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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE
2012 GENERAL RATE APPLICATION
PRE-HEARING CONFERENCE

Before Board Panel:

Graham Lane - Board Chairman
Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
June 29th, 2011

APPEARANCES

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Candace Grammond) Board Counsel

Kathy Kalinowsky) Manitoba Public
) Insurance

Raymond Oakes) CMMG

Byron Williams) CAC

Marie MacLellan)

Nick Roberts) MUCDA

Jerry Kruk) CAA

Liz Peters)

David Schioler) IBAM

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3	PUB-1	Notice of public hearing and	
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1 --- Upon commencing at 10:03 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning,
4 everyone. Firstly, I want to recognize the proposed
5 intervenors based on prefiled forms. I believe that
6 those bodies seeking intervenor status are CAC/MSOS,
7 represented by Mr. Williams; CAA, represented today by
8 Mr. Kruk; CMM -- CMMG, represented by Mr. Oakes; IBAM,
9 represented by Mr. Schioler; and MUCDA, Manitoba Used Car
10 Dealers Association, by Mr. Roberts. I will call on each
11 of you later to make any introductory remarks you may
12 wish to make.

13 Firstly, just to see if we have anyone
14 else, if there's -- I don't see any other parties that
15 are intending to seek intervenor status. Thank you.

16 Board counsel is Ms. Gra -- Ms. Grammond,
17 and I'll call on her once I've -- I -- once I have
18 provided introductory comments to both introduce the
19 Board's advisors and comment on the proposed hearing
20 schedule. Thereupon, I will call on Ms. Kalinowsky for
21 MPI to provide any comments MPI may have with respect to
22 the intervenor applications as well as the process.

23 Joined by Dr. Len Evans, I call the pre-
24 hearing conference for MPI's fall General Rate
25 Application hearing to order. As most present are quite

1 aware, the Public Utilities Board mandate with respect to
2 MPI is to set basic rates. The Public Utilities Board is
3 a quasi-judicial administrative tribunal founded in
4 legislation. The Board independently arrives at findings
5 based not only on basic operations, but also the overall
6 situation and prospects of MPI.

7 Basic rates and fees for 2012/'13 are to
8 be established through the upcoming hearing, and those
9 rates should not only be just and reasonable, but be pace
10 -- be based -- be based on prudent expenditures.

11 Over the years, both -- both Dr. Evans and
12 I have developed an in-depth understanding of MPI. That
13 -- that said, our understanding can always be further
14 deepened.

15 Long before Dr. Evans joined this Board,
16 he was a cabinet minister in the government that
17 conceived and brought into existence MPI. Through that
18 period of time, from MPI's conception to implementation
19 to operations, Dr. Evans was at the cabinet table, first
20 as Minister of Mines and Natural Resources, later as
21 Minister of Industry and Commerce. Dr. Evans was in the
22 legislature for thirty (30) years, and from that time to
23 this date has been quite observant of MPI matters.

24 I have a different background than Dr.
25 Evans, but one that also has provided an understanding of

1 both property and casualty insurance and MPI. A
2 chartered accountant early in my career some forty (40)
3 years ago, I was the corporate controller of a private
4 Canadian property and casualty insurer. During my tenure
5 with Crown Investments of Saskatchewan, I had accounting
6 oversight responsibilities with respect to what was then
7 called SGIO, and was a member of the team that reviewed
8 SGI prior to its refinancing. Later, I was a vice-
9 president of the predecessor of what is now the Crown
10 Corporation Council, and in that role served as MPI's
11 interim president during the time when its program design
12 was altered to allow it to recover from a significant
13 loss. In that role I cooperated with and assisted Judge
14 Kopstein who headed the AutoPac Review Commission which,
15 among other things, recommended no-fault insurance.
16 Almost twenty (20) years earlier Judge Kopstein was the
17 chief drafter of the MPI Act.

18 Subsequent to my brief time with MPI, and
19 also following my tenure as the Chief Executive Officer
20 of another no-fault accident benefit provider, the
21 Workers Compensation Board, where, by the way, I also
22 served as the Chair of the Workers Compensation
23 Legislation Review Committee. The work of that Committee
24 included a thorough review of no-fault benefit schemes
25 across the western world, though focussed on Canada and

1 the United States. Judge Kopstein served as the Board
2 Chair of the WCB during my time in those roles.

3 As a consultant I was an advisor to
4 various parties with respect to MPI's initial PIPP design
5 and with respect to a number of MPI GRA proceedings,
6 fifteen (15) years or so ago. At one (1) of those
7 hearings I provided expert testimony. Also, I performed
8 a detailed review of ICBC for the Government of British
9 Columbia, and a similar review of the legislation
10 policies and operations of Nova Scotia's WCB, in the
11 latter case working with an actuary from a large
12 international accounting firm.

13 This will be my eighth GRA in which I will
14 have presided as the Board Chairman. In some of these
15 hearings Dr. Evans was on the panel. For others, he was
16 a member of the Board and kept current on MPI matters.

17 The Board has maintained a roster of
18 advisors that provide expertise and continuity, Mr.
19 Pallor -- Mr. Pelly of Eckler is an experienced actuary
20 that's acted for the Board for many years. As had -- as
21 has Mr. Cathcart and Pitblado, the latter now represented
22 by Ms. Grammond.

23 In sum, both this panel and the Board
24 overall are quite familiar with MPI. Firstly, I want to
25 remind all that this panel is finally -- filing --

1 findings will be based on the evidence placed before it
2 during the process that will unfold following this pre-
3 hearing conference.

4 Pre-hearing conferences have tended to be
5 short, but given the content of MPI's GRA filing, I have
6 some comments to make that will make this session longer
7 than it otherwise would be. My objective in expressing
8 the views and comments that follow is to provide enough
9 background context to the upcoming hearing to allow the
10 parties to, through the hearing, be as useful as possible
11 in assisting the Board in understanding the issues.

12 Openness and transparency is the clarion
13 call of this Board, so we need to represent that ahead of
14 the hearing in this session. In the upcoming hearing,
15 which will follow the approval of Intervenors in the
16 hearing schedule, which will follow today's session,
17 along with new matters and information, several matters
18 associated with past events will be addressed.

19 Most importantly we now have MPI's
20 application for 2012/'13 rates. In that application are
21 introductory remarks by both MPI's president and it's
22 chief financial officer. The remarks in the filing speak
23 to where the in -- the Corporation indicates it obtains
24 its direction from, which it appears is largely
25 government. As to how its Board of Directors fits into

1 the equation, we are not sure. But through the hearing
2 we expect to learn more.

3 The Board most recently dealt with the
4 aftermath of the initial 2011 rebate. A second round of
5 rebates was required to correct what this Board considers
6 errors in the initial rebate.

7 In addition, we still await the decision
8 of the Manitoba Court of Appeal on the matter of this
9 Board's ability to obtain information from MPI. The
10 stated case was argued before the court in January of
11 this year. Without the ability to obtain the information
12 the Board needs to make appropriate and fully supported
13 decisions on Basic rates, this Board has already provided
14 an opinion that its decisions on Basic rates are less
15 grounded and more subject to being wrong than is in the
16 public interest.

17 More recently MPI has sought leave to
18 appeal to the Manitoba Court of Appeal. MPI's motion
19 follows our rejection of MPI's earlier application for a
20 review and vary of Order 122/10. Board Order 44/11
21 rejected MPI's motion for a variance of 122/10. A
22 variance that if MPI had succeeded would have deleted the
23 Board's direction that MPI allocate PIPP costs associated
24 with exempt vehicles to MPI's non-Basic lines of
25 business.

1 The Board considers the present allocation
2 of those costs to Basic, an allocation which it appears
3 have been in place for, perhaps twenty (20) years, to
4 represent an unjust charge negatively affecting Basic
5 rates. For this Board, while the payment of benefits is
6 dictated by legislation, the allocation of resultant cost
7 is not. And MPI has, until now, accepted the Board's
8 ability to approve and/or amend the Corporation's
9 allocation formula.

