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2 MANITOBA PUBLIC UTILITIES BOARD
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78 Re: 2005 MANITOBA PUBLIC INSURANCE
9 RATE APPLICATION
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14 Before Board Panel:

15 Graham Lane - Board Chairman
16 Denyse Cote - Board Member
17 Eric Jorgensen - Board Member
18

19 HELD AT:

20 Public Utilities Board
21 400, 330 Portage Avenue
22 Winnipeg, Manitoba
23 October 25th, 2004
24

25 Pages 1078 to 1319

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1 --- Upon commencing at 9:05 a.m.
2

3 THE CHAIRPERSON: Good morning everyone.

4 Welcome back and we'll return to Mr. Oakes. Mr. Oakes...?

5 MR. RAYMOND OAKES: Thank you, Mr. Chairman,
6 good morning. Propose to just so the Board has an idea as to
7 time, would anticipate the questions left after this of
8 course being the third day that I've been on my feet,
9 metaphorically speaking. I would anticipate that the time
10 would be less than an hour at which point we can turn it over
11 to the next Intervenor.

12 By way of cleaning up with respect to the
13 material to be filed pursuant to Mr. Rifai's undertakings
14 from Thursday, we anticipate filing those later in the day
15 today.

16 THE CHAIRPERSON: Thank you, sir.

17

18 MPI PANEL, Resumed:

19

20 CONTINUED CROSS-EXAMINATION BY MR. RAYMOND OAKES:

21 MR. RAYMOND OAKES: We had some cleanup
22 questions relative to the rate line group adjustment. The
23 first reference is one not contained in the CMMG materials.
24 It's a reference to Table AI-8, part 1, page 1.

25

(BRIEF PAUSE)

3 MR. RAYMOND OAKES: And, Ms. McLaren, I see
4 that you have that. With reference to that table is the rate
5 group line adjustments specific to the rate groups shown in
6 that table?

MS. MARILYN MCLAREN: Yes, that's right.

8 MR. RAYMOND OAKES: And that table relates to
9 declared value ranges, is that correct?

MS. MARILYN MCLAREN: Yes.

11 MR. RAYMOND OAKES: And that's the basis upon
12 which the rate line group adjustment is made then?

13 MS. MARILYN MCLAREN: Yes. This is the
14 basis, definitely. But the actual calculation of the rate
15 line included the other factors in terms of the effect of the
16 sport bike surcharge and the engine displacement as well.

17 MR. RAYMOND OAKES: Thank you, Ms. McLaren.
18 Page 878 of the transcript, there's discussion of capping
19 rate line increases at 15 percent. For private passenger
20 vehicles and light trucks, when the rate line adjustment --
21 were the rate adjustments capped?

MS. MARILYN MCLAREN: Yes, they were.

23 MR. RAYMOND OAKES: And at what rate?

24

(BRIEF PAUSE)

1

2 MS. MARILYN MCLAREN: We expected to use the
3 same cap of 15 percent, but didn't need to use it because the
4 actual required changes were less than that.

5 MR. RAYMOND OAKES: And does your person in
6 the back row know what the percentages were?

7 MS. MARILYN MCLAREN: They varied by rate
8 group by year. It was an initiative that took a few years
9 and they would be different calculations. It was -- the
10 calculations were -- were credibility-weighted and they were
11 different for each rate group and they were different for
12 each year.

13 MR. RAYMOND OAKES: Ms. McLaren, we had a
14 number of discussions about serious losses and at present the
15 Corporation uses ten (10) years to average serious losses
16 reflecting the time period since the start of PIPP. Is that
17 correct?

18 MS. MARILYN MCLAREN: Yes.

19 MR. RAYMOND OAKES: And you'll likely recall
20 that 1994/95 was a particularly bad year for motorcycle large
21 losses. The random variability was shown in CMMG 1-63. Do
22 you recall that there were a number of very unfortunate
23 serious losses in that particular year?

24 MS. MARILYN MCLAREN: I remember the total
25 value of the losses was very high, but we can just quickly

1 have a look at that reference if you want. What was it
2 again?

3 MR. RAYMOND OAKES: CMMG Interrogatory 1-63.

4

5 (BRIEF PAUSE)

6

7 MS. MARILYN MCLAREN: Yes, there were a
8 number of serious losses that year.

9 MR. RAYMOND OAKES: Now, I had a little
10 concern when -- during the course of your testimony, I
11 believe it was Thursday morning -- you indicated that
12 possibly the Corporation's intention might be to add an
13 eleventh year. Since 1994 we felt the effects of those
14 random losses every year since.

15 Can you lay those concerns to rest at this
16 time, that the Corporation will seek to use the eleventh
17 year, being two (2) -- 1994/95?

18 MS. MARILYN MCLAREN: No, I can't completely
19 allay those concerns. Several years ago, I guess closer to
20 ten (10) years ago than one (1) year ago, we had some
21 assistance from our external actuary to talk about the length
22 of time the Corporation would need -- likely need to be
23 experienced with PIPP to set that framework.

24 And what he told us at that time is that we
25 would need at least ten (10) years, so whether we move on

1 eleven (11) years.

2 So whether we sit at ten (10), you know, we'll
3 have to think about those things, but we really have to
4 figure out what's our best mechanism of predicting the
5 expected value of the cost of claims. So we may not go to
6 eleven (11), twelve (12), thirteen (13), fourteen (14),
7 fifteen (15), but we might and so I -- I can't eliminate
8 that concern for you.

9 MR. RAYMOND OAKES: And the effect of
10 including the losses in 1994 and '95 would result in an
11 increase in the rate requirement for motorcycles, likely?

12 MS. MARILYN MCLAREN: No, not necessarily.
13 Each year the '94 losses take on a smaller percentage of the
14 total averaged losses because you are averaging them over a
15 longer period of time.

16 MR. RAYMOND OAKES: Going back quite not as
17 far, and I'm not sure that the loss costs may be in front of
18 you on the last table or not, but I understand that in
19 1996/1997 the overall losses - and one would presume they'd
20 be on an ultimate basis by this time - but the overall losses
21 the Corporation sustained on motorcycles were quite to the
22 other end of the spectrum and they were some one million
23 seven hundred and twenty-five thousand eight hundred and
24 forty one dollars (\$1,725,841) in 1996, 1997.

25 From your memory and subject to check or

1 subject to the other material that you may have, can you
2 confirm that there was a happy loss experience of that
3 magnitude?

4 MS. MARILYN MCLAREN: '96 was a good year,
5 yes, for motorcycles.

6 MR. RAYMOND OAKES: And then moving along in
7 1998/1999, the overall losses were only slightly over 3
8 million. Do you recall that?

9 MS. MARILYN MCLAREN: 3.4 million for
10 injuries.

11 MR. RAYMOND OAKES: And a similar level for
12 2000/2001?

13 MS. MARILYN MCLAREN: 2.6 for injuries, yes.

14 MR. RAYMOND OAKES: And the premium that the
15 Corporation's seeking now is almost three (3) times that,
16 isn't that correct?

17 MS. MARILYN MCLAREN: I think that sounds
18 about right, yes.

19 MR. RAYMOND OAKES: You would agree with me
20 that given the numbers that we've just looked at from more
21 than ten (10) years ago to a consideration of the more
22 benevolent years '96, '97, '98, '99, 2000, 2001, you'll agree
23 with me that that demonstrates extreme volatility and
24 variability in the claims costs.

25 MS. MARILYN MCLAREN: Yes, it does.

1 MR. RAYMOND OAKES: And, Ms. McLaren, I
2 realize that you're now the head of MPI and have a very
3 important job and responsibilities but that new post did not
4 come with a crystal ball, isn't that correct?

5 MS. MARILYN MCLAREN: That's absolutely
6 correct.

7 MR. RAYMOND OAKES: And you can't tell me if
8 year 2005 will be the same losses as 1996 or even 2000, can
9 you?

10 MS. MARILYN MCLAREN: No, I can't. But
11 that's not the point, you know, and we're not trying to --
12 all we're trying to do is calculate the expected value of the
13 losses with a methodology that -- that's been vetted and
14 tested and used consistently by the Corporation.

15 We're not trying to recover money for old
16 losses and we're not trying to have a crystal ball. We're
17 just trying to do our best to predict the expected cost of
18 claims in this category and every other rating category.

19 MR. RAYMOND OAKES: And I believe that your
20 evidence earlier in the Hearing was to the affect that in
21 2004 we've had very good development of losses with not a
22 large exposure of serious losses.

23 MS. MARILYN MCLAREN: I don't believe we've
24 had a serious loss yet this year with motorcycles. I don't
25 know that that translates to having very good losses. There

1 could be an extraordinary number of small losses. I don't
2 know that but we haven't had a serious loss to my knowledge.

3

4 (BRIEF PAUSE)

5

6 MR. RAYMOND OAKES: Just for the record, Ms.
7 McLaren, I wanted to just confirm that with pedestrian
8 bicycle claims, those costs are allocated across all vehicle
9 for the purpose of including the claims costs, is that
10 correct?

11 MS. MARILYN MCLAREN: No. They're allocated
12 to the private passenger class, the public class and the
13 commercial class only. And that's because of an analysis of
14 the experience that we undertook that there really were
15 virtually no pedestrian and bicyclist claims involving
16 motorcycles that's why they were excluded.

17 They were excluded from all RV's and trailers
18 for obvious reasons.

19 MR. RAYMOND OAKES: I thank you for that.
20 Just moving to the issue of safety and investment and safety
21 by the Corporation, can you tell me whether there's any new
22 safety initiatives that the Corporation identified as a
23 result of performing what it indicated was a motorcycle risk
24 study report?

25 MS. MARILYN MCLAREN: We haven't made any

1 business decisions yet arriving out of the motorcycle risk
2 study report.

3 MR. RAYMOND OAKES: And presently, and you
4 can correct me with the actual numbers but, Corporation
5 budgets annually roughly around \$7 million, I believe, for
6 road safety, would that be accurate?

7 MS. MARILYN MCLAREN: Yes, that's right.

8 MR. RAYMOND OAKES: And I understand that it
9 spends approximately 1 percent of that on safety initiatives
10 that are specifically identified for motorcycles?

11 MS. MARILYN MCLAREN: That might be true on
12 an overall basis. The first thing we need to recognize
13 though is almost half of that \$7 million is devoted to the
14 high school driver ed. program. So general road safety
15 programming, the 1 percent of 7 million would be 2 percent of
16 half of it, I guess.

17 MR. RAYMOND OAKES: Ms. McLaren, are you
18 aware -- are you aware Ms. McLaren that the motorcycle
19 component, in fact references to motorcycles have been
20 dropped from the high school driver training that the
21 Corporation subsidizes?

22 MS. MARILYN MCLAREN: I believe that not to
23 be true. No, I don't believe it's been dropped.

24 MR. RAYMOND OAKES: You believe that there's
25 a motorcycle component to the driver training that's done in

1 high schools?

2 MS. MARILYN MCLAREN: Certainly no component
3 related to motorcycle riding but awareness of motorcycles,
4 yes, it is part of the curriculum to my knowledge.

5 MR. RAYMOND OAKES: I wonder if you could
6 just undertake to check that and advise the specifics.

7 MS. MARILYN MCLAREN: Yes, I'll do that.

8

9 --- UNDERTAKING NO. 20: The Corporation to check and
10 advise on the specifics as to
11 whether or not there is a
12 motorcycle component to the
13 driver training that's done in
14 high schools.

15

16 CONTINUED BY MR. RAYMOND OAKES:

17 MR. RAYMOND OAKES: Now, I understand that
18 the Corporation does no mailers to any of its insured with
19 respect to motorcycle awareness or in spring, indicating that
20 the motorcyclists are taking the road and the private
21 passenger cars have to be aware of that change?

22 MS. MARILYN MCLAREN: No. No, mailing
23 information of that nature works well for us when we have a
24 targeted audience that we're mailing to. Mailing to half a
25 million people would not be as effective as the mass media

1 campaign that we do in conjunction with motorcycle dealers
2 and the CMMG itself in terms of making other vehicle
3 operators aware of motorcycles on the road.

4 MR. RAYMOND OAKES: I understand as well that
5 MPI still not has established a percentage recognition rate
6 target with respect to the awareness of safe motorcycling
7 amongst Manitoba motorists?

8 MS. MARILYN MCLAREN: Can you repeat the
9 question, please?

10 MR. RAYMOND OAKES: Certainly. I understand
11 that MPI has still not yet established a percentage
12 recognition rate target with respect to the awareness of safe
13 motorcycling amongst Manitoba motorists?

14
15 (BRIEF PAUSE)
16

17 MS. MARILYN MCLAREN: Are you asking if we've
18 established a target to measure the awareness of motor
19 vehicle operators that motorcycles are on the road? Or -- or
20 -- I think, maybe you can elaborate, I'm not sure what you're
21 getting at.

22 MR. RAYMOND OAKES: I believe that you have
23 my point in terms of having a goal or something to shoot for.
24 A target, if you will, with respect to measuring the
25 effective programs that the Corporation might institute to

1 raise appreciation of the fact that motorcyclists require
2 their lane, for instance, or are on the road and require
3 protection?

4

5 (BRIEF PAUSE)

6

7 MS. MARILYN MCLAREN: We measure and we track
8 road user awareness that motorcyclists have a right to share
9 the road. We don't have a specific target for that level of
10 awareness, but we don't establish specific targets for each
11 of the things along those lines that we monitor.

12 We establish targets on an overall basis for
13 awareness and we do that within the context of national
14 standards of expected results of awareness campaigns.

15 So, we have broadly based targets that all of
16 our programs would have to respond to and line up with and we
17 track the specific level of awareness with respect to
18 motorcycles and have done so over time.

19 MR. RAYMOND OAKES: Mr. Chairman, we're
20 moving along quite rapidly. I'm experiencing a difficulty
21 relative to some questions on the Motorcycle Risk Study that
22 don't seem to be here at present.

23 I wonder if, perhaps, if it's convenient we
24 could either take a two (2) or three (3) minute break while
25 Mr. Hickson and I madly sort through some things, or, at this

1 point I'm prepared to come back and ask these questions later
2 in the day.

3 THE CHAIRPERSON: We have a question from
4 here, so why don't you sort while we're following up?

5 MS. DENYSE COTE: Ms. McLaren, I think you
6 indicated that of the safety program, half of it was for
7 driver education -- approximately?

8 MS. MARILYN MCLAREN: Yes, approximately.

9 MS. DENYSE COTE: How much of the program is
10 for occupant restraint and auto theft combined?

11 MS. MARILYN MCLAREN: Probably about one and
12 a half (1 1/2) million. I know auto theft is about 1.2
13 million, and occupant restraint is -- is a smaller overall
14 value of the total.

15 MS. DENYSE COTE: But as a percentage of the
16 road safety, how much -- half of it is driver education, and
17 occupant restraint and auto theft comprise how much?

18 MS. MARILYN MCLAREN: Probably about another
19 quarter (1/4).

20 MR. KEVIN MCCULLOCH: Mr. Chairman, I can
21 help fill some time by indicating that we do have some
22 filings, and if I can reach for them, we have the M -- or the
23 Manitoba Used Car Dealers' Association Pre-ask.

24 Pre-ask Number 1 and I've left copies with the
25 table near the Board secretary. I believe that would go in

1 as their exhibit.

2 THE CHAIRPERSON: Mr. Saranchuk, is that
3 correct?

4 MR. WALTER SARANCHUK: Yes, sir.

5 THE CHAIRPERSON: Very good. Mr. Barron, do
6 you want to distribute them?

7 MR. KEVIN MCCULLOCH: And, in addition, we
8 have a package of MPI undertakings starting with Undertaking
9 Number 15. It includes fifteen (15), sixteen (16), sixteen
10 (16) A, and seventeen (17), which I would ask be numbered as
11 consecutive MPI exhibits.

12 THE CHAIRPERSON: Very good, Mr. McCulloch.
13 Mr. Barron, do you want to distribute those as well?

14
15 --- EXHIBIT NO. MPI-21: Response to Undertaking Number
16 15A.

17
18 --- EXHIBIT NO. MPI-22: Response to Undertaking Number
19 16.

20
21 --- EXHIBIT NO. MPI-23: Response to Undertaking Number
22 16A.

23
24 --- EXHIBIT NO. MPI-24: Response to Undertaking Number
25 17.

1 MS. MARILYN MCLAREN: To further move things
2 along, I can advise that the Corporation propied -- prepared
3 an analysis of the differences that Mr. Oakes identified
4 between the percent of injury claims as a percent of total
5 claims as a -- as a percent of the total number of claims
6 that we were filed -- that we filed as part of the '03
7 Application compared to those conduct -- held in the
8 motorcycle risk study.

13 THE CHAIRPERSON: Mr. Barron, have you
14 distributed that as well? Do you have copies?

16 --- EXHIBIT NO. MPI-25: The Applicant's Response to CMMG
17
18 Exhibit 6, providing an analysis
of the differences.

20 THE CHAIRPERSON: So we have the response to
21 the MUCDA's MPI pre-ask 1 and we have the response to CMMG
22 Exhibit 6, so we're simply waiting the distribution of the
23 exhibits.

35 (BRIEF PAUSE)

1 MR. KEVIN MCCULLOCH: The discussion relates
2 to the numbering of the exhibits. For the MPI exhibits it's
3 my understanding that Exhibit -- or sorry -- Undertaking 15
4 would be Exhibit Number 13. Sorry, I thought the numbers
5 were a little off. It's Exhibit 21, number is Undertaking
6 15, Exhibit Number 22 is Undertaking 16.

7 Undertaking 16-A would be Exhibit number 23.
8 Undertaking 17 would be MPI Exhibit Number 24 and the
9 Applicant's Response to CMMG, Exhibit 6 would be MPI Exhibit
10 25.

11 THE CHAIRPERSON: Thank you, Mr. McCulloch,
12 I'll wait until we have them up here before I can confirm and
13 I just want to ensure that there's nothing in this list that
14 might assist Mr. Oakes.

15 MR. KEVIN MCCULLOCH: You should have them.
16 The -- the Undertakings were stapled together. So the one
17 that shows 15 at the top is really the entire package, 15 to
18 17.

19

20 (BRIEF PAUSE)

21

22 THE CHAIRPERSON: Mr. Oakes, how are you
23 making out?

24 MR. RAYMOND OAKES: Not as well as I hoped,
25 Mr. Chairman. I wonder whether we could arrange that I could

1 come back later following one (1) of the other Intervenors.
2 It will also give me a chance to review the Undertakings that
3 were just handed out as they might relate to our Cross.

4 THE CHAIRPERSON: That would be fine, Mr.
5 Oakes. We're also having trouble with the numbering and it
6 will allow us a chance. Probably when we get to the breaks
7 to make sure we've got it right. Okay?

8 MR. RAYMOND OAKES: Thank you.

9 THE CHAIRPERSON: Thank you. We will sort
10 out this numbering problem after we -- during our break.
11 And, Mr. Oakes going to take a pause right now and we'll move
12 onto the MUCDA and Mr. Roberts.

13 Mr. Roberts, are you able to begin now?

14 MR. NICK ROBERTS: Yes, sir. I'll just give
15 Mr. Oakes a minute to move out.

16

17 (BRIEF PAUSE)

18

19 THE CHAIRPERSON: We're having the problems
20 that come with having a weekend. Mr. Roberts...?

21 MR. NICK ROBERTS: Thank you, Mr. Chairman.

22

23 CROSS-EXAMINATION BY MR. NICK ROBERTS:

24 MR. NICK ROBERTS: Just before I start, I'd
25 like to say this is the second time I've been here as an

1 Intervenor. And the first time I thought I was well prepared
2 and then Ms. McLaren gave me a quick lesson in automobile
3 insurance 101. So I can only equate it to like bringing a
4 knife to a gun fight.

5 So this time I hope I'm much better preferred
6 and at this time I would like to introduce my hired gun, Dr.
7 Alister Hickson. So we'll get started.

8 Ms. McLaren, in response to MUCDA 1-4, the
9 Corporation indicates that the error was uncovered during the
10 2004 Information Request process; is that correct?

11 MS. MARILYN MCLAREN: Yes.

12 MR. NICK ROBERTS: And why was the error not
13 brought to the attention of the Public Utilities Board and
14 MUCDA at that time?

15 MS. MARILYN MCLAREN: We identified the fact
16 that there was an error simply because something didn't jive.
17 We couldn't balance something properly. We didn't know the
18 exact nature of it, the scope of it, and even though we found
19 it at that point, we did not expect to change the '04
20 Application based on the fact that we had identified some
21 sort of a problem.

22 MR. NICK ROBERTS: Was the data audited to
23 ensure it's accuracy?

24 MS. MARILYN MCLAREN: If you're asking if we
25 hired, sort of, external audit assistants for this specific

1 issue, no. But once we identified what we were dealing with,
2 we certainly applied due diligence and had more than one (1)
3 person revisit the results to find out that -- to determine
4 whether or not it's accurate now.

5 MR. NICK ROBERTS: So the increase you're
6 looking for in this Rate Application is due to a mistake on
7 the Corporation's part?

8 MS. MARILYN MCLAREN: No, not -- not quite.
9 I mean, we're not looking to charge more to the dealer group
10 because we made a mistake in the past. What we've done is
11 identify an error that caused us to underestimate dealer losses
12 in the past, so now we have a different view of expected
13 dealer losses in the future.

14 So, it's different that what we've done before
15 because we've found the error, but it's not because of the
16 error -- the error, specifically, that we're charging more,
17 no.

18 MR. NICK ROBERTS: Do you not think that
19 you're penalizing dealers unfairly with such a large increase
20 by trying to correct it in such a short time because of a
21 mistake, and I -- I know you say it's not a mistake, but I
22 call it a mistake -- that Manitoba Public Insurance made?

23 MS. MARILYN MCLAREN: No, we -- we did. We
24 made a mistake, but the effect of the mistake is that we
25 understated losses in the past, so dealers have -- got a

1 break they weren't entitled to for the last four (4) years.

2 And do I think it's unfair to come with such a
3 large increase this year? No, for the reasons that we stated
4 in the Application, because unlike virtually every other
5 category, dealers are not subject to more than one (1) kind
6 of rate increase.

7 Many private passenger vehicles, motorcycles,
8 for example, get an experience-based increase as well as
9 changes related to the rate group of the vehicle. That
10 doesn't happen with dealers, so generally speaking, twenty-
11 two (22) to 25 percent increase is not unheard of in other
12 classes as well. So, I think it's fair and I think it will
13 allow us to have expected revenue match well with expected
14 losses by '06.

15 MR. NICK ROBERTS: Do you think, if the Board
16 grants the large increase that you're looking for, that
17 dealers will just turn around and decide they can function
18 with fewer plates?

19 MS. MARILYN MCLAREN: I suppose that's a
20 possibility, probably have more options for that than some
21 other vehicle users, because the plate can be moved from
22 vehicle to vehicle, but I think for the most part dealers
23 make some pretty hard business decisions about how many
24 plates they need to start with. So I -- I wouldn't expect
25 much of a decrease because of this, no.

1 MR. NICK ROBERTS: So, what happens if
2 dealers drop 5 percent of their plates or two hundred and
3 sixty (260) plates or whatever? How would that affect the --
4 the rates for next year?

5 MS. MARILYN MCLAREN: The Corporation's rate-
6 making methodology establishes a rate per unit and, you know,
7 for the vast majority of vehicles in the province, I think we
8 have a really good solid link between the risk and the rate
9 based on the rate-making methodology that establishes a risk
10 per unit.

11 Now because dealer plates can be moved from
12 vehicle to vehicle, maybe that link is not exactly as good as
13 it is with standard insured units where there's one (1)
14 plate, one (1) vehicle.

15 If there's a 5 percent decrease because of the
16 nature of this class, there may be a bigger shortfall and we
17 may need another bigger increase again in '06, but that's
18 speculative at this point.

19 MR. NICK ROBERTS: Considering the size of
20 the dealer pool, do you not think it would be wiser to have a
21 lower increase and have dealers maintain the amount of plates
22 they now have rather than -- rather than reducing it?

23 MS. MARILYN MCLAREN: We -- we have a really
24 solid rate-making methodology that predicts the risk per
25 insured unit and we have to go forward with that. I think

1 we've substantiated the reasons why we need more than the
2 standard 15 percent limit on increases for this class. And I
3 don't think we can make decisions based on whether or not
4 some dealers will reduce the number of plates that they have.

5 MR. NICK ROBERTS: Just moving on, it was
6 reported in the Winnipeg Free Press that the Manitoba Motor
7 Dealers Association, that's the new car dealer association,
8 met with MPI in August to discuss the cost increase for
9 dealer plates, is this correct?

10 MS. MARILYN MCLAREN: Yes, that's true.

11 MR. NICK ROBERTS: Could you provide us with
12 a -- just a brief synopsis of the meeting?

13 MS. MARILYN MCLAREN: At that -- before the
14 meeting, they had already had a chance to review the material
15 in the Rate Application and they just wanted to discuss that
16 and ask if a few further questions about that. Some of the
17 questions they asked were consistent with some of your
18 Information Requests. But it was pretty straight forward on
19 that basis.

20 MR. NICK ROBERTS: It seemed apparent to me
21 in the article that the new car dealers would like to see
22 further restrictions and tighter entry standards for dealers.

23 Seeing as new regulations have just come into
24 affect in the last year on this exact issue and has dropped a
25 number of dealers in the province from approximately nineteen

1 hundred (1900) to thirteen hundred dollars (\$1300) -- or
2 thirteen hundred (1300) dealers, excuse me, a drop of over 30
3 percent.

4 What affect would further restrictions on new
5 entrance to the industry have on the size of the pool using
6 dealer plates?

7 MS. MARILYN MCLAREN: I have no idea. And
8 now, you know, since Manitoba Public Insurance has assumed
9 responsibility for DDVL, we will probably have some role in
10 making recommendations to government on issues like that.

11 But at this point in time, the Corporation has
12 done no analysis or any internal or external discussions
13 about whether any of those regulations should change.

14 MR. NICK ROBERTS: Well, in the same article
15 in regards to regulations for dealers, Mr. Smiley (phonetic)
16 said, and I quote, he says:

17 "The auto dealers have met -- have already
18 met with MPI to discuss this issue and the
19 Crown Corporation is reviewing the matter."

20 Would it not be appropriate that if there were
21 to be discussions on the issue, that our association should
22 be involved considering we have approximately seven hundred
23 (700) members as opposed to MMDA's hundred and thirty (130)?

24 MS. MARILYN MCLAREN: If -- it's hard for me
25 to understand, sir, the context of that quote. If what he

1 was saying is that the Corporation has met with the MMDA to
2 talk about the rules for dealers, that may or may not be
3 true. To my knowledge it was not discussed at the meeting I
4 attended with the MMDA that we talked about a few minutes
5 ago.

6 If the Corporation decides it's time to
7 analyse the issue and potentially make recommendations to
8 change for government, the organization would certainly be
9 consulted.

10 MR. NICK ROBERTS: Now reviewing TI-20,
11 Exhibit 16-4.

12

13 (BRIEF PAUSE)

14

15 MR. NICK ROBERTS: Do you have that?

16 MS. MARILYN MCLAREN: Yes, thank you.

17 MR. NICK ROBERTS: Do you have any further
18 insights in the decline in number of dealer plates or
19 exposures from five thousand five hundred and eighty (5,580)
20 in 2002 to five thousand two hundred and eighteen (5,218) in
21 2003?

22 MS. MARILYN MCLAREN: I'm looking at the
23 "Dealer All Uses Except Motorcycles."

24 MR. NICK ROBERTS: Yes.

25 MS. MARILYN MCLAREN: Okay. I'm sorry, which

1 years did you reference again?

2 MR. NICK ROBERTS: 2002, 2003.

3 MS. MARILYN MCLAREN: Fifty-five eighty
4 (5,580) down to fifty-two eighteen (5,218); do I have any
5 reasons for that?

6 MR. NICK ROBERTS: Yes.

7 MS. MARILYN MCLAREN: No.

8 MR. NICK ROBERTS: I'm going to move onto
9 large losses. The reference MUCDA 1-9 and it's Exhibit

10 TI-2014-5

11

12 (BRIEF PAUSE)

13

14 MS. MARILYN MCLAREN: Okay.

15

16 (BRIEF PAUSE)

17

18 MR. NICK ROBERTS: If we examine the total
19 table, it appears that generally dealer, except motorcycle
20 losses, were around two (2) to \$3 million for three (3) of
21 the five (5) years, with high losses in 2001 of seven point
22 seven (7.7) -- 7.6 million and 2002 of 6.3 million.

23 At a further detail level, these losses appear
24 to be the result of higher PIPP costs. Can you provide
25 further insight into the surging claims costs; was it

1 multiple claims or simply one (1) claim?

2 MS. MARILYN MCLAREN: Can you give me a
3 specific reference on the numbers that you identified?

4 MR. NICK ROBERTS: We're trying to find it.

5 MS. MARILYN MCLAREN: Was it from the 1-9 or
6 was it from TI-20?

7 MR. NICK ROBERTS: You can actually see it in
8 Exhibit 13-4; it's clearer in there.

9 MS. MARILYN MCLAREN: And you -- you
10 referenced the 7.6 million from 2001 and 6.2 million from
11 2002?

12 MR. NICK ROBERTS: That's correct.

13 MS. MARILYN MCLAREN: Okay. Just give me a
14 sec and we'll have a closer look at that.

15 THE CHAIRPERSON: While Ms. McLaren is
16 conferring, I think we have sorted out the exhibit issue. I
17 will just run through them. Undertaking 15 is MPI
18 Exhibit 21.

19 MR. KEVIN MCCULLOCH: Mr. Chairman, if I
20 could add a further correction, that should have been shown
21 as Exhibit 15A because there was a previous Undertaking 15
22 that was filed as an exhibit. So we'll call this one
23 Undertaking 15A, Exhibit 21.

24 THE CHAIRPERSON: That's fine. Carrying on,
25 and correct me if I'm wrong, Mr. McCulloch, it's helpful,

1 Undertaking 16 would be Exhibit MPI-22 and there's three (3)
2 charts attached to that.

3 And then Undertaking 16A is Exhibit Number 23,
4 Undertaking 17 is Exhibit 24, and Applicant Response to CMMG
5 Exhibit 6 is MPI Exhibit 25, and again, there's a table
6 attached to that. And then finally, MUCDA-MVI Pre-Ask 1, the
7 Response is Exhibit MUCDA-3.

8 Any time you are ready.

9 MS. MARILYN MCLAREN: Thank you, Mr.
10 Chairman.

11 Mr. Roberts, if we look at the numbers you
12 identified in Exhibit 13, being about 7.6 million and 6
13 million or so in '01 and again '02. Then if you go back to
14 Exhibit 14, which Exhibit 14 simply shows the serious losses.
15 You can see that 5 million in '01 was related to serious
16 losses and three point six (3.6) in '02 was related to
17 serious losses.

18 I can tell you that the \$5 million from '01 is
19 it's highly unlikely that would be one (1) claim. But
20 probably fewer than ten (10) claims of half a million each.
21 So there would be some, probably between two (2) and five (5)
22 serious losses in '01.

23 In '02, 3.6 million related to serious losses,
24 again, that -- not likely to be just one (1) claim, but
25 probably more than that.

1
2 CONTINUED BY MR. NICK ROBERTS:

3 MR. NICK ROBERTS: Could you provide us with
4 the table to show us how many claims there were, as an
5 undertaking?

6 MS. MARILYN MCLAREN: Yes, we can provide the
7 step losses for the dealer. Do you want just those two (2)
8 years?

9 MR. NICK ROBERTS: Yes, please.
10 MS. MARILYN MCLAREN: Sure.

11
12 --- UNDERTAKING NO. 21: The Corporation to provide
13 information in the form of a
14 table, on the number of major
15 step losses for the dealer in the
16 years 2002 and 2001.

17
18 THE CHAIRPERSON: This is an undertaking
19 seeking information on the number of major losses in the
20 2002/2001?

21 MR. NICK ROBERTS: Yes, sir.

22
23 CONTINUED BY MR. NICK ROBERTS:

24 MR. NICK ROBERTS: And would you be able to
25 tell us, were the claims on these plates, were they used by

1 new car -- new car dealers or used car dealers? Could you
2 find that out for us?

3 MS. MARILYN MCLAREN: No, we wouldn't have
4 that.

5 MR. NICK ROBERTS: Mr. Palmer's saying, No.
6 Could you tell me, what's the definition of a serious loss?

7 MS. MARILYN MCLAREN: Where the total -- the
8 total incurred for the -- for the incident is half a million
9 dollars or more.

10 MR. NICK ROBERTS: Okay. Examining Exhibit
11 TI-2014-5, do you have that?

12 MS. MARILYN MCLAREN: Yes.

13 MR. NICK ROBERTS: In what territory have
14 most of the serious losses for dealer plates occurred?

15 MS. MARILYN MCLAREN: In dollars, it's
16 Territory 2.

17 MR. NICK ROBERTS: And can you provide a
18 further explanation of the total loss amounts incurred of --
19 it says thirty-five hundred dollars (\$3,500) and nine
20 thousand three hundred and twenty-three dollars (\$9,323).

21 Why is that under serious losses?

22 MS. MARILYN MCLAREN: Because at one (1)
23 point they would have been reserved for five hundred (500).

24

25 (BRIEF PAUSE)

1 MS. MARILYN MCLAREN: There's two (2)
2 reasons -- two (2) possible -- two (2) possibilities. It --
3 there may have been an incident where the incurred was half a
4 million or more at one point, but through time our expected
5 value of that claim has decreased. Once we establish it as a
6 serious loss, it stays forever.

7 The other thing is, an incident often is a
8 multi-vehicle action, so potentially in 1995 that thirty-five
9 hundred dollars (\$3,500) was incurred in a two (2) -- two (2)
10 vehicle collision with a private passenger vehicle where the
11 person in the private passenger vehicle had a claim worth a
12 million dollars (1,000,000). So because the incident would
13 be a million (1,000,000) plus the thirty-five hundred
14 (3,500), both end up reflected in this table.

15 MR. NICK ROBERTS: Could you do an
16 undertaking for us on those -- those two (2) years -- those
17 two (2) losses, the thirty-five hundred (3,500) and the
18 ninety-three twenty-three (9,323)?

19 MS. MARILYN MCLAREN: Just to find out why
20 they're there with such low values? We can do that.

21 MR. NICK ROBERTS: Thank you.

22
23 --- UNDERTAKING NO. 22: Explain loss figures for
24 Territory 2 re: thirty-five
25 hundred (3,500) and the ninety-

1 three twenty-three (9,323).

3 CONTINUED BY MR. NICK ROBERTS:

4 MR. NICK ROBERTS: So, overall, can we
5 conclude that serious losses are infrequent and about twice
6 as large in Territory 2 as Territory 1?

7 MS. MARILYN MCLAREN: Yeah, the value is -
8 - is approximately -- maybe even a little more than twice as
9 much and, yes, they are infrequent in both territories.

10 MR. NICK ROBERTS: I'm going to jump on
11 the loss transfer bandwagon here, so, reference Exhibit 14-5
12 -- maybe we don't need to get to that exhibit quite yet.

13 But when a dealer-plated vehicle is in an
14 accident with another vehicle, say an all-purpose truck, how
15 are the claims costs from the accident allocated?

MS. MARILYN MCLAREN: The same was as in
any other example. Costs -- with the exception of the
deductible for either vehicle, costs are assigned to the
category which incurred the loss.

20 So if the dealer-plated vehicle sustained
21 ten thousand dollars (\$10,000) of damage and the person in
22 the dealer-plated vehicle was injured for approximately
23 fifty-thousand dollars (\$50,000), the sixty thousand dollars
24 (\$60,000) would be assigned to -- to the dealer class without
25 regard to fault.

1 MR. NICK ROBERTS: So, they're allocated
2 on a first-party basis without consideration of which other
3 type of vehicle is at fault. Correct?

4 MS. MARILYN MCLAREN: That's right, yes.

5 MR. NICK ROBERTS: So, suppose the
6 occupants of the dealer-plated vehicle had injuries amounting
7 to \$2 million and the dealer-plated vehicle was not at fault,
8 0 percent, how much of the costs would be allocated to dealer
9 class for the purpose of determining rates?

10 MS. MARILYN MCLAREN: I -- I can repeat my
11 earlier answer or, if -- if you want me to actually give you
12 the -- the dollar answer, I'd ask you to repeat the question.

13 MR. NICK ROBERTS: I'll repeat the
14 question. Suppose the occupants of the dealer-plated vehicle
15 had injuries amounting to \$2 million and the dealer-plated
16 vehicle was not at fault, meaning 0 percent.

17 How much of that cost would be allocated to
18 dealer class for the purpose of determining rates?

19 MS. MARILYN MCLAREN: \$2 million.

20 MR. NICK ROBERTS: Thank you. Now
21 referring to Exhibit 14-5, there's a loss of -- do you have
22 that?

23 MS. MARILYN MCLAREN: Yes.

24 MR. NICK ROBERTS: There's a loss of six
25 million six hundred and sixty-seven thousand six hundred and

1 seventy-two dollars (\$6,667,672) for territory 2 in 1996, as
2 well as five million dollars one hundred and seventy-eight
3 thousand four hundred and seventy eight (\$5,178,478) in 2001.

4 Are these losses where the dealer-plated
5 vehicle was at fault?

6 MS. MARILYN MCLAREN: Again, those --
7 that's the total value of serious losses those two (2) years.
8 There may be many serious losses in there and I don't have
9 information whether or not dealers were at fault in those two
10 (2) years.

11 MR. NICK ROBERTS: Could you -- could you
12 provide that for us?

13 MS. MARILYN MCLAREN: Not quickly. We can
14 do the work but it certainly wouldn't -- possibly we could
15 have it done by the end of this week. I'm not sure it will
16 be much before that.

17 MR. NICK ROBERTS: That would be fine,
18 thank you.

19 MS. MARILYN MCLAREN: We'll do that then.

20
21 --- UNDERTAKING NO. 23: Value of serious losses by
22 dealer-plated vehicles in 1996
23 and 2001.

24
25 CONTINUED BY MR. NICK ROBERTS:

1 MR. NICK ROBERTS: And similarly, there's
2 one (1) in territory 1 in 2002 for three million six hundred
3 and forty thousand two hundred and fourteen dollars
4 (\$3,640,214). Do these -- just a moment.

5 That claim I was just speaking about, the
6 three million six hundred and forty thousand two hundred and
7 fourteen dollars (\$3,640,214), could you also find out for us
8 on that one?

9 MS. MARILYN MCLAREN: Yeah, we can do
10 that.

11
12 --- UNDERTAKING NO. 24: Value of serious losses by
13 dealer-plated vehicles in 2002.

14
15 CONTINUED BY MR. NICK ROBERTS:

16 MR. NICK ROBERTS: Thank you. Do these
17 serious losses affect dealer-plate rates?

18 MS. MARILYN MCLAREN: Yes. What we do is
19 we -- in this application before the Board, we took ten (10)
20 years of serious loss experience, total value of the serious
21 loss claims that have happened over the last ten (10) years
22 in the dealer class and averaged them over that ten (10) year
23 period to calculate the expected value of serious loss claims
24 in the year for which we are applying.

25 We will do the work that you've suggested

1 but the -- excuse me just for half a sec.

2

3 (BRIEF PAUSE)

4

5 One (1) of the things that we identified in
6 the work that we did on lost transfer last year is the
7 expected impact on all the various major uses of a move to a
8 lost transfer system.

9 In last year's application, we were looking
10 at a 4.5 percent increase to the commercial class. If we'd
11 moved to a lost transfer approach, that would have been more
12 like a 10 percent increase to the commercial class.

13 So, I guess the bottom line, I guess, is
14 we'll do the work that you've asked for but I wouldn't expect
15 a result that significantly showed that dealers were likely
16 to be frequently affected by the lack of a -- negatively
17 affected by the lack of a lost transfer mechanism in
18 Manitoba.

19 MR. NICK ROBERTS: So what you're saying
20 is that if lost transfer were in place -- were in place for
21 dealer plates or would there not -- there wouldn't be a
22 significant decrease for dealer plates?

23 MS. MARILYN MCLAREN: I can't talk about
24 dealer plates specifically. But it's a reasonably sized
25 group within the commercial class with rates that are higher

1 than the commercial class rates overall.

2 So when you calculate that, instead of a
3 4.5 percent increase, the commercial class would need a 10
4 percent increase, chances are lost transfer -- the lack of a
5 lost transfer mechanism isn't hurting the commercial class
6 overall.

7 We know that for sure and it's probably not
8 hurting dealers either. But we'll do the work and you can
9 see where these losses were -- who was at fault for the
10 losses you've asked about.

11 MR. NICK ROBERTS: Thank you. Now the
12 next one here is MUCDA 2-4 and MUCDA 1-6. In MUCDA 2-4 for
13 PIPP coverage for Territory 1, page 2. For PIPP coverage in
14 Territory 1 at twelve (12) months was the total costs for
15 PIPP in 2002, as of the end of February 2003, about eight
16 hundred and thirty-eight thousand six hundred and twenty-five
17 dollars (\$838,625)?

18 MS. MARILYN MCLAREN: Yes.

19 MR. NICK ROBERTS: And according to MUCDA
20 1-6, this increased to three million seven hundred and
21 eighty-five thousand (7,835,000) as of the end of February
22 2004?

23 MS. MARILYN MCLAREN: Sorry, what was your
24 reference for that?

25 MR. NICK ROBERTS: 1-6, page 2.

1 MS. MARILYN MCLAREN: Yes.

2 MR. NICK ROBERTS: Similarly, for
3 Territory 2 for the year ending February 2002, PIPP incurred
4 was one million one hundred and four thousand two hundred and
5 fifty-five (1,104,255) and this grew to five million one
6 hundred and seventy-six thousand five hundred and fifty-one
7 (5,176,551)?

8 MS. MARILYN MCLAREN: Yeah, that's right.

9 MR. NICK ROBERTS: Would both of these
10 have an important effect on dealer plate rates?

11 MS. MARILYN MCLAREN: Certainly they'll
12 have an effect. The -- "important" is kind of a qualitative
13 term, it's hard to decide exactly what we're talking about,
14 but I think \$5 million of serious losses averaged over ten
15 (10) years or \$5 million of non-serious averaged over five
16 (5), either way it -- certainly there's a noticeable impact.

17 MR. NICK ROBERTS: And would these be case
18 reserve adjustments?

19 MS. MARILYN MCLAREN: In most cases when
20 you see numbers like that that grow from one point
21 one (1.1) million in -- in the '01 year in Territory 2 to
22 five point two (5.2) million, what happens, our case managers
23 are first notified of an injury that has every possibility of
24 being a very serious injury. They initially set a reserve of
25 five hundred thousand dollars (\$500,000) immediately upon

1 being notified.

2 Often, the year will end with only that
3 five hundred thousand dollar (\$500,000) reserve being on
4 file, the case reserve. So, at that point, our actuarial
5 process identifies those half million dollar provisions and
6 calculates how much extra that claim is likely to cost and so
7 that's the difference between the -- the actual case reserve,
8 the incurred at twelve (12) months and the ultimate would
9 include provisions for IBNR and the actual provisions for the
10 true expected value of the costs of those claims.

11 THE CHAIRPERSON: Ms. McLaren, in that
12 answer you're suggesting then that the major loss, the
13 initial claims reserve might be set up for a half million,
14 but it wouldn't be re-examined specifically at year end for
15 audit purposes of whatever against the risk that it actually
16 should be much higher?

17 MS. MARILYN MCLAREN: No, I mean many of
18 them would have been established -- a good number of them
19 would have been established in December, January, February,
20 so we wouldn't have a lot more information that we had when
21 we first set it up.

22 The process is that within six (6) to nine
23 (9) months after establishing a half million dollar reserve,
24 then you do a full complete analysis of the case and put the
25 appropriate reserve in place and timing just means that on --

1 many of those serious losses aren't fully analysed by the
2 artificial date of the year end.

3 THE CHAIRPERSON: But, given the fact that
4 the process is ongoing year after year after year, do you
5 find that the initial five hundred thousand (500,000) is
6 invariably sure?

7 MS. MARILYN MCLAREN: Sometimes at the six
8 (6) or nine (9) month point we decide that it really wasn't a
9 serious loss and it will fall below that and some -- when --
10 when it continues to be recognized as a serious loss, it's
11 invariable low -- invariably low at five hundred (500);
12 sometimes maybe just a hundred thousand (100,000) low,
13 sometimes a couple of million low and sometimes, though, they
14 -- they turn out not to be serious.

15 It's really important to us from our case
16 management perspective, and also for our -- our consideration
17 of re-insurance issues and things like that, we -- we want to
18 make sure that -- that potentially serious losses are flagged
19 immediately, and that's the best mechanism we've got to do
20 that.

21 THE CHAIRPERSON: Thank you. Mr. Roberts,
22 are you ready again?

23 MR. NICK ROBERTS: Yes, sir.
24

25 CONTINUED BY MR. NICK ROBERTS:

1 MR. NICK ROBERTS: Ms. McLaren, could you
2 provide me with an overview of the audit checks performed on
3 these files to ensure that the reserve adjustments were
4 needed?

5

6 (BRIEF PAUSE)

7

8 MR. WILF BEDARD: Perhaps I can answer
9 that and be of some help to you. We do, as Ms. McLaren said,
10 do take a serious loss, particularly if they are brain damage
11 or spinal cord injury cases, they'd make up the majority of
12 our large losses, and we will identify them as a large loss
13 immediately and booking a half a million dollar reserve.

14 And it flags that -- that loss for -- for,
15 you know, close monitoring in -- in the future. The case
16 manager will spend some months accumulating information,
17 medical information, to determine what the full extent of
18 that injury is.

19 During this period of time, they will be
20 looking at the reserve. We have a number of audit checks
21 done by Case Supervisors as well, they will look at these
22 losses, not only the serious losses but all losses, on a
23 periodic basis, to ensure that the -- the reserves are done
24 and are done timely and are done accurately to reflect the
25 nature of the loss and full exposure of the loss. That's

1 done on an operational basis.

2 As far as outside audits are concerned, we
3 do have, in our Quality Assurance Department, audits done by
4 the controllers there to make sure that those reserves are
5 done proper. If not, instructions are -- are given to the
6 case manager to update them, whether there be increases or
7 decreases required.

8 And also our internal Audit Department also
9 looks at reserving when they go through departmental audits
10 as well. So there's a number of checks and balances in the
11 system to ensure the accuracy of case reserves.

12 MR. NICK ROBERTS: What -- I'll leave this
13 open to whoever wants to answer it. What tools do the
14 supervisors use to check that the reserves are right?

15 MR. WILF BEDARD: Well, there's no tools
16 per se that -- we have to look at what the program provides
17 people in terms of their entitlement, looking at the case in
18 terms of what the loss exposure is, what the costs are in
19 terms of income replacement over periods of time, those
20 calculations are -- are reviewed.

21 Looking at the extent of the injury and the
22 period of disability, those calculations will be -- will be
23 validated and on the basis of -- of the program and the
24 entitlements of the individual, we anticipate what the long-
25 term expenditures will be. Calculations are made on that

1 basis and when audited, are -- are validated in that way.

2 MR. NICK ROBERTS: So, is it just really a
3 matter of opinion?

4 MR. WILF BEDARD: It's the expertise of
5 the case manager, expertise of their supervisor as well,
6 given the information on the file as I've described.

7 Ultimately, there is some discretion, some
8 opinion that does come into being but, again, it's based on
9 the PIPP Program, what the entitlements are, what the needs
10 of the individual are, and calculated over time.

11 MR. NICK ROBERTS: These case reserve
12 adjustments, then, were they -- were they case reserves or
13 actuarial reserves?

14 MS. MARILYN MCLAREN: These are all case
15 reserves.

16 MR. NICK ROBERTS: With the two (2) years
17 we previously talked about having more typical annual losses
18 say of around \$3 million, then would the five (5) year losses
19 shown in TI-20, Exhibit 13-4, be around \$13 to \$14 million?

20 MS. MARILYN MCLAREN: Sorry, can you
21 repeat the question?

22 MR. NICK ROBERTS: With the two (2) years
23 we previously talked about having more typical annual losses,
24 say, of around \$3 million then would the five (5) losses
25 shown in TI-20, Exhibit 13-4, be around \$13 to \$14 million?

1 MS. MARILYN MCLAREN: I'm not sure where
2 the \$13 to \$14 million's coming from. I think if we look at
3 Exhibit 13, page 4, we see 1999, 2000, 2003 where the losses
4 were around \$3 million each year. There's the two (2) big
5 years where 7.6 and 6.2 for two (2) years.

6

7 (BRIEF PAUSE)

8

9 Were you suggesting that there is somewhere
10 a calculation that the expected losses would be about \$13
11 million per year?

12 MR. NICK ROBERTS: Just bear with me for a
13 minute.

14 THE CHAIRPERSON: Perhaps we'll take this
15 opportunity to have our break. We'll come back at
16 twenty-five after; is that okay?

17 MR. NICK ROBERTS: That would be perfect.

18

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

20 --- Upon resuming at 10:30 a.m.

21

22 THE CHAIRPERSON: Okay, welcome back,
23 everyone. Mr. Roberts, do you wish to continue?

24 MR. NICK ROBERTS: Yes, thank you, Mr.
25 Chairman. Okay, I'm -- I'm still circling around the same

1 question so I'll ask it again, because I think Mr. Palmer
2 knows what I'm after.

3 With the two (2) years we've previously talked
4 about having more typical annual losses, say of around \$3
5 million than with the five (5) year losses shown in TI-20,
6 Exhibit 13-4 would be around thirteen (13) to \$14 million.

7 MS. MARILYN MCLAREN: Yeah, if the seven
8 point six (7.6) million and six point two (6.2) were
9 generally around 3 million like the other years, that would
10 13 million, yes.

11 MR. NICK ROBERTS: So this compares with
12 premiums earned as shown in MUCDA 1-8 of \$17.6 million.
13 Correct?

14

15 (BRIEF PAUSE)

16

17 MS. MARILYN MCLAREN: The total earned
18 premiums up to and including the 2003 accident year were
19 \$17.6 million, yes.

20 MR. NICK ROBERTS: So, why is there such a
21 large difference relative to claims costs?

22 MS. MARILYN MCLAREN: The difference between
23 the 17.6 million of earned premium that's been paid over the
24 last five (5) years and the calculation that you did on
25 Exhibit 13 to simply remove about \$13 million in losses and I

1 guess you put back in about another 6 million isn't an actual
2 reflection of the expected costs.

3 There -- there's differences here, largely,
4 because you can't just remove those serious losses. We
5 expect that serious losses will occur. We know their
6 behaviour to be random. That's why we average serious losses
7 over a ten (10) year period in this Application.

8 If you look at Exhibit 15, page 4, I think --
9 yeah, page 4 -- in Exhibit 15, we average those serious
10 losses over the ten (10) year period. So you can see that
11 rather than 21 million or so, as shown in Exhibit 13, twenty
12 point seven (20.7) is what the calculation here is. And
13 instead of about \$3 million a year without regard to serious
14 losses, the motor -- the expected dealer experience is just
15 around \$4 million a year.

16 So, now we're comparing 17.6 million in
17 premiums paid to average losses -- with serious averaged a
18 total of twenty point seven (20.7). And then you can see
19 that there's about a \$3 million difference there with the
20 premiums paid being lower.

21 MR. NICK ROBERTS: Thank you. In -- the
22 reference here is PUB-1-38 in TI-20. In -- in PUB-1-38, is
23 the incurred to-date for all coverages for 2003/2004 for
24 commercial uses sixteen million one thousand six hundred and
25 sixty dollars (\$16,001,660)? Page 11 of nineteen (19).

1 MS. MARILYN MCLAREN: Four thousand four
2 hundred forty-two (4,442) -- or twenty-two (22) claims for a
3 total incurred of sixteen million one thousand six hundred
4 sixty (\$16,001,660) dollars.

5 MR. NICK ROBERTS: And referring to TI-20
6 Exhibit 13-6, is the comparable number twelve million eighty-
7 six thousand four hundred and seventy-one dollars
8 (\$12,086,471)?

9 MS. MARILYN MCLAREN: I'm sorry, can you
10 repeat the question?

11 MR. NICK ROBERTS: I'm just referring to TI-
12 20 Exhibit 13-6. Is the comparable number twelve million
13 eighty-six thousand four hundred and seventy-one dollars
14 (\$12,086,471)?

15 MS. MARILYN MCLAREN: Yes.

16 MR. NICK ROBERTS: And do -- do similar
17 differences exist for all years?

18
19 (BRIEF PAUSE)

20
21 MS. MARILYN MCLAREN: The most current year
22 will have the most development, so there are differences in
23 every year, smaller differences than the most current year.

24 MR. NICK ROBERTS: I have one (1) last
25 question. And the reference is MUCDA-1-6 and MUCDA-1-9. In

1 MUCDA-1-6, the total incurred costs for 1999 to 2003 is
2 twenty-one million, two hundred and sixty-one thousand, five
3 hundred and eighty-eight dollars (\$21,261,588), while in
4 MUCDA-1-9, the total is twenty-one million, two hundred and
5 fifty-eight thousand and eighty-eight dollars (\$21,258,088).

6 Why is there a difference?

7

8 (BRIEF PAUSE)

9

10 MS. MARILYN MCLAREN: I expect the difference
11 would be simply a -- a timing difference between when those
12 two (2) exhibits were drawn. The differences in the 2003
13 year, probably one (1) loss was restated. If you want me to
14 give you a specific answer based on sort of the proper
15 analysis, we will take that as an undertaking.

16 MR. NICK ROBERTS: No, that's fine. And, Ms.
17 McLaren, I just -- I know I said I had one (1) last question,
18 but I'm a car dealer, so I've got one (1) more: --

19 THE CHAIRPERSON: Mr. Roberts, I take it then
20 that you're not asking MPI to provide that information?

21 MR. NICK ROBERTS: No, sir. In our Pre-
22 Ask 1, with the numbers for dealer plates, and I realize this
23 is maybe something new, but it shows the number of dealers
24 for our Association at five hundred and twenty-six (526) and
25 we're currently about six hundred and forty (640).

1 Is there a reason why they didn't show up,
2 or...

3 MS. MARILYN MCLAREN: The larger number --
4 the difference between the larger number you mentioned and
5 the five hundred and twenty-six (526) shown here, is that
6 that number of dealers may not have had an active dealer
7 plate as at the end of the month. This is just a snapshot
8 from the data at the end of September? September.

9 MR. NICK ROBERTS: Okay, thank you. That's
10 all my questions, Mr. Chairman.

11 THE CHAIRPERSON: Thank you Mr. Roberts. I'm
12 wondering, Mr. Oakes, are you ready to start up again?

13 MR. RAYMOND OAKES: I am, Mr. Chairman.
14 Unfortunately the Monday morning gremlins are still
15 victorious in their hiding of the question, so those gems are
16 lost to the regulatory world, but instead I've prepared new
17 questions to proceed on the Motorcycle Risk Study.

18 THE CHAIRPERSON: Please do so.

19

20 CONTINUED CROSS-EXAMINATION BY MR. RAYMOND OAKES:

21 MR. RAYMOND OAKES: Ms. McLaren, I'd ask if
22 you would, please, turn to page 9 of the Motorcycle Risk
23 Study Report filed as AI-16. And I want you when you have
24 that reference, just to read the six (6) conclusions that you
25 have bolded at the bottom of page 9.

1 MS. MARILYN MCLAREN: Bottom of page 9 from
2 AI-16:

3 "In summary, there are more motorcycles,
4 there are more motorcycle accidents per
5 thousand insured motorcycles, motorcycles
6 are becoming higher powered, motorcycles
7 are becoming more expensive, motorcyclists
8 are becoming more likely to have single
9 vehicle accidents, motorcyclists are
10 becoming more likely to be injured."

11 MR. RAYMOND OAKES: So, if I can, Ms.

12 McLaren, I'd like to take you individually through your
13 conclusions and just study what data has been produced in
14 response to each of those headings.

15 So the first reference would be page 6, where
16 we look at the evidence of the Corporation about your first
17 conclusion that there are more motorcycles.

18 And I would ask you to confirm, Ms. McLaren,
19 based on what we've seen to date and our discussions about
20 snapshots and number of units, that there is a certain amount
21 of fluctuation depending on what time the registrations or
22 the number of units are examined; is that correct?

23 MS. MARILYN MCLAREN: No. The -- not a lot
24 of fluctuation with respect to the motorcycle units, no. If
25 you took a snapshot of the number of registered motorcycles

1 at particular points through the year, there would be some
2 fluctuation.

3 But even that fluctuation is significantly
4 less than it used to be because most motorcyclists now keep
5 their bikes registered for the full twelve (12) months
6 because the premiums are only earned during the five (5)
7 month period.

8 But these units are calculated to really
9 eliminate the affect of that kind of snapshot. These are the
10 actual earned units through time which have increased every
11 year since 1999.

12 MR. RAYMOND OAKES: The first conclusion you
13 make that certainly there's fewer motorcycles today than
14 twenty (20) years ago. Can you tell me roughly in 1987, for
15 instance, roughly how many motorcycles the Corporation would
16 have been insuring?

17 MS. MARILYN MCLAREN: No, not in front of me
18 right now.

19 MR. RAYMOND OAKES: Would you agree with me
20 that it would be as high as fifteen thousand (15,000)?

21 MS. MARILYN MCLAREN: I think that's fair.

22 MR. RAYMOND OAKES: And the number of earned
23 units are -- have declined as recently as 1999, is that
24 correct?

25 MS. MARILYN MCLAREN: As compared to 1998?

1 MR. RAYMOND OAKES: Yes.

2 MS. MARILYN MCLAREN: Yes, that's true.

3 MR. RAYMOND OAKES: And even the increases
4 that you point to, for instance, 2003 over 2002, we're only
5 talking about an additional two hundred and sixty-four (264)
6 units; isn't that correct?

7 MS. MARILYN MCLAREN: Yes, that's correct.

8 MR. RAYMOND OAKES: And really the only one
9 (1) year of any significant growth is 2001?

10 MS. MARILYN MCLAREN: At 18 percent, yes
11 that's certainly significant.

12 MR. RAYMOND OAKES: And you'll recall -- well
13 it's not a matter of evidence before this Board, but
14 certainly you heard on Thursday the comments of Bob Ramsey
15 from the Manitoba Motor -- I'm sorry, the Motorcycle and
16 Moped Insurance Council that sales are down in Manitoba vis-
17 a-vis other provinces.

18 Do you have any information that you could put
19 on the record that would dispute his contention?

20 MS. MARILYN MCLAREN: No.

21 MR. RAYMOND OAKES: Moving onto the second
22 conclusion, your conclusion is there are more motorcycle
23 accidents per one thousand (1000) insured motorcycles. When
24 we look at those motorcycle claims and the frequency, would
25 you confirm for me that in 2003 there were less accidents per

1 thousand (1000) than the three (3) preceding years?

2 MS. MARILYN MCLAREN: Fewer in '03 than the
3 two (2) preceding, yes. Not the -- not three (3) preceding
4 though. And I think in terms of sheer numbers there were
5 twelve (12) fewer claims last year than there were 2002.

6 MR. RAYMOND OAKES: And that would be really
7 an insignificant change, is that correct?

8 MS. MARILYN MCLAREN: The reduction in twelve
9 (12) from five hundred and thirty-nine (539)? That's a very
10 small number, yes.

11 MR. RAYMOND OAKES: And really we can say
12 that with respect to all of the data contained in AI-16 that
13 it is based on a very limited amount of data?

14 MS. MARILYN MCLAREN: No. I think there's a
15 big difference in scope from what you've talked about there
16 in terms of the sheer number of claims in '03 compared to the
17 sheer number of claims in '02 is one (1) small piece of data.
18 The body of data that makes up this entire risk study, I
19 wouldn't -- I wouldn't characterize as being minimal at all.

20 MR. RAYMOND OAKES: With respect to the issue
21 of motorcycle accidents per one thousand (1000), is it not
22 true, Ms. McLaren, that the frequency for motorcycles is
23 still less than private passenger automobile?

24

25 (BRIEF PAUSE)

1

2 MS. MARILYN MCLAREN: Yes, there's a -- in
3 the -- in the '03 year, for example, there was a difference
4 of about two (2) claims per thousand with the private
5 passenger having sixty-seven point eight five (67.85) claims
6 per thousand (1,000) and motorcycles having sixty-five point
7 six (65.6) claims per thousand (1,000).

8 MR. RAYMOND OAKES: If I refer you to
9 Undertaking 15, I believe you'd have to agree with me that
10 the frequency of motorcycle claims relative to private
11 passenger automobile has been less for the past seven (7)
12 years for motorcycles than for private passenger?

13 MS. MARILYN MCLAREN: Taking one (1) year at
14 a time and comparing the claims per thousand (1,000) units
15 for motorcycles compared to passenger vehicles shown in
16 Undertaking 15, yes, each year the motorcycle is somewhat
17 less than the private passenger vehicles.

18 MR. WALTER SARANCHUK: Just for the record,
19 that undertaking, as I understand it from MPI Counsel is to
20 be 15A.

21 MS. MARILYN MCLAREN: Yes, I apologize --
22 that's what I was referring to, was Undertaking 15A.

23 MR. WALTER SARANCHUK: Yes -- just -- I'm not
24 sure if Mr. Oakes was in the room when that clarification was
25 given, so it's 15A.

1 MR. RAYMOND OAKES: Thank you for correcting
2 the record, Mr. Saranchuk.

3
4 CONTINUED BY MR. RAYMOND OAKES:

5 MR. RAYMOND OAKES: Moving to the next
6 conclusion, motorcycles are becoming higher powered. Would
7 you agree with me, Ms. McLaren, that there is no evidence
8 that the Corporation produces with respect to the amount of
9 horse power of the motorcycles on the road each year?

10 MS. MARILYN MCLAREN: Yes, a -- a more
11 accurate bullet might have been that motorcycles are being
12 registered with bigger engines.

13 MR. RAYMOND OAKES: Moving to the next
14 conclusion, motorcycles are becoming more expensive. You and
15 I had this discussion based on previous testimony where you
16 had hazarded a guess or a personal opinion as to the issue.

17 But you agree with me that the Corporation has
18 no evidence as to correlate the -- the value of a motorcycle
19 with the propensity to ride the vehicle more?

20 MS. MARILYN MCLAREN: No evidence. I agree.

21 MR. RAYMOND OAKES: And you'll further agree
22 with me that there's -- that physical damage isn't the large
23 driver of the claims costs that we've seen over the years in
24 respect to motorcycles?

25 MS. MARILYN MCLAREN: Yes, absolutely. I

1 certainly agree with that.

2 MR. RAYMOND OAKES: The next conclusion:
3 motorcycles are more likely to have single vehicle accidents.

4 Ms. McLaren, were you familiar with
5 conclusions in the Hurt (phonetic) report and with respect to
6 evidence in Victoria, Australia, that other jurisdictions
7 somehow have half of the single vehicle accident rate for
8 motorcycles than MPI seems to produce evidence on?

9 MS. MARILYN MCLAREN: We had some discussion
10 earlier in those proceedings on that. In response to your
11 questioning, I think the numbers that you quoted from the two
12 -- those two (2) jurisdictions, are somewhat similar to the
13 numbers presented in the Corporation's 2003 Rate Application.

14 But clearly, in terms of our analysis and the
15 risk study that show single vehicle claims as a percent of
16 total claims being 51.1 percent, in the most recent year,
17 that's different than the data that you put forward. It's
18 not as different if we look at it from -- from a different
19 basis.

20 So I can't confirm whether the two (2)
21 jurisdictions you referenced calculate this exactly the same
22 way MPI has in the risk study.

23 MR. RAYMOND OAKES: And you'll agree that the
24 evidence before this Board to date is that, in fact, MPI does
25 not have a definition for its adjusters that specifically

1 defines a single vehicle accident?

2 MR. WILF BEDARD: I believe there was -- one
3 (1) of your interrogatory questions that responded to that
4 issue, Mr. Oakes.

5 MR. RAYMOND OAKES: Well, Mr. Bedard, that's
6 your area of responsibility, do you want to correct me if I'm
7 mistaken that each adjuster is given a specific definition
8 relative to single vehicle accidents?

9 MR. WILF BEDARD: Single vehicle accidents
10 are all accidents that are involved in only one motor
11 vehicle. If, in fact, an individual goes in the ditch, hits
12 a tree, hits a building, those types of things are all
13 classified as single vehicles accidents.

14 MR. RAYMOND OAKES: It includes if he's cut
15 off by an unidentified driver or is hit by a deer?

16 MR. WILF BEDARD: Yes, it would.

17 MR. RAYMOND OAKES: Your last conclusion, Ms.
18 McLaren, or the Corporation's last conclusion, motorcycles
19 are more likely to be injured.

20 Would you agree with me - and the reference I
21 have is page 4 - that in 2003 the percentage was less than
22 the two (2) preceding years?

23

24 (BRIEF PAUSE)

25

1 MS. MARILYN MCLAREN: Yes. Less than the
2 year 2000 too.

3 MR. RAYMOND OAKES: I'm looking at the table
4 at page 4 and it talks about motorcycles five (5) year
5 average of injury claims. I see that, on average, we're only
6 talking about a hundred and fifty-seven (157) claims; is that
7 correct?

8 MS. MARILYN MCLAREN: Yes, that's the five
9 (5) year average of injury claims.

10 MR. RAYMOND OAKES: And is -- that's the
11 data that you based your conclusion on?

12 MS. MARILYN MCLAREN: Yes.

13 MR. RAYMOND OAKES: Moving to sport bikes at
14 page 11 of the report.

15 I'm somewhat amazed, Ms. McLaren, the
16 information at page 11 and I'm talking about paragraph 3 and
17 4 which make up the page, they tell me that sport bikes are
18 less likely to involve injury claims than other types of
19 motorcycles.

20 MS. MARILYN MCLAREN: Yes, as a percentage of
21 total claims for the different body styles.

22 MR. RAYMOND OAKES: And further it says, the
23 severity of sport bike claims are lower than the average
24 injury severity of other types of motorcycles.

25 MS. MARILYN MCLAREN: Yes, it does.

1 MR. RAYMOND OAKES: And from what I know
2 sport bikes also have less serious claims than the other
3 classes, specifically, touring?

4 MS. MARILYN MCLAREN: Yes.

5 MR. RAYMOND OAKES: Just moving on then to
6 page 17 if you would, we look --

7 MS. MARILYN MCLAREN: I'm sorry, what page
8 number again?

9 MR. RAYMOND OAKES: Page 17. And look at
10 that first table and the conclusion says

11 "non-sport claims frequency has been
12 variable but significant."

13 When I read that, I would say that there's
14 very little or no conclusion that can be made from the
15 increase in claims, increase and decreasing claims from that
16 table.

17 Would you agree with me that really the
18 conclusion from looking at that table would be that the
19 experience is flat on average?

20 MS. MARILYN MCLAREN: Well, it -- it's
21 variable which is what we said. And with respect to the word
22 "significant," you know, forty-five (45) forty (40) almost
23 forty-six (46) claims per thousand (1000) units, that's
24 significant.

25 So, I don't think there's anything we can

1 learn from this with respect to growth or decrease, no. It's
2 a variable.

3 MR. RAYMOND OAKES: Well, what you could have
4 said is the claims went down in the first year we looked at
5 and they went up in the second year we looked at.

6 Isn't that correct?

7 MS. MARILYN MCLAREN: Yes, that could be
8 said.

9 MR. RAYMOND OAKES: Based on the number of
10 claims there, there's not enough claims to make any credible
11 conclusion, is there?

12 MS. MARILYN MCLAREN: I don't disagree.

13 MR. RAYMOND OAKES: Mr. Chairman, Board
14 counsel asked that I deal with the Applicant Response to CMG
15 Exhibit 6 briefly and then I'll be concluding my cross-
16 examination.

17 With respect to the purpose of the Applicant
18 Response to CMMG exhibit, I had filed a -- some information
19 relative to frequency from the 2003 Rate Application, and
20 what the Corporation is hoping to do here is to show the
21 reason why the Motorcycle Risk Study shows greater single
22 vehicle claims than what the previous Rate Application.

23 Would you like to explain that further?

24 MS. MARILYN MCLAREN: The analysis is
25 intended to show that there's no inconsistency with the data

1 filed in '03 and the data filed this year, they're on a
2 different basis, and that's all we were attempting to show is
3 that they were based on a different basis.

4 And when you clearly state what each was used
5 as its basis, you can see the differences that result.

6 MR. RAYMOND OAKES: And for the purposes of
7 AI-16, the Corporation has chosen the basis which would show
8 the motorcycle experience in the worst possible light; isn't
9 that correct?

10 MS. MARILYN MCLAREN: The Corporation takes
11 the position that the calculations in AI-16 are a better
12 reflection and a more accurate reflection than that done a
13 few years back.

14 MR. RAYMOND OAKES: I have one question and
15 it's not a spurious question, although it -- it might seem
16 somewhat, it relates to Undertaking 10, and this is an
17 undertaking relative to expenses and the road safety budget
18 and corporate marketing budget, arising out of the fact, I
19 think, that maybe Mr. Williams heard the same rumour that I
20 heard.

21 But I wonder if the Corporation, if it's not
22 too much work having assembled this information, could
23 indicate the amount of the expense spent in the last year,
24 relative to specific golf-type expenditures. And they would
25 including sponsorship of golf tournaments, promotional golf

1 giveaways, that type of thing.

2 I wonder whether the Corporation could put a
3 dollar amount on that expenditure?

4 MS. MARILYN MCLAREN: We will accept that as
5 an undertaking and file that when -- as soon as we can.
6

7 --- UNDERTAKING NO. 25: The Corporation to provide the
8 amount of the expense spent in
9 the last year, relative to
10 specific golf-type expenditures,
11 including sponsorship of golf
12 tournaments, promotional golf
13 giveaways, et cetera.
14

15 CONTINUED BY MR. RAYMOND OAKES:

16 MR. RAYMOND OAKES: One follow-up safety
17 question, Ms. McLaren, would it be the Corporation's position
18 that in its expenditures for motorcycle specific initiatives,
19 that the Corporation certainly could be doing more?

20 MS. MARILYN MCLAREN: There's really no limit
21 to the amount we could spend on safety-related initiatives in
22 any particular category.

23 MR. RAYMOND OAKES: Considering the concerns
24 evidenced over increased claims' costs, does the Corporation
25 plan, in its next year to do more motorcycle-specific

1 initiatives?

2 MS. MARILYN MCLAREN: I think there has been
3 a significant increase in the Corporation's costs with
4 respect to motorcycle safety. Since we started funding a
5 percentage of the Manitoba Safety Council Motorcycle Training
6 Course, the multi-day course, not the one-day course, and I
7 know we -- that we've seen this year, significantly more
8 people taking the multi-day program as opposed to the one
9 day, which I believe both of our organizations believe is
10 beneficial.

11 So the costs have increased a lot and they've
12 increased based on usage and successful completion of that
13 course by motorcyclists. Whether or not that cost will
14 continue to increase based on usage of motorcyclists, we will
15 have to see.

16 And I think with respect to any other
17 potential road-safety expenditures related to motorcycling,
18 we continue to try to -- we look at that every year, and try
19 to find reasonable expenditures based on what we can hope to
20 accomplish, that will be true in the future.

21 I can't say right now whether we have made
22 decisions to spend more, we haven't. We certainly haven't
23 made any decisions to spend less. We remain committed to the
24 increasing funding to that safety course that I referenced,
25 and from thereon out, we'll -- we'll have to do our planning

1 on the basis that I discussed.

2 MR. RAYMOND OAKES: Ms. McLaren, I thank you
3 for that answer and for your courtesy and professionalism
4 throughout the cross-examination and with that, Mr. Chairman,
5 I propose to turn it over to the next Intervenor.

6 THE CHAIRPERSON: Thank you, Mr. Oakes.
7 Mr. Mager for CAA, Manitoba Motor League.

8 Welcome.

9

10 CROSS-EXAMINATION BY MR. MICHAEL MAGER:

11 MR. MICHAEL MAGER: Good morning. I would
12 like to start by mirroring the comments made by Mr. Roberts
13 except to say that this is my first year and to expand on his
14 comments, I'm very much looking forward to my insurance
15 lesson, insurance 101. But I'm not sure if I should ask from
16 his comments whether I should ask you to be gentle with me or
17 not.

18 If -- two (2) areas of questioning that I want
19 to go through. One of them as Jerry Kruk alluded to in his
20 opening comments about vehicle anti-theft initiatives; the
21 other one is for clarification of comments made already of
22 the DDVL merger.

23 So in that regard, Ms. McLaren, could you
24 please re-explain for my clarification how the cost sharing
25 arrangement with DDL -- DDVL worked between the government

1 and MPI?

2 MR. BARRY GALENZOSKI: Yes, I would happy to
3 try and do that. The -- on an annual basis the Corporation
4 recovered certain monies from the DDVL with respect to
5 services that we provided that they benefited from.

6 MS. MARILYN MCLAREN: Maybe to clarify a
7 little bit. We received money from the government to
8 contribute to the commissions paid to brokers. It wasn't a
9 direct calculation of benefits received for services that we
10 provided because we received benefits that had been provided
11 by DBL as well.

12 That was really kind of a net sum game. What
13 the government contributed in terms of that cost share was a
14 contribution of the commissions paid to brokers for the
15 delivery of vehicle registration and insurance services.

16 MR. MICHAEL MAGER: I just want to clarify.
17 So it's for delivery of vehicle registration information to
18 the government?

19 MS. MARILYN MCLAREN: Registration and
20 insurance are co-terminus. They're tied together. You can't
21 get one without the other in Manitoba.

22 So, when someone goes to an independent
23 insurance broker to register a vehicle, by definition,
24 they're also insuring it. That's one process. It's not two
25 (2) different processes.

1 So, the service that the broker provides
2 really is not split between a registration service and an
3 insurance service. It's one (1) transaction. And the
4 government passed money to Manitoba Public Insurance to pay
5 some of those commission costs to brokers for doing that one
6 transaction that has two (2) components.

7 MR. MICHAEL MAGER: Thank you. Moving on,
8 can you then clarify a comment, Ms. McLaren, you made last
9 week or the week before to the affect of the discontinuation
10 of the cost sharing arrangement for the DDVL by the
11 government with MPI was completely separate from the merger
12 of DDL (sic) with MPI and that the two (2) events did not
13 occur together?

14 MS. MARILYN MCLAREN: I said that. I'm not
15 -- in terms of clarification, I think either could have
16 happened without the other one happening. They were not tied
17 as one (1) process necessarily.

18 MR. MICHAEL MAGER: Okay. And the next
19 question to that is for Mr. Galenzoski.

20 In your response in the PUB/MPI Interrogatory
21 20, you said with the merging of the DDVL with MPI, the
22 recovery process has been discontinued. I just want to
23 clarify if that's a contradiction to the statement that Ms.
24 McLaren just made or made last week?

25 MR. BARRY GALENZOSKI: No, the -- I think I

1 put on the record that effective February 1, the share cost
2 arrangement was terminated. That was separate and distinct
3 from the DDVL process and as a result, there is less recovery
4 for the current year and none for the following year.

5 MR. MICHAEL MAGER: Thank you. Now to either
6 of you, would you view this as being -- this discontinuation
7 of funding has being a very significant hit to your operating
8 profits?

9 MR. BARRY GALENZOSKI: I think if you looked
10 at our forward financials, you'll see that there is not a
11 significant hit to the bottom line. In other words, for this
12 current application we're looking at a near breakeven
13 situation.

14 And in the future years, we're looking at a
15 situation where we'll make small profits on the basic
16 program; that considers the fact that the share cost
17 arrangement has been discontinued.

18 MR. MICHAEL MAGER: Okay then, if I can put
19 it a different way: You're still providing a service but no
20 longer receiving a revenue for the service.

21 And would this be typical in an operating
22 business environment or appropriate?

23 MR. BARRY GALENZOSKI: Well, I think whether
24 it's typical or appropriate, that's the reality that we're --
25 we're with and so we see no difficulty with that.

1 MR. MICHAEL MAGER: Can I also make the
2 conclusion that the loss of funds is equivalent to about 1
3 percent of the rate increase requested, in general?

4 MR. BARRY GALENZOSKI: Slightly under 1
5 percent.

6 MR. MICHAEL MAGER: Thank you.

7 MS. MARILYN MCLAREN: And we haven't asked
8 for an increase.

9 MR. MICHAEL MAGER: Correct. In the PUB
10 Interrogatory 21, it indicates that MPI will recover the
11 current operating costs for DDVL from the government.

12 In this regard I had three (3) questions: How
13 long will the arrangement go on for? Is there an end to the
14 recovery of the costs and does this relate to all of the
15 costs, for example, the upgrading of the DDVL computer
16 system?

17 MR. BARRY GALENZOSKI: The cost arrangement
18 is expected to go on in perpetuity and it will recover all
19 the base costs and with respect to the -- the computer
20 systems, we're not sure what we're going to have to spend on
21 those, but that wouldn't be in addition to what we're getting
22 on -- on the base recovery.

23 MR. MICHAEL MAGER: So when you indicate base
24 costs, that suggests there's other costs that won't be
25 covered?

1 MR. BARRY GALENZOSKI: No, I'm suggesting
2 that in the year that the transfer is made, that's the costs
3 that we know of today.

4 And the reason I'm referring to them as base
5 costs is that over time we expect that certain efficiencies
6 will be found within the -- when the two (2) operations come
7 together and, therefore, there will be some reductions to the
8 actual costs incurred by the Corporation, but that the base
9 recovery is to stay the same.

10 MS. MARILYN MCLAREN: There -- there's no
11 final signed agreement between Manitoba Public Insurance and
12 the Government as this point. We have some, you know,
13 understandings and are attempting to, sort of, finalize very
14 specific arrangements.

15 There is legislation being drafted that would
16 formally, you know, remove the functions that have been moved
17 from government to MPI -- the functions DDVL did with --
18 under the purview of the Highway Traffic Act. There's new
19 legislation being created to reflect that it's -- will be
20 done within the purview of Manitoba Public Insurance.

21 But, you know, there were costs associated
22 with the DDVL operation as it stood, when the transfer was
23 announced, and basically those same costs, as they stood when
24 the transfer finalized on October 4th of this year, and we
25 expect to continue to receive those costs every year.

1 There will be some years that we will have to
2 make some investments in technology, things like that, but we
3 think there are also opportunities to gain some efficiencies
4 as well.

5 MR. MICHAEL MAGER: Okay, which -- that leads
6 to my next question and this one's for the Board Counsel, as
7 to whether or not there was an actual agreement and I can't
8 recall in the proceedings whether there was a request for the
9 merger agreement and if there hasn't been, can we request
10 that?

11 MR. KEVIN MCCULLOCH: Well, as indicated, the
12 agreement has not been concluded, so I can't go beyond that
13 indication. Once the agreement has been concluded we would
14 take under advisement in subsequent hearings whether we were
15 in a position to release a copy of that agreement.

16 MR. MICHAEL MAGER: Thank you.

17

18 CONTINUED BY MR. MICHAEL MAGER:

19 MR. MICHAEL MAGER: Moving on to vehicle anti-
20 theft initiatives, can you please clarify the number of
21 vehicle thefts -- clarify that the number of thefts has been
22 in the eight thousand (8,000) to ten thousand (10,000)
23 vehicle range over the last four (4) to five (5) years?

24 MS. MARILYN MCLAREN: I think those numbers
25 are reflective of the Winnipeg experience. It's a couple or

1 three thousand (3,000) higher overall across the province.

2 MR. MICHAEL MAGER: Thank you. What would
3 the average claim cost be on those vehicle thefts?

4 MS. MARILYN MCLAREN: It's around three
5 thousand dollars (\$3,000) per total theft claim.

6 MR. MICHAEL MAGER: Okay. So then, can we
7 equate that back to a percent increase in the fee going back
8 to my previous question, for every \$5 million of expense,
9 there's a 1 percent effect on rates and what that would
10 amount to in terms of total percent -- the vehicle theft cost
11 factor?

12 MS. MARILYN MCLAREN: Total theft vehicle
13 damage claims are, I think, currently around \$24 million a
14 year and that would translate to between four (4) and 5
15 percent based on your \$5 million per 1 percent.

16 MR. MICHAEL MAGER: Okay, and what is the
17 total value for all vehicle anti-theft initiatives outside of
18 claims?

19 MS. MARILYN MCLAREN: You mean outside of the
20 claims costs, what do we spend on anti-theft?

21 MR. MICHAEL MAGER: Yes.

22 MS. MARILYN MCLAREN: It's about \$1.2 million
23 a year.

24 MR. MICHAEL MAGER: Could you please provide
25 me a brief description of the various initiatives and the

1 dollars that are attached to each of them? I think they are
2 summarized on the PUB/MPI-1 Interrogatory 47, I believe, --

3 MS. MARILYN MCLAREN: Yes, they are.

4 MR. MICHAEL MAGER: -- but just a detail to
5 explain what's behind each of them?

6

7 (BRIEF PAUSE)

8

9 MS. MARILYN MCLAREN: Maybe we'll talk,
10 generally, about this year and the year of Application, the
11 2004/05 year and 2005/06 year. And it shows a thousand
12 dollars (\$1,000) for auto crime strategies, in brackets under
13 that, CATP, that's the Combat Auto Theft Program, where
14 vehicle owners have the opportunity to affix a noticeable
15 decal to their vehicles with the purpose being when police
16 see one of those vehicles on the road between 1:00 in the
17 morning and 5:00 in the morning, they should expect that it's
18 not the owner driving.

19 The Winnipeg Police Service Auto Theft
20 Campaign strategy at about five hundred and fifty thousand
21 (550,000) this year; five hundred and sixty thousand
22 (560,000) next year is the Corporation's funding for
23 approximately eight (8) Winnipeg Police Service officers to
24 investigate and lay charges with respect to auto theft.

25 The counter-measures is a variety of different

1 initiatives. The Citizens on Patrol Program where people
2 marshal their own resources in their own communities to
3 patrol and, therefore, help to reduce the incidents of crime
4 in their neighbourhood is funded through that counter-measure
5 of six hundred and forty-two thousand dollars (\$642,000) this
6 year.

7 Other things, like the Corporation's funding
8 for the Crown Attorney, the Fingerprint Unit. We pay either
9 retired or -- or off-service police officers to conduct
10 fingerprinting of vehicles that have been stolen, to assist
11 in the police officers investigating and laying charges for
12 auto theft.

13 We spent -- intend to spend, in total this
14 year and next year, about forty-five thousand dollars
15 (\$45,000.00) helping parking lots improve their signage with
16 respect to encouraging vehicle owners to make their vehicles
17 a little bit more theft resistant.

18 We fund some activities in the schools trying
19 to deal with at-risk use to encourage them away from this
20 activity. The parking lot audits are included in there as
21 well, direct mail to owners who own high-risk vehicles. All
22 of those things are included in counter-measures and a number
23 of other much smaller initiatives.

24 The auto theft grants, themselves, refer to
25 the Citizens on Patrol Program to -- to help fund their

1 ability to be organized and pro-active. The Captain Program,
2 at thirty-five thousand dollars (\$35,000) is, again, for that
3 organization, funding to allow them to provide electronic
4 notification to their members when there is crime, auto theft
5 in their neighbourhoods. And I think that's the list.

6 MR. MICHAEL MAGER: Thank you. Can you
7 describe the Vehicle Anti-theft Device Discount Program, and
8 any financing arrangements that are associated with that
9 program?

10 MS. MARILYN MCLAREN: Most of the vehicles on
11 Manitoba streets and highways that have approved anti-theft
12 devices, the passive immobiliser systems, got those devices
13 installed when the vehicle was manufactured. There's about
14 close to a hundred thousand (100,000), about ninety-five
15 thousand (95,000) vehicles in the province that have those
16 factory-installed devices today. It grows every year because
17 more and more new vehicles, new vehicle manufacturers are
18 putting them in, in the factory.

19 The Corporation also offers a discount, and
20 I'm sorry, discounts for those factory-installed devices are
21 applied through the regular CLEAR rating system, and in
22 generally speaking, they receive about a one-rate group
23 reduction when they have these devices installed at the
24 factory.

25 We also provide a forty dollar (\$40) discount,

1 that generally accoints to about a one-rate group discount,
2 for people who decide to install an approved immobiliser in
3 their vehicle after market.

4 MR. MICHAEL MAGER: How many people have
5 taken up the option of the after-market immobilisers?

6 MS. MARILYN MCLAREN: We'll get that and put
7 it on the record very shortly. We have it available. It's
8 no where near the hundred thousand (100,000), but, we'll find
9 the number and put it on the record for you.

10 The Corporation also offers financing to
11 people who want to put one of these after market immobilisers
12 in their vehicle and pay for it over as much as a three (3)
13 year period.

14 MR. MICHAEL MAGER: I guess in that same
15 regard, is the take-up on those after-market immobilisers
16 above or below what you expected it to be?

17 MS. MARILYN MCLAREN: I think the Corporation
18 has been decidedly disappointed in the number of Manitobans
19 who have chosen to protect their vehicles with an after-
20 market device.

21 MR. MICHAEL MAGER: In that regard again,
22 then, was there any consumer focussed group testing done to
23 determine if the amount of forty dollars (\$40) was sufficient
24 to promote the uptake of this?

25 MS. MARILYN MCLAREN: Well, I think that is

1 the overall average cost per insured unit for theft. The 5
2 percent that we talked about earlier, the 4 to 5 percent on
3 rate that the \$24 million number comprises is tied back to a
4 forty dollar (\$40) cost per insured unit. So whether people
5 think it is particularly attractive or not is not sort of the
6 deciding factor that the Corporation used.

7 It's a valid number with respect to the risk
8 in terms of the expected cost for people. So I think we know
9 that some people think that it would take a long time to pay
10 that back. The heart of the matter is that most Manitobans,
11 even most Winnipeggers when we can talk about all the data in
12 terms of how many vehicles are stolen every few minutes in
13 this town, people don't believe their particular vehicle's at
14 risk.

15 That's really I think the driving factor
16 behind a decision about whether to buy that device or not.
17 People have not decided that this is something they need to
18 act on.

19 MR. MICHAEL MAGER: You referenced that the
20 payback period would be fairly significant. Is it fair to
21 say it would be close to ten (10) to pay back the device with
22 that discount?

23 MS. MARILYN MCLAREN: Apparently that's true
24 now. I know a few years ago when we first announced this
25 program the cost to install one of these units in your

1 vehicle wasn't much more than two hundred dollars (\$200).
2 For some reason now they're around four hundred (400).

3 MR. MICHAEL MAGER: Hmm hmm.

4 MS. MARILYN MCLAREN: The increase seemed to
5 coincide with the Corporation's financing plan introduction.

6 MR. MICHAEL MAGER: The question that I have,
7 I'm trying to relate it back to your comment about that being
8 the average claim cost, the forty dollars (\$40).

9 If the initiative isn't working to the degree
10 you have hoped and you're disappointed with it, would there
11 not be a benefit to increasing this amount from the
12 perspective of reducing the number of claims twenty-four (24)
13 million being a very significant amount not to mention all
14 the social issues that come with the anti-theft -- or theft
15 issues?

16 MS. MARILYN MCLAREN: You know, I think the
17 monthly cost of buying one of these after-market devices and
18 having it installed in your vehicle and taking advantage of
19 the Corporation's financing plan, I mean, we're talking maybe
20 ten dollars (\$10) a month. You know, it's a very very cost
21 effective opportunity for people to reduce their risk.

22 I think we could generate more take-up on both
23 those programs if the people selling them chose to advertise
24 them a little bit more. I think there's lots of different
25 things that we continue to think about with respect to auto

1 theft. Nobody is satisfied with the fact that auto theft
2 continues to increase in Manitoba, particularly in Winnipeg.

3 At this point in time, I don't believe that we
4 have any evidence that any sort of justifiable increase in
5 the discount would drive a significant number of Manitobans
6 to purchase vehicles and have them installed in their
7 vehicles.

8 MR. MICHAEL MAGER: Would it be worthwhile in
9 that regard to do some focus group tests and just see if in
10 fact it would change the situation if the discount was, say,
11 greater than forty or a hundred dollars (\$40 or \$100)?

12 MS. MARILYN MCLAREN: Yeah, no -- I think
13 focus group testing is qualitative. It doesn't provide
14 information sort of -- of a statistical basis that we would
15 use for decision making.

16 As I indicated, there's lots of different
17 considerations in front of the Corporation on this matter
18 and, you know, I mean, put people in a focus group and get
19 them to start talking about auto theft, they all think it's a
20 really big issue and they all think people need to do -- to
21 do more to combat auto theft. They don't get up and walk out
22 and go and buy devices, you know, so I don't -- I don't think
23 focus group testing would do anything for us in this regard.

24 MR. MICHAEL MAGER: Okay, can you recap the
25 top five (5) vehicle types that are prone to theft?

1 MS. MARILYN MCLAREN: In general terms, the
2 biggest targets -- the most frequent targets right now are
3 vehicles vintage 1990 through to about 1994.

4 The single most likely vehicles to be stolen
5 are the Dodge Caravan, the Plymouth Caravan, but there's also
6 an awful lot of those vehicles out there. So I'm not sure
7 whether their frequency based on their actual prevalence is
8 way out of whack with others, but I think certainly those are
9 the most common.

10 Some of the others are the -- the Pontiac
11 Firebird, those ones tend to be even older, like 1985 to '89
12 and the Dodge Spirit and the Plymouth Acclaim. Again, all of
13 those Plymouth and Dodge vehicles are 1990 to 1994 vintage
14 years.

15 MR. MICHAEL MAGER: Has MPI ever considered
16 introducing higher anti-theft device discounts for those high
17 risk type of vehicles only? So, not across-the-board on all
18 of them per my questioning, but on just those vehicles alone?

19 MS. MARILYN MCLAREN: No, it might be time to
20 start thinking about some sort of premium surcharge for them.
21 I'm not sure that I would go with -- on the angle of bigger
22 discounts.

23 MR. MICHAEL MAGER: Thank you. Has MPI ever
24 considered any sort of on-screen prompting for agents or any
25 incentives for agents or brokers to promote these anti-theft

1 devices or initiatives, in general, with people that have
2 high risk vehicles?

3 MS. MARILYN MCLAREN: To this point in time,
4 we've targeted the owners of those vehicles very specifically
5 ourselves. I think asking the brokers for assistance in that
6 regard is something that we might spend some time talking to
7 brokers about, talking to the Insurance Brokers' Association
8 of Manitoba about but, certainly, I would not consider
9 extending that to some sort of incentive program.

10 MR. MICHAEL MAGER: In your explanation of
11 the various initiatives, there seems to be a fairly
12 significant amount of money, probably close, if you add the
13 rough numbers, to seven (7) or eight hundred thousand dollars
14 (800,000), if not more, actually on catching the thieves
15 after the fact.

16 And from my limited understanding of the theft
17 problem in Winnipeg, we have a -- a component, I think I saw
18 in some of the numbers, of a very large youth component which
19 with -- with the justice system the way it is, these
20 individuals steal a car and are back on the streets later on
21 that evening to steal another car.

22 Again, I wonder if those dollars are being
23 well spent and should they be redirected to initiatives on
24 the front end to prevent, again as -- as anti-theft devices,
25 that sort of thing?

1 MS. MARILYN MCLAREN: Well, I think the issue
2 requires balance. I don't think financially incenting
3 (phonetic) Manitobans to protect their own asset is my first
4 choice as the way to go.

5 This is an issue that requires community
6 mobilization. If you don't have the wherewithal to
7 demonstrate to both at-risk youth and the less frequent
8 perpetrators themselves that there is a high risk of being
9 caught, being dealt with, you know, I -- even -- I think we
10 have a -- a specific issue with respect to the justice system
11 for offenders under the age of twelve (12).

12 But there's certainly nothing to suggest that
13 youth over the age of twelve (12) are -- are not incarcerated
14 for this crime, you know, and they also -- when they're on
15 the street, they have specific conditions that they have to
16 comply.

17 I think everything that we've talked about in
18 terms of whether it's road safety or whether it's theft, in a
19 significant degree, it all comes down to the perceived risk
20 of being caught and you can't simply provide financial
21 incentives as the sole mechanism.

22 You can't provide, you know, funding for
23 police officers and so on as the sole mechanism on the other
24 end. It's got to be multi-faceted, I think, by the list of
25 initiatives that I read out.

1 The Corporation's approach is multi-faceted.
2 Are the things we're doing working well enough? Obviously
3 not. Do we need to get a few more people to the table with
4 some financial wherewithal, as well as community mobilization
5 wherewithal? We absolutely do.

6 MR. MICHAEL MAGER: Thank you. My last
7 question. With high claims costs associated with vehicle
8 theft, and you touched on it in terms of a premium surcharge,
9 the question I had was:

10 Has MPI ever considered making it mandatory
11 for some sort of anti-theft device for coverage to be in
12 place, period, into the future at some point on vehicle re-
13 registration or that sort of thing?

14 MS. MARILYN MCLAREN: Well, you know, there
15 is some -- seriously considered and -- and put proposals
16 forward to the Government, no. And I think it is important
17 to note that a decision like that would not be the
18 Corporation's decision. Limiting coverage is the purview of
19 the Legislature and it's not something that we have
20 recommendations on at this point.

21 Do we continue to think of all possible
22 different approaches and decide what are the ones that we
23 really should pursue and analyse more aggressively? We're
24 doing that all the time.

25 MR. MICHAEL MAGER: To your comment of a

1 premium surcharge, one last question that I just thought of:

2 If you had a premium surcharge situation,
3 would you look at having that and waiving that if the
4 individual came forward with an anti-theft device? Would
5 that be something the Corporation would consider?

6 MS. MARILYN MCLAREN: You know, off -- off
7 the top of my head that seems reasonable, if you're going to
8 surcharge someone because of the risk their particular
9 vehicle poses, and they do something to virtually eliminate
10 that risk, we would need to respond, I think, yes.

11 MR. MICHAEL MAGER: Good. I thank you.

12 THE CHAIRPERSON: Thank you, Mr. Mager.

13 Ms. McLaren, I have a couple of follow-up
14 questions to the points that Mr. Mager raised, just for
15 clarification.

16 Under the pre-October 1st situation, if the
17 DDVL computer system was upgraded, would the cost have been
18 the Government's?

19 MS. MARILYN MCLAREN: If the DDVL -- if the
20 driver license system was upgraded to meet the sole needs of
21 Government, the Government would have funded that. If we had
22 asked to have changes to the driver license system because of
23 insurance-related needs, we would have funded that.

24 Likely if there had been a decision to build a
25 brand new system, there probably would have been some sort of

1 sharing of costs, because we both would have had significant
2 advantages from that.

3 Most of the money, on both the vehicle
4 registration insurance system and the driver license system,
5 most of the money paid by Manitobans attached to both those
6 systems is for insurance versus registration.

7 THE CHAIRPERSON: Just as a reminder, the
8 computer system is quite old and the software, et cetera; is
9 it not?

10 MS. MARILYN MCLAREN: 1960's, I believe.

11 THE CHAIRPERSON: So let's take a post-
12 October 1 environment. If the DDVL computer system was now
13 upgraded, would a similar cost sharing occur?

14 MS. MARILYN MCLAREN: I wouldn't anticipate
15 that, no.

16 THE CHAIRPERSON: I understand from what you
17 said, the DDVL operations, the people and that moved on
18 October 1st. And you had mentioned in your Responses to Mr.
19 Mager that it was possible that synergy savings may arise in
20 the process now that the people are over and all of the
21 functions, et cetera.

22 If savings arise out of the synergies, will it
23 affect the cost transfer from Government?

24 MS. MARILYN MCLAREN: I expect that it won't
25 no. Because, you know, as -- as we talked about, there was a

1 fixed amount associated with the cost of that program when it
2 moved.

3 And we know even, you know, if nothing else
4 changed and the staff were to receive CPI related increases,
5 our costs would increase over time. That dollar transfer
6 from Government is not expected to change, but if we find
7 synergies, we don't expect them to reduce that amount either.

8 THE CHAIRPERSON: Thank you. So the
9 commission transfer ended February, the people moved over on
10 October the 1st, but just to understand, you've indicated
11 that there is no contract in place and the legislation is
12 pending?

13 MS. MARILYN MCLAREN: Yes.

14 THE CHAIRPERSON: Do you have any forecast as
15 to when the contract would be completed?

16 MS. MARILYN MCLAREN: I'm hopeful that it
17 would be by the end of this year.

18 THE CHAIRPERSON: Changing to another topic
19 that Mr. Mager raised as well and you said something and sort
20 of triggered my interest in this.

21 Since you've identified the vehicles that are
22 more likely to be stolen, apparently, largely due to age and
23 particular makes, have you given any consideration to the
24 other route which would be surcharges to motivate behaviour?

25 MS. MARILYN MCLAREN: At a very conceptual

1 level, really just within the last three (3) weeks, it's not
2 -- I -- the -- the issue of auto theft -- auto theft drivers
3 is not something that I personally devoted a lot of my -- I
4 was not responsible for it and didn't spend a lot of effort
5 sort of dealing with the global issue until the 1st of
6 October.

7 Conceptually, within the last few weeks it's
8 something that's occurred to me that might be with pursuing.
9

10 THE CHAIRPERSON: Because as also -- as Mr.
11 Mager mentioned and you've responded to, the costs go far
12 beyond, presumably, physical damage. They'd presumably be
13 PIPP costs and social issues and as host of other things?

14 MS. MARILYN MCLAREN: Yes, that's true. You
15 know, like -- like everything else, the PIPP costs can be
16 highly variable. I think we've had a year where there's
17 maybe only about twenty-thousand dollars (\$20,000) in -- in
18 PIPP costs associated with theft, but we've had other years
19 where -- where it's been significantly more.

20 But -- but certainly it -- it is a significant
21 social issue. One of the things that -- that comes to mind
22 is that for the last little while the number of police chases
23 -- high speed police chases and, particularly, because of the
24 police protocol, high speed chases that have had to be called
25 off are often related to theft.

What we know about the particular population

1 that's most likely to steal vehicles, they do it for the
2 thrill. You know, there -- there's huge social issues around
3 this issue. Absolutely.

4 THE CHAIRPERSON: My final followup on this
5 is that with DDVL now in the fold, does the Corporation have
6 any input into the requirements for, example, when vehicles
7 have to be safetied (phonetic) to be registered?

8 MS. MARILYN MCLAREN: Yes. Just like DDVL
9 when it was, you know, part of a government department, they
10 certainly don't have decision-making powers, but we would
11 expect to be providing advice to government on issues like
12 that.

13 THE CHAIRPERSON: Thank you. We'll move on
14 now to the Insurance Brokers' Association of Manitoba. Ms.
15 Scurfield...?

16 MS. MARGARET SCURFIELD: Yes, I don't have
17 any questions.

18 THE CHAIRPERSON: Thank you. And next up is
19 Mr. Dawson for the CBA/MBA. Mr. Dawson, do you want to
20 relocate to the front?

21 MR. ROBERT DAWSON: Thank you, Mr. Chairman,
22 I'll install myself and while I do, perhaps the Board
23 secretary could distribute the Manitoba Bar Association's
24 sheaf of documents as opposed to a book of Documents.

25 THE CHAIRPERSON: Very good.

(BRIEF PAUSE)

3 THE CHAIRPERSON: Mr. Dawson, if I may, our
4 normal practice is to break at lunch. If you could give --
5 do you have some indication of how long your cross-
6 examination will take?

7 MR. ROBERT DAWSON: Mr. Chairman, I can
8 indicate as a man who's overweight that I'm very much aware
9 of the importance of lunch, and I would think that I would be
10 here for about an hour and a half to two (2) hours but I'm
11 aware that noon is the time that the Chair would prefer to
12 break, I assume.

13 THE CHAIRPERSON: Okay, we'll have a break at
14 a point in your cross-examination that seems appropriate.

15 MR. ROBERT DAWSON: Thank you, Mr. Chairman.

17 (BRIEF PAUSE)

19 CROSS-EXAMINATION BY MR. ROBERT DAWSON:

20 MR. ROBERT DAWSON: Mr. Bedard, good morning.
21 I have a few questions for you and I'd like to begin, if I
22 may -- first though, before I start with Mr. Bedard, I should
23 point out that we're joined again in the gallery by Ms. Stacy
24 Nagle, the Executive Director of the Manitoba Bar
25 Association. Now, I can turn to Mr. Bedard.

1 If I may, in the very broadest terms, Mr.
2 Bedard, summarize your pre-filed testimony, I understand that
3 you begin by saying

4 "the claims division that you had, has a
5 duel objective."

6 Is that right?

7 MR. WILF BEDARD: Yes, that's mentioned in my
8 pre-filed testimony.

9 MR. ROBERT DAWSON: And the first objective
10 is, is that you'll -- the claims division aims to provide the
11 highest possible levels of customer service; that's the first
12 objective?

13 MR. WILF BEDARD: Yes, that's correct.

14 MR. ROBERT DAWSON: And at the same time you
15 have a second objective which is to keep your claims costs as
16 reasonable as possible; is that right?

17 MR. WILF BEDARD: Yes.

18 MR. ROBERT DAWSON: Now, you also tell us in
19 your pre-filed testimony that the claims division has
20 implemented many cost controls, is that right?

21 MR. WILF BEDARD: Yes, we have a number of
22 cost-saving measures associated with the management of injury
23 claims, yes.

24 MR. ROBERT DAWSON: And your evidence that's
25 pre-filed indicates that these cost controls, I'm calling

1 them, have not been implemented in your view at the expenses
2 of customer service levels.

3 Is that fair to say?

4 MR. WILF BEDARD: Yes. That's correct.

5 MR. ROBERT DAWSON: And to bolster your
6 position you tell us in your pre-filed testimony that you
7 rely upon independent customer satisfaction surveys, in part;
8 is that correct?

9 MR. WILF BEDARD: Yes, we do a number of
10 surveys with our customers throughout the year.

11 MR. ROBERT DAWSON: Just in a very general
12 way, could you explain to me how cost control measures could
13 impact upon levels of customer service?

14 MR. WILF BEDARD: Well, I don't really see
15 any clear distinction. I mean, customer service is what
16 we're all about. We're there to service the public as best
17 we can.

18 We are also there to administer the PIPP
19 program, given the legislation that we deal with. And we do
20 that with the intent of administering the program without
21 undue delays and undue expense to the Corporation.

22 MR. ROBERT DAWSON: So would it be fair to
23 say that if I wanted to run an evil insurance company, one
24 way that I certainly could control costs would be, for
25 example, to deny coverage; that would be one way I could do

1 it, couldn't I?

2 MR. WILF BEDARD: Yes, that would be one way.

3 MS. MARILYN MCLAREN: Excuse me, maybe I'll
4 just jump in here. I'm not sure that that would reduce your
5 costs really much at all because in any environment whether
6 it's here or elsewhere, people have some means to appeal
7 decisions made their insurer. And that can regularly be a
8 very expensive process and if they are legitimate claims
9 eventually you will pay it anyway. And you'll have the extra
10 cost of having tried to defend an argument not to.

11 MR. ROBERT DAWSON: We'll be getting to that.
12 Returning to my example of the evil insurance company.

13 Would you agree that another way that I'm
14 going to suggest to you of controlling costs would be perhaps
15 to diminish the degree of damage that is claimed or to reduce
16 the extent of the injury that is put forward? That's one way
17 that you could control costs if you were an evil insurance
18 company?

19 MR. WILF BEDARD: A hypothetical evil
20 insurance company, yes, could do things of that nature.

21 MR. ROBERT DAWSON: And I would like to make
22 it clear exactly that I am talking about cost controls that
23 certainly would be unwelcome and so I take your point when
24 you say that it's a hypothetical. I was just making sure
25 that I understood this.

1 Mr. Bedard, if I could trouble you to turn to
2 the Public Utilities Board's first round of interrogatories,
3 specifically, at question 13 and once you have that I'm
4 specifically looking at the table marked Schedule 1
5 Distribution of PIPP Costs.

6 Would you let me know when you have that, sir?

7 MR. WALTER SARANCHUK: It's -- just for
8 anyone's information, it's at Tab 11 of the Book of Documents
9 of the PUB file.

10 MR. WILF BEDARD: I have that.

11

12 CONTINUED BY MR. ROBERT DAWSON:

13 MR. ROBERT DAWSON: In the left-hand corner -
14 - or left-hand column rather of the table that appears there
15 under the of "Coverage," there are a number of entries under
16 being categories I assume of what are PIPP costs; is that
17 right?

18 MR. WILF BEDARD: Yes, that's correct.

19 MR. ROBERT DAWSON: Well let's just go
20 through those very, very quickly if we can. And if you could
21 just give me a rough one-line definition of what each of
22 those categories are.

23 Let's start with Income Replacement, please.

24 MR. WILF BEDARD: Income Replacement is
25 exactly that. We would determine what an individual's lost

1 of income was and make a calculation and pay them their
2 income replacement benefit during the period of which they
3 are not working.

4 MR. ROBERT DAWSON: And what are Death
5 Benefits?

6 MR. WILF BEDARD: Death benefits would be
7 funds given to dependents of a deceased person, resulting
8 from a motor vehicle accident.

9 MR. ROBERT DAWSON: And at the risk of
10 belabouring what seems to be obvious, could you explain
11 roughly what permanent impairment costs would be?

12 MR. WILF BEDARD: Certainly. Permanent
13 impairment would be a disability, a limitation,
14 disfigurement, that a person is left with, resulting from an
15 accident, that percentage of an overall rating would be
16 calculation to determine what benefit would be associated
17 with that permanent disability or disfigurement.

18 MR. ROBERT DAWSON: Moving along, there's
19 Personal Care, what's that?

20 MR. WILF BEDARD: Personal care is paid to
21 individuals who cannot provide themselves with all of the
22 personal care associated with the necessities of life, so,
23 the PIPP Plan provides funding for those individuals, based
24 on need.

25 MR. ROBERT DAWSON: Next we have Expenses as

1 a category of PIPP costs. Quickly, what's that?

2 MR. WILF BEDARD: That would be expenses
3 associated with medical costs, physiotherapy treatment, those
4 types of things, medications, pharmaceuticals, those types of
5 things.

6 MR. ROBERT DAWSON: And the last entry in
7 that column is simply "Rehab," and that would be...?

8 MR. WILF BEDARD: The Program also provides
9 people with rehabilitation funding for those people who
10 require extended rehabilitation or retraining to resume their
11 regular activities, post-accident.

12 MR. ROBERT DAWSON: If I could turn your
13 attention to the right side of the table, under the heading
14 of "2004."

15 I presume those are the dollar amounts that
16 were spent in the fiscal year 2004 on each of those
17 categories of PIPP coverage; is that right?

18 MR. BARRY GALENZOSKI: Not necessarily spent,
19 this would be the dollars that were set aside in individual
20 claim files for that particular year, but they could cover
21 files that occurred, or losses that occurred during that year
22 or in prior years.

23 MR. ROBERT DAWSON: I take your point, thank
24 you very much.

25 I don't know whether Mr. Galenzoski wants to

1 answer these questions or whether Mr. Bedard, it's fine by
2 me. Just reading this, it seems obvious to me that the
3 majority of the money that was spent in connection with PIPP
4 costs in the fiscal 2004 related to income replacement; is
5 that correct?

6 MR. BARRY GALENZOSKI: Yes. That shows at
7 53.8 percent of the total.

8 MR. ROBERT DAWSON: And am I right that next
9 in line would be personal care costs at about \$41 million?

10 MR. BARRY GALENZOSKI: That's right.

11 MR. ROBERT DAWSON: Turning to the line under
12 Expenses, I note that there's been a consistent reduction in
13 the overall amount that's not only spent, but also the
14 percentage of total PIPP costs over the last few years.

15 Would you agree with that assessment?

16 MR. BARRY GALENZOSKI: Yes, I would.

17 MR. ROBERT DAWSON: And would attribute, in
18 part, the reason for that reduction to effective cost
19 controls?

20 MR. BARRY GALENZOSKI: I would think that
21 would be in part, I guess the only caution I would have here
22 is that you're using the term "spent." This is money set
23 aside, so these are reserves primarily, as well as paids
24 that would come out of that.

25 And the changes that you're seeing is based on

1 not only the current files, but for previous years, if
2 there's any adjustment to the reserves that were set aside.

3 MR. ROBERT DAWSON: Thank you for clarifying
4 my wrong words, that's very helpful.

5 In terms of other areas, and I note, for
6 example, death benefits, permanent impairments, and
7 rehabilitation costs, it seems that the -- their portion of
8 PIPP costs has been holding steady, relatively speaking, over
9 recent years.

10 Would you agree with that assessment?

11 MR. BARRY GALENZOSKI: Well, if you look at
12 the rehab costs, you will see that in 2002 they formed 9.8
13 percent of the total, and now over the last two (2) years
14 they are at 4.5 percent of the total. So there's variability
15 shown in some of those numbers also.

16 MR. ROBERT DAWSON: But you'd agree that
17 they're not quite as dramatic in terms of differences in, as
18 for example, in let's say, the changes that have been
19 undergone in income replacement?

20 MR. BARRY GALENZOSKI: Well, income
21 replacement, as you are aware, had an improvement in the
22 benefit a few years ago, so that's not only the income
23 replacement, but it's also the retirement income benefit.

24 MR. ROBERT DAWSON: Mr. Bedard, returning to
25 Claims Division. Would you agree with me that if your job

1 were to try and control costs, and your categories for
2 controlling those PIPP costs are those that are set out in
3 this table, it would be rather difficult for you to implement
4 cost controls in the category of, let's say, death benefits.

5 Would you agree with that?

6 MR. WILF BEDARD: Yes, I would.

7 MR. ROBERT DAWSON: And would you further
8 agree with me that in the category, for example, of Permanent
9 Impairment, again, there's not much room for quibbling
10 whether -- over whether or not a person is impaired and,
11 therefore, your PIPP costs are pretty much determined?

12 MR. WILF BEDARD: Generally speaking, I would
13 agree with that statement. You know, we would obviously
14 ensure that that individual got as much medical care and
15 attention that was necessary to minimize the degree of
16 impairment. We would certainly support that, but following
17 that there -- you're right, there's very little that we could
18 do.

19 MR. ROBERT DAWSON: I understand from earlier
20 testimony that the bulk of personal injuries relate to
21 whiplash-type injuries. Is that right?

22 MR. WILF BEDARD: Yes, that's true.

23 MR. ROBERT DAWSON: And, in fact -- and
24 there's no need to turn to it, you can either take my word
25 for it or confirm it at a later time, my calculation using

1 the schedule that appears at the first round of Public
2 Utilities Board inquiries, specifically Question 14, is that
3 there's 78 percent of the injuries were whiplash in 2004.

4 Subject to your confirmation, does that sound
5 about right?

6 MR. WILF BEDARD: It sounds about right. I -
7 - I would have guessed more around 70 percent whiplash
8 associated disorders, but that's relatively close. I would
9 accept that.

10 MR. ROBERT DAWSON: And you'd agree with me
11 that in many, if not most, of these whiplash cases, there is
12 some form of income replacement that is triggered?

13 MR. WILF BEDARD: No, I wouldn't agree with
14 that. There's many people who suffer a whiplash injury who
15 do not remain off work for any period at all.

16 MR. ROBERT DAWSON: Would it be fair to say
17 that there's a -- at least a significant of whiplash injuries
18 that trigger income replacement?

19 MR. WILF BEDARD: No, I wouldn't agree with
20 that either. There's approximately twenty-five hundred
21 (2,500) IRI income replacement claims per year. The vast
22 majority of those would be whiplash related, so, you know,
23 given the fact that we're probably talking about twelve (12)
24 to thirteen hundred (1,300) whiplash injuries reported
25 annually, only two thousand (2,000) - twenty-five hundred

1 (2,500) of those would be subject to an income replacement
2 claim.

3 MR. ROBERT DAWSON: I don't know if you
4 misspoke or I misheard, I -- I think you said twelve hundred
5 (1,200) -- I think you mean twelve thousand (12,000).

6 Is that right?

7 MR. WILF BEDARD: I'm sorry, yes, twelve
8 thousand (12,000).

9 MR. ROBERT DAWSON: Let's move on to review
10 the way in which personal injury claims are processed. I'll
11 go through what I think is the rough outline and you can
12 correct me if I'm wrong.

13 At some point a Claimant or someone acting on
14 behalf of a Claimant will contact your call centre usually.
15 Is that right?

16 MR. WILF BEDARD: Yes, the first point of
17 contact would be for the individual to call our call centre.

18 MR. ROBERT DAWSON: And then from there the
19 matter would go on to the Bodily Injury Triage Unit which
20 would assign a case manager whose expertise matches the
21 nature of the injury.

22 Would that be a fair assumption?

23 MR. WILF BEDARD: Yes, that's correct.

24 MR. ROBERT DAWSON: In the process,
25 information both about the Claimant, as well as the nature of

1 that person's claim, will be collected from various sources
2 including the Claimant. Is that right?

3 MR. WILF BEDARD: Primarily the Claimant
4 initially and then followed up by getting information from
5 their medical practitioner, yes.

6 MR. ROBERT DAWSON: And in the process, after
7 the information has come in, the claims or case manager may
8 make consultations with your IRI calculation unit or your
9 Health Services Department.

10 Is that right?

11 MR. WILF BEDARD: Yes, that's true.

12 MR. ROBERT DAWSON: At some point there will
13 be a decision made by the case manager relating to that
14 Claimant's entitlement to the benefits.

15 Is that right?

16 MR. WILF BEDARD: Yes, that's correct.

17 MR. ROBERT DAWSON: And assuming that the
18 claim is allowed, at least in part, there will then be a
19 payout on that claim or a continuing payout if the matter is
20 long going.

21 Is that right?

22 MR. WILF BEDARD: Yes.

23 MR. ROBERT DAWSON: And then eventually if
24 the person recovers, the file will be closed or if the person
25 is designated as permanently injured, the file will be marked

1 for continued payment and it will be monitored in due course.

2 Is that right?

3 MR. WILF BEDARD: Yes.

4 MR. ROBERT DAWSON: Let me return back to the
5 claims centre and the initial contacts, generally, that MPI
6 has with the Claimant.

7 You would agree with me that MPI has a duty to
8 advise Claimants of what compensation they're entitled to?

9 MR. WILF BEDARD: Yes, that's true.

10 MR. ROBERT DAWSON: And you'd agree with me
11 that MPI has a duty to assist Claimants to obtain the
12 compensation that they're entitled to?

13 MR. WILF BEDARD: Yes.

14 MR. ROBERT DAWSON: And, in fact, I'm not
15 just making up the duty and you're not just being kind. In
16 fact, isn't this a statutory duty that's imposed upon the
17 Corporation?

18 MR. WILF BEDARD: Yes, there is a section in
19 the Regulations that deals with that.

20 MR. ROBERT DAWSON: If you actually --

21 MR. WILF BEDARD: I'm sorry, in the Act.

22 MR. ROBERT DAWSON: Just for the sake of
23 clarity and so that we set it out in the -- for the record,
24 could you turn to page 2 of what I'm flippantly calling the
25 sheaf of documents. And for the purposes of reference, you

1 will notice at the head of each of the pages, there is a
2 pagination mark.

3 Page 2 of the sheaf of documents sets out what
4 purports to be the current enactment of the Manitoba Public
5 Insurance Act. If I could trouble you to read in Section 150
6 for the record please, Mr. Bedard?

7 MR. WILF BEDARD: Certainly. It's entitled,
8 "Corporation to Advise and Assist claimants":

9 "The Corporation shall advise and assist
10 claimants and shall endeavour to ensure
11 that claimants are informed of, and receive
12 the compensation to which they are entitled
13 under this Part."

14 MR. ROBERT DAWSON: Thank you, sir, I'm
15 obliged for that. Now, I understand that when a bodily
16 injury claim is being opened, the MPI employee is prescribed
17 a certain script to use in interviewing that person; is that
18 right?

19 MR. WILF BEDARD: The script is used by our
20 call-centre. Our call-centre is made up of a number of
21 people who take in reports, initial reports of all types of
22 claims, to assist those individuals in ensuring that they get
23 all of the information accurately collected.

24 On the registration there is a series of
25 prompts of questions they ask and information they are to

1 obtain and key into -- into the system. So, yes, there are a
2 number of scripts. The bodily injury scripts are -- are only
3 one (1) of those.

4 MR. ROBERT DAWSON: And I'm right when I
5 speak of this script as being prescribed, the employee is
6 told they must go through that script, as opposed to, so to
7 speak, making up the conversation as they go along?

8 MR. WILF BEDARD: They are to follow the
9 script, yes.

10 MR. ROBERT DAWSON: If you turn to page 3 of
11 the Bar Association's sheaf of documents, there appears a
12 document entitled, "File Triage Script." For the purposes of
13 reference, I'll indicate that this is an excerpt from the
14 Manitoba Bar Association's First Round Interrogatory Answer
15 Number 69.

16 It triggered a CD from the Corporation and I
17 worried that some people may not have actually printed out
18 the CD, which is what prompted our sheaf of documents. But
19 for those who may be following along on the CD or for the
20 purposes of the record, we're looking at a document that's
21 entitled, "The PIPP Manual," on the CD.

22 There, there's a heading called
23 "Administration," and under the heading of "Administration,"
24 on the CD, there's another sub-heading entitled, "File Triage
25 Script."

1 So, returning, Mr. Bedard, to page 3 of the
2 sheath of documents, do you recognize the document that there
3 appears, as the File Triage Script that MPI prescribes?

4 MR. WILF BEDARD: Well, I don't use it on a
5 daily basis and it's been some time since I've looked at it,
6 but it does look familiar, yes.

7 MR. ROBERT DAWSON: And without going through
8 it, obviously, I note that the first, for example, four (4)
9 questions are fairly routine. The first one is: If it's not
10 the Claimant, what's your relationship to the injured party?
11 Question B is: What type of vehicles were involved?
12 Question C is: Where did the accident happen? When did the
13 accident happen is Question D.

These are fairly standard questions that open
the script; is that right, Mr. Bedard?

16 MR. WILF BEDARD: Yes, that's true.

17 MR. ROBERT DAWSON: And then from these
18 rather specific kinds of questions, I note, for example, at
19 Question K, beginning there, there are a number of what I'm
20 going to call, open-ended questions.

21 Would you agree with that assessment?

22 MR. WILF BEDARD: Yes, it's looking for
23 information to -- from the Claimant in terms of determining
24 the degree of injury that they have.

25 MR. ROBERT DAWSON: And am I correct that

1 whatever answers the Claimant might be giving to these
2 questions are, of course, being inputted in to your system;
3 is that right?

4 MR. WILF BEDARD: Yes, that's correct.

5 MR. ROBERT DAWSON: And that information will
6 be kept on your file and referred to by Case Managers and
7 others within the MPI system at later dates?

8 MR. WILF BEDARD: Yes, it's kept in the
9 system, but you have to remember that this is just the
10 initial interview with the Claimant, a high level sense of
11 what we're dealing with here, whether we're talking about
12 somebody who is hospitalized or whether we're talking about a
13 very minor injury. This information would go on to the
14 triage unit into allocating the claim to a particular case
15 manager.

16 Then what happens is, an individual will be
17 telephoned, if it's a relatively minor injury, that
18 individual will be telephoned and more information sought,
19 with respect to their injury, a further detailed explanation
20 as to the type of benefits that would be provided.

21 If it's a more serious loss, the individual
22 would get a visit by their case manager where more and more
23 information would be sought as -- as time goes on and more
24 information is known.

25 MR. ROBERT DAWSON: So you're telling me that

1 the answer that a Claimant might give question K, for
2 example. The question is, are you able to carry on your
3 daily activities? And let's say the Claimant answers, no I'm
4 not. And the Claimant answer -- is then asked for example,
5 how long do you expect this problem to last? That's the
6 question that's prescribed isn't it?

7 MR. WILF BEDARD: Yes, that's the question in
8 the script.

9 MR. ROBERT DAWSON: Now if that person, for
10 whatever reason, accidentally underestimates the amount of
11 time that he or she expects to be unable to carry on usual
12 daily activities, that answer certainly is entered into your
13 system, isn't that right?

14 MR. WILF BEDARD: It's not entered into the
15 script -- the script isn't updated as information is carried
16 on. If in fact that changes and very often the information
17 given in an initial interview over the telephone does change.
18 Most people do phone within a few hours of the accident. Not
19 all the information is known.

20 They really don't have a sense of how
21 seriously they are injured. So that can change. And that
22 change when they get spoken to by somebody in our Medex
23 (phonetic) unit. It could be in a visitation of -- of with
24 their case manager. None of this stuff is carved in stone.
25 Circumstances, events, recovery changes, you know, frequently

1 during the life of a file.

2 None of this is -- is static recorded ones and
3 the individual held to it. We are -- we try to be in regular
4 contact with the individual, supporting what it is that they
5 need from -- from MPI, continuing to ask questions about
6 their condition, their disability, their requirements and we
7 adjust the nature on that -- adjust the loss on that basis
8 going forward.

9 None of the things that an individual tells us
10 at one (1) particular day is, you know, held to the test and
11 not subject to revision. These things do change over time
12 and the condition is flexible and so is the Corporation in
13 its dealings with these individuals.

14 MR. ROBERT DAWSON: Are you going to tell me,
15 Mr. Bedard, that a Claimant who changes his or her story does
16 not in turn raise suspicions within the claims division?

17 MR. WILF BEDARD: It depends on the nature of
18 what they're changing. If in fact they say they rolled into
19 the ditch one day and the second day they say they hit a
20 tree, then we would look into that. But if an individual
21 says I think I'm going to be off work for three (3) weeks and
22 then it turns out being three (3) months, if in fact that's
23 supported by the medical practitioners and we believe that
24 that's reasonable, we'd certainly adjust the claim on that
25 basis.

1 Admittedly, there are some things that do
2 change that may require a little bit of investigation. It
3 could be a little suspicious. But for the vast majority of
4 these cases these things are fluid, they do move forward and
5 we would be adjusting the claim based on new supported
6 information as it unfolds.

7 MR. ROBERT DAWSON: As you go through this
8 script, the employee never explains to the Claimant or the
9 claimant's representative, that there are principles that
10 must be met in terms of proving the claim, is that right?

11 MR. WILF BEDARD: They are told that if --
12 certainly that if a person is looking for income replacement,
13 that we will need documentations on file to support what
14 their earned income is and what their loss of income is. If
15 a person is claiming disability, they are told that they
16 would need a medical practitioner to complete a medical
17 report outlining that before any benefits are paid.

18 MR. ROBERT DAWSON: Turn to page 4 of the
19 sheaf of documents, Mr. Bedard. And there for the purposes
20 of explaining for the record again we have an excerpt from
21 the CD-ROM that was produced and reply to the Manitoba Bar
22 Association's first round of Information Request,
23 specifically question 69.

24 The CD-ROM beared the title of PIPP Manual and
25 now we're under the heading of "Proof of Claims" and the

1 subheading "General Principles." The document that appears
2 at page 4 generally looks to you, Mr. Bedard, as if it's an
3 accurate excerpt from your CD-ROM, is that right?

4 MR. WILF BEDARD: Yes. Again, it's -- I
5 don't review this on a regular basis but it certainly does
6 look familiar to me.

7 MR. ROBERT DAWSON: Now you'd agree with me
8 there that there are a number of paragraphs that set out for
9 the purposes of your employees, what's required in order to
10 prove a claim, is that right?

11 MR. WILF BEDARD: Yes.

12 MR. ROBERT DAWSON: And if we compare what's
13 set out here, in terms of what you actually tell Claimants,
14 I'm going to suggest to you, Mr. Bedard, that there's
15 discrepancies.

16 For example, your script certainly doesn't
17 indicate that the onus of proving a claim rests with the
18 Claimant, does it?

19 MR. WILF BEDARD: Again, the script is only
20 the initial interview with the Claimant. There are many
21 discussions and topics that are reviewed with the Claimant
22 during the life of the file. Not -- not everything is -- is
23 asked and documented from the Call Centre script.

24 MR. ROBERT DAWSON: But you are, you told me,
25 collecting information from the Claimant when the Claimant

1 calls that first time, right?

2 MR. WILF BEDARD: It's an initial report of
3 loss, yes.

4 MR. ROBERT DAWSON: And you did tell me that
5 you will be retaining the answers that are being given at
6 that time for the life of that file.

7 Isn't that right?

8 MR. WILF BEDARD: For the introductory
9 information of the case manager, the case manager would
10 review that information prior to calling an individual and
11 having a conversation about their injury, yes.

12 MR. ROBERT DAWSON: And you've just told me
13 in answer to a question that, depending on what kinds of
14 answers are given and how the facts later turn out, things
15 could be, in your words, a little suspicious.

16 Is that not right?

17 MR. WILF BEDARD: Well, certainly, you know,
18 there are -- is a fraud element associated with -- with all
19 injury claims, all insurance claims and the case managers
20 are, of course, told to validate the entitlements of an
21 individual and what's being said to them before they start a
22 stream of -- of benefits being -- being paid.

23 There is an element of fraud, albeit it small,
24 in that caseload that we have of injury of claims, but
25 certainly at times what is said does lead to a suspicion of

1 fraud and those things are followed up. Again, it's a small
2 percentage of -- of -- of losses.

3 MR. ROBERT DAWSON: So you'd agree with me
4 that the chat that's going on in the initial contact is
5 certainly not irrelevant, it's important; isn't it?

6 MR. WILF BEDARD: What we're looking for is
7 trying to get a sense of the degree of injury, the degree of
8 disability here.

9 The people in the Call Centre are not trained
10 case managers; they are people who are trained to take the
11 first notice of loss and the scripts are designed for that
12 purpose. They ask the questions and document the results.

13 That information is given to the injury people
14 to best allocate the resource that will handle their claim,
15 whether it's a bump on the head and that's all or whether
16 it's a severe spinal cord injury.

17 We have different people with different skill
18 sets and training and those scripts are utilized for that
19 purpose, to set up the initial interview between our case
20 manager and the injured party.

21 MR. ROBERT DAWSON: You'd agree with me that
22 even if you went through these general principles with most
23 people who contact MPI, most Claimants would not be familiar
24 with the general principles of proving a claim; right?

25 MR. WILF BEDARD: Most people would not be

1 familiar with the general principles. Absolutely.

2 MR. ROBERT DAWSON: And not trying to be rude
3 about it but, in fact, many Claimants might not even be able
4 to understand what those general principles of claim are.

5 Isn't that right?

6 MR. WILF BEDARD: I wouldn't speculate; I'm
7 not sure.

8 MR. ROBERT DAWSON: You'd agree with me that
9 your initial script, the first time someone contacts MPI,
10 doesn't contain a suggestion to a Claimant that they might
11 want to consult a lawyer for assistance?

12 MR. WILF BEDARD: No, it does not.

13 MR. ROBERT DAWSON: And you'd further agree
14 to me -- with me that your script doesn't contain a
15 suggestion that a Claimant might want to contact non-lawyers,
16 but community resources that might be able to assist them?

17 MR. WILF BEDARD: I'm not sure what you mean
18 by "community resources"?

19 MR. ROBERT DAWSON: That's fine. I did --
20 and this will be my last question before I suggest to the
21 Chair that we break for lunch.

22 I did, however, note -- and if you'd go back
23 to Page 3 of the sheaf of documents, I did, however, note
24 that the script suggests at Question E, that if there's a
25 personal injury, it says that:

1 "The Caller will be advised of the
2 requirement to report to the Police."

3 Is that right?

4 MR. WILF BEDARD: Yes, that's right.

5 MR. ROBERT DAWSON: And there on the one (1)
6 hand, MPI is trying to remind a Claimant -- to give advice to
7 the Claimant -- that it has certain legal obligations under
8 the Highway Traffic Act. Is that right?

9 MR. WILF BEDARD: Yes.

10 MR. ROBERT DAWSON: And am I right that any
11 police report that, ultimately, would be filed would be of
12 interest to MPI when it assesses a claim?

13 MR. WILF BEDARD: No, not necessarily.

14 MR. ROBERT DAWSON: Would you grant to me
15 that it could be of use and has, indeed -- there are many
16 instances in which MPI does make use of police reports?

17 MR. WILF BEDARD: If we believe during the
18 course of the investigation that contents of a police report
19 may be of interest to the investigating case manager or
20 adjuster, we would look into it, yes.

21 MR. ROBERT DAWSON: So when you're giving
22 advice to a Claimant to contact the police and file a report,
23 am I right to say that you're also serving your own interests
24 in creating a report to check for consistency?

25 MR. WILF BEDARD: No, I wouldn't agree with

1 that. It's a requirement of all motorists who have accidents
2 to report to the police any losses that there is one thousand
3 dollars (\$1000) damage or injuries, personal injuries,
4 involved and we are just here advising people that they have
5 a requirement under the HTA to make those reports. That's
6 all.

7 MR. ROBERT DAWSON: So you're just trying to
8 be helpful, is that it?

9 MR. WILF BEDARD: That's what we're all
10 about.

11 MR. ROBERT DAWSON: And the fact that this
12 police report could some time come back and be useful to you
13 is just a happy coincidence; is that right?

14 MR. WILF BEDARD: Generally the police
15 reports are not very detailed. Describes very little of what
16 injuries did take place. Generally what we use them for, if
17 we do order them, it's to determine liability, where a
18 liability could be an issue or if, in fact, there is alcohol
19 involved potentially or whether there were concern about
20 there being a suspended driver involved. Those types of
21 things.

22 From an injury perspective it would be very
23 rare that a case manager handling an injury claim would find
24 any purpose in requesting a police report.

25 MR. ROBERT DAWSON: Mr. Chairman, on that

1 note I'm going to suggest that we'll suspend my questions for
2 lunch and we resume at the Chair's discretion.

3 THE CHAIRPERSON: Thank you, Mr. Dawson. So
4 we will plan to return then for 1:15. Thank you.
5

6 --- Upon recessing at 12:05 p.m.
7 --- Upon resuming at 1:21 p.m.
8

9 THE CHAIRPERSON: Mr. Dawson, whenever you're
10 ready.
11

12 MR. ROBERT DAWSON: Thank you, Mr. Chairman.
13

14 CONTINUED BY MR. ROBERT DAWSON:
15

16 MR. ROBERT DAWSON: Mr. Bedard, when we left
17 off before lunch we had just finished talking about the
18 initial contact with claimants and in the course of your
19 answers to me you had said some things about how you'll have
20 further contact with claimants after that initial contact.

21 Let's move ahead to those discussions if we
22 can. I'd suggested to you for lack of a better word that at
23 the initial stage, the first contact, MPI certainly has
24 trained its employees to be watching for, for lack of a
25 better word, red flags, is that right?

26 MR. WILF BEDARD: That is one (1) of many
27 things that they're trained to do and to watch for and to

1 document, yes.

2 MR. ROBERT DAWSON: And by red flags, would I
3 be right in saying that these are circumstances or facts that
4 raise suspicions that perhaps a false claim is being filed in
5 part or all?

6 MR. WILF BEDARD: Yes, that's essentially
7 what we mean by red flags.

8 MR. ROBERT DAWSON: And after that first
9 initial conversation that initial contact -- after that first
10 initial contact you said in your evidence that MPI may indeed
11 have other reasons to contact a Claimant. Is that right?

12 MR. WILF BEDARD: Certainly. As -- as I
13 mentioned, you know, that script is just the first notice of
14 loss where we're getting just basic information on an injury
15 claim. Following that the file is assigned to a case manager
16 and that case manager then contacts the individual.

17 They are the -- the injured party's
18 representative at MPI and that's the individual who will be
19 administering the benefits and will be dealing with that
20 individual on an ongoing basis.

21 MR. ROBERT DAWSON: As part of the training
22 of those sorts of individuals, they of course do receive
23 training in connection with how to handle PIPP claims. I'm
24 right on that point certainly?

25 MR. WILF BEDARD: You're making reference to

1 case managers?

2 MR. ROBERT DAWSON: That's correct.

3 MR. WILF BEDARD: Yes, they have quite an
4 extensive training.

5 MR. ROBERT DAWSON: And indeed if I
6 understand correctly, in response to the Manitoba Bar
7 Association's First Round Information Request, and there's no
8 need to turn to it just yet, question 72, the Corporation
9 produced yet another CD-ROM full of what is entitled, "PIPP
10 Training Manuals." Specifically one (1) of them was called
11 "The Initial Interview," and that was a PowerPoint slide
12 show.

13 Does that ring any bells, Mr. Bedard?

14 MR. WILF BEDARD: We have a number of
15 training modules. The majority of which are on PowerPoint
16 and having one (1) on the initial interview would make sense
17 to me, sure.

18 MR. ROBERT DAWSON: Would or would not, I'm
19 sorry?

20 MR. WILF BEDARD: It would.

21 MR. ROBERT DAWSON: Thank you. If you turn
22 to page 5 of the sheaf of documents, I'll show you what I
23 believe is slide 7 from a PowerPoint presentation that's
24 entitled on the CD that is MBA/MPI-1-72 -- is slide 7 of the
25 initial interview and it's entitled, "Red Flags."

1 Do you have that, sir?

2 MR. WILF BEDARD: Yes, I do.

3 MR. ROBERT DAWSON: Now, I understand on that
4 particular slide there's three (3) points there that indicate
5 what red flags might be, for example?

6 MR. WILF BEDARD: Yes.

7 MR. ROBERT DAWSON: And so the first red flag
8 that might arise is a question of whether or not the case
9 manager is able to reach someone at home by telephone.

10 Is that right?

11 MR. WILF BEDARD: Yes, that's one (1) of the
12 red flags. We have occasion where we repeatedly try and
13 contact somebody at home and they're not home and we discover
14 that they're doing something other than being disabled. It
15 happens rarely, but it is a red flag that case managers do
16 watch for.

17 MR. ROBERT DAWSON: And if you turn to the
18 next page in the Sheaf of Documents -- that's page 6 --
19 you'll see what purports to be slide 8 of that initial
20 interview PowerPoint presentation, which continues the list
21 of red flags. Do you have that, sir?

22 MR. WILF BEDARD: Yes, I do.

23 MR. ROBERT DAWSON: And you'll note that the
24 second one talks about the Claimant is evasive eye contact.
25 Does that mean that somebody who's not spending most of his

1 time looking at the case manager as the case manager speaks
2 to him is somehow raising a red flag, potentially?

3 MR. WILF BEDARD: I think what we're getting
4 at here is somebody who, perhaps, is not making eye contact
5 might be deemed to be a little bit suspicious, evasive in
6 their -- in their answers.

7 And I think it's a --a behaviour that could
8 lead one to be of the view that, perhaps, the individual's
9 not being completely forthright. It's one (1) of those
10 things that may or may not occur during an interview.

11 MR. ROBERT DAWSON: I don't know how to say
12 this politely, but as you answered that question you weren't
13 keeping eye contact with me. What should we infer from that?

14 Let's flip to Page 7 of the red flags. This
15 is slide 9 of the initial interview PowerPoint presentation
16 and there in the middle is, "Doesn't Like Job/Employer".
17 That's another of the potential red flags you're watching
18 for?

19 MR. WILF BEDARD: Yes.

20 MR. ROBERT DAWSON: So, if I put all of this
21 together am I right that a shy person maybe, who's stuck in a
22 dead-end job who happens to be in the washroom when MPI
23 phones, that triggers off red flags?

24 MR. WILF BEDARD: Certainly we wouldn't be
25 looking at one (1) of these things in isolation, but these

1 are the types of triggers that you will see in situations
2 where, perhaps, a person's not being entirely honest about
3 presenting themselves to their case manager. They may be
4 something -- they may not be.

5 There's things that adjusters are -- and case
6 managers on the injury side -- are asked to -- to look out
7 for. And if, in fact, they see something there that they
8 believe should be pursued, they do. If -- if not, then it's
9 -- it's left alone and we administer the claim.

10 These are the types of things, I think --
11 types of behaviours that you will see in terms of dealing
12 with somebody who is perhaps being less than forthright. And
13 this is only a part of the training that we give people.
14 Certainly -- you've highlighted them here, but they're only
15 an -- one (1) element of our initial interview training
16 module and there are things that people are asked to watch
17 out for.

18 MR. ROBERT DAWSON: Now you don't tell
19 Claimants -- that is, case managers don't tell Claimants that
20 they're watching them for red flags, do they?

21 MR. WILF BEDARD: No, they would not.

22 MR. ROBERT DAWSON: You made mention of the
23 fact that red flags are only one (1) of the things that claim
24 managers are watching for. If you turn to page 8 of the
25 sheaf of documents, you'll find slide 2 of that same initial

1 interview PowerPoint slide presentation entitled, "The
2 Meeting."

3 Do you have that, sir?

4 MR. WILF BEDARD: Yes, I do.

5 MR. ROBERT DAWSON: And the first question
6 there is where to meet? Do you see that?

7 MR. WILF BEDARD: Yes, I do.

8 MR. ROBERT DAWSON: And is it not a desired
9 instruction that's given to most MPI case managers that these
10 meetings, when possible, should be taking place on home
11 ground, that is, the Claimant's residence? Is that not, in
12 fact, the case?

13 MR. WILF BEDARD: Not necessarily. Sometimes
14 it's more convenient for the individual to come to our
15 offices; sometimes it's more convenient to meet in a neutral
16 place. Sometimes people don't want you coming to their home
17 and they'd much prefer you meeting in a coffee shop. It
18 could be a number of places.

19 These meetings do take place in a variety --
20 variety of venues and basically we leave it up to the
21 individual's discretion as to where they would feel most
22 comfortable meeting with their case manager.

23 MR. ROBERT DAWSON: Mr. Bedard, wouldn't you
24 have felt more comfortable if we could have come to your home
25 and asked these questions rather than getting dressed up and

1 coming downtown today?

2 MR. WILF BEDARD: No, I wanted to sport my
3 new yellow tie today.

4 MR. ROBERT DAWSON: Mr. Saranchuk undoubtedly
5 approves of your fashion sense.

6 These instructions relating to where to meet
7 and the red flags, this is all part of what, I understand, is
8 MPI's Patient Management Plan; is that right? It's a formal
9 document?

10 MR. WILF BEDARD: These PowerPoint slides
11 that you have here are taken out of the Training Manual CD,
12 which highlighted a number of training modules that case
13 Managers get during the course of their training and
14 development.

15 MR. ROBERT DAWSON: That's correct. But what
16 I'm saying is, is the notion of watching for red flags, the
17 notion of figuring out where to meet a Claimant. These
18 points that find their way into the training materials, they
19 ultimately do stem from MPI's written patient management
20 plan, don't they?

21 MR. WILF BEDARD: We do have a patient
22 management plan, a high level document in terms of how we
23 would like cases administered. Whether these specific points
24 are in that document, it's quite a lengthy document, I
25 haven't read it for a while. I'm not sure that they're in

1 there, but it wouldn't be surprising to me that they were.

2 MR. ROBERT DAWSON: If you turn to the
3 Manitoba Bar Association's First Round Interrogatory,
4 specifically question 22 and the answer provided, you will
5 find there, I suggest to you, a copy of the Patient
6 Management Plan, and I will wait while you flip.

7 Noting that you have that in front of you now,
8 I will ask you to turn to page 22 of the MPI patient
9 management plan. And if you would look in paragraph 1A and
10 read that into the record, please?

11 MR. WILF BEDARD:

12 "As the adjuster is the first point of
13 contact with the patient, it is expected
14 that they will be aware of potential red
15 flags from the onset of the claim. These
16 red flags may be recognized in a variety of
17 ways, including the initial interview,
18 observation of the patient on his home
19 ground, and a review of the patient's prior
20 claims history."

21 MR. ROBERT DAWSON: So, I will ask my
22 question again: Isn't it in fact the case that these PIPP
23 training materials, specifically the initial interview, draws
24 its substance from your patient management plan?

25 MR. WILF BEDARD: Yes, you're quite right.

1 We do mention the red flags in the plan.

2 MR. ROBERT DAWSON: Is it fair to
3 characterize the Patient Management Plan as an attempt by MPI
4 to control costs at the same time as it maintains customer
5 service levels?

6 MR. WILF BEDARD: Yes, that would be a fair
7 comments.

8 MR. ROBERT DAWSON: And do I understand that
9 one of the goals of the Patient Management Plan is to
10 promote, in its words, a paradigm shift in the management of
11 injury cases away from disability models; is that fair to
12 say?

13 MR. WILF BEDARD: I'm not sure what you're
14 referring to as disability models, but if you're referring to
15 the adversarial Tort compensation scheme, yes, it was our
16 attempt to document how it is that we believe case managers
17 should be representing the Corporation and the customer, with
18 respect to the no-fault scheme.

19 MR. ROBERT DAWSON: That's not what I meant.
20 I will again ask you to turn to page 20 of the Patient
21 Management Plan, which again is at MBA/MPI-1-22, and the
22 first paragraph under the heading, "Evidence-Based Health
23 Care," reads, and I will quote:

24 "The Patient Management Plan is aimed at
25 promoting a paradigm shift in the

1 management of automobile injury cases away
2 from a disability model."

3 And as it seems that you confuse the notion of
4 what disability model was, I will go on to read what the
5 definition is:

6 "Quite often the proclamation of a
7 disability by a healthcare professional
8 actually creates one, in a kind of self-
9 fulfilling prophecy."

10 That's what I meant. So I'm going to ask the
11 question again: Is it not in fact one (1) of the goals of
12 the Patient Management Plan to try and promote this paradigm
13 shift?

14 MR. WILF BEDARD: Yes.

15 MR. ROBERT DAWSON: And if I understand
16 further, it seems that this document is saying that, the most
17 effective treatments of personal injury, is usually one (1)
18 that will promote the victim's early return to their usual
19 activities; is that right?

20 MR. WILF BEDARD: Yes, that's correct.

21 MR. ROBERT DAWSON: And you'd agree with me
22 that an early return to one's usual activities, probably
23 translates into lower PIPP costs for MPI; is that right?

24 MR. WILF BEDARD: That is certainly a
25 reality, yes. But what we find is that if we can get people

1 focussed on returning to normal rather than focussing on the
2 pain and being ill and proving disability, it's better off
3 for them and it's better off for the organization as well and
4 the premium payers of Manitoba.

5 MR. ROBERT DAWSON: The patient management
6 plan is trying to drive people away from what it calls a
7 disability model in the sense do I understand that, a
8 disability model would actually increase the costs, the PIPP
9 costs that MPI faces?

10 MR. WILF BEDARD: Yes, you potentially could.

11 MR. ROBERT DAWSON: And specifically I'm
12 thinking that if someone's unable to return to his or her
13 usual daily activities, this for example may trigger off any
14 income replacement costs, is that right?

15 MR. WILF BEDARD: Yes.

16 MR. ROBERT DAWSON: Part of the Patient
17 Management Plan, I understand, is also the suggestion that
18 healthcare providers should make regular reports to MPI on
19 the status of patients, is that right?

20 MR. WILF BEDARD: Yes, that's correct.

21 MR. ROBERT DAWSON: And the purpose of that
22 is to enable MPI to continue to monitor the way in which
23 these patients are treated, is that right?

24 MR. WILF BEDARD: Monitor their treatment
25 plan and to determine what entitlements they are under --

1 what entitlements they have under the plan, yes.

2 MR. ROBERT DAWSON: Now we needn't turn to it
3 but the plan actually prescribes what it entitles a health
4 care progress form which I understand is to be given to
5 healthcare providers for them to fill out and return back to
6 MPI, is that right?

7 MR. WILF BEDARD: Yes, that's correct.

8 MR. ROBERT DAWSON: As the vice-president of
9 the claims division, you probably know this better than
10 anyone else who deals with doctors, but isn't it a fact that
11 a large percentage of healthcare providers aren't very
12 familiar with this form?

13 MR. WILF BEDARD: I think they're quite
14 familiar with it. We did work with a number of medical
15 practitioners to design the form. Medical practitioners as a
16 rule, my experience is that they don't like any form, they
17 don't like filling in forms, they don't like having to take
18 their time to do that. But I couldn't speculate in terms of
19 whether the medical profession in general, like or dislike
20 the form.

21 MR. ROBERT DAWSON: Well, it's a fact isn't
22 it, that often and I do use the adverb often, these forms are
23 filled out incorrectly as far as MPI is concerned?

24 MR. WILF BEDARD: Sometimes they're filled
25 out incorrectly, meaning there's -- they're not complete,

1 yes.

2 MR. ROBERT DAWSON: Yes. I wasn't suggesting
3 that they were filled out incorrectly in the sense of
4 mis-diagnosis or otherwise. That's what I meant but doctors
5 simply don't know where to check, which box in making their
6 reports. That's what I was suggesting. You'd still maintain
7 your answer then?

8 MR. WILF BEDARD: Yes, I would.

9 MR. ROBERT DAWSON: And you would also agree
10 with me that doctors often will misuse terms. Things that
11 might mean one (1) thing to an insurance company, might not
12 mean the same thing to doctors?

13 MR. WILF BEDARD: Could you give me an
14 example? I'm not quite sure I would agree with that
15 statement.

16 MR. ROBERT DAWSON: That's fine. I'll take
17 that answer then. You mentioned in your earlier answer that
18 MPI does in fact try to give training to healthcare providers
19 on how they can deal with MPI, is that right?

20 MR. WILF BEDARD: I don't recall giving an
21 answer to that affect earlier today.

22 MR. ROBERT DAWSON: I thought, this is the
23 threat that I made to the court reporter, that I may call for
24 a read-back, much to her horror. We'll just go up and ask
25 this simple question. MPI does in fact offer training to

1 healthcare providers on among other things, how to fill out
2 healthcare progress reports, isn't that right?

3 MR. WILF BEDARD: Members of our healthcare
4 services team who are medical practitioners do, as during the
5 course of their duties at MPI, do provide training to
6 practitioners yes, and one of the modules is on filling in
7 medical report forms.

8 MR. ROBERT DAWSON: And the purpose of these
9 presentations is essentially to teach healthcare providers,
10 for lack of a better phrase, the MPI way of filling out these
11 forms, right?

12 MR. WILF BEDARD: I think the emphasis is on
13 making sure that the evidence that they document on the
14 report is complete, is meaningful and basically trying to get
15 the practitioners to understand what it is that we're looking
16 for so that we can manage the individual's claim expediently.

17 MR. ROBERT DAWSON: In the course of those
18 presentations I understand that healthcare providers are made
19 aware of the possibility, if not the likelihood, that MPI may
20 choose to contact them following upon the receipt of a
21 progress report; is that correct?

22 MR. WILF BEDARD: Yes, they're aware that the
23 potential is that they could be contacted by a member of our
24 healthcare services team or a case manager to -- to describe
25 the documentation on the medical report and talk about the

1 individual's progress in general.

2 MR. ROBERT DAWSON: Am I correct that some of
3 these -- for lack of a better word -- consultations relating
4 to the form might also be to urge a doctor or healthcare
5 provider to -- and I'll give this as an example -- reconsider
6 passive treatment in favour of something that would be away -
7 - part of this paradigm shift away from the visibility model?

8 MR. WILF BEDARD: That could be part of the
9 context of a conversation that would take place, yes.

10 MR. ROBERT DAWSON: And isn't it also a fact
11 that there might be urgings on behalf of MPI that certain
12 entries on the form, perhaps, should be changed in order to
13 reflect certain realities?

14 MR. WILF BEDARD: I don't know if they would
15 change the form, but there might be a request for further
16 information to be filed if, in fact, there was something that
17 came out of that conversation that wasn't documented on that
18 form. I don't think that we would ask any medical
19 practitioner to change a form that was already filed.

20 MR. ROBERT DAWSON: Just in general terms,
21 and I know that time is of the essence today, so we can move
22 fairly quickly, what happens to the payment of benefits when
23 a claim is, for some reason, denied, whether because of red
24 flags or evidence that's found in healthcare progress
25 reports.

1 What happens to the payment of benefits when
2 that happen -- when that occurs?

3 MR. WILF BEDARD: Well, first of all, we
4 wouldn't deny a claim for a finding on a red flag. That
5 might be the -- would cause a more detailed investigation to
6 take place, but we certainly wouldn't deny any entitlement on
7 that alone.

8 If, in fact, there is a reason to cease
9 benefits, we do send decision letters out to people
10 explaining to them in a comprehensive way why it is that
11 we're ceasing entitlement and they would get that with all
12 the explanation they required.

13 We would give them a date as to when coverage
14 would be terminated and that would go out to the Claimant
15 providing them will all the details and the reasons why.

16 MR. ROBERT DAWSON: And I assume that same
17 answer would apply if, instead of denying benefits, there was
18 merely an order reducing those benefits.

19 MR. WILF BEDARD: Yes, that's correct.

20 MR. ROBERT DAWSON: Now, you indicated that a
21 letter goes out, in your words, providing all the explanation
22 that they require. Part of that explanation would be to
23 alert a Claimant to the possibility of launching what -- for
24 lack of a better word -- we'll call the Internal Review
25 process within MPI?

1 MR. WILF BEDARD: Yes.

2 MR. ROBERT DAWSON: And in that letter that
3 goes to a Claimant whose benefits have been denied or
4 reduced, again, the Claimant -- and I'm not trying to be
5 facetious -- but again, the Claimant is not told about the
6 four (4) elements of proof that MPI employees are trained
7 about.

8 Is that correct?

9 MR. WILF BEDARD: I've never seen them in a
10 decision letter yet, no.

11 MR. ROBERT DAWSON: And it would be fair to
12 say that a decision letter also wouldn't explain what the
13 standard of proof, the burden of proof, is?

14 MR. WILF BEDARD: No.

15 MR. ROBERT DAWSON: And a decision letter
16 also wouldn't advise or suggest to a Claimant that he or she
17 contact a lawyer or some other resource to assist?

18 MR. WILF BEDARD: No, they're given full
19 details as to why their claim has been denied or reduced and
20 explained the process on how to file an Internal Review.

21 MR. ROBERT DAWSON: Do I understand
22 correctly, based on the information that MPI has provided as
23 part of these filings, that on average, about fifty-four (54)
24 days will pass between the filing of an Internal Review and
25 the determination on that Review, subject to your

1 confirmation?

2 MR. WILF BEDARD: On average that sounds
3 about right, yes.

4 MR. ROBERT DAWSON: And am I correct that
5 while an Internal Review is underway the payment of benefits
6 will either have been terminated or reduced -- been reduced
7 in accordance with the decision letter?

8 MR. WILF BEDARD: Yes. Whatever the decision
9 letter was advising the person we were going to do, whether
10 it was reducing or ceasing income replacement or altering
11 medical expense coverage or personal care, whatever the
12 element was that we were denying or reducing, that would
13 cease.

14 If there were any other entitlements that they
15 were getting, that would continue to continue to be paid. We
16 would only stop payment on whatever specifically the decision
17 letter was referring to.

18 MR. ROBERT DAWSON: Where a Claimant objects
19 to the finding of Internal Review, very briefly, what's the
20 option that's open to that Claimant to challenge an Internal
21 Review relating to personal injury?

22 MR. WILF BEDARD: The -- again, they are able
23 to file an appeal to the Appeal Commission which is an
24 independent body that refuse -- reviews the decisions of
25 Internal Review that the claimants aren't satisfied with.

1 MR. ROBERT DAWSON: And -- and of course a
2 Claimant who has received the determination on Internal
3 Review is of course told about the appeal process that's
4 available to him or her?

5 MR. WILF BEDARD: Yes, they are.

6 MR. ROBERT DAWSON: And in the process of
7 explaining to the Claimant about the availability of appeal,
8 I assume that just as it occurred in their first original
9 decision letter, there's no explanation again about the
10 elements of proof?

11 MR. WILF BEDARD: No.

12 MR. ROBERT DAWSON: And, of course, there's
13 no explanation relating to the burden of proof and how the
14 standard should be met?

15 MR. WILF BEDARD: No.

16 MR. ROBERT DAWSON: And again there's no
17 explanation or suggestion that the Claimant should contact a
18 lawyer or seek the assistance of some other community
19 resource?

20 MR. WILF BEDARD: We do suggest to them in --
21 in those letters that they could file a report to the
22 Ombudsman's Office for example that those types of things are
23 in the letter but I don't believe there's any reference to a
24 suggestion that they seek legal counsel.

25 MR. ROBERT DAWSON: And am I right based on

1 filings of MPI's part of this application process that on
2 average about a hundred and seventy (170) days will pass
3 between the determination of an Internal Review and the
4 determination by the Appeal Commission?

5 Is that about right subject to your
6 confirmation?

7 MR. WILF BEDARD: Yes, that's about right.
8 But you must keep in mind that an individual is given ninety
9 (90) days in which to file a claim with the Appeal
10 Commission, so that would include that period of time. Some
11 of them file their claims within a few days, some of them
12 almost take the full ninety (90) days. That figure you
13 quoted would include that filing period.

14 MR. ROBERT DAWSON: That's quite fair to
15 point out. By my rough calculation then if we include the
16 Internal Review process together with the Appeal Commission
17 process, on average, based on the numbers MPI has produced,
18 approximately two hundred and twenty-four (224) days pass or
19 about seven and half months (7 1/2) months on average.

20 Does that sound about right, subject to
21 confirmation?

22 MR. WILF BEDARD: Yes, it does.

23 MR. ROBERT DAWSON: And all during that time
24 of course, the benefits that are in dispute will either have
25 been terminated or they will have been reduced; is that

1 right?

2 MR. WILF BEDARD: As we discussed earlier,
3 yes.

4 MR. ROBERT DAWSON: Now for people like me
5 who would make all of these complaints, so to speak, your
6 response, if I understand in your pre-filed evidence, is that
7 you conduct customer satisfaction surveys and you conclude
8 that things are in your words quite encouraging; is that fair
9 to say?

10 MR. WILF BEDARD: Yes.

11 MR. ROBERT DAWSON: If you would turn to page
12 9 of the sheaf of documents, you'll see what I'll describe to
13 you as an excerpt from the Manitoba Bar Association's First
14 Information Request Round, specifically question 36 that
15 triggered the production of a most recent survey. And this
16 page 9 of the sheaf of documents is merely one (1) page of
17 that survey.

18 Are you prepared to agree that that's the
19 document we're looking at on that page?

20 MR. WILF BEDARD: Yes, it looks like a page
21 from our questionnaire from our customer surveys.

22 MR. ROBERT DAWSON: And at the foot of that
23 page in the square box which I should point out for the
24 purposes of the record, has been added in the sheaf of
25 documents and does not appear in the original Information

1 Request reply. There is the scale of satisfaction, for lack
2 of a better word, that survey participants are presented
3 with; is that right?

4 MR. WILF BEDARD: Yes.

5 MR. ROBERT DAWSON: And if I read it
6 correctly it begins by the question would have been asked to
7 a survey participant and then they'd be asked to rate it as
8 being -- as being very dissatisfied, dissatisfied, satisfied,
9 or very satisfied."

10 Is that right?

11 MR. WILF BEDARD: Yes.

12 MR. ROBERT DAWSON: And that kind of a scale
13 of response is repeated or is typical throughout much of this
14 survey; you'd agree with that?

15 MR. WILF BEDARD: Yes.

16 MR. ROBERT DAWSON: And you'd also agree that
17 the order in which the replies are listed is also fairly
18 typical. By that I mean we begin with very dissatisfied and
19 the last words that the survey participant hears is very
20 satisfied. Is that right?

21 MR. WILF BEDARD: Yes.

22 MR. ROBERT DAWSON: Now, this customer survey
23 purports to be an independent customer survey that's done by
24 a third party; is that right?

25 MR. WILF BEDARD: Yes, they're -- they're

1 drafted by corporate staff, but the exercise of going through
2 the surveys, conducting the surveys with Claimants is done
3 externally.

4 MR. ROBERT DAWSON: Well, you anticipate some
5 of the questions we're getting to so, you agree with me that
6 the questions that appear in this survey are, in fact,
7 created, as you said, by MPI's corporate staff; is that
8 right?

9 MR. WILF BEDARD: Yes.

10 MR. ROBERT DAWSON: And am I also not correct
11 in saying that MPI actually selects who might possibly be
12 contacted as a survey participant?

13 MR. WILF BEDARD: It's done on a computer
14 system at random. There's no personal isolation as to who's
15 going get contacted and who's not. The only selection
16 criteria that we have that eliminates people from that
17 computer run would be people who have had a death in their
18 family or people who have suffered a catastrophic injury.
19 We've taken those out -- out of the -- the data set.

20 Other than that, the individual samples are
21 done -- or the individuals selected to be surveyed are done
22 at random.

23 MR. ROBERT DAWSON: Not to be too picky, but
24 I believe you'll also want to add to that list, people who
25 are MPI employees.

1 MR. WILF BEDARD: I believe that's correct,
2 yes. Thank you.

3 MR. ROBERT DAWSON: I had nothing to do on
4 the weekend, you see. I read all of the material even though
5 it really didn't relate to what I was doing.

6 When I asked the question just now about MPI
7 selecting the pool, what I meant is, is that the customer
8 database of MPI is not simply turned over to the independent
9 survey company, is it?

10 MR. WILF BEDARD: No.

11 MR. ROBERT DAWSON: In fact, MPI culls from
12 that database pools of potential survey respondents, right?

13 MR. WILF BEDARD: We do the run internally
14 and we give them the sheets to contact the individuals, yes.

15 MR. ROBERT DAWSON: And in terms of
16 contacting the individuals, MPI also sets down the parameters
17 as to how many people in certain categories should be
18 contacted by the survey company; is that right?

19 MR. WILF BEDARD: Yes.

20 MR. ROBERT DAWSON: And I also understand
21 that once the survey has begun, I believe the phrase is, Once
22 the poll is in the field, MPI still can come back and change
23 the questions for any reason; is that right?

24 MR. WILF BEDARD: No, I don't believe that is
25 right. The questions remain static from survey to survey.

1 We try and maintain consistency so we can compare the
2 results. Periodically the surveys are reviewed for upgrading
3 for improvement, but I do not believe that they would change
4 the question set during a particular poll being exercised in
5 the field.

6 MR. ROBERT DAWSON: The question was, could,
7 not would, and would that clarification change your answer,
8 Mr. Bedard?

9 MR. WILF BEDARD: No.

10 MR. ROBERT DAWSON: Mr. Bedard, I refer you
11 to the Manitoba Bar Association's Information Request of the
12 first round, Question 36, which is not in the sheaf of
13 documents.

14

15 (BRIEF PAUSE)

16

17 MR. ROBERT DAWSON: In the answer to question
18 36, MPI has produced a copy of the contract with the
19 independent survey company.

20 Do you see that, sir?

21 MR. WILF BEDARD: Yes, I do.

22 MR. ROBERT DAWSON: Could you turn to page 5
23 of that contract, please? Would you read into the record the
24 first sentence of paragraph 2.0.20?

25 MR. WILF BEDARD: "Manitoba Public Insurance

1 reserves the right to modify the Survey
2 over the course of the Project, with
3 questions being added or deleted as
4 required. Such changes will only increase
5 the Survey by one (1) or three (3) -- by
6 one (1) to three (3) minutes. The new
7 questions will be tested prior to actual
8 fielding."

9 MR. ROBERT DAWSON: So, am I not correct in
10 saying that MPI could change the questions if it didn't like
11 the answers that it was getting?

12 MR. WILF BEDARD: If he could, Mr. Chairman,
13 I'd like Mr. Dawson to clarify. I thought his question was
14 that could these changes take place in mid-survey. Was that
15 not your question, rather than in the course of -- of this
16 contract?

17 MR. ROBERT DAWSON: I'm going to suggest that
18 the answer would be the same in either case, but we will take
19 them one at a time. Eager Ms. McLaren, would like to answer
20 the question. Go ahead.

21 MS. MARILYN MCLAREN: Yes, eager Ms. McLaren.
22 This is a contract for a three (3) year piece of work. So it
23 is, and as Mr. Bedard indicated, we run these surveys on a
24 regular basis so that we can compare the results, survey to
25 survey. So we certainly reserve the right to add questions

1 during the three (3) year period, not in the middle of a
2 particular polling in the field.

3 MR. ROBERT DAWSON: So you would say that I'm
4 wrong, and anyone else who agrees with me would be also
5 wrong, to interpret paragraph 2.02(o) as saying that MPI has
6 the right to change the answer -- change the questions to
7 surveys, once the poll is in the field?

8 MS. MARILYN MCLAREN: Yes.

9 MR. ROBERT DAWSON: Thank you. I have your
10 answer. The survey result, Mr. Bedard, of the most recent
11 year is reported, if I've read this correctly, in the CAC's
12 First Round of Information Requests at question 10; would you
13 turn to that for me, please?

14 MR. WILF BEDARD: CAC-1-10, yes, I have it.

15 MR. ROBERT DAWSON: And if I understand the
16 answer that MPI has given correctly, it reports on the
17 results of a customer satisfaction survey for the year
18 2003/2004; am I correct on that?

19 MR. WILF BEDARD: That's correct.

20 MR. ROBERT DAWSON: In the left column of the
21 table, under the heading, "Claimant Type," there appeared to
22 be three (3) categories of survey participants. The first is
23 those who have suffered physical damage; is that right?

24 MR. WILF BEDARD: Yes.

25 MR. ROBERT DAWSON: And according to the

1 Customer Satisfaction Survey for 2003/04, the -- well, 85
2 percent of those who have suffered physical damage, were
3 expressing satisfaction with the way in which MPI handled
4 their claim; am I interpreting that correctly?

5 MR. WILF BEDARD: Out of those surveyed, the
6 satisfaction index is 85 percent, yes. From a target of
7 seventy-five.

8 MR. ROBERT DAWSON: I think we will get to
9 the targets in a moment. Let me just make sure that I
10 understand the results correctly.

11 Next row talks about BI Medex, which I believe
12 is short for bodily injury medical expenses, which as far as
13 I understand it, are the fairly straight forward medical
14 claims; is that right?

15 MR. WILF BEDARD: Yes.

16 MR. ROBERT DAWSON: And there we have a reply
17 of 72 percent of the survey respondents expressing
18 satisfaction; is that right?

19 MR. WILF BEDARD: Yes.

20 MR. ROBERT DAWSON: And then the last line
21 talks about the BI Non-Medex, bodily injury non-medical
22 expenses, which I understand are the more complicated or
23 protracted medical claims; is that fair to describe it that
24 way?

25 MR. WILF BEDARD: Correct.

1 MR. ROBERT DAWSON: There we have 63 percent
2 of claimants expressing satisfaction with MPI; is that right?

3 MR. WILF BEDARD: Yes.

4 MR. ROBERT DAWSON: Now if I remember the way
5 in which the survey scale is set, that means that in order to
6 express satisfaction, one would have replied either that one
7 is satisfied or very satisfied, in order to fall under these
8 percentages; is that correct?

9 MR. WILF BEDARD: These surveys are done by -
10 - or calculated, the results are calculated by corporate
11 staff who have a lot of training and expertise in polling and
12 calculating satisfaction.

13 They have a complex contracted way of
14 calculating this, to the extent that I don't totally
15 understand. These are not percentages, these are an index
16 out of one hundred (100), not a percentage. They keep
17 referring to that.

18 But to your question, yes, it is 63 percent
19 being the target result on the non-medex side of business of
20 sixty-five (65).

21 MR. ROBERT DAWSON: Well again, Mr. Bedard,
22 we'll get to the targets in just a moment. I'm just trying
23 to make sure I understand this correctly.

24 Now, I know that the actuaries have been
25 talking at length about things that put you and I both under

1 the table. So I won't get into asking you that, but am I
2 wrong then when I talk about the index and try to equate it
3 as a percentage?

4 Am I wrong in doing that?

5 MR. WILF BEDARD: Again, the results is out
6 of an indice of one hundred (100), not a percentage but it's
7 natural for the layman such as yourself and myself to look at
8 it as a percentage. If the poll experts were here they would
9 say no, that's wrong. But I think for the purposes of our
10 discussion treating it as a -- as a percentage is quite all
11 right.

12 MR. ROBERT DAWSON: I think if you turn left
13 you'll see a poll expert approaching you.

14

15 (BRIEF PAUSE)

16

17 MR. ROBERT DAWSON: Do we want to leave that
18 as your answer or was there more information for the experts?

19 MR. WILF BEDARD: Basically what I was told
20 was that we use the one hundred (100) as a base for the first
21 year as the base index and the results are year over year
22 calculated by using that as a base. But no, for the purposes
23 of our discussion here I think that treating these as we are
24 is quite satisfactory. It's close enough.

25 MR. ROBERT DAWSON: Or in the words of Mr.

1 Galenzoski, Close enough for government work. That was last
2 Wednesday. So if I want to make sure I understand this
3 correctly, in terms of the bodily injury Medex on average
4 about seven (7) out of ten (10) people express the view that
5 they're satisfied or very satisfied with MPI, is that right?

6 MR. WILF BEDARD: On the handling of their
7 claim, yes.

8 MR. ROBERT DAWSON: Yes, of course. And as a
9 corollary, does it not also follow that about three (3) out
10 of ten (10) people are expressing the view in the survey that
11 they're dissatisfied or very dissatisfied with MPI?

12 MR. WILF BEDARD: Yes.

13 MR. ROBERT DAWSON: And turning to the BI
14 non-Medex am I also correct to say that about four (4) our of
15 ten (10) people are expressing the view, on the independent
16 customer survey, that they are dissatisfied or very
17 dissatisfied with MPI?

18 MR. WILF BEDARD: Yes.

19 MR. ROBERT DAWSON: Now let's turn to the
20 targets that you were speaking about earlier. The target for
21 physical damage in the year 2003/04 was seventy-five (75),
22 and in fact the survey gave you eighty-five (85) so you beat
23 the target by a healthy margin, right?

24 MR. WILF BEDARD: Yes. The target has not
25 changed since we started doing these surveys. It's not set

1 every year. The target has been static.

2 MR. ROBERT DAWSON: And if we look to the BI
3 Medex the target was sixty-five (65), and again the BI Medex
4 response was seventy-two (72), so you've surpassed the target
5 that you set for yourself?

6 MR. WILF BEDARD: Yes.

7 MR. ROBERT DAWSON: And then in terms of the
8 BI non-Medex the target again was sixty-five (65) and you
9 almost made the target just slightly below the target at
10 sixty-three (63), right?

11 MR. WILF BEDARD: Yes. The reason why we
12 have not reached the target this past year, not only does the
13 survey gives us a result, it gives us the reasons why people
14 are giving us less that satisfactory responses. And this
15 past year we've had some difficulty dealing with the volume
16 of payments. Our payments have been a little bit slower than
17 our service standard requirement.

18 And as soon as you don't pay people when
19 they're expecting to be paid, dissatisfaction comes out in
20 the surveys. The other thing that we've learned is that if
21 in fact you don't do a particularly good job in the eyes of
22 the customer in terms of customer contact, keeping in touch
23 with them and responding to telephone calls and their needs
24 on a timely basis also that's a key indicator in terms of
25 dissatisfaction.

