

Undertaking #14

Using the OSFI investment yield calculation on line 46 of page 10.60 of the annual P&C return https://www.osfi-bsif.gc.ca/Eng/fi-if/rtn-rlv/fr-rf/ic-sa/pc-sam/Pages/pc_irfs17_iv.aspx

- a) Could MPI please apply it to each of 2024/25 through 2027/28
- b) Confirm that this yield is net of investment expenses
- c) Confirm that this actual forecasted yield is higher than the 4.22% that MPI proposed to use for ratemaking or the 4.26% based on the asset allocation.
- d) Confirm that it is based on the actual expected investment income net of expenses of the Basic claims portfolio that MPI is forecasting
- e) Does MPI have any insight as to why this investment yield, based on the OSFI formula applied to the forecast financials, is higher than the expected investment yield based on the asset allocation?

RESPONSE:

Please see MPI's responses below:

- a) Refer to MPI Exhibit #75, response to Pre-Ask PUB (MPI) 7
- b) Confirmed.
- c) The forecasted yield for 2024/25 as per Pre-Ask PUB (MPI) 7 is higher than the 4.22% that MPI proposed for ratemaking (which was based on the new money yield as at March 31, 2023) because the data used for the forecasts are from different dates and interest rates changed between those dates. When the new money yield is updated with August 31, 2023 data it is 5.04% [see MPI Exhibit

#50 – PUB 1-5 (Fig 1)], which is comparable to the forecasted yield for 2024/25 of 5.05%.

d) Confirmed

e) When the yields are compared based on the same date they are within 1 basis point.