

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION FOR
2015-2016 INSURANCE YEAR

Before Board Panel:

Karen Botting	- Board Chairman
Regis Gosselin	- Board Member
Anita Neville	- Board Member
Susan Proven	- Board Member
Allan Morin	- Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue

Winnipeg, Manitoba

October 22, 2014

Pages 1 to 250



“When You Talk - We Listen!”



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3

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23

24

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1 --- Upon commencing at 9:01 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. Welcome. I am Karen Botting, member of the
5 Public Utilities Board and acting Chairperson for the
6 hearing. I now call this 2015 Manitoba Public
7 Insurance Corporation General Rate Application hearing
8 to order.

9 MPI has applied to the Public Utilities
10 Board for approval of its premiums to take effect on
11 March 1st, 2015. This hearing will be conducted in
12 accordance with the provisions of the Crown
13 Corporations Public Review and Accountability Act, the
14 Public Utilities Board Act, and the Board's rules of
15 practice and procedure. These rules are available on
16 the Board's website for review.

17 In its application, MPI is seeking
18 approval -- excuse me -- of rates charged for
19 compulsory vehicle insurance and driver premiums for
20 the 2015/'16 insurance year based on a 2.4 percent rate
21 increase and a 1 percent Rate Stabilization Reserve
22 rebuilding fee.

23 I am joined today by four (4) other
24 Board members at this hearing: Chairman of the Board on
25 my far left, Mr. Regis Gosselin; Board Ms. -- member

1 Ms. Anita Neville; Board member on my far right, Ms.
2 Susan Proven; and Board member Mr. Al Morin on my
3 immediate right.

4 Also with us today is Jennifer Dubois,
5 an associate and acting secretary of the Board. And
6 for those that may be new to the hearing, we have with
7 us Cheryl Lavigne, our court reporter, over in the far
8 left sitting there. Wave -- thank -- thank you,
9 Cheryl.

10 And also because we now have this new
11 elec -- electronic methodology of working, we have
12 Diana Villegas, our document manager for the purposes
13 of this hearing. And she's -- Diana, do you want to --
14 and we can refer to her as Diana, I believe, in this
15 hearing if you -- you like, she's okay with that, if
16 you need some adjustment with the documents.

17 Transcripts of this hearing will be
18 recorded by Digi-Tran and made available on our
19 website. We will begin the hearing on each hearing
20 date at 9:00 a.m., and adjourn at approximately 4:00
21 p.m. Each day will include a midmorning break, lunch,
22 and a midafternoon break. Following closing arguments,
23 the panel will sequester itself and deliberate to make
24 our final determinations on the matters before us.

25 In the end, we may accept, deny, or vary

1 MPI's application. In reaching our decision we will be
2 guided by the evidence, written and oral, and our
3 determination of what represents the public interest.
4 The Board takes its obligation and mandate of
5 protecting the public interest very seriously. We are
6 concerned not only with the short-term economic impact
7 of MPI's operations on both ratepayers and MPI itself,
8 but also the fairness of that impact on MPI's long-term
9 fiscal and operational well-being.

10 In addition, the Board views this
11 process as one which should ensure transparency, in
12 terms of the Corporation's operations and financial
13 position. In particular, the Board looks forward to
14 hearing evidence and submissions from the parties with
15 respect to the following issues before the Board.

16 Among others, the rate order sought by
17 MPI, namely a 2.4 percent overall rate increase and 1
18 percent Rate Stabilization Reserve rebuilding fee;
19 MPI's financial position, financial forecasts and
20 financial modelling; MPI's investment portfolio and
21 investment income; MPI's interest rate forecasting and
22 duration matching; MPI's efforts with respect to road
23 safety and loss prevention; benchmarking conducted by
24 MPI with respect to operating expenses and insurance
25 premiums in other jurisdictions; MPI's claims,

1 liabilities, and reserving; MPI's operating and capital
2 expenditures, including with respect to IT
3 optimization; and the DCAT methodology utilized by MPI.

4 We trust that the participants at this
5 hearing will be mindful of cost-effectiveness and will
6 employ a cooperative approach, the common goal being to
7 put forward useful evidence to assist the panel in
8 reaching a sound decision on the matters before it. We
9 have significant and complex issues before us. And I
10 am confident that we will all approach this process
11 with a view to benefiting the public interest.

12 I now will call on Ms. Grammond for
13 introductions, followed by the introductions by MPI and
14 the Intervenors. Ms. Grammond will then give her
15 introductory remarks, after which I will call on MPI
16 and the Intervenors to provide theirs.

17 We will proceed now with the swearing in
18 of Mr. Guimond and commence the evidentiary portion of
19 the Hearing.

20 MS. CANDACE GRAMMOND: Thank you, Madam
21 Chair. I'm Candace Grammond, Board counsel, from
22 Pitblado Law.

23 With respect to these proceedings, with
24 me are the Board's other advisors with respect to MPI.
25 Seated next to me, Mr. Brian Pelly, from Eckler

1 Partners in Toronto. He's the actuarial advisor to the
2 Board. And on my far left, Mr. Roger Cathcart, of
3 Cathcart Advisors, who's the accounting advisor to the
4 Board. Thank you.

5 THE CHAIRPERSON: Okay, Ms. Kalinowsky,
6 would you like to introduce?

7 MS. KATHY KALINOWSKY: Good morning.
8 I'm very pleased to be here. I'm Kathy Kalinowsky, the
9 general counsel and corporate secretary of Manitoba
10 Public Insurance. To my right I'm pleased to introduce
11 Mr. Dan Guimond, the president and chief executive
12 officer of Manitoba Public Insurance.

13 I have behind me -- from my left to my
14 right is Mr. Mike Triggs, the director of Legal
15 Services. Then it's Mr. Luke Johnston, the executive
16 director of Pricing and Economics and the chief
17 actuary. To his right is Ms. Heather Reichert, the
18 vice president of Finance and the chief financial
19 officer of Manitoba Public Insurance. And to her right
20 is Ms. Darlene Porter, the manager of Regulatory
21 Affairs.

22 THE CHAIRPERSON: Okay, thank you. Mr.
23 Williams, would you like to introduce your group?

24 MR. BYRON WILLIAMS: Yes, thank you.
25 And good morning to the panel. My name is Byron

1 Williams. I'm lawyer -- legal counsel with the Public
2 Interest Law Centre. To my left is my colleague, Ms.
3 Meghan Menzies. Alas, Ms. Menzies can only join us for
4 part of this day for the hearing.

5 In the back, I will be assisted by Mr.
6 Landon Hermory, who is -- has been accepted into law
7 school at Osgoode for next year, so we're glad to have
8 his assistance. And most importantly of all, I -- I --
9 she's -- is my client, Ms. Gloria Desorcy. We're ready
10 to proceed. Thank you.

11 THE CHAIRPERSON: Okay. Thank you.
12 Mr. Oakes?

13 MR. RAYMOND OAKES: Thank you, Madam
14 Chair. Raymond Oakes, the law firm Booth Dennehy,
15 representing the Coalition of Manitoba Motorcycle
16 Groups, the CMMG.

17 THE CHAIRPERSON: Okay. Thank you.
18 And, Ms. -- is Ms. Young there? Yeah.

19 MS. ANGELE YOUNG: Yes, I am.

20 THE CHAIRPERSON: I see, hiding.

21 MS. ANGELE YOUNG: So, I'm Angele Young
22 from CAA (Manitoba). Mike Mager, the CEO of CAA
23 (Manitoba) sends his regrets today. He's away on
24 business, otherwise he is usually around for these
25 opening remarks. And I look forward to these

1 proceedings.

2 THE CHAIRPERSON: Thank you. Mr.
3 Schioler? Is he here?

4 MS. CANDACE GRAMMOND: I don't think
5 Mr. Schioler is present at the moment.

6 THE CHAIRPERSON: Okay.

7 MS. CANDACE GRAMMOND: But we'll likely
8 see him as the matter unfolds.

9 THE CHAIRPERSON: Okay. Thank you.
10 And is there someone here from ARM? Yes. Oh, yes, Mr.
11 Frost.

12 MR. IRVIN FROST: Good morning, Madam
13 Chair and members of the panel. My name is Izzy Frost.
14 I'm with the law firm of Booth Dennehy and I am -- we
15 are representing ARM. Thank you.

16 THE CHAIRPERSON: Thank you. And, Mr.
17 Mon -- Mr. Monnin?

18 MR. CHRISTIAN MONNIN: Oui, bonjour.
19 Thank -- good morning, Madam Chair and members of the
20 panel. Christian Monnin here with the firm Hill
21 Sokalski in Winnipeg, on for Bike Winnipeg. And to my
22 immediate left is Mr. Jason Carter, and to his left is
23 Mr. Charles Feaver of Bike Winnipeg. Thank you.

24 THE CHAIRPERSON: Okay. Thank you.
25 Now, I believe we will begin with Ms. -- Mr. Guimond?

1 No, sorry. Ms. Grammond.

2 MS. CANDACE GRAMMOND: Yeah. Perhaps
3 I'll just make my opening comments.

4 THE CHAIRPERSON: Yes, I'm sorry.

5

6 OPENING COMMENTS BY BOARD COUNSEL:

7 MS. CANDACE GRAMMOND: I don't have
8 many. No, that's fine. And then after me we'll go
9 through the opening comments of the others. Madam
10 Chairman, as you've stated MPI is applying to the Board
11 for approval of premiums to be charged with respect to
12 compulsory vehicle insurance for the 2015/'16 insurance
13 year. The rates would take effect on March 1st, 2015,
14 and are based on an overall 2.4 percent rate increase,
15 together with a 1 percent Rate Stabilization Reserve,
16 or RSR, rebuilding fee.

17 The adjustments in revenue for each
18 major class, as applied for by MPI, are as follows
19 after application of the capping rules. For private
20 passenger vehicles, an overall 2.7 percent rate
21 increase. For commercial vehicles, an overall 2.6
22 percent decrease. For public service vehicles, an
23 overall 5.3 percent increase. For motorcycles, an
24 overall 6.6 percent decrease. For trailers, an overall
25 5.1 percent increase. And for off-road vehicles, an

1 overall 14.3 percent decrease.

2 Actual vehicle premiums would vary, of
3 course, depending on claims experience, driving record,
4 insurance use, territory, and vehicle rate group.

5 There is no proposed change to driver licence premiums,
6 vehicle premium discounts, fleet rebates, fleet
7 surcharges, service and transaction fees, or permit and
8 certificate fees.

9 With respect to the evidence filed in
10 this proceeding, I note that there were three (3) PUB
11 exhibits entered on the record at the pre-hearing
12 conference held on July 9th, 2014. Those were as
13 Exhibit 1, the notice of public hearing and pre-hearing
14 conference dated June 18th, 2014; as Exhibit 2, the
15 Board's rules of practice and procedure which, of
16 course, are found on its website; as Exhibit 3, the
17 hearing timetable for this GRA.

18 And in addition I would now ask to enter
19 the following exhibits on the record. As Exhibit 4,
20 PUB-4, the reminder notice of this public hearing which
21 was dated September 8th, 2014.

22

23 --- EXHIBIT NO. PUB-4: Reminder notice of public
24 hearing dated September
25 8th, 2014

1 MS. CANDACE GRAMMOND: As Exhibits PUB-
2 5-1 through 5-145, the PUB First Round Information
3 Requests and MPI's responses to those requests.

4

5 --- EXHIBIT NO. PUB-5-1 to 5-145:

6 PUB First Round Information
7 Requests and MPI's
8 responses

9

10 MS. CANDACE GRAMMOND: As PUB Exhibits
11 6-1 through 6-44, the PUB Second Round Information
12 Requests and MPI's responses to those requests.

13

14 --- EXHIBIT NO. PUB-6-1 to 6-44:

15 PUB Second Round
16 Information
17 Requests and MPI's
18 responses

19

20 MS. CANDACE GRAMMOND: As PUB Exhibits
21 7-1 to 7-16, the PUB Third Round Information Requests
22 and MPI's responses to those requests.

23

24 --- EXHIBIT NO. PUB-7-1 to 7-16:

25 PUB Third Round Information

1 Requests and MPI's
2 responses

3

4 MS. CANDACE GRAMMOND: As Exhibit 8,
5 the transcript of the pre-hearing conference which took
6 place on July 9th, 2014.

7

8 --- EXHIBIT NO. PUB-8: Transcript of the pre-
9 hearing conference of July
10 9th, 2014

11

12 MS. CANDACE GRAMMOND: As PUB Exhibit
13 9, the procedural order issued by the Board after the
14 pre-hearing conference which was Order 81/'14.

15

16 --- EXHIBIT NO. PUB-9: Procedural Order 81/'14
17 issued by the Board

18

19 MS. CANDACE GRAMMOND: And as PUB
20 Exhibit 10, the Board's book of documents, which will
21 be circulated by me later today.

22

23 --- EXHIBIT NO. PUB-10: Board's book of documents

24

25 MS. CANDACE GRAMMOND: With respect to

1 the cross-examination that I will be conducting on
2 behalf of the Board over the next number of days, the
3 following major issues will be addressed. The
4 background to the rate applied for by MPI and the RSR
5 rebuilding fee applied for; the revenue requirement
6 with reference to net income; MPI's investment
7 portfolio and investment income; interest rate
8 forecasting and duration matching; road safety;
9 efficiency benchmarks; capital expenditures, including
10 IT optimization; claims, expenses and operating
11 expenses; the DCAT or Dynamic Capital Adequacy Testing;
12 as well as other topics that may arise.

13 I will now refer to the procedural
14 outline distributed this morning. I hope everyone has
15 one; if not, let me know. I do have some extra copies.

16 We've reflected on the second page of
17 the procedural outline the order in which matters will
18 be heard, so that's there for reference. And I do note
19 that we expect to hear from Dr. Wayne Simpson on behalf
20 of CAC on November 4th of 2014, and we also expect a
21 witness from IBAM on a date to be determined, but
22 presumably November 5th, 6th or 7th.

23 And then in addition, we will be hearing
24 from a few members of the public that wish to present
25 to the Board, and that will commence at 3:00 p.m. this

1 afternoon.

2 And just for the record, we have twelve
3 (12) scheduled hearing dates which are today, tomorrow
4 and Friday of this week, so October 22 through 24.
5 Next week, Tuesday, Wednesday which is October 28 and
6 29. The week following, Tuesday through Friday,
7 November 4th through 7th. And then the week after
8 that, Wednesday through Friday, November 12th through
9 14th.

10 As always, if it becomes apparent that
11 any of those days are not needed, we'll monitor that as
12 we go forward and adjust the schedule accordingly.

13 Those are my opening remarks, Madam
14 Chairman. Thank you.

15 THE CHAIRPERSON: Thank you, Ms.
16 Grammond. Now I call upon Ms. Kalinowsky for her
17 opening remarks.

18

19 OPENING COMMENTS BY MPI:

20 MS. KATHY KALINOWSKY: As is usual, we
21 don't have any opening remarks of substance; instead,
22 we'll hand it over to the witnesses later on. But, of
23 course, as is indicated in the procedural outline, MPI
24 will be splitting the witness panel this year with Mr.
25 Guimond testifying by himself on his own for the first

1 MS. KATHY KALINOWSKY: And MPI number 8
2 is also an affidavit for the notice of service of the
3 Application on the different parties as required by the
4 Board, and that's dated October 6th, 2014.

5

6 --- EXHIBIT NO. MPI-8: Affidavit for the notice of
7 service of the Application
8 on the different parties as
9 required by the Board,
10 dated October 6th, 2014

11

12 MS. KATHY KALINOWSKY: We also have
13 some pre-asks which I can hand out right now; they're
14 fresh off the press. So MPI-9 numbers 1 to 3 will be
15 the CAC pre-asks.

16

17 --- EXHIBIT NO. MPI-9-1 to 3: CAC pre-asks 1 to 3

18

19 MS. KATHY KALINOWSKY: And MPI No. 10,
20 numbers 1 to 5 will be the PUB pre-asks 1 to 5.

21

22 --- EXHIBIT NO. MPI-10-1 to 5: PUB pre-asks 1 to 5

23

24 MS. KATHY KALINOWSKY: We have the MPI
25 rebuttal evidence to the CAC witness, Professor

1 Simpson. That should be marked as MPI Exhibit number
2 11.

3

4 --- EXHIBIT NO. MPI-11: Rebuttal evidence to the
5 CAC witness, Professor
6 Simpson

7

8 MS. KATHY KALINOWSKY: MPI Exhibit
9 number 12 would be the nine (9) Information Requests to
10 Professor Simpson and his responses. So that would be
11 MPI-12, sub-numbers 1 to 9.

12

13 --- EXHIBIT NO. MPI-12-1 to 9: Nine (9) Information
14 Requests to Professor
15 Simpson and his responses

16

17 MS. KATHY KALINOWSKY: MPI Exhibit
18 number 13 will be the presentation of Ms. Reichert and
19 Mr. Johnston which was circulated electronically
20 earlier.

21

22 --- EXHIBIT NO. MPI-13: Presentation of Ms.
23 Reichert and Mr. Johnston

24

25 MS. KATHY KALINOWSKY: MPI Exhibit

1 number 14 will be the DCAT peer review by the external
2 actuary, which is also fresh off the press, so to
3 speak.

4

5 --- EXHIBIT NO. MPI-14: DCAT peer review by the
6 external actuary

7

8 MS. KATHY KALINOWSKY: And MPI Exhibit
9 number 15 is a revised RSR rebuilding fee table which
10 is found at SM.9, part 1B, and that's filed
11 electronically because it's simply a listing of all of
12 the fees that are required. It's fifty-eight (58)
13 pages long, so we'll just be filing that electronically
14 unless anybody asks for a paper on that particular item
15 there.

16

17 --- EXHIBIT NO. MPI-15: Revised SRS rebuilding fee
18 table

19

20 MS. KATHY KALINOWSKY: And either Ms. -
21 - Ms. Reichert of Mr. Johnston will be explaining that
22 minor revision in the fee -- fee table.

23 So with that, those conclude my opening
24 comments. Thank you very much.

25 THE CHAIRPERSON: Thank you. Mr.

1 Williams with CAC, could you please give your opening
2 comments?

3

4 OPENING COMMENTS BY CAC (MANITOBA):

5 MR. BYRON WILLIAMS: Yes, thank you,
6 and again, good morning. Just -- just to start out,
7 from -- it's often helpful to -- to understand where
8 CAC (Manitoba) is coming from, and those of you who had
9 the misfortune to hear me speak at the CARR, C-A-R-R,
10 conference will recall how important and how
11 significant costs related to transportation are as part
12 of a consumer's budget.

13 And -- and certainly from the -- the
14 private passenger vehicle and -- and other consumers
15 who CAC (Manitoba) seeks to represent, automobile
16 insurances are a big ticket item, and it's important.

17 People often ask CAC, How do you develop
18 your positions? How do you give instructions to Mr.
19 Williams? Because first of all, CAC, like -- like
20 fellow Intervenors, CAA and the CMMG, has been in these
21 hearings well over twenty (20) years. Thank goodness I
22 haven't been here quite that long on behalf of CA --
23 CAC, but CAC is always guided by the consumer rights,
24 and there's eight (8) core consumer rights.

25 For this hearing in particular, the ones

1 that CAC has cited are the right to be informed, the
2 right to choose, the right to be heard, and the right
3 to consumer education. Now, you might look at the
4 right to choose and say, We've got a monopoly here.
5 That's what makes the rate-setting process for the
6 Consumers Association so important.

7 Ordinarily, they can exercise their
8 choice in the marketplace with how they spend their
9 dollars. They can't here. So the regulatory process
10 is their mechanism by which they can have their voice
11 heard, and -- and offer their comments.

12 Flowing from those principles, the CAC
13 con -- position is developed first of all just plain
14 old day-to-day contact with consumers, whether it's new
15 Canadians, whether it's many other consumers who CAC
16 meets with on a daily basis. For the last four (4) or
17 five (5) years, CAC (Manitoba) has been engaged in an
18 extensive round of focus groups and stakeheld -- holder
19 advisory panels. They do them for Hydro, they do them
20 for payday lending, they do them for MPI.

21 And a -- a common theme over the years
22 have been issues related to road safety, as well as
23 rate stability, issues related to the -- the RSR, and
24 some of the tradeoffs related to it. And ultimately
25 the position of CAC is determined by the -- the CAC

1 Board.

2 In the motion that we had, it seems a
3 long time ago, I guess in late August. At that time
4 our client underscored how important we thought that
5 motion was. And I want to go a little bit bigger and
6 say, We think this is a very important hearing from our
7 client's perspective, not only the pure rate impacts,
8 but there's critical issues that go not just to today
9 but for ratepayers three (3), four (4), five (5) years
10 down the line.

11 And one of the -- the critical elements
12 of this hearing is process. Our client read with
13 appreciation Order 98/'14. They think it's an
14 important reiteration of key principles, and really --
15 and I've been doing a lot of reading in this area --
16 one of the best statements of rate regulation that I've
17 seen in quite some time. Very thoughtful.

18 And we see it as a critical foundation
19 for deliberations for this Board on MPI, but other
20 proceedings going into the future. And so certainly,
21 our client is looking for and hoping that we'll see an
22 endorsement of those rate-setting principles from MPI
23 in the course of this proceeding.

24 Protecting ratepayers. Obviously, there
25 are key issues here, and an issue that our client has

1 been bringing up probably since about '09/'10 is -- is
2 pressure on operating and claims costs.

3 And if you look at, I -- I think my
4 favourite exhibit in this hearing is CAC-1-62, which
5 kind of tracks out to 2018/'19 those pressures, and
6 those are important pressures in our -- in our client's
7 submissions because ordinarily, one would expect
8 operating costs to be the one that are most within the
9 control of the Corporation. And our client has seen
10 some disturbing historic trends, and we continue to
11 observe some concerning trends moving forward.

12 Certainly, we've heard already this
13 morning about information, technology, and
14 optimization, and usually one would expect with the
15 Corporation to either see a -- a loading of staffing
16 internally on IT, or externally.

17 We have somewhat of a different
18 situation with Manitoba Public Insurance as compared to
19 its peers, where we see both disproportionate full-time
20 equivalent internal staffs, as well as disproportionate
21 external consultants. So that's an important issue for
22 our client. And we ask -- and certainly our client is
23 concerned about the balance in terms of those
24 expenditures and whether that balance will -- will be
25 restored in -- in terms of being more proportional.

1 The core issues in this hearing go to
2 credible forecasting and acceptable risk analysis. And
3 it wasn't too many years ago that we came to understand
4 that there had been excessive reserves built up and
5 there needed to be a -- a very significant material
6 rebate back to consumers.

7 And certainly, we've seen some
8 interesting changes in the -- both the ultimates as
9 forecasted by -- Manitoba Public Insurance with regard
10 to accident benefit weekly indemnity and accident
11 benefit other, as well as the collision liability
12 estimates, in particular, as it relates to severity.
13 And those are things that our client will test in the
14 course of this hearing with an open mind. Can they
15 endorse these -- these estimates, or will they consider
16 them to be unduly conservative? And -- and, of course,
17 we'll be assisted by Ms. Andrea Sherry, the able
18 actuary who consults with CAC (Manitoba).

19 The RSR methodology and range, we'll
20 talk about that a bit more later, but that is a
21 critical issue, from our client's perspective. It's a
22 longstanding one. It's an important issue, and our
23 client will be looking at that, not only from the
24 mechanics of how we determine the range, but also to
25 make sure that we reiterate and understand the core

1 principles for which that RSR is -- is put in place.

2 And certainly, from our client's
3 perspective, in the course of this hearing, the
4 question they will ask is, Will MPI execute -- achieve
5 an acceptable, if not best practice standard of risk
6 analysis such that -- and so we'll examine that to
7 considerable detail.

8 Until August, I might not have spent as
9 much time on this -- on this discussion, but I think
10 it's important just to reemphasize, from our client's
11 perspective, the legal standard that we'll be applying
12 based upon our understanding of the legislation and the
13 Board's determinations. Those famous words echoing
14 back over a hundred years, a just and reasonable rate
15 will be the standard we will apply.

16 And in applying that legal standard,
17 we've divided it as the Board has in Order 98 -- nit --
18 nit -- Order 98/'14 into five (5) major categories,
19 ensuring that forecasts are reasonably reliable,
20 ensuring that actual and projected costs are necessary
21 and prudent, assessing the reasonable revenue needs of
22 an applicant in the context of its overall general
23 health, looking to and determining an appropriate
24 allocation of costs between classes, and ultimately
25 setting just and reasonable rates.

1 And as we go through the focus of our
2 cross-examination, which will come up, we've divided it
3 under those five (5) categories just to give you a bit
4 more guidance in terms of how we're approaching the
5 issues.

6 In terms of ensuring that forecasts are
7 reasonably reliable, on the cost side, starting out,
8 we'll be looking at the collision fore -- forecasting
9 methodology and just trying to understand whether
10 there's been any changes in the approach.

11 As I've expressed before, we'll examine
12 with interest the rise in collision severity and
13 whether those estimates are defensible. Certainly,
14 we'll look at the tail factor for accident benefit
15 weekly indemnity and other. And certainly, there was
16 also a major review of reserves that took place on or
17 about March of 2013, and we'll examine with great
18 interest the impact of that review on the rise in PIPP
19 ultimates.

20 On the revenue side, there's some core
21 questions that our client will ask. First of all, is
22 the interest rate forecast reasonably reliable?
23 There's also a question we will pose, and I -- it -- it
24 seems to be one posed by MPI as well, Is there a cost-
25 effective mechanism to build consensus regarding the

1 interest rate forecasting methodology?

2 And then our client will spend some time
3 as well on the methodology for estimating investment
4 returns and trying to determine and offer its advice on
5 whether that is reliable.

6 A major focus, apart from forecasts for
7 our client, will be seeking to ensure that actual and
8 projected costs are necessary and prudent. I've
9 adverted already to the trends in operating and claims
10 costs that is of historic and ongoing concern for our
11 client. Restoring balance to the number of consultants
12 and IT/FTEs, of course, is important, as well.

13 A more -- perhaps a less glamorous
14 question is, Whether in the rush to information
15 technology solutions, whether the Corporation is
16 maintaining traditional cost control checks and bala --
17 balances? And we'll want to explore that. And
18 finally, future opportunities for cost savings.

19 And when I review this bullet, I -- my
20 client will chastise me, so I better add -- put an
21 addition to this. And road safety has been a historic
22 and significant concern for our clients, both for its
23 social impacts upon ratepayers as well as for the
24 economic implications of it, and that should have been
25 noted there, and -- and I apologize to my client for --

1 for omitting it.

2 Moving away from the specifics to the
3 themes of whether the projected costs are prudent and
4 necessary, we asked three (3) questions. First, has
5 MPI been listening to the warnings related to its
6 expenditures? There's been a dialogue ongoing for a
7 number of years from the PUB, a number of Intervenors.
8 Have they truly been listening?

9 We'll -- we'll ask, as well, whether or
10 not there is a disconnect between the language of cost
11 containment and the reality of MPI's actions. And
12 we'll examine, as well, the magnitude of the cost
13 contain -- control efforts of Manitoba Public
14 Insurance, and ask whether they're consistent with the
15 Corporation's compare -- characterization of its
16 situation as unprecedented, looking back at the last
17 two (2) years and the stresses it has suffered on the
18 bottom line.

19 We'll have to invite Ms. -- Ms. Menzies
20 to show what her screensaver was at another time. Tha
21 -- thank you for sharing that with me, Ms. Menzies.
22 It's hers, not mine, I assure you.

23 Under category 3, assessing the
24 reasonable revenue needs of MPI in the context of its
25 overall general health. This will be the third major

1 focus of our client in this hearing. Are the proposed
2 levels of reserves reasonable and necessary?

3 We'll start with the DCAT, and we'll be
4 looking at its input and assumptions, not only in terms
5 of interest rates -- or interest risk, but as well with
6 regard to equity and -- and other elements. We'll ask
7 whether the rebuilding plan is consistent with the goal
8 of rate stability, and whether the proposed upper limit
9 for the RSR is justified by the evidence. And finally,
10 we'll -- we'll have a -- a couple of modest questions
11 in -- in -- related to the accounting treatment of the
12 RSR.

13 In assessing the risks of the
14 Corporation and the proposed reserves, I want to
15 emphasize that CAC (Manitoba) is bringing together a
16 robust, very skilled teams in modern risk analysis.
17 Dr. Simpson is well-known to this Board, both from his
18 work in MPI proceedings as well as for his work in
19 terms of Hydro proceedings.

20 Our team, we would submit on behalf of
21 our clients, is balanced in its skill sets. You have a
22 very skilled econometrician and microeconomist in Dr.
23 Simpson. He has been guided for -- by -- in terms of
24 the specifics of -- of the DCAT model by Ms. Sherry,
25 and some of her opinions are on the record in terms of

1 the information responses of CAC (Manitoba).

2 And they've been aided by Mr. -- Mr.
3 Dyck, Mr. Peter Dyck, a former comptroller of Manitoba
4 Public Insurance, someone who goes back farther than
5 even Mr. Singh, who was back there during the Kop --
6 Kopstein inquiry and was providing assistance to Mr.
7 Kopstein -- Judge Kopstein. And he is connected to the
8 original purpose of the RSR. So that's the team that
9 CAC brings to this discussion.

10 And certainly, we've had an opportunity
11 to review the MPI rebuttal to the CAC evidence, and we
12 ask two (2) simple questions. Does it effectively
13 sidestep the heart of the CAC analyst -- analysis?
14 Does it avoid it? And secondly, does it inadvertently
15 mischaracterize it?

16 And certainly, you'll see some
17 characterisations of Dr. Simpson's evidence in that
18 rebuttal. After you do so, I urge you to go back to
19 his evidence and see what he truly set out. And, of
20 course, it was inadvertent, but it is unfortunate.

21 The final point on the RSR, and these
22 are questions our client has asked me and -- to
23 specifically ask, and I will explore in the hearing.
24 Is our understanding of the RSR being blurred? Do we
25 run the risk of the RSR serving as a back -- backstop

1 for imprudent expenditures, rather than unforeseen
2 events? And we'll seek to canvass that issue at -- at
3 some detail in this hearing, and hopefully to answer
4 our client's concerns.

5 Less emphasis in this hearing will be on
6 the fourth category of an appropriate allocation of
7 costs between classes. And, ultimately, as we go to
8 the next slide, it all ends up with a determination of
9 whether the rates are just and reasonable. Our client
10 did want to comment a little bit about the appearance
11 of Mr. Guimond. First of all, to welcome him here, and
12 to emphasize that his present -- presence is
13 appreciated.

14 And if you compare MPI to Manitoba
15 Hydro, for example, until the last general rate
16 application, we'd -- or the last NFAT, we'd not seen
17 the CEO of Hydro for quite some time. The MPI
18 tradition is -- is different and -- and it is
19 appreciated, and Mr. Guimond's presence here is
20 appreciated. I do want to explain to Mr. Guimond and
21 the panel in advance that our cross-examination of Mr.
22 Guimond this afternoon will not be that ext -- ext --
23 extensive. It will -- our -- the core of our cross-
24 examination will be reserved for the MPI panel.

25 There's a couple reasons for that.

1 We've gone through this with the CEO of -- of Hydro
2 before. It's not cost-effective or time-effective,
3 from our perspective, to split our cross by trying to
4 divide it between the CEO and then the -- the
5 substantive panel. So we don't mean this as a
6 discourtesy to Mr. Guimond, but we want to just explain
7 why we're -- we will spend much more time with the
8 panel rather than -- than with himself.

9 Mr. Guimond, in his pre-filed written
10 tet -- testimony, talked about listening. And we
11 obviously have as an undercurrent to this general rate
12 application, and probably the last three (3) or four
13 (4), certain stresses in -- in the regulatory dialogue
14 between intervenors, the Public Utilities Board, and
15 MPI. Those are understandable. They -- they happen,
16 and in many ways, they're healthy.

17 We have been reflecting internally on
18 that, and I want to underscore that CAC is -- is very
19 proud of its historic and current contributions to
20 regulation, and also the intensity that it brings to
21 these efforts. So it makes no apologies to that, but
22 we do think that outside the hearing room, there sho --
23 there -- there might be some opportunities to improve
24 our dialogue. And what I just want to do on behalf of
25 our client in the -- the next couple of pages is set

1 out some of the things that the client is -- has talked
2 about doing.

3 One (1) is just a -- a meeting between
4 the CAC team after the hearing. We value a lot about
5 the regulatory process, and we're very proud of -- of
6 the nature of our contribution. So we'll -- we'll look
7 at that. But we'll also examine trends that our client
8 may be less comfortable with and look at how we can
9 improve not just ourselves, but the process as a well -
10 - as we -- overall.

11 CAC has an ongoing dialogue with
12 consumers as part of its -- its focus groups and
13 advisory groups. It's got a very aggressive agenda for
14 that for the coming year, which we've provisionally
15 titled "Manitoba Voices." One (1) additional element
16 that we'll add this year is conversations with
17 consumers about regulation, sharing with them some of
18 the costs relative to the size of the corporations and
19 -- and getting their feedback on what they value about
20 the regulatory process as well.

21 Outside the hearing room, there's
22 probably two (2) other steps that our -- our client
23 would advise. It's probably time for the stakeholders
24 to get together outside of the hearing room, outside a
25 technical conference, and just have the same kind of

1 examination in terms of -- of how we all conduct
2 ourselves. And we -- and we think that would be
3 valuable.

4 And -- and certainly our client looks
5 forward on behalf of consumers for increased engagement
6 with MPI outside the hearing room, outside technical
7 conferences. And I'll just note that Manitoba Hydro --
8 often I have some critical things to say about Hydro,
9 but there -- our client has observed it, especially
10 since the NFAT, there's been a renewed effort to -- to
11 reach out to consumer organizations in a number of
12 areas, whether it's energy efficiency, whether it's
13 cost of service.

14 And those are appreciated by our clients
15 and -- and I hope are -- are valuable. And that's
16 something that perhaps CAC and MPI have been jointly
17 remiss on in terms of outside the hearing room. So
18 that's something that we -- we collectively may at
19 least experiment with over the next year.

20 Finally, as my client often emphasizes,
21 it is important to go back to core principles, why
22 we're here. We're here in the public interest to set
23 just and reasonable rates to protect both the
24 Corporation and consumers. That protection in these
25 difficult times is particularly important.

1 MR. BYRON WILLIAMS: CAC-2 is the
2 motion for further and better disclosure from Manitoba
3 Public Insurance.

4

5 --- EXHIBIT NO. CAC-2: Motion for further and
6 better disclosure from
7 Manitoba Public Insurance

8

9 MR. BYRON WILLIAMS: CAC-2-1 is the
10 amendment to that motion.

11

12 --- EXHIBIT NO. CAC-2-1: Amendment to the motion for
13 further and better
14 disclosure from Manitoba
15 Public Insurance

16

17 MR. BYRON WILLIAMS: And CAC-3 is
18 Appendix A to that motion.

19

20 --- EXHIBIT NO. CAC-3: Appendix A to the motion
21 for further and better
22 disclosure from Manitoba
23 Public Insurance

24

25 MR. BYRON WILLIAMS: Exhibit 4 of CAC

1 we would suggest be con -- marked as the reference --
2 the references to the motion which were supplied on the
3 hearing day with CAC Exhibit 5 being the PowerPoint
4 presentation on the motion hearing day.

5

6 --- EXHIBIT NO. CAC-4: References to the motion
7 which were supplied in the
8 hearing day

9

10 --- EXHIBIT NO. CAC-5: PowerPoint presentation on
11 the motion hearing day

12

13 MR. BYRON WILLIAMS: CAC-6 is the
14 identification of the contested IRs.

15

16 --- EXHIBIT NO. CAC-6: Identification of the
17 contested IRs

18

19 MR. BYRON WILLIAMS: CAC-7 we would
20 suggest be the amended schedule suggestion, with CAC-8
21 being the Second Round Information Requests.

22

23 --- EXHIBIT NO. CAC-7: Amended schedule suggestion

24

25 --- EXHIBIT NO. CAC-8: Second Round Information

1 Requests

2

3 MR. BYRON WILLIAMS: CAC-9, the Third
4 Round Information Requests.

5

6 --- EXHIBIT NO. CAC-9: Third Round Information
7 Requests

8

9 MR. BYRON WILLIAMS: And CAC-10 being
10 the evidence of Dr. Simpson.

11

12 --- EXHIBIT NO. CAC-10: Evidence of Dr. Simpson

13

14 MR. BYRON WILLIAMS: Madam chair, with
15 -- with your permission, we'd ask that this PowerPoint
16 be marked as CAC Exhibit 11.

17

18 --- EXHIBIT NO. CAC-11: PowerPoint presentation

19

20 MR. BYRON WILLIAMS: And then this
21 afternoon we will seek to introduce CAC Exhibit 12,
22 which be -- which would be the Hansard from the
23 Standing Committee on Crown corporations. Thank you.

24

25 THE CHAIRPERSON: Thank you, Mr.
Williams. Any questions of Mr. Williams from the

1 panel? Hearing --

2 MR. REGIS GOSSELIN: I -- I just -- I'm
3 not sure I have a question, Madam Chair, but a few
4 things I -- a few observations I'd like to -- to make.
5 I won't get into the meat of the -- of the comments
6 you've made, Mr. Williams, because we'll have the
7 opportunity to do that later on. But I do want to
8 commend you on the -- your suggestion that you engage
9 in a discussion -- want to engage in a discussion with
10 MPI to establish a dialogue to improve the
11 effectiveness of these processes.

12 And I just wanted to alert all the
13 members here, all the pe -- the pe -- the people here,
14 the parties here, that we have initiated a process
15 within PUB led by one (1) of our Board members, Madam
16 Kapitany, who is going to be engaging in a dialogue
17 with the stakeholders of -- of these regulatory
18 processes -- I'm thinking of CAC, in particular, and
19 some of the other parties represented in this room --
20 to try to -- try to achieve some more certainty around
21 those priorities that should be tho -- the -- the
22 priorities of PUB in respect of regulatory proceedings
23 in general, whether it's -- whether it's MPI or it's
24 Manitoba Hydro and so on.

25 And to make sure that we as a -- we as a

1 Board are focussing on the right priority is trying to
2 establish what it is that are consistent issues across
3 the rate applications we're asked to consider, and to
4 make sure that we're focussing on the right priorities.

5 Now, and just to offer this perspective
6 in that, for example, the Ontario Energy Board, as an
7 example, has established some pretty clear guidelines
8 on what they will be focussing on and expecting from
9 utilities in respect of their processes and, you know,
10 what are the regulatory -- regulatory outcomes they'd
11 like to -- to have achieved, and so on at the service
12 delivery level, the cost containment level, and so on.

13 So we want to engage in a discussion
14 with the parties about that -- about that topic, and so
15 that will be starting soon. And so I would just signal
16 to everyone here that you will be contacted by Ms.
17 Kapitany to talk about that.

18 Now, I guess the other -- the other
19 point I want to make, and again is -- this is an
20 observation -- a more general observation, not
21 necessarily specific to this process, is that we -- I
22 think we as a Board are -- are very concerned about the
23 efficiency and effectiveness of these regulatory
24 processes.

25 I mean, this is -- the -- the hearings

1 that we conduct and the processes that we engage in are
2 powerful tools for establishing what we believe would
3 be appropriate rates applicable to utilities, but there
4 are limitations to that tool. And one of the
5 limitations, it's an expensive process. It -- it --
6 there are things, I think, that could be achieved more
7 effectively outside the hearing room than can be
8 achieved here because it -- it has its own inherent
9 limitations.

10 And so we want to engage in a discussion
11 with all the parties that appear before the Board about
12 how to improve this process so that it becomes more
13 efficient and becomes more effective, and it's cheaper,
14 and it gets to a decision more quickly.

15 And so that is a parallel process that
16 we're going to start, as well. Now, the yield on that
17 is not going to be immediate, but -- but we are -- we
18 have been attempting to -- to reduce the -- reduce the
19 -- the slowness of these processes, is probably the
20 best way to describe it, and -- and the burden that
21 imposes on everyone.

22 And I think we've had -- we've had some
23 progress in that direction, but we -- we commit to
24 going further with that initiative. And so what you're
25 proposing, in the context of what I just described,

1 makes sense to me as a -- as the Chair of the PUB.

2 MR. BYRON WILLIAMS: And I think -- I
3 guess the -- the challenge certainly from -- from our
4 end will be to deliver. It -- we had some good
5 intentions a couple years ago, and then this thing
6 called the NFAT kind of overwhelmed our -- our lives.

7 But I -- I think there's -- I think
8 certainly our client has instructed me that it's
9 important, and I -- I expect there'll be willingness
10 from both the -- the Crowns and -- and the other
11 Intervenors to -- to have a chat. I -- I -- certainly
12 that's our expectation.

13 THE CHAIRPERSON: Okay. Thank you very
14 much, Mr. Williams. Now I'd like to call upon Mr.
15 Oakes from CMMG to give his opening comments.

16

17 OPENING COMMENTS BY CMMG:

18 MR. RAYMOND OAKES: Thank you, Madam
19 Chair. I join in the comments made by M. Gosselin
20 concerning CAC counsel's presentation this morning. I
21 would commend CAC counsel for their organized
22 presentation this morning, also recognizing a very
23 polite and understated presentation.

24 My constituents have asked for a more
25 critical and expanded role in cross-examination of the

1 MPI panel. They point to a year that's been filled
2 with missteps of the Corporation, chronicled in both
3 the newspaper and the Hansard frequently. The
4 imprudent expenditures of the Corporation has given
5 rise to an outcry from my constituents to ensure that
6 these missteps are examined fully with a view to
7 improving the financial accountability of this
8 Corporation.

9 Our concern remains with the lack of
10 credibility in forecasting. We see large forecasts
11 shown as ultimate, which never come to bear in the
12 actual expenditures and the claims costs. We see the
13 risk of analysis with an overly conservative bias being
14 pointed to a number of times in these hearings, but we
15 don't as yet see any change in that bias.

16 Motorcycles, of course, over a ten (10)
17 year period, saw a 277 percent increase in their rates,
18 and we've seen, in the last number of years, the
19 Corporation backpedalling, slowly handing out
20 discounts, and again this year, capping those discounts
21 instead of giving the required discount to get to the
22 required rate for motorcycles.

23 This historic over-collection has to
24 stop, and we've seen attempts by this Board to address
25 it by way of release by massive rebates over the last

1 six (6) or seven (7) years.

2 So, that's the backdrop to the CMMG
3 participation in these hearings. We're very concerned
4 about this process, and this year it's been a very
5 problematic, troubled year, and now we're faced with
6 the fragmented cross-examination by virtue of the CEO's
7 attendance this afternoon and only possibly at the end
8 of these hearings.

9 We're asking the Board today to please
10 favourably consider having the cross-examination of M.
11 Guimond at the end of the hearing. We're very
12 concerned that the Corporation's producing only two (2)
13 other witnesses, both, although excellent in their
14 field, are -- have very restricted expertise.

15 We have financial expertise and
16 actuarial, but we have nothing related to policy. We
17 have nothing related to road safety. And it's perhaps
18 in that context that we see the Corporation's lack of
19 action and responsiveness in the issues of road safety.
20 In fact, in the interrogatory process this year, the
21 Corporation couldn't even tell us the losses that are
22 applicable to distracted driving and a number of the
23 very key road safety issues.

24 So, we're asking, Where is the
25 leadership in providing the evidence? Where is the

1 leadership in working with the Public Utility Board and
2 with the Intervenors? That was a phrase used in Mr.
3 Guimond's letter to the Board date us -- dated August
4 18th in the context of interrogatories, but we
5 certainly didn't see any leadership at the pre-hearing
6 Conference, and we're apparently not seeing it during
7 the hearing this Year.

8 And so, we would ask the Board to
9 consider definitely having Mr. Guimond back. Until we
10 hear the bulk of the evidence, we're not in a position
11 to find the gaping holes.

12 If you ask us to cross-examine Mr. Guion
13 -- Mr. Guimond exclusively this afternoon, not only is
14 that a -- out of context with the evidence that's
15 provided, but it also -- when we later run into
16 problems because there's nobody to answer our
17 questions, there's no opportunity to fill in the gaps.
18 So we would be asking for mes -- Mr. Guimond to be
19 ordered to re-attend.

20 Of course, the problematic process is
21 resulted from an early failure to respond to 40 to 50
22 percent of the IRs, and some of the responses we are
23 left with in the process left much to be desired and
24 will result in an increased time to be able to
25 effectively cross-examine in this hearing.

1 In -- my client has asked for an
2 expanded cross-examination in the area of the
3 Corporation's expenditures. They have great concerns
4 with the fiscal restraint and accountability. We saw
5 examples of that, the paying of the former president.
6 We saw the hiring freeze and we don't know whether to
7 characterize that as flawed or thawed, because it
8 apparently doesn't relate to the majority of the
9 Corporation's employees.

10 With respect to road safety, as I
11 alluded to, we -- we have great concern over the lack
12 of responsiveness of the Corporation. We still see no
13 effective techniques for wildlife collisions. We see
14 no knowledge with respect to distracted driving, which
15 has got to be one (1) of the most important road safety
16 issues that has developed in the last decade for all
17 insurers. We see no use of the hot-mapping of
18 collision locations.

19 Moving on to the RSR, we will have some
20 questions. This is an area that's usually ably handled
21 by CAC and the PUB counsel. And, of course, we're
22 handicapped by the lack of any ability to enquire what
23 -- how much money is sitting in the extension coffers.
24 But this is supposed to be a fund that is for
25 unexpected losses arising from non-recurring events or

1 factors. And I'm taking that, again, from that letter
2 of Mr. Guimond dated August 18th, 2014, directed to the
3 Board.

4 But, frankly, we don't see that. We
5 don't see a decline in the RSR as a result of
6 unexpected losses arising from non-recurring events.
7 We heard first it was a bad winter, which Manitobans
8 have fairly regularly, too regularly, I'd submit. And
9 then we heard it's because Ford F-150s have aluminum
10 frames and the costs of repairing vehicles has changed.
11 Frankly, these aren't non-recurring events, and they
12 shouldn't be unexpected. And I agree with Mr.

13 Williams. I think that was an excellent description
14 that has become a backstop for imprudent expenditures.

15 With respect to the intervention, those
16 are the major areas CMMG intends to cross-examine very
17 vigorously on. We will, at the end of that, be asking
18 for costs. In terms of exhibits, I think the Board
19 secretary has ably handled the numbering of exhibits in
20 the past, and we would certainly invite the Board to
21 number the CMMG exhibits as they should wish. Should,
22 of course, they require assistance in that, we'd be
23 happy to provide that. And those are my comments.
24 Thank you.

25 THE CHAIRPERSON: Thank you, Mr. Oakes.

1 Any questions from the panel? Okay. Thank you. I
2 would like to now call upon Ms. Young from CAA to
3 speak.

4

5 OPENING COMMENTS BY CAA (MANITOBA):

6 MS. ANGELE YOUNG: Thank you. Good
7 morning. I would like to start by saying thank you to
8 the members of the Board, Board counsel, and the staff
9 from Manitoba Public Insurance for the opportunity to
10 participate at these hearings on behalf of CAA
11 (Manitoba) and our two hundred and three thousand
12 (203,000) members.

13 Usually my CEO, Mike Mager, as I said
14 before, would deli -- deliver these opening comments.
15 However, he is away for business travel. He sends his
16 regrets, and he -- that he is not able to attend today,
17 but he will be making his appearance throughout these
18 proceedings. CA -- CAA (Manitoba) has been involved in
19 the general rate application process with Manitoba
20 Public Insurance for twenty (20) years as an advocate
21 and informant for our members to ensure rates are fair
22 and reasonable.

23 We have also taken an increasing
24 interest in the Corporation's road safety initiatives.
25 We plan to be at the majority of these hearings,

1 participating with a watching brief, as we have
2 historically done. While we don't plan to ask
3 questions, we do ask permission of the Board for leeway
4 to ask questions if a topic or discussion arises that
5 we would like more clarification on.

6 Those are my opening comments. Thank
7 you.

8 THE CHAIRPERSON: Thank you, Ms. Young.
9 Any questions from the panel? Okay. I'd like to call
10 upon Mr. Frost from A-R-M, ARM.

11

12 OPENING COMMENTS BY ARM:

13 MR. IRVIN FROST: Thank you, Madam
14 Chair.

15

16 (BRIEF PAUSE)

17

18 MR. IRVIN FROST: Oh, sorry. I will
19 get used to that sooner or later. Again, good morning,
20 Madam Chair, members of the panel. And at the outset,
21 ARM thanks the Board for granting them Intervenor
22 status. I understand this is novel, and we certainly
23 appreciate the Board's courtesy in that regards.

24 ARM intends to respect the Board's
25 direction to limit its scope of participation in

1 evaluating the PD Re-engineering Program, reviewing the
2 MPI's cost containment initiatives relative to recycled
3 parts, and suggesting improvements in reducing physical
4 damage repair costs, which was the basis upon which ARM
5 was granted Intervenor, if you will recall.

6 Before I launch into a -- a bit of a
7 presentation that I have here, I am pleased to hear Mr.
8 Gosselin, because that is the thrust of ARM's concern.
9 ARM has basically been left out in the cold in a number
10 of different areas. It's been left out in the cold
11 insofar as the PD Re-engineering Program charter was
12 concerned and developed and is ongoing, and this is a
13 good -- a good starting point in terms of participation
14 and engaging in a process to encourage dialogue. And
15 we heartily -- heartily would participate in that
16 exercise.

17 That is also a basis of concern in the
18 eGlass Program, which the Board is obviously familiar
19 with, and has been part of this process and will
20 continue to be. The eGlass process is basically
21 flawed, from our client's perspective, and requires, in
22 fact, demands that ARM participate in order to make
23 this an effective, transparent -- pardon the pun --
24 process.

25 The Automotive Recyclers of Manitoba,

1 although new in this room, have long ha -- have long
2 had a successful working relationship with MPI in the
3 use of automotive parts with a view to reducing the
4 claims and expenses for MPI, resulting in its benefits
5 to insureds in Manitoba ultimately.

6 In fact, Madam Chair, members of the
7 panel, that's what we are doing here. We're working in
8 the interest of Manitobans to reduce costs, premiums.
9 And this is the sole vehicle which -- in which the
10 public has a window into that exercise.

11 ARM, by way of background, was
12 incorporated in 1967, and originally as the Manitoba
13 and Truck Salvagers Association, then became the ar --
14 Automotive Dismantlers and Recyclers of Manitoba until
15 1996, and it was changed to its current -- current
16 name, ARM of Manitoba Inc.

17 In 1991, ARM developed the Recyclers
18 Office with MPI providing funding of the same after
19 1996. And I pause. That's another area of concern
20 that we -- that ARM will participate in, hopefully
21 effectively, because this entire process as it unfolded
22 left ARM out of the loop, such that the way it is now
23 in-house through MPI is costly, ineffective, and
24 inefficient.

25 And if Mr. Gosselin's words would have

1 reverberated back in 1996, there would have been an
2 active and viable partner in the recycling program.
3 And we're suggesting that is not the case as it now
4 stands. A significant change occurred when the RCO was
5 taken over by MPI in December 2012. The RCO was a
6 functional corporation, then directing the parts
7 available to each salvage yard in Manitoba and other
8 jurisdictions, to the body shops for use on damaged
9 vehicles in place of new or original parts or after-
10 market parts that -- which were built primor --
11 primarily offshore.

12 The savings initiative and the
13 enterprise as a whole was substantial. The ARM,
14 through Recyclers Central Office, supplied \$170 million
15 worth of parts over an eleven (11) year period,
16 resulting in a saving in 113 mil to MPI and,
17 ultimately, its insureds over that period.

18 The recycled parts are reduced in price
19 and are 45 to 60 percent of the OEM new parts prices.
20 As this thing moves for -- forward into what has
21 morphed now into the recycler -- or the re -- the
22 Recyclers Central Office, this profit has shrunk and
23 all but disappeared. This saving has shrunk and all
24 but disappeared. We need to bring this back to a -- to
25 a process in which MPI is working, pardon the pun, arm

1 in arm with the recyclers in order to bring this to the
2 savings that it was decades ago.

3 The RC -- the RCO was operating
4 extremely efficiently, with a total operating cost at
5 that time of three hundred and fifty thousand (350,000)
6 per year and had the full support of the entire cross-
7 section of salvage operators, large and small, in
8 Manitoba, with the active involvement of each of the
9 members of ARM who are primarily salvage -- are -- are
10 the primary salvage yards for the automo -- automotive
11 parts in Manitoba.

12 And I understand that they supply over
13 90 percent of the parts -- of the recycled parts in
14 Manitoba. The network was available to quickly source,
15 deliver parts to the repair facilities. As well, given
16 their comprehensive knowledge of the business, they
17 were able not only to quickly locate high quality
18 salvage, but also to understand the complexities
19 involved in the automotive system and parts and
20 appreciate the safety standards applicable to the
21 various parts in the automobile industry.

22 Madam Chair, members of the panel, that
23 has disappeared because this RCO has -- is now, as I
24 understand it, in house. That expertise, that
25 knowledge, the availability and access of recycled

1 parts through the entire system is now self-policing,
2 as it were. And there is no incentive for MPI, as a
3 self-policeman, if you will, to initiate those savings.

4 And so it's just easier administratively
5 from their perspective. And that's a position we will
6 be adopting and addressing to -- I'm not quite sure,
7 whoever. And just to digress a minute. I -- I kind of
8 heard Mr. Oakes on that in terms of who we -- we would
9 address these questions to, because I'm not sure who
10 the panel member expertise from MPI would be able to
11 assist us as we are targeting recycled parts.

12 I'm somewhat concerned, and I'm not sure
13 how that will be addressed going forward in the
14 hearing. Maybe Mr. -- Ms. Kalinowsky can help me on
15 that because we do have questions in that regard, and
16 I'm just not sure at what point to address them.

17 I'm -- I'm varying from my comments
18 here, but Mr. -- Mr. Guimond, being the president and
19 the CEO, is kind of a high level I would think on this
20 stuff, and we would want somebody right with their arms
21 roll -- their shoulders and -- to the wheel, and
22 knowledgeable in these areas so we can have a good
23 conversation to assist the Board. I'm sorry, I
24 digress.

25 This is something that concern -- that

1 should concern MPI, as MPI is not containing its repair
2 costs efficiently and effectively, and this is a matter
3 with -- and this is clearly a matter within the
4 jurisdiction of the Board.

5 MPI has, in most -- in most of its
6 recent GRA applications, reported briefly on its use of
7 after-market parts and recycled parts. It did not
8 bring to this Board's attention, to our knowledge, its
9 takeover of the Recyclers Central Office in December
10 '12, nor has it been reporting comprehensively on its
11 performance vis-a-vis the perf -- the performance of
12 the private industry management of the RCO over the
13 past eleven (11) years. Again, this is a theme which
14 we will be pursuing.

15 ARM, by its intervention, is timely
16 given the Corporation's new physical damage
17 reengineering program charter as referenced in
18 application AI.10. In fact, the application indicates
19 the extent to which the amount of physical damage is
20 driving the increase applied for in this GRA.

21 We are talking about some pretty large
22 number; four hundred and five (405) mil -- four hundred
23 (400) and -- 495.5 mil of physical damage. Obviously
24 it should be a Corporation priority of the MPI and the
25 priority of the Board to address this increase in

1 physical damage reengineering as a multi-year project.

2 It talks about providing a new shared
3 technology platform with distributed estimating to the
4 body shops. It talks about streamlining the parts, and
5 sourcing, and using predictive analy -- analytics to --
6 to assist in that endeavour. What does it -- does not
7 talk about is actual detail around process. What it
8 does not talk about, about actual detail around
9 participation. What it does not talk about is who has
10 what role, what dialogue is to occur, and what pro --
11 and what outcome and process is going to be engaged.

12 The Public Utilities Board now has an
13 industry partner, that being ARM, with a technical
14 ability to determine if MPI is doing a good job in
15 physical damage reengineering, and to determine if
16 there are savings that are not being realized.

17 To provide one (1) very simple example,
18 we can start with a premise that the body shops make
19 more money based on the use of brand new and more
20 expensive parts, rather than using inexpensive recycled
21 parts that are safe, because of the body shop markup on
22 the parts acquired. In other words, the dollar amount
23 for the markup is greater when the part is more
24 expensive, whether it's a new part or an after-market
25 part.

1 With respect to the PD program, there is
2 concern with respect to computer software. The
3 foundation of the PD program is, of course, the
4 computer software and its development. Is there
5 somebody in the panel that can assist us to talk about
6 the ability to price parts correctly?

7 The ability to -- to source OEM parts to
8 -- the ability to deal with OEM parts as not being
9 appropriate, displayed consistently or correctly, or in
10 fact in some cases are indeed -- indeed misleading;
11 receipt of claims, lack of claims, the time -- time
12 consumed, because as I understand this exercise this is
13 all time sensitive. And with that time sensitivity and
14 the lack of information, it -- to the recyclers, it is
15 simply an inefficient process in which the recyclers
16 continue to struggle to meet the demands placed upon
17 them and the claims that are outstanding.

18 The PD program, as it stands as
19 developed, is arguably inefficient and for the most
20 part ineffective, resulting in greater costs to the
21 public. Indeed, the recycled part industry is in an
22 unprecedented decline in the past few years. The idea
23 of automated recovery selection as suggested by MPI is
24 simply a bad idea. It has been developed, or is being
25 developed, again without the recyclers. I am advised

1 by my clients that they are simply going down the wrong
2 road, ultimately resulting in greater costs.

3 Mr. -- Mr. Gosselin has said -- and,
4 again, I'm going to go back to that -- it is a priority
5 of PUB to engage in a process to encourage dialogue
6 amongst the Intervenors. Well, this is the starting
7 point for that actual exercise. There is a matter --
8 this idea of automated inventory selection, as
9 presented, is flawed. It is simply fra -- flawed. And
10 I would like to have a dialogue with somebody on the
11 MPI side around that exercise, because I have
12 information from my clients I'm -- I wish to share with
13 them and have them react to.

14 As not all parts are inventoried in the
15 proposed system, computer searches result in in -- in
16 ineffect -- are ineffectual on some parts of the
17 vehicle due to interchange of inventory system and use
18 across North America. As a result, these searches will
19 miss a large percentage of good recycled parts which
20 recyclers have in stock. This requires more
21 consultation and input from ARM.

22 Again, I'm repeating a theme, Members of
23 the Board. The eGlass program, again having initiated
24 in August 2010, is simply not working. Many eGlass
25 parts are not included in the automated inventory,

1 including windows, regulators, glass run channels --
2 these words are strange to me, but I'm -- these are
3 what I'm told -- glass regulate motors, glass frame
4 mirrors, glass -- in any event, I'm getting into too
5 much detail. But they're specific parts that are
6 simply not inventoried because they have a component of
7 glass and they're -- and for no other reason.

8 The software running this program was
9 not developed in consultation with ARM, despite the
10 fact that ARM conducts, as I've said, over 90 percent
11 of the business in recycled parts in Manitoba.
12 Basically, the recyclers have been shut out of the
13 eGlass program. This program is a canary in the
14 mineshaft and is particularly troubling, as the
15 recycled parts in industry, as I've said earlier, is in
16 an unprecedented decline and arguably at the beginning
17 of a process that will sadly eliminate the recyclers
18 from the landscape, resulting in significantly greater
19 costs to Manitoba.

20 Indeed, my clients have taken the
21 initiative to bring counsel to the table, with or
22 without costs -- I'm going to leave that in your hands,
23 as you clearly told me -- but they are prepared to put
24 their money where their mouth is, if I can use that
25 terminology, and bring these matters to the Board

1 because it is critical from their perspective, both as
2 to viability and in the public interest. And this is
3 the forum in which that is to be done. Thank you.

4 THE CHAIRPERSON: Thank you, Mr. Frost.

5 Are there any questions from the panel
6 or comments? Okay, thank you. Now I'd like to call
7 upon -- oh, just a moment -- yes?

8 MR. REGIS GOSSELIN: I just have a
9 question, Mr. Frost, just clarify. Have you sought to
10 meet with MPI to discuss your concerns?

11 MR. IRVIN FROST: I'm learning. I am
12 told that they have sought meetings with limited
13 success. Maybe I should put it that way. I'm not
14 going to throw cold water on that comment, but the
15 success has not been stellar.

16 And this is another question. I'm going
17 to put a question on a question. Are there people at
18 MPI that can speak to the limited dialogue that -- that
19 ARM and my clients have had, because I'm not -- I'm not
20 aware of that information.

21 But there has been some success; it has
22 been halting, and I'm not prepared to say yes.

23 THE CHAIRPERSON: Okay, thank you. M.
24 Monnin, from Bike Winnipeg, if you'd like to make your
25 comments.

1

2 OPENING COMMENTS BY BIKE WINNIPEG:

3

MR. CHRISTIAN MONNIN: Thank you, Madam
4 Chair. I'll state the obvious. This is Bike
5 Winnipeg's first appearance as an Intervenor at one of
6 these proceedings. And Bike Winnipeg's participation
7 in this hearing will be guided by the Board's direction
8 in Order 81/'14, where the Board identified, and we say
9 quite properly, that Bike Winnipeg has an interest in
10 the outcome of the GRA process and accepts that Bike
11 Winnipeg has a unique perspective to bring to this GRA
12 process. Bike Winnipeg is very cognizant of the
13 privilege of being a guest of your time in these
14 proceedings and it's a responsibility that it takes
15 seriously.

16

Our participation will be guided, as I
17 said earlier, by Order 81/'14, and that's to assist the
18 Board and the process as a whole in critically
19 evaluating the ultimate size of MPI's road safety
20 budget and whether it is sufficient to enable
21 significant reduction in the cost to MPI of injuries to
22 cyclists in the short and long-term, the adequacy of
23 MPI's road safety programs with respect to fatal and
24 severe injury of cyclists, and ultimately, the quality
25 and clarity of MPI's data collection analysis and

1 access -- accessibility regarding collisions involving
2 cyclists, particularly in comparison to transportation
3 safety programs from local, national, and international
4 entities and jurisdictions.

5 Therefore, in keeping in mind with the
6 foregoing, Bike Winnipeg aims to ensure that a hallmark
7 of its participation in these proceedings will be that
8 of an Intervenor that is mindful of the scope of its
9 intervention, mindful of ensuring a cost-effective
10 participation, mindful of employing a cooperative
11 approach with the overarching goal to put forward
12 useful evidence to assist the panel in reaching a sound
13 decision as it pertains to the issues before it,
14 particularly with respect to road safety.

15 On the issue of participation, you might
16 note that I will be present for some of the -- the
17 hearings, but not all of the hearings. That is keeping
18 in mind the limited scope of our participation.
19 Someone from Bike Winnipeg will likely be here
20 throughout the process. You'll just have one (1) less
21 lawyer to kick around, which might be good.

22 With respect to Chair member Gosselin's
23 comments earlier, Bike Winnipeg is very receptive to
24 those comments. Although the comments that they would
25 like to bring -- it's not the ven -- today is not the

1 venue to do so. However, they look forward to working
2 with Board member Kapitany and think that that is a
3 very good, positive step to proceed.

4 And with respect to the exhibits,
5 speaking with madam secretary, I believe they've been
6 identified, but for the record, Round One IRs, Bike
7 Winnipeg 1-1 to Bike Winnipeg 1-18 would be Exhibit 1.

8

9 --- EXHIBIT NO. BW-1-1 to 1-18: Round One Information
10 Requests

11

12 MR. CHRISTIAN MONNIN: Round Two IRs,
13 Bike Winnipeg 2-1 to 2-29 would be Exhibit 2.

14

15 --- EXHIBIT NO. BW-2-1 to 2-29: Round Two Information
16 Requests

17

18 MR. CHRISTIAN MONNIN: Round Three IRs,
19 Bike Winnipeg 3-1 to 3-12.

20

21 --- EXHIBIT NO. BW-3-1 to 3-12: Round Three Information
22 Requests

23

24 MR. CHRISTIAN MONNIN: And subject to
25 any comments or questions, those would be our opening

1 statements.

2 THE CHAIRPERSON: Thank you. Any
3 comments or...

4 MR. REGIS GOSSELIN: Just a question,
5 and I'm not sure M. Monnin would be the right person to
6 answer it. It may be your client to answer this
7 question.

