

### Undertaking # 41

MPI to provide an update to Undertaking Number 19, MPI Exhibit Number 58, based on the discussions that Mr. Johnston and Mr. Pelly had.

### RESPONSE:

The Corporation has provided an updated response to PUB (MPI) Undertaking 19 using the new minimum Total Equity of \$161 million and following the steps outlined in PUB (MPI) 1-25.

The Corporation set the Total Equity balance to \$161 million as of February 28, 2017 which resulted in an MCT ratio of 26.8%. The Total Equity balance was then adjusted such that the MCT ratio remained at 26.8% throughout the forecast period.

### Modified Base Scenario (in millions)

|                           | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---------------------------|---------|---------|---------|---------|---------|
| <b>Earned Revenues</b>    | \$934   | \$1,001 | \$1,067 | \$1,117 | \$1,170 |
| <b>Total Claims Costs</b> | \$915   | \$899   | \$911   | \$989   | \$1,079 |
| <b>Expenses</b>           | \$144   | \$149   | \$158   | \$162   | \$170   |
| <b>Investment Income</b>  | \$91    | \$36    | \$25    | \$42    | \$86    |
| <b>Net Income</b>         | (\$34)  | (\$11)  | \$24    | \$8     | \$6     |
| <b>Retained Earnings</b>  | \$125   | \$131   | \$136   | \$136   | \$116   |
| <b>Total Equity</b>       | \$161   | \$175   | \$175   | \$184   | \$173   |
| <b>MCT Ratio</b>          | 26.8%   | 26.8%   | 26.8%   | 26.8%   | 26.8%   |

The Corporation then applied each of the 1-in-20 and 1-in-40 year scenarios of the 2 year and 4 year Combined model with management action to the new modified base scenario. The output from this process is shown below.

**2-year, 1-in-20 Combined Scenario *including* Management Action with Modified Base (in millions)**

|                                 | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Rate Changes</b>             | 0.0%           | 4.3%           | 0.0%           | 0.0%           | 0.0%           |
| <b>Add'l RSR Rebuilding Fee</b> | 0.0%           | 0.0%           | 2.0%           | 0.0%           | 0.0%           |
| <b>Earned Revenues</b>          | \$934          | \$1,001        | \$1,079        | \$1,139        | \$1,192        |
| <b>Total Claims Costs</b>       | \$915          | \$989          | \$997          | \$1,041        | \$1,088        |
| <b>Expenses</b>                 | \$144          | \$149          | \$159          | \$164          | \$172          |
| <b>Investment Income</b>        | \$91           | \$72           | \$60           | \$57           | \$66           |
| <b>Net Income</b>               | (\$34)         | (\$65)         | (\$18)         | (\$9)          | (\$2)          |
| <b>Retained Earnings</b>        | \$125          | \$77           | \$40           | \$25           | (\$5)          |
| <b>Total Equity</b>             | \$161          | \$89           | \$30           | \$25           | \$31           |
| <b>MCT Ratio</b>                | 26.8%          | 3.3%           | -14.0%         | -14.9%         | -8.2%          |

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

|                                 | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Rate Changes</b>             | 0.0%           | 4.3%           | 0.0%           | 0.0%           | 0.0%           |
| <b>Add'l RSR Rebuilding Fee</b> | 0.0%           | 0.0%           | 2.0%           | 0.0%           | 0.0%           |
| <b>Earned Revenues</b>          | \$934          | \$1,001        | \$1,079        | \$1,139        | \$1,192        |
| <b>Total Claims Costs</b>       | \$915          | \$989          | \$998          | \$1,040        | \$1,088        |
| <b>Expenses</b>                 | \$144          | \$149          | \$159          | \$164          | \$172          |
| <b>Investment Income</b>        | \$91           | \$70           | \$51           | \$48           | \$63           |
| <b>Net Income</b>               | (\$34)         | (\$67)         | (\$27)         | (\$17)         | (\$5)          |
| <b>Retained Earnings</b>        | \$125          | \$75           | \$29           | \$5            | (\$27)         |
| <b>Total Equity</b>             | \$161          | \$74           | (\$0)          | (\$7)          | (\$6)          |
| <b>MCT Ratio</b>                | 26.8%          | -1.0%          | -22.8%         | -23.7%         | -17.8%         |

**4-year, 1-in-20 Combined Scenario *including* Management Action with Modified Base (in millions)**

|                                 | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Rate Changes</b>             | 0.0%           | 4.3%           | 0.0%           | 3.0%           | 3.0%           |
| <b>Add'l RSR Rebuilding Fee</b> | 0.0%           | 0.0%           | 0.0%           | 2.0%           | 2.0%           |
| <b>Earned Revenues</b>          | \$934          | \$1,001        | \$1,067        | \$1,147        | \$1,259        |
| <b>Total Claims Costs</b>       | \$915          | \$934          | \$990          | \$1,067        | \$1,109        |
| <b>Expenses</b>                 | \$144          | \$149          | \$158          | \$164          | \$176          |
| <b>Investment Income</b>        | \$91           | \$74           | \$64           | \$59           | \$55           |
| <b>Net Income</b>               | (\$34)         | (\$8)          | (\$16)         | (\$25)         | \$29           |
| <b>Retained Earnings</b>        | \$125          | \$134          | \$99           | \$67           | \$69           |
| <b>Total Equity</b>             | \$161          | \$158          | \$110          | \$70           | \$50           |
| <b>MCT Ratio</b>                | 26.8%          | 22.3%          | 8.2%           | -3.1%          | -3.4%          |

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

|                                 | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Rate Changes</b>             | 0.0%           | 4.3%           | 0.0%           | 3.0%           | 3.0%           |
| <b>Add'l RSR Rebuilding Fee</b> | 0.0%           | 0.0%           | 2.0%           | 2.0%           | 2.0%           |
| <b>Earned Revenues</b>          | \$934          | \$1,001        | \$1,079        | \$1,169        | \$1,283        |
| <b>Total Claims Costs</b>       | \$915          | \$987          | \$1,008        | \$1,075        | \$1,063        |
| <b>Expenses</b>                 | \$144          | \$149          | \$159          | \$166          | \$178          |
| <b>Investment Income</b>        | \$91           | \$74           | \$67           | \$58           | \$55           |
| <b>Net Income</b>               | (\$34)         | (\$61)         | (\$21)         | (\$14)         | \$97           |
| <b>Retained Earnings</b>        | \$125          | \$81           | \$40           | \$20           | \$90           |
| <b>Total Equity</b>             | \$161          | \$105          | \$48           | \$20           | \$71           |
| <b>MCT Ratio</b>                | 26.8%          | 7.6%           | -8.6%          | -15.7%         | 1.7%           |

The Corporation adjusted the starting Total Equity balance for February 28, 2017 such that the forecasted Total Equity balance approximates \$0 at the lowest point over the forecast period. The resulting Total Equity balance are as follows.

**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    |
|--------------------|---------|---------|------------|------------|------------|
| 2 year 1-in-20     | \$133   | \$60    | <b>\$0</b> | (\$5)      | (\$0)      |
| 2 year 1-in-40     | \$161   | \$74    | <b>\$0</b> | (\$6)      | (\$5)      |
| 4 year 1-in-20     | \$115   | \$111   | \$62       | \$20       | <b>\$0</b> |
| 4 year 1-in-40     | \$142   | \$86    | \$29       | <b>\$0</b> | \$51       |