1 So those in this -- this year of surveys
2 '03/'04 year, those are the two (2) key components where
3 people have become dissatisfied with our handling of their
4 claim.

5 MR. ROBERT DAWSON: Am I right that you've
6 used -- you've deliberately selected to use a lower target
7 for bodily injury survey participants than you did for
8 physical. Right?

9 MR. WILF BEDARD: Yes, that was done
10 deliberately. These were set by the -- the polling experts
11 at MPI looking at the -- the research that's available in
12 terms of what a proper target should be for an industry such
13 as MPI and these targets were set by them.

14 MR. ROBERT DAWSON: Now, I understand the
15 target, when it comes to physical damage, in fact, relies
16 upon a polling industry standard that's used in insurance and
17 financial sector business.

18 Is that right?

19 MR. WILF BEDARD: Yes, that's correct.

20 MR. ROBERT DAWSON: But when it came to the
21 bodily injury claims, instead of using the insurance and
22 financial sector, you combined the targets that are used for
23 public administration and healthcare.

24 Is that right?

25 MR. WILF BEDARD: I believe that is right. I

1 know that they used a different index. They were looking at
2 companies that use -- that are involved in disability
3 management, that sort of thing, to calculate the -- the
4 target on the injury side.

5 MR. ROBERT DAWSON: So, when it comes to the
6 bodily injury business, am I right to say that MPI doesn't
7 really think of itself as being in the insurance business,
8 but instead it's in the public administration business?

9 MR. WILF BEDARD: Those targets were used by
10 using the best practices on -- in -- in North America in
11 terms of how to best calculate and target a -- satisfaction
12 for the type of business that we're in when we're dealing
13 with injury management.

14 MR. ROBERT DAWSON: Do you know what the --
15 the target -- what the target is based on that the Workers'
16 Compensation Board uses when it conducts customer
17 satisfaction surveys?

18 MR. WILF BEDARD: No, I -- I'm not aware of
19 how they calculate their target.

20 MR. ROBERT DAWSON: And do you know what
21 arrangements that the Workers' Compensation has with its
22 independent customer satisfaction polling company?

23 MR. WILF BEDARD: No, I don't.

24 MR. ROBERT DAWSON: Do you not see yourself,
25 that is MPI, as providing the same kind of coverage to those

1 who are injured as perhaps the Workers' Compensation Board?
2 MR. WILF BEDARD: I'm sorry, could you repeat
3 the question, please?

4 MR. ROBERT DAWSON: Sure, and I'll preface
5 it. I remember last week, or two (2) weeks ago, now Ms.
6 McLaren was talking about how the majority of injuries that
7 MPI handles relate to whiplash-type injuries, whereas the
8 Workers' Compensation Board seems to more be dealing with
9 back injuries.

10 And I'm going to suggest to your for a starter
11 and you can tell me if I'm wrong on this assumption, that
12 both the Workers' Compensation Bureau as well as MPI, are in
13 the business of compensation people who, for various reasons,
14 have suffered an injury.

15 Is that right?

16 MR. WILF BEDARD: Yes.

17 MR. ROBERT DAWSON: And I'm going to suggest
18 to you that as far as the injured Claimant is concerned, they
19 see both of you as an insurance company.

20 Would you agree with that?

21 MR. WILF BEDARD: Yes.

22 MR. ROBERT DAWSON: I'm going to further
23 suggest to you that it seems unlikely that a Claimant would
24 view you in the same way that it might view, for example, the
25 government office that issues a hunting licence, which would

1 be a public administration function.

2 Would you agree with that?

3 MR. WILF BEDARD: Yes.

4 MR. ROBERT DAWSON: And yet you maintain that
5 one (1) of the basis for the targets for bodily injury that
6 has been selected is an affiliation with public sector --
7 public administration activities?

8 MR. WILF BEDARD: Again, this is calculated
9 and using the -- the evidence and -- that's available in the
10 North American market when it comes to polling, these targets
11 were done by experts using whatever resources they felt were
12 appropriate and the targets are set as you described by using
13 the expertise of others and -- that we've been aware of to
14 come to these calculations.

15 So, you know, whether we are part of a public
16 administration or not I think the -- the people who selected
17 the target were using the data to -- to come up with a target
18 that was suitable and we've accepted those and they've come
19 up with a target of sixty-five (65) and it's been sixty-five
20 (65) since we set these targets some four (4), five (5) years
21 ago.

22 MR. ROBERT DAWSON: So you find it quite
23 encouraging that, depending on which category of medical
24 expenses is incurred, three (3) out of four (4) -- or three
25 (3) out of ten (10) rather, or four (4) out of ten (10)

1 claimants can be dissatisfied using this target that you've
2 selected yourself, and that's -- that's okay?

3 MR. WILF BEDARD: Well, you have to realize
4 that these are, as you have described, more serious, lengthy
5 claims and perhaps the same people can be polled more than
6 once over the years. And they could be quite happy with
7 many, many decisions that are made, could be happy with their
8 case manager over many, many months and be very satisfied.

9 But one thing that we disagreed on, perhaps,
10 an entitlement of something that they felt was appropriate
11 and -- and we didn't, and that would be enough to turn, you
12 know, the survey results because of their dissatisfaction.

13 So, what I'm saying is we could do many, many
14 things over a period of time that keeps these individuals
15 happy and -- and providing good customer service responses to
16 the surveys, and then over time, can find something that --
17 that we've denied or they felt was inappropriately handled by
18 us, and have, you know, adverse results as a result.

19 On the physical damage side, those losses are
20 very short-term. Most of our property damage claims rotate
21 within about ninety (90) days. We have a very good system in
22 -- in how to deal with those. The satisfaction is high as a
23 result of what we provide in terms of managing our physical
24 damage losses.

25 The bodily injury Medex stuff, as you said,

1 are minor medical expense claims, don't generally have a long
2 tail to them, so satisfaction is easily attained -- easier to
3 attain. But the non-Medex stuff, it is a little more complex
4 in terms of the nature of the injury, the long term on which
5 we're dealing with these individuals.

6 And would I like to see the index higher and
7 sixty-three (63)? Absolutely, I would. But it's going to be
8 a difficult task and -- and costs money in terms of
9 increasing the resources that -- that are handling these
10 claims.

11 So, no, I'm not completely satisfied with
12 that, but it is close to the target. In the previous year to
13 this, we were at or above the target and we're slightly down
14 during this polling year for the reasons that I stated
15 earlier.

16 MR. ROBERT DAWSON: Thank you, Mr. Bedard.
17 If we can move to Ms. McLaren now, less of a cross-
18 examination than a conversation, if we can.

19 Let's begin with the quality of administrative
20 justice and its impact upon MPI's corporate goals. You spoke
21 on the Wednesday of two (2) weeks ago about the importance of
22 affordable premiums and keeping people in the game.

23 Do you remember that?

24 MS. MARILYN MCLAREN: Yes.

25 MR. ROBERT DAWSON: And am I correct to say

1 that what you're concerned about, in part, is uninsured
2 drivers who find the premiums too high and decide that they
3 will drive nonetheless.

4 Is that part of your concern?

5 MS. MARILYN MCLAREN: Yes.

6 MR. ROBERT DAWSON: Would it be fair to say
7 that the Corporation is also concerned about drivers who are
8 suspended, but who also decide, for various reasons, to
9 ignore their suspension and drive effectively uninsured?

10 MS. MARILYN MCLAREN: Yes, that would
11 certainly be a concern as well.

12 MR. ROBERT DAWSON: And you know that
13 suspended drivers will often make applications to, for
14 example, the License Suspension Appeal Board, hoping to
15 recover all or part of their driving privileges?

16 MS. MARILYN MCLAREN: Yes, that would be
17 fair. I think, generally, in practise that process may --
18 people may use that process to deal with an upcoming
19 suspension or they may use that process to seek a
20 reinstatement of a suspension that has already occurred.

21 MR. ROBERT DAWSON: And where the Board
22 decides not to grant the outcome that a suspended driver had
23 sought, you'd agree with me that the suspended driver who
24 finds that he or she has been fairly treated by a Tribunal or
25 understands the nature of the decision that was made, is more

1 likely to, in your words, stay in the game; that is, not
2 drive suspended?

3 MS. MARILYN MCLAREN: I'm not sure that I
4 would have an opinion on that.

5 MR. ROBERT DAWSON: Let me ask the broader
6 question then, simply saying, has MPI ever considered lending
7 support or funding to any organization that might provide
8 training to tribunals such as the Licence Suspension Appeal
9 Board to improve the quality of their justice?

10 MS. MARILYN MCLAREN: No. That certainly has
11 been well outside the Corporation's mandate and -- and realm
12 of activities. Even with the addition of DDVL to the
13 Corporation's mandate, the Licence Suspension Appeal Board
14 continues to reside with government, not with Manitoba Public
15 Insurance.

16 MR. ROBERT DAWSON: I was just trying to get
17 a free lunch for the Chairman at his next meeting of the
18 Manitoba Council of Administration Tribunals, so let's move
19 on.

20 In the course of a Manitoba Bar Association's
21 interrogatories or first round of interrogatories, and really
22 -- you can turn to it if you like, but there's not going to
23 be a need, I plan to do this quickly. The -- the Corporation
24 responded to a question relating to the bar on private
25 litigation relating to uninsured drivers who cause physical

1 damage or personal injury.

2 Do you remember that question? It comes at
3 MBA First Round 82 and -- and following.

4

5 (BRIEF PAUSE)

6

7 MR. ROBERT DAWSON: I have no objection to us
8 turning to those things, but I really don't plan to spend a
9 lot of time here, but it's -- could you comment please on
10 whether or not the Corporation thinks that the bar against
11 private litigation, against uninsured drivers, is a
12 worthwhile legislative position?

13 MS. MARILYN MCLAREN: No, the -- the
14 Corporation wouldn't comment on that.

15 MR. ROBERT DAWSON: The Corporation, as far
16 as I understand it, has never considered whether or not a
17 change to that legislative provision would impact either
18 favourably or otherwise upon the revenues or expenses that
19 the Corporation incurs?

20 MS. MARILYN MCLAREN: No.

21 MR. ROBERT DAWSON: Is it fair to say, and I
22 don't wish to be flippant in this categorization, that the
23 notion of reform relating to the private litigation bar
24 relating to uninsured drivers, is simply something that the
25 Corporation has never bothered to look at for any number of

1 reasons?

2 MS. MARILYN MCLAREN: It's not something that
3 we've looked at, no.

4 MR. ROBERT DAWSON: Okay. And again, in the
5 Information Request, the Bar Association had asked -- and I
6 see Mr. McCulloch starting to turn -- this appears at 1-90 of
7 the Manitoba Bar Association's Information Request and again
8 I'm going to be very brief.

9 We had asked a similar question relating to
10 extraterritorially insured drivers and, for the record, I'm
11 indicating drivers who are insured outside of Manitoba, that
12 is by agencies other than MPI. And there the Corporation
13 responds to a question that the Bar Association had asked,
14 again succinctly stated what the law is which bars
15 litigation. No? He shakes his head.

16 MR. KEVIN MCCULLOCH: Perhaps, Mr. Dawson,
17 you'd like to read the -- the answer.

18 MR. ROBERT DAWSON: Well, we can do that. I
19 was trying to be as speedy as possible, given our time
20 constraints here and given that I am almost at the end of my
21 questions. The question that was asked was:

22 "When insured alleges financial or economic
23 loss or personal injury arising out of the
24 negligence of an extraterritorially insured
25 driver, is it the position of the Applicant

1 that Manitoba law precludes an insured from
2 bringing legal proceedings against that
3 extraterritorially insured party without the
4 consent, cooperation, or involvement of
5 MPI."

6 And the reply comes back and if I can be
7 permitted for time reasons to paraphrase, essentially it has
8 nothing to do with cooperation, consent, or involvement of
9 MPI. It is merely a legislative bar against litigation; is
10 that accurate?

11 MS. MARILYN MCLAREN: No, I don't believe it
12 is accurate. The Corporation does have a right of
13 subrogation against the extraterritorial -- I'll read what's
14 here:

15 "Under the provisions of Section 77 we --
16 MPI -- has the right of subrogation against
17 the liable extraterritorially insured driver
18 for the amount of PIPP benefits paid to the
19 injured parties. The Corporation also has a
20 right of subrogation against the liable
21 extraterritorially insured driver for any
22 damage caused to third party vehicles
23 insured by MPI."

24 In my opinion, the point here is that we -- we
25 have the right of subrogation. I can tell you that we use it

1 regularly and aggressively that it simply is not the -- the
2 Manitoba policy holders does not have to assume that act and
3 they don't have to worry about it. It doesn't matter whether
4 we consent, co-operate or we are involved. We have that
5 right of subrogation and we use it regularly.

6 MR. ROBERT DAWSON: I suppose where for time
7 reasons I was trying to abbreviate and ask the question is
8 simply that there is a litigation bar with respect to the
9 actual individual where there's no subrogation; isn't that
10 right?

11 MS. MARILYN MCLAREN: Yes, the individual
12 cannot sue.

13 MR. ROBERT DAWSON: And just as when I asked
14 earlier about uninsured drivers I'm going to ask, does the
15 Corporation believe that that legislative position is
16 worthwhile being maintained or does the Corporation think
17 there could be change or should be changes rather, not could?

18 MS. MARILYN MCLAREN: No. The Corporation
19 believes that the legislation, as it stands, works well.

20 MR. ROBERT DAWSON: And just as in the
21 context of the uninsured driver, am I right to say the
22 Corporation doesn't actually track whether or not a change to
23 the legislation would increase its revenues or increase its
24 expenses?

25 MS. MARILYN MCLAREN: No. The Corporation

1 recovers the cost of injuries through its subrogation
2 efforts. So there'll be nothing to track would we reduce our
3 cost or not. We have our cost reduced today by subrogating.

4 MR. ROBERT DAWSON: All right. Let's move
5 on. And now at the risk of again moving quickly, I want to
6 talk about the manufacturer defects question that was raised.
7 This was at the Manitoba Bar Association's first round of
8 Information Request and again, Ms. McLaren, there's no need
9 to turn it, you can if you wish.

10 But it's at question 98. And there the
11 question was posed about the, what I'm again going to loosely
12 call if I may, the bar against private litigation against
13 manufacturers of motor vehicles or parts thereof whose
14 negligence causes physical damage or personal injury.

15 And almost as rote, I'll ask you, does the
16 Corporation believe what I'm calling to be this bar against
17 private litigation? Does the Corporation believe that that
18 is a good or bad idea?

19 MS. MARILYN MCLAREN: The Corporation
20 believes the legislation works well as it is today.

21 MR. ROBERT DAWSON: And am I correct that
22 even though there are very few if any, ongoing actions
23 against such negligent manufacturers that the Corporation
24 doesn't really have sufficient information to tell us whether
25 a change in the law would increase revenues or decrease the

1 revenues?

2 MS. MARILYN MCLAREN: No.

3 MR. ROBERT DAWSON: We can move off of that
4 to my penultimate question and that relates to something that
5 I'm sure MPI does track, and that is its safety and public
6 information initiatives.

7 Very briefly, to what extent if at all, is
8 MPI's campaign against impaired driving expanding to include
9 not only alcohol impairment but also drug induced impairment?

10

11 (BRIEF PAUSE)

12

13 MS. MARILYN MCLAREN: Our efforts to expand
14 that aspect of the program are somewhat limited and -- and
15 will continue to be until there's legal provisions and a
16 legal test for non-alcohol impairments. We address the issue
17 through high school driver ed.

18 We address the issue in presentations that we
19 make to a broad variety of Manitobans. But the specific
20 initiative itself will continue to be targeted really with --
21 by using the law as it exists today. And if there's new law,
22 we will respond.

23 MR. ROBERT DAWSON: And my last topic and
24 question, we talked about how the majority of car thieves are
25 persons under the age of roughly twenty-five (25), am I

1 correct on that?

2 MS. MARILYN MCLAREN: Yes, that's true.

3 MR. ROBERT DAWSON: And, do feel free to
4 correct me on this point, but I understand that car theft
5 seems to be more of a problem, at least in Winnipeg, in
6 certain parts of the city than in others.

7 Would that be fair to say?

8 MS. MARILYN MCLAREN: There may be parts of
9 the city where the frequency of theft is higher, but it's
10 certainly not the exclusive jurisdiction of any community.
11 It -- it affects every community in the city.

12 MR. ROBERT DAWSON: Now you've said that as
13 part of its prevention strategies, the Corporation has
14 supported what you described as school programs; is that
15 right?

16 MS. MARILYN MCLAREN: Yes.

17 MR. ROBERT DAWSON: Has the Corporation also
18 considered supporting in any way, including perhaps,
19 financially, drop-in centres in those areas in which youth
20 might be more inclined to steal cars than other areas?

21 MS. MARILYN MCLAREN: Yes, we supported -- we
22 have supported both the Choices Program and the Lighthouse
23 Program.

24 MR. ROBERT DAWSON: Thank you, Ms. McLaren.
25 Mr. Chairman, that concludes my questions.

1 THE CHAIRPERSON: It's okay, it works. Thank
2 you, Mr. Dawson. We'll now move to Mr. Sousa, Scootering
3 Manitoba.

4 MR. RAYMOND OAKES: Mr. Chairman, if I
5 might --

6 THE CHAIRPERSON: Yes, Mr. Oakes.

7 MR. RAYMOND OAKES: I just made a brief re-
8 attendance for the purpose of filing the CV of our actuarial
9 witness.

10 THE CHAIRPERSON: Very good.

11 MR. RAYMOND OAKES: There were two (2)
12 undertakings, one (1) was provide the Board with the CV and I
13 have twenty (20) copies and I'll make sure now my Learned
14 Friend receives his and with respect to the second, there was
15 a request from CAC relative to the number of hours involved
16 in the preparation of the written report.

17 I'm advised in writing that the number is
18 seventeen point five (17.5) hours. Mr. Rifai did that by the
19 purpose -- by way of rendering his account. And I propose at
20 this juncture not to file that seeing that seems more
21 appropriate to an application for an Order of Cause.

22 So, if it meets with the approval of those
23 present, I'll just give the Board Secretary the twenty (20)
24 copies of Mr. Rifai's CV.

25 THE CHAIRPERSON: Thank you, Mr. Oakes. Mr.

1 Barron...?

2 MS. MARILYN MCLAREN: Mr. Chairman, if I
3 could put this information on the record as I promised when
4 Mr. Mager asked earlier, there are twenty-two (2,200) hundred
5 Manitobans who have taken advantage of the after-market
6 discount program for the anti-theft device on the vehicle --
7 the passive immobilisers.

8 Of the twenty-two (2,200) a grand total of
9 ninety-five (95) have taken advantage of our financing plan.

10 THE CHAIRPERSON: Thank you, Ms. McLaren.
11 We'll find an exhibit number for the CV and we'll provide
12 that in due course. Mr. Sousa...?

13

14 CROSS-EXAMINATION BY MR. CLAUDIO SOUSA:

15 MR. CLAUDIO SOUSA: Thank you, Mr. Chairman,
16 Ladies and Gentlemen. It's good to be -- good to be back.
17 You all look a little bit more tired than you did on the
18 first day when I -- when I was in attendance. I'll begin my
19 discussions today in relation to an area where the Board has
20 shown also some interest in their interrogatories.

21 My first area of focus is in relation to the
22 exclusion of moped class from the rate shock principle. And
23 I've referenced here Second Round Interrogatory Scootering
24 Manitoba MPI-2-3 which asked quite simply whether, and I'll
25 paraphrase to a degree, to describe MPI's working definition

1 policies and protocol as it relates to observing the
2 principle of rate shock.

3 And I -- the question asked within this
4 context if MPI could please describe the policy relating to
5 the exclusion of a vehicle class from the rate shock
6 principle.

7 MPI responded that no formal policy or
8 practices exist around this principle and that the principle
9 exists as a matter of historical practice, but can and it's
10 more desirable to be abandoned under, quote, "special
11 circumstances".

12 Given that in previous applications to the
13 Board the principle of rate shock has been applied based on
14 Board order. Why has MPI not developed a set of more clear
15 and concise guidelines and policies surrounding the rate
16 shock principle and when it can be discarded?

17 MS. MARILYN MCLAREN: I think the guidelines
18 have been around the 15 percent limit to experience based
19 adjustments. But as we explained in PUB-1-1C, you know, that
20 -- that's not the only kind of adjustments that -- that can
21 happen, so it's really within that context.

22 And I don't know in terms of a definition of
23 rate shock that there has ever been explicit Board direction
24 on that or corporate policy on that either.

25 MR. CLAUDIO SOUSA: To clarify, I wasn't

1 suggesting that a Board order had -- had occurred to clearly
2 define rate shock, more than the Board has, in past rulings,
3 cited that the principle of rate shock should be held in some
4 rate increase proposals.

5 To return to -- to the response which was
6 given, MPI used the term "special circumstances" for -- as
7 rationale for where an exclusion from rate shock principle
8 can be made.

9 Can you define a little bit more clearly for
10 me what would constitute a special circumstance?

11 MS. MARILYN MCLAREN: I really want to draw
12 the distinction between the 15 percent guideline on
13 experience based adjustments and the phrase "rate shock."
14 Because I don't think we have aligned the two (2) at all and
15 I don't want to use them interchangeably in this context.

16 So what we talked about in the response to SM-
17 II-3 is that some classes may deviate from the guideline of
18 15 percent based on special circumstances. So we're not
19 suggesting that rate shock and 15 percent are the same.

20 We'll deviate from the 15 percent when we
21 think we need to and we have in a couple of cases this year
22 and when we explained those in detail in PUB/MPI-I-1.

23 MR. CLAUDIO SOUSA: Fair enough. Would --
24 would the exclusion or the abandonment of the 15 percent be
25 done -- I guess the nature of my question is, at what point

1 do you determine that the cap of 15 percent is set aside?
2 What are some of the criteria that MPI uses
3 for that?

4 MS. MARILYN MCLAREN: The overall principles
5 of the Corporation's rate-making methodology is that rates
6 must be a true reflection of expected costs.

7 And when you are looking at a situation, for
8 example, mopeds, where the 15 percent will never allow you to
9 get there, that's when you have to consider other options,
10 rather than limiting yourself to the 15 percent.

11 We've seen a significant and sustained
12 increase in costs in the -- in the moped class. And that's
13 what caused us to have a look at what would happen if we'd
14 applied a 15 percent increase for several years and what
15 would happen if we went out side of that.

16 And based on that analysis and our belief that
17 it's really essential to have rates that reasonably reflect
18 risk, we broke outside the 15 percent.

19 MR. CLAUDIO SOUSA: Fair enough. So would it
20 be fair to conclude, just in summary on that point, that for
21 the exception, i.e. the abandonment of 15 percent cap, we
22 would need to see clear and undeniable trend in claims as
23 well as an insignificant impact on the dollar increase to the
24 Manitobans who had that vehicle?

25 MS. MARILYN MCLAREN: Yeah. And -- and you

1 know, adjectives like "insignificant" are -- are pretty tough
2 to put into dollar terms because that really is based on
3 individual circumstances, very much so.

4 But I think what the Corporation would
5 consider to be more -- as -- as reasonable, I guess, is
6 something that we'd look at. In the case of mopeds, the
7 biggest increase will be eighty-five dollars (\$85). Most are
8 about fifty dollars (\$50).

9 So I think that's a consideration certainly,
10 more from the -- an assessment of reasonableness versus
11 significance or even affordability which is very, very
12 subjective as well.

13 MR. CLAUDIO SOUSA: Fair enough. So, it --
14 it -- in the opinion of -- of MPI eighty-five dollars (\$85)
15 or -- is not a significant amount of money to increase for a
16 moped user?

17 MS. MARILYN MCLAREN: I don't think it's
18 unreasonable and those are the -- the highest rated mopeds
19 that would have an eighty-five dollar (\$85) increase. Most
20 would be fifty (50).

21 MR. CLAUDIO SOUSA: So this -- this might
22 suggest that an assessment of how an eighty-five dollar (\$85)
23 increase impacts a moped owner has been done. The cost and
24 affordability of a moped may suggest that these vehicles
25 aren't used by Manitobans who can actually afford a more

1 expensive or more costly vehicle.

2 How has MPI established whether or not an
3 eighty-five (\$85) increase as actually representing a
4 hardship not to an average Manitoban but to a Manitoban who
5 chooses a low-cost vehicle?

6 MS. MARILYN MCLAREN: Well, I guess that's
7 what I was getting at. You know, I mean, it's not -- we have
8 to make sure that we will be able to get to the point where
9 moped rates reflect what seems to be the emerging risk. Now
10 the eighty-five dollar (\$85) increase doesn't get us there
11 this year.

12 And so now I'm immediately faced with a
13 consideration that the rates are still going to be
14 insufficient. And then I have to balance that against, you
15 know, other principles of -- of accessibility and so on. And
16 on that basis, eighty-five dollars (\$85) as a maximum
17 increase seems reasonable in light of the other objectives of
18 the Corporation's rate-making.

19 It's not an assessment of afford ability or
20 those other things because who are we to say. But in terms
21 of the corporation's objectives, its responsibility, to have
22 rates that are fair and equitable, knowing that even a 108
23 percent increase isn't going to get us where we need to go.
24 We thought it was a prudent and reasonable approach.

25 MR. CLAUDIO SOUSA: Would it be -- would it

1 be fair and feel free to correct me here, that if we were
2 faced with a hundred and eighty dollar (\$180) increase for
3 the moped class, that your perspective on balancing those two
4 (2) principles might be different, or a hundred and twenty
5 (120)? I'm -- I guess I'm trying to suggest is there a magic
6 number at which point you say, we're not going to go higher
7 than that?

8 MS. MARILYN MCLAREN: No. There -- there's
9 not a magic number.

10 MR. CLAUDIO SOUSA: So without really
11 understanding, if I can conclude, without really
12 understanding moped use in Manitoba or perhaps the income
13 levels of people who choose to ride them, insure them and use
14 them to commute to work or to school, you make an assessment
15 of whether eighty-five dollars (\$85) is going to be a
16 detrimental impact to moped users based on just general gut
17 feel?

18 MS. MARILYN MCLAREN: No. It's not based on
19 gut feel. It's based on our obligation to bring forward rate
20 applications that have considerations for equity, for
21 fairness, for rates that are reflective of risk. Now, you
22 know, eighty-five dollars (\$85) spread over the five (5)
23 month earning period is eighteen dollars (\$18) a month,
24 something like that.

25 And I'm not in a position to say which

1 percentage of the moped owners will find that imminently
2 affordable and which ones may not. But I think again when we
3 continue to focus on the eighty-five dollars (\$85) that
4 continues to be the highest rated, which means the highest
5 declared value mopeds. The vast majority would be looking at
6 fifty dollars (\$50) or less.

7 MR. CLAUDIO SOUSA: Okay, I have -- have your
8 -- your answer on that. You spoke and in your pre-filed
9 testimony, you spoke about a -- a very clear and obvious
10 trend in claims experience for mopeds such that it even with
11 the proposed increase or -- to clarify, if you were to cap
12 the increase at 15 percent you would never attain a level of
13 premium sufficient to -- to achieve that.

14 Is that a general summary of --

15 MS. MARILYN MCLAREN: Yes, that's fair, yeah.

16 MR. CLAUDIO SOUSA: I would like to turn our
17 attention now to -- to the claims experience statistics which
18 has been formed as the basis for the -- the request of 108.8
19 percent adjustment increase. My forthcoming series of
20 questions will pertain to the claims experience statistics
21 provided by MPI and the Rate Application.

22 These are in sections TI-20, Exhibit 13 page
23 10 and Exhibit 16-10 as well as the second round
24 interrogatories of Scootering Manitoba SM/MPI-25. Sorry, I
25 will slow down on here. There's a lot of binders to

1 retrieve.

2 We can chalk up to inexperience that I did not
3 prepare a book of -- of reference for you today and for that
4 I apologize for -- for novice experience in front of the
5 Board.

6 THE CHAIRPERSON: There's no problem at all.

7 MS. MARILYN MCLAREN: Which exhibits in TI-20
8 again, please.

9 MR. CLAUDIO SOUSA: TI-20 I believe it's
10 Exhibit 13-10 which references...

11

12 (BRIEF PAUSE)

13

14 MR. CLAUDIO SOUSA: 13-10 references the --
15 the loss -- loss year as well as the total claims experience;
16 thirteen (13), or sorry, 16-10 references the number of
17 vehicles registered in each of the years?

18 MS. MARILYN MCLAREN: Yes.

19 MR. CLAUDIO SOUSA: In examining the claims
20 constant curve for all the regions, which is included in the
21 Rate Application, we see that in 1999, four hundred (400) and
22 -- sorry, five hundred and forty-eight (548) mopeds had a
23 claims experience of two thousand, eight hundred and seventy-
24 two dollars (\$2,872). Roughly speaking, that's an average of
25 five dollars and twenty-four cents (\$5.24) per vehicle.

1 If we were to conservatively estimate the un-
2 discounted premium at a moped for about fifty dollars (\$50),
3 would it be fair to conclude that within that year the low
4 accident rate of moped owners actually provided a premium
5 surplus to a magnitude of in the neighbourhood of twenty (20)
6 to twenty-five thousand (25,000)?

7 MS. MARILYN MCLAREN: A direct comparison of
8 claims costs and premiums would reflect that, yes. But the
9 claims costs are just the claim, not claims expenses, not the
10 costs of handling the claims, administrative expenses to
11 issue the policy and all those other sorts of costs. All
12 this is a comparison of those two (2).

13 MR. CLAUDIO SOUSA: Fair enough. And -- and
14 I chalk that up to my -- my inexperience on your actuarial
15 methods.

16 And in the year 2000, if we move to that --
17 that year, the number of mopeds in the province increased by
18 22 percent to six hundred and seventy-three (673) vehicles.

19 The Board will take note that, just as a point
20 of interest, moped use increases by, on average, about, and
21 given our organization's experience, by about 22 percent in
22 any year that gas prices increase significantly, so
23 interesting trend. And I guess people shelf their mopeds
24 when the gas is cheap.

25 In the year 2000 we saw an increase to six

1 hundred and seventy-three (673) vehicles. And despite this
2 increase in vehicle count, the claims experience was actually
3 lower at two thousand five hundred and ninety-nine dollars
4 (\$2,599), making the average claim cost per vehicle lower by
5 26 percent, to approximately four dollars (\$4) per vehicle;
6 is that correct?

7 MS. MARILYN MCLAREN: Yes, that's about
8 right.

9 MR. CLAUDIO SOUSA: So in the year 2000,
10 again, not including the costs of adjudicating claims, we
11 would also see a premium surplus in that year, in the
12 neighbourhood of thirty thousand dollars (\$30,000)?

13 MS. MARILYN MCLAREN: The difference between
14 premiums earned and claims costs, yes.

15 MR. CLAUDIO SOUSA: Correct. Now in the year
16 2001, we see a remarkable change. I would -- I would humour
17 us all that we don't glasses, in fact we might want to put
18 sunglasses on for the unusual change that we see in that
19 year.

20 In 2001 we see the number of vehicles,
21 strangely, drop by 22 percent to five hundred and twenty-four
22 (524), a lower number of vehicles than were two (2) years
23 previous. And the claims experience goes to a shocking jump
24 from two thousand (2,000) odd dollars upwards of approaching
25 forty-eight thousand dollars (\$48,000); is that correct?

1 MS. MARILYN MCLAREN: Yes, that's correct.

2 MR. CLAUDIO SOUSA: And that would increase
3 the claims costs per vehicle to the neighbourhood of about
4 ninety dollars (\$90) per vehicle?

5 MS. MARILYN MCLAREN: About ninety (90), did
6 you say?

7 MR. CLAUDIO SOUSA: Ninety (90), nine (9)
8 zero.

9 MS. MARILYN MCLAREN: Yes.

10 MR. CLAUDIO SOUSA: In 2002 the number of
11 vehicles remains fairly constant, but again claims increase
12 appears relentless, jumping up to sixty-four thousand dollars
13 (\$64,000), making the average claim cost per vehicle in the
14 neighbourhood of a hundred and twenty dollars (\$120) per
15 year?

16 MS. MARILYN MCLAREN: Yes.

17 MR. CLAUDIO SOUSA: In 2003 there's the
18 largest single increase in vehicle count, an increase of 37
19 percent, up from five thirty-two (532) to seven hundred and
20 twenty-five (725), again gas is quite expensive this year.

21 And the claims increase -- increases to just
22 under ninety thousand dollars (\$90,000), resulting in the
23 average claim cost of now above the hundred and twenty dollar
24 (\$120) mark, about a hundred and twenty-three (123) or so?

25 MS. MARILYN MCLAREN: Yes, I think that's

1 about right.

2 MR. CLAUDIO SOUSA: And, in looking at the
3 bottom line numbers and averages, one would expect that the
4 large percentage increase of 108.8 percent, and exclusion of
5 the moped class from the rate shock principle, was warranted,
6 based on the years 2001 to 2003.

7 In response to the Second Round
8 Interrogatories, MPI provided statistics from the year 2000
9 onward. Can I conclude, then, that the year 1999 was not
10 used to establish -- in -- in the establishment of the rate-
11 making methodology?

12 MS. MARILYN MCLAREN: I'm sorry, maybe you
13 could repeat the question?

14 MR. CLAUDIO SOUSA: Sure. I'll reference --
15 I can reference either. I'll reference Scootering Manitoba
16 two (2) second round Information Requests two five (25) where
17 the question was asked:

18 "Please include -- MPI, please provide more
19 detailed statistic for each insurance year
20 that's used to establish this trend. Please
21 include --"

22 And it -- it lists a --a variety of items.
23 And the response includes years 2000 -- insurance year 2000,
24 2001 and forward. It does not include 1999.

