

2019 GRA MPI Reply Submission

Oct 31, 2018



**Manitoba
Public Insurance**



Hearing Efficiencies

- MPI is obliged to demonstrate the value of every dollar spent
- CAC needs to demonstrate the value of expanding the process
- MPI has thrown the books open, to increase transparency





More Process is Not the Solution

- CAC proposes Tech Conference on Legacy Modernization
 - Legacy Mod (and initiatives generally) is the domain of Management and Board of Directors
- No clear outcomes expected
 - Without outcomes, can't assess value
 - Does not make sense to add to project costs
- PUB **will** be kept informed as it relates to revenue requirements and rate approvals
 - MPI accepts guidance from PUB on process





MPI is Moving Forward with Best Practice

CAC insinuates Out of Control IT Mismanagement

- Assumptions were relevant at the time
- Those assumptions have changed,
 - MPI is responding to a changing reality
- MPI acknowledged no longer focused on bespoke systems
 - we are no different than any other insurance company





Contradictions on ALM

- CAC has no apparent objection to De-risking of the portfolio
 - As a result of the ALM
- Can't have it both ways
 - CAC Rejects the conclusion that De-Risking must be accomplished through lower risk investments
- Recommend 0.5% **ongoing** reduction for “foregone investment opportunities”
 - Clearly at odds with the approval of prudent costs in the regulatory context





MPI's ALM Is Reasonable

- Mercer did detailed work
 - Met with the investor, conducted due diligence, explored a suite of alternatives
- Mr. Viola Did Not
 - “I'm not -- again, **my background isn't in insurance**, but I understand the nature of the liabilities” [T: 1591]
 - “I'm not an expert on the liabilities side” [T1591]
- CAC appears to ask the PUB substitute it's opinion for that of the Board of Directors and Investment Committee
 - A number of reasonable outcomes
 - MPI's is as reasonable as any other
- MPI's Board has jurisdiction over Investments



Net CMP

- CAC misunderstands the application (much like its experts)
 - Purpose of the CMP is unrelated to operational risk
 - MCT is appropriate measure for setting the CMP
 - MCT is a globally accepted measure, industry best practice
 - We are no different here either
 - Purpose of the CMP is not to “prevent rate shock”
- MPI cannot drift towards 1\$ above satisfactory financial condition
- CAC is relying on red herring to deny the Net CMP
 - Can’t challenge Net CMP on its merits
- MPI’s approach is prudent fiscal management and consistent with industry best practice



Rate Shock

- This is a “General” Rate Application
- Capping rules have been in place for years
 - CAC only now recognizes that individuals pay premiums?
- Ratepayers need to pay costs of their insurance (in the context of a break-even and undercapitalized program)
 - Premiums should match exposure



Conclusion

1. MPI has present facts evidence
2. MPI is open and transparent
3. PUB Cannot reject the application on trivial objections