historical minimum interest rate. The methodology for setting the interest rate floor has not changed; however, the floor has been lowered from 1.25% in last year's report to 1.02% in this year's report.



### Scenario Justification

The rising interest rate forecast in this year's base scenario produces favourable net income to the Corporation relative to a flat or declining interest rate forecast. Therefore, there is a risk that this rising interest rate forecast will not materialize. The table below shows the actual Government of Canada (GOC) 10 Year interest rates compared to the average forecasts from the 5 major Canadian Banks and Global Insight since 2008. The Corporation's original and revised base forecast for this DCAT analysis is also shown on the graph.



The Corporation's base forecast assumes the following GOC 10 Year interest rates.

Fiscal Year	Canadian 10 Year
2016/17	1.11%
2017/18	1.37%
2018/19	1.90%
2019/20	2.24%
2020/21	2.24%

**Assumptions**

Changes in the Government of Canada 10 year bond rates impact both the fixed income portfolio and claims liabilities values. In particular, changes in the Government of Canada 10 year bond rates impact the gains/losses on marketable bonds and the yield on new MUSH purchases. Changes in the marketable bond yield, which consists of the forecasted GoC 10 year bond rate plus a spread based on the marketable bond duration, impacts the claims discount rate.

The dataset used in this scenario is the historical long-term bond yield series from the Bank of Canada from 1956 to April 2016.<sup>3</sup> Long-term bond yields include bonds with a term of 10 years or longer (i.e. 10+ years). The entire dataset for the Bank of Canada long-term bond yields is available from January 1949 to present. However, since the equity return history used in this DCAT analysis is from 1956 to present, the data from 1949 to 1955 was removed from the dataset for consistency. Also, based on prior year's discussions at the PUB hearings and the DCAT collaborative process, the observed interest rates in the period between 1976 and 1985 (referred to as the "stagflation period") were not included in the modeling of interest rate movements.

Long-term bonds yields were used instead of the Government of Canada 10 year bond yields because the GoC 10 year bond yield dataset is only available from June 1989. Applying the historical change in long-term bond yields (10+ years) instead of applying the historical change in the GoC 10 year bond rate is a reasonable assumption for this analysis. This assumption holds true if there is a parallel shift in the yield curve when interest rates decline. Therefore, it is assumed in this scenario that there is a parallel yield curve shift when interest rates change. The table below shows the actual decline in long-term bond yields by percentile.

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<sup>3</sup> V122487 series from the Bank of Canada.

**Historical Declines in Long-Term Bond Yields (1956 to May 2015 excluding Stagflation Period)**

Time Period	Percentile	Period (Years)			
		1	2	3	4
1956-present	0.5th	-2.1%	-2.8%	-3.6%	-4.0%
1956-present	1st	-2.0%	-2.6%	-3.4%	-3.9%
1956-present	2.5th	-1.6%	-2.4%	-3.1%	-3.1%
1956-present	5th	-1.3%	-2.0%	-2.6%	-2.4%

Based on the historical results above, the Corporation selected interest rate decline scenarios based on fitted distributions selected to best represent the historical data. The assumptions are shown in the table below.

**Selected Adverse Scenarios by Percentile and Period (Cumulative)**

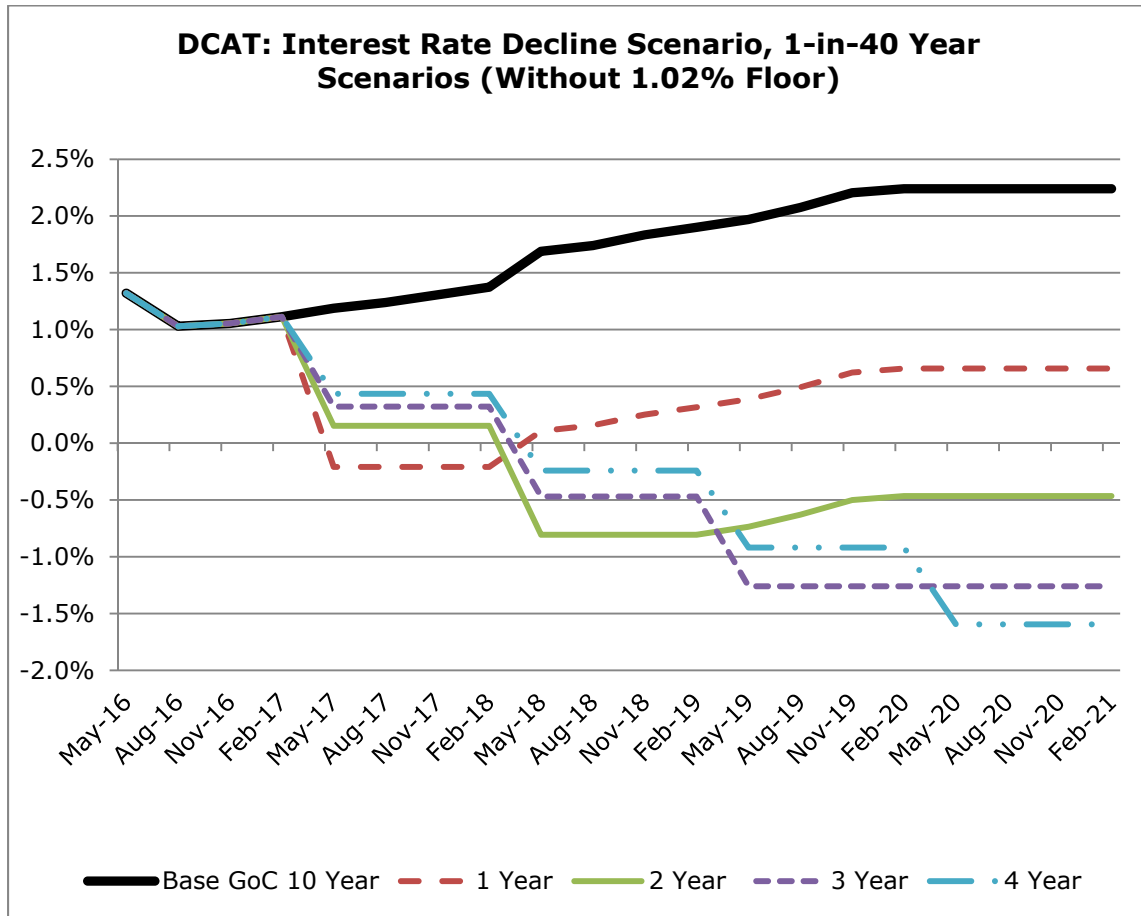
Percentile	Period (Years)			
	1	2	3	4
0.5th	-2.3%	-3.0%	-4.5%	-3.8%
1st	-2.0%	-2.7%	-3.9%	-3.5%
2.5th	-1.6%	-2.3%	-3.0%	-3.1%
5th	-1.3%	-1.9%	-2.4%	-2.7%

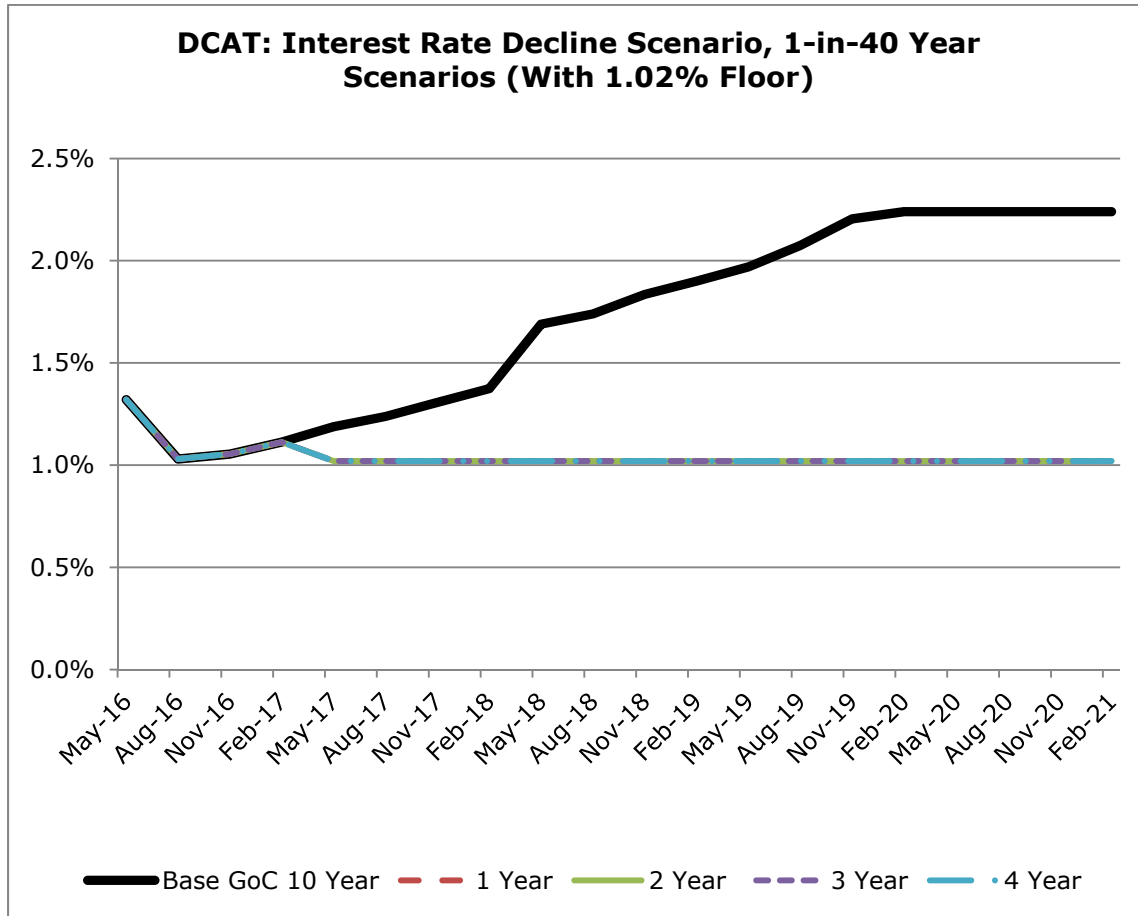
In addition to using the long-term bond yield dataset, for DCAT purposes we have made the following assumptions:

- The decline in interest rates starting in 2017/18 is based off of the Q4 2016/17 forecasted rate of 1.11%.
- For the one year scenario, the entire interest rate decline occurs in Q1 2017/18. For the two year scenario, half of the modeled interest rate decline occurs in Q1 2017/18 and half in Q1 2018/19. For the three and four year scenarios, the modeled interest rate decline occurs in Q1 of each year on a linear basis similar to the two year scenario.
- An interest rate floor of 1.02% is applied to the interest rate scenarios if the forecasted interest rate falls below this level. The interest rate floor of 1.02% is based on the lowest monthly GoC 10 year bond yield from 1989 to present.

To illustrate the modeled interest rates and the application of the interest rate floor, two charts showing the 1-40 year interest rate decline scenarios over 1, 2, 3, and 4 years are shown below. The first chart shows the modeled interest rate decline

without the 1.02% floor. The second chart shows the modeled interest rate decline with the 1.02% floor.





The table below shows the projected Total Equity for each of the Interest Rate Decline scenarios described above. The results are shown without management or regulatory action.

The highlighted cells indicate where the interest rate forecast was assumed to return to the annual growth rates assumed in the base forecast. We have identified these cells because these years were not modeled based on historical data, and therefore, the results may not be plausible beyond the return period tested. The highlighted results are for information only and will not be used in the selection of the most adverse interest rate scenario.

**Interest Rate Decline Scenario  
Total Equity (in millions)**

Probability	Return Period	2017/18	2018/19	2019/20	2020/21
1-in-200	1 year + base	\$179	\$167	\$156	\$146
1-in-100	1 year + base	\$179	\$167	\$156	\$146
1-in-40	1 year + base	\$179	\$167	\$156	\$146
1-in-20	1 year + base	\$179	\$167	\$156	\$146
1-in-200	2 year + base	\$179	\$167	\$156	\$146
1-in-100	2 year + base	\$179	\$167	\$156	\$146
1-in-40	2 year + base	\$179	\$167	\$156	\$146
1-in-20	2 year + base	\$179	\$167	\$156	\$146
1-in-200	3 year + base	\$179	\$167	\$156	\$146
1-in-100	3 year + base	\$179	\$167	\$156	\$146
1-in-40	3 year + base	\$179	\$167	\$156	\$146
1-in-20	3 year + base	\$179	\$167	\$156	\$146
1-in-200	4 year	\$179	\$167	\$156	\$146
1-in-100	4 year	\$179	\$167	\$156	\$146
1-in-40	4 year	\$179	\$167	\$156	\$146
1-in-20	4 year	\$179	\$167	\$156	\$146
Base		\$194	\$213	\$230	\$247
<b>Difference from Base</b>					
1-in-40, 1 year		(\$15)			
1-in-40, 2 year		(\$15)	(\$46)		
1-in-40, 3 year		(\$15)	(\$46)	(\$74)	
1-in-40, 4 year		(\$15)	(\$46)	(\$74)	(\$101)

1 For modeling purposes, we selected the four-year scenario at the 1-in-40 probability  
2 level. The results are shown in the table below and in *Exhibits 4a to 4g*.

**Interest Rate Decline Scenario (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$934	\$1,001	\$1,067	\$1,117	\$1,170
Total Claims Costs	\$915	\$956	\$996	\$1,041	\$1,085
Expenses	\$144	\$149	\$158	\$163	\$171
Investment Income	\$91	\$78	\$74	\$67	\$71
Net Income	(\$34)	(\$26)	(\$13)	(\$20)	(\$15)
Retained Earnings	\$160	\$134	\$121	\$102	\$87
Total Equity	\$196	\$179	\$167	\$156	\$146
MCT Ratio	37.2%	27.5%	23.1%	18.5%	19.9%

**Difference from Base Forecast (in millions) - Interest Rate Decline Scenario**

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$0	\$0	\$0	\$0	\$0
Total Claims Costs	\$0	\$57	\$85	\$52	\$6
Expenses	\$0	\$0	\$0	\$0	\$0
Investment Income	\$0	\$41	\$48	\$24	(\$16)
Net Income	\$0	(\$15)	(\$37)	(\$28)	(\$22)
Retained Earnings	\$0	(\$15)	(\$52)	(\$80)	(\$102)
Total Equity	\$0	(\$15)	(\$46)	(\$74)	(\$101)
MCT Ratio	0.0%	-4.6%	-14.4%	-20.2%	-25.2%

**Combined Scenario: Equity Returns, Interest Rates, and Claims Incurred****Scenario Description**

The Corporation experiences a significant deterioration in its financial condition as a result of the combined impacts of equity returns, interest rates, and claims experience.

**Ripple Effects**

The ripple effects are as described in the Decline in Equities scenario, the High Loss Ratio scenario, and the Interest Rate Decline scenario.

**Changes from Last Year's DCAT Report**

The correlation between equity returns and interest rate movements was assumed to be zero in this year's model. See Scenario Justification for more information.

**Scenario Justification***Integrated Scenario*

An integrated scenario is a type of adverse scenario that results when two or more adverse scenarios are combined. The adverse scenarios to be combined may be based on correlated or uncorrelated risk factors but the resulting integrated scenario would be realistic and plausible at the same 1% to 5% probability levels of the single-risk adverse scenarios.

Our simulation assumes that undiscounted claims costs are independent of interest rates and equity returns. Therefore, the methodology used for the claims simulation is as described in the High Loss Ratio scenario and in Appendix A on stochastic modeling.

In previous DCAT reports, equity returns and interest rates were assumed to be correlated. The correlation coefficients between these two variables from 1956-present are shown in the table below. Based on the historical data, we have assumed that equity returns and interest rate movements have zero correlation in our modeling.

#### Correlation between Equity Returns and Interest Rate Movements

Return Period	1956 to Present
1-Year	<b>(0.11)</b>
2-Year	0.04
3-Year	0.04
4-Year	0.06

The figures in bold are significantly different from 0 with Type-1 error of 5%.

The interest rate 'floor' methodology (as described in the Interest Rate Decline section) was again used when modeling interest rates.

To produce the combined equity return/interest rates/claims incurred model, 5,000 simulations were conducted for each return period using the following process:

- Simulate undiscounted claims costs for the given return period.
- Simulate the combined equity returns and interest rates for the given return period.
- Calculate the estimated financial impact (relative to base) over the return period for Total Equity.
- Order the scenarios from most unfavourable to most favourable financial impacts and select the 0.5<sup>th</sup>, 1<sup>st</sup>, 2.5<sup>th</sup>, and 5<sup>th</sup> percentiles.
- Run the selected scenarios through the financial model to determine the full financial impact including all applicable financial adjustments.



**Results without Management or Regulatory Action**

The table below summarizes the Total Equity projections for the Combined scenarios. As discussed in the Decline in Equity Markets and the Interest Rate Decline scenarios, the highlighted cells indicate where the base forecast was assumed for equity returns and interest rates, which is not reflective of actual historical experience. These results are for information only and will not be used in the selection of the most adverse combined scenarios.

**Combined Scenario**  
**Total Equity (in millions)**

Probability	Return Period	2017/18	2018/19	2019/20	2020/21
1-in-200	1 year + base	\$4	(\$13)	(\$37)	(\$63)
1-in-100	1 year + base	\$26	\$12	(\$5)	(\$26)
1-in-40	1 year + base	\$53	\$41	\$35	\$21
1-in-20	1 year + base	\$77	\$65	\$46	\$26
1-in-200	2 year + base	\$104	(\$39)	(\$57)	(\$64)
1-in-100	2 year + base	\$116	(\$14)	(\$30)	(\$33)
1-in-40	2 year + base	\$93	\$18	(\$4)	\$2
1-in-20	2 year + base	\$109	\$48	\$28	\$40
1-in-200	3 year + base	\$110	\$13	(\$80)	(\$84)
1-in-100	3 year + base	\$173	\$72	(\$51)	(\$45)
1-in-40	3 year + base	\$120	\$51	(\$15)	(\$13)
1-in-20	3 year + base	\$163	\$98	\$16	\$26
1-in-200	4 year	\$109	\$52	(\$51)	(\$151)
1-in-100	4 year	\$113	\$83	\$48	(\$111)
1-in-40	4 year	\$125	\$67	(\$27)	(\$56)
1-in-20	4 year	\$178	\$149	\$69	(\$16)
Base		\$194	\$213	\$230	\$247
<b>Difference from Base</b>					
1-in-40, 1 year		(\$141)			
1-in-40, 2 year		(\$101)	(\$195)		
1-in-40, 3 year		(\$74)	(\$162)	(\$245)	
1-in-40, 4 year		(\$69)	(\$146)	(\$257)	(\$303)

Based on the above, we selected the 2-year, 1-in-40 scenario for financial modeling purposes. This scenario, which is one of many possible combinations of claims, equity returns, and interest rates that produce the same result, uses the following assumptions over the forecast period (2017/18 to 2018/19):

- Ultimate claims cost are over budget by a cumulative \$37 million (or an average of \$18 million over budget per year).
- The two-year (cumulative) Total Equity return is -12.8% relative to the two-year base forecast return of 15.1%.
- The Government of Canada 10-year bond rates are assumed to be as follows at each year-end:
  - 2016/17: 1.11% (base forecast)
  - 2017/18: 1.02%
  - 2018/19: 1.02%
  - 2019/20: 1.02%
  - 2020/21: 1.02%

The results for the selected Combined scenario are shown in the table below and in *Exhibits 5a to 5g*.

#### Combined Scenario (in millions)

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$934	\$1,001	\$1,067	\$1,117	\$1,170
Total Claims Costs	\$915	\$989	\$1,007	\$1,042	\$1,087
Expenses	\$144	\$149	\$158	\$163	\$171
Investment Income	\$91	\$71	\$52	\$48	\$65
Net Income	(\$34)	(\$66)	(\$47)	(\$39)	(\$23)
Retained Earnings	\$160	\$94	\$47	\$8	(\$15)
Total Equity	\$196	\$93	\$18	(\$4)	\$2
MCT Ratio	37.2%	4.4%	-17.8%	-23.0%	-16.2%

#### Combined Scenario: Difference from Base Forecast (in millions)

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$0	\$0	\$0	\$0	\$0
Total Claims Costs	\$0	\$90	\$96	\$52	\$8
Expenses	\$0	\$0	\$0	\$1	\$1
Investment Income	\$0	\$35	\$26	\$6	(\$22)
Net Income	\$0	(\$55)	(\$71)	(\$47)	(\$31)
Retained Earnings	\$0	(\$55)	(\$126)	(\$173)	(\$204)
Total Equity	\$0	(\$101)	(\$195)	(\$233)	(\$245)
MCT Ratio	0.0%	-27.7%	-55.3%	-61.8%	-61.3%

## Selection of Most Adverse Scenarios after Management and Regulatory Action

At the selected 1-in-40 year risk tolerance level, the most adverse scenarios at each return period are the Combined scenarios. As a result, we have selected the Combined scenarios for application of management and regulatory action assumptions.

Per the Management and Regulatory Action section of this report, we have assumed that the maximum *additional* RSR rebuilding fee in a given policy year is 2.0% and that the maximum combined rate increase and additional RSR rebuilding fee in a given policy year is 5.0%. In general we have assumed that adverse scenarios with shorter return periods (e.g. 2 year) will require a more immediate management response than adverse scenarios with longer return period (e.g. 4 years). The reason being that for longer term adverse scenarios the ultimate severity of the situation may not be apparent in year one or two of the scenario, while for shorter term adverse scenarios it will be very apparent that the Corporation requires management action. The management and regulatory action assumptions for each Combined Scenario are described below.

### **1-year, 1-in-40 Combined Scenario**

#### **1-year, 1-in-40 Combined Scenario *before* Management Action (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Total Equity	\$196	\$53	\$41	\$35	\$21
Difference from Base	\$0	(\$141)	(\$172)	(\$194)	(\$226)
MCT Ratio	37.2%	-6.9%	-11.2%	-12.6%	-11.2%

The entire impact of this adverse scenario occurs in the 2017/18 fiscal year. There is no management and regulatory action that can reduce the severity of this scenario in 2017/18 since the rates for that year will already be in-force at the time the adverse scenario is occurring.

**2-year, 1-in-40 Combined Scenario****2-year, 1-in-40 Combined Scenario before Management Action (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Total Equity	\$196	\$93	\$18	(\$4)	\$2
Difference from Base	\$0	(\$101)	(\$195)	(\$233)	(\$245)
MCT Ratio	37.2%	4.4%	-17.8%	-23.0%	-16.2%

With a projected 2017/18 Total Equity balance of \$93 million (before management action) by the end of the 2017/18 fiscal year, we have assumed that the severity of this adverse scenario will be very apparent at the time of the 2018 GRA hearings in October 2017. Although the Corporation's financial projections as of October 2017 will be highly sensitive to the updated interest rate forecast at the time, we have assumed that the PUB will approve a 2.0% RSR rebuilding fee based on the projected Total Equity balance. The results for this scenario including management action assumptions are provided below.

**2-year, 1-in-40 Combined Scenario including Management Action (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Rate Changes	0.0%	4.3%	0.0%	0.0%	0.0%
Add'l RSR Rebuilding Fee	0.0%	0.0%	2.0%	0.0%	0.0%
Earned Revenues	\$934	\$1,001	\$1,079	\$1,139	\$1,192
Total Claims Costs	\$915	\$989	\$998	\$1,040	\$1,088
Expenses	\$144	\$149	\$159	\$164	\$172
Investment Income	\$91	\$71	\$52	\$49	\$64
Net Income	(\$34)	(\$66)	(\$26)	(\$17)	(\$4)
Retained Earnings	\$160	\$94	\$68	\$51	\$47
Total Equity	\$196	\$93	\$38	\$39	\$69
MCT Ratio	37.2%	4.4%	-11.9%	-11.4%	1.1%

**2-year, 1-in-40 Combined Scenario: Difference from Base Forecast (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$0	\$0	\$11	\$21	\$22
Total Claims Costs	\$0	\$90	\$87	\$51	\$9
Expenses	\$0	\$0	\$1	\$2	\$2
Investment Income	\$0	\$35	\$26	\$6	(\$23)
Net Income	\$0	(\$55)	(\$50)	(\$25)	(\$12)
Retained Earnings	\$0	(\$55)	(\$106)	(\$131)	(\$142)
Total Equity	\$0	(\$101)	(\$175)	(\$191)	(\$179)
MCT Ratio	0.0%	-27.7%	-49.4%	-50.1%	-44.0%

**3-year, 1-in-40 Combined Scenario****3-year, 1-in-40 Combined Scenario before Management Action (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Total Equity	\$196	\$120	\$51	(\$15)	(\$13)
Difference from Base	\$0	(\$74)	(\$162)	(\$245)	(\$260)
MCT Ratio	37.2%	11.9%	-8.0%	-26.3%	-20.0%

With a projected 2017/18 Total Equity balance of \$120 million (before management action) by the end of the 2017/18 fiscal year, we have assumed that the severity of this adverse scenario will be apparent at the time of the 2018 GRA hearings in October 2017. The Corporation's financial projections as of October 2017 will continue to be highly sensitive to the updated interest rate forecast at the time. However, the assumption of a rising interest rate forecast from the banks combined with the (assumed to be) approved 4.3% rate increase to 2017 rates, may not result in any need to increase 2018 rates. We have assumed that the PUB will approve no overall rate change and a 2.0% RSR rebuilding fee on 2018 rates.

In the 2018/19 fiscal year the severity of this adverse scenario will be very apparent to the Corporation and the Regulator. Even with the approved RSR rebuilding fee in the 2018 rate application, the Corporation will likely be projecting to have a Total Equity balance of well below \$100 million by the end of the 2018/19 fiscal year. We have assumed that continued low interest rates, poor claims experience, and underperforming equity returns will result in the approval of a 2.0% rate increase on 2019 rates; while the low RSR balance will result in the approval of an additional 2.0% RSR rebuilding fee.

The results for this scenario including management action assumptions are provided below.

**3-year, 1-in-40 Combined Scenario including Management Action (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Rate Changes	0.0%	4.3%	0.0%	2.0%	0.0%
Add'l RSR Rebuilding Fee	0.0%	0.0%	2.0%	2.0%	0.0%
Earned Revenues	\$934	\$1,001	\$1,079	\$1,163	\$1,238
Total Claims Costs	\$915	\$981	\$1,009	\$1,042	\$1,085
Expenses	\$144	\$149	\$159	\$165	\$175
Investment Income	\$91	\$74	\$62	\$46	\$66
Net Income	(\$34)	(\$56)	(\$27)	\$2	\$44
Retained Earnings	\$160	\$104	\$77	\$79	\$123
Total Equity	\$196	\$120	\$72	\$70	\$149
MCT Ratio	37.2%	11.9%	-2.3%	-3.2%	21.0%

**3-year, 1-in-40 Combined Scenario: Difference from Base Forecast (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$0	\$0	\$11	\$46	\$69
Total Claims Costs	\$0	\$82	\$98	\$52	\$6
Expenses	\$0	\$0	\$1	\$3	\$5
Investment Income	\$0	\$37	\$36	\$4	(\$22)
Net Income	\$0	(\$45)	(\$51)	(\$6)	\$36
Retained Earnings	\$0	(\$45)	(\$96)	(\$102)	(\$66)
Total Equity	\$0	(\$74)	(\$141)	(\$160)	(\$99)
MCT Ratio	0.0%	-20.2%	-39.8%	-41.9%	-24.1%

**4-year, 1-in-40 Combined Scenario****4-year, 1-in-40 Combined Scenario before Management Action (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Total Equity	\$196	\$125	\$67	(\$27)	(\$56)
Difference from Base	\$0	(\$69)	(\$146)	(\$257)	(\$303)
MCT Ratio	37.2%	13.0%	-3.6%	-29.2%	-32.4%

1 With a projected Total Equity balance of \$125 million by the end of the 2017/18  
2 fiscal year, we have assumed that the PUB would approve a 2.0% RSR rebuilding  
3 fee on 2018 rates.

4  
5 In the 2018/19 and 2019/20 fiscal years we assumed that the severity of this  
6 scenario would be apparent at the time of the 2019 and 2020 rate hearings. We

assumed a full management response of the maximum 5.0% combined rate increase and RSR rebuilding fees on the 2019 and 2020 rates.

The results for this scenario including management action assumptions are provided below.

**4-year, 1-in-40 Combined Scenario *including* Management Action (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Rate Changes	0.0%	4.3%	0.0%	3.0%	3.0%
Add'l RSR Rebuilding Fee	0.0%	0.0%	2.0%	2.0%	2.0%
Earned Revenues	\$934	\$1,001	\$1,079	\$1,169	\$1,283
Total Claims Costs	\$915	\$987	\$1,008	\$1,075	\$1,063
Expenses	\$144	\$149	\$159	\$166	\$178
Investment Income	\$91	\$75	\$67	\$59	\$56
Net Income	(\$34)	(\$60)	(\$21)	(\$13)	\$98
Retained Earnings	\$160	\$100	\$79	\$66	\$164
Total Equity	\$196	\$125	\$87	\$67	\$145
MCT Ratio	37.2%	13.0%	2.0%	-3.9%	20.0%

**4-year, 1-in-40 Combined Scenario: Difference from Base Forecast (in millions)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Earned Revenues	\$0	\$0	\$11	\$52	\$113
Total Claims Costs	\$0	\$88	\$97	\$86	(\$15)
Expenses	\$0	\$0	\$1	\$4	\$7
Investment Income	\$0	\$39	\$42	\$16	(\$31)
Net Income	\$0	(\$49)	(\$45)	(\$21)	\$90
Retained Earnings	\$0	(\$49)	(\$94)	(\$116)	(\$25)
Total Equity	\$0	(\$69)	(\$126)	(\$163)	(\$102)
MCT Ratio	0.0%	-19.1%	-35.5%	-42.6%	-25.1%

**Summary of Combined Scenarios After Management and Regulatory Action**

A summary of the Combined Scenarios including management action is provided below.

**Total Equity (in millions) – Combined Scenarios *including* Management Action**

Combined Scenario	2016/17	2017/18	2018/19	2019/20	2020/21
Base	\$196	\$194	\$213	\$230	\$247
1 year	\$196	\$53	\$41	\$35	\$21
2 year	\$196	\$93	\$38	\$39	\$69
3 year	\$196	\$120	\$72	\$70	\$149
4 year	\$196	\$125	\$87	\$67	\$145

**Total Equity difference from Base (in millions) –  
Combined Scenarios *including* Management Action**

Combined Scenario	2016/17	2017/18	2018/19	2019/20	2020/21
Base	\$196	\$194	\$213	\$230	\$247
1 year	\$0	(\$141)	(\$172)	(\$194)	(\$226)
2 year	\$0	(\$101)	(\$175)	(\$191)	(\$179)
3 year	\$0	(\$74)	(\$141)	(\$160)	(\$99)
4 year	\$0	(\$69)	(\$126)	(\$163)	(\$102)

**Minimum Capital Test Ratios – Combined Scenarios *including* Management Action**

Scenario	2016/17	2017/18	2018/19	2019/20	2020/21
Base	37.2%	32.1%	37.5%	38.8%	45.1%
1 year	37.2%	-6.9%	-11.2%	-12.6%	-11.2%
2 year	37.2%	4.4%	-11.9%	-11.4%	1.1%
3 year	37.2%	11.9%	-2.3%	-3.2%	21.0%
4 year	37.2%	13.0%	2.0%	-3.9%	20.0%

As shown in the table above, MPI Basic maintains a positive Total Equity balance for all 1-in-40 year adverse scenarios tested in this report. The next step is to determine the adverse scenario that requires the largest starting Total Equity balance as of the beginning of the 2017/18 fiscal year such that all 1-in-40 year adverse scenarios maintain a positive Total Equity balance above zero over the assumed return period. As shown in the table below, the minimum Total Equity balance such that all of Combined Scenarios after assumed management action remain above zero is \$159 million. Similar to last year, the most adverse scenario is the two year, 1-in-40 Combined scenario.



**Minimum Total Equity Balance as of the end of Fiscal 2016/17  
Combined Scenario Basic Total Equity after Management Action (in millions)**

Combined Scenarios	2016/17	2017/18	2018/19	2019/20	2020/21
1 year	\$143	\$0	(\$13)	(\$18)	(\$32)
2 year	<b>\$159</b>	\$55	<b>\$0</b>	\$1	\$30
3 year	\$127	\$51	\$2	<b>\$0</b>	\$78
4 year	\$131	\$59	\$21	<b>\$0</b>	\$78

**Recommendation**

Basic currently has sufficient Total Equity to withstand all adverse scenarios (including management and regulatory action) at the 1-in-40 year probability level.

**Reconciliation**

Exhibits 5a through 5n provide detailed financial model results for the two-year, 1-in-40 Combined scenario with and without management action.

**Analysis of All Property and Casualty Insurer Risk Categories****Catastrophe**

The Corporation's major catastrophe exposure is from hail storms. The modeling of hail losses is included as part of the High Loss Ratio scenario.

**Loss Ratio**

The detailed assumptions and results of this scenario are presented in Section 6.

**Underestimation of Policy Liabilities Risk**

*Variability of Paid Losses:* In the 2014 DCAT report, a paid loss variability simulation was conducted on the Corporation's two major long term coverage categories: PIPP Weekly Indemnity and PIPP Accident Benefits Other – Indexed. The simulation was run over the Corporation's five year forecast period and the differences in net claims incurred were recorded. The variability of paid losses did not represent a top three adverse scenario based on this analysis. The analysis was not updated for the 2016 DCAT report as there was no new information suggesting any material change to these results.

The table below, which provides an example of the observed average and standard deviation of paid LDFs from 60 months (5 years) to 168 months (14 years) for Weekly Indemnity coverage, has been updated based on information through February 29, 2016. The variability of historical paid development on this coverage continues to be very low beyond five years development.

	Weekly Indemnity	
	Average	Stdev
60-72	1.0904	0.0146
72-84	1.0725	0.0145
84-96	1.0604	0.0114
96-108	1.0499	0.0086
108-120	1.0465	0.0109
120-132	1.0408	0.0079
132-144	1.0404	0.0076
144-156	1.0349	0.0053
156-168	1.0326	0.0078

#### *Mortality Improvements*

The Corporation uses a disabled mortality table based on the Canadian Institute of Actuaries July 1992 research paper "Accident Benefits Long-Term Disability Losses". The historical experience of the Corporation's actual versus expected claim closure rates for long-term (i.e. open more than 10 years) claimants is shown in the table below. Based on these results, we do not believe there is significant risk that the Corporation's mortality assumptions are understating the lifetimes of long-term claimants. Note: The observed favourable claim closure rates are reflected in the selected loss development factors for PIPP coverages in the Appointed Actuary's report (where at least five years of loss development experience is available).

In the table below, the "number of claimants at the start of the year" represents the number of claimants that received a claim payment of any amount in the previous 12 months. A claim is then considered "closed" if there are no payments made in a given calendar year. A "relapse" means that a claimant started receiving payments in the current year after not having received payment in the prior year(s).

**For PIPP Claims Open More than 10 years**

Calendar Year	# of claimants start of year	Actual terminations	Current Table Expected Terminations	Actual Termination Rate	Expected Termination Rate	Difference	Relapses	Relapse Rate
2008	247	17	9	6.88%	3.64%	3.24%	2	0.81%
2009	298	28	12	9.40%	4.03%	5.37%	5	1.68%
2010	332	18	13	5.42%	3.92%	1.51%	3	0.90%
2011	383	28	15	7.31%	3.92%	3.39%	6	1.57%
2012	449	32	18	7.13%	4.01%	3.12%	10	2.23%
2013	513	46	22	8.97%	4.29%	4.68%	14	2.73%
2014	552	33	24	5.98%	4.35%	1.63%	7	1.27%
2015	585	30	26	5.13%	4.44%	0.68%	4	0.68%
<b>Total</b>	<b>3875</b>	<b>293</b>	<b>157</b>	<b>7.56%</b>	<b>4.05%</b>	<b>3.51%</b>	<b>53</b>	<b>1.37%</b>

*Interest Rate Adjustments*

The impact of interest rate adjustments on the value of claims liabilities is included in the Interest Rate Decline scenario and the Combined scenario.

*Claim Liabilities Stress Tests*

As of February 29, 2016, MPI Basic net claim liabilities were \$1,658 million. A 10% increase in net claim liabilities over the forecast period that is *unrelated to changes in interest rates* would result in a \$166 million impact to net income. An increase in claim liabilities of over \$100 million (excluding the impact of interest rates) would be required to make this risk a top three adverse scenario. Based on the discussions above regarding historical paid loss development and mortality assumptions, we do not believe that such an increase is plausible at the 1-in-40 year level.

**Government and Political Action**

We assumed that it was very unlikely that government action (e.g. retroactive increase in benefits) that resulted in a significant impact to existing and/or future claim liabilities would be made without significant advance notice to the Corporation.

**Inflation Risk**

We reviewed the Canada All-Items Consumer Price Index (Canadian CPI) from the Bank of Canada website for two different historical periods: (i) 1914 to 1991 and (ii) 1992 to 2015 (the Bank of Canada inflation targeting era). As shown in the table

below, the means and standard deviations of year-over-year changes in Canadian CPI are significantly different in these two periods.

Period	Mean	Standard Deviation
1915-1991	3.6%	5.4%
1992-2015	1.8%	0.7%

The observed 97.5<sup>th</sup> percentile of 1915-1991 Canadian CPI over a four year period is 11.1%. We did not believe it was reasonable to consider these results in light of the very stable inflation experience observed since 1991. We based our assessment of inflation risk on the recent period (1992-present).

We tested a sustained increase in inflation of 2.6% from 2017/18 to 2020/21, which was estimated as a 1-in-40 year event based on the 1991 to present Canadian CPI figures. We assumed that (i) the severity of all new claims in these periods would increase by the additional (compounded) inflation amount, (ii) PIPP claims from prior years would be indexed at the observed inflation, and (iii) the long term inflation projection of 2.0% would not change. The impact of these assumptions did not represent a top three adverse scenario. The assumption that the long-run inflation expectation of 2.0% would not change significantly reduces the potential impact of this scenario to the value of assets, claim liabilities, and pension liabilities.

### Premium Risk

MPI Basic is a monopoly insurance provider of compulsory automobile insurance. Premium risk is not a significant risk factor.

### Reinsurance Risk

As of February 29, 2016 MPI Basic had approximately \$1.0 million in ceded claim liabilities. The impact of any reinsurance risk scenario is not a top three adverse scenario for the Corporation.

### Investment Risk

*Equities:* This risk was analyzed in Section 6.

1 *Fixed Income:* The Interest Rate Decline scenario was analyzed in Section 6. The  
2 Corporation has an Asset and Liability Management (ALM) strategy that requires (i)  
3 the average duration of the corporate fixed income portfolio be equal to the average  
4 duration of corporate claim liabilities and (ii) the dollar value of the corporate fixed  
5 income portfolio be equal to the corporate claim liabilities. This strategy is designed  
6 to minimize net interest rate risk between assets and liabilities.

7  
8 *Other Asset Categories:* There are several other asset categories included in the  
9 base forecast that were not discussed as part of an adverse scenario, such as real  
10 estate, non-marketable bonds, and infrastructure. The most significant asset class  
11 not included was real estate, which represented 10.4% of the total portfolio at the  
12 end of 2015/16 and has a target allocation of 10%. This asset class is included to  
13 provide diversification to the fixed income and equity asset classes. Based on  
14 available historical institutional real estate and equity data, there were no combined  
15 equity and real estate scenarios that were determined to be a top three adverse  
16 scenario.

17 Non-marketable bonds represented 24.6% of the total portfolio at the end of  
18 2015/16. The financial impact of non-marketable bonds is limited since the asset  
19 class is held at book value on the financial statements.

20 Finally, infrastructure was 3.3% of the total portfolio at the end of 2015/16 and is  
21 targeted at 5.0%. This asset class, similar to real estate, is expected to provide  
22 diversification to the total portfolio and has a limited current exposure in the total  
23 portfolio.

### Off-Balance Sheet Risk

24 None of the following off-balance sheet items were determined to be significant risk  
25 factors for MPI Basic:

- 26 • Structured settlements
- 27 • Contingent liabilities or losses
- 28 • Derivative instruments
- 29 • Pension underfunding

## Related Company Risk

We had discussions with management about the plausibility of MPI Basic transferring Retained Earnings to the Corporation's Extension or Special Risk Extension lines of business. This scenario was not seen as plausible.

## International Financial Reporting Standards (IFRS)

*IFRS 4 Insurance Contracts:* As noted in previous years, this standard has not been finalized and is currently in exposure draft form. Interpretations of this standard will evolve as the standard is finalized and as the standard comes closer to being effective.

A final standard is expected in 2016 with implementation not expected before 2019. Therefore the Corporation will not be required to implement changes for its year-end financial statements before the February 29, 2020 fiscal year.

*IFRS 9 Financial Instruments:* This standard is effective for annual periods beginning on or after January 1, 2018. The IASB has proposed temporary deferral and overlay approaches for insurers, as detailed in their December 2015 Exposure Draft *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed amendments to IFRS 4)*. Proposed changes would allow reporting entities, where the liabilities are predominantly arising from insurance contracts, to defer IFRS 9 until the new insurance contracts standard is issued, or 2021 at the latest. Given the current proposed timing of IFRS 4, the implementation would be for the Corporations February 29, 2020 fiscal year. At the latest the standard would be effective for annual periods beginning on or after January 1, 2021; and therefore the Corporation would not be required to implement changes for its year-end financial statements before February 28, 2022.

## Appendix A: STOCHASTIC MODELING

### ***PUB Order 122/10***

In PUB Order 122/10 the Public Utilities Board ordered the following:

“MPI shall use stochastic modeling of claims incurred for rate-setting purposes”.

The Corporation created the Stochastic Modeling section in the DCAT report in response to the above PUB Order.

### ***What is Stochastic Modeling?***

A stochastic model is a model that estimates the probability distribution for a given outcome by allowing certain inputs to be random variables rather than fixed estimates. A random variable is allowed to take on a range of values based on the assumed distribution of that variable. The stochastic model creates a distribution of outcomes by running a large number of simulations using the random inputs.

### ***Stochastic Modeling of Claims Incurred***

For stochastic modeling of claims incurred the distribution being estimated is the claims incurred by coverage. The random variables in the simulation could include factors such as:

- Frequency
- Severity
- Volume growth

The stochastic claims incurred model would then be simulated a large number of times and provide information on the following:

- Expected (average) outcome
- Variability of outcomes
- Probability of various outcomes
- Shape of the distribution (e.g. Normal versus skewed).

1 Stochastic modeling of claims incurred cannot be used 'for rate setting purposes' as  
2 the Corporation still requires a fixed best estimate forecast for setting rates.  
3 However, the output from the model can assist the rate setting process by:

- 4 • Determining the reasonability of the Corporation's best estimates
- 5 • Determining if past forecast errors are due to chance
- 6 • Determining the source of forecasting errors
- 7 • Improve the forecasting process by better understanding the key inputs

## 8 **Methodology**

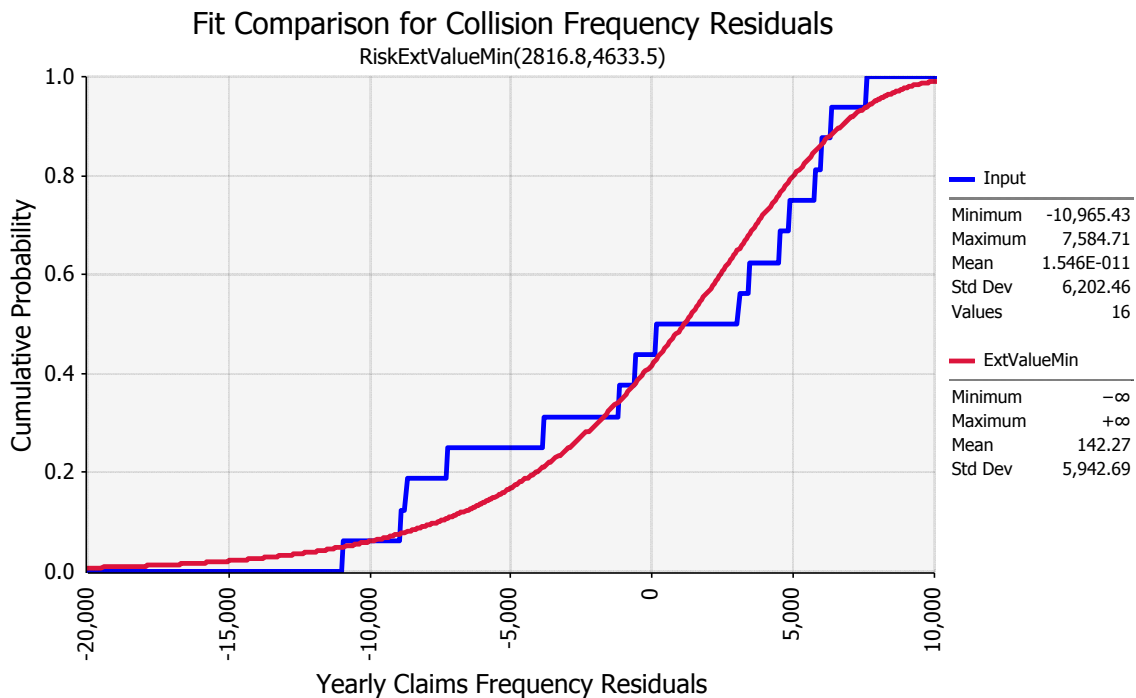
### 9 ***Claim Frequency Simulation***

10 Claim frequency was broken down by year to provide the best fit to the true  
11 distribution of claim frequencies. Yearly claim frequencies since 2000 were used and  
12 adjusted to current levels to provide an accurate estimate of the true number of  
13 claims for the given year. These numbers were then used with @RISK<sup>4</sup> statistical  
14 software and judgment to select the appropriate distribution for each year that would  
15 best represent the data. Actual correlations between coverages were recognized and  
16 used in the simulation. For example, the graph below is a fit of the empirical  
17 distribution for Collision frequency residuals taken from the regression line.  
18

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<sup>4</sup> @RISK is a Microsoft Excel add-on developed by Palisade Corporation to assist in fitting a large number of distributions with large data sets and to simulate numbers generated from these distributions.



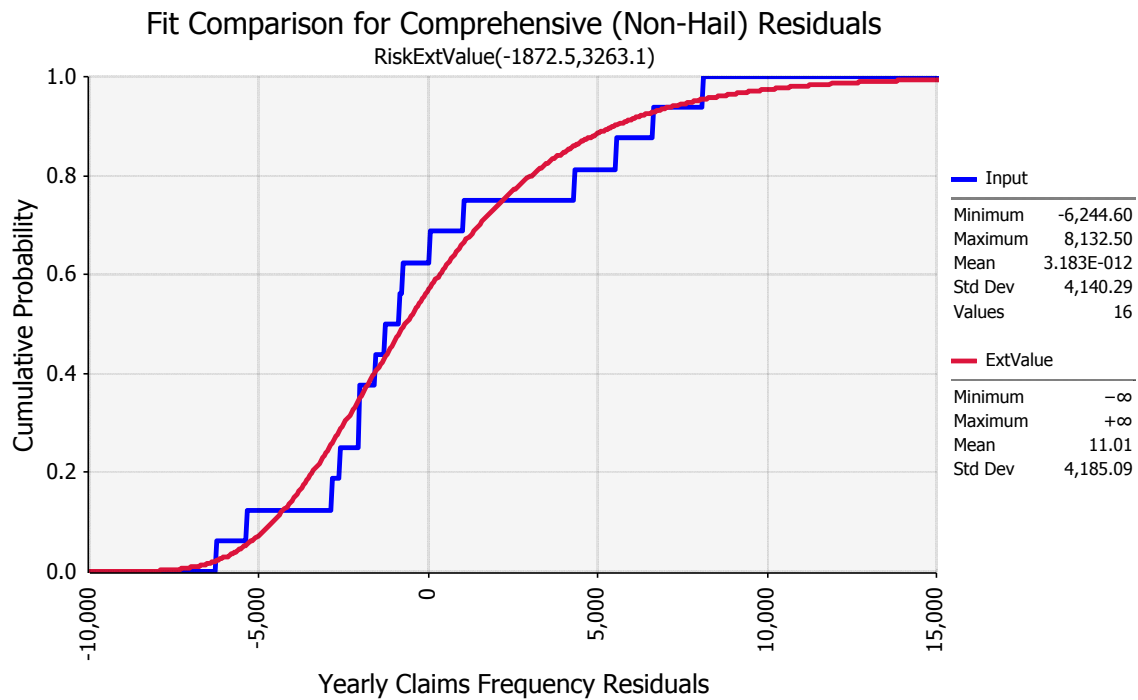


Several discrete distributions were used to fit the data from each year. The best fitting distribution was then selected. In some cases a discretized continuous distribution was needed. To discretize a distribution, the numbers that are generated from the continuous distribution are rounded to the nearest whole number.

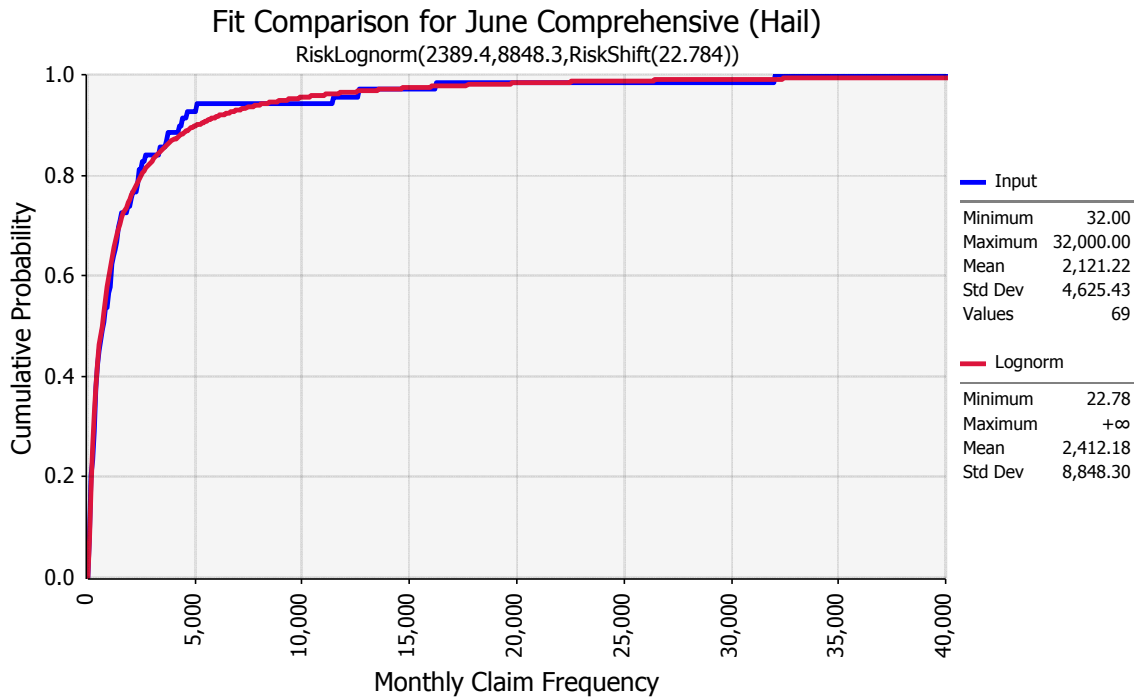
The same methodology was used for simulating Comprehensive claim frequency with two exceptions:

- Comprehensive claims were split into Hail and Non-Hail categories for simulation purposes.
- Theft claims were excluded from Non-Hail claim frequency simulation as the historical experience for theft is not relevant to the current forecast.

For example, the graph below shows the actual and assumed Non-Hail frequency distribution.



For Hail, daily claim frequencies are not practical, so monthly Hail frequencies were used for modeling. For example, the graph below shows the actual versus assumed distribution for Hail claims in the month of June. For Hail frequency we used the last 23 years of data to best represent the variability of Hail. Similar months when combined together provided a better fit than if they were fitted separately. For example, June, July and August all use the same distribution based on June, July, and August actual claim frequency.



### ***Claim Severity Simulation***

A claim severity model was built to simulate the claim severities of the claims counts. The simulation model splits accident severity into separate coverages: Collision, Property Damage, Hail, Non-Hail, Public Liability, Weekly Indemnity, Accident Benefits Other Indexed and Non-Indexed.

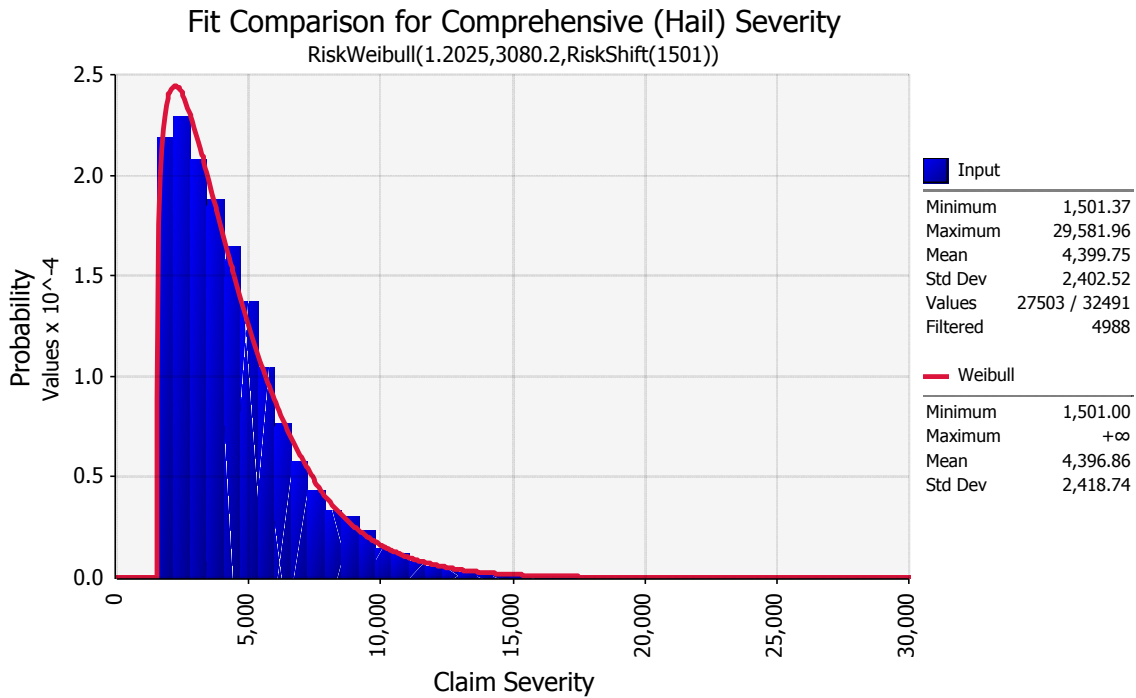
Physical damage severities are very consistent, while injury severities are highly variable. The following table shows the assumed distributions of the coverages at ultimate. The assumed distributions are based on historical data adjusted to current cost levels.

**Historical Distribution of Claims by Coverage (at Ultimate)**

Range	Collision	Property Damage	Weekly Indemnity	ABO-Indexed	ABO-NonIndexed	Non-Hail Comp	Public Liability
0-10K	94.25%	99.16%	63.40%	94.24%	52.05%	98.51%	46.40%
10K-50K	5.73%	0.78%	25.55%	4.65%	39.24%	1.47%	32.34%
50K-100K	0.02%	0.04%	4.44%	0.64%	5.29%	0.02%	8.40%
100K-250K	0.00%	0.02%	3.51%	0.29%	2.61%	0.00%	10.25%
250K-500K	0.00%	0.00%	1.32%	0.08%	0.77%	0.00%	2.48%
500K-1M	0.00%	0.00%	1.24%	0.04%	0.06%	0.00%	0.13%
1M - 2M	0.00%	0.00%	0.49%	0.02%	0.00%	0.00%	0.00%
2M - 3M	0.00%	0.00%	0.04%	0.04%	0.00%	0.00%	0.00%
3M - 5M	0.00%	0.00%	0.01%	0.01%	0.00%	0.00%	0.00%
Average	\$3,336	\$1,110	\$37,017	\$5,485	\$21,422	\$1,184	\$40,101
Standard Dev.	\$3,978	\$3,318	\$140,650	\$61,843	\$41,746	\$2,739	\$69,777

\*The discrete ranges in the above table are used for summarization purposes; the actual severity simulations use continuous distributions.

Severities were simulated on a claim by claim basis. Fitted distributions were used for all claims greater than \$1,500 while the empirical distribution was used for claims less than or equal to \$1,500. However, in some coverages like Public Liability a different cut off was used to provide a better representation of the distribution of claims. This splitting of the severities was to provide a better fit in the tail of the distribution while still maintaining the average and distribution of the claim severities. For example, the assumed Hail severity distribution is shown below for claims greater than \$1,500.



## Weekly Indemnity

- 1 The base forecast and cumulative base forecast for Weekly Indemnity ultimate  
2 incurred from 2016/17 to 2020/21 are shown in the table below.

### Weekly Indemnity Ultimate Incurred (\$000) – Base Forecast

Base Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Annual	\$65,947	\$65,778	\$65,589	\$65,379	\$65,147
Cumulative	\$65,947	\$131,725	\$197,315	\$262,694	\$327,842

- 3 The cumulative simulated ultimate losses for Weekly Indemnity at selected percentile  
4 levels are shown in the following table.

**Cumulative Simulated Ultimate Losses (\$000) – Weekly Indemnity**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$51,636	\$111,555	\$173,063	\$234,540	\$297,608
5%	\$53,860	\$114,713	\$176,847	\$239,828	\$302,210
10%	\$56,640	\$118,175	\$181,504	\$245,411	\$308,530
25%	\$61,052	\$125,070	\$189,330	\$253,684	\$318,483
50%	\$66,032	\$132,204	\$198,225	\$264,216	\$329,857
75%	\$71,158	\$139,570	\$207,322	\$274,934	\$341,600
90%	\$76,314	\$146,958	\$216,040	\$284,557	\$352,558
95%	\$79,499	\$151,003	\$221,430	\$290,626	\$359,316
97.5%	\$82,238	\$154,762	\$226,170	\$295,957	\$365,114

1 The simulated results compared to the base forecast on a dollar and percentage  
2 deviation basis are shown below.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000) – Weekly Indemnity**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$14,311)	(\$20,171)	(\$24,252)	(\$28,154)	(\$30,234)
5%	(\$12,087)	(\$17,013)	(\$20,468)	(\$22,866)	(\$25,632)
10%	(\$9,307)	(\$13,550)	(\$15,811)	(\$17,283)	(\$19,311)
25%	(\$4,895)	(\$6,655)	(\$7,984)	(\$9,010)	(\$9,359)
50%	\$85	\$479	\$910	\$1,522	\$2,016
75%	\$5,211	\$7,844	\$10,007	\$12,240	\$13,758
90%	\$10,367	\$15,232	\$18,725	\$21,862	\$24,716
95%	\$13,552	\$19,278	\$24,116	\$27,932	\$31,474
97.5%	\$16,291	\$23,036	\$28,855	\$33,263	\$37,272

**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – Weekly Indemnity**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-21.7%	-15.3%	-12.3%	-10.7%	-9.2%
5%	-18.3%	-12.9%	-10.4%	-8.7%	-7.8%
10%	-14.1%	-10.3%	-8.0%	-6.6%	-5.9%
25%	-7.4%	-5.1%	-4.0%	-3.4%	-2.9%
50%	0.1%	0.4%	0.5%	0.6%	0.6%
75%	7.9%	6.0%	5.1%	4.7%	4.2%
90%	15.7%	11.6%	9.5%	8.3%	7.5%
95%	20.5%	14.6%	12.2%	10.6%	9.6%
97.5%	24.7%	17.5%	14.6%	12.7%	11.4%

Based on the simulation, single year losses for Weekly Indemnity have a 50% confidence interval of \$71.2 million to \$61.1 million for 2016/17. After five years, cumulative simulated ultimate losses have a 50% confidence interval of \$341.6 million to \$318.5 million.

**Accident Benefits Other – Indexed**

The base forecast and cumulative base forecast for Accident Benefits Other – Indexed ultimate incurred from 2016/17 to 2020/21 are shown in the table below.

**Accident Benefits Other – Indexed Ultimate Incurred (\$000) – Base Forecast**

Base Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Annual	\$65,433	\$66,085	\$66,743	\$67,407	\$68,077
Cumulative	\$65,433	\$131,518	\$198,261	\$265,667	\$333,744

The cumulative simulated ultimate losses for Accident Benefits Other – Indexed at selected percentile levels are shown below.

**Cumulative Simulated Ultimate Losses (\$000)**  
**– Accident Benefits Other Indexed**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$52,802	\$113,904	\$176,615	\$241,506	\$306,960
5%	\$54,809	\$116,446	\$180,294	\$245,463	\$311,416
10%	\$57,007	\$120,189	\$185,082	\$250,626	\$316,869
25%	\$61,047	\$126,457	\$192,204	\$259,465	\$327,492
50%	\$66,030	\$133,353	\$201,589	\$269,708	\$339,447
75%	\$71,498	\$141,020	\$210,598	\$280,719	\$351,267
90%	\$76,728	\$148,079	\$219,777	\$290,644	\$362,746
95%	\$80,104	\$152,593	\$225,197	\$297,427	\$369,738
97.5%	\$83,033	\$157,021	\$229,917	\$302,795	\$375,752

- 1 The simulated results compared to the base forecast on a dollar and percentage  
2 deviation basis are shown below.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000)**  
**– Accident Benefits Other Indexed**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$12,631)	(\$17,614)	(\$21,645)	(\$24,161)	(\$26,785)
5%	(\$10,624)	(\$15,073)	(\$17,967)	(\$20,204)	(\$22,329)
10%	(\$8,426)	(\$11,329)	(\$13,179)	(\$15,042)	(\$16,875)
25%	(\$4,386)	(\$5,061)	(\$6,057)	(\$6,202)	(\$6,253)
50%	\$597	\$1,835	\$3,329	\$4,041	\$5,702
75%	\$6,065	\$9,502	\$12,338	\$15,052	\$17,522
90%	\$11,295	\$16,561	\$21,517	\$24,976	\$29,002
95%	\$14,670	\$21,075	\$26,937	\$31,759	\$35,994
97.5%	\$17,600	\$25,503	\$31,656	\$37,127	\$42,007



**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – ABO Indexed**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-19.3%	-13.4%	-10.9%	-9.1%	-8.0%
5%	-16.2%	-11.5%	-9.1%	-7.6%	-6.7%
10%	-12.9%	-8.6%	-6.6%	-5.7%	-5.1%
25%	-6.7%	-3.8%	-3.1%	-2.3%	-1.9%
50%	0.9%	1.4%	1.7%	1.5%	1.7%
75%	9.3%	7.2%	6.2%	5.7%	5.3%
90%	17.3%	12.6%	10.9%	9.4%	8.7%
95%	22.4%	16.0%	13.6%	12.0%	10.8%
97.5%	26.9%	19.4%	16.0%	14.0%	12.6%

Based on the simulation, single year losses for Accident Benefits Other Indexed have a 50% confidence interval \$61.0 million to \$71.5 million for 2016/17. After five years, cumulative simulated ultimate losses have a 50% confidence interval of \$327.5 million to \$351.3 million.

**Accidents Benefits Other – Non-Indexed**

The base forecast and cumulative base forecast for Accident Benefits Other Non-Indexed ultimate incurred from 2016/17 to 2020/21 are shown in the table below.

**Accident Benefits Other Non-Indexed Ultimate Incurred (\$000) – Base Forecast**

Base Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Annual	\$30,568	\$31,221	\$31,887	\$32,567	\$33,262
Cumulative	\$30,568	\$61,789	\$93,676	\$126,244	\$159,506

The cumulative simulated ultimate losses for Accident Benefits Other Non-Indexed at selected percentile levels are shown below.

**Cumulative Simulated Ultimate Losses (\$000) – Accident Benefits Other Non-Indexed**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$25,151	\$53,615	\$83,583	\$114,657	\$146,274
5%	\$25,867	\$54,958	\$85,167	\$116,266	\$148,359
10%	\$26,863	\$56,361	\$86,958	\$118,345	\$150,628
25%	\$28,601	\$58,831	\$89,991	\$122,059	\$154,777
50%	\$30,544	\$61,812	\$93,507	\$126,099	\$159,212
75%	\$32,642	\$64,652	\$97,166	\$130,277	\$163,939
90%	\$34,534	\$67,326	\$100,389	\$134,157	\$168,400
95%	\$35,587	\$68,981	\$102,412	\$136,458	\$170,900
97.5%	\$36,486	\$70,424	\$104,085	\$138,238	\$173,151

The simulated results compared to the base forecast on a dollar and percentage deviation basis are shown in the following table.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000) – ABO Non-Indexed**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$5,417)	(\$8,174)	(\$10,093)	(\$11,586)	(\$13,232)
5%	(\$4,701)	(\$6,831)	(\$8,509)	(\$9,978)	(\$11,147)
10%	(\$3,705)	(\$5,429)	(\$6,718)	(\$7,898)	(\$8,878)
25%	(\$1,968)	(\$2,958)	(\$3,685)	(\$4,184)	(\$4,728)
50%	(\$25)	\$22	(\$169)	(\$144)	(\$294)
75%	\$2,073	\$2,863	\$3,490	\$4,034	\$4,433
90%	\$3,965	\$5,537	\$6,713	\$7,913	\$8,894
95%	\$5,018	\$7,192	\$8,736	\$10,214	\$11,394
97.5%	\$5,918	\$8,635	\$10,409	\$11,995	\$13,645

**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – ABO Non-Indexed**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-17.7%	-13.2%	-10.8%	-9.2%	-8.3%
5%	-15.4%	-11.1%	-9.1%	-7.9%	-7.0%
10%	-12.1%	-8.8%	-7.2%	-6.3%	-5.6%
25%	-6.4%	-4.8%	-3.9%	-3.3%	-3.0%
50%	-0.1%	0.0%	-0.2%	-0.1%	-0.2%
75%	6.8%	4.6%	3.7%	3.2%	2.8%
90%	13.0%	9.0%	7.2%	6.3%	5.6%
95%	16.4%	11.6%	9.3%	8.1%	7.1%
97.5%	19.4%	14.0%	11.1%	9.5%	8.6%

Based on the simulation, single year losses for Accident Benefits Other Non-Indexed have a 50% confidence interval of \$28.6 million to \$32.6 million for 2016/17. After five years, cumulative simulated ultimate losses have a 50% confidence interval of \$154.8 million to \$163.9 million.

## Public Liability

The base forecast and cumulative base forecast for Public Liability ultimate incurred from 2016/17 to 2020/21 are shown in the table below.

**Public Liability Ultimate Incurred (\$000) – Base Forecast**

Base Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Annual	\$4,469	\$4,508	\$4,547	\$4,587	\$4,627
Cumulative	\$4,469	\$8,977	\$13,524	\$18,111	\$22,737

The cumulative simulated ultimate losses for Public Liability at selected percentile levels are shown below.

**Cumulative Simulated Ultimate Losses (\$000) – Public Liability**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$2,207	\$5,852	\$9,807	\$13,656	\$17,804
5%	\$2,640	\$6,450	\$10,357	\$14,418	\$18,709
10%	\$3,115	\$7,011	\$11,139	\$15,319	\$19,621
25%	\$3,779	\$7,994	\$12,348	\$16,756	\$21,209
50%	\$4,532	\$9,043	\$13,603	\$18,248	\$22,842
75%	\$5,212	\$10,062	\$14,885	\$19,660	\$24,471
90%	\$5,879	\$10,984	\$15,965	\$20,837	\$25,837
95%	\$6,290	\$11,525	\$16,590	\$21,581	\$26,730
97.5%	\$6,649	\$11,981	\$17,197	\$22,239	\$27,327

The simulated results compared to the base forecast on a dollar and percentage deviation basis are shown below.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000) – Public Liability**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$2,262)	(\$3,125)	(\$3,718)	(\$4,455)	(\$4,934)
5%	(\$1,829)	(\$2,527)	(\$3,167)	(\$3,693)	(\$4,028)
10%	(\$1,354)	(\$1,966)	(\$2,385)	(\$2,792)	(\$3,116)
25%	(\$690)	(\$983)	(\$1,176)	(\$1,355)	(\$1,528)
50%	\$63	\$66	\$79	\$138	\$105
75%	\$743	\$1,085	\$1,361	\$1,549	\$1,734
90%	\$1,410	\$2,007	\$2,441	\$2,726	\$3,100
95%	\$1,821	\$2,548	\$3,066	\$3,470	\$3,993
97.5%	\$2,180	\$3,004	\$3,672	\$4,128	\$4,590

**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – Public Liability**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-50.6%	-34.8%	-27.5%	-24.6%	-21.7%
5%	-40.9%	-28.1%	-23.4%	-20.4%	-17.7%
10%	-30.3%	-21.9%	-17.6%	-15.4%	-13.7%
25%	-15.4%	-10.9%	-8.7%	-7.5%	-6.7%
50%	1.4%	0.7%	0.6%	0.8%	0.5%
75%	16.6%	12.1%	10.1%	8.6%	7.6%
90%	31.5%	22.4%	18.1%	15.1%	13.6%
95%	40.8%	28.4%	22.7%	19.2%	17.6%
97.5%	48.8%	33.5%	27.2%	22.8%	20.2%

Based on the simulation, single year losses for Public Liability have a 50% confidence interval of \$3.8 million to \$5.2 million for 2016/17. After five years, cumulative simulated ultimate losses have a 50% confidence interval of \$21.2 million to \$24.5 million.

## Collision

The base forecast and cumulative base forecast for Collision ultimate incurred from 2016/17 to 2020/21 are shown in the table below.

**Collision Ultimate Incurred (\$000) – Base Forecast**

Base Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Annual	\$391,933	\$418,101	\$446,045	\$475,888	\$507,761
Cumulative	\$391,933	\$810,033	\$1,256,078	\$1,731,966	\$2,239,727

The cumulative simulated ultimate losses for Collision at selected percentile levels are shown below.

**Cumulative Simulated Ultimate Losses (\$000) – Collision**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$340,053	\$734,193	\$1,161,161	\$1,617,043	\$2,108,323
5%	\$351,202	\$748,055	\$1,176,267	\$1,639,677	\$2,129,371
10%	\$362,451	\$763,338	\$1,195,288	\$1,657,625	\$2,154,100
25%	\$378,044	\$786,280	\$1,223,318	\$1,691,275	\$2,190,318
50%	\$392,460	\$807,643	\$1,250,864	\$1,722,141	\$2,226,306
75%	\$403,891	\$825,462	\$1,273,670	\$1,750,939	\$2,260,352
90%	\$412,267	\$839,715	\$1,290,751	\$1,771,442	\$2,285,657
95%	\$416,442	\$846,830	\$1,300,156	\$1,784,047	\$2,299,386
97.5%	\$419,965	\$852,296	\$1,308,797	\$1,794,508	\$2,311,981

The simulated results compared to the base forecast on a dollar and percentage deviation basis are shown below.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000) – Collision**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$51,880)	(\$75,840)	(\$94,917)	(\$114,923)	(\$131,404)
5%	(\$40,730)	(\$61,978)	(\$79,811)	(\$92,289)	(\$110,357)
10%	(\$29,482)	(\$46,696)	(\$60,790)	(\$74,341)	(\$85,627)
25%	(\$13,888)	(\$23,753)	(\$32,760)	(\$40,691)	(\$49,409)
50%	\$527	(\$2,390)	(\$5,214)	(\$9,825)	(\$13,421)
75%	\$11,958	\$15,429	\$17,592	\$18,973	\$20,625
90%	\$20,335	\$29,682	\$34,674	\$39,476	\$45,929
95%	\$24,510	\$36,797	\$44,078	\$52,081	\$59,659
97.5%	\$28,033	\$42,263	\$52,719	\$62,542	\$72,254

**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – Collision**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-13.2%	-9.4%	-7.6%	-6.6%	-5.9%
5%	-10.4%	-7.7%	-6.4%	-5.3%	-4.9%
10%	-7.5%	-5.8%	-4.8%	-4.3%	-3.8%
25%	-3.5%	-2.9%	-2.6%	-2.3%	-2.2%
50%	0.1%	-0.3%	-0.4%	-0.6%	-0.6%
75%	3.1%	1.9%	1.4%	1.1%	0.9%
90%	5.2%	3.7%	2.8%	2.3%	2.1%
95%	6.3%	4.5%	3.5%	3.0%	2.7%
97.5%	7.2%	5.2%	4.2%	3.6%	3.2%

Based on the simulation, single year losses for Collision have a 50% confidence interval of \$378.0 million to \$403.9 million for 2016/17. After five years, cumulative simulated ultimate losses have a 50% confidence interval of \$2,190.3 million to \$2,260.4 million. The simulation is skewed to the right as the potential for more severe frequency and severity scenarios is not matched by potential favourable scenarios of the same magnitude.

## Comprehensive

### *Non-Hail Comprehensive Losses*

The base forecast and cumulative base forecast for Non-Hail Comprehensive ultimate incurred from 2016/17 to 2020/21 are shown in the table below.

#### **Non-Hail Comprehensive Ultimate Incurred (\$000) – Base Forecast**

Base Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Annual	\$63,982	\$66,990	\$70,234	\$73,737	\$77,526
Cumulative	\$63,982	\$130,971	\$201,205	\$274,943	\$352,469

The cumulative simulated ultimate losses for Non-Hail Comprehensive at selected percentile levels are shown below.

#### **Cumulative Simulated Ultimate Losses (\$000) – Non-Hail Comprehensive**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$57,471	\$121,486	\$189,776	\$261,721	\$337,658
5%	\$58,267	\$122,890	\$191,772	\$263,900	\$340,549
10%	\$59,429	\$124,472	\$193,858	\$266,888	\$343,884
25%	\$61,513	\$128,034	\$198,306	\$271,839	\$349,734
50%	\$64,199	\$132,087	\$203,327	\$278,170	\$356,880
75%	\$67,674	\$136,905	\$209,334	\$285,241	\$364,797
90%	\$71,442	\$142,141	\$215,452	\$292,261	\$372,538
95%	\$74,306	\$145,825	\$219,589	\$296,571	\$378,034
97.5%	\$76,995	\$149,600	\$223,410	\$301,017	\$382,286

The simulated results compared to the base forecast on a dollar and percentage deviation basis are shown in the following table.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000) – Non-Hail Comprehensive**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$6,510)	(\$9,486)	(\$11,430)	(\$13,222)	(\$14,811)
5%	(\$5,714)	(\$8,081)	(\$9,433)	(\$11,043)	(\$11,920)
10%	(\$4,553)	(\$6,500)	(\$7,347)	(\$8,055)	(\$8,585)
25%	(\$2,469)	(\$2,938)	(\$2,900)	(\$3,104)	(\$2,735)
50%	\$217	\$1,115	\$2,122	\$3,227	\$4,411
75%	\$3,692	\$5,933	\$8,129	\$10,298	\$12,328
90%	\$7,460	\$11,169	\$14,247	\$17,319	\$20,069
95%	\$10,324	\$14,854	\$18,384	\$21,628	\$25,565
97.5%	\$13,014	\$18,629	\$22,204	\$26,074	\$29,817

**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – Non-Hail Comp**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-10.2%	-7.2%	-5.7%	-4.8%	-4.2%
5%	-8.9%	-6.2%	-4.7%	-4.0%	-3.4%
10%	-7.1%	-5.0%	-3.7%	-2.9%	-2.4%
25%	-3.9%	-2.2%	-1.4%	-1.1%	-0.8%
50%	0.3%	0.9%	1.1%	1.2%	1.3%
75%	5.8%	4.5%	4.0%	3.7%	3.5%
90%	11.7%	8.5%	7.1%	6.3%	5.7%
95%	16.1%	11.3%	9.1%	7.9%	7.3%
97.5%	20.3%	14.2%	11.0%	9.5%	8.5%

Based on the simulation, single year losses for Non-Hail Comprehensive have a 50% confidence interval of \$61.5 million to \$67.7 million for 2016/17. After five years, cumulative simulated ultimate losses have a 50% confidence interval of \$349.7 million to \$364.8 million.

**Hail Losses**

The base forecast and cumulative base forecast for Hail ultimate incurred from 2016/17 to 2020/21 are shown in the table below. Note: The base forecast was made using assumptions net of reinsurance.



**Hail Ultimate Incurred (\$000) – Base Forecast**

Base Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Annual	\$21,836	\$22,436	\$23,053	\$23,687	\$24,339
Cumulative	\$21,836	\$44,272	\$67,325	\$91,013	\$115,351

*Gross Hail Losses*

The cumulative gross (i.e. before reinsurance recoveries) simulated ultimate losses for Hail at selected percentile levels are shown below.

**Cumulative Simulated Ultimate Losses (\$000) – Hail**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$12,378	\$29,414	\$49,300	\$72,011	\$94,434
5%	\$13,116	\$31,449	\$53,116	\$76,852	\$101,078
10%	\$14,394	\$34,612	\$58,554	\$84,063	\$111,392
25%	\$17,455	\$42,468	\$71,227	\$102,064	\$135,479
50%	\$24,626	\$58,657	\$96,697	\$137,390	\$178,493
75%	\$41,866	\$92,227	\$148,148	\$203,509	\$256,547
90%	\$80,563	\$160,164	\$237,403	\$306,132	\$371,043
95%	\$131,326	\$225,460	\$305,625	\$383,690	\$454,491
97.5%	\$198,672	\$288,537	\$384,409	\$453,374	\$524,328

The simulated results compared to the base forecast on a dollar and percentage deviation basis are shown in the following tables.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000) – Hail Comprehensive**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$9,458)	(\$14,859)	(\$18,026)	(\$19,002)	(\$20,918)
5%	(\$8,720)	(\$12,823)	(\$14,210)	(\$14,161)	(\$14,273)
10%	(\$7,442)	(\$9,660)	(\$8,771)	(\$6,950)	(\$3,959)
25%	(\$4,381)	(\$1,804)	\$3,901	\$11,051	\$20,127
50%	\$2,790	\$14,385	\$29,372	\$46,377	\$63,141
75%	\$20,031	\$47,955	\$80,822	\$112,497	\$141,196
90%	\$58,727	\$115,892	\$170,077	\$215,120	\$255,692
95%	\$109,490	\$181,188	\$238,300	\$292,678	\$339,140
97.5%	\$176,836	\$244,265	\$317,083	\$362,361	\$408,976

**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – Hail Comprehensive**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-43.3%	-33.6%	-26.8%	-20.9%	-18.1%
5%	-39.9%	-29.0%	-21.1%	-15.6%	-12.4%
10%	-34.1%	-21.8%	-13.0%	-7.6%	-3.4%
25%	-20.1%	-4.1%	5.8%	12.1%	17.4%
50%	12.8%	32.5%	43.6%	51.0%	54.7%
75%	91.7%	108.3%	120.0%	123.6%	122.4%
90%	268.9%	261.8%	252.6%	236.4%	221.7%
95%	501.4%	409.3%	354.0%	321.6%	294.0%
97.5%	809.8%	551.7%	471.0%	398.1%	354.5%

Over a five year period, the difference between the 25<sup>th</sup> percentile and the 75<sup>th</sup> percentile for Hail losses is about \$121.1 million. Similarly, the percentage deviation from the base forecast between the 25<sup>th</sup> and 75<sup>th</sup> percentile is 105.0%. Hail is by far the most variable coverage.

*Net Hail Losses*

The cumulative net (i.e. after reinsurance recoveries) simulated ultimate losses for Hail at selected percentile levels are shown below.

**Cumulative Simulated Ultimate Losses (\$000) – Net Hail**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$12,378	\$29,414	\$48,666	\$69,305	\$89,787
5%	\$13,116	\$31,449	\$51,599	\$72,829	\$94,141
10%	\$14,394	\$34,316	\$55,284	\$77,199	\$99,085
25%	\$17,455	\$39,505	\$62,044	\$84,990	\$108,415
50%	\$22,673	\$46,421	\$70,473	\$94,966	\$119,271
75%	\$27,773	\$53,687	\$79,747	\$105,662	\$131,965
90%	\$33,392	\$61,031	\$89,400	\$117,839	\$145,917
95%	\$37,158	\$67,008	\$97,476	\$130,244	\$160,778
97.5%	\$41,049	\$74,887	\$117,375	\$164,154	\$209,134

The simulated results compared to the base forecast on a dollar and percentage deviation basis are shown below.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000) – Net Hail Comprehensive**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$9,458)	(\$14,859)	(\$18,659)	(\$21,708)	(\$25,565)
5%	(\$8,720)	(\$12,823)	(\$15,727)	(\$18,184)	(\$21,211)
10%	(\$7,442)	(\$9,956)	(\$12,041)	(\$13,814)	(\$16,267)
25%	(\$4,381)	(\$4,768)	(\$5,281)	(\$6,023)	(\$6,937)
50%	\$837	\$2,149	\$3,148	\$3,954	\$3,920
75%	\$5,937	\$9,415	\$12,421	\$14,649	\$16,614
90%	\$11,556	\$16,759	\$22,075	\$26,826	\$30,566
95%	\$15,322	\$22,736	\$30,150	\$39,231	\$45,427
97.5%	\$19,213	\$30,615	\$50,050	\$73,141	\$93,783

**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast  
– Net Hail Comprehensive**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-43.3%	-33.6%	-27.7%	-23.9%	-22.2%
5%	-39.9%	-29.0%	-23.4%	-20.0%	-18.4%
10%	-34.1%	-22.5%	-17.9%	-15.2%	-14.1%
25%	-20.1%	-10.8%	-7.8%	-6.6%	-6.0%
50%	3.8%	4.9%	4.7%	4.3%	3.4%
75%	27.2%	21.3%	18.4%	16.1%	14.4%
90%	52.9%	37.9%	32.8%	29.5%	26.5%
95%	70.2%	51.4%	44.8%	43.1%	39.4%
97.5%	88.0%	69.2%	74.3%	80.4%	81.3%

Compared to gross Hail losses, the net Hail loss distribution has significantly lower upper percentile values. For example, over a five year period the 75<sup>th</sup> percentile for gross Hail is \$256.5 million compared to the 75<sup>th</sup> percentile for net Hail of \$132.0 million.

The simulation produces average net losses that are lower than the base forecast. The reason is that the Hail simulation uses a much longer historical period (since 1992/93) than the Hail forecast produced by the Corporation. The Corporation's forecast gives more weight to recent Hail experience.

Over a five year period, the difference between the 25<sup>th</sup> percentile and the 75<sup>th</sup> percentile for net Hail losses is about \$23.6 million (compared to \$121.1 million on a

gross basis). Similarly, the percentage deviation from the base forecast between the 25<sup>th</sup> and 75<sup>th</sup> percentile is 20.4% (compared to 105.0% on a gross basis).

## Property Damage

The base forecast and cumulative base forecast for Property Damage ultimate incurred from 2016/17 to 2020/21 are shown in the table below.

**Property Damage Ultimate Incurred (\$000) – Base Forecast**

Base Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Annual	\$43,272	\$44,584	\$45,943	\$47,351	\$48,808
Cumulative	\$43,272	\$87,856	\$133,799	\$181,150	\$229,958

The cumulative simulated ultimate losses for Property Damage at selected percentile levels are shown below.

**Cumulative Simulated Ultimate Losses (\$000) – Property Damage**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$38,815	\$81,340	\$126,049	\$171,741	\$219,534
5%	\$39,523	\$82,440	\$127,054	\$173,284	\$221,215
10%	\$40,324	\$83,622	\$128,650	\$175,177	\$223,097
25%	\$41,762	\$85,750	\$131,210	\$178,207	\$226,629
50%	\$43,367	\$88,032	\$134,135	\$181,586	\$230,514
75%	\$44,977	\$90,363	\$136,820	\$184,705	\$234,100
90%	\$46,488	\$92,407	\$139,304	\$187,678	\$237,501
95%	\$47,382	\$93,553	\$140,893	\$189,679	\$239,487
97.5%	\$48,263	\$94,651	\$142,360	\$191,067	\$241,310

The simulated results compared to the base forecast on a dollar and percentage deviation basis are shown in the following tables.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000) – Property Damage**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$4,457)	(\$6,516)	(\$7,750)	(\$9,408)	(\$10,424)
5%	(\$3,749)	(\$5,415)	(\$6,745)	(\$7,866)	(\$8,743)
10%	(\$2,948)	(\$4,233)	(\$5,149)	(\$5,973)	(\$6,861)
25%	(\$1,509)	(\$2,106)	(\$2,589)	(\$2,943)	(\$3,329)
50%	\$96	\$176	\$336	\$437	\$556
75%	\$1,706	\$2,507	\$3,021	\$3,555	\$4,143
90%	\$3,216	\$4,551	\$5,505	\$6,528	\$7,543
95%	\$4,110	\$5,697	\$7,094	\$8,530	\$9,529
97.5%	\$4,992	\$6,795	\$8,561	\$9,917	\$11,352

**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – Property Damage**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-10.3%	-7.4%	-5.8%	-5.2%	-4.5%
5%	-8.7%	-6.2%	-5.0%	-4.3%	-3.8%
10%	-6.8%	-4.8%	-3.8%	-3.3%	-3.0%
25%	-3.5%	-2.4%	-1.9%	-1.6%	-1.4%
50%	0.2%	0.2%	0.3%	0.2%	0.2%
75%	3.9%	2.9%	2.3%	2.0%	1.8%
90%	7.4%	5.2%	4.1%	3.6%	3.3%
95%	9.5%	6.5%	5.3%	4.7%	4.1%
97.5%	11.5%	7.7%	6.4%	5.5%	4.9%

Based on the simulation, single year losses for Property Damage have a 50% confidence interval of \$41.8 million to \$45.0 million in 2016/17. After five years, cumulative simulated ultimate losses have a 50% confidence interval of \$226.6 million to \$234.1 million.

## Overall Results

The base forecast and cumulative base forecast for all Basic coverages ultimate incurred from 2016/17 to 2020/21 are shown in the table below.

**All Basic Coverages Ultimate Incurred (\$000) – Base Forecast**

Base Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Annual	\$697,190	\$729,453	\$763,792	\$800,354	\$839,299
Cumulative	\$697,190	\$1,426,643	\$2,190,435	\$2,990,790	\$3,830,088

The cumulative simulated ultimate losses for all Basic coverages at selected percentile levels are shown in the following table. Note: Hail losses are included on a net of reinsurance basis.

**Cumulative Simulated Ultimate Losses (\$000) – All Basic Coverages**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	\$638,882	\$1,343,877	\$2,091,072	\$2,870,858	\$3,695,186
5%	\$651,421	\$1,359,999	\$2,107,541	\$2,893,746	\$3,720,840
10%	\$664,092	\$1,377,811	\$2,128,444	\$2,920,105	\$3,747,076
25%	\$682,673	\$1,404,186	\$2,162,793	\$2,956,351	\$3,790,627
50%	\$700,944	\$1,431,985	\$2,196,109	\$2,997,341	\$3,836,602
75%	\$717,359	\$1,456,868	\$2,228,831	\$3,035,203	\$3,882,399
90%	\$731,767	\$1,478,715	\$2,256,882	\$3,068,851	\$3,919,480
95%	\$740,332	\$1,492,385	\$2,273,955	\$3,090,873	\$3,943,314
97.5%	\$748,716	\$1,504,424	\$2,291,190	\$3,110,449	\$3,964,434

The simulated results compared to the base forecast on a dollar and percentage deviation basis are shown below.

**Cumulative Simulated Ultimate Losses minus Base Forecast (\$000) – All Basic Coverages**

Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	(\$58,308)	(\$82,767)	(\$99,364)	(\$119,931)	(\$134,902)
5%	(\$45,769)	(\$66,645)	(\$82,894)	(\$97,044)	(\$109,248)
10%	(\$33,098)	(\$48,833)	(\$61,992)	(\$70,685)	(\$83,012)
25%	(\$14,517)	(\$22,458)	(\$27,643)	(\$34,438)	(\$39,461)
50%	\$3,754	\$5,342	\$5,674	\$6,551	\$6,513
75%	\$20,168	\$30,225	\$38,395	\$44,413	\$52,311
90%	\$34,577	\$52,072	\$66,447	\$78,061	\$89,392
95%	\$43,141	\$65,742	\$83,520	\$100,083	\$113,226
97.5%	\$51,526	\$77,780	\$100,755	\$119,659	\$134,346

**Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – All Basic Coverages**

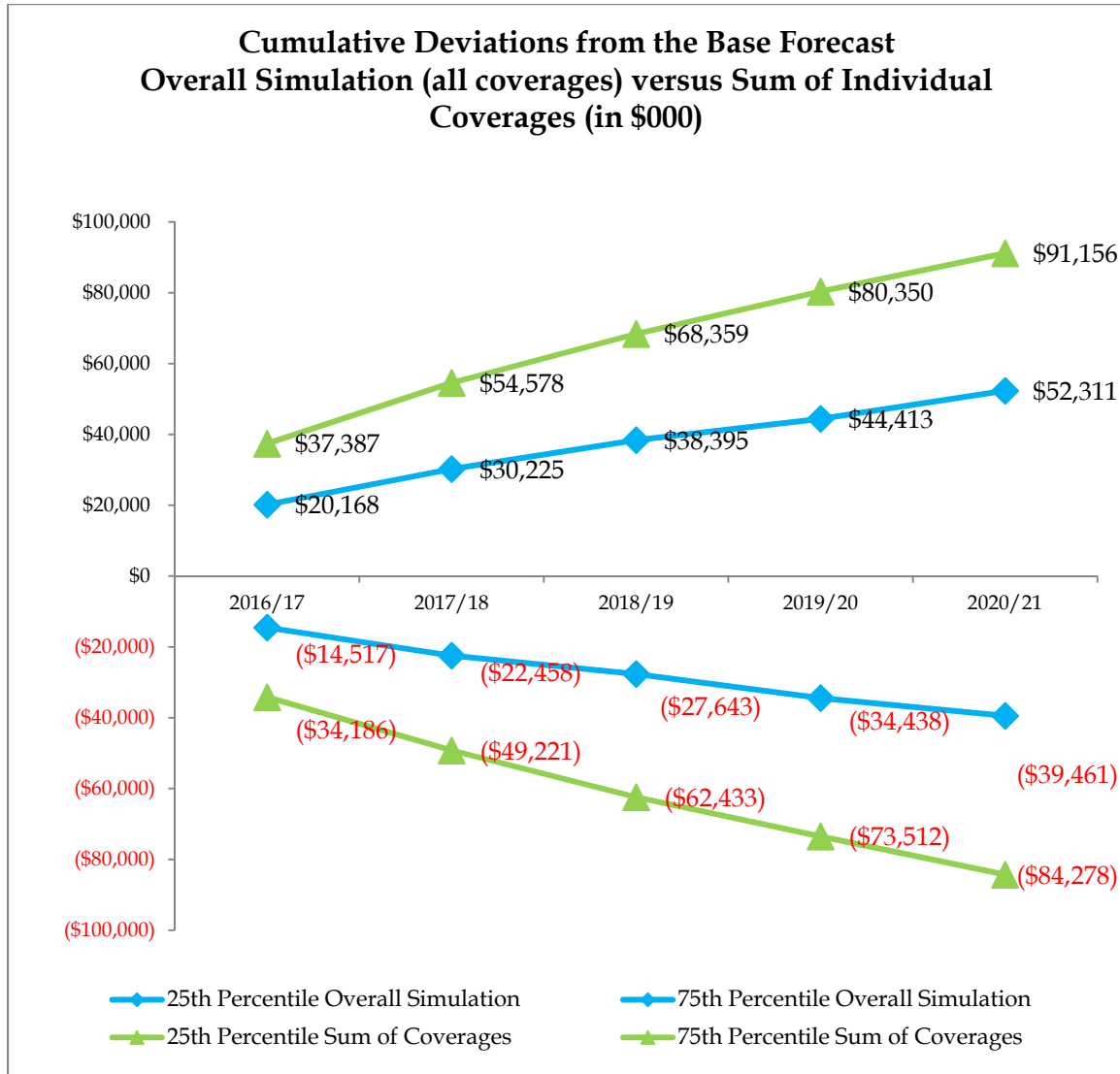
Percentile	2016/17	2017/18	2018/19	2019/20	2020/21
2.5%	-8.4%	-5.8%	-4.5%	-4.0%	-3.5%
5%	-6.6%	-4.7%	-3.8%	-3.2%	-2.9%
10%	-4.7%	-3.4%	-2.8%	-2.4%	-2.2%
25%	-2.1%	-1.6%	-1.3%	-1.2%	-1.0%
50%	0.5%	0.4%	0.3%	0.2%	0.2%
75%	2.9%	2.1%	1.8%	1.5%	1.4%
90%	5.0%	3.6%	3.0%	2.6%	2.3%
95%	6.2%	4.6%	3.8%	3.3%	3.0%
97.5%	7.4%	5.5%	4.6%	4.0%	3.5%

Based on the simulation, single year losses for all Basic coverages have a 50% confidence interval of \$682.7 million to \$717.4 million in 2016/17. After five years, cumulative simulated ultimate losses have a 50% confidence interval of \$3,790.6 million to \$3,882.4 million. At an 80% confidence interval, the range over the five year outlook period is approximately +/- \$86.2 million or +/- 2.25%.

The variability of the overall simulation is significantly less than the sum of the percentiles for the various coverages. Although some of the coverages are positively correlated (e.g. more collisions = more injuries) the correlations are often much less than 1.0 (e.g. an increase in minor winter collisions does not necessarily result in more serious injury claims). Certain coverages are also assumed to be completely independent (e.g. Hail claims and Collision claims). Similarly, each accident year is

assumed to be independent of previous or future accident years, which is why the expected percentage deviations from the base forecast decline over time.

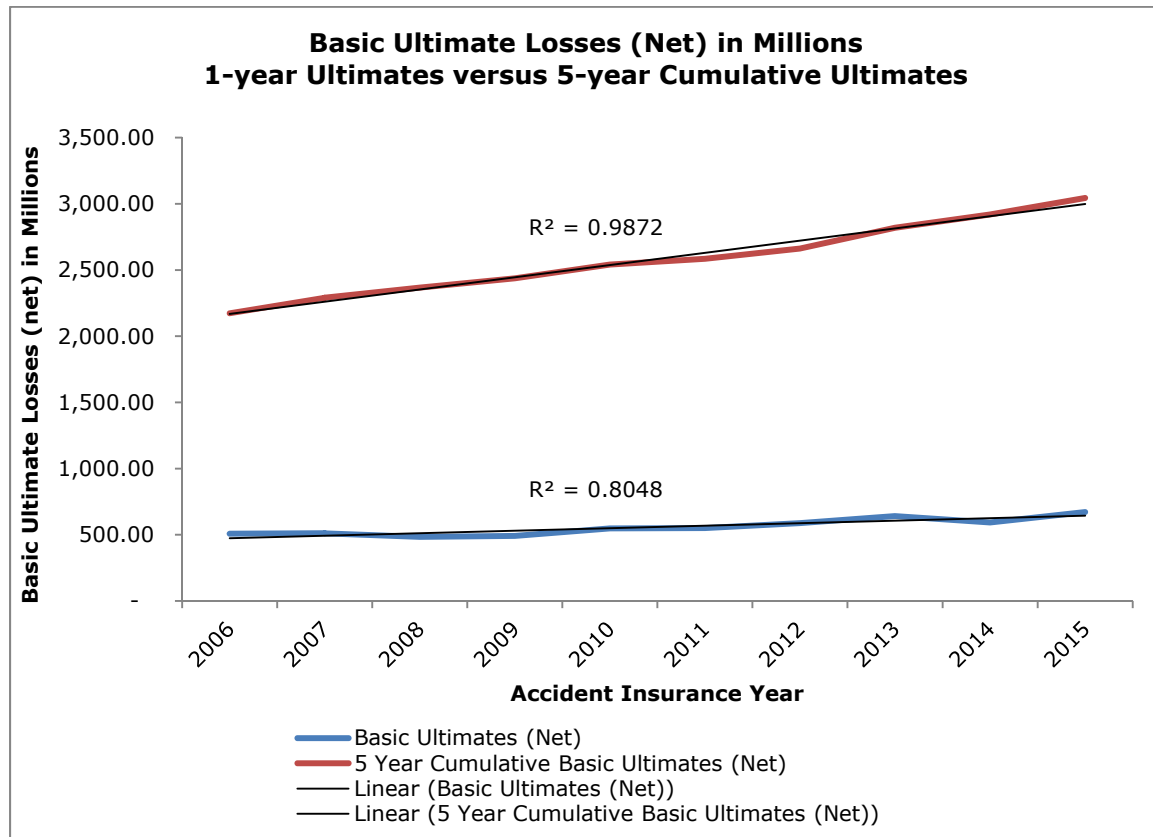
The graph below shows the difference between the variability around the base forecast for the overall simulation (i.e. all coverages combined) compared to the variability around the base forecast if percentiles for each of the coverages were summed up separately.



The following graph shows the actual variability of the overall Basic ultimate losses net of reinsurance over the past 10 years. The results are shown on a year-to-year basis and a 5-year cumulative ultimate basis. Consistent with the above simulation, overall Basic loss costs (net) are very consistent around the historical trend line (i.e.



base forecast). The variability of results also decreases over multiple years ( $R^2$  of 0.8048 for single year ultimates versus  $R^2$  of 0.9872 for 5-year cumulative).



A percentile comparison of the historical deviations from the trend line (over the past 10 years) relative to the simulation results is shown in the table below. The historical results are very consistent with the actual observed experience around the long term trend line.

