



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION
2016/17 INSURANCE YEAR

Before Board Panel:

Karen Botting - Board Chairperson
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

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Pages 1633 to 1847

APPEARANCES

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1 --- Upon commencing at 9:05 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. Sorry. Welcome back. I guess we had --
5 all had an exciting night listening to the elections
6 and I hope you're ready to begin your day.

7 This morning we're going to begin with
8 Mr. Shuller (phonetic) but -- Schioler from IBAM but
9 prior to that, I -- we had some exhibits to be entered
10 into the record and I'd like to call upon Ms.
11 Kalinowsky from MPI to do so.

12

13 (BRIEF PAUSE)

14

15 THE CHAIRPERSON: Okay. Thank you.
16 Ms. Kalinowsky...?

17 MS. KATHY KALINOWSKY: Yes. Good
18 morning. We filed an awful lot of exhibits yesterday.
19 We didn't prepare paper copies for everybody because
20 we assumed that people would be printing them out if
21 they needed to print them out. But I do know that
22 Diana does have a printed copy also.

23 There are still a handful of
24 undertakings outstanding. They should be filed
25 shortly today. There is one (1) that we're working on

1 very, very hard to still have today. It's rerunning a
2 number of combined scenarios for the DCAT.

3 That requires an awful lot of work.
4 It's not just something that you do quickly, and an
5 awful lot of work has been done since that undertaking
6 was requested. We hope to have it in by the end of
7 the today.

8 I know that I did speak to Mr. Williams
9 earlier this -- this morning, and if that undertaking
10 is not in by the close of today, we'd be willing to
11 show up tomorrow morning before closing argument if
12 there's any questions to be answered in -- in that
13 regard if it's not in.

14 So I just wanted to advise the Board of
15 that for planning purposes. And hopefully we don't
16 need that, but it's -- a lot of work is required for
17 rerunning the combined scenarios because it's three
18 (3) scenarios that have to be rerun with new
19 assumptions.

20 But I can tell you that we worked with
21 the Board secretary to get numbers for the
22 undertakings, so Undertaking number 8 should be marked
23 as MPI Exhibit number 41.

24

25 --- EXHIBIT NO. MPI-41: Response to Undertaking

1 number 8

2

3 MS. KATHY KALINOWSKY: Undertaking
4 number 9 should be marked as MPI Exhibit number 42.

5

6 --- EXHIBIT NO. MPI-42: Response to Undertaking
7 number 9

8

9 MS. KATHY KALINOWSKY: Undertaking
10 number 11 should be marked as MPI Exhibit number 43.

11

12 --- EXHIBIT NO. MPI-43: Response to Undertaking
13 number 11

14

15 MS. KATHY KALINOWSKY: Undertaking
16 number 12 marked as Exhibit number 44.

17

18 --- EXHIBIT NO. MPI-44: Response to Undertaking
19 number 12

20

21 MS. KATHY KALINOWSKY: Undertaking
22 number 25 as MPI Exhibit number 45.

23

24 --- EXHIBIT NO. MPI-45: Response to Undertaking
25 number 25

1 MS. KATHY KALINOWSKY: Undertaking
2 number 27, Exhibit 46.

3

4 --- EXHIBIT NO. MPI-46: Response to Undertaking
5 number 27

6

7 MS. KATHY KALINOWSKY: Undertaking 29,
8 Exhibit 47.

9

10 --- EXHIBIT NO. MPI-47: Response to Undertaking
11 number 29

12

13 MS. KATHY KALINOWSKY: Undertaking
14 number 33 should be marked as MPI Exhibit number 48.

15

16 --- EXHIBIT NO. MPI-48: Response to Undertaking
17 number 33

18

19 MS. KATHY KALINOWSKY: Undertaking
20 number 34 should be marked as MPI Exhibit number 49.

21

22 --- EXHIBIT NO. MPI-49: Response to Undertaking
23 number 34

24

25 MS. KATHY KALINOWSKY: Undertaking

1 number 50 should be marked as -- or, sorry, it's a
2 chart CMMG/MPI-1-1, loss ratio for motorcycle major
3 classes, that should be marked as Exhibit number 50.

4

5 --- EXHIBIT NO. MPI-50: Response to CMMG/MPI-1-1

6

7 MS. KATHY KALINOWSKY: And the next
8 chart is investment and claims net interest rate
9 impact for Basic, should be marked as MPI Exhibit
10 number 51.

11

12 --- EXHIBIT NO MPI-51: Investment and claims net
13 interest rate impact for
14 Basic

15

16 MS. KATHY KALINOWSKY: The next chart
17 is entitled MPI equity manager's net value added since
18 inception, and that should be marked as MPI Exhibit
19 number 52.

20

21 --- EXHIBIT NO. MPI-52: MPI equity manager's net
22 value added since
23 inception

24

25 MS. KATHY KALINOWSKY: And a press

1 release from ICBC news room should be marked as MPI
2 Exhibit number 53.

3

4 --- EXHIBIT NO. MPI-53: Press release from ICBC
5 news room

6

7 MS. KATHY KALINOWSKY: And I do know
8 that some of the last exhibits that were just filed,
9 Ms. Reichert, Mr. Guimond, and Mr. Johnston want to
10 speak to them, so I will at this point hand it over,
11 if that's all right, if they want to speak to it.

12 MR. DAN GUIMOND: And we just wanted
13 to enter the record -- I just want to say two (2)
14 things. One, the rate increase asked by ICBC is 5.5
15 percent. Now, they have a -- it's a very -- it's a
16 much larger company than us but if we go to the third
17 paragraph we can see -- and we know that ICBC uses
18 DCAT, and we can see that even with using standard
19 industry procedures and so on, in the third paragraph
20 they had to transfer 450 million of capital from the
21 optional account to Basic.

22 So even when using industry standards
23 and so on, you can see how volatile the business is.
24 And so it -- it's just more, for me anyway, why as a
25 corporation the MCT went 100 percent, and when you --

1 if you look at -- if you look at the \$230 million
2 being the minimum range of the RSR and the maximum
3 being three hundred and sixty-six (366), let's say we
4 creepy crawl to the middle somewhere around 300
5 million you can see the volatility of our business
6 going \$100 million either way, with the weather
7 patterns and the volatility in the markets and so on,
8 that what -- what we want to do from an enterprise
9 risk management from a financial perspective how every
10 -- it's -- we're not unique, right.

11 And so if we were to take a big hit, at
12 least the public would understand that we followed
13 proper industry standards, and we had prepared for it.
14 And -- but if we go in and we don't follow proper
15 standards and so on, and we were to come to you with a
16 Basic rate increase of 10 percent, like to me I still
17 think that's a -- that's a callous for privatization.
18 There's no way the public would accept that.

19 But if we do our work and bad things
20 happen at least people will say, Well, at least they
21 followed what the industry does, right. So they --
22 they didn't -- they didn't do something special sort
23 of thing that the public would not buy. So I'll turn
24 it over to Heather.

25 MS. HEATHER REICHERT: I'm -- I'm not

1 going to go into any real detail. I guess Exhibit 52,
2 I -- I have to apologize because that was an under --
3 it was actually a response to an Undertaking. We had
4 previously submitted the top part of this schedule
5 which actually reflected dollar in value added since
6 inception, and then through the discussion that
7 occurred when I submitted that exhibit there was a
8 request to see US equities that we are -- the ETF
9 funds and what their return looks like. And -- and
10 then there was also the question about terminated
11 managers.

12 So this scheduled incorporates what we
13 had already provided, plus adding the ETFs that we
14 currently have, plus shows terminated managers over
15 the years and -- and what their returns were. So that
16 was Exhibit number 52. And I apologize because I -- I
17 didn't catch what exhibit the investment and claims
18 net interest rate impact, that is, but you've received
19 this exhibit before, as well.

20 I just amended it to include what we
21 had budgeted at the bottom of the schedule, what we
22 had budgeted in each of the years for the net impact
23 of interest rates and to -- to show that until '13/'14
24 we actually never budgeted interest rate changes. We
25 never forecasted interest rate changes in our

1 forecast. It wasn't until '13/'14 that we started to
2 do that because we had the financial model that
3 allowed us to do that.

4 So I've just shown the variance from
5 budget at the very bottom of that schedule. And
6 that's all I wanted to say on those two (2). Mr.
7 Johnston has something on the last exhibit.

8 MR. LUKE JOHNSTON: Exhibit 15,
9 please. Just very briefly. All we did to this table
10 is added the general claims expenses. Not all claims
11 can be allocated directly to a specific claimant. So
12 there's -- there's general claims-related expenses and
13 every class has an allocation. If you include that in
14 the motorcycle history, then the -- the all-in loss
15 ratio is about 95 to 96 percent, which is very close
16 to breakeven, and again, that doesn't include
17 operating expenses. Thanks.

18 THE CHAIRPERSON: Mr. Gosselin has a
19 question.

20 MR. REGIS GOSSELIN: I think this is
21 Ms. -- Ms. Reichert, or -- or may -- maybe Mr.
22 Johnston. I'm looking at MPI-51, and there's a
23 difference between the marketable -- marketable bond
24 yield and the claims discount rate, there's a spread
25 there. And I would have thought that the -- the num -

1 - tho -- those rates would have aligned much more
2 closely?

3 MR. LUKE JOHNSTON: That would be
4 great if they did, but the -- it's the nonmarketable
5 bonds that -- so especially when -- because they're
6 held at book value. Early on in the process, the
7 marketable bonds actually had a very yield, and above
8 5 percent. And as we've been selling higher yielding
9 ones than -- or sorry, ma -- the higher yielding
10 maturing and the new ones coming in, it's been
11 dropping and dropping and dropping, so, yeah, that's
12 the reason.

13 So at one point in the future it's
14 possible that our nonmarketable bonds will have a low
15 kind of fixed book yield and our marketable bonds will
16 be going up and the opposite thing will be happening,
17 yeah.

18 THE CHAIRPERSON: Thank you, Mr.
19 Johnston. I'm going to call upon Canadian Asso --
20 Consumers' Association of Canada to enter some
21 exhibits into the record.

22 MR. ALEX NISBET: Thank you, Madam
23 Chair. We have CAC (Manitoba) Exhibit number 17,
24 which is Undertaking number 35.

25

1 --- Exhibit No. CAC-17: Response to Undertaking
2 number 35

3

4 MR. ALEX NISBET: And we also have CAC
5 Exhibit number 18, which is Undertaking number 37.
6 Thank you.

7

8 --- EXHIBIT NO. CAC-18: Response to Undertaking
9 number 38

10

11 THE CHAIRPERSON: Thank you very much.
12 Now we're going to call upon Mr. Schioler, from the
13 Insurance Brokers Association of Manitoba, to give his
14 testimony. But prior to doing that, I'd like to call
15 upon Mr. Christle to swear Mr. Schioler in.

16

17 DAVID SCHIOLER, Sworn

18

19 THE CHAIRPERSON: Okay, thank you, Mr.
20 Schioler. Welcome and we're ready for your testimony.

21

22 PRESENTATION BY IBAM:

23 MR. DAVID SCHIOLER: Thank you, Madam
24 Chair and -- and Board. Thanks for having us and
25 providing us with standing in these hearings. I have

1 provided PUB counsel with a written submission that is
2 apparently Exhibit 2 now. And rather than read
3 everything into evidence, I mean, it -- it attaches to
4 my oral testimony, so it is, in effect, evidence. And
5 some of it is the same as I gave last year. So I
6 don't want to bore you. These things can be kind of
7 tedious, but it is there for your reference, and I'll
8 highlight some of the things.

9 I wish to almost start with my summary,
10 so that you can think about that while I have some
11 other things to say. It's important to -- I think it
12 matters that we're here. It matters to, certainly,
13 insurance brokers in Manitoba. It matters to, I
14 think, the consuming insurance public that rates be
15 set appropriately. It matters to Manitoba Public
16 Insurance, as an organization that attempts to set
17 those rates appropriately, and I think does a great
18 job. So we're here in support of the 2016 application
19 of MPI. And it's of note that last year, we were in
20 support of the application when there wasn't an
21 increase -- a request for an increase to the rate.
22 And even when there's a slight decrease, we're still
23 in support.

24 A -- a big reason for that is we
25 understand the lay of the land not only in Manitoba,

1 but in Canada. I think that a -- a wide swing in
2 rates that -- along the lines of what I just heard Mr.
3 Guimond refer to would be detrimental to Manitobans in
4 the short-term if it were to happen, and certainly in
5 the long term. Manitoba Public Insurance is a -- a
6 valued institution in Manitoba, not only by the
7 current government, by -- but by governments past.
8 And the people elect the governments, and certainly
9 there's evidence that the people support Manitoba
10 Public Insurance.

11 So it's important for Manitoba Public
12 Insurance to be healthy and viable financially and
13 otherwise, and operate in an environment where it can
14 do business properly. Mr. Guimond attested to the
15 fact that it's important for Manitoba Public Insurance
16 to utilize proper industry standards, and be efficient
17 in its operations and its thinking and its decision-
18 making with respect to the rates and service to
19 Manitobans. So it has to be aware of what's going on
20 and operate in that broader macro-context of what's
21 happening in the insurance industry in Canada.

22 And I can tell you that the private
23 insurers across the country are very concerned about
24 appropriate capital levels and appropriate premiums
25 moving forward, because catastrophic loss has become

1 almost the norm. Companies are carrying surpluses on
2 their books that, interestingly enough, makes them
3 sometimes acquisition targets if they have a lot of
4 cash, or would-be acquirers because they have to do
5 something with their cash.

6 But that's not really the rationale for
7 doing that, even though there is consolidation in the
8 industry. Some of the companies are going well beyond
9 what the regulatory capital requirements are, because
10 they know what can happen with the catastrophic
11 losses, particularly water, which has become sort of
12 the -- the new fire in the insurance industry. I
13 mean, insurance was set up really due to -- to fire
14 and fire loss and the risk against protecting against
15 fire. But water damage has really become the new
16 fire.

17 And so you can almost take judicial
18 notice of the fact by watching TV, reading the papers,
19 and anecdotal evidence that the flooding and the --
20 the water damage across the country is becoming more
21 severe in many parts of the country from time to time.
22 And so companies have to be prepared for these losses.
23 And notwithstanding the capital requirements of the
24 regulatory bodies, they are sometimes at a minimum
25 compared to what the companies want to do and have to

1 do in accordance with some of the demands of
2 reinsurers, and so on in order to do business with
3 them.

4 So it's important that MPI operate in
5 that environment and be competitive even though it's a
6 monopoly on Basic auto insurance in Manitoba, to
7 remain viable and to remain the provider of auto
8 insurance in Manitoba. MPI has to be competitive in
9 the sense that if there are wide swings in rates, you
10 can imagine if the rate was set too low, and Manito --
11 Manitoba Public Insurance didn't have enough money to
12 operate and cover the losses in the long run, or even
13 the short-term if there was a big hit.

14 Or if the rates were set too high, you
15 know, and I can tell you that the private insurers
16 look closely at what the environment is in Manitoba
17 and other provinces with Crown corporations from time
18 to time, but on a regular basis, and they would move
19 in.

20 There's a -- there's a huge risk if
21 Manitoba Public Insurance didn't operate competitively
22 with all of that in mind, yet the private insurers
23 would move in to -- to take measures to try and have
24 private insurance the standard back in Manitoba for
25 auto.

1 So the insurance industry in general
2 and the insurance brokers, and MPI specifically, have
3 a shared responsibility to ensure that our Manitoba
4 consumers are adequately covered with the best-fit
5 insurance products for their needs.

6 In order to ensure that this is the
7 case, MPI must be in a position to manage effectively
8 and be able to make changes, respond to changes in
9 products and process, and must be able to support the
10 brokers through research, training, and continuous
11 provision to provide the best in products, coaching,
12 and feedback to facilitate and improve broker
13 effectiveness so that the customers can be taken care
14 of.

15 IBAM, our association, believes that
16 MPI is making the right decisions and taking the right
17 actions currently to protect Manitobans. Dealing with
18 any rate premium deficiency and dealing with ensuring
19 adequate capital requirements, as I've just attested
20 to, are supremely important for MPI to operate
21 properly.

22 Taking these necessary steps will allow
23 MPI to deal with the structural challenges in the auto
24 repair industry, which I talk to more about in -- in
25 my exhibit, my written submission, and climbing costs

1 related to dealing with claims.

2 A healthy MPI will ensure, on a
3 continuous basis, that MPI's Auto PIPP products are
4 deliven -- delivered to Manitobans efficiently and by
5 professionals.

6 It matters again what IBAM has to say
7 about this, because we represent approximately two
8 thousand (2,000) insurance brokers in Manitoba.
9 That's made up of approximately three hundred (300)
10 locations that serve Manitobans with auto insurance.

11 It's important, I should say, for the
12 brokers to remain viable to serve Manitobans properly
13 as well, because I encourage you to remember that
14 while the brokers deliver auto insurance to
15 Manitobans, they also deliver all the other property
16 and casualty insurance to people in Manitoba: your
17 home insurance, your business insurance, and your farm
18 insurance.

19 I list in our exhibit IBAM's core
20 pillars of responsibility, and certainly one (1) of
21 them and one (1) of the primary ones is dealing with
22 government and dealing with its industry partners, and
23 certainly the extensions of government like the Public
24 Utilities Board, which is why we're here to speak to
25 this matter.

1 IBAM appears before you because it is
2 pretty much the sole distributor of insurance products
3 in Manitoba in terms of its broker members.
4 Approximately 33 percent of all insurance transactions
5 done today in Manitoba by insurance brokers are
6 conducted involving Manitoba Public Insurance, and
7 that's a -- that's a big number. This is a \$54
8 billion industry across Canada. It's -- it's well
9 over 2 billion here.

10 Appropriate rate setting and the
11 overall viability of MPI going forward is critical to
12 our membership, and therefore to the citizens of
13 Manitoba who are insurance consumers and customers of
14 insurance brokers and insurance companies in Manitoba
15 and Canada.

16 Brokers processed close to 4 million
17 transactions for MPI in 2014. Approximately nine
18 hundred (900) individ -- nine hundred thousand
19 (900,000) individual customers present themselves to
20 brokers, each with a set of unique circumstances, and
21 brokers in turn provide professional advice and
22 appropriate pricing to those customers.

23 So brokers understand, and I've
24 understood over the ten (10) years I've been at IBAM
25 through the brokers, that the appropriate level of

1 pricing is important to customers. So we're real --
2 really very, very aware of what the appropriate rate
3 should be.

4 We get a -- a feel from the customers
5 about what's fair, what's adequate, and what they can
6 afford. And I can tell you that over the ten (10)
7 years I've been at IBAM, that I've heard support for
8 the premiums that -- that Manitobans pay with respect
9 to their auto insurance.

10 And I think the people in -- in the
11 room can -- can feel satisfied that they're
12 competitive rates when compared to those rates that
13 are set across the country.

14 Insurance brokers in Manitoba, as I
15 point in my written submission, have enjoyed a
16 longstanding relationship with MPI well before I took
17 my job ten (10) years ago. We've worked closely
18 together to improve operating standards. We just
19 concluded two (2) years of work.

20 The operating standards are MPI's
21 operating standards that have to do with broker
22 licensing and broker movement of licences from one (1)
23 location to another and about serving Manitobans with
24 performance standards by brokers that are -- are as
25 supreme as they possibly can be.

1 So we put new standards in place that
2 fit the current market. We had a joint committee to
3 do that so that Manitobans were heard through Manitoba
4 Public -- Public Insurance and through the brokers.
5 The performance metrics that we put in place are quite
6 stringent in terms of brokers delivering the proper
7 service.

8 And there is a lot of oversight in
9 those performance metrics. MPI is meeting now
10 regularly already with the brokers to make sure that
11 everything's working hand-in-hand so the customers can
12 be served properly. All of that takes a certain level
13 of funding. And, you know, I -- I can attest to the
14 fact that the brokers not only were part of setting
15 that process in place, but -- but are quite accepting
16 of -- of the fact that what they want to live by the
17 highest standards and performance so that they can
18 serve Manitobans properly.

19 It all costs money. And we're quite
20 satisfied that MPI has looked at this very closely in
21 terms of that part of how that costing and -- and the
22 cost of serving Manitobans fits into its pricing
23 policies and, therefore, we support, again, this
24 year's rate application for 2016.

25 Insurance brokers in Manitoba carry

1 out, you know, in excess of 90 percent of the
2 insurance transactions in Manitoba. The reason it's
3 not a hu -- a hundred percent is because some of the
4 companies do have directing writing arms where they're
5 direct from company to consumer, bypassing the broker.
6 Some of that transaction type is done online, some is
7 done by phone and so on.

8 But in Manitoba, it's still higher than
9 in many other juris -- jurisdictions, the percentage
10 of transactions done by brokers, because of Manitoba
11 Public Insurance. Manitoba Public Insurance is
12 committed to utilizing brokers and, really, brokers
13 alone. And in a -- in a province like Ontario, for
14 example, the percentage of transactions done by
15 brokers is much lower.

16 So that's -- that's the significance in
17 terms of the service and the professional advice and -
18 - and the quality of counsel that is afforded to
19 Manitobans. And again, it -- it all has a cost to it
20 and it all is inside of Manitoba Public Insurance
21 pricing, which, again, we support.

22 So I encourage you to consider my
23 evidence, and I thank you. I -- I come back to my
24 summary that I started with, that it is appropriate
25 for now and for the longer term, in our opinion and

1 with -- with all of our experience at IBAM and with
2 its broker members, that the rates be set from time to
3 time, from year to year, without huge fluctuations.
4 It can be dangerous to the industry and certainly
5 opens the door to competition from the private sector,
6 which it seems that -- that Manitobans have -- have
7 chosen against so far in terms of their Basic auto
8 insurance and some of the other product that goes with
9 that.

10 So thank you for having me this
11 morning. I'm certainly open to answering any of your
12 questions.

13 THE CHAIRPERSON: Thank you very much,
14 Mr. Schioler. I'm going to ask Ms. Grammond, from the
15 Public Util -- the Public Utilities Board counsel, to
16 question -- cross-exam.

17 MS. CANDACE GRAMMOND: I actually have
18 no questions, Madam Chair.

19 THE CHAIRPERSON: I'll call upon Ms.
20 Kalinowsky.

21 MS. KATHY KALINOWSKY: We have no
22 questions. Thank you.

23 THE CHAIRPERSON: And CAC...?

24 MR. ALEX NISBET: We have no
25 questions. Thank you.

1 THE CHAIRPERSON: And CMMG...?

2 MR. RAYMOND OAKES: No questions.

3 Thank you.

4 THE CHAIRPERSON: And Bike -- Bike

5 Winnipeg...?

6 MR. CHRISTIAN MONNIN: No questions,

7 Madam Chair.

8 THE CHAIRPERSON: Okay, thank you very
9 much, Mr. Schioler. Oh, we -- but we do have
10 questions from the panel.

11 MR. REGIS GOSSELIN: You'll have to
12 educate me a little bit, because I'm intrigued about
13 the issue of standards, and you mentioned standards.

14 And I'm wondering whether or not those
15 are association standards you're talking of, MPI
16 standards, or --

17 MR. DAVID SCHIOLER: Yeah. Thanks --
18 thanks for your question. We -- we worked with MPI, a
19 joint committee of some experienced brokers. Sorry.
20 Do you want to add to -- okay. That's okay.

21 So MPI has operating standards, how the
22 brokers should operate, in -- in distributing Manitoba
23 Public Insurance products. And those -- there have
24 been standards in place, really, since MPI's
25 inception, or -- or close to it. But this -- over the

1 last couple of years, we struck a joint committee.
2 Worked for approximately twenty-four (24) months
3 together with about five (5) brokers and five (5)
4 representatives from Manitoba Public Insurance
5 improving and creating operating standards that fit
6 today's situation and environment.

7 So, for instance, you know, brokers
8 need to have some ability to move locations from time
9 to time, move their licences to a new location to
10 serve Manitobans better. There were some -- there
11 were some rules in the operating standards that
12 weren't as loose in that regard, so -- so we opened
13 those up.

14 The -- the operating standards in terms
15 of how brokers serve Manitobans are all inside of what
16 we came up with. So there's an operations manual,
17 really. It's just -- we call them the operating
18 standards, but they're laid out in documentation, and
19 they include these performance metrics, Mr. Gosselin,
20 that -- that cause brokers to perform to certain
21 standards.

22 Now, brokers hold themselves out to be
23 professionals. They're educated. They're licenced,
24 and so on. But still, we agreed with Manitoba Public
25 Insurance that we want to be delivering its products

1 in the best way possible, and up to its standards as
2 well, and so we struck the standards together.

3 So they're really about -- about the
4 service that's provided to Manitobans and how the
5 product is distributed. So it can be anything from,
6 you know, where is your location as a broker to, you
7 know, how do you -- how do you operate with the
8 customer, and what documents and how are the documents
9 sent into MPI? Do they have to be by fax? Can they
10 be emailed? How do you deal with people on the
11 telephone?

12 And so -- because, you know, with --
13 with privacy rules and those kinds of things, things
14 have to be done appropriately, and -- and brokers must
15 be held to a high standard in terms of delivering the
16 service to Manitobans. So it's all of those kinds of
17 things.

18 MR. REGIS GOSSELIN: Okay. What
19 happens if somebody is not performing to standard?
20 If -- if brokers --

21 MR. DAVID SCHIOLER: Well, there's a
22 process in place that -- good question. There's a
23 process in place whereby, you know, if -- if there --
24 first of all, if -- if someone makes a mistake, the
25 mistake is discussed, and in fact, it might have just

1 been a mistake.

2 If -- if it's something that's more
3 repetitive, then there's more discussion and some
4 remedial action is taken where -- it could be MPI
5 sends out, This is customary. If it happens, MPI
6 sends out a representative. What are you guys doing
7 that -- that you should be doing better? What caused
8 this to happen three (3) times instead of, you know,
9 just a mistake that happened once?

10 And -- and cert -- certainly if -- if
11 someone is not only a repeat offender, but it -- it
12 happens to the extent that it's just not up to
13 anyone's standards and they're being sloppy and they -
14 - they shouldn't even be a broker, well, your licence
15 can be stripped. But that is -- that is extreme. I
16 think it's happened once over the course of MPI's
17 history. I -- I could be wrong about that, but it's -
18 - that's very extreme.

19 So the -- the communication and the
20 collaboration between MPI staff and the broker staff
21 is what really goes into effect to correct things, and
22 make things better.

23 MR. REGIS GOSSELIN: Okay. Now, I --
24 I go to my -- my local broker and I pay for my MPI,
25 and I sometimes use a credit card and so on. That

1 money is -- the -- the security of that money or, you
2 know, the cheque I give them although it's in the name
3 of the fin -- I -- I want to make sure -- can you tell
4 me what safeguards are in place to make sure that the
5 ratepayer's money actually gets to MPI?

6 MR. DAVID SCHIOLER: Well, I -- I
7 haven't really heard of any time that it hasn't, but
8 generally speaking it's -- it's, you know, credit card
9 processing that is hooked up to MPI's system. And --
10 and MPI can answer that way better than I can. But --
11 but, you know, there's -- people can also go into an
12 MPI office and make a payment or make a payment online
13 directly to MPI. But when it's done in a broker's
14 office and payable and paid to the broker, it gets to
15 MPI right away. It's all automatic in that sense.

16

17 (BRIEF PAUSE)

18

19 MR. REGIS GOSSELIN: But when I --
20 when -- I remember going to the -- my -- the local
21 broker that I had been using for years and sitting
22 there, and the system is down.

23 And I guess -- I guess the question I
24 have is: is that an issue for your members?

25 MR. DAVID SCHIOLER: No, it -- it can

1 happen from time to time. I think I remember in my
2 ten (10) years of being at IBAM, I remember it
3 happening maybe two (2) or three (3) times. But
4 brokers are set up to do downtime transactions. MPI
5 has a process when the -- when the technology fails.
6 Brokers can still do transactions for clients.

7 And -- and really, the communication
8 between brokers and -- and MPI in that regard has been
9 so superior that brokers don't panic when it happens.
10 You know, I might get a couple of phone calls, Did you
11 hear that MPI is down? So that I can phone them to
12 see what's going on, and -- and inform brokers that
13 it's just a temporary thing. It'll be up in twenty-
14 four (24) hours, or up in half a day, or something
15 like that.

16 MR. REGIS GOSSELIN: Now, the terminal
17 that sits on a broker's desk, is that owned by the --
18 the broker or is that owned by MPI? The broker -- the
19 -- the terminal that the broker uses to input data
20 relating to my account, or the account of other
21 policyholders.

22 MR. DAVID SCHIOLER: I'm going to say
23 for the most part it's owned by the broker. But then
24 that might not be always true. So I -- I think MPI
25 could answer that question better than I could.

1 MR. REGIS GOSSELIN: Now, in terms of
2 the actual tool itself where people are inputting
3 data, have you -- have -- have your coll -- have your
4 members expressed satisfaction with that tool? You
5 know, for example, if -- if they're inputting data
6 into my account, my MPI account with -- at the
7 broker's office, do your members -- are you getting
8 feedback from your members that that -- that software
9 is performing like it should, or it needs to be
10 improved, or...?

11 MR. DAVID SCHIOLER: We're looking at
12 -- at that with MPI closely and on a regular basis.
13 Brokers certainly have access to a certain amount of
14 customer information. They -- they have to have a
15 certain amount of customer information just even to
16 have address, and what your vehicles are that you're
17 insuring, and so on. We've had ongoing discussion,
18 always with -- with the security of -- of the person
19 in mind in terms of privacy and so on.

20 But, you know, brokers want to provide
21 -- provide customers with better service, with better
22 marketing of the products to them in terms of what
23 they might be looking for. So the more information
24 the broker has about the customer, the -- the better
25 for the broker, and therefore at the end of the day,

1 for the customer. We're trying to, with MPI, open
2 some of that up. But we have to do it inside of
3 making sure that there are no privacy violations and
4 so on. So that's an ongoing process, but good
5 question.

6 MR. REGIS GOSSELIN: Now, one (1) of
7 the issues we hear from MPI is in relation to the
8 availability of bodywork shops in rural Manitoba. We
9 learned that it's going to become tougher for some of
10 these smaller body shops to keep open, because they
11 have -- you know, the -- the vehicles have to go to
12 Winnipeg, or have to go to a special dealer to be able
13 to get fixed.

14 What's happening with brokers in
15 Manitoba -- rural Manitoba? Are they -- are they
16 thriving? Are they -- are they available to provide
17 service to -- in remote locations and so on? Can you
18 tell us about that?

19 MR. DAVID SCHIOLER: Yeah, some
20 brokers in rural Manitoba are absolutely thriving,
21 doing very well. And some -- some consolidation has
22 allowed them to create more efficiencies, where they
23 can even more properly serve Manitobans and more
24 efficiently with owning more locations. But, you
25 know, let's be honest. It's tough for some mom and

1 pop shops in -- in rural small towns to survive.

2 But, interestingly enough, the survival
3 is on large part due to distributing MPI products.
4 Because if you have two (2) brokers in a small town
5 and they're competitive on the commercial insurance in
6 the town and they're competitive on home insurance,
7 they might not be able to survive in terms of the shop
8 on Main Street or whatever.

9 They need a -- another flow of -- of
10 financial viability. So the MPI premiums that they
11 collect and the commission they get for that helps
12 them operate and serve Manitobans.

13 Manitoba Public Insurance also
14 understands that it would be -- it's much more cost
15 efficient to do it through those brokers than to set
16 up shops in -- in remote locations, and so understands
17 that -- that the MPI premiums collected and
18 commissions for those brokers help keep them alive.

19 It -- it's -- it's tough though
20 because, you know, it's the whole -- the old Walmart
21 story, right? The -- the big players come in town and
22 -- but that -- that is actually in some ways arguably
23 helping too if -- if a large broker acquires a small
24 broker and a -- in a Virden, Manitoba, or even a
25 Brandon or a smaller location, they -- they have some

1 economies of scale where -- whereby they can keep that
2 place open and viable and serve -- and serve the --
3 the public in those locations properly. So
4 consolidation is helping a little bit there, too.

5 THE CHAIRPERSON: Ms. Proven...?

6 MS. SUSAN PROVEN: Well, my question
7 was related to the one that Mr. Gosselin asked about
8 the computer not working because it always seems like,
9 when I go in, the computer freezes. But the good news
10 is that there's two (2) people in the MPI office in my
11 little town. And sometimes the other computer is
12 working. But unfortunately, some other customer is
13 there, not me.

14 So I just wondered, that was going to
15 be my question: Do you get feedback from these
16 brokers about the system and their frustration with
17 the system?

18 It kind of makes me think that I don't
19 ever want to go anywhere else, like you suggested, for
20 insurance. You were suggesting that some of the
21 insurance companies are losing business because people
22 are doing their own thing with the Company directly
23 and -- and not going to a broker.

24 And I wanted to ask you about that,
25 maybe how much of that is going on in other places.

1 MR. DAVID SCHIOLER: Yeah.

2 MS. SUSAN PROVEN: But as I sit there
3 in the MPI office waiting for the thing to unfreeze,
4 I'm always thankful that it's not me struggling with
5 the computer to get to a -- an insurance company and
6 doing it independently without the broker.

7 Can you comment on those two (2)
8 things, the failure rate of the system as customers
9 wait, and then the fact that there could be this other
10 world where people deal directly? Thanks.

11 MS. DAVID SCHIOLER: Yeah. Thanks for
12 those questions. It's -- it's kind of a loaded
13 question altogether because I think, first of all, I
14 can say, Well, then we need better computers. MPI
15 needs better money and more money and we need -- we
16 need to, you know, service the customers properly.

17 But I'm not trying to be too cute
18 there. I just think that the more we can improve
19 those things so we don't have waiting time -- I mean,
20 there are measures that can be taken. The -- the
21 broker gets on the phone with MPI and they kind of do
22 the transactions somehow and struggle through it.

23 But as mitch -- as much as those things
24 can't happen, we want to make them not happen. And so
25 the fact of life is they do and -- and in an office

1 that you're talking about, it makes it more difficult
2 because they don't have a hundred (100) computers
3 sitting around doing MPI work.

4 So it's something we work at from time
5 to time. That always can be improved, and we're --
6 and -- and that's part of the reason like performance
7 metrics also include -- like you've got to have your
8 machines up and running, and that's a combination of
9 work from MPI and the broker to make sure things are
10 running efficiently.

11 Your question about the -- the
12 companies, the insurance providers, the manufacturers
13 or the policies going direct to the consumer, it --
14 it's -- it's a loaded question because some of it is
15 designed for young people that want to go online and
16 they don't want to go through a broker.

17 We think they've find that, over time,
18 when they have a claim and -- and they're not being
19 serviced properly, they'll -- they'll find out that
20 they want to go through a broker and get professional
21 advice.

22 But some of it is more complicated than
23 that. When you take an Intact insurance, for example,
24 that's an \$8 billion company in Canada with \$800
25 million in profit last year, it -- it sees its biggest

1 competitors as the Geichos and the State Farms of the
2 world that write direct to customer in the United
3 States.

4 They're planning to come here and
5 provide insurance direct to Canadians. So the
6 companies like that feel that although they'll
7 probably end up with 85 percent still -- of insurance
8 still being done through a broker they have to compete
9 in that other world and -- and provide some capacity
10 to go to directory consumer.

11 So that has a lot to do with even the
12 competition like Warren Buffett and things like that,
13 so it's a big -- big picture.

14 THE CHAIRPERSON: Okay. Thank you
15 very much, Mr. Schioler.

16 MR. DAVID SCHIOLER: Thank you.

17 THE CHAIRPERSON: Now I'm going to
18 call upon Mr. Monnin from Bike Winnipeg to complete
19 his cross-examination.

20 MR. CHRISTIAN MONNIN: Thank you,
21 Madam Chair. I know it's a little early but it may be
22 an appropriate time to take a brief morning break so I
23 can move up and get -- get set up for --

24 THE CHAIRPERSON: That would be fine.

25 MR. CHRISTIAN MONNIN: Thank you.

1 THE CHAIRPERSON: Thank you. We'll
2 take five (5) minutes or so.

3

4 --- Upon recessing at 9:47 a.m.

5 --- Upon resuming at 9:54 a.m.

6

7 THE CHAIRPERSON: Okay. Welcome back.

8 And I will call -- I'll now call upon Mr. Monnin to,

9 please, give his -- continue with his cross-

10 examination.

11

12 MPI PANEL RESUMED:

13

14 HEATHER REICHERT, Previously Affirmed

15 LUKE JOHNSTON, Previously Affirmed

16 DAN GUIMOND, Previously Sworn

17

18 CROSS-EXAMINATION BY MR. CHRISTIAN MONNIN:

19 MR. CHRISTIAN MONNIN: Thank you,

20 Madam Chair. Diana, if you could, please, go to page

21 22 of Mr. Guimond's slide presentation.

22

23 (BRIEF PAUSE)

24

25 MR. CHRISTIAN MONNIN: Now, this slide

1 pertains to a pilot project dealing with high-
2 collision intersection signage. When is this pilot
3 project anticipated to be rolled out?

4 MR. DAN GUIMOND: As soon as we get
5 the final approval from the City of Winnipeg.

6 MR. CHRISTIAN MONNIN: Do you have any
7 expectation when that approval will be forthcoming?

8 MR. DAN GUIMOND: I'm told it should
9 be forthcoming within a month, or so.

10 MR. CHRISTIAN MONNIN: And which
11 intersections will this be applied to?

12

13 (BRIEF PAUSE)

14

15 MR. DAN GUIMOND: We'll get back to
16 you on that.

17 MR. CHRISTIAN MONNIN: So that's an
18 undertaking?

19 MR. DAN GUIMOND: Yes.

20 MR. CHRISTIAN MONNIN: And --

21 MR. DAN GUIMOND: The undertaking is
22 to provide the two (2) intersection names for the --
23 for the signage effort.

24

25 --- UNDERTAKING NO. 41: MPI to provide the two (2)

1 intersection names for the
2 signage effort

3

4 CONTINUED BY MR. CHRISTIAN MONNIN:

5 MR. CHRISTIAN MONNIN: So there are
6 two (2) intersections, and how did MPI select those
7 two (2) intersections?

8 MR. DAN GUIMOND: It was a
9 collaborative effort with MPI and the City of
10 Winnipeg.

11 MR. CHRISTIAN MONNIN: Any particular
12 department at the City of Winnipeg?

13 MR. DAN GUIMOND: I -- I'm sure there
14 is one, but I -- I don't know who exactly they -- they
15 talked to, I'm sorry.

16 MR. CHRISTIAN MONNIN: Other than the
17 City of Winnipeg, did MPI speak to anyone else? For
18 example, did MPI take the input of any vulnerable road
19 users that may have been hit, or may have been injured
20 at these intersections?

21 MR. DAN GUIMOND: What we did is we
22 put a group together. It was from the justice
23 department, Ministry of Infrastructure, infrastructure
24 and transportation, the Winnipeg Police, the City of
25 Winnipeg, and MPI.

1 MR. CHRISTIAN MONNIN: That's the only
2 question. In addition to the City of Winnipeg, there
3 was MIT, the Justice Department?

4 MR. DAN GUIMOND: Yes, and also the
5 Winnipeg Police Department.

6 MR. CHRISTIAN MONNIN: Any other
7 entities that you can recall?

8 MR. DAN GUIMOND: No.

9

10 (BRIEF PAUSE)

11

12 MR. CHRISTIAN MONNIN: To your
13 recollection, did the Corporation -- did MPI consider
14 speaking to VRE -- VRUs that were hit at these
15 intersections?

16 MR. DAN GUIMOND: No.

17 MR. CHRISTIAN MONNIN: To your
18 recollection, do you know why that's the case?

19 MR. DAN GUIMOND: Last year at the
20 hearings I recall -- one (1) moment, please.

21

22 (BRIEF PAUSE)

23

24 MR. DAN GUIMOND: ...Mr. Oakes talking
25 a lot about the intersection and the -- the traffic

1 collisions and so on. So our strategy as a
2 corporation, what we wanted to do is sort of a two (2)
3 prong approach where we would show that we were doing
4 things short-term to be able to demonstrate that we
5 were serious about road safety, so more tactical from
6 a -- from a corporate perspective and -- and try and
7 find out about certain things.

8 And the other thing was to put the --
9 the frameworks that we put in place for the bigger
10 picture, the more strategic direction on the long-term
11 that would also address the -- the concerns that were
12 expressed by the regulator. So it was a two (2) prong
13 approach, shorter-term and long-term.

14

15 (BRIEF PAUSE)

16

17 MR. CHRISTIAN MONNIN: Seeing as -- as
18 Mr. Oakes and his -- his client in particular was --
19 was one (1) of the sources of why this became a
20 priority, did you speak to any representative, his
21 client, with regards to this initiative?

22 MR. DAN GUIMOND: No, we went with the
23 -- I believe we went with the highest loss in terms of
24 frequency and severity. So that's -- that's how we
25 did the prioritization.

1 MR. CHRISTIAN MONNIN: Highest loss of
2 frequency and severity. Which -- which kind of loss
3 are you referring to?

4 MR. DAN GUIMOND: We took all the
5 intersections in Manitoba and identified the ones we
6 were losing most money over time with. And -- and
7 then we wanted to really do a pilot where we could see
8 using controlled environments, you know, which
9 variables would make a difference on our frequency in
10 severity. And so this is a very tactical approach to
11 find out some stuff very quickly.

12 But again, in the bigger picture, I
13 think for the purpose of -- of these hearings, it's
14 more what we put in our -- our rate application in
15 terms of the -- the frameworks that we put in on -- on
16 the long-term perspective.

17 MR. CHRISTIAN MONNIN: I'm just
18 reading my notes, jotting down. I -- I believe you
19 said, Losing most money over time. So was money the
20 main driver in the priority?

21 MR. DAN GUIMOND: Frequency in
22 severity is what leads to the -- the money, so it was
23 more the -- the frequency and severity of those
24 intersections. I -- I guess they're semantics, but
25 the same -- the idea is to try and -- and prevent as

1 many claims as possible. Once a claim occurs, the
2 severity is just pure -- pure luck, you know, did you
3 get -- get hit, if you get hit sideways, did you get
4 hit right in the passenger door or the driver door,
5 did you get hit at the front of the car or -- that's
6 just -- we're just talking about random luck here
7 after that, right. So the idea is to try and prevent
8 the claim in the first place.

9 MR. CHRISTIAN MONNIN: Did the
10 Corporation consider the random luck of VRUs with
11 regards to collisions?

12 MR. DAN GUIMOND: No, that was not the
13 intent of this particular pilot. The VRUs are all
14 handled under our -- our framework that we put in
15 place and -- and the committees that we put in place.
16 It's more -- more from a strategic perspective that
17 we're handling the vulnerable users.

18 MR. REGIS GOSSELIN: I have to ask a
19 question at this point. I think where Mr. Monnin is
20 going is, and I -- I -- maybe I'm anticipating his
21 question, but, you know, obviously physical losses or
22 claims losses and societal losses are two (2)
23 different -- three (3) different beasts here. And so
24 while the claims -- the physical loss suffered by MPI
25 may be low, the societal loss for somebody who is

1 handicapped, that can be very high.

2 And so I -- I guess the question I'm
3 going to ask you is: Where does societal loss figure
4 into this -- this overall scheme? Could you -- could
5 you describe that?

6 MR. DAN GUIMOND: That's an excellent
7 question. From MPI's perspective, the societal loss,
8 we can't -- we can't deal with this as a -- as a
9 corporation. We're just one (1) factor in this whole
10 equation. We view societal loss at -- at -- more at a
11 jurisdictional level. And this is where, you know,
12 the Government of Manitoba when they created the --
13 the provincial road safety committee, right?

14 And if you look at the terms of
15 reference and -- and the objective of the road safety
16 committee that's where it -- it falls more into what
17 you would call the 'safe system' approach in terms of
18 how they designed it. And that's where the societal
19 loss comes in. And then when we have our own -- and
20 we co-chair that committee. So that's how we fit in
21 at the societal loss perspective as a corporation in
22 the bigger picture, where all the stakeholders and all
23 the business partners, from a Manitoba perspective,
24 that's where that gets addressed.

25 Then as a corporation we also have a --

1 our external -- external committee, like, our own for
2 road safety. And then you can see how the -- the
3 frameworks that we put in place. So that kind of fits
4 or supports the overall bigger picture. And then
5 through the frameworks, and -- and the way these
6 things are going to work, the frameworks will allow to
7 give you the priorities. The priorities will allow
8 you to give to programs. And the programs will --
9 will can -- we can determine the funding.

10 And that's where I think next year you
11 saw that appendix of how we -- our road safety budget,
12 that's where I -- I mentioned to you, like, in terms
13 of your point where there could be a number for
14 budgeting purposes on the longer term. I think you'll
15 see a -- a different budget next year in terms of the
16 results. And then you also -- that's also how you
17 know you have value for money. So that's -- that's
18 how it all fits together. But I would not say that
19 MPI on its own can deal with the -- the so -- the
20 societal loss concept that talks about by Bike
21 Winnipeg. We have to fit into the bigger provincial
22 picture.

23 MR. REGIS GOSSELIN: I appreciate
24 that, but tactically, you know, when you decide, We're
25 going to target this intersection. Well, this

1 intersection happens to be a location where bicyclists
2 get hurt. And so I'm -- I'm -- I guess a concern I
3 have is that, you know, you may not be capturing the
4 losses incurred by a bicyclist who is killed, for
5 example, at an intersection.

6 And, you know, so I -- I guess to what
7 extent can you be flexible around encompassing
8 societal loss as part of your calculations going
9 forward?

10

11 (BRIEF PAUSE)

12

13 MR. DAN GUIMOND: I'm going to try and
14 -- and say this to the -- the best I can. When we --
15 it -- when we look at -- at our claims in terms of
16 frequency and severity, when we -- we look the -- we
17 incorporate the relative claim costs, and that's how
18 the vulnerable users can surface. Because the --
19 although there are not many vulnerable users, when
20 they do get hurt they get -- they could be -- either
21 they're -- they're -- they get killed, right? They
22 pass away, or they get seriously injured.

23 So that's how, by including the
24 relative cost into the -- into the assessment, that's
25 how the vulnerable users are not -- you -- you make

1 sure that they're not forgotten or become orphans in
2 terms of how you assess -- you know, how you -- how
3 you look at this. So that's very key to your point.
4 Because if you don't add relative costs, claim costs,
5 then -- then they would actually disappear. And, in
6 fact, since we've -- we've been making those changes
7 you can see how the vulnerable users are -- are
8 starting to show up on the radar in terms of priority
9 setting. That -- that's a very important change in
10 methodology.

11 MR. REGIS GOSSELIN: So -- so the
12 relative costs that you're referring to mean what?

13

14 (BRIEF PAUSE)

15

16 MR. DAN GUIMOND: So when you add --
17 when you -- when the models consider relative claims
18 costs, it means that the much higher costs of
19 collisions involving vulnerable road users through --
20 though infrequent, they are much more costly.

21 From a -- a physical damage collision
22 perspective is a significant element in which results
23 in boosting vulnerable road user safety, pedestrian
24 cyclists, motorcyclists in the priority ranking
25 because what you do -- it -- it forces you to not just

1 look at frequency. It forces you to look at severity,
2 and that's how you make sure your vulnerable users
3 will actually bubble up at the top.

4 Is my -- does that make sense? No?

5 Okay.

6 So let's say I just use -- let's say I
7 just use the data at a particular location and I just
8 go -- just tell me what the frequency and the severity
9 is, okay? And then you -- you get a number.

10 But if I had, like, two (2) or three
11 (3) intersections with almost the same amount of
12 dollars, right, and I don't -- I don't include
13 relative costs, and then I do another analysis with
14 relative costs, then you're going to make sure that
15 the vulnerable users show up, right?

16 And then you can make a conscious
17 decision that maybe, instead of working at this
18 location, I'm going to be spending money at that
19 location. You make sure that they don't disappear
20 from -- from your analysis. They're not marginalized.

21 If -- if you don't add the relative
22 costs, they won't show up. They won't show up as an
23 issue because there's so few of them.

24

25 (BRIEF PAUSE)

1 CONTINUED BY MR. CHRISTIAN MONNIN:

2 MR. CHRISTIAN MONNIN: But why, with
3 regards to this particular pilot project, if I
4 understand the evidence correctly...

5 MR. DAN GUIMOND: I'm sorry, I missed
6 your question. My apologies.

7 MR. CHRISTIAN MONNIN: Why, with
8 respect to this particular pilot project, if I
9 understand the evidence correctly, why didn't the
10 Corporation take into consideration VRUs for
11 frequency?

12 MR. DAN GUIMOND: To be honest, when
13 we -- when we started this thing, okay, we -- we have
14 to go back in time where you start the process. It --
15 let's imagine ourselves October of last year. I
16 committed to have a framework for loss prevention and
17 road safety to make sure we would have committees,
18 that we would involve people, and so on.

19 So the methodologies of all these
20 calculations and so on, like, we -- we weren't really
21 looking at that that much back then, right? And so
22 you -- you sort of set a path to demonstrate that, as
23 a Corporation, you're serious about what you're
24 saying.

25 And so you launch -- you launch this

1 particular short-term tactical just to see, Does it
2 make a difference with signage, does it make a
3 difference when police is involved? You're just
4 trying to find very key information.

5 And then you launch another parallel
6 process to get to how we're in this room today with
7 all of this information. And so it's -- I would say
8 it's timing, okay? Timing.

9 If I would have had the frameworks and
10 everything back in October, I'm sure we would have
11 made this particular effort go through the model and
12 it would have -- it would have taken all the things
13 into consideration.

14 But you have to think back to last
15 October when I was here. I made some commitments.
16 We're working parallel, and this particular situation
17 will not repeat itself. But at the same time, you're
18 -- you're trying to -- to show good faith and you're
19 trying to show that you're doing something.

20 And so we have to realize that the -- I
21 think what the Corporation has done in a -- in a year
22 is a significant effort. And so everything is about
23 timing now.

24

25

(BRIEF PAUSE)

1 MR. CHRISTIAN MONNIN: There -- there
2 were -- there was a lot in that answer, Mr. Guimond,
3 but one (1) of the things that jumped out at me in --
4 in -- which I understand -- I think I heard the
5 evidence, was it's trying to show like we're doing
6 something.

7 And I stri -- as that -- that strikes
8 me as a little particular, that the Corporation is
9 trying to look like it's doing something.

10 But I'm struggling with this. Is -- is
11 you have this construct, this -- this program that
12 you're -- you're enroll -- you're enrolling in, and
13 there's a lot of material there and we'll get to it.
14 But isn't this just a question? This is -- for lack
15 of a better term, it's a bingo sheet. So let's look
16 at the collisions for vehicles and let's look at
17 fatalities or -- or collisions with VRUs, and that
18 data exists. And I believe the Corporation's had that
19 data for a while.

20 So I'm just struggling at why the
21 Corporation wouldn't look at intersections where there
22 are a lot of VRUs that get hit. And why doesn't the
23 Corporation work on that data? I don't think you need
24 a construct for that?

25 MR. DAN GUIMOND: Yeah, again, the

1 timing of the methodologies being availability and so
2 on as we were developing the material for -- for the
3 rate app. I -- I could -- you know, like, I don't
4 know where you're going with this, but I -- I can tell
5 you, for example, MPI -- like, I wanted to -- to show
6 Mr. Oakes that we were trying to do something there.
7 I mean, I have a lot of stakeholders, so I wanted to
8 show that. I wanted to be able to have the -- MPI
9 wanted to have the -- the framework and so on
10 available for -- for the rate and show you that we're
11 making some progress.

12 When it came to Bike Winnipeg, for
13 example, we -- we paid Bike Winnipeg, for example, to
14 -- for their subject matter, experts to develop the
15 Cycling Champion Training Program. We also hired Bike
16 Winnipeg to deliver the CAN-BIKE certification. We
17 spent a lot of money on this. And then we found out
18 that Bike Winnipeg walked away from this program and
19 started to do their own champion program for downtown
20 use.

21 So I can ask you, like, why -- why did
22 Bike Winnipeg wa -- walk away from that investment?
23 Why didn't they come and work with us to -- when we
24 asked them about the downtown, they said, Well, maybe
25 next time, but right now, we want to do our own thing.

1 So again, we're -- we're investing
2 money, but, you know, I -- I think there's still work
3 to be done on -- on how we will leverage the money MPI
4 spends. And I think that the framework and what we've
5 put in place with the companies, that's how -- that's
6 how it's going to come together. So it's -- it's a
7 function of time.

8

9 (BRIEF PAUSE)

10

11 MR. CHRISTIAN MONNIN: I just want to
12 clarify one (1) particular point. All these
13 assertions with regards to what Bike Winnipeg -- Bike
14 Winnipeg didn't do, were you directly involved with
15 Bike Winnipeg when this happened or didn't happen?
16 I'm going to suggest to you that you weren't, Mr.
17 Guimond.

18 MR. DAN GUIMOND: I'm -- I'm not sure
19 what you're -- what you're getting at. Are -- are you
20 talking about the Corporation or me personally?

21 MR. CHRISTIAN MONNIN: I'll leave it
22 at that. I'll move on. Can you flip to page 26,
23 please?

24

25 (BRIEF PAUSE)

1 MR. CHRISTIAN MONNIN: These are --
2 this would be one (1) of Mr. Williams's famous short
3 snappers. The penultimate bullet on the -- at the
4 foot of the page, the second last, "The autonomous
5 vehicle is coming," that seems like a very onimous --
6 or ominous statement. What -- what does that mean?

7 MR. DAN GUIMOND: The -- the OEMs or -
8 - or the car manufacturers are -- are evolving the
9 car, I guess, through evolution where they -- where
10 we'll have auto -- autonomous cars. And autonomous
11 cars mean that for auto insurance companies like us,
12 that as these vehicles make it on our roads, that they
13 will have less claims. And less claims will mean a
14 reduction in premium. And a reduction in premium
15 would be -- mean less revenues for auto insurance
16 companies.

17 So that's why in our strategic plan,
18 you can see that on -- on the third objective that
19 we're focussing is preparing for -- the Company for
20 the digitization of things, which means to prepare for
21 the autonomous car. Now, that's going to take a long
22 time. But based on -- on what I've reported so far,
23 it seems that the information we're getting, it's
24 getting -- it's going faster, not slower.

25 Like, Toyota just announced recently

1 that they'll have an autonomous car by 2020 on the
2 roads. You can see the pilot that's happening in
3 Ontario. They're coming, they exist. And so we have
4 to prepare ourselves for the reality of -- of what the
5 impact is to our industry.

6 MR. CHRISTIAN MONNIN: And -- and what
7 is the reality of the potential impact to your
8 industry? And -- and I guess a conjunctive question
9 will be: What information or research has MPI done
10 with respect to this?

11 MR. DAN GUIMOND: We -- we've done
12 enough research to know that as a Corporation it's --
13 it's something that's happening inside that we cannot
14 ignore as an -- as an auto insurance company. We know
15 that it will -- and we -- we look at it positively in
16 the sense that -- that less accidents -- there'll be
17 less accidents, and that means people will get less
18 hurt. There'll be less deaths.

19 It also means that -- that our revenue,
20 like the Basic revenue on the long term will -- will
21 shrink. Our -- our business will get smaller and --
22 and smaller over time. Now, we've got time on our
23 side to prepare for that but we still have to, as an
24 organization, prepare for it.

25 So our preliminary back of the napkins,

1 which is subject to -- to much more changes we -- as
2 we tighten the numbers but we -- we predict right now
3 at least -- at least a reduction of a hundred thirty
4 (130) to 150 million by 2030 in terms of less claims.

5 MR. CHRISTIAN MONNIN: And that -- and
6 that --

7 MR. REGIS GOSSELIN: I missed -- I
8 missed the number. Could you repeat the number,
9 please?

10 MR. DAN GUIMOND: By 2030 back of the
11 napkins based on -- on preliminary data worldwide in
12 terms of -- I mentioned last year, for example, people
13 are starting to have less accidents in parking lots
14 because of backup cameras, and so on. You're starting
15 to see the lane departure. You're starting to see
16 cruise controls where they slow down automatically if
17 you get too close to somebody.

18 But based on preliminary worldwide
19 estimate through our association with R-CAR, back of
20 the napkin calculations very rough number from a
21 strategic perspective, we expect to see about a
22 hundred and thirty (130) to \$150 million less revenue
23 by -- by 2020 -- 2030. Very rough numbers.

24

25

(BRIEF PAUSE)

1 CONTINUED BY MR. CHRISTIAN MONNIN:

2 MR. CHRISTIAN MONNIN: And in this new
3 world of autonomous cars, has the Corporation turned
4 its mind to whether it will be mandatory?

5 MR. DAN GUIMOND: Just to be clear, do
6 you mean mandatory insurance? If yes, there would be
7 compulsory insurance on an autonomous car just like
8 any car today. Is it going to be mandatory to buy an
9 autonomous car? No, I think you're going to see the
10 slow evolution of cars on our roads. And an
11 autonomous car, there's actually four (4) types, or
12 four (4) levels, Level 1 to Level 4.

13 The ones that you're seeing -- for
14 example the Ford Focus with the parallel assist
15 parking for example, I think, is a Level 2. So
16 they're slowly starting to be on our roads, slowly
17 evolving to that, and there's a huge psychological
18 impact to people, you know, in terms of being ready to
19 -- to not drive. That's -- that's going to -- that's
20 -- that's huge, right.

21 And also you'll be able to do both at
22 the beginning. You can drive them, or not drive them.
23 So from a registration perspective, we're -- we're
24 going to be doing pilots and so on to understand what
25 are all the registration implications. What are all

1 the inspections implications. What are all the --
2 like the certificate of inspection, the volume
3 integrity certificate. All these things we -- we have
4 to study that quite a bit to prepare for the
5 autonomous car.

6 MR. CHRISTIAN MONNIN: It might put a
7 dent in the cab business at Christmas parties.

8 MR. DAN GUIMOND: Well, it's
9 interesting that you bring that up because if you look
10 at Toyota with the Prius, right. I'm sorry? Oh,
11 Prius, yeah, sorry. If you -- if you look at -- at
12 how they paid for the battery technology, and -- and
13 the hybrid technology is -- was through the -- the
14 cabs, right.

15 The cab industry, because they bought
16 all these cars because they saved so much gas, so --
17 so that's how they -- they developed the technology to
18 -- to make it affordable for -- for the rest of
19 society. So the cab business, I think, is very --
20 will play an important role in -- in making that
21 technology available for people like -- like you and
22 me.

23

24 (BRIEF PAUSE)

25

1 MR. CHRISTIAN MONNIN: I want to start
2 asking some questions with regards to the Sirius
3 report, but before doing so there's just some excerpts
4 of your App -- of the Corporation's Application which
5 I'd like to highlight.

6 Diana, if you can go to loss prevention
7 and road safety, AI-13, Appendix 6 please? And I
8 would say page 46. In fact, it would be 47.

9

10 (BRIEF PAUSE)

11

12 MR. CHRISTIAN MONNIN: Now, this
13 question is in -- in your general direction. This is
14 the applica -- this is part of the application of the
15 Corporation.

16 Is that correct?

17 MR. DAN GUIMOND: Yes.

18 MR. CHRISTIAN MONNIN: And the
19 Corporation, I would assume, stands by its
20 application.

21 Is that correct?

22 MR. DAN GUIMOND: Yes, overall. Yes.

23 MR. CHRISTIAN MONNIN: And overall you
24 adopt what is in the application.

25 Is that correct?

1 MR. DAN GUIMOND: Well, it -- it
2 depends what you mean by that. For example, if -- if
3 you go to -- I think it's recommendations on page 50
4 of the Sirius strategic solution report. We put that
5 as an appendix. I mean, these recommendation are
6 still under review. We -- we stand by everything from
7 -- from a -- a rate application perspective. Things
8 that we provide to you for information with
9 recommendations from third parties, or people's views
10 and so on, I mean, that's still things that the
11 Corporation is -- is considering and -- and may or may
12 not adopt, depending how -- how things go forward. So
13 -- so we have to be careful here in terms of -- of
14 where you're going with your -- with your questions.

15 MR. CHRISTIAN MONNIN: Now, with the
16 page that's presently before you, issue analysis,
17 research and analysis, is this something that the
18 Corporation adopts?

19

20 (BRIEF PAUSE)

21

22 MR. DAN GUIMOND: I'm sorry. This
23 particular section, where is it from in the -- in the
24 -- is that from Volume I, Volume III, is that a -- a -
25 - is that a report? What are you -- what are you

1 showing me here on the screen?

2 MR. CHRISTIAN MONNIN: I'm -- I'm
3 showing your application, sir.

4 MR. DAN GUIMOND: That's okay. I just
5 want to know which part of it.

6 MR. CHRISTIAN MONNIN: It would be
7 loss prevention road and safety AI, Appendix 6. And
8 if you go to page 45 -- there you go. Operational
9 planning framework. And, Diana, if you can go back to
10 forty-seven (47).

11 MR. DAN GUIMOND: Yes, that we stand
12 behind.

13 MR. CHRISTIAN MONNIN: Okay. Thank
14 you. If you go to the -- the foot of that page,
15 Diana, and we'll then cross over to port -- page 48.
16 I -- I just want to highlight point number 3, with
17 regards to expert opinion. And this -- this is the
18 Corporation's application, what it stands by. And it
19 speaks to experts. And it says:

20 "Experts would be those people who
21 have specialized perceptions and
22 knowledge in functional areas
23 related to the road safety problem.
24 They can offer valuable insight to
25 the problem and recommendations for

1 solutions that can be incorporated
2 in the program design."

3 And it gives a caveat on experts:

4 "It is important to note that the
5 information obtained by an expert
6 may not be backed by verifiable
7 research and data. Expert opinion
8 is best used as a data collection
9 method that is supplemental to other
10 sources of data as collected, and
11 experts may also have their own bias
12 which may result in them having a
13 narrowed approach to the problem."

14 And I just want to make sure that
15 that's something that the Corporation put forward, and
16 it adopts, and relies on.

17 Is that correct?

18 MR. DAN GUIMOND: Yes, and for the --
19 for the panel I -- I don't see it as any different
20 than maybe some of the testimony you've sun -- you've
21 seen on the experts when we have the discussion on --
22 on the DCAT. You have their -- we saw some of them
23 have their own views. And so it's from within that
24 context in terms of what you've seen here. That's --
25 that's what we mean by it.

1 MR. CHRISTIAN MONNIN: In my business
2 we call that direct science. Now, Diana, if you can
3 go to page 74 please. Now, this is another part of
4 your application. And we're speaking about expert
5 opinion again. And I just wanted to highlight this.

6 This is something that the Corporation
7 has submitted, and adopts, and relies upon?

8

9 (BRIEF PAUSE)

10

11 MR. DAN GUIMOND: I mean, we -- if
12 you're asking me if I agree what's -- what's in this -
13 - this particular paragraph, I agree with it.

14

15 (BRIEF PAUSE)

16

17 MR. CHRISTIAN MONNIN: Thank you.
18 Diana, if you can go to Bike Winnipeg IR-1-10, please.

19 Now, these are questions put to the
20 Corporation with respect to the expert that was
21 submitted by the Corporation. And in particular
22 regard, at question b), Bike Winnipeg asked:

23 "Please provide the expert's file
24 with respect to the preparation of
25 the Sirius report."

1 Diana, if you can scroll down please.

2 The answer from the Corporation was:

3 "The expert's file is the
4 proprietary property of Sirius
5 Strategic Solutions, and is not the
6 property of MPI to produce."

7 Does the Corporation wish to revisit or
8 reconsider that quest -- that answer?

9 MR. DAN GUIMOND: No.

10 MR. CHRISTIAN MONNIN: Okay. Diana,
11 if you can go to CAC/MPI-2-22, please. Could you go
12 to page 4?

13 Now, this is the agreement between
14 Sirius and MPI.

15 Is that correct?

16 If you can scroll up, Diana, to show...

17 You agree that this is the -- the
18 contract between the Corporation and Sirius Strategic
19 Solutions, correct?

20 MR. DAN GUIMOND: Yes.

21 MR. CHRISTIAN MONNIN: So, Diana, if
22 you can go down to page 4, please, and stop there for
23 a second.

24 "Article 5.01. The parties agree to
25 comply with the additional terms and

1 conditions which are attached hereto
2 as Schedule C, and acknowledges such
3 terms and conditions form an
4 integral part of the agreement."

5 That's pretty straightforward, you
6 agree?

7 MR. DAN GUIMOND: Agreed.

8 MR. CHRISTIAN MONNIN: And, Diana, if
9 you can go to page 11, please, Schedule C. And we're
10 going to go to Article 5.03, and that reads:

11 "The consultant agrees that during
12 the term of this agreement and at
13 all times thereafter, the personal
14 information disclosed to the
15 consultant by Manitoba Public
16 Insurance may only be used by the
17 consultant in a manner expressly
18 permitted by FIPPA;

19 (b) it shall not disclose or permit
20 the disclosure of confidential
21 information or any copies of it in
22 any formal -- any format rather to
23 any third party without the express
24 written consent of Manitoba Public
25 Insurance;

1 (c) it shall comply with all
2 directives given to it by MPI with
3 respect to safeguarding and
4 otherwise ensuring the
5 confidentiality of any confidential
6 information disclosed to it by MPI;
7 (d) it shall ensure that access to
8 the confidential information by its
9 representative and the consultant is
10 on a need-to-know basis, and that
11 access, when given, shall be to the
12 minimum amount of confidential
13 information necessary to accomplish
14 the task;
15 (e) it shall use the confidential
16 information only for those purposes
17 that have been expressly permitted
18 by Manitoba Public Insurance;
19 it shall not reproduce confidential
20 information in any format without
21 express or prior written consen --
22 written consent of MPI;
23 it shall ensure that it or its
24 representatives do not transport or
25 store any confidential information

1 outside of Canada without the
2 express prior consent of MPI;
3 after the confidential information
4 has been used for its authorized
5 purpose or for destruction, the
6 confidential information that's
7 registered by MPI Insurance or
8 required by the agreement, the
9 consultant shall destroy the
10 confidential information and all
11 copies of the confidential
12 information in a form -- in a manner
13 which adequately protect the
14 confidentiality of the information."

15 And, Diana, if you can scroll down
16 again to 5.04:

17 "On expiration and termination of
18 this agreement, for any reason the
19 consultant shall, unless otherwise
20 directed by MPI, destroy the
21 confidential information in a manner
22 which adequately protects the
23 confidential information."

24 And, Diana, if you can go to 6.09,
25 please. I'm sorry.

1 (BRIEF PAUSE)

2

3 MR. CHRISTIAN MONNIN: Sorry. Sorry,
4 could you scroll up? I apologize. There we go.

5

6 (BRIEF PAUSE)

7

8 MR. CHRISTIAN MONNIN: Just one (1)
9 second.

10

11 (BRIEF PAUSE)

12

13 MR. CHRISTIAN MONNIN: I apologize.

14 "6) ownership of information. Upon
15 paying -- 6.01) upon payment of all
16 amounts due under this agreement,
17 all data and materials collected or
18 originally produced by the
19 consultant or any of his
20 representatives in the performance
21 of this agreement and all copyright
22 therein collectively referred to as
23 'data' shall be the exclusive
24 property of Manitoba Public
25 Insurance and shall be forthwith

1 delivered to Manitoba Public
2 Insurance at no cost to Manitoba
3 Public Insurance.
4 The consultant agrees to execute all
5 documents that may be necessary to
6 transfer ownership of the data to
7 MPI."

8 Does the Corporation wish to reconsider
9 its answer that I put to it earlier?

10 MR. DAN GUIMOND: No.

11 MR. CHRISTIAN MONNIN: So it's still
12 your position -- or the Corporation's position that
13 when asked for the expert's file, that the expert has
14 the proprietary rights to that file?

15 MR. DAN GUIMOND: We have the
16 propriety rights to all the deliverables that we get
17 through our contract. So a consultant -- it doesn't
18 matter who you deal with. We -- we ask for a
19 particular deliverable. We own the proprietary rights
20 to that deliverable, and this is why we're able to put
21 it in the record, all the deliverables of the
22 contract.

23 But everything that's intellectual
24 property of the consultant and all their -- the vast
25 knowledge that they've acquired over the years and all

1 their information, if they go downstairs in their
2 library with all the stuff they have there, that --
3 that's theirs, that's not ours.

4 What we own is -- is the intellectual
5 property to the deliverable what we paid for.

6 MR. CHRISTIAN MONNIN: I'm sorry, I
7 don't see 'deliverables' in this contract. I -- I
8 don't see what you -- what you purport the contract
9 says. I do see at 6.04 that the consultant hereby
10 waves all its moral rights under the Copyright Act in
11 the data in favour of MPI and agrees to executing
12 additional documents in a form satisfactory to MPI
13 which may be required to evidence this waiver?

14 MR. DAN GUIMOND: Okay, well, I'm --
15 I'm not going to give you a legal opinion on -- on our
16 -- our contracts. I stand by what I said.

17 MR. CHRISTIAN MONNIN: Diana, if you
18 could scroll up to document 2. -- sorry, the same
19 document. Go to Article 2.03.

20

21 (BRIEF PAUSE)

22

23 MR. CHRISTIAN MONNIN: I apologize,
24 Diana, not in Schedule C, but the -- the agreement
25 itself between the Corporation and Sirius.

1

2

(BRIEF PAUSE)

3

4

MR. CHRISTIAN MONNIN: Thank you.

5

6

(BRIEF PAUSE)

7

8

MR. CHRISTIAN MONNIN:

9

"The consultant shall review

10

relevant material provided by MPI,

11

including road safety planning

12

documents, the PUB orders and

13

submissions, road safety

14

evaluations, crash data."

15

Et cetera. Will the Corporation

16

undertake to produce that material?

17

MR. DAN GUIMOND: No.

18

19

(BRIEF PAUSE)

20

21

MR. CHRISTIAN MONNIN: F) draft report

22

for Manitoba Public Insurance review. How many re --

23

how many drafts of the report were there?

24

25

(BRIEF PAUSE)

1 MR. DAN GUIMOND: I don't know how
2 many draft reports there were. We can take that as an
3 undertaking if you want to.

4 MR. CHRISTIAN MONNIN: I will take
5 that as an undertaking, thank you. Have they been
6 destroyed?

7

8 (BRIEF PAUSE)

9

10 MR. DAN GUIMOND: The undertaking is
11 to state how many draft reports there was to the
12 review of MPI's road safety program model that was
13 written by Ms. Kroeker-Hall.

14

15 --- UNDERTAKING NO. 42: MPI to state how many
16 draft reports there was to
17 the review of MPI's road
18 safety program model that
19 was written by Ms.
20 Kroeker-Hall

21

22 CONTINUED BY MR. CHRISTIAN MONNIN:

23 MR. CHRISTIAN MONNIN: That's Kroeker-
24 Hall.

25 MR. DAN GUIMOND: My apologies.

1 MR. CHRISTIAN MONNIN: Do you know if
2 those reports still exist?

3 MR. DAN GUIMOND: No, I don't.

4 MR. CHRISTIAN MONNIN: Do you know who
5 at MPI reviewed the draft report?

6 MR. DAN GUIMOND: I don't know who
7 specifically but I do know that it was reviewed by the
8 executive in charge of that area in -- in the
9 management, and the people assigned to that team to --
10 to do this -- this work.

11 MR. CHRISTIAN MONNIN: Are you aware
12 of what changes were made to the report?

13 MR. DAN GUIMOND: No.

14 MR. CHRISTIAN MONNIN: Are you aware
15 if any changes were made to the report?

16 MR. DAN GUIMOND: I just know that the
17 report is compliant to what we wanted, and that --
18 that's where -- you know, in terms of my involvement
19 is the report achieved the goals we had stated for
20 ourselves, and -- and is compliant to the contract in
21 terms of what we asked for.

22 MR. CHRISTIAN MONNIN: That's all good
23 and well, but what we're trying to establish is,
24 whether the report is compliant to the Board order
25 that was given last year in 135/'14.

1 MR. DAN GUIMOND: Can I see that Board
2 order, please?

3

4 (BRIEF PAUSE)

5

6 MR. CHRISTIAN MONNIN: If you can go
7 to page 40, loss prevention/road safety LP, please.
8 She even has the -- the report is up, as well, but
9 rather I -- I -- the key sections of the report that I
10 want to draw the Corporation's attention to would be
11 at page 40, loss prevention/road safety LP, please.

12

13 (BRIEF PAUSE)

14

15 MR. CHRISTIAN MONNIN: These are
16 excerpts of the report -- the order, Mr. Guimond? I
17 think it's well-tilled soil by this point with regards
18 to my cross-examination at -- is:

19 "To provide an independent review of
20 the optimal size of a road safety
21 budget portfolio for the Corporation
22 with a view to minimizing the
23 economic and social costs of
24 collisions. Provide an independent
25 review of the current road safety

1 portfolio with a view to optimizing
2 it relative to cost effectiveness in
3 the setting of -- setting goals for
4 outcomes, and minimizing the
5 economic and social costs of
6 collisions."

7 MR. DAN GUIMOND: Yeah. Yeah, I'm
8 going to -- I just want to...

9 MR. CHRISTIAN MONNIN: And -- and what
10 my client is trying to determine --

11 MR. DAN GUIMOND: One moment please.

12 MR. CHRISTIAN MONNIN: -- is whether
13 the report is compliant with this. I'm concerned
14 about PUB Order 135/'14. I'm not concerned of whether
15 it's complaint to what the Corporation wanted the
16 report to be.

17 MR. DAN GUIMOND: Okay. So in terms
18 of the Board, last year I mentioned it was very hard
19 to say, you know, is it 15 million? Is it \$12
20 million? Is it eighteen (18)? Twenty (20)? It was
21 very, very hard from a road safety perspective to say
22 this is the right amount of money, and we're having
23 value for the money.

24 So in terms of the -- compliance of the
25 order, in my opinion it's up to the -- to the -- to --

1 to the Board members to decide if -- if MPI did an
2 honest effort in answering the question, and comply to
3 the Board order.

4 So what we did is we provided the --
5 the framework that we did last year, and we had this
6 report that we submitted. There was an independent
7 person that looked at it, and you have her -- her
8 curriculum vitae in the Rate App in Volume III.

9 You can see how hard it is because even
10 the consultant said, you know, like is it 30 million?
11 Is it 20 million? Again very hard to -- to come to a
12 number.

13 But what the -- the consultant did say
14 in the report is that the framework -- that the
15 consultant, in their opinion, believes that the
16 frameworks that we have will deliver the right
17 priorities. And the right priorities will deliver the
18 right programs. And the right programs will deliver
19 the right funding envelope. That's -- that's
20 important.

21 Because I think we've answered your
22 question in terms of value for money. So next year
23 when I come back in the -- in the appendix for the
24 road safety budget, and I link it to this process, now
25 you know that the money we're spending, that you're

1 getting value from it. So I think we -- we've --
2 we've answered that order.

3 When it comes to the social aspect of
4 it or the social costs of it, we as MPI believe this
5 is bigger than us. It's not just MPI. And that's
6 where I believe the Government of Manitoba, when it
7 created the provincial road safety committee, that's
8 where that kicks in. And this is how we bring our own
9 efforts under that umbrella. And then you have now a
10 -- a true Manitoba version of what should be done in
11 the big picture.

12 And so we believe that by having done
13 that, and with the -- working with the Government of
14 Manitoba, that now we have achieved what -- what was -
15 - what the -- the Board was trying to -- to express or
16 trying to say what -- what's important and so on. And
17 so, from our perspective, we're fully complaint to the
18 Board order. That -- that's my perspective. That
19 will be up to you to judge that at the end of the day.
20 But I -- I think we've -- we've demonstrated a -- a
21 desire to comply. And -- and then it will be up to
22 you to decide if what we've done is enough or not.
23 Thank you.

24 MR. CHRISTIAN MONNIN: Here's what I'm
25 struggling with. Your own application, which we --

1 which we reviewed earlier, and which the Corporation
2 stands by says:

3 "Experts may also have their own
4 bias, which may result in having a
5 narrowed approach to the problem."

6 And it also says:

7 "Different experts will hold
8 different opinions and are uniformly
9 subjective. Questions about who the
10 experts are and why they were chosen
11 must be considered and anticipated."

12 Would you agree with me that it would
13 have been a lovely opportunity for this Board to
14 really gauge whether this was an independent review,
15 had the Corporation produced the expert to speak to
16 her report?

17 MR. DAN GUIMOND: That would be up to
18 the Board. I mean, if -- if the Board would see a
19 desire to do that, we could certainly arrange that. I
20 -- I mean, that -- from our perspective, it's -- it's
21 -- it would be, like, through Ms. -- the Board
22 counsel, there. They would talk to us and say, This
23 is important to us. And we would produce the -- the
24 person. I mean, that's -- that's typically how it
25 works. We don't have any objections to that.

1 MR. CHRISTIAN MONNIN: So Bike
2 Winnipeg asked you to produce the expert, and that was
3 flatly rejected.

4 Had someone else asked you to produce
5 the expert, that would have been done?

6

7 (BRIEF PAUSE)

8

9 MR. DAN GUIMOND: It's -- it's the
10 regulator. We worked through the regulator for
11 producing experts. I believe we have done in the past
12 when you requested. I -- I was just told, like,
13 somebody from the finance department, the ADM came
14 here to talk to -- to the regulator, so.

15 MR. CHRISTIAN MONNIN: Does the
16 Corporation agree that Bike Winnipeg is -- is an
17 Intervenor in this regulatory proceeding?

18 MR. DAN GUIMOND: Yes.

19 MR. CHRISTIAN MONNIN: And the
20 Corporation agrees that Bike Winnipeg has the proper
21 standing as an Intervenor in these regulatory
22 proceedings?

23 MR. DAN GUIMOND: As of right now,
24 yes.

25 MR. CHRISTIAN MONNIN: And that is up

1 to the Board. Now, a party that has standing to the
2 regulatory proceeding before a regulatory board has
3 requested the production of the expert, and that was
4 rejected within the context of a regulatory proceeding
5 of an expert -- was -- a report was produced on
6 account of an order from this regulatory Board.

7 Now, I'm struggling with why the
8 Corporation rejected outright an Intervenor's request
9 to produce an expert.

10 MR. DAN GUIMOND: These -- these
11 particular -- this particular process is about
12 approving the rate application. It's all about rates.
13 And so the money we spend in this process and so on
14 and how we work together, we would rely -- I guess the
15 best way I can answer your question is we would rely
16 on the Board's direction and if they felt that we
17 should spend the money.

18 Even if an Intervenor asks for it, at
19 the end of the day, it would be up to the Board to --
20 to sort of indicate to us if we should spend the money
21 or not. That's the best way I can answer your
22 question, sir.

23 MR. CHRISTIAN MONNIN: Let's try it
24 from a different angle. The Board has requested that
25 the Corporation provides an independent review. Now,

1 how is the Board and the Intervenors -- how is -- how
2 -- how can these -- how can the Board and the
3 Intervenors discharge its duties and obligations?

4 And how can it be certain that it's an
5 independent report when MPI controls the material
6 provided to the expert, when it has the ability to
7 destroy the material, when it provides input on the
8 final draft, and ultimately won't produce the report -
9 - or the expert? How can we determine that it's an
10 independent review?

11 MR. DAN GUIMOND: Like what you're
12 suggesting is a bit -- and I'm trying to be very
13 diplomatic here -- it's a bit preposterous that
14 somebody of that calibre would put their name to a
15 report that they didn't believe when your whole --
16 your whole way of earning is a living is -- is
17 depending on your integrity and professionalism.

18 So -- and if -- so I think it's a bit -
19 - what you're inferring is -- is some -- is -- is
20 pretty -- it's hard for me to -- to understand how you
21 make that -- that logic. And I'll respect that it's
22 your logic, but I don't know of any experts who are
23 willing to put their name to a report and to be able
24 to have it in the public forum where every
25 jurisdiction across Canada can read it.

1 I -- I just don't buy that MPI could
2 say, you know, I want you to write this word and not
3 that word. No way. I -- I -- sorry. And if the --
4 if the panel wanted to talk to this individual
5 personally, that -- that would -- also at the
6 discretion of the panel.

7 And also what you're inferring in terms
8 of our code of ethics, the law, the governance,
9 everything that we stand by, I mean, that's -- that's
10 a bit -- it's a bit disappointing actually that you
11 even think that would be a possibility.

12 MR. CHRISTIAN MONNIN: Well, let me go
13 back to what the Corporation's filed. And this is
14 where my concern stems from. The Corporation's own
15 words, sir, are that:

16 "Experts may also have their own
17 bias which may result in them having
18 a narrowed approach to the problem."

19 These are the Corporation's words.
20 Those are their words of caution about experts.

21 MR. DAN GUIMOND: I'm not too sure how
22 that affects the integrity of the person that
23 submitted the -- the report. I mean, I put some
24 context of it in terms of what we mean by that, and I
25 think that -- that the Board members have seen it for

1 themselves when it comes to the various people that
2 talk about the DSR. And it's within that context.

3 I mean, professionals, people, they're
4 there with -- with their views and opinions. And --
5 and that's -- that's part of the process. So I'll
6 leave it at that. And it's up to the Board to -- to
7 decide that in -- in terms of -- of when they see an
8 expert or an expert provide their opinion, you know.

9 Whether it satisfies the Board Order or
10 not, that -- that'll be up to the Board to decide.

11 MR. CHRISTIAN MONNIN: Thank you.

12 THE CHAIRPERSON: Mr. Monnin, would
13 this be a good time to take a break in terms of your
14 presentation?

15 MR. CHRISTIAN MONNIN: Yes, Madam
16 Chair.

17 THE CHAIRPERSON: Okay. Thank you. I
18 think we'll take a fifteen (15) minute break and we'll
19 return at five (5) after 11:00. Thank you.

20

21 --- Upon recessing at 10:52 a.m.

22 --- Upon resuming at 11:11 a.m.

23

24 THE CHAIRPERSON: Mr. Monnin, would
25 you like to continue with your cross-examination?

1 MR. CHRISTIAN MONNIN: I'd love to,
2 Madam Chair. This is appropriate. At page 40 -- yes.

3 MR. DAN GUIMOND: I'm -- I'm sorry to
4 interrupt. I do have the answer to one (1) of the
5 undertakings if you -- I'm sorry, we forgot to mention
6 at the beginning there. Usually we put them in at --
7 after the break, so.

8 THE CHAIRPERSON: Okay, sorry, Mr.
9 Guimond, go ahead then.

10 MR. DAN GUIMOND: So the -- the
11 undertaking was the particular intersections that
12 we're using this signage. So Kenaston and McGillivray
13 is one (1). Grant and Kenaston is another. Sorry,
14 Kenaston and McGillivray is -- is signage/enforcement.
15 That's the one (1) we piloting there. Grant and
16 Kenaston is the enforcement. Leila and McPhillips is
17 signage. And Legimodiere and Regent is control. So
18 those are -- they've been labelled in terms of the
19 different efforts that we're doing at these
20 intersections to see the effects of what we're doing.

21 Also, the pilot was intended to test
22 the effectiveness of signage, so to pilot effectively
23 we needed the number -- the numbers. We needed a high
24 frequency intersection to see if -- how we communicate
25 to the motorists, if it's actually working to help

1 them to slow down and prevent the frequency of
2 accidents at those intersections, so high frequency
3 was critical to see if the signage would work.

4 THE CHAIRPERSON: Okay, Mr. Monnin.

5

6 CONTINUE BY MR. CHRISTIAN MONNIN:

7 MR. CHRISTIAN MONNIN: Thank you,
8 Madam Chair. Diana, you had previously had page 40 up
9 on the screen. Just -- thank you. Bullet 11.20:

10 "Order 135/14 directed the
11 Corporation to provide an
12 independent review of the current
13 road safety portfolio with a view to
14 optimizing it relative to cost-
15 effectiveness and to setting goals
16 for outcomes and minimizing the
17 economic and social costs of
18 collisions."

19 Diana, if you can go to loss prevention
20 road safety AI-13, Appendix 9, please.

21

22 (BRIEF PAUSE)

23

24 MR. CHRISTIAN MONNIN: Now, this is
25 the resume of Ms. Kroeker-Hall, which is the

1 Corporation's expert which it retained to satisfy the
2 particular piece of the order which I just read. And
3 assuming it's Mr. Guimond answering my questions, have
4 you -- have you taken the opportunity to review the
5 CV?

6 MR. DAN GUIMOND: Yes, I have read it.

7 MR. CHRISTIAN MONNIN: Would you agree
8 with me that Ms. Kroeker-Hall's background is
9 primarily associated with insurance-based --
10 insurance-based road safety systems?

11 MR. DAN GUIMOND: I -- the corporation
12 position's as follows. We did the best of our
13 abilities to comply to the order. This is the expert
14 that we selected for -- because we believed that
15 person would actually satisfy what the order wanted.
16 Their report has been created. I would respectfully
17 ask that the compliance issue rests with the Board.
18 And whether you agree we comply or not is, in my
19 opinion, neither here or there. It's really the Board
20 that has to decide that.

21 And I would respectfully ask that we
22 just maybe take it at that because there's not much
23 more that I can do as president/CEO. This is the
24 Corporation's approach. This is what we did. And I -
25 - I think there's not much more that I can say.

1 MR. CHRISTIAN MONNIN: I appreciate
2 that's the Corporation's position. My question
3 pertained with regards to the CV. And my question
4 was: Would you agree with me, sir, that upon
5 reviewing the CV of your expert that on the whole the
6 background of this particular expert is primarily
7 associated with insurance-based road safety systems?

8 Do you agree with that statement, sir?

9 MR. DAN GUIMOND: I'm -- I'm not going
10 to make any comments on her CV. I -- I -- we provided
11 her as the expert, and I'm going to leave it at that.
12 And that's all I'm going to say about that.

13 MR. CHRISTIAN MONNIN: And the order
14 required, or directed an independent review with
15 regards to the economic and social costs. Would you
16 agree with me, sir, by reviewing her -- the CV that
17 there is no economic background?

18 Would you agree with that statement?

19 MR. DAN GUIMOND: I'm not going to
20 comment on her CV. That is the expert that the
21 Company put forward, and selected, and I think it will
22 be up to the -- to the Board to decide if this
23 person's -- person that we selected is satisfactory or
24 not. And I'll leave it at that.

25 MR. CHRISTIAN MONNIN: Diana, we'll

1 go into -- into the report, which is AI.13, Appendix
2 10.

3

4

(BRIEF PAUSE)

5

6 MR. CHRISTIAN MONNIN: And -- and what
7 I -- I'd like to do, sir, is -- is I just want to make
8 sure that -- I have reviewed the report several time,
9 and I just want to make sure that I've teased out the
10 proper findings and conclusions that come from this
11 report.

12 And I'm going to make you folks bounce
13 around a bit, and I'll try to avoid that but in the
14 judicial -- jurisdictional comparison, for example, at
15 -- at page 23, Diana, under Canada's road safety
16 strategy at line 28, here what I want to try to
17 identify is the issue of clear quantity targets with
18 progressive interim targets.

19 And under this comparison the Canada
20 road safety strategy, at line 28 we have:

21 "The current strategy does not
22 include hard percentage targets at
23 the national level. This approach
24 is not intended to prevent
25 jurisdictions from establishing

1 their own targets and, indeed, they
2 should own the strategy and use the
3 best practice framework or -- to
4 develop their own plans."

5 And at page 24 under British
6 Columbia...

7

8 (BRIEF PAUSE)

9

10 MR. CHRISTIAN MONNIN: Line number 9:
11 "Measuring success and reporting on
12 progress is based on continually
13 declining year to year numbers of
14 fatalities and serious injuries from
15 road crashes."

16 And at page 26 we get into Alberta...

17

18 (BRIEF PAUSE)

19

20 MR. CHRISTIAN MONNIN: Bear with me, I
21 just have to find the line.

22

23 (BRIEF PAUSE)

24

25 MR. CHRISTIAN MONNIN: Line 31:

1 "Alberta's current traffic safety
2 plan 2015 has evolved to reflect the
3 safe systems approach consistent
4 with Canadian OECD, and other
5 European models, including setting
6 priorities and targets after
7 reviewing and analyzing collision
8 data."

9 Now, I won't take you there but at page
10 31 we deal with Nova Scotia, and at page 32 we deal
11 with PEI. And we're talking about targets.

12 So I just want to confirm that the
13 current position in Manitoba is that there's no
14 targeted reductions for quantity of bodily injuries or
15 fatales. Is that correct?

16

17 (BRIEF PAUSE)

18

19 MR. DAN GUIMOND: Okay. We step back
20 and we look at the whole program at this point in
21 time. Where we -- where put specific targets, right
22 now as of today, is in the Driver Ed Redevelopment
23 Program, where we have reduction of certain targets in
24 the project charter. So we've put some there. And
25 then as we go through these committees and so on,

1 we'll -- we'll see if -- if we're going to have more
2 targets or not.

3 MR. CHRISTIAN MONNIN: So -- so the
4 answer to the question I put to the Corporation was:
5 There are no targeted reductions. Or the question
6 was: Are no target reductions for quantity of bodily
7 injuries and fatals? The answer would be that
8 presently, there isn't any.

9 Is that correct?

10 MR. DAN GUIMOND: No, that's not
11 correct. There are some right now in the Driver Ed
12 Redevelopment Program in the project charter that we
13 submitted to the regulator.

14 MR. CHRISTIAN MONNIN: What are the
15 targeted reductions for quantity -- quantity of bodily
16 injuries and fatals in the Driver Ed Program?

17 MR. DAN GUIMOND: Yeah, one (1) moment
18 please. We'll find it where we put it in the record.

19

20 (BRIEF PAUSE)

21

22 MR. DAN GUIMOND: If you want to, we
23 can keep going and we'll take it as an undertaking.
24 As soon as we find it, we'll -- we'll provide it in
25 the record, if that's okay with you.

1 MR. CHRISTIAN MONNIN: That's --
2 that's more than fine. Thank you. I would like that
3 on the record. Yes, please.

4 MR. DAN GUIMOND: To provide the
5 specific targets in reduction in bodily injury that we
6 identified in the Driver Ed Redevelopment Program.

7
8 --- UNDERTAKING NO. 43: MPI to provide the
9 specific targets in
10 reduction in bodily injury
11 identified in the Driver
12 Ed Redevelopment Program

13

14 CONTINUED BY MR. CHRISTIAN MONNIN:

15 MR. CHRISTIAN MONNIN: I -- I just
16 want to also try and make sure I understand the
17 jurisdictional comparison with regards to another
18 subject, which is safety plans involving local
19 department of health in -- in its plans and
20 committees. And, Diana, if you'd go to page 23, back
21 to British Columbia?

22

23 (BRIEF PAUSE)

24

25 MR. CHRISTIAN MONNIN: Road Safety BC

1 launched a government's road safety strategy in August
2 2013 based on both safe systems and public health
3 platforms. And going to Alberta at page 26, and being
4 mindful of the time, I won't bring you all to these
5 pages. But again, we're dealing with various other
6 government departments are engaged in implementing the
7 road safety plan, and health being one (1) of them.

8 And in Ontario, at page 29. The
9 Ontario Office of the Chief Coroner of Ontario is --
10 is involved. And you'll see that again in Quebec and
11 Nova Scotia. And that's Quebec at page 30 and 31 and
12 32.

13 I just want to confirm my understanding
14 that here in Manitoba, there's no involvement of
15 Manitoba Health, medical officers of Health that is
16 involved with respect to the Road Safety Plan.

17 Is that correct?

18 MR. DAN GUIMOND: I just want to -- I
19 just want to put -- make sure I -- I -- right now, all
20 these things that you're talking about are provincial
21 plans, not corporate plans. That's -- that's very
22 important to -- to understand. And every
23 jurisdictions has their own approach or way of dealing
24 with this.

25 So it's very important that MPI, how we

1 fit in the big picture, is through the provincial road
2 safety committee that was established by the
3 Government of Manitoba. And that's where it's
4 starting to all link together.

5 Who will be all the participants, and,
6 you know, how many tentacles that committee's going to
7 have throughout all the stakeholders and so on, that -
8 - that will happen over time and we'll see what's all
9 the involvement.

10 But it's -- it's very -- every
11 jurisdiction has their own approach. And I just want
12 to make sure that -- that we understand here that
13 we're talking at -- at the jurisdictional level, not
14 at the corporate level.

15 And the Corporation's positions from --
16 from approving rates, which comes to our budget for
17 road safety that we're proposing, that will fit in
18 into the overall jurisdictional framework which is
19 done through what the -- the Government of Manitoba
20 has done.

21 And our role in this bigger picture
22 will be that -- what we've put in our rate app in
23 terms of the frameworks. The frameworks will lead the
24 priorities, the priorities will lead to programs, the
25 programs will lead to funding.

1 And that's how the Board knows that
2 next year when we come and we submit our road safety
3 budget, that you know you have value for money.
4 That's -- and you know also that we fit into the
5 bigger picture at the provincial level when you start
6 to contrasting these provincial programs.

7 And every one -- I don't view it as --
8 as one better the other or one wrong or right. I
9 mean, every jurisdiction has its own values and its
10 own ways of -- of doing things. But from a rate-
11 setting perspective, that's how we fit in the bigger
12 picture, and that's how we're demonstrating to you
13 that through the framework process, we will have a
14 budget that -- that is defensible.

15 And therefore, when you approve it,
16 you'll feel comfortable in approving our rates when it
17 comes to that particular aspect of our application.

18

19 (BRIEF PAUSE)

20

21 MR. CHRISTIAN MONNIN: And that ties
22 in quite nicely to the next issue that I wanted to
23 canvass. And I think I know the answer, but I -- I
24 just want to nail that down. And it deals with
25 leadership or responsibility, and I just want to make

1 sure that I understand.

2 MPI doesn't accept that it has primary
3 responsibility for road safety.

4 Is that -- is that correct?

5 MR. DAN GUIMOND: If -- if you're
6 talking at the -- what an insurer does compared to
7 what a jurisdiction does and how there's actually two
8 (2) playing field there that are very distinct, and
9 how the insurers has to support and dovetail the
10 overall bigger picture, yeah. We don't -- we don't
11 have overall responsibility.

12 We have to fit in the -- in the
13 provincial picture, not -- not a corporate picture.
14 That's -- that's how it all comes together.

15 MR. CHRISTIAN MONNIN: Okay. Well,
16 let's -- let's look at our -- our neighbours to the
17 west in Saskatchewan at page 27. And at line 34:

18 "Responsibility for road safety in
19 Saskatchewan has been with
20 Saskatchewan Government Insurance."

21 Now, that's -- that's your homolog.
22 That's -- that's MPI and Saskatchewan.

23 Is that correct?

24 MR. DAN GUIMOND: That's -- that's
25 what it says, yes.

1 MR. CHRISTIAN MONNIN: Okay. And so:
2 "Since the mid-1980s when the Driver
3 Safety and Services Department was
4 transferred to SGI from the
5 Department of Highways..."

6 So you indicated that insurers, but you
7 were speaking with particular regard to your
8 Corporation, correct?

9 MR. DAN GUIMOND: That's correct, yes.

10 MR. CHRISTIAN MONNIN: Does -- does
11 the Corporation have any position on who should take
12 primary responsibility and leadership for road safety
13 in the Province of Manitoba?

14 MR. DAN GUIMOND: Well, we think we
15 have a -- a significant role in that, and that's where
16 the gov -- that's why, in fact, the Government of
17 Manitoba has made us co-chair on -- on the -- on the
18 Provincial Road Safety Committee. So that's -- that's
19 -- like, we're a big player in this, but I'm saying
20 it's -- it's not a solo act.

21 MR. CHRISTIAN MONNIN: So earlier, I
22 believe I understand your evidence, was that you were
23 talking from a -- a corporate level with a certain
24 vision. But as you just said, the province on the
25 speech from the throne made you a co-chair of this

1 road safety plan. So this is outside of the
2 Corporation. This is some provincial leadership.

3 Is -- is that right?

4 MR. DAN GUIMOND: Correct. It falls
5 under the Ministry of Infrastructure and
6 Transportation.

7

8 (BRIEF PAUSE)

9

10 MR. REGIS GOSSELIN: Mr. Guimond,
11 could you comment on the -- the size of the budget
12 that is allocated by SGI? Are they spending more than
13 a hundred percent than -- greater than MPI?

14

15 (BRIEF PAUSE)

16

17 MR. DAN GUIMOND: Page 28 -- page --
18 page 28, about 28.7 million on page -- line 25, yeah.

19 MR. REGIS GOSSELIN: But -- but I
20 guess what I as looking for is, can you -- can you
21 explain why there would be such a wide variance
22 between SGI's budget amount versus MPI's?

23

24 (BRIEF PAUSE)

25

1 MR. DAN GUIMOND: If we -- if we read
2 the section on the Saskatchewan which starts on page
3 27, line 32, their mandate is -- is somewhat different
4 than ours, so we're comparing apples and oranges. And
5 I think your point where, Mr. Gosselin, you were
6 saying, Well, maybe next year, you know, the -- maybe
7 the budget, there should be, like, a line item, they -
8 - they've been at this for quite a while, right? The
9 Department of Driver Vehicle Licensing has been part
10 of SGI for a long time, and so they've -- they've
11 evolved in terms of timelines.

12 They have -- have been at this a lot
13 longer in an integrated fashion. And also -- so I --
14 I think that, as time goes by, I think you're going to
15 see an -- an evolution of our role and
16 responsibilities.

17 MR. REGIS GOSSELIN: Sorry, do you
18 know if -- if some provincial funding went to SGI as
19 part of this shift of responsibilities from the
20 Province to SGI?

21 MR. DAN GUIMOND: I'm not aware of it,
22 no.

23

24 CONTINUED BY MR. CHRISTIAN MONNIN:

25 MR. CHRISTIAN MONNIN: And if I may,

1 the same question that was asked by panel mem --
2 member Gosselin but with respect to page 25, ICBC,
3 line 7:

4 "While no specific goals or
5 strategies are articulated in ICBC's
6 strategic plan, its 2013 annual
7 report has stated that \$43 million
8 was invested in road safety
9 programs. In 2014, 7.7 million was
10 dedicated to road improvements and
11 related studies."

12 MR. DAN GUIMOND: Yes. And -- and you
13 may recall a few years ago MPI did a study in terms of
14 doing things that are similar to ICBC and the
15 Government of -- of Manitoba. The minister at the
16 time, Minister Swan, specifically decided that MPI was
17 not to get into infrastructure. And there was a
18 public announcement done by the Government of Manitoba
19 and that we were not to -- to get into that kind of
20 work, that all the infrastructure work would be done
21 by -- by different entities in our society.

22 So that was a -- a decision made. It's
23 a public decision. It's in the papers. And -- and we
24 can provide that to the Board if -- if they want to --
25 if they want that specific -- I think we even still

1 have copies of the -- of the paper articles and so on
2 that was published at the time.

3 MS. ANITA NEVILLE: Mr. Guimond, just
4 a -- a quick question. You talked about how you
5 anticipate that the role between MPI and the
6 government on road safety will evolve. Can you tell
7 us how it is involved to date?

8 MR. DAN GUIMOND: Well, I -- a few
9 years ago we did the consultation report with the
10 public about road safety and how the public was
11 willing for us to play a bigger role in road safety
12 and that the public was willing to -- for us to spend
13 some money as long as it reduces their premiums.
14 There was a consultation report. And I think we've
15 put that -- actually, we -- we put the -- the results
16 on our website, I believe.

17 That was a big step, in my mind, to
18 start -- for governments to be able to start having a
19 public support to evolve the role of MPI, especially
20 post-merger with the Department of Driver Vehicle
21 Licensing. And so now that the -- the merger is
22 completely done, we're totally integrated, you can see
23 now how the government of Manitoba has created the --
24 this -- this Provincial road safety committee. You
25 can see how we're starting to put more structure, more

1 rigour, around road safety, and how we are starting to
2 fit in the overall jurisdictional strategy, and how
3 MPI is fitting into that -- that strategy.

4 And how -- based on these committees
5 and following these frameworks you can see now how
6 everything has been positioned for MPI to be able to
7 play a bigger role. And so -- so to me, those are
8 very incremental steps that have been taken, but
9 you're -- you're going to start to see some changes, I
10 believe, in the next, you know, four (4) to five (5)
11 years in terms of how the Company will evolve, and
12 what it will do or not do in regards to road safety.

13 To answer your question, like, they're
14 all incremental steps, I guess, is what I'm getting at
15 --

16 MS. ANITA NEVILLE: I -- I under --

17 MR. DAN GUIMOND: -- to position the
18 Corporation.

19 MS. ANITA NEVILLE: I understand that,
20 and you speak about a time frame of four (4) to five
21 (5) years. Do you see any urgency to accelerate that
22 time frame in terms of what is happening in Manitoba
23 with road safety? And I would say particularly with
24 the increase of bicycle use.

25 MR. DAN GUIMOND: Absolutely. The --

1 the bicycle use is a -- is a huge trend in our
2 society, and that -- that needs to be accelerated. I
3 -- I think absolutely.

4 Is it purely a road safety issue? I --
5 I would say, No. I think we have to do some things
6 like we're doing now, and maybe more but I think there
7 might be a step where more might be required. And --
8 and, you know, if -- if they do become more and more
9 on the road, I mean, the -- is there a need to
10 register them. Is there a need to insure them.

11 How the use of the bicycle will -- will
12 evolve as a legitimate means of transportation in our
13 society, I think right now it's sort of -- its infancy
14 stage, and as it grows the governments will have to --
15 to decide how -- how they want to -- to do it, or not.
16 And we can see in other jurisdictions -- we're
17 starting to see the bicycle lanes in Winnipeg now.
18 We're starting to see more bicycle paths.

19 So -- and then how -- how do the --
20 when -- if they're going to be on the roads, are they
21 going to start to be through the Highway Traffic Act.
22 You know, do we -- do -- do we start -- you know, what
23 do we do with -- with these folks because it's still -
24 - a lot of cyclists, you know, they -- they don't
25 necessarily follow the -- the laws of the road when

1 they're on the road.

2 So -- so I -- I think it's one of those
3 things where depending on society, where it goes, but
4 I do believe that -- that that needs to be looked at
5 and -- and discussed more, and to make decisions at
6 the highest level as to how this phenomenon will be
7 dealt with. But I -- I wouldn't say it's -- it's
8 something that we own as a Corporation, but again we
9 fit in the overall bigger picture.

10 And I think the issue of registration,
11 insurance, how -- how you -- how you manage all these
12 people on the roads, I -- that -- that needs to be
13 thought through a lot.

14 MS. ANITA NEVILLE: You -- you've just
15 really outlined very comprehensive plan, or what needs
16 to be done -- or not -- not plan but you articulated a
17 view of what has to be done.

18 Are these part of the discussions of
19 the road safety committee? And I -- I guess where I'm
20 getting at is time is elapsing while people are
21 talking, and accidents are happening. And how do we
22 make things happen faster?

23 MR. DAN GUIMOND: Very good question.
24 And -- and so we know it's made the radar. And I'm --
25 I'm hoping that the -- you know, in terms of my

1 capacity, what I do in my role, I'm hoping that the
2 framework that we have created for road safety and how
3 that fits in the bigger picture, I think at the end of
4 the day there's so many things that -- that can be --
5 only so many things that can be done. And it has to
6 be done in a certain approach. But I really put a lot
7 of faith in -- in process, in frameworks, and to make
8 sure that the right priorities bubble up.

9 And in -- in what you're mentioning I
10 think the cyclists -- I mean, it'll -- it'll come back
11 to -- and this is where I -- I believe we made
12 important changes by adding relative claims. Because
13 they -- they're going to start to bubble up, and then
14 we're going to see what we need to do about them. And
15 so in terms of talking and action, I'm hoping by next
16 year you start to see some action.

17 THE CHAIRPERSON: Mr. Guimond, I just
18 want to do a bit of a follow-up. It's not the big
19 picture, but it's more of the smaller picture. I
20 notice within your loss-prevention road safety that
21 you're expanding or improving or redeveloping the high
22 school education program.

23 Are you providing bicycle education for
24 drivers? Because even as a driver, and both as a
25 cyclist, it's not always clear what the rules are in

1 terms of the road and, you know, even as a driver. So
2 if young drivers, who probably may both be cyclists
3 and drivers, were getting a specific education program
4 in terms of bike safety, we -- that might mitigate
5 some of the problems. But I don't know.

6 Is that part of what you're doing in
7 your driver ed redevelopment project?

8 MR. DAN GUIMOND: Yes, that goes back
9 a little bit to the Cycling Champion Training Program
10 and the CAN-BIKE certification. So absolutely.

11 THE CHAIRPERSON: Thank you. Mr.
12 Monnin...?

13

14 CONTINUED BY MR. CHRISTIAN MONNIN:

15 MR. CHRISTIAN MONNIN: Diana, if you
16 could go to page 39 of the document that's presently
17 on the screen. And line 20, appropriate funding. So
18 we have in 2013/2014 MPI invested 15.6 million in road
19 safety programs. And 16 million in 2012/2013. And
20 now I understand that the road safety budget is at
21 about eleven million four hundred thousand dollars
22 (\$11,400,000).

23 So from my client's perspective it's
24 going the wrong direction. And to amplify that
25 concern, sir. Diana, if you can go to Undertaking

1 number 2 please.

2 MR. DAN GUIMOND: Excuse me. Bef --
3 before we move from that, you -- I just want to make
4 sure that -- that the fifteen point six (15.6) is
5 corporate and the eleven (11) is -- is Basic in our
6 rate app. Just -- just to make sure you're aware of
7 that.

8 MR. CHRISTIAN MONNIN: And, Diana, if
9 you can continue going to Undertaking number 2. If
10 you can scroll down, here at net income and loss for
11 the years 2017/2018/2019, I read that there's some net
12 losses. Some pretty significant net losses.

13 What impact will that have on the road
14 safety budget?

15 MR. DAN GUIMOND: I just want to make
16 sure that the reference you -- this is the 2015 GRA,
17 or just...?

18 MR. CHRISTIAN MONNIN: I'm just
19 reading multi-year statement of operations for year
20 ended. And I may have read this wrong. I don't --
21 I'm not the most well versed around a balance sheet,
22 but if you read the bottom of it I'm seeing some net
23 losses in those years.

24 Do I understand that correctly? And
25 it's contingent on a zero percent rate change.

1 MR. DAN GUIMOND: Yeah. Okay. And
2 your question, sir? I'm -- I'm sorry.

3 MR. CHRISTIAN MONNIN: If those
4 scenarios pan out, net losses, what impact will that
5 have on the road safety budget, sir?

6 MS. HEATHER REICHERT: Just for my
7 comfort, if you can scroll up just a little bit. A
8 little bit more. Okay. So I believe that we were
9 asked to provide what the zero percent rate change
10 with September 2015 interest rates. So this is not
11 the pro formas that were provided for the application.
12 This was a scenario that we were asked to provide.
13 I'm not sure if it was an undertaking or a pre-ask or
14 an IR.

15 So just to be clear for the panel, like
16 the 2016/'17 year and the 2017/'18 year, which are our
17 rating years, one is forecasting about an \$11 million
18 profit -- or, pardon me, loss -- and then the next
19 year is a \$12 million profit. And those two (2)
20 combined give us the break-even rates that we're
21 applying for, which is zero percent.

22 So just to make sure that you
23 appreciate this is not the pro formas for the
24 application of the zero percent rates. So we're not
25 projecting to have negative income in the next two (2)

1 years.

2 MR. CHRISTIAN MONNIN: Diana, if you
3 can go to page 51 of the Sirius report, Loss
4 Prevention Road Safety, AI-13, Appendix 10.

5

6 (BRIEF PAUSE)

7

8 MR. CHRISTIAN MONNIN: Sorry, page 50,
9 please. It'll be 50 and 51, but we'll start with 50.

10 What's the status of these
11 recommendations?

12 MR. DAN GUIMOND: They're being
13 reviewed at this point in time.

14 MR. CHRISTIAN MONNIN: By whom?

15 MR. DAN GUIMOND: By the Corporation,
16 and -- and we're also going to be discussing it with -
17 - with the -- the stakeholders.

18 MR. CHRISTIAN MONNIN: Is the
19 Corporation able at this time to identify any of the
20 recommendations that it will be adopting?

21 MR. DAN GUIMOND: No. No, because we
22 -- you have to let the process take its place, so no,
23 no. At this point in time, no, we wouldn't be able to
24 -- to comment on that.

25 MR. CHRISTIAN MONNIN: Does the

1 Corporation have any expectation of when it will be
2 considering the recommendations?

3 MR. DAN GUIMOND: Well, I -- I guess
4 it goes a bit to Ms. Neville's point is -- is that I'm
5 -- I'm really hoping that by next year we -- we have a
6 -- a comprehensive list of road safety initiatives and
7 so on.

8 And -- and in the rate app, that
9 because we followed the framework, the priorities, the
10 program, and therefore you justify the funding, that
11 when we come before you, it all -- all makes sense and
12 we can move forward.

13 MR. CHRISTIAN MONNIN: Madam Chair,
14 members of the panel, those are my questions. Thank
15 you very much for your patience at the Corporation
16 table. Thank you.

17 THE CHAIRPERSON: Than you very much,
18 Mr. Monnin.

19 Mr. Gosselin has a question.

20 MR. REGIS GOSSELIN: Mr. Guimond, do
21 you know the context when -- the context for the
22 decision taken by the Saskatchewan government to
23 entrust the road safety responsibility to SGI? Do --
24 do you know any of that context?

25 MR. DAN GUIMOND: No, I'm not familiar

1 with the history. I -- I think it goes as far back
2 when they merged in 1988, I believe, around -- around
3 that time.

4 MR. REGIS GOSSELIN: It strikes me
5 that a policy option available to the government would
6 be to say to -- to MPI, Henceforth, you will be
7 responsible for road safety in this province.

8 It seems to me that, you know, if SG --
9 if -- I'm sorry, if MPI was to assume leadership of
10 the road safety in this province, my -- my sense is
11 that, you know, you have the resources, you have the
12 staff, you have the data, you have, you know, clear
13 expectations from the public that road safety should
14 be addressed from a corporate perspective.

15 So what do you say to that? What --
16 what do you say? I mean, as CEO, what -- what's your
17 reaction to that -- to that position?

18 MR. DAN GUIMOND: I think, you know,
19 if we consider that we merged in -- in 2004,
20 Department of Driver Vehicle Licensing, I think
21 everything is a natural progression and -- and
22 everything needs to have its -- its logical sequence
23 and people have to be ready with change and have to be
24 ready to be able to communicate this kind of -- of
25 transition and this kind of passing the baton maybe.

1 And I believe -- I don't know where
2 it's going to end up at the highest level from a
3 policy perspective because the -- the government of
4 Manitoba does have significant responsibilities on
5 that file at -- at the -- the provincial level versus
6 the -- the corporate level that -- in terms of the
7 role we play. But I think you're starting to see a
8 sequencing of events, right, that slowly but surely
9 we're playing a bigger -- bigger role which is
10 consistent with what the public maybe was supportive,
11 like, in principle subject to premiums going down.

12 So I view everything as -- you know, if
13 I look at the Company in 1990 and I look at the
14 Company today, I know that twenty-five (25) years
15 sounds like a long time, but it sure goes fast. And -
16 - and I believe that, at the end of the day, things
17 evolve and -- and you have to allow a natural
18 progression because they are -- they're huge
19 responsibilities and they're huge accountabilities and
20 it has to be taken very seriously. And you have to
21 know that everybody, the public, the stakeholders,
22 even our abilities, corporate abilities and so on,
23 that -- that it all sort of aligns if you're going to
24 make a major policy change like that.

25 But I think you're starting to see some

1 -- some key steps that may very well in the future --
2 and I don't know what the answer is, but I'm -- I'm
3 saying that you can see our role evolving similar to
4 maybe what other jurisdictions that -- that have been
5 in business longer than we have and -- and have merged
6 a lot longer ago than we did.

7 MR. REGIS GOSSELIN: I guess, you
8 know, I -- I re -- distinctively recall the decision -
9 - or the announcement made by the minister of the day
10 regarding MPI and infrastructure investments. And I
11 guess my question is whether or not you're in a
12 position to influence infrastructure investments that
13 were made by other parties. Because I'm of the view
14 that, you know, the ICBC example is, I think,
15 demonstrative of how infrastructure investments can
16 make a difference in road safety.

17 And I guess the question is: Are you
18 in a position -- despite the fact that the government
19 said, you know, from a policy perspective, we want MPI
20 not to be investing in road -- in infrastructure. But
21 I guess my question to you is: Are you in a position
22 to influence road safety investments on infrastructure
23 that would be undertaken by the City of the Province
24 and so on?

25 MR. DAN GUIMOND: That's -- that's a

1 very good question. I -- there's no... I guess what
2 I do behind closed doors, like, as in terms of the
3 management team and so on, we -- we provide a
4 recommendation to our Board of Directors. We -- which
5 is the liaison to -- to -- from a governance
6 perspective, the Government of Manitoba. So we -- we
7 prepare documents and so on for their reviews.

8 In this particular decision that was
9 made by the government, clearly the public was not
10 ready for that step. And that really is, I think, the
11 prerogative of -- of the Government of Manitoba to
12 decide when is the right time to do things, when is
13 society ready to accept the next step.

14 And I believe, at the time, there was
15 the announcement of certain projects, like, for
16 infrastructure and so on. So everything is -- is --
17 like, we really have to resonate with -- with the
18 public. So there's no question in ICBC that
19 demonstrated the link. And there's no question that
20 there's quantitative evidence about how that can work
21 in a very positive manner.

22 So again, I think it's just time, time
23 for the public to acclimatize and be ready for -- for
24 those kinds of decisions.

25 MS. SUSAN PROVEN: I just want to go

1 back to before the break, Mr. Guimond. There was a
2 little discussion between you and -- and the bike
3 safety group, and it had to do with bike safety, and
4 it was some -- you expressing the thought that you
5 were going to take some responsibility on bike safety,
6 and I forget exactly what the responsibility was that
7 you were ready to take.

8 But then you said that the bike safety
9 group went ahead and did their own thing. That's what
10 you implied, and I just got confused at that point
11 because I wasn't sure exactly what we were talking
12 about but maybe you could shed some more light on that
13 situation. Like what happened there? Thank you.

14 MR. DAN GUIMOND: Yes, I can. It goes
15 to a bit of the point of Ms. Botting in terms of, you
16 know, like certifying bike users and making sure they
17 -- they can function in their environment. So the
18 Corporation -- you know, I'll have to put my glasses
19 on, sorry.

20 The Corporation works with Bike
21 Winnipeg to -- to hire some of their subject matter
22 experts. We -- we actually paid the organization to
23 help us create the cycling champion training program
24 for people who wanted to champion cycling as a form of
25 active transportation to their workplace because

1 that's -- you know, when you go to work that's where
2 you -- you're pretty vulnerable because -- like, you
3 know, at this point in time you're -- it's dark for --
4 for an example.

5 So we also hired Bike Winnipeg members
6 to deliver the training, and paid for their CAN-BIKE
7 certification in terms of how the program works. And
8 then they -- they -- on their own they decided to do
9 their own thing regarding a training program for
10 workplace champions. So we contacted them and we
11 said, Well, why don't you leverage what we have.

12 We don't want -- we keep working
13 together, so if we're going to spend ratepayers' money
14 on -- on that kind of program and -- and to certify
15 people to -- like -- like a little bit like what you
16 were referring, Ms. Botting, to -- to driver ed but
17 like -- at least you -- you're provided with training
18 hints, and you -- you go through a program on how to
19 use your bike safely and how you use it to go to work.
20 So -- so the -- so -- so they said that they would
21 think about it, but right now they were doing their
22 own thing regarding the downtown.

23 So it -- it's very hard when you work
24 with all these stakeholders, and I'm not passing any
25 judgment on their decision but it shows you to say how

1 people come to us and they want us -- to work with us,
2 and then they decide to not continue to leverage the
3 money that our ratepayers have invested. So it's --
4 you know, it's -- it's -- it is what it is, and we
5 have to respect the stakeholder's decision.

6 But again, a good opportunity to
7 continue to evolve the program, continue with bike
8 certification, continue to invest money, and continue
9 to -- to help people out. So -- so that's -- that's
10 what I was getting at.

11 MS. ANITA NEVILLE: Thank you. You
12 can see this is a topic of interest to many. Have you
13 done -- let's take infrastructure out of the equation
14 because I understand the challenges of that -- working
15 with that and the government but -- let's take that
16 out of the equation.

17 But have you done a cost benefit
18 analysis of increased road safety measures as it
19 relates to cyclists? And what have you learned from
20 Saskatchewan and British Columbia in that regard?

21 MR. DAN GUIMOND: One moment, please.

22

23 (BRIEF PAUSE)

24

25 MR. DAN GUIMOND: Okay. So a lot of

1 the bike -- cyclists is linked to infrastructure. So
2 the -- when the -- when the decision was made by the
3 government of Manitoba for us to stay out of
4 infrastructure, there's -- there's a lot of
5 interdependencies there in terms of how you -- you
6 could maybe mitigate losses and so on.

7 So -- so it's a very sensitive issue
8 because as a Crown Corporation should ratepayers pay
9 for infrastructure or not, and then how do you justify
10 it, and then how do you make sure it doesn't get out
11 of control. And your ratepayers say, You know, this
12 is -- this is certainly not acceptable. That -- that
13 I believe is the key reason for the government of
14 Manitoba not to proceed with some of the
15 infrastructure studies we -- we had done because at
16 the end of the day the -- the population is -- they're
17 just not -- wasn't ready to accept that kind of
18 progression at that point in time.

19 So -- so we're focussing right now --
20 we -- we've got stuff in the schools. We've got
21 things like the certification. Well, it's done
22 through Bike Winnipeg, through their CAN-BIKE
23 certification. We -- we do things of that nature.
24 But in terms of -- of the cost study that you're
25 mentioning, no. We don't have, like, good data there

1 at this point in time.

2 MS. ANITA NEVILLE: Have you -- have
3 you learned anything from the other two (2) provinces?

4 MR. DAN GUIMOND: Yes, and I guess it
5 -- it goes back to Mr. Gosselin's point, right? About
6 ICBC, for example, some of the things that they do
7 there from an infrastructure perspective.

8 MS. ANITA NEVILLE: I -- I'm -- I
9 wanted to -- I mean, I understand the political
10 challenges of -- of infrastructure, trust me. But I
11 think the other initiatives which can impact -- or
12 from a layperson's perspective, there are other
13 initiatives that can impact on the cost benefits, in
14 the investments that will affect the cost benefit.
15 And that's what I'm looking at, because that's within
16 your purview right now.

17 MR. DAN GUIMOND: You're absolutely
18 right. And, I mean, I'm -- I'm twelve (12) months
19 into it, right? I'll -- I'll have something next
20 year.

21

22 (BRIEF PAUSE)

23

24 THE CHAIRPERSON: Okay. Thank you. I
25 think this is a perfect time, it's twelve o'clock, to

1 break for lunch. And we'll return at one o'clock.

2

3 --- Upon recessing at 12:02 p.m.

4 --- Upon resuming at 1:06 p.m.

5

6 THE CHAIRPERSON: Good afternoon.

7 We're ready to resume our afternoon hearings, and I'm
8 going to call upon Ms. Kalinowsky who's going to place
9 some exhibits into the record.

10 MS. KATHY KALINOWSKY: Good afternoon.

11 I have a number of exhibits here to be entered, and
12 I've distributed them. Undertaking number 39 should
13 be marked as MPI Exhibit number 54.

14

15 --- EXHIBIT NO. MPI-54: Response to Undertaking 39

16

17 MS. KATHY KALINOWSKY: Undertaking
18 number 17 marked as MPI Exhibit 55.

19

20 --- EXHIBIT NO. MPI-55: Response to Undertaking 17

21

22 MS. KATHY KALINOWSKY: Undertaking
23 number 32 marked as MPI Exhibit number 56.

24

25 --- EXHIBIT NO. MPI-56: Response to Undertaking 32

1 MS. KATHY KALINOWSKY: Undertaking
2 number 40 should be marked as MPI Exhibit number 57.

3

4 --- EXHIBIT NO. MPI-57: Response to Undertaking 40

5

6 MS. KATHY KALINOWSKY: Undertaking
7 number 36 should be marked as MPI Exhibit number 58.

8

9 --- EXHIBIT NO. MPI-58: Response to Undertaking 36

10

11 MS. KATHY KALINOWSKY: And Undertaking
12 number 26, which is the High School Driver Ed Business
13 Case, I didn't pass out copies to everybody because
14 they're still being made right now. I believe the
15 Board members did get that copy. It's a fairly thick
16 document right now, so we'll get some more copies
17 brought up shortly. But that should be marked Exhibit
18 number 59 of MPI.

19

20 --- EXHIBIT NO. MPI-59 Response to Undertaking
21 26, High School Driver Ed
22 Business Case

23

24 MS. KATHY KALINOWSKY: I did also want
25 to mention a number of other undertakings that were

1 already responded to. So there was Undertaking number
2 21, which was on investments. And that was responded
3 to already in Exhibit number 52. So we just want to
4 put that into the record that the undertaking has been
5 discharged in that regard.

6 And Undertaking number 23 was already
7 provided in Exhibit number 30 on the DSR. And
8 Undertaking number 24 was already provided also in
9 Exhibit 30 on the DSR experience also. So we can
10 provide that.

11 And I know that a couple of the panel
12 members here from MPI want to speak to exhibits. And
13 there is one (1) exhibit still outstanding, and I
14 believe Mr. Johnston will be addressing that.

15

16 (BRIEF PAUSE)

17

18 MR. LUKE JOHNSTON: Thank you. I
19 thought Ms. Reichert had something to say. Okay.
20 Exhibit 55, which is Undertaking number 17, if I wrote
21 that down right, this was the question: How long have
22 we been doing the two (2) year -- two (2) fiscal year
23 period calculating the break-even net income?

24 And Ms. Proven also mentioned maybe it
25 had something to do with staggered renewals, and --

1 and that's true. So prior to that, we also used the
2 fiscal year methodology, but we didn't have to look at
3 it over two (2) years, because all the renewals were
4 on the same day. So that was true.

5 The other piece of this was the
6 question about: Have we always been doing this break-
7 even method? It seems like it's something new. I
8 agree that in terms of how we highlight in the Rate
9 Application it's new, but our rate-making methodology
10 has essentially been the same since -- like, the
11 general sense of it has been the same since 1998. And
12 what I mean by that is, in 1998 we were also, for --
13 for each item on the financial statement, we were
14 looking at the fiscal year expenses or claims or -- or
15 all the items, and calculating our indicated rate on
16 that basis.

17 So whereas we didn't come out and say,
18 We're using the fiscal year break-even net income, the
19 methodology of doing that essentially implies that you
20 are, because you're just adding up all the financial
21 statement items. So some clarity around that.

22 I can go to Exhibit 57, which is
23 Undertaking 40, again, if I got that right.

24

25 (BRIEF PAUSE)

1 MR. LUKE JOHNSTON: This was the
2 question around if the Board has ever approved a rate
3 increase more than sought by MPI, but we also provided
4 just all the -- all the history. So we did -- we did
5 shading here that we hoped would show up in black and
6 white. The lighter shading is where the Board
7 approved something more than what we originally
8 ordered, and the darker shading is -- is when a -- a
9 smaller rate change was -- oh sorry, yeah, ordered.

10 Just to be clear, I didn't go through
11 each of these and look for the Board's rationale for
12 doing that. We might have had a Q2 report instead of,
13 you know, we need to make a new best estimate and this
14 is the new break even so we're going to order a
15 different number. So we didn't do that, but there are
16 cases, of course, where that happens. So that just
17 highlights that.

18 And Exhibit 58, Undertaking number 36.

19

20 (BRIEF PAUSE)

21

22 MR. LUKE JOHNSTON: This was the
23 question in regards to running a different interest
24 rate floor, and we asked CAC through a -- a
25 undertaking -- I don't know if it was us or PUB who

1 asked the question, but there's an undertaking from
2 CAC about what interest floor might you consider?

3 So what our response says is that -- it
4 basically starts by saying how we interpreted their
5 undertaking. So we used two (2) different interest
6 rate floors just to make sure that we hopefully got
7 the one they intended, of 1.60 percent which was based
8 on a -- a twelve (12) month average of interest rates,
9 and 1.99 percent, which was based on a four (4) year
10 average.

11 If you -- if you flip to the second
12 page of that response, the -- we're not saying that
13 the CAC recommendation is completely without merit. I
14 -- I get the idea. What we're saying in the -- this
15 DCAT report is that we have a very, very low interest
16 rate environment right now. And so if we're talking
17 about reflecting the current situation, this graph
18 shows the -- the actual path of interest rates over
19 the last few years.

20 The two (2) interest rate floors being
21 proposed by CAC are -- are higher than the actual. So
22 how do we use a minimum interest rate that's higher
23 than the interest rate as at -- at the time the GRA
24 was prepared, or even right now? So that's -- that
25 was my struggle when we did the collaborative

1 exercise, and -- and right now.

2 All we're really saying in the DCAT is
3 that we believe it's plausible that interest rates
4 could just continue at the current low level, and we
5 put a floor on that so they don't go any -- any lower
6 than that. So that was this response.

7 The undertaking also asked us to run
8 through that floor, and -- and per this table, I -- I
9 have -- I have trouble with the credibility of -- of
10 those results, but they -- they are provided, both the
11 -- the scenarios and the difference compared to what
12 we used in the DCAT.

13 Okay. We have a couple other
14 undertakings that are still being worked on.
15 Undertaking 31 was asked by CMMG in -- in regards to
16 meeting our mandate in certain years that they
17 identified. That one (1) is -- we should have
18 complete very soon.

19

20 (BRIEF PAUSE)

21

22 MR. LUKE JOHNSTON: And, yeah, sorry.
23 I forgot the undertaking number. Undertaking 38 was
24 to run the combined scenario assuming independence of
25 -- between interest rates and equities. The combined

1 scenario takes a long time to run. I'm told that
2 we're running it, and it should finish some time this
3 evening. And we could provide the results shortly
4 after.

5 The reason it takes so long is you have
6 to think, basically, we just run the entire financial
7 model, spit out a result, record it, redo it, and then
8 do that five thousand (5,000) times. So that's what
9 takes time. So that's the status of that.

10

11 (BRIEF PAUSE)

12

13 MR. REGIS GOSSELIN: I have some
14 questions in relation to the exhibits we've just been
15 entered the record. I think it's fifty-seven (57),
16 MPI-57. No, I'm sorry. It's not fifty-seven (57).

17

18 (BRIEF PAUSE)

19

20 MR. REGIS GOSSELIN: It was one (1) of
21 the early ones. I think that -- where you indicated
22 that -- oh, I think it -- it is fifty-five (55)
23 rather. Fifty-five (55) of MPI. And it's the -- it's
24 the -- the paragraph -- the last paragraph of that
25 response. And specifically:

1 "Average projected fiscal year net
2 incomes ends up being approximately
3 zero."

4 So now, there's a -- kind of a passing
5 comment by Mr. Guimond that, as I recall it, Mr.
6 Guimond, you said that you probably could have asked
7 for a zero point-four (0.4) overall net increase in
8 returns for MPI. That's -- that's how I recall it.
9 You said you -- you could have requested an increase,
10 but didn't. Do you recall that comment? I couldn't
11 find it in the record, but I -- I thought in passing
12 you said something along the lines that -- that
13 results justified a -- a small increase in overall net
14 return of zero point-four (0.4) is what I recall.

15 And I'm trying to understand why you
16 didn't come forward with the request if that's --
17 that's what was open to you as a board.

18 MR. DAN GUIMOND: I -- I'm sorry, I
19 don't recall. But I -- I'm going to look and see if I
20 can -- I can find it.

21 MS. SUSAN PROVEN: I -- I remember it.
22 And I think what he said, if I can -- I don't know
23 whether I can speak for him or not. But you said it
24 was point four (.4) or something of 1 percent. And
25 you said it was so negligible that we kind of thought,

1 Why bother? Like, let's just put it at zero. That's
2 what I remember.

3 MR. DAN GUIMOND: We rounded it down
4 to zero. That's correct.

5 MR. REGIS GOSSELIN: So -- so
6 basically it was just why bother? Why go through all
7 the trouble of asking for a zero point four (0.4) rate
8 increase? Or is that -- is that what you're thinking?
9 I -- I understand your thinking around that because --

10 MR. DAN GUIMOND: Yeah. No, the
11 thinking is -- is that, you know, what's -- what's
12 reasonable, right? And -- and we do have a -- a
13 commitment to -- to our ongoing cost cutting efforts,
14 right? Like, we -- we cut \$8 1/2 million from last
15 year. And that's why -- that's why we don't have a
16 rate increase this year.

17 And I think -- I think even Ms.
18 Reichert provided some scenarios where maybe they
19 would be an indication of requiring maybe a rate
20 increase, or not. But for -- I think 0.4 or 0.5
21 percent overall, I think 1 percent is 8 million. So
22 what would be point zero-four (.04)? Yeah. And I --
23 I mentioned we were going to close those two (2)
24 facilities and so on. So -- so we know that -- that
25 we'll be able to -- to find a way to -- to reduce our

1 costs. We might not know all the answers today, but
2 we know what our commitment that to ask a -- a point
3 zero-four (.04) percent, or point four (.4), whatever
4 it was, it -- it -- when you -- it's got to make
5 sense, right?

6 MR. REGIS GOSSELIN: Could you -- I
7 wonder if -- Dan, if you could go to AI.9, page 4 of
8 that document.

9

10 (BRIEF PAUSE)

11

12 MR. DAN GUIMOND: Maybe to add a
13 little bit to my comments, like, we -- when we look at
14 what we did last year with the 3.4 percent and we look
15 at what the Corporation is doing from a cost-cutting
16 perspective, where we're going from a -- so we believe
17 that premium deficiency's under control. Our focus
18 right now this year is really about our capital
19 deficiency.

20 And you saw how from -- I believe, from
21 June when we applied to now we -- we went from \$213
22 million to \$180 million in no time at all. I mean,
23 that's -- that's quite a sum of money. That's --
24 that's where the risk is right now. That's what we're
25 focusing on.

1 And that -- that's really what -- this
2 year for us, in our minds, it's all about capital
3 deficiency and making sure we stay out of trouble with
4 that. And from a premium deficiency, we believe, with
5 the 3.4 percent we got last year, that -- that we --
6 we believe that -- that we're going to be able to find
7 some savings and so on to -- to offset that.

8 MR. REGIS GOSSELIN: In relation to
9 this table, I'm trying to understand what's going on
10 with motorcycles here because the actuarially in --
11 indicated rates are 0.8, so an increase. And the
12 outcome of the rate making process shows minus 8.2
13 percent.

14 Why the -- why such a variability?

15 MR. LUKE JOHNSTON: Yeah, the -- the
16 reason is that -- so a more traditional actuarial rate
17 setting methodology would -- not everyone would do
18 this necessarily, but they'll select a discount rate,
19 for example, for -- to discount all the cashflows.

20 In MPI's methodology we're using the
21 fiscal year results, and it's assuming that interest
22 rates are going to go up and up and up. And the
23 biggest beneficiary of that are motorcycles because
24 almost all their claims are PIPP.

25 So they're essentially getting -- I

1 don't know if the term's 'rewarded', but they're --
2 they're getting the benefit of the interest rate
3 forecast in their expected costs on the assumption
4 they're going to fall, and that's -- that's the main
5 difference right there.

6 If we were in a -- if we didn't have an
7 increasing interest rate forecast the two (2)
8 indications would be much -- much more similar.

9

10 (BRIEF PAUSE)

11

12 MR. REGIS GOSSELIN: You know, one (1)
13 -- one (1) area I'd like to scroll with you, Mr.
14 Johnston, is, you know, we talked about the sources of
15 variability in claims cost and interest rates and
16 equity and so on. But, you know, one (1) -- one (1)
17 source of significant variability year to year has
18 been the actuarial adjustments.

19 MR. LUKE JOHNSTON: M-hm.

20 MR. REGIS GOSSELIN: And, you know,
21 I'm looking at, for example, the IBNR last year, the
22 mobility adjustment in 2010 -- sorry, the -- this
23 mortality adjustments in 2010; there were some again
24 this year. And so -- so actuarial adjustments have
25 been a source of variability over the last five (5)

1 years.

2 And I'm sort of wondering, you know, is
3 that going to be the case going forward, as well? I
4 mean, do you anticipate -- are you -- you know, I
5 realize you're a new man on the block --

6 MR. LUKE JOHNSTON: Yeah.

7 MR. REGIS GOSSELIN: -- and are
8 probably cleaning up stuff that needs to be cleaned up
9 and so on, but do you expect that there would be
10 adjustments of this kind on a go-forward basis, you
11 know, 34 some million a year and so on?

12 MR. LUKE JOHNSTON: That's a good
13 question. The -- we talked a little bit before about
14 the relevance of older year's budgets. And as you
15 know, we had that long string of years where PIPP was
16 constantly under budget. And we'd answer questions
17 here at the PUB, like, how come these forecasts never
18 materialized. And in 2010, we did the significant
19 adjustment to all those estimates to bring them to
20 reflect the reality we now saw with PIPP.

21 So to the extent that that has been
22 dealt with, you already notice we're not seeing --
23 we're seeing much more kind of fluctuations around
24 zero for PIPP, and that should be the -- the norm
25 going forward.

1 So there will still be variations, of
2 course, but in terms of PIPP, one (1) of the reasons
3 we really support that methodology with the mortality
4 rates is it brings some stability to the exercise.
5 We're not just overreacting one way or another year --
6 year after year.

7 The other piece that is a little harder
8 to pull out of the -- the actuarial evaluation is --
9 is the interests rates are -- impacts are somewhat
10 embedded in the results.

11 So when I say that, I mean when our
12 forecast is being done in the -- for interest rates,
13 we're essentially saying, When you do your actuarial
14 evaluation a year from now, what's your new interest
15 going to be? And then it recalculates the liabilities
16 and says, Here's your interest rate impact.

17 So there are some big swings there as
18 well. So that's -- it -- it's hard to split that
19 particular piece out.

20 The other -- I think you might have
21 mentioned the provisions for adverse deviation. So we
22 recently changed the interest rate provision a couple
23 of times, and that was worth a lot of money. The
24 combined impact of what we've already done and what
25 we're going to do is over 50 million. That's in

1 response to some -- to a -- a decision.

2 Like so we -- the -- the recent change
3 is going to be because of the ALM. We -- we've
4 legitimately lowered risk, and the -- the re -- the
5 first reduction we made was because the interest rates
6 were so incredibly low. So sometimes you have to
7 react to your -- your risk profile. But again, you
8 would hope that that would be consistent over time.

9 In terms of the future, we're always
10 going to have vari -- we have to remember that I think
11 the liabilities are about 1.7 or 1.8 billion. So
12 sometimes they come to our MPI board in a \$25 million
13 swing, and everyone's like, Oh, 25 million. And I've
14 just got to remind them that might be like .002
15 percent or something of the number. And so that's, on
16 a percentage basis, quite small.

17 The only other area where I could see
18 maybe going forward is, as we get more and more
19 information about PIPP, we might feel more comfortable
20 about our risk margins that we apply to -- to PIPP.
21 But as of today, we're still kind of immature in the
22 sense that we -- we only have limited data over ten
23 (10) years.

24 Is that -- is that a helpful answer?

25 MR. REGIS GOSSELIN: Yeah, it is.

1 Thank you.

2 THE CHAIRPERSON: Thank you. Ms.
3 Kalinowsky, was somebody else going to be responding
4 to any of the --

5 MS. KATHY KALINOWSKY: Mr. Guimond has
6 some comments.

7 MR. DAN GUIMOND: Thank you. It's
8 regarding the High School Driver Ed undertaking
9 regarding where we had quantified the -- the injury
10 savings regarding the undertaking for Bike Winnipeg.

11 So the material that I was referring to
12 is part of the 2015 rate application, Charter High
13 School Driver Education, or HSDE. AI.10, page 4
14 describes the various buckets of savings, and on page
15 5 it was for a total of \$3.2 million. \$2.2 million
16 were claims frequency and severity. The other savings
17 were more administrative.

18

19 (BRIEF PAUSE)

20

21 MR. DAN GUIMOND: It's 2015 rate app
22 AI.10, page 4 and 5. And at the top of page 5 there,
23 you should be able to see it, at the top of page.
24 Yes, please. There we go.

25 So this was the savings for a total of

1 \$3.2 million. And then if we go to page 4, please,
2 you'll see ATE. That's how the savings are broken
3 down and you can see the 2 percent decrease in claim
4 frequency and severity. So that was the first time we
5 started to quantify things.

6 THE CHAIRPERSON: Okay. Thank you.
7 Then I'm going to turn the mic over to Ms. Grammond,
8 and she's going to read into the record a presentation
9 from the Automotive Recyclers of Manitoba, I believe,
10 and -- and then carry on with some other cross-
11 examination.

12 MS. CANDACE GRAMMOND: Yes. Thank
13 you, Madam Chair. I do have some further cross for
14 the MPI panel on the basis of some of the exhibits
15 that have been filed. But we also received -- that is
16 we, the Board, received from the Automotive Recycles
17 of Manitoba a letter which I would suggest is in the
18 way of a written presentation. It's not evidence, but
19 it won't be marked as an exhibit because of that but
20 it should be read into the record.

21 So it's on Automotive Recyclers of
22 Manitoba letterhead. It's undated but it was
23 submitted to the Board by email on October 19th, 2015.
24 The letter reads as follows:

25 "We would like to take this

1 opportunity to thank you again for
2 allowing us the privilege to
3 participate in the PUB process in
4 2014. The Board had made several
5 recommendations and we felt it was
6 prudent to submit an update at this
7 time. We are pleased MPI is working
8 with ARM in the ongoing PDR project,
9 and trust this will continue. The
10 recycled first policy has not been
11 reinstated but discussions have
12 included plans to adopt a strong
13 initiative to both foster and assist
14 the recycling industry -- the auto
15 recycling industry for it to remain
16 viable and sustainable. The ARM has
17 had productive meetings with MPI,
18 and we believe we are on a steep and
19 rapid learning curve in terms of the
20 challenges facing the entire repair
21 industry, all the way from suppliers
22 to insurers, and all trades in
23 between. We have recently met with
24 the ATA at MPI's request, and
25 initial talks appear to be positive

1 for both associations, and we look
2 forward to fostering this new
3 relationship. We are very pleased
4 to inform the Board that MPI has
5 adopted the Canadian Auto Recyclers
6 Environmental Code, which
7 demonstrates our environmental
8 concerns have been heard and acted
9 upon for the benefit of all
10 Manitobans. We thank the PUB Board
11 for their time to review this
12 letter, and appreciate the
13 recommendations from previous years.
14 Sincerely, Automotive Recyclers of
15 Manitoba."

16 So as indicated, Madam Chair, that is
17 in the vein of a presentation submitted in writing,
18 and is not evidence but should still form part of the
19 record.

20

21 CONTINUED CROSS-EXAMINATION BY MS. CANDACE GRAMMOND:

22 MS. CANDACE GRAMMOND: So with that
23 done, I will now proceed to a few different lines of
24 questioning with respect to different exhibits.
25 Diana, I'll ask you to start with MPI Exhibit 29,

1 which was filed last week. It's a graph on fixed
2 income asset returns.

3 So with that on the screen, and just
4 for context, Ms. Reichert, you testified last week and
5 this again just for the record is at page 1,173 of the
6 transcript. You spoke -- when you were commenting
7 upon this very exhibit you spoke about the
8 Corporation's minimum credit rating, and that because
9 of that minimum credit rating limit which I believe
10 was A minus, or A low, the Corporation was unable to
11 purchase lower rated corporate bonds, which was one of
12 the ones that Aon had indicated had a better upside
13 potential.

14 I'm mostly quoting, but slightly
15 paraphrasing your evidence from page 1,173. So my
16 question is: Has the Corporation done an analysis of
17 corporate bonds that meet the finance department's
18 minimum credit rating of A minus?

19 MS. HEATHER REICHERT: That's what we
20 are currently doing. I think I indicated we were
21 still reviewing and investigating the recommendation
22 that was made by Aon, so we haven't completed that to
23 determine if we should, in fact, increase our
24 corporate bond percentage. So that was as a follow-up
25 to that Aon study, that we were going to look into

1 that more -- more.

2 MS. CANDACE GRAMMOND: Do you have a
3 sense of timing of when that analysis might be
4 completed?

5 MS. HEATHER REICHERT: Not at this
6 moment I don't.

7 MS. CANDACE GRAMMOND: So is it
8 something that the Board could anticipate hearing
9 about further next year?

10 MS. HEATHER REICHERT: Yes. By next
11 year we should have been able to have looked at that
12 and made some decisions.

13 MS. CANDACE GRAMMOND: Thank you.

14

15 (BRIEF PAUSE)

16

17 MS. CANDACE GRAMMOND: Okay. Diana,
18 if you could go now to Exhibit 35 of MPI? This was
19 actually a Pre-Ask of CMMG posed of MPI. And it asks,
20 in essence, how many times the Corporation experienced
21 a combination of all three (3) factors, including
22 interest rate, negative cumulative equity returns, and
23 external increased claims for four (4) years
24 consecutively, and then to advise of the same for a
25 three (3) year and two (2) year period.

1 So it would seem from the Corporation's
2 answer that MPI has not had within its history a four
3 (4) year combined adverse event. And the reference
4 within the response to the two (2) year event ended on
5 -- or, sorry, it was a two (2) year event that ended
6 on February 28th, 2003.

7 Are -- is that correct so far, Mr.
8 Johnston?

9 MR. LUKE JOHNSTON: Yes. I'll have
10 some comments at the end, but I'll let you finish.

11 MS. CANDACE GRAMMOND: Now, can you
12 confirm that for these two (2) fiscal years, so the --
13 the two (2) fiscal years that preceded February of
14 2003, MPI lost 30.1 million as of -- as of the year
15 ending February 2003, and 11.7 million as of the year
16 ending 2002? Would you accept that, subject to check?

17 MR. LUKE JOHNSTON: Subject to check.

18 MS. CANDACE GRAMMOND: And, for the
19 record, I can indicate the --

20 MR. LUKE JOHNSTON: I accept that,
21 yeah.

22 MS. CANDACE GRAMMOND: Thank you. For
23 the record, those figures come from the 2002 annual
24 report of the Corporation on page 50. Now, I also
25 understand that in the 2002 fiscal year end, or within

1 that fiscal year, MPI paid out a rebate of about 80
2 million.

3 Does that accord with your knowledge as
4 well, subject to check?

5 MR. LUKE JOHNSTON: Subject to
6 checking this paper right beside me. Yes, it does.
7 Yeah.

8 MS. CANDACE GRAMMOND: So within the
9 two (2) year event that's referenced in the answer to
10 this Pre-Ask, there was a rebate?

11 MR. LUKE JOHNSTON: In the two (2)
12 years prior to that, the 2001 rebate should have been
13 paid out. That would be my understanding, subject to
14 check.

15 MS. CANDACE GRAMMOND: You're saying
16 prior to the two (2) year event, or within the two (2)
17 year event referenced?

18 MR. LUKE JOHNSTON: Sorry, within.
19 So, yeah, prior to the end of this two (2) year event,
20 there would have been a two (2) year period where it
21 would make sense that the 2001 rebate would fall in
22 that period. Yeah.

23 MS. CANDACE GRAMMOND: And was that
24 the rebate that was done by way of reduced premium as
25 opposed to cheques -- payment of cheques?

1 MR. LUKE JOHNSTON: Yes, that was the
2 -- the 16.6 percent rebate applied to the premium.
3 Yeah.

4 MS. CANDACE GRAMMOND: Those are my
5 questions with respect to that exhibit. So if you did
6 have a further comment that you want to make, you can
7 do that.

8 MR. LUKE JOHNSTON: Yes, we struggled
9 with this answer, because I -- I spoke to this just
10 briefly in regards to one (1) of the Board's
11 questions. So a few things. We -- prior to a few
12 years ago, we didn't forecast interest rates at all.
13 We just had flat interest rates. So a lot of the risk
14 that we're seeing today is that we're -- we're banking
15 on interest rates to go up, and it might not happen.
16 So that's something new for us. And the modelling of
17 interest rates and how they impact our forecast is
18 also new, within the last few years.

19 When we look at the question as it's
20 worded, and I -- I think it is worded correctly, we're
21 -- we're always talking about versus budget. Like, we
22 want to break even, right? So if -- if we're on
23 budget, we're breaking even. That's the goal.

24 There were aspects of our old
25 forecasting methodology that were conservative. No

1 question. I talk -- I gave one (1) example. We used
2 to forecast the equity return to be the same as the
3 ten (10) year Government of Canada bond. So pretty
4 good chance you're going to turn out better than that
5 most of the time, and we did.

6 And -- and then I also talked about
7 PIPP, how we did have a string there of a good eight
8 (8) to ten (10) years where it came in under and
9 something needed to be done to fix that, to -- to make
10 it a true best estimate forecast. So looking back to
11 those old periods where some of the forecasting was
12 much different and, in some cases, conservative, it's
13 hard for us to find an example where we did lose a
14 bunch of money.

15 What our answer here is basically
16 saying is that we believe everything is on a best
17 estimate basis now and the DCAT reflects our risks
18 right now.

19 MS. CANDACE GRAMMOND: Thank you.
20 Diana, I'm going to ask you to go to MPI Exhibit 13,
21 please. This is Undertaking number 6.

22

23 (BRIEF PAUSE)

24

25 MS. CANDACE GRAMMOND: So this

1 undertaking, Mr. Johnston, was given after an exchange
2 that you and I had with respect to the \$104 million
3 spread in that -- in the comparison between the two
4 (2) tables. Do you recall that?

5 MR. LUKE JOHNSTON: I recall, yes.

6 MS. CANDACE GRAMMOND: So my question
7 relates to the answer here. So the Corporation has --
8 we had asked the question: Why is the 104 million
9 maintained throughout the years shown? The
10 Corporation has provided an answer, but that was --
11 that it modelled the transfer of that amount from
12 Extension to Basic. The Corporation went on to
13 explain the 83.3 percent allocation of investment
14 income to Basic from corporate overall through the
15 forecast period. So my -- my question focusses on
16 that part of the answer.

17 Can you confirm that this allocation of
18 the 83.3 percent, that is, of Corporate overall
19 investment income to Basic, is based on a weighted
20 average of equity balances by line of business as at
21 the 2014/'15 year-end?

22

23 (BRIEF PAUSE)

24

25 MR. LUKE JOHNSTON: Yes, I can.

1 MS. CANDACE GRAMMOND: Can you tell us
2 why it -- it's reasonable to assume that this
3 allocation remains fixed through the projection period
4 if the weighted average equity balances by line of
5 business are expected to change throughout that
6 period?

7 MR. LUKE JOHNSTON: I agree. In this
8 particular case, we were transferring such a large sum
9 of money, or assumed to transfer such a large sum of
10 money, that a fixed allocation doesn't seem to make --
11 make sense. So for the majority of the DCATs that we
12 run, we're not transferring hundreds of millions of
13 dollars over, so it's -- it's seen as reasonable. But
14 when -- when -- in answering this question, I can see
15 that in this case, it -- it doesn't seem appropriate
16 to lock that in permanently.

17 And what we're going to try to do in --
18 with future DCATs is, it's not easy, but have this
19 allocation, which is, again, a complicated procedure,
20 update and at least get a better proxy. Maybe -- it
21 might not be the exact way that we calculated it on a
22 actual basis, but to try to get the model to
23 approximate it a little bit better.

24 MS. CANDACE GRAMMOND: So would it be
25 fair to say that what you're going to attempt would be

1 more of a dynamic determination rather than a static
2 determination?

3 MR. LUKE JOHNSTON: That's correct.

4 MS. CANDACE GRAMMOND: The -- the next
5 question that I have -- actually, two (2) questions,
6 relate to specific excerpts within the DCAT report.
7 I'll -- I'll have us go there just so that we all have
8 context. And then I'll ask the questions. Diana, can
9 you go to page 8 of the DCAT report filed September
10 21st, 2015?

11

12 (BRIEF PAUSE)

13

14 MS. CANDACE GRAMMOND: So that's in
15 the RSR section of the filing.

16

17 (BRIEF PAUSE)

18

19 MS. CANDACE GRAMMOND: Page 8, if you
20 could.

21

22 (BRIEF PAUSE)

23

24 MS. CANDACE GRAMMOND: One (1) moment,
25 Madam Chair.

1 (BRIEF PAUSE)

2

3 MS. CANDACE GRAMMOND: If you can just
4 scroll a little bit further? So we've got these
5 charts on page 8, Mr. Johnston, that reflect combined
6 scenario results in a one (1) in forty-seven (47) year
7 probability level without management or regulatory
8 action. And then that's the first one.

9 And then the second one, adding with
10 the -- a -- a particular beginning balance of
11 2016/'17, is it possible to rerun these figures on the
12 dynamic basis that we talked about using a modelled
13 weighted average equity balance by line of business?

14 And I -- I appreciate that we're
15 expecting closing remarks tomorrow, so I don't know if
16 that -- if it's possible and what the timing would be.
17 So can you help me with that?

18 MR. LUKE JOHNSTON: Yeah, I would
19 suspect that would be very difficult. It -- the issue
20 with this is likely that the model can't do that or
21 needs some sort of enhancement to do that. So to
22 think that we could turn that around that -- that
23 quickly would -- I -- I just -- I wouldn't see that
24 happening.

25 And just to be clear, like, this

1 particular portion of the DCAT is really just a -- an
2 add-on. Like, it's not part of the DCAT. It's we've
3 kind of been asked to look at this from a different
4 angle, and this was our attempt to approximate what
5 366 million might look like in this report. So that's
6 what -- that's what's being done here.

7 You've noted in the IR that there's a -
8 - a portion of it that we could maybe improve, but it
9 wouldn't affect the -- the running of all the
10 scenarios that we did in -- in the DCAT.

11 MS. CANDACE GRAMMOND: Thank you.

12 One (1) moment, Madam Chair.

13

14 (BRIEF PAUSE)

15

16 MS. CANDACE GRAMMOND: Thank you.

17 Madam Chair, I'll leave that exhibit.

18 And we'll go now, Diana, to MPI Exhibit
19 9.

20

21 (BRIEF PAUSE)

22

23 MS. CANDACE GRAMMOND: Thank you.

24 Just one (1) moment.

25 So this was a -- a table, Ms. Reichert,

1 that was filed to reflect the updated interest rates
2 through September 2015.

3 You'll recall this one?

4 MS. HEATHER REICHERT: Yeah. That was
5 quite some time ago, but I vaguely recall.

6 MS. CANDACE GRAMMOND: Well, it was
7 last week or the week before. Okay. Just making sure
8 we're still talking about the confines of the hearing.
9 Okay.

10 So what we see here is the -- in the
11 third column entitled March 2015 Forecast, those were
12 the interest rate forecasts that the Corporation used
13 when it was preparing the GRA?

14 MS. HEATHER REICHERT: Correct.

15 MS. CANDACE GRAMMOND: And we then got
16 the August updated forecast and the September updated
17 forecast, followed by differences between August and
18 September?

19 MS. HEATHER REICHERT: Correct.

20 MS. CANDACE GRAMMOND: And then, to
21 the right of that, the three (3) columns that are
22 entitled Annual Change, that's a change from -- and
23 correct me if I'm wrong -- year-end as at February
24 2015 to the March forecast to the August forecast and
25 then to the September forecast? Yeah --

1 MS. HEATHER REICHERT: Maybe if you
2 could just say that one (1) more time?

3 MS. CANDACE GRAMMOND: Sure. And
4 maybe I can be a little more clear, so I apologize.
5 In the -- in the column that's entitled Actual, which
6 is the third from the end, we see the actual interest
7 rates that were in place as of the end of six (6)
8 specific quarters.

9 The quarter 4 for the 2014/'15 fiscal
10 year reflects an actual interest rate of 1.3 percent,
11 right?

12 MS. HEATHER REICHERT: Correct.

13 MS. CANDACE GRAMMOND: So the -- the
14 column before where we have the three (3) sets of
15 annual change percentages is -- reflects a comparison
16 between that 1.3 percent that was in place as at
17 February 2015 compared with the three (3) updates,
18 March, August, and September?

19 MS. HEATHER REICHERT: Correct.

20 MS. CANDACE GRAMMOND: Okay. So the
21 change from February 5th, 2015 from the 1.3 percent to
22 March 2015 when the GRA was prepared for the March
23 2015 -- or, sorry, the -- the February 2016 year end
24 was a point seven four (.74) basis point change.

25 From one point three (1.3) actual to a

1 two point zero four (2.04) forecast?

2 MS. HEATHER REICHERT: Correct.

3 MS. CANDACE GRAMMOND: And then for
4 the next fiscal year, so going down from that 0.74
5 percent, we see 0.65 percent which is reflective of
6 the change in forecast through to the end of the
7 2016/'17 fiscal year, the year of the application?

8 MS. HEATHER REICHERT: Correct.

9 MS. CANDACE GRAMMOND: And then
10 underneath that, we have a .85 percent change which is
11 reflective to the end of the next fiscal year, the
12 2017/'18 fiscal year?

13 MS. HEATHER REICHERT: Correct.

14 MS. CANDACE GRAMMOND: And then for
15 the next two (2) years shown, there are no changes
16 forecast. That's correct?

17 MS. HEATHER REICHERT: That's correct.

18 MS. CANDACE GRAMMOND: Now, if we look
19 at the September column, so the -- the third column
20 within that box, we see how things changed from when
21 MPI prepared the GRA in March to how interest rates
22 actually evolved in September?

23 MS. HEATHER REICHERT: Correct.

24 MS. CANDACE GRAMMOND: So we see the
25 four (4) -- forty-two (42) basis point change for the

1 current fiscal year-end, and then how the --
2 immediately underneath that forty-two (42) basis
3 points, we see the changes for the ensuing fiscal
4 years.

5 MS. HEATHER REICHERT: Correct.

6 MS. CANDACE GRAMMOND: So it would --
7 would seem, and you tell me what your view is, that
8 interest rates based on the September update are still
9 forecasted to increase but at a slower rate than was
10 thought previously. That -- when we compare it to the
11 March column?

12 MS. HEATHER REICHERT: Correct, except
13 for, I guess, in 2016 set of boxes, there, where point
14 six nine (.69) increases a tiny bit more than the
15 point six five (.65) increase that was forecasted in
16 March. But generally speaking, yes, the increases are
17 less than what they were being forecasted to be at
18 March.

19 MS. CANDACE GRAMMOND: So how do those
20 changes, if we look at the September column, how does
21 that impact MPI's forecasts?

22 MS. HEATHER REICHERT: So I -- I
23 believe in my presentation that I gave on the first
24 day, I think it was the first day, we indicated that
25 had we filed our application based on the September

1 forecasted interest rates, it would have indicated a
2 1.6 percent rate increase. So that means that if
3 these interest rates had been used, we would have been
4 forecasting higher...

5

6 (BRIEF PAUSE)

7

8 MS. HEATHER REICHERT: I'm -- sorry,
9 it's being suggested that I pull up the Pow -- the --
10 Exhibit 8, Power -- our PowerPoint. It's page 48,
11 which is what I just said. If it had been based on
12 the Bank industry forecast at September 30th a 1.6
13 percent rate increase would have been requested,
14 meaning that our overall forecasted expenses would
15 have been forecasted to be higher in the two (2) years
16 that impact on the rates, and therefore we would have
17 had to ask for a -- a higher rate increase to offset
18 those expenses.

19 MS. CANDACE GRAMMOND: Now, a few
20 moments ago, the Chairman of the Board had asked a
21 question relative to AI.9, page 4, and just while
22 Diana pulls that up, we'll recall that that was a
23 table that set out indicated rates.

24 Is the Corporation able to run just the
25 middle column, or the -- I guess the third column

1 that's entitled 'Indicated rates' on the basis of a
2 1.6 percent rate increase?

3 MR. LUKE JOHNSTON: We -- we can
4 always do that, yes. When do you need it by? That's
5 kind of the question. Like I -- I -- basically, I'll
6 -- when we have a break, I'll try to get that done. I
7 think it can be done relatively quickly, but is the
8 question just, If we had -- I -- I --

9 MS. CANDACE GRAMMOND: I can be of
10 some assistance. I know that there's at least one (1)
11 undertaking outstanding that's taking a while, just by
12 its nature that the Corporation hopes to file by first
13 thing tomorrow. And -- and tell me if this is
14 feasible or not. I don't know how long it takes.

15 MR. LUKE JOHNSTON: I -- I guess the
16 concern I have is that the reason for the higher rate
17 indication relates to interest rates. And those
18 interest rates are going to impact a whole bunch of
19 other forecasts in different ways. And -- and that,
20 while overall might be one point six (1.6), it might
21 have implications for the major class rates as well.

22 So we talked about how sensitive
23 motorcycles are to interest rates. To simply go and
24 re-balance to 1.6 percent wouldn't be difficult. To
25 redo all the forecasts on that basis and plug them

1 back into other rate-making methodology would -- would
2 take some time. That's my -- that's my only concern.
3 So we could re-balance to a new -- a new number.

4

5

(BRIEF PAUSE)

6

7 MS. CANDACE GRAMMOND: Mr. Johnston,
8 if you would agree to -- if you would agree to, on a
9 best efforts basis, file what can be filed by tomorrow
10 before closing comments commence, that would be
11 appreciated. And we'll -- we know that you'll --
12 you'll use your best efforts as time is available.

13 MR. LUKE JOHNSTON: Okay. We'll --
14 we'll describe what was done and any limitations that
15 that includes. Yeah.

16 MS. CANDACE GRAMMOND: Thank you. So,
17 just for the record, that's with respect to AI-9 page
18 4, the table that appears near the top of that page,
19 and in particular the column that's entitled
20 "Indicated rates."

21

22 --- UNDERTAKING NO. 44: Re-balance with respect to
23 AI-9 page 4, the table
24 that appears near the top
25 of that page, and in

1 particular the column
2 that's entitled "Indicated
3 rates."

4

5 MR. LUKE JOHNSTON: That's correct.

6

7 CONTINUED BY MS. CANDACE GRAMMOND:

8 MS. CANDACE GRAMMOND: Thank you.

9 Diana, I'll ask you to go to MPI Exhibit 11 please.
10 This was a re-running of the -- one (1) of the pro
11 formas. Yes. I think actually this is the one (1)
12 that was looked at earlier as part of Mr. Monnin's
13 cross. That's perfect, Diana. Thank you.

14 So this was the one (1) where we asked
15 that it be re-run to include an update of the
16 September 2015 interest rates that we spoke about a --
17 a moment ago, Ms. Reichert. That's right?

18 MS. HEATHER REICHERT: Correct.

19 MS. CANDACE GRAMMOND: And, as I
20 understand it, the forecasts that we see here for the
21 remainder of the current year and then through future
22 years assumes that interest rates don't change from
23 the September rate, which is the -- I think the last
24 that we have in evidence at this hearing.

25 MS. HEATHER REICHERT: Maybe I can

1 just state it in -- in my words. So this pro forma is
2 based on assuming zero percent change in premiums, and
3 assuming that the September 2015 interest rates that
4 were forecast as at September 2015 are used in the
5 forecast.

6 I -- I think I heard you say that --
7 that it was assuming flat interest rates from
8 September of 2015?

9 MS. CANDACE GRAMMOND: I think I did,
10 and I think your characterization is the accurate one.

11 MS. HEATHER REICHERT: Okay.

12 MS. CANDACE GRAMMOND: So I appreciate
13 you correcting that. Thank you.

14 MS. HEATHER REICHERT: Okay. Yeah, so
15 this is -- this is using the forecast that we just
16 looked at for September --

17 MS. CANDACE GRAMMOND: Yes.

18 MS. HEATHER REICHERT: -- 2015 over
19 the next two (2) -- or four (4) years, five (5) years.

20 MS. CANDACE GRAMMOND: Okay. So -- so
21 this pro forma reflects forecasts based on September
22 2015 interest rate projections?

23 MS. HEATHER REICHERT: Correct.

24 MS. CANDACE GRAMMOND: And there are
25 no other changes to this from what the Corporation

1 originally filed?

2 MS. HEATHER REICHERT: No.

3 MS. CANDACE GRAMMOND: So, for
4 example, the second quarter results are not
5 incorporated into this document?

6 MS. HEATHER REICHERT: No.

7 MS. CANDACE GRAMMOND: Now, obviously
8 the 2015 results are actual results, so those are
9 unaffected from what else the Corporation has filed,
10 or when compared with what else the Corporation has
11 filed. But for the current year, the -- the year
12 that's shown here as 2016, we see a \$7 million income,
13 which is about half of the income provided for in the
14 GRA.

15 MS. HEATHER REICHERT: Correct. And
16 so that's reflecting the interest rates that are being
17 forecasted from September 2015 to the end of February
18 2016, so for the last half of the year.

19 MS. CANDACE GRAMMOND: Right. And we
20 see for the 2017 year again under this interest rate
21 scenario a \$15.2 million loss, which is an increased
22 loss or a more substantial loss from what the
23 Corporation forecast originally?

24 MS. HEATHER REICHERT: Correct.

25 MS. CANDACE GRAMMOND: And that's by

1 about 3.9 million?

2 MS. HEATHER REICHERT: Correct.

3

4 (BRIEF PAUSE)

5

6 MS. CANDACE GRAMMOND: And we looked a
7 moment ago at Exhibit 9. And maybe, Diana, we can
8 just pull that up briefly again. So to -- to tie
9 these two (2) documents together, that \$3.9 million
10 negative impact is tied in with the four (4) basis
11 point change that we see from the annual change March
12 column of sixty-five (65) basis points to the annual
13 change September column of sixty-nine (69) basis
14 points.

15 Is that correct?

16 MS. HEATHER REICHERT: Yes.

17

18 (BRIEF PAUSE)

19

20 MS. CANDACE GRAMMOND: And while we're
21 here, and we're going to go back to the other document
22 in a moment, if we go to the next fiscal year we see
23 this now -- this is year --

24 MS. HEATHER REICHERT: Sorry, if I can
25 just --

1 MS. CANDACE GRAMMOND: Oh, go ahead.

2 MS. HEATHER REICHERT: I'm sorry. If
3 I can just -- so what -- so the -- the change in 2016,
4 so the 2016 block as it relates to the September 2015
5 forecast, just I'm double checking the -- the numbers
6 because I know we went through all of these. Yeah,
7 okay, sorry. Correct, that's the sixty-nine (69)
8 basis points change from the end of 2015 to the end of
9 2016, sorry.

10 MS. CANDACE GRAMMOND: Right. And it
11 is the sixty-nine (69) basis point change from March
12 to September -- or sorry, from the previous year-end
13 to September, but from March to September it's a four
14 (4) basis point change?

15 MS. HEATHER REICHERT: Right.
16 Correct.

17 MS. CANDACE GRAMMOND: Okay. So if we
18 look at the next year, the 2017 block in the same
19 column, we see that what was projected in March to be
20 an eighty-five (85) basis point change is updated in
21 September to be a thirty-one (31) basis point change?

22 MS. HEATHER REICHERT: Correct.

23 MS. CANDACE GRAMMOND: Okay. And now,
24 Diana, if we can go back to Exhibit 11. We see how
25 that translates into dollars. So on this document

1 that's the 2018 fiscal year.

2 And we see a \$12 million loss which was
3 filed in the GRA as a \$12 million income?

4 MS. HEATHER REICHERT: That's right.

5 MS. CANDACE GRAMMOND: Yes.

6

7 (BRIEF PAUSE)

8

9 MS. CANDACE GRAMMOND: We're back.

10 MS. HEATHER REICHERT: I think my
11 answer was, yes, the -- so in total there was about a
12 25 or \$24 1/2 million decrease in -- or sorry,
13 increase in loss in the 2017/'18 year as a result of
14 the fact that the interest rates did not increase as
15 substantially as they did in the March forecast.

16 MS. CANDACE GRAMMOND: Thank you.
17 Diana, can you pull up Exhibit 20, please, MPI Exhibit
18 20?

19

20 (BRIEF PAUSE)

21

22 MS. CANDACE GRAMMOND: And I'm just
23 pulling this up for reference. What we're wondering
24 is whether the change between the March and September
25 forecast that we've been looking at in Exhibit 9 can

1 be provided in the level of detail that we have here
2 or in the format that we have in front of us.

3 Is that something that the Corporation
4 would be able to prepare and file with the Board?

5 MS. HEATHER REICHERT: So just so that
6 I'm clear, so can we provide the net impact of
7 interest rate movements in this same format for the
8 2016 GRA?

9 So these were all 2014/'15 years that
10 we provided at different times or different forecast
11 periods compared to actual. So, I'm sorry, can you
12 restate what you were asking?

13 MS. CANDACE GRAMMOND: You're on the
14 right track. We're wondering -- like this -- this
15 exhibit in front of us compares the 2015 GRA forecast
16 for -- for the 2014/'15 fiscal year compared to the
17 update which was Pre-Ask 5, right? That was a year
18 ago at this hearing.

19 So what we're asking is -- and -- and I
20 appreciate we don't have the actual yet for the
21 completion of the current year, but can you provide a
22 comparison in this format that compares the March
23 forecast with the September forecast? And we just
24 wouldn't have the actual.

25 MS. HEATHER REICHERT: I -- I'm

1 wondering if we haven't already provided that as one
2 (1) of our exhibits. And I think we just amended it
3 and updated it today.

4 MS. CANDACE GRAMMOND: Oh.

5 MS. HEATHER REICHERT: Exhibit -- one
6 (1) moment, please.

7 Diana, can you pull up Exhibit number
8 51?

9 And I -- I think that this gives all
10 the same components. But maybe -- maybe I'm -- well,
11 I'm sorry. Maybe I'm -- maybe I'm wrong. So this is
12 definitely giving the breakdown for the 2015/'16 year
13 based on what was forecasted in the 2016 GRA.

14 So now you would like to add to this
15 the same year but using the September bank forecast
16 instead?

17 MS. CANDACE GRAMMOND: Yes. And what
18 we're requesting is for current year, year of
19 application, and 2017/'18.

20 Can that be done?

21 MS. HEATHER REICHERT: Okay. Yes. We
22 can undertake to do that. So for the recorder, we
23 will undertake to provide the -- the breakdown -- if I
24 can just say, you know, as per Exhibit 51, for
25 '15/'16, '16/'17, and '17/'18 using the pro formas

1 forecasted using September 2015 bank forecasts.

2

3 --- UNDERTAKING NO. 45: MPI to provide breakdown,
4 as per Exhibit 51, for
5 '15/'16, '16/'17, and
6 '17/'18 using the pro
7 formas forecasted using
8 September 2015 bank
9 forecasts

10

11 CONTINUED BY MS. CANDACE GRAMMOND:

12 MS. CANDACE GRAMMOND: And will the
13 updated forecasts reflect the full implementation of
14 the duration matching that's been implemented by the
15 Corporation?

16 MS. HEATHER REICHERT: Yes, it will.
17 For '15/'16, it will show as of August 31st.

18 MS. CANDACE GRAMMOND: August 31st.

19 MS. HEATHER REICHERT: But for the
20 outlook years, it will be fully implemented, so
21 '16/'17, '17/'18.

22 MS. CANDACE GRAMMOND: Thank you.

23 Diana, I'm going to ask you to pull up
24 Exhibit 11 again, which was the updated pro forma that
25 we were looking at a minute ago.

1 So again, Ms. Reichert, just to tie
2 this together, where we look at the revised net
3 results for the two (2) years, the year of the
4 application and the subsequent year, so the two (2)
5 that are shaded. And we see, if the September
6 interest rate forecasts are correct, what the -- the
7 results will be.

8 That's where you say, and you referred
9 me back earlier to your PowerPoint, the 1.6 percent
10 rate increase?

11 MS. HEATHER REICHERT: Correct. So
12 just so that it's clear, so how we arrive at the 1.6
13 percent is we take the average of the fifteen point
14 three (15.3) and the twelve point one (12.1) which --
15 whatever that's -- the total of those two are twenty-
16 seven (27) point something. The average of that is
17 thirteen point-five (13.5).

18 Thirteen point five (13.5) represents
19 approximately 1.6 percent on rates. You divide that
20 thirteen point five (13.5) by approximately eight and
21 a half (8 1/2), eight point-four (8.4), and that
22 arrives at the 1.6 percent. So that's how we arrived
23 at that -- that amount.

24 MS. CANDACE GRAMMOND: And just to be
25 clear, the Corporation is still applying for a zero

1 percent change on the basis of the GRA as filed, and
2 regardless of the September 2015 interest rate
3 forecast.

4 MS. HEATHER REICHERT: Yes, we are

5 MS. CANDACE GRAMMOND: Diana, I'm
6 going to ask you to go to MPI Exhibit 21.

7

8 (BRIEF PAUSE)

9

10 MS. CANDACE GRAMMOND: So this is, I
11 think, an earlier version of a document that we were
12 just looking at. I don't think the -- the details
13 that I'm going to take you to have changed but if you
14 do want to refer to something else, you'll -- you'll
15 tell us.

16 Now, can you confirm what interest rate
17 forecast was used in preparation of this exhibit?

18 MS. HEATHER REICHERT: This was based
19 on what was contained in the investment section of the
20 GRA Application, so this is the March 2015 interest
21 rate forecast that's underlying these -- these
22 numbers.

23 MS. CANDACE GRAMMOND: Now, we see
24 near the bottom of the screen there's a note entitled
25 'Reduction of interest rate risk.'

1 MS. HEATHER REICHERT: Correct.

2 MS. CANDACE GRAMMOND: And we see that
3 in two (2) separate fiscal years, 2011/'12 and
4 2014/'15, there was a negative impact of interest
5 rates, and as I read this, that negative impact in the
6 2014 fiscal -- or 2014/'15 fiscal year was a \$38.1
7 million loss. That's right?

8 MS. HEATHER REICHERT: Correct.

9 MS. CANDACE GRAMMOND: And if we read
10 on a little bit farther that was due to the marketable
11 bond yield falling by fifty-three (53) basis points.

12 MS. HEATHER REICHERT: Correct.

13 MS. CANDACE GRAMMOND: And I believe
14 if we look at the table near the top of the page, for
15 that same fiscal year, 2014/'15, the duration gap is
16 reflected at point zero -- or negative point-seven
17 (.7).

18 MS. HEATHER REICHERT: That's correct.
19 That was -- the '14/'15 year was when we moved from
20 plus or minus two (2) duration bandwidth to a plus or
21 minus one (1).

22 MS. CANDACE GRAMMOND: Right. And
23 hence the shift from the -- the minus one point-four
24 (1.4) in the previous fiscal year.

25 MS. HEATHER REICHERT: Correct.

1 MS. CANDACE GRAMMOND: Now, if we look
2 across that duration gap line to the current year, the
3 2015/'16 year we see the duration gap is reflected as
4 zero, and we've discussed that. We see for the year
5 of the Application, the 2016/'17 year, the zero
6 duration gap continues.

7 And we see a net impact of interest
8 rates of a positive 12.9 million across the bottom of
9 the table. Are you with me?

10 MS. HEATHER REICHERT: Yes, I am.

11 MS. CANDACE GRAMMOND: And that is
12 derived from a fifty-six (56) basis point increase in
13 interest rates, and that's the second row of the table
14 where there's a reference to year over year change.
15 Is that correct?

16 MS. HEATHER REICHERT: Correct.

17 MS. CANDACE GRAMMOND: Can you tell us
18 whether the impact of a decrease in interest rates is
19 typically symmetrical with the impact of an increase
20 in interest rates?

21 MS. HEATHER REICHERT: I don't believe
22 that it's typically symmetrical, no.

23 MS. CANDACE GRAMMOND: And that's due
24 to the convexity of the yield curve, as I understand
25 it?

1 MS. HEATHER REICHERT: That sounds
2 about right.

3 MS. CANDACE GRAMMOND: Okay.

4

5 (BRIEF PAUSE)

6

7 MS. CANDACE GRAMMOND: Is the -- the
8 Corporation able to provide us with the impact of a
9 one hundred (100) basis point increase in interest
10 rates versus the decrease of interest rate in impact
11 upon net income based on the zero duration match -- or
12 sorry, zero duration gap?

13 MS. HEATHER REICHERT: Yes. I mean,
14 we can. You -- you're seeing various -- like you've
15 got an eight-six (86) basis point swing there which is
16 very close to the hundred basis points, but if it's
17 important than we can run again the hundred basis
18 points.

19 Is that a hundred basis points at the
20 beginning of -- like during '15/'16 and then flat
21 after that, or is it a hundred basis points every
22 single year of the forecast? We -- we would need more
23 information on -- on exactly what you're asking us to
24 model.

25

1 (BRIEF PAUSE)

2

3 MS. CANDACE GRAMMOND: The way that we
4 would particularize that is to model it on the basis
5 of a one hundred (100) basis point increase as at year
6 end February 2016, and the impact of that upon the
7 year of the application.

8

9 (BRIEF PAUSE)

10

11 MS. HEATHER REICHERT: Okay. So what
12 I hear you saying is assume that at the end of
13 February 2016 the interest rate is a hundred basis
14 points higher than it was at the end of February 2015.
15 Because that's a hundred basis points increase in the
16 interest rate over the 2015/'16 year.

17 And then after that assume the
18 forecasted increases in interest rates as laid out in
19 this table, or assume that the interest rate stays at
20 the February 2016 -- whatever that rate is.

21

22 (BRIEF PAUSE)

23

24

25 MS. CANDACE GRAMMOND: Ms. Reichert,

1 I'll try to particularize for the record what it is
2 that we're requesting. And if it has to be discussed
3 on a break we can do that, because sometimes that
4 helps to clarify things. But what we're looking for
5 is the impact upon the projections for the year of the
6 application only, so 2016/'17, if there's a hundred
7 basis point increase in interest rates between
8 February of 2015 and February of 2016.

9 So if the 2016/'17 fiscal year begins
10 with a hundred basis point improvement over the rates
11 of February 28th, 2015, how will that change the net
12 result for the year of the application?

13 MS. HEATHER REICHERT: So maybe we can
14 discuss that at a break. So if -- I'll -- I'll say
15 this then and -- so assuming that at the end of
16 February 2016 the ba -- the interest rates are a
17 hundred basis points higher than they were at the
18 start of this current year that we're in. And so
19 that's our starting point.

20 And then the March interest rates
21 forecast that used in the GRA, so a fifty-six (56)
22 basis points increase, seventy-eight (78) minus three
23 (3) minus two (2), what does that look like in the
24 rating years, which are '16/'17 and '17/'18.

25 MS. CANDACE GRAMMOND: I think maybe

1 we'll -- we'll leave it and you and Mr. Cathcart can
2 have a discussion on the break. If that's okay.

3 MS. HEATHER REICHERT: We'll be happy
4 to.

5 MS. CANDACE GRAMMOND: I don't want to
6 take up more time on the record. Okay. I just have a
7 few additional questions and then we can take a break
8 and see where we're going to go after that. I have a
9 question with respect to a document that was filed
10 last year within the investment income section of the
11 filing. And I have an excerpt from it here that we
12 can put up if -- if necessary.

13 But the Corporation had provided, I
14 believe, a five (5) page document that was, in
15 essence, a -- a study with respect to the duration
16 gap, and it modelled the differences and the impacts
17 upon net income of the -- the minus two (2), the minus
18 one (1), the zero. And I'm sure you recall the -- the
19 document, but as I say, I have -- I have the excerpt
20 that I want if -- if we need to.

21 Can you tell us whether the -- the zero
22 duration gap that's been implemented as of August the
23 31st gives rise to the -- the same impact that was
24 modelled last year for a zero duration gap or whether
25 there have been any changes in that analysis since

1 last year?

2 MS. HEATHER REICHERT: Okay, so that
3 analysis that was done last year took different
4 assumptions on what happens if, at a zero duration
5 gap, interest rates go up by so many basis points or
6 go down by so many basis points. So that was done in
7 -- in looking at the impact of getting a close -- more
8 closely matched duration.

9 We set that aside, and then this year,
10 implemented a more closely -- or a -- a perfect
11 duration matching and used that to forecast the net
12 income in the pro formas. So we didn't go back
13 because now we're using actual forecasted changes in
14 interest rates made by the bank. The paper last year
15 would have just used -- assumed, you know, twenty (20)
16 basis points, thirty (30) basis points.

17 So that bears no resemblance, I don't
18 think, to what the banks are actually forecasting now.
19 So what we did do was we said, Based on what's being
20 forecasted at a zero duration, how does that compare
21 to what we were in last year's -- what -- what was the
22 impact if we had kept it at a minus one (1) duration?
23 And we provided that within the investment -- in the -
24 - within the investment section.

25 So I think, as I've stated here

1 previously, by more closely matching the durations, if
2 interest rates increase, we're going to benefit, but
3 we're not going to benefit as much as we would have
4 had we kept the duration further apart.

5 But similarly and more importantly, if
6 interest rates continue to stay low or decrease
7 further, the downside risk to the Corporation has been
8 mitigated by having a more closer duration matching,
9 so we won't see as big of a negative impact to the
10 Corporation, which is what we are trying to protect
11 ourselves against.

12 So I -- I hope that that kind of
13 answers the question. I -- I may have taken it in a
14 different vein, but I'll leave it at that.

15 MS. CANDACE GRAMMOND: Thank you, Ms.
16 Reichert. Madam Chair, I'm going to suggest that we
17 take a short break for a couple of reasons. It'll
18 enable Ms. Reichert and Mr. Cathcart to discuss that
19 issue that we were just having an exchange on. We'll
20 also be able to get an update with respect to that one
21 (1) undertaking that's outstanding, because I know Mr.
22 Williams had indicated this morning that when he got
23 it, he may have further questions.

24 So if it's not coming today, then we
25 may be close to wrapping up for the day and -- but if

1 it is going to come, then -- then maybe we'll proceed.
2 So if we can take, I guess, ten (10), fifteen (15)
3 minutes?

4 THE CHAIRPERSON: Just before we
5 leave, Mr. Gosselin has a question.

6 MR. REGIS GOSSELIN: In -- in the
7 evidence record to date, is there the MCT values for
8 MPI overall?

9

10 (BRIEF PAUSE)

11

12 MR. LUKE JOHNSTON: When you say,
13 "Overall," you mean, like, corporate? I don't believe
14 we have that on -- on the record anywhere.

15 MR. REGIS GOSSELIN: Is that
16 publically available information anywhere in the
17 federal record, for example?

18 MS. HEATHER REICHERT: No. We -- we
19 don't -- we don't have the -- you're asking for the
20 Corporation overall? No, we don't have the MCT for
21 the Corporation overall. It's by lines -- the most we
22 would look at is lines of business.

23 MR. REGIS GOSSELIN: So just a
24 question, though. Do you track that for the
25 Corporation overall?

1 MS. HEATHER REICHERT: No, not for the
2 Corporation overall.

3 MR. REGIS GOSSELIN: So you can -- you
4 can see where my line of questioning is going. So
5 you're asking for MCT for Basic, but you're not
6 tracking it for the other lines of business.

7 Is that because you're over the limit,
8 or --

9 MS. HEATHER REICHERT: No, no. Sorry.
10 So I may have misspoke or -- or just been
11 misunderstood. So we will do the MCT for the
12 individual lines of business. And based on that MCT,
13 the chief actuary recommends to our board what the
14 capital reserves should be for each of those lines of
15 business.

16 But we do not do it as -- for the
17 Corporation as a whole, taking the corporate financial
18 statements and saying, What's the MCT? We do it for
19 each line of business.

20 MR. REGIS GOSSELIN: But -- but you --
21 can you -- can you confirm that those other line -- I
22 guess -- can you confirm those other lines of business
23 are meet -- are meeting 100 percent threshold?

24 MS. HEATHER REICHERT: Actually, in
25 fact, because they're com -- more competitive lines,

1 we use a 200 percent MCT to be the minimum capital
2 reserve for those other lines of business.

3 THE CHAIRPERSON: We are ready for our
4 break. We'll come back in about fifteen (15) minutes.

5

6 --- Upon recessing at 2:25 p.m.

7 --- Upon resuming at 2:46 p.m.

8

9 THE CHAIRPERSON: Okay. We're ready
10 to begin for the -- the rest of this afternoon's
11 hearings. And I'm going to first turn it over to Ms.
12 Grammond.

13 MS. CANDACE GRAMMOND: Thank you,
14 Madam Chair. So just a bit of an update. I do not
15 have any further cross-examination on behalf of the
16 Board advisors. So that piece is closed off.

17 Mr. Oakes indicated to me before he
18 left that he did not have any further cross-
19 examination. So the CMMG cross is completed.

20 Mr. Nisbet has advised that Mr.
21 Williams is on his way back and will be here shortly
22 and will have a few questions on behalf of CAC. So
23 before Mr. Williams arrives, if there's anything
24 further from MPI, we can hear that, I think.

25 Further to the exchange that I had with

1 Ms. Reichert, they've now sorted out an undertaking,
2 and that'll be read into the record. And then I
3 believe that the panel may have some questions. So
4 we'll proceed with all of those things before we
5 adjourn.

6 THE CHAIRPERSON: Okay. Thank --
7 thank you, Ms. Kalinowsky.

8 MS. CANDACE GRAMMOND: Yes. And we
9 are able to provide Undertaking number 31 which has
10 provided to the Board's secretary and should be marked
11 as MPI Exhibit number 60, six zero (60).

12

13 --- EXHIBIT NO. MPI-60: Response to Undertaking 31

14

15 MS. CANDACE GRAMMOND: And -- and I
16 believe that Mr. Guimond will be speaking to this.

17 THE CHAIRPERSON: Okay, thank you.
18 Mr. Guimond...?

19 MR. DAN GUIMOND: Thank you. So the -
20 - the question -- or the undertaking was: Did we meet
21 our mandate in fiscal year '04/'05, '05/'06, '13/'14,
22 and '14/'15?

23 I'd like to be able to answer the
24 questions within the context of -- of what I'm being
25 asked to do today as president and CEO. I -- I don't

1 know what was the framework back then in terms of --
2 of how -- how it was.

3 But I -- I -- so I'm going to tell you
4 today as president and CEO, I have a scorecard. I
5 have to meet my -- my business objectives, and one (1)
6 of them has to be that there cannot be any premium
7 deficiency or capital deficiency. So then how do you
8 go about being measured on that as president and CEO
9 in terms of your lines of business?

10 So with the board of director, where it
11 starts with is the MPC -- MPIC Act, section 18. It's
12 called Reserves. Thank you. I'll just read it in --
13 in the record what it says there:

14 "The Corporation shall establish and
15 maintain reserves in such amounts
16 that at all times, it has sufficient
17 funds to meet all the payments that
18 may be -- that may -- as may become
19 payable under the Act and
20 Regulations."

21 Okay. So we have to remember that back
22 in those years, for example, MCT started to get used
23 in -- in 2002 on a trial basis, right? So -- so
24 things have evolved quite a bit in terms of enterprise
25 risk management and being able to have more tools, if

1 you wish, to be able to establish adequate capital,
2 for example.

3 So today, through our board of
4 directors, I have to have no premium deficiency. And
5 also, from a capital perspective I need a DCAT that is
6 signed off by our internal actuary, and also by our
7 external actuary. And an MCT which we define at 100
8 percent. So that's how I'm being evaluated.

9 So if we look at -- at the years in the
10 undertaking there within that context, if we look at
11 '04/'05, the rating year, so for example the indicator
12 rate was four point-three (4.3). We applied for two
13 point-five (2.5). And we had there point seven (3.7),
14 but it's my understanding that back then we were
15 talking about a three (3) year Rate App, and there was
16 some issues of maybe not coming to the regulator every
17 year, and it would be smoothed out. So kind of a
18 different angle there that we have to be careful about
19 what was happening back then to compare to today.

20 So the -- the -- when we look at these
21 numbers, and we look at the rate stabilization
22 reserve, the rate stabilization reserve would
23 definitely not -- I would definitely not be a
24 compliant president/CEO because I don't have the
25 capital requirements within the context that I defined

1 today.

2 In terms of the rates, because it was a
3 proposal for a three (3) year Rate App, we -- we --
4 you can see how it's going up and down there. But I -
5 - I don't know enough historical information back then
6 in terms of what the implications are for the three
7 (3) year Rate App. But we can see how the Board
8 approved more but less than the indicated rate.

9 In today's world, we would have to go
10 with the indicated rate. I can tell you that, okay.
11 And so if we don't start with the premise of the
12 indicated rate, then I would not be compliant. Like
13 if we started to be off of that. So I -- I hope I'm
14 answering the question that if we don't follow the
15 indicated rate, then we would not be meeting our
16 mandate because we would be building an inherent
17 deficiency in premium, okay.

18 And you can see with the RSR that we're
19 definitely -- we're -- yeah, not meeting the capital
20 requirements back then. So in today's world when I
21 report to my board of directors, and I go to Crown
22 Corporation counsel every year, you know, like I -- I
23 would have to show us not meeting that on my score
24 card. Not meeting my mandate because I have a
25 deficiency in premium and deficiency in capital.

1 MR. REGIS GOSSELIN: Mr. Guimond, is
2 that overall or just for the Basic lines of business?

3 MR. DAN GUIMOND: I -- I report on --
4 by line of business. And the lines can't cross-
5 subsidize themselves. They have to be -- they have to
6 hold true by themselves. They can't -- they can't
7 cross-subsidize themselves.

8 THE CHAIRPERSON: Thank -- that you,
9 Mr. Guimond. I'm going to call upon Mr. Williams from
10 -- oh, I'm sorry. Ms. Reichert, you had something?

11 MS. HEATHER REICHERT: Sorry. I think
12 I need to read in -- okay. So what we have taken as
13 an undertaking is we will run the financial model for
14 the 2016/'17 year first assuming a hundred basis point
15 interest rate increase, and then run it again secondly
16 assuming a hundred basis point interest rate decrease
17 during that '16/'17 year.

18

19 --- UNDERTAKING NO. 45: MPI to run the financial
20 model for the 2016/'17
21 year first assuming a
22 hundred basis point
23 interest rate increase,
24 and then run it again
25 secondly assuming a

1 not to be statistically sig -- significant at the
2 point zero five (.05) significance level, sir?

3 MR. LUKE JOHNSTON: Correct.

4 MR. BYRON WILLIAMS: Okay. And so
5 just in -- in terms of this document, at the two (2)
6 year and four (4) year periods there is no
7 statistically significant relationships found at the
8 zero point zero-five (0.05) significance level?

9 MR. LUKE JOHNSTON: That's correct.
10 That -- that' right, yeah.

11 MR. BYRON WILLIAMS: Okay. MPI
12 Exhibit 57, being Undertaking 40, and focusing your
13 attention on the 2004 year. Sorry -- I -- I've got --
14 yes. And focusing your attention, Mr. Guimond, on the
15 2004 year, now you indicated some uncertainty about
16 this particular year, if I understand your evidence.

17 But would it be correct to suggest that
18 the PUB ordered a higher rate increase than sought by
19 MPI because the PUB was of the opinion that the rate
20 applied for was not a break even rate?

21

22 (BRIEF PAUSE)

23

24 MR. LUKE JOHNSTON: I think that's
25 fair, if -- and if you go to Undertaking 31 of MPI --

1 I don't know if you were here for the --

2 MR. BYRON WILLIAMS: I've got it.

3 MR. LUKE JOHNSTON: Yeah. Yeah. So
4 maybe I'll wait till that's on the screen because I
5 think that's relevant. So, yeah, the -- the indicated
6 is four point-three (4.3). And then we tried to
7 provide some context on the -- on the bottom. But, of
8 course, recognizing we want to -- we want to be
9 careful here, right? Because sometime -- like I said,
10 sometimes we update forecasts and -- and the Board is
11 trying to sell break even, and we just have new
12 information. But -- but you're correct that there is
13 a -- a higher indicated rate.

14 MR. BYRON WILLIAMS: And -- and, Mr.
15 Johnston, if this is stretching your memory too far, I
16 understand totally. But indeed it -- it was
17 intervenors such as the Consumers' Association that
18 suggested the -- the rate should be higher than sought
19 by MPI.

20 Does that ring a bell?

21 MR. LUKE JOHNSTON: My recollection is
22 that CAC typically, at least in my experience, is --
23 seeks the break even objective, if that's -- if that --
24 - is that a fair answer to your question?

25 MR. BYRON WILLIAMS: Mr. Johnston,

1 your answers are always fair. And just -- my
2 understanding, just -- this is not a -- a -- just in
3 terms of the combined scenario it's still under way.

4 Is -- is that what's the status?

5 MR. LUKE JOHNSTON: Yes, it is. It's
6 hopefully finished sometime this evening. And our --
7 the last email I saw is that I -- I just asked if --
8 if the response would be complete for 9:00 a.m.
9 tomorrow morning, and -- and they said that's the
10 plan.

11 MR. BYRON WILLIAMS: And -- and just
12 so I understand, Mr. Johnston, will it in -- involve
13 management action as well as an output?

14

15 (BRIEF PAUSE)

16

17 MR. LUKE JOHNSTON: That's a good
18 question. So for sure we'll run without management
19 action. We could apply the same management action as
20 the original scenario, just so you have a apples to
21 apples comparison. I think if we started using
22 different assumptions that might make it harder to
23 interpret what -- what's being compared. So if that's
24 an approach that you're in agreement with we can
25 pursue it that way.

1 MR. BYRON WILLIAMS: And -- and I
2 appreciate the -- the response. And just so I
3 understand, sir, just for the purposes of an apples to
4 apples comparison with the DCAT results, you would
5 incorporate the similar assumptions in terms of
6 management actions from -- from that analysis?

7 MR. LUKE JOHNSTON: Given that what --
8 what I think the undertaking is looking at is the --
9 the impact of the correlation assumptions, I think
10 that would be the most reasonable way to compare it,
11 yes. Yeah.

12 MR. BYRON WILLIAMS: And I can
13 indicate from my client's perspective that's totally
14 satisfactory. And those are our questions, Madam
15 Chair.

16 THE CHAIRPERSON: Thank you very much,
17 Mr. Williams. I'm going to ask the panel if they have
18 any questions further. Okay. Mr. Gosselin, and then
19 Mr. --

20 MR. REGIS GOSSELIN: At issue -- at
21 issue, Mr. Guimond, is the -- the top end. You know,
22 the -- the -- using the MCT as the top end versus
23 using an alternative that's been proposed by CAC with
24 respect to the DCAT scenarios, you know, developing a
25 one (1) in a hundred year as an option.

1 So assuming that the data option
2 proposed by CAC was to yield a higher level than the
3 MCT, you don't really care about that. It's the MCT,
4 you believe, is the way to go?

5 MR. DAN GUIMOND: This is how the
6 Corporation feels comfortable with it, and I'll tell
7 you where we're coming from on that. I mean, I -- I
8 was an analyst back in the '90s when, you know, we
9 went through -- the Corporation went through the
10 Kopstein report. And then we started to go to the
11 regulator in 1989. And in 1990 I was hired as an
12 analyst to -- to transform the Corporation and how do
13 -- how would we rebuild financial stability and how
14 would we transform the organization to become customer
15 focused, which was the vision of Mr. Bartewa
16 (phonetic) back then.

17 So my experience as a young man, I
18 guess, what happened is that in the -- what happened
19 is that people, for whatever reason, started to play
20 the short-term game in the '80s and it exploded,
21 right? Like, it -- it was -- it was disastrous what
22 happened, and financially we were in a lot of trouble.

23 So what I learned through how we dug
24 ourselves out of this and -- and working with -- with
25 the regulator is that the public is -- the public, if

1 something goes wrong and you can explain it, they
2 understand it. And if you follow industry standard,
3 right, if you said, I did -- from an enterprise risk
4 management, I did everything I was supposed to do, and
5 I did it in a manor that is consistent with the
6 industry, I didn't create my home solution -- home
7 brew solution, so to speak, I -- I used what's out
8 there, so the DCAT is what's out there right now. The
9 MCT is what's out there right now, and that's what
10 everybody else is using.

11 So as soon as something blows up and
12 you're not doing what everybody else is doing is not
13 considered best practice, the public will react very
14 negatively. And so this is what I learned as a young
15 man. And this is why when I became president and CEO
16 and -- and talking with the Board and my scorecard and
17 all that stuff, you know, in terms of premium
18 deficiency and capital deficiency, the -- the capital
19 deficiency, if you follow the DCAT, and I know that
20 historically MPI, like, coming through here, I realize
21 that sometimes we were -- maybe -- maybe the Board
22 thought we were too aggressive in certain assumptions.
23 So that's why I said, Okay, take the pen, tell me what
24 the minimum is.

25 As long -- my requirement is as long as

1 my internal actuary and my external actuary can sign
2 off on it, then that's fine. And then -- so that
3 deals with the conservative part of it.

4 And then the higher end at 100 percent
5 is the public "consideration." And when you look at
6 the volatility that we're facing, both from a result
7 that is -- like, if you look a standard deviation, if
8 you look at what the -- of the possible of not
9 actually having a forecast of zero on a -- on a \$834
10 million book of business, and also the bad weather and
11 all that and the volatility in the market, you know --
12 you know that you're going to swing. You can swing a
13 hundred million no problem either way.

14 So that's why the Corporation is
15 saying, Okay, we're at one eighty (180), we should be
16 at two thirty (230), let's go with the MCT 100
17 percent, that's defensible. That's what the market
18 used. That's what everybody is using. That's what
19 our sister companies are using in terms of public --
20 what other public sectors are doing.

21 And it's -- and so if -- if you do
22 that, you have a big checkmark in terms of doing your
23 due diligence and acting in a manner that would be
24 perceived by the public that you did the right things.
25 And then if something goes really awfully wrong, then

1 you deal with that, but the public will understand
2 that you did all the right things.

3 Now, what I'm suggesting is that, at an
4 MCT 100 percent, at 366 million, that's why I -- I
5 acknowledge the Board's -- about your question about
6 should -- Why not 80 percent? Why not 90 percent?

7 Well, at the end of the day, as
8 president and CEO, I have to -- I have to provide
9 Manitobans with rates that are predictable and stable.
10 And I have to be able to meet my mandate.

11 So by following industry standard, I
12 can go back to my board, I can go back to Crown
13 Corporation counsel, I can go back to the government
14 and say, We're doing all the right things. We --
15 we're compliant. Check. And the MPIC Act, check.

16 Then I can -- I can say that it's going
17 to take a while to get -- to get there, and we may --
18 you know, I don't know how long it's going to take to
19 get there. And so with today's best practice, today's
20 environment, that's the right thing to do from the
21 Corporation's perspective.

22 I also acknowledge that there's nothing
23 wrong to have an assessment every -- and that would be
24 the Board's discretion, but I acknowledge -- like
25 we're at one eighty (180) right now, so, you know,

1 doing a review of MCT at 100 percent.

2 And in -- in four (4) years from now or
3 five (5) years from now, it makes total sense to me
4 because I don't view -- I told -- I told somebody, I
5 can't remember, I'm more pragmatic. I don't think
6 things are frozen in time forever. I think they
7 evolve, they change. The science will continue
8 change.

9 OSFI, I don't know what they're going
10 to do down the road in another ten (10), twenty (20)
11 years from now, but we've got to keep up. And it has
12 to resonate with the population.

13 So at the end of the day, I mean, you
14 can put actuaries in the sandbox and they can play for
15 years. They really can. And so what we -- whether we
16 realize it or not, in a way the PUB -- the way we
17 looked at it, the way I looked at it when I was a
18 young man and kept coming here is that the PUB -- in a
19 way we're very fortunate that it's almost the way you
20 manage us from a financial standpoint, from a proxy
21 perspective.

22 It's not as the stock market, but more
23 of a private equity owner that's nurturing the Company
24 to make sure that it makes decision long term not
25 short term. And so -- so that -- that's what is in --

1 that -- that's what benefits Manitoba, that kind of
2 management where you do everything long term, not
3 short term.

4 And then you decide, Okay, but I will
5 continue to review, and I will continue to adapt, and
6 I will continue to modify my practices. But it's all
7 defensible. That's where we're coming from.

8 MR. REGIS GOSSELIN: I just want to
9 explore with you -- you know, we -- I think we all
10 realize that if you accept an upper end -- an upper
11 end, and it basically -- you know, it takes care of
12 rebates for a number of years until we get to the
13 upper end. And then, once we get beyond that, of
14 course, then they'll become an issue again.

15 But let's turn our mind to the -- the
16 bottom end. So, for example, you have one (1) -- you
17 know, we achieves two (2) -- two thirty-six (236) or
18 whatever the amount is. And you have a bad year, 100
19 million down the pipe.

20 At what point do you come in for a rate
21 rider?

22 MR. DAN GUIMOND: Well, if -- if --
23 there's -- there's two (2) -- there's -- in my mind, I
24 -- when I come before you, there's two (2) things that
25 I ask for from a rating perspective. One is to deal

1 with deficiency in premiums, and one is to deal with
2 potential deficiency in capital, like the RSR build
3 number.

4 When I talk to my board about all the
5 discussion that's going on -- because there's the
6 issue with excess retained earnings. What do you do
7 with excess retained earnings from the competitive
8 lines? That is a -- that's been a sore point in the
9 hearings over the last few years. I mean, it
10 absolutely has been.

11 What I told my board, I said, Why are
12 we fighting about this? At the end of the day, every
13 time, you can go back to the '90s, every time
14 something that happens bad, that's unforeseen, right,
15 we've always replenished Basic RSR with our excess
16 retained earnings.

17 It makes no sense to extract money to
18 rebuild the RSR. We've always done it. And the
19 reason we stopped doing it is because the rebates and
20 -- and how we weren't sure any more as a Corporation
21 that the PUB would not rebate the money. So that's
22 why it stopped.

23 And that's why last year, I kind of
24 stuck my neck out and said, Okay, let's deal with
25 this. And we -- we -- and we said if we agreed --

1 because I can't cross-subsidize the lines of business,
2 but we do agree in principal that extracting money out
3 of the economy to rebuild the RSR doesn't make much
4 sense. That really hurts from an economic standpoint,
5 especially if you have money in -- in the bank.

6 So -- so this is where we felt, well,
7 we've been doing it anyway, so why not -- why not say,
8 Okay, fine. Let's put it on -- on the record. That's
9 what we're doing. And you can see in the rules of my
10 presentation, you know, the conditions that we would -
11 - we would -- you would not in the future see an RSR
12 rebuilding fee unless you'd had like a total
13 catastrophic disaster. But, I mean, the probability
14 of that is -- is very small.

15 Now we're talking about the higher end,
16 because we -- we don't want the deviation from
17 forecasts and the unforeseen events, and we believe
18 that the unforeseen events of the past are not a good
19 predictor of the future, because the unforeseen events
20 seem to happen more and more because of weather and
21 because of the volatility in the markets.

22 So when you -- when you -- you have the
23 MCT 100 percent, it's still a hundred percent. It's
24 not 200 percent. It's not 250 percent. We're not
25 asking for a billion dollars. At three sixty-six

1 (366), it allows you to have the -- the volatility
2 inside the range that allows people -- Manitobans to
3 have rates that are predictable and stable.

4 And then you -- you often talk, Mr.
5 Gosselin, about value for money, right? Well, you
6 know we have a natural increase of 4 percent on the
7 rates on the premium side. As long as we grind to
8 keep our costs below 4 percent, then we'll be able to
9 give Manitobans rates that are predictable and stable,
10 because we're in a -- and I -- I don't want to sound -
11 - but, I mean, the business we are -- we're in the
12 business of fixing cars and people. They're not your
13 CPI index. Although that's what people would like to
14 see, they're -- they're not, right?

15 So -- so we grind on the incurred. We
16 work with our business partner, and I got to be
17 careful because my business partners, I need them
18 profitable. I can't -- I can't -- it -- it -- like --
19 like, we can't push too hard that they'll turn against
20 the Company, right? So -- so that's how it works.

21 You got -- on the premium side, you got
22 natural growth 4 percent. Keep your costs below 4
23 percent. Even though -- I know everybody thinks CPI,
24 but even though I'm in the car and people business,
25 that -- that's very expensive. And then you say on

1 the -- on the RSR -- on -- on the RSR side, give me a
2 -- a range that you know I can take a hit a hundred
3 million either way real easy right now. Give me a
4 range. Like, it can just -- it can just fluctuate
5 over time. That's all I'm asking. And then -- and
6 then MPI will -- you'll protect the future of public
7 auto insurance in Manitoba.

8 MR. ALLAN MORIN: Are we on now?
9 Yeah. You made a -- a strong argument that capital
10 deficiency is a -- certainly a -- a major threat to
11 the organization.

12 I wonder if you could share with us
13 what keeps you up at night? What one (1) or two (2)
14 other major threats are keeping you up, and what is
15 you -- what are you doing relative to vindicating it,
16 either contemplating that or that you've already
17 introduced?

18 MR. DAN GUIMOND: The -- like, when I
19 -- when I took the job, the ability to work with the
20 regulator, that was number 1 -- that was the number 1
21 threat, and that's why that's the number 1 priority
22 from a strategic plan, because we have to to regain
23 your trust. And we have to be able to show to you
24 that we're responsive to the things that are important
25 to you, but also be able to explain why we do the

1 things that we do, because our biggest concern is that
2 you become a proxy of the stock exchange versus a
3 private equity owner.

4 For public auto insurance to succeed in
5 Manitoba long-term, we have to make management
6 decisions that are long-term based, not short-term.
7 It's not about tomorrow's rate. We're in it for the
8 long -- long-terms. That's -- that's key.

9 So -- so to be able to work with us in
10 a manner that -- I understand the pressures that you
11 have, too. So the -- this is number 1. The other
12 thing that -- that concerns me a lot, even the DCAT,
13 I'm going to stay true to what I said, but I -- I have
14 a -- I mean, I graduated in economics a long time ago.
15 But economics, the things that -- that hurt you are
16 always the things that you think, Ah, it'll never
17 happen. Like, if you look at the DCAT, what -- what's
18 been going on in there, like -- like, the assumptions
19 that Luke did with inflation. It's always the stuff
20 that you think it'll never happen that bites you, if
21 you look at history.

22 I mean, look at what we're doing with
23 the DCAT and the assumptions in there, and the data
24 about, Oh, look at this range and only look at that
25 range. And then, Well, that's never going to happen.

1 You know what I mean, like, I mean, those are things
2 that we're willing to do, but -- but in -- in
3 economics it's always the things that you think will
4 never happen that happen. I mean, we saw -- we saw
5 high inflation and high interest rates. We saw all
6 kinds of stuff.

7 The -- the other thing that -- that
8 worries me a lot is -- is the -- the crazy world we
9 live in and -- and the financial markets, right? I
10 mean, when you think about it over the years we saw
11 the gold standard go away. You look at -- at the
12 behaviour of the stock market, it's not tied to a
13 balance sheet. I mean, what makes the value of a
14 stock today?

15 So -- so money and value and things and
16 -- and we're looking at -- at the interest rates.
17 Like, you know, it's this this month; it's another
18 thing another month. So to me it's financial
19 stability for the Corporation. That is so key. So
20 key. And I -- I need your help to get there. I
21 really do. So those are the key things.

22 THE CHAIRPERSON: Mr. Guimond, I have
23 a question. It's, again, going back to the MCT 100
24 percent. And I guess I'm just a layperson, I -- but I
25 was just -- when I listened to the testimony that Ms.

1 Sherry gave and Mr. Luke, and they were talking about
2 the DCAT. And as you -- I think maybe that's your
3 homegrown -- what you call the homegrown data base,
4 you know, internal methodology for determining a --
5 you know, a minimum and, you know, a level of RSR.

6 But when I'm thinking about it, from my
7 perspective she also talked about private industry
8 used the DCAT, homegrown, evidence based, you know,
9 the -- as you're talking about, the risks that you
10 find out in the DCAT. It's -- it would make sense for
11 me that for the maximum -- and I don't know. Maybe --
12 maybe it doesn't make sense, but I'm just questioning
13 -- that the maximum would use the DCAT to actually
14 establish an MCT level. I mean, that's how she spoke
15 about it, so that when you get to -- you -- you would
16 still be using an MCT hundred percent level to -- or
17 whatever it is. It might be lesser or greater
18 depending how the DCAT bore out using your own data.

19 Would the public not think that would
20 be a valid way of looking at it?

21 MR. DAN GUIMOND: From -- from my
22 experience it's always when you get into trouble that
23 people -- and that's why the Auditor General shows up,
24 the external auditors, then people will look at what's
25 going on in this process. Everybody's going to get

1 audited. Like, if -- if I -- if I come here with a 10
2 percent rate increase, I mean, you -- you know what's
3 going to happen in terms of -- of the stuff.

4 So -- so the public -- no, the public
5 does not -- does not -- is -- is not too lenient on
6 people who do not follow industry standard. And also
7 when they deviate from what their peers are doing,
8 right? The other thing that might be -- that's
9 interesting in Manitoba is -- is the authority of the
10 regulator. The regulator in Manitoba is the only one
11 (1) that has the authority that it has. Like, in
12 other jurisdictions it's the government that -- that
13 provides the direction to the regulator in terms of
14 the minimum capital requirement.

15 So -- but at the end of the day, I
16 mean, think of it this way. Who is accountable to
17 meet the mandate, right? At the end of the day, that
18 the buck stops with me. So Ms. -- Ms. Sherry, I have
19 a lot of respect for her. But she's not -- she's not
20 sitting at -- at -- in -- in my chair, right? And --
21 and she probably could tell you a real different story
22 if she was running the -- the show at MPI.

23 So it's a point of view. It's a point
24 of view. And a lot of what I hear in the different
25 stakeholders or different perspective, I -- I think

1 what you're dealing here is more a philosophical issue
2 than -- than a rating issue in the sense of ideology,
3 right?

4 I mean, what CAC has proposed and --
5 and what Ms. Sherry believes, and maybe even Mr.
6 Simpson, is that, at the end of the day, Dan should
7 just go fill out an application at the finance
8 minister's office for a line of credit. And if I go
9 in the tank, what's -- what's 3 or \$400 million
10 between friends? It's not going to happen. The MPIC
11 Act is very clear on that.

12 So, no, the public -- the public won't
13 accept that, they just won't. And it's -- it's a
14 regression analysis. You have to go back to the
15 regression analysis of the value equation what the
16 public expect. They'll never -- they'll never support
17 that.

18 THE CHAIRPERSON: I -- although I
19 thought she was saying in the industry that they did
20 use the DCAT to establish their MCT. So -- and that
21 the MCT is a standard they use.

22 MR. DAN GUIMOND: Yeah.

23 THE CHAIRPERSON: And I was just
24 wondering, is there -- is that something you could do?
25 Is looking at the DCAT, which is something that looks

1 at your own analysis and risks and the data that you
2 use within your own company, and then set it up
3 against a percentage of the MCT so that you're still
4 using an industry standard? I guess that was really
5 my question.

6 MR. DAN GUIMOND: So -- so do you use
7 the DCAT to determine both the lower and higher range
8 of the RSR? Is -- is that your question?

9 THE CHAIRPERSON: But compare it with
10 an MCT score.

11 MR. DAN GUIMOND: Yeah, you -- you
12 could do that, you could. It's not something the
13 Company wants to do. We -- you know, we -- we need
14 meet our financial responsibilities. And we believe
15 that that's -- that's not the best thing to do. And
16 we don't believe that from our customers, in terms of
17 what we know about our customers, that that would be
18 what they would -- they would accept because we're --
19 we're deviating from what our other Crown corporations
20 are doing, and also from -- from the industry
21 standards.

22 So is -- is it possible to do it that
23 way? Everything is possible. I mean, if you -- if
24 you go away from -- from what we've set out as an
25 objective as a corporation to say, Will it resonate

1 with the public, can I absorb the volatility, can I
2 defend what I need to do, when I go in front of the --
3 the government or -- or the -- the Crown corporation
4 or my board can I defend what we've done and does it
5 make sense, does -- is this what will resonate.

6 So -- so there's -- at the end of the
7 day maybe what I'm doing is respectfully asking the
8 Board to -- as president and CEO, to -- to say, Well,
9 he's the one that has to deliver, and that's -- that's
10 how he wants to do it and -- and why not -- why not --
11 like, why -- why wouldn't my approach or what the
12 Company wants to do be acceptable, like, you know, at
13 the end of the day.

14 I mean, there's a lot of opinions out
15 there, but this is how we have defined success.

16 THE CHAIRPERSON: Okay, thank you very
17 much.

18 MR. REGIS GOSSELIN: I just want to
19 explore one (1) topic that hasn't been raised, as far
20 as I know, and it's to do with Uber. And I don't want
21 to get into the debate about whether or not Uber
22 should be allowed and so on, but, you know, the
23 reality is a taxi service is not available everywhere
24 in the province.

25 And so, you know, say if Uber comes in

1 and somebody wants to be a driver for Uber, how do you
2 cover off the insurance cost for that?

3 MR. DAN GUIMOND: We don't right now.
4 In fact, we would deny the claim because they wouldn't
5 be properly registered or insured. So that to be a
6 taxi, you have to go under the taxicab regulations,
7 and -- and so it's -- it's a big decision that the
8 Government of Manitoba has to make as to whether they
9 will allow Uber to do business in Manitoba or not.

10 But let's the government would say,
11 Okay, I want to do this. What would happen is we
12 would have to change some of the -- the laws on -- on
13 the taxicab side of it. And we would also have to
14 create a new insurance use. And we would have to come
15 here and get the rates approved and -- and so on.

16 MR. REGIS GOSSELIN: So is that how
17 other insurers are handling Uber vehicles? Do you
18 know how they're handling it?

19 MR. DAN GUIMOND: They -- Uber has its
20 own insurance policy that they've purchased. And I
21 don't know all the details, but they -- they've bought
22 an insurance policy for themselves. And then across
23 the country, I mean, it's a real mess. I mean, I'll
24 use that word because we've seen like in Montreal or
25 Toronto and so on that there's been court actions and

1 so on where they don't want to let them in, but people
2 are doing it anyway. So that's going to turn out, who
3 knows.

4 MR. REGIS GOSSELIN: But if somebody
5 was to do it in Manitoba, even though it's not allowed
6 by government, they would be have -- they would have
7 no insurance coverage for that?

8 MR. DAN GUIMOND: If the government
9 would allow it, we would provide the insurance.

10 MR. REGIS GOSSELIN: But if -- but if
11 -- it isn't allowed. As long as it's not allowed --
12 it's not allowed today. So if somebody was to drive a
13 Uber vehicle or some other vehicle of a similar
14 nature, the -- the insurance coverage -- you would not
15 cover it for insurance purposes?

16 MR. DAN GUIMOND: That -- that's
17 right. Their contract is void and we would not cover
18 the claim.

19 THE CHAIRPERSON: Well, I guess that
20 ends today's hearings, and we'll begin again tomorrow
21 at 9:00 a.m. Thank you very much. Enjoy your
22 evening.

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24 --- Upon adjourning at 3:26 p.m.

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3 Certified Correct,

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8 Cheryl Lavigne, Ms.

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