

Dynamic Capital Adequacy Testing

DCAT.1 Summary Of Findings

1 I have completed the annual investigation of the future financial condition of Basic
2 Compulsory Autopac Insurance (Basic) as at February 28, 2019 in accordance with
3 accepted actuarial practice (AAP) in Canada. I have analyzed the forecasted financial
4 positions of the company during the five year forecast period under a series of
5 scenarios. A description of these scenarios and their impact on the company is
6 included within this report.

7 The most significant assumptions are described within this report. The investigation
8 incorporates assumptions relating to business growth, investments, claims frequency
9 and severity, transfer of capital between lines of business, and other internal and
10 external conditions during the forecast period. My report includes the identification of
11 key risk exposures and the corrective management and regulatory actions that could
12 be taken to mitigate the effect of plausible adverse scenarios.

13 In my opinion, the future financial condition of Basic is satisfactory because (i) Basic
14 exceeds the targeted Minimum Capital Test (MCT) ratio under the base scenario over
15 the forecast period and (ii) Basic Total Equity remains positive in all adverse scenarios
16 at the 1-in-100 probability level over the forecast period.

17 In my assessment of the reasonableness of the base scenario, I have noted that the
18 forecast assumes regulatory approval of MPI's proposed Capital Management Plan.
19 The Capital Management Plan provides the means to achieve the 100% MCT for Basic,
20 as codified in Reserves Regulation (76/2019). The results of the Basic Dynamic Capital
21 Adequacy Test (DCAT) are highly sensitive to the assumed capital transfers from MPI's
22 Extension line of business and to the assumed capital build and release mechanisms
23 proposed in this plan. I have tested the sensitivity of Basic future financial condition to
24 the changes from the Capital Management Plan as part of this report.

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