Percentile	Simulation 1 Year	Historical Variability 1 Year	Simulation 5 Year	Historical Variability 5 Year
10%	-4.7%	-5.6%	-2.2%	-1.8%
25%	-2.1%	-4.7%	-1.0%	-0.2%
50%	0.5%	0.0%	0.2%	0.2%
75%	2.9%	4.2%	1.4%	0.5%
90%	5.0%	6.0%	2.3%	1.3%

## Exhibits

**Exhibit 1a**  
**Base Scenario**  
**Statement of Operations**

(C\$ 000s, except where noted)

For the Years Ended February,

	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
Motor Vehicles	756,642	794,052	854,170	893,420	976,257	1,020,825	1,068,003	1,117,494
Drivers	41,520	44,642	46,619	50,393	52,908	55,180	57,424	59,626
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Written</b>	<b>784,741</b>	<b>824,865</b>	<b>888,365</b>	<b>932,181</b>	<b>1,017,289</b>	<b>1,063,891</b>	<b>1,113,071</b>	<b>1,164,516</b>
<b>Net Premiums Earned</b>								
Motor Vehicles	741,077	774,784	827,701	875,348	938,038	1,000,262	1,046,236	1,094,659
Drivers	37,015	42,926	45,787	48,478	51,645	54,039	56,298	58,521
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Earned</b>	<b>764,671</b>	<b>803,880</b>	<b>861,065</b>	<b>912,195</b>	<b>977,807</b>	<b>1,042,188</b>	<b>1,090,177</b>	<b>1,140,577</b>
Service Fees & Other Revenues	20,383	19,475	20,351	21,557	23,227	25,122	27,097	29,022
<b>Total Earned Revenues</b>	<b>785,053</b>	<b>823,356</b>	<b>881,416</b>	<b>933,752</b>	<b>1,001,034</b>	<b>1,067,310</b>	<b>1,117,274</b>	<b>1,169,599</b>
Net Claims Incurred	747,435	745,837	666,404	776,779	757,061	763,333	834,126	916,169
Claims Expense	114,552	116,578	118,614	125,191	128,708	133,420	141,159	148,283
Road Safety/Loss Prevention	12,816	11,359	13,027	13,318	13,251	14,145	14,135	14,260
<b>Total Claims Costs</b>	<b>874,803</b>	<b>873,773</b>	<b>798,045</b>	<b>915,288</b>	<b>899,020</b>	<b>910,898</b>	<b>989,421</b>	<b>1,078,713</b>
<b>Expenses</b>								
Operating	67,982	74,283	71,641	76,908	78,242	82,683	83,608	88,347
Commissions	32,058	32,845	33,862	35,616	37,683	40,125	41,908	43,779
Premium Taxes	23,343	24,531	26,205	27,715	29,690	31,629	33,076	34,595
Regulatory/Appeal	3,766	3,935	3,675	3,421	3,494	3,567	3,641	3,719
<b>Total Expenses</b>	<b>127,148</b>	<b>135,594</b>	<b>135,383</b>	<b>143,661</b>	<b>149,109</b>	<b>158,004</b>	<b>162,233</b>	<b>170,440</b>
<b>Underwriting Income (Loss)</b>	<b>(216,898)</b>	<b>(186,011)</b>	<b>(52,012)</b>	<b>(125,197)</b>	<b>(47,095)</b>	<b>(1,592)</b>	<b>(34,379)</b>	<b>(79,554)</b>
<b>Investment Income</b>	147,735	188,451	(4,038)	90,801	36,328	25,665	42,659	87,231
<b>Net Income (Loss) from Operations</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,689)</b>	<b>(25,217)</b>	<b>24,696</b>	<b>4,964</b>	<b>4,969</b>
DPAC / Premium Deficiency writedown Adj.	-	-	-	(293)	(14,451)	624	(3,316)	(2,708)
<b>Net Income (Loss)</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,396)</b>	<b>(10,766)</b>	<b>24,073</b>	<b>8,280</b>	<b>7,677</b>

# **Exhibit 1b** **Base Scenario** **Statement of Changes in Equity**

(C\$ 000s, except where noted)

\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>Retained Earnings</b>								
Beginning Balance	169,039	99,877	177,817	194,497	160,100	149,334	173,407	181,687
Net Income (Loss) from annual operations	(69,163)	2,440	(56,050)	(34,396)	(10,766)	24,073	8,280	7,677
Premium Rebate	-	-	-	-	-	-	-	-
Transfer (to) / from Non-Basic Retained Earnings	-	75,500	72,730	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,876</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 149,334</b>	<b>\$ 173,407</b>	<b>\$ 181,687</b>	<b>\$ 189,363</b>
<b>Retained Earnings</b>								
DCAT Equity Reserve	99,877	177,817	194,497	160,100	149,334	173,407	181,687	189,363
Excess Retained Earnings	-	-	-	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,877</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 149,334</b>	<b>\$ 173,407</b>	<b>\$ 181,687</b>	<b>\$ 189,363</b>
<b>Total Accumulated Other Comprehensive Income</b>								
Beginning Balance	56,800	70,284	35,262	36,504	36,187	44,841	39,696	48,220
Other Comprehensive Income for the Year	13,484	(35,022)	1,242	(317)	8,654	(5,145)	8,524	9,776
<b>Total Accumulated Other Comprehensive Income</b>	<b>\$ 70,284</b>	<b>\$ 35,262</b>	<b>\$ 36,504</b>	<b>\$ 36,187</b>	<b>\$ 44,841</b>	<b>\$ 39,696</b>	<b>\$ 48,220</b>	<b>\$ 57,996</b>
<b>Total Equity Balance</b>								
	<b>\$ 170,160</b>	<b>\$ 213,079</b>	<b>\$ 231,000</b>	<b>\$ 196,288</b>	<b>\$ 194,175</b>	<b>\$ 213,103</b>	<b>\$ 229,907</b>	<b>\$ 247,359</b>

**RESERVE TARGETS**

PUB RSR Target	172,000	172,000	194,000	194,000	194,000	194,000	194,000	194,000
DCAT Total Equity Target	0	213,000	231,000	181,000	181,000	181,000	181,000	181,000
MCT Total Equity Target	0	325,000	325,000	411,000	411,000	411,000	411,000	411,000

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-1**

**Exhibit 1c**  
**Base Scenario**  
**Balance Sheet**

(C\$ 000s, except where noted)

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
<b>Assets</b>								
Cash and investments	76,166	55,508	29,114	10,750	9,621	10,840	11,097	13,666
Equity investments	1,948,658	2,061,262	2,083,349	2,216,050	2,259,583	2,288,205	2,347,870	2,462,543
Investment property	32,226	35,087	35,789	40,424	40,996	41,266	41,813	42,960
Due from other insurance companies	1,755	108	25	-	-	-	-	-
Accounts receivable	236,347	348,697	375,262	302,393	326,221	339,760	354,071	369,015
Prepaid expenses	-	-	-	-	-	-	-	-
Deferred policy acquisition costs	-	-	4,782	2,434	19,268	19,927	24,600	28,732
Reinsurers' share of unearned premiums	-	-	-	-	-	-	-	-
Reinsurers' share of unearned claims	17,625	2,565	998	-	-	-	-	-
Property and equipment	80,108	90,474	88,740	86,248	88,863	90,183	90,345	91,720
Deferred development costs	54,685	56,992	65,414	70,462	77,341	79,991	81,701	64,385
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,821,892</b>	<b>2,870,172</b>	<b>2,951,497</b>	<b>3,073,021</b>
<b>Liabilities</b>								
Due to other insurance companies	1,213	-	152	113	113	113	113	113
Accounts payable and accrued liabilities	35,769	34,157	38,860	29,447	30,993	31,499	32,418	33,959
Financing lease obligation	2,841	3,224	3,278	2,968	2,899	2,825	2,752	2,678
Unearned premiums and fees	402,982	426,137	453,389	475,671	518,329	543,475	570,100	598,083
Provision for employee current benefits	15,389	16,240	16,871	16,527	16,880	17,244	17,616	17,999
Provision for employee future benefits	235,172	286,581	281,209	286,836	302,414	319,313	336,739	354,910
Provision for unpaid claims	1,584,042	1,671,275	1,658,713	1,720,912	1,756,088	1,742,599	1,761,852	1,817,919
	<b>2,277,408</b>	<b>2,437,614</b>	<b>2,452,472</b>	<b>2,532,474</b>	<b>2,627,717</b>	<b>2,657,069</b>	<b>2,721,590</b>	<b>2,825,661</b>
<b>Equity</b>								
Retained earnings								
Basic Insurance Retained Earnings								
Rate Stabilization Reserve	99,878	177,817	194,497	160,100	149,334	173,407	181,687	189,363
Retained Earnings	-	-	-	-	-	-	-	-
	<b>99,878</b>	<b>177,817</b>	<b>194,497</b>	<b>160,100</b>	<b>149,334</b>	<b>173,407</b>	<b>181,687</b>	<b>189,363</b>
Accumulated Other Comprehensive Income	70,284	35,262	36,504	36,187	44,841	39,696	48,220	57,996
<b>Total Equity</b>	<b>170,162</b>	<b>213,079</b>	<b>231,000</b>	<b>196,288</b>	<b>194,175</b>	<b>213,103</b>	<b>229,907</b>	<b>247,359</b>
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,821,892</b>	<b>2,870,172</b>	<b>2,951,497</b>	<b>3,073,021</b>



### Exhibit 1d Base Scenario Minimum Capital Test

(All figures in \$000s)

		2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
		Current Year (01)	Forecast Year (02)	Forecast Year (03)	Forecast Year (04)	Forecast Year (05)
<b>Capital Available:</b>						
Capital available (from page 30.62 - capital available)	01	125,826	116,834	133,112	148,206	182,974
Phase-in of capital available	03	0	0	0	0	0
<b>Total Capital Available</b>	<b>09</b>	<b>125,826</b>	<b>116,834</b>	<b>133,112</b>	<b>148,206</b>	<b>182,974</b>
<b>Assets Available:</b>						
Net Assets Available (from page 30.92 - net assets available)	11	0	0	0	0	0
Phase-in of net assets available	13	0	0	0	0	0
<b>Total Net Assets Available</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital (Margin) Required at Target:</b>						
Insurance Risk:						
Premium liabilities	20	81,838	89,225	93,284	97,567	102,045
Unpaid claims	22	180,736	184,670	183,794	186,252	192,444
Catastrophes	24	0	0	0	0	0
Margin required for reinsurance ceded to unregistered insurers	26	0	0	0	0	0
Subtotal: Insurance risk margin	29	262,574	273,895	277,078	283,819	294,489
Market Risk:						
Interest rate risk	30	17,559	23,760	13,562	20,056	21,135
Foreign exchange risk	32	18,511	20,071	17,818	20,461	21,242
Equity risk	34	138,653	152,421	143,047	165,883	185,293
Real estate risk	36	56,059	58,630	60,892	63,140	65,717
Other market risk exposures	38	0	0	0	0	0
Subtotal: Market risk margin	39	230,782	254,882	235,319	269,540	293,387
Credit Risk:						
Counterparty default risk for balance sheet assets	40	15,632	18,479	19,252	20,442	21,614
Counterparty default risk for off-balance sheet exposures	42	0	0	0	0	0
Counterparty default risk for unregistered reinsurance collateral and SIRs	44	0	0	0	0	0
Subtotal: Credit risk margin	49	15,632	18,479	19,252	20,442	21,614
Operational risk margin	50	66,568	71,949	71,787	76,600	80,920
Less: Diversification credit	52	68,117	73,318	71,090	76,865	81,556
<b>Total Capital (Margin) Required at Target</b>	<b>59</b>	<b>507,439</b>	<b>545,887</b>	<b>532,346</b>	<b>573,536</b>	<b>608,854</b>
Minimum Capital (Margin) Required (line 59 / 1.5)	60	338,293	363,924	354,897	382,357	405,902
Phase-in of Capital (Margin) Required	62	0	0	0	0	0
<b>Total Minimum Capital (Margin) Required</b>	<b>69</b>	<b>338,293</b>	<b>363,924</b>	<b>354,897</b>	<b>382,357</b>	<b>405,902</b>
<b>Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required</b>	<b>79</b>	<b>(212,467)</b>	<b>(247,090)</b>	<b>(221,785)</b>	<b>(234,151)</b>	<b>(222,928)</b>
<b>MCT (BAAT) Ratio (Line 09 or line 19 as a % of line 69)</b>	<b>90</b>	<b>37.19%</b>	<b>32.10%</b>	<b>37.51%</b>	<b>38.76%</b>	<b>45.08%</b>

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve - DCAT Exhibit 1**

**Exhibit 1e**  
**Base Scenario**  
**Net Claims Incurred Summary**

(C\$ 000s, except where noted)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Claims Incurred before Financial Provisions</b>						
Collision	353,144	393,087	418,426	446,210	476,160	508,180
Comprehensive	126,346	84,886	89,282	93,235	97,424	101,916
Property Damage	42,456	43,313	44,587	45,892	47,331	48,826
Public Liability - BI	5,744	4,440	4,422	4,373	4,491	4,609
PIPP	115,221	203,883	172,439	136,091	168,083	203,746
<b>Total</b>	<b>642,912</b>	<b>729,609</b>	<b>729,156</b>	<b>725,802</b>	<b>793,489</b>	<b>867,277</b>
Unallocated Loss Adjustment Expenses	40,148	39,919	41,338	42,939	44,916	46,857
Change in Internal Loss Adjustment Expense Provision	503	7,544	1,018	(6,032)	(963)	4,743
Change in Reinsurance Ceded Provision	(1,076)	0	0	0	0	0
Other Financial Adjustments	(1,124)	0	0	0	0	0
Change in DPAC / Premium Deficiency Provision	(14,959)	(293)	(14,451)	624	(3,316)	(2,708)
<b>Total Net Claims Incurred</b>	<b>666,404</b>	<b>776,779</b>	<b>757,061</b>	<b>763,333</b>	<b>834,126</b>	<b>916,169</b>



**Exhibit 1f**  
**Base Scenario**  
**Deferred Policy Acquisition Expenses and Premium Deficiency**

A. Claims (Including External Adjustment Expense) Data

	Accident Year										Selected Undisc	Selected Disc
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
1. Ultimate Loss Ratio - Total All Coverage	70.49%	77.72%	83.83%	73.78%	78.00%	76.26%	74.43%	73.13%	73.26%	72.58%		
2. Trend/Rate Adjustment for Fiscal Year												
2015	0.9933	0.9552	0.9341	0.9491	0.9854							
2016		0.9408	0.9212	0.9371	0.9740	0.9998						
2017			0.8876	0.8992	0.9307	0.9514	0.9841					
2018				0.9227	0.9484	0.9627	0.9888	1.0099				
2019					0.9438	0.9585	0.9850	1.0065	1.0094			
2020						0.9531	0.9800	1.0019	1.0053	1.0089		
3. Adjusted Loss Ratio for Fiscal Year [(1) x (2)]												
2015	70.02%	74.24%	78.31%	70.02%	76.86%						73.71%	78.15%
2016		73.12%	77.23%	69.13%	75.97%	76.24%					75.11%	79.73%
2017			74.41%	66.34%	72.59%	72.55%	73.25%				72.80%	76.96%
2018				68.07%	73.97%	73.41%	73.60%	73.85%			73.62%	77.14%
2019					73.61%	73.09%	73.32%	73.60%	73.94%		73.51%	76.65%
2020						72.68%	72.94%	73.27%	73.65%	73.22%	73.14%	76.25%

B. Actual Data Other Than Losses

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
4. Net Earned Premium	761,677	756,751	764,671	802,743	861,065	912,195	977,807	1,042,188	1,090,177	1,140,577
5. Operating Expenses as % of Earned Premium	9.70%	10.82%	11.1%	11.1%	10.8%	10.3%	9.7%	9.6%	9.3%	9.3%
6. Maintenance Expense Rate [(5) x (1)]	3.23%	3.61%	3.69%	3.69%	3.61%	3.42%	3.24%	3.21%	3.10%	3.11%
Selected					3.66%	3.57%	3.42%	3.29%	3.18%	3.14%
7. ILAE Ratio to Losses - Selected					19.00%	19.00%	19.00%	19.00%	19.00%	19.00%

C. Equity in Unearned Premium

8. Net Unearned Premium					417,518	437,504	476,986	498,689	521,583	545,522
9. Additional Expected Cost of Non-Proportional Reinsurance					5,816	5,938	6,057	6,178	6,302	6,428
10. Expected Claims (Including Ext Adj Expenses) [(8) - (9)] x (3)]					325,991	344,082	362,424	379,932	394,975	411,075
11. Reinsurance PFAD					-	-	-	-	-	-
12. Maintenance Expense [a]					14,727	15,411	16,112	16,201	16,396	16,919
13. Internal Loss Adjustment Expense [Sheet 1, Row 11]					61,938	65,376	68,861	72,187	75,045	78,104
14. Expected Claims (Including Ext Adj Expenses) - PIPP Enhancement					4,264	4,264	4,264	4,264	4,264	4,264
15. Equity in Unearned Premium [(8) - Sum((9) to (14))]					4,782	2,434	19,268	19,927	24,600	28,732
16. Carried Deferred Policy Acquisition Expenses					28,347	25,706	28,090	29,372	30,730	32,154
17. Write Down Deferred Policy Acquisition Expenses [b]					23,565	23,272	8,821	9,445	6,129	3,422
Change					(3,009)	(293)	(14,451)	624	(3,316)	(2,708)
18. Premium Deficiency [c]					-	-	-	-	-	-
Change					(11,950)	-	-	-	-	-

## Notes:

[a] ((8) - (9)) x (6) x Discount to Valuation Date Without Margin

[b] Min((16) - (15), (16)) if greater than 0, otherwise 0

[c] Negative of (15) if greater than 0, otherwise 0



**Exhibit 1g**  
**Base Scenario**  
**Summary of Corporate Investment Income**

	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Interest Income During Period</b>					
Cash/Short Term Investments	42	(0)	0	(0)	(0)
Marketable Bonds	37,226	33,366	35,422	38,704	42,578
MUSH	28,901	28,500	28,114	27,861	27,721
<b>Total</b>	<b>66,169</b>	<b>61,866</b>	<b>63,536</b>	<b>66,565</b>	<b>70,299</b>
<b>Dividend and other Income</b>					
Canadian Equities	9,139	9,765	9,770	11,066	12,949
US Equities	4,394	5,204	5,154	5,799	6,718
Investment Properties (Cityplace)	3,431	2,149	4,952	4,873	4,771
Infrastructure	1,268	1,721	1,828	1,931	2,039
<b>Total</b>	<b>18,232</b>	<b>18,839</b>	<b>21,704</b>	<b>23,669</b>	<b>26,477</b>
<b>Gains During Period - Profit &amp; Loss</b>					
Marketable Bonds Unrealized Gains/(Loss)	7,487	(29,476)	(58,781)	(37,373)	117
Marketable Bonds Realized Gains/(Loss)	5,841	(7,662)	(12,917)	(7,581)	(117)
Amortization on Marketable Bonds (Prem) / Discount	(8,207)	(8,606)	(5,416)	(2,404)	(699)
MUSH	-	-	-	-	-
Canadian Equities Realized Gains	11,004	6,464	12,514	6,675	7,657
US Equities Realized Gains	6,976	-	8,507	-	145
Real Estate (Pooled Fund)	12,618	14,271	14,667	15,547	16,480
Infrastructure	4,971	6,740	7,164	7,566	7,989
<b>Total</b>	<b>40,691</b>	<b>(18,270)</b>	<b>(34,261)</b>	<b>(17,571)</b>	<b>31,572</b>
<b>Other</b>					
Investment Fees Paid	(4,449)	(4,620)	(4,733)	(4,971)	(5,256)
Pension Expense	(14,401)	(15,071)	(15,763)	(16,483)	(17,235)
Investment Write-Down	-	-	-	-	-
<b>Total</b>	<b>(18,850)</b>	<b>(19,691)</b>	<b>(20,496)</b>	<b>(21,454)</b>	<b>(22,491)</b>
<b>Total Corporate Investment Income</b>	<b>106,241</b>	<b>42,743</b>	<b>30,483</b>	<b>51,209</b>	<b>105,856</b>
Total Basic Investment Income	90,801	36,328	25,665	42,659	87,231
% - Basic to Total Investment Income	85%	85%	84%	83%	82%
<b>Equity Unrealized Gains/(Losses)</b>					
Canadian Equities Unrealized Gains	10,464	10,590	9,509	10,771	12,604
US Equities Unrealized Gains	6,631	6,292	5,901	6,640	7,692
<b>Total Corporate Unrealized Gains/(Losses)</b>	<b>17,095</b>	<b>16,882</b>	<b>15,410</b>	<b>17,411</b>	<b>20,296</b>
<b>Ending Values and Allocations</b>					
	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Ending Asset Values for Corporate (\$Millions)</b>					
Cash/Short Term Investments	-	-	-	-	2.6
Canadian Fixed Income	1,177.9	1,157.5	1,222.5	1,202.5	1,264.9
MUSH	643.8	659.3	670.4	678.4	684.2
Canadian Equities	273.7	299.1	272.5	331.4	384.0
US Equities	154.7	168.7	156.8	187.8	213.2
Real Estate	277.5	292.7	308.1	324.9	343.3
Infrastructure & Venture Capital	112.3	130.1	137.2	144.8	152.8
<b>Total Corporate Assets</b>	<b>2,639.9</b>	<b>2,707.3</b>	<b>2,767.5</b>	<b>2,869.8</b>	<b>3,044.9</b>
<b>Total Basic Assets</b>	<b>2,267.2</b>	<b>2,310.2</b>	<b>2,340.3</b>	<b>2,400.8</b>	<b>2,519.2</b>
<b>Ending Rebalanced Allocations (%)</b>					
Cash/Short Term Investments	0.0%	0.0%	0.0%	0.0%	0.1%
Canadian Fixed Income	44.6%	42.8%	44.2%	41.9%	41.5%
MUSH	24.4%	24.4%	24.2%	23.6%	22.5%
Canadian Equities	10.4%	11.0%	9.8%	11.5%	12.6%
US Equities	5.9%	6.2%	5.7%	6.5%	7.0%
Real Estate	10.5%	10.8%	11.1%	11.3%	11.3%
Infrastructure & Venture Capital	4.3%	4.8%	5.0%	5.0%	5.0%
<b>Total Corporate</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Exhibit 2a**  
**Decline in Equity Markets Scenario**  
**Statement of Operations**

(C\$ 000s, except where noted)

	<i>For the Years Ended February,</i>							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
Motor Vehicles	756,642	794,052	854,170	893,420	976,257	1,020,825	1,068,003	1,117,494
Drivers	41,520	44,642	46,619	50,393	52,908	55,180	57,424	59,626
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Written</b>	<b>784,741</b>	<b>824,865</b>	<b>888,365</b>	<b>932,181</b>	<b>1,017,289</b>	<b>1,063,891</b>	<b>1,113,071</b>	<b>1,164,516</b>
<b>Net Premiums Earned</b>								
Motor Vehicles	741,077	774,784	827,701	875,348	938,038	1,000,262	1,046,236	1,094,659
Drivers	37,015	42,926	45,787	48,478	51,645	54,039	56,298	58,521
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Earned</b>	<b>764,671</b>	<b>803,880</b>	<b>861,065</b>	<b>912,195</b>	<b>977,807</b>	<b>1,042,188</b>	<b>1,090,177</b>	<b>1,140,577</b>
Service Fees & Other Revenues	20,383	19,475	20,351	21,557	23,227	25,122	27,097	29,022
<b>Total Earned Revenues</b>	<b>785,053</b>	<b>823,356</b>	<b>881,416</b>	<b>933,752</b>	<b>1,001,034</b>	<b>1,067,310</b>	<b>1,117,274</b>	<b>1,169,599</b>
Net Claims Incurred	747,435	745,837	666,404	776,779	757,061	761,295	834,085	916,292
Claims Expense	114,552	116,578	118,614	125,191	128,708	133,420	141,158	148,282
Road Safety/Loss Prevention	12,816	11,359	13,027	13,318	13,251	14,145	14,135	14,260
<b>Total Claims Costs</b>	<b>874,803</b>	<b>873,773</b>	<b>798,045</b>	<b>915,288</b>	<b>899,020</b>	<b>908,861</b>	<b>989,378</b>	<b>1,078,835</b>
<b>Expenses</b>								
Operating	67,982	74,283	71,641	76,908	78,242	82,683	83,608	88,347
Commissions	32,058	32,845	33,862	35,616	37,683	40,125	41,908	43,779
Premium Taxes	23,343	24,531	26,205	27,715	29,690	31,629	33,076	34,595
Regulatory/Appeal	3,766	3,935	3,675	3,421	3,494	3,567	3,641	3,719
<b>Total Expenses</b>	<b>127,148</b>	<b>135,594</b>	<b>135,383</b>	<b>143,661</b>	<b>149,109</b>	<b>158,004</b>	<b>162,233</b>	<b>170,440</b>
<b>Underwriting Income (Loss)</b>	<b>(216,898)</b>	<b>(186,011)</b>	<b>(52,012)</b>	<b>(125,197)</b>	<b>(47,095)</b>	<b>446</b>	<b>(34,337)</b>	<b>(79,676)</b>
<b>Investment Income</b>	147,735	188,451	(4,038)	90,801	30,631	2,466	8,094	76,679
<b>Net Income (Loss) from Operations</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,689)</b>	<b>(30,914)</b>	<b>3,441</b>	<b>(29,559)</b>	<b>(5,707)</b>
DPAC / Premium Deficiency writedown Adj.	-	-	-	(293)	(14,451)	529	(3,316)	(2,710)
<b>Net Income (Loss)</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,396)</b>	<b>(16,464)</b>	<b>2,912</b>	<b>(26,243)</b>	<b>(2,997)</b>

## Exhibit 2b

### Decline in Equity Markets Scenario

#### Statement of Changes in Equity

(C\$ 000s, except where noted)

\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
Retained Earnings								
Beginning Balance	169,039	99,877	177,817	194,497	160,100	143,637	146,549	120,306
Net Income (Loss) from annual operations	(69,163)	2,440	(56,050)	(34,396)	(16,464)	2,912	(26,243)	(2,997)
Premium Rebate	-	-	-	-	-	-	-	-
Transfer (to) / from Non-Basic Retained Earnings	-	75,500	72,730	-	-	-	-	-
Total Retained Earnings	\$ 99,876	\$ 177,817	\$ 194,497	\$ 160,100	\$ 143,637	\$ 146,549	\$ 120,306	\$ 117,309
Retained Earnings								
DCAT Equity Reserve	99,877	177,817	194,496	160,100	143,637	146,549	120,306	117,309
Excess Retained Earnings	-	(0)	0	-	-	-	-	-
Total Retained Earnings	\$ 99,877	\$ 177,817	\$ 194,497	\$ 160,100	\$ 143,637	\$ 146,549	\$ 120,306	\$ 117,309
Total Accumulated Other Comprehensive Income								
Beginning Balance	56,800	70,284	35,262	36,504	36,187	4,525	(22,706)	(20,903)
Other Comprehensive Income for the Year	13,484	(35,022)	1,242	(317)	(31,663)	(27,231)	1,803	11,232
Total Accumulated Other Comprehensive Income	\$ 70,284	\$ 35,262	\$ 36,504	\$ 36,187	\$ 4,525	\$ (22,706)	\$ (20,903)	\$ (9,672)
Total Equity Balance	\$ 170,160	\$ 213,079	\$ 231,000	\$ 196,288	\$ 148,161	\$ 123,842	\$ 99,402	\$ 107,637

**RESERVE TARGETS**

PUB RSR Target	172,000	172,000	194,000	194,000	194,000	194,000	194,000	194,000
DCAT Total Equity Target	0	213,000	231,000	231,000	231,000	231,000	231,000	231,000
MCT Total Equity Target	0	0	325,000	342,000	342,000	342,000	342,000	342,000

## Exhibit 2c

### Decline in Equity Markets Scenario

#### Balance Sheet

(C\$ 000s, except where noted)

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
<b>Assets</b>								
Cash and investments	76,166	55,508	29,114	10,750	9,621	10,805	11,067	11,518
Equity investments	1,948,658	2,061,262	2,083,349	2,216,050	2,213,569	2,196,943	2,215,323	2,323,033
Investment property	32,226	35,087	35,789	40,424	40,995	41,265	41,806	42,938
Due from other insurance companies	1,755	108	25	-	-	-	-	-
Accounts receivable	236,347	348,697	375,262	302,393	326,221	339,760	354,071	369,015
Prepaid expenses	-	-	-	-	-	-	-	-
Deferred policy acquisition costs	-	-	4,782	2,434	19,268	20,022	24,696	28,830
Reinsurers' share of unearned premiums	-	-	-	-	-	-	-	-
Reinsurers' share of unearned claims	17,625	2,565	998	-	-	-	-	-
Property and equipment	80,108	90,474	88,740	86,248	88,863	90,183	90,345	91,720
Deferred development costs	54,685	56,992	65,414	70,462	77,341	79,991	81,701	64,385
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,775,878</b>	<b>2,778,968</b>	<b>2,819,009</b>	<b>2,931,439</b>
<b>Liabilities</b>								
Due to other insurance companies	1,213	-	152	113	113	113	113	113
Accounts payable and accrued liabilities	35,769	34,157	38,860	29,447	30,993	31,499	32,418	33,959
Financing lease obligation	2,841	3,224	3,278	2,968	2,899	2,825	2,752	2,678
Unearned premiums and fees	402,982	426,137	453,389	475,671	518,329	543,475	570,100	598,083
Provision for employee current benefits	15,389	16,240	16,871	16,527	16,880	17,244	17,616	17,999
Provision for employee future benefits	235,172	286,581	281,209	286,836	302,414	319,313	336,739	354,910
Provision for unpaid claims	1,584,042	1,671,275	1,658,713	1,720,912	1,756,088	1,740,656	1,759,869	1,816,061
	<b>2,277,408</b>	<b>2,437,614</b>	<b>2,452,472</b>	<b>2,532,474</b>	<b>2,627,717</b>	<b>2,655,126</b>	<b>2,719,607</b>	<b>2,823,803</b>
<b>Equity</b>								
Retained earnings								
Basic Insurance Retained Earnings								
Rate Stabilization Reserve	99,878	177,817	194,496	160,100	143,637	146,549	120,306	117,309
Retained Earnings	-	(0)	0	-	-	-	-	-
	<b>99,878</b>	<b>177,817</b>	<b>194,497</b>	<b>160,100</b>	<b>143,637</b>	<b>146,549</b>	<b>120,306</b>	<b>117,309</b>
Accumulated Other Comprehensive Income	70,284	35,262	36,504	36,187	4,525	(22,706)	(20,903)	(9,672)
<b>Total Equity</b>	<b>170,162</b>	<b>213,079</b>	<b>231,000</b>	<b>196,288</b>	<b>148,161</b>	<b>123,842</b>	<b>99,402</b>	<b>107,637</b>
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,775,878</b>	<b>2,778,968</b>	<b>2,819,009</b>	<b>2,931,439</b>

## Exhibit 2d

### Decline in Equity Markets Scenario Minimum Capital Test

(All figures in \$000s)

		2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
		Current Year (01)	Forecast Year (02)	Forecast Year (03)	Forecast Year (04)	Forecast Year (05)
<b>Capital Available:</b>						
Capital available (from page 30.62 - capital available)	01	125,826	70,820	43,852	17,701	43,252
Phase-in of capital available	03	0	0	0	0	0
<b>Total Capital Available</b>	<b>09</b>	<b>125,826</b>	<b>70,820</b>	<b>43,852</b>	<b>17,701</b>	<b>43,252</b>
<b>Assets Available:</b>						
Net Assets Available (from page 30.92 - net assets available)	11	0	0	0	0	0
Phase-in of net assets available	13	0	0	0	0	0
<b>Total Net Assets Available</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital (Margin) Required at Target:</b>						
Insurance Risk:						
Premium liabilities	20	81,838	89,225	93,284	97,567	102,045
Unpaid claims	22	180,736	184,670	183,600	186,053	192,257
Catastrophes	24	0	0	0	0	0
Margin required for reinsurance ceded to unregistered insurers	26	0	0	0	0	0
Subtotal: Insurance risk margin	29	262,574	273,895	276,884	283,620	294,302
Market Risk:						
Interest rate risk	30	17,559	23,761	13,151	20,032	21,245
Foreign exchange risk	32	18,511	17,748	14,628	15,732	16,154
Equity risk	34	138,653	138,621	116,571	126,719	144,229
Real estate risk	36	56,059	58,629	60,890	63,130	65,689
Other market risk exposures	38	0	0	0	0	0
Subtotal: Market risk margin	39	230,782	238,759	205,240	225,613	247,317
Credit Risk:						
Counterparty default risk for balance sheet assets	40	15,632	18,479	19,261	20,450	21,622
Counterparty default risk for off-balance sheet exposures	42	0	0	0	0	0
Counterparty default risk for unregistered reinsurance collateral and SIRs	44	0	0	0	0	0
Subtotal: Credit risk margin	49	15,632	18,479	19,261	20,450	21,622
Operational risk margin	50	66,568	70,578	69,215	72,850	76,989
Less: Diversification credit	52	68,117	71,083	66,384	70,580	75,295
<b>Total Capital (Margin) Required at Target</b>	<b>59</b>	<b>507,439</b>	<b>530,628</b>	<b>504,216</b>	<b>531,953</b>	<b>564,935</b>
Minimum Capital (Margin) Required (line 59 / 1.5)	60	338,293	353,752	336,144	354,636	376,624
Phase-in of Capital (Margin) Required	62	0	0	0	0	0
<b>Total Minimum Capital (Margin) Required</b>	<b>69</b>	<b>338,293</b>	<b>353,752</b>	<b>336,144</b>	<b>354,636</b>	<b>376,624</b>
<b>Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required</b>	<b>79</b>	<b>(212,467)</b>	<b>(282,932)</b>	<b>(292,292)</b>	<b>(336,935)</b>	<b>(333,372)</b>
<b>MCT (BAAT) Ratio (Line 09 or line 19 as a % of line 69)</b>	<b>90</b>	<b>37.19%</b>	<b>20.02%</b>	<b>13.05%</b>	<b>4.99%</b>	<b>11.48%</b>

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-2**

**Exhibit 2e**  
**Decline in Equity Markets Scenario**  
**Net Claims Incurred Summary**

(C\$ 000s, except where noted)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Claims Incurred before Financial Provisions</b>						
Collision	353,144	393,087	418,426	446,204	476,159	508,180
Comprehensive	126,346	84,886	89,282	93,233	97,424	101,916
Property Damage	42,456	43,313	44,587	45,890	47,331	48,826
Public Liability - BI	5,744	4,440	4,422	4,369	4,491	4,609
PIPP	115,221	203,883	172,439	134,447	168,050	203,851
<b>Total</b>	<b>642,912</b>	<b>729,609</b>	<b>729,156</b>	<b>724,144</b>	<b>793,454</b>	<b>867,383</b>
Unallocated Loss Adjustment Expenses	40,148	39,919	41,338	42,939	44,916	46,857
Change in Internal Loss Adjustment Expense Provision	503	7,544	1,018	(6,316)	(969)	4,762
Change in Reinsurance Ceded Provision	(1,076)	0	0	0	0	0
Other Financial Adjustments	(1,124)	0	0	0	0	0
Change in DPAC / Premium Deficiency Provision	(14,959)	(293)	(14,451)	529	(3,316)	(2,710)
<b>Total Net Claims Incurred</b>	<b>666,404</b>	<b>776,779</b>	<b>757,061</b>	<b>761,295</b>	<b>834,085</b>	<b>916,292</b>



## Exhibit 2f

### Decline in Equity Markets Scenario

#### Deferred Policy Acquisition Expenses and Premium Deficiency

A. Claims (Including External Adjustment Expense) Data

	Accident Year										Selected Undisc	Selected Disc
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
1. Ultimate Loss Ratio - Total All Coverage	70.49%	77.72%	83.83%	73.78%	78.00%	76.26%	74.43%	73.13%	73.26%	72.58%		
2. Trend/Rate Adjustment for Fiscal Year												
2015	0.9933	0.9552	0.9341	0.9491	0.9854							
2016		0.9408	0.9212	0.9371	0.9740	0.9998						
2017			0.8876	0.8992	0.9307	0.9514	0.9841					
2018				0.9227	0.9484	0.9627	0.9888	1.0099				
2019					0.9438	0.9585	0.9850	1.0065	1.0094			
2020						0.9531	0.9800	1.0019	1.0053	1.0089		
3. Adjusted Loss Ratio for Fiscal Year [(1) x (2)]												
2015	70.02%	74.24%	78.31%	70.02%	76.86%						73.71%	78.15%
2016		73.12%	77.23%	69.13%	75.97%	76.24%					75.11%	79.73%
2017			74.41%	66.34%	72.59%	72.55%	73.25%				72.80%	76.96%
2018				68.07%	73.97%	73.41%	73.60%	73.85%			73.62%	77.13%
2019					73.61%	73.09%	73.32%	73.60%	73.94%		73.51%	76.64%
2020						72.68%	72.94%	73.27%	73.65%	73.22%	73.14%	76.24%

B. Actual Data Other Than Losses

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
4. Net Earned Premium	761,677	756,751	764,671	802,743	861,065	912,195	977,807	1,042,188	1,090,177	1,140,577
5. Operating Expenses as % of Earned Premium	9.70%	10.82%	11.1%	11.1%	10.8%	10.3%	9.7%	9.6%	9.3%	9.3%
6. Maintenance Expense Rate [(5) x 1/3]	3.23%	3.61%	3.69%	3.69%	3.61%	3.42%	3.24%	3.21%	3.10%	3.11%
Selected					3.66%	3.57%	3.42%	3.29%	3.18%	3.14%
7. ILAE Ratio to Losses - Selected					19.00%	19.00%	19.00%	19.00%	19.00%	19.00%

C. Equity in Unearned Premium

8. Net Unearned Premium					417,518	437,504	476,986	498,689	521,583	545,522
9. Additional Expected Cost of Non-Proportional Reinsurance					5,816	5,938	6,057	6,178	6,302	6,428
10. Expected Claims (Including Ext Adj Expenses) [(8) - (9)] x (3)					325,991	344,082	362,424	379,852	394,895	410,993
11. Reinsurance PFAD					-	-	-	-	-	-
12. Maintenance Expense [a]					14,727	15,411	16,112	16,201	16,396	16,919
13. Internal Loss Adjustment Expense [Sheet 1, Row 11]					61,938	65,376	68,861	72,172	75,030	78,089
14. Expected Claims (Including Ext Adj Expenses) - PIPP Enhancement					4,264	4,264	4,264	4,264	4,264	4,264
15. Equity in Unearned Premium [(8) - Sum((9) to (14))]					4,782	2,434	19,268	20,022	24,696	28,830
16. Carried Deferred Policy Acquisition Expenses					28,347	25,706	28,090	29,372	30,730	32,154
17. Write Down Deferred Policy Acquisition Expenses [b]					23,565	23,272	8,821	9,350	6,034	3,324
Change					(3,009)	(293)	(14,451)	529	(3,316)	(2,710)
18. Premium Deficiency [c]					-	-	-	-	-	-
Change					(11,950)	-	-	-	-	-

## Notes:

[a] ((8) - (9)) x (6) x Discount to Valuation Date Without Margin

[b] Min((16) - (15), (16)) if greater than 0, otherwise 0

[c] Negative of (15) if greater than 0, otherwise 0

### Exhibit 2g

#### Decline in Equity Markets Scenario

#### Summary of Corporate Investment Income

	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Interest Income During Period</b>					
Cash/Short Term Investments	42	(0)	0	(0)	0
Marketable Bonds	37,226	33,366	35,555	39,058	42,912
MUSH	28,901	28,500	27,915	27,366	27,252
<b>Total</b>	<b>66,169</b>	<b>61,866</b>	<b>63,471</b>	<b>66,425</b>	<b>70,163</b>
<b>Dividend and other Income</b>					
Canadian Equities	9,139	9,021	7,751	7,923	9,201
US Equities	4,394	4,811	4,110	4,162	4,759
Investment Properties (Cityplace)	3,431	2,149	4,952	4,873	4,771
Infrastructure	1,268	1,721	1,828	1,931	2,039
<b>Total</b>	<b>18,232</b>	<b>17,702</b>	<b>18,641</b>	<b>18,888</b>	<b>20,769</b>
<b>Gains During Period - Profit &amp; Loss</b>					
Marketable Bonds Unrealized Gains/(Loss)	7,487	(29,476)	(58,889)	(37,493)	138
Marketable Bonds Realized Gains/(Loss)	5,841	(7,662)	(12,941)	(7,633)	(138)
Amortization on Marketable Bonds (Prem) / Discount	(8,207)	(8,606)	(5,432)	(2,375)	(825)
MUSH	-	-	-	-	-
Canadian Equities Realized Gains	11,004	900	(7,207)	(29,748)	1,041
US Equities Realized Gains	6,976	-	3,953	-	-
Real Estate (Pooled Fund)	12,618	14,271	14,667	15,547	16,480
Infrastructure	4,971	6,740	7,164	7,566	7,989
<b>Total</b>	<b>40,691</b>	<b>(23,834)</b>	<b>(58,685)</b>	<b>(54,136)</b>	<b>24,685</b>
<b>Other</b>					
Investment Fees Paid	(4,449)	(4,620)	(4,733)	(4,971)	(5,256)
Pension Expense	(14,401)	(15,071)	(15,763)	(16,483)	(17,235)
Investment Write-Down	-	-	-	-	-
<b>Total</b>	<b>(18,850)</b>	<b>(19,691)</b>	<b>(20,496)</b>	<b>(21,454)</b>	<b>(22,491)</b>
<b>Total Corporate Investment Income</b>	<b>106,241</b>	<b>36,044</b>	<b>2,930</b>	<b>9,723</b>	<b>93,127</b>
Total Basic Investment Income	90,801	30,631	2,466	8,094	76,679
% - Basic to Total Investment Income	85%	85%	84%	83%	82%
<b>Equity Unrealized Gains/(Losses)</b>					
Canadian Equities Unrealized Gains	10,464	(23,273)	(23,021)	(17,887)	8,955
US Equities Unrealized Gains	6,631	(12,843)	(12,536)	(9,991)	5,449
<b>Total Corporate Unrealized Gains/(Losses)</b>	<b>17,095</b>	<b>(36,116)</b>	<b>(35,557)</b>	<b>(27,878)</b>	<b>14,404</b>
<b>Ending Values and Allocations</b>					
	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Ending Asset Values for Corporate (\$Millions)</b>					
Cash/Short Term Investments	-	-	-	-	-
Canadian Fixed Income	1,177.9	1,157.5	1,233.5	1,214.2	1,275.8
MUSH	643.8	659.3	655.9	664.7	671.2
Canadian Equities	273.7	264.5	205.5	231.5	276.6
US Equities	154.7	149.2	118.9	131.0	154.7
Real Estate	277.5	292.7	308.1	324.9	343.3
Infrastructure & Venture Capital	112.3	130.1	137.2	144.8	152.8
<b>Total Corporate Assets</b>	<b>2,639.9</b>	<b>2,653.2</b>	<b>2,659.2</b>	<b>2,711.1</b>	<b>2,874.4</b>
Total Basic Assets	2,267.2	2,264.2	2,249.0	2,268.2	2,377.5
<b>Ending Rebalanced Allocations (%)</b>					
Cash/Short Term Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Canadian Fixed Income	44.6%	43.6%	46.4%	44.8%	44.4%
MUSH	24.4%	24.8%	24.7%	24.5%	23.4%
Canadian Equities	10.4%	10.0%	7.7%	8.5%	9.6%
US Equities	5.9%	5.6%	4.5%	4.8%	5.4%
Real Estate	10.5%	11.0%	11.6%	12.0%	11.9%
Infrastructure & Venture Capital	4.3%	4.9%	5.2%	5.3%	5.3%
<b>Total Corporate</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



**Exhibit 3a**  
**High Loss Ratio Scenario**  
**Statement of Operations**

(C\$ 000s, except where noted)

	<i>For the Years Ended February,</i>							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
Motor Vehicles	756,642	794,052	854,170	893,420	976,257	1,020,825	1,068,003	1,117,494
Drivers	41,520	44,642	46,619	50,393	52,908	55,180	57,424	59,626
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Written</b>	<b>784,741</b>	<b>824,865</b>	<b>888,365</b>	<b>932,181</b>	<b>1,017,289</b>	<b>1,063,891</b>	<b>1,113,071</b>	<b>1,164,516</b>
<b>Net Premiums Earned</b>								
Motor Vehicles	741,077	774,784	827,701	875,348	938,038	1,000,262	1,046,236	1,094,659
Drivers	37,015	42,926	45,787	48,478	51,645	54,039	56,298	58,521
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Earned</b>	<b>764,671</b>	<b>803,880</b>	<b>861,065</b>	<b>912,195</b>	<b>977,807</b>	<b>1,042,188</b>	<b>1,090,177</b>	<b>1,140,577</b>
Service Fees & Other Revenues	20,383	19,475	20,351	21,557	23,227	25,122	27,097	29,022
<b>Total Earned Revenues</b>	<b>785,053</b>	<b>823,356</b>	<b>881,416</b>	<b>933,752</b>	<b>1,001,034</b>	<b>1,067,310</b>	<b>1,117,274</b>	<b>1,169,599</b>
Net Claims Incurred	747,435	745,837	666,404	776,779	796,288	793,053	854,390	973,295
Claims Expense	114,552	116,578	118,614	125,191	128,708	133,563	141,553	148,691
Road Safety/Loss Prevention	12,816	11,359	13,027	13,318	13,251	14,160	14,178	14,305
<b>Total Claims Costs</b>	<b>874,803</b>	<b>873,773</b>	<b>798,045</b>	<b>915,288</b>	<b>938,247</b>	<b>940,776</b>	<b>1,010,121</b>	<b>1,136,291</b>
<b>Expenses</b>								
Operating	67,982	74,283	71,641	76,908	78,242	82,758	83,831	88,576
Commissions	32,058	32,845	33,862	35,616	37,683	40,125	41,908	43,779
Premium Taxes	23,343	24,531	26,205	27,715	29,690	31,629	33,076	34,595
Regulatory/Appeal	3,766	3,935	3,675	3,421	3,494	3,567	3,642	3,720
<b>Total Expenses</b>	<b>127,148</b>	<b>135,594</b>	<b>135,383</b>	<b>143,661</b>	<b>149,109</b>	<b>158,079</b>	<b>162,457</b>	<b>170,670</b>
<b>Underwriting Income (Loss)</b>	<b>(216,898)</b>	<b>(186,011)</b>	<b>(52,012)</b>	<b>(125,197)</b>	<b>(86,321)</b>	<b>(31,545)</b>	<b>(55,304)</b>	<b>(137,363)</b>
<b>Investment Income</b>	147,735	188,451	(4,038)	90,801	38,851	26,069	39,981	82,464
<b>Net Income (Loss) from Operations</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,689)</b>	<b>(56,783)</b>	<b>(550)</b>	<b>(13,750)</b>	<b>(46,221)</b>
DPAC / Premium Deficiency writedown Adj.	-	-	-	(293)	(9,313)	4,925	1,573	8,677
<b>Net Income (Loss)</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,396)</b>	<b>(47,470)</b>	<b>(5,476)</b>	<b>(15,323)</b>	<b>(54,899)</b>

### Exhibit 3b

#### High Loss Ratio Scenario

#### Statement of Changes in Equity

(C\$ 000s, except where noted)

C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>Retained Earnings</b>								
Beginning Balance	169,039	99,877	177,817	194,497	160,100	112,630	107,155	91,832
Net Income (Loss) from annual operations	(69,163)	2,440	(56,050)	(34,396)	(47,470)	(5,476)	(15,323)	(54,899)
Premium Rebate	-	-	-	-	-	-	-	-
Transfer (to) / from Non-Basic Retained Earnings	-	75,500	72,730	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,876</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 112,630</b>	<b>\$ 107,155</b>	<b>\$ 91,832</b>	<b>\$ 36,933</b>
<b>Retained Earnings</b>								
DCAT Equity Reserve	99,877	177,817	194,496	160,100	112,630	107,155	91,832	36,933
Excess Retained Earnings	-	(0)	0	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,877</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 112,630</b>	<b>\$ 107,155</b>	<b>\$ 91,832</b>	<b>\$ 36,933</b>
<b>Total Accumulated Other Comprehensive Income</b>								
Beginning Balance	56,800	70,284	35,262	36,504	36,187	40,913	32,974	40,107
Other Comprehensive Income for the Year	13,484	(35,022)	1,242	(317)	4,726	(7,939)	7,134	7,761
<b>Total Accumulated Other Comprehensive Income</b>	<b>\$ 70,284</b>	<b>\$ 35,262</b>	<b>\$ 36,504</b>	<b>\$ 36,187</b>	<b>\$ 40,913</b>	<b>\$ 32,974</b>	<b>\$ 40,107</b>	<b>\$ 47,869</b>
<b>Total Equity Balance</b>								
	<b>\$ 170,160</b>	<b>\$ 213,079</b>	<b>\$ 231,000</b>	<b>\$ 196,288</b>	<b>\$ 153,543</b>	<b>\$ 140,128</b>	<b>\$ 131,939</b>	<b>\$ 84,802</b>

**RESERVE TARGETS**

PUB RSR Target	172,000	172,000	194,000	194,000	194,000	194,000	194,000	194,000
DCAT Total Equity Target	0	213,000	231,000	231,000	231,000	231,000	231,000	231,000
MCT Total Equity Target	0	0	325,000	365,000	365,000	365,000	365,000	365,000

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-3**

**Exhibit 3c**  
**High Loss Ratio Scenario**  
**Balance Sheet**

(C\$ 000s, except where noted)

(C\$ '000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
<b>Assets</b>								
Cash and investments	76,166	55,508	29,114	10,750	9,663	10,783	11,011	11,355
Equity investments	1,948,658	2,061,262	2,083,349	2,216,050	2,234,890	2,232,429	2,268,496	2,339,766
Investment property	32,226	35,087	35,789	40,424	40,931	41,109	41,575	42,562
Due from other insurance companies	1,755	108	25	-	-	-	-	-
Accounts receivable	236,347	348,697	375,262	302,393	326,221	339,760	354,071	369,015
Prepaid expenses	-	-	-	-	-	-	-	-
Deferred policy acquisition costs	-	-	4,782	2,434	14,131	10,488	10,272	3,018
Reinsurers' share of unearned premiums	-	-	-	-	-	-	-	-
Reinsurers' share of unearned claims	17,625	2,565	998	-	-	-	-	-
Property and equipment	80,108	90,474	88,740	86,248	88,863	90,183	90,345	91,720
Deferred development costs	54,685	56,992	65,414	70,462	77,341	79,991	81,701	64,385
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,792,038</b>	<b>2,804,743</b>	<b>2,857,470</b>	<b>2,921,822</b>
<b>Liabilities</b>								
Due to other insurance companies	1,213	-	152	113	113	113	113	113
Accounts payable and accrued liabilities	35,769	34,157	38,860	29,447	30,993	31,499	32,418	33,959
Financing lease obligation	2,841	3,224	3,278	2,968	2,899	2,825	2,752	2,678
Unearned premiums and fees	402,982	426,137	453,389	475,671	518,329	543,475	570,100	598,083
Provision for employee current benefits	15,389	16,240	16,871	16,527	16,880	17,244	17,616	17,999
Provision for employee future benefits	235,172	286,581	281,209	286,836	302,414	319,313	336,739	354,910
Provision for unpaid claims	1,584,042	1,671,275	1,658,713	1,720,912	1,766,866	1,750,144	1,765,794	1,829,278
	<b>2,277,408</b>	<b>2,437,614</b>	<b>2,452,472</b>	<b>2,532,474</b>	<b>2,638,495</b>	<b>2,664,614</b>	<b>2,725,531</b>	<b>2,837,020</b>
<b>Equity</b>								
Retained earnings								
Basic Insurance Retained Earnings								
Rate Stabilization Reserve	99,878	177,817	194,496	160,100	112,630	107,155	91,832	36,933
Retained Earnings	-	(0)	0	-	-	-	-	-
	<b>99,878</b>	<b>177,817</b>	<b>194,497</b>	<b>160,100</b>	<b>112,630</b>	<b>107,155</b>	<b>91,832</b>	<b>36,933</b>
Accumulated Other Comprehensive Income	70,284	35,262	36,504	36,187	40,913	32,974	40,107	47,869
<b>Total Equity</b>	<b>170,162</b>	<b>213,079</b>	<b>231,000</b>	<b>196,288</b>	<b>153,543</b>	<b>140,128</b>	<b>131,939</b>	<b>84,802</b>
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,792,038</b>	<b>2,804,743</b>	<b>2,857,470</b>	<b>2,921,822</b>



### Exhibit 3d High Loss Ratio Scenario Minimum Capital Test

(All figures in \$000s)

		2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
		Current Year (01)	Forecast Year (02)	Forecast Year (03)	Forecast Year (04)	Forecast Year (05)
<b>Capital Available:</b>						
Capital available (from page 30.62 - capital available)	01	125,826	76,202	60,137	50,238	20,417
Phase-in of capital available	03	0	0	0	0	0
<b>Total Capital Available</b>	<b>09</b>	<b>125,826</b>	<b>76,202</b>	<b>60,137</b>	<b>50,238</b>	<b>20,417</b>
<b>Assets Available:</b>						
Net Assets Available (from page 30.92 - net assets available)	11	0	0	0	0	0
Phase-in of net assets available	13	0	0	0	0	0
<b>Total Net Assets Available</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital (Margin) Required at Target:</b>						
Insurance Risk:						
Premium liabilities	20	81,838	89,225	93,284	97,567	102,045
Unpaid claims	22	180,736	186,263	185,110	186,951	194,299
Catastrophes	24	0	0	0	0	0
Margin required for reinsurance ceded to unregistered insurers	26	0	0	0	0	0
Subtotal: Insurance risk margin	29	262,574	275,488	278,394	284,518	296,344
Market Risk:						
Interest rate risk	30	17,559	23,717	15,643	22,244	24,879
Foreign exchange risk	32	18,511	18,846	16,336	18,236	16,539
Equity risk	34	138,653	144,508	129,778	145,961	157,592
Real estate risk	36	56,059	58,551	60,695	62,831	65,193
Other market risk exposures	38	0	0	0	0	0
Subtotal: Market risk margin	39	230,782	245,622	222,452	249,272	264,203
Credit Risk:						
Counterparty default risk for balance sheet assets	40	15,632	17,966	18,307	19,007	19,037
Counterparty default risk for off-balance sheet exposures	42	0	0	0	0	0
Counterparty default risk for unregistered reinsurance collateral and SIRs	44	0	0	0	0	0
Subtotal: Credit risk margin	49	15,632	17,966	18,307	19,007	19,037
Operational risk margin	50	66,568	71,253	70,725	74,815	78,378
Less: Diversification credit	52	68,117	72,185	69,160	73,992	77,607
<b>Total Capital (Margin) Required at Target</b>	<b>59</b>	<b>507,439</b>	<b>538,144</b>	<b>520,718</b>	<b>553,620</b>	<b>580,355</b>
Minimum Capital (Margin) Required (line 59 / 1.5)	60	338,293	358,763	347,145	369,080	386,904
Phase-in of Capital (Margin) Required	62	0	0	0	0	0
<b>Total Minimum Capital (Margin) Required</b>	<b>69</b>	<b>338,293</b>	<b>358,763</b>	<b>347,145</b>	<b>369,080</b>	<b>386,904</b>
<b>Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required</b>	<b>79</b>	<b>(212,467)</b>	<b>(282,561)</b>	<b>(287,008)</b>	<b>(318,842)</b>	<b>(366,487)</b>
<b>MCT (BAAT) Ratio (Line 09 or line 19 as a % of line 69)</b>	<b>90</b>	<b>37.19%</b>	<b>21.24%</b>	<b>17.32%</b>	<b>13.61%</b>	<b>5.28%</b>

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-3**

**Exhibit 3e**  
**High Loss Ratio Scenario**  
**Net Claims Incurred Summary**

(C\$ 000s, except where noted)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Claims Incurred before Financial Provisions</b>						
Collision	353,144	393,087	435,877	462,793	487,257	533,122
Comprehensive	126,346	84,886	103,459	104,029	98,276	119,120
Property Damage	42,456	43,313	45,690	48,949	49,076	50,631
Public Liability - BI	5,744	4,440	5,103	3,326	4,377	4,766
PIPP	115,221	203,883	171,796	132,453	170,536	204,864
<b>Total</b>	<b>642,912</b>	<b>729,609</b>	<b>761,926</b>	<b>751,549</b>	<b>809,523</b>	<b>912,503</b>
Unallocated Loss Adjustment Expenses	40,148	39,919	41,338	42,939	44,916	46,857
Change in Internal Loss Adjustment Expense Provision	503	7,544	2,337	(6,361)	(1,621)	5,258
Change in Reinsurance Ceded Provision	(1,076)	0	0	0	0	0
Other Financial Adjustments	(1,124)	0	0	0	0	0
Change in DPAC / Premium Deficiency Provision	(14,959)	(293)	(9,313)	4,925	1,573	8,677
<b>Total Net Claims Incurred</b>	<b>666,404</b>	<b>776,779</b>	<b>796,288</b>	<b>793,053</b>	<b>854,390</b>	<b>973,295</b>



### Exhibit 3f

#### High Loss Ratio Scenario

#### Deferred Policy Acquisition Expenses and Premium Deficiency

A. Claims (Including External Adjustment Expense) Data

	Accident Year										Selected	Selected
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Undisc	Disc
1. Ultimate Loss Ratio - Total All Coverage	70.49%	77.72%	83.83%	73.78%	78.00%	76.26%	77.89%	75.64%	74.89%	77.40%		
2. Trend/Rate Adjustment for Fiscal Year												
2015	0.9933	0.9552	0.9341	0.9491	0.9854							
2016		0.9408	0.9212	0.9371	0.9740	0.9998						
2017			0.8966	0.9063	0.9361	0.9550	0.9857					
2018				0.9366	0.9597	0.9711	0.9943	1.0123				
2019					0.9594	0.9710	0.9944	1.0126	1.0120			
2020						0.9785	1.0006	1.0173	1.0151	1.0131		
3. Adjusted Loss Ratio for Fiscal Year [(1) x (2)]												
2015	70.02%	74.24%	78.31%	70.02%	76.86%						73.71%	78.15%
2016		73.12%	77.23%	69.13%	75.97%	76.24%					75.11%	79.73%
2017			75.16%	66.87%	73.02%	72.82%	76.77%				73.67%	77.88%
2018				69.10%	74.85%	74.05%	77.44%	76.57%			75.16%	78.75%
2019					74.83%	74.04%	77.45%	76.59%	75.79%		75.74%	78.99%
2020						74.62%	77.93%	76.95%	76.03%	78.42%	76.97%	80.26%

B. Actual Data Other Than Losses

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
4. Net Earned Premium	761,677	756,751	764,671	802,743	861,065	912,195	977,807	1,042,188	1,090,177	1,140,577
5. Operating Expenses as % of Earned Premium	9.70%	10.82%	11.1%	11.1%	10.8%	10.3%	9.7%	9.6%	9.3%	9.3%
6. Maintenance Expense Rate [(5) x (3)]	3.23%	3.61%	3.69%	3.69%	3.61%	3.42%	3.24%	3.21%	3.11%	3.12%
Selected					3.66%	3.57%	3.42%	3.29%	3.19%	3.15%
7. ILAE Ratio to Losses - Selected					19.00%	19.00%	19.00%	19.00%	19.00%	19.00%

C. Equity in Unearned Premium

8. Net Unearned Premium					417,518	437,504	476,986	498,689	521,583	545,522
9. Additional Expected Cost of Non-Proportional Reinsurance					5,816	5,938	6,057	6,178	6,302	6,428
10. Expected Claims (Including Ext Adj Expenses) [(8) - (9) x (3)]					325,991	344,082	366,742	387,861	407,000	432,655
11. Reinsurance PFAD					-	-	-	-	-	-
12. Maintenance Expense [a]					14,727	15,411	16,112	16,206	16,415	16,954
13. Internal Loss Adjustment Expense [Sheet 1, Row 11]					61,938	65,376	69,681	73,694	77,330	82,204
14. Expected Claims (Including Ext Adj Expenses) - PIPP Enhancement					4,264	4,264	4,264	4,264	4,264	4,264
15. Equity in Unearned Premium [(8) - Sum((9) to (14))]					4,782	2,434	14,131	10,488	10,272	3,018
16. Carried Deferred Policy Acquisition Expenses					28,347	25,706	28,090	29,372	30,730	32,154
17. Write Down Deferred Policy Acquisition Expenses [b]					23,565	23,272	13,959	18,885	20,458	29,135
Change					(3,009)	(293)	(9,313)	4,925	1,573	8,677
18. Premium Deficiency [c]					-	-	-	-	-	-
Change					(11,950)	-	-	-	-	-

## Notes:

[a] ((8) - (9)) x (6) x Discount to Valuation Date Without Margin

[b] Min((16) - (15), (16)) if greater than 0, otherwise 0

[c] Negative of (15) if greater than 0, otherwise 0

**Exhibit 3g**  
**High Loss Ratio Scenario**  
**Summary of Corporate Investment Income**

	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Interest Income During Period</b>					
Cash/Short Term Investments	42	0	0	(0)	0
Marketable Bonds	37,226	33,670	35,534	38,655	42,384
MUSH	28,901	28,500	28,114	27,861	27,721
<b>Total</b>	<b>66,169</b>	<b>62,170</b>	<b>63,648</b>	<b>66,516</b>	<b>70,105</b>
<b>Dividend and other Income</b>					
Canadian Equities	9,139	9,307	8,754	9,452	10,648
US Equities	4,394	4,988	4,687	5,057	5,660
Investment Properties (Cityplace)	3,431	2,149	4,952	4,873	4,771
Infrastructure	1,268	1,721	1,828	1,931	2,039
<b>Total</b>	<b>18,232</b>	<b>18,165</b>	<b>20,220</b>	<b>21,312</b>	<b>23,118</b>
<b>Gains During Period - Profit &amp; Loss</b>					
Marketable Bonds Unrealized Gains/(Loss)	7,487	(29,686)	(58,489)	(36,908)	142
Marketable Bonds Realized Gains/(Loss)	5,841	(7,726)	(12,882)	(7,742)	(142)
Amortization on Marketable Bonds (Prem) / Discount	(8,207)	(8,714)	(5,538)	(2,449)	(851)
MUSH	-	-	-	-	-
Canadian Equities Realized Gains	11,004	7,907	12,907	5,881	6,642
US Equities Realized Gains	6,976	2,346	9,879	-	-
Real Estate (Pooled Fund)	12,618	14,271	14,667	15,547	16,480
Infrastructure	4,971	6,740	7,164	7,566	7,989
<b>Total</b>	<b>40,691</b>	<b>(14,862)</b>	<b>(32,292)</b>	<b>(18,106)</b>	<b>30,260</b>
<b>Other</b>					
Investment Fees Paid	(4,449)	(4,620)	(4,733)	(4,971)	(5,256)
Pension Expense	(14,401)	(15,071)	(15,763)	(16,483)	(17,235)
Investment Write-Down	-	-	-	-	-
<b>Total</b>	<b>(18,850)</b>	<b>(19,691)</b>	<b>(20,496)</b>	<b>(21,454)</b>	<b>(22,491)</b>
<b>Total Corporate Investment Income</b>	<b>106,241</b>	<b>45,781</b>	<b>31,080</b>	<b>48,268</b>	<b>100,991</b>
Total Basic Investment Income	90,801	38,851	26,069	39,981	82,464
% - Basic to Total Investment Income	85%	85%	84%	83%	82%
<b>Equity Unrealized Gains/(Losses)</b>					
Canadian Equities Unrealized Gains	10,464	10,093	8,520	9,200	10,364
US Equities Unrealized Gains	6,631	6,030	5,366	5,790	6,480
<b>Total Corporate Unrealized Gains/(Losses)</b>	<b>17,095</b>	<b>16,124</b>	<b>13,886</b>	<b>14,990</b>	<b>16,844</b>
<b>Ending Values and Allocations</b>					
	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Ending Asset Values for Corporate (\$Millions)</b>					
Cash/Short Term Investments	-	-	-	-	-
Canadian Fixed Income	1,177.9	1,162.7	1,217.0	1,199.2	1,248.5
MUSH	643.8	659.3	670.4	678.4	684.2
Canadian Equities	273.7	279.0	238.7	280.5	311.6
US Equities	154.7	158.7	139.9	162.3	179.5
Real Estate	277.5	292.7	308.1	324.9	343.3
Infrastructure & Venture Capital	112.3	130.1	137.2	144.8	152.8
<b>Total Corporate Assets</b>	<b>2,639.9</b>	<b>2,682.5</b>	<b>2,711.4</b>	<b>2,790.1</b>	<b>2,919.9</b>
Total Basic Assets	2,267.2	2,285.5	2,284.3	2,321.1	2,393.7
<b>Ending Rebalanced Allocations (%)</b>					
Cash/Short Term Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Canadian Fixed Income	44.6%	43.3%	44.9%	43.0%	42.8%
MUSH	24.4%	24.6%	24.7%	24.3%	23.4%
Canadian Equities	10.4%	10.4%	8.8%	10.1%	10.7%
US Equities	5.9%	5.9%	5.2%	5.8%	6.1%
Real Estate	10.5%	10.9%	11.4%	11.6%	11.8%
Infrastructure & Venture Capital	4.3%	4.8%	5.1%	5.2%	5.2%
<b>Total Corporate</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Exhibit 4a Interest Rate Decline Scenario Statement of Operations

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
Motor Vehicles	756,642	794,052	854,170	893,420	976,257	1,020,825	1,068,003	1,117,494
Drivers	41,520	44,642	46,619	50,393	52,908	55,180	57,424	59,626
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Written</b>	<b>784,741</b>	<b>824,865</b>	<b>888,365</b>	<b>932,181</b>	<b>1,017,289</b>	<b>1,063,891</b>	<b>1,113,071</b>	<b>1,164,516</b>
<b>Net Premiums Earned</b>								
Motor Vehicles	741,077	774,784	827,701	875,348	938,038	1,000,262	1,046,236	1,094,659
Drivers	37,015	42,926	45,787	48,478	51,645	54,039	56,298	58,521
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Earned</b>	<b>764,671</b>	<b>803,880</b>	<b>861,065</b>	<b>912,195</b>	<b>977,807</b>	<b>1,042,188</b>	<b>1,090,177</b>	<b>1,140,577</b>
Service Fees & Other Revenues	20,383	19,475	20,351	21,557	23,227	25,122	27,097	29,022
<b>Total Earned Revenues</b>	<b>785,053</b>	<b>823,356</b>	<b>881,416</b>	<b>933,752</b>	<b>1,001,034</b>	<b>1,067,310</b>	<b>1,117,274</b>	<b>1,169,599</b>
Net Claims Incurred	747,435	745,837	666,404	776,779	813,648	847,710	885,267	921,385
Claims Expense	114,552	116,578	118,614	125,191	128,708	133,692	141,827	149,101
Road Safety/Loss Prevention	12,816	11,359	13,027	13,318	13,251	14,174	14,207	14,349
<b>Total Claims Costs</b>	<b>874,803</b>	<b>873,773</b>	<b>798,045</b>	<b>915,288</b>	<b>955,607</b>	<b>995,576</b>	<b>1,041,301</b>	<b>1,084,834</b>
<b>Expenses</b>								
Operating	67,982	74,283	71,641	76,908	78,242	82,833	83,980	88,806
Commissions	32,058	32,845	33,862	35,616	37,683	40,125	41,908	43,779
Premium Taxes	23,343	24,531	26,205	27,715	29,690	31,629	33,076	34,595
Regulatory/Appeal	3,766	3,935	3,675	3,421	3,494	3,567	3,642	3,720
<b>Total Expenses</b>	<b>127,148</b>	<b>135,594</b>	<b>135,383</b>	<b>143,661</b>	<b>149,109</b>	<b>158,155</b>	<b>162,607</b>	<b>170,900</b>
<b>Underwriting Income (Loss)</b>	<b>(216,898)</b>	<b>(186,011)</b>	<b>(52,012)</b>	<b>(125,197)</b>	<b>(103,682)</b>	<b>(86,420)</b>	<b>(86,633)</b>	<b>(86,136)</b>
<b>Investment Income</b>	147,735	188,451	(4,038)	90,801	77,680	73,814	66,922	71,466
<b>Net Income (Loss) from Operations</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,689)</b>	<b>(37,676)</b>	<b>(7,783)</b>	<b>(20,280)</b>	<b>(16,961)</b>
DPAC / Premium Deficiency writedown Adj.	-	-	-	(293)	(11,674)	4,824	(569)	(2,292)
<b>Net Income (Loss)</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,396)</b>	<b>(26,001)</b>	<b>(12,607)</b>	<b>(19,712)</b>	<b>(14,670)</b>



### Exhibit 4b Interest Rate Decline Scenario Statement of Changes in Equity

(C\$ 000s, except where noted)

C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>Retained Earnings</b>								
Beginning Balance	169,039	99,877	177,817	194,497	160,100	134,099	121,493	101,781
Net Income (Loss) from annual operations	(69,163)	2,440	(56,050)	(34,396)	(26,001)	(12,607)	(19,712)	(14,670)
Premium Rebate	-	-	-	-	-	-	-	-
Transfer (to) / from Non-Basic Retained Earnings	-	75,500	72,730	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,876</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 134,099</b>	<b>\$ 121,493</b>	<b>\$ 101,781</b>	<b>\$ 87,111</b>
<b>Retained Earnings</b>								
DCAT Equity Reserve	99,877	177,817	194,496	160,100	134,099	121,493	101,781	87,111
Excess Retained Earnings	-	(0)	0	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,877</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 134,099</b>	<b>\$ 121,493</b>	<b>\$ 101,781</b>	<b>\$ 87,111</b>
<b>Total Accumulated Other Comprehensive Income</b>								
Beginning Balance	56,800	70,284	35,262	36,504	36,187	44,845	45,536	53,794
Other Comprehensive Income for the Year	13,484	(35,022)	1,242	(317)	8,658	690	8,258	5,036
<b>Total Accumulated Other Comprehensive Income</b>	<b>\$ 70,284</b>	<b>\$ 35,262</b>	<b>\$ 36,504</b>	<b>\$ 36,187</b>	<b>\$ 44,845</b>	<b>\$ 45,536</b>	<b>\$ 53,794</b>	<b>\$ 58,830</b>
<b>Total Equity Balance</b>								
	<b>\$ 170,160</b>	<b>\$ 213,079</b>	<b>\$ 231,000</b>	<b>\$ 196,288</b>	<b>\$ 178,945</b>	<b>\$ 167,028</b>	<b>\$ 155,575</b>	<b>\$ 145,941</b>

**RESERVE TARGETS**

PUB RSR Target	172,000	172,000	194,000	194,000	194,000	194,000	194,000	194,000
DCAT Total Equity Target	0	213,000	231,000	231,000	231,000	231,000	231,000	231,000
MCT Total Equity Target	0	0	325,000	342,000	342,000	342,000	342,000	342,000

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-4**

**Exhibit 4c**  
**Interest Rate Decline Scenario**  
**Balance Sheet**

(C\$ 000s, except where noted)

(C\$ 000s, except where noted)	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
<b>Assets</b>								
Cash and investments	76,166	55,508	29,114	10,750	9,397	9,605	9,144	8,965
Equity investments	1,948,658	2,061,262	2,083,349	2,216,050	2,301,163	2,384,330	2,467,598	2,563,151
Investment property	32,226	35,087	35,789	40,424	40,996	41,266	41,811	42,955
Due from other insurance companies	1,755	108	25	-	-	-	-	-
Accounts receivable	236,347	348,697	375,262	302,393	326,221	339,760	354,071	369,015
Prepaid expenses	-	-	-	-	-	-	-	-
Deferred policy acquisition costs	-	-	4,782	2,434	16,492	12,951	14,877	18,593
Reinsurers' share of unearned premiums	-	-	-	-	-	-	-	-
Reinsurers' share of unearned claims	17,625	2,565	998	-	-	-	-	-
Property and equipment	80,108	90,474	88,740	86,248	88,863	90,183	90,345	91,720
Deferred development costs	54,685	56,992	65,414	70,462	77,341	79,991	81,701	64,385
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,860,472</b>	<b>2,958,085</b>	<b>3,059,547</b>	<b>3,158,784</b>
<b>Liabilities</b>								
Due to other insurance companies	1,213	-	152	113	113	113	113	113
Accounts payable and accrued liabilities	35,769	34,157	38,860	29,447	30,993	31,499	32,418	33,959
Financing lease obligation	2,841	3,224	3,278	2,968	2,899	2,825	2,752	2,678
Unearned premiums and fees	402,982	426,137	453,389	475,671	518,329	543,475	570,100	598,083
Provision for employee current benefits	15,389	16,240	16,871	16,527	16,880	17,244	17,616	17,999
Provision for employee future benefits	235,172	286,581	281,209	286,836	302,414	319,313	336,739	354,910
Provision for unpaid claims	1,584,042	1,671,275	1,658,713	1,720,912	1,809,899	1,876,587	1,944,234	2,005,101
	<b>2,277,408</b>	<b>2,437,614</b>	<b>2,452,472</b>	<b>2,532,474</b>	<b>2,681,528</b>	<b>2,791,057</b>	<b>2,903,972</b>	<b>3,012,843</b>
<b>Equity</b>								
Retained earnings								
Basic Insurance Retained Earnings								
Rate Stabilization Reserve	99,878	177,817	194,496	160,100	134,099	121,493	101,781	87,111
Retained Earnings	-	(0)	0	-	-	-	-	-
	<b>99,878</b>	<b>177,817</b>	<b>194,497</b>	<b>160,100</b>	<b>134,099</b>	<b>121,493</b>	<b>101,781</b>	<b>87,111</b>
Accumulated Other Comprehensive Income	70,284	35,262	36,504	36,187	44,845	45,536	53,794	58,830
<b>Total Equity</b>	<b>170,162</b>	<b>213,079</b>	<b>231,000</b>	<b>196,288</b>	<b>178,945</b>	<b>167,028</b>	<b>155,575</b>	<b>145,941</b>
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,860,472</b>	<b>2,958,085</b>	<b>3,059,547</b>	<b>3,158,784</b>

### Exhibit 4d Interest Rate Decline Scenario Minimum Capital Test

(All figures in \$000s)		2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
		Current Year (01)	Forecast Year (02)	Forecast Year (03)	Forecast Year (04)	Forecast Year (05)
<b>Capital Available:</b>						
Capital available (from page 30.62 - capital available)	01	125,826	101,603	87,037	73,874	81,556
Phase-in of capital available	03	0	0	0	0	0
<b>Total Capital Available</b>	<b>09</b>	<b>125,826</b>	<b>101,603</b>	<b>87,037</b>	<b>73,874</b>	<b>81,556</b>
<b>Assets Available:</b>						
Net Assets Available (from page 30.92 - net assets available)	11	0	0	0	0	0
Phase-in of net assets available	13	0	0	0	0	0
<b>Total Net Assets Available</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital (Margin) Required at Target:</b>						
Insurance Risk:						
Premium liabilities	20	81,838	89,225	93,284	97,567	102,045
Unpaid claims	22	180,736	190,066	197,231	204,545	211,220
Catastrophes	24	0	0	0	0	0
Margin required for reinsurance ceded to unregistered insurers	26	0	0	0	0	0
Subtotal: Insurance risk margin	29	262,574	279,291	290,515	302,112	313,265
Market Risk:						
Interest rate risk	30	17,559	26,558	24,223	29,218	28,416
Foreign exchange risk	32	18,511	20,069	18,851	20,441	14,814
Equity risk	34	138,653	152,408	152,341	165,705	173,370
Real estate risk	36	56,059	58,630	60,892	63,137	65,710
Other market risk exposures	38	0	0	0	0	0
Subtotal: Market risk margin	39	230,782	257,665	256,307	278,501	282,310
Credit Risk:						
Counterparty default risk for balance sheet assets	40	15,632	18,195	18,524	19,420	20,535
Counterparty default risk for off-balance sheet exposures	42	0	0	0	0	0
Counterparty default risk for unregistered reinsurance collateral and SIRs	44	0	0	0	0	0
Subtotal: Credit risk margin	49	15,632	18,195	18,524	19,420	20,535
Operational risk margin	50	66,568	72,620	74,651	78,830	81,482
Less: Diversification credit	52	68,117	74,373	75,679	80,385	82,518
<b>Total Capital (Margin) Required at Target</b>	<b>59</b>	<b>507,439</b>	<b>553,398</b>	<b>564,318</b>	<b>598,478</b>	<b>615,074</b>
Minimum Capital (Margin) Required (line 59 / 1.5)	60	338,293	368,932	376,212	398,986	410,049
Phase-in of Capital (Margin) Required	62	0	0	0	0	0
<b>Total Minimum Capital (Margin) Required</b>	<b>69</b>	<b>338,293</b>	<b>368,932</b>	<b>376,212</b>	<b>398,986</b>	<b>410,049</b>
<b>Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required</b>	<b>79</b>	<b>(212,467)</b>	<b>(267,329)</b>	<b>(289,175)</b>	<b>(325,112)</b>	<b>(328,493)</b>
<b>MCT (BAAT) Ratio (Line 09 or line 19 as a % of line 69)</b>	<b>90</b>	<b>37.19%</b>	<b>27.54%</b>	<b>23.14%</b>	<b>18.52%</b>	<b>19.89%</b>

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-4**

**Exhibit 4e**  
**Interest Rate Decline Scenario**  
**Net Claims Incurred Summary**

(C\$ 000s, except where noted)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Claims Incurred before Financial Provisions</b>						
Collision	353,144	393,087	418,576	446,466	476,342	508,225
Comprehensive	126,346	84,886	89,334	93,318	97,479	101,925
Property Damage	42,456	43,313	44,628	45,956	47,373	48,832
Public Liability - BI	5,744	4,440	4,535	4,539	4,585	4,610
PIPP	115,221	203,883	218,014	203,948	209,002	207,771
<b>Total</b>	<b>642,912</b>	<b>729,609</b>	<b>775,088</b>	<b>794,227</b>	<b>834,780</b>	<b>871,364</b>
Unallocated Loss Adjustment Expenses	40,148	39,919	41,338	42,939	44,916	46,857
Change in Internal Loss Adjustment Expense Provision	503	7,544	8,896	5,721	6,140	5,456
Change in Reinsurance Ceded Provision	(1,076)	0	0	0	0	0
Other Financial Adjustments	(1,124)	0	0	0	0	0
Change in DPAC / Premium Deficiency Provision	(14,959)	(293)	(11,674)	4,824	(569)	(2,292)
<b>Total Net Claims Incurred</b>	<b>666,404</b>	<b>776,779</b>	<b>813,648</b>	<b>847,710</b>	<b>885,267</b>	<b>921,385</b>



### Exhibit 4f

#### Interest Rate Decline Scenario

#### Deferred Policy Acquisition Expenses and Premium Deficiency

A. Claims (Including External Adjustment Expense) Data

	Accident Year										Selected	Selected
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Undisc	Disc
1. Ultimate Loss Ratio - Total All Coverage	70.49%	77.72%	83.83%	73.78%	78.00%	76.26%	74.43%	73.13%	73.26%	72.58%		
2. Trend/Rate Adjustment for Fiscal Year												
2015	0.9933	0.9552	0.9341	0.9491	0.9854							
2016		0.9408	0.9212	0.9371	0.9740	0.9998						
2017			0.8876	0.8992	0.9307	0.9514	0.9841					
2018				0.9227	0.9484	0.9627	0.9888	1.0099				
2019					0.9438	0.9585	0.9850	1.0065	1.0094			
2020						0.9531	0.9800	1.0019	1.0053	1.0089		
3. Adjusted Loss Ratio for Fiscal Year [(1) x (2)]												
2015	70.02%	74.24%	78.31%	70.02%	76.86%						73.71%	78.15%
2016		73.12%	77.23%	69.13%	75.97%	76.24%					75.11%	79.73%
2017			74.41%	66.34%	72.59%	72.55%	73.25%				72.80%	77.45%
2018				68.07%	73.97%	73.41%	73.60%	73.85%			73.62%	78.33%
2019					73.61%	73.09%	73.32%	73.60%	73.94%		73.51%	78.23%
2020						72.68%	72.94%	73.27%	73.65%	73.22%	73.14%	77.82%

B. Actual Data Other Than Losses

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
4. Net Earned Premium	761,677	756,751	764,671	802,743	861,065	912,195	977,807	1,042,188	1,090,177	1,140,577
5. Operating Expenses as % of Earned Premium	9.70%	10.82%	11.1%	11.1%	10.8%	10.3%	9.7%	9.7%	9.3%	9.4%
6. Maintenance Expense Rate [(5) x 1/3]	3.23%	3.61%	3.69%	3.69%	3.61%	3.42%	3.24%	3.22%	3.11%	3.12%
Selected					3.66%	3.57%	3.42%	3.29%	3.19%	3.15%
7. ILAE Ratio to Losses - Selected					19.00%	19.00%	19.00%	19.00%	19.00%	19.00%

C. Equity in Unearned Premium

8. Net Unearned Premium					417,518	437,504	476,986	498,689	521,583	545,522
9. Additional Expected Cost of Non-Proportional Reinsurance					5,816	5,938	6,057	6,178	6,302	6,428
10. Expected Claims (Including Ext Adj Expenses) [(8) - (9)] x (3)					325,991	344,082	364,757	385,786	403,117	419,541
11. Reinsurance PFAD					-	-	-	-	-	-
12. Maintenance Expense [a]					14,727	15,411	16,113	16,211	16,431	16,984
13. Internal Loss Adjustment Expense [Sheet 1, Row 11]					61,938	65,376	69,304	73,299	76,592	79,713
14. Expected Claims (Including Ext Adj Expenses) - PIPP Enhancement					4,264	4,264	4,264	4,264	4,264	4,264
15. Equity in Unearned Premium [(8) - Sum((9) to (14))]					4,782	2,434	16,492	12,951	14,877	18,593
16. Carried Deferred Policy Acquisition Expenses					28,347	25,706	28,090	29,372	30,730	32,154
17. Write Down Deferred Policy Acquisition Expenses [b]					23,565	23,272	11,598	16,421	15,852	13,561
Change					(3,009)	(293)	(11,674)	4,824	(569)	(2,292)
18. Premium Deficiency [c]					-	-	-	-	-	-
Change					(11,950)	-	-	-	-	-

## Notes:

[a] ((8) - (9)) x (6) x Discount to Valuation Date Without Margin

[b] Min((16) - (15), (16)) if greater than 0, otherwise 0

[c] Negative of (15) if greater than 0, otherwise 0

**Exhibit 4g**  
**Interest Rate Decline Scenario**  
**Summary of Corporate Investment Income**

	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Interest Income During Period</b>					
Cash/Short Term Investments	42	0	0	(0)	0
Marketable Bonds	37,226	32,910	31,722	31,699	32,710
MUSH	28,901	28,455	27,812	27,057	26,272
<b>Total</b>	<b>66,169</b>	<b>61,365</b>	<b>59,534</b>	<b>58,755</b>	<b>58,983</b>
<b>Dividend and other Income</b>					
Canadian Equities	9,139	9,765	10,426	11,294	12,074
US Equities	4,394	5,204	5,456	5,904	6,315
Investment Properties (Cityplace)	3,431	2,149	4,952	4,873	4,771
Infrastructure	1,268	1,721	1,828	1,931	2,039
<b>Total</b>	<b>18,232</b>	<b>18,839</b>	<b>22,661</b>	<b>24,001</b>	<b>25,199</b>
<b>Gains During Period - Profit &amp; Loss</b>					
Marketable Bonds Unrealized Gains/(Loss)	7,487	12,935	1,835	1,899	1,938
Marketable Bonds Realized Gains/(Loss)	5,841	570	(1,835)	(1,899)	(1,938)
Amortization on Marketable Bonds (Prem) / Discount	(8,207)	(10,104)	(10,956)	(11,339)	(11,568)
MUSH	-	-	-	-	-
Canadian Equities Realized Gains	11,004	6,464	10,249	7,254	9,601
US Equities Realized Gains	6,976	-	4,830	-	2,549
Real Estate (Pooled Fund)	12,618	14,271	14,667	15,547	16,480
Infrastructure	4,971	6,740	7,164	7,566	7,989
<b>Total</b>	<b>40,691</b>	<b>30,875</b>	<b>25,955</b>	<b>19,028</b>	<b>25,052</b>
<b>Other</b>					
Investment Fees Paid	(4,449)	(4,620)	(4,733)	(4,971)	(5,256)
Pension Expense	(14,401)	(15,071)	(15,763)	(16,483)	(17,235)
Investment Write-Down	-	-	-	-	-
<b>Total</b>	<b>(18,850)</b>	<b>(19,691)</b>	<b>(20,496)</b>	<b>(21,454)</b>	<b>(22,491)</b>
<b>Total Corporate Investment Income</b>	<b>106,241</b>	<b>91,388</b>	<b>87,654</b>	<b>80,330</b>	<b>86,742</b>
Total Basic Investment Income	90,801	77,680	73,814	66,922	71,466
% - Basic to Total Investment Income	85%	85%	84%	83%	82%
<b>Equity Unrealized Gains/(Losses)</b>					
Canadian Equities Unrealized Gains	10,464	10,590	10,147	10,993	11,752
US Equities Unrealized Gains	6,631	6,292	6,247	6,760	7,231
<b>Total Corporate Unrealized Gains/(Losses)</b>	<b>17,095</b>	<b>16,882</b>	<b>16,394</b>	<b>17,752</b>	<b>18,983</b>
<b>Ending Values and Allocations</b>					
	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Ending Asset Values for Corporate (\$Millions)</b>					
Cash/Short Term Investments	-	-	-	-	-
Canadian Fixed Income	1,177.9	1,206.4	1,299.9	1,347.1	1,435.6
MUSH	643.8	659.3	670.4	678.4	684.2
Canadian Equities	273.7	299.1	297.0	331.0	350.2
US Equities	154.7	168.7	169.1	187.6	198.8
Real Estate	277.5	292.7	308.1	324.9	343.3
Infrastructure & Venture Capital	112.3	130.1	137.2	144.8	152.8
<b>Total Corporate Assets</b>	<b>2,639.9</b>	<b>2,756.2</b>	<b>2,881.7</b>	<b>3,013.8</b>	<b>3,164.9</b>
Total Basic Assets	2,267.2	2,351.6	2,435.2	2,518.6	2,615.1
<b>Ending Rebalanced Allocations (%)</b>					
Cash/Short Term Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Canadian Fixed Income	44.6%	43.8%	45.1%	44.7%	45.4%
MUSH	24.4%	23.9%	23.3%	22.5%	21.6%
Canadian Equities	10.4%	10.9%	10.3%	11.0%	11.1%
US Equities	5.9%	6.1%	5.9%	6.2%	6.3%
Real Estate	10.5%	10.6%	10.7%	10.8%	10.8%
Infrastructure & Venture Capital	4.3%	4.7%	4.8%	4.8%	4.8%
<b>Total Corporate</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Exhibit 5a Combined Scenario Statement of Operations

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
Motor Vehicles	756,642	794,052	854,170	893,420	976,257	1,020,825	1,068,003	1,117,494
Drivers	41,520	44,642	46,619	50,393	52,908	55,180	57,424	59,626
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Written</b>	<b>784,741</b>	<b>824,865</b>	<b>888,365</b>	<b>932,181</b>	<b>1,017,289</b>	<b>1,063,891</b>	<b>1,113,071</b>	<b>1,164,516</b>
<b>Net Premiums Earned</b>								
Motor Vehicles	741,077	774,784	827,701	875,348	938,038	1,000,262	1,046,236	1,094,659
Drivers	37,015	42,926	45,787	48,478	51,645	54,039	56,298	58,521
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Earned</b>	<b>764,671</b>	<b>803,880</b>	<b>861,065</b>	<b>912,195</b>	<b>977,807</b>	<b>1,042,188</b>	<b>1,090,177</b>	<b>1,140,577</b>
Service Fees & Other Revenues	20,383	19,475	20,351	21,557	23,227	25,122	27,097	29,022
<b>Total Earned Revenues</b>	<b>785,053</b>	<b>823,356</b>	<b>881,416</b>	<b>933,752</b>	<b>1,001,034</b>	<b>1,067,310</b>	<b>1,117,274</b>	<b>1,169,599</b>
Net Claims Incurred	747,435	745,837	666,404	776,779	847,190	859,347	885,462	923,135
Claims Expense	114,552	116,578	118,614	125,191	128,708	133,830	142,086	149,243
Road Safety/Loss Prevention	12,816	11,359	13,027	13,318	13,251	14,188	14,236	14,364
<b>Total Claims Costs</b>	<b>874,803</b>	<b>873,773</b>	<b>798,045</b>	<b>915,288</b>	<b>989,149</b>	<b>1,007,365</b>	<b>1,041,784</b>	<b>1,086,741</b>
<b>Expenses</b>								
Operating	67,982	74,283	71,641	76,908	78,242	82,909	84,130	88,883
Commissions	32,058	32,845	33,862	35,616	37,683	40,125	41,908	43,779
Premium Taxes	23,343	24,531	26,205	27,715	29,690	31,629	33,076	34,595
Regulatory/Appeal	3,766	3,935	3,675	3,421	3,494	3,567	3,643	3,720
<b>Total Expenses</b>	<b>127,148</b>	<b>135,594</b>	<b>135,383</b>	<b>143,661</b>	<b>149,109</b>	<b>158,231</b>	<b>162,756</b>	<b>170,977</b>
<b>Underwriting Income (Loss)</b>	<b>(216,898)</b>	<b>(186,011)</b>	<b>(52,012)</b>	<b>(125,197)</b>	<b>(137,223)</b>	<b>(98,286)</b>	<b>(87,266)</b>	<b>(88,120)</b>
<b>Investment Income</b>	147,735	188,451	(4,038)	90,801	70,996	51,637	48,266	65,155
<b>Net Income (Loss) from Operations</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,689)</b>	<b>(73,380)</b>	<b>(40,626)</b>	<b>(38,741)</b>	<b>(22,872)</b>
DPAC / Premium Deficiency writedown Adj.	-	-	-	(293)	(7,153)	6,022	259	93
<b>Net Income (Loss)</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,396)</b>	<b>(66,228)</b>	<b>(46,649)</b>	<b>(39,000)</b>	<b>(22,965)</b>

### Exhibit 5b Combined Scenario Statement of Changes in Equity

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>Retained Earnings</b>								
Beginning Balance	169,039	99,877	177,817	194,497	160,100	93,873	47,224	8,224
Net Income (Loss) from annual operations	(69,163)	2,440	(56,050)	(34,396)	(66,228)	(46,649)	(39,000)	(22,965)
Premium Rebate	-	-	-	-	-	-	-	-
Transfer (to) / from Non-Basic Retained Earnings	-	75,500	72,730	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,876</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 93,873</b>	<b>\$ 47,224</b>	<b>\$ 8,224</b>	<b>\$ (14,740)</b>
<b>Retained Earnings</b>								
DCAT Equity Reserve	99,877	177,817	194,496	160,100	93,873	47,224	8,224	(14,740)
Excess Retained Earnings	-	(0)	0	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,877</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 93,873</b>	<b>\$ 47,224</b>	<b>\$ 8,224</b>	<b>\$ (14,740)</b>
<b>Total Accumulated Other Comprehensive Income</b>								
Beginning Balance	56,800	70,284	35,262	36,504	36,187	(692)	(29,607)	(11,758)
Other Comprehensive Income for the Year	13,484	(35,022)	1,242	(317)	(36,879)	(28,916)	17,849	28,713
<b>Total Accumulated Other Comprehensive Income</b>	<b>\$ 70,284</b>	<b>\$ 35,262</b>	<b>\$ 36,504</b>	<b>\$ 36,187</b>	<b>\$ (692)</b>	<b>\$ (29,607)</b>	<b>\$ (11,758)</b>	<b>\$ 16,955</b>
<b>Total Equity Balance</b>	<b>\$ 170,160</b>	<b>\$ 213,079</b>	<b>\$ 231,000</b>	<b>\$ 196,288</b>	<b>\$ 93,181</b>	<b>\$ 17,617</b>	<b>\$ (3,534)</b>	<b>\$ 2,215</b>

**RESERVE TARGETS**

PUB RSR Target	172,000	172,000	194,000	194,000	194,000	194,000	194,000	194,000
DCAT Total Equity Target	0	213,000	231,000	231,000	231,000	231,000	231,000	231,000
MCT Total Equity Target	0	0	325,000	365,000	365,000	365,000	365,000	365,000



October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-5**

**Exhibit 5c**  
**Combined Scenario**  
**Balance Sheet**

(C\$ 000s, except where noted)

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
<b>Assets</b>								
Cash and investments	76,166	55,508	29,114	10,750	9,354	9,651	9,154	8,983
Equity investments	1,948,658	2,061,262	2,083,349	2,216,050	2,238,007	2,256,137	2,325,554	2,437,323
Investment property	32,226	35,087	35,789	40,424	40,965	41,190	41,703	42,824
Due from other insurance companies	1,755	108	25	-	-	-	-	-
Accounts receivable	236,347	348,697	375,262	302,393	326,221	339,760	354,071	369,015
Prepaid expenses	-	-	-	-	-	-	-	-
Deferred policy acquisition costs	-	-	4,782	2,434	11,971	7,231	8,329	9,660
Reinsurers' share of unearned premiums	-	-	-	-	-	-	-	-
Reinsurers' share of unearned claims	17,625	2,565	998	-	-	-	-	-
Property and equipment	80,108	90,474	88,740	86,248	88,863	90,183	90,345	91,720
Deferred development costs	54,685	56,992	65,414	70,462	77,341	79,991	81,701	64,385
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,792,721</b>	<b>2,824,142</b>	<b>2,910,857</b>	<b>3,023,910</b>
<b>Liabilities</b>								
Due to other insurance companies	1,213	-	152	113	113	113	113	113
Accounts payable and accrued liabilities	35,769	34,157	38,860	29,447	30,993	31,499	32,418	33,959
Financing lease obligation	2,841	3,224	3,278	2,968	2,899	2,825	2,752	2,678
Unearned premiums and fees	402,982	426,137	453,389	475,671	518,329	543,475	570,100	598,083
Provision for employee current benefits	15,389	16,240	16,871	16,527	16,880	17,244	17,616	17,999
Provision for employee future benefits	235,172	286,581	281,209	286,836	302,414	319,313	336,739	354,910
Provision for unpaid claims	1,584,042	1,671,275	1,658,713	1,720,912	1,827,911	1,892,055	1,954,653	2,013,953
	<b>2,277,408</b>	<b>2,437,614</b>	<b>2,452,472</b>	<b>2,532,474</b>	<b>2,699,540</b>	<b>2,806,525</b>	<b>2,914,391</b>	<b>3,021,695</b>
<b>Equity</b>								
Retained earnings								
Basic Insurance Retained Earnings								
Rate Stabilization Reserve	99,878	177,817	194,496	160,100	93,873	47,224	8,224	(14,740)
Retained Earnings	-	(0)	0	-	-	-	-	-
	<b>99,878</b>	<b>177,817</b>	<b>194,497</b>	<b>160,100</b>	<b>93,873</b>	<b>47,224</b>	<b>8,224</b>	<b>(14,740)</b>
Accumulated Other Comprehensive Income	70,284	35,262	36,504	36,187	(692)	(29,607)	(11,758)	16,955
<b>Total Equity</b>	<b>170,162</b>	<b>213,079</b>	<b>231,000</b>	<b>196,288</b>	<b>93,181</b>	<b>17,617</b>	<b>(3,534)</b>	<b>2,215</b>
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,792,721</b>	<b>2,824,142</b>	<b>2,910,857</b>	<b>3,023,910</b>

### Exhibit 5d Combined Scenario Minimum Capital Test

(All figures in \$000s)		2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
		Current Year (01)	Forecast Year (02)	Forecast Year (03)	Forecast Year (04)	Forecast Year (05)
<b>Capital Available:</b>						
Capital available (from page 30.62 - capital available)	01	125,826	15,840	(62,374)	(85,234)	(62,170)
Phase-in of capital available	03	0	0	0	0	0
<b>Total Capital Available</b>	<b>09</b>	<b>125,826</b>	<b>15,840</b>	<b>(62,374)</b>	<b>(85,234)</b>	<b>(62,170)</b>
<b>Assets Available:</b>						
Net Assets Available (from page 30.92 - net assets available)	11	0	0	0	0	0
Phase-in of net assets available	13	0	0	0	0	0
<b>Total Net Assets Available</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital (Margin) Required at Target:</b>						
Insurance Risk:						
Premium liabilities	20	81,838	89,225	93,284	97,567	102,045
Unpaid claims	22	180,736	192,091	199,021	205,633	212,142
Catastrophes	24	0	0	0	0	0
Margin required for reinsurance ceded to unregistered insurers	26	0	0	0	0	0
Subtotal: Insurance risk margin	29	262,574	281,316	292,305	303,200	314,187
Market Risk:						
Interest rate risk	30	17,559	29,498	25,576	30,841	29,204
Foreign exchange risk	32	18,511	17,324	14,113	15,369	8,805
Equity risk	34	138,653	136,026	112,250	122,766	134,991
Real estate risk	36	56,059	58,592	60,796	62,998	65,538
Other market risk exposures	38	0	0	0	0	0
Subtotal: Market risk margin	39	230,782	241,440	212,735	231,974	238,538
Credit Risk:						
Counterparty default risk for balance sheet assets	40	15,632	17,742	17,953	18,766	19,642
Counterparty default risk for off-balance sheet exposures	42	0	0	0	0	0
Counterparty default risk for unregistered reinsurance collateral and SIRs	44	0	0	0	0	0
Subtotal: Credit risk margin	49	15,632	17,742	17,953	18,766	19,642
Operational risk margin	50	66,568	71,374	71,051	74,912	77,764
Less: Diversification credit	52	68,117	72,282	69,021	73,497	75,892
<b>Total Capital (Margin) Required at Target</b>	<b>59</b>	<b>507,439</b>	<b>539,590</b>	<b>525,023</b>	<b>555,355</b>	<b>574,239</b>
Minimum Capital (Margin) Required (line 59 / 1.5)	60	338,293	359,727	350,015	370,237	382,826
Phase-in of Capital (Margin) Required	62	0	0	0	0	0
<b>Total Minimum Capital (Margin) Required</b>	<b>69</b>	<b>338,293</b>	<b>359,727</b>	<b>350,015</b>	<b>370,237</b>	<b>382,826</b>
<b>Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required</b>	<b>79</b>	<b>(212,467)</b>	<b>(343,887)</b>	<b>(412,389)</b>	<b>(455,471)</b>	<b>(444,996)</b>
<b>MCT (BAAT) Ratio (Line 09 or line 19 as a % of line 69)</b>	<b>90</b>	<b>37.19%</b>	<b>4.40%</b>	<b>-17.82%</b>	<b>-23.02%</b>	<b>-16.24%</b>

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-5**

**Exhibit 5e**  
**Combined Scenario**  
**Net Claims Incurred Summary**

(C\$ 000s, except where noted)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Claims Incurred before Financial Provisions</b>						
Collision	353,144	393,087	418,050	458,973	476,174	508,217
Comprehensive	126,346	84,886	102,983	89,956	97,511	101,944
Property Damage	42,456	43,313	44,398	48,196	47,348	48,828
Public Liability - BI	5,744	4,440	6,143	3,524	4,571	4,599
PIPP	115,221	203,883	230,271	204,334	209,239	207,446
<b>Total</b>	<b>642,912</b>	<b>729,609</b>	<b>801,844</b>	<b>804,982</b>	<b>834,843</b>	<b>871,034</b>
Unallocated Loss Adjustment Expenses	40,148	39,919	41,338	42,939	44,916	46,857
Change in Internal Loss Adjustment Expense Provision	503	7,544	11,160	5,404	5,445	5,151
Change in Reinsurance Ceded Provision	(1,076)	0	0	0	0	0
Other Financial Adjustments	(1,124)	0	0	0	0	0
Change in DPAC / Premium Deficiency Provision	(14,959)	(293)	(7,153)	6,022	259	93
<b>Total Net Claims Incurred</b>	<b>666,404</b>	<b>776,779</b>	<b>847,190</b>	<b>859,347</b>	<b>885,462</b>	<b>923,135</b>



### Exhibit 5f Combined Scenario Deferred Policy Acquisition Expenses and Premium Deficiency

A. Claims (Including External Adjustment Expense) Data

	Accident Year										Selected	Selected
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Undisc	Disc
1. Ultimate Loss Ratio - Total All Coverage	70.49%	77.72%	83.83%	73.78%	78.00%	76.26%	77.17%	74.41%	73.42%	73.59%		
2. Trend/Rate Adjustment for Fiscal Year												
2015	0.9933	0.9552	0.9341	0.9491	0.9854							
2016		0.9408	0.9212	0.9371	0.9740	0.9998						
2017			0.8945	0.9047	0.9349	0.9542	0.9853					
2018				0.9320	0.9559	0.9683	0.9925	1.0115				
2019					0.9516	0.9648	0.9897	1.0095	1.0107			
2020						0.9618	0.9870	1.0072	1.0087	1.0104		
3. Adjusted Loss Ratio for Fiscal Year [(1) x (2)]												
2015	70.02%	74.24%	78.31%	70.02%	76.86%						73.71%	78.15%
2016		73.12%	77.23%	69.13%	75.97%	76.24%					75.11%	79.73%
2017			74.99%	66.75%	72.92%	72.76%	76.04%				73.56%	78.26%
2018				68.76%	74.55%	73.84%	76.59%	75.27%			74.55%	79.31%
2019					74.22%	73.57%	76.38%	75.12%	74.20%		74.51%	79.30%
2020						73.34%	76.17%	74.95%	74.05%	74.35%	74.45%	79.21%

B. Actual Data Other Than Losses

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
4. Net Earned Premium	761,677	756,751	764,671	802,743	861,065	912,195	977,807	1,042,188	1,090,177	1,140,577
5. Operating Expenses as % of Earned Premium	9.70%	10.82%	11.1%	11.1%	10.8%	10.3%	9.7%	9.7%	9.4%	9.4%
6. Maintenance Expense Rate [(5) x 1/3]	3.23%	3.61%	3.69%	3.69%	3.61%	3.42%	3.24%	3.22%	3.12%	3.13%
Selected					3.66%	3.57%	3.42%	3.29%	3.19%	3.15%
7. ILAE Ratio to Losses - Selected					19.00%	19.00%	19.00%	19.00%	19.00%	19.00%

C. Equity in Unearned Premium

8. Net Unearned Premium					417,518	437,504	476,986	498,689	521,583	545,522
9. Additional Expected Cost of Non-Proportional Reinsurance					5,816	5,938	6,057	6,178	6,302	6,428
10. Expected Claims (Including Ext Adj Expenses) [(8) - (9)] x (3)					325,991	344,082	368,556	390,589	408,607	427,031
11. Reinsurance PFAD					-	-	-	-	-	-
12. Maintenance Expense [a]					14,727	15,411	16,113	16,216	16,445	17,004
13. Internal Loss Adjustment Expense [Sheet 1, Row 11]					61,938	65,376	70,026	74,212	77,635	81,136
14. Expected Claims (Including Ext Adj Expenses) - PIPP Enhancement					4,264	4,264	4,264	4,264	4,264	4,264
15. Equity in Unearned Premium [(8) - Sum of (9) to (14)]					4,782	2,434	11,971	7,231	8,329	9,660
16. Carried Deferred Policy Acquisition Expenses					28,347	25,706	28,090	29,372	30,730	32,154
17. Write Down Deferred Policy Acquisition Expenses [b]					23,565	23,272	16,119	22,141	22,400	22,493
Change					(3,009)	(293)	(7,153)	6,022	259	93
18. Premium Deficiency [c]					-	-	-	-	-	-
Change					(11,950)	-	-	-	-	-