10 While the Board's motion -- while MPI's
11 motion, I should say, for leave to appeal was filed late
12 after PUB's rejection of the Corporation's review and
13 vary application, nonetheless, it is up to the court to
14 accept or deny leave. The Board will oppose the granting
15 of leave. However, if accepted, there will be two (2)
16 important matters before the court concerning this
17 Board's jurisdiction.

18 MPI has not followed this Board's
19 direction with respect to the allocation matter in its
20 GRA filing. And I should note it is a very material
21 matter. The approach taken to MPI has been in place, as
22 I said, for twenty (20) years, and I expect the Board
23 will seek an amended filing.

24 In any case, without these two (2) matters
25 now before the court resolved, the upcoming GR proceeding

1 will be disadvantaged once again to the detriment of
2 MPI's policyholders. This is unfortunate. Both PUB and
3 MPI exist for the benefits of motorists.

4 Public auto insurance can have a different
5 connotation than government auto insurance. in its rate
6 applications, particularly with the most recent filing,
7 MPI appears to defer to government and its preferences,
8 although those preferences are not openly disclosed and
9 does not even present MPI's position on matters of
10 significance to policyholders.

11 It is important to note that this Board is
12 not privy to government's directions to MPI. It also is
13 important to note that the Board and MPI can be expected
14 to have different perspectives on important matters and
15 could even be guided by different objectives.

16 It is also important that this Board's
17 perspective on significant matters related to its
18 exercise of its responsibilities is known to the parties.
19 If MPI continues to refuse the Board's request for
20 information on its non-Basic lines of business this will
21 make the work of this Board very difficult.

22 MPI has acknowledged that 95 percent of
23 its Extension business is comprised of Basic ratepayers,
24 and the Board has noted that the ratio of claims to
25 premiums for Extension fell to below 60 percent, as

1 indicated in MPI's 2009/'10 annual report. A ratio
2 suggesting that Extension's mainly Basic ratepayers are
3 subsidizing the Corporation's losses on DVL operations,
4 that operation provided on the commission of government.

5 As well, MPI continues not to act on
6 recommendations that this Board holds to be germane, an
7 example being the family transfer issue, and it continues
8 to refuse even to provide its corporate opinion and/or
9 thoughts on a wide variety of matters of significance
10 related to program design and other insurance-related
11 matters.

12 The continuation of these practices by MPI
13 could unfortunately make for another relatively difficult
14 proceeding. With respect to MPI's failure to allocate
15 PIPP costs associated with exempt vehicles to non-Basic
16 lines of business this Board could presumably simply
17 disallow those costs in setting Basic rates.

18 One (1) question is: How far back would
19 be reasonable? Hopefully, the premiers 2010 request of
20 departments and agencies of government to strive for more
21 openness and transparency will be honoured by MPI's
22 conduct in this proceeding. Though the premier's
23 exhortation was raised at last year's process, MPI, in
24 our view, did not respond.

25 Moving on to other events of the last two

1 (2) years marked by a massive adjustment to unpaid
2 claims, an extraordinary rebate, and two (2) retroactive
3 benefit changes, none presented at a hearing ahead of
4 their occurrence, some might conclude that the primary
5 issue to be tested at this year's hearing has to do with
6 credibility. In short, should this Board rely on MPI's
7 forecast, statements, testimony, it's external actuary's
8 opinion, and its external auditor's opinion? I say this
9 with no intent to either insult, confront, or provide a
10 finding ahead of the receipt of evidence and
11 consideration of same. It is but a question that events
12 suggest needs to be asked and hopefully answered in the
13 affirmative.

14 While hope springs eternal, recent events
15 raise serious concerns. If little or no credibility can
16 be assured to the opinions expressed on significant
17 matters by MPI, its external actuary or -- and/or its
18 external auditor, rate setting, which is also a difficult
19 task in the best of circumstance, will become even more
20 difficult.

21 In a recent MPI press conference, MPI's
22 president indicated that MPI's proposal, which is now
23 before us, that being, to reduce average Basic premium
24 reductions by 6.8 percent was attributable to, and I
25 quote:

1 "Fewer auto thefts, corporate
2 efficiencies, and an expected surplus
3 as a result of fewer long-term injury
4 claims."

5 MPI's president also stated this with the
6 respect to the recent downward adjustment to unpaid
7 claims that this adjustment in past long-term claims also
8 impacted future forecasts, which is largely responsible
9 for the proposed decreased future revenue requirements.

10 I note that the \$250 million noted by the
11 MPI president, very material on its own, is, after taking
12 into account the actuarial cost of two (2) separate
13 retroactive benefit improvements, also deducted from
14 unpaid claims up to a total well in excess of 100
15 million, and presents an even more excess of claims
16 liabilities to consider. So let us not forget that the
17 adjustment made in the fourth quarter of MPI 2010/'11
18 fiscal and insurance year would have even been greater if
19 the retroactive benefit enhancements had not taken place.

20 There are also other aspects of -- of this
21 matter of concern that will be canvassed in the upcoming
22 hearing. The 2010 GRA process was conducted in -- was
23 concluded in early December 2010, yet on March 24th of
24 this year the Board received the following filings from
25 MPI: MPI's external actuary report as at the 31st of

1 October of 2010; a press release dated March 18th of this
2 year in which the minister responsible for MPI announced
3 a further retroactive benefit improvement for those
4 seriously injured in auto crashes; in the same release,
5 MPI's president advised of the reduction in MPI's unpaid
6 claims in excess of 250 million; and a draft unaudited
7 fourth quarter '10/'11 financial statements which were
8 received in confidence by the Board pending the tabling
9 of, I assume, the audited statements in the legislature.

10 Following this hearing and in considering
11 what I now have to say, you may want to reread the
12 transcript from the Board's March 30th special hearing.
13 At that time I noted the Board's rebate direction of
14 Order 122/10 was conditional on MPI's filing and the
15 Board deciding on information additional to the evidence
16 of last fall's rate proceeding, and the Board's decision
17 was based on the fact that the Board can vary any
18 previous decision.

19 As it turned out the Board did exactly
20 that, following in the receipt of the new information
21 from MPI, and after hearing from Intervenors and the
22 Corporation at the March 30th hearing. The Board's
23 initial and conditional rebate of 10 percent was based on
24 the evidence available at the time we issued 122/'10,
25 that evidence arose in the fall 2010 MPI General Rate

1 Application proceeding. Included in the considerable
2 evidence filed in that proceeding were both MPI's
3 forecast of basic net income for its fiscal year '10/'11
4 and its anticipated RSR balance as of February 28th,
5 2011.

6 Those forecasts both contained reports of
7 significantly lesser amounts of net income and RSR levels
8 than those stated in the initial draft fourth quarter
9 statement -- statements. The forecasts that were
10 presented in the fall of 2010 were based on assumptions
11 affecting a projected year end '10/'11 unpaid claims
12 liability.

13 The question is: Did those assumptions,
14 as reflected in the evidence of the fall 2010 hearing and
15 re-confirmed in MPI's December 2010 update to the Board,
16 actually reflect MPI's real expectations at that time?
17 When it issued Order 122/10 the Board was very, and I
18 stress the word "very," aware that the MPI's external
19 actuary was conducting a review of the Corporation's
20 claims development and related matters as of October
21 31st, 2010, and that the outcome of that review could,
22 despite MPI's publicly stated expectations, materially
23 affect not only the balance of unpaid claims, but also of
24 fiscal '10/'11 net income and ending RSR level -- or
25 balance.

1 The expectation of receiving updated
2 information, including the actuary's report, before
3 concluding on the rebate decision was a key factor in why
4 the Board made the 10 percent rebate conditional. Again,
5 I stress the word "conditional."

6 Unfortunately, and I put this on the table
7 to allow MPI to, hopefully, successfully refute it during
8 the GRA to come, I suspect that MPI was aware much
9 earlier than February 3rd of 2011, the date of the
10 release of the external actuary's report, that the
11 actuary had concluded that MPI had a major excess of
12 claims reserves. I now repeat what I said on March 30th:
13 If MPI was not aware of the actuary's findings prior to
14 February of this year, it appears that some, and I quote
15 my own words, amazingly quick work occurred to allow for
16 a seemingly concurrent decision to again retroactively
17 increase basic benefits.

18 Given the events of the past
19 circumstances, I doubt the second retroactive benefit
20 increase would have occurred without the downward
21 adjustment to unpaid claims. Perhaps MPI will be able to
22 convince this Board that my suspicion is groundless. We
23 will see.

24 Consider that it was not that long ago
25 that benefits were improved on a retroactive basis for a

1 similarly defined group of individuals, and consider that
2 there was no suggestion at either the fall 2010 hearing
3 or in correspondence from MPI to the Board in December
4 2010 that there was any thought that the first round of
5 benefit improvements for the group was not comprehensive,
6 and a further amendment would be required. Consider also
7 that this Board specifically asked MPI, in the fall 2010
8 proceeding, if further benefit improvements were at hand,
9 and was assured, No.

10 Unfortunately, this is not the first time
11 the Board has concluded it was misled, whether
12 inadvertently or by intent. At the special hearing of
13 MPI's driver safety rating proposal, I asked a similar
14 question and got a similar answer, No, only to be later
15 surprised with the first retroactive benefit enhancement
16 for those catastrophically injured in a motor vehicle
17 accident. I acknowledge that MPI holds that it did not
18 mislead the Board at that time, this being just one (1)
19 of the possible misunderstandings that exist between the
20 Board and MPI.

21 Consider also, as I noted -- also noted on
22 March 30th and commented on in Order 43/11, that MPI has
23 a lengthy record of providing, in hindsight, inaccurate
24 forecasts. I said in hindsight -- inaccurate forecast of
25 incurred claims, net income, unpaid claims liability, and

1 rate stabilization reserve balances. Similar, MPI has a
2 record of retroactive and material benefit changes that
3 were not disclosed to the regulator until after the fact,
4 and after the regulator had set rates and rebate
5 directions for the next year.

6 It is unclear as to why MPI doesn't
7 support the use of the annual rate hearings as a forum to
8 discuss program design, this to survey and obtain the
9 perspectives of policyholders' interests. Why not make
10 the most of the experience? In not doing so, is MPI
11 operating in the spirit of the legislative actions that
12 brought MPI into existence and allows its continuance to
13 this day?

14 Intervenors have categorized the long
15 string of what, in hindsight, have been materially
16 inaccurate forecasts as an ongoing and regular
17 overcharging of basic policyholders. The Board concurs
18 as to the result, but that note -- but notes that, in
19 each case, the forecasts were either based on or tested
20 to by MPI's external actuary and its external auditor.
21 The excess over the years have led to a succession of
22 rebates, and as has been -- also said before, while
23 rebates are generally welcomed by policyholders, at least
24 when they are in the correct amount, rebates reflect
25 failure.

1 The rebates have been related to, and I
2 have said in -- again, in hindsight, have proven to be
3 inaccurate forecasts of not only just one (1) past year,
4 but several past years. Continual material misstate --
5 misstatements -- restatements of all ultimate incurred
6 claims affects rates, rebates and intergenerational
7 equity, and is contrary to the concept of fair and
8 reasonable rates.

9 As well, the buildup of excess unpaid
10 claims reserves may encourage sudden day -- sudden
11 changes in benefits without the prior participation of
12 policyholders in a review of program options. It would
13 seem that this concern has more than some basis in fact.

14 In my remarks of March the 30th, I also
15 indicated that material variances from forecasts create
16 other problems which, again, to repeat the comments of
17 March 30th, come in at least three (3) dimensions.
18 Rebates are expensive to pay -- administrative postage,
19 the impact on investment revenue. Rebates affect annual
20 net income and RSR balances. They also affect the
21 trends. In short, they distort the financial
22 representation of MPI.

23 And, 3), more importantly, the rebates
24 don't always go to the right policyholders. Or if they
25 do go to the right policyholders, it can be in an amount

1 that is not perfectly correct. Rebates mean that past
2 years results, forecasts, and rates have not been, in
3 hindsight I grant, accurately calculated, just as CMMG
4 has suggested year after year.

5 As well, the recent experience also adds
6 yet another problem with rebates, the understanding of
7 what is wanted by a Board direction to act can be
8 interpreted in a way that ends up not being
9 representative of what the Board considers to be in the
10 public interest, thus causing confusion, policy anger,
11 lost revenue through overpayments, and additional
12 administrative costs.

13 Returning to the subject of material
14 differences between forecasts and actual results, when a
15 private traded company misses its earnings forecast by as
16 little as a few cents, their stock value often plunges.
17 Can you imagine what would happen if either the Royal
18 Bank, the Potash Corporation, or, say, CNR missed their
19 predicted net income result by 50 percent or more year
20 after year?

21 MPI's forecast have been, again I say in
22 hindsight, out by material amounts year after year. With
23 the March 30th special hearing and subsequent review and
24 vary Order, the Board felt obliged to act quickly.
25 Otherwise, it was probable that a tabled audited MPI

1 financial statement would be impossible to retrieve,
2 amending the rebate later would it -- it would appear
3 have caused only confusion and, as well, exacerbated the
4 injustice.

5 At no time between March 31st when the
6 rebate of 45 percent was directed, and MPI issuing the
7 cheque six (6) weeks later did MPI bring predictable
8 policyholder perceptions of unfairness to our attention.
9 The Board only learned of the problem associated with
10 MPI's interpretation and PUB's direction and intent from
11 complaints that literally poured in following
12 policyholders receipts of their cheques.

13 As the Board began receiving and reviewing
14 complaints we quickly became aware of problems with the
15 rebate calculations and brought the complaints and a
16 possible solution to MPI's attention through our
17 advisors. The Board suggested an approach to address the
18 problems. And again, through our representatives, asked
19 MPI to provide numbers and related information.
20 Subsequently, and despite MPI's indication that it
21 preferred to wait it out and it's view that the results
22 of the rebates represented the usual bell curve of
23 winners and losers, the Board suggested MPI re -- request
24 a review and vary. As it turned out the Corporation did
25 not seek a review and vary until after CAA -- CAC/MSOS

1 and CAA held a press conference.

2 We accept MPI's assertion that the
3 Corporation acted on the Board's direction and followed
4 the methodology it employed for the previous three (3)
5 rebates. And the one (1) rebate before that -- that one
6 was implemented through deductions from next year's
7 premiums. The worst of all applications from the
8 perspective of fairness some may think.

9 What is troubling with respect to the
10 recent event is that MPI apparently didn't consider that
11 the effect of employing the approach of the past three
12 (3) rebates, given a rebate of 45 percent, not 10
13 percent, would disappoint a large number of
14 policyholders, and provide some ratepayers with more than
15 twelve (12) months of benefit.

16 Also troubling is that even when MPI
17 became aware of the complaints and was receiving specific
18 and very direct inquiries from this Board through our
19 representatives, the Board (sic) resisted, that is, until
20 CAC -- CAC/MSOS and CAA held their press conference.

21 And then, rather than providing the Board
22 with the information on the Board's suggested solution to
23 the problems, a sharing that would have avoided the risk
24 that the Corporation's interpretation of the Board's
25 suggested fix could be further improved on, the

1 Corporation held a press conference and announced a
2 subsequent payment to a hundred and fifty-eight thousand
3 (158,000) or so ratepayers.

4 Again, taking the approach they took
5 risked further confusion. And following notice of the
6 Board's acceptance of MPI's application for review and
7 vary of 43/11, and the Board's direction to pay out
8 further rebates, MPI's spokesperson was quoted by the
9 media as saying, and I quote, this is from a Sun article:

10 "We were under no obligation to do so."

11 Employing -- implying that MPI's
12 additional rebate cheques were provided out of the
13 Corporation's goodwill. In all fairness, a patently
14 incorrect statement. One particularly troublesome, given
15 MPI's initial reluctance to act.

16 The Board's engagement with the
17 Corporation towards finding a solution to the evident
18 problem and the reality that not having received the
19 desired information from MPI that the Board -- that -- is
20 that the Board had ahead of MPI's action instructed
21 counsel to advise the parties that the Board would review
22 Order 43/'11.

23 In short, and in the interest of
24 transparency, parties should be aware that this Board
25 would have acted to review even if MPI had not sought the

1 review and even if, not in any way complaining about the
2 action of CAC/MSOS and CAA, had not called for an
3 inquiry.

4 By the way, and with respect to the
5 previous rebates by way of cheques calculated and paid in
6 the same fashion as MPI, handled the direction of 43/'11.
7 While the unfairness in the approach as detected in the
8 recent case was restricted by the relative smallness of
9 the earlier rebates, those being a 10 percent, not 45
10 percent, in hindsight, those distributions were also less
11 equitable than they could have been.

12 We will never know whether the Board's
13 direction in those cases would have been different if it
14 had the same degree of awareness of the result as it
15 ended up having in the recent case.

16 If one wants to call them the errors of
17 the past, the Board will accept that interpretation, and,
18 as well, share the responsibility. It seems clear that
19 the Board should have been more prescriptive and sought
20 more information on the implications of the approach.

21 The Board focussed on returning funds
22 deemed in excess of MPI's legitimate needs and assumed
23 too much, while not testing enough the methodology in
24 return. Going back to the root of the most recent
25 problem, the question is: When did MPI discover its

1 unpaid claims liability was materially overstated?

2 In its recent application, MPI suggests
3 that the Board should have been aware of that since at
4 least 2005. At that -- at the upcoming GRA, we will seek
5 the basis for that statement because it is a question
6 that demands an answer.

7 For every year MPI applied for rates
8 based, in part, on external actuary reports and opinions
9 that were supported by external audit opinions all
10 suggested MPI's portrayal of its unpaid claims liability
11 was reasonable.

12 Returning to the most recent actuarial
13 adjustment, from copies of internal memos provided to the
14 Board in response to the Board's request of MPI and just
15 ahead of the March 30th special hearing, it appears that
16 MPI knew in 2010 that its provision for unpaid claims was
17 materially overstated.

18 As this is the impression the Board has
19 formed, it is important for MPI and the Intervenors to be
20 aware of that so the matter can be properly understood.
21 The Board understands that MPI's external actuary works
22 from and/or relies on actuarially data and analysis
23 prepared by MPI's own actuarial staff.

24 So it seems quite possible, if not
25 certain, that MPI knew it had a problem even before the

1 Board issued its GRA rate and rebate order in early
2 December of 2010. The Board now wonders as to just when
3 MPI determined that a material downward revision to
4 unpaid claims was warranted and exactly what were the
5 factors that contributed to the new awareness and the
6 required revised amounts.

7 While the Board understands that Ernst and
8 Young's actuarial review required the review of MPI's
9 external auditor in the light of events to the end of
10 MPI's '10/'11 fiscal year before the external -- before
11 the external auditor KPMG could provide a clear opinion
12 on MPI's draft financial statements, questions still
13 remain.

14 In other words, we fully realise that KPMG
15 would have to go over Ernst and Young's report before
16 they can conclude and put an opinion on the final '10/'11
17 statements.

18 Did MPI at least suspect that its unpaid
19 claims liability was overstated prior to the end of the
20 evidentiary part of the fall 2010 rate hearing? Did it
21 already have such a view when it sent its update of its
22 forecast to the Board in December of 2010? Comments in
23 the introductory segment of the current GRA suggests that
24 the Corporation was aware or ignoring the comments in the
25 introductory remarks to the GR filing, did MPI only know

1 of this information just before, that is, in March, 2011,
2 when it provided the Board with the actuarial report and
3 the draft fourth quarterly unaudited statements,
4 statements evidently ready for finalization and tabling
5 in the legislature?

6 One (1) tentative finding seems self-
7 evident. Again, it seems clear that this Board will need
8 to be much more prescriptive in its directions to MPI and
9 seek out the implications of MPI's interpretations of its
10 directives before giving the green light to an action
11 such as the issuance of rebate cheques.

12 What is still not clear, a question that
13 hopefully can be responded to adequately in the upcoming
14 hearing is how credible were MPI's filings and testimony
15 before this Board in recent years.

16 It appears clear that the external actuary
17 and audit opinions relied on year after year, and likely
18 to be relied on in future years, cannot guarantee or even
19 provide a reasonable assurance as to the accuracy of
20 either MPI's published financial statements or forecasts.

21 The value of those external opinions is,
22 unfortunately, certainly worthy of question. We wonder
23 as to the reaction of their external auditor who
24 testified at the fall 2010 Hearing that the externals --
25 at that time that the external actuary's work, and the

1 result of that work was reasonable. We wonder as to his
2 reaction to the news that the unpaid claims was so
3 materially overstated.

4 If the Board had been aware of the
5 external actuary's report as of October 31st, 2010, and
6 its impact on unpaid claims -- incurred claims, net's in
7 -- net income and RSR before it issued 122/'10, or ever
8 knew it was in doubt, it would have considered the new
9 information before issuing the Order and its direction of
10 a conditional rebate of 10 percent, and as well, the rate
11 changes.

12 The same view exists with respect to the
13 latest retroactive benefit enhancement. If MPI knew when
14 last fall's GRA was still in process -- in process that
15 its unpaid claim's provision was significantly overstated
16 and that further retroactive benefit enhancement was a
17 possibility, and that future rates should be lower, why
18 didn't it bring those matters to the fall 2010 Hearing,
19 or at least bring those matters forward to the Board in
20 its correspondence of December 2010?

21 For this Hearing, and all future Hearings,
22 the Board expects full and timely information on all
23 material matters including all forecasts, expectations of
24 changes that have either occurred, or can be expected, or
25 may be expected to occur.

1 These matters include any plans to amend
2 benefits prospectively or retroactively. MPI was
3 established to benefit motorists. Receiving pertinent
4 information for its Board of Directors and government and
5 leaving both this Board and MPI policyholders, the latter
6 represented by Intervenors to this proceedings, in the
7 dark is not in the public interest, nor is it consistent
8 with the spirit which drove the incorporation of MPI.

9 This Board's mandate was established by
10 legislation intended to protect the public's interest.
11 And as best as we are able to do, we will. It may be, in
12 the absence of a wider mandate, that this Board will have
13 to settle with recommendations and comments as it hasn't
14 in recent years.

15 Let us again examine the record, and if I
16 make any misstatement, I rely on MPI to correct me. As a
17 litany of past experiences was voiced on March 30th, I
18 will not repeat the rendition of the long string of
19 material variances that have occurred over the last
20 decade, other than providing a brief summary,
21 particularly for those that are new with us, leaving you
22 to revisit the transcript of the March 30th Hearing.

23 From MPI's 2004/'05 fiscal year through to
24 and including '10/'11, the adjustments of incurred but
25 not reported claims arising out of the work of Ernst and

1 Young's actuarial work appear to have totalled
2 approximately \$700 million - an astounding difference.

3 The adjustments were all the same,
4 reducing IBNR, and in every one (1) of those fiscal years
5 had a significant impact on the accuracy, in hindsight,
6 of net claim incurred forecasts. And this happened at a
7 succession of annual fall rate Hearings, all affecting
8 the rate and rebate directions that flowed out of those
9 proceedings.

10 With respect to the annual claims
11 incurred, a major element in MPI's costs as reported in
12 its annual reports, and a major contributor to the
13 financial picture of MPI that the Board relies on and
14 when setting rates and deciding on rebates. There has
15 also been a long series of annual adjustments, all
16 reducing claims incurred with respect to prior years'
17 claims incurred.

18 Again, in summary, including MPI's fiscal
19 years from 2004/'05 through to and including '10/'11, the
20 excess of the forecast of incurred claims -- incurred
21 claims compared to actual claims incurred totalled, it
22 appears, approximately \$550 million - also an astounding
23 amount.

24 This represents a consistent trend in
25 claims incurred. All materially affecting net income,

1 all affecting the Board's perspective of MPI and the
2 solidity of its posted results and forecasts, all
3 affecting the setting of rates, the direction to pay
4 rebates, and all affecting ratepayers, past and present.
5 And let us not forget the also unexpected and not
6 forecast retroactive benefit changes, which I've
7 mentioned before, not reported to the Board at the GRA
8 preceding the changes. Each known would have had an
9 effect.

10 So how can or should this Board deal with
11 all of this, all these developments? Successive Board
12 panels have given MPI quite a bit of leeway in explaining
13 these events, accepting, against the advice of
14 intervenors such as CMMG, the opinions of MPI's external
15 actuary, its external auditor, and its MPI senior
16 management. PUB has consistently taken the view that a
17 string of excesses could presumably be followed by a
18 report indicating a major shortfall.

19 Now, upon reflection, one would think
20 that, with the expertise, historical data and models and
21 other information available to MPI and an external
22 auditor and its external actuary and its internal
23 actuary, the forecasts of incurred claims would have been
24 much closer than they have been, and that successive
25 variances would not now, for seven (7) years, have been

1 all one (1) way.

2 Notwithstanding MPI's present assertions
3 in the president's introductory remarks included in the
4 current GRA, no evidence has been placed before the Board
5 indicating serious systemic issues in claims reserving
6 that made year-end unpaid claims liability levels, as
7 reported, unreasonable.

8 In fact, the evidence provided by MPI and
9 MPI's external auditor have suggested that the actuary
10 was working within -- within actuarial standards, a view
11 last confirmed by MPI's external auditor, who testified
12 last fall before this Board. Therefore, the Board's
13 recent and historical assumption has been that,
14 eventually, the pendulum would swing the other way and a
15 negative difference would develop. What view should we
16 now take? Hopefully, this year's GRA will prove helpful.

17 Based on MPI's filings, starting with
18 2004/'05 and concluding with '10/'11, the aggregate
19 approved net income forecast in the GRA's applications
20 was a modest 2 million for a seven (7) year period.
21 However, for the same period, MPI revised its forecast in
22 every one (1) of those years, increasing the aggregate
23 net income forecasts for those years in the hearing from
24 the fall -- from a modest 2 million to 149 million - a
25 substantial sum.

1 But so much for forecasts. The bigger
2 question is: What was the aggregate net income for those
3 seven (7) years, as reported in MPI's audited account?
4 It was not the 2 million that was employed in the rate
5 proposal, nor was it the revised accumulated forecast of
6 149 million provided at the following year's hearings,
7 but, and before the actuarial and -- and retroactive
8 benefit adjustments of '10/'11, and also before the
9 amended and recent rebate of approximately 330 million,
10 it was for an accumulated net income approximating \$650
11 million. In short, in a seven (7) year period, MPI was
12 out by almost \$650 million in -- in the net income
13 forecast used in its GRA filing, and by 500 million in
14 its updated forecast provided at those hearings.

15 Each year, the Board asked MPI to provide
16 an updated summary of initially projected, revised,
17 forecasted and final actuary amounts of claims incurred
18 for about the last -- latest ten (10) years. The
19 projected amount corresponds to that provided within the
20 GRA proposal for rates for the year in question; the
21 actual amount is available two (2) years later, after the
22 close of the accounting period in question.

23 MPI has previously argued that IBNR
24 adjustments, like the 263.3 million net favourable runoff
25 noted for fiscal '10/'11, should be considered as a

1 variance, not as a source of forecasting error, even
2 though MPI has acknowledged that these adjustments
3 represent differences between forecasts and actual
4 incurred loss amounts.

5 The Board understands that MPI's
6 perspective is that the IBNR adjustments are not
7 reasonably foreseeable, this because they are not
8 expected to arise at the time of a given actuarial
9 valuation, and are not quantified until a later
10 valuation.

11 The claims incurred forecasting that MPI
12 does is predicated, in part, on what we have considered
13 to this date to be a reasonable assumption that the
14 latest valuation provides a solid estimate of the
15 expected ultimate cost of prior years' claims as a basis
16 for forecasting future years' claims.

17 When a subsequent valuation gives rise to
18 a change in estimates for the cost of those prior years
19 the change flows through the claims incurred for the
20 current accounting period. While the Board does
21 appreciate the nuance of MPI's argument, to put it
22 mildly, I for one find it hard to avoid the fact that any
23 difference between forecast and actual is just that, what
24 everyone calls it.

25 As I said on March 30th, the Board further

1 understands that the standards of practice of the
2 Canadian Institute of Actuaries binds an actuary doing
3 professional work by the Institute's rules of
4 professional conduct as well as the standards of
5 practice. While there may be circumstances calling for
6 prudent conservatism in the face of unusual uncertainty,
7 those standards stipulate, and I again quote:

8 "The appropriate model or data
9 assumption for a matter -- for a matter
10 is the best estimate assumption of that
11 matter modified, if appropriate, to
12 make provision for adverse deviations."

13 Best estimate is defined as, again quote:

14 "Without bias, neither conservative nor
15 un-conservative."

16 And presumably this is the context in
17 which the valuation work for MPI has been and is being
18 done.

19 The Ernst and Young valuation report as of
20 the October 31st has about one half (1/2) -- I'm gonna go
21 back a bit. The Ernst and Young evaluation report of
22 October 31st, 2009, has about one half (1/2) of the
23 commentary present in the corresponding report of October
24 31st, 2010, one half (1/2). This with respect to the
25 details of the actuary's analysis for accident benefits,

1 weekly indemnity, and accident benefits other indexed.

2 The extra commentary in the latter report
3 discusses a shift in the new valuation to more direct
4 reliance on the latest experience in the assumption
5 setting process, the reasons for the shift, and the
6 impact of changes and reliance on different
7 methodologies. As I reported in the March 30th hearing,
8 the level of disclosure in October 31st, 2010 report is,
9 from the Board's perspective, improved and reveals
10 information that wasn't provided in earlier reports.

11 In the interrogatories, and during the
12 hearing of last fall, there was reference made to the use
13 of best estimates and prudent best estimates in the
14 evaluation process, but there was no hint of the
15 potential for favourable run-off of the order and
16 magnitude indicated by the latest -- the October 31st,
17 2010 report.

18 The Board is still, as of this date,
19 unaware as to what drove the actuary's decision to
20 accelerate recognition of the latest experience in the
21 valuation as of October 31st, 2010, and in this GRA will
22 be seeking much more information from MPI and its
23 actuary. We need to understand exactly if in previous
24 years the actuary and the external auditor lacked
25 adequate information to base their opinions on the

1 reported value of unpaid claims. If that information is
2 either now available, or if there is more information
3 than is -- that is required to allow the actuary and
4 auditor to be more assured as to the accuracy of the
5 forecast going forward, we need to know this. We need
6 more information to be able to judge the credibility of
7 these reports.

8 One might say that this Board comes into
9 this GRA with eyes wide open. Although there is no
10 reference to the PIPP infrastructure project and the
11 discussion of the changes in assumptions and the choice
12 of methodology for the two (2) client -- two (2) key
13 lines of business that gave rise to most of the
14 favourable run-off reported in the Ernst and Young
15 report, there is reference to a September 2010 launch of
16 a new claims management system.

17 In this hearing we will want to know if
18 there is more to this. Just what changes have occurred?
19 And exactly what new information is available that
20 allows, or will allow, MPI to have more confidence in its
21 unpaid claims liability level?