25 MS. MARILYN MCLAREN: Maybe, incorrectly, but

1 what we did is simply responded to the four (4) years that
2 you mentioned in the Information Request. You asked about,
3 you know, the dramatic increases over a period of four (4)
4 years, asked for more detailed statistic for each insurance
5 year that was used to establish the trend; the trend being
6 the increased costs in those four (4) years, so that's all we
7 provided in the answer.

8 The five (5) years that are shown here all
9 were used in the Corporation's rate-making methodology,
10 definitely.

11 MR. CLAUDIO SOUSA: Fair enough. I -- I just
12 wanted to -- to clarify that at this juncture. Would it --
13 would it be fair to say that in a cursory examination of
14 averages and totals, there's be -- there -- there would
15 appear to be a sustained and emerging trend to use some of
16 your terminology?

17 MS. MARILYN MCLAREN: Yes, there would seem
18 to be.

19 MR. CLAUDIO SOUSA: And would it be fair to
20 say that since there are no CLEAR, and I -- I use the acronym
21 CLEAR -- guidelines, for the moped class, that the trend
22 observed in the claims experience is the sole basis upon
23 which rate setting and claims forecasting was done?

24 MS. MARILYN MCLAREN: The claims -- the
25 Corporation's claims forecast is done at -- at a provincial

1 level. The Corporation goes through the process of figuring
2 out what it expects total cost of claims to be.

3 Then the rate-making methodology takes that
4 total dollar value of expected claims. And based on the
5 experience of individual rating groups, decides what is
6 likely to be the contribution of each of those small rating
7 groups to that total value claims cost dollar.

8 So it has been the emerging experience of
9 mopeds that indicate to us that mopeds are going to continue
10 to draw more -- a -- a larger share of overall claims cost
11 than they have historically, further back in time.

12 MR. CLAUDIO SOUSA: Fair enough. So it -- it
13 -- just to -- to recap again, and again I'm not -- I'm not an
14 actuarial. I'm -- I'm not even very good at math as you can
15 see from some of my calculations we'll go through today, that
16 as -- as a foundation for the rate-making methodology there
17 is no external data from CLEAR or other jurisdictions that
18 was -- that came to bear on the rate-making methodology for
19 this class?

20 MS. MARILYN MCLAREN: No, that's right.

21 MR. CLAUDIO SOUSA: I would like to direct
22 our attention to some of the details behind these averages
23 and bottom-line totals for the years contained in the
24 Application which appear to be driving much of the rationale
25 for the increase.

1 Let's begin with -- and -- and I will ask you
2 to reference the second round interrogatories SM/MPI-2-5 as
3 well as Scooterizing Manitoba MPI Pre-ask Number 1 where we
4 begin to look at the individual incident amounts being broken
5 down.

6 MS. MARILYN MCLAREN: We're just trying to
7 put our hands on the response to the Pre-ask. We do have
8 SM/MPI-II-5 in front of us.

9 MR. CLAUDIO SOUSA: I'll wait until you have
10 both in front you as I need to reference both of them.

12 (BRIEF PAUSE)

14 MS. MARILYN MCLAREN: I have both documents.

15 MR. CLAUDIO SOUSA: One (1) -- just a
16 starting point of clarification, what is unclear to me and do
17 not a follow up questions of this, and particularly in the
18 Second Round Interrogatory II-5 is the actual number of
19 incidents which are represented. Incidents or accidents if
20 you prefer which are represented in the -- in the response.

21 And it's just a point of clarification. If we
22 look, for example, at the year 2000 for single vehicle moped
23 claims it shows a single injury, no physical damage but a
24 sub-total of two (2). Could we conclude that that is
25 actually one (1) incident and therefore the sub-totals in

1 this case are inflated?

2 MS. MARILYN MCLAREN: Yes, that's right. It
3 would be -- there would be a physical damage claim opened but
4 then nothing was paid.

5 MR. CLAUDIO SOUSA: Fair enough. Could then
6 we, for -- for the purposes of our discussion today, could we
7 assume that, generally speaking, a claim which involves
8 personal injury typically also includes physical damage such
9 that if we examine each of the years 2001 as an example,
10 although the subtotal reads seven (7) we would have a
11 incident count of -- of five (5)?

12 I realize that there -- there may be
13 exceptions as there were in the year 2000 but generally
14 speaking the number of accidents or incidents would be the
15 lower number?

16 MS. MARILYN MCLAREN: In 2001 with one (1)
17 injury claim and six (6) physical damage claims there
18 probably would be six (6) incidents.

19 MR. CLAUDIO SOUSA: Sorry, six (6). I stand
20 corrected. So then, if we apply that same logic and, again,
21 here's where -- feel free to correct my math, we see that in
22 the year 2000 if you look both at single and multi-vehicle
23 moped claims, we have a number of incidents as three (3); is
24 that -- would that be correct? Across both?

25 MS. MARILYN MCLAREN: Yes. Yeah.

1 MR. CLAUDIO SOUSA: And in the year 2001 we
2 would have an incident -- total incident or accident count of
3 thirteen (13), an increase?

4 MS. MARILYN MCLAREN: Yeah. Fourteen (14).
5 Six (6) plus eight (8).

6 MR. CLAUDIO SOUSA: My math is -- my math is
7 turning out to be fairly good. Mr. Lane would be -- Chairman
8 Lane would be proud of my -- my U of W calculus. Good at
9 calculus. I can probably calculate the precise volume of all
10 these binders in the room but basic math always eluded me.

11 And in 2002 our -- our incident count, using
12 again the same approach for discussion purposes, would be a
13 total of six (6). And in the year 2003 we see a -- a large
14 increase to an incident count of approximately twenty-seven
15 (27)?

16 MS. MARILYN MCLAREN: Yeah, I think in 2002
17 it would be eight (8). Four (4) physical damage in the
18 single vehicle and four (4) physical damage in the multi-
19 vehicle probably would be eight (8) incidents and then
20 twenty-two (22) plus seven (7), for twenty-nine (29) in 2003.

21 MR. CLAUDIO SOUSA: So that gives us a
22 subtotal for all -- for the years 2000 to 2003 of in the
23 neighbourhood of fifty (50) incidents that were used as the
24 basis for the rate-making methodology; would that be a
25 correct summary?

1 MS. MARILYN MCLAREN: Yeah, that's about
2 right.

3 MR. CLAUDIO SOUSA: And again I'm going to --
4 to temper my question here a little bit because if the
5 response comes in the form of an actuarial dissertation I
6 will be dumbfounded as much as many of us in the room.

7 But given the extremely small sample size of
8 mopeds which also fluctuates from year to year by as much as
9 22 percent, and the low number of incidents or accidents
10 which approximates at around fifty (50) over the years
11 concerned, it seems like a very small sample size to
12 establish statistical confidence and therefore set accurate
13 rates into the future.

14 How has MPI adjusted for this to set rates
15 that are going to be reliable, so that next year we're not
16 faced with another increase or decrease?

17
18 (BRIEF PAUSE)
19

20 MS. MARILYN MCLAREN: The actuarial way that
21 we deal with very small groups is -- is through credibility
22 weighting. We don't place entire confidence on the results
23 of a small group.

24 We try to balance the results of a small group
25 against something else and generally what the -- what the

1 Corporation uses as a something else is the overall
2 experience of all the Manitoba vehicles.

3 So that in your case, in -- the case of mopeds
4 places less confidence that the results as we see here are
5 credible and should be solely relied on, they won't be
6 because it is such a small group.

7 When you have a moment to look in the Volume I
8 of the Corporation's application the API, APII Section which
9 is the experience-based adjustments, it shows that there are
10 many very small groups, not -- not -- and this, by any
11 stretch of the imagination isn't anywhere near one (1) of the
12 smallest.

13 So we do that by virtue of the credibility
14 weighting process to make sure that we're not placing too
15 much emphasis on a very tiny group which could have a very
16 volatile experience from year to year.

17 But you know, we have placed some importance
18 on the fact that while the pool swings back and forth a
19 little bit and, you know, interesting to note when gas goes
20 down moped registrations go down but, you know, they have
21 been increasing.

22 I can tell you, this year there are a
23 thousand, you know, as we speak or at least back in August
24 there were a thousand mopeds which is another big increase on
25 the seven hundred and twenty-five (725) when we drew the

1 data.

2 So we've got a growing population which means
3 it's more important for us to get the rate right. And even
4 though the number of accidents is small and the number of
5 units is small, when you see that kind of consistent,
6 significant growth in claims costs, we've got something that
7 we think we can rely on enough to calculate a significant
8 required increase going forward.

9 MR. CLAUDIO SOUSA: I appreciate your answer.
10 So, if I can, sort of, paraphrase to make sure that I
11 understood what you said is that it's -- it's very, given the
12 small rate group it is very difficult to establish confidence
13 -- statistical confidence, if you will, that the premium that
14 you're applying for is, in fact, accurate and correct and
15 that we will not see wide swings in the forthcoming years,
16 that you will actually achieve -- it's very difficult to
17 achieve rate stability?

18 MS. MARILYN MCLAREN: Yeah. We -- we do not
19 -- it wouldn't be right to simply rely on the results of a
20 small group like that to calculate required increases.

21 The other thing I should mention, that while
22 we've seen a very noticeable sustained increase in costs,
23 this changed basically overnight in 2001. Prior to that,
24 when you talked about an average of about a four dollar (\$4)
25 claims cost per unit that was solid for about ten (10) years.

1 You know, there was no variation in that. It
2 was very predictable and I'm not going to speculate as to why
3 such a small group would be so predictable but it was.

4 And now we've seen a very, very significant
5 change.

6 MR. CLAUDIO SOUSA: Thank you for that.
7 Let's examine the -- the claims statistics in a little bit
8 more detail. I too, when I attended the community forum with
9 yourself back in July, looked at the bottom line numbers and
10 to a certain degree I agreed with you.

11 If you look at the bottom line numbers,
12 clearly there is a -- a trend here that should, at least,
13 receive the attention of MPI and the 108.8 percent surprised
14 me but I didn't want that attention.

15 But, nonetheless, I would agree that when you
16 look at the bottom line totals it does represent what would
17 appear to be a very steep trend.

18 However, if I can draw your attention to
19 beginning in the year 2001 and for this I will reference the
20 Scootering Manitoba Pre-Ask Question Number 1, if I look at -
21 - I believe I'm citing here one (1) claim, let me just find
22 the reference number for you, claim number 4, which appears
23 on Page 2 of 3 of the Pre-ask.

24 It's the claim experience or claim incurred of
25 eighteen thousand two hundred and seventeen dollars

1 (\$18,217), which by my calculation, represents 38 percent of
2 the entire claims experience for that year.

3 Would that be correct?

4 MS. MARILYN MCLAREN: Yes, that's about
5 right.

6 MR. CLAUDIO SOUSA: And if we expand that
7 type of -- and that does not include physical damage. That
8 would be personal injury alone.

9 If we were to speculate that, based on the --
10 the numbers for that year, that the average physical damage
11 is in the neighbourhood of twelve hundred dollars (\$1,200)
12 per incident, would that incident represent approximately
13 nineteen thousand five hundred dollars (\$19,500)?

14 MS. MARILYN MCLAREN: Yes, that would be
15 right if you assumed about twelve hundred (1,200) per
16 physical damage claim.

17 MR. CLAUDIO SOUSA: Correct, it was my
18 failure to ask for how the injury and physical damage were
19 aligned or grouped together, but if we were to -- were to
20 just take an average for discussion purposes, so that one (1)
21 incident alone is responsible for 40 percent of the claims
22 experience for that year?

23 MS. MARILYN MCLAREN: Yes, for that year.

24 MR. CLAUDIO SOUSA: And if we expand that
25 thinking to the next two (2) largest numbers on that -- on

1 that year, which are in the multi -- multi-vehicle accident,
2 I believe. Sorry, they do appear on -- on page 2 of 3, we
3 get a figure of looking at three (3) incidents which
4 represents thirty-two thousand six hundred and eighty-two
5 dollars (\$32,682) or 68 percent of the total claims
6 experience for that year.

7 MS. MARILYN MCLAREN: Yes, that's true.

8 MR. CLAUDIO SOUSA: Let us now look -- and --
9 and I would -- we'll return to that year momentarily, but
10 let's -- let's now have a look at the year 2002, which I
11 remarked was quite a jump in claims experience.

12 And there we have a very profound incident
13 which a single incident, not including damage, was
14 responsible for 75 percent of the total claims experience for
15 that year or forty-eight thousand one hundred and sixty
16 dollars (\$48,160); is that correct?

17 MS. MARILYN MCLAREN: Yes.

18 MR. CLAUDIO SOUSA: And if we were to add one
19 (1) more incident or the next most severe incident in terms
20 of claims -- direct claims cost -- we would end up with a
21 figure of fifty-three thousand seven hundred and four dollars
22 (\$53,704) or a representation of 83 percent of the total
23 claims experience for that year on two (2) incidents?

24 MS. MARILYN MCLAREN: Yes, that's right.

25 MR. CLAUDIO SOUSA: If we were to remove just

1 the single incident worth forty-eight thousand dollars
2 (\$48,000), the average claim cost per vehicle drops from
3 ninety-one dollars (\$91) per vehicle to just over twenty
4 dollars (\$20) per vehicle. In other words, without that
5 single incident, claims experience would actually be lower in
6 2002 than over the previous year.

7 Would you agree with that assessment?

8 MS. MARILYN MCLAREN: Yeah, I think that's
9 fair.

10 MR. CLAUDIO SOUSA: Let's have a look at the
11 year 2003. Here we see similar, but not quite as -- and I
12 would agree -- not as quite -- quite as profound examples.
13 If one is to take the two (2) most costly personal injury
14 claims, we would see that the total thirty-one thousand nine
15 hundred dollars (\$31,900) or, in other words, two (2)
16 incidents represents 35.7 percent of the claims experience
17 for that year.

18 And if we were to expand our thinking to the
19 four (4) highest claim amounts for that year, we end up with
20 a figure of fifty-six thousand seven hundred dollars
21 (\$56,700) or 63 percent of the total claims experience for
22 that year.

23 MS. MARILYN MCLAREN: I'll accept that.

24 MR. CLAUDIO SOUSA: I -- I've spared us the -
25 - the decimal points but I rounded them down, just so you

1 know. Taking a look at the -- so we've examined the --
2 walked us through, and -- and you agree with the type of
3 examination that we've -- we've done on these numbers, the
4 data which forms the sole or the significant foundation and I
5 think we've established that is -- is the sole foundation for
6 the increase.

7 Can MPI please explain why these obvious
8 anomalies have not been removed from the claims experience as
9 part of the rate-making process?

10 MS. MARILYN MCLAREN: Yeah, well we have no
11 reason to believe that they're anomalies. There's no reason
12 to think that something that began in '01 and continued
13 consistently through '03, won't keep occurring. So the rate-
14 making methodology contemplates the notion that the best
15 predictor of the future is the past.

16 When we start to talk about very, very large
17 losses, we have process whereby we average their effect over
18 a longer period of time, to mitigate the effect of
19 randomness. But there's no basis at all within the rete-
20 making methodology for us just to remove the big losses and
21 assume they won't happen any more.

22 So, I guess the short answer as to why we
23 don't take them out is because we believe they will probably
24 keep happening.

25 MR. CLAUDIO SOUSA: So, if we were to

1 conclude, then, a single incident which represents 75 percent
2 of the claims experience, is not viewed as a statistical
3 anomaly and, therefore, should not be removed for rate-making
4 purposes?

5 MS. MARILYN MCLAREN: No, it's -- it's part
6 of the body of experience and that's, I mean, the -- what we
7 do instead of just removing it, is we use the five (5) year
8 averages, and that provides a smoothing effect, it provides a
9 recognition of the fact that bigger claims will happen with
10 varying degrees of -- of regularity.

11 We -- we know big losses and, you know, for a
12 small class with low premiums, forty-eight thousand dollars
13 (\$48,000) would qualify as a big loss, they will happen less
14 frequently than the less expensive losses.

15 So, by averaging over five (5) years, you get
16 the effect of mitigating the effect in a one (1) year period.

17 THE CHAIRPERSON: Mr. Sousa, if I may, and I
18 certainly don't want to rush you, but we would normally just
19 take a short break right now, but I'm trying to figure out
20 the time here.

21 How much longer do you think that you would be
22 requiring for the cross-examination?

23 MR. CLAUDIO SOUSA: We will probably proceed
24 through this line of questioning for, I'm assessing it,
25 approximately five (5) to ten (10) minutes, at which point I

1 have one (1) more -- one (1) more major theme to cover, which
2 I expect could take us perhaps half hour, and then a very
3 short wrap-up.

4 THE CHAIRPERSON: Mr. Williams, you are back
5 up too, I believe, to wind up with some unfinished business?

6 MR. BYRON WILLIAMS: That's right, Mr. Chair,
7 if you are going to have a break, perhaps I could discuss
8 with My Friend, Mr. McCulloch, what the best way to -- I
9 probably have, I'm guessing, about twenty (20) minutes to
10 half an hour though. So, primarily, Ms. McLaren, so Mr. --
11 Scootering Manitoba certainly takes precedent in timing on
12 us, so I will chat with Mr. McCulloch.

13 THE CHAIRPERSON: Why don't you do that. I
14 think we are probably inclined to complete this phase today,
15 so that we would be set up for Final Argument, I think, which
16 is on November the 1st, Mr. Saranchuk?

17 So, okay, then we will come back then about
18 approximately 3:15 and conclude.

19

20 --- Upon recessing at 3:05 p.m.

21 --- Upon resuming at 3:15 p.m.

22

23 THE CHAIRPERSON: Mr. Sousa, please.

24

25 CONTINUED BY MR. CLAUDIO SOUSA:

1 MR. CLAUDIO SOUSA: Thank you, Mr. Chairman.
2 Welcome back. We'll resume where we left off before our
3 break. We were walking through what I will summarize as
4 simply the claims data for the moped class and I was stopping
5 to point out the number of incidents and a number of
6 exceptional incidents in terms of their percentage cost for
7 the overall claims experience for any particular year.

8 We were starting to engage in a discussion
9 about how statistically these types of anomalies or these
10 exceptional incidents if you will were to be treated in the
11 rate-making methodology. And you were starting to get into a
12 practice, if you will, or what is traditionally done with
13 them in terms of averaging.

14 In terms of looking at -- if we can use for
15 discussion purposes an example of 2002, single incident or
16 the single accident which is representing approximately 75
17 percent of the claims experience for that year.

18 Would that incident be viewed as an anomaly
19 and therefore average forward in the rate making process?

20 MS. MARILYN MCLAREN: The entire body of
21 experience is used in rate making, so yes, the forty-eight
22 thousand dollars (\$48,000) would be part of the annual
23 experience for 2002, only one fifth (1/5) of which would be
24 used to -- used as the base to calculate the expected future
25 costs.

1 MR. CLAUDIO SOUSA: Thank you for your
2 answer. The -- in the testimony beginning on October 12th
3 and I will simply paraphrase, Mr. Saranchuk was asking a
4 similar question about whether anticipated costs in claims
5 experience were being averaged over ten (10) years.

6 We've been talking a little about five (5)
7 years. Is it a five (5) year or a ten (10) years?

8 And how do you determine which event or which
9 incident if you will, should receive that type of averaging
10 for the moped class?

11 MS. MARILYN MCLAREN: The rules apply to all
12 the different insurance risk groups. And for all physical
13 damage claims costs and injury claims costs with an expected
14 value of less than half a million dollars are all averaged
15 over five (5) years.

16 Serious losses defined by the break point
17 five hundred thousand dollars (\$500,000) are averaged over at
18 this point ten (10) years.

19 MR. CLAUDIO SOUSA: Thank you. And if we
20 examine the rate increase which has been proposed of 108.8
21 percent and if we look at the average premium paid to date by
22 a moped owner as somewhere in the neighbourhood of sixty
23 dollars (\$60) it seems to me statistically interesting that
24 the precise amount requested is identical to the average
25 claim cost per vehicle in each of the years 2002 and 2003.

1 If these amounts were actually averaged
2 forward, would they not have a lessening effect on the rate
3 increase required?

4 MS. MARILYN MCLAREN: Well, what we do is we
5 take that five (5) years of experience; in the moped
6 situation there was no serious losses, so it's only the five
7 (5) years. We average the losses over that five (5) years to
8 figure out what the average loss was per year over the five
9 (5) year period and then you have to trend it forward.

10 We have to make sure that the -- the claims
11 costs themselves have been fully priced so to fully cost it
12 out at an ultimate basis, made sure that there's all the
13 provision in those claims costs for maybe future indexing of
14 benefits, things like that.

15 And then you have to account for the fact
16 that some of your information is five (5) years old, so then
17 you have to account for -- for increases -- consumer price
18 increase type in -- inflationary increases that would make
19 the average that you've got, really two-and-a-half (2-1/2)
20 years old.

21 You have to acknowledge that that's two-and-a-
22 half (2-1/2) years old, you have to acknowledge that we have
23 this year which we are in the middle of and then you have to
24 figure out what your expected cost of claims will be in the
25 year for which we're applying which is another year into the

1 future.

2 MR. CLAUDIO SOUSA: Fair enough. I -- I
3 think I understand the explanation although I -- I'm not an
4 actuarial so I -- I can't confirm or deny that. It just
5 seemed to a layperson that the increase applied for was very
6 close, if not identical, to the -- to the claims experience,
7 and I -- I just wanted to explore that topic a little bit.

8 MS. MARILYN MCLAREN: It -- it might be true;
9 it would be coincidence if it was true.

10 MR. CLAUDIO SOUSA: The -- you've described
11 that the rationale for excluding vehicles from the 15 percent
12 limit of increase is -- is proposed or is typically applied
13 or set aside, if you will, because of either an emerging
14 trend or to avoid, if you will, chronic subsidization of
15 either vehicle classes.

16 Given what we've looked at in the claims
17 experience and some of the radical exceptions in each of the
18 year and generally the small dollar amounts involved, can you
19 help me understand how the moped claims experience fits
20 either of those definitions such that we would want to set
21 aside the principle of -- of limiting the adjustment
22 experience to 15 percent?

23 MS. MARILYN MCLAREN: Well, I think we really
24 need to look at the experience that we've got in front of us
25 here in the response to your pre-ask.

1 We've got one (1) very large forty-eight
2 thousand dollar (\$48,000) injury claim, much larger than any
3 of the rest of them, but if you look below that and, you
4 know, talk about the fact that the affect of that one (1)
5 claim will be averaged, you know, over a five (5) year body
6 of experience.

7 Then we look and see that in 2003 in the
8 single vehicle moped claims, there was a fourteen thousand
9 dollar (\$14,000) injury claim. Back in 2001 there was an
10 eighteen thousand dollar (\$18,000) injury claim and two (2)
11 seven thousand dollar (\$7,000) injury claims; five thousand
12 dollar (\$5,000) injury claim in 2002; a ten thousand (10,000)
13 a seventeen thousand (17,000) and a fourteen thousand dollar
14 (\$14,000) injury claim in 2003.

15 Looks like we've got some reasonable
16 expectation that there will be anywhere between one (1)
17 and -- and potentially five (5) injury claims that are, you
18 know, up there in the ten thousand (10,000) or -- or higher
19 dollar range and it's that -- the effect of that experience
20 that tells us there's -- there's no reason in the world to
21 believe that things that happened consistently in this recent
22 experience have now come to an end.

23 MR. CLAUDIO SOUSA: Fair enough. In terms of
24 -- of -- I'd like to ask one (1) general question about
25 statistical competence and rate stabilization methods that

1 are used by MPI. The -- in terms of the claims experience
2 that we see, I would certainly argue that, and I would agree
3 that, 2002 represents a very unusual year and that if we were
4 to remove it, it would paint a very different picture of the
5 five (5) year trend that we see in front of us, however, we
6 talked a little bit about chronic subsidization.

7 If we looked at the amount of -- of claims --
8 hypothetically, if we adhere to the principle of rate shock
9 for the moped class as other Manitobans are typically
10 entitled to, would the cross subsidization have a detrimental
11 impact to the average Manitoban?

12 MS. MARILYN MCLAREN: On a dollar basis, no,
13 absolutely not.

14 MR. CLAUDIO SOUSA: Thank you for that. I'd
15 now like to turn our attention to another concern about
16 organization which is insurance use and the moped class.

17 Would it be to conclude that insurance use of
18 a vehicle as a primary driver for rate-making methodology
19 along side things like territory, region and driving record
20 et cetera?

21 MS. MARILYN MCLAREN: Yes. It is -- the use
22 of the vehicle is one of four (4) classification categories.

23 MR. CLAUDIO SOUSA: Would you agree then that
24 the rental use of a vehicle or u-drive if you prefer,
25 constitutes a significantly higher risk, higher insurance

1 risk and personal private use such as all purpose or
2 pleasure?

3 MS. MARILYN MCLAREN: We know that to be true
4 with respect to private passenger vehicles and light trucks.

5 MR. CLAUDIO SOUSA: I would like to draw our
6 attention to the fact that rental use of the moped class is
7 permitted by MPI under the all purpose insurance use.

8 This means to my understanding, that a
9 business or individual could insure mopeds for rental
10 purposes, a higher risk use and pay the same premium as a
11 student or retiree using a moped for personal transportation,
12 would you agree with that?

13 MS. MARILYN MCLAREN: Yes, that's true.
14 There's just one insurance use for mopeds today.

15 MR. CLAUDIO SOUSA: Are there other vehicle
16 classes in Manitoba in which personal all purpose use is
17 blended with rental or u-drive use?

18 MS. MARILYN MCLAREN: Motorcycles, trailers.
19 I guess that would true of off-road vehicles. The only
20 u-drive insurance uses that we have are for passenger
21 vehicles and light trucks.

22 MR. CLAUDIO SOUSA: I did as a matter of due
23 diligence, contact the commercial division of MPI and to the
24 best of my understanding and you may feel free to correct me;
25 motorcycles which are similar types of vehicles cannot be

1 insured for rental use under the all purpose category?

2 MS. MARILYN MCLAREN: No. I believe they
3 could be. Because we don't have the -- we have a dealer
4 plate for motorcycles and we have the large motorcycle use.
5 That's it.

6 MR. CLAUDIO SOUSA: I will stand corrected on
7 that.

8 Can you explain why rental use is blended with
9 all purpose use for moped class?

10 MS. MARILYN MCLAREN: It's a small use. If
11 you break it up even smaller, it becomes more difficult to
12 establish credible estimates of the future cost. But having
13 said that, we also have no indication that there is -- have
14 no evidence that there is prevalent or -- or much business
15 use of the mopeds.

16 And, you know, an insurance use category like
17 that is -- is certainly through consultation and through
18 learning about the marketplace. We're certainly not
19 precluding changes in the future.

20 MR. CLAUDIO SOUSA: The -- I would like to
21 revisit the second round interrogatory, reference number,
22 give me a moment here.

23

24 (BRIEF PAUSE)

25

1 Mr. CLAUDIO SOUSA: The reference is SM/MPI-
2 24 where some of these questions were dealt with in
3 interrogatories.

4 In MPI's response Scootering Manitoba asked,
5 can MPI produce evidence that shows what impact rental use
6 related claims they've had on the claims experience for the
7 moped class overall?

8 You've commented today that their rental use
9 is small yet this answer would lead me to believe that you
10 have no data to support that assessment?

11 MS. MARILYN MCLAREN: No I said we didn't
12 have any evidence that there was significant use. We don't
13 have evidence either way.

14 MR. CLAUDIO SOUSA: Fair enough. You can
15 understand and appreciate the concern that our members would
16 have with a topic like this.

17 Hypothetically speaking, if I and my wife,
18 let's say, were to register a fleet of five (5) mopeds in our
19 names, insure them as all purpose and operate a rental
20 business as a sole proprietorship, would it be fair to say
21 that MPI would be unable to establish and have any knowledge
22 of the rental -- of the insurance use for those vehicles?

23 MS. MARILYN MCLAREN: Yes, that's right.

24 MR. CLAUDIO SOUSA: Continuing on, then, MPI
25 has cited that it would not be prudent to separate rental use

1 for mopeds because the -- and if I can quote the response --
2 their numbers are not large and putting them in a separate
3 class by themselves would not provide credible and
4 statistically sound rates.

5 MS. MARILYN MCLAREN: My response would be
6 that that answer is a little more definitive, a little more
7 black and white, than I would like in retrospect. Smaller
8 groups make it more difficult to do that. Putting them in a
9 separate class will not provide credible and statistically
10 sound rates.

11 We -- we have smaller categories than the --
12 seven -- seven hundred and fifty (750) mopeds we had last
13 year. We stand behind the rates that we calculate for those
14 smaller groups and we have means to deal with very small
15 groups. It -- it's not ideal and we would need to know that
16 there was a legitimate reason for having smaller groups, but
17 it doesn't preclude the possibility.

18 MR. CLAUDIO SOUSA: Would -- in your opinion,
19 Ms. McLaren, would a legitimate reason being how a single
20 claim such as the forty-eight thousand dollar (\$48,000) one
21 that we're looking at, if that were to have been incurred
22 through rental use, say, for hypothetical reasons, I'm not
23 suggesting that it is, would that not be a valid reason to
24 have that class separated from private use?

25 MS. MARILYN MCLAREN: No. No. Not on the

1 basis of a single claim, not at all. You know, I think large
2 claims will be random and there's no reason to think that
3 private use couldn't result in an injury claim of forty-eight
4 thousand dollars (\$48,000) or -- or significantly more.

5 I think we would need to have some sense that
6 maybe half -- to find out maybe half the units were being
7 used for rental purposes, but they accounted for 80 percent
8 of the claims, consistently, information of that nature would
9 certainly lead us in a direction like that. But, you know,
10 and that's just one (1) example, but we -- not on the basis
11 of one (1) claim, no.

12 MR. CLAUDIO SOUSA: I would likely disagree
13 with you on that point, showing quite clearly the influence
14 that a single incident can have on a claims experience for
15 this class and --and driving up rates.

16 In the issue of fairness, is it fair -- do
17 you feel it is fair to Manitobans who use this vehicle for
18 private purposes to be subject to accidents that are incurred
19 by higher risk use?

20 MS. MARILYN MCLAREN: In a very general way,
21 no, that wouldn't be fair, but we need to believe that first
22 of all, that -- that there's mechanisms to identify
23 differences, that, in fact, there are legitimate statistical
24 differences and, you know, as I say, those are things we can
25 certainly -- particularly given the fact that the size of

1 this group is increasing.

2 Those are things that can be looked at, for
3 sure.

4 MR. CLAUDIO SOUSA: Is it the position of MPI
5 at this time that that aspect of insurance use in the moped
6 class will be examined?

7 MS. MARILYN MCLAREN: Yes, I think that's
8 something -- I think it is extremely difficult for the
9 Corporation to do things like that on its own and if, for
10 example, your association was willing to, you know, discuss
11 the issue and -- and provide input to the process, that's
12 certainly something that we could look at.

13 MR. CLAUDIO SOUSA: We would be more -- more
14 than pleased to -- to participate in that.

15 My last point deals with the issue of road
16 safety. MPI has not engaged in any road safety initiatives
17 or to the best of my knowledge, any legislative amendments
18 aimed at making moped use safer for Manitobans.

19 Given that we've been told that there is a
20 clear and emerging trend which has been noticed here, can you
21 explain why MPI has not seen it a priority to have any road
22 safety initiatives focussed on this area?

23 MS. MARILYN MCLAREN: Well, I think as we've
24 indicated, it -- it's emerging, you know, and do we need
25 going forward to focus more on the needs of this specific

1 class? I would agree with that.

2 MR. CLAUDIO SOUSA: Thank you. I would like
3 to thank MPI, Ms. McLaren and the Board for their patience
4 with our novice experience at the Hearing. That concludes my
5 questions, Mr. Chairman.

6 THE CHAIRPERSON: Thank you, sir. We'll
7 proceed now to Mr. Williams, CAC/MSOS.

8

9 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: Yes, thank you, Mr.
11 Chair and good afternoon Members of the Panel.

12 Just in terms of the specific responses to
13 undertaking that I will be referring to I'm relying on the --
14 how they were marked as exhibits on Thursday the 21st.

15 I'll be referring to MPI Number 13 which is
16 Undertaking Number 8 relating to the driver training
17 education program. I'll also be referring to MPI Number 15
18 which is Undertaking Number 10 relating to promotions and the
19 road safety budget.

20 And finally, and I'll repeat this, Ms.
21 McLaren, and finally I'll be referring to MPI Number 17 which
22 I believe is the -- Undertaking Number 12 and that relates to
23 some polling information. I see Mr. McLaren -- or Mr.
24 McCulloch looking frantically for them.

25 MR. WALTER SARANCHUK: And while he's looking,

1 Mr. Chairman, there is a further undertaking that MPI has
2 satisfied by way of Undertaking Number 18 and I believe it
3 should be marked in the evidence as MPI Exhibit 26.

4 THE CHAIRPERSON: Twenty-six (26).

5
6 --- EXHIBIT NO. MPI 26: Response to Undertaking Number 18.

7
8 MS. MARILYN MCLAREN: I believe we have those
9 documents here.

10
11 CONTINUED BY MR. BYRON WILLIAMS:

12 MR. BYRON WILLIAMS: Thank you. And then
13 just to, you know, screw things up slightly to start with,
14 that's where the bulk of my questions are going to be
15 following up on those undertakings.

16 I do have one -- one additional question to
17 start out with and it doesn't follow up on undertakings so
18 hopefully the Corporation will give me a bit of latitude here
19 but I note from PUB/First Round Interrogatory Number 46, MPI
20 filed this second quarter reports of the Crown Corporation
21 Counsel for the 2003 year as well as the annual report for
22 the 2003 year.

23 And I wonder if MPI would be prepared to
24 update this filing by filing the first and second quarter
25 reports of Crown Corporation Counsel for 2004?

1 MS. MARILYN MCLAREN: Yes. This can be made
2 available, we can do that.

3 MR. BYRON WILLIAMS: And you will be able to
4 do that prior to the closing argument on Monday, November
5 1st?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: Thank you. Ms. McLaren,
8 as you can see in the response to Undertaking Number 8, MPI
9 provided the results of the assessment of the driver training
10 education program that was conducted by North Port, is that
11 correct?

12 MS. MARILYN MCLAREN: Yes, that's right.

13 MR. BYRON WILLIAMS: And what I received is
14 the executive summary.

15 My understanding is that at some later date
16 this week, to assist my plans, MPI will be filing the entire
17 report to my clients, is that right?

18 MS. MARILYN MCLAREN: Yes, that's right.

19 MR. BYRON WILLIAMS: I thank you for that.
20 Now, just reviewing the status update in terms of this
21 longitudinal study, my understanding was that the final
22 version of this was submitted to MPI in June of 2001, is that
23 right?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: And the work was

1 conducted by North Port's Associates who are described as
2 Linoral (phonetic) et al, is that correct?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: And the first part of
5 Linoral et al is Mr. Larry Linaro (phonetic) I understand; is
6 that right?

7 MS. MARILYN MCLAREN: Yes, I believe so.

8 MR. BYRON WILLIAMS: And you'll agree with me
9 that he's a respected individual in the road safety area.

10 Especially in the area of driver education, is
11 that right?

12 MS. MARILYN MCLAREN: Yes, that's true.

13 MR. BYRON WILLIAMS: And another one of the
14 authors of the study would be Ms. Allison Smiley of Human
15 Factors North, would that be correct?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And the third would be
18 Ms. Mary Chipman (phonetic) of the University of Toronto, is
19 that correct?

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: And again, Ms. Smiley
22 and Ms. Chipman are well regarded road safety researchers,
23 correct?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: And we will get into

1 this in a bit of detail later, but my understanding that, in
2 terms of this report, MPI would have reviewed its methodology
3 prior to retaining North Port's and that it had --

4

5 (AUDIO EQUIPMENT FAILURE)

6

7 THE CHAIRPERSON: At least we will have a
8 week before Closing Argument. We had everything so worked
9 out here, and at exactly four o'clock, everything just shuts
10 right down.

11 MR. BYRON WILLIAMS: I'm very traumatized by
12 the system's reaction to my -- to my questions, not the MPI
13 system.

14

15 CONTINUED BY MR. BYRON WILLIAMS:

16 MR. BYRON WILLIAMS: We were just discussing
17 the North Port Report and I was just asking you to confirm at
18 a high level that, first of all, MPI had an opportunity to
19 review the methodology of North Port before retaining it?

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: And secondly, that MPI
22 in fact has accepted a number of the recommendations from
23 North Port, and indeed retained North Port to do subsequent
24 work for it on driver's education; is that correct?

25 MS. MARILYN MCLAREN: Yes, North Port won a

1 new RFP for -- with respect to curriculum development.

2 MR. BYRON WILLIAMS: And again, we will get
3 to that in a -- in a few seconds. If I could turn your
4 attention to the Executive Summary of the North Port Report,
5 which would start on the second page of that Response, and I
6 just want to go down to Scope and Methodology.

7 And as I understand it, and I'm referring you
8 specifically to the -- at the bottom of the page number roman
9 numeral IV, one of the objectives of this Project by North
10 Port Associates, was to provide sound measures and
11 recommendations with regard to safety performance of DEP
12 graduates relative -- relative to those without it; is that
13 right?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And by DEP graduates,
16 they refer to Driver Education Program graduates; is that
17 correct?

18 MS. MARILYN MCLAREN: Yes, I believe so.

19 MR. BYRON WILLIAMS: And in terms of the
20 scope of this Study, turning your attention now to the -- to
21 roman numeral V at the top, my understanding was that they
22 actually surveyed a Driver Education Program group of about
23 four thousand (4,000) newly licensed drivers; is that right?

24 MS. MARILYN MCLAREN: Yes, that's right.

25 MR. BYRON WILLIAMS: And in addition, there

1 was a comparison group of drivers from the general population
2 of young drivers, which was drawn from insurance records; is
3 that correct?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And that also numbered
6 four thousand (4000), correct?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: In terms of the survey
9 results or in terms of the results of this report and again
10 I'm focussing you on the issue of safety performance of DEP
11 graduates. My understanding that there were two (2) kind of
12 results reported.

13 One (1) was a self reported survey results and
14 the other one was driver record analysis results, would that
15 be correct?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And I'll turn your
18 attention again to the -- under the heading Survey Results.
19 Again on roman numeral page number V.

20 My understanding referring you to the first
21 paragraph of that result, was that the finding of North Port
22 Associates was that the principle personal differences found
23 in the survey data were that the DEP group was younger,
24 licensed younger, drove less and was more highly favourable
25 to DEP.

1 While the DEP's reported a higher record of
2 crashes than the non DEP'S. The DEP's also reported a
3 slightly higher rate of convictions. However when age was
4 accounted for statistically, no significant difference in
5 self reported crash rates between the DEP and non DEP group
6 was apparent regardless of whether the non DEP's had any
7 formal driver training.

8 Can you confirm that was one of the results of
9 this report?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And we'll get back to
12 that a bit later. But if you could go to the next page under
13 Roman number VI, which is Driver Record Analysis Results.
14 And I'm going to just for brevities purpose direct your
15 attention to the last sentence of the first paragraph. And
16 then the entirety of the second paragraph under there.

17 Can you confirm for me that when -- when all
18 the other variables were controlled for the finding of this
19 report was that there was no statistically significant
20 difference between DEP's and non DEP's in terms of overall
21 accident incidents, would that be correct?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: In terms of convictions,
24 I wonder if you could confirm that there was statistically
25 significant differences between the DEP's and non DEP's but

1 the findings were contradictory in that when the survey --
2 when the whole population were modelled, the DEP's had more
3 convictions in a given year. But when survey samples were
4 modelled the non DEP's had more.

5 Is that correct?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And can you confirm that
8 the report found at the DEP showed a moderate 15 percent but
9 statistically significant excess of insurance claims over non
10 DEP's as well as higher claims dollar values being 14
11 percent.

12 Is that right?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: Now finally under
15 Summary and Recommendations, I'm directing you to the first
16 sentence. I wonder if you could confirm this report's
17 conclusion that:

18 " Manitoba's driver education program shows
19 promising affects on the attitudes and
20 driving of its graduates but there does not
21 appear to be a difference in accident risk
22 in favour of the DEP graduates."

23 Is that correct in terms of a finding of the
24 report?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: My understanding that is
2 -- just turning to the status update of MPI which is a couple
3 of pages farther along and it's dated October 20th, 2004 was
4 that since the report was concluded, MPI has reviewed its
5 findings and responded by both -- by developing a new driver
6 ed. curriculum and issuing a request for proposals to develop
7 this new curriculum with an implementation goal of September
8 2005.

9 Is that right?

10 MS. MARILYN MCLAREN: Yes. More precise
11 wording might be that we reviewed its findings and responded
12 by making a decision to develop new curriculum. And then
13 issued a request for proposal to do so.

14 MR. BYRON WILLIAMS: And North Port
15 Associates was the successful bidder and are currently
16 developing this new curriculum, correct?

17 MS. MARILYN MCLAREN: Yes, that's right.

18 MR. BYRON WILLIAMS: Can you give me just in
19 a dollar range, more than fifty thousand (50,000) or less
20 than fifty thousand (50,000), what it is?

21 MS. MARILYN MCLAREN: More than fifty
22 thousand (50,000).

23 MR. BYRON WILLIAMS: Would it be more than a
24 hundred thousand (100,000) or less than a hundred thousand
25 (100,000)?

1 MS. MARILYN MCLAREN: Likely more than a
2 hundred thousand (100,000).

3 MR. BYRON WILLIAMS: Now as I understand it,
4 one of the -- one of the recommendations of North Port was to
5 look at addressing advanced skills and examining options for
6 developing a multi-phase version of driver education.

7 Is that right?

8 MS. MARILYN MCLAREN: Yes, that's right.

9 MR. BYRON WILLIAMS: And in preparation for
10 that work some discussions were had with individuals in
11 Michigan, which is the only state to-date which has a
12 graduated driver ed. program.

13 Is that correct?

14 MS. MARILYN MCLAREN: Yes, that's true.

15 MR. BYRON WILLIAMS: And how long has that
16 program been in effect?

17 MS. MARILYN MCLAREN: A very short period of
18 time, less than two (2) years.

19 MR. BYRON WILLIAMS: So when the -- in -- in
20 terms of -- there's a statement on Page -- or on the second
21 page of the status update at the top, describing that the
22 preliminary feedback in terms of the Michigan program is
23 premature and poor regarding a graduated DE program.

24 I wonder if you could elaborate on that?

25 MS. MARILYN MCLAREN: They're finding that

1 the implementation is very, very difficult with respect to
2 crossing over time lines, following up with people, renewing
3 contact at the appointed points -- at -- at the specific
4 points of time where contact is required.

5 So I think it's natural to expect that there
6 may some implementation issues. You need several more years
7 to know whether they've properly overcome them and then what
8 the results of the program are.

9 MR. BYRON WILLIAMS: At this stage in time
10 it's too early to tell whether that will be a successful
11 program or an unsuccessful program?

12 MS. MARILYN MCLAREN: Yeah, that's right.

13 MR. BYRON WILLIAMS: When we look at the
14 original North Port report provided to MPI in June 2001, I
15 take it you'd agree with me that it's a significant report in
16 first of all evaluating the success of past programs as well
17 as recommending potential improvements to the program as it
18 then existed.

19 Would you agree with that?

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: Just going back to the
22 first page of that executive summary of that North Port
23 report, and I'm referring you to the third paragraph on the
24 page marked Roman Numeral Number 4, North Port is quoted as
25 saying:

1 "The critical importance of evaluation in
2 driver education is recognized
3 internationally, but relatively little work
4 has been done in -- in the last two (2)
5 decades."

6 I've read that to you correctly?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: I take it that in terms
9 of evaluating and monitoring, what's being done in terms of
10 evaluating driver education report, Manitoba Public
11 Insurance, because of its major investment in driver
12 education, actively monitors what's going on in terms of
13 literature review, in terms of driver education?

14 MS. MARILYN MCLAREN: Yes, that's true.

15 MR. BYRON WILLIAMS: And it would also
16 actively monitor any reports provided by the Insurance
17 Institute of -- for Highway Safety out of the United States.

18 That would be correct?

19 MS. MARILYN MCLAREN: Yes, that would be one
20 (1) source, for sure.

21 MR. BYRON WILLIAMS: In terms of its ongoing
22 review of the literature, would MPI be familiar with the
23 research by the John Hopkins School of Public Health which
24 was published in the American Journal of Preventative
25 Medicine in 1999?

1 MS. MARILYN MCLAREN: Not off the top of my
2 head, but maybe if there's more specific reference about what
3 the study showed, that might trigger a memory.

4 MR. BYRON WILLIAMS: Okay, well, if -- if you
5 were told that this -- the John Hopkins School of Public
6 Health reviewed nine (9) studies that met their quality
7 criteria in 2000 and concluded that there's no convincing
8 evidence that high school driver education reduces motor
9 vehicle crash involvement rates for young drivers.

10 In fact, by providing an opportunity for early
11 licensure, there's evidence that these courses are associated
12 with higher crash involvement of young drivers.

13 Would MPI -- would that reacquaint MPI with
14 those conclusions?

15 MS. MARILYN MCLAREN: I remember those
16 conclusions, yes.

17 MR. BYRON WILLIAMS: Is MPI familiar with the
18 work of J. Wooley from Australia entitled, "In Car Driving
19 Training at High Schools, a Literature Review"?

20 MS. MARILYN MCLAREN: Again, not off the top
21 of my head just by the title.

22 MR. BYRON WILLIAMS: Would it -- would it
23 have some familiarity if I suggested to you that his
24 conclusions were that very little evidence has emerged to
25 support driver education and training in high schools?

1 And the bulk of the scientific literature is
2 damning of the ability of high school driver education and
3 training to deliver net road safety benefits.

4 Does that sound a bit more familiar?

5 MS. MARILYN MCLAREN: Yes. And it sounds
6 familiar with the Hopkins material as well. Consistent I
7 mean as opposed to familiar.

8 MR. BYRON WILLIAMS: And is MPI familiar with
9 the work of R. Christie in terms of the effectiveness of
10 driver training as a road safety measure a review of the
11 literature?

12 MS. MARILYN MCLAREN: Not off the top of my
13 head.

14 MR. BYRON WILLIAMS: If I suggested to you
15 that that was a 2001 report that concluded:

16 "The pre-licensed driver training education
17 contributes little to post license reduction
18 in casualty crashes or traffic violations,
19 in addition mandatory pre-license training
20 or even formal pre-license training
21 education such as high school driver
22 education programs in the USA may contribute
23 to increasing exposure to risk for young
24 drivers, particularly females by encouraging
25 early solo licensing."

1 Would that assist you at all?

2 MS. MARILYN MCLAREN: The language of that
3 one sounded less familiar than the other two (2). But again
4 the findings are consistent.

5 MR. BYRON WILLIAMS: And again, I don't -- I
6 don't wish to belabour that, but I guess you'd agree with me
7 that there's a fair debate -- a fair degree of debate in
8 terms of the road safety community in terms of the merits of
9 driver education in reducing crashes or injuries to young
10 drivers.

11 Would that be fair?

12 MS. MARILYN MCLAREN: I'm sorry, can you
13 repeat the question?

14 MR. BYRON WILLIAMS: I might rephrase it.
15 You'll agree with me that there is many or excuse me, let me
16 try it again.

17 There are a number of either literature
18 reviews or empirical reports in the current literature
19 raising the question of whether driver education has any
20 measurable impact in terms of reducing or mitigating the
21 impacts of crashes on young drivers?

22 MS. MARILYN MCLAREN: Yeah, I think that's
23 fair. And I think, you know, for the most part, I think what
24 these studies are suggesting and I guess, you know, what the
25 evidence indicates that one of the biggest risk factors is

1 age. As we get older we tend to present a lower risk.

2 These studies I think given the time frames, I
3 think you mentioned with respect to most of them probably
4 also don't reflect the changes that -- that may have been
5 revolving through a graduated licensing program that many
6 jurisdictions have now.

7 MR. BYRON WILLIAMS: Fair enough. And this
8 is probably something I'll want to take back to my clients,
9 we may explore next year. I just want to -- just based on
10 our discussion from, it seems so long ago, but I think it was
11 last Monday, the initial North Port report cost in the range
12 of a hundred to a hundred and fifty thousand dollars
13 (\$100,000 to \$150,000), correct?

14 I'm referring to page 671 of the transcript,
15 Ms. McLaren.

16 MS. MARILYN MCLAREN: Subject to check, I'll
17 accept that.

18 MR. BYRON WILLIAMS: And it was completed as
19 we've said before, in June of 2001, correct?

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: Like My Friend, Mr.
22 Dawson, I -- I really have a pathetic life so I was reviewing
23 the manifest report from September 30th, 2002 over the
24 weekend and I didn't see any references to this North Port
25 Associate study in manifest.

1 And I wonder if you can indicate to me,
2 whether or not the report was actually provided to manifest?

3 MS. MARILYN MCLAREN: No, the report wasn't
4 provided. The scope of the manifest report was -- was
5 different and therefore this issue wouldn't have been within
6 scope of that study.

7 MR. BYRON WILLIAMS: Just when I look at the
8 manifest report and again, I'm just -- I'm just referring to
9 the executive summary, but I see at page 8 that it's
10 suggesting that MPI has worked hard to develop sound measures
11 to track it's progress on the -- the issue and it has a
12 blank.

13 MPI has established success indicators to its
14 track -- to its track progress and key road safety areas and
15 to measure success of driver education programs and outcomes
16 are tracked regularly.

17 And I guess wouldn't you consider the North
18 Port report to be an important measure of the success of the
19 driver education program?

20
21 (BRIEF PAUSE)

22
23 MS. MARILYN MCLAREN: Yeah, we would consider
24 it that, but the context of the manifest report was
25 different. It -- when they talk about driver education

1 programs, they're not talking about high school driver ed,
2 they're talking about communication programs, social
3 marketing efforts of the Corporation to modify general driver
4 behaviour best -- based on public communication, advertising
5 messages of the Corporation.

6 MR. BYRON WILLIAMS: So, in terms of an
7 assessment of the effectiveness of various elements of the
8 road safety expenditures of Manitoba Public Insurance,
9 manifest measures kind of the social marketing element, the
10 best measure of the driver education program would be the
11 North Port Associates report?

12 MS. MARILYN MCLAREN: Yes, that's fair.
13

14 (BRIEF PAUSE)
15

16 MR. BYRON WILLIAMS: I'm curious, as well,
17 you're aware of the comments from the Public Utilities Board
18 in Order 179-01 expressing an interest in seeing the results
19 of the North Port survey, I'm wondering why it was never
20 provided to the Public Utilities Board?

21 MS. MARILYN MCLAREN: I -- I don't have an
22 answer for that. You know, we'll -- we'll -- we've provided
23 the summary, we can provide as much more detail as someone
24 wants. I don't have recall as to -- there was never a
25 specific request. Once the report was finalized we -- if we

1 had undertaken to, provided in the next year's application,
2 we missed that. There -- there's no specific reason why it
3 wasn't filed.

4 MR. BYRON WILLIAMS: That's fair. I -- I
5 guess one (1) of the things I was curious about was the
6 timing because the North Port report was finalized in June of
7 2001, whereas the Public Utilities Board Hearing leading up
8 to Board Order -- Order 179-01 would have been quite some
9 time after June 2001, correct?

10
11 (BRIEF PAUSE)

12
13 MR. BYRON WILLIAMS: Although the report was
14 dated and the final copy received by the Corporation in June
15 of 2001, when we received that in June 2001, we didn't expect
16 that to be the final version.

17 Through a protracted period of time, both
18 before and after June of 2001, the Corporation had requested
19 and was hoping to receive accident causation information from
20 DDVL which would have, in our view, significantly enhanced
21 the information available for analysis to finalize this
22 report.

23 At the end of the day, North Port and MPI came
24 to terms with the fact that data was not forthcoming, there
25 was no more information to add and so therefore the report

1 that was dated June 2001 became the final report,
2 retroactively, I guess.

3 MR. BYRON WILLIAMS: So -- so, just so I'm
4 clear, the -- MPI's not taking issue with the methodology or
5 conclusion of the North Port report, it would have wished for
6 more information from DDVL, correct?

7 MS. MARILYN MCLAREN: Yes, that's right.

8 MR. BYRON WILLIAMS: Thank you. I -- I want
9 to move on to, I think it's MPI Exhibit Number 15, which is
10 also Undertaking Number 10. Do you have that, Ms. McLaren?

11 MS. MARILYN MCLAREN: I do, yes.

12
13 (BRIEF PAUSE)

14
15 MR. BYRON WILLIAMS: And -- and just to -- to
16 lead into this, and I'll be very brief on this subject, but
17 recalling our discussion from page 667 of the transcript,
18 again, I -- I don't think you need to -- to go there, but we
19 were talking about the budget for road safety and in the
20 budget for road safety there's an item known as Departmental
21 Expenses; do you recall that, Ms. McLaren?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: Do -- does part of the
24 budget -- does part of the allocation to departmental
25 expenses, would I be correct in assuming that part of that is

1 from the road safety branch and also part of that is from the
2 corporate marketing and strategic relations branch?

3 MS. MARILYN MCLAREN: Yes.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: I can't remember if you
8 said yes to that question. There's been a lot of whispering
9 going on.

10 MS. MARILYN MCLAREN: I believe I answered
11 yes.

12 MR. BYRON WILLIAMS: Of that \$1.67 million in
13 '04/'05, how much of that would be from driver safety and how
14 much would be from corporate and strategic relations; just
15 roughly?

16 MS. MARILYN MCLAREN: What dollar value
17 again?

18 MR. BYRON WILLIAMS: I'm referring to PUB
19 1-48, the road safety expenses, basic share, the 2004/'05
20 forecast for department expenses being \$1.67 million.

21

22 (BRIEF PAUSE)

23

24 MS. MARILYN MCLAREN: Departmental expenses
25 for '04/'05, \$1.67 million and what percent of that would

1 be --

2 MR. BYRON WILLIAMS: Yes, what percent would
3 be from road safety per se? What percent would flow from
4 corporate and strategic relations?

5

6 (BRIEF PAUSE)

7

8 MS. MARILYN MCLAREN: There would be very
9 small amount of money, perhaps a thousand dollars (\$1000) or
10 so for corporate relations which would be recognition of the
11 staff of the road safety department. Very, very few dollars
12 dedicated for that within that departmental budget.

13 MR. BYRON WILLIAMS: Okay and perhaps you're
14 jumping ahead of my questions but we'll be quick on this area
15 because I don't -- I don't think it's -- it's that telling.
16 But referring specifically to Undertaking Number 10, Safety
17 Promotion Items.

18 Am I correct in understanding that that would
19 -- those costs of seventy thousand (70,000) approximately
20 2002/'03 would be spread throughout a number of the budget
21 items for road safety expense such as occupant safe education
22 strategies, et cetera?

23 MS. MARILYN MCLAREN: Yes, that right. For
24 example, the speed management strategies would have a little
25 bit of money within the two hundred and seventy thousand

1 dollars (\$270,000) for small recognition items for the
2 community volunteers. The \$1.198 million for auto crime
3 prevention strategies would have a little bit of those safety
4 promotional dollars for citizens on patrol, that nature.

5 MR. BYRON WILLIAMS: And you may anticipated
6 my -- my question that I was leading up to, but in terms of
7 corporate promotional items being fifty-eight thousand
8 (58,000) roughly in '02/'03 are you giving evidence that none
9 of those or -- or most a thousand dollars (\$1000) would be
10 caught in any of the road safety expenses set out here?

11 MS. MARILYN MCLAREN: Yes, that's right.

12 MR. BYRON WILLIAMS: And would I also be
13 right in that the golf balls that I shared with Mr. Douglas
14 from last Monday, that they're not captured in the road
15 safety budget whatsoever?

16 MS. MARILYN MCLAREN: That's right.

17 MR. BYRON WILLIAMS: Just out of curiosity,
18 if Mr. -- Mr. Oakes is -- is looking in the bushes for gold
19 balls and evidence like that, is he looking in the right
20 year?

21 I'm just teasing. Is he going to find more
22 golf balls expenditures in previous years to the '04/'05
23 year?

24 MS. MARILYN MCLAREN: I wouldn't expect so.
25 He might find less in the '05/'06 year.

1 MR. BYRON WILLIAMS: I hope so. Referring
2 you now to Undertaking 12 which is MPI Exhibit Number 17. Do
3 you have that, Ms. McLaren?

4 MS. MARILYN MCLAREN: Yes, I do.

5 MR. BYRON WILLIAMS: And this was in response
6 to a request from CAC/MSOS to provide the results of public
7 surveys to determine the level of public support for MPI
8 investing in various road safety initiatives or programs; is
9 that right?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: Now, as I understand
12 what you've done here is you've provided the responses from
13 two (2) separate series of questions. Would that be fair?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And the first question,
16 and that's discussed in the first paragraph of your...

17 MS. MARILYN MCLAREN: Sorry.

18 MR. BYRON WILLIAMS: And the first question,
19 I think, is discussed in the first Response -- the first
20 paragraph made of your response, but essentially, I
21 understand what you're asking is, you're asking Manitobans,
22 you're suggesting to them that the money earned by investing
23 could be used in many different ways and you're asking them
24 to rate the following ways of spending this money, using a
25 scale of one (1) to seven (7), where one (1) means it is not

1 at all important and seven (7) means it is very important; is
2 that right?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: And of the six (6) -- of
5 the six (6) areas where you've asked them to rank their
6 preferences, these would including:

- 7 Keeping rates lower, being 1.
8 2. being repair/redesign roads.
9 3. being fund law enforcement activities.
10 4. being support community groups.
11 5. being research to help accident victim --

12 victims.

13 And 6 being improved vehicle repair.

14 Is that correct?

15 MS. MARILYN MCLAREN: Yes.

16 MR. BYRON WILLIAMS: And if you go to the
17 third page, Ms. McLaren, this may help you out, if you go to
18 the third page -- the third page of the Response, there's --
19 you'll see, it's numbered page 5 on the top right-hand
20 corner, and there's a heading, Ways of Spending the Money
21 over Time; do you see that Ms. McLaren?

22 MS. MARILYN MCLAREN: Yes, I have that.

23 MR. BYRON WILLIAMS: And I just want to focus
24 on what Manitobans ranked very important, and if I understand
25 this, the first Table there would be the results from the

1 Survey of August 2000, correct?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And at that time very
4 important number ranked -- 57 percent ranked keeping rates
5 lower, whereas 53 percent ranked repair/redesign road as very
6 important; is that correct?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And for this year, these
9 would be the -- the top two (2) in terms of the very
10 important ranking by Manitobans; is that correct?

11 MS. MARILYN MCLAREN: Yes.

12 MR. BYRON WILLIAMS: And likewise in August
13 2001, a similar question was asked, and again the top two (2)
14 in rankings were: keeping rates lower and secondly, repair/
15 redesign roads; is that correct?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And I wonder if you
18 could confirm, again focussing on the very important ranking,
19 that the same conclusion would be drawn from the August 2002,
20 August 2003, and August 2004 Surveys, that the top two (2)
21 ranks were --

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: -- keeping rates low and
24 repair/redesign roads?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: Now, the second
2 questions that MPI -- Responses which MPI generously provided
3 to us, related to an open-ended question about what
4 Manitobans -- what Manitobans believe MPI should concentrate
5 its efforts on; is that correct, Ms. McLaren?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And the results for that
8 are captured in the two (2) long pages at the end of this --
9 of this -- of this Undertaking Response, correct?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And there's only one --
12 there's only one (1) Response I want to direct your attention
13 to, and that's on the second page under Enforcement.

14 Can -- can you confirm that in Response to
15 Question 53, if Manitoba Public Insurance were to be
16 involved, where do you think Manitoba Public Insurance should
17 focus its attention when it comes to driving safety problems?

18 Under Enforcement, vehicle theft and vandalism
19 received a ranking in the range of 1 percent for the three
20 (3) times in which it was tested; is that right?

21 MS. MARILYN MCLAREN: Yes, that's right.

22 MR. BYRON WILLIAMS: Ms. McLaren, I just have
23 one last question. I appreciate the Corporation's response
24 to these Surveys.

25 I wonder if you can indicate whether at any

1 time since January 2000, Manitoba Public Insurance has asked
2 Manitobans whether they would support increased spending on
3 infrastructure if it meant that everyone would pay five
4 dollars (\$5) a year more for each vehicle they insure?

5 MS. MARILYN MCLAREN: I don't believe we
6 have.

7 MR. BYRON WILLIAMS: Would it be possible for
8 you just to double-check your records and if -- and -- and
9 see if -- if that question has been asked and -- and if you
10 have asked that question, if you could provide the results
11 for that question, please?

12 MS. MARILYN MCLAREN: Yes we will, and we'll
13 do that before the end of this week.

14 MR. BYRON WILLIAMS: Mr. Chair -- Mr.
15 Chairman, those are -- concludes my questions. Thank you
16 very much.

17 THE CHAIRPERSON: Thank you, Mr. Williams.
18 In advance of final arguments, if you --

19 MR. WALTER SARANCHUK: Mr. Chairman, there
20 might be one (1) comment to be made by MPI Counsel.

21 MR. KEVIN MCCULLOCH: Just --

22 THE CHAIRPERSON: Mr. McCulloch...?

23 MR. KEVIN MCCULLOCH: -- just -- Mr.
24 Chairman, there was a -- a question earlier this afternoon
25 asking the Corporation to produce copies of the Crown

1 Corporation Counsel reports. We have copies of the first
2 quarter report and the second quarter report for 2004 and I
3 provided copies to Mr. Barron.

4 THE CHAIRPERSON: Thank you, Mr. McCulloch.
5 I believe that's -- what exhibit number is that, Mr. Barron?
6 Twenty-seven (27)? Twenty-eight (28)?

7 MR. WALTER SARANCHUK: Sounds like MPI-27 and
8 28, unless we're going to mark them both as one (1) exhibit.

9 MR. KEVIN MCCULLOCH: Twenty-seven (27) --

10 THE CHAIRPERSON: Twenty-seven (27) and
11 twenty-eight (28). Thank you. Is there anything else in
12 housekeeping, Mr. Saranchuk?

13
14 --- EXHIBIT NO. MPI-27: Copies of the Crown Corporation
15 Counsel reports for the first
16 quarter 2004

17
18 --- EXHIBIT NO. MPI-28: Copies of the Crown Corporation
19 Counsel reports for the second
20 quarter of 2004

21
22 MR. WALTER SARANCHUK: I'm advised that there
23 is not, sir.

24 THE CHAIRPERSON: Okay. Before closing down
25 today, and in advance of final arguments I want to draw a few

1 issues to the attention of the Corporation and the
2 Intervenors. And we would appreciate their closing
3 perspectives on these issues.

4 We have had six (6) days of evidence and
5 reviewed a considerable quantity of information and issues.
6 Some of these matters are new to the GRA, others have a
7 lengthy history of attention.

8 The transfer of DDVL to MPI has been welcomed,
9 but it's consignment to Extension and SRE rather than to
10 Basic is subject to question.

11 Then there are the matters of the loss of the
12 annual cost transfer to Basic of approximately six million
13 and pending contract details affecting future costs. How is
14 this loss of revenue justified and how are the interests of
15 motorists better served by these actions?

16 Now, I would speak on the reliance of Basic on
17 the past and future earnings of SRE and Extension. While
18 motorists may see the development as being welcome, the level
19 of that assurance, a level that can be placed on its
20 continuing to be realized, is subject to question.

21 Speaking of investments, the Corporation has
22 reported on expert advice it received with respect to the
23 diversification of its considerable investment portfolio,
24 advice that it decided not to follow in part, with respect to
25 diversification into global equities and real property.

1 Yet the Corporation has made it clear that
2 investment income has considerable importance to the setting
3 of rates and with respect to asset mix, some may wrestle with
4 a perhaps, apparent disconnect from general practices of
5 large funds.

6 Two (2) other items with respect to
7 investments that we'd be pleased to hear comments on.

8 At one point the Corporation raised the issue
9 of the method that it allocated off from its net investment
10 income monies to its pension-related liabilities and the
11 approach taken to doing so rather than setting aside
12 transfers that were directly reflected to the yield that the
13 other contributing investment flows were.

14 Another issue is the Corporation's policy of
15 determining annual investment income taking into account
16 realized gains and losses on security, with gains being taken
17 into account when unrealized gains exceed the cost of
18 investments by 5 percent or more appropriate would a
19 methodology that allowed for smoothing of gains and losses be
20 more appropriate?

21 Leaving investments, we would appreciate
22 hearing more in closing statements both from the Corporation
23 and the Intervenors on the topic of loss transfer,
24 consistency of approach and reliance on fault or first party
25 concepts for the allocation of claim costs in all classes.

1 We are also considering whether a public
2 policy matter not prescribed in statutes should override what
3 some would consider more appropriate matching of fault with
4 costs.

5 Concurrent with this consideration, the Board
6 would like to hear from the parties with respect to the
7 corporation's long standing claim that motorcycles are
8 inherently risky and under priced with respect to premiums.

9 This particular view seems to stand in
10 attention with the continuing of capping of rates. This
11 capping, assuming that costs are properly allocated send a
12 proper price signal.

13 We would also appreciate hearing from the
14 parties on the dealer plate issue and the apparent rate
15 subsidy of the commercial class.

16 We're apparently in error to save the class
17 from considerable costs in the past and also of an error in
18 the sense that it's to be continued, at least to the degree
19 of half of it doesn't make sense to have other classes carry
20 it.

21 The Board heard that the Corporation was
22 inclining to review the Bonus/Malus system now that it has
23 DDVL responsibility.

24 The Board also heard that the Corporation
25 intended to develop more statistical analysis of its PIPP

1 cost development albeit ten (10) years into PIPP.

2 The Board would appreciate hearing the views
3 of the parties on these issues and of course, we would
4 appreciate and look forward to hearing your views on all the
5 other matters raised at the Hearing including the rate
6 application's calls on rates.

7 Please take into account that the Board takes
8 the perspective of the public interest. And the public
9 interest is multi dimensional and can be complex. We seek
10 not only stability but fairness and sometimes principles of
11 concepts could come into conflict.

12 In the end, the Board may accept, deny or vary
13 the Corporation's Application; anything else, please take
14 this into account in preparing and making your closing
15 statement.

16 We look forward to resuming on November 1st.
17 I thank you for your attention and we stand adjourned. Thank
18 you.

19 MR. WALTER SARANCHUK: Nine o'clock.

20 THE CHAIRPERSON: Nine o'clock. Hopefully by
21 then, we'll have our technology problem solved.

22 --- Upon adjourning at 4:40 p.m.
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3 Certified Correct,

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9 Carol Wilkinson, Ms.

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