8 But I know that in the past, Bike
9 Winnipeg had concerns around the messaging regarding --
10 that MPI was using in advertising with respect to bikes
11 and -- and distance you should keep and so on. And so
12 I know that at the, you know, previous hearings, Bike
13 Winnipeg indicated to us as a panel that they had had
14 discussions with MPI about the concerns around
15 messaging and so on.

16 So I guess the question I'm posing, and
17 it's a -- you -- you -- is really, have you had
18 discussions about your issues, Bike Winnipeg issues,
19 with MPI between the last hearing and the current
20 hearing? Have -- have you engaged in a discussion with
21 them at all?

22 MR. CHARLES FEAVER: I -- I'm Charles
23 Feaver, Bike Winnipeg.

24 Yes, we have. And -- and recently,
25 there have been some -- some welcome overtures. And --

1 and so we've agreed to work outside the -- the hearing
2 process to work with them as best we can.

3 MR. REGIS GOSSELIN: And -- and I guess
4 the -- the follow-up question would be, are there
5 issues that you have raised with MPI that weren't
6 adequately addressed, and hence, will be addressed by
7 Bike Winnipeg in this hearing room? In this -- in this
8 process?

9 MR. CHARLES FEAVER: Yes, we -- we see
10 the -- the new overtures as -- as a new opening, you
11 know, working toward maybe next year's success in terms
12 of better collaboration. But -- but the reason we're
13 here is because we're pushing for changes that didn't
14 happen in the past year.

15 THE CHAIRPERSON: Okay. Thank you very
16 much, Mr. Monnin and Mr. Feaver.

17 Now, I'm going to -- I believe that's
18 the end of our Intervenors. And I -- I -- were there
19 any other comments? But maybe -- I think this would be
20 a good time for a break before Mr. Guimond speaks. So
21 we'll give you a little bit of a break, and --

22 MR. REGIS GOSSELIN: Madam Chair, could
23 we -- before we break, I have a few questions to ask.
24 And I want to ask the same questions I just asked to
25 Bike Winnipeg.

1 Mr. Oakes, has -- has CMMG ent --
2 entered into discussions at all during the past year
3 with MPI on issues of concern?

4 MR. RAYMOND OAKES: There is a liaison
5 effort between MPI and CMMG. We have two (2) executive
6 members in the room right now. They would be more
7 well-versed in the number and the quality of those
8 meetings over the last year, but that is an ongoing
9 effort that's put into discussions.

10 The difficulty, of course, is in those
11 meetings, you can -- you can ask and discuss, but there
12 is no referee, and -- and no body at the end to force
13 some change, and that's why we're here.

14 MR. REGIS GOSSELIN: Thank you, Mr.
15 Oakes. And I guess I -- I want to ask a -- a parallel
16 question to CAA just for my benefit and the benefit of
17 the panel members. Does CAA engage in discussions with
18 MPI throughout the year, for example, since the rate
19 application? I realize you're -- you're new to this
20 process, so -- but perhaps you know the answer to the
21 question.

22 MS. ANGELE YOUNG: Yes, CAA (Manitoba)
23 does collaborate a lot with MPI. A lot of our mandates
24 obviously cross. We work together on a number of
25 programs like school safety patrol programs, so we do

1 have a good relationship with MPI and have been able to
2 ask some questions outside of the PUB process to -- to
3 clarify for our role here at the PUB.

4 THE CHAIRPERSON: Good. Thank you very
5 much. Then I believe now would be a good time to
6 adjourn for fifteen (15) minutes, and we'll come back
7 at about twenty-five (25) to 11:00.

8

9 --- Upon recessing at 10:21 a.m.

10 --- Upon resuming at 10:37 a.m.

11

12 THE CHAIRPERSON: Well, welcome back.
13 I hope you had a good coffee break. Now I'd like to
14 call upon Ms. Kalinowsky to introduce our lead
15 testimony by Mr. Guimond.

16 MS. KATHY KALINOWSKY: Yes. And if we
17 could get him sworn first, that would be helpful.

18 THE CHAIRPERSON: Sorry. I thought he
19 was sworn. Please. Sorry.

20

21 MPI PANEL:

22 DAN GUIMOND, Sworn

23

24 EXAMINATION-IN-CHIEF BY MS. KATHY KALINOWSKY:

25 MS. KATHY KALINOWSKY: Thank you. And

1 with that I'll simply hand over the microphone, so to
2 speak, to Mr. Guimond, who has prepared a PowerPoint
3 presentation that was filed in the original GRA filing
4 back in June. And he'll proceed giving his
5 presentation along those lines, of course.

6 MR. DAN GUIMOND: Good morning, panel
7 members, ladies and gentlemen. As the new president
8 and CEO of MPI, I would like to start by stating my
9 commitment to and respect for the regulatory process.

10 And while the regulator, Intervenors, and the auto
11 insurer may have different roles in this process, I
12 believe there is common ground and, speci --

13 specifically, mutual objectives like provide basic
14 ratepayers with rate predictability and stability,
15 which is critical to the long-term success of public
16 auto insurance in Manitoba.

17 Set rates that are just and reasonable.
18 Offer amongst the lowest rates in Canada. Ensure the
19 sustainability and the financial soundness of the
20 universal compulsory automobile insurance program in
21 Manitoba. Achieve an actuarial opinion of being in
22 satisfactory future financial condition. Provide the
23 ratepayers value for their money paid in rates. Have a
24 clearly defined process for setting rates publicly.

25 Over the next five (5) years, the

1 Corporation will focus on three (3) corporate
2 priorities. Some of these priorities are more near-
3 term while others are long-term. First, the most
4 critical one is our ability to work with the regulator
5 to ensure we return to rate predictability and
6 stability, which is in the interest of the public good.
7 This is core to the long-term success of public auto
8 insurance. I will speak further on this during the
9 presentation and in my concluding remarks.

10 Second, we know that the repairing
11 vehicles have increased by about 35 percent in the last
12 decade while our rates have decreased by 14.9 percent.
13 However, on a go-forward basis, we are seeing a
14 structural change in the auto industry, and preliminary
15 analysis indicate that physical damage costs will go up
16 by an additional of at least \$30 million a year over
17 the next five (5) years. That is in addition to the
18 usual inflationary process increases.

19 These cost drivers are associated with
20 how vehicles are changing to meet legislative ass --
21 associated to fuel economy, which, in turn, creates the
22 need for significant investment in training,
23 significant investment in tooling, and I will give
24 specific examples later in my testimony regarding that.

25 These investment results in loss in

1 productivity and efficiency due to the learning curve.
2 Severity increase in cost of repairs due to complex
3 technology. The need for a new comprehensive quality
4 assurance program.

5 We expect these costs to manifest
6 themselves over the next few years as Manitoba sees the
7 introduction of approximately two hundred and forty
8 (240) new makes and models by 2016.

9 MPI is in the process of developing
10 strategies for cost avoidance purposes. This is very
11 important that we be able to communicate to you that
12 the -- that what we're doing is cost avoidance, and the
13 money that we're going to talk about later in this
14 presentation that we want to put to the bottom line
15 will go to avoid rate increases, not to decrease rates
16 on a go-forward basis.

17 That's very important, because in the
18 last decade, we have been able to work to be able to
19 achieve economies of scale that put the \$60 million to
20 the bottom line in the value for Manitoba section of
21 our GRA, and some of it has been able to be used for
22 rate reductions.

23 At the situation we're in right now, the
24 efforts that we're going to do with our strategic
25 initiative to put money to the bottom line will be used

1 to avoid rate increases, and that -- that's an
2 important distinction that I really want to make sure
3 that we're on the same understanding regarding the
4 terminology that we use.

5 The third strategic objective will be to
6 prepare ourself for the digitized economy, which will
7 revolutionize the way technology works together to
8 enhance the customer service experience. This will
9 also include plans to deal with the rapid introduction
10 of new technology in vehicles.

11 And what I mean by that with a digitized
12 economy is that with the new abilities of technology is
13 that physical devices are being digitized into the
14 Internet space. So think of your car in the future
15 having an IP address, and being visible on the
16 Internet. And that car, for example, can communicate
17 with other machines, and these machines start to do
18 things amongst themselves that humans do today, and
19 that more and more machines will be talking to each
20 other, and more and more, they'll be interacting
21 together to do things that we do today that we won't
22 have to do into the future. And that will really
23 revolutionize the way the service industry serve its
24 customers.

25 And we have to start thinking about

1 that, talking about it. It's not one of those thing
2 that's near-term, but by 2020 we should be into it
3 pretty big, and we want to work with you to be able to
4 make you aware of this, and also to talk to you about
5 our strategic initiatives a little bit so that -- so
6 that it makes sense to you what we're trying to do.

7 This slide sort of provides from a
8 graphical perspective an overview of what we're trying
9 to do from a strategic perspective. So in terms of the
10 structural changes that are happening in the auto
11 industry, we've codified it in blue.

12 So as these new vehicles come into the
13 province at a very rapid pace with new alloys, with new
14 technology, with new ways of repairing them, we have to
15 be able to find initiatives that will be able to reduce
16 costs by \$30 million to be able to avoid rate
17 increases.

18 So our PD costs -- you can expect our
19 physical damage costs to go up normal inflationary,
20 plus an additional \$30 million. And what we're going
21 to do is we're going to go cut at different places in
22 the Organization to be able to offset that \$30 million
23 increase. And we want to be able to make sure that our
24 rates are the lowest across Canada. And we are going
25 to be reporting to you on these initiatives.

1 As we move forward between now and 2017,
2 we will have a new five (5) year product and service
3 plan, and this will set the direction for the
4 Corporation to prepare itself for what we call "the new
5 normal". And the new normal will be allowed to prepare
6 the Organization to be able to deal with a digitized
7 economy, with the autonomous vehicle, and also with --
8 with the impact of collision avoidance technology and
9 so on. And we're going to be keeping you informed on
10 that and be reporting on that.

11 But by 2017, we expect to start
12 initiatives to be able to prepare the Organization for
13 the impact of how -- how these technological changes
14 will affect our business from a -- in terms of how we
15 serve customers and also to make sure that Basic can
16 meet its mandate as this technology and new reality
17 starts to impact how society do things day to day.

18 I wanted to give you a quick overview in
19 terms of how we're structured. I wasn't planning on
20 going into that in -- in details. I -- it's just an
21 organizational chart. It gives you an idea of how
22 we're -- we're structured currently as an organization.

23 I think it's important that maybe --
24 when I was thinking about being here in front of you,
25 that you learn a little bit in terms of how I think of

1 these process of our relationship with the Regulator,
2 and maybe to learn a little bit about me in terms of
3 how I'm putting my head around these processes and I'm,
4 as I go forward, learning about how things get -- get
5 done here. So I provided you a context of how I see
6 our relationship, and I thought you might be interested
7 in -- in knowing about this.

8 And the most important thing is that
9 regardless of the discussions we have or regardless of
10 maybe the different points of views that we may have,
11 that I really believe deep inside that there's a -- a
12 lot of common ground, and that this in turn allows
13 decisions to be made that ensures the long-term success
14 of public auto insurance.

15 I always thought with premise that
16 regardless of which angle you come at, people always
17 want to do the right thing. And maybe there will be
18 difference of opinions and maybe there will be a bit of
19 stumbling along the way. But in the big picture, you
20 know, it seems to me that everybody always does find a
21 way to -- to make things work and achieve the mandate
22 that's been established by the Government of Manitoba
23 for MPI.

24 And so this year, to me -- for me, this
25 year what will be critical is to be able to talk to you

1 about my -- the importance that I put on rate
2 predictability and stability. This is -- this is very
3 important.

4 Manitobans will not accept a taxation-
5 on-demand concept or that every year, you know, that we
6 find ourselves in the position that we have to ask
7 money from -- from ratepayers. There's -- they're not
8 going to be willing to -- to accept that. And I'll go
9 in -- into that a little bit later when we talk about
10 the RSR, about how we achieve rate
11 predictability/stability from -- from my perspective.

12 Again, learning maybe a little bit of
13 how I see things and maybe be able to talk about it a
14 little bit later when you have questions for me. There
15 are success factors to ensure rate predictability and
16 stability. I'm hoping that through this rate hearing
17 and our discussion, the MPI rate application will be
18 approved. This is critical to ensure continued support
19 for public auto insurance in Manitoba.

20 Having said that, when I was looking
21 outside in and then realizing that I would be in the
22 process by the time I get here today, I really wanted
23 to, in the way I come across as the first time in
24 dealing with you, demonstrate how the Corporation has
25 made an effort to listen to you, to listen to your

1 concerns. And at that same time try to convey, you
2 know, what's important to us and what we can and cannot
3 do. And then propose what I think are -- are very
4 interesting solutions in this application that would
5 allow everybody to move forward without necessarily
6 compromising on -- on what's important to them.

7 But at the same time we could work
8 together to get back to rate predictability and
9 stability and make sure that we don't lose support for
10 public auto insurance in Manitoba. And I -- I think
11 that's doable. I think there's enough common ground.
12 And I've been -- although it's my first time here to
13 testify, I've seen a lot over the years when we went
14 through from pure -- from tort to pure no-fault, when
15 we did the various things that we did together. At the
16 end of the day Manitobans were always ahead, and I
17 think that will continue to be true on the long term.

18 But we do live in a crazy world, and
19 it's pretty -- the -- that -- it's pretty fuzzy in
20 terms of looking in the crystal ball. And I realize
21 that for you there's a lot of difficult decisions to be
22 made, and it's not always easy to make those decisions,
23 because at the end of the day we just don't know the
24 answer. A good one is, will the interest rate go up or
25 not? And that's -- that's a -- that's a good example

1 of how difficult it can become for everyone.

2 So the first thing that I'd like to talk
3 about -- and this is going to your concerns. The point
4 I would like to make with this slide is that normal
5 operation expenses are not the key driver of our
6 proposed rate increase of 2.4 percent. I think that's
7 important that we convey that in our rate app. And
8 that we also be able to demonstrate that we've listened
9 to you. And I'm going to give you some example this
10 morning. And Ms. Reichert will be providing details on
11 operating expenses during her testimony.

12 But what I want to be -- what I want to
13 leave you with is a clear understanding of how we're
14 taking your concerns seriously and what we're doing
15 about it. And I want to give you specific examples.
16 And looking at it from both perspective, I'll explain
17 to you why MPI is doing things a certain way.

18 So the first thing that I'm doing
19 regarding the operational costs is hold the line. I
20 think when you have a -- a big organization like MPI,
21 and it has a particular trend, the first thing you need
22 to be able to see is that, A) is the -- sorry. I can't
23 believe this.

24 The first thing that is important is
25 that you see that the -- that -- that there is -- that

1 -- that we're holding the line on the expenses, that
2 we're really starting to show you that things are
3 changing around. That's -- that's the number 1.

4 The second thing that's important to me
5 is while we are showing that we're -- that we're toeing
6 the line, is that before we do anything else, that the
7 way I am is that it needs to be done thought for --
8 thoughtfully and thoroughly. And I don't want to do
9 things that will negatively affect the Corporation and
10 not be able to meet its mandate. It has to be thought
11 through. And I'll talk about that a little bit more
12 later.

13 The second thing that we're doing is --
14 is identifying opportunities to reduce costs. But what
15 I'd like to do as the new CEO and -- and the principles
16 of leadership, you know that you need to get the buy-in
17 from -- from your leadership team and your staff and
18 your business partners. We're working on that.

19 And if you want to think about how we
20 work, we're a corporation that really lives its values.
21 And when you think about what we did to put the \$60
22 million to the bottom line for Manitobans, if you look
23 at what we were able to do with the brokers, from 5 to
24 3 percent on the commission, that's what I'm talking
25 about, about getting the buy-in from people. From --

1 from actually working to be able to achieve
2 quantitative results that you -- that Manitobans can
3 really benefit, but it's done systematically. It's
4 done thoughtfully, and you don't have to undo it
5 because you went too fast. But -- but you do get
6 there. And I think our record clearly should give you
7 a reassurance that when we say we're going to get
8 something done, we get it done.

9 The third thing that I think is
10 important is there's been a lot of changes at MPI over
11 the last decade or so. And I think it's important -- I
12 -- I think we have the opportunity now -- like, we
13 wanted to get that \$60 million. That was important.
14 And we had to do it within a certain amount of time.

15 But I think, on a go-forward basis, we
16 have the opportunity to focus on the timing of capital
17 initiatives, to manage future amortization and the
18 appreciation of capital costs to not put pressure on
19 rates, and you're going to start to see that. You're
20 going to see that the things we did to go get that \$60
21 million, they're going to work themselves through, right.
22 We're -- we're still getting the \$60 million at the
23 bottom line. And then on a go-forward basis with our
24 initiatives, we'll be able to pay more attention in
25 terms of how that puts pressure on rates.

1 I want to give you a specific example of
2 when we say we listen to you and we mean what we say.
3 I think you'll be able to note in -- in the expense
4 section of our rate app, the -- how we're using the
5 vacancy allowance to -- to be able to pass on savings
6 right away to the ratepayers. And I'm talking about
7 here how we're managing the FTE complement, the full-
8 time equivalent complement, the staffing level.

9 Because I think, at the end of the day,
10 if I'm hearing between the lines, it's all about the
11 level of staffing that we have in MPI and how much
12 we're spending on -- on operational costs. And really
13 when you look at our -- our costs, like staffing is --
14 is a cost driver.

15 So what I wanted to be able to -- to
16 tell you, for example, of what we're doing and what we
17 mean by reengineering ourself, investing into the
18 future and so on, is that through the vacancy allowance
19 it requires a corporation to keep approximately one
20 hundred (100) full-time positions vacant over the
21 course of our fiscal year. And we've been able to do
22 that this year. We're on track to doing that this
23 year.

24 And you'll see in the finance expense
25 section also that we're going to increase the vacancy

1 allowance as we go forward. And you're talking about a
2 hundred to a hundred and fifty (150) FTEs over the next
3 five (5) years.

4 What's important to convey to you as to
5 why maybe you're asking yourself, Well, Dan, why don't
6 you just cut the staff establishment, like, by a
7 hundred and fifty (150) or something right overnight,
8 is that, right now, on staff, I just had the
9 calculation done two (2) days ago, the -- we have two
10 hundred and forty (240) employees that are 55 and over
11 and can retire.

12 So I got two hundred and forty (240)
13 employees that, if they got together tomorrow, could be
14 out the door within two (2) weeks. That needs to be
15 carefully managed from a succession planning
16 perspective, because the work that we do, it's not the
17 type of work that we can buy off the shelf. Public
18 auto insurance, it's -- it's not a -- in an insurance
19 company it -- itself, in the insurance business itself
20 you have to invest a lot into your employees to train
21 them because it's not something that's taught in school
22 or universities. You have to train people, and it
23 costs money to train.

24 So what I'm trying to do is that I'm
25 trying to convey to you that we found a way to do

1 things in a very respectful manner, and we're living
2 our values. We're meeting our mandate. And now we're
3 able to show to you that as we continue to -- to
4 execute on our strategic initiatives, that we'll be
5 able, by the time -- within five (5) years, reduce our
6 FTE complement.

7 And we found a way to start passing the
8 money to the bottom line, but I wanted to under -- make
9 you -- convey to you as to why it needs to be done a
10 certain way. And Ms. Reichert will be able to provide
11 you the details of how we're doing that. But I think
12 when you look at it from a bottom line perspective,
13 what we're putting on the table is pretty substantial.
14 And it's a good example of listening to you and doing
15 things that does not compromise our ability to deliver
16 a mandate, but at the same time shows you a commitment
17 of dealing with the operational costs.

18 For me, for public auto insurance to be
19 successful for MPI, the RSR is the most critical risk
20 mitigation component MPI has to ensure rate
21 predictability and stability, which in turn is what
22 secures the long-term success of public auto insurance.

23 Why is that true? Because Manitobans
24 expect low-cost insurance with superior coverage and
25 service. We have to service people, and we have a big

1 province, and it doesn't matter where they are, we have
2 to service them. That is core to our -- our mandate,
3 and we cannot do anything that will put in jeopardy the
4 ability to serve customers according to their
5 expectations. In essence, our value equation. We have
6 to be compliant to our value equation.

7 So with that in mind, I'm hoping we can
8 agree on the methodology to determine the RSR range,
9 and address the deficiency in premium in a manner that
10 is acceptable to the Corporation and the regulator.
11 What I mean acceptance to the regulator is in MPI --
12 MPI management and its board of directors, is that I
13 hear you when you say, You know, it's important not to
14 extract additional money out of the economy than
15 necessary.

16 And from our perspective, we're trying
17 to meet our fiduciary responsibilities as officers of
18 the Company. So -- so we were thinking, Well, what can
19 we do that both parties can meet their objectives and
20 be able to find a solution that allows us to move
21 forward on -- on approving the DCAT, and approving the
22 RSR range?

23 And so I think you're going to see --
24 and I'm going to talk about that little bit later. I
25 think you're going to see some -- some pretty goodwill

1 on our part, and -- and I'll talk about that a little
2 bit later.

3 So just to reiterate, it's very
4 important to us that you approve the DCAT, and that you
5 approve the ranges that we want for the RSR, because to
6 us, we associate that with rate predictability and
7 stability, and we truly believe that if we don't have
8 that, we'll lose the support of public auto insurance in
9 Manitoba, and we also need it to meet our fiduciary
10 responsibilities.

11 One of the things that -- that I'd like
12 to say before I -- I move into this illustrative slide
13 is that again showing good faith, and I was -- I was
14 thinking, What could we do to be able to move forward
15 on -- on the ranges, and listening to your need to not
16 to extract additional money out of the economy, is that
17 actuarial science is -- is -- there is still some
18 discretionary decision that needs to be made.

19 The adverse scenarios in the DCAT is a
20 good example of how an actuary has to comply to -- to
21 what applies to them in terms of their discipline, but
22 there are still things that are discretionary in there
23 in terms of the assumptions that you make. And this
24 morning, I want to put on the record that MPI is
25 willing to allow your actuary to finalize the DCATs and

1 the adverse scenario.

2 And if it comes out at 180 million, or
3 205 million, as long as our internal and external
4 actuary can sign off on -- on what your actuary has
5 done, we're good to go with that. We're not going to
6 insist that it has to be an adverse scenario with --
7 and this is the way it is. We're going to give the pen
8 to your actuary, and as long as we can sign -- as long
9 as our internal and external actuary can sign off on --
10 on the DCAT, we'll be okay with that.

11 And I think that's a good example of
12 showing again to the regulator how -- how we really
13 want to be able to demonstrate that we've listened to
14 things that are important to you. And I'm hoping that
15 you'll be able to understand that we have to meet our
16 fiduciary responsibility, and we are going to be able
17 to -- to move forward.

18 So I wanted to put in the record how we
19 put our -- our head around this. And just to make sure
20 it's illustrative, the bottom, the X-axis, if you wish,
21 is -- is a -- a function of time, so it's over eleven
22 (11) years just for -- just for illustrative purposes,
23 and then we're talking dollars on the vertical axis.

24 But this slide, I think, clearly shows
25 the relationship between stable revenue and volatile

1 cost-base, which is what Basic faces. Given its
2 monopoly position, Basic has a very stable revenue
3 stream, the green line, exclusive of rate changes and
4 RSR fees.

5 Basic is repriced annually to achieve
6 break-even. Because Basic is not expected to make any
7 profits, the RSR will not grow naturally from the
8 profits of the Basic program like it would in the
9 private sector, for example. Fluctuations in RSR level
10 excluding rebates of -- or RSR fees which are purely by
11 chance due to the inherent risk of the Basic Program.

12 As shown in the scholastic modelling
13 section of the DCAT report, page 84, expected accident
14 year claim costs net of reinsurance can easily vary
15 roughly by plus or minus \$50 million or plus or minus
16 10 percent, as illustrated in the -- in the diagram.
17 Around the best estimate value, purely by chance,
18 similar to what is shown in the graphic.

19 Similarly, investment income can
20 experience significant variability purely by chance.
21 For example, investment income in 2008/'9 was only 4
22 million, but in 2013/'14, it was 148 million. The
23 Corporation's DCAT analysis studies these risks in
24 detail and makes a recommendation on the appropriate
25 RSR range to minus -- manage these risks.

1 So, I'm trying to find a way for the
2 Board to feel comfortable in moving forward. And so,
3 if we look at the lower DCAT, then the -- which would
4 be the minimum retained earnings of \$194 million, in
5 terms of listening to you, we're giving the pen to your
6 actuary for the adverse scenarios.

7 This is where there might be some
8 discretion, so once your actuary has -- as des -- can
9 convey to you, From an actual perspective, it could be
10 \$180 million, or if they -- if the actuary says to you,
11 Nah, you know what, I don't feel comfortable signing
12 off on the DCAT. I'd -- I'd want it to be at \$200
13 million. Whatever the number is, we're willing to live
14 with that, as long as our internal and external actuary
15 can sign off on the DCAT.

16 The upper limit -- the upper limit is an
17 MCT of 100 percent, and whatever the calculation is --
18 right now it's depicted at two (2) -- 323 million, but
19 whatever that calculation, it'll be whatever it'll be.

20 Now, in listening to you and your
21 concerns about extracting additional money out of the
22 economy, and for us to meet our fiduciary
23 responsibility and our true belief of rate
24 predictability and stability, that that's critical to
25 the long-term success of public auto insurance, then,

1 you know, the -- the area between the two (2) red
2 lines, that's something that could be a -- a lot of
3 debates into what that number should be.

4 And I understand your point on that. So
5 what the Corporation has done is, because of the bad
6 winters and how the RSR got depleted real fast, the
7 Corporation's Board of Directors has agreed to transfer
8 money to rebuild the RSR from the excess retained
9 earnings, okay?

10 And I think that's important commitment
11 on our part to -- to be able to show that we've
12 listened to your concerns and find a way for you to
13 maybe understand our need to meet our fiduciary
14 responsibilities, and also to be able to pro --
15 immunize the Corporation from what we believe to be
16 significant volatility that can occur to us.

17 And whether we agree or not of the
18 distance between the two (2) red lines, we believe that
19 because the Corporation is putting the money from in
20 excess retained earnings, it doesn't ask you to let go
21 of your belief, because it won't be the Basic customer
22 that will pay for -- for putting the money. It will be
23 coming from our excess retained earnings.

24 Having said that, the volatility that
25 exists, we -- we truly believe in the MCT 100 percent.

1 That's -- that's what we believe it to be. We believe
2 when we look at climate change, when we look at the
3 crazy financial world we live in, when we look at
4 tornadoes getting higher, higher into northern -- and
5 starting to come into Canada, and so on. When we look
6 at all the things that can happen that are bad, we
7 believe that's the right range.

8 But we're willing to put on the record
9 with you -- we're going to say, Okay, let's rebuild it
10 and let's agree to MCT 100 percent. It's all coming
11 from the excess retained earning. It's not negatively
12 affecting your position in terms of extracting money
13 out of the economy. But we're willing to say, Let's
14 review it in four (4) years. Is the MCT 100 percent a
15 good thing or a bad thing?

16 But I think that the rate predictability
17 and stability is so important that we're willing to put
18 our excess returned (sic) earnings into the RSR and
19 make a decision in four (4) years from now in terms of
20 -- of being able to say, Well, you know, were we right
21 on volatility or not?

22 But let's -- let's look at the interest
23 of the customer. Let's protect the ratepayers. And
24 whether we're right or wrong of the MCT being 100
25 percent, let's re-evaluate that in a -- in -- in four

1 (4) years from now.

2 But at least -- at least the worst-case
3 scenario is just money going back to the customer. And
4 there's nothing wrong with that, to be able to -- to be
5 able to make sure that on the long-term, the
6 Corporation and the regulator does things to immunize
7 Basic policy holders from volatility. Because it --
8 it's -- it's -- there's a lot of volatility out there,
9 and we have to really immunize our customers from that
10 volatility.

11 MR. REGIS GOSSELIN: Mr. Guimond, could
12 I -- I hate to interrupt you --

13 MR. DAN GUIMOND: Yes.

14 MR. REGIS GOSSELIN: -- but I -- could
15 you explain the blue line?

16 MR. DAN GUIMOND: The -- the blue line
17 would be what I was talking about before in terms of --
18 of -- from a net income perspective, you know, having
19 many losses, like many little hail claims or bad
20 winters and so on that could make you go dip below the
21 minimum retained amount, right? Or then you could go
22 crazy in the stock market and it just keeps coming in,
23 and you could be above the line. Okay?

24 MR. REGIS GOSSELIN: But -- but it's
25 not based on any specific data? It's just an example

1 of what could happen.

2 MR. DAN GUIMOND: No. These two (2)
3 slides are just illustrative purposes, and I wanted --
4 what I wanted to do is to convey how we heard you about
5 the extraction of money, and I think how we found a
6 solution to be able to meet our fiduciary
7 responsibilities, and also to put on -- on the record,
8 you know, passing the pen to your actuary regarding the
9 adverse scenarios. And also being able to review the
10 MCT 100 percent in four (4) years from now. But the
11 way we execute, I believe, is a win/win solution and
12 doesn't force anybody to move from their positions, and
13 it's in the interests of the ratepayer.

14

15 (BRIEF PAUSE)

16

17 MR. DAN GUIMOND: We're going to go to
18 slide 15. Thank you. So going to the -- if -- if the
19 regulator -- and -- and I hope I've been able to convey
20 how MPI has taken to heart what you're trying to do and
21 convey what's important to us. And so this is what
22 we'd like you to approve in our GR (sic), \$194 million,
23 minimum RSR of \$104 million, or whatever your actuary
24 deems appropriate when they finalize the adverse
25 scenario, that the Corporation hold a minimum total

1 equity of \$213 million. And again, that will change
2 depending on what your actuarially -- your actuary
3 recommends to you. And then a range -- a -- an MCT of
4 100 percent.

5 So we've talked about how we listened to
6 you on operational costs. We've talked to you about
7 how we listened about your concerns regarding the
8 rebuild of the RSR. And there's one (1) thing that, of
9 everything we're doing, one (1) thing that really
10 concerns me, is the assumptions on the interest rate in
11 our forecasting model. And what's really frustrating
12 about this -- this whole thing is that when I put
13 myself in your shoes, I'm saying, They've got to be
14 coming up. And -- and they don't.

15 And the last five (5) years we've been
16 told by experts and professionals and everything money
17 can buy to find out what is the best guess in terms of
18 what's happened with the interest rate, and it doesn't
19 happen. And I think at the end of the day if we could
20 go to -- to -- okay, this slide is perfect. So that
21 really concerns me.

22 And I -- I just want to put on the
23 record, you know, that when -- at the end of the day,
24 like as the president and CEO, you know, you got to
25 make a call and you got to look at the data. And you

1 have to -- and you look at it and you say, I really
2 believe the interest rate won't go up and I want to
3 share that with you.

4 And I'm respectfully asking that you
5 reconsider your position in terms of what interest rate
6 assumption we should put into the forecast model. I
7 respesfully -- respectfully ask you to reassess that
8 because I really believe they won't go up.

9 Just to give you an idea of a -- of an
10 impact of -- of the interest rate, we ran some numbers
11 a little bit. And if they remained unchanged from
12 September 2014 to March 2017, our requested rate
13 increase would have been 7 percent. It's very -- it
14 has a terrible effect on us from a financial
15 perspective. And I really respectfully ask that you
16 change your position on that.

17 If we go to slide 17. If the trend
18 continues into the forecast for the next year, we'd be
19 looking at a rate increase of 4.9 percent. And that is
20 -- that's if we get the 2.4 percent, and we're not even
21 talking about the RSR. I mean, if -- if we are not
22 able to move forward on the RSR, next year we'd be at
23 11.8 percent in the ba -- you know, so -- so it just
24 starts to bubble and just starts to grow.

25 And what I'm saying is -- what I'm

1 respectfully putting on the table is that I believe if
2 we're not careful -- like, we're hoping -- and -- and I
3 understand the dilemma because everybody's saying the
4 interest is going up, but they don't go up. And at the
5 end of the day, what we're doing together is just
6 pushing that interest rate risk on the ratepayers. And
7 then it's just going to start to bubble and bubble.
8 And then it becomes a situation where it gets out of
9 control pretty fast.

10 And so I -- I really feel that -- that
11 the regulators should -- should change their position
12 on the interest rate that should be used in the
13 forecasting model.

14

(BRIEF PAUSE)

16

17 MR. DAN GUIMOND: At the end of the
18 day, when I look at all of this and I hear all the
19 expert and read all the magazines and so on, I -- I
20 really don't think that using the average rate forecast
21 by the five (5) major banks and the Global Insight, I -
22 - I don't think they're going to go up; it's not going
23 to happen.

24 And us, the Corporation, cannot sus --
25 sustain a \$16 million reduction or more on an annual

1 basis; it just -- just can't. We're going to get
2 ourselves into trouble, and that's why I'm asking you
3 to -- to rethink your position on that. I think it's
4 critical on a go-forward basis that we find a way to --
5 to solve that.

6 You requested an understanding and
7 insight into the value which MPI provides to
8 Manitobans. And this slide provides a highlight on
9 this. It is further detailed in our rate application
10 under the heading, "Value to Manitobans."

11 I think what's important to note is that
12 we provide low-cost insurance, excellent service, broad
13 coverage, protection for those injured as a result of
14 motor vehicle accidents, guaranteed access. Even when
15 you claim, you still can buy an insurance policy the
16 following year.

17 I've talked to you about the operational
18 costs and continuous improvement and so on. And I
19 think I'm able to be able to show you a little bit of
20 how we're connecting the dots.

21 If we go back to that -- that slide over
22 time in terms of our initiatives, you can see how we
23 want to put \$30 million to the bottom line in cost
24 avoidance to deal with what's happening in the auto
25 industry. You can see we're serious about the

1 reduction in operational cost over five (5) years of
2 approximately a hundred and fifty (150) FTEs.

3 You can see that we found ways to work
4 with you, I believe, on how we rebuild the RSR, and we
5 immunize Manitobans against volatility -- financial
6 volatility. And I think at the end of the day you're
7 seeing that we're -- we're listening to you and making
8 efforts to find ways to work collaboratively with the
9 regulator.

10 And I think the \$60 million that we put
11 to the bottom line, I think when you look at our -- on
12 our -- our expenses and so on, especially the
13 amortization, you can see some bumps and, yeah, we're
14 going to take our -- our lumps a little bit but it's
15 worth it for the \$60 million to the bottom line.

16 I think any of you would be running a --
17 our -- our business, or putting yourself in -- in our
18 shoes, you'd take the \$60 million even if you had to
19 take a little bump on amortization. And that's well
20 defendable. It'll work itself through our financial
21 statement, and Manitobans will be ahead forever and
22 ever. And I think that's good.

23 We've talked about the cost containment,
24 and I think when Ms. Reichert provides you with more
25 details you will clearly see the three-prong approach,

1 and you're clearly going to see how we're serious about
2 -- about making the changes that I talked about.

3 This slide just talks about two (2)
4 initiatives, and you'll recall -- they might seem
5 familiar. And they're the things that are in blue on
6 the -- on this -- on the slide that you saw. And we're
7 going to report on our initiatives, and those are the
8 ones that we'll be using to put \$30 million to the
9 bottom line to avoid rate increases as a result of
10 what's happening in the auto industry. And we're going
11 to be reporting to you on that, monitoring it, and be
12 able to -- to show you the savings.

13 I think what's important when you -- I -
14 - I know you wanted benchmarking and so on. We've
15 provided that, and I find the benchmarking results very
16 satisfactory. And we are meeting our mandate, and we
17 do have the lowest costs across Canada.

18 But there are things -- and I don't know
19 what your mind set is when you're look -- looking at
20 our expenses and so on, but there are things that we're
21 intentionally not doing. And I think you -- I -- I
22 don't know if that's ever been conveyed in terms of our
23 philosophy in terms of cost reduction in terms of, Have
24 you done everything you can to reduce costs --
25 operational costs? The answer is, No.

1 And when you get benchmarked, those are
2 things that I think you need to know. And those are
3 the things -- I thought I'd provide a list of things
4 that we're just not going to do, and those are
5 significant savings. We do not believe this is part of
6 our mandate. We believe these things would be contrary
7 to our mandate and we're not going to do it.

8 And I thought that maybe it'd be
9 important to share that with the regulator, and when
10 you make your decisions in terms of what's rock-bottom
11 pricing, that you keep in mind that by design, based on
12 our mandate, that we're not going to -- we're not going
13 to do everything that's ultimately possible of a
14 corporation to -- to reduce costs to its lowest --
15 lowest possible number.

16 And so it's a balance, and I thought I
17 would share that with you because it's -- it's very
18 important to the success of public auto insurance in
19 Manitoba.

20 MR. REGIS GOSSELIN: I don't want to
21 interrupt you, Mr. Guimond, but I do want to clarify --

22 MR. DAN GUIMOND: Yeah.

23 MR. REGIS GOSSELIN: I'm sort of
24 drawing the inference from this that this is -- these
25 are approaches that are used by other insurers in

1 Canada.

2 MR. DAN GUIMOND: Yeah.

3 MR. REGIS GOSSELIN: Now, can -- can
4 you -- are you in a position to comment or provide
5 information about what incremental costs relate to each
6 of these? I'm not suggesting that -- I'm not
7 suggesting you go there, you know, in terms of
8 proposing that you offshore your IT staff or anything
9 like that, but could you tell us -- in a position to
10 tell us what that represents in terms of -- of
11 incremental costs?

12 You know, if you go -- if you -- for
13 example, offshore IT staff, if you were to go that way,
14 we could save 5 percent. I mean, looking at it the
15 other way --

16 MR. DAN GUIMOND: But if you -- I --

17 MR. REGIS GOSSELIN: Did you get --

18 MR. DAN GUIMOND: We'd have to get some
19 quotes and it depends on the deal that you negotiate
20 with these -- these third parties. But you can easily
21 save seventy (70) cents on the dollar and just in terms
22 of payroll, and you're not even talking about the
23 liability in terms of benefits and pension. It's
24 significant. It's -- it's big money.

25 But we believe that that's contrary to

1 our mandate, and we believe that it's part of our
2 mandate to provide good jobs to Manitobans and to keep
3 the money in Manitoba. And --

4 MS. SUSAN PROVEN: Mr. Guimond...?

5 MR. DAN GUIMOND: Yes.

6 MS. SUSAN PROVEN: I hope my mic's on.
7 You mentioned the offshore opportunities in this slide
8 that you are not interested in, but this morning we
9 heard also prior to the break about the offshore parts
10 opportunities where you were getting after-market
11 parts. And I heard you say "offshore" there, so I was
12 just wanting to ask about that. That was a direction
13 that you took then with the parts, was it?

14 MR. DAN GUIMOND: No. No, the -- the
15 parts is a complete different arena, so to speak.
16 Manufacturers -- Manitobans buy vehicles from -- from
17 all over -- that are manufactured from all over the
18 world. In fact, in Manitoba, more and more customers
19 are buying foreign vehicles.

20 And by 2016 we'll -- we'll be crossing
21 over from more imports than -- than domestic. And so,
22 these manufacturers, they build these parts all over
23 the world and they ship them. Some of them are done in
24 North America, some of them are not.

25 So it's really the manufacturer that

1 provides those parts and they build them all over the
2 world. It's not something -- it's not a decision that
3 we can -- can make. It's not within our control.

4 MS. SUSAN PROVEN: Well, that clarified
5 it as far as why you went that -- you -- I mean, why
6 you're doing that.

7 I am wondering though, when they spoke
8 about this morning, and I'm just asking now, although
9 you haven't got to it, but this business of ARM saying
10 that, you know, there's huge cost when you don't use
11 the glass on -- and some of these parts that could be
12 available locally from the recyclers, you've chosen to
13 not use those.

14 And I'm wondering about the -- and
15 perhaps you haven't done this as a Corporation, but the
16 environmental cost of not doing that. Most
17 corporations these days, they want to prove their
18 sustainability and I'm not hearing that in terms of
19 MPI. I haven't heard too much about, you know, the
20 sustainability aspect; not having that stuff go into
21 the landfill.

22 Is that important to the Corporation?

23 MR. DAN GUIMOND: Very important to the
24 Corporation. And since you -- you asked me about ARM
25 and the recycled parts and so on, I want you to know,

1 and I want to put this in the record, that MPI, when we
2 started to do the -- the physical damage project or
3 initiative, that we quickly saw what was happening to
4 the recyclers.

5 You need to know that we -- we do
6 business with sixteen (16) recyclers, okay. Some of
7 them are part of ARM and some are not. The Corporation
8 has never dealt directly with ARM.

9 What we do, when we did the -- the --
10 when we started the project, is that we approached all
11 of the sixteen (16) recyclers that we deal with, we had
12 them in a room, they came here, and I was personally
13 there at the meeting.

14 We agreed -- we passed on some
15 information that we were very concerned about what was
16 happening exactly to your point about sustainability.
17 Because when we did the math, we quickly realized that
18 with the changes in technology and parts procurement
19 and supply chain, that the recyclers would not survive.
20 They -- they're going to be gone -- go by the Dodo
21 bird.

22 So we identified that to them. We
23 struck a committee to work for representing the sixteen
24 (16) recyclers that we have, and we have terms of
25 reference and minutes of meetings if you want to see

1 what I'm saying is true.

2 And then we've been moving forward on
3 the file. And what we have to do is really to come to
4 grips as to the reality of technology. And what I mean
5 by that is that the aftermarket people, manufacturers,
6 and the OEMs are aggressively going after the whole
7 market, and basically, through price matching, supply
8 chain and so on, are able to aggressively compete with
9 the recyclers, which was not really possible in -- in
10 the -- in the past without all that technology.

11 So what's happening, for example, I'm at
12 a shop. I've got a car that disassembled. I'm
13 ordering the parts to repair the car. I'll go to the
14 computer and I'll do a search at the parts level for
15 what I need. It could be an assembly. It could be a
16 part. It could be whatever. What happens is that the
17 -- and -- and they're -- they're pretty good at what
18 they do with analytics, the OEM that is, because they -
19 - they know in Manitoba, there'll be so many bumpers,
20 so many lights, so many of this, so many of that.

21 Then what they do is they target the
22 matching to compete with the recyclers. And what
23 happens is that the -- there -- there's a couple of
24 things that happen when they start to do that. A) From
25 a price perspective, there's no difference between the

1 recycled parts and the OEM parts. But we do get a bump
2 on customer satisfaction with OEM parts compared to a
3 recycled part.

4 The other thing that happens is that
5 they get the part faster. Sometimes recyclers will be
6 able to match them, but most of the time they will not.
7 Some of these parts are -- are in stock on site. The
8 repair gets done faster, so we pay less money, for
9 example, on loss of use. And the customer gets the car
10 faster, which you get another bump on customer
11 satisfaction.

12 So what -- and -- and so what -- what is
13 the challenge, and that's why we approached our -- our
14 business partners. We said, You're going to be losing
15 your business. You're going to see your parts totally
16 disappear on you. Now, what happened here in terms of
17 putting context at what's going on in this arena, is
18 that there's a group of people that -- that kind of
19 panicked a little bit when we shared all the data and
20 showed them what was happening.

21 And then they -- they decided to come
22 here and they're hoping, I guess, in their own way -- I
23 mean, when you see your business going down the tube, I
24 mean, that's -- that's -- that hurts. I mean, it --
25 it's hard, right? So you want to do things to try and

1 protect it, or -- so I -- maybe they're hoping -- and
2 you'd have to talk to them, but I think what they're
3 trying to do is maybe from a policy perspective, force
4 us to buy aftermarket parts.

5 I think at the end of the day, it'll
6 boil down exactly, Ms. Proven, what you're saying. I
7 mean, the Corporation's going to have to make a
8 decision, and that's why we struck the committees is,
9 you know, do we -- do we intentionally protect a
10 recycle business under a -- a green policy? You know,
11 do we say on an annual basis to the -- to the repair
12 industry that I don't care what's cheaper or what's
13 faster, or whatever, you're going to have to buy ten
14 thousand (10,000) parts a year, or whatever, to protect
15 that industry?

16 That -- that's a policy decision that
17 we're going to have to make. And it's just the reality
18 of -- of business and how things are changing really
19 quick in the -- in -- in that domain. And so we've
20 identified the situation. We struck the working
21 committee that represents the sis -- sixteen (16)
22 recyclers that we work with. We're working with them
23 on how we're changing our processes, and now we have
24 these two (2) -- I believe two (2) or three (3)
25 individuals that kind of went outside of the -- of the

1 arrangement that we had made with our -- with those
2 sixteen (16) recyclers, and they kind of took this path
3 to come here.

4 And so that will -- that will shake its
5 way out. I mean, it's -- you know, I mean, the -- the
6 regulator will have to make up its mind in terms of
7 what he wants to do. But I know that at the end of the
8 day, from a -- if you let the market do its thing,
9 recyclers are probably going to be gone within five (5)
10 years. That -- that how -- that's how aggressive the
11 aftermarket part business is, and how the OEM, how
12 aggressive they are.

13 And they have deep pockets, right? I
14 mean, they can -- they can -- they -- they can -- they
15 can make sure they win that market space. I mean, they
16 could even underprice it for a few years just to get
17 rid of them, and then have the whole market to
18 themselves. I mean, those guys are -- they can be
19 pretty aggressive.

20 So at the end of the day, I think it'll
21 boil down to a policy decision corporately through our
22 Board of Directors to decide, do we prop up that
23 industry? What's in the interests of the ratepayers?
24 What's in the interest of sustainability? I think it's
25 going to be a big policy decision that we're -- the

1 Corporation's going to have to do, and we'll have to
2 keep you informed regarding that -- that policy
3 decision.

4 Because at the end of the day, if they
5 stay alive, you know, it's -- it's going -- it's going
6 to cost a little bit more money.

7 MS. SUSAN PROVEN: Well, on that note,
8 I guess I'm just wondering, on the final note how much
9 dialogue you have with consumers, the people that
10 actually pay. You know, where do they want to go with
11 this? Because your policy, and it wouldn't be a PUB
12 policy, I wouldn't think, it would be your corporate
13 policy --

14 MR. DAN GUIMOND: Yes.

15 MS. SUSAN PROVEN: -- when it comes
16 this matter, how much dialogue or consultation do you
17 do with your customers on that issue?

18 MR. DAN GUIMOND: Well, I -- I think
19 that's an excellent question, because to formulate the
20 policy, I mean, if we're going to subsidize an industry
21 in the interests of -- of being green, sustainability -
22 - and also, it could be to our advantage on the long-
23 term, because once they're gone, I mean, what's to say
24 they won't increase the -- the part rates or they won't
25 do the matching anymore?

1 terms of -- of MPI saying check that we've done. What
2 we've been asked to do from a mandate perspective is
3 that we need to achieve our seven (7) corporate goals.
4 We need to provide low cost insurance. We need to
5 provide service excellence. We need to provide broad
6 coverage. Our corporate performance indicators have to
7 be met. And last but not least, ensuring rate
8 predictability and stability, because that's how we're
9 able to meet our -- our mandate.

10 And our -- in our business, we can't --
11 we can't maybe do things that might be expedient in the
12 sense that, you know, if we were to say, Well, you
13 know, yeah, IT -- it's tough and -- and we got pressure
14 on rates and so on, but, like, changing your coverage,
15 for example, going to a deductible of seven hundred
16 dollars (\$700), maybe like SGI, for example, people are
17 not going to like that, and it has a huge repercussion
18 from a business perspective. It's -- it -- especially
19 the -- the repair business, because the less vehicles
20 there are to repair, the more unemployment we're going
21 to create, and more businesses are going to close
22 throughout Manitoba.

23 And where you take the hit, which you
24 need to know, is in northern Manitoba, right? It won't
25 be in Winnipeg. I mean, 60 percent of the fleet we

1 underwrite is in Winnipeg. But when you look at the
2 geography of our province, as soon as you're north of -
3 - of Brandon, I mean, you can really hurt a lot of
4 people if you're not careful, and it goes back to our
5 mandate in terms of -- of what -- of -- of everything
6 that we have to take into consideration.

7 And I'll -- I'll show you the economic
8 spinoff we have as a corporation in a later slide.

9

10 (BRIEF PAUSE)

11

12 MR. DAN GUIMOND: I've talked about the
13 benchmarking. It's in our -- our rate app. I think
14 when you look at -- if there's one (1) thing maybe I'd
15 like to say about benchmarking, is that the way we're
16 trained in school. When you go to -- to -- through
17 economics or -- or commerce and so on, a monopoly is a
18 little bit different in terms of -- of when you look at
19 the benchmark results.

20 For example, we're not going to maximize
21 revenues, right? We're going to work on -- on reducing
22 the costs of repairing vehicles and we're going to try
23 and like -- like, what's -- what you are saying, is not
24 to extract more money out of the economy than
25 necessary. We're going to keep pushing that, but my

1 revenue per employee is going to be lower when I get
2 benchmarked, right?

3 There's a lot of things that the way
4 we're trained that you think what is success of a
5 business, profit per employee for example, things that
6 we've been trained when we go to school.

7 We've been trained in -- in a -- a
8 competitive environment in -- in companies that
9 compete. When it comes to a monopoly, what I'm -- what
10 I'm conveying to you is maybe put that lens on when you
11 look at the benchmarking results to say, Hey, this is a
12 monopoly. It's very different than the private sector,
13 and what you're shooting for, there are significant
14 differences in terms of -- of the results that you
15 might expect from a benchmarking perspective.

16 I think road safety has been a topic of
17 a lot of -- of discussion, and when I look at it from
18 outside in, and now I'm in it, I was thinking about,
19 How do we move forward? Because when I look at all the
20 discussions, MPI, at the end of the day, it -- it will
21 follow its mandate, and it will abide by the law.

22 And when you look at the legislation,
23 road safety -- and the road safety mandate is -- is
24 pretty specific in the legislation. Having said that,
25 what I'm hearing from you, and I totally agree, is that

1 what you're trying to do is you're trying to say, Hey,
2 MPI, show me what you're doing to reduce frequency and
3 severity so that you can reduce your -- your premiums
4 on a go-forward basis.

5 And I hope I have that right, that
6 that's really the ultimate goal that you have. And so
7 what I'm putting on the table this year in terms of our
8 ability to move forward is that I'm trying to convey to
9 you that, Hey, you know what? The legislature is written
10 a certain way. That's our mandate, and we're going to
11 stick to our mandate.

12 Hearing what you're saying, Why don't we
13 just talk about -- why don't we put in the rate app
14 next year what we do about loss prevention for Basic?
15 Why don't we provide you sort of a report card on loss
16 prevention, of which road safety would fall under?
17 Like this year, we're doing winter tires. We're doing
18 a few other things.

19 So you'll see through the high school
20 driver education, we'll do telematics. We'll do
21 collision avoidance technology. Retrofitting cars to
22 help target, like, people that are at risk, and so on.
23 Well, why don't we put a section in our rate app and
24 call it loss prevention and then report to you the
25 things that we're doing to reduce frequency and

1 severity, and move away from the discussion of road
2 safety?

3 I mean, we'll -- we'll still -- there'll
4 still be a component on the loss prevention report card
5 that -- that talks about road safety, but instead of
6 maybe -- I -- I feel the Corporation has its back to
7 the wall, because we go back to the legislation, and
8 then you get into a -- this vicious circle, but if
9 you're willing -- if I heard right, what you're really
10 -- the -- the motive that you have is that you want to
11 see MPI demonstrating to you that its doing things to
12 reduce frequency and severity of loses.

13 Then I'm saying is that, why don't we do
14 a report card on Basic loss prevention, which -- which
15 road safety would roll under, and then we could talk to
16 you, like, about the things we're doing like winter
17 tires. And -- and when we do high school driver --
18 high school driver education initiative, we'll talk
19 about the telematics. We'll talk about the avoidance -
20 - collision avoidance technology. We'll talk to you
21 about all the things that are in the works to be able
22 to, and I think rightly so, demonstrate to you that the
23 Corporation is -- is really serious about what -- what
24 you're trying to -- to get a report card on.

25 And so I'm hoping -- I'm hoping that I

1 read it right in terms of what you're trying to do.
2 And what I'm diplomatically saying is that the
3 Corporation agrees, I -- would -- if I got it right in
4 terms of what you're trying to do, agrees with your
5 position. And to not sort of have our back to the
6 wall, or get -- have these dialogues keep going back
7 and forth, why don't -- why don't -- change it to loss
8 prevention, a Basic -- report on a Basic loss -- loss
9 prevention program, of which road safety would be part
10 of, but then you'd -- I think you'd get what you're
11 after.

12 Because road safety is a very -- is one
13 (1) important component of loss preventions, right? So
14 why not go after the -- the whole thing, and then it --
15 it alleviates -- it'll diffuse the -- the stress sort
16 of in the room, and allow both to be able to -- to do
17 what I think you're trying to do, and -- and I don't
18 disagree with what you're asking. It just opens the
19 door for us to be able to satisfy your needs without us
20 having to -- to keep having that discussion while the
21 legislation says blah, blah, blah, right?

22 So I'm looking forward to hear in your
23 Order if -- if you agree with this principle, and then
24 we'll -- we'll definitely put that in the -- the rate
25 app next year.

1 Page 28. And I think I've talked about
2 the structural changes currently taking place in the
3 auto industry. I think the message I want to leave you
4 is that this will be disruptive, it will be expensive,
5 and that we're taking action.

6 We've identified what I would view when
7 you run a business as an external threat in terms of
8 maintaining affordability and having the lowest
9 premiums across Canada. And we've done some
10 preliminary analysis, and we're going to keep you
11 informed on this in the next year's GRA.

12 But right now, we need to put at least
13 \$30 million to the bottom line to -- to beat this. And
14 -- just like we put the \$60 million in the last decade,
15 we're going to have to do that on a go-forward basis.

16 I wanted to -- on the next slide, I -- I
17 wanted to show you the -- the challenge that we're
18 facing, because a lot of times, people talk, but it --
19 it's good to have examples of the -- the realities of -
20 - of what we're changing.

21 So, like, for ops cost for example, I --
22 I gave you the vacancy allowance of how serious we are.
23 Right now in our contracts with the repair industry,
24 our -- our body repair rates are sixty-eight eighty
25 nine (68.89) an hour, okay?

1 Historically speaking, the exotic
2 materials -- carbon fibre, all kinds of stuff,
3 technology, computers -- they -- they were at the --
4 they were at the high-end vehicles. They were the --
5 the hundred twenty thousand (120,000), a hundred fifty
6 thousand dollar (\$150,000) cars that not many people
7 bought.

8 Today, with economies of scale, the
9 globalization of the economy and so on, we're starting
10 to see mainstream cars that are becoming affordable and
11 have a big representation in the fleet that we
12 underwrite.

13 And so, to give you an idea of the
14 challenges, aluminum is a hundred and fifty dollars
15 (\$150) an hour that we pay for structural work.
16 There's no way -- there's no way as carbon fibre, byron
17 steel, aluminum -- a -- a combo of these things into
18 the cars, the new computers. Some computers have
19 eighteen (18) computer -- some cars have eighteen (18)
20 computers in them.

21 It keeps changing all the time. There's
22 no way that we can afford to migrate from a sixty-
23 eight, eighty-nine dollar (\$68.89) an hour to a hundred
24 and fifty dollars (\$150) an hour. It will have to be
25 somewhere in the middle to be able to keep our premiums

1 the lowest across Canada and to be able to continue to
2 make insurance affordable in this Province.

3 We're working with the repair industry.
4 We've -- we're -- we're very fortunate, like, with the
5 -- with the brokers. What we did in -- in the last
6 decade with the brokers, the repair industry is working
7 with us, and there's no way that we would be able to
8 achieve -- like we -- like we set out that \$60 million
9 dollars. We wouldn't have made it without the
10 collaboration of the brokers.

11 There's no way we're going to make it
12 without the collaboration of the dealer -- Manitoba
13 Dealer Association or the -- or the ATA. And we're
14 working with them, and we're very, very fortunate --
15 very fortunate in Manitoba to have stakeholders that
16 believe in public auto insurance and are willing to
17 work with us.

18 And to make my point, I'm sure many of
19 you are aware of what happened in Saskatchewan, where
20 the collision repair industry just had a deal of 10-10-
21 10, like 10 percent every year increase guaranteed. So
22 that's 30 percent right there.

23 So we're going to work together to put
24 that \$30 million to the bottom line. We're going to
25 find a way to -- to do that. We'll do some things on

1 our side. They'll do some stuff on their side. But it
2 gives you an idea of how -- how challenging that is.

3 Because if you run a business, okay, and
4 -- and you've got -- imagine cars coming in -- into
5 your shop, right? And now some of these are aluminum.
6 Well, you can't have the cars we have today and
7 aluminum cars side by side. You need a separate room
8 to prevent contamination, to prevent oxidization of the
9 aluminum.

10 So -- so they have to make -- this is
11 where I go back to having to make significant
12 investment and significant training and so on to be
13 able to repair these cars. And so what I'm asking you
14 to -- to sort of work with me on, is that when we're
15 negotiating across the table with these guys, I mean,
16 costs is costs. When they say, Dan, I -- I need to
17 create a different room. I need to create a different
18 aluminum room, and it's going to cost so much, you --
19 you can't -- you -- you got to pay what it is. Costs
20 is costs, and we've got to make sure that cars are
21 properly repaired.

22 So we're working very hard with them.
23 We've got a good working relationship. But I thought
24 that this slide would be good to -- to provide you with
25 -- with a -- a really -- versus abstract, a -- a really

1 clear challenge that we have, is how do we prevent
2 migrating the business from sixty-eight dollars (\$68)
3 an hour to a hundred and fifty (150). How do we do
4 that? And -- and so we're going to have to -- to work
5 on that.

6 So this slide, I've talked to it --
7 about it. And at the rate that the new vehicles are
8 being -- coming in into our province, we're just going
9 to have to work together, keep an eye on it, and we'll
10 keep reporting to you on what -- what does that do to
11 the rates and -- and what does that do to -- to the
12 costs that people have to pay for their insurance?

13 This goes back to the economic impact we
14 have in the province. The first bullet, that's over a
15 thousand (1,000) people -- Manitobans that work in the
16 repair industry. It -- it's very significant, the
17 impact that we have. And this is why I felt it would
18 be so important today to give you a little bit of an
19 overview of -- of how -- how I think of this process,
20 but also the impact that -- that the decisions we make
21 in this room, how it -- it impacts day-to-day people.
22 We're -- we're affecting the livelihood of people.
23 We're affecting the ability to keep their business
24 opens (sic). We're affecting a lot of things.

25 And we have to be conscientious of what

1 we're doing. And the only thing that I'm asking you
2 is, I think we're putting it through our GRA, a lot of
3 -- of goodwill, a -- a demonstration that we've
4 listened to you, a way to move forward where no one --
5 you know, where it's a win/win. You don't have to
6 compromise on -- on your beliefs. And -- and that we -
7 - we are make -- continuing to meet our mandate. I
8 mean, this Corporation has always met its mandate.

9 This slide is -- is very important, and
10 what I was -- what -- what I want to convey is that the
11 green line is the escalation of -- of the Basic
12 collision severity, okay? And with those new cars that
13 are be coming on, it's just going to explode. It's
14 just going to go right through the roof with the -- the
15 investment and the costs of repairing cars.

16 And so what I wanted to convey to the
17 regulator is that all the savings we talk about, they
18 have to be for cost avoidance purposes, and not to
19 reduce the premiums, because otherwise we're going to
20 get into a lot of trouble. And I'm hoping I'm not
21 overdoing it by repeating this over and over, but it's
22 very, very important that everything we're going to do
23 on a go-forward basis is for cost avoidance, is to
24 prevent to rates from going up. So that \$30 million
25 that we're going to put to the bottom line over the

1 next five (5) years, it's -- it's to offset how that
2 green line is just going to spike, so that the rates
3 don't have to go up.

4 I know we talk a lot about innovation,
5 collaboration, lowest cost, best, and all those. But I
6 think any company that's able to meet its mandate and
7 beat inflation, that's a pretty powerful indicator of -
8 - of our commitment to providing value to Manitobans.
9 And I -- I thought maybe you'd appreciate sharing -- me
10 sharing that information with you.

11 So in conclusion, I'm hoping that --
12 that what you've seen from MPI in this application is a
13 desire to address your concerns, an ability to -- to
14 deal with -- with how we can rebuild the RSR, and
15 approve the DCAT, agree to the -- to the -- the ranges,
16 how serious we are on operational costs, how -- how the
17 interest rate -- the interest rate is a huge concern
18 that I have. And that's something that is very
19 difficult for both of us because, I mean, it's just got
20 to go up eventually, right? I mean, that's the
21 conclusion you come to, but it ain't going up.

22 Actually, we were just -- I -- I think
23 yesterday we had some questions. It actually went
24 down, right? So we need to really talk about that.
25 But I think that what you're seeing from us is a -- a

1 request that is reasonable under the circumstances.
2 We've had bad winters. There's external threats that
3 are starting to affect us in the auto industry.

4 And I think that what we're putting
5 forward allows us to -- to really move forward and --
6 and make sure that, like I said, like, through the
7 common ground and -- and the -- the ability to work
8 together to really do what is in the best interests of
9 public auto insurance, to make sure that public auto
10 insurance continues to succeed in Manitoba on the long-
11 term.

12 That concludes my testimony. Thank you.

13 THE CHAIRPERSON: Thank you very much,
14 Mr. Guimond. Were there any comments or questions at
15 this time?

16 MR. REGIS GOSSELIN: I have a lot of
17 them, but -- but I'm looking at the clock, but -- so
18 may -- I -- I just wanted to, you know, just start by
19 saying felicitations, Mr. Guimond. You were appointed
20 the CEO and that -- you know, we haven't had a chance
21 to express that publicly, so I want to congratulate you
22 on that appointment. And we're pleased that you're
23 here.

24 I just -- an observation. I learned
25 more in the five (5), ten (10) minutes listening to you

1 about what's going in the repair industry and recycled
2 parts that I would have learned through reading two (2)
3 or three (3) hours through the application.

4 And that, you know, I -- I think having
5 you here to answer questions like that is of great
6 value. It -- it educates us, and frankly, allows us to
7 understand where you're coming from, so. And so I -- I
8 think the more you're here, the more it supports the
9 application that we're asked to consider.

10 And frankly, the other advantage I can
11 see with you being present is that we get -- we can get
12 engagements from you directly that we might not be able
13 to get from other witnesses from MPI, because the other
14 witnesses to MPI are senior managers, but they're not
15 the ultimate decision-maker like you are, subject to
16 board -- your board, of course. But, you know, there's
17 a real advantage to be able to get a commitment from
18 you directly as to something that we're requesting or
19 the parties are requesting.

20 So there's a high value to having you
21 present in the room. We're -- we're getting answers
22 and we're getting commitments that we might not always
23 otherwise be able to get as directly as we can when you
24 are present in the room. So I guess I'm suggesting the
25 more you're here, the better it is.

1 I just want to make a -- another
2 comment. You -- you've heard the tenor of some of the
3 discussions this morning, you know, the -- the fact
4 that you -- you know, parties would like to talk to you
5 about decisions you're making, or the -- you know,
6 business decisions you make and so on. And I'm pleased
7 to hear that you are meeting with the parties.

8 And I -- and I take it that that's the
9 direction you're going as a CEO. You're going to be
10 continuing to engage the parties that are interested in
11 the outcomes that you -- and MPI's outcomes on a -- on
12 a go-forward basis. In other words, trying to make
13 some decisions outside this hearing room that don't
14 have to be considered by this Board through the rate
15 application process?

16 MR. DAN GUIMOND: Yeah, that's --
17 that's exactly it. I mean, we're a big company. The
18 things that we do affect people. They affect our
19 employees. They affect our business partners. And I'm
20 truly a believer of a win/win scenario.

21 And I think that if you talk to people
22 that know me and the stakeholders and the -- the
23 different people I've -- I've dealt with over the
24 years, you're going to see that -- that stakeholder
25 management is very important and stakeholder input is

1 very important.

2 MR. REGIS GOSSELIN: And one (1) -- one
3 (1) of the things that you -- one (1) of the
4 commitments that have been made by MPI is the
5 commitment to take some excess reserves from the
6 business lines that we don't regulate, extension and
7 SRE, and take that money and put it into the rate
8 stabil -- stabilization reserve, but you hadn't
9 indicated what that amount will be.

