

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION FOR
2017-2018 INSURANCE YEAR
HEARING

Before Board Panel:

Robert Gabor, Q.C. - Board Chairperson
Karen Botting - Board Member
Anita Neville - Board Member
Allan Morin - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 26, 2016
Pages 1420 to 1590



“When You Talk - We Listen!”



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APPEARANCES

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1 --- Upon commencing at 9:03 a.m.

2

3 THE CHAIRPERSON: Okay. Mr.

4 Ghikas...?

5 MR. MATT GHIKAS: Thank you, Mr.

6 Chairman. Just before we get started, I -- I have a
7 few undertakings that were filed electronically last
8 night. I'll just refer to them now. They are
9 Undertaking 24, which was to provide the number of
10 drivers for each DSR level and corresponding revenue.
11 That would be MPI Exhibit 59.

12

13 --- EXHIBIT NO. MPI-59: Response to Undertaking
14 24: MPI to provide number
15 of drivers for each DSR
16 level with corresponding
17 revenue

18

19 MR. MATT GHIKAS: The response to
20 Undertaking number 14, to provide the update on the
21 equity portfolio including realized and unrealized
22 gains during the month of September, that would be MPI
23 Exhibit 60.

24

25 --- EXHIBIT NO. MPI-60: Response to Undertaking

1 14: MPI to provide update
2 on the equity portfolio
3 including realized and
4 unrealized gains during
5 the month of September
6

7 MR. MATT GHIKAS: The response to
8 Undertaking number 29, to provide the amount the
9 Corporation is spending on seatbelt initiatives, that
10 would be MPI Exhibit 61.

11

12 --- EXHIBIT NO. MPI-61: Response to Undertaking
13 29: MPI to provide amount
14 the Corporation is
15 spending on seatbelt
16 initiatives

17

18 MR. MATT GHIKAS: The response to
19 Undertaking number 25, to explain the variance in
20 projected -- in projected amount of two hundred and
21 ninety-five thousand (295,000) for surveys in 2017
22 compared to 1.19 million in 2018 and '19, that would
23 be MPI Exhibit 63.

24

25 --- EXHIBIT NO. MPI-63: Response to Undertaking

1 25: MPI to explain the
2 variance in projected
3 amount of two hundred and
4 ninety-five thousand
5 (295,000) for surveys in
6 2017 compared to 1.19
7 million in 2018/'19
8

9 MR. MATT GHIKAS: Response to
10 Undertaking number 10, to provide the number of
11 consultants supporting operating initiatives, general
12 operating activities compared to those number of
13 consultants that are supporting improvement
14 initiatives as forecast over the next five (5) years,
15 that would be MPI Exhibit 65.

16
17 --- EXHIBIT NO. MPI-65: Response to Undertaking
18 10: MPI to provide number
19 of consultants supporting
20 operating initiatives,
21 general operating
22 activities compared to
23 number of consultants
24 supporting improvement
25 initiatives as forecast

1 over the next five (5)
2 years

3

4 MR. MATT GHIKAS: The response to
5 Undertaking number 9, to provide the explanation for
6 the differences between expense Appendix 14 and
7 compensation to PUB-1-27, that would be MPI Exhibit
8 number 66.

9

10 --- EXHIBIT NO. MPI-66: Response to Undertaking 9:
11 MPI to provide explanation
12 for differences between
13 expense Appendix 14 and
14 compensation to PUB-1-27

15

16 MR. MATT GHIKAS: And the response to
17 Undertaking number 21 to provide the quantitative
18 financial metrics in support of technology
19 modernization program charter. That would be MPI
20 Exhibit number 67.

21

22 --- EXHIBIT NO. MPI-67: Response to Undertaking
23 Number 21

24

25 MR. MATT GHIKAS: Now, this morning,

1 Mr. Chairman, we have with us Mr. Martin Geffen of --
2 of Gartner Consulting, and if we could have Mr. Geffen
3 sworn, please?

4

5 MPI PANEL 4:

6

7 MARTIN GEFFEN, Affirmed

8

9 MR. MATT GHIKAS: Mr. Chairman, Mr.
10 Geffen's CV is marked as MPI Exhibit 46, and his
11 opening presentation is MPI Exhibit 45. And just for
12 -- for everybody's reference, his report titled 'A
13 Report for Manitoba Public Insurance on Physical
14 Damage Re-engineering PDR' dated June 6th, 2016, is
15 found in MPI's Application at Volume I behind the PDR
16 tab, Attachment 'A'.

17 And the response to PUB-1-61 includes a
18 letter from Mr. Geffen dated August 19th, 2016, in
19 which Mr. Geffen comments on MPI's response to his
20 original report. And finally the Gartner CIO
21 scorecard and IT infrastructure benchmark is found in
22 the Application, Volume III, benchmarking appendices,
23 Appendix AI.12-5.

24 And if we could start off first of all
25 with Mr. Geffen's CV being pulled up, Diana, please.

1 It's Exhibit 46. Thank you.

2

3 EXAMINATION-IN-CHIEF BY MR. MATT GHIKAS (QUAL):

4 MR. MATT GHIKAS: Mr. Geffen, I'd just
5 like to start off asking you a few questions about
6 your -- your work experience in your CV.

7

8 (BRIEF PAUSE)

9

10 MR. MATT GHIKAS: First of all, Mr.
11 Geffen, does your CV accurately summarize your
12 qualifications, expertise, and education?

13 MR. MARTIN GEFFEN: Yes, it does.

14 MR. MATT GHIKAS: And you're currently
15 the vice-president of -- or a vice-president of
16 Gartner Consulting. Correct?

17 MR. MARTIN GEFFEN: Yes, I am.

18 MR. MATT GHIKAS: Okay. What is
19 Gartner?

20 MR. MARTIN GEFFEN: Gartner is an
21 organization that provides services to organizations.
22 We see ourselves as kind of the -- the infra -- inter
23 -- intersection between management and technology. We
24 provide two -- three -- three key kinds of services.
25 We provide research services to organizations that are

1 interested in -- in knowing how to actually apply
2 technology.

3 We have a consulting organization that
4 builds on those research services. We provide --
5 applied consulting advice. And we run a number of
6 symposium conferences around the world in which we --
7 our researchers will generate -- pre -- present our
8 findings and our research to our -- our clients.

9 MR. MATT GHIKAS: And could you,
10 please, describe briefly, Mr. Geffen, what type of
11 work you perform on behalf of clients in your current
12 role as vice-president?

13 MR. MARTIN GEFFEN: I am within the
14 consulting organization, and so I provide consulting
15 advice to my clients, usually around information
16 technology strategy. We provide advice around
17 procurement of solutions. And we also provide
18 oversight of -- of large scale programs in terms of
19 assessing risks. Those -- those were the kinds of
20 things that we do.

21 One of the things I should have
22 mentioned about Gartner Consulting -- Gartner overall
23 is that from our research roots, we've been around for
24 about thirty (30) years. We've always held ourselves
25 out to be the provider of independent and objective

1 advice to -- to the -- to our clients, and they are --
2 are clients who subscribe to our research look to us
3 for independent advice in terms of where the
4 technologies and where the market's going. And our
5 consulting organization builds upon that as well.

6 MR. MATT GHIKAS: And how long have
7 you been with Gartner?

8 MR. MARTIN GEFFEN: I've been with
9 Gartner over fifteen (15) years now, almost sixteen
10 (16) years.

11 MR. MATT GHIKAS: And how long have
12 you been performing the type of consulting work that
13 you're providing today?

14 MR. MARTIN GEFFEN: I've -- I would
15 say I've been providing this kind of work for Gartner
16 for almost all of my career there.

17 MR. MATT GHIKAS: Okay. And -- and
18 how long in terms of years would that be?

19 MR. MARTIN GEFFEN: Oh, so that would
20 be, you know, probably fifteen (15) years of -- of
21 work with Gartner I've been doing this kind of work,
22 IT strategy, procurement advice, oversight advice.

23 MR. MATT GHIKAS: Okay. And does your
24 experience extend to the property and casualty
25 insurance industry?

1 MR. MARTIN GEFFEN: I have done work
2 for a number of property and casualty organizations.
3 My -- my practice extends to a -- a wide range of
4 organizations. I do a lot of work in the public
5 sector, and I do a lot of work in healthcare, and I've
6 worked with both P&C and life.

7 So my -- I would say I've done work for
8 some of the -- one (1) of the largest P&C insurers in
9 the -- in the United States. I've done some work in -
10 - in Canada as well, yes.

11 MR. MATT GHIKAS: And you testified
12 before the PUB and MPI's 2012 GRA application if I
13 recall correctly, right?

14 MR. MARTIN GEFFEN: If -- I think -- I
15 believe that that was the right year, yes.

16 MR. MATT GHIKAS: And otherwise, have
17 you testified in -- as a witness in Manitoba or
18 elsewhere?

19 MR. MARTIN GEFFEN: I have not.

20 MR. MATT GHIKAS: Mr. Chairman, I'd
21 ask that Mr. Geffen be qualified as an expert in the
22 use and planning of information technology and IT
23 governance. And I'll just repeat that slowly. As an
24 expert in the use and planning of information
25 technology and IT governance.

1 Would you like that repeated -- anybody
2 like that repeated again?

3 MR. BYRON WILLIAMS: From our client's
4 --

5 THE CHAIRPERSON: Mr. Williams...?

6 MR. BYRON WILLIAMS: -- from our
7 client's perspective, we welcome Mr. Geffen, and
8 frankly, think his qualifications could have been a --
9 even a bit broader. He's -- he's clearly well qual --
10 qualified, and we look forward to hearing him.

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

13 MR. CHRISTIAN MONNIN: No issues, Mr.
14 Chair.

15 THE CHAIRPERSON: Thank you.

16

17 RULING (Qual):

18 THE CHAIRPERSON: Please proceed.

19

20 CONTINUED EXAMINATION-IN-CHIEF BY MR. MATT GHIKAS:

21 MR. MATT GHIKAS: Thank you, Mr.
22 Chairman.

23 Now, I referenced earlier the report in
24 Volume I of MPI's application, Mr. Geffen. It's found
25 Volume I, PDR tab, Attachment A. And there is -- the

1 report is called, A Report For Manitoba Public
2 Insurance on Physical Damage Re-engineering PDR dated
3 June 6, 2016.

4 Were you responsible for that report,
5 Mr. Geffen?

6 MR. MARTIN GEFFEN: Yes, I was.

7 MR. MATT GHIKAS: Okay. And also,
8 behind that PDR tab, there are terms of reference
9 attached as Attachment B.

10 You've seen those terms of reference
11 before?

12 MR. MARTIN GEFFEN: I have, yes.

13 MR. MATT GHIKAS: And were those the
14 terms of reference setting out the scope of your
15 engagement with MPI as it relates to PDR?

16 MR. MARTIN GEFFEN: Yes, they were.

17 MR. MATT GHIKAS: And you've also
18 authored a number of Informa -- responses to
19 Information Requests where those responses were
20 expressly attributed to you, correct?

21 MR. MARTIN GEFFEN: Correct, yes.

22 MR. MATT GHIKAS: And those responses
23 included the letter dated August 19th, 2016, that was
24 attached to PUB I-61 in which you responded to MPI's
25 response to your previous report?

1 MR. MARTIN GEFFEN: Yes.

2 MR. MATT GHIKAS: Now, there is a, in
3 the application, a -- a Volume III benchmarking
4 appendices Appendix AI.12-5, a CIO scorecard and IT
5 infrastructure benchmark.

6 Can you first tell me what your
7 involvement was with the preparation of that -- that
8 document?

9 MR. MARTIN GEFFEN: So I lead all of
10 our consulting work that we've done for PDR and we
11 have a -- a very specialized team that does
12 benchmarking themselves. And so I've -- I provided
13 direction and oversight and quality assurance for that
14 team. The report was created by our benchmarking
15 specialists. I reviewed it and did quality assurance.
16 And I ensured that it was appropriate and correct and
17 reflected -- was -- was accurate and complete.

18 MR. MATT GHIKAS: And can you just
19 explain very, very briefly what that -- the retainer
20 with respect to that exercise involves with MPI?

21 MR. MARTIN GEFFEN: Yes. We provide -
22 - with respect to the IT benchmarking scorecard we
23 conduct an annual review in which we do three (3) --
24 three (3) key things. We co -- collect data with
25 regard to spending and we'll provide -- do the

1 analysis and run that data comparing year-over-year
2 spending for -- against MPI spending and -- against
3 some key metrics. And I'm prepared -- will be happy
4 to talk about those in -- in a minute.

5 And we also compare MPI spending to
6 pure organizations using our pure -- pure
7 benchmarking. We also apply a CIO scorecard to assess
8 the overall maturity of some of the IT processes that
9 are in place and provide a tracking for MPI year over
10 year with regards to the maturity of those IT
11 processes.

12 MR. MATT GHIKAS: Thank you, Mr.
13 Geffen. And are the materials that you prepared or
14 have responsibility for true and accurate to the best
15 of your knowledge?

16 MR. MARTIN GEFFEN: To the best of my
17 knowledge, yes.

18 MR. MATT GHIKAS: And do you adopt
19 your reports and your responses to Information
20 Requests as your evidence in this proceeding?

21 MR. MARTIN GEFFEN: I do.

22 MR. MATT GHIKAS: Now, you've prepared
23 a PowerPoint presentation. Would you please deliver
24 that now?

25 MR. MARTIN GEFFEN: Sure. Thank you.

1 So thank you for having me -- having me here. I'm
2 happy to present this -- this presentation and
3 obviously answer any questions that -- that you have
4 regarding this or the -- the work that we've done.

5 The presentation really consists of two
6 (2) -- two (2) components. One (1) if just an
7 overview of the IT scoring benchmark. And the other
8 is an overview of the -- the PDR program review report
9 that we created.

10 In summary, with regards to the IT
11 scoring benchmark you'll see we'll be talking about
12 kind of maturity levels and the fact that they've been
13 increasing over time. And we can talk about what --
14 what those are and give you more detail on that.

15 And then we'll also talk about the
16 actual spend on IT and how we measure that and in
17 terms of relative to spending over time and relative
18 to spending as a percentage of revenue and operating
19 expenses we'll -- we'll talk about what the trend is.
20 And, as -- as you see here, it is a decre --
21 decreasing trend.

22 With regards to the PDR program review,
23 I'm going to kind of provide an overview of the -- the
24 four (4) questions that we were asked to address by
25 MPI to respond to the questions that had been asked by

1 -- by yourselves, you know, kind of walk through
2 those.

3 So it's about the pilot progress, about
4 the program schedule, about, you know, cost allocation
5 within -- within the projects for the -- for the
6 program itself and the overall benefit -- benefits and
7 likelihood of benefits realization.

8 In -- in addition, throughout the --
9 the work that we did we have identified a number of
10 risks within -- in the program. And we'll kind of
11 talk a bit about what some of those risks are and how
12 MPI has endeavoured to undertake and to mitigate those
13 risks. Thank you.

14 So, as I mentioned earlier, the -- the
15 IT benchmarking scorecard really consists of three (3)
16 -- three (3) keys areas, the IT spend analysis, so
17 how's MPI spending money on IT, how does it compare
18 year-over-year and how does it compare to peers.

19 And then the CIO scorecard and
20 infrastructure operation scorecard really look at key
21 -- key IT processes and the maturity of those
22 processes. And the -- we use a well accepted maturity
23 model right there. It's kind of -- often you'll see
24 in the IT industry, and probably in other industries
25 as well, kind of a five (5) layer maturity model which

1 -- which ranges from ad hoc number 1 through defined
2 through to advanced and optimized, which are number 4
3 and -- and 5, 3 is managed.

4 We -- there are kind of key questions
5 and indicators that we look for to identify where
6 organizations are within those maturity models, and so
7 that's the -- the way that that is -- that is
8 undertaken.

9 The outcome of doing these three (3)
10 things will be to provide a trending for the relative
11 maturity of the IT organization to, based on that,
12 assist the IT organization's ability to react to
13 rapidly changing business requirements. And then
14 also finally to compare funding -- funding that was at
15 MPI relative to spending on overall revenue, operating
16 expenses, spending by -- per employee, those kinds of
17 key indicators.

18 So the key metrics that we look at, and
19 we also compare the spending to a peer group using a
20 very structured methodology for identifying costs,
21 allocating the costs, and for selecting peers. We
22 have a benchmarking practice that has a data base of
23 about eighteen hundred (1,800) different organizations
24 in it with the same kind of structure data, so we can
25 compare that structure data. Thank you.

1 So the -- a really good way of -- of
2 thinking about the outcome of the IT benchmark and
3 scorecard is really -- is positioned in -- in this
4 diagram that you see over here, and let me just kind
5 of walk us through it. It's -- the 'Y' axis, the
6 vertical axis, is a little bit counter-intuitive
7 because it goes from zero down to nine (9). It
8 doesn't go up as you would normally -- but IT spend is
9 a percent of revenue is the lower the spend -- spend
10 is a percent of revenue is obviously better, and so
11 that's why they -- it goes from zero down to nine (9).

12 And you can see the -- the maturity
13 model goes from a one point five (1.5) on the left-
14 hand side over to a four point five (4.5) on -- on the
15 right-hand side. And so what -- what you would like
16 in -- in the ideal world is a trend of going up and to
17 the right.

18 You would be looking -- you -- in -- in
19 an ideal world what you would want to be doing is --
20 is spending less on IT as a percent of overall revenue
21 year over year, and at the same time having more and
22 more mature processes so that you're getting better
23 and better services, and -- and internally and
24 externally over year.

25 You can see kind of the five (5) year

1 journey that -- that's painted over here. And so you
2 can see that there's a five (5) year journey of
3 getting increasingly mature -- with -- increasingly
4 mature processes year over year moving further and
5 further to the right, and you can see the -- kind of a
6 wavering line with regards to IT as -- as a spend as a
7 percent of revenue.

8 And so you can see in the years
9 2012/'13 and '13/'14, IT spending as a percent of
10 revenue was quite high. And those were the years, as
11 -- as you can recall, during the IT optimization
12 program where MPI was required to invest quite
13 significantly in modernizing and bringing up to date
14 some technologies that had not been kept -- kept
15 current over time. And you can see that MPI today is
16 spending as -- as a percent of revenue is kind of --
17 about as low as it's ever been, and back to 2011/2012
18 numbers.

19 The -- there's the two (2) -- the two
20 (2) dots for the spending as a percent of revenue, and
21 that's just worth pointing out over there that we had
22 -- year over year considered revenue to be the funding
23 of the revenue that's provided for the core P&C
24 business. If you include the revenue or the funding
25 that -- that MPI gets as part of its registration

1 operations, then the funding -- this IT spending as a
2 percent of revenue is lower because the -- the
3 numerator is the -- the numerator is -- is -- the
4 denominator is higher. Okay.

5 So as a quick -- again just a quick
6 summary of the three (3) areas that we talked about.
7 We can see that MPI's IT spending as a percent of
8 revenue has decreased 6.9 percent over the last five
9 (5) years. Peers have -- at the same time, peers
10 increased their IT spending as a percent of revenue by
11 nine point (9.) -- by 9.3 percent. Last year MPI had
12 a IT spend as a percent of revenue decline from 7.2
13 percent to 5.3 percent as compared to 4.7 percent for
14 peers, so still a bit higher than the peers.

15 IT spend as a percent of operating
16 expense declined from -- from 6.9 percent to 5.4
17 percent versus 6.2 percent for peers, so MPI's operat
18 -- percent as a -- as a percent of operating expenses
19 was actually lower than peers.

20 If you think back to the chart that we
21 -- we just left, we can see that MPI's actually moving
22 out of that catch-up stage. It's getting into a
23 steady state with regard to spending on IT.

24 Some of the salient points that we just
25 wanted to point out is that MPI has traditionally

1 spent more on contractors and external third parties
2 than -- than the peers, and that increases their --
3 their IT spend, and which takes us to the point that
4 they -- that MPI spends 63 percent of its IT budget on
5 personnel versus 44 percent for the peers.

6 And part of that is explained by the
7 fact that 34 percent of MPI's IT staff is made up of
8 contractors versus 17 percent for its peers.

9 The other area that we look at is we
10 kind of break down budget often between kind of run,
11 grow, and transform. So run is, you know, keep the
12 lights on, keep the business going.

13 Grow is doing new projects, doing new
14 things. And transform is really getting into brand-
15 new businesses and doing -- doing innovation.

16 And when we look at the run the
17 business versus the grow and transform compared to
18 peers, MPI is -- its spending is in line with its --
19 with its peer organizations.

20 Finally, with regards to the alignment
21 and maturity section, we can see that the overall IT
22 maturity score increased by 4.4 percent from -- from
23 last year to this year, from 3.2 to 3.4. There are
24 eight (8) different -- so that's an average of the
25 eight (8) different IT process areas -- processes that

1 we -- we look at.

2 And for most of those eight (8), for
3 seven (7) of those eight (8), MPI is as -- as good as
4 or better than its peers, its -- at a -- at a defined
5 or a managed level.

6 The one (1) area where MPI is lower
7 than its peers is with regards to business process
8 management where it's at a one point six (1.6), so in
9 between ad hoc and defined. You can see that, in
10 general, the overall insurance industry is relatively
11 low in that -- in that level of -- of process maturity
12 as well, okay?

13 Moving to an overview of the PDR review
14 that we -- that we undertook, we provided context and
15 background. As you know, the goal of the PR (sic)
16 program is to transform the physical damage claims
17 operation to -- to enhance the MPI value equation, so
18 that's about driving down costs, driving up customer
19 satisfaction, and building capability and stability
20 with -- with -- within the -- the overall repair
21 industry.

22 The program itself is made up of five
23 (5) programs, and we think of -- from a Gartner
24 perspective, we think of a program as a group of
25 projects. And so there are twenty (20) projects

1 within -- within those five (5) programs.

2 Some of those projects are heavily
3 dependent on technology, and others are more focused
4 on changes to operating processes and practices and
5 building -- building capability, both internally and
6 within the industry.

7 The evaluation approach that we took
8 was we reviewed a number of key program artifacts or
9 program charters, budgets, the business case, project
10 plans. We interviewed key -- key individuals to get -
11 - get more data, and then we appri -- we applied our
12 risk and -- and readiness methodology to address the
13 four (4) key questions that was raised by -- by
14 yourselves, and also to identify overall program
15 challenges and risks.

16 Okay. With respect to the -- the first
17 of the four (4) questions in terms of the progress of
18 the pilots to date, MPI has undertaken the -- to -- to
19 do a number of those projects using a pilot approach,
20 so building a proof -- of -- of concept, building out
21 pilots, learning from those, modifying the -- the
22 approach, and then expanding them going forward.

23 There are three (3) pilots that have
24 been performed, and -- and two (2) of them have been
25 completed -- estimating and auto checks. The

1 distributed estimating pilot is still in progress, and
2 there are two (2) other pilot projects I believe, and
3 I'd have to go back to my notes to confirm that
4 number, that are in progress or in plan or being
5 planned.

6 From what we've seen with the completed
7 pilot projects, they achieved the -- the outcomes that
8 were projected for them and -- to move forward. And
9 distributed estimating, the one that's in pro --
10 progress is delivering the insights and benefits that
11 -- that are expected.

12 We expect it to be -- continue on the -
13 - the planned approach and to be able to be completed
14 and then to have the outcomes rolled out on a
15 production basis going forward. With regards to the
16 timing of the -- the full implementation, there has --
17 you know, over the -- the five (5) year program been a
18 number of changes in direction.

19 And this has caus -- has caused some
20 slow -- slow down in progress, but we have -- are
21 actually seeing steady progress with regards to the --
22 the projects that are underway and that are currently
23 planned and -- and specified.

24 Of the twenty (20) projects that --
25 that make up the -- the PDR program, and we're pleased

1 to see that that actually has been a stable number of
2 projects, make up -- make up the program, four (4)
3 have been completed, ten (10) are in progress, and
4 we've looked at the project plans and we -- we believe
5 that the project plans are -- are realistic and
6 achievable, and six (6) are scheduled to start --
7 start in the future.

8 The planning for those is -- the more
9 detailed planning will -- will take place closer to
10 the time when they're ready to start.

11 There were a number of issues that were
12 identified which impacted the schedule and we've
13 talked about them later (sic) and I'm happy to talk
14 about them further in this presentation and, of
15 course, answer any questions that you have with
16 regards to those.

17 You asked about project costs. The
18 overall project program budget is six (6) -- is about
19 \$65 million in 2012 -- dollars -- it's about half of
20 that budget, \$32.8 million has been spent on planning
21 on the pieces that have been completed and the pieces
22 that are under way.

23 It -- we do recognize that the program
24 did under -- did undergo scoping, and refinement, and
25 planning, re-planning of -- of the various projects.

1 The projects have been mapped to the outcomes to
2 identify what the business outcome should be and what
3 -- what the quantitative benefits should be.

4 And the -- what we -- what we find is
5 that in programs as large and complex as this, it's
6 not unexpected that you would have course correction.
7 You'd -- you'd have some changes. What we look for in
8 our ready -- risk and readiness assessment practice is
9 that these are purposeful and conscious changes, that
10 organizations are making them, as I say, consciously
11 and purposefully, that they document the changes and
12 that they actually identify the impact both to costs
13 and to expected benefits.

14 We often see in large programs like
15 this that -- that will continue, you know, for a
16 number of years that you'll get to a certain place and
17 you'll -- the organizations will not be where they
18 thought they were going to be at the very beginning.
19 And if -- and so we -- we look for organizations to
20 have some structure around doing that kind of mapping
21 and -- and doing course corrections.

22 And so we -- since we understand that
23 that kind of scoping refinement and the mapping of
24 outcomes is to be expected, what the benefits are that
25 -- that we look for are that we actually do a real --

1 that -- that the organizations do a rea -- rea --
2 realignment of scope, that they understand what the
3 costs are of the changes, what the -- the timing is --
4 changes will be and what the benefits are -- are
5 likely to be from those -- those course corrections.
6 And that they are using that analysis to really
7 identify and mitigate the potential for additional
8 cost, extended timelines, or deferred benefits
9 realization.

10 The last point I'd just like to make is
11 that while there have been reallocations across
12 projects and we've -- we've seen documentation where
13 the -- the project -- the portfolio mix has changed,
14 it is currently the five (5) programs with -- with the
15 twenty (20) projects and the overall budget envelope
16 has not changed over time for the program itself.

17 The fourth question was asked about --
18 in terms of, you know, savings and benefits to be
19 realized. We -- we've looked at the -- the business
20 case and the -- the benefit flow. The benefit flow is
21 there are a number of lines where benefits are -- are
22 expected. The benefits are expected to ramp up
23 starting -- they were expected to start ramping --
24 start ramping up in next year from, I don't have the
25 numbers exactly in front of me, I can -- I can get

1 them from -- I think less than a million dollars a
2 year up to a steady state of 13.65 million starting in
3 the eleventh year of the program.

4 We have seen -- looked at documentation
5 that indicates that benefits have actually starting
6 flowing this year, so a year -- a year earlier than --
7 than expected. We looked at the kind of the benefits
8 flow. And compared to what one might expect in a
9 private sector organization, there's a very lengthy
10 payback period.

11 And we did some work -- some work just
12 so we got some in -- indicators in terms of rate of
13 return and net present value. We looked at an rate of
14 return of 8 percent over the period of inception from
15 the ten (10) years after the original benefits started
16 to accrue in this fiscal year.

17 We identified -- in addition to
18 addressing those four (4) questions, we identified,
19 you know, a number of -- of risks, and those are at a
20 high level, kind of talk about, you know, scoping and
21 planning and making sure that we are -- are actually
22 doing purposeful changes and making sure that we
23 understand what the scope -- the scope is of each of
24 the projects, that we under -- we do map the outcomes
25 and identify what the benefits are.

1 Because it's a large and complex
2 program with a number of projects, to -- managing
3 inter -- interdependencies among those projects could
4 introduce risk. Having a structured way of measuring,
5 and monitoring, and reporting on benefits to
6 understand what benefits realization is is -- is an
7 important issue that's -- we -- we thought needed to
8 be addressed.

9 The -- managing the scope of the
10 program and any potential to have scope creep is -- is
11 always a -- a risk in a program like this. The -- the
12 penultimate issue that we talk about over here is the
13 fact that you have a number of vendors, especially,
14 you know, HP, Mitchell, IBM, FINEOS, who all have --
15 are required to deliver value and -- and are involved
16 in many of the activities, and so there's a need to
17 coordinate and collaborate those vendor activities,
18 and then, finally, managing the -- the resource stream
19 over -- over time.

20 The -- MPI has reported putting a
21 number of structures and approaches in place to
22 address those risks. And the -- the five (5) salient
23 ones that are worth -- I just wanted to -- to
24 highlight over here is putting an executive director
25 in to oversee the PDR program, which drove them to a

1 much clearer governance structure in terms of how we
2 actually make changes, what we expect from -- from
3 each of the -- the projects themselves, what roles and
4 responsibilities are, how we'll actually invest in --
5 in the various projects.

6 A greater degree of discipline and
7 diligence to doing pro -- project and program scope
8 definition and planning. Discipline and diligence, it
9 requires -- to compliance around standards, structure,
10 roles and responsibilities for all of the operations,
11 and then an overall resource -- levelling resource
12 management, okay.

13 We identified a number of risks spe --
14 specifically with the potential to Mitchell, and those
15 really fall into two (2) -- two (2) key areas. 1)
16 Will -- the expectation is that for FNOL and for the
17 distributed estimating, the -- MPI is really -- is
18 looking to acquire a product, an ongoing commercial
19 project much like the product that they have acquired
20 through FINEOS and through the existing products and
21 services that they acquire through Mitchell.

22 And so one (1) of the risk was
23 Mitchell's level of commitment and ability to build
24 all the new functionality and maintain it within a
25 commercially available product.

1 And the second issue was around
2 Mitchell -- Mitchell's ability to actually develop the
3 functionality that was required for -- that MPI
4 requires to -- to achieve its business outcomes.

5 And MPI has identified a number of
6 approaches to -- to mit -- mitigate and manage those.
7 And those -- those are documented over here,
8 developing of a master service agreements to document
9 the actual commitment to -- to deliver both
10 functionality and on a -- on a commercially viable
11 ongoing basis, and then on -- an ongoing review cycle
12 through meetings at all levels of the -- of the
13 organizations.

14 And very important, from our
15 perspective, is conducting detailed reviews and
16 testing of the iterative releases of the functionality
17 as it's released.

18 So that was a -- a brief presentation
19 of both the IT score and benchmark in terms of
20 increasing maturity levels, decreasing relative cost -
21 - relative spend on IT, and on the PDR program review
22 with regards to the -- the four questions that you've
23 asked for in terms of pilots being in progress and
24 underway. The program being on schedule, while costs
25 are -- have been reallocated among projects, the --

1 the overall total is -- continues to be as projected.

2 Benefits are -- are -- will -- while
3 they take a long time to realize they seem to have
4 started early, and the -- there is a mapping between
5 the projects and the benefits so that there's a
6 reasonable expectation that you will achieve those
7 benefits in the timelines projected. And finally,
8 we've identified a number of risks and mitigation
9 approaches for those risks.

10 MR. MATT GHIKAS: Thank you, Mr.
11 Geffen. Mr. Geffen is available for cross-
12 examination, Mr. Chairman.

13 THE CHAIRPERSON: Thank you. Ms.
14 McCandless...?

15

16 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

17 MS. KATHLEEN MCCANDLESS: Good
18 morning, Mr. Geffen. My name is Kathleen McCandless,
19 and I'm counsel to the Public Utilities Board of
20 Manitoba. I do have some questions for you this
21 morning.

22 Just by way of background, we heard
23 this morning that you testified in 2012 in this
24 hearing. How long has Gartner -- pardon me -- been
25 engaged by MPI?

1 MR. MARTIN GEFFEN: Gartner has been
2 engaged -- oh, on and off we've done project with MPI
3 since, I would say, the early 2000s. I'd have to go
4 back to my notes to find out exactly when but, yeah.

5 MS. KATHLEEN MCCANDLESS: Thank you.
6 And then you personally have been involved with MPI
7 since the 15 years that you have been working on this
8 --

9 MR. MARTIN GEFFEN: Not for the 15
10 years. Probably, I think, 6 or 8 -- well, probably 8
11 years. I -- I -- again I'd -- I'm sorry, I'd have to
12 go back to my notes but --

13 MS. KATHLEEN MCCANDLESS: Thank you.

14 MR. MARTIN GEFFEN: -- yeah.

15 MS. KATHLEEN MCCANDLESS: And we heard
16 about the three items that Gartner reviews on an
17 annual basis for MPI. Is there anything other than
18 that -- those three items that is provided to MPI by
19 Gartner?

20 MR. MARTIN GEFFEN: We have done -- we
21 -- we have done oversight for the strategic projects,
22 or some of the strategic projects that MPI has
23 undertaken over -- over time, as well. We, through
24 our research practice, provide advice and counsel for
25 the -- the CIO, and there are members within MPI to --

1 staff that have access to our research.

2 MS. KATHLEEN MCCANDLESS: Does Gartner
3 review project charters for IT projects?

4 MR. MARTIN GEFFEN: We do.

5

6 (BRIEF PAUSE)

7

8 MS. KATHLEEN MCCANDLESS: Now, I have
9 some questions about your report to the MPI board on
10 the CIO scorecard and the IT infrastructure benchmark,
11 which is in the report found in MPI's filing this
12 year, and obviously in your PowerPoint this morning.

13 MR. MARTIN GEFFEN: M-hm.

14 MS. KATHLEEN MCCANDLESS: And as we
15 heard this morning, Gartner uses three structured
16 evaluation instruments. That's IT spend analysis, CIO
17 scorecard, and infrastructure and operations
18 scorecard.

19 And I understand these tool -- these
20 are tools that are widely used by Gartner to evaluate
21 the IT maturity at organizations?

22 MR. MARTIN GEFFEN: They are, yes.

23 MS. KATHLEEN MCCANDLESS: Were they
24 especially designed for MPI?

25 MR. MARTIN GEFFEN: They were not

1 especially. They're standard tools that we have in
2 place.

3 MS. KATHLEEN MCCANDLESS: Thank you.
4 For this report, if we could pull up the report which
5 is at benchmarking Appendix AI.12-5, page 53.

6

7 (BRIEF PAUSE)

8

9 MS. KATHLEEN MCCANDLESS: If we scroll
10 to the bottom of the document here, in the -- the box
11 which discusses the peer group the very last line in
12 the box says that:

13 "A total of eighteen (18) peer
14 organizations were included in the
15 2014/'15 comparison."

16 MR. MARTIN GEFFEN: M-hm.

17 MS. KATHLEEN MCCANDLESS: And it also
18 says that:

19 "Slightly more than one-half of the
20 peer organizations from 2013/'14
21 updated their data, and are included
22 in the 2014/'15 peer group."

23 Were there any additional organizations
24 included in the peer group in this -- the report
25 before you?

1 MR. MARTIN GEFFEN: So -- oh, yes. So
2 I -- I see your question. Yeah, so we -- I -- I don't
3 know exactly how many peer organizations there are. I
4 -- oh -- oh, it says here that there's eighteen (18)
5 peer organizations in the 2014/'15 comparison.

6 So -- so, yes, what we do is we look
7 for peers that, based on industry, based -- and based
8 on workload and complexity. So we have algorithms to
9 kind of assess workload and complexity. So we have
10 algorithms to kind of assess workload and complexity.
11 And we'll then try and -- we'll pick peers that have
12 similar kinds of workload and complexity.

13 And so year over year you might
14 actually have different group organizations in the
15 peer group based on the -- who's in our database and
16 that have similar levels of workload and complexity in
17 the industry.

18 And so the short answer to your
19 question is, when we pick the peers, over half of
20 those peers were from previous years, but they were
21 additional peers that -- that were in -- in the -- in
22 the comparison.

23 MS. KATHLEEN MCCANDLESS: Thank you.
24 Are you able to shed any light on -- as to what the
25 composition of the peer group was for this report?

1 MR. MARTIN GEFFEN: So we promise to
2 our clients that -- that -- and nomina -- and -- and
3 confidentiality, I can't tell you who the peers are.
4 The peers are -- some of them were in the PNC industry
5 and others were in different industries but they would
6 have a similar scale and -- and complexity of -- of --
7 as MPI does.

8 MS. KATHLEEN MCCANDLESS: Thank you.
9 Now, the current report that we're discussing right
10 now is dated October 29, 2015.

11 Is the work underway for the current
12 year's report?

13 MR. MARTIN GEFFEN: It is underway
14 right now for the current pre -- yes, report, yes.

15 MS. KATHLEEN MCCANDLESS: Is it
16 completed as yet?

17 MR. MARTIN GEFFEN: It has not been
18 completed as yet.

19 MS. KATHLEEN MCCANDLESS: Has Gartner
20 selected the peer group for the current year's
21 evaluation?

22 MR. MARTIN GEFFEN: You know, I
23 honestly don't know. I know that the data -- the data
24 collection has just been completed and we are just
25 about to do the analysis. So I'm -- I -- we -- I'd

1 need to go back to -- to my team to confirm that. I
2 can -- I can get you that if you would like me to.

3

4 (BRIEF PAUSE)

5

6 MS. KATHLEEN MCCANDLESS: Do you
7 expect that the report would be completed before the
8 close of 2016?

9 MR. MARTIN GEFFEN: Yes.

10 MS. KATHLEEN MCCANDLESS: And with the
11 work that's been completed thus far do you have any
12 preliminary views on the progress of the IT maturity
13 for MPI for 2016 compared to the 2015 report?

14 MR. MARTIN GEFFEN: I honestly don't.
15 The data collection has just been completed right now.

16 MS. KATHLEEN MCCANDLESS: Diana, if we
17 could move to page 54. Thank you. When we look to
18 the -- the chart or the table in front of you, these
19 are -- this is MPI's enterprise view technology
20 economics from 2010/2011 to 2014/'15. I'd like to ask
21 you a question with respect to the third line from the
22 bottom, which is the MPI IT FTEs.

23 If I'm to understand this correctly,
24 there's a trend of a 6.4 percent compound annual
25 growth rate --

1 MR. MARTIN GEFFEN: Yeah.

2 MS. KATHLEEN MCCANDLESS: -- for MPI
3 IT FTEs.

4 MR. MARTIN GEFFEN: M-hm.

5 MS. KATHLEEN MCCANDLESS: Is that
6 correct?

7 MR. MARTIN GEFFEN: Correct.

8 MS. KATHLEEN MCCANDLESS: Could you
9 provide Gartner's interpretation of this metric?

10 MR. MARTIN GEFFEN: The -- so -- you
11 can see the -- the 5 year trend is in the -- kind of
12 the little -- the -- the blue bars, and so we kind of
13 see the -- the number of FTEs have kind of increased
14 up until the -- the 3rd year, and then it has
15 decreased over time.

16 And what we've done with the compound -
17 - compound annual growth rate is a measure of the year
18 over year growth over that -- that 5 -- 5 year period.

19 So what that says is that we've
20 actually increased the -- the number of FTEs in IT by
21 6.4 percent compounded year over year.

22 MS. KATHLEEN MCCANDLESS: Thank you.
23 In the bottom bullet of this page it's written that
24 the overall personnel spending and staffing for
25 2014/'15 are higher than peers. As MPI increases its

1 use of third party support for infrastructure services
2 it should review the size of its retained staff.

3 Is this referring to the IBM
4 outsourcing?

5 MR. MARTIN GEFFEN: It refers to all
6 out -- all -- I know outsourcing is a defined term,
7 all -- all external contractors so it will refer to
8 resources that are provided by HP, by IBM, and
9 potentially by other vendors, as well.

10 MS. KATHLEEN MCCANDLESS: Thank you.
11 To your knowledge, has MPI undertaken a review of its
12 IT staffing levels?

13 MR. MARTIN GEFFEN: We understand that
14 MPI -- it has been working on looking at -- at this
15 specific issue and we know of a -- a number of
16 instances where MPI has brought individuals onto the
17 staff and -- from -- they've -- they've taken roles
18 and moved them from a -- a contracted person to a
19 staff person, so, yes.

20 There's been quite a lot of movement
21 there.

22 MS. KATHLEEN MCCANDLESS: Has Gartner
23 been requested to assist in that process at all?

24 MR. MARTIN GEFFEN: We have not.

25 MS. KATHLEEN MCCANDLESS: Thank you.

1 Diana, could we just move forward to the next page of
2 the report. And this was also reflected in your
3 PowerPoint this morning Mr. Geffen.

4 MR. MARTIN GEFFEN: M-hm.

5 MS. KATHLEEN MCCANDLESS: And so just
6 to highlight some of the key observations that were
7 made by Gartner included that MPI spend 63 percent of
8 the IT budget on personnel as compared to 44 percent
9 for its peers. That 34 percent of MPI -- MPIs IT
10 staff is made up of contractors as compared to 17
11 percent for the peers.

12 And then at the bottom on the left-hand
13 side under key observations there's also a -- an
14 observation that business process matur -- management
15 maturity remains generally low at 1.60.

16 Just jumping back to the issue of IT
17 spend on staffing, what's Gartner's understanding of
18 why MPIs IT spend on staffing is materially higher
19 than its peer group?

20 MR. MARTIN GEFFEN: So we think that
21 there's -- It is largely driven by the reliance on
22 contractors. And we -- we understand that MPI has
23 made a strategic business decision -- I guess --
24 strategic business decision to utilize contractors and
25 we do find that there are -- there can be good

1 business reasons to do that.

2 The reasons to do -- to retain
3 contractors are one -- they're three-fold, really.
4 One, that -- that kind of -- those kinds of resources
5 are very difficult to acquire in -- in a marketplace,
6 and so the -- the way to get those kinds of skills and
7 experience are through external contracting.

8 And I think that that there is some of
9 the projects that MPI has embarked on have required
10 some of that expertise that -- that would -- would
11 drive some of those. We often find that organizations
12 are looking for flexibility to be able to ramp up
13 skills and experience and the ability to -- for on a
14 project basis or -- or term basis, and so that's a --
15 a reason to acquire the skills and resources that way.

16 And so we see a number of organizations
17 that utilize that strategy to get those kinds of
18 resources. And then the third is that we find that
19 some organizations, based on com -- compensation
20 structures can't actually attract resources to do
21 specific kinds of roles and responsibilities and so
22 that they actually need to go out and contract for
23 those, because that's the -- that's the way -- that is
24 one of the only ways that they can get those kinds of
25 resources when they need them on staff.

1 MS. KATHLEEN MCCANDLESS: Thank you.

2 So there's -- there is the observation that MPIs IT
3 staff is made up of -- 34 percent of it is made up of
4 contractors --

5 MR. MARTIN GEFFEN: M-hm.

6 MS. KATHLEEN MCCANDLESS: -- as
7 compared to 17 percent for the --

8 MR. MARTIN GEFFEN: Correct.

9 MS. KATHLEEN MCCANDLESS: -- for the
10 peers. And perhaps you could just explain what
11 Gartner's understanding is of the reason for that
12 metric as well?

13 MR. MARTIN GEFFEN: So I -- I think
14 that the -- the answer to that is ki -- those two are
15 -- two -- are -- are bound up that the reason that --
16 that MPI is using contractors more than staff is for,
17 you know, one of -- one of those three reasons; that,
18 you know, availability of resources, the need for
19 flexibility to bring on resources and -- and for a
20 specific term as they're required, and the ability to
21 actually afford those resources.

22 And that -- that -- and so that's the
23 reason for that difference and that drives up -- that
24 drives up costs as well.

25 MS. KATHLEEN MCCANDLESS: Thank you.

1 Diana, could we go to Mr. Geffen's presentation from
2 this morning. That's MPI number 45, slide 4 of the
3 document. And this is the -- the graph that you
4 discussed in detail --

5 MR. MARTIN GEFFEN: M-hm.

6 MS. KATHLEEN MCCANDLESS: -- this
7 morning. And so just for clarification, the
8 implication of this graph would be that MPI's IT
9 maturity has improved since 2010/2011, yes?

10 MR. MARTIN GEFFEN: Correct, yes.

11 MS. KATHLEEN MCCANDLESS: And there's
12 a reference to target position on the right-hand side
13 of the graph.

14 Could you just explain what is meant by
15 "target position" relative to MPI's current position?

16 MR. MARTIN GEFFEN: The -- the target
17 position is a -- that's been there for -- for five (5)
18 years, and I -- I need to go back and -- and find out
19 why it's what.

20 I would say that the target position
21 would -- is -- would be to be at -- at where your --
22 where -- where your peers are. I would need to go
23 back and confirm that with -- with my group that's --
24 that's done this, but let -- let me -- let me take
25 that away for you, if that's -- if that's acceptable.

1 But I -- but in general, that -- I
2 would say that the target would be that you'd want to
3 be -- we -- we look at -- if you've seen this on the -
4 - the -- we -- we -- when we do these -- these kinds
5 of comparisons, we look at comparison to the aver --
6 the -- the average and median, and then we look at a
7 25 percentile and a 75 percentile, and I would say
8 that the target position is to be at the median of
9 where your peers would be.

10 MS. KATHLEEN MCCANDLESS: Thank you.
11 So I -- I think in your response, you indicated you
12 would be able to go back and -- and check?

13 MR. MARTIN GEFFEN: Absolutely.

14 MS. KATHLEEN MCCANDLESS: So perhaps,
15 Mr. Ghikas, we could have an undertaking to have an
16 explanation for -- or a definition of the term 'target
17 position' included within the slide number 4 at MPI
18 Exhibit number 45?

19 MR. MATT GHIKAS: Absolutely.

20 MS. KATHLEEN MCCANDLESS: Thank you.

21

22 --- UNDERTAKING NO. 30: MPI to provide a
23 definition of the term
24 'target position' in slide
25 number 4 at MPI Exhibit

1 number 45.

2

3 CONTINUED BY MS. KATHLEEN MCCANDLESS:

4 MS. KATHLEEN MCCANDLESS: Going back
5 to your report -- Diana, please, could we jump to AI
6 12-5, and in page 57 -- at the bottom of the page
7 after the conclusions that were reached by Gartner
8 with respect to the IT spend, there are a number of
9 implications.

10 With respect to the first implication:

11 "MPI should continue improving IT
12 governance efforts to further
13 capture benefits realized from its
14 IT investments."

15 Could you please explain how the
16 Corporation could improve on its IT governance?

17 MR. MARTIN GEFFEN: So the -- MPI has
18 implemented benefits -- a value -- value management
19 framework over the last year or two (2), and that kind
20 of looks to the -- a gated approach to identify --
21 identifying opportunities getting more -- greater and
22 greater levels of detail of -- of what the costs and
23 the benefits would be, and making decisions on a -- on
24 a gated process move -- moving forward.

25 And that's a -- that is a -- one (1) of

1 the key ways of -- of doing -- of -- of driving that
2 kind of governance process to making decisions around
3 how we spend money, how we invest money in -- in -- on
4 IT or on transformational programs that are supported
5 by IT.

6 And so we would see maturation of that
7 -- of that process that has recently been, you know,
8 implemented. There is a -- the -- so that's about
9 identifying opportunities, having a gated process
10 about deciding which -- move -- moving from gate to
11 gate before we spend -- been spending more and more
12 money only as you have greater and greater confidence
13 that you're going to get your benefits.

14 The other kind of governance approach
15 would be to have improved and more mature benefits
16 realization metrics, so understanding kind of what
17 your baselines are so that you can determine what kind
18 of benefits that you're -- you're getting.

19 And another -- another area that we
20 often see in organizations in terms of achieving
21 better decision making, which is kind of how we think
22 of governance in -- in this, is to have increased
23 participation from the business stakeholders so they
24 have decisions not driven by the IT organization, but
25 driven by business stakeholders.

1 MS. KATHLEEN MCCANDLESS: Thank you.

2 So just to go back to your response, some of what your
3 explanation was was sort of in general terms.

4 MR. MARTIN GEFFEN: M-hm.

5 MS. KATHLEEN MCCANDLESS: Are you able
6 to pinpoint the areas in need of improvement from an
7 IT governance perspective at MPI?

8 MR. MARTIN GEFFEN: Oh, okay. Sure.

9 So we think that the -- the -- one (1) key area is
10 having key inputs from business stakeholders at -- at
11 all levels.

12 So certainly you'd want to have
13 business stakeholders involved at an executive level
14 as you're starting to look at opportunities and -- and
15 look at priorities and having them -- having
16 stakeholders, business stakeholders involved at
17 management and operating levels as you're getting in -
18 - in -- into projects. So that's one (1) area.

19 And then the other area is -- and if
20 you think back, this -- a year ago would be to
21 actually implement and apply discipline to the gating
22 process that -- that I talked about which was an emerg
23 -- it -- back then it was kind of an emerging
24 discipline, an emerging concept. And this was to
25 really actually to apply those, have rigour and have

1 discipline about that.

2 MS. KATHLEEN MCCANDLESS: Thank you.
3 So is the -- the gating process has not been put in
4 place as yet then?

5 MR. MARTIN GEFFEN: So my
6 understanding is that it has been -- over the past
7 year it has been put in place, and that there are a
8 number of projects that have actually gone through
9 that gating process.

10 MS. KATHLEEN MCCANDLESS: Thank you.
11 Another implication, which is at the second bullet on
12 the screen before you, is that business process --
13 process management lags behind other maturity areas.

14 MR. MARTIN GEFFEN: M-hm.

15 MS. KATHLEEN MCCANDLESS: Could you
16 discuss what the implications would be to the
17 Organization of business process management being less
18 mature?

19 MR. MARTIN GEFFEN: Sure. So business
20 process management is -- in our context is a
21 discipline around identifying, you know, who process
22 owners are, so identifying their roles and
23 responsibilities, being clear on kind of what the
24 business processes are, and especially on implementing
25 technologies to support business process.

1 So this is kind of workflow
2 technologies or analytics technologies that would
3 allow you to both assess inefficiencies or the -- the
4 efficiency of a process, do the analysis around kind
5 of how you could optimize it, and then, in -- in the -
6 - in an optimized world, you could actually provide
7 prediction in terms of how you might actually want to
8 change processes based on the data that -- that's
9 coming in.

10 So as you would optim -- as you mature
11 that, you'd -- you'd get to more and more efficient
12 business processes, you would be able to drive down
13 costs. They would be more repeatable.

14 You'd have fewer instances where you're
15 doing rework or having questions. That's -- that's
16 the implication of having a more mature business
17 process. More business process management, yeah.

18 MS. KATHLEEN MCCANDLESS: Thank you.
19 Another implication which is just below the one we
20 just discussed is that increased use of business cases
21 will hold business stakeholders and IT accountable for
22 achieving projected benefits and value.

23 Could you just elaborate on how the use
24 of business cases would hold business stakeholders and
25 IT accountable?

1 MR. MARTIN GEFFEN: Sure. So in a
2 business case, you would expect to have, you know, an
3 elucidation of both the costs and the expected
4 benefits that would be in a -- in a -- from a cost
5 perspective, there would be kind of the development
6 and -- and roll-out costs and then operating costs.

7 The IT should have control over the
8 development and roll-out costs. IT often does not
9 have control over ongoing operations costs and on
10 realization of benefits that is usually a
11 responsibility of the operating business.

12 And so with -- with that preamble, if
13 you understand what those costs are broken down and
14 what those benefits are, we can then use those --
15 those projections to hold the -- the appropriate
16 stakeholders responsible for the things that they
17 actually do have control over.

18 Does that -- yeah?

19 MS. KATHLEEN MCCANDLESS: Yes. That
20 answers the question. Thank you. So should business
21 cases be prepared for all major projects before
22 spending commences?

23 MR. MARTIN GEFFEN: Yes. When -- our
24 expectation would be that, you know, in -- in our --
25 in our experience, we see organizations that have, you

1 know, ranges of -- of levels of complexity and detail,
2 depending on the -- the size and scale of a project
3 and also depending on which gate you're -- you're at.
4 But if you would think that -- that as you move beyond
5 specific gates you get more and more detailing in
6 structuring a business case.

7 MS. KATHLEEN MCCANDLESS: Has Gartner
8 been involved in the preparation of IT business cases
9 for MPI?

10 MR. MARTIN GEFFEN: Not for MPI, no.

11 MS. KATHLEEN MCCANDLESS: We -- the
12 Board has information before it from MPI that it is
13 deploying a value management process --

14 MR. MARTIN GEFFEN: M-hm.

15 MS. KATHLEEN MCCANDLESS: -- to track
16 value received from complete initiatives. Has Gartner
17 reviewed or been involved in the development of this
18 value management process?

19 MR. MARTIN GEFFEN: We have reviewed
20 the process itself, so we've seen some documentation
21 that describes it. And we have looked at how it's
22 been applied at cer -- at certain projects, yes. We
23 were not involved in developing the process --

24 MS. KATHLEEN MCCANDLESS: And --

25 MR. MARTIN GEFFEN: -- which was

1 another one (1) of the questions you asked.

2 MS. KATHLEEN MCCANDLESS: And the
3 value management process and -- and using that, would
4 that be a best practice?

5 MR. MARTIN GEFFEN: So using a value
6 management process like that would be, you know,
7 considered to be a best practice that -- that -- the
8 way that MPI has defined it, it kind of really talks
9 through, you know, what those gates are. As described
10 earlier, that's kind of -- those decision gating
11 processes would be considered to be a best practice.

12 MS. KATHLEEN MCCANDLESS: Thank you.
13 Another observation at the very bottom under,
14 "implications," is that ongoing outsourcing
15 initiatives should present opportunities to drive
16 infrastructure staffing lower.

17 Which outsourcing initiatives is
18 Gartner refer -- referring to in this bullet?

19 MR. MARTIN GEFFEN: We're referring to
20 the -- the IBM relationship, right?

21 MS. KATHLEEN MCCANDLESS: And in what
22 respect does Gartner view -- view this as an
23 opportunity?

24 MR. MARTIN GEFFEN: So we often see in
25 -- in an ongoing manage services or outsourcing

1 relationship that, as the relationship matures, the --
2 as the vendor understands more and more of an organiz
3 -- of -- of the -- its client organization it can take
4 on more and more roles and responsibilities, it can be
5 more responsive.

6 And so from our vendor management
7 practice we often look for organizations to be having
8 those kinds of conversations with their vendors in
9 terms of are they getting -- not only are they getting
10 value for money for the services that are being
11 provided today, but are there other ways to get value
12 for money to drive -- to drive costs out and to have
13 services being done by the most appropriate re --
14 resource, be it internal or external.

15 MS. KATHLEEN MCCANDLESS: Thank you.
16 Just a quick question with respect to page 58 of the
17 report and with respect to the -- the information here
18 with respect to IT spent as a percentage of revenue.

19 MR. MARTIN GEFFEN: M-hm.

20 MS. KATHLEEN MCCANDLESS: I -- can you
21 confirm that the numbers before you on the -- on the
22 schedule are based on MPI's financial numbers for the
23 Corporation as a whole?

24 MR. MARTIN GEFFEN: That is my
25 understanding.

1 MS. KATHLEEN MCCANDLESS: Thank you.
2 Diana, could we please jump to page 61? And this part
3 of the report depicts the MPI-spend is the percentage
4 of operational expense year over year. And it
5 indicates that it has reduced below the peer average.

6 At the bottom of the page, the
7 observation and conclusion are noted there. And the
8 observation is that MPI is spending -- is spending 20
9 percent more of its budget on its personnel and 5
10 percent less of its budget on outsourcing than its
11 peers. Despite a move to third-party support of the
12 data centre, MPI's outsourcing budget decreased.

13 And the conclusion is that personnel
14 expenses should be declining with the work that has
15 transitioned to third parties. However, MPI will
16 still require a highly skilled and professional staff
17 in-house to oversee the third party and support the
18 architecture long-range planning, et cetera, for the
19 benefit of Manitobans.

20 So would a common theme in this
21 analysis be that staffing or personnel expense should
22 be declining with the transition to third-party
23 providers?

24 MR. MARTIN GEFFEN: So as -- as you
25 have a third party provider taking more and more on

1 you would ha -- you would expect that you have -- you
2 -- so you could have less personnel expe -- you -- you
3 would expect less personnel and potentially less
4 personnel expenses. You would need different kinds of
5 skills to man -- and -- and resources to manage and
6 out source a -- a vendor relationship than you would
7 to have -- to actually operate the environment.

8 Those kinds of resources are, you know,
9 different kind of resources that come at different --
10 at different costs, but yes, one would expect that
11 you'd have less -- less technical operation resources
12 and more management oversight -- relationship
13 management resources.

14 MS. KATHLEEN MCCANDLESS: Thank you.
15 Now, the bar chart on the right-hand side of the
16 screen in front of you is the IT budget cost component
17 distribution for MPI for 2014/'15, 2013/'14, and then
18 the peer average comparison.

19 Could you please just provide some
20 analysis or explanation on this IT budget cost
21 component distribution for MPI in those two (2) year -
22 - those two (2) MPI years depicted as compared to the
23 peer group?

24 MR. MARTIN GEFFEN: So I'm not sure
25 what you're asking. The -- the -- we tend to -- in

1 these -- we have -- our benchmarking practice tends to
2 -- does -- has a very standard chart of accounts so we
3 can actually do apples to apples across peer
4 comparison.

5 We have strict -- we have clear
6 definitions of cost in -- in the various areas like
7 hardware, software, personal outsourcing. We also
8 have defi -- definitions in terms of what towers,
9 whether in network, infrastructure, and so on.

10 What we're showing here is that the --
11 if we compare say 2014/2015 to the peer average, the
12 software and -- sort of hardware and software costs
13 are percentage -- and the percentage of operational
14 expenses are lower than their peers, their personnel
15 as a percent -- as a percent of operating expense is
16 higher than their peers, as you've described. And the
17 outsourcing is also lower than their peers.

18 I'm -- I'm not sure -- I'm not sure how
19 to draw on the conclusions that you want or the
20 analysis that you asked for.

21 MS. KATHLEEN MCCANDLESS: Yeah, that's
22 the answer to my question. Thank you. Could we jump
23 to page 64 of the report. And on this page is a table
24 depicting the CIO dashboard results. And the
25 implications for improvement are included on the left-

1 hand side of the screen before you.

2 Just out of curiosity, why does the
3 table not include 2010/2011?

4 MR. MARTIN GEFFEN: If I had to guess,
5 it was about being able -- fitting it on this
6 PowerPoint slide. I -- I can get you that data if you
7 want me to. I -- I'm happy to do that, yeah.

8 MS. KATHLEEN MCCANDLESS: Thank you.
9 So the chart is colour coded as it relates to MPI for
10 2015/'15. And would the implication be that those
11 dark green shaded areas mean areas where MPI has
12 improved?

13 MR. MARTIN GEFFEN: I'm -- I think
14 that it is mostly the areas where -- I'm just trying
15 to -- no, it's compare -- sorry, it's -- if -- if you
16 look at the legend below, it -- this is what I
17 thought, it's -- it's compared to a -- the -- a team
18 player.

19 So it's one (1) of the other -- one (1)
20 of the other met -- tools that we use is that we
21 identified IT organizations in -- kind of depending on
22 the -- their overall strategic intent. So a team
23 player is an -- is an IT organization that -- that
24 tends to play well with their stakeholders, that
25 brings their -- has a collaborative approach.

1 We have, for example, a -- another
2 category that we use is kind of a butler and that is
3 just, you know, they take orders. So all -- and they
4 just dri -- they -- whatever they -- whatever the
5 business says that's what -- what they do.

6 And they're -- and different kinds of
7 organizations will have different kinds of drivers.
8 We compared MPI to other team players in our database.
9 And so if you look at the -- what the colour coding
10 means is just a comparison to -- between MPI column
11 and the team player column. So darker green means
12 better compared to other team players, and lighter
13 green or yellow is worse compared to team players.

14 MS. KATHLEEN MCCANDLESS: Thank you.
15 The second line from the bottom, 'Effectiveness
16 innovation enterprise viewpoint', that number has
17 remained the same since 2011/2012.

18 Can you offer any insight into why
19 there has been no change in that metric?

20 MR. MARTIN GEFFEN: I would have to go
21 back to the detail to -- to have a look at that. I --
22 I don't have an answer for that. I would say that in
23 general a four is a very high score, and getting
24 higher than -- higher than the four would probably be
25 quite difficult.

1 MS. KATHLEEN MCCANDLESS: Thank you.
2 Mr. Chair, I have maybe 15 or 20 more minutes of
3 questions. So I'm at your disposal as to whether we
4 break now or I -- I finish up.

5 THE CHAIRPERSON: Mr. Williams, how
6 long do you think you'll be in cross?

7 MR. BYRON WILLIAMS: I'm guessing in
8 the range of an hour to an hour and 10 minutes,
9 somewhere --

10 THE CHAIRPERSON: Why don't we break
11 now, and then we'll go to noon. Okay. Thank you.

12 MS. KATHLEEN MCCANDLESS: Thank you.

13 THE CHAIRPERSON: We'll -- 15 minutes,
14 10:30.

15

16 --- Upon recessing at 10:16 a.m.

17 --- Upon resuming at 10:38 a.m.

18

19 THE CHAIRPERSON: Ms. McCandless...?

20

21 CONTINUED BY MS. KATHLEEN MCCANDLESS:

22 MS. KATHLEEN MCCANDLESS: Thank you.

23 Diana, could you, please, pull up PUB-MPI-1-48.

24

25

(BRIEF PAUSE)

1 MS. KATHLEEN MCCANDLESS: And, Mr.
2 Gartner, I'm going to -- Mr. Geffen, pardon me; I'm
3 going to ask you about the progress of certain
4 recommendations that have been made by Gartner to MPI
5 previously.

6 And if we turn to the attachment of
7 this document, this has been prepared pursuant to a
8 request by the Board for an update with respect to
9 recommendations that Gartner had made, and I'm going
10 to just take you to a couple of them.

11 At page 3 of the attachment, there is a
12 recommendation at the bottom of the page under 2.06
13 which was to:

14 "Consider the acquisition and
15 deployment of dependency mapping
16 tools that connect the relationships
17 between applications and
18 infrastructure resources to business
19 processes in order to ensure
20 appropriate IT resources to support
21 growth."

22 From Gartner's perspective, why is this
23 important for the Corporation to undertake?

24 MR. MARTIN GEFFEN: So what -- can you
25 hear me okay?

1 THE CHAIRPERSON: Yes.

2 MR. MARTIN GEFFEN: Great. So what
3 you'd like to do in -- in terms of getting value for
4 money is to really understand the -- the business
5 value that you're getting out of each of your -- your
6 investments, whether it be an application investment
7 or -- or infrastructure investment.

8 And so this concept of depend --
9 dependency mapping tools would be actually drive -- be
10 able to draw a line between what's the value -- what's
11 the business value that you're getting from the --
12 from -- from the -- from those investments. That's
13 the -- the overall value that you'd get -- get from
14 this.

15 I would say that this -- this is -- is
16 kind of an emerge -- an emerging practice -- an
17 emerging area of -- of practice to be able to do that
18 in any kind of really structured or formal way.

19

20 CONTINUED BY MS. KATHLEEN MCCANDLESS:

21 MS. KATHLEEN MCCANDLESS: Thank you.
22 Would addressing this recommendation assist in
23 determining the level of IT staffing that would be
24 required to support the organization?

25 MR. MARTIN GEFFEN: It's unlikely that

1 it would have any impact on -- on the staffing
2 decisions. It would be -- be much more -- much more
3 likely to be able to say, Based on this appli -- this
4 -- this investment in infrastructure or this
5 application, we're getting this kind of business value
6 out of it.

7 MS. KATHLEEN MCCANDLESS: Thank you.
8 Diana, could we, please, move to page 4?

9 And the first recommendation before you
10 here is at 3.02, and the recommendation was originally
11 worded as -- as is set out here. If we look to the
12 2017 Application status, it's been re-worded by
13 Gartner and it says, "See three point oh five (3.05)."

14 And so, Diana, could we jump ahead to
15 page 6?

16 At the -- towards the bottom of the
17 page, the second line up is the reworded
18 recommendation.

19 Is that correct, three point-o-five
20 (3.05)?

21 MR. MARTIN GEFFEN: So that looks like
22 something that we would write. I -- I would need to
23 go back to the document to confirm that, but I -- I --

24 MS. KATHLEEN MCCANDLESS: Okay. And
25 so the -- the reworded recommendation, based on this

1 chart, is to plan the future state architecture to
2 support MPI's goals of access and support for existing
3 and new services.

4 MR. MARTIN GEFFEN: M-hm.

5 MS. KATHLEEN MCCANDLESS: And perhaps
6 for your reference, we can just jump back to the
7 original three point-o-two (3.02), which was at page
8 4, and that's:

9 "To increase the span of EA's
10 influence throughout the business
11 areas by ensuring that governance --
12 "

13 MR. MARTIN GEFFEN: M-hm.

14 MS. KATHLEEN MCCANDLESS:

15 " -- processes exist -- "

16 MR. MARTIN GEFFEN: Right.

17 MS. KATHLEEN MCCANDLESS:

18 " -- and their importance is clearly
19 communicated such that they are not
20 circumvented."

21 So with respect to three point-o-two
22 (3.02), could you provide an example of how governance
23 processes could be circumvented and the implications
24 to the organization?

25 MR. MARTIN GEFFEN: Sure. So I think

1 now that I see the two (2) -- so are you saying that
2 the three point-o-two (3.02) was what we had in a
3 prior year and three point-o-five (3.05) was what we
4 had in a subsequent year?

5 MS. KATHLEEN MCCANDLESS: Yes.

6 MR. MARTIN GEFFEN: Okay. That's --
7 that -- that makes sense to me. The -- what I would
8 say is so specifically to your -- to your -- your
9 question, you know, how something could be
10 circumvented is that there would be a standard that
11 says -- and I'm going to use a simple example that,
12 you know, what we do is we -- we use BlackBerry
13 phones. That's our standard, that's our architectural
14 standard.

15 And -- and for a user to go out and
16 then acquire -- use some, you know, budget to acquire
17 an Apple phone, for example, that would be a
18 circumvention.

19 And a more technical way of -- of
20 circumvention is that we have a way of doing
21 interfaces between -- and it could be a technical
22 specification for doing interfaces between two (2)
23 applications.

24 And so it's a standard, it's a way --
25 it's a defined way of doing these things that some

1 developer or some project decides, you know, we have a
2 different way we want to do it, or the external agency
3 wants to do it differently. And without going through
4 an architectural review process, just doing it. Tho -
5 - those are the kinds of things that -- that could be
6 circumvented.

7 I would say that -- the reason I asked
8 about three point (3.) year over year is that, whereas
9 this was a concern in previous years, we don't
10 actually see that as a concern at the -- at this
11 point, that the -- the influence of the enterprise
12 architecture and the discipline to enterprise
13 architecture processes is much greater and there --
14 and there's much more rigour and -- and discipline to
15 application of those processes today.

16 MS. KATHLEEN MCCANDLESS: So that
17 would explain why it's been reworded then?

18 MR. MARTIN GEFFEN: That would, yeah.

19 MS. KATHLEEN MCCANDLESS: Thank you.

20 Then at the bottom of the table in front of you is
21 recommendation three point-o-four (3.04), which was
22 also reworded. And so the original wording was:

23 "To ensure that a culturally
24 appropriate future state
25 architecture exists, that a baseline

1 of your current state exists, and a
2 GAAP analysis is performed."

3 And what's the -- the original
4 recommendation, what would be the implication of that?

5 MR. MARTIN GEFFEN: So the -- so the
6 implication -- let me talk about the -- the latter two
7 (2) components. You know, understanding a baseline of
8 -- of your current state is -- is that we kind of --
9 we actually need to understand where we are, we need
10 to understand where we -- where we need to be and
11 understand what the GAAP is so we can -- we can drive
12 that.

13 When I think about, you know,
14 culturally appropriate, I need to think back two (2)
15 and wonder why we said that and what that -- that
16 actually means. And I -- what I interpret that is a -
17 - you know, from a cultural perspective, it's kind of
18 the IT cul -- it would need to refer to the -- what
19 the IT culture is.

20 And so do we actually have the kinds of
21 capabilities and attitudes and behaviours in place to
22 -- to apply those -- those standards and those
23 processes.

24 MS. KATHLEEN MCCANDLESS: And just for
25 your reference, we can jump forward to the reworded

1 three point-o-seven (3.07), which is at page 7. And
2 so that's reworded as:

3 "Continue to increase the span of
4 EA's influence throughout the
5 business areas by ensuring that
6 governance processes exist
7 cetera]."

8 But just so I understand your previous
9 -- your response, essentially, what the recommendation
10 is addressing is that if you -- if you do not know
11 where you need to go, then how do you know or
12 recognize when you've -- how -- how you get there and
13 when you've arrived?

14 MR. MARTIN GEFFEN: That's kind of the
15 -- what the -- the original comment was say -- staying
16 (sic). And -- and, you know, what this really says is
17 that -- you know, that you often and -- often
18 enterprise architecture is seen as kind of an ivory
19 tower non -- non-value added and there -- it's --
20 enterprise architecture is often about setting
21 standards. And then making people comply with
22 standards is often seen as kind of policing.

23 And so to be effective, it really needs
24 -- you need -- need to actually bring people -- you
25 need to bring the organization on to understand what

1 they're actually different recommendations. So when
2 you say they were reworded, it's -- one was really --
3 trying to understand about, you know, that current
4 state and -- and going forward, and the other is
5 really about how you actually implement this.

6 MS. KATHLEEN MCCANDLESS: It could be
7 that 3.06 actually addresses 3.04. So we could check
8 on page 6. And perhaps that...

9 MR. MARTIN GEFFEN: Yeah, so 3.06 is
10 closer to what 3.04 would be, yeah.

11 MS. KATHLEEN MCCANDLESS: So in fact,
12 it's likely been reworded by 3.06, which states:

13 "Perform a baseline of the current
14 and perform gap analyses as the
15 architecture is implemented."

16 MR. MARTIN GEFFEN: Right. Yes.

17 MS. KATHLEEN MCCANDLESS: And so then
18 just back to my question.

19 Assuming that the correct reword is
20 3.06, the reason for the reword would be because
21 Gartner has seen improvements since the original
22 recommendation was made?

23 MR. MARTIN GEFFEN: So I think that
24 Gartner has seen improvements, and that's part of it.
25 The other par -- part of it is I think that we

1 actually struggled with what -- what did we mean by
2 what's culturally appropriate. And we just wanted to
3 drop that because it -- it was...

4 MS. KATHLEEN MCCANDLESS: Thank you.
5 I'm just going to ask you a few questions now on the
6 PDR report.

7 MR. MARTIN GEFFEN: Sure.

8 MS. KATHLEEN MCCANDLESS: And, Diana,
9 could you please pull up Volume -- from Volume I of
10 the filing, PDR attachment A? And we heard from you
11 this morning earlier about Gartner's report in this
12 respect.

13 At page 4, under, "projected program
14 schedule," the first paragraph states that:

15 "Progress has been steady but slow
16 due to a number of changes in
17 direction regarding the definition
18 of the actual projects required to
19 deliver the objectives of the
20 overall program and due to a number
21 of shifts in the overall program
22 delivery structure."

23 Could you just perhaps elaborate on
24 what those changes in direction and the shifts in the
25 overall structure were and how they impact on the slow

1 progress of the PDR?

2 MR. MARTIN GEFFEN: Sure.

3 MS. KATHLEEN MCCANDLESS: So an
4 overall program was created that had a number of
5 project with -- with an -- an overall outcome, as --
6 as described before, in terms of transforming the way
7 that property damage and repair takes place.

8 Some of the -- an example of the kind
9 of change that we went through is to look at the --
10 potentially replacing cars and using -- using FINEOS,
11 the kind of first notice of loss. And then -- so that
12 we kind of move -- we went from an area that said we
13 were going to build this out internally, that we went
14 to a place where we were going to address -- focus on
15 -- assess cars and -- and -- sorry, FINEOS and -- and
16 its ability, and then a move to say that what we
17 really wanted to do was to build on some of the legacy
18 applications and extend that with some of the services
19 that we're getting from -- from Mitchell.

20 So that's the kind of change that --
21 that went through. What that necessitated was -- when
22 we talk about structure it's kind of the -- how
23 various components were going to be delivered
24 throughout the program. And so, for example, some of
25 the -- the website redevelopment was -- was very

1 focussed on internally and now we're actually
2 focussing on external websites.

3 Those are some of the changes. So as
4 we've gone through -- or as MPIs gone through to
5 assess the -- an -- an appropriate way, they've kind
6 of looked at creating different kinds of projects to
7 address the -- the outcomes. They're trying to
8 achieve different ways they could achieve the outcomes
9 that they -- that they wanted to achieve and had
10 needed to then think through the costing, or
11 budgeting, and the planning, and chartering of each of
12 those budgets. All of that has -- has taken time.

13 MS. KATHLEEN MCCANDLESS: Thank you.

14

15 (BRIEF PAUSE)

16

17 MS. KATHLEEN MCCANDLESS: Now, with
18 respect to the -- the issues influencing this -- the
19 progress and -- and the slow progress, are there any
20 strategies that you would propose to ensure that the
21 project is delivered on a cost effective basis?

22 MR. MARTIN GEFFEN: So, sure -- so
23 looking forward, I think that there actually is a
24 pretty clear structure in place right now. So having
25 gone through a -- kind of the revisioning process that

1 took place a while ago, I can't -- the -- and the
2 restructuring of the -- of the -- the projects in
3 place, I think that we actually -- going forward I
4 think we actually have a -- a -- there is a well
5 defined project portfolio.

6 So in terms of strategy going forward I
7 think that it's, you know, have discipline and -- and
8 -- to that project portfolio foc -- focus on -- on,
9 you know, maintain that project portfolio, maintain
10 the scope, and -- and scale of -- of each of those
11 projects and have discipline and diligence to -- to that
12 -- to that roadmap.

13 That's kind of a real going forward
14 process. I think that in terms of if I need -- if you
15 want to ask me to kind of look back and say how -- how
16 could we have avoided some of this in -- in the past,
17 I think doing it earlier in the processing as we do --
18 as we do discovery and I think that there are -- there
19 are potentially ways of -- of taking that kind of
20 phase -- that -- that dated structure, which would
21 allow us to kind of look at the opportunities with
22 lower levels of detail, try to identify whether they
23 made sense and then move them forward and get them to
24 greater levels of details so that you're actually
25 moving forward in a -- in a progressive line rather

1 than taking one direction to the other.

2 MS. KATHLEEN MCCANDLESS: Thank you.
3 Diana, could you please pull up the presentation from
4 this morning. That's MPI Exhibit Number 45, and page
5 12. And we heard from you this morning and it's noted
6 in the report as well that Gartner had identified a
7 number of risks related to Mitchell's delivery of PDR
8 and of the first notice of loss.

9 And -- and then the -- the identified
10 approach is to managing and mitigation -- miti --
11 pardon me, mitigating the issues are set out below.
12 Have you reviewed the progress or the aspect of -- of
13 these approaches since making the recommendation with
14 respect to Mitchell?

15 MR. MARTIN GEFFEN: Not since we wrote
16 -- we've -- we've -- I'm just trying to think through
17 it. No, not -- not since we've -- not -- not since we
18 wrote this. We -- we do -- I -- I've -- I have not
19 seen the -- the master service agreement if -- if
20 that's what you're asking me.

21 And, you know, I would -- would not
22 expect to attend any of those project -- those --
23 those meetings, so I have not -- not done any of that.

24 MS. KATHLEEN MCCANDLESS: Thank you.

25 MR. MARTIN GEFFEN: We -- we do -- we

1 have seen evidence of the -- the last item about, you
2 know, practice of detailed reviews and testing of
3 iterative releases, so we've seen -- in fact, there
4 are iterative releases coming from Mitchell and that
5 MPI is reviewing those.

6 MS. KATHLEEN MCCANDLESS: Thank you.
7 Diana, could we please go back to the report at PDR
8 attachment and page 26?

9

10 (BRIEF PAUSE)

11

12 MS. KATHLEEN MCCANDLESS: And I just
13 have some questions with -- with respect to budget.
14 If we scroll to the bottom of the page, there is the
15 overall program spend and benefits stream set out in
16 the table in front of you.

17 MR. MARTIN GEFFEN: M-hm.

18 MS. KATHLEEN MCCANDLESS: And I
19 understand that Gartner estimates on a net present
20 value basis based on a 3 percent discount rate. That
21 there's a net present value of \$18 million over the
22 period from inception, 2010/2011, until ten (10) years
23 after go live? That's --

24 MR. MARTIN GEFFEN: Correct, yes.

25 MS. KATHLEEN MCCANDLESS: Yes. And is

1 that for a ten (10) year period through to 2026?

2 MR. MARTIN GEFFEN: That is the
3 calculation that we did, yes.

4 MS. KATHLEEN MCCANDLESS: How did
5 Gartner select the 3 percent discount rate?

6 MR. MARTIN GEFFEN: We needed to pick
7 a discount rate, and I picked something that was
8 something close to the cost of living or -- or that --
9 that was -- it was really kind of an arbitrary rate
10 that we picked to kind of give you a baseline.

11

12 (BRIEF PAUSE)

13

14 MS. KATHLEEN MCCANDLESS: What is the
15 range of ongoing maintenance costs per year?

16 MR. MARTIN GEFFEN: Ongoing
17 maintenance costs per year? So that's a really
18 interesting question. The -- what we see for a piece
19 of software that's acquired in -- in -- or built -- we
20 often see in maintenance costs are usually in -- in
21 the range of 18 percent to 20 percent for -- per year.
22 That's kind of an -- an industry standard mark.

23 MS. KATHLEEN MCCANDLESS: Thank you.
24 And does the cost benefit analysis include any costs
25 for maintaining the system?

1 MR. MARTIN GEFFEN: At this point, it
2 does not include those costs.

3

4 (BRIEF PAUSE)

5

6 MS. KATHLEEN MCCANDLESS: So with
7 respect to the ongoing maintenance costs per year, you
8 gave the figure of an estimate of 18 to 20 percent.
9 Would that be on an annualized basis?

10 MR. MARTIN GEFFEN: Yes. So that's an
11 -- actually a very interesting question that you
12 asked. So we -- we would expect that on an ongoing
13 basis there would be for -- there -- there's a range
14 of different kinds of -- of systems if you just think
15 about the technology over here. So there will be sys
16 -- there will be -- software is a service type sys --
17 of solutions that you'll be purchasing -- that MPI
18 will be purchasing from -- from Mitchell, and then
19 there will be other systems that will be -- are being
20 built to -- on an on -- to operate it.

21 And those should be incl -- those --
22 those actually should be -- be addressed in some kind
23 of a total cost of ownership analysis and, you are
24 right, we have not included those.

25 MS. KATHLEEN MCCANDLESS: So that

1 would not be included in the net present value then?

2 MR. MARTIN GEFFEN: It has not been
3 including in -- in this calculation, correct.

4 MS. KATHLEEN MCCANDLESS: Has Gartner
5 done a calculation on total cost of ownership?

6 MR. MARTIN GEFFEN: We have done toast
7 -- total cost of ownership on this project, no.

8 MS. KATHLEEN MCCANDLESS: All right.
9 Thank you, Mr. Geffen. Those are my questions.

10 MR. MARTIN GEFFEN: Thank you.

11 THE CHAIRPERSON: Mr. Williams...?

12

13 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

14 MR. BYRON WILLIAMS: Yes, thank you.
15 And good morning, Mr. Geffen. The -- your report was
16 filed with MPI in June of 2016. Is that right, sir?

17 MR. MARTIN GEFFEN: Yes, it was.

18 MR. BYRON WILLIAMS: And can you
19 indicate when the Gartner group was retained by
20 Manitoba Public Insurance to -- to work on the PDR
21 evaluation, sir?

22 MR. MARTIN GEFFEN: I can't recall the
23 exact date. It was -- I -- I --

24 MR. BYRON WILLIAMS: I'm not looking
25 for an exact date but --

1 MR. MARTIN GEFFEN: -- I think it was
2 -- it was -- for -- for this -- this piece of work, it
3 was probably a month or two (2) months before that.

4 MR. BYRON WILLIAMS: Okay. So you
5 were retained in either April or May of 2016?

6 MR. MARTIN GEFFEN: Correct, for this
7 piece of work, yes.

8 MR. BYRON WILLIAMS: And in terms of
9 the total hours that the Gartner Group expended on
10 this piece of work, can you give me a ballpark figure,
11 sir?

12 MR. MARTIN GEFFEN: I could not give
13 you a ballpark figure. I had a group of -- I had
14 myself and two (2) other individuals working on -- on
15 this -- on this engagement. It was a -- it was not
16 full-time work for either of us.

17 MR. BYRON WILLIAMS: I could not hear
18 that.

19 MR. MARTIN GEFFEN: Sorry.

20 MR. BYRON WILLIAMS: It was not full-
21 time work for --

22 MR. MARTIN GEFFEN: It was not full-
23 time work for -- for us on -- on this engagement. We
24 have a -- some insight into the PDR project from some
25 previous work that we'd done in terms of some of the

1 other -- the other analysis work we've done, and so we
2 kind of built on some -- built on that as well.

3 MR. BYRON WILLIAMS: So you worked on
4 it for a month or two (2), but not full time?

5 MR. MARTIN GEFFEN: Let me -- let me
6 get -- let me get the date for you for a second, if I
7 can find that. Yes. So we start -- we started work
8 on this sometime early in May. We had, as I say, a
9 number of people working on it. There was myself and
10 two (2) -- two (2) other individuals working on it.

11 MR. BYRON WILLIAMS: Okay. So you
12 worked on it for about a month, but not full time?

13 MR. MARTIN GEFFEN: It would say it's
14 more than a month.

15 MR. BYRON WILLIAMS: Okay. Thank you.
16 Now, if you need -- I think you've probably got this
17 memorized, but if you need a memory refresher at a
18 high level, PDF page 13 of your report. We could go
19 there. I -- I think it's marked in the upper right-
20 hand corner as page 11, but it's PDF 13.

21 Sir, it's your understanding that the
22 PDR program began in 19 -- excuse me, in 2013?

23 MR. MARTIN GEFFEN: Yes, correct.

24 MR. BYRON WILLIAMS: I just putting it
25 a bit too far back in time, you'll agree. And

1 starting in early 2014, there was a -- a renewed
2 comprehensive assessment, agreed?

3 MR. MARTIN GEFFEN: Yes, correct.

4 MR. BYRON WILLIAMS: And the business
5 revisions related to that comprehensive assessment
6 were completed in early 2015, agreed?

7 MR. MARTIN GEFFEN: Correct, yes.

8 MR. BYRON WILLIAMS: And in terms of
9 the program, your evidence is that there was no
10 executive director appointed to it until 2016.

11 Would that be fair?

12 MR. MARTIN GEFFEN: Correct. There
13 were a number of individuals who -- there was an
14 organizational chart, a governance chart, there were
15 people identified as being responsible for the overall
16 program, but there was a specific executive director
17 appointed at whatever -- whatever date is -- is there,
18 yes, late 2015.

19 MR. BYRON WILLIAMS: In your report --
20 I can provide you the reference in a second -- but --

21 MR. MARTIN GEFFEN: M-hm.

22 MR. BYRON WILLIAMS: -- I'll suggest
23 to you it's early 2016?

24 MR. MARTIN GEFFEN: Okay.

25 MR. BYRON WILLIAMS: And if you have

1 cause to differ with me, you'll --

2 MR. MARTIN GEFFEN: No.

3 MR. BYRON WILLIAMS: And in terms of
4 the change request in terms of the program charter,
5 that did not go into -- that was not introduced until
6 May of 2016.

7 Is that right, sir?

8 MR. MARTIN GEFFEN: Correct. I've --
9 correct. I -- I have a copy of that in my records,
10 yes.

11 MR. BYRON WILLIAMS: So there was a
12 comprehensive revisioning by early 2015, correct?

13 MR. MARTIN GEFFEN: Correct.

14 MR. BYRON WILLIAMS: But the program
15 charter change request did not go in until May of
16 2016?

17 MR. MARTIN GEFFEN: Correct.

18 MR. BYRON WILLIAMS: Okay.

19 MR. MARTIN GEFFEN: That is correct.

20 MR. BYRON WILLIAMS: Now, Diana, if
21 you could scroll towards the bottom of the page just a
22 bit. That's perfect there.

23 Sir, in the third bullet on the middle
24 of the page, there's a statement that:

25 "DE

1 distributed estimating] will only be
2 feasible with a first notice of loss
3 customer self-serve model."

4 Do you see that, sir?

5 MR. MARTIN GEFFEN: Yeah. Just --
6 just --

7 MR. BYRON WILLIAMS: Yes, of course.
8 Take your time.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: And, Mr. Geffen,
13 at any point in time, just let me know when --

14 MR. MARTIN GEFFEN: Sure.

15 MR. BYRON WILLIAMS: I'm -- I'm
16 probably a relatively patient person.

17 MR. MARTIN GEFFEN: Okay.

18

19 (BRIEF PAUSE)

20

21 MR. MARTIN GEFFEN: So just back to
22 your -- your pre -- your previous question about when
23 things when in. I'm trying to follow the -- the paper
24 trail over here. I -- I have a change request that's
25 dated June of 2014.

1 (BRIEF PAUSE)

2

3 MR. MARTIN GEFFEN: That is -- I just
4 want to make sure we're talking about the same thing.

5 MR. BYRON WILLIAMS: Well, okay. And,
6 sir -- and I apologize for any confusion. But if
7 there was a -- if there was a change re -- request
8 from 2014, and then there was a comprehensive
9 reassessment in 2015, you'll agree with me that there
10 would need to be a subsequent change request.

11 Agreed, sir?

12 MR. MARTIN GEFFEN: You would think
13 that there would be, yes.

14 MR. BYRON WILLIAMS: And if you do
15 need a reference, PUB-1-58 has appended to it a change
16 request.

17 MR. MARTIN GEFFEN: Right, okay.

18 MR. BYRON WILLIAMS: You'll accept
19 that, subject to check?

20 MR. MARTIN GEFFEN: Yeah, yeah. Yes.

21 MR. BYRON WILLIAMS: We'll come back
22 to that 2014 --

23 MR. MARTIN GEFFEN: Okay.

24 MR. BYRON WILLIAMS: -- change
25 request, as well. So the question, sir, going --

1 going -- and, sir, just while we're on the page, do
2 you see in the top right-hand corner --

3 MR. MARTIN GEFFEN: Right.

4 MR. BYRON WILLIAMS: -- the req --
5 request for change of 20 -- May of 2016? Do you see
6 that, sir?

7 MR. MARTIN GEFFEN: Yes.

8 MR. BYRON WILLIAMS: Okay. So you're
9 confident in your answer in terms of the timing of the
10 change --

11 MR. MARTIN GEFFEN: Yes.

12 MR. BYRON WILLIAMS: -- request now?

13 MR. MARTIN GEFFEN: Correct.

14 MR. BYRON WILLIAMS: I can't hear you.

15 MR. MARTIN GEFFEN: Yes. I'm sorry,
16 yes.

17 MR. BYRON WILLIAMS: So back to back
18 to page 13 of the -- of the Gartner report. And, sir,
19 again drawing your attention to the statement that:

20 "Distributed estimating using the
21 acronym -- acronym DE will only be
22 feasible with the first notice of
23 loss customer self-service model."

24 Do you see that statement, sir, in the
25 middle of the page, the third bullet?

1 MR. MARTIN GEFFEN: Yes, I see that.
2 Yeah. Yes.

3 MR. BYRON WILLIAMS: And perhaps you
4 can help my client to understand why first notice of
5 loss is so integral to the distributed estimating
6 process, sir?

7 MR. MARTIN GEFFEN: So distributed
8 estimating in my understanding is the process whereby
9 there -- a MPI customer can work directly with a
10 repair shop to get the -- the repair completed. The
11 initial reason for the -- the first notice of loss
12 application does two things.

13 It collects the data for -- that's --
14 to create a profile for the incident that's taken
15 place and which will then actually provide that data
16 to -- to the repair shop and to -- to MPI, which will
17 then enable an automated estimating process and a --
18 the -- also the adjudication process.

19 And so that's the beginning -- the
20 beginning of that process, and that's why it's so
21 integral to that -- to -- to that -- to that function.

22 MR. BYRON WILLIAMS: And -- and, in
23 essence, first notice of loss, and we'll come into
24 that in greater detail --

25 MR. MARTIN GEFFEN: M-hm.

1 MR. BYRON WILLIAMS: -- in a few
2 moments, but it's a digital application. Is that
3 fair, sir?

4 MR. MARTIN GEFFEN: It is an
5 application that will run on various devices, yes.

6 MR. BYRON WILLIAMS: And we'll come to
7 this in more detail. But originally the plan was for
8 first notice of loss to be run through a FINEOS, F-I-
9 N-E-O-S, application, agreed?

10 MR. MARTIN GEFFEN: That was the
11 original concept, yes.

12 MR. BYRON WILLIAMS: And that has now
13 been shifted to a Mitchell application, agreed?

14 MR. MARTIN GEFFEN: That is agreed,
15 yes.

16 MR. BYRON WILLIAMS: And in the
17 judgment of the Gartner group, I'll suggest to you
18 that is probably the highest risk aspect of the
19 process going forward?

20 MR. MARTIN GEFFEN: So the change, not
21 the -- not the risk going forward. I think that the -
22 - the creation of that application and running that
23 application was one of the risks that we identified as
24 a concern. That we actually needed to -- that MPI
25 needs to -- MPI's plan is to acquire a commercial

1 piece of software that will provide those, that --
2 that functionality.

3 And there was a concern that Mitchell
4 did not necessarily have the commitment to actually
5 make that into a commercial project; it seems that it
6 -- they -- they subsequently have.

7 And the other is whether there would be
8 enough functionality built in by Mitchell to achieve
9 all of MPIs business outcomes.

10 MR. BYRON WILLIAMS: Okay. And we'll
11 come back to that, but I thank you --

12 MR. MARTIN GEFFEN: Okay.

13 MR. BYRON WILLIAMS: -- for that
14 answer. Just dropping down one (1) bullet on this
15 line, there's a suggestion that loss of use, using the
16 acronym LOU, requires a fair allocation approach in
17 order to net incremental benefits.

18 Do you see that reference, sir?

19 MR. MARTIN GEFFEN: I do.

20 MR. BYRON WILLIAMS: And what is meant
21 by 'a fair allocation approach'?

22 MR. MARTIN GEFFEN: So a fair
23 allocation approach, to my understanding is the
24 allocation of the -- the cost to -- to the -- fair
25 allocation cos -- the -- the allocation of -- the --

1 the ability for the body shop to manage the number of
2 -- of days of -- of rental use that -- that a -- a
3 customer can -- can actually apply for.

4 So my understanding is fair loss -- net
5 loss of use is really about putting the -- in con --
6 in the control of the body shop the relationship
7 between the customer and the rental car, the use of a
8 -- a -- of -- of a rental car and that it is in the
9 interests of the body shop, the -- the repair shop to
10 be able to achieve repairs faster so as to reduce the
11 amount of costs on -- on rental -- on -- on loss of
12 use -- on replacement -- not replacement, on rental.

13 MR. BYRON WILLIAMS: And the words
14 'fair allocation', then, sir, refer to what
15 specifically? Fair allocation between who?

16 MR. MARTIN GEFFEN: I would have to go
17 back to my notes to confirm that. I cannot remember.

18 MR. BYRON WILLIAMS: If you don't mind
19 and I --

20 MR. MARTIN GEFFEN: M-hm.

21 MR. BYRON WILLIAMS: -- don't intend
22 to ask a lot of undertakings --

23 MR. MARTIN GEFFEN: Sure.

24 MR. BYRON WILLIAMS: -- but it's
25 important. So I wonder in -- in the context on page

1 13 of the Gartner report if you could provide a
2 further elaboration of the term 'fair allocation
3 approach' as used with loss -- with regard to loss of
4 use. And in particular, allocation of what and
5 between who.

6 MR. MARTIN GEFFEN: Absolutely.

7 MR. BYRON WILLIAMS: You'll undertake
8 to do so?

9 MR. MARTIN GEFFEN: Sure.

10

11 --- UNDERTAKING NO. 31: In the context on page 13
12 of the Gartner report,
13 provide a further
14 elaboration of the terms
15 'fair allocation approach'
16 as used with regard to
17 loss of use, and in
18 particular, allocation of
19 what and between who

20

21 CONTINUED BY MR. BYRON WILLIAMS:

22 MR. BYRON WILLIAMS: Mr. Geffen, I
23 promised you I would take you to the May 2016 change
24 request. Today, I am a person of my word.

25 MR. MARTIN GEFFEN: M-hm.

1 MR. BYRON WILLIAMS: So I'll ask you
2 to turn to the response to PUB Manitoba Public
3 Insurance 1-58, please.

4 MR. MARTIN GEFFEN: Okay.

5 MR. BYRON WILLIAMS: And if we could
6 go, Diana, and I believe it's PDF page 2 towards the
7 bottom. There'll be a program strategy.

8 And, Mr. Geffen, if one sees the
9 acronym CARS, C-A-R-S, can you tell me what that
10 acronym stands for, sir?

11 MR. MARTIN GEFFEN: I can't tell you
12 what it stands for. CARS is the application that MPI
13 currently uses to manage property damage and claims
14 for property damage.

15 MR. BYRON WILLIAMS: Okay. So
16 conceptually, if we think of the personal injury side
17 we would think of FINEOS, F-I-N-E-O-S, and other
18 applications managing the work on -- on that side?

19 MR. MARTIN GEFFEN: Correct.

20 MR. BYRON WILLIAMS: And currently on
21 the physical damage side, we -- we will think of CARS
22 as being the twin of FINEOS?

23 MR. MARTIN GEFFEN: It -- it -- yes.

24 MR. BYRON WILLIAMS: Okay. I'm -- I'm
25 taking a little liberty, but --

1 MR. MARTIN GEFFEN: Yeah, fair enough.

2 MR. BYRON WILLIAMS: So we see here
3 that there is a costing in -- allocation for the
4 replacement of CARS being completed in early 2013.

5 Do you see that reference, sir?

6 MR. MARTIN GEFFEN: Yes.

7 MR. BYRON WILLIAMS: And given higher
8 than expected cost to replace CARS, it became the
9 catalyst for the development of a new strategy and
10 implementation approach for the PDR program, agreed?

11 MR. MARTIN GEFFEN: Correct.

12 MR. BYRON WILLIAMS: And if I'm
13 misinterpreting this, sir, you -- you -- please feel
14 free to substitute your solution. At this stage,
15 being 2013, am I correct in suggesting that there was
16 a vision for the PDR program in terms of replacing
17 CARS?

18 MR. MARTIN GEFFEN: I believe that in
19 -- in 2013, it had that vision of replacing CARS.

20 MR. BYRON WILLIAMS: Okay.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: And then we see
25 in the -- in the second paragraph -- or the last

1 paragraph on this page, there's later a decision to
2 migrate CARS replacement outside the scope of PDR and
3 -- and to -- to migrate it somewhere else under the
4 technology reflush -- refresh road map.

5 Is that your understanding as well,
6 sir? And if you're not comfortable with that, you'll
7 correct me.

8 MR. MARTIN GEFFEN: I will -- I'm just
9 -- I'm just re-reading the words over here.

10

11 (BRIEF PAUSE)

12

13 MR. MARTIN GEFFEN: So my
14 understanding is that the decision was made to not
15 replace CARS. That there was a -- a decision was made
16 to achieve the kinds of business outcomes that were
17 expected without replacing CARS, given that it was --
18 because of the -- the costs that were required.

19 MR. BYRON WILLIAMS: Okay. Thank you.
20 And so in essence there's a scope retreat in -- in
21 that you're -- there -- in terms of the PDR program,
22 they're taking CARS replacement off the table.

23 MR. MARTIN GEFFEN: Well, I think that
24 they were taking the CARS replacement off the table,
25 and my understanding is that the expectation was to

1 achieve the same kinds of business outcomes that were
2 expected using a -- a different approach.

3 And, I mean, just as a -- as an aside,
4 the -- what we're seeing -- I'm not -- I'm not saying
5 that -- that MPI did this as a -- as a explicit
6 strategy, but what we're seeing is that organizations
7 are taking legacy applications that are the -- that
8 are, you know, the systems of record that -- that
9 don't -- that don't change that are -- that are -- are
10 working well. They're kind of maintaining those, and
11 they're building wrappers or systems innovation around
12 them to achieve new and different kinds of business
13 capabilities.

14 And it's -- it -- kind of in that light
15 is kind of how I see this strategy moving forward over
16 here.

17 MR. BYRON WILLIAMS: So we wouldn't
18 actually anticipate in the future seeing a CARS
19 replacement, per se.

20 MR. MARTIN GEFFEN: So I don't know
21 what MPI's thinking is around that. I think that
22 what's the -- what seems to be an emerging strategy is
23 to maintain the core basic underlying legacy
24 capability within cores, and to build more
25 sophisticated and more modern capabilities around it.

1 MR. BYRON WILLIAMS: Okay. Thank you.
2 If we could move -- move to PDF page 9. And, Mr.
3 Geffen, here you'll see the document that I believe
4 you have --

5 MR. MARTIN GEFFEN: Right.

6 MR. BYRON WILLIAMS: -- in your
7 possession --

8 MR. MARTIN GEFFEN: Correct.

9 MR. BYRON WILLIAMS: -- which is the
10 June 16th change request for the -- for PDR. So it's
11 the change request before the one we just observed.

12 Agreed?

13 MR. MARTIN GEFFEN: Yeah. Yeah.

14 MR. BYRON WILLIAMS: And if we move to
15 page 11 just for a second, towards the bottom of that
16 page, Diana, you'll see again with -- under two (2),
17 the third bullet, at this point in time in 2014, we
18 are still speaking of the CARS legacy software being
19 replaced.

20 MR. MARTIN GEFFEN: That is my
21 understanding --

22 MR. BYRON WILLIAMS: Agreed, sir?

23 MR. MARTIN GEFFEN: -- yes.

24 MR. BYRON WILLIAMS: Okay. And if we
25 could turn, then, to PDF page 14, Diana, towards the -

1 - right there is lovely. You see at the top of the
2 page, sir, a reference to the distribute --
3 distributed estimating model?

4 MR. MARTIN GEFFEN: Correct, yes.

5 MR. BYRON WILLIAMS: And you're
6 familiar with that pilot project, sir?

7 MR. MARTIN GEFFEN: Correct, yes.

8 MR. BYRON WILLIAMS: And in 2014,
9 directing your attention to the second -- or the third
10 and second last line of that paragraph, the
11 expectation with distributing estimating was to
12 actually start out with the non-drivable vehicles to
13 test the work flows and system functionality, agreed?

14 MR. MARTIN GEFFEN: That's what it
15 says here, yeah.

16 MR. BYRON WILLIAMS: And in -- in
17 fact, sir, is it correct to suggest that, in terms of
18 the distributed estimating pilot project, instead of
19 working from the total losses down, there was a change
20 in the process to -- to work on the -- the smaller
21 claims first in terms of the pilot project?

22 MR. MARTIN GEFFEN: So my
23 understanding is that the pilot project he has
24 identified a number of different kinds of claims that
25 would be -- that were relevant to the pilot. And,

1 yes, they were the smaller kinds of claims, not -- not
2 the -- the larger -- not a total-loss claim.

3 MR. BYRON WILLIAMS: And do you -- are
4 you aware why, sir, that that change was made moving
5 from the big ones to the -- the relatively small ones?

6 MR. MARTIN GEFFEN: I'm not aware of
7 that, no.

8 MR. BYRON WILLIAMS: Now, you see
9 here, sir, a suggestion that the pilot will be
10 considered successful when certain conditions are met,
11 including both -- reducing both incurred claims and
12 claims expenses, repair shops reduce the
13 administrative expenses, improve customer services,
14 and repair cycle times being faster.

15 You see those criteria, sir?

16 MR. MARTIN GEFFEN: I do, yes.

17 MR. BYRON WILLIAMS: And as I
18 understand it, sir, we're still finishing off
19 distributed estimating with the pilot project
20 scheduled to end in December of 2016?

21 MR. MARTIN GEFFEN: Yes. We are still
22 underway, and I will take your -- I'll -- I'll take
23 your -- your date as correct, or I can look it up,
24 yeah.

25 MR. BYRON WILLIAMS: And certainly if

1 -- if I've mis-suggested anything --

2 MR. MARTIN GEFFEN: Yeah.

3 MR. BYRON WILLIAMS: -- it's your
4 understanding that the pro -- project is not
5 completed?

6 MR. MARTIN GEFFEN: Correct, yes.

7 MR. BYRON WILLIAMS: And so you've not
8 been privy to any final report of the pilot project in
9 terms of the ultimate conclusions in terms of these
10 objectives?

11 MR. MARTIN GEFFEN: I've not seen any
12 documented final report. Have had a number of
13 conversations with the individuals in terms of -- of
14 the progress of the report, have kind of understood
15 that there are seventeen (17) repair shops using the --
16 -- the report -- using the -- the solution that -- you
17 know, we report benefits both to MPI and to -- to the
18 repair shops, and effectiveness with regards to the
19 repair process for those -- those -- the customers who
20 are electing to go through that.

21 MR. BYRON WILLIAMS: And it would be
22 your expectation, sir, that at the conclusion of that
23 pilot project, a written assessment of -- of its
24 relative success in achieving these criteria would be
25 prepared?

1 MR. MARTIN GEFFEN: So, yes, we would
2 expect that through the benefits -- you know, the
3 benefits management process that you'd -- you'd get
4 some kind of report that talked about success. We
5 would expect that. We've seen in prior projects that
6 MPI has conducted less -- post mortems and -- and
7 developed lessons learned documentation. We would
8 expect similar kinds of things coming out of -- out of
9 this.

10 MR. BYRON WILLIAMS: Okay. If I could
11 stand still on page 14 and direct your attention to
12 the bottom paragraph, sir. And I'll give you -- the
13 very bottom paragraph, please, Diana. And I'll give
14 you a moment to look --

15 MR. MARTIN GEFFEN: M-hm.

16 MR. BYRON WILLIAMS: -- at that, sir,
17 just to refresh your memory.

18

19 (BRIEF PAUSE)

20

21 MR. BYRON WILLIAMS: Is that enough
22 time, sir?

23 MR. MARTIN GEFFEN: Yeah.

24 MR. BYRON WILLIAMS: So here we are
25 again, still in 2014. And at this point in time,

1 rather than the Mitchell solution, the expectation at
2 this time is to use the skill set and the learnings
3 from FINEOS on the body -- bodily injuries side and --
4 and migrate some of that to the physical damage
5 module, agreed?

6 MR. MARTIN GEFFEN: Correct. That's
7 what -- yes.

8 MR. BYRON WILLIAMS: And directing
9 your attention to the last two paragraphs, the hope
10 was that there would be a common platform for both
11 bodily injury and physical damage claims, being
12 FINEOS, agreed?

13 MR. MARTIN GEFFEN: That was the
14 original expectation or hope, yes.

15 MR. BYRON WILLIAMS: And -- and again
16 a hope that this would strengthen the integration
17 between estimates and -- and adjusting and improve the
18 overall claims processing, agreed?

19 MR. MARTIN GEFFEN: Yes. The -- the
20 overall -- the -- one of the overall objectives of
21 FINEOS was to improve those processes, improve that
22 integration for -- for the property damage process,
23 yes.

24 MR. BYRON WILLIAMS: And just to refer
25 you to the top of the next page, being page 15 PDF.

1 And it was at this point in time again
2 FINEOS was determined to be a good fit as a CARS
3 legacy replacement, agreed?

4 MR. MARTIN GEFFEN: Correct.

5 MR. BYRON WILLIAMS: So that's June of
6 2014. By sometime early in 2015 we're at the stage
7 where we're no longer using FINEOS for F-N-O-L, or
8 first notification of loss?

9 MR. MARTIN GEFFEN: Correct.

10 MR. BYRON WILLIAMS: We're no longer
11 expecting a common platform for the physical damage
12 and the personal inj -- injury sides of the business,
13 agreed?

14 MR. MARTIN GEFFEN: Yeah.

15 MR. BYRON WILLIAMS: And we're no
16 longer expecting a CARS replash -- replacement?

17 MR. MARTIN GEFFEN: That's correct.
18 The -- after -- after the revisioning process, that --
19 that is the -- that was a change in direction, yes.
20 The -- I would say that the -- the expectation was
21 still to have a first notice of loss, was still to
22 actually have the benefits of an integrated process
23 for property damage and -- and repair.

24 So the expected outcomes did not
25 change. The -- the strategy of using CARS and FINEOS

1 to achieve that had changed.

2 MR. BYRON WILLIAMS: We'll come to
3 that in a second, sir. But is it your evidence that
4 the originally anticipated functionality from the
5 first notice of loss was not amended by the -- by the
6 change?

7 MR. MARTIN GEFFEN: My expectation was
8 that there was going to be -- my -- my understanding
9 is that they were looking to have a first no -- MPI
10 was looking to have a first notice of loss application
11 which would be useable by customers at the -- at the
12 crash site and be able to submit that to MPI and to
13 repair shops.

14 I can't -- I -- I can't answer that
15 categorically that there was no -- no functionality
16 change.

17 MR. BYRON WILLIAMS: Okay, we'll come
18 back to that. And --

19 MR. MARTIN GEFFEN: Sure.

20 MR. BYRON WILLIAMS: And I may just be
21 misreading a response incorrectly.

22 MR. MARTIN GEFFEN: Okay.

23 MR. BYRON WILLIAMS: Now turning to
24 the PDF page 17 still in the -- in the Gartner -- or
25 sorry, I apologize for that, in the 2014 change

1 request. Towards the bottom of this page, sir, you'll
2 see a reference to the -- having a role for the
3 executive director of the PDR program?

4 MR. MARTIN GEFFEN: Yes.

5 MR. BYRON WILLIAMS: And that was back
6 in June of 2014?

7 MR. MARTIN GEFFEN: Correct.

8 MR. BYRON WILLIAMS: And that person
9 was not appointed until Januar -- sometime early in 20
10 --

11 MR. MARTIN GEFFEN: So a full-time
12 person was appointed to that in -- in 2016. They were
13 individuals who had additional roles that were -- were
14 filling in that position before that, yes.

15 MR. BYRON WILLIAMS: So just for one
16 (1) -- and I hope one (1) question. I just want to
17 turn you -- just give me one (1) second, please.

18

19 (BRIEF PAUSE)

20

21 MR. BYRON WILLIAMS: Back to the May
22 2016 change request date -- and PDF page 2.

23

24 (BRIEF PAUSE)

25

1 MR. BYRON WILLIAMS: Sir, there's --
2 there's a reference just to -- in terms of the project
3 purposes and objectives, and number 2 being first
4 notification of loss and adjusting model.

5 Do you see that?

6 MR. MARTIN GEFFEN: I do, yeah.

7 MR. BYRON WILLIAMS: And just so I
8 understand it, first notification of loss was -- was
9 always in the plan, to your knowledge?

10 MR. MARTIN GEFFEN: To my knowledge.

11 MR. BYRON WILLIAMS: Okay. So that's
12 not -- not something new in the 2016 change?

13 MR. MARTIN GEFFEN: Correct.

14 MR. BYRON WILLIAMS: Okay. Thank you.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: Diana, if you can
19 pull up the response to CAC 2-51, Second Round
20 Information Request 51. And under -- there's a Roman
21 numeral I with a heading, "Optimize adjusting, \$10
22 million decrease," which should be in there. Right
23 there.

24 Sir, directing your attention to the --
25 this reference being at the bottom of -- of page 2,

1 you'll see a reference to:

2 "With the claim's administration and
3 reporting system..."

4 Which we -- you and I now realize
5 stands for CARS --

6 MR. MARTIN GEFFEN: M-hm.

7 MR. BYRON WILLIAMS:

8 "...replacement re -- remove from
9 the program scope much of the
10 originally anticipated functionality
11 from the first notice of loss FON
12 and the adjusting process were
13 removed from scope."

14 Do you see that reference, sir?

15 MR. MARTIN GEFFEN: I see that
16 reference, yes.

17 MR. BYRON WILLIAMS: And at least
18 based upon this response from the Corporation, you
19 would agree that it appears that in the move from what
20 was planned with FNOLs to what was -- is proposed to
21 be undertaking with Mitchell, that it appears to be a
22 reduction in much of the original -- originally
23 anticipated functionality.

24 MR. MARTIN GEFFEN: That's what --
25 that's what the language here says, that -- that is

1 true. That -- that's --

2 MR. BYRON WILLIAMS: And you have no
3 reason --

4 MR. MARTIN GEFFEN: -- I -- I have no
5 --

6 MR. BYRON WILLIAMS: -- to contest
7 that?

8 MR. MARTIN GEFFEN: -- I have no
9 reason to contest that, no.

10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: Okay. And your
14 legal counsel will -- will advise you if this is
15 beyond the scope of your retainer, and --

16 MR. MARTIN GEFFEN: M-hm.

17 MR. BYRON WILLIAMS: -- but, sir, in
18 terms of the -- the removal of much of the originally
19 anticipated functionality from the first notice of
20 loss, I wonder if you would consider by way of
21 undertaking explaining what that remove -- what --
22 what functionality was removed? And you can confirm
23 with your legal counsel. That'll be up to him.

24 MR. MATT GHIKAS: Mr. Chairman, I
25 think that's -- that's an undertaking that would be

1 for MPI to -- to answer, and -- and certainly I think
2 that is -- that is something that MPI is prepared to
3 do, but it's not -- it's not really a Mr. Geffen
4 question but we will -- we will deal with it as an
5 undertaking.

6 So as I understand it, it is to define
7 the -- the reduction in -- in functionality that
8 occurred with respect to the --

9 MR. BYRON WILLIAMS: Yes, and if I --
10 I -- first of all, let me express my appreciation for
11 the Corporation's courtesy.

12 So with reference to the Corporation's
13 response to CAC/MPI-II-51, and specifically to the
14 suggestion that with the CARS replacement removed from
15 program scope much of the originally anticipated
16 functionality from the FNOL was removed to provide
17 clarification of -- of the functionality that was
18 removed. And it thank the cor -- Corporation.

19 MR. MARTIN GEFFEN: Yes, we will do
20 that. Thank you.

21 THE CHAIRPERSON: Thank you.

22

23 --- UNDERTAKING NO. 32: MPI to provide
24 clarification of the
25 functionality that was

1 removed from the FNOL.

2

3 (BRIEF PAUSE)

4

5 CONTINUED BY MR. BYRON WILLIAMS:

6 MR. BYRON WILLIAMS: Mr. Geffen, you
7 do not need to turn there but at page -- somewhere on
8 page -- PDF page 19 of -- of your report there is a
9 reference to the Gartner Group reviewing the PDR
10 business case. And -- and you'll agree that the
11 Gartner Group, indeed, did review the --

12 MR. MARTIN GEFFEN: Correct, yes.

13 MR. BYRON WILLIAMS: And, sir, in
14 terms of the business case, when was it dated?

15 MR. MARTIN GEFFEN: So the version of
16 the document I have is undated.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: Is your
21 understanding that it's the -- let me try again. Do -
22 - what is your understanding as to when MPI developed
23 a business case for the PDR?

24 Did you make those inquiries?

25 MR. MARTIN GEFFEN: I did not ask the

1 specific question. I actually made the assumption
2 that this was made -- was -- was done early in the --
3 in -- in the program. It was an assumption that I
4 made that it was -- it -- it was done in an early
5 stage in the program. That's the...

6 MR. BYRON WILLIAMS: And you'll just
7 recall from your balance -- or from your scorecard
8 report one of the suggestions of -- of the Gartner
9 Group was that increased utilization of business cases
10 be employed.

11 MR. MARTIN GEFFEN: Correct. If we
12 think that -- yeah, doing -- doing business cases for
13 -- for large IT investments is always a good idea.
14 It's -- you -- you do some planning, and also good for
15 -- to hold people accountable and understand benefits
16 realization downstream, yes.

17 MR. BYRON WILLIAMS: And you're not in
18 a position to comment, as I understand your evidence,
19 on when the business case was developed for this
20 project?

21 MR. MARTIN GEFFEN: Correct.

22 MR. BYRON WILLIAMS: Sir, when we look
23 at the overall budget being 65 million in 2012
24 dollars, it would be fair to say that if we compare
25 the original bud -- budget to -- to where we are

1 today, while it is of the same magnitude, it excludes
2 the replacement of CARS?

3 MR. MARTIN GEFFEN: The -- the
4 replacement of CARS is not in -- in the program. Yes,
5 there's no -- there -- there is no money in there to
6 replace CARS. There is money in there to extend the
7 functionality that -- to -- to provide software that
8 will integrate with CARS that will extend its cap --
9 cable -- current -- its current capability, but not --
10 not to replace it, correct.

11 MR. BYRON WILLIAMS: Okay. Thank you.
12 And it would be also fair to say as -- as we look at
13 that \$65 million budget, that in terms of the FNOL
14 project, it originally had a minimal budget, but is
15 now forecast for about somewhere between 8 1/2 and \$9
16 million, agreed?

17 MR. MARTIN GEFFEN: Again, I'd -- I'd
18 have to go back to my notes, but I -- I -- yes, it --
19 it's...

20 MR. BYRON WILLIAMS: I should be able
21 to provide you --

22 MR. MARTIN GEFFEN: Yeah.

23 MR. BYRON WILLIAMS: -- that reference
24 myself, sir. PDF, page 24. If you'll scroll to the -
25 - towards the bottom of that page. You'll see, sir,

1 that that was a --

2 MR. MARTIN GEFFEN: Yeah. Yeah.

3 MR. BYRON WILLIAMS: -- significant --

4 MR. MARTIN GEFFEN: \$8.9 million,

5 correct, yeah.

6 MR. BYRON WILLIAMS: Thank you.

7 MR. MARTIN GEFFEN: Yeah.

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: Sir, in terms of
12 the overall evaluation approach of Gartner Group that
13 it used in terms of the PDR, and recognizing your long
14 history with the Corporation dating back six (6) to
15 eight (8) years --

16 MR. MARTIN GEFFEN: M-hm. Yes.

17 MR. BYRON WILLIAMS: -- it would be
18 fair to say that you are, at a high level at least,
19 aware of significant changes introduced to the
20 personal injury claims management side of the business
21 through the BI3 program?

22 MR. MARTIN GEFFEN: Yes, we are quite
23 -- we are quite familiar with BI3 program, yes.

24 MR. BYRON WILLIAMS: And in preparing
25 for your evaluation of the PDR program, sir, did you

1 make any inquiries of corporate staff such as the
2 actuaries in terms of whether they had confidence in
3 the risk exposures set by BI3 case reserves?

4 MR. MARTIN GEFFEN: I did not consider
5 BI3 in -- as any part of the PDR, or...

6 MR. BYRON WILLIAMS: So you didn't --
7 and just so I'm clear, you didn't evaluate the
8 outcomes of BI3 as -- as part of your entre --
9 entryway into the PDR program?

10 MR. MARTIN GEFFEN: That would have
11 been an interesting thing to do, but no, we did not.

12 MR. BYRON WILLIAMS: Fair enough. At
13 PDF page 27 of your report, towards the bottom, the
14 last three (3) bullets -- the last three (3) bullets
15 of this page, please, Diana.

16 And, sir, you see a reference to a
17 value management process, agreed?

18 MR. MARTIN GEFFEN: Correct, yes.

19 MR. BYRON WILLIAMS: And you'll agree
20 that the value management process for the Corporation
21 operates within the finance division and is
22 organizationally separate from the business transport
23 -- transformation office?

24 MR. MARTIN GEFFEN: Yes, yes, that's
25 our understanding.

1 MR. BYRON WILLIAMS: And it is a
2 relatively new process, agreed?

3 MR. MARTIN GEFFEN: Relatively new is
4 within the last year or eighteen (18) months, yes.

5 MR. BYRON WILLIAMS: And on a going-
6 forward basis, it is incorporating process measures to
7 be applied to new projects?

8 MR. MARTIN GEFFEN: Correct.

9 MR. BYRON WILLIAMS: And certainly the
10 expectation out of the value management process going
11 forward is that we would see some -- a number of
12 quantitative financial metrics?

13 MR. MARTIN GEFFEN: Correct, yes.

14 MR. BYRON WILLIAMS: And indeed you
15 had a discussion of that with My Learned Friend from
16 PUB counsel.

17 Now, on this page, directing your
18 attention to the third bullet from the bottom, Gartner
19 group observes that benefits realization documentation
20 and practice is yet to be aligned with the approved
21 value management process, agreed?

22 MR. MARTIN GEFFEN: Yes. Our
23 understanding is that the value management process has
24 really kind of two components. There's the kind of
25 initial gating pro -- process that we talked about,

1 kind of deciding whe -- whether to do things and kind
2 of doing it kind of in a step-by-step manner. And --
3 and there is also a back-end value -- value benefits
4 realization process being able to measure the outcomes
5 of -- and -- and identify the achievement of the be --
6 the expected benefits or not.

7 Our understanding is that new projects
8 will be going through the -- the upfront gating pro --
9 gating process and, of course, will have the back-end
10 benefits realization process and that MPI is working
11 to apply the back-end process, the -- the benefits
12 realization process analysis to -- to PDR.

13 It's obviously not -- I mean, we've --
14 they -- MPI has made a decision to move forward, and
15 so there's no -- it's not written -- not -- not
16 applicable -- the upfront gating process is not -- not
17 applicable to -- to the PDR program at this time.

18 MR. BYRON WILLIAMS: And you make no
19 comment in terms of whe -- whether the upfront gating
20 process to the degree contemplated in the value
21 management process was applied to PDR?

22 MR. MARTIN GEFFEN: So it was not --
23 it did not exist when PDR started, and so that -- that
24 -- it just did -- that did not -- not apply. And that
25 kind of goes to the previous counsel's question about,

1 you know, what could we have done better.

2 Had that gating process been in place,
3 you know, we would have probably had fewer delays and
4 fewer changes in direction.

5 MR. BYRON WILLIAMS: Being, as you can
6 tell, a total newcomer to this area, sir, what would -
7 - what would an alignment of the value management
8 process with the benefit realization doc --
9 documentation and practice look like? What should we
10 be looking for, sir, moving forward?

11 MR. MARTIN GEFFEN: So apologies for
12 the consulting words, alignment. I think what -- what
13 you should be looking for is you should be looking for
14 the application of what's defined in the benefits val
15 -- management process that talks -- that will be able
16 to help to re -- report on benefits achieved and
17 compare those benefits achieved to what was expected.

18 MR. BYRON WILLIAMS: And what led you
19 to conclude that the -- the benefits realization
20 document and practice was not aligned at the time of
21 your review?

22 MR. MARTIN GEFFEN: At the time of --
23 at the time of our review we -- we -- there was no
24 documentation that talked about understanding what the
25 baselines were, what the -- the cle -- the benefits

1 had been clearly defined. Expected benefits had been
2 clearly defined. There was no documentation in terms
3 of how we were going to track benefits to -- to
4 compare them to our expect -- our expected benefits.

5 And so that's -- that was kind of what
6 we were looking for. It's an appli -- the application
7 of the -- that portion of the bene -- the value
8 management process.

9 MR. BYRON WILLIAMS: Thank you for
10 that very interesting answer. Sir, in -- in your
11 discussion with My Friend, PUB counsel, there was, I
12 think, discussion of a concept of total cost of
13 ownership?

14 MR. MARTIN GEFFEN: Sure.

15 MR. BYRON WILLIAMS: You recall that
16 discussion?

17 MR. MARTIN GEFFEN: I do.

18 MR. BYRON WILLIAMS: And just for the
19 purposes of my client, I wonder if you could define
20 that proce -- that -- that analysis?

21 MR. MARTIN GEFFEN: So total cost of
22 ownership is something that Gartner has been espousing
23 for quite a while, that it is, in terms of taking a
24 technology-based transformation project, understanding
25 what the total costs are for that -- that -- the

1 overall investment. So it's -- it's not just what it
2 takes to build and implement the -- the solution, but
3 what it would take to actually operate them and
4 maintain the solution going forward.

5 And so it is -- it looks at both
6 current costs but also ongoing costs. It looks at
7 infrastructure costs, software costs, and resource
8 costs -- human costs, as well.

9 MR. BYRON WILLIAMS: And what would be
10 -- given Gartner Group's advocacy of that analysis,
11 what would be the benefit to the -- to the Corporation
12 or -- or to the broader community of stakeholders of
13 undertaking that analysis, sir?

14 MR. MARTIN GEFFEN: So total cost of
15 ownership really allows organizations to really
16 understand -- understand what an -- an overall
17 investment will be -- will -- will be. I mean, it --
18 it's kind -- it's -- you could think about total cost
19 of ownership with regards to your vehicle or with
20 regards to your building.

21 It's -- you would -- it's -- when you
22 buy a car you know that owning that is not -- it's not
23 the twenty-five thousand dollars (\$25,000) that you
24 paid for the car. It's going to be the twenty-five
25 thousand dollars (\$25,000) that you paid for the car,

1 plus the gas, plus the insurance, plus the five
2 hundred dollars (\$500) a year that you do in annual
3 services and -- and makeup.

4 And so over the life -- the ten (10)
5 year life of the car it's going to be the -- the
6 twenty-five thousand dollars (\$25,000) plus all of the
7 other elements. And so with -- similarly with regards
8 to an IT investment you will have not only the initial
9 capital purchase or build cost, but also the operating
10 costs as well.

11 MR. BYRON WILLIAMS: Thank you.

12 MR. MARTIN GEFFEN: I guess the -- the
13 -- I think -- I don't know that I answered your
14 question. You said, Well, what's -- what's the value?
15 The -- the value is that you'd actually know what --
16 what the overall investment would cost you over time
17 so that you could know that you can budget for it, and
18 plan for it. And, in fact, that you do budget and
19 plan for it so that you do actually service your car,
20 do the oil changes, so that it actually keeps running.

21 MR. BYRON WILLIAMS: And -- and, sir,
22 I'll -- I'll go farther than you and suggest it's also
23 an important potential element in decision making to
24 have a full understanding of -- of what this type of
25 investment is delivering but also what it's costing.

1 MR. MARTIN GEFFEN: Correct.

2 MR. BYRON WILLIAMS: That was a --

3 MR. MARTIN GEFFEN: Agreed.

4 MR. BYRON WILLIAMS: Okay. I want to
5 have a bit of a conversation about first notification
6 of loss. And it's rare for me to have a -- even enter
7 into a philosophical question but you'll bare with me
8 for just one (1).

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: Would the Gartner
13 Group expect Manitoba Public Insurance, as a Crown
14 Corporation monopoly, to be a technology innovator, an
15 early adopter, a follower?

16 Is there some kind of philosophical
17 expectation you might have for MPI, sir?

18 MR. MARTIN GEFFEN: I think that -- I
19 mean, I don't -- I -- I don't know that it's not -- my
20 place to ans -- answer that kind of question. I think
21 that -- that the business should set its own strategy
22 by where -- where it wasn't to go, and -- and in terms
23 of being -- I -- I think that Manitoba in terms of --
24 you can look at it in kind of two (2) ways.

25 One (1) is kind of as a public sector

1 organization should be looking at being, you know,
2 bare bones constrained costs, and do just the bare
3 minimum. On the other hand, as a -- if I'm just being
4 philosophical here, is if I'm looking at a steward of
5 the health and well-being of Manitoban drivers and
6 pedestrians, that it -- it could be -- it could take a
7 strategy of saying, We need to really advance where
8 the practice is, and change perceptions, attitudes,
9 behaviours, and -- and put systems in place to do that
10 kind of thing.

11 So those are two (2) opposite ends of
12 the -- of the spectrum, and I -- really I think is --
13 that's within the purview of -- of the organization to
14 make that decision.

15 MR. BYRON WILLIAMS: Okay. Thank you,
16 and -- and presumably there's a middle ground --

17 MR. MARTIN GEFFEN: It's -- that's a --

18 MR. BYRON WILLIAMS: -- where one --
19 where one is not bare bones, that one is not at the
20 cutting edge as well. And I -- I appreciate your
21 assistance. Turning to PDF page 10 towards the bottom
22 of the -- the bottom half of the page and the
23 discussion of mobile claims apps, sir, I'm corr --
24 correct in sug -- towards the bottom of the page,
25 Diana, please. That's fine. Thank you.

1 I'm correct in suggesting -- oh, I'm
2 sorry, it doesn't matter if I'm correct. It would be
3 correct to suggest that first notification of loss --
4 of loss is considered a mobile app?

5 MR. MARTIN GEFFEN: Correct.

6 MR. BYRON WILLIAMS: And you see a
7 reference in the -- the first -- or the last bullet on
8 this page to many insurers worldwide launching mobile
9 apps, agreed?

10 MR. MARTIN GEFFEN: Correct, yeah.

11 Yes.

12 MR. BYRON WILLIAMS: And towards the
13 bottom of the page, there's a suggestion that adoption
14 of these apps had -- have surged in -- in mature
15 markets, agreed?

16 MR. MARTIN GEFFEN: Yes.

17 MR. BYRON WILLIAMS: But there's a
18 caveat or -- suggestion consumer adoption remains low.

19 Do you see that reference?

20 MR. MARTIN GEFFEN: That is our find -
21 - that is our research finding, yes.

22 MR. BYRON WILLIAMS: And what does
23 that -- what does that mean in terms of looking at
24 that paragraph as a whole, that there's been a -- a
25 number launched, but the take-up in the -- in the

1 marketplace in terms of usage has been relatively low?

2 MR. MARTIN GEFFEN: That's what our --
3 our research shows, and if we -- we need more data on
4 that. I can get the research analyst to provide that
5 for us.

6 MR. BYRON WILLIAMS: Well, it's an
7 interesting question. I -- I'm not sure I need more
8 data, but any assessment or insight into why consumer
9 adapt -- adoption remains relatively low?

10 MR. MARTIN GEFFEN: I couldn't really
11 comment on that. I think that it's possibly about
12 utility, potentially about available -- in -- in some
13 markets it's about availability of devices. It's
14 about the utility that the consumer -- the consumers
15 find in this, and it's about the functionality that's
16 provided. Those are all things that drive it.

17 MR. BYRON WILLIAMS: Okay. Sir, we
18 can turn to the top of the next page if you need, but
19 I'll -- I'll suggest to you that Gartner group is
20 relatively bullish on this type of application,
21 suggesting they have potential and that they have a
22 relatively high benefit rating, agreed?

23 MR. MARTIN GEFFEN: Agreed.

24 MR. BYRON WILLIAMS: And I'm not
25 asking you to do any additional work that you don't --

1 MR. MARTIN GEFFEN: M-hm.

2 MR. BYRON WILLIAMS: -- have, sir.

3 But in terms of the evidence at hand that the Gartner
4 group has in terms of the data from peer reviewed or
5 industry reports that these type of mobile app
6 programs are actually delivering value, is there --
7 would you have that readily at hand, sir?

8 MR. MARTIN GEFFEN: I don't have that
9 readily at hand, no.

10 MR. BYRON WILLIAMS: If we can turn to
11 PDF page 28, and referring your attention to the
12 fourth outside bullet beginning:

13 "Mitchell's ability to develop and
14 deploy the FNL -- FNOL product."

15 Do you see that reference?

16 MR. MARTIN GEFFEN: Yes, I do.

17 MR. BYRON WILLIAMS: And there's a
18 suggestion that -- that this is a concept that is new
19 to the industry referring to Mitchell's ability to
20 develop and deploy the FNL (sic) product, meeting the
21 MPI requirements including implementing accident
22 profiling, agreed?

23 MR. MARTIN GEFFEN: Agreed.

24 MR. BYRON WILLIAMS: And just given
25 our prior conversation about a lot of apps, mobile

1 apps being launched, what's new about this?

2 MR. MARTIN GEFFEN: So I think it's an
3 interest -- an interesting point over here. What's
4 new about this -- and I kind of go back to my -- my
5 concept about, you know, function -- functionality and
6 utility driving adoption.

7 So what's new about this is that, in --
8 in my understanding, that data will be collected by
9 the mobile app about the driver of the vehicles, and
10 the -- the characteristics of the incidents.

11 So I've seen diagrams in terms of kind
12 of what direction cars are driving in, what directions
13 they're coming from, those kinds of things. And based
14 on all of that data, we'll be able to -- FNOL -- the -
15 - the FNOL app is intended to compute a profile for
16 that incident, and then be able to initi -- initiate
17 the adjudication process based on that profile which
18 is driver-based, vehicle-based, and -- and incident
19 based.

20 And so all of those things are
21 relatively new in the industry. That's -- that's kind
22 of what's new here, and if -- if I were to be bullish
23 on this, I would say that -- that would actually then
24 drive efficacy and efficiency and it would drive -- it
25 would -- it would create enhanced user experience,

1 because I can actually get the data in, start the
2 adjudication process, have the insurer and the
3 repairer or organization actually start working on --
4 on adjudicating the -- the claim based on what I've
5 done at roadside.

6 MR. BYRON WILLIAMS: Okay. Thank you.
7 And you said if you -- if you were going to be bullish
8 on it. Let's get you to be bearish on it for a
9 second, sir, if you're going to be pessimistic.

10 MR. MARTIN GEFFEN: So if I was to be
11 pessimistic -- if I were to be pessimistic I would say
12 that -- you know, when I say what the -- what the risk
13 are in being realistic over here, the -- the creation
14 of these profiles, there are a large number of them.
15 There's kind of a -- a kind of algorithmically driven
16 and so we actually need to put that into software so
17 that's a -- a non -- it's -- it's not unheard of, it's
18 not rocket science, but it's a -- it's a non-trivial
19 technical thing to do, that's the first thing.

20 And the second if I needed to -- if I
21 were to be really bearish on it, it's -- and I've not
22 seen what the user interface looks like, but -- sorry
23 about that, poorly implemented the user interface
24 could actually drive adoption down rather than driving
25 adoption up, because it's hard to use and, you know,

1 hard to collect all the data.

2 So that's the -- that's the other side
3 of the spectrum.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: Just turning
8 quickly to advanced analytics. And, Mr. Chair, I'm
9 going to guess I have about ten (10) minutes. So I --
10 I'm at your -- the Board's -- panel's pleasure. If I
11 feel -- fear I'm sneaking into twenty-five (25)
12 minutes I'll let you know, but I -- I don't expect to.

13 THE CHAIRPERSON: Sure. Thank you.

14

15 CONTINUED BY MR. BYRON WILLIAMS:

16 MR. BYRON WILLIAMS: And directing
17 your attention to page 12 of the PDF, actually page
18 11. I apologize, Diana.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: And, Sir, there's
23 the outside -- the first outside bullet and then
24 indented from it is -- is the first indented bullet.
25 And towards the bottom of that paragraph, the last

1 sentence, there's a reference to the expected adoption
2 in the marketplace being -- and then -- and a
3 suggestion that applications are immature.

4 Do you see that reference, sir?

5 MR. MARTIN GEFFEN: I do.

6 MR. BYRON WILLIAMS: And what does the
7 Gartner Group mean by applications being immature?

8 MR. MARTIN GEFFEN: So I can answer
9 that question in general and -- and specifically with
10 -- with regards to advanced analytics. The -- you
11 know, when -- when we think about applications being
12 immature it would be with regards to the -- the amount
13 of functionality that's there, the level of
14 sophistication that's available within the -- within
15 the algorithms and the -- so if we think about
16 advanced analytics in this space, what we're thinking
17 is we're -- that -- what we're -- what we're referring
18 to is that the commercial offerings in the space are -
19 - have some features but are not necessarily very easy
20 to use from a user basis.

21 They might not have deep levels of --
22 of analytics or algorithms built into them. So these
23 are the things that we would expect to mature --
24 mature over time.

25 MR. BYRON WILLIAMS: And by maturing

1 over time, what's -- what's the time frame that you're
2 -- you're thinking of, sir?

3 MR. MARTIN GEFFEN: So in --

4 MR. BYRON WILLIAMS: And I guess just
5 to stop you for a moment, where I -- I think what I
6 heard you say was in terms of the data analytics it's
7 at a relatively nascent stage of development?

8 MR. MARTIN GEFFEN: So I -- I would
9 actually refer back to the -- and the reason I'm
10 looking for is I'd refer back to the -- the rest of
11 this hype cycle, because we actually do provide some
12 kind of perspective on --

13 MR. BYRON WILLIAMS: Okay.

14 MR. MARTIN GEFFEN: -- advanced
15 analytics within -- within the hype cycle and it's --
16 as you imagine, it was -- the -- the 'S' curve with
17 lots of dots on it. I can't remember exactly every --
18 every single one.

19 MR. BYRON WILLIAMS: Okay. Well,
20 let's -- let's just quickly turn there because you're
21 referring to the -- a couple of pages previously, the
22 -- the beautiful early adoption -- or the technologies
23 that you're keeping on eye on?

24 MR. MARTIN GEFFEN: Correct.

25 MR. BYRON WILLIAMS: That's at a pa --

1 PDF page 10, Diana, at the top.

2

3

(BRIEF PAUSE)

4

5 MR. BYRON WILLIAMS: And, sir, I guess
6 if you're looking --

7 MR. MARTIN GEFFEN: So, yeah, advanced
8 analytics, as you can see, is -- and I can -- I can
9 spend as much or little time on this -- this hype
10 cycle as -- as you want, but this is a standard
11 approach the Gartner uses to assess kind of the -- the
12 level of ma -- maturity and utility of various
13 technologies in the marketplace.

14 And it is -- we have found in our -- in
15 that -- that most technologies go through this hype
16 cycle. We start with an innovation trigger. You go
17 to peak of inflated expectations where the world
18 thinks that this is kind of the silver bullet that's
19 going to change everything.

20 That it drives down into the what we
21 call the Trough of Disillusionment, so we technologies
22 that aren't actually -- they -- they're not meeting
23 their expectation.

24 And then we go up into the Plateau of
25 Productivity where we're actually getting benefits

1 which were never at the height but are certainly above
2 the -- above the trough. When you ask about advanced
3 analytics you can see it's really at the height right
4 now -- at the -- the -- that's right.

5 So people are expecting to get won --
6 it's the -- there is high -- large expectations for
7 it. And as you can see, it's in the -- it's in the
8 light blue colour, so we expect maturity to happen
9 within 2 to 5 years.

10 MR. BYRON WILLIAMS: Okay, thank --

11 MR. MARTIN GEFFEN: So...

12 MR. BYRON WILLIAMS: -- thank you.

13 And -- and if we move down that curve to the right
14 towards the Trough of Disillusionment --

15 MR. MARTIN GEFFEN: M-hm.

16 MR. BYRON WILLIAMS: -- great words,
17 we'll see mobile claim apps moving -- moving towards
18 the trough?

19 MR. MARTIN GEFFEN: Right. So right
20 now, mobile claim apps, again, are kind of -- they're
21 no -- no longer seen as kind of the silver bullet, the
22 next great thing. People are kind of saying that, you
23 know, it's good. It's -- it's -- you know, people are
24 having concerns about adoption.

25 You'll -- the -- but it will then -- it

1 will move through that process where people will be
2 quite negative. Some organizations might be quite
3 negative about it. Is it actually delivering -- the -
4 - the kinds of questions that you get is, you know,
5 did we do the wrong thing, did we waste our money?

6 And, frankly, our advice based on this
7 model is, in general, you need to actually push
8 through that Trough of Disillusionment because you
9 will get -- you will get value out of it, but you kind
10 of need to push through -- through that period where
11 you actually -- kind of the dark days in -- in a
12 technology where it's kind of not delivering what you
13 expected it to deli -- deliver.

14 MR. BYRON WILLIAMS: And, sir, in
15 terms of the FINEOS -- while we're on this chart, the
16 FINEOS application for BI3, personal injury pro --
17 protection plan, would that be a claims management mo
18 -- module towards the -- the right-hand side?

19 MR. MARTIN GEFFEN: Correct. That
20 would be in the Plateau of Productivity, yes.

21 MR. BYRON WILLIAMS: That was a
22 relatively mature --

23 MR. MARTIN GEFFEN: Absolutely.

24 MR. BYRON WILLIAMS: Okay, thank you.
25 Just the last couple of questions, sir. And if you're

1 not able to answer these you'll -- you'll let me know.
2 You expressed some general familiarity with the
3 distributed estimating project in the seventeen (17)
4 firms participating in it?

5 MR. MARTIN GEFFEN: Correct.

6 MR. BYRON WILLIAMS: And you're aware
7 generally in terms of the business in Manitoba that
8 there's a relatively small number of -- of businesses
9 doing a very large volume of the business?

10 MR. MARTIN GEFFEN: Yes.

11 MR. BYRON WILLIAMS: And again, if I'm
12 taking you beyond your comfort zone you'll let me
13 know. And it's reasonable to expect with distributed
14 estimating that we'll see a growth in terms of the
15 concentration of estimations in -- in the hands of --
16 of a relatively small number of businesses, perhaps
17 less than twenty (20)?

18 MR. MARTIN GEFFEN: It's likely. I
19 don't know about the numbers. But I would say that
20 you're going to get centres of excellence and you're
21 going to have organizations that are being -- being
22 able to deliver better value through implementing
23 these kinds of technologies. It will take new --
24 it'll take -- it'll take investment in this
25 technology. It'll take investment in capabilities.

1 And it -- it may end up in some -- in -- with -- with
2 some consolidation.

3 MR. BYRON WILLIAMS: So -- and
4 parallel to that consolidation into the hands of a
5 number of external businesses will be a -- a move of
6 the final say over a lot of estimates from the in-
7 house MPI estimators out to this relatively small
8 group of -- of firms.

9 Would that be fair, sir?

10 MR. MARTIN GEFFEN: So I think that
11 the -- the objective of PDR is to actually make that
12 kind of shift, so to -- that we're -- actually are
13 providing more -- we're -- we're putting more of the
14 onus in terms of doing the work on the -- on the
15 repair facilities. And we are putting more of the --
16 the -- therefore, more of the effort on -- on them as
17 well.

18 I think that, in terms of -- I think
19 you said -- I'm not sure if you said, "control," but
20 in terms of how you manage control, it's kind of --
21 it's managed partially algorithmically through the --
22 through the profiles and through the kind of decision
23 rules about what they can do and -- and how that
24 actually gets applied.

25 And, you know, a number of the twenty

1 (20) projects within PDR are systems, and solutions,
2 and instructors in place to do audit and -- and back-
3 end auditing, and validation, and certification, and
4 administration. So there's that kind of check and
5 balance there as well, yeah.

6 MR. BYRON WILLIAMS: And in essence,
7 and recognizing the intention to have appropriate
8 checks and balances, it's really a -- a pretty
9 dramatic revisioning of the estimating approach.

10 MR. MARTIN GEFFEN: I think that it --
11 yes, I think that is -- you know, it's -- we're going
12 through a number of dramatic changes in the -- in the
13 environment based on technology. If you think of --
14 and it's not quite as dramatic as the -- the
15 driverless truck that delivered beer, or Uber, or
16 Airbnb, but it's -- it's -- you know, it's -- it's --
17 we are changing the -- the way the industry works,
18 yes.

19 MR. BYRON WILLIAMS: Has Gartner been
20 asked -- I think your evidence to the PUB counsel was
21 that you've -- at this point in time, your retainer
22 with regard to PDR finished in June of 2016.

23 Is that right, sir?

24 MR. MARTIN GEFFEN: So the retainer --

25 MR. BYRON WILLIAMS: You're -- you're

1 not doing any more oversight or evaluation of physical
2 damage --

3 MR. MARTIN GEFFEN: For -- for this --
4 for this engagement right now, yes.

5 MR. BYRON WILLIAMS: And just so I
6 understand the -- the type of duties that Gartner --

7 MR. MARTIN GEFFEN: M-hm.

8 MR. BYRON WILLIAMS: -- performs,
9 would it be within the scope of -- of the duties that
10 Gartner performs for MPI or other companies that you
11 from time to time are called in to continue to
12 evaluate or offer -- serve some advisory roles?

13 MR. MARTIN GEFFEN: We do, and so we -
14 - and we do provide an advisory role for PDR and for
15 other projects on -- outside of this engagement.

16 MR. BYRON WILLIAMS: I thank you. At
17 -- at some point in time, if you were -- if there's an
18 opportunity to talk about driverless beer trucks, I
19 would really like to take you up on that opportunity.

20 MR. MARTIN GEFFEN: M-hm.

21 MR. BYRON WILLIAMS: Maybe next time
22 you're in Winnipeg. Come with legal counsel and we'll
23 maybe explore that --

24 MR. MARTIN GEFFEN: I'll send you the
25 --

1 MR. BYRON WILLIAMS: -- face-to-face,
2 and --

3 MR. MARTIN GEFFEN: -- I'll send you
4 the news report from yesterday, the -- the --
5 yesterday's news report about the driverless beer
6 truck in Colorado, so.

7 MR. BYRON WILLIAMS: I'll look forward
8 to that, sir, and thank you for your time.

9 MR. MARTIN GEFFEN: Thank you.

10 THE CHAIRPERSON: Thank you. I'm just
11 going to ask the panel if they have any questions.

12 BOARD MEMBER NEVILLE: I do.

13 THE CHAIRPERSON: Okay. Ms. Neville?

14 BOARD MEMBER NEVILLE: Thank you. I
15 have two (2) quick questions, or I think they're
16 quick.

17 You talked about the peer group that --
18 and the fact that it is -- it -- it's not consistent.
19 It changes from year to year.

20 Why is that? Why is there not value in
21 consistency?

22 MR. MARTIN GEFFEN: So we -- two (2)
23 reasons. The first is that we com -- we complete --
24 we continue to refresh our data so that our database,
25 our comparison peer database, is always -- is never

1 more than eighteen (18) months old. And so it depends
2 on who's -- who's in the database.

3 And so sometimes, you know, an
4 organization that we may have done benchmarking with
5 last year will not do it again this year, and so
6 therefore, their data will actually not be available.
7 And the -- so that's really as the -- the main reason.

8 The -- the other reason is that we --
9 we do a -- we -- we look at the workload complexity
10 measures. And so it -- when we -- we look at it from
11 the various towers.

12 And so when we compare your cost on,
13 say, infrastructure, we look at the workload, the --
14 the -- say, the -- the server, the -- the -- your
15 server workload and your server complexity compared to
16 other organizations that have similar server workload
17 and com -- complexity. And so what we do is we look
18 to, again, data that is recent in our data base to
19 compare it to that.

20 Does that answer -- I don't think that
21 answered your question.

22 BOARD MEMBER NEVILLE: It does answer
23 the question but it makes me wonder if you're
24 eliminating from -- and I don't understand a lot of
25 this so you'll have to bare with me.

1 But if you're eliminating from the
2 control group those that you know might not measure
3 up, whether there's a deliberate --

4 MR. MARTIN GEFFEN: No, not at all.
5 In -- in fact, kind of the opposite. What we do is we
6 -- so at the risk of repeating myself, we make sure
7 that we don't have old data in -- because you are
8 spending in prior years what might not reflect current
9 technology or current business practices, or whatever,
10 and so we always use the -- the data that, as I say,
11 is over -- is -- I believe it's only eighteen (18)
12 months old. That's the -- the -- that's the oldest
13 that it is.

14 And then we select peers not based on
15 their outcome, and -- if you think about outcome as
16 being spending, but based on partly -- as I've said
17 earlier on the -- on the industry, so regardless of
18 how good or bad they are we -- we -- partly it's about
19 -- based on the industry. And then it's also based on
20 we -- when we -- we -- when I talk about workload and
21 complexity, we talk about -- so workload measures are
22 things like the number of users, the number of
23 locations, and complexity is the -- kind of -- is the
24 different lines of businesses that you might be in, or
25 different geographies that you're in.

1 And so what we try to do is we try to
2 pick organizations that have similar workload and
3 complexity so that we're comparing apples to apples,
4 and -- and then -- so we -- so we don't actually -- to
5 -- to your point about removing kind of non-
6 performance we don't actually look at the perfor --
7 performance in terms of spending. We look at
8 performance in terms of delivering service of similar
9 -- similar workload and similar complexity, and then
10 we look at the spending.

11 BOARD MEMBER NEVILLE: So presumably
12 you have some kind of consistent measurement guide --

13 MR. MARTIN GEFFEN: Yes, exactly. So
14 we have a consistent set of algorithms for picking
15 peers. And so that's year -- you know, year over
16 year, so we're all --always doing that exactly the
17 same way. And we have very consistent guides in terms
18 of how you identify what costs should be included in
19 what buckets or what categories they should be
20 included in, and so we're -- we're comparing apples to
21 apples.

22 BOARD MEMBER NEVILLE: Thank you. One
23 (1) more question, if I can read my writing. You
24 talked about the costs of IT and compare it to the
25 target position. Have you actually done a cost

1 analysis? If MPI was at the target position, what the
2 difference in the costs would be?

3 MR. MARTIN GEFFEN: Well, that's a
4 really --another really interesting question. I have
5 not, but I'm going to include that in -- I'm not going
6 to make a commitment to you but that might be
7 something we might want to include in -- in this
8 year's analysis. But, yeah, sorry.

9 BOARD MEMBER NEVILLE: Okay.

10 MR. MARTIN GEFFEN: M-hm.

11 BOARD MEMBER NEVILLE: Thank you.

12 MR. MARTIN GEFFEN: M-hm. M-hm.

13 THE CHAIRPERSON: Thank you, Mr.
14 Geffen. Now, we have a presenter at one o'clock, and
15 that's the only thing we have on for this afternoon.
16 I'm just going to put it out whether it makes a
17 difference to people whether we go for a forty-five
18 (45) minute break versus an hour break.

19 Can you handle forty-five (45) minutes?
20 Okay. We'll -- we're going to resume -- I'd like to
21 be here at one o'clock when - - when he arrives, so
22 we'll adjourn until one o'clock. Thank you.

23

24 (PANEL STANDS DOWN)

25

1 --- Upon recessing at 12:15 p.m.

2 --- Upon resuming at 1:07 p.m.

3

4 THE CHAIRPERSON: Okay. We're ready
5 to proceed with the presentation. Mr. Houghton, thank
6 you for coming. If you could do this in -- sort of
7 the fifteen (15) minute time frame or a little longer,
8 I appreciate it.

9 MR. DOUG HOUGHTON: Am I on there now?

10 THE CHAIRPERSON: You're -- no, you
11 have to push really hard. You're on now.

12 MR. DOUG HOUGHTON: There we are.
13 Okay.

14 THE CHAIRPERSON: That's it.

15

16 PRESENTATION BY MR. DOUG HOUGHTON:

17 MR. DOUG HOUGHTON: Yeah, I'll try
18 not to talk too fast. Just slow me down if I do.

19 Good afternoon, Board members, MPI
20 staff, MPI legal counsel, and other presenters.
21 Before proceeding, I'd first like to thank the Board
22 for accommodating me at this later date and giving me
23 this opportunity to speak to MPI's rate application,
24 and I'll try to keep my presentation brief.

25 Today I intend to question MPI's

1 rationale for motorcycle rates and the last minute
2 proposal to increase average rates by 7 percent on
3 motorcycle rates from a negative 1.7 percent to an
4 increase of 2.4 percent, a change of more than 4
5 percent.

6 In addition, I would like to suggest
7 alternatives to the current rate-setting methodologies
8 so as to incorporate fairness in premium methodology
9 and cost allocation.

10 Some of my motorcycling background, for
11 those of you who are new to these hearings, I'd like
12 to tell you a little bit more about myself. I've been
13 involved with the Coalition of Manitoba Motorcycle
14 Groups for over twenty (20) years, currently serving
15 as a director, in the past, President.

16 And our president Mr. Brian Segal is
17 sitting at the other end of the room. I'm also a
18 director and past vice chair of the Motorcyclists
19 Confederation of Canada. In order to avoid any
20 possible contradiction with CMMG solicitor Mr. Raymond
21 Oakes, today I'm speaking on my own behalf, excuse me,
22 and the views expressed are my own and not necessarily
23 those of CMMG or the MCC.

24 I'm a retired municipal planner, a
25 single parent with middle aged children. I've been a

1 motorcyclist most of my life. I'll be seventy (70)
2 years old in a few months, and I've been riding
3 motorcycles for over fifty (50) years.

4 Like many of my era, our first rides
5 were in our teen on motorcycles borrowed from our
6 friends. I was invincible then, didn't require
7 training or a motorcycle licence, and never really
8 thought much about insurance at the time.

9 Forty-seven (47) years ago, in 1969, I
10 bought my first motorcycle and started riding on a
11 regular basis. Motorcycling is how I spend my spare
12 time. My girlfriend and I usually ride between 15 to
13 30,000 kilometres a year on vacations, weekends with
14 our friends, family, and adult children.

15 It's often how -- it's also often how I
16 travel to visit my grandchildren. My oldest daughter
17 also rides but finds it difficult to insure on a full-
18 time basis and still manage mortgage payments,
19 childcare, and other household expenses.

20 My oldest son sold his, no longer being
21 able to justify the expense for the few times he's
22 able to ride. The effects of high premiums, although
23 significant, past premium decreases have not yet
24 offset the previous decade of double digit compounded
25 premium -- premium increases.

1 This year's surprise increase has done
2 nothing to improve the situation. For pensioners as
3 well as others on moderate incomes, motorcycle
4 premiums have become an extreme financial burdens.
5 And especially when coupled with rising fuel cost and
6 other living expenses.

7 A motorcycle premium can be double that
8 for a home of ten (10) times the value. As a
9 motorcyclist, I was pleased with the premium
10 reductions of past years and was looking forward to
11 another reduction this year as well. Initially I was
12 quite disappointed with the June announcement of the
13 217 -- 2017 GRA. But given past positive claims
14 experience for motorcycles, I was expecting a rate
15 reduction for the motorcycle class in the 5 to 7
16 percent range.

17 But I was some placed -- somewhat
18 pleased to note that unlike other vehicle classes with
19 increases, motorcycles were still receiving an overall
20 1.7 percent premium decrease. After several years of
21 premium reductions for motorcycles, one might be
22 willing to accept a modern dec -- a moderate -- sorry,
23 a modest decrease. Initially -- initial acceptance
24 was short lived, however, as you can appreciate my
25 shock of reading last month's Free Press article that

1 Manitoba insurance rates would go up by 7 percent next
2 year, the highest jump in decades.

3 This proposed increase was a surprise
4 to everyone as it was not part of the GRA but an
5 apparent afterthought intended as a hedge against
6 future hits blamed on the climate -- climate change
7 and more hail, resulting in expensive body and window
8 claims.

9 In this respect, the Free Press quotes
10 CEO Dan Guimond as stating that there was a 68 percent
11 increase in comprehensive non-collision claims costs.
12 Mr. Guimond goes on to mention a negative financial
13 climate with equity returns of 6 million below
14 forecasted amounts.

15 As a -- "motorcyclist", it should say;
16 there's a spelling error there -- Basic insurance does
17 not in -- sorry, as motorcycle Basic insurance does
18 not include comprehensive coverage, such claims could
19 not affect motorcycles. And I understand that, in
20 this respect, motorcyclists would not be in for as
21 hard a hit as other vehicle classes.

22 Still, according to MPI Exhibit 19, the
23 average motorcycle premium will now increase by 2.4
24 percent from 769 to 788 per year.

25 If one assumes that the proposed GRA

1 average, the initial proposal, of 744 as shown in
2 Table 1 is correct, then motorcyclists will experience
3 an average of \$44. or 55.9 percent increase over that
4 which was initially proposed by the GRA.

5 And I have an insert here. There -- I
6 note some discrepancy regarding the current motorcycle
7 rate. Table 1 of the GRA lists current average
8 motorcycle rate at 757 with an experienced rate
9 reduction of minus 1.7 percent and a proposed average
10 rate of 744.

11 2017 GRA MPI Exhibit number 19, page 3,
12 depicts a current motorcycle rate of 769 and a
13 proposed average rate of 788, a 2 percent indicated
14 rate change. Perhaps these differences relate to
15 indicated rate versus experienced rate, and perhaps --
16 excuse me -- that can be explained later.

17 It is my opinion that the revised rate
18 increases do not reflect the positive trend (sic) in
19 motorcycle claims ratios which for the past 5 years
20 have been at a 6.1 percent compared to 76.52 percent
21 for passenger vehicles.

22 Given the two hundred thousand and six
23 (200,006) (sic) anomaly, the -- the same weight --
24 given the -- sorry. Given the 2006 anomaly is given
25 the same weight as each of the past 5 years, it is

1 unfair. If I recall my rudimentary university
2 statistics -- and that's going back a long way --
3 anomalies were often discarded or given less weight
4 when doing long-range projections.

5 According to information request CMMG-
6 MPI-2.2, if 2006 were deleted and the 9 year period
7 used, motorcycles -- cycles would have an indicated
8 rate decrease of 7.45 percent instead of a 2.1. I
9 expect that this would result in experienced rate
10 reduction in the neighbourhood of 6.5 to 7 percent.

11 As for the issue of interest investment
12 income, I find it quite astonishing that income
13 projections could change so radically from the June
14 GRA to September of this year. Interest rates have
15 been stable for some time now, and personally, with my
16 own modest investment portfolio, I found the past year
17 to be more productive than previous years.

18 Aside from disagreeing with MPI's SR --
19 RSR needs, I found that MPI's past financial
20 projections reasonably accurate. Has the standard
21 changed, or has there been an external influence on
22 financial investment policies?

23 I won't delve further into this as I'm
24 sure our solicitor, Mr. Raymond Oakes, has fully
25 examined this issue.

1 At first, the new average rate of 788
2 may not appear expensive, but it must be recognized
3 that this premium is only for a 5 month seasonally
4 adjusted rate that equates to an annual rate of about
5 \$1,891.

6 It must also be noted that this premium
7 does not include comprehensive coverage, which brings
8 the equivalent annual rate to -- into the \$2,000
9 range. As well, this average also includes a great
10 number of lower rated -- lower rated scooters and
11 mopeds. Half of all motorcyclists will pay more.

12 Current premiums remain prohibitive for
13 many, and as the following example typifies, the
14 motorcycle rate is still very high when contrasted
15 with rates for passenger vehicles and light trucks.

16 In Winnipeg, using 2016 rates, the
17 fully -- the minimum full-discounted pleasure premium
18 for a 2015 GMC four by four double-cab pick-up truck
19 valued at 30,000 is about \$970, or roughly \$81 per
20 month.

21 By contrast, the premium for a 2014
22 Harley-Davidson touring -- touring motorcycle valued
23 at 25,000 and this is -- including comprehensive is
24 about 954 per year, or about a 191 per month for the
25 five (5) month season. With a 2.4 percent increase,

1 this Basic results in a premium of about 973.

2 This extrapolates to an equivalent
3 annual motorcycle premium of more than \$2,300, or
4 about 2 1/2 times the truck rate. Sport bike rates
5 can be much higher year in the 2,000 -- \$2,500 to the
6 3,000 range for the riding season. And I've included
7 a chart just to compare these things.

8 Even though motorcycle numbers have
9 been increasing for the past few years, there are many
10 former motorcyclists who have quit riding, not because
11 they've lost their love for the sport but solely for
12 the fact that they have modest incomes, and can no
13 longer justify paying up to \$2,000 or more, for five
14 (5) months of riding.

15 When a husband and wife both ride, the
16 cost can be very prohibitive, even for more affluent
17 families. Many have resorted to using the temporary
18 five-day permits for special events or vacations.
19 This concerns me as it exposes more motorcycles to
20 accidents during peak periods with the resulting
21 claims, but without the total annual premium
22 contribution to the total motorcycle pool.

23 Escalating premiums and PIPP. The
24 reason for past escalating motorcycle premiums goes
25 back to 1993 with the introduction of no-fault

1 insurance and corresponding personal injury
2 protection. Past rulings that there should be no
3 cross-subsidization between vehicle classification
4 meant that premiums for each classification must
5 reflect claims costs for that classification
6 regardless of fault.

7 This resulted in many years of double-
8 digit compounded increases. Over the past few years,
9 motorcycles have benefited from more recent
10 improvements in the rate setting methodology. I refer
11 specifically to the implementation of loss transfer,
12 and the allocation of losses for PIPP and collision
13 chains (sic), as well as losses related to wildlife
14 and hit and run collisions.

15 Although a considerable improvement, I
16 believe that the current methodology for allocating
17 losses is still discriminatory and inequitable. The
18 following paragraphs will highlight some of these
19 inequities.

20 Contrary to what some believe,
21 motorcyclists are not involved in a greater percentage
22 of accidents than automobiles. In fact, past
23 statistics have shown that there are greater
24 percentages of motorcyclists with full merits than
25 automobile owners.

1 Motorcyclists have been placed in a
2 separate rating classification not because
3 motorcyclists have more accidents but due to severity
4 of injuries, which result in greater personal injury
5 PIPP costs. According to CMMG, MPI-2.5 Attachment,
6 PIPP losses as a percentage of total losses for the
7 past 5 years for motorcycles is 83.47 percent.

8 By contrast, these losses range from
9 20.7 percent for passenger vehicles to 35.9 percent
10 for commercial vehicles. These figures relate closely
11 to the percentage of premiums allocated to PIPP losses
12 for each class. On the surface, this would seem fair
13 except that many groups do not pay for PIPP. Although
14 PIPP coverage is paid by most vehicle owners, some
15 vehicle classes do not pay and are still being
16 subsidized by premiums paid by other motor classes.

17 Also not paying are those persons with
18 driver's licences who do not own vehicles, but have
19 contributed to accident cost. As well, there are
20 others who receive PIPP benefits who neither own a
21 vehicle nor have a driver's licence.

22 It was either back in 2011 or 2012 that
23 MPI stats revealed that 12,954 vehicles, or 1 percent
24 of registered vehicles, did not pay for PIPP coverage.
25 This nearly equalled the 13,163 motorcycles which were

1 subject to PIPP premiums at that time. This excluded
2 -- group includes inter-provincial trucks and exempt
3 vehicles, such as government of Canada vehicles and
4 fire department vehicles.

5 Although it's true that inter-
6 provincial truck drivers, et cetera, may be eligible
7 to obtain workman's compensation if injured, it is
8 usually the occupants and passengers of small vehicles
9 who sustain injuries. If, however, a large semi
10 causes an accident this vehicle would not be
11 contributing to the PIPP costs of the other vehicle
12 involved.

13 In addition, off road vehicles, dirt
14 bikes, snowmobiles, and bicycles do not contribute to
15 PIPP. However, if the riders are involved in a
16 collision with an automobile in motion they receive
17 PIPP benefits, even if at fault. I believe the same
18 applies to pedestrians, as well.

19 One-third of PIPP claims are from non-
20 vehicle owners. The following deal is somewhat dated
21 but the -- I'm sure the proportions are still
22 relevant. According to MPI, there are about 11,784
23 PIPP claims in 2011. One-third of all PIPP claims
24 were from non-vehicle owners.

25 Of these, drivers without a registered

1 vehicle accounted for 3,192, or 27 percent of these
2 claims. In addition, unlicensed non-vehicle owners
3 accounted for 693 claims, or another 6 percent of
4 total vehicle claims.

5 Since much of bod -- of PIPP involves
6 bodily injury, personal care, and rehabilitation, it
7 is somewhat analogous to our healthcare system, which
8 is free and shouldered by all Manitoban taxpayers.

9 Since Manitobans can receive PIPP
10 benefits -- since all Manitobans can receive PIPP
11 benefits and since one third of all PIPP claims are
12 for non-contributors, why then should motorcyclists
13 pay substantially more for this coverage when other
14 vehicle owners, ATV owners, snowmobile owners, and
15 non-lice -- non-licensed vehicle owners pay nothing?

16 It's time to rethink the methodology
17 for assigning PIPP costs to premiums. And the
18 following par -- and the following paragraphs suggest
19 a number of different ways to insert fairness into the
20 allocation of these costs. These are not necessarily
21 mutually inclusive.

22 The fairest way might be to establish a
23 flat rate for PIPP premiums and spread them equally
24 across all vehicle groups with penalties and increases
25 based on experience and driving record, not severity

1 of injuries. Penalties should be attached to the
2 driver's licence and not the vehicle.

3 A flat rate would not create undue
4 hardship on other vehicles. If off-road vehicles,
5 motorcycles, and trailers are excluded, there are
6 eight hundred and forty-one thousand (841,000) other
7 insured vehicles outnumbering motorcycles by a ratio
8 of fifty-four (54) to one (1).

9 In simple terms, an average five dollar
10 (\$5) premium increase for other vehicles would
11 generate over \$4 million with a resulting premium
12 decrease of about two hundred and seventy dollars
13 (\$270) for each motorcycle.

14 Another example using 2017 PIPP per
15 driver unit of one hundred and eighty-six dollars
16 (\$186), this is PIPP MPI 2.6, and adding admin and
17 overhead costs approximately. A flat PIPP rate for
18 all classes should be in the range of two hundred
19 dollars (\$200). This would bring the average
20 motorcycle rate down to about three hundred and thirty
21 dollars (\$330), and this still explodes comprehensive.

22 If the thirteen thousand (13,000) or so
23 non-contributing units are included, the effects of --
24 on passenger vehicles might be negligible. We can
25 allocate a greater share of PIPP to larger vehicles.

1 Motorcycles are vulnerable road -- road
2 users -- users and are more likely to sustain more
3 serious bodily injuries in accidents but are less
4 likely to inflict serious injury on pedestrian,
5 cyclists, or the occupants of automobiles and trucks.

6 Conversely, larger vehicles have the
7 potential to inflict serious injury to pedestrians,
8 riders, and occupants of smaller vehicles, but I don't
9 believe this is factored into the premium structure of
10 those vehicles. Perhaps premium methodology should be
11 revised so these vehicles bear a greater share of the
12 PIPP costs.

13 We could transfer PIPP premiums to the
14 driver's licence. Those drivers who causes accidents,
15 and not the vehicle. Therefore, considering that 27
16 percent or nearly one third of PIPP claims are from
17 licenced drivers who do not own a vehicle, it would be
18 a much more equitable system if PIPP premiums were
19 transferred all or in part to the driver's licence
20 rather than placed solely on the vehicle.

21 At present, there is a small insurance
22 portion associated with the driver's licence; however,
23 this driver premium is not proportional in the various
24 coverages. Apparently, these premiums are not used as
25 a direct -- as a direct offset to the cost of Basic

1 insurance for highway traffic vehicles, so it's not
2 normal for this -- assigned to offset PIPP costs.

3 How to create additional fairness in
4 premiums? We could transfer penalties to the driver's
5 licence. When someone avoids paying penalty premiums
6 good drivers bear the cost. The current bonus/malus
7 system of merits and demerits is currently applied in
8 -- in equ -- inequitable manner.

9 Added costs for loss of merits or an
10 increase in demerits is not applied to both the
11 driver's licence and to all vehicles owned by the
12 driver. However, those that don't own vehicles but
13 drive a vehicle owned by another family member or
14 employer only pay on the driver's licence.

15 This system also encourages high-risk
16 drivers to transfer ownership to other family members
17 so as not to pay higher vehicle premiums and,
18 therefore, not contributed fairly to the public
19 insurance system.

20 I'm sure if MPI examines its data it
21 will discover that vehicle ownership increases with
22 the increase in merits and lower premiums. And,
23 conversely, as drivers go down the scale with increase
24 demerits and potentially higher premiums the level of
25 vehicle ownership decreases. There's a need to change

1 the methodology for assigning penalties so that bad
2 drivers continue to pay their fair share.

3 Multi-vehicle discounts or motorcycles.
4 It's my understanding that the premiums for each
5 classification of vehicles is based on the risk and
6 accident history of that vehicle classification
7 independent of other classifications. Like most
8 motorcyclists, I suffer from MPI double and triple
9 dipping. I also own other passenger vehicles and pay
10 PIPP on all but only drive one at a time.

11 Unlike other insurers, MPI provides no
12 discount for a second vehicle, the assumption being
13 that both could be driven at the same time with risk
14 of accident. It is my observation, however, that when
15 a motorcycle's been ridden, in most cases, the other
16 vehicle may -- remains unused, thereby raising his
17 risk. More likely, however, when the other vehicle's
18 driven, the motorcycle remains parked. Motorcycles as
19 a rule do not share their ride.

20 According to the table attached to the
21 2015 GRA, the per-unit claims costs for passenger
22 vehicles owned by non-motorcycle owners is 68 percent
23 higher than those for passenger vehicles where the
24 registered owner also has a registered motorcycle.
25 These numbers are three ninety-seven (397) versus two

1 thirty-six (236).

2 It would appear that when a motorcycle
3 is also registered, the risk goes down on the owner's
4 passenger vehicle. Although a more detailed actuarial
5 -- actuarial investigation may be required, these
6 stats appear to support a multi-vehicle discount where
7 one (1) of the vehicles is a motorcycle.

8 All of the above scenarios or
9 combinations thereof would require proper actuarial
10 analysis, and actual premiums would have to include
11 many other factors such as driving record and the
12 proportion of PIPP and penalty costs assigned to
13 driver's licence premiums and so on.

14 Public policy. I can certainly
15 appreciate that some of my suggestions do not fall
16 within the Board's mandate and it may be a matter of
17 public policy to be implemented by government through
18 amendments to the Public Insurance Act or by giving
19 policy direction to MPI.

20 I will, however, request that this
21 Board recommend that MPI and/or the Government of
22 Manitoba study this issue and advise as to how a PIPP
23 flat rate or an assignment of PIPP to the driver's
24 licence would affect average premiums for all classes,
25 and as well how premiums would be affected should

1 excluded vehicle classes such as interprovincial
2 trucking were required to pay PIPP.

3 As well, what would the impact be in
4 PIPP and penalty costs were applied solely to the
5 driver's licence?

6 Safety initiatives. As a CMMG member,
7 I'd like to thank MPI personnel for their support and
8 participation in our annual motorcycle safety
9 awareness rally, and for attending our general
10 meetings as guest speakers. Although not always
11 agreeing, CMMG enjoys a collaboration -- collaborative
12 relationship with MPI.

13 Safety initiatives not only reduce
14 accident claims, they save lives and reduce injuries.
15 CMMG directors are of the opinion that drivers --
16 driver and motorcycle training is the best safety
17 initiative, and that the graduated licensing program
18 and corresponding mandatory motorcycle training course
19 have been the major contributing factors in reducing
20 motorcycle accidents and resulting claims.

21 Motorcyclists now know how to ride a
22 motorcycle before entering public highways. Although
23 there's no direct proof of their relationship, one
24 only has to examine the chart included with MPI --
25 CMMG/MPI-2-8 which depicts accidents per thousand

1 units by body style.

2 Although a generalization, many younger
3 new riders gravitate to sport bikes. And as the chart
4 indicates, there is a strong correlation between the
5 inception of mandatory training and the downward trend
6 in sport bike accidents.

7 MPI has been a supporter of motorcycle
8 training and has followed CMMG's recommendation to
9 encourage riders to take the longer Gearing Up course,
10 costing four hundred and thirty dollars (\$430), by
11 providing a financial assess -- incentive.
12 Motorcyclists now receive a two hundred dollar (\$200)
13 rebate for completing this course.

14 Many older and long-term riders have
15 not taken any formal classroom or skills training.
16 Our ridership is aging, and there are many riders in
17 their sixties (60s), seventies (70s), and even
18 eighties (80s) who still ride on a regular basis.

19 I know from personal experience that
20 balance, perception, and reaction time diminish with
21 age. There is an experienced rider course at a cost
22 of two hundred and seventy-nine dollars (\$279), but I
23 believe the added cost, in addition to insurance
24 premiums, has resulted in a minimal uptake. As well,
25 long-term riders don't believe they could benefit from

1 training.

2 I'm of the opinion that some form of
3 financial incentive such as a rate reduction over
4 several years would increase participation. To date,
5 MPI has not supported this initiative.

6 On the positive side, CMMG has been
7 involved with the 2016 safety program and pamphlet and
8 consulted on various safety initiatives. We are also
9 a member of MPI's external stakeholder committee on
10 loss prevention, and provided them -- and providing
11 input into proposed amendments to the Highway Traffic
12 Act and vehicle inspection standards.

13 That concludes my presentation. I'd
14 like to thank you again for giving me this opportunity
15 to speak and for your attention to this matter, and
16 I'm open to any questions you might have.

17 THE CHAIRPERSON: Sorry, I'll ask if
18 the panel has any questions.

19

20 (BRIEF PAUSE)

21

22 THE CHAIRPERSON: Thank you very much,
23 Mr. Houghton, for putting this forward. Can I just
24 ask you as sort of the new kid on the block, how do
25 the rates for motorcycles -- cyclists in Manitoba

1 compare to other provinces?

2 MR. DOUG HOUGHTON: They can vary
3 substantially. Other provinces like Quebec, they
4 separate the -- what's so-called the skin from the
5 tin. Your motorcycle's insured as a vehicle, your
6 other liabilities and that are associated with the
7 driver's licence, so it's difficult to compare.

8 Other provinces like Alberta you -- you
9 have private systems where you have the option of only
10 having liability, which is very low on a motorcycle,
11 but as soon as you add collision and personal injury
12 provisions the -- the relationship goes up.

13 So it's -- it's very difficult to
14 compare and it's like comparing apples and oranges,
15 and...

16 THE CHAIRPERSON: Okay. How -- do you
17 know how it would compare, for example, if you had
18 comparable coverage in Saskatchewan and British
19 Columbia?

20 MR. DOUG HOUGHTON: I believe --

21 THE CHAIRPERSON: How the -- how the
22 rates would compare?

23 MR. DOUG HOUGHTON: I believe
24 Saskatchewan is still lower. However, they have been
25 on the increase in the past few years. BC has -- is a

1 no -- is a tort system, so the PIPP coverage is very
2 limited, I believe, in the hundred (100)/two hundred
3 thousand dollar (\$200,000) range, although I'm not
4 sure of the exact amount.

5 So the extreme PIPP costs are not borne
6 by the insurer. They -- they have to be done through
7 lawsuit, through the --

8 THE CHAIRPERSON: Okay.

9 MR. DOUG HOUGHTON: -- tort system.

10 THE CHAIRPERSON: Okay. And if you
11 have a situation whereby somebody has a Manitoba
12 licence for motorcycles and they decide to go south in
13 the wintertime, they're using their vehicle for more
14 than five (5) months, aren't they?

15 MR. DOUG HOUGHTON: Yes, they are.

16 THE CHAIRPERSON: Okay. So -- and the
17 coverage would -- if they're down in -- if they're
18 smart and they're down in Arizona, or Florida, or
19 California, they still have coverage under the MPI
20 policy, but it -- it's beyond the -- the weather time
21 frame we have here in Manitoba?

22 MR. DOUG HOUGHTON: That's correct.

23 The -- this was a -- this system was implemented quite
24 a few years back.

25 THE CHAIRPERSON: Yeah.

1 MR. DOUG HOUGHTON: Because basically
2 most motorcyclists ride from the May to September time
3 and very few -- if you look out today there's -- I
4 doubt that you'll see anybody riding except a few
5 diehards. The percentage of motorcyclists doing this,
6 I think, is very small.

7 I think you'd have to ask Luke Johnson
8 to -- Johnston what that -- that number might be,
9 though it does have some impact on claims, although
10 it's a very small amount.

11 THE CHAIRPERSON: Yes, the only
12 comment I would make is they were testifying over the
13 same time frame and for some reason throughout that
14 morning there were motorcycles roaring up and down the
15 back lane here, so I -- I guess the weather was nice
16 that day, but...

17 MR. DOUG HOUGHTON: It was a nice day
18 and you could still get out, especially if you're
19 retired.

20 THE CHAIRPERSON: Yeah. Any
21 questions? Any further questions?

22 Mr. Houghton, I really appreciate you
23 attending here. I appreciate this in -- putting this
24 in writing and -- and we'll make sure it's on the
25 website with the other presentations and materials as

1 well.

2 MR. DOUG HOUGHTON: Okay. Thank you
3 very much.

4 THE CHAIRPERSON: Thank you. Mr.
5 Ghikas, have we any more undertakings, or...?

6 MR. MATT GHIKAS: No further business
7 for me today.

8 THE CHAIRPERSON: Okay.

9 MR. MATT GHIKAS: So it's just Mr. --
10 Dr. Cleary tomorrow.

11 THE CHAIRPERSON: Right. So we'll
12 adjourn until 9:00 a.m. tomorrow morning. Thank you.

13

14 --- Upon adjourning at 1:32 p.m.

15

16

17

18 Certified correct,

19

20

21

22 _____

23 Sean Coleman, Mr.

24

25