22 Given the Board's experience with MPI and
23 our review of the Ernst and Young report, a review
24 assisted by our external actuarial advisor, it is our
25 understanding that there may or -- may still be

1 conservatism left in the estimates for these two (2) key
2 lines of PIPP business, that apart from any explicit
3 provision for adverse deviations. This too will be
4 further explored in this GRA and the Board looks forward
5 to hearing that evidence.

6 By the way, one (1) thing that has become
7 clear through this latest experience with respect to
8 unpaid claims liability, and that is that this Board was
9 correct when for years it urged MPI to upgrade its
10 capacity and output, and of PIPP analysis. Introduced in
11 1994, seventeen (17) years ago, PIPP has apparently
12 lacked the data support required to establish reasonably
13 accurate unpaid claims liabilities amounts as the
14 Corporation -- at -- as at the Corporation's year-ends.

15 Hopefully we will learn much more as to
16 how this apparent deficiency has and will be addressed at
17 the upcoming hearing. With all of this going on and with
18 actuarial reports and assumptions, seemingly the largest
19 and certainly the most volatile driver of MPI's annual
20 Basic results, it is no surprise that this Board seeks
21 far more openness and transparency from MPI than has been
22 the case in recent hearings.

23 MPI's Basic AutoPac Program is a mandatory
24 program provided in a monopoly environment. Those
25 subject to a mandatory Basic Program cannot select a

1 different insurer. While the surrogate for competition
2 in the case of the monopoly is regulation, the question
3 is: Has regulation kept pace with the changes that have
4 occurred -- that have occurred in and affecting MPI since
5 the regulatory design was put in place?

6 MPI has many advantages compared to
7 insurers in the private market. The advantages include
8 the backing of the province, the reality of a mandatory
9 product, and being a monopoly. The rate setting
10 approach, which involves upgrade and vehicle growth
11 expectations, provides for the likelihood of ever-
12 increasing annual premium revenue even in the absence of
13 an overall rate increase. Annual upgrade and volume
14 factors provide for premium growth that compensate for
15 cost growth and perhaps even above the general rate of
16 inflation. A better test of MPI's competitiveness and
17 efficiency can and should be found.

18 While this Board has long sought
19 efficiency benchmarks, MPI regularly defers developing
20 same, favours simply asserting that it is efficient. In
21 its most recent press conference, MPI stated that one (1)
22 of its reasons for its being able to propose a large rate
23 reduction was its efficiencies. Given the significant
24 increase in staffing and the millions spent on
25 technology, and apparently millions more to be spent, the

1 latter, for which no cost benefit analysis has yet to be
2 supplied, what is the evidence of these efficiencies?

3 The objective of a regulator in dealing
4 with a monopoly is to gain assurance of fair -- of
5 reasonable rates based on prudent expenditures. Meeting
6 this test involves reliance on an external actuary and an
7 auditor, and it does also require reliance on the
8 regulated enterprise. Hopefully all have a common goal,
9 that being to serve the public interest. This goal has
10 been difficult to achieve with MPI seemingly sitting on
11 ex -- seemingly -- extremely important information and/or
12 too often not bringing the Board into play until the last
13 possible minute, when MPI's requirements involve gaining
14 the Board's final approval of rates or rebates or the
15 issuance of rebates.

16 And MPI has not been reluctant to bring
17 forward -- bring forth even more changes after the Board
18 has provided what it may have thought was its final rate
19 approval. Consider the recent examples of retroactive
20 benefit changes and actuarial adjustments that followed
21 the 2009 DSR hearing and the 2010 GRA hearing.

22 At last fall's hearing the Board asked MPI
23 if it was aware of any new benefit changes. MPI answered
24 in the negative. And when MPI provided updated forecast
25 in 2010, no mention was made of another benefit

1 to Basic policy parameters had been filed at a Board
2 Hearing or fully or openly discussed.

3 Premiums were paid, in hindsight,
4 evidently in excess of that required, but not for the
5 purpose some of the excess is now to be employed. It is
6 important to realize that retroactive benefits represent
7 the distribution of funds that would likely, if benefits
8 stayed as-is, be distributed to policyholders who, in
9 essence, overpaid for their insurance in past years.

10 The Board remains of the view that an
11 annual review of benefits conducted in an arena of
12 stakeholders would be best, where deficiencies could be
13 identified, the practices of other jurisdictions and
14 systems explored, and options fully discussed. We again
15 urge MPI to communicate openly, transparently, and early
16 as possible when material financial events that will or
17 could affect Board decisions and policyholder's
18 pocketbooks and benefits are underway or have occurred.

19 When Board representatives -- and I -- I
20 don't like to get into this, but in the openness --
21 openness and transparency I have to. When Board
22 representatives attended on MPI's executives to discuss
23 the complaints and consider options, one (1) MP -- one
24 (1) of MPI's executives expressed the view that the Board
25 had - and these are not in the executive's exact words -

1 stolen the Corporation's thunder for the GRA. This by
2 intervening on March 30th and 31st and directing that the
3 rebate be increased by ten (10) -- from 10 percent to 45
4 percent.

5 While the best spin one could put on the
6 remark would be that the comment was said in jest -- and
7 it may have been said in jest, I have to remind MPI that
8 it serves, as we do, the interests of the program's
9 policyholders and that the game-playing inferred by the
10 remark and the parsing of the words spoken at press
11 conferences are not acceptable.

12 Holding back information is not in the
13 public interest, it leads to less effective rate setting,
14 unnecessarily wide volatility in annual net income, and
15 bit by bit a loss of MPI's public credibility. In the
16 upcoming hearing -- proceeding, the onus will be, as
17 before, on MPI and that onus should be fully met.

18 MPI's executives' introductory remarks to
19 the Corporation's GRA filing too often reiterate the
20 Corporation's view that neither it, nor this Board, nor
21 Intervenors to the hearing have a role to play in many
22 areas of MPI's programming and actions. I specifically
23 note the references to program design including the
24 ongoing family transfer issue, environmental matters,
25 decisions of MPI boards to donate assets funded by

1 premiums raising questions of trust and even law,
2 investment decisions, a lack of interest in the role
3 played by electronic devices like red-light cameras and
4 road safety, et cetera, et cetera.

5 Again, the spirit that brought public auto
6 insurance to Manitoba appears to have been forgotten, and
7 the perspectives of policyholders have been left outside
8 of the annual GRA Hearings. Was MPI incorporated for the
9 benefit of motorists? If so, then the Board and
10 Intervenors should be more involved in all matters
11 related to MPI plans and actions. And this forum, the
12 annual GRA, seems the most logical place for this to
13 happen.

14 When considering the questions of rates it
15 is important to take note of the program design that
16 drives the costs that underlie the revenue requirement.
17 As indicated earlier, the Board has repeatedly been
18 surprised by events that came outside of GRA process,
19 events that dramatically change the cost and overall
20 financial profile of the Corporation.

21 While MPI may not been willing to provide
22 the Board with possible future changes to program design,
23 and I say that in the broadest context, perhaps
24 Intervenors will. Perhaps Intervenors will provide the
25 Board with their wish list to assist the Board in

1 understanding the risk to future revenue requirement and
2 rates that may lay in possible future design changes.

3 In closing these introductory remarks, I
4 must note in MPI's -- that in MPI's introductory -- MPI's
5 president's introductory remarks the president indicates
6 that their front row for this hearing will be composed of
7 just the president and the Corporation's vice-president
8 and chief financial officer, and of course their chief
9 counsel.

10 While the president suggests that the two
11 (2) of them should prove sufficient to respond to the
12 Board and Intervenor question -- questions, I suggest
13 that at least two (2) additions to the front row would
14 add value to the Board's fuller understanding of the GRA,
15 those being the additions of MPI's controller and its
16 internal actuary. Additional witnesses may be identified
17 as being required as the process unfolds.

18 Now, as to today, first call on Board
19 counsel, and after that we'll move on to the Intervenors,
20 and then to MPI, and then we'll adjourn.