10 Now, is that -- can you enlighten us as
11 to why that -- that number's a -- an unknown number?

12 MR. DAN GUIMOND: Yes, I can. I --
13 first of all, we don't know the amount of money that
14 should be transferred, and that's one (1) of the
15 things. Like, by the end of the fiscal year, we -- you
16 know, depending how it shakes out in terms of the
17 interest of the interest rate and -- and where we end
18 up in terms of the -- the difference, depending on what
19 you approve.

20 Assuming you approve the DCAT and
21 approve -- approve the MCT of 100 percent, we're going
22 to have to look at the -- at the -- gap, about the
23 money that needs to be put in there, and then I think
24 our commitment to you today is that we want that gap
25 closed as quickly as possible, and within four (4)

1 years. No longer than four (4) years.

2 And of course, the amount of money that
3 we have right now in excess retained earnings, we have
4 to -- to do the -- the same thing in our other lines of
5 business in terms of the minimum retained capital and
6 so on. So -- so at the end of the day, to answer your
7 question, we will want to get to the minimum amount as
8 fast as possible, and we will want to close the gap
9 within four (4) years.

10

11

(BRIEF PAUSE)

12

13

 MR. REGIS GOSSELIN: Now -- but we
14 talked about the interest rate forecasting methodology.
15 I think that's the first question I have is: Have you
16 considered resubmitting your application given that
17 nearby interest rates have softened over the last few
18 months? I mean, have you considered that as an option,
19 coming back to us with an application that would
20 reflect the softening of interest rates?

21

22

 I mean, that's -- that's entirely open
to MPI to do.

23

24

25

 MR. DAN GUIMOND: Yes, it is something
that we talked about. There's no question that if we
were to -- if we're back in June and it would be what

1 it is today, our rate app would be coming in at 3.6
2 percent in -- in terms of the -- the deficiency in
3 premium.

4 We decided not to do that. The reason
5 being is that, you know, when I told you I don't
6 believe the interest rates are going to go up, I mean
7 if -- if the regulator looks between the lines in terms
8 of our solution to rebuild the RSR, we left the point
9 on the table.

10 We -- we were off by -- by the
11 difference, but I think at the end of the day the
12 regulator -- it's no use for us to change or amend the
13 -- the app if the regulator insists on maintaining
14 their position. So I think of in terms of -- of give
15 and take, or looking at this, I think the regulator
16 needs to decide how much of the interest rate that we
17 want to -- that risk that we want to push to the
18 ratepayers.

19 And if I was to amend it, what do I
20 amend it to? Four point two (4.2) percent? Four point
21 nine (4.9) percent? You know, it -- it's -- it's just
22 -- it's -- it's a judgment call. And as a
23 businessperson, you need to make a call. So, back then
24 we made a decision to go with 3.4 percent.

25 I -- I as the president and CEO believed

1 that if I have 3.4 percent in the Basic rate, we can
2 continue to meet our mandate. And three point six
3 (3.6) versus three point four (3.4), I mean, going back
4 to operational costs I'll -- you know, it -- it's close
5 enough. But at the end of the day we need to make a
6 decision and I think it -- it would speak loudly --
7 loudly in terms of going forward if -- if the regulator
8 would -- would accept a change in position, and -- and
9 amend our rate app.

10 But spending all that money to update
11 the rate -- rate app and -- and try and hypothesize in
12 terms of where it's going to go, or how big it's going
13 to be, at the end of the day in -- in a way that's why
14 the regulator exists, right? You -- you're going to
15 have to -- to help us make a call as to what is the
16 right number.

17 And if you want to know what I think,
18 it's 3.4 percent. And I'm willing to live with that,
19 and I'm willing to commit to you that we're going to be
20 able to meet our mandate at 3.4 percent.

21

22 (BRIEF PAUSE)

23

24 THE CHAIRPERSON: In the interest of a
25 lunch hour, we're going to take our break now but there

1 will be some more questions from the panel. So I would
2 suggest we come back at 1:15 and, please, enjoy your
3 lunch.

4

5 --- Upon recessing at 12:05 p.m.

6 --- Upon resuming at 1:17 p.m.

7

8 THE CHAIRPERSON: Well, welcome back.
9 Hope you enjoyed your lunch. We're going to begin the
10 proceedings again. And just before we begin with the
11 cross-examination by Ms. Grammond for the Public
12 Utilities Board, M. Gosselin has a question for
13 clarification of M. Guimond.

14 MR. REGIS GOSSELIN: M. Guimond, I just
15 wanted to clarify a couple things. I guess the first
16 thing was that you are looking for a four (4) year
17 commitment from the PUB with respect to the DCAT
18 formula and the MCT.

19 Is that what you're looking for, or is
20 it just the DCAT?

21 MR. DAN GUIMOND: I'm hoping that we
22 can get consensus on the approval of the DCAT. And
23 what I've tried to convey is that, in terms of where
24 there might be some discretion in the adverse scenario,
25 that we would give the pen your actuary. And as long

1 as our internal and external actuary can sign off on
2 the DCAT, that whatever that minimum amount would be,
3 that would be the amount, and asking for a MCT of 100
4 percent. And -- because we believe that we are exposed
5 to a high degree of -- of volatility, financial
6 volatility, and to review the MCT amount in four (4)
7 years from now.

8 MR. REGIS GOSSELIN: Okay. One (1)
9 more question of clarification. And you're talking --
10 you've talked about external actuary. You talked about
11 PUB's actuary.

12 MR. DAN GUIMOND: Yes.

13 MR. REGIS GOSSELIN: Do you mean one
14 and the same?

15 MR. DAN GUIMOND: No. No, what I mean
16 is that, when I look at what the actuaries do, and I'm
17 not an actuary, but I do know that it's a science, but
18 there's also some discretion. And what I heard from
19 the Regulator is that they don't want to extract more
20 out of the economy than is required.

21 So where there's discretion, we're
22 trying to, in this case, give the regulators actuary
23 discretion in terms of -- of finalizing the adverse
24 scenario so that the minimum amount of retained
25 earnings that the -- that the Regulator's actuary could

1 really provide to you, you know, in -- in your private
2 meetings and so on and say, you know, This -- this is -
3 - this is as low as it can be, okay, to be able to sign
4 off on the -- on the DCAT report.

5 And then we -- and whatever that amount
6 is, if it's 194 million, if it's 180 million, whatever
7 that is, as long as our internal -- MPI's internal
8 actuary and MPI's external actuary can sign off on the
9 DCAT, then we're good to go.

10 MR. REGIS GOSSELIN: Okay. Just --
11 excuse me, Madam Chair. I'm -- I'm taking up a lot of
12 time here. But I just want to make sure I understand
13 what the -- what you're offering.

14 So there is a model at the moment that
15 has been used -- utilized to generate the values for
16 the -- for the DCAT adverse scenarios, and that model
17 has embedded formulas that our advisors have not been
18 able to see yet.

19 MR. DAN GUIMOND: Yeah.

20 MR. REGIS GOSSELIN: And I wonder if
21 you would be prepared to make a commitment to allow
22 that to happen?

23 MR. DAN GUIMOND: Well, my
24 understanding is that we've provided a tremendous
25 amount of information to demonstrate that the -- the

1 way the model works, works properly. My concern with -
2 - with the formulas and so on is that it's -- like,
3 we've -- we've put in a lot of money into this -- into
4 this tool. And -- and I know when we disclose it to --
5 to other folks, it becomes public -- it becomes public
6 information. Everything gets put in the record and so
7 on.

8 You know, if -- if somehow we could get
9 compensation so ratepayers can get the value back, you
10 know, because we give it to -- to a third party or
11 somebody can take advantage of that intellectual
12 property, you know, or find a way that it wouldn't get
13 into the -- the public record or -- or to -- to protect
14 our -- that intellectual property, you know, it would
15 be something we could talk about.

16 So that's why we went with this -- the
17 way to -- and my understanding is your actuary right
18 now, based on the information I've been provided, is
19 satisfied that this model works properly.

20 MR. REGIS GOSSELIN: Our understanding
21 is not the same.

22 MR. DAN GUIMOND: Okay, that's fair.
23 But -- but after -- I mean -- I mean, if we go down to
24 the issue here about the formulas and so on, it's --
25 it's intellectual property, right. I mean, there's a

1 lot of money in that model.

2 MR. REGIS GOSSELIN: No, I appreciate
3 that. I think there are safeguards that we could -- we
4 could talk -- certainly talk about. And -- you know,
5 we -- we have provisions within our rules to allow
6 commercially sensitive information to be protected. So
7 I think that we can be sensitive to your concerns and -
8 - in a way that accomplishes our collective goals.

9 MR. DAN GUIMOND: So I'll talk with my
10 -- my colleagues, and we'll -- we'll get back to you on
11 that.

12 THE CHAIRPERSON: Okay. Thank you very
13 much, M. Gosselin and M. Guimond. Ms. Grammond is
14 going to cross-examination on behalf of PUB.

15

16 CROSS-EXAMINATION BY MS. CANDACE GRAMMOND:

17 MS. CANDACE GRAMMOND: Thank you, Madam
18 Chair. So, Mr. Guimond, I'm going to have a few
19 questions for you on a variety of different areas. As
20 I think you know, the approach we've taken this year is
21 a little bit different. It's a bit of a new process as
22 proposed by MPI, so I'll tell you at the outset we've
23 tried to adjust to that and to ask you questions that
24 we believe you can answer and -- and will answer.

25 However, if I do ask you a question that

1 isn't yours to answer, then just tell me and we'll --
2 we'll go from there. If you need to defer anything to
3 -- if you need to defer anything to Mr. Johnston or Ms.
4 Reichert, then -- then just let me know.

5 And actually on -- on that, I -- I
6 wanted to begin by asking about some of the background,
7 or the why your evidence is being put forward in the
8 manner that it is. And you already heard the Chairman
9 comment that the -- the Board is -- is happy to hear
10 from you and is learning a lot.

11 So I -- I wanted to understand why it is
12 that your evidence is being put forward separately from
13 the panel.

14 MR. DAN GUIMOND: It was my intention
15 to be here for one (1) day, and then after that I --
16 you know, based on my understanding of these processes
17 and -- and this -- what happens here is that after that
18 we really get into the -- the details. I'm not a
19 chartered accountant, and I'm not an actuary. I know
20 it was important for the Regulator to get to know me a
21 little bit, to understand how -- how -- what I think of
22 this process and -- and how -- how I think of how
23 important it is.

24 Also, where we're going as a company.
25 What are the challenges, and how does that potentially

1 affect what happens here, and -- and to be able to
2 provide context. And then after that, in -- in my own
3 assessment of the situation, you know, you start
4 drilling down. And -- and to be -- to be quite --
5 quite candid, I -- I -- Ms. Reichert and Luke -- and
6 Mr. Johnston are -- are the ones that will probably
7 have the -- the information to be able to provide the
8 detailed answers.

9 MS. CANDACE GRAMMOND: Thank you. Mr.
10 Guimond, I assume that you accept on behalf of the
11 Corporation that it bears the onus of proof or -- to
12 substantiate the General Rate Application that has been
13 put forward?

14 MR. DAN GUIMOND: Yes, I do.

15 MS. CANDACE GRAMMOND: And the
16 Corporation also has the onus of establishing that the
17 proposed rates and fees are just and reasonable?

18 MR. DAN GUIMOND: Yes, I do.

19 MS. CANDACE GRAMMOND: And
20 historically, we've referred to that test another way
21 as well, which is that the rates that are to be
22 implemented are to be actuarially sound and
23 statistically driven.

24 Do we still agree on that?

25 MR. DAN GUIMOND: Yes, we do.

1 MS. CANDACE GRAMMOND: Now, the
2 Corporation is asking for an overall 2.4 percent rate
3 increase, plus the 1 percent RSR rebuilding fee, right?

4 MR. DAN GUIMOND: Yes.

5 MS. CANDACE GRAMMOND: So that's a
6 total increase of 3.4 percent?

7 MR. DAN GUIMOND: Yes.

8 MS. CANDACE GRAMMOND: Now, I know we
9 heard last year that -- when there was a 1.8 percent
10 increase applied for, that that was the second rate
11 increase applied for by the Corporation in about a
12 sixteen (16) year period?

13 MR. DAN GUIMOND: Yes.

14 MS. CANDACE GRAMMOND: So I believe
15 this application would be the third application in
16 seventeen (17) years that the Corporation has asked for
17 an increase.

18 MR. DAN GUIMOND: Yes.

19 MS. CANDACE GRAMMOND: And other than
20 this year and last year, the -- the previous time that
21 I referred to was back in 2004.

22 Does that sound about right?

23 MR. DAN GUIMOND: It sounds about
24 right.

25 MS. CANDACE GRAMMOND: Now, we know

1 that Basic had losses over the last couple of years in
2 approximate numbers of about 70 million in each year.

3 MR. DAN GUIMOND: That's correct.

4 MS. CANDACE GRAMMOND: And, Mr.
5 Guimond, in your pre-filed testimony, you've explained
6 the reasons for asking for the increase this year in
7 rates of 2.4 percent. And I -- I don't know if you
8 want to go to your pre-filed testimony -- maybe, Diana,
9 you can just pull it up for reference? It would be
10 page 6 of your pre-filed testimony.

11 But, in essence, you cited the severe
12 winter driving conditions as a -- yeah, right at the
13 bottom of that paragraph. You referenced severe winter
14 driving conditions, greater severity of claims
15 resulting in higher claims costs, as opposed to an
16 increase in operating expenses.

17 MR. DAN GUIMOND: Yes, and -- and what
18 I -- what I'm -- to be very specific is that I believe
19 that the two (2) bad winters had a devastating effect
20 on the -- on the RSR. And that's where -- that's what
21 it's there for, when you think about it. But I also
22 believe that it had an impact on -- on severity. And
23 how much, I -- I -- you know, I mean, Ms. Reichert can
24 get into that.

25 But I do believe that winters, because

1 they're so bad, that -- that the severity of -- of
2 repairing vehicles is increasing. But I -- I wouldn't
3 -- I wouldn't say that the rate increase is just
4 because of -- of the bad winters. It's a -- it's --
5 it's a component of it. I'm more concerned about the
6 interest rate than anything else right now.

7

8

(BRIEF PAUSE)

9

10 MS. CANDACE GRAMMOND: Now, Mr.
11 Guimond, we know also from your pre-filed testimony
12 that one (1) of the Corporation's objectives is to
13 provide ratepayers with value in exchange for their
14 money.

15 MR. DAN GUIMOND: Yes, I think value's
16 very important.

17 MS. CANDACE GRAMMOND: And also, we
18 want to show Manitobans the value of the Basic program,
19 and that's also from your pre-filed testimony.

20 MR. DAN GUIMOND: Yes.

21 MS. CANDACE GRAMMOND: Now, the
22 Corporation provided a new section in the filing this
23 year, which is SM.1. It's the section called "Value to
24 Manitobans" that we haven't had before. Maybe -- could
25 you explain a little bit about why that was provided

1 this year?

2 MR. DAN GUIMOND: My understanding is
3 that the regulator wanted to have a better
4 understanding of how MPI can demonstrate value to
5 Manitobans, and it was agreed that we would add this
6 section. That's the history I got briefed on when I
7 assumed my responsibilities. And that -- that's the
8 primary reason why we added that section into the --
9 into the rate -- into the general rate application.

10 MS. CANDACE GRAMMOND: And I think
11 anyone who looks at SM.1 would see that it sets out
12 what value Manitobans get from the Corporation,
13 including initiatives to improve value.

14 Is there anything specific that you can
15 point to with respect to the rate increase that's being
16 provided? And what I mean by that is, is there
17 something that it could be said Manitobans would get in
18 exchange for, for lack of a better phrase, the rate
19 increase?

20 MR. DAN GUIMOND: Yeah, I -- I think --
21 and -- and MPI has to share its ability to create value
22 with how we work with our stakeholders, because if it
23 wasn't for the -- our -- our stakeholders like the
24 brokers or the repair industry and so on, we wouldn't
25 have been able to accomplish the things we did. It's

1 really -- we're a community-based organization. We
2 live our -- our values. And at the end of the day,
3 Manitobans would have to pay \$60 million more a year if
4 we hadn't done the things that we were doing. And
5 also, from a re -- on the repair side, if it wasn't the
6 cooperation that we're getting with the repair
7 industry, you can see how we were able to beat
8 inflation on that, and so they'd be paying a lot more
9 for their rates.

10 So I -- and I -- I think it speaks
11 highly of -- of what MPI's able to do, but also the
12 community buy-in that we've been able to get from the
13 various business partners that we have and be able to
14 achieve that value and to demonstrate how -- how people
15 are committed to the long-term success of public auto
16 insurance in Manitoba.

17 MS. CANDACE GRAMMOND: So would it be
18 fair to say that the -- the 2.4 percent increase that's
19 being asked for goes to all of those things; it doesn't
20 go to a specific piece?

21 MR. DAN GUIMOND: I think that the 2.4
22 percent, I mean, if you want to break it down, I think
23 the waterfall diagram that we have in the rate app, I
24 think that's the one that describes the best in terms
25 of how you can allocate the 2.4 percent.

1 MS. CANDACE GRAMMOND: That's, I
2 believe, within SM.1? Clarify for the record which --
3 which graph you're referring to.

4 MR. DAN GUIMOND: It's in the overview,
5 page 27.

6 MS. CANDACE GRAMMOND: Thank you. Now,
7 Mr. Guimond, you just mentioned the \$60 million in
8 savings. I'm going to ask you to go to Tab 14 of the
9 Board's book of documents. This is CAC/MPI I-40. And
10 in particular, if we can go to the response at 'B'.

11 We've got the response by the
12 Corporation. So, in essence, CAC had asked in this IR
13 for a table that provided a series of pieces of
14 information, so the initiatives, the cost categories,
15 the amount of cost avoidance, the amount of cost
16 savings, and then the total cost avoidance and savings.
17 And the Corporation has provided that.

18 And we see in the narrative at 'B', this
19 is just above the table, the Corporation has says --
20 had said:

21 "Cost avoidance and savings have been
22 annualized for initiatives that span
23 multiple years. Initiatives
24 implemented in prior fiscal years
25 whose benefits have already been

1 accounted for in the current year
2 budget have been categorized as cost
3 avoidance."

4 So is it -- is it fair to say then that
5 past initiatives are shown on this table as cost
6 avoidance?

7

8 (BRIEF PAUSE)

9

10 MR. DAN GUIMOND: Just to clarify the
11 question, is past initiative as cost avoidance? No,
12 because like -- like, VOIP was in the past, as well,
13 for example. Like, we're done with the VOIP savings.

14 MS. CANDACE GRAMMOND: Okay, you're
15 referring to VOIP. That's the second-last one on the
16 list?

17

18 (BRIEF PAUSE)

19

20 MR. DAN GUIMOND: No, I don't think
21 that's the way the Company was trying to categorize the
22 initiatives. I -- I think it's more like -- like, what
23 -- what we did is to -- it's a little bit like I was
24 talking about, how we have to put \$30 million to the
25 bottom line to -- to be able to offset the increases

1 that's going to happen because of the changes in the
2 auto industry.

3 So I think we were trying to categorize
4 them in terms of ability to pass money to the -- to --
5 to avoid increases. Like -- like you'd be paying \$60
6 million more a year right now if we hadn't done these
7 things, and that's -- that's what we're trying to
8 convey here.

9 MS. CANDACE GRAMMOND: So are you able
10 to comment on the items that are called 'cost
11 avoidance' compared with the items called 'cost
12 savings'?

13 MR. DAN GUIMOND: I'd have -- I know
14 that in our rate app we some -- in Volume I, I believe,
15 we define what we mean by cost evasions versus cost
16 reductions. And I'd like to be able to just either
17 answer you right now or a little bit later to go back
18 to the definition that's in the rate app, because I --
19 I just don't remember the technical definition --
20 definition offhand.

21 MS. CANDACE GRAMMOND: Yeah, that --
22 that's okay.

23

24 (BRIEF PAUSE)

25

1 MS. CANDACE GRAMMOND: So I'll just --
2 I'll just keep going. With respect to this table, I
3 just have a question about the timing. So if we use as
4 an example the auto theft strategies, which we know is
5 a very successful initiative on the part of the
6 Corporation in terms of getting those auto theft
7 numbers down, that's something that's shown as a 30
8 million annual savings under cost avoidance.

9 But whether it was avoidance or savings
10 isn't material to the question, which is, how -- how
11 does the Corporation know over what time period those
12 savings are going to continue, right? Because this was
13 something that was done in the past, it was very
14 successful at that time.

15 How do we know that that's the right
16 number to use every year?

17

18 (BRIEF PAUSE)

19

20 MR. DAN GUIMOND: Okay. To answer your
21 -- your question, the \$60 million that we put to the
22 bottom line, that's in perpetuity. The only thing that
23 will increase savings over time is the -- what we were
24 able to negotiate on the commissions from 5 to 3
25 percent. I mean, as revenue grows that -- that 2

1 percent that we're saving, it -- it's just going to --
2 you're going to keep saving more and more, so the \$60
3 million is going to grow.

4 Going back to the -- the theft
5 initiative, okay. So what we did is we accelerated the
6 introduction of anti-theft device to reduce auto theft,
7 right. And we reduced it by \$30 million a year. That
8 was one (1) thing we did. The other thing we did is we
9 work with the Canadian government to be able to change
10 the standard for the theft devices being introduced
11 with the -- the new cars that are being manufactured.
12 And the Canadian government changed that standard. So
13 that \$30 million of savings will be in perpetuity.

14 MS. CANDACE GRAMMOND: And I'm
15 wondering how do we know that it's always 30 million in
16 perpetuity? Because we know perhaps it was 30 million
17 at one time, but it -- is it difficult to measure that,
18 given that it's something that's not going on any more?

19 MR. DAN GUIMOND: Well, when we look at
20 the waterfall diagram like over the years, we'll have
21 to always justify our rate increase. And if you see
22 things reappearing, like another \$30 million for
23 another -- for whatever reason, then -- then you'll
24 know because the -- the -- we'll never increase the
25 rates to -- to -- I mean, it's in perpetuity. It's

1 been reduced. It's been passed onto the -- to the
2 consumer, and -- and we're -- we don't intend to come
3 back and ask for rate increases.

4

5 (BRIEF PAUSE)

6

7 MR. DAN GUIMOND: I'm sorry, I -- I
8 forgot to mention the definition for cost avoidance and
9 -- and the cost savings is on the previous page on that
10 IR.

11

12 (BRIEF PAUSE)

13

14 MS. CANDACE GRAMMOND: Thank you, Mr.
15 Guimond. We also see on the list of savings here a
16 line item for the special investigations unit, and then
17 immediately below that the special account services.

18 Can you give us just a brief explanation
19 of what those initiatives relate to?

20 MR. DAN GUIMOND: I'm sorry, I just
21 missed the last part.

22 MS. CANDACE GRAMMOND: Sure. So about
23 halfway down the chart we have special investigations
24 unit, and then right underneath that is special account
25 services. Just -- those are a couple of the more

1 significant items in terms of dollar amount.

2 I'm just wondering if you can give us a
3 brief description of what those items are, and then I
4 have a couple more questions about those lines.

5

6 (BRIEF PAUSE)

7

8 MR. DAN GUIMOND: Regarding the special
9 investigation units in terms of identifying fraud, the
10 investigation unit is able to detect fraud and prevent
11 payment of claims up to five million four hundred
12 thousand (5,400,000) a year.

13 Regarding special accounts unit, it's
14 the amount of money that we're able to recover from
15 people who, either through the court have been told to
16 repay money, or we're collecting from the -- from these
17 folks. And they're -- collect about six (6), seven (7)
18 -- six million seven hundred thousand dollars
19 (\$6,700,000) a year. So that way, we don't have to
20 pass on those costs to -- to the consumer.

21 MS. CANDACE GRAMMOND: And can you give
22 us an understanding of how those numbers were arrived
23 at? What -- what kind of an analysis was done to -- to
24 tell us those numbers?

25 MR. DAN GUIMOND: For the special

1 investigation unit, I know we keep track at the claim
2 level, like, something we did not pay, so we have an
3 audit trail. For the special accounts services, it --
4 it's money that -- that we can -- it -- it gets put
5 into an account when we recover the money. So there's
6 a -- there's a financial audit trail.

7

8

(BRIEF PAUSE)

9

10 MS. CANDACE GRAMMOND: Can you give us
11 an indication of roughly how long those two (2)
12 initiatives have been in place, the special
13 investigations and special accounts services?

14 MR. DAN GUIMOND: I'm sorry, I -- I
15 don't have -- I know they've been there since I've been
16 at MPI, but I don't know how far back it goes.

17 MS. CANDACE GRAMMOND: You've been
18 there twenty (20) something years, right? So probably
19 a long time?

20 MR. DAN GUIMOND: Yeah.

21 MS. CANDACE GRAMMOND: Okay. Okay.
22 Thank you. I'm going to ask you now to go to Tab 17 in
23 the book. So this is PUB/MPI I-75. These were some
24 questions that we had asked about the physical damage
25 re-engineering project.

1 Now, the -- if I understand it
2 correctly, the 60 million in savings that we were just
3 looking at on that other table, that does not include
4 any savings expected through the physical damage re-
5 engineering.

6 Is that right?

7 MR. DAN GUIMOND: That -- that's
8 correct. This is money -- and -- and this is why I was
9 making the point of that \$30 million that we want to
10 put to the bottom line to deal with the -- with changes
11 in the auto industry. So this -- on page 2,
12 demonstrate that we're trying to put up to \$13.3
13 million to the bottom line. And we were hoping for 8
14 million -- 8 million because there'll be other costs
15 like software costs for the Mitchell software that
16 we're buying and so on. But net to the bottom line, \$8
17 million. That's the goal we have through that
18 initiative to offset rate increases for -- for what's
19 happening in the auto industry.

20 MS. CANDACE GRAMMOND: Okay. I think I
21 understand most of that. You've talked about the 30
22 million. That's going to be coming because of changes
23 in the industry. So you're saying the savings from
24 physical damage re-engineering would hopefully offset
25 some of that. The number that I think we've been

1 working with is the 13.3 million from here.

2 Can you just tell me again what you said
3 about the 8 million? I just want to understand how
4 that ties in.

5 MR. DAN GUIMOND: Well, when we do our
6 -- our business case, we're trying to -- to demonstrate
7 what we're -- what we're going after in terms of -- of
8 the reductions that we can save. In this one, we can
9 save in operating expenses and we can save in claims
10 incurred.

11 But as we roll out this initiative
12 there'll be other costs. So you want to make sure that
13 you keep track, really, the net of what's going to the
14 bottom line. Now, these numbers were -- you know, we -
15 - we said they were preliminary and we're probably
16 going to be updating them. But I -- I just want to
17 make sure that the net bottom line number to avoid that
18 \$30 million is \$8 million.

19 MS. CANDACE GRAMMOND: So you're
20 thinking that this thirteen point three (13.3) might
21 realistically be more like eight (8) when some
22 additional costs are incurred?

23 MR. DAN GUIMOND: Right. By the time
24 you finish rolling out this initiative, it'll have
25 other costs that we have to deal with, like the

1 software from Mitchell, for example, so the net to the
2 bottom line will be approximately \$8 million.

3 MS. CANDACE GRAMMOND: And do you know
4 when that might become known, what those additional
5 costs are, and then, hence, what the savings will be?

6 MR. DAN GUIMOND: We're in negotiations
7 right now with the trades. And we're also re-base
8 lining the -- the initiative based on what we've
9 learned. And so I -- I expect by -- by January, March
10 at the latest, of next year to know all the details.

11

12 (BRIEF PAUSE)

13

14 MS. CANDACE GRAMMOND: So would it be
15 fair to say that the 8 million or whatever the savings
16 end up being would be realized in the current fiscal
17 year, or not until the year of the application?

18 MR. DAN GUIMOND: Fiscal year 2017 we
19 should be complete with the -- with the -- so -- so
20 March 1, 2017, to February 28, 2018, is the first time
21 you should see the entire \$8 million go to the bottom
22 line.

23 MS. CANDACE GRAMMOND: And I believe in
24 this same IR, we had (a) that talked about the savings.
25 And then we have (b) that talks about the costs. So I

1 think over the seven (7) years shown here, the overall
2 project costs are about 65 1/2 million.

3 Am I reading that right?

4 MR. DAN GUIMOND: This was a rough
5 order of magnitude at the time the business case was
6 done, yes.

7 MS. CANDACE GRAMMOND: And do you have
8 any reason to think there'll be a significant change to
9 that 65 million at this point?

10 MR. DAN GUIMOND: No, but there might
11 more work to do than originally anticipated, but we
12 won't change the budget.

13 MS. CANDACE GRAMMOND: Just so that I
14 understand that, if there's more work to do, how -- how
15 do you manage that without changing the budget?

16 MR. DAN GUIMOND: Well, when we do
17 estimates, if -- if you do an estimate, and I think we
18 did that estimate, it was almost three (3) years ago.
19 So as time goes by, there'll be technology changes
20 where you'll have a bit of savings. And then you'll
21 have -- also, other things are going to happen that are
22 increased costs.

23 So what we do for estimating purposes is
24 we ask the staff to be able to put an estimate that is
25 based on what they know at that point in time, and then

1 we continue updating that estimate. So the next time
2 we re-baseline the project in January or March, we'll -
3 - we'll really know exactly what -- what the budget
4 will -- will be.

5 MS. CANDACE GRAMMOND: I assume, based
6 on what you're saying, that the Corporation would
7 continue to track for this specific project the costs,
8 and as well, the savings so that that comparison can
9 always be done?

10 MR. DAN GUIMOND: Yeah, that's --
11 that's imperative. We -- if we mark -- if we -- like,
12 this is the baseline, right? So we -- we keep the
13 baseline, because we -- we always report back to our
14 board of directors on post-implementation reports. And
15 we actually provide those post-implementation reports
16 to you.

17 So you'll see, as time goes by, that's
18 the baseline. And then you'll be able to see how
19 things change over time and whether we met our targets
20 in terms of the cost reduction or cost savings you see
21 above there. So that -- you can think it of it as a
22 baseline, and that's set in stone. And then, as time
23 goes by, you keep track of -- of what -- what changed,
24 and you can report on it.

25 MS. CANDACE GRAMMOND: If the savings

1 on this project are going to be 8 million, roughly,
2 rather than 13, then it's going to take, obviously,
3 somewhat longer to get the payback, so to speak, from
4 the project.

5 Would that be fair to say?

6 MR. DAN GUIMOND: Yes.

7

8 (BRIEF PAUSE)

9

10 MS. CANDACE GRAMMOND: Can you give us
11 an indication of over how many years the cost would be
12 amortized?

13

14 (BRIEF PAUSE)

15

16 MR. DAN GUIMOND: Deferred cost, five
17 (5) years after completion.

18 MS. CANDACE GRAMMOND: And at this
19 point, has the Corporation done a form of cost-benefit
20 analysis on this particular project?

21 MR. DAN GUIMOND: Well, yes. I mean,
22 that -- that was the business case that -- what you see
23 here is that -- the thirteen point three (13.3) was
24 good enough for us to have a green light to -- to do
25 it. And how it's going to actually end up over by the

1 time we're complete -- we'll -- we'll update the
2 numbers, but -- but usually, we always try to get our
3 money back in five (5) years. That's the rule of thumb
4 we have.

5 MS. CANDACE GRAMMOND: In this case
6 though, with what you've said about the 8 million, it's
7 not quite going to be five (5) --

8 MR. DAN GUIMOND: No, it's going to be
9 a bit --

10 MS. CANDACE GRAMMOND: -- 5 million?

11 MR. DAN GUIMOND: -- longer based on
12 the preliminary analysis, but that doesn't mean we
13 won't work at it.

14

15 (BRIEF PAUSE)

16

17 MS. CANDACE GRAMMOND: Okay. So, Mr.
18 Guimond, just coming back to the changes to industry,
19 the 30 million that -- that you're expecting is going
20 to be going up in costs. We've talked about this
21 project as one (1) way to try to offset some of that.

22 Can you give us any other information
23 about specific projects that the Corporation may pursue
24 to try to bring that thirty (30) back to the bottom
25 line?

1 MR. DAN GUIMOND: Yes, I don't know if
2 it's possible to put back that -- that slide that I
3 have over -- over time to -- to what -- the things that
4 are in blue and -- in my -- in my slide deck? Yeah,
5 page 3. Slide 3. Yeah. So all the ones in blue are
6 the initiatives that we're going to be reporting to the
7 regulator to go get that \$30 million.

8 MS. CANDACE GRAMMOND: Okay.

9 MR. DAN GUIMOND: So we might add --
10 add some, too, depending on -- you know, if it turns
11 out to be more than 30 million, but we're going to --
12 we're -- tho -- those are the ones right now that --
13 that we're working on.

14 MS. CANDACE GRAMMOND: If we just look
15 at these individually. So the first one that we see is
16 collaborative estimating, and -- and I apologize if --
17 if this is a stupid question, but is that part of the
18 physical damage re-engineering, or is collaborative
19 estimating a stand-alone project?

20 MR. DAN GUIMOND: Collaborating (sic)
21 estimating is a pilot of the physical damage re-
22 engineering --

23 MS. CANDACE GRAMMOND: So --

24 MR. DAN GUIMOND: -- initiative.

25 MS. CANDACE GRAMMOND: -- so would any

1 savings for that item be included in what we were just
2 speaking about regarding physical damage re-
3 engineering?

4 MR. DAN GUIMOND: If -- to be able to
5 answer your question, the things in blue are how we're
6 going to go get the \$30 million. If you want to talk
7 about at the initiative level, the physical damage re-
8 engineering is one (1). High school driver education
9 is the other one. And those -- those are the two (2)
10 key initiatives that -- that we are working on right
11 now.

12 MS. CANDACE GRAMMOND: Let's talk,
13 then, about the High School Driver Education Program.
14 I was going to ask you some questions about that a
15 little later, but if -- if we're here let -- we know
16 that the Corporation is taking action to implement a
17 revised High School Driver Education Program, and you -
18 - you speak about that in your pre-filed testimony.

19 I'd maybe ask to go there, Diana, if you
20 don't mind, Mr. Guimond's pre-filed testimony, the
21 narrative part, starting at page 19.

22

23 (BRIEF PAUSE)

24

25 MS. CANDACE GRAMMOND: So it's at the

1 bottom of page 19. Yeah. So, Mr. Guimond, you give us
2 there at (a) and then continuing onto the next page
3 through (e) the intended outcomes of the redevelopment
4 of the program.

5 So the first one is:

6 "To develop better and safer drivers
7 as measured by a 2 percent decrease
8 in claims frequency and severity."

9 I assume that that would be one (1) of
10 the direct links between the -- the 30 million that
11 you're speaking about.

12 MR. DAN GUIMOND: That's correct.

13 MS. CANDACE GRAMMOND: Now, just on
14 that, before we move to (b) and we just stay with (a)
15 for a minute, can you tell us about how the Corporation
16 is going to compare whatever new statistics it has as
17 students go through the new program, to what's
18 existing? Like, I -- does the Corporation have
19 existing data that can be compared to when this new
20 program is up and running?

21 MR. DAN GUIMOND: In terms of reporting
22 on the initiative, we're going to create a baseline.
23 We always create a baseline. You know, we -- we have
24 strong analytics at -- at MPI, and we'll -- we'll
25 create a baseline that we can then have a -- a baseline

1 to know what to compare it to. And that will be
2 documented, and -- and that's going to be how -- how we
3 measure success.

4 MS. CANDACE GRAMMOND: So I assume,
5 then, that the Corporation has the information within
6 its records that it can create that baseline from pre-
7 existing information about students that have gone
8 through the existing program, or whatever program
9 exists up to the time of the change to the new?

10 MR. DAN GUIMOND: We're -- we're --
11 yes, we're going to be able to, through data mining, be
12 able to -- for the -- for the -- the people that are
13 affected to be able to -- to create a baseline to be
14 able to compare it to.

15 MS. CANDACE GRAMMOND: The second item
16 at (b) is:

17 "To achieve a 2 percent decrease in
18 driving infractions and convictions
19 for program participants."

20 Certainly, a good goal in terms of
21 safety on the roads. Would that have a positive
22 impact, though, to your bottom line, or a negative
23 impact? What I mean by that is, if people are getting
24 less demerits, doesn't that mean less money?

25 MR. DAN GUIMOND: I -- I get your point

1 in terms of -- of the impact of -- of that, but it has
2 to do more with behaviour and frequency of -- frequency
3 and severity of crashes. So in its entirety, if you
4 are able to achieve a 2 percent decrease in driving
5 infractions, that's how, in a way, maybe you get to
6 your 2 percent in claims savings, because we're really
7 after behaviour.

8 And at the end of the day, if you can
9 modify the behaviour of that target group, that's how
10 you're able to -- to really reduce the number or
11 frequency and the severity of the claims. So it's
12 always -- always -- we're just -- it's really after
13 behaviour, right?

14 MS. CANDACE GRAMMOND: And if we look
15 at (c), (d), and (e), which I'll just summarize as
16 follows: (c) is to increase student engagement; (d) is
17 to increase parental or guardian involvement and
18 support; and (e) is to improve the road test pass rate.
19 I assume from the answer that you just gave, that you
20 would say the same about these items, that these aren't
21 going to have a direct financial impact. But in the
22 long run, and in changing behaviour, they will go back
23 to item (a) on that list.

24 MR. DAN GUIMOND: Not all of them. If
25 we're able to improve the pass rate for our customers,

1 for example, that means that on average, we'll have to
2 provide less road tests. And that's going to offer
3 relief on -- on staffing. So we're going to have some
4 savings there from an operational perspective.

5 Right now, there's -- because of what we
6 charge to -- to go to a road test, it's surprising
7 compared to driving school how many people use this to
8 -- to actually get -- get a lesson or -- or to -- to
9 learn how to drive or to -- to -- so we're looking at
10 that right now, and we believe that maybe the
11 introduction of simulators. That's one (1) thing we're
12 going to be looking under that initiative to be able to
13 say, you know, until such time as a student is able to
14 achieve a certain level of proficiency on the
15 simulator, we -- you won't be able to go for a road
16 test. So that offers protection to our staff, and it
17 also allows the -- the student to have access to
18 training that -- that maybe is affordable to them.

19 Because right now, what we're seeing is the cost of --
20 of learning how to drive is -- is expensive for some
21 people through the -- the driving school and so on.

22 So there's all kinds of stuff going on
23 that we're analyzing right now.

24 MS. CANDACE GRAMMOND: Thank you. And
25 I just have a couple more questions on driver

1 education, so we'll just finish those even though they
2 don't directly relate to the savings issue.

3 Last year, we had evidence of three (3)
4 reports that the Corporation had or was in the process
5 of getting relative to the Driver Education Program.
6 One (1) was the Northport report. One (1) was the
7 ADTSEA, or the ADTSEA, report. And the third one was
8 the AAA Foundation for Traffic Safety.

9 I assume you're familiar with all of
10 those?

11 MR. DAN GUIMOND: I remember a mountain
12 of documents on my desk that I do -- I did go through
13 that a year ago, okay, so.

14 MS. CANDACE GRAMMOND: I'm not going to
15 ask you specific questions about what's in them. But
16 we -- we noted that the Northport report was done
17 between 2008 and 2012, and that was to give the
18 Corporation some ideas and assistance with respect to
19 improving and redesigning the program. The Board heard
20 from the Robinsons last year, who are, of course, the
21 authors of the ADTSEA report, which was more of a
22 global scan of programs and strategies used in other
23 places. And then, of course, the AAA report was the
24 multi-jurisdictional summative evaluation that we were
25 still waiting for even as at the time that the GRA was

1 filed.

2 So, I guess, first of all, do you have
3 anything to add to the description of any of those
4 reports that I've just given or are you satisfied with
5 the way I characterized them?

6 MR. DAN GUIMOND: I'm satisfied with
7 the way you characterized it.

8 MS. CANDACE GRAMMOND: So if we just
9 talk about the AAA Foundation report for the moment.
10 We did have information from the Corporation in one (1)
11 of the IRs, and I can give you the reference if you'd
12 like, that that report was to be provided on September
13 9th of 2014.

14 Did it come?

15 MR. DAN GUIMOND: Yes, it did.

16 MS. CANDACE GRAMMOND: And will the
17 Corporation either file the report or the executive
18 summary, depending on how substantial it is?

19 MR. DAN GUIMOND: Yeah, we can file it
20 if -- if you want it, yeah, for sure.

21 MS. CANDACE GRAMMOND: Yeah, if you
22 could. We'll -- if you'll give us that undertaking,
23 we'll -- we'll take it.

24 MR. DAN GUIMOND: We'll take it as an
25 undertaking, yeah.

1 MS. CANDACE GRAMMOND: And for the
2 record, it's an undertaking to provide the AAA
3 Foundation for Traffic Safety report.

4

5 --- UNDERTAKING NO. 1: MPI to provide the AAA
6 Foundation for Traffic
7 Safety report

8

9 CONTINUED BY MS. CANDACE GRAMMOND:

10 MS. CANDACE GRAMMOND: This was
11 something -- this idea of a summative evaluation was
12 something that the Board last year had asked the
13 Corporation to do in the order. And the Corporation
14 said that it wanted to get this AAA summative
15 evaluation in hand before doing its own evaluation.

16 So now that that report is in hand, what
17 can you tell us about the Corporation doing its own
18 summative evaluation as -- as ordered by the Board?

19 MR. DAN GUIMOND: It's in progress.

20 MS. CANDACE GRAMMOND: And can you give
21 us a sense of when it might be completed?

22 MR. DAN GUIMOND: I don't have that
23 right on the tip of my -- I -- I don't know.

24 MS. CANDACE GRAMMOND: Can you confirm
25 that when it is completed it'll be provided to the

1 Board?

2 MR. DAN GUIMOND: Yes.

3 MS. CANDACE GRAMMOND: It's not going

4 to be over the course of this hearing, I'm assuming?

5 No. So, no, it's not an undertaking for the pur -- not

6 in the sense --

7 MR. DAN GUIMOND: No.

8 MS. CANDACE GRAMMOND: -- that the

9 court reporter's asking, but it's -- we'll --

10 MR. DAN GUIMOND: It -- it won't be

11 done --

12 MS. CANDACE GRAMMOND: We'll still hold

13 you to it though.

14 MR. DAN GUIMOND: It won't be done

15 before the -- the hearings are complete.

16 MS. CANDACE GRAMMOND: Okay. Now,

17 leaving aside those reports and the summative

18 evaluation, the Corporation has said that it's using

19 the information that it has from -- from these sources

20 to inform its redevelopment of the High School Driver

21 Education Program. Per the filing, project scoping was

22 underway.

23 Can you give us an idea of where that

24 sits at present?

25 MR. DAN GUIMOND: Yes. The -- the

1 initiative will be starting shortly. And we -- we
2 finished the reorganization at MPI. Things are --
3 we're able to start march -- marching, so to speak, on
4 -- on various files, and this one is currently in -- in
5 the process of -- of starting.

6 MS. CANDACE GRAMMOND: And I think the
7 filing had said that the Corporation expected to
8 finalize the terms of reference and release an RFP this
9 fall. So is that still on track?

10 MR. DAN GUIMOND: I don't know if we'll
11 do it this fall or in the spring. That's something
12 we're reevaluating right now after the organizational
13 changes, and also as the information keeps coming in.

14 MS. CANDACE GRAMMOND: And of course
15 the Corporation has filed a project charter with
16 respect to the redevelopment of this program, which
17 reflects an anticipated savings of 2.2 million per
18 year.

19 Does that sound about right?

20 MR. DAN GUIMOND: About right.

21 MS. CANDACE GRAMMOND: And the
22 anticipated costs of the redevelopment were pegged at
23 about 5.5 million. Is that right?

24 MR. DAN GUIMOND: The preliminary
25 numbers, yes. I think -- we're looking at that

1 initiative right now, and I think with the information
2 that is coming in there might be more opportunities to
3 make this more comprehensive. So we're looking at it,
4 and -- and I'd like to -- I -- I really want to be able
5 to review the budget and the scope of work, and make
6 sure that the people who are now responsible for these
7 initiatives feel comfortable in -- in delivering them.

8 MS. CANDACE GRAMMOND: Because just on
9 some sort of basic math, it sounds like -- coming back
10 to the -- the savings and the 30 million, based on the
11 numbers that we've got there's probably still a ways to
12 go.

13 Does that sound about right to you?

14 MR. DAN GUIMOND: Well, I -- you -- you
15 know, like -- what we do is we give you the information
16 as -- as we have it, and what -- what you're saying is
17 -- is the Corporation sets goals. Our target is --
18 from a strategic perspective, we know we need to put
19 \$30 million to the bottom line, so we're going to
20 create a series of initiatives like -- just like we'd
21 done in the last ten (10) years.

22 And the preliminary numbers that you're
23 going to see, and as we keep you informed you'll --
24 you'll see some numbers. You'll see what we're trying
25 to do. And the only thing that I know in terms of our

1 processes and how we do things, I know that because
2 we've set ourselves a goal to have \$30 million to the
3 bottom line, we're going to get there.

4 Will things be specific, leisure
5 specific? Will things move? Will things change? Yes.
6 I mean, you'll be going through the journey with us.
7 At the end of the day, I think it's safe to say that
8 based on past experience we'll put \$30 million to the
9 bottom line, and we'll get our money back over five (5)
10 years. That's our track record.

11

12 (BRIEF PAUSE)

13

14 MR. REGIS GOSSELIN: I wonder could --
15 if I could interject here. I just have some questions.
16 I suspect Ms. Grammond is going to be changing
17 subjects, and I want to make sure that we talk about
18 this.

19 You know, this morning you -- you
20 indicated to us that you had come forward with a loss
21 prevention strategy, changed the name of the game from
22 road safety to loss prevention. So, you know, we will
23 certainly be looking to -- to -- with -- with some
24 degree of interest to see what -- what develops out of
25 that process.

1 And I kind of see that as, you know, you
2 spend a buck and you might get -- you might -- you
3 know, might actually earn a buck and a quarter, right.
4 I mean, if you're able to reduce losses you might -- by
5 spending a buck you might actually reduce losses by a
6 dollar and a quarter (\$1.25).

7 But I think that one of -- one of the
8 comments that -- that -- one of the -- one of the
9 issues I wanted to raise with you is the -- the concern
10 that was raised last year with the fact that the --
11 what was called the road safety program, the road --
12 the -- you know, the road safety dollars that were
13 allocated by -- by MPI, we were concerned that that --
14 that -- those investments were not optimized.

15 In other words, you know, you're
16 spending a dollar (\$1) but you might be -- might --
17 you're probably spending ninety cents (\$.90) instead of
18 a dollar because you're not optimizing the way in which
19 you spend that money.

20 So -- so I -- I consider this driver
21 education initiative to be an attempt to try to make
22 sure that you're spending the right amount of money for
23 the program, and also making sure that you're
24 maximizing the value of that -- that investment.

25 Now -- so I guess what I'm -- what I'm

1 suggesting to you is that it's not just a case of
2 looking at the loss prevention but it's also making
3 sure that whole package is optimized. In other words,
4 you're spending the right amount of money. You know,
5 is it twelve (12)? Is it ten (10)? Is it nine (9)?
6 And in -- within that envelope individual programs are
7 being assessed on an ongoing basis. You know, they're
8 -- you're spending 2 million for enforcement. Are you
9 getting a bang for the buck out of that \$2 million?

10 So I would see a -- I would see that
11 it's a double -- double responsibility on the part of -
12 - of MPI, making sure the loss prevention is being
13 addressed, but also making sure that the envelope of
14 money is being allocated is the right -- is being spent
15 the right way.

16

17 (BRIEF PAUSE)

18

19 MR. DAN GUIMOND: So just -- just to
20 make sure I -- I get the point about the road safety.
21 And the Road Safety Program is a very different bucket,
22 so to speak, compared to an initiative where you --
23 it's -- it's about a -- a return on your investment. I
24 mean, I agree with you that road safety, when you look
25 at it, it's not -- it's not based just on getting your

1 money back. And -- and we're not.

2 I mean, there's no use trying to say
3 that -- that the road safety money that we're spending
4 is -- is to get a -- a payback, let's say, within five
5 (5) years. If you look at some of the things that we
6 do there, there's -- there's thing that you do for --
7 just because you -- you need to do it. It's not
8 because you're going to get your money back.

9 In terms of -- of the comment that
10 you're making is, Well, if you're going to spend money
11 that you're not going to get all your money back, like
12 if -- if you do, like a -- a commercial, for example,
13 like the 60-Second commercials. I mean, how -- how can
14 we even try to defend that we're getting our money back
15 on these 60-Second commercials? I mean, it -- I'm not
16 even going to go there.

17 But I do know -- I do know that in terms
18 of feedback from our customers and our presence in the
19 community, that the 60-Second commercial is important.
20 And I know that people like to hear about these things.
21 So that's why I'm thinking if I -- if I heard between
22 the lines properly, that if we talk about a Basic loss
23 prevention program and we have a score card on that,
24 which road safety falls under loss prevention.

25 And that score card, whatever amount of

1 money we spend in there that we get our money back in
2 five (5) years. And then you as a regulator can look
3 at it and say, Well, you know, does it make sense that
4 we spend that much money, for example, on advertising?
5 Or does it make sense that we -- you know, we'll --
6 we'll tell you why we want to do it. I mean, we'll
7 explain ourself and justify our approach. But I would
8 -- and then as long as under that umbrella of funding
9 that we get our money back in five (5) years, we think
10 that's good.

11 If -- if the regulator says, No, we want
12 to get the money back in four (4), or something like
13 that, I mean -- I mean, we can talk about these things.
14 But right now we've always wanted to get our money back
15 in five (5) years. But it's not everything that we
16 spend money on that it's to -- it -- it -- that you're
17 going to get your money back.

18 So to answer your question, I think it
19 would be important for things that we expense where we
20 just say outright that, like a commercial. We can't --
21 we can't -- can't justify a -- a -- to me it's more a
22 part of doing business and having a presence and doing
23 the things that people expect you to do as a -- as a
24 corporation.

25 But as long as that umbrella, and in the

1 balance of things in terms of what people expect us to
2 do, the presence we need to have in the community to be
3 able to do the things that -- that we need to do to
4 make it work in its totality, then when we -- when we
5 present you the score card for the loss prevention
6 program on Basic, then you'll be able to say, Well,
7 okay, you know what? I -- I know you're not getting
8 payback on maybe a hundred thousand dollars (\$100,000)
9 of advertising or you can't -- you can't demonstrate to
10 me.

11 And I'm -- I'm not going to try to
12 because I -- I can't tell you how many people did a
13 proper lane change on the 60-Second clip that prevented
14 an accident. I just know it's a good thing to do
15 because it helps people. But at least if we do the
16 loss prevention score card, the regulator will have the
17 satisfaction that whatever money is being spent under
18 that umbrella that you're getting your money back in
19 five (5) years. And -- and the ratepayers are getting
20 their money back in five (5) years. So it -- it
21 provides a -- an opportunity for the regulator to have
22 a balancing act, so to speak, in terms of what makes
23 sense and what doesn't make sense.

24 Did I answer your question?

25

1 (BRIEF PAUSE)

2

3 MS. ANITA NEVILLE: I just want to
4 follow up on the road safety and the driving. You
5 talked about a return in a -- on investment. One (1)
6 of the measurables that you do have is those drivers
7 who have taken the courses in high school and those who
8 have not.

9 Have you done a measurement in terms of
10 a return on a -- in a -- on investment of those who
11 have successfully completed a course and those who have
12 been nowhere near a course?

13 MR. DAN GUIMOND: There has been
14 studies done on this, and --

15 MS. ANITA NEVILLE: Have you done it?

16 MR. DAN GUIMOND: -- yeah.

17 MS. ANITA NEVILLE: Has MPI?

18 MR. DAN GUIMOND: Yeah, we've -- we've
19 done studies on -- on this, and you get a very short-
20 term benefit of these course. I mean, at the end of
21 the day, when you look at the science and when you see
22 the reports that -- that you've just asked for, there's
23 no evidence that suggests that -- that you're going to
24 be able to minimize the frequency or severity of -- of
25 claims because of these -- these courses. You get a

1 very short-term benefit, and at the end of the day,
2 there's nothing that supercedes the actual experience
3 of driving. And --

4 MS. ANITA NEVILLE: So you're saying,
5 then, that there's a -- not much of a return -- a
6 financial return on your investing in these courses.

7 MR. DAN GUIMOND: The Driver Ed Program
8 is what you're talking about?

9 MS. ANITA NEVILLE: Yes.

10 MR. DAN GUIMOND: Yeah, that's right.

11 MS. ANITA NEVILLE: Thank you.

12 MR. DAN GUIMOND: And -- and those
13 reports will substantiate those findings.

14 THE CHAIRPERSON: Ms. Grammond -- Ms.
15 Grammond, go ahead.

16

17 CONTINUED BY MS. CANDACE GRAMMOND:

18 MS. CANDACE GRAMMOND: Thank you. I
19 might as well just finish my road safety questions
20 while we're talking about it, and then -- and then
21 we're done.

22 In terms of the -- the idea and the
23 suggestion that you've put forward of a loss prevention
24 plan for use in this form going forward, is that
25 something that you've -- the Corporation's turned its

1 mind to in terms of an outline of what it would look
2 like already? Or is it -- is it something that you
3 would do if the Board's receptive to it?

4 MR. DAN GUIMOND: I'm sorry, I missed
5 the first part. The -- the...?

6 MS. CANDACE GRAMMOND: Sure. So the --
7 the loss prevention plan, right, that you're suggesting
8 be put forward, I'm just trying to get a sense of
9 whether you've -- 'you' being the Corporation have
10 turned your mind to what that would look like in terms
11 of an outline of it, or if that's something that you
12 would work on if the Board is receptive to going this
13 way?

14 MR. DAN GUIMOND: The Corporation does
15 do loss prevention. We just don't report it to the
16 Board. Like, we did winter tires, for example, this
17 year. There's the Fleet Rebate Program. There are
18 things that are happening out there that the Board
19 might be of interest.

20 Like, one (1) of the things -- if you
21 look at taxis, you look at the loss ratio of taxis, for
22 example, and the fact that taxis, through the
23 owner/operator approach of registering a vehicle, have
24 opted out -- the owners have opted out of the fleet
25 rebate program. And that's -- that's an interesting

1 discussion from a policy perspective.

2 It's an interesting discussion as to
3 what we should do as a corporation when people opt out
4 of -- of programs that I think are -- are very
5 important.

6 So we -- we do it now. We just -- we
7 just don't report on it, and that's why, like, during
8 my testimony, I really focussed on trying to understand
9 the message that the regulator is sending and is asking
10 and trying to find a -- a way to connect to -- to
11 provide the information that -- that you require.

12 We -- we do a lot of stuff, but we don't
13 always report on it.

14 MS. CANDACE GRAMMOND: What I'm going
15 to ask is this. From the Board's perspective, if this
16 suggestion's being put forward, to assist the Board in
17 deciding how it feels about that and -- and ultimately
18 what it's going to decide on the issue, would the
19 Corporation be able to provide by way of undertaking
20 some form of an outline that can give us -- doesn't
21 have to be very detailed, but that can give the -- the
22 Board some idea of what this loss prevention plan would
23 look like in terms of content? That way, it can
24 hopefully answer the question and do so on a -- a --
25 you know, a basis of fact.

1 MR. DAN GUIMOND: M-hm. I -- I think,
2 like, in -- in terms of what -- what we would do is --
3 is create a -- a scorecard or a report where all the
4 things the Corporation does to try and minimize
5 frequency and severity of claims, that we would create
6 a -- a report for the Board to be able to document that
7 and report on it and report on the effects of these
8 efforts.

9 And I think that I was hoping, anyway,
10 that if -- if we get a -- a green light on this, if --
11 if the Board is -- is amenable to this, that -- that we
12 would maybe -- maybe I -- I would -- I would ask to see
13 Mr. Gosselin or somebody who works for Mr. Gosselin and
14 -- and work on -- on the -- the type of scorecard.
15 Because I -- I don't want to guess. Like, I want to be
16 able to make sure that the money we're going to spend
17 on the benchmarking or the reporting is, right off the
18 bat, something that meets the expectations of -- of the
19 regulator.

20 So in terms of what it would look like,
21 I didn't spend too much time on that.

22 MS. CANDACE GRAMMOND: Fair enough. If
23 I understand your earlier evidence though, road safety
24 would still be a -- oh, sorry, go ahead.

25

1 (BRIEF PAUSE)

2

3 MR. DAN GUIMOND: Okay, I'm sorry, I --
4 I missed the question.

5 MS. CANDACE GRAMMOND: Sorry. No,
6 that's okay.

7

8 (BRIEF PAUSE)

9

10 MS. CANDACE GRAMMOND: Okay, so -- so
11 my question was, you've put forward this suggestion.
12 Obviously, the Board wants to consider it closely. And
13 in deciding what its response is going to be it, just
14 might be helpful if it had a little bit more
15 information. And -- and I appreciate you're saying
16 that you haven't really thought about that in detail,
17 because you wanted maybe to collaborate with the Board
18 in terms of what would be in it. So that's fine.

19 My next question was going to be to
20 confirm that, from your perspective, there would be a
21 road safety component within the loss prevention plan,
22 that we wouldn't lose road safety altogether.

23 MR. DAN GUIMOND: Absolutely. It would
24 form part of the Loss Prevention Program. And I think,
25 going back to Mrs. Neville, questions about the payback

1 on -- on road safety, I think you're going to see that
2 -- especially a driver ed program, I think you're going
3 to see that there's no short-term -- the -- the
4 benefits are short term, but that doesn't mean that we
5 can't improve it.

6 And I think you're going to be pleased
7 with -- I've seen some preliminary documents, but we do
8 intend to -- to target the -- the customers that are at
9 risk. And we're going -- we will do telematics. And
10 we will do maybe retrofitting of cars with collision
11 avoidance technology. And we will improve on it to --
12 to be able to possibly gain long-term benefits versus
13 short-term benefits.

14 So you'll see a -- a huge commitment on
15 -- on behalf of the Corporation to be able to improve
16 on the results of the Driver Ed Program. And I think
17 you'll be pleased with the -- the ideas we have
18 regarding telematics and -- and building a virtual
19 ecosystem to help the drivers to be able to get
20 feedback, and constant feedback, but in a safe way.

21 And I know there's been some discussion
22 in the past as -- pay as you go, for example. We don't
23 want to go there because we want it to be safe, but we
24 will be able to use that technology to be able to
25 provide safe feedback and provide an ecosystem of

1 support to be able to go to behaviour modification,
2 which will -- we're hoping will give us long-term
3 benefits.

4 MR. REGIS GOSSELIN: I wonder if I
5 could just interject here for a second. I -- I've -- I
6 didn't want to appear to be -- to be glib, you know? In
7 other words, say you spend a dollar, you get a dollar
8 and a quarter.

9 I mean, there are human costs involved
10 here, which I -- which are -- are not part -- are part
11 of the equation, the -- so I -- I don't want to appear
12 glib. And I want to make sure the record shows that I
13 -- I'm concerned about the human cost of these -- of
14 these accidents. But you did say that there are loss
15 prevention initiatives that you are already undertaking
16 that -- that you don't report on.

17 And I guess I was wondering, would it be
18 possible for you to provide us with a brief report that
19 lists those undertakings -- those -- sorry, those
20 programs that you are now performing or now delivering
21 that would fall under the loss prevention umbrella?

22 So I'm not looking for a score card.
23 I'm just looking for information that would help us
24 understand what you consider to be the loss prevention
25 program that already exists. So I wonder if you could

1 undertake to provide us with some information about the
2 individual programs that you would consider to be part
3 of the loss prevention umbrella already?

4 MR. DAN GUIMOND: I'd be pleased to --
5 to do that. I -- I would -- like I -- you know, when I
6 took over the job, there's a lot of things that I want
7 to be able to start working on, and I'd -- I'd love to
8 do that. But I'd like, if it'd be okay with you, to be
9 able to provide you the information in January, because
10 I want to make sure that I get a chance to talk to my
11 colleagues and so on, in terms of -- of the ideas we
12 have on a go-forward in addition to the things we're
13 doing right now, so you could have a comprehensive
14 list.

15 And I -- I have no problems committing
16 to you a list by -- by January, but I really want to be
17 able to talk to my colleagues and -- and make sure that
18 I get the -- the buy-in.

19 THE COURT REPORTER: Could I have the
20 undertaking verified, please?

21 MR. REGIS GOSSELIN: Well, the
22 undertaking that I requested, which was -- which is not
23 going to be delivered but the undertaking I was looking
24 for, a list of the programs that would be considered by
25 MPI to be part of the loss prevention program. And --

1 and I understand that that list will not be available
2 until January, so you're not in a position to deliver
3 on the undertaking, so.

4

5 --- UNDERTAKING NO. 2: MPI to provide a list of
6 the programs that would be
7 considered by MPI to be
8 part of the loss prevention
9 program

10

11 CONTINUED BY MS. CANDACE GRAMMOND:

12 MS. CANDACE GRAMMOND: Okay. Mr.
13 Guimond, another thing I wanted to ask you about that
14 arises from last year's order was the Board requesting
15 that MPI file an independent review of the optimal size
16 of the road safety budget, again with a view to
17 minimizing costs going forward. And I appreciate that
18 that independent review has not been provided.

19 Can you comment on that, and where the -
20 - where the Corporation views that part of last year's
21 order?

22

23 (BRIEF PAUSE)

24

25 MR. DAN GUIMOND: I recall that section

1 in our GRA where we responded to that, so I'm just
2 trying to pull out the information right now.

3 MS. CANDACE GRAMMOND: It's in the SM
4 section. Actually the very last page, so it's SM.6.14.
5 And the way that MPI responded to it in the filing was
6 to refer back to the road safety section of the filing,
7 which is SM.3.5 and SM.3.6.2.

8

9 (BRIEF PAUSE)

10

11 MS. CANDACE GRAMMOND: I guess just to
12 be of maybe some further assistance, if you go to
13 SM.3.5 there is reference to this part of last year's
14 order. The Corporation says it acknowledges the
15 Board's concerns over lack of documented evidence to
16 support the existing portfolio, and then says it's
17 taking a number of steps to address the concerns,
18 enhance road safety efforts, and so forth.

19 And then it goes through, and the next
20 section, the changes to the department, strengthening
21 partnership with law enforcement, et cetera. But I
22 don't see anything in here about the idea of this
23 independent review of the budget, so that's the basis
24 for my question.

25 MR. DAN GUIMOND: Yeah. I think at the

1 end of the day the optimal size of the road safety
2 program has -- has not been answered. We've not been
3 able to determine that at this point in time.

4 And I think it goes back a little bit to
5 -- to go back to the loss prevention approach of it,
6 the funding envelope, the payback, and linking the
7 dominoes between the advertising -- or the -- or the --
8 the expenses that maybe you don't get a payback, but to
9 tie it to the things that you do get a payback and work
10 at it from an umbrella perspective.

11 And so at the end of the day, I believe
12 that we're going to be able to provide the answer next
13 year, assuming that -- that this approach to the loss
14 prevention approach is satisfactory to the Board. I
15 think it's -- it's -- they -- they weren't able to
16 provide the answer this year.

17 MS. CANDACE GRAMMOND: In your time
18 over the last, I guess, eight (8) months or so as CEO,
19 have you formed any view about the size of the existing
20 road safety budget and whether you have any
21 inclinations as to whether it should be changed in --
22 in a material way?

23 MR. DAN GUIMOND: I think what happens
24 is that over time, you know, the budget became what it
25 became. And I think the regulator asked some good

1 questions about it. And -- and at -- at the end of the
2 day, whether it's -- it should be more or less, there's
3 not a construct to be able to answer that question.

4 And that's what I'm trying to do right
5 now is to build a construct for the regulator and put
6 road safety under the loss prevention program and then
7 really be able to have a good framework from an expense
8 perspective of return on investment that the Regulator
9 could look at it and say, Yeah, that -- that works for
10 -- that -- that makes sense, or that doesn't make
11 sense.

12 I think it would be very hard to
13 determine what is the right size of a road safety
14 program if you don't tie it to the overall loss
15 prevention program when you can make decisions as to
16 whether the -- the expense is worth it or not.

17 MS. CANDACE GRAMMOND: Thank you. I
18 just have a few questions on the road safety
19 organizational design review that's talked about in the
20 application. I appreciate that the organization -- or
21 that the Corporation has made some changes. And what
22 it said is that this is:

23 "To allow for a greater focus on
24 priorities, develop tangible and
25 measurable strategies, programs, and

1 work plans to clearly demonstrate
2 alignment to priorities."

3 And in the filing where we were just
4 looking at SM.3.6.1, we see a few things that the
5 Corporation has identified on this. The first one (1)
6 is a -- that road safety. And this is -- so this is
7 page 13. Yeah, exactly where you are, Diana. Thank
8 you. The paragraph that begins under "Organizational
9 Changes Introduced." There's talk of the integration
10 into the community relations portfolio.

11 Can you tell us a little bit about that
12 and how that's been working so far?

13 MR. DAN GUIMOND: Yeah, I mean, at the
14 end of the day the way I look at it -- and -- and, you
15 know, I -- I've -- I've assumed the responsibility in
16 February. I think road safety, when you look at it,
17 you -- you can pick away at it. Bur right now the
18 Corporation is -- is unable to -- to demonstrate to you
19 whether that's the right amount of money or not. And
20 it's unable to -- to be able to -- because we didn't do
21 the construct within the loss prevention program, it's
22 unable to -- to sort of tie the dominoes together to
23 show you it all makes sense.

24 We know it makes sense. We know that
25 what we're doing is -- is reasonable, and we also know

1 that it resonates with our customers. But at the end
2 of the day, to be able to -- to show you how everything
3 fits together, we're not able to do that. And -- and,
4 I mean, is it what it is. And I don't think we should
5 try and -- and work around it or -- or try to -- to
6 find excuses or whatever.

7 It's just I believe that if we -- if we
8 really look at road safety as a component of loss
9 prevention and you put the whole program together and
10 you tie everything in terms of their interdependencies
11 that then -- only then will it make sense. Because
12 when you look at things just narrowly and in terms of
13 one (1) component of things, it's very hard to start
14 talking about things like that in -- in a -- in a
15 standalone situation. So I'm saying that if -- to be
16 able to answer your question and to be able to
17 demonstrate value for the money, we have to be able to
18 -- to change the construct and create a -- an approach
19 that works for the regulator.

20 MS. CANDACE GRAMMOND: I just -- and I
21 probably didn't do a -- a clear job of it, but I was
22 just trying to ask a specific question about the three
23 (3) things that are listed here.

24 There was the -- the change in
25 portfolio, the new manager, and then the two (2)

1 analysts that have been added. And leaving aside the -
2 - the loss prevention piece and even the money piece
3 for the moment, these changes were put in last year.

4 How are they going? Did -- does -- does
5 it seem that these were good changes that the
6 Corporation made? Do you have any comments on that or
7 do you have anything else to say about these specific
8 things?

9 I just -- we --

10 MR. DAN GUIMOND: All right, yeah.

11 MS. CANDACE GRAMMOND: We see that the
12 Corporation's made the changes to -- to obviously move
13 the portfolio forward, and we would just like to know
14 how that's going.

15 MR. DAN GUIMOND: Well, it's going okay
16 with what they're trying to do. It will be very hard
17 for me to -- to make my final assessment of that until
18 I hear from the regulator if they're in agreement from
19 an abstract perspective that we need to -- to create a
20 construct to be able to show you value for money and to
21 be able to justify the spending on the road safety.

22 Unless we -- unless we work on that, I -
23 - I think it will be very hard for the reg -- Regulator
24 to be satisfied with -- you know, if something makes
25 sense or not. Because you never know.

1 With road safety, how do you know that
2 you -- that you -- that this commercial saved you so
3 many accidents, or how do you know that what you've
4 done actually helped? How do -- how do you justify
5 that? How do you quantify that? You're going to see
6 that, at the end of the day, it's very hard to do with
7 the -- with the mandate that we have, right?

8 But if you tie it back to the loss
9 prevention construct, then you can start to tie things
10 to really -- frequency and severity and really be able
11 to tie it together, and you'll see value -- you'll see
12 -- that's how you're going to be able to determine
13 value for money.

14 MS. CANDACE GRAMMOND: We also see in
15 SM.3.6.2 the reference to the external firm that was
16 retained and the road safety research and evaluation
17 framework that the Corporation put forward. And this
18 is Exhibit -- or, pardon me -- Attachment C to this
19 section. So this is the -- the two (2) page framework,
20 I guess, or flow chart that sets out the road safety
21 operational plan.

22 Thank you, Diana. You're remarkably
23 fast.

24 Do you have any comments on the
25 implementation of this framework, which we understand

1 is -- is already underway?

2 MR. DAN GUIMOND: Well, in terms of --
3 of the messages I'm trying to provide here, is that the
4 mandate that the Corporation have regarding road
5 safety, that if you really want to see frequency and
6 severity reductions, it would be hard if you -- if you
7 limited to road safety based the mandate that we have.

8 And so it goes back -- I -- I think
9 we're back into having those discussions that have been
10 going on for quite a bit. And if -- if I'm right in
11 reading between the lines that what the Regulator's
12 really after is reducing frequency and severity from a
13 loss perspective, with the mandate you -- we have on
14 road safety, it will be very, very hard for you to --
15 to know if you got a payback on it.

16 So -- so you need -- so -- that's why
17 I'm saying -- that's why I'm putting it on the table.
18 Why don't -- why don't we look at it from a basic loss
19 prevention program and report on that where road safety
20 rolls into it and then you can see the whole picture
21 and be able to -- to see if the things you're spending
22 on road safety, it's helping the other things under the
23 loss prevention, and if it's worth spending the money
24 and if you -- you -- that -- that you feel comfortable
25 with it.

1 MS. CANDACE GRAMMOND: I get that --
2 the suggestion that -- that you're making, and I --
3 again, from my perspective, I'm just trying to get a
4 sense of whether you have any view on this new plan
5 aside from what you've already said with the -- the
6 changes in the department and the -- this specific
7 analysis.

8 Do you have anything to add to what
9 you've already said regarding this progress?

10 MR. DAN GUIMOND: I -- I think from a
11 road safety perspective, the mandate we have is an
12 excellent plan, and we'll fully comply to the mandate
13 that we have and we'll -- we'll be delivering our
14 mandate like we usually do.

15 I think what's happening here is that
16 the Regulator wants to know, Is this the right amount
17 of money? Is it too big? Is it too small? Are we
18 getting value for this money? I think that's what I'm
19 hearing from the Regulator. And I'm saying that, as
20 long as you just look at the last -- at -- at the road
21 safety, you'll never be able to get the answer that
22 you're looking for.

23 I mean, this road safety program is
24 designed to meet the mandate that we have for the
25 legislation. And if you want to be able to get an idea

1 of payback, and it's the -- like Mr. Gosselin was
2 saying, is this -- is it too big of a budget? Is it
3 the right size of budget? Is it too small? Is it --
4 you -- you have to be able to -- to tie it to the
5 overall picture, and that's -- that's the -- the loss
6 prevention program for Basic. That's where you can
7 connect the dots and -- and be able to -- to report to
8 the -- to -- to provide some kind of -- of
9 justification to the regulator.

10 MS. CANDACE GRAMMOND: Thank you.
11 Madam Chair, I just have one (1) quick question before
12 we take a break. I'm assuming you probably want to
13 take one.

14 Mr. Guimond, this is a completely
15 different topic. The Corporation provided today the
16 DCAT external review as a filing. And we note on page
17 6, there's reference to a reporting letter from Mr.
18 Cheng dated September 26th of 2014.

19 Would it be possible to have that
20 reporting letter filed?

21

22 (BRIEF PAUSE)

23

24 MS. CANDACE GRAMMOND: C-H-E-N-G.

25

1 (BRIEF PAUSE)

2

3 MR. DAN GUIMOND: Mr. Johnston will be
4 responding to that shortly.

5 MS. CANDACE GRAMMOND: Thank you, Madam
6 Chair. We could certainly take the afternoon break, if
7 that works for the Board.

8 THE CHAIRPERSON: Yes, it does. We
9 will take a break now, and at three o'clock, we will
10 resume. And at that time, we will be having some
11 presentations. So thank you very much.

12

13 --- Upon recessing at 2:44 p.m.

14 --- Upon resuming at 3:02 p.m.

15

16 THE CHAIRPERSON: Good afternoon and
17 welcome back from our afternoon break. At this time in
18 the hearings, we are going to hear from some presenters
19 from the public. And I'm going to first call upon
20 Robert Gray who is here.

21 Each of the presentations will take from
22 ten (10) to fifteen (15) minutes, so at the fifteen
23 (15) minute mark, I may warn you that you'll have to
24 sum up so that we can hear everybody. Thank you very
25 much.

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: Yes, Mr. Gray, if you
4 would --

5 MR. ROBERT GRAY: Okay.

6 THE CHAIRPERSON: -- like to start.
7 Thank you.

8

9 PRESENTATION BY MR. ROBERT GRAY:

10 MR. ROBERT GRAY: Good after -- good
11 afternoon, ladies and gentlemen. I'm Robert Gray, and
12 I'm retired from the motorcycle business that I was in
13 for over forty (40) years. I have owned and managed
14 three (3) motorcycle shops in Winnipeg, including
15 Harley Davidson of Winnipeg, for twenty-eight (28)
16 years.

17 Twenty-one (21) years ago, some friends
18 and myself started the Coalition of Manitoba Motorcycle
19 Groups to pro -- to promote motorcycling and to bring
20 down the high cost of insuring motorcycles in Manitoba.
21 We engaged a friend of ours, Ray Oakes, to represent us
22 as an Intervenor at the annual PUB/MPI hearings over
23 the rates for the following year.

24 I would like to acknowledge, both from
25 my personal view and as the executive director of the

1 CMMG, our gratitude to Ray Oakes for doing a great job
2 of representing the CMMG this past twenty-one (21) --
3 twenty (20) years. Well done, my friend. Thank you.

4 My presentation are my opinions and not
5 necessarily those of the CMMG. I stong -- I strongly
6 believe in gov -- government auto insurance. The
7 savings are substantial. There is huge savings in
8 advertising, as MPI has a hundred percent of the
9 market. I do agree that advertising for awareness and
10 safety is needed within reason, not to the point that
11 Manitoba Public Insurance, along with all the other
12 provincial corporations, are the largest clients of the
13 Manitoba's average adv -- advertising industry.

14 Want a better way of controlling the
15 media. This is a fact I was told by several executives
16 of Manitoba's largest -- bear with me here -- stick
17 together -- media -- media -- the largest media
18 outlets.

19 That they could not be involved at any
20 level with an insure -- insurance awareness rides I
21 have previously held at the Manitoba legislator. MPI
22 doesn't have to spend millions in lawyer fees as do
23 private insurers determining who's at fault in an
24 accident.

25 To keep several high paid lawyers on

1 staff ever since no-fault was introduced is
2 unacceptable. What is their pur -- purpose other than
3 defending MPI from having to divulge information that
4 is not only our right to see as Inter -- Intervenors at
5 PUB meetings, but also more importantly as Manitoba
6 citizens who live in a free and democratic society and
7 are entitled to proper oversight and transparency of
8 all provincial entities. Unacceptable.

9 Another area of my concern is the
10 overstaffing by -- by MPI. Their number of employees,
11 including subcontractors, increase every year
12 substantially, outpacing any increase in revenue.
13 Disproportionate. This current government, despite
14 claiming they're cutting staff, increases the
15 bureaucracy in everything they control. Unjustifiable.

16 And when I'm hearing answers about some
17 staff being subcontracts -- cracker -- tractors, excuse
18 me, MPI clearly stated they do not have any staff that
19 are subcontracted. An employee of MPI told me that it
20 was difficult to move around his work area due to the
21 increase in subcontracted employees. At this -- after
22 saying that, MPI tells the public that the past CEO,
23 Marilyn McLaren, was being paid as an employee to
24 assist in this year's Public Utility Board meetings --
25 hearings.

1 At this year's MPI filing to the
2 Standing Committee on Crown Corporations, Mr. Goertzen
3 testified that Ms. Mc -- McLaren was retained for fifty
4 thousand dollars (\$50,000) as insurance -- as insurance
5 in the event that he died. So basically if he died,
6 there would have been Marilyn. And then that was his
7 response to the legislature in this -- in this report,
8 which is contrary to what was told by the -- to the
9 public, that -- that, no, she was being retained
10 because she was going to help with the -- the PUB
11 hearings that we're at right now.

12 He also testified that Ms. McLaren did
13 absolutely nothing for MPI, going against your contract
14 which stipulates that she thinks this should be -- that
15 she -- I think this should be investigated now. She
16 only had -- within the contract she -- it was
17 stipulated that this was a contract between MPI and
18 her, that she had to work a certain amount of hours.
19 And in testimony I was told -- we were told that --
20 that she didn't work one (1) minute. Unacceptable.

21 The -- this should be looked at. I'm
22 serious. And -- and are there other past employees
23 that are maybe getting a kickback here? You know, I
24 really wonder. Makes -- makes me think.

25 Also, Mr. Guimond's evasive and

1 contradictory testimony answering Mr. -- Mr. Goertzen's
2 questions resulted in the standing commit -- the
3 standing committee voting not to accept the annual
4 report of the Manitoba Public Insurance Corporation for
5 the physical (sic) year ending -- and there's two (2)
6 of them, one (1) is the February the 29th, 2012, the
7 other is February the 28th, 2013.

8 Legislature doesn't accept the report,
9 and there are unanswered questions that I'm going to
10 really look at the answers that -- that are worth -- to
11 be supplied to this committee. Do we live in a
12 democracy? You know, I really, really sometimes
13 wonder. And after some thought I says, Yes, we do live
14 in a democracy. But you know what, it's being
15 threatened daily by all kinds of entities.

16 It is unacceptable that one of the most
17 decan -- democratic countries in the world, we have
18 government corporations that hide and refuse to the
19 point of going to the Canadian courts of law to keep
20 information from its citizens. Manitoba Public
21 Insurance is an extra -- an exemplary example in this
22 in their arrogance and their sense of entitlement to do
23 whatever they want with little or no oversight or
24 transparency. Unacceptable.

25 Shame on you. When arrogance subsumes

1 reality, business suffers, and MPI must result to smoke
2 and mirrors. Thank you.

3 THE CHAIRPERSON: Thank -- thank you,
4 Mr. Gray. Are there any questions of Mr. Gray?

5 MR. REGIS GOSSELIN: Mr. Gray, welcome
6 back.

7 MR. ROBERT GRAY: Thank you.

8 MR. REGIS GOSSELIN: Welcome back to
9 these proceedings. I just -- I just wanted to make an
10 observation that, you know, you mentioned Ms. McLaren.
11 You know, there was a report in the media that she
12 returned all the monies that she had received from --
13 from MPI.

14 Do you --

15 MR. ROBERT GRAY: Yes.

16 MR. REGIS GOSSELIN: -- were you aware
17 of that?

18 MR. ROBERT GRAY: Yes. In fact, that
19 was in my speech, but I overlooked it.

20 MR. REGIS GOSSELIN: Okay.

21 MR. ROBERT GRAY: It -- it was written
22 in there.

23 MR. REGIS GOSSELIN: Okay. I just
24 wanted to make sure that it was on the record because
25 she did --

1 MR. ROBERT GRAY: Yeah, it was there.

2 MR. REGIS GOSSELIN: Okay. Now, you
3 indicated that you were concerned about the
4 advertising.

5 Could you -- could you go over that
6 again? You know, you heard the testimony before, I
7 guess.

8 MR. ROBERT GRAY: Oh, if you -- if --
9 if you watched the -- you would -- TV, the newspaper,
10 there -- there's a lot of advertisements by Manitoba
11 provincial government entities. You know, we need it
12 for -- we need it for road safety and for -- maybe
13 there are some other areas that it would -- it should
14 be done. But I'll guarantee you, and I think -- I
15 think next year, I want a more -- I want to go for a
16 more detailed accounting of where the money is actually
17 spent, you know.

18 They do. They spend -- they spend
19 millions. And -- and this -- this did happen to me.
20 And -- and I can't say the sources, because I could --
21 I'm not at liberty to. But I was told in support of --
22 and it wasn't just that one (1) rally. It's been other
23 stuff that I do, that maybe MPI sees me as an
24 adversary. So I got no support from these -- from
25 these big media outlets.

1 (BRIEF PAUSE)

2

3 MS. ANITA NEVILLE: There. What kind
4 of support are you looking for?

5 MR. ROBERT GRAY: What kind of support
6 am I looking for?

7 MS. ANITA NEVILLE: M-hm.

8 MR. ROBERT GRAY: I'd just like them to
9 clean their act up. You know, be what they should be.
10 Give us the transparency. Give us the honesty. You
11 know? The amount of money that -- that they're sitting
12 on is incredible. They could liquidate -- if -- they
13 don't have to go out of business, but if they just got
14 out of the real estate business, and every other thing
15 that they invest in, you know.

16 If they sold the -- they could probably
17 raise -- you know, I seen somewhere there's 1.6
18 billion. I'm not exactly -- it's in the -- it's in the
19 Hansard here. And I didn't understand really what the
20 meaning of it was, but I think it was the total with
21 all the investments and everything. I think it was the
22 asset. It was the total -- it was an -- it was called
23 an asset. And it was 1.6 billion. And it increased
24 1.4 billion from the year -- or million from the year
25 be -- or 14 million from the year before. I'm not sure

1 if I've got my facts right.

2 But I'm very, very concerned the amount
3 of money they're retaining. They don't need a -- they
4 don't need this SAR. We're -- we're part of the
5 government. You're part -- the MPI, you get a line of
6 credit for \$6 zillion from the -- from the province.
7 You don't need ten (10) cents. I don't know why they
8 think they're entitled to these hundreds of millions of
9 dollars to invest without any -- without any discre --
10 any -- any input from us.

11 We live in a democratic society where if
12 -- if the public knew how this went down, they would
13 not be happy. I have been fighting this for twenty
14 (20) years. Twenty (20) years. And there's all kinds
15 of things that are wrong. And I come here and I speak
16 every year. One (1) year I tried to get a Intervenor
17 status, because I was out of the CMMG for a while.
18 Boy, did I get chewed up that time.

19 I'm serious. And -- and it seems the
20 last -- the last starting of these -- these
21 proceedings, MPI really came out trying to defend their
22 position of why they shouldn't have to show certain
23 things to the public or to -- or to any of the
24 Intervenors here. And most of that argument was about
25 that, and it even went into quoting case law.

1 Whoa, what is happening? Why do we have
2 a -- a provincial entity that takes our taxpayers'
3 money and fights us in the courts? And those real
4 fancy lawyers they've got working there, they're still
5 working there. And then what do they do? Just try and
6 defend them from not -- not getting this information?
7 And even when they did the last one, when we lost the
8 thing to see the SRI -- the -- the other insurance
9 after the theft and all that? That was the ruling that
10 we got -- we lost.

11 And the -- and the Court of Appeal said
12 that they -- MPI didn't have to show us those books.
13 You know? That's unacceptable. Sure, maybe a -- a --
14 from a -- a Public Utility Board meeting, that would be
15 acceptable. But not to the tax -- not to the citizens
16 of Manitoba. We have rights. We -- we -- there's no -
17 - I'm sorry. I'm -- I'm getting too excited.

18 THE CHAIRPERSON: No, that's okay, but
19 I think we're --

20 MR. ROBERT GRAY: I'll shut up.

21 THE CHAIRPERSON: -- starting to
22 repeat. So I --

23 MR. ROBERT GRAY: Yes.

24 THE CHAIRPERSON: -- really appreciate,
25 though, you coming and taking --

1 MR. ROBERT GRAY: Yes, Ma'am --

2 THE CHAIRPERSON: -- the time. And we
3 appreciate you -- you coming in and speaking.

4 MR. ROBERT GRAY: Well, my apology for
5 getting a little --

6 THE CHAIRPERSON: Mr. --

7 MR. ROBERT GRAY: -- excited there.

8 THE CHAIRPERSON: -- no, it's fine, Mr.
9 Gray. Thank you very much.

10 MR. ROBERT GRAY: But I'm passionate
11 about this. I really am.

12 THE CHAIRPERSON: Yes, I -- I see that.
13 Thank you very much.

14 MR. ROBERT GRAY: You're quite welcome.
15 Thank you.

16 THE CHAIRPERSON: Was there any other
17 questions to -- no. Okay, we're good. Okay, thank
18 you. Now I'd like to call upon Mr. Doug Houghton.

19

20 PRESENTATION BY MR. DOUG HOUGHTON:

21

22 (BRIEF PAUSE)

23

24 MR. DOUG HOUGHTON: Everybody have a
25 copy of the presentation? Okay. Good afternoon, Madam

1 Chairperson, Board members, MPI staff, MPI legal
2 counsel, and other presenters. Once again, I'd like to
3 thank you for this opportunity to speak to MPI's rate
4 application.

5 I'll try to keep my presentation brief.
6 And I'll try to talk a little slower this year. I've
7 been told by your recorder that I talk too fast. So I
8 -- I'm just trying to -- it was that ten (10) minute
9 lim -- limit I had last year that made me speak too
10 fast.

11 I'm currently a director and past
12 president of the Coalition of Manitoba Motorcycle
13 Groups, the CMMG. I'm also a director and past vice-
14 chair of the Motorcyclists Confederation of Canada,
15 which is the MCC. Today, however, in order to avoid
16 any possible contradiction with CMMG solicitor, Mr. Ray
17 -- Raymond Oakes, I'm speaking on my own half (sic).
18 And the views expressed are my own and not necessarily
19 those of CMMG or MCC.

20 A little bit of my motorcycling
21 background. I'm 67, a retired municipal planner, and
22 I've been a motorcyclist most of my life. I've been
23 riding motorcycles for more than fifty (50) years, and
24 it's been forty-five (45) years since I bought my first
25 motorcycle and started riding on a regular basis.

1 Motorcycling is how I spend much of
2 spare time, my vacations, weekends with my friends and
3 adult children. It's how I often travel to visit my
4 grandchildren. I've already ridden more than 28,000
5 kilometres so far this year, and, weather permitting,
6 I'd like to add a couple thousand more before the snow
7 flies. Unfortunately, this is one (1) of the nice
8 days.

9 Motorcycle premiums. I'm encouraged
10 that this year's rate application once again proposes
11 an overall rate decrease for the motorcycle class. The
12 proposed 6.6 percent decrease will bring an average
13 rate for basic motorcycle coverage down to eight
14 hundred and seven dollars (\$807).

15 At first, this may not appear expensive,
16 but it must be recognized that this premium is only for
17 a five (5) month seasonally adjusted rate, and it does
18 not include comprehensive coverage. As well, this
19 average also includes a great number of scooters and
20 mopeds.

21 Current premiums remain prohibited for
22 many, and as the following example typlify -- typlifies
23 (sic), the motorcycle rate is still high when
24 contrasted with equivalent rates for passenger vehicles
25 and light trucks.

1 I'll give an example. In Winnipeg,
2 using -- I'm using the 2014 rates and putting a 2.4
3 increase. The minimum discom -- discounted pleasure
4 premium for a -- that excl -- excludes -- that's a
5 minimum liability and maximum deductible, including a
6 registration for, say, a 2009 GMC extended pickup truck
7 valued at about twenty thousand (20,000) is about
8 thirteen hu -- eleven hundred and thirty dollars
9 (\$1,130), or about ninety-four dollars (\$94) a month.

10 By contrast, even with the decreases,
11 the proposed 2015 rates, the premium for a 2009 touring
12 motorcycle of the same valual (sic) will be about
13 twelve hundred and forty-five dollars (\$1,245) plus
14 sixty-five dollars (\$65) for comprehensive, for an
15 estimated premium of thirteen hundred and ten dollars
16 (\$1,310), or two hundred and ninety-two dollars (\$292)
17 per month, and that's for the five (5) month
18 seasonally-adjusted rate.

19 On the annual basis, the equivalent
20 motorcycle premium is about three thousand one hundred
21 and forty-four (3,144), or nearly three (3) times the
22 truck rate. The equivalent fully -- fully discounted
23 rates would be about seven hundred and forty dollars
24 (\$740) for the truck and eight ninety-nine (899) for
25 the motorcycle, twenty-one hundred and fifty-eight

1 (2,158) prorated on an annual basis for the motorcycle.
2 There's a little chart there to indicate the
3 differences.

4 Now, if one acquires the more typical 1
5 or 2 million in liability and two hundred (200)
6 deductibles, the rates are even more extensa --
7 extreme. Sport bikes, rates are much higher yet,
8 probably 30 to 40 percent greater.

9 The effects of high premiums. Although
10 we've experienced a levelling off and a reduction in
11 motorcycle premiums during the last four (4) years,
12 this has done -- done little to offset the previous
13 decade of double digit compounded premium increases.

14 For pensioners as well as others with
15 moderate incomes, motorcycle premiums have become an
16 extreme financial burdens (sic), especially when
17 coupled with the rising fuel costs and other living
18 expenses. A motorcycle insurance premium can be double
19 of that for a house of ten (10) times the value.

20 Even though a mot -- motorcycle numbers
21 have increased over the past few years, there are many
22 former motorcyclists that have quit riding, not because
23 they've lost the love of the sports (sic), but solely
24 for the fact that they have modest incomes and can no
25 longer justify up to two thousand dollars (\$2,000) or

1 more for five (5) months of riding. When a husband and
2 wife both ride, the cost can be very prohibitive, even
3 for more affluent families.

4 Many have resorted to using the
5 temporary five (5) day permits for special events or
6 vacation. This concerns me, as it exposes more
7 motorcycles to accidents during peak periods, with the
8 resulting claims but without the total annual premium
9 contribution to the total motorcycle pool.

10 Escalating premiums and PIPP. Although
11 motorcyclists welcome the proposed two hundred (200)
12 and -- 2015 decreases, they are not ready to accept the
13 fairness, or lack thereof, of the current methodology
14 for premium allocation. Therefore, today's
15 presentation will focus on premium methodology, and
16 more specifically, the allocation of Personal Injury
17 Protection Plan, or PIPP losses.

18 Motorcyclists are certainly appreciat --
19 appreciative of the Board's past orders that have
20 resulted in positive changes to motorcycle premiums.
21 I'll refer specifically to the implementation of loss
22 transfer and the allocation of losses for PIPP and
23 collision claims, as well as those losses related to
24 wildlife and hit-and-run collisions.

25 Motorcyclists, however, still feel the

1 methodology is unfairly discriminatory. The reasons
2 for escalating motorcycle premiums goes back to 1993,
3 with the introduction of no-fault insurance and the
4 correspondence Personal Injury Protection Plan.

5 Past rulings that there should be no
6 cross subsidization between veh -- vehicle
7 classifications meant that premiums for each
8 classification must reflect claims' costs for that
9 classification. This resulted in many years of double
10 digit compounded increases.

11 Contrary to what some may believe,
12 motorcycles are not involved in a greater percentage of
13 accidents than automobiles. In fact, past -- past
14 statistics have shown that there are a greater
15 percentage of motorcycles with full merits than
16 automobile owners.

17 Excuse me. I need to take a little sip,
18 here.

19 Are PIPP premiums applied fairly?
20 Motorcycles have been placed in a separate rating
21 classification, not because motorcyclists have more
22 accidents, but due to severity of their injuries, which
23 result in greater PIPP costs.

24 It is my understanding that PIPP costs
25 represent about 85 percent of the motorcycle premium,

1 and about 35 percent of the automobile premium. On the
2 surface, this would seem fair, but many don't pay.

3 Although PIPP coverage is paid by most
4 vehicle owners, some vehicle classes do not pay. Also
5 not paying are those persons with driver's licence who
6 do -- do not own vehicles, but who contribute to
7 accident costs. As well, there are others who receive
8 PIPP benefits who neither own a vehicle nor have a
9 driver's licence.

10 It was back in either 2011 or 2012 that
11 -- that MPI stats revealed that twelve thousand, nine
12 hundred and fifty-four (12,954) vehicles in -- in that
13 year, or 1.5 percent of registered vehicles did not pay
14 for PIPP coverage. Excuse me. This nearly equalled
15 the thirteen thousand (13,000) or so motorcycles which
16 were subject to PIPP premiums at the time.

17 This excluded group includes
18 interprovincial trucks and exempt vehicles, such as
19 Government of Manitoba -- Government of Canada vehicles
20 and fire department vehicles.

21 Off-road vehicles, dirt bikes, snow
22 mobile, and bicycles do not contribute to PIPP,
23 however, if the riders are involved in a collision with
24 an automobile in motion, they receive PIPP benefits,
25 even if at fault. I believe the same applies to

1 pedestrians as well.

2 One-third (1/3) of PIPP claims come from
3 non-vehicle owners. In 2011, one-third (1/3) of PIPP
4 claims were from non-vehicle owners. According to MPI,
5 there were about eleven thousand seven hundred and
6 eighty-four (11,784) PIPP claims in 2011.

7 Drivers without a registered vehicle
8 accounted for three thousand one hundred ninety-two
9 (3,192), or 27 percent of these claims. In addition,
10 unlicensed non-vehicle owners account for sixty (60) --
11 six hundred and ninety-three (693) claims, or another 6
12 percent of total claims.

13 Since most of PIPP involves bodily
14 injury, personal care and rehabilitation, it is
15 somewhat analogous to our healthcare system, which is
16 free to all Manitobans and shouldered by all of
17 Manitoba tax payers.

18 Since Manitobans can receive PIPP
19 benefits -- since -- sorry. Since all Manitobans can
20 receive PIPP benefits, and since one-third of PIPP
21 claims are for non-contributors, why, then, should
22 motorcyclists pay substantially more for this coverage
23 when other vehicle owners, ATV owners, snowmobile
24 owners and licensed non-vehicle owners pay nothing?

25 We don't charge additional health

1 premiums for those who are chronically ill, requiring
2 more health care. Why, then, should PIPP costs not be
3 treated in a similar manner?

4 New methodology for assigning PIPP. I
5 believe it is time for Manitoba Public Insurance to
6 review and rethink its methodology for assigning PIPP
7 costs to premiums. There are a number of different
8 ways this can be accomplished.

9 There -- a flat rate. The fairest way
10 may be establish a flat rate for PIPP premiums and
11 spread them equally across all vehicle groups, with
12 increases based on experience and driving record, not
13 severity of injuries.

14 Greater share of PIPP to larger vehicles
15 -- although motorcyclists are more likely to sustain
16 bodily injuries in accidents, they are less likely to
17 inflict serious injury on pedestrians, cyclists, or
18 occupants of mot -- automobiles and trucks.
19 Conversely, larger vehicles have the potential to
20 inflict serious injuries to pedestrians, riders, and
21 occupants of smaller vehicles, but I don't believe this
22 is factored into the premium structure of those
23 vehicles. Perhaps premium methodology should be
24 revised so these vehicles bear a great share of PIPP
25 costs.

1 I don't believe that a flat rate for
2 PIPP will create an undo hardship on other vehicle
3 owners. If all vehicle owners and the trailers are
4 excluded, the total number of -- excu -- excuse me --
5 the -- of -- of other vehicles outnumber motorcycles
6 of a ratio of nearly sixty (60) to one (1).

7 In simple terms, an average five dollar
8 (\$5) premium increase which might be a fraction of a
9 percent for other vehicles would generate nearly \$4
10 million, with the resulting premium increase of about
11 three hundred dollars (\$300) for each motorcycle.
12 Without proper actuarial analysis required, an actual
13 rate of course would have to include many other factors
14 such as driving record and the portion of PIPP
15 contributions from driver licence premiums.

16 There's also a way to transfer PIPP
17 costs to a driver's licence, as it is the driver who
18 causes accidents and not the vehicle. Therefore
19 considering that every 27 percent, or nearly one-third
20 of PIPP -- PIPP claims are from licensed drivers who
21 don't own a vehicle, it would be even much more
22 equitable if PIPP premiums were transferred all in part
23 to the driver's licence rather than placed solely on
24 the vehicle.

25 At present, there is a small insurance

1 portion associated with the driver's licence. However,
2 there's driver premiums not proportionate amongst --
3 among various coverages. Apparently these premiums are
4 used as a direct offset to -- to the cost of Basic
5 insurance for Highway Traffic Act vehicles, so it's not
6 known if any of this is assigned to offset PIPP costs.

7 Transferring of PIPP cost to the
8 driver's licence would also lessen the attractiveness
9 of the current system which encourages high-risk
10 drivers to transfer owners -- ownership to other family
11 members so as to not pay higher vehicle premiums and
12 therefore not contribute fairly into the public
13 insurance system.

14 You also -- you could transfer penalties
15 to the driver's licence. The current bonus/malice
16 system of merits and demerits is constantly applied in
17 an equit -- inequitable manner. Added costs for loss
18 of merits or increase in merits is not -- now applied
19 to both the driver's licence and to all vehicles owned
20 by the driver. However, those who don't own vehicles
21 but drive a vehicle owned by another family member or
22 employer only pay on the driver's licence.

23 This system also encourages high-risk
24 drivers to transfer ownerships to other family members
25 so as not to pay these high vehicle premiums, and

1 therefore not -- again not contributed to the -- fairly
2 into the public insurance system.

3 I'm sure if MPI examines its data, it
4 will discover that vehicle ownership increases with the
5 increase in merits and lower premiums, and conversely
6 as -- as drivers go down the scale with increased
7 demerits and potentially higher premiums, the level of
8 vehicle ownership decreases. There is need -- there is
9 a need to change the methodology for assigning these
10 penalties.

11 Multi-vehicle discount -- discounts for
12 motorcycles. It is my understanding that the premiums
13 for each classification of vehicles is based on the
14 risk and accident history of that vehicle
15 classification independent of other classifications.

16 Like most motorcyclists, I suffer from
17 MPI double and triple dipping. I also own other
18 passenger vehicles and pay PIPP on all, but only drive
19 one (1) at a time. Unlike other insurers, MPI provides
20 no discount for a second vehicle, the assumption being
21 that both veh -- could be driven at the same time with
22 risk of accident -- of an accident.

23 It is my observation, however, that when
24 the motorcycle is being ridden, in most cases the other
25 vehicle remains unused, thereby reducing its risk.

1 There's some evidence to support this. According to
2 the table attached to CMMG/MPI I-18, the per unit
3 claims costs for passenger vehicles owned by non-
4 motorcycle owners is 68 percent higher than for those
5 passenger vehicles where the registered owner also has
6 a registered motorcycle. The numbers are thirty three
7 ninety-seven (33.97) versus two hundred and nine (209)
8 -- two hundred and thirty-six (236).

9 It would appear that when a motorcycle
10 is also registered, the risk goes down on the owner's
11 passenger vehicle. Although a more detailed actuarial
12 investigation may be required, these stats appear to
13 support a multi-vehicle discount where one of the
14 vehicles is a motorcycle.

15 Public policy. I can certainly
16 appreciate that some of my suggestions may not fall
17 within the Board's mandate, and it may be a matter of
18 public policy to implement it by government through
19 amendments to the Public Insurance Act or by giving
20 policy direction to MPI.

21 I will, however, request that this Board
22 recommend that MPI and/or the government of Manitoba
23 study this issue and advise how to -- how a flat -- a
24 PIPP flat rate would affect average premiums for all
25 classes. And, as well, how premiums would be affected,

1 should excluded vehicle classes, such as
2 interprovincial trucking, were required to pay PIPP.
3 As well, what would the impact be if PIPP and penalty
4 costs were applied solely on the driver's licence.

5 Buyback policies. Another matter that
6 concerns the motorcyclist is the buyback policies and
7 formulas of -- of MPI in the case where the repair cost
8 of a damaged motorcycle exceeds its market value. And
9 this would apply to cars, as well.

10 Motorcycle owners are noted for spending
11 thousands of dollars, many thousands I know, many hours
12 of labour customizing their rides, and by adding very
13 expensive accessories and motor upgrades that may not
14 necessarily be reflected in market value. Adjusters
15 need to be better informed in estimating the value of
16 customizing and upgrades in motorcycles, and as well
17 there needs to be a fairer system for determining a
18 buyback price.

19 In cases where a motorcycle is written
20 off unrepairable, there should -- the owner should have
21 the option of buying back the motorcycle for an amount
22 equal to the difference between the settlement price
23 and the repair costs.

24 There are inequities between motorcycle
25 and passenger vehicle coverage. Excuse me. There's

1 one (1) area where motorcycles hope to have good news.
2 Although outside the Board's mandate, at previous
3 hearings I've informed the Board that some insurance
4 products such as auto loss of use, rental car
5 insurance, and new car protections were available to
6 automobile owners -- automobile owners, but not to
7 motorcyclists.

8 I'm now pleased to report that recent
9 discussions between MPI and CMMG seem to be heading in
10 the right direction and I hope to see some positive
11 results in the near future. And just as an aside there
12 we've also -- I've met personally on behalf of CMMG
13 with members of MPI to look at some of the road safety
14 initiatives over the upcoming years to see what types
15 of initiatives would be more effective and what -- what
16 types of initiatives are ineffective. So that's just
17 as an aside.

18 So that concludes my presentation.
19 Thank you again for giving me this opportunity to
20 speak, and for your attention to this matter.

21 THE CHAIRPERSON: Thank -- excuse me.
22 Thank you very much, Mr. Houghton. I was wondering if
23 there was any questions from the panel? Mr. -- M.
24 Gosselin?

25 MR. REGIS GOSSELIN: Thank you, Mr.

1 Houghton. I do have some questions. And I -- and I
2 realize you're not here representing the CMMG, but I do
3 have some questions related to information kind of
4 questions that are -- are not asking you to repre -- to
5 express a point of view on behalf of the association.

6 But CMMG would have met with MPI to talk
7 about the issues you raised in this document at some
8 point?

9 MR. DOUG HOUGHTON: Of all the issues?
10 Yes, we've -- we've had meetings generally on a yearly
11 basis where our entire Board would meet with MPI's
12 senior staff, discuss issues. We generally get --
13 we've had some success in other -- in areas which don't
14 involve rates, generally. And when it comes to
15 decreasing rates the -- we appear -- we use the Board
16 as the venue for looking at rates, though we've had
17 success in dealing with getting proper sized licence
18 plates that actually fit the motorcycles. That's a --
19 that was implemented last year.

20 We've also got plates for our veterans
21 and, of course, Bomber plates and so on. Little things
22 like that which were often just a mi -- a nuisance to
23 motorcyclists. Now these things are available. And we
24 hope that the -- some of these other products that have
25 been available to vehicle owners in the past would --

1 will soon become available to motorcyclists as well.

2 MR. REGIS GOSSELIN: Now, I guess the -
3 - the follow-up question would be you probably would
4 have met with the provincial government to talk about
5 some of these issues because some of that relates --
6 relates to some of the -- some of the things you're --
7 you're requesting are within the -- the jurisdiction of
8 the provincial government.

9 MR. DOUG HOUGHTON: Yes --

10 MR. REGIS GOSSELIN: And so you would
11 have -- you would have had discussions with the
12 Provincial Government.

13 MR. DOUG HOUGHTON: We have met with
14 the Minister responsible for MPI on -- on occasion.
15 And the -- sorry, and also the Minister of --
16 responsible for highways.

17 MR. REGIS GOSSELIN: Now, I guess one
18 (1) -- one (1) final question is -- and this -- and you
19 might be able to answer this. I -- I guess you were
20 talking about enhanced coverage for bikes that are
21 worth more than -- than the book value for -- because
22 people have invested more dollars. So are -- is
23 private coverage available for that? I mean, if you
24 wanted to -- say you have a bike that on paper is worth
25 a thousand (1,000) bucks, but to you it's worth ten

1 thousand (10,000) or fifteen thousand (15,000).

2 Can you get coverage for that through
3 private insurance?

4 MR. DOUG HOUGHTON: I believe -- I
5 believe there's added coverage under the SRE. Now, the
6 situation I was referring to maybe for a motorcyclist
7 still falls below the fifty thousand dollar (\$50,000)
8 range. And it might be of -- an example, a motorcycle
9 might have been purchased for ten thousand dollars
10 (\$10,000). A person who had maybe customized it, put a
11 -- put a -- an after market, a custom motor in it for
12 another seven thousand dollars (\$7,000) and a paint
13 job. A paint job can be five (5) to ten thousand
14 dollars (\$10,000).

15 And if -- if it is damaged and --
16 perhaps in full or in part beyond its value, the -- the
17 problem arises that MPI adjusters don't always
18 recognize the added value to that bike. The -- the
19 value goes beyond the year of that bike. So it might
20 be a -- a twenty (20) year old motorcycle, but maybe --
21 it may have an inherent investment in it of twenty (20)
22 or thirty thousand dollars (\$30,000).

23 And very often the -- they look more at
24 the book value than the actual enhanced value of that
25 vehicle. And I think the adjusters need a little more

1 training in that area and -- and look -- talk to a
2 little -- a few of the people who do -- are bike
3 builders, especially when you get into the custom bike
4 area. That's a really difficult area for them.

5 MR. REGIS GOSSELIN: But I guess my
6 question is -- is that coverage -- kind of coverage
7 available from other insurers than MPI? If you wanted
8 to --

9 MR. DOUG HOUGHTON: I would have to
10 guess at that. I think that it's possi --

11 MR. ROBERT GRAY: No, it's --

12 MR. DOUG HOUGHTON: You don't think so?

13 MR. ROBERT GRAY: -- it's not.

14 MR. DOUG HOUGHTON: Yeah. Yeah. I
15 think we've been looking at the possibility of
16 increasing the limits for motorcycles. Now it's not --
17 it's not unreasonable to find motorcycles in the forty-
18 five (45), fifty thousand dollar (\$50,000) range right
19 out of the shop before you even start in adding your --
20 all your chrome goodies onto it, so that might be
21 another -- to add another category of, say, up to sixty
22 thousand (60,000) or something, which would help.

23 THE CHAIRPERSON: Okay. Thank you very
24 much, Mr. Houghton, for your presentation.

25 MR. DOUG HOUGHTON: Thank you.

1 THE CHAIRPERSON: Now I'd like to call
2 upon Mr. John Ewing, from the Manitoba Classic and
3 Antique Auto Club, to give his presentation. Good
4 afternoon and welcome.

5 MR. JOHN EWING: Thank you.

6

7 (BRIEF PAUSE)

8

9 PRESENTATION BY MR. JOHN EWING:

10 MR. JOHN EWING: Okay. I'm -- my name
11 is John Ewing. I'm a member of the Manitoba Classic
12 and Antique Auto Club, and my wingman here is George
13 Rogers. He's also a member of the Manitoba Classic and
14 Antique Auto Club. We're both directors and past
15 presidents of the club.

16 I've been in the old car hobby since I
17 was 10 years old or younger. I learned a second
18 language from my dad in a garage working on a Model A.
19 And I've always loved old cars and I have several. I
20 don't buy and sell them. I buy them, fix them up, keep
21 them and keep running them.

22 I'm representing -- or we're
23 representing the Manitoba Classic and Antique Auto
24 Club. We're a club that is dedicated to restoration,
25 preservation, and appreciation of -- of old cars, but

1 all vehicles twenty-five (25) years and older is our
2 club designation. We've got close to a hundred and
3 ninety (190) members now. We lose some occasionally,
4 and -- but we're always adding members.

5 The age of our members ranges from 20s,
6 30s, right up to 80s and 90s, so we have quite a range
7 of -- of membership. We've got also a large family
8 involvement with spouses. It gets us well over three
9 hundred (300), close to four hundred (400).

10 We have in our club alone, over six
11 hundred (600) vehicles. So that just tells you that
12 our members, on average, have three (3) to four (4)
13 vehicles. Some -- some help bring that number up
14 considerably with their -- with their cars.

15 We're also a member -- as a club, a
16 member of MAAC. That's the Manitoba Association of
17 Auto Clubs. MAAC has been working for many years with
18 MPIC to come with a special category for antique
19 collector vehicles beyond the -- the -- there's a --
20 there's a designation of antique cars. It's highly
21 restrictive in Manitoba and -- and is of -- virtually
22 of -- of little or no value, so they've been working on
23 coming up with a collector vehicle designation.

24 We're also a member of the National
25 Association of Auto Clubs of Canada. That's a large

1 association and network of clubs right across the
2 country. There's also many drivers and owners of these
3 cars that are not in clubs. We're not -- we're not
4 speaking for everyone, but we're -- we're speaking on
5 behalf of our club, and we're hearing from our members.

6 I can tell you that we've also heard
7 from other citizens who own these cars, have looked at
8 this program, and have some concerns with it. So
9 that's our point in coming today, to talk about the
10 Collector Vehicle Program.

11 The -- the typical use of these cars is
12 in the -- is in the fine weather, which, in Winnipeg,
13 can be three (3) weekends, but sometimes we get three
14 (3), four (4), you know, five (5) -- five (5) months.
15 We -- we drive our cars very infrequently. We're not
16 like the motorcycle guys. We actually average probably
17 five hundred (500) miles a year on our cars. And
18 there's been many surveys that -- that back that up.

19 Some people just like to turn one (1)
20 tank of gas over on their vehicle in -- in a year, so
21 five hundred (500) miles is -- is pretty typical for --
22 for old car drivers. We drive in clear weather. We
23 like dry weather. We don't go out in inclement
24 weather, when it's snowing. And -- and winter arrives,
25 we -- we put our cars away. We -- we store them up.

1 And -- and then we're done until the next season.

2 We -- we, as a club, get involved in
3 seniors' residents' visits. We -- we go and show the
4 cars, talk to the seniors. We do a lot of tours,
5 Prairie Dog Central being one (1). We do fall foliage
6 tours, historic tours. We've -- we've had our cars at
7 events at Lower Fort Garry and Armstrong Point and so
8 on. So we get involved in the community. We're --
9 we're strong supporters of community activities and
10 community life.

11 So we're here to talk about this. Yeah,
12 we finally got a plate. Yeah, okay. So now I wanted
13 to flag some issues with it.

14 It was brought out with significant
15 fanfare about a year ago. The Minister declared we
16 would get a 45 percent discount from the pleasure use
17 premiums or regular use premiums on our vehicles, and
18 that sounded pretty good. We were -- we were happy.
19 That's a great -- great way to start and recognize the
20 vehicles.

21 We were initially informed that lay-up
22 would not be available with the -- with these plates,
23 but we did contact the Minister, Mr. Swan, asked for
24 some clarification, because we weren't clear on some of
25 the information that was coming out and -- and we do

1 have an email -- it's in our package of information --
2 a response from him assuring us that lay-up coverage
3 for storage would be allowed and that we will still
4 receive a 45 percent discount for the months that we
5 were driving with the collector plate.

6 This is -- this is our point. However,
7 on MPI and all of the agents that -- that provide this
8 -- this program coverage advises that the collector
9 vehicle premiums are completely earned from May 1st
10 through September 30th, what they call the "riding
11 season."

12 So we feel a brotherhood with the
13 motorcycles, but, in fact, we -- we don't ride our
14 cars, we drive them in -- in summer conditions.

15 So that's the issue that we have. I've
16 -- I've flagged that as -- as the key issue. The
17 monthly insurance premium for the collector vehicle
18 program is actually 32 percent higher during the
19 driving season than the current pleasure use premiums.
20 Believe it.

21 And MPI does not offer lay-up insurance
22 on the CVP product as promised by the Minister. That
23 doesn't make sense to us.

24 I took a simple example to illustrate
25 it. Take a hun -- because premiums can -- amounts can

1 bounce around, so I just take a hundred dollars (\$100)
2 of premium -- basic insurance premium under the regular
3 registration, spread over twelve (12) months, that's
4 eight dollars and thirty-three cents (\$8.33) a month.

5 Now I take the CVP premium of a hundred
6 dollars (\$100), knock it down 45 percent -- that's only
7 fifty-five dollars (\$55) now, but I'm going to earn it
8 over five (5) months. Fifty-five (55) divided by five
9 (5) is eleven dollars (\$11) a month.

10 I'm paying 32 percent more when I'm ri -
11 - driving my collector car than -- than if I had a
12 regular plate on it. Doesn't make sense. That's 32
13 percent higher than a regular plate.

14 The result is the collector car owners
15 with this plate on are paying higher than if they --
16 the same car carried regular plates.

17 People are starting to see that now.
18 The uptake on this program -- the last number I heard
19 was seventeen hundred (1,700) vehicles were qualified
20 and fewer than that have actually purchased the plate.
21 They've gone in and found out that no, it's really not
22 a good deal, and so there's -- there's something fewer
23 than that.

24 So I think that's -- that's a pretty
25 poor uptake on what I think was a great program that

1 was introduced. We -- we can do better than that with
2 some very simple tuning of the program.

3 The -- the other issue is -- is on the
4 lay-up that's associated with that earning of a
5 premium. When you go onto lay-up, you get a -- a pro-
6 rated discount back and you pay the eight dollars (\$8)
7 or whatever it is. It's a very minimal amount per
8 month for lay-up because now you have the choice of
9 knocking the collision third-party liability out.

10 When your vehicle is under wraps and --
11 and not being used, why do you need collision? The --
12 the property -- the PLP -- whatever it is, the -- the
13 lay-up where you -- you've got fire, theft, and
14 vandalism is all in place with lay-up.

15 It's been in place for years and years
16 and it's a great program, and we use it -- use it a
17 lot.

18 So, they don't deliver on their promise,
19 and this is what we're starting to see, okay. There's
20 a little green 'void' sticker you can put in the
21 corner. These are plates that have been issued -- our
22 members and others are starting to see as they go in --
23 this is a great time of year, October -- we're going in
24 and we're normally putting our cars away and we're
25 being told there -- there's no lay-up and you're not

1 getting any money back, sorry.

2 So let's put a 'void' sticker on it and
3 go back to regular plates. That's -- that's what we're
4 starting to see.

5 So recommended change is very simple.
6 Have the collector vehicle premiums reduced amount
7 earned over the twelve (12) months rather than five (5)
8 months. This delivers a promised savings from the
9 Minister, and we believe it was the original intent of
10 the program. And allow the collector vehicles to be
11 included in the eligible vehicles for lay-up. I went
12 into the agent and I've included it in the info
13 package. There's a listing of eligible vehicles. The
14 collector plate is not -- the collector vehicle program
15 is not in there.

16 The next page, you'll see is a list of
17 ineligible vehicles. The collector vehicle plate is
18 not in there either. It's not eligible; it's not
19 ineligible according to the agent. So we would like to
20 see it included in the eligible vehicles for lay-up
21 coverage as we understood from the Minister that would
22 be the case. But the agents don't have it on their
23 online access. And -- and we just -- we just don't get
24 it.

25 What I would like to also indicate is

1 there are a few collector car owners who think this
2 program is great. And I -- and I say, Good on them.
3 If they want to -- and there are some -- there's --
4 there -- for every one (1) you find who thinks it's
5 great, I can show you a hundred others that say, It's
6 just not worth it. So if -- if I hear someone say, I
7 hear it's a great program; I love it; I know a guy who
8 loves it. Yeah, okay. I know one (1) guy who likes
9 it, too.

10 But I think with those simple changes we
11 can make -- we can -- we can reflect the careful and
12 limited use of these vehicles, and we can provide that
13 reduced premium that I think is -- is -- they're fully
14 -- fully entitled to. And -- and as a class of
15 vehicles. Now, because I've got the microphone I
16 wanted to add two (2) additional things if you don't
17 mind.

18 The collector vehicle plate or program
19 rate, we think even if the 45 percent is applied fairly
20 and so that we can actually receive it, it's still too
21 high. And I've got a -- I've got a -- a screen from my
22 first -- my first picture there in BC. If you look at
23 -- in BC they've been running the same program for --
24 since 1990 and earlier. It's a collector vehicle plate
25 program.

1 I'm ref -- I'm referencing BC and
2 Saskatchewan because they both have government
3 insurance similar to Manitoba. We live in the
4 prairies, and I can't -- I can't say the risk is the
5 same in BC as it is in Manitoba, but Saskatchewan is
6 analogous and I've got that sheet as well. In BC they
7 have the similar collector plate program and they have
8 a plate that -- that identifies it.

9 And this particular program has the
10 rates and they've identified this here as -- as much as
11 80 percent lower than the regular vehicles. You'd have
12 to -- I mean, you'd have to do the number crunchers,
13 the exercise to come up with it. But I wanted to
14 indicate that BC has a significantly lower rate. So I
15 said 45 percent, if we can actually achieve it, it
16 would be good. But it -- we could be -- we could be
17 lower as well.

18 Now, I want to flip to the next -- the
19 next slide, and that is Saskatchewan, SGI. They have a
20 system in place. They call it antique vehicles, but
21 it's really the same as our collector. You have to
22 have a primary use vehicle registered to qualify. I
23 lived in Saskatchewan, actually, and -- and I did
24 qualify for this years ago. You can -- an antique
25 vehicle has to be for pri -- for private use and if you

1 just pull it up a little bit to see the rates.

2 An annual cost to plate a vehicle as an
3 antique is a hundred and forty-nine dollars (\$149).

4 And if you're a '41 and older, the annual cost is
5 eighty-six dollars (\$86). And the whole purpose of
6 that is to -- is to identify that there are -- there
7 are jurisdictions in place with claims history, long
8 claims history, that can -- can justify significantly
9 lower rates than -- than what we have in Manitoba.

10 Now, I wanted to make one (1) more
11 observation. And that is relating to the annual
12 registration fee of a hundred fifty-four dollars
13 (\$154). Every vehicle pays that regardless. Not just
14 the collectors, it's everyone. I don't know,
15 motorcycles may come a different class. I'm not sure.
16 But a hundred and fifty-four dollars (\$154) seems to be
17 a fairly ub -- ubiquitous number.

18 And what I'm suggesting, or we're
19 suggesting, is that seems to be an un -- unreasonably
20 high number. I went through the GRA and I'm -- I -- I
21 have to say I never saw it in there. I think there was
22 a line that said administrative charges are unchanged
23 in this -- this rate application. I suspect this may
24 be wrapped into that.

25 And what we're suggesting is that this

1 is an unreasonably high annual rate that's -- that's
2 put on every vehicle year after year. And it's really
3 just a flat tax. It's a tax that's applied for no
4 other reason and it's -- and -- and in our view there's
5 -- there -- there should be some justification for it.
6 It's just not justified.

7 So in closing our key -- our key concern
8 is the collector vehicle program. It came in with
9 great fanfare and great promise. We liked everything
10 we heard until we started to go out and -- and buy it.
11 And we found that we are paying more in -- in the
12 summer driving season than we do in the regular plate,
13 and on lay-up, we're -- we're also penalized.

14 MS. SUSAN PROVEN: Mr. Ewing, I have a
15 question. What about the two (2) provinces that you
16 cited? What do they do about the lay-up? Do you know?

17 MR. JOHN EWING: On an annual basis, if
18 you pay -- if I paid eighty-six dollars (\$86) for my
19 '38 Buick, I'd be happy to -- I -- I registered -- in
20 fact, I registered my '38 Buick when I lived in
21 Saskatchewan. I actually paid -- because the rates
22 have gone up there to eight-six (86), and it was
23 registered all year round.

24 MS. SUSAN PROVEN: So they just
25 register it all year round, and --

1 MR. JOHN EWING: Yeah, in fact --

2 MS. SUSAN PROVEN: -- that includes the
3 lay-up? I mean, it's just --

4 MR. JOHN EWING: Yeah, there's no lay-
5 up.

6 MS. SUSAN PROVEN: Yeah, okay. There's
7 --

8 MR. JOHN EWING: It's just the regular
9 --

10 MS. SUSAN PROVEN: -- no lay-up.

11 MR. JOHN EWING: -- yeah.

12 MS. SUSAN PROVEN: Okay.

13 MR. JOHN EWING: And -- and in fact,
14 it's a regular licence plate with no outward
15 designation that it's a -- a -- an antique
16 registration. Now, you'd think maybe they'd put a
17 little sticker or something, but they...

18 MS. SUSAN PROVEN: Well, I remember
19 having this discussion about my car, which is almost
20 fifty (50) years old. Not the one I drive, but -- but
21 I remember this lay-up. You know, she said, Well, you
22 could licence it all year round and then you'd have
23 protection, but if you want to go with a classic car
24 designation, then it's protected while you drive it,
25 but not when you put it in the garage, unless -- you

1 know, like the -- it's not sort of included.

2 So, you know, that -- I would like to
3 see a much more inclusive package, and I guess at a
4 reasonable price, too. Because, you know, like you
5 say, people don't drive these cars very much --

6 MR. JOHN EWING: No.

7 MS. SUSAN PROVEN: -- because they're
8 very, very old.

9 MR. JOHN EWING: The -- the cars, not
10 the people.

11 MS. SUSAN PROVEN: Right.

12 THE CHAIRPERSON: Okay. Ms.
13 Neville...?

14 MS. ANITA NEVILLE: A quick question.
15 Thank you for coming here today, and thank you for the
16 information. Do you have any information on the
17 history of the claims' costs on the collector vehicle
18 program?

19 MR. JOHN EWING: In Manitoba?

20 MS. ANITA NEVILLE: Yeah.

21 MR. JOHN EWING: I -- I haven't asked
22 for any information, and I don't have any, I -- so I --
23 I couldn't answer that. I -- the program -- the first
24 -- was first introduced in March of this year, so the -
25 - they've been on the road for six (6) months now,

1 something on that order, so -- yeah.

2 MS. ANITA NEVILLE: Okay. Thank you.

3 MR. REGIS GOSSELIN: I have some
4 questions, and -- and some of them are just for me to
5 educate myself about the -- what's going on.

6 So -- so the options you have if you're
7 the owner of a collector car is you either take the
8 five (5) month rate, or the five (5) month coverage, or
9 you go to regular coverage as for any car, right? I
10 mean, that's -- that's the options available to --

11 MR. JOHN EWING: The collector vehicle
12 plate -- well, they take the premium all -- they earn
13 it all over five (5) months. The plate stays on --

14 MR. REGIS GOSSELIN: That's right, okay
15 --

16 MR. JOHN EWING: -- for --

17 MR. REGIS GOSSELIN: -- but if you
18 don't go with the collector plate, you just get regular
19 coverage, and then you're covered for the entire month.
20 But somebody who gets the collector plate, lays up his
21 car, what do you do?

22 MR. JOHN EWING: No, you can't.

23 MR. REGIS GOSSELIN: No coverage at
24 all?

25 MR. JOHN EWING: You can't lay it up.

1 It's -- it's on for the twelve (12) months. The -- the
2 -- one of the touted benefits of the collector vehicle
3 plate is -- is you can take it out in February and
4 drive it if you want, because you've got collision and
5 all that kind of stuff. You've got full coverage for
6 collision, third-party liability, and property --
7 whatever it is called. You've got full coverage like a
8 regular plate for twelve (12) months of the year --

9 MR. REGIS GOSSELIN: Okay.

10 MR. JOHN EWING: -- and -- and the --
11 the program is so that you don't have to go to the
12 bother of going to your agent to get lay-up insurance.
13 Well, they've done a great job of getting agents all
14 over the province, and to me it's not a -- it's not
15 difficult to go down to the corner and put it on lay-
16 up.

17 MR. REGIS GOSSELIN: Okay, I -- I'm --
18 I'm lost -- I'm -- I'm lost, because you -- you pay
19 fifty-five dollars (\$55), the example, you used fifty-
20 five dollars (\$55). So -- so it's not covered while
21 it's layed up, but it's covered anytime you drive it.
22 Is that --

23 MR. JOHN EWING: I -- well, no. When
24 you -- when you -- while you're driving it on a
25 collector vehicle plate, it's -- it's fully insured and

1 covered as a regular plate. It's just that you're --
2 you're paying a higher amount per month on the
3 collector plate.

4 MR. REGIS GOSSELIN: I see, okay.

5 MR. JOHN EWING: In the winter you pay
6 zero for your insurance, so -- for -- for your --

7 MR. GEORGE ROGERS: You're required to
8 pay the --

9 MR. JOHN EWING: -- you -- you're --

10 MR. GEORGE ROGERS: -- annual premium.

11 MR. JOHN EWING: -- you're required to
12 pay the annual premium, so it's totally earned at the
13 end of September. The plates stay on through the whole
14 twelve (12) months, and you still have the full
15 coverage. That's -- of --

16 MR. REGIS GOSSELIN: Okay, so -- so
17 what I'm getting from that is that -- that most drivers
18 only drive for the -- for the summer months. They
19 store the car. They rarely use it during the winter,
20 so in fact, you're paying for the full coverage for
21 just those five (5) months --

22 MR. JOHN EWING: Right.

23 MR. REGIS GOSSELIN: But -- okay. Got
24 -- okay, I get that piece. Now, how do they establish
25 the value of a car? I mean, I -- there's all kinds of

1 cars out there and that, you know, some cars are worth
2 more than others. How do you -- how do they establish
3 the value of a car if you get in accident, or --

4 MR. JOHN EWING: MPI and -- and MAAC
5 have -- have agreed on -- there's an old car values
6 guide that they use as a guide for -- for establishing
7 values. And then I think any with -- beyond that,
8 depending on condition and -- and -- that there could
9 be some room for negotiation in a -- in a settlement,
10 but they use the old car values guide. It's a
11 published guide for setting values on virtually every
12 car on the road and off the road.

13 MR. REGIS GOSSELIN: But for the -- the
14 car that's really worth a lot of money, can you get
15 extension for that?

16 MR. JOHN EWING: Yeah.

17 MR. REGIS GOSSELIN: You can. You --
18 you can get extension coverage over -- say, for
19 example, the book says -- you know, the book says it's
20 at five thousand dollars (\$5,000), but you know you can
21 get a hundred thousand for it?

22 MR. JOHN EWING: A lot of -- a lot of
23 old car owners will go to SGI and buy it for extended
24 value. You can buy - let's -- any -- any care -- any
25 independent carrier will insure a vehicle. You go to

1 Gundy or what are some of the others? If -- if you
2 want to -- if you want to -- if you're concerned that
3 MPI sets a value that's lower than -- than you agree or
4 -- to or think it's worth or can demonstrate its worth,
5 they won't agree to that, you can buy extended coverage
6 with independent carriers.

7 MR. REGIS GOSSELIN: And I guess the
8 other question is: Have you -- some of these issues
9 that you've raised, have you -- this gap that you're
10 talking about, have you talked to MPI or the government
11 about it?

12 MR. JOHN EWING: Yeah, we've -- I've
13 included a email chain in the package of information.
14 We've contacted the minister, and he has replied. Then
15 we asked for clarification. He replied with
16 clarification that lay up was available and that we
17 would get a 45 percent discount during the months we
18 drove.

19 Then we -- when we found our experience
20 was that that was not the case we -- we pursued him
21 again for further clarification on that. And we've not
22 received an answer. We were directed to his assistant.
23 And she has not answered either.

24 So now I -- I could follow along on that
25 and say that MPIC has -- is -- continues to communicate

1 with MAAC, which is the Manitoba Association of Auto
2 Clubs. And they've asked for feedback from MAAC on the
3 acceptance of this program.

4 So it sounds to me as though they are
5 looking for feedback. When that's going to happen is
6 soon, but we don't know exactly when. And our club has
7 responded to MAAC, who will then respond to MPI with
8 these same issues and concerns. Whether MPI hears them
9 or not or understands the issue is what concerns me.
10 And -- and, therefore, we wanted to come and have an
11 independent body listen to that.

12 THE CHAIRPERSON: Thank you very much,
13 Mr. Ewing, for your presentation. If there's no other
14 questions, I believe -- or I don't see our other two
15 (2) presenters here, so I think this will end our
16 hearings for today. I guess tomorrow -- we'll start
17 again tomorrow at nine o'clock.

18 And, Mr. Guimond, I understand you'll be
19 able to be here again for further cross-examination.
20 Is that correct?

21 MR. DAN GUIMOND: That is correct.

22 THE CHAIRPERSON: Okay, thank you very
23 much. And thank you very much to everybody for being
24 here today. Enjoy the rest of the evening.

25

1 --- Upon adjourning at 3:58 p.m.

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7 Certified Correct,

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11 Cheryl Lavigne, Ms.

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