## Notes:

[a] ((8) - (9)) x (6) x Discount to Valuation Date Without Margin

[b] Min((16) - (15), (16)) if greater than 0, otherwise 0

[c] Negative of (15) if greater than 0, otherwise 0

**Exhibit 5g**  
**Combined Scenario**  
**Summary of Corporate Investment Income**

	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Interest Income During Period</b>					
Cash/Short Term Investments	42	0	(0)	(0)	(0)
Marketable Bonds	37,226	32,825	31,953	31,895	32,907
MUSH	28,901	28,455	27,812	27,057	26,272
<b>Total</b>	<b>66,169</b>	<b>61,280</b>	<b>59,764</b>	<b>58,951</b>	<b>59,180</b>
<b>Dividend and other Income</b>					
Canadian Equities	9,139	8,883	7,473	7,461	8,758
US Equities	4,394	4,739	3,966	3,969	4,201
Investment Properties (Cityplace)	3,431	2,149	4,952	4,873	4,771
Infrastructure	1,268	1,721	1,828	1,931	2,039
<b>Total</b>	<b>18,232</b>	<b>17,491</b>	<b>18,220</b>	<b>18,234</b>	<b>19,769</b>
<b>Gains During Period - Profit &amp; Loss</b>					
Marketable Bonds Unrealized Gains/(Loss)	7,487	12,931	1,843	1,920	1,962
Marketable Bonds Realized Gains/(Loss)	5,841	574	(1,843)	(1,920)	(1,962)
Amortization on Marketable Bonds (Prem) / Discount	(8,207)	(10,077)	(11,004)	(11,464)	(11,716)
MUSH	-	-	-	-	-
Canadian Equities Realized Gains	11,004	75	(9,803)	(9,274)	8,876
US Equities Realized Gains	6,976	-	2,942	-	1,251
Real Estate (Pooled Fund)	12,618	14,271	14,667	15,547	16,480
Infrastructure	4,971	6,740	7,164	7,566	7,989
<b>Total</b>	<b>40,691</b>	<b>24,514</b>	<b>3,966</b>	<b>2,375</b>	<b>22,881</b>
<b>Other</b>					
Investment Fees Paid	(4,449)	(4,620)	(4,733)	(4,971)	(5,256)
Pension Expense	(14,401)	(15,071)	(15,763)	(16,483)	(17,235)
Investment Write-Down	-	-	-	-	-
<b>Total</b>	<b>(18,850)</b>	<b>(19,691)</b>	<b>(20,496)</b>	<b>(21,454)</b>	<b>(22,491)</b>
<b>Total Corporate Investment Income</b>	<b>106,241</b>	<b>83,594</b>	<b>61,454</b>	<b>58,106</b>	<b>79,337</b>
Total Basic Investment Income	90,801	70,996	51,637	48,266	65,155
% - Basic to Total Investment Income	85%	85%	84%	83%	82%
<b>Equity Unrealized Gains/(Losses)</b>					
Canadian Equities Unrealized Gains	10,464	(27,723)	(26,668)	7,262	40,119
US Equities Unrealized Gains	6,631	(15,358)	(14,614)	4,545	4,810
<b>Total Corporate Unrealized Gains/(Losses)</b>	<b>17,095</b>	<b>(43,080)</b>	<b>(41,282)</b>	<b>11,807</b>	<b>44,929</b>
<b>Ending Values and Allocations</b>					
	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Ending Asset Values for Corporate (\$Millions)</b>					
Cash/Short Term Investments	-	-	-	-	-
Canadian Fixed Income	1,177.9	1,197.9	1,310.5	1,354.3	1,445.5
MUSH	643.8	659.3	670.4	678.4	684.2
Canadian Equities	273.7	258.2	195.0	220.8	262.7
US Equities	154.7	145.7	113.1	127.1	132.7
Real Estate	277.5	292.7	308.1	324.9	343.3
Infrastructure & Venture Capital	112.3	130.1	137.2	144.8	152.8
<b>Total Corporate Assets</b>	<b>2,639.9</b>	<b>2,683.9</b>	<b>2,734.3</b>	<b>2,850.4</b>	<b>3,021.1</b>
Total Basic Assets	2,267.2	2,288.3	2,307.0	2,376.4	2,489.1
<b>Ending Rebalanced Allocations (%)</b>					
Cash/Short Term Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Canadian Fixed Income	44.6%	44.6%	47.9%	47.5%	47.8%
MUSH	24.4%	24.6%	24.5%	23.8%	22.6%
Canadian Equities	10.4%	9.6%	7.1%	7.7%	8.7%
US Equities	5.9%	5.4%	4.1%	4.5%	4.4%
Real Estate	10.5%	10.9%	11.3%	11.4%	11.4%
Infrastructure & Venture Capital	4.3%	4.8%	5.0%	5.1%	5.1%
<b>Total Corporate</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Exhibit 5h

#### Combined Scenario with Management Action

#### Statement of Operations

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
Motor Vehicles	756,642	794,052	854,170	893,420	976,257	1,041,608	1,089,737	1,140,226
Drivers	41,520	44,642	46,619	50,393	52,908	55,180	57,424	59,626
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Written</b>	<b>784,741</b>	<b>824,865</b>	<b>888,365</b>	<b>932,181</b>	<b>1,017,289</b>	<b>1,084,675</b>	<b>1,134,805</b>	<b>1,187,249</b>
<b>Net Premiums Earned</b>								
Motor Vehicles	741,077	774,784	827,701	875,348	938,038	1,011,457	1,067,531	1,116,931
Drivers	37,015	42,926	45,787	48,478	51,645	54,039	56,298	58,521
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Earned</b>	<b>764,671</b>	<b>803,880</b>	<b>861,065</b>	<b>912,195</b>	<b>977,807</b>	<b>1,053,382</b>	<b>1,111,473</b>	<b>1,162,848</b>
Service Fees & Other Revenues	20,383	19,475	20,351	21,557	23,227	25,122	27,213	29,146
<b>Total Earned Revenues</b>	<b>785,053</b>	<b>823,356</b>	<b>881,416</b>	<b>933,752</b>	<b>1,001,034</b>	<b>1,078,505</b>	<b>1,138,686</b>	<b>1,191,994</b>
Net Claims Incurred	747,435	745,837	666,404	776,779	847,190	849,718	883,926	923,957
Claims Expense	114,552	116,578	118,614	125,191	128,708	133,830	141,964	149,238
Road Safety/Loss Prevention	12,816	11,359	13,027	13,318	13,251	14,188	14,221	14,364
<b>Total Claims Costs</b>	<b>874,803</b>	<b>873,773</b>	<b>798,045</b>	<b>915,288</b>	<b>989,149</b>	<b>997,736</b>	<b>1,040,112</b>	<b>1,087,558</b>
<b>Expenses</b>								
Operating	67,982	74,283	71,641	76,908	78,242	82,909	84,055	88,883
Commissions	32,058	32,845	33,862	35,616	37,683	40,416	42,594	44,496
Premium Taxes	23,343	24,531	26,205	27,715	29,690	31,965	33,715	35,264
Regulatory/Appeal	3,766	3,935	3,675	3,421	3,494	3,567	3,643	3,720
<b>Total Expenses</b>	<b>127,148</b>	<b>135,594</b>	<b>135,383</b>	<b>143,661</b>	<b>149,109</b>	<b>158,857</b>	<b>164,006</b>	<b>172,363</b>
<b>Underwriting Income (Loss)</b>	<b>(216,898)</b>	<b>(186,011)</b>	<b>(52,012)</b>	<b>(125,197)</b>	<b>(137,223)</b>	<b>(78,089)</b>	<b>(65,432)</b>	<b>(67,927)</b>
<b>Investment Income</b>	147,735	188,451	(4,038)	90,801	70,996	51,901	48,763	64,099
<b>Net Income (Loss) from Operations</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,689)</b>	<b>(73,380)</b>	<b>(29,279)</b>	<b>(16,693)</b>	<b>(4,167)</b>
DPAC / Premium Deficiency writedown Adj.	-	-	-	(293)	(7,153)	(3,091)	(24)	(338)
<b>Net Income (Loss)</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,396)</b>	<b>(66,228)</b>	<b>(26,188)</b>	<b>(16,668)</b>	<b>(3,828)</b>

### Exhibit 5i

#### Combined Scenario with Management Action

#### Statement of Changes in Equity

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>Retained Earnings</b>								
Beginning Balance	169,039	99,877	177,817	194,497	160,100	93,873	67,685	51,016
Net Income (Loss) from annual operations	(69,163)	2,440	(56,050)	(34,396)	(66,228)	(26,188)	(16,668)	(3,828)
Premium Rebate	-	-	-	-	-	-	-	-
Transfer (to) / from Non-Basic Retained Earnings	-	75,500	72,730	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,876</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 93,873</b>	<b>\$ 67,685</b>	<b>\$ 51,016</b>	<b>\$ 47,188</b>
<b>Retained Earnings</b>								
DCAT Equity Reserve	99,877	177,817	194,496	160,100	93,873	67,685	51,016	47,188
Excess Retained Earnings	-	(0)	0	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ 99,877</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 160,100</b>	<b>\$ 93,873</b>	<b>\$ 67,685</b>	<b>\$ 51,016</b>	<b>\$ 47,188</b>
<b>Total Accumulated Other Comprehensive Income</b>								
Beginning Balance	56,800	70,284	35,262	36,504	36,187	(692)	(29,724)	(11,624)
Other Comprehensive Income for the Year	13,484	(35,022)	1,242	(317)	(36,879)	(29,033)	18,100	33,267
<b>Total Accumulated Other Comprehensive Income</b>	<b>\$ 70,284</b>	<b>\$ 35,262</b>	<b>\$ 36,504</b>	<b>\$ 36,187</b>	<b>\$ (692)</b>	<b>\$ (29,724)</b>	<b>\$ (11,624)</b>	<b>\$ 21,643</b>
<b>Total Equity Balance</b>	<b>\$ 170,160</b>	<b>\$ 213,079</b>	<b>\$ 231,000</b>	<b>\$ 196,288</b>	<b>\$ 93,181</b>	<b>\$ 37,961</b>	<b>\$ 39,393</b>	<b>\$ 68,831</b>

**RESERVE TARGETS**

PUB RSR Target	172,000	172,000	194,000	194,000	194,000	194,000	194,000	194,000
DCAT Total Equity Target	0	213,000	231,000	231,000	231,000	231,000	231,000	231,000
MCT Total Equity Target	0	0	325,000	365,000	365,000	365,000	365,000	365,000

### Exhibit 5j Combined Scenario with Management Action Balance Sheet

(C\$ 000s, except where noted)

(C\$ 000s, except where noted)	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
<b>Assets</b>								
Cash and investments	76,166	55,508	29,114	10,750	9,354	9,692	9,275	9,038
Equity investments	1,948,658	2,061,262	2,083,349	2,216,050	2,238,007	2,270,365	2,360,845	2,497,291
Investment property	32,226	35,087	35,789	40,424	40,965	41,262	41,845	43,042
Due from other insurance companies	1,755	108	25	-	-	-	-	-
Accounts receivable	236,347	348,697	375,262	302,393	326,221	345,125	359,682	374,883
Prepaid expenses	-	-	-	-	-	-	-	-
Deferred policy acquisition costs	-	-	4,782	2,434	11,971	16,942	18,351	20,142
Reinsurers' share of unearned premiums	-	-	-	-	-	-	-	-
Reinsurers' share of unearned claims	17,625	2,565	998	-	-	-	-	-
Property and equipment	80,108	90,474	88,740	86,248	88,863	90,183	90,345	91,720
Deferred development costs	54,685	56,992	65,414	70,462	77,341	79,991	81,701	64,385
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,792,721</b>	<b>2,853,559</b>	<b>2,962,043</b>	<b>3,100,501</b>
<b>Liabilities</b>								
Due to other insurance companies	1,213	-	152	113	113	113	113	113
Accounts payable and accrued liabilities	35,769	34,157	38,860	29,447	30,993	31,499	32,418	33,959
Financing lease obligation	2,841	3,224	3,278	2,968	2,899	2,825	2,752	2,678
Unearned premiums and fees	402,982	426,137	453,389	475,671	518,329	553,064	580,128	608,571
Provision for employee current benefits	15,389	16,240	16,871	16,527	16,880	17,244	17,616	17,999
Provision for employee future benefits	235,172	286,581	281,209	286,836	302,414	319,313	336,739	354,910
Provision for unpaid claims	1,584,042	1,671,275	1,658,713	1,720,912	1,827,911	1,891,539	1,952,885	2,013,439
	<b>2,277,408</b>	<b>2,437,614</b>	<b>2,452,472</b>	<b>2,532,474</b>	<b>2,699,540</b>	<b>2,815,598</b>	<b>2,922,651</b>	<b>3,031,669</b>
<b>Equity</b>								
Retained earnings								
Basic Insurance Retained Earnings								
Rate Stabilization Reserve	99,878	177,817	194,496	160,100	93,873	67,685	51,016	47,188
Retained Earnings	-	(0)	0	-	-	-	-	-
	<b>99,878</b>	<b>177,817</b>	<b>194,497</b>	<b>160,100</b>	<b>93,873</b>	<b>67,685</b>	<b>51,016</b>	<b>47,188</b>
Accumulated Other Comprehensive Income	70,284	35,262	36,504	36,187	(692)	(29,724)	(11,624)	21,643
<b>Total Equity</b>	<b>170,162</b>	<b>213,079</b>	<b>231,000</b>	<b>196,288</b>	<b>93,181</b>	<b>37,961</b>	<b>39,393</b>	<b>68,831</b>
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,728,761</b>	<b>2,792,721</b>	<b>2,853,559</b>	<b>2,962,043</b>	<b>3,100,501</b>



### Exhibit 5k Combined Scenario with Management Action Minimum Capital Test

(All figures in \$000s)		2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
		Current Year (01)	Forecast Year (02)	Forecast Year (03)	Forecast Year (04)	Forecast Year (05)
<b>Capital Available:</b>						
Capital available (from page 30.62 - capital available)	01	125,826	15,840	(42,030)	(42,308)	4,446
Phase-in of capital available	03	0	0	0	0	0
<b>Total Capital Available</b>	<b>09</b>	<b>125,826</b>	<b>15,840</b>	<b>(42,030)</b>	<b>(42,308)</b>	<b>4,446</b>
<b>Assets Available:</b>						
Net Assets Available (from page 30.92 - net assets available)	11	0	0	0	0	0
Phase-in of net assets available	13	0	0	0	0	0
<b>Total Net Assets Available</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital (Margin) Required at Target:</b>						
Insurance Risk:						
Premium liabilities	20	81,838	89,225	95,078	99,443	104,006
Unpaid claims	22	180,736	192,091	198,969	205,456	212,090
Catastrophes	24	0	0	0	0	0
Margin required for reinsurance ceded to unregistered insurers	26	0	0	0	0	0
Subtotal: Insurance risk margin	29	262,574	281,316	294,047	304,899	316,096
Market Risk:						
Interest rate risk	30	17,559	29,498	24,229	27,219	27,351
Foreign exchange risk	32	18,511	17,324	14,285	15,710	10,898
Equity risk	34	138,653	136,026	113,768	125,790	148,260
Real estate risk	36	56,059	58,592	60,886	63,180	65,825
Other market risk exposures	38	0	0	0	0	0
Subtotal: Market risk margin	39	230,782	241,440	213,168	231,899	252,334
Credit Risk:						
Counterparty default risk for balance sheet assets	40	15,632	17,742	19,193	20,052	20,985
Counterparty default risk for off-balance sheet exposures	42	0	0	0	0	0
Counterparty default risk for unregistered reinsurance collateral and SIRs	44	0	0	0	0	0
Subtotal: Credit risk margin	49	15,632	17,742	19,193	20,052	20,985
Operational risk margin	50	66,568	71,374	71,862	75,702	79,781
Less: Diversification credit	52	68,117	72,282	69,483	73,878	78,519
<b>Total Capital (Margin) Required at Target</b>	<b>59</b>	<b>507,439</b>	<b>539,590</b>	<b>528,787</b>	<b>558,674</b>	<b>590,677</b>
Minimum Capital (Margin) Required (line 59 / 1.5)	60	338,293	359,727	352,525	372,449	393,785
Phase-in of Capital (Margin) Required	62	0	0	0	0	0
<b>Total Minimum Capital (Margin) Required</b>	<b>69</b>	<b>338,293</b>	<b>359,727</b>	<b>352,525</b>	<b>372,449</b>	<b>393,785</b>
<b>Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required</b>	<b>79</b>	<b>(212,467)</b>	<b>(343,887)</b>	<b>(394,555)</b>	<b>(414,757)</b>	<b>(389,339)</b>
<b>MCT (BAAT) Ratio (Line 09 or line 19 as a % of line 69)</b>	<b>90</b>	<b>37.19%</b>	<b>4.40%</b>	<b>-11.92%</b>	<b>-11.36%</b>	<b>1.13%</b>

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-5**

**Exhibit 51**  
**Combined Scenario with Management Action**  
**Net Claims Incurred Summary**

(C\$ 000s, except where noted)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Claims Incurred before Financial Provisions</b>						
Collision	353,144	393,087	418,050	458,971	476,170	508,220
Comprehensive	126,346	84,886	102,983	89,955	97,509	101,945
Property Damage	42,456	43,313	44,398	48,195	47,347	48,829
Public Liability - BI	5,744	4,440	6,143	3,523	4,569	4,602
PIPP	115,221	203,883	230,271	203,897	208,179	208,509
<b>Total</b>	<b>642,912</b>	<b>729,609</b>	<b>801,844</b>	<b>804,542</b>	<b>833,774</b>	<b>872,105</b>
Unallocated Loss Adjustment Expenses	40,148	39,919	41,338	42,939	44,916	46,857
Change in Internal Loss Adjustment Expense Provision	503	7,544	11,160	5,329	5,261	5,334
Change in Reinsurance Ceded Provision	(1,076)	0	0	0	0	0
Other Financial Adjustments	(1,124)	0	0	0	0	0
Change in DPAC / Premium Deficiency Provision	(14,959)	(293)	(7,153)	(3,091)	(24)	(338)
<b>Total Net Claims Incurred</b>	<b>666,404</b>	<b>776,779</b>	<b>847,190</b>	<b>849,718</b>	<b>883,926</b>	<b>923,957</b>



### Exhibit 5m

#### Combined Scenario with Management Action

#### Deferred Policy Acquisition Expenses and Premium Deficiency

A. Claims (Including External Adjustment Expense) Data

	Accident Year										Selected	Selected
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Undisc	Disc
1. Ultimate Loss Ratio - Total All Coverage	70.49%	77.72%	83.83%	73.78%	78.00%	76.26%	77.17%	73.62%	72.01%	72.18%		
2. Trend/Rate Adjustment for Fiscal Year												
2015	0.9933	0.9552	0.9341	0.9491	0.9854							
2016		0.9408	0.9212	0.9371	0.9740	0.9998						
2017			0.8945	0.9047	0.9349	0.9542	0.9853					
2018				0.9134	0.9369	0.9490	0.9727	1.0020				
2019					0.9333	0.9463	0.9708	1.0008	1.0107			
2020						0.9434	0.9681	0.9985	1.0087	1.0104		
3. Adjusted Loss Ratio for Fiscal Year [(1) x (2)]												
2015	70.02%	74.24%	78.31%	70.02%	76.86%						73.71%	78.15%
2016		73.12%	77.23%	69.13%	75.97%	76.24%					75.11%	79.73%
2017			74.99%	66.75%	72.92%	72.76%	76.04%				73.56%	78.26%
2018				67.39%	73.07%	72.37%	75.07%	73.77%			73.07%	77.73%
2019					72.80%	72.16%	74.92%	73.69%	72.78%		73.09%	77.76%
2020						71.94%	74.72%	73.51%	72.64%	72.92%	73.02%	77.70%

B. Actual Data Other Than Losses

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
4. Net Earned Premium	761,677	756,751	764,671	802,743	861,065	912,195	977,807	1,053,382	1,111,473	1,162,848
5. Operating Expenses as % of Earned Premium	9.70%	10.82%	11.1%	11.1%	10.8%	10.3%	9.7%	9.6%	9.2%	9.2%
6. Maintenance Expense Rate [(5) x 1/3]	3.23%	3.61%	3.69%	3.69%	3.61%	3.42%	3.24%	3.19%	3.06%	3.07%
Selected					3.66%	3.57%	3.42%	3.28%	3.16%	3.10%
7. ILAE Ratio to Losses - Selected					19.00%	19.00%	19.00%	19.00%	19.00%	19.00%

C. Equity in Unearned Premium

8. Net Unearned Premium					417,518	437,504	476,986	508,278	531,610	556,010
9. Additional Expected Cost of Non-Proportional Reinsurance					5,816	5,938	6,057	6,178	6,302	6,428
10. Expected Claims (Including Ext Adj Expenses) [(8) - (9)] x (3)					325,991	344,082	368,556	390,269	408,486	426,999
11. Reinsurance PFAD					-	-	-	-	-	-
12. Maintenance Expense [a]					14,727	15,411	16,113	16,474	16,596	17,048
13. Internal Loss Adjustment Expense [Sheet 1, Row 11]					61,938	65,376	70,026	74,151	77,612	81,130
14. Expected Claims (Including Ext Adj Expenses) - PIPP Enhancement					4,264	4,264	4,264	4,264	4,264	4,264
15. Equity in Unearned Premium [(8) - Sum of (9) to (14)]					4,782	2,434	11,971	16,942	18,351	20,142
16. Carried Deferred Policy Acquisition Expenses					28,347	25,706	28,090	29,970	31,355	32,808
17. Write Down Deferred Policy Acquisition Expenses [b]					23,565	23,272	16,119	13,028	13,004	12,665
Change					(3,009)	(293)	(7,153)	(3,091)	(24)	(338)
18. Premium Deficiency [c]					-	-	-	-	-	-
Change					(11,950)	-	-	-	-	-

## Notes:

[a] ((8) - (9)) x (6) x Discount to Valuation Date Without Margin

[b] Min((16) - (15), (16)) if greater than 0, otherwise 0

[c] Negative of (15) if greater than 0, otherwise 0

### Exhibit 5n

#### Combined Scenario with Management Action

#### Summary of Corporate Investment Income

	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Interest Income During Period</b>					
Cash/Short Term Investments	42	0	0	0	0
Marketable Bonds	37,226	32,825	31,996	32,198	33,001
MUSH	28,901	28,455	27,812	27,057	26,272
<b>Total</b>	<b>66,169</b>	<b>61,280</b>	<b>59,808</b>	<b>59,255</b>	<b>59,274</b>
<b>Dividend and other Income</b>					
Canadian Equities	9,139	8,883	7,542	7,635	9,683
US Equities	4,394	4,739	3,998	4,049	4,613
Investment Properties (Cityplace)	3,431	2,149	4,952	4,873	4,771
Infrastructure	1,268	1,721	1,828	1,931	2,039
<b>Total</b>	<b>18,232</b>	<b>17,491</b>	<b>18,320</b>	<b>18,488</b>	<b>21,107</b>
<b>Gains During Period - Profit &amp; Loss</b>					
Marketable Bonds Unrealized Gains/(Loss)	7,487	12,931	1,846	1,942	1,981
Marketable Bonds Realized Gains/(Loss)	5,841	574	(1,846)	(1,942)	(1,981)
Amortization on Marketable Bonds (Prem) / Discount	(8,207)	(10,077)	(11,019)	(11,593)	(11,827)
MUSH	-	-	-	-	-
Canadian Equities Realized Gains	11,004	75	(9,607)	(9,300)	7,129
US Equities Realized Gains	6,976	-	2,825	-	-
Real Estate (Pooled Fund)	12,618	14,271	14,667	15,547	16,480
Infrastructure	4,971	6,740	7,164	7,566	7,989
<b>Total</b>	<b>40,691</b>	<b>24,514</b>	<b>4,030</b>	<b>2,220</b>	<b>19,771</b>
<b>Other</b>					
Investment Fees Paid	(4,449)	(4,620)	(4,733)	(4,971)	(5,256)
Pension Expense	(14,401)	(15,071)	(15,763)	(16,483)	(17,235)
Investment Write-Down	-	-	-	-	-
<b>Total</b>	<b>(18,850)</b>	<b>(19,691)</b>	<b>(20,496)</b>	<b>(21,454)</b>	<b>(22,491)</b>
<b>Total Corporate Investment Income</b>	<b>106,241</b>	<b>83,594</b>	<b>61,661</b>	<b>58,508</b>	<b>77,660</b>
Total Basic Investment Income	90,801	70,996	51,901	48,763	64,099
% - Basic to Total Investment Income	85%	85%	84%	83%	83%
<b>Equity Unrealized Gains/(Losses)</b>					
Canadian Equities Unrealized Gains	10,464	(27,723)	(26,668)	7,432	42,015
US Equities Unrealized Gains	6,631	(15,358)	(14,614)	4,636	5,282
<b>Total Corporate Unrealized Gains/(Losses)</b>	<b>17,095</b>	<b>(43,080)</b>	<b>(41,282)</b>	<b>12,068</b>	<b>47,297</b>
<b>Ending Values and Allocations</b>					
	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Ending Asset Values for Corporate (\$Millions)</b>					
Cash/Short Term Investments	-	-	-	-	-
Canadian Fixed Income	1,177.9	1,197.9	1,317.5	1,376.8	1,452.3
MUSH	643.8	659.3	670.4	678.4	684.2
Canadian Equities	273.7	258.2	198.5	227.8	296.9
US Equities	154.7	145.7	114.8	130.6	149.2
Real Estate	277.5	292.7	308.1	324.9	343.3
Infrastructure & Venture Capital	112.3	130.1	137.2	144.8	152.8
<b>Total Corporate Assets</b>	<b>2,639.9</b>	<b>2,683.9</b>	<b>2,746.6</b>	<b>2,883.3</b>	<b>3,078.8</b>
Total Basic Assets	2,267.2	2,288.3	2,321.3	2,412.0	2,549.4
<b>Ending Rebalanced Allocations (%)</b>					
Cash/Short Term Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Canadian Fixed Income	44.6%	44.6%	48.0%	47.8%	47.2%
MUSH	24.4%	24.6%	24.4%	23.5%	22.2%
Canadian Equities	10.4%	9.6%	7.2%	7.9%	9.6%
US Equities	5.9%	5.4%	4.2%	4.5%	4.8%
Real Estate	10.5%	10.9%	11.2%	11.3%	11.2%
Infrastructure & Venture Capital	4.3%	4.8%	5.0%	5.0%	5.0%
<b>Total Corporate</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Exhibit 5o

#### Combined Scenarion with Management Action and Premium Rebate

#### Statement of Operations

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
Motor Vehicles	756,642	794,052	854,170	893,420	976,257	1,041,608	1,089,737	1,140,226
Drivers	41,520	44,642	46,619	50,393	52,908	55,180	57,424	59,626
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Written</b>	<b>784,741</b>	<b>824,865</b>	<b>888,365</b>	<b>932,181</b>	<b>1,017,289</b>	<b>1,084,675</b>	<b>1,134,805</b>	<b>1,187,249</b>
<b>Net Premiums Earned</b>								
Motor Vehicles	741,077	774,784	827,701	875,348	938,038	1,011,457	1,067,531	1,116,931
Drivers	37,015	42,926	45,787	48,478	51,645	54,039	56,298	58,521
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Earned</b>	<b>764,671</b>	<b>803,880</b>	<b>861,065</b>	<b>912,195</b>	<b>977,807</b>	<b>1,053,382</b>	<b>1,111,473</b>	<b>1,162,848</b>
Service Fees & Other Revenues	20,383	19,475	20,351	21,557	23,227	25,122	27,213	29,146
<b>Total Earned Revenues</b>	<b>785,053</b>	<b>823,356</b>	<b>881,416</b>	<b>933,752</b>	<b>1,001,034</b>	<b>1,078,505</b>	<b>1,138,686</b>	<b>1,191,994</b>
Net Claims Incurred	747,435	745,837	666,404	776,779	847,190	849,718	883,926	923,957
Claims Expense	114,552	116,578	118,614	125,191	128,708	133,830	141,964	149,238
Road Safety/Loss Prevention	12,816	11,359	13,027	13,318	13,251	14,188	14,221	14,364
<b>Total Claims Costs</b>	<b>874,803</b>	<b>873,773</b>	<b>798,045</b>	<b>915,288</b>	<b>989,149</b>	<b>997,736</b>	<b>1,040,112</b>	<b>1,087,558</b>
<b>Expenses</b>								
Operating	67,982	74,283	71,641	76,908	78,242	82,909	84,055	88,883
Commissions	32,058	32,845	33,862	35,616	37,683	40,416	42,594	44,496
Premium Taxes	23,343	24,531	26,205	27,715	29,690	31,965	33,715	35,264
Regulatory/Appeal	3,766	3,935	3,675	3,421	3,494	3,567	3,643	3,720
<b>Total Expenses</b>	<b>127,148</b>	<b>135,594</b>	<b>135,383</b>	<b>143,661</b>	<b>149,109</b>	<b>158,857</b>	<b>164,006</b>	<b>172,363</b>
<b>Underwriting Income (Loss)</b>	<b>(216,898)</b>	<b>(186,011)</b>	<b>(52,012)</b>	<b>(125,197)</b>	<b>(137,223)</b>	<b>(78,089)</b>	<b>(65,432)</b>	<b>(67,927)</b>
<b>Investment Income</b>	147,735	188,451	(4,038)	90,801	70,817	51,760	48,626	63,913
<b>Net Income (Loss) from Operations</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,689)</b>	<b>(73,559)</b>	<b>(29,420)</b>	<b>(16,830)</b>	<b>(4,352)</b>
DPAC / Premium Deficiency writedown Adj.	-	-	-	(293)	(7,153)	(3,091)	(24)	(338)
<b>Net Income (Loss)</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,396)</b>	<b>(66,406)</b>	<b>(26,329)</b>	<b>(16,806)</b>	<b>(4,014)</b>

### Exhibit 5p

#### Combined Scenarion with Management Action and Premium Rebate

#### Statement of Changes in Equity

(C\$ 000s, except where noted)

C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
Retained Earnings								
Beginning Balance	169,039	99,877	177,817	194,497	122,379	55,972	29,644	12,838
Net Income (Loss) from annual operations	(69,163)	2,440	(56,050)	(34,396)	(66,406)	(26,329)	(16,806)	(4,014)
Premium Rebate	-	-	-	-	-	-	-	-
Transfer (to) / from Non-Basic Retained Earnings	-	75,500	72,730	(37,722)	-	-	-	-
Total Retained Earnings	\$ 99,876	\$ 177,817	\$ 194,497	\$ 122,379	\$ 55,972	\$ 29,644	\$ 12,838	\$ 8,824
Retained Earnings								
DCAT Equity Reserve	99,877	177,817	194,496	122,379	55,972	29,644	12,838	8,824
Excess Retained Earnings	-	(0)	0	-	-	-	-	-
Total Retained Earnings	\$ 99,877	\$ 177,817	\$ 194,497	\$ 122,379	\$ 55,972	\$ 29,644	\$ 12,838	\$ 8,824
Total Accumulated Other Comprehensive Income								
Beginning Balance	56,800	70,284	35,262	36,504	36,187	(690)	(29,644)	(11,591)
Other Comprehensive Income for the Year	13,484	(35,022)	1,242	(317)	(36,877)	(28,954)	18,053	33,172
Total Accumulated Other Comprehensive Income	\$ 70,284	\$ 35,262	\$ 36,504	\$ 36,187	\$ (690)	\$ (29,644)	\$ (11,591)	\$ 21,580
Total Equity Balance	\$ 170,160	\$ 213,079	\$ 231,000	\$ 158,566	\$ 55,283	\$ 0	\$ 1,247	\$ 30,405

**RESERVE TARGETS**

PUB RSR Target	172,000	172,000	194,000	194,000	194,000	194,000	194,000	194,000
DCAT Total Equity Target	0	213,000	231,000	231,000	231,000	231,000	231,000	231,000
MCT Total Equity Target	0	0	325,000	365,000	365,000	365,000	365,000	365,000

### Exhibit 5q

#### Combined Scenarion with Management Action and Premium Rebate

#### Balance Sheet

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
<b>Assets</b>								
Cash and investments	76,166	55,508	29,114	10,571	9,199	9,534	9,129	8,901
Equity investments	1,948,658	2,061,262	2,083,349	2,179,180	2,200,941	2,233,238	2,323,507	2,459,649
Investment property	32,226	35,087	35,789	39,751	40,287	40,587	41,183	42,393
Due from other insurance companies	1,755	108	25	-	-	-	-	-
Accounts receivable	236,347	348,697	375,262	302,393	326,221	345,125	359,682	374,883
Prepaid expenses	-	-	-	-	-	-	-	-
Deferred policy acquisition costs	-	-	4,782	2,434	11,971	16,942	18,351	20,142
Reinsurers' share of unearned premiums	-	-	-	-	-	-	-	-
Reinsurers' share of unearned claims	17,625	2,565	998	-	-	-	-	-
Property and equipment	80,108	90,474	88,740	86,248	88,863	90,183	90,345	91,720
Deferred development costs	54,685	56,992	65,414	70,462	77,341	79,991	81,701	64,385
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,691,040</b>	<b>2,754,822</b>	<b>2,815,598</b>	<b>2,923,898</b>	<b>3,062,074</b>
<b>Liabilities</b>								
Due to other insurance companies	1,213	-	152	113	113	113	113	113
Accounts payable and accrued liabilities	35,769	34,157	38,860	29,447	30,993	31,499	32,418	33,959
Financing lease obligation	2,841	3,224	3,278	2,968	2,899	2,825	2,752	2,678
Unearned premiums and fees	402,982	426,137	453,389	475,671	518,329	553,064	580,128	608,571
Provision for employee current benefits	15,389	16,240	16,871	16,527	16,880	17,244	17,616	17,999
Provision for employee future benefits	235,172	286,581	281,209	286,836	302,414	319,313	336,739	354,910
Provision for unpaid claims	1,584,042	1,671,275	1,658,713	1,720,912	1,827,911	1,891,539	1,952,885	2,013,439
	<b>2,277,408</b>	<b>2,437,614</b>	<b>2,452,472</b>	<b>2,532,474</b>	<b>2,699,540</b>	<b>2,815,598</b>	<b>2,922,651</b>	<b>3,031,669</b>
<b>Equity</b>								
Retained earnings								
Basic Insurance Retained Earnings								
Rate Stabilization Reserve	99,878	177,817	194,496	122,379	55,972	29,644	12,838	8,824
Retained Earnings	-	(0)	0	-	-	-	-	-
	<b>99,878</b>	<b>177,817</b>	<b>194,497</b>	<b>122,379</b>	<b>55,972</b>	<b>29,644</b>	<b>12,838</b>	<b>8,824</b>
Accumulated Other Comprehensive Income	70,284	35,262	36,504	36,187	(690)	(29,644)	(11,591)	21,580
<b>Total Equity</b>	<b>170,162</b>	<b>213,079</b>	<b>231,000</b>	<b>158,566</b>	<b>55,283</b>	<b>0</b>	<b>1,247</b>	<b>30,405</b>
	<b>2,447,570</b>	<b>2,650,693</b>	<b>2,683,473</b>	<b>2,691,040</b>	<b>2,754,822</b>	<b>2,815,598</b>	<b>2,923,898</b>	<b>3,062,074</b>

### Exhibit 5r

#### Combined Scenarion with Management Action and Premium Rebate

#### Minimum Capital Test

(All figures in \$000s)		2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
		Current Year (01)	Forecast Year (02)	Forecast Year (03)	Forecast Year (04)	Forecast Year (05)
<b>Capital Available:</b>						
Capital available (from page 30.62 - capital available)	01	88,104	(22,059)	(79,991)	(80,454)	(33,980)
Phase-in of capital available	03	0	0	0	0	0
<b>Total Capital Available</b>	<b>09</b>	<b>88,104</b>	<b>(22,059)</b>	<b>(79,991)</b>	<b>(80,454)</b>	<b>(33,980)</b>
<b>Assets Available:</b>						
Net Assets Available (from page 30.92 - net assets available)	11	0	0	0	0	0
Phase-in of net assets available	13	0	0	0	0	0
<b>Total Net Assets Available</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital (Margin) Required at Target:</b>						
Insurance Risk:						
Premium liabilities	20	81,838	89,225	95,078	99,443	104,006
Unpaid claims	22	180,736	192,091	198,969	205,456	212,090
Catastrophes	24	0	0	0	0	0
Margin required for reinsurance ceded to unregistered insurers	26	0	0	0	0	0
Subtotal: Insurance risk margin	29	262,574	281,316	294,047	304,899	316,096
Market Risk:						
Interest rate risk	30	20,891	32,833	27,707	30,632	30,679
Foreign exchange risk	32	18,203	17,037	14,051	15,462	10,727
Equity risk	34	136,347	133,773	111,907	123,801	146,026
Real estate risk	36	55,270	57,769	60,038	62,324	64,971
Other market risk exposures	38	0	0	0	0	0
Subtotal: Market risk margin	39	230,711	241,412	213,703	232,219	252,403
Credit Risk:						
Counterparty default risk for balance sheet assets	40	15,627	17,738	19,189	20,048	20,982
Counterparty default risk for off-balance sheet exposures	42	0	0	0	0	0
Counterparty default risk for unregistered reinsurance collateral and SIRs	44	0	0	0	0	0
Subtotal: Credit risk margin	49	15,627	17,738	19,189	20,048	20,982
Operational risk margin	50	66,562	71,372	71,907	75,729	79,787
Less: Diversification credit	52	68,107	72,278	69,573	73,929	78,529
<b>Total Capital (Margin) Required at Target</b>	<b>59</b>	<b>507,367</b>	<b>539,560</b>	<b>529,273</b>	<b>558,966</b>	<b>590,739</b>
Minimum Capital (Margin) Required (line 59 / 1.5)	60	338,245	359,707	352,849	372,644	393,826
Phase-in of Capital (Margin) Required	62	0	0	0	0	0
<b>Total Minimum Capital (Margin) Required</b>	<b>69</b>	<b>338,245</b>	<b>359,707</b>	<b>352,849</b>	<b>372,644</b>	<b>393,826</b>
<b>Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required</b>	<b>79</b>	<b>(250,141)</b>	<b>(381,766)</b>	<b>(432,840)</b>	<b>(453,098)</b>	<b>(427,806)</b>
<b>MCT (BAAT) Ratio (Line 09 or line 19 as a % of line 69)</b>	<b>90</b>	<b>26.05%</b>	<b>-6.13%</b>	<b>-22.67%</b>	<b>-21.59%</b>	<b>-8.63%</b>



October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-5**

**Exhibit 5s**  
**Combined Scenarion with Management Action and Premium Rebate**  
**Net Claims Incurred Summary**

(C\$ 000s, except where noted)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Claims Incurred before Financial Provisions</b>						
Collision	353,144	393,087	418,050	458,971	476,170	508,220
Comprehensive	126,346	84,886	102,983	89,955	97,509	101,945
Property Damage	42,456	43,313	44,398	48,195	47,347	48,829
Public Liability - BI	5,744	4,440	6,143	3,523	4,569	4,602
PIPP	115,221	203,883	230,271	203,897	208,179	208,509
<b>Total</b>	<b>642,912</b>	<b>729,609</b>	<b>801,844</b>	<b>804,542</b>	<b>833,774</b>	<b>872,105</b>
Unallocated Loss Adjustment Expenses	40,148	39,919	41,338	42,939	44,916	46,857
Change in Internal Loss Adjustment Expense Provision	503	7,544	11,160	5,329	5,261	5,334
Change in Reinsurance Ceded Provision	(1,076)	0	0	0	0	0
Other Financial Adjustments	(1,124)	0	0	0	0	0
Change in DPAC / Premium Deficiency Provision	(14,959)	(293)	(7,153)	(3,091)	(24)	(338)
<b>Total Net Claims Incurred</b>	<b>666,404</b>	<b>776,779</b>	<b>847,190</b>	<b>849,718</b>	<b>883,926</b>	<b>923,957</b>



### Exhibit 5t

#### Combined Scenario with Management Action and Premium Rebate Deferred Policy Acquisition Expenses and Premium Deficiency

A. Claims (Including External Adjustment Expense) Data

	Accident Year										Selected	Selected
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Undisc	Disc
1. Ultimate Loss Ratio - Total All Coverage	70.49%	77.72%	83.83%	73.78%	78.00%	76.26%	77.17%	73.62%	72.01%	72.18%		
2. Trend/Rate Adjustment for Fiscal Year												
2015	0.9933	0.9552	0.9341	0.9491	0.9854							
2016		0.9408	0.9212	0.9371	0.9740	0.9998						
2017			0.8945	0.9047	0.9349	0.9542	0.9853					
2018				0.9134	0.9369	0.9490	0.9727	1.0020				
2019					0.9333	0.9463	0.9708	1.0008	1.0107			
2020						0.9434	0.9681	0.9985	1.0087	1.0104		
3. Adjusted Loss Ratio for Fiscal Year [(1) x (2)]												
2015	70.02%	74.24%	78.31%	70.02%	76.86%						73.71%	78.15%
2016		73.12%	77.23%	69.13%	75.97%	76.24%					75.11%	79.73%
2017			74.99%	66.75%	72.92%	72.76%	76.04%				73.56%	78.26%
2018				67.39%	73.07%	72.37%	75.07%	73.77%			73.07%	77.73%
2019					72.80%	72.16%	74.92%	73.69%	72.78%		73.09%	77.76%
2020						71.94%	74.72%	73.51%	72.64%	72.92%	73.02%	77.70%

B. Actual Data Other Than Losses

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
4. Net Earned Premium	761,677	756,751	764,671	802,743	861,065	912,195	977,807	1,053,382	1,111,473	1,162,848
5. Operating Expenses as % of Earned Premium	9.70%	10.82%	11.1%	11.1%	10.8%	10.3%	9.7%	9.6%	9.2%	9.2%
6. Maintenance Expense Rate [(5) x 1/3]	3.23%	3.61%	3.69%	3.69%	3.61%	3.42%	3.24%	3.19%	3.06%	3.07%
Selected					3.66%	3.57%	3.42%	3.28%	3.16%	3.10%
7. ILAE Ratio to Losses - Selected					19.00%	19.00%	19.00%	19.00%	19.00%	19.00%

C. Equity in Unearned Premium

8. Net Unearned Premium					417,518	437,504	476,986	508,278	531,610	556,010
9. Additional Expected Cost of Non-Proportional Reinsurance					5,816	5,938	6,057	6,178	6,302	6,428
10. Expected Claims (Including Ext Adj Expenses) [(8) - (9)] x (3)					325,991	344,082	368,556	390,269	408,486	426,999
11. Reinsurance PFAD					-	-	-	-	-	-
12. Maintenance Expense [a]					14,727	15,411	16,113	16,474	16,596	17,048
13. Internal Loss Adjustment Expense [Sheet 1, Row 11]					61,938	65,376	70,026	74,151	77,612	81,130
14. Expected Claims (Including Ext Adj Expenses) - PIPP Enhancement					4,264	4,264	4,264	4,264	4,264	4,264
15. Equity in Unearned Premium [(8) - Sum of (9) to (14)]					4,782	2,434	11,971	16,942	18,351	20,142
16. Carried Deferred Policy Acquisition Expenses					28,347	25,706	28,090	29,970	31,355	32,808
17. Write Down Deferred Policy Acquisition Expenses [b]					23,565	23,272	16,119	13,028	13,004	12,665
Change					(3,009)	(293)	(7,153)	(3,091)	(24)	(338)
18. Premium Deficiency [c]					-	-	-	-	-	-
Change					(11,950)	-	-	-	-	-

## Notes:

[a] ((8) - (9)) x (6) x Discount to Valuation Date Without Margin

[b] Min((16) - (15), (16)) if greater than 0, otherwise 0

[c] Negative of (15) if greater than 0, otherwise 0

**Exhibit 5u**  
**Combined Scenario with Management Action and Premium Rebate**  
**Summary of Corporate Investment Income**

	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Interest Income During Period</b>					
Cash/Short Term Investments	42	0	0	0	0
Marketable Bonds	37,226	32,825	31,996	32,198	33,001
MUSH	28,901	28,455	27,812	27,057	26,272
<b>Total</b>	<b>66,169</b>	<b>61,280</b>	<b>59,808</b>	<b>59,255</b>	<b>59,274</b>
<b>Dividend and other Income</b>					
Canadian Equities	9,139	8,883	7,542	7,635	9,683
US Equities	4,394	4,739	3,998	4,049	4,613
Investment Properties (Cityplace)	3,431	2,149	4,952	4,873	4,771
Infrastructure	1,268	1,721	1,828	1,931	2,039
<b>Total</b>	<b>18,232</b>	<b>17,491</b>	<b>18,320</b>	<b>18,488</b>	<b>21,107</b>
<b>Gains During Period - Profit &amp; Loss</b>					
Marketable Bonds Unrealized Gains/(Loss)	7,487	12,931	1,846	1,942	1,981
Marketable Bonds Realized Gains/(Loss)	5,841	574	(1,846)	(1,942)	(1,981)
Amortization on Marketable Bonds (Prem) / Discount	(8,207)	(10,077)	(11,019)	(11,593)	(11,827)
MUSH	-	-	-	-	-
Canadian Equities Realized Gains	11,004	75	(9,607)	(9,300)	7,129
US Equities Realized Gains	6,976	-	2,825	-	-
Real Estate (Pooled Fund)	12,618	14,271	14,667	15,547	16,480
Infrastructure	4,971	6,740	7,164	7,566	7,989
<b>Total</b>	<b>40,691</b>	<b>24,514</b>	<b>4,030</b>	<b>2,220</b>	<b>19,771</b>
<b>Other</b>					
Investment Fees Paid	(4,449)	(4,620)	(4,733)	(4,971)	(5,256)
Pension Expense	(14,401)	(15,071)	(15,763)	(16,483)	(17,235)
Investment Write-Down	-	-	-	-	-
<b>Total</b>	<b>(18,850)</b>	<b>(19,691)</b>	<b>(20,496)</b>	<b>(21,454)</b>	<b>(22,491)</b>
<b>Total Corporate Investment Income</b>	<b>106,241</b>	<b>83,594</b>	<b>61,661</b>	<b>58,508</b>	<b>77,660</b>
Total Basic Investment Income	90,801	70,817	51,760	48,626	63,913
% - Basic to Total Investment Income	85%	85%	84%	83%	82%
<b>Equity Unrealized Gains/(Losses)</b>					
Canadian Equities Unrealized Gains	10,464	(27,723)	(26,668)	7,432	42,015
US Equities Unrealized Gains	6,631	(15,358)	(14,614)	4,636	5,282
<b>Total Corporate Unrealized Gains/(Losses)</b>	<b>17,095</b>	<b>(43,080)</b>	<b>(41,282)</b>	<b>12,068</b>	<b>47,297</b>
<b>Ending Values and Allocations</b>					
	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Ending Asset Values for Corporate (\$Millions)</b>					
Cash/Short Term Investments	-	-	-	-	-
Canadian Fixed Income	1,177.9	1,197.9	1,317.5	1,376.8	1,452.3
MUSH	643.8	659.3	670.4	678.4	684.2
Canadian Equities	273.7	258.2	198.5	227.8	296.9
US Equities	154.7	145.7	114.8	130.6	149.2
Real Estate	277.5	292.7	308.1	324.9	343.3
Infrastructure & Venture Capital	112.3	130.1	137.2	144.8	152.8
<b>Total Corporate Assets</b>	<b>2,639.9</b>	<b>2,683.9</b>	<b>2,746.6</b>	<b>2,883.3</b>	<b>3,078.8</b>
Total Basic Assets	2,229.5	2,250.4	2,283.4	2,373.8	2,510.9
<b>Ending Rebalanced Allocations (%)</b>					
Cash/Short Term Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Canadian Fixed Income	44.6%	44.6%	48.0%	47.8%	47.2%
MUSH	24.4%	24.6%	24.4%	23.5%	22.2%
Canadian Equities	10.4%	9.6%	7.2%	7.9%	9.6%
US Equities	5.9%	5.4%	4.2%	4.5%	4.8%
Real Estate	10.5%	10.9%	11.2%	11.3%	11.2%
Infrastructure & Venture Capital	4.3%	4.8%	5.0%	5.0%	5.0%
<b>Total Corporate</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Exhibit 6a**  
**Base Scenario with 100% MCT**  
**Statement of Operations**

(C\$ 000s, except where noted)

For the Years Ended February,

	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>BASIC</b>								
Motor Vehicles	756,642	794,052	854,170	893,420	976,257	1,020,825	1,068,003	1,117,494
Drivers	41,520	44,642	46,619	50,393	52,908	55,180	57,424	59,626
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Written</b>	<b>784,741</b>	<b>824,865</b>	<b>888,365</b>	<b>932,181</b>	<b>1,017,289</b>	<b>1,063,891</b>	<b>1,113,071</b>	<b>1,164,516</b>
<b>Net Premiums Earned</b>								
Motor Vehicles	741,077	774,784	827,701	875,348	938,038	1,000,262	1,046,236	1,094,659
Drivers	37,015	42,926	45,787	48,478	51,645	54,039	56,298	58,521
Reinsurance Ceded	(13,422)	(13,829)	(12,423)	(11,632)	(11,876)	(12,114)	(12,356)	(12,603)
<b>Total Net Premiums Earned</b>	<b>764,671</b>	<b>803,880</b>	<b>861,065</b>	<b>912,195</b>	<b>977,807</b>	<b>1,042,188</b>	<b>1,090,177</b>	<b>1,140,577</b>
Service Fees & Other Revenues	20,383	19,475	20,351	21,557	23,227	25,122	27,097	29,022
<b>Total Earned Revenues</b>	<b>785,053</b>	<b>823,356</b>	<b>881,416</b>	<b>933,752</b>	<b>1,001,034</b>	<b>1,067,310</b>	<b>1,117,274</b>	<b>1,169,599</b>
Net Claims Incurred	747,435	745,837	666,404	776,779	757,061	763,331	834,126	916,172
Claims Expense	114,552	116,578	118,614	125,191	128,708	133,420	141,159	148,283
Road Safety/Loss Prevention	12,816	11,359	13,027	13,318	13,251	14,145	14,135	14,260
<b>Total Claims Costs</b>	<b>874,803</b>	<b>873,773</b>	<b>798,045</b>	<b>915,288</b>	<b>899,020</b>	<b>910,897</b>	<b>989,420</b>	<b>1,078,715</b>
<b>Expenses</b>								
Operating	67,982	74,283	71,641	76,908	78,242	82,683	83,608	88,347
Commissions	32,058	32,845	33,862	35,616	37,683	40,125	41,908	43,779
Premium Taxes	23,343	24,531	26,205	27,715	29,690	31,629	33,076	34,595
Regulatory/Appeal	3,766	3,935	3,675	3,421	3,494	3,567	3,641	3,719
<b>Total Expenses</b>	<b>127,148</b>	<b>135,594</b>	<b>135,383</b>	<b>143,661</b>	<b>149,109</b>	<b>158,004</b>	<b>162,233</b>	<b>170,440</b>
<b>Underwriting Income (Loss)</b>	<b>(216,898)</b>	<b>(186,011)</b>	<b>(52,012)</b>	<b>(125,197)</b>	<b>(47,095)</b>	<b>(1,590)</b>	<b>(34,379)</b>	<b>(79,557)</b>
<b>Investment Income</b>	147,735	188,451	(4,038)	90,801	36,798	26,073	43,316	88,685
<b>Net Income (Loss) from Operations</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,689)</b>	<b>(24,748)</b>	<b>25,106</b>	<b>5,621</b>	<b>6,421</b>
DPAC / Premium Deficiency writedown Adj.	-	-	-	(293)	(14,451)	624	(3,316)	(2,708)
<b>Net Income (Loss)</b>	<b>(69,163)</b>	<b>2,440</b>	<b>(56,050)</b>	<b>(34,396)</b>	<b>(10,297)</b>	<b>24,482</b>	<b>8,937</b>	<b>9,129</b>

### Exhibit 6b

#### Base Scenario with 100% MCT

#### Statement of Changes in Equity

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
<b>Retained Earnings</b>								
Beginning Balance	169,039	99,877	177,817	194,497	374,582	397,852	398,966	418,827
Net Income (Loss) from annual operations	(69,163)	2,440	(56,050)	(34,396)	(10,297)	24,482	8,937	9,129
Premium Rebate	-	-	-	-	-	-	-	-
Transfer (to) / from Non-Basic Retained Earnings	-	75,500	72,730	214,482	33,567	(23,368)	10,924	(12,079)
<b>Total Retained Earnings</b>	<b>\$ 99,876</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 374,582</b>	<b>\$ 397,852</b>	<b>\$ 398,966</b>	<b>\$ 418,827</b>	<b>\$ 415,877</b>
<b>Retained Earnings</b>								
DCAT Equity Reserve	99,877	177,817	194,497	374,582	365,580	370,673	362,037	352,038
Excess Retained Earnings	-	-	-	-	32,272	28,293	56,790	63,839
<b>Total Retained Earnings</b>	<b>\$ 99,877</b>	<b>\$ 177,817</b>	<b>\$ 194,497</b>	<b>\$ 374,582</b>	<b>\$ 397,852</b>	<b>\$ 398,966</b>	<b>\$ 418,827</b>	<b>\$ 415,877</b>
<b>Total Accumulated Other Comprehensive Income</b>								
Beginning Balance	56,800	70,284	35,262	36,504	36,187	45,420	40,327	48,963
Other Comprehensive Income for the Year	13,484	(35,022)	1,242	(317)	9,233	(5,093)	8,636	10,000
<b>Total Accumulated Other Comprehensive Income</b>	<b>\$ 70,284</b>	<b>\$ 35,262</b>	<b>\$ 36,504</b>	<b>\$ 36,187</b>	<b>\$ 45,420</b>	<b>\$ 40,327</b>	<b>\$ 48,963</b>	<b>\$ 58,962</b>
<b>Total Equity Balance</b>	<b>\$ 170,160</b>	<b>\$ 213,079</b>	<b>\$ 231,000</b>	<b>\$ 410,770</b>	<b>\$ 443,272</b>	<b>\$ 439,293</b>	<b>\$ 467,790</b>	<b>\$ 474,839</b>

**RESERVE TARGETS**

PUB RSR Target	172,000	172,000	194,000	194,000	194,000	194,000	194,000	194,000
DCAT Total Equity Target	0	213,000	231,000	181,000	181,000	181,000	181,000	181,000
MCT Total Equity Target	0	325,000	325,000	411,000	411,000	411,000	411,000	411,000

**Exhibit 6c**  
**Base Scenario with 100% MCT**  
**Balance Sheet**

(C\$ 000s, except where noted)

	For the Years Ended February,							
	2014A	2015A	2016A	2017P	2018P	2019P	2020P	2021P
BASIC								
Assets								
Cash and investments	76,166	55,508	29,114	11,767	10,658	11,888	12,196	14,901
Equity investments	1,948,658	2,061,262	2,083,349	2,425,691	2,503,222	2,509,357	2,580,508	2,684,908
Investment property	32,226	35,087	35,789	44,248	45,416	45,255	45,956	46,839
Due from other insurance companies	1,755	108	25	-	-	-	-	-
Accounts receivable	236,347	348,697	375,262	302,393	326,221	339,760	354,071	369,015
Prepaid expenses	-	-	-	-	-	-	-	-
Deferred policy acquisition costs	-	-	4,782	2,434	19,268	19,927	24,600	28,732
Reinsurers' share of unearned premiums	-	-	-	-	-	-	-	-
Reinsurers' share of unearned claims	17,625	2,565	998	-	-	-	-	-
Property and equipment	80,108	90,474	88,740	86,248	88,863	90,183	90,345	91,720
Deferred development costs	54,685	56,992	65,414	70,462	77,341	79,991	81,701	64,385
	2,447,570	2,650,693	2,683,473	2,943,243	3,070,989	3,096,360	3,189,378	3,300,500
Liabilities								
Due to other insurance companies	1,213	-	152	113	113	113	113	113
Accounts payable and accrued liabilities	35,769	34,157	38,860	29,447	30,993	31,499	32,418	33,959
Financing lease obligation	2,841	3,224	3,278	2,968	2,899	2,825	2,752	2,678
Unearned premiums and fees	402,982	426,137	453,389	475,671	518,329	543,475	570,100	598,083
Provision for employee current benefits	15,389	16,240	16,871	16,527	16,880	17,244	17,616	17,999
Provision for employee future benefits	235,172	286,581	281,209	286,836	302,414	319,313	336,739	354,910
Provision for unpaid claims	1,584,042	1,671,275	1,658,713	1,720,912	1,756,088	1,742,597	1,761,850	1,817,919
	2,277,408	2,437,614	2,452,472	2,532,474	2,627,717	2,657,067	2,721,588	2,825,661
Equity								
Retained earnings								
Basic Insurance Retained Earnings								
Rate Stabilization Reserve	99,878	177,817	194,497	374,582	365,580	370,673	362,037	352,038
Retained Earnings	-	-	-	-	32,272	28,293	56,790	63,839
	99,878	177,817	194,497	374,582	397,852	398,966	418,827	415,877
Accumulated Other Comprehensive Income	70,284	35,262	36,504	36,187	45,420	40,327	48,963	58,962
Total Equity	170,162	213,079	231,000	410,770	443,272	439,293	467,790	474,839
	2,447,570	2,650,693	2,683,473	2,943,243	3,070,989	3,096,360	3,189,378	3,300,500

### Exhibit 6d Base Scenario with 100% MCT Minimum Capital Test

(All figures in \$000s)

		2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
		Current Year (01)	Forecast Year (02)	Forecast Year (03)	Forecast Year (04)	Forecast Year (05)
<b>Capital Available:</b>						
Capital available (from page 30.62 - capital available)	01	340,308	365,931	359,302	386,089	410,454
Phase-in of capital available	03	0	0	0	0	0
<b>Total Capital Available</b>	<b>09</b>	<b>340,308</b>	<b>365,931</b>	<b>359,302</b>	<b>386,089</b>	<b>410,454</b>
<b>Assets Available:</b>						
Net Assets Available (from page 30.92 - net assets available)	11	0	0	0	0	0
Phase-in of net assets available	13	0	0	0	0	0
<b>Total Net Assets Available</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital (Margin) Required at Target:</b>						
Insurance Risk:						
Premium liabilities	20	81,838	89,225	93,284	97,567	102,045
Unpaid claims	22	180,736	184,670	183,794	186,252	192,444
Catastrophes	24	0	0	0	0	0
Margin required for reinsurance ceded to unregistered insurers	26	0	0	0	0	0
Subtotal: Insurance risk margin	29	262,574	273,895	277,078	283,819	294,489
Market Risk:						
Interest rate risk	30	1,385	2,935	0	2,060	4,451
Foreign exchange risk	32	20,262	22,235	19,540	22,489	23,158
Equity risk	34	151,771	168,856	156,872	182,321	202,025
Real estate risk	36	60,546	63,993	65,905	68,501	70,823
Other market risk exposures	38	0	0	0	0	0
Subtotal: Market risk margin	39	233,964	258,019	242,317	275,371	300,457
Credit Risk:						
Counterparty default risk for balance sheet assets	40	15,657	18,505	19,278	20,469	21,640
Counterparty default risk for off-balance sheet exposures	42	0	0	0	0	0
Counterparty default risk for unregistered reinsurance collateral and SIRs	44	0	0	0	0	0
Subtotal: Credit risk margin	49	15,657	18,505	19,278	20,469	21,640
Operational risk margin	50	66,841	72,218	72,384	77,098	81,523
Less: Diversification credit	52	68,574	73,740	72,104	77,624	82,428
<b>Total Capital (Margin) Required at Target</b>	<b>59</b>	<b>510,462</b>	<b>548,897</b>	<b>538,953</b>	<b>579,133</b>	<b>615,681</b>
Minimum Capital (Margin) Required (line 59 / 1.5)	60	340,308	365,931	359,302	386,089	410,454
Phase-in of Capital (Margin) Required	62	0	0	0	0	0
<b>Total Minimum Capital (Margin) Required</b>	<b>69</b>	<b>340,308</b>	<b>365,931</b>	<b>359,302</b>	<b>386,089</b>	<b>410,454</b>
<b>Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>MCT (BAAT) Ratio (Line 09 or line 19 as a % of line 69)</b>	<b>90</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

October 7, 2016

**2017 RATE APPLICATION**  
**Rate Stabilization Reserve DCAT Exhibit - RSR-6**

**Exhibit 6e**  
**Base Scenario with 100% MCT**  
**Net Claims Incurred Summary**

(C\$ 000s, except where noted)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Claims Incurred before Financial Provisions</b>						
Collision	353,144	393,087	418,426	446,210	476,160	508,180
Comprehensive	126,346	84,886	89,282	93,235	97,424	101,916
Property Damage	42,456	43,313	44,587	45,892	47,331	48,826
Public Liability - BI	5,744	4,440	4,422	4,373	4,491	4,609
PIPP	115,221	203,883	172,439	136,090	168,082	203,747
<b>Total</b>	<b>642,912</b>	<b>729,609</b>	<b>729,156</b>	<b>725,801</b>	<b>793,488</b>	<b>867,279</b>
Unallocated Loss Adjustment Expenses	40,148	39,919	41,338	42,939	44,916	46,857
Change in Internal Loss Adjustment Expense Provision	503	7,544	1,018	(6,032)	(963)	4,744
Change in Reinsurance Ceded Provision	(1,076)	0	0	0	0	0
Other Financial Adjustments	(1,124)	0	0	0	0	0
Change in DPAC / Premium Deficiency Provision	(14,959)	(293)	(14,451)	624	(3,316)	(2,708)
<b>Total Net Claims Incurred</b>	<b>666,404</b>	<b>776,779</b>	<b>757,061</b>	<b>763,331</b>	<b>834,126</b>	<b>916,172</b>





**Exhibit 6f**  
**Base Scenario with 100% MCT**  
**Deferred Policy Acquisition Expenses and Premium Deficiency**

A. Claims (Including External Adjustment Expense) Data

	Accident Year										Selected	Selected
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Undisc	Disc
1. Ultimate Loss Ratio - Total All Coverage	70.49%	77.72%	83.83%	73.78%	78.00%	76.26%	74.43%	73.13%	73.26%	72.58%		
2. Trend/Rate Adjustment for Fiscal Year												
2015	0.9933	0.9552	0.9341	0.9491	0.9854							
2016		0.9408	0.9212	0.9371	0.9740	0.9998						
2017			0.8876	0.8992	0.9307	0.9514	0.9841					
2018				0.9227	0.9484	0.9627	0.9888	1.0099				
2019					0.9438	0.9585	0.9850	1.0065	1.0094			
2020						0.9531	0.9800	1.0019	1.0053	1.0089		
3. Adjusted Loss Ratio for Fiscal Year [(1) x (2)]												
2015	70.02%	74.24%	78.31%	70.02%	76.86%						73.71%	78.15%
2016		73.12%	77.23%	69.13%	75.97%	76.24%					75.11%	79.73%
2017			74.41%	66.34%	72.59%	72.55%	73.25%				72.80%	76.96%
2018				68.07%	73.97%	73.41%	73.60%	73.85%			73.62%	77.14%
2019					73.61%	73.09%	73.32%	73.60%	73.94%		73.51%	76.65%
2020						72.68%	72.94%	73.27%	73.65%	73.22%	73.14%	76.25%

B. Actual Data Other Than Losses

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
4. Net Earned Premium	761,677	756,751	764,671	802,743	861,065	912,195	977,807	1,042,188	1,090,177	1,140,577
5. Operating Expenses as % of Earned Premium	9.70%	10.82%	11.1%	11.1%	10.8%	10.3%	9.7%	9.6%	9.3%	9.3%
6. Maintenance Expense Rate [(5) x 1/3]	3.23%	3.61%	3.69%	3.69%	3.61%	3.42%	3.24%	3.21%	3.10%	3.11%
Selected					3.66%	3.57%	3.42%	3.29%	3.18%	3.14%
7. ILAE Ratio to Losses - Selected					19.00%	19.00%	19.00%	19.00%	19.00%	19.00%

C. Equity in Unearned Premium

8. Net Unearned Premium					417,518	437,504	476,986	498,689	521,583	545,522
9. Additional Expected Cost of Non-Proportional Reinsurance					5,816	5,938	6,057	6,178	6,302	6,428
10. Expected Claims (Including Ext Adj Expenses) [(8) - (9)] x (3)					325,991	344,082	362,424	379,932	394,975	411,075
11. Reinsurance PFAD					-	-	-	-	-	-
12. Maintenance Expense [a]					14,727	15,411	16,112	16,201	16,396	16,919
13. Internal Loss Adjustment Expense [Sheet 1, Row 11]					61,938	65,376	68,861	72,187	75,045	78,104
14. Expected Claims (Including Ext Adj Expenses) - PIPP Enhancement					4,264	4,264	4,264	4,264	4,264	4,264
15. Equity in Unearned Premium [(8) - Sum((9) to (14))]					4,782	2,434	19,268	19,927	24,600	28,732
16. Carried Deferred Policy Acquisition Expenses					28,347	25,706	28,090	29,372	30,730	32,154
17. Write Down Deferred Policy Acquisition Expenses [b]					23,565	23,272	8,821	9,445	6,129	3,422
Change					(3,009)	(293)	(14,451)	624	(3,316)	(2,708)
18. Premium Deficiency [c]					-	-	-	-	-	-
Change					(11,950)	-	-	-	-	-

## Notes:

[a] ((8) - (9)) x (6) x Discount to Valuation Date Without Margin

[b] Min((16) - (15), (16)) if greater than 0, otherwise 0

[c] Negative of (15) if greater than 0, otherwise 0

**Exhibit 6g**  
**Base Scenario with 100% MCT**  
**Summary of Corporate Investment Income**

	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Interest Income During Period</b>					
Cash/Short Term Investments	42	(0)	0	(0)	0
Marketable Bonds	37,226	33,366	35,422	38,704	42,578
MUSH	28,901	28,500	28,114	27,861	27,721
<b>Total</b>	<b>66,169</b>	<b>61,866</b>	<b>63,536</b>	<b>66,565</b>	<b>70,299</b>
<b>Dividend and other Income</b>					
Canadian Equities	9,139	9,765	9,770	11,066	12,949
US Equities	4,394	5,204	5,154	5,799	6,718
Investment Properties (Cityplace)	3,431	2,149	4,952	4,873	4,771
Infrastructure	1,268	1,721	1,828	1,931	2,039
<b>Total</b>	<b>18,232</b>	<b>18,839</b>	<b>21,704</b>	<b>23,669</b>	<b>26,477</b>
<b>Gains During Period - Profit &amp; Loss</b>					
Marketable Bonds Unrealized Gains/(Loss)	7,487	(29,476)	(58,781)	(37,373)	117
Marketable Bonds Realized Gains/(Loss)	5,841	(7,662)	(12,917)	(7,581)	(117)
Amortization on Marketable Bonds (Prem) / Discount	(8,207)	(8,606)	(5,416)	(2,404)	(699)
MUSH	-	-	-	-	-
Canadian Equities Realized Gains	11,004	6,464	12,514	6,675	7,657
US Equities Realized Gains	6,976	-	8,507	-	145
Real Estate (Pooled Fund)	12,618	14,271	14,667	15,547	16,480
Infrastructure	4,971	6,740	7,164	7,566	7,989
<b>Total</b>	<b>40,691</b>	<b>(18,270)</b>	<b>(34,261)</b>	<b>(17,570)</b>	<b>31,572</b>
<b>Other</b>					
Investment Fees Paid	(4,449)	(4,620)	(4,733)	(4,971)	(5,256)
Pension Expense	(14,401)	(15,071)	(15,763)	(16,483)	(17,235)
Investment Write-Down	-	-	-	-	-
<b>Total</b>	<b>(18,850)</b>	<b>(19,691)</b>	<b>(20,496)</b>	<b>(21,454)</b>	<b>(22,491)</b>
<b>Total Corporate Investment Income</b>	<b>106,241</b>	<b>42,743</b>	<b>30,483</b>	<b>51,209</b>	<b>105,856</b>
Total Basic Investment Income	90,801	36,798	26,073	43,316	88,685
% - Basic to Total Investment Income	85%	86%	86%	85%	84%
<b>Equity Unrealized Gains/(Losses)</b>					
Canadian Equities Unrealized Gains	10,464	10,590	9,509	10,771	12,604
US Equities Unrealized Gains	6,631	6,292	5,901	6,640	7,692
<b>Total Corporate Unrealized Gains/(Losses)</b>	<b>17,095</b>	<b>16,882</b>	<b>15,410</b>	<b>17,411</b>	<b>20,296</b>
<b>Ending Values and Allocations</b>					
	2016/17	2017/18	2018/19 Forecasted	2019/20	2020/21
<b>Ending Asset Values for Corporate (\$Millions)</b>					
Cash/Short Term Investments	-	-	-	-	2.6
Canadian Fixed Income	1,177.9	1,157.5	1,222.5	1,202.4	1,264.8
MUSH	643.8	659.3	670.4	678.4	684.2
Canadian Equities	273.7	299.1	272.5	331.4	384.0
US Equities	154.7	168.7	156.8	187.8	213.2
Real Estate	277.5	292.7	308.1	324.9	343.3
Infrastructure & Venture Capital	112.3	130.1	137.2	144.8	152.8
<b>Total Corporate Assets</b>	<b>2,639.9</b>	<b>2,707.3</b>	<b>2,767.5</b>	<b>2,869.8</b>	<b>3,044.9</b>
Total Basic Assets	2,481.7	2,559.3	2,566.5	2,638.7	2,746.6
<b>Ending Rebalanced Allocations (%)</b>					
Cash/Short Term Investments	0.0%	0.0%	0.0%	0.0%	0.1%
Canadian Fixed Income	44.6%	42.8%	44.2%	41.9%	41.5%
MUSH	24.4%	24.4%	24.2%	23.6%	22.5%
Canadian Equities	10.4%	11.0%	9.8%	11.5%	12.6%
US Equities	5.9%	6.2%	5.7%	6.5%	7.0%
Real Estate	10.5%	10.8%	11.1%	11.3%	11.3%
Infrastructure & Venture Capital	4.3%	4.8%	5.0%	5.0%	5.0%
<b>Total Corporate</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>