21 Ms. Grammond...?

22 MS. CANDACE GRAMMOND: Thank you, Mr.
23 Chairman. I'll begin by entering, or seeking to enter,
24 three (3) exhibits on the record for the GRA proceeding,
25 the first which will be Board Exhibit 1 is the notice of

1 public hearing and pre-hearing conference, dated June
2 15th, 2011. The second is the Board's rules of practice
3 and procedure as they stand. And third is the hearing
4 timetable, which we'll probably discuss a little bit more
5 today, but we'll enter that as Exhibit 3.

6

7 --- EXHIBIT NO. PUB-1: Notice of public hearing and
8 pre-hearing conference, dated
9 June 15, 2011

10

11 --- EXHIBIT NO. PUB-2: Board's rules of practice and
12 procedure

13

14 --- EXHIBIT NO. PUB-3: Hearing timetable

15

16 MS. CANDACE GRAMMOND: And I'll just as
17 well state for the record, ahead of the comments of
18 Intervenors that are -- that are about to be presented,
19 and everybody probably knows this but I'll -- I'll state
20 it for the record nevertheless, what the Board is looking
21 for from prospective Intervenors is that they indicate
22 their constituency and interests, that they outline the
23 areas of the application by MPI that they intend to test,
24 that they provide reasons for requesting their Intervenor
25 status, that they specify plans to call evidence or

1 witnesses at the GRA, and then that they indicate any
2 interest with respect to seeking costs, and if an
3 interest is expressed to provide a draft budget, and I
4 know that some have already done that. As always, the
5 Board will apply the criteria set out in its rules with
6 respect to the awarding of costs, and of course those
7 decisions are at the sole discretion of the Board.

8 Those would be my comments at this stage,
9 Mr. Chairman.

10 THE CHAIRPERSON: Thank you. Okay.
11 We'll start with the CAA Manitoba. Mr. Kruk...?

12

13 SUBMISSIONS BY CAA:

14 MR. JERRY KRUK: Thank you, Mr. Chairman.
15 We at CAA will be doing our, I guess, normal thing of
16 having a watching brief, and we'll probably be asking
17 more questions this time around than we have in the past.
18 Having said that, we will not be looking for any costs
19 and it -- it is our intention to be here, myself and Ms.
20 Peters, throughout the course of -- of the entire
21 hearing. Thank you.

22 THE CHAIRPERSON: Thank you, sir.
23 CAC/MSOS...?

24

25 SUBMISSIONS BY CAC:

1 MS. MARIE MACLELLAN: Thank you and good
2 morning. I'm Marie MacLellan, an articling student,
3 appearing on behalf of the Public Interest Law Centre,
4 and the director, Byron Williams, asked me to give his
5 regrets. He was sitting in for your opening comments,
6 but he's gone to work on the Hydro hearings.

7 We represent CAC Manitoba, not MSOS, in
8 this particular proceeding. In July, CAC Manitoba will
9 be continuing discussions with potential partners for
10 ongoing regulatory proceedings, but they're not in a
11 position right now to indicate whether that arrangement
12 will take place for this proceeding.

13 I have two (2) other preliminary matters
14 that I wanted to address. First, excluded from the MPI
15 witnesses is a professional accountant and a claims
16 expert, and, from a governance perspective, the Board may
17 wish to provide its guidance to MPI on whether those MPI
18 witnesses are qualified to represent all of the MPI
19 disciplines for the public interest to be served
20 adequately.

21 Secondly, the Intervenor application we
22 sent out yesterday had a couple of errors in it. They do
23 not materially affect CAC Manitoba's application, but a
24 corrected version has been given to the Board's secretary
25 and is available should anyone else like a copy.

1 Moving on to the appli --

2 THE CHAIRPERSON: Does -- does MPI have a
3 copy of the altered one?

4

5 (BRIEF PAUSE)

6

7 MS. MARIE MACLELLAN: In terms of our
8 application, we are hoping to participate and to do
9 several things in terms of testing MPI's application.
10 They are laid out clearly in our application. We plan to
11 appear throughout the hearing to participate in testing
12 evidence and to present a final argument.

13 At this point, CAC Manitoba has not
14 determined whether it will be tendering an expert report.
15 We do have an actuary, Andrea Sherry (phonetic), who is
16 on a limited retainer to provide an analysis of actuarial
17 reports going back to 2005 and to propose best practices
18 for the treatment of actuarial information on a going-
19 forward basis, and we will advise the Board before August
20 whether we will be presenting a report and having a
21 witness.

22 Currently, CAC Manitoba has also retained
23 James Wightman of Ecoanalysis and Peter Dyck of PRD
24 Consulting Services to act as consultants. We will work
25 with other Intervenors to minimize duplication and we all

1 -- will also work to minimize duplication between
2 experts.

3 In terms of the budget we have presented a
4 cost estimate. It is based on certain assumptions, 1)
5 that the hearing will last between eleven (11) and
6 fifteen (15) days, and for each day of hearing we've --
7 there are about nineteen (19) hours associated with pre-
8 hearing preparation, hearing attendance, and arguments.
9 Secondly, we've assumed that there will be two (2) rounds
10 of information requests. And in the budget we presented
11 that we will not be tendering an expert report. If any
12 of that changes we will advise the report.

13 Subject to any questions, that's our
14 application.

15 THE CHAIRPERSON: Thank you, Ms.
16 MacLellan. For CMMG, Mr. Oakes...?

17
18 SUBMISSIONS BY CMMG:

19 MR. RAYMOND OAKES: Thank you, Mr.
20 Chairman. In terms of opening comments for CMMG, I want
21 to first commend the Board Chairman for his comments this
22 morning. We've all, of course, had some interest in how
23 the Board finds its feet again in this watershed year
24 after being blind-sided by the events which came to light
25 earlier this year. I'd like to acknowledge that the

1 Chairman's opening comments were well founded, detailed,
2 and professionally articulated.

3 And I say those things not just because
4 the Board Chairman acknowledged CMMG's voice in the
5 wilderness on the issues that you spoke about. Those
6 areas of concern obviously have come to roost and were
7 recognized, and on that basis alone I would suggest that
8 our application for intervention needs no further
9 discussion.

10 In that acknowledgement I'd also like to
11 publicly acknowledge Dr. Hickson, the late Dr. Hickson,
12 who saw immediately those increases in IBNR and
13 researched and provided cogent questions for the Board's
14 consideration in addition to the issues of padding of
15 PFADs and other technical issues that, unfortunately,
16 with Dr. Hickson's passing haven't been able to be
17 examined in such detail since.

18 I would suggest that the Board Chairman's
19 comments this morning are milder and much more
20 understated than the position that my constituents
21 responded with. The constituents of the CMMG being the
22 motorcycle riders of this province who have paid ever-
23 increasing insurance costs over the last decade amounting
24 to some 220 percent over time, have been very upset with
25 the lack of transparency and the loss of public

1 credibility that resulted from this disclosure that MPI
2 has overcharged the Manitoba public in -- by at least
3 \$250 million, and that over the last decade that number
4 obviously is multiplied many times.

5 My constituents call for the resignation
6 of the MPI executive, but that's for another forum and
7 another day. With respect to the recent issues and the
8 GRA and the application, the issues that we're concerned
9 with is the fact that motorcyclists, by virtue of their -
10 - the fact that their claims costs are primarily bodily
11 injury claims costs, have subsidized the intraprovincial
12 trucking industry considerably. And we're looking to the
13 Board for some strong measures to ensure that that is not
14 going to be a -- a component of the motorcycle insurance
15 going forward.

16 We've also been very concerned about the
17 rebates. Obviously the rebate that was given under Board
18 order this year did not address the fact again of the
19 percentage of the motorcycle premium that's related to
20 bodily injury. And so we want to examine the issue of
21 the component of the motorcycle premium that relates to
22 bodily injury in -- in relation to other motorists and
23 their premiums.

24 With respect to these issues, we're on the
25 fence at this time as to whether we'll be engaging the

1 actuaries of Dion Durrell. We have had correspondence
2 with them. There's obviously a time constraint with
3 respect to those and certain budgetary constraints, but
4 that's something that we'll advise the Board as soon as
5 possible and file an amended cost application summary in
6 due course in the event that we receive a decision on
7 those points.

8 Obviously, road safety will continue to be
9 an initiative that CMMG is concerned with. This year as
10 well we'll be testing the effect of the wildlife
11 allocation im -- implementation and the other issues.

12 We look forward to Board council being
13 vigorous, critical, and to making the best use of their
14 own actuarial resources, and hopefully that's going to be
15 for the benefit of all insured and, where necessary, we
16 will supplement the issue in terms of the motorcycle
17 ridership.

18 I think those are our comments. We will
19 apply for costs in the usual case, and we have some
20 comments relative to the timetable at the appropriate
21 time. Thank you.

22 THE CHAIRPERSON: Thank you, sir. Mr.
23 Roberts, for MUCDA...?

24

25 SUBMISSIONS BY MUCDA:

1 MR. NICK ROBERTS: Thank you, Mr.
2 Chairman. I'm going to echo Mr. Oakes' comments about
3 your opening statement. It was, for lack of any other
4 words, well said. We're here for two (2) reasons for the
5 GRA this year, one (1) being, of course, that we want to
6 look at dealer plate rates. And the other one that we've
7 had interest from public complaints about is the
8 arbitration process.

9 So those are our two (2) main areas that
10 we plan on looking at this year. We -- we don't plan on
11 producing any evidence. We would like the opportunity to
12 possibly cross-examine MPI's board. And we'd also like
13 the opportunity to make closing comments.

14 I -- originally I didn't think I would
15 here for the whole hearing, but it seems to be getting
16 more interesting, so I may -- may spend more time here
17 than -- than I said that we wouldn't be appearing, so.
18 And we won't be applying for costs. And that would be my
19 opening comments.

20 THE CHAIRPERSON: Thank you, sir. When
21 you meant MPI's board, I take it you meant MPI's panel.

22 MR. NICK ROBERTS: Yes.

23 THE CHAIRPERSON: Thank you. For the
24 Insurance Brokers, Mr. Schioler...?

25

1 SUBMISSIONS BY IBAM:

2 MR. DAVID SCHIOLER: Thank you, Mr.
3 Chair. Initially, or to commence with, we're really here
4 on an informational intake exercise. Having said that,
5 the Insurance Brokers of Manitoba are really the main
6 service delivery vehicle for MPI's insurance products,
7 and we -- we would be sitting in the hearing with respect
8 to all aspects of MPI's application.

9 We would reserve the right to call
10 witnesses and produce evidence and, of course, give the -
11 - the Board as much notice of that as required and is
12 possible. And no costs will be sought. In terms of
13 experts, I suppose that could be with respect to the
14 calling of witnesses and so on, but we have to consider
15 that experts always come from out of town, so we'll see
16 what we can do in that regard.

17 But -- but, right now, we're -- we're
18 trying to learn as much as we can, and I expect that
19 we'll have more to say.

20 THE CHAIRPERSON: Thank you, sir. I
21 don't see any other prospective Intervenors.

22 Ms. Kalinowsky, if you wouldn't mind
23 providing some comments and covering off your view of the
24 applications from the Intervenors?

25

1 SUBMISSIONS BY MPI:

2 MS. KATHY KALINOWSKY: Yes, with respect
3 to the applications of the Intervenors, I'd like to
4 welcome back IBAM but, at the same time, we'll see what
5 happens with MSOS. We've always very much valued that
6 joint intervention and thought it has provided a lot for
7 this forum. So hearing Ms. MacLellan's comments, we'll
8 see what happens and what unfolds in the future.

9 In that regard, at this point, we have no
10 comments or concerns about any of the applications for
11 interventors -- intervention status with respect to any
12 of these that have been received so far.

13 THE CHAIRPERSON: Thank you.

14 MS. CANDACE GRAMMOND: I would suggest
15 then, Mr. Chairman, that we talk about the timetable and
16 if anyone has comments. I -- I know of one (1) piece,
17 and that is that the -- there were twelve (12) Hearing
18 days included in the draft timetable.

19 So two (2) things: One (1) is, starting
20 at 9:30 every day instead of 9:00; and the other was, we
21 had initially, I think, proposed October 4th through 6th,
22 which would be Tuesday to Thursday. It was then changed
23 to 3rd to 5th, but I'm advised the MPI's panel won't be
24 available the 3rd, or the 6th, or 7th of that week, so I
25 think we'd end up with just the two (2) Hearing days, the

1 4th and 5th that first week and then the rest would stand
2 as set out in the timetable at present, so that would be
3 eleven (11) Hearing days for the moment.

4 THE CHAIRPERSON: Do any of the
5 Intervenors have any comments on the tentative schedule?

6 Mr. Oakes...?

7 MR. RAYMOND OAKES: Thank you, Mr.
8 Chairman. I, as well, had a conflict on October 3rd, so
9 I'm pleased about that recent development. The only
10 conflict I have otherwise is the date for the first round
11 of interrogatories. And I'd ask that that date be moved
12 from the Friday to the following Monday.

13

14 (BRIEF PAUSE)

15

16 MR. JERRY KRUK: Mr. Chairman, for -- for
17 the record, could you just -- would you go -- go over the
18 exact dates that we're talking about.

19 MS. CANDACE GRAMMOND: Sure. I -- I have
20 the timetable right in front of me, I can do that.

21 So I'll just pick up with, obviously,
22 today being Item 3A at the timetable, the pre-hearing
23 conference, Wednesday, June 29th.

24 3B is Intervenors completing registration
25 for tomorrow, the 30th.

1 3C, settling of the Hearing procedure and
2 exchange of information timetable also for tomorrow, and
3 discussion of possibility of joint intervention also for
4 tomorrow.

5 4A, is the Board to circulate list of
6 Intervenors, complete timetable -- and to complete
7 timetable to the Intervenors and applicant. That would
8 be Friday, July 8th.

9 4B, last day to file as an Intervenor,
10 Friday, July 8th.

11 Number 5, MPI to be in receipt of first
12 round information requests, Monday, July 11th.

13 Number 6, MPI to provide the responses to
14 the first round information requests, Monday, August 8th.

15 Number 7, MPI to be in receipt of second
16 round information requests, Friday, August 19th.

17 Item 8, MPI to publish the reminder notice
18 and any amendments to the application, Saturday, August
19 27th.

20 Item 9A, MPI to file responses to second
21 round information requests, Monday, September 12th.

22 9B, MPI to file and serve any further
23 amendments to application if required, also Monday,
24 September 12th.

25 10A, Intervenors to file pre-filed

1 testimony to all parties, Monday September 19th.

2 10B, the parties to file any motions, the
3 same date, Monday, September 19th.

4 Item 11, the Intervenors to be in request
5 of information requests from all parties, Friday,
6 September 23rd.

7 Item 12, Board to hear all motions, also
8 Friday, September 23rd.

9 Item 13, Intervenors to provide responses
10 to all information requests, Thursday, September 29th.

11 Item 14, the Board decision on motions and
12 a meeting among counsel if required, Friday, September
13 30th.

14 Item 15, MPI to file rebuttal evidence,
15 Friday, September 30th, as well.

16 And then Hearing commences, which would
17 now be October 4th.

18 So that's the timetable in its current
19 form.

20 MR. RAYMOND OAKES: On that basis, Mr.
21 Chairman, I withdraw my comment about the first round. I
22 had understood it being July 8th, and obviously it's July
23 11th.

24 THE CHAIRPERSON: Okay. Does anyone
25 have a problem with this? Or, what we could do is that

1 if they do they should get a hold of Ms. Grammond before
2 to -- if there's any suggestions.

3 MS. KATHY KALINOWSKY: We're fine with it.

4 THE CHAIRPERSON: Okay. We stand
5 adjourned.

6

7 --- Upon adjourning at 11:21 a.m.

8

9 Certified correct,

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Cheryl Lavigne, Ms.

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