

Attachment A

CAC Manitoba Application to Intervene: MPI 2020 GRA

1) Overview

This document provides background to the proposed intervention of the Manitoba Branch of the Consumers' Association of Canada (CAC Manitoba) by outlining:

- who is CAC Manitoba?
- reasons for Proposed Intervention, including how CAC Manitoba represents consumers who will be directly affected by the Board's decision in this matter and how CAC Manitoba represents a substantial number of ratepayers;
- CAC Manitoba's experience, information and expertise relevant to this matter;
- the nature of the Proposed Intervention, including the key issues that CAC Manitoba intends to address in this proceeding; and
- a brief overview of how CAC Manitoba intends to participate in this proceeding, including the potential team of legal advisors and consulting experts and a preliminary outline of proposed areas of analysis and evidence (the list of potential advisors is preliminary and includes some who will not be retained. The proposed estimate of costs will be consistent with similar bills in the past for hearings of similar length and complexity).

2) Who is the Manitoba Branch of the Consumers' Association of Canada?

Please describe the mandate of your organization and provide a description of the membership, including the number of members. Please also confirm whether the organization's intervention in this proceeding is supported by a resolution of the governing body, if any. Please enclose the resolution, if any, with your Application, along with supporting documentation of your mandate and membership:

CAC Manitoba is a volunteer, non-profit, independent organization working to inform and empower consumers and to represent the consumer interest in Manitoba. Formed in 1947, the organization is governed by a volunteer Board of Directors elected annually at a general meeting of its membership. It is a branch of the national Consumers' Association of Canada but is financially separate and separately incorporated.

CAC Manitoba represents the interests of consumers across Manitoba in a number of areas including financial services, food safety and security, patient rights, environmental sustainability and the regulatory review of utilities and Crown's delivering services and products to consumers.

The organization seeks input on its policy positions from consumers through

engagement, which includes the innovative use of focus groups-style sessions, workshops, surveys, and through its ongoing services to the public. For example, in 2016-2017, it had contact with approximately 13,000 consumers through its consumer education/information programs, services and consumer research. In addition, the organization seeks other perspectives on relevant issues through the use of policy community advisory committees and interviews

CAC Manitoba aims to protect and reconcile the interests of all Manitoba Public Insurance consumers with a particular emphasis on members of the private passenger class. It seeks to present an evidence-based intervention guided by a principled consideration of the consumer interest. It is represented by the Public Interest Law Centre.¹

The organization's policy is guided by its understanding of generally accepted consumer rights including:

- **The right to satisfaction of basic needs** - To have access to basic, essential goods and services: adequate food, clothing, shelter, health care, education, public utilities, water and sanitation.
- **The right to safety** – to be protected against products, production processes and services that are hazardous to health or life.
- **The right to be informed** – To be given the facts needed to make an informed choice, and to be protected against dishonest or misleading advertising or labelling.
- **The right to choose** – To be able to select from a range of products and services, offered at competitive prices with an assurance of satisfactory quality.
- **The right to be heard** - To have consumer interests represented in the making and execution of government policy, and in the development of products and services.
- **The right to redress** – To receive a fair settlement of just claims, including compensation for misrepresentation, shoddy goods or unsatisfactory services.
- **The right to consumer education** – To acquire knowledge and skills needed to make informed, confident choices about goods and services, while being aware of basic consumer rights and responsibilities and how to act on them.
- **The right to a healthy environment** -To live and work in an environment that is non-threatening to the well-being of present and future generations.

CAC Manitoba is also guided by the following consumer responsibilities:

- **Critical awareness** - consumers must be awakened to be more questioning about the provision of the quality of goods and services.
- **Involvement or action** - consumers must assert themselves and act to ensure that they get a fair deal.
- **Social responsibility** - consumers must act with social responsibility, with concern and sensitivity to the impact of their actions on other citizens, in

¹ An independent office of Legal Aid Manitoba.

particular, in relation to disadvantaged groups in the community and in relation to the economic and social realities prevailing.

- **Ecological responsibility** - there must be a heightened sensitivity to the impact of consumer decisions on the physical environment, which must be developed to a harmonious way, promoting conservation as the most critical factor in improving the real quality of life for the present and the future.
- **Solidarity** - the best and most effective action is through cooperative efforts through the formation of consumer/citizen groups who together can have the strength and influence to ensure that adequate attention is given to the consumer interest.

3) Reasons for the proposed intervention

Please state your reasons for intervening in this proceeding:

The overall rate sought by the Corporation in the 2020-20 GRA is 0.1%. CAC Manitoba intends to test MPI's application regarding the overall magnitude of the rate increase, including whether it is consistent with actuarial indicators and whether the rate indication should be lower, higher or whether the appropriate level is sought. It also intends to test whether the forecasts are reasonably reliable and the expenditures of the corporation including those related to information technology are prudent.

In addition, there are many issues in this year's GRA which are a continuation of issues explored in the 2019 application and that will have lasting impacts on Manitoba consumers and MPI rates.

In particular:

- The Capital Management Plan ("CMP") put forward by MPI raises questions regarding the legality of the *Reserves Regulation* enacted by the provincial government in April 2019, the impact of the *Regulation* on the PUB's rate-setting process and whether MPI's CMP is compliant with the *Reserves Regulation*. The CMP will impact rates on an ongoing basis given the capital maintenance provision from the 2019 GRA currently built into rates, and the potential maintenance of a 100% MCT target in the RSR;
- MPI's investment portfolio raises questions relating to the significant changes to the policy asset mixes resulting from the ALM study, as well as the the overall performance of the investment portfolio. Returns on investments impact rates on an ongoing basis given that returns on investments can assist to lower the overall rate indication;
- Issues relating to the Asset Liability Management (ALM) study include its implementation , as well as the shadow portfolios (criteria and assumptions, methodology, consistency, composition, performance interpretation), interest rate risk exposure changes, investment income reporting changes, accounting standard changes and MPI's accounting choices. The implementation of the ALM study impacts returns on investments, which in turn impact rates on an ongoing

basis given that returns on investments have the potential to lower the rate indication;

- Road Safety is an issue that affects all Manitobans. In the context of the GRA, the overarching issue is whether MPI's road safety portfolio minimizes the human, economic and social costs of collisions while also being prudently and reasonably optimized to maximize value to ratepayers. Given the human and social cost of collisions and that many initiatives relating to road safety span multiple years, this issue is significant to ratepayers on an ongoing basis;
- MPI has recently finished a public consultation process relating to the Driver Safety Rating, with a public consultation report to be released in September. Any changes to the Driver Safety Rating framework will impact ratepayers on an ongoing basis through the method in which their car(s) is(are) registered and the discount applied to their insurance; and
- Any changes to MPI's agreements with brokers will have an ongoing impact on ratepayers, given that the commissions paid to brokers are directly incorporated into MPI's cost of operations, and therefore into rates.

Please state how you are directly affected by the Board's decision in this matter:

MPI ratepayers are directly affected by the Board's decision in this matter, both relating to the overall rate for 2020/21 and other issues which will have long-term impacts on automobile insurance rates in Manitoba.

Please explain whether and how you represent a substantial number of ratepayers that are otherwise not represented on issues that are within the scope of this proceeding:

CAC Manitoba seeks to protect the interests of Manitoba Public Insurance ratepayers with a particular focus on the private passenger class. It will assert their right to just, reasonable and sustainable rates that are determined in a publicly accessible and transparent process.

No other intervener or group actively participating in this proceeding represents the same group of consumers. CAC Manitoba recognizes that other interveners, such as the Coalition of Manitoba Motorcycle Groups (CMMG), Bike Winnipeg and CAA Manitoba, represent subsets of MPI ratepayers, but with different particular areas of interest. CAC Manitoba intends to actively collaborate with these groups on areas of common interest.

For CAC Manitoba, bringing the voice of consumers directly to the Public Utilities Board is of primary importance in the independent rate-setting process. The organization places a priority on direct consumer input through focus groups, engagement sessions and stakeholder panels.

In preparation for the upcoming MPI General Rate Application, CAC Manitoba expects to meet with a number of potential stakeholders representing various Manitoba perspectives. It will conduct at least two focus groups with Manitoba consumers on

issues relevant to public auto insurance. In addition, the organization will seek to better educate consumers about the rate application through the use of a variety of public engagement tools including social media.

Please describe your experience, information, or expertise relevant to this matter that would contribute to the Board’s decision making, including any other prior interventions in regulatory matters before this Board or other decision-makers:

Over the past 25 years, CAC Manitoba has been active in rate regulation matters relating to Manitoba Public Insurance, Manitoba Hydro, Centra Gas, government cheque cashing and payday lending rates. In addition, the organization has extensive and intersecting regulatory experience at the Canadian Radio-television and Telecommunications Commission and the Manitoba Clean Environment Commission. It takes pride in its long-standing record of quality, evidence-based advocacy.

Over the past twenty-five years, CAC Manitoba has been particularly engaged in regulatory matters relating to Manitoba Public Insurance including every General Rate Application and technical conference as well as the Driver Safety Rating proceeding.

CAC Manitoba has a mandate to provide Manitoba consumers with unbiased information. Through interventions at rate hearings, the organization represents the consumer interest on prices and quality of service (“rates for service”).

In recent regulatory proceedings before the Public Utilities Board on Manitoba Public Insurance matters, CAC Manitoba has played an active role in issues such as:

- ratemaking in accordance with accepted actuarial practice;²
- an evidence based approach to interest rate forecasting;³
- the need for increased rigour in information technology expenditures and demonstrable benefits for ratepayers including a post project review of expenditures related to the personal injury protection plan technology management system;⁴
- risks and opportunities for Manitoba ratepayers relating to the Physical Damage Re-engineering project;⁵
- efficiency in expenditures on staffing;⁶
- a modern approach to road safety investments that provides good value to ratepayers and enhances protection for all Manitobans;⁷
- the necessity for a modernized approach to the Corporation's investment portfolio that better balances risk and reward;⁸

2 *Public Utilities Board Order 162-16*, p. 5, 16, 18-19, 31-32, 35, 65-67; *Public Utilities Board Order 130-17*, p 25-26.

3 *162-16*, p. 6, 16, 18, 46, 50, 54-56; *130-17*, p 65-66, 69; *Public Utilities Board Order 159/18*, p 30-31.

4 *162-16*, p. 6, 31-32, 33-34, 36; *130-17*, p 51-53; *159/18*, p 69-70.

5 *162-16*, p. 22, 28 -29, 32, 34, 36; *130-17*, p 56.

6 *162-16*, p. 26.

7 *162-16*, p. 7, 70, 80 -82; *130-17*, p 87.

8 *162-16*, p. 6, 15-16, 44-45, 50; *130-17*, p 66; *159/18*, p 84-88.

- an evidence based approach to setting reasonable reserves;⁹
- the importance of a fair and effective Driver Rating System.¹⁰

4) Proposed areas of analysis, evidence and expert witnesses

Please list the key issues you intend to address in the proceeding. Please be specific.

Do you intend to participate fully and actively, including attendance at hearings, submission of evidence, and testing of evidence and cross examination of witnesses? If yes, please describe your intended participation.

The intervention of CAC Manitoba in this proceeding will be guided by the Public Utilities Board criteria for the consideration of just and reasonable rates. Pursuant to its jurisdiction and the statutory framework in which it operates, the Public Utilities Board has characterized the key elements of its independent review function and rate-setting role as follows:

- Ensuring that forecasts are reasonably reliable;
- Ensuring that actual and projected costs incurred are necessary and reasonable;
- Assessing the reasonable revenue needs of an applicant in the context of its overall general health (including reserves);
- Determining an appropriate allocation of costs between and within classes; and
- Setting just and reasonable rates in accordance with statutory objectives.¹¹

CAC Manitoba proposes to provide analysis and evidence from a team of experts coordinated by the Public Interest Law Centre and Mr. Peter Dyck. CAC Manitoba has not finalized the actual list of experts it seeks to retain. Further information on potential experts and consultants is provided in **Attachment B**.

CAC Manitoba intends to participate fully and actively, including attendance at hearings, submission of evidence and testing of evidence and cross-examination of witnesses. Its proposed areas of inquiry and evidence are outlined below. Given the short time frame between the filing of the application and the pre-hearing conference, this overview of issues is necessarily preliminary.

Reasonably Reliable Forecasting

Preliminary Issues List #4: Financial forecast

Preliminary Issues List # 10: Claims forecasting (including PIPP)

Preliminary Issues List #12: Run-off of prior year claims during 2018/19

⁹ 162-16 p. 7, 59, 61 – 63; 130-17, p 75-77, 79; 159/18, p 31-33.

¹⁰ 162-16, p. 14; 130-17, p 33.

¹¹ *Public Utilities Board Order 98/14* at p 28, 37; *PUB Order 5/12* at p 27. See also the *Crown Corporations Public Review and Accountability Act*, C.C.S.M. c. C336, the *Public Utilities Board Act*, C.C.S.M. c. P280 and the *Manitoba Public Insurance Corporation Act*, C.C.S.M. c. P215

With respect to forecasting, CAC Manitoba proposes to review the various operating, capital, revenue, claims and investment income forecasts. It will ask:

- Are the assumptions reasonable, justifiable and supported statistically?
- Are vehicle volume and upgrade factors reliable based on trends and past experience?
- Are the forecasts reliable?

The organization expects to review the Corporate and Basic Insurance Feb 28/19 annual reports (2018/19) and assess the annual performance and its impact on forecasts going forward. With the 2018/19 financial performance as a backdrop, the organization intends to examine the following:

- review the Claims Forecast (Part V Claims Incurred);
- review the Revenue Forecast (Part V Revenues);
- review the Actuary's Report as at October 31, 2018 and February 28, 2019 (Part VIII); and
- review the Rate Setting Framework, process and results (Part V).

CAC Manitoba will examine changes, if any, in the development factors from previous reports. It will also examine any changes to assumptions (interest/discount rates) and how the changed assumptions may affect future projections. It will review forecasting data to ensure data integrity.

CAC Manitoba will review MPI's claims forecast, including PIPP claims incurred, which appear to continue to be significantly variable year over year resulting from actuarial valuation assumptions. CAC Manitoba will ask whether the robustness of claims incurred forecasting and the potential resulting claims cost control mechanisms to be internalized by the adjudication staff is still an outstanding opportunity to be realized.

CAC Manitoba will review MPI's interest rate forecasts given historic challenges and recent developments, as well as whether the Corporation is compliant with recent PUB direction. It will also examine certain elements of the investment forecast including whether the estimate of the investment risk premium is reasonable.

The reasonableness and justifications for operating, maintenance and administration costs

Preliminary Issues List #5: Corporate Strategic Plan and Annual Business Plan

Preliminary Issues List #9: Cost of operations and cost containment measures

Preliminary Issues List #11: Operational Benchmarking

Preliminary Issues List #17: Current IT Strategic Plan and IT Expenses and Projects

Preliminary Issues List #20: Road Safety

Regarding cost control, operating and claims expenses, staffing and cost containment, CAC Manitoba intends to:

- Review the expense report, benchmarking report and staffing report to determine impact of the current cost containment process and progress made;
- Perform an expense account analysis to determine and obtain explanations for any material variances from approved budgets;
- Ascertain the use of consultants and costs, including examining the Terms of Reference for consultants;
- Review staffing levels;
- Examine whether all service provider fees are negotiated and set out in a contract or whether they are pending negotiations, including reviewing the status of the repair industry agreements;
- Review whether the organizational structure changed recently and what is the current structure;
- Examine whether there performance bonuses paid to management and or consultants; and
- Whether there are there any accounting adjustments anticipated that are not reported in the 2019 GRA that would need to be accounted for in the next fiscal year.

CAC Manitoba will review the Benchmarking report filed in Part IV(i) as BMK benchmarking and assess improvements made year over year and initiatives to be undertaking going forward. CAC Manitoba will assess MPI's operational and organizational efficiencies compared to their peers.

With respect to MPI's Corporate Mission, as detailed in Part II of the 2020 GRA MPI, which details its corporate mission, vision and values centered on its core business mandate, and Part VIII AR Appendix 4 of the 2020 GRA MPI, which details the business plan for the next number of years, CAC Manitoba's areas of inquiry will focus on the alignment of MPI's mandate with its Business Plan and the impact on operations and rates.

A number of strategic initiatives are described in the Business Plan, including the plan for its legacy systems and relationship with its broker community including broker compensation. CAC Manitoba intends to explore impacts on MPI's relationship with brokers in future given the Corporation's current IT projects.

Part III of the 2020 MPI GRA details MPI's Basic coverages and benefits. Last year MPI started a review of its coverages. As part of the inquiry, CAC Manitoba will be reviewing the potential financial impact and the impact on future rates and forecasts of the coverage review completed thus far.

With respect to road safety and loss prevention, CAC Manitoba intends to review progress made on MPI's overall portfolio, as well as on specific projects, relative to the expectations of stakeholders and the PUB Order. In collaboration with Bike Winnipeg and the Coalition of Manitoba Motorcycle Groups (CMMG), CAC Manitoba intends to follow up on issues discussed at the Road Safety Technical Conference in April 2019,

including testing the business case and economic value of Road Safety and Loss Prevention initiatives.

In particular, CAC Manitoba intends to explore MPI's progress and consideration given to the following issues, among other, which were raised by CAC Manitoba during the Technical Conference on Road Safety:

- Any consideration or progress toward a provincial road safety budget in the context of the provincial Road to Zero Plan, incorporating all players' contribution across the Province, both financial and activities/programs, which would allow parties and the PUB to understand whether MPI's road safety budget is prudently and reasonably optimized to maximize value to ratepayers. A provincial road safety budget would assist parties and the PUB to see how MPI's road safety portfolio fits within the broader provincial efforts on road safety and whether all of Manitoba's provincial road safety efforts are optimized taking into account all players.
- MPI's demonstration of its alignment with best practices and its research on other jurisdictions to inform its decisions regarding new programs or improvements to programs, how it has weighed and considered this research and how it has informed ultimate program decisions taken by MPI.
- CAC Manitoba intends to explore whether MPI has filed information about how program outcomes are being evaluated and measured on an ongoing basis, grounded in best practice, including for the following programs:
 - Traffic Safety Cultures (i.e. "Save the 100")
 - DRIVR-X Virtual Reality Experience
 - Enhanced enforcement in school zones, including whether data can be specifically track collisions that occur in designated school zones
 - MPI's northern initiatives, including Northern Driver Training and Testing
 - Traffic Enforcement Initiatives
- Engagement by MPI with the City of Winnipeg and other municipalities directly on development of municipal road safety strategies to help ensure alignment to key principles, objectives and success measures under the provincial plan.
- If applicable, results of MPI's consultation with members of the External Stakeholder Committee on Loss Prevention.
- An update regarding the possibility of geo-mapping of speed-related fatalities and injuries.
- Data regarding collisions on First Nations.
- MPI's work relating to users of mobility devices who use sidewalks and roadways, which MPI has recognized as a group with unique and specific needs that should be addressed under the provincial road safety plan.
- Any specific education program for newcomers to Manitoba, including education relating to seasonal variations in driving conditions.

With respect to Part IV of the 2020 MPI GRA, which details the Service Delivery Model, areas of inquiry will include the impact of body shop estimating, direct repair and the

impact on claims incurred (rates) as well as review the compensation agreement currently in place.

With respect to BI3, areas of inquiry will include what is the status of BI3, staffing levels, team adjusting and why did PIPP claims incurred rise again in 2018/19? What is the impact on forecasts going forward? What is the current value proposition of BI3?

CAC Manitoba will review Pro Forma financial forecasts presented in 2020 MPI GRA Part V(i), in conjunction with the claims, operating and revenue forecasts as well as compared to last years' forecasts to assess any changes and the source of the changes.

MPI has filed a Value Management report which will be reviewed with respect to the capital projects listed last year, assess progress to-date, any changes to projects and assess any new projects added.

With respect to Information Technology, CAC Manitoba will review MPI's Information Technology Strategy report to ensure alignment to business strategy and cost effectiveness.

Particular attention will be paid to the Legacy System Modernization, a project with a \$10 million budget for 2019/20 and a total budget of \$106.8 million, making it the largest IT program ever initiated by MPI. The following issues regarding the Legacy System Modernization project will be explored:

- Whether the Legacy System Modernization project provides a litmus test for the effectiveness of MPI's Value Management process, and the ability of Value Management to show timely indicators regarding the health of the program.
- MPI's capacity to perform the required level of Project Governance and Reporting will be a key theme to be examined. MPI's IT and project management functions will be assessed in terms of their readiness for Agile Project Methods and the level of continuous delivery that comes with Agile. This readiness includes appropriate staffing, tools, workspaces and training.
- While much of the information relating to the Legacy System Modernization project is subject to a confidentiality motion, CAC Manitoba will explore the end date of the Assessment phase was delayed by several months, despite early indications that showed that the Assessment phase has been proceeding well.
- Legacy System Modernization Project governance description provide context in terms of MPI's approach to management and oversight of the program; however, the details required regarding the proposed project execution strategy, in particular details regarding agile project development and delivery, will be explored, as well as an understanding of the program management's capacity to handle true agile project methodology.

Although CAC Manitoba's main emphasis with respect to IT will be placed on the Legacy Modernization Project, it is worth noting that there are other initiatives for which updates have been provided, where there seem to be very significant variations

between budget and actual spend. CAC Manitoba expects to further explore the explanations/rationale regarding these discrepancies, including the overall variance between budget and actual for all IT initiatives identified exceeding \$400K (negative) for the 1 year period.

CAC Manitoba will examine MPI's evidence in response to directive 11.15 in PUB Order 159/18, regarding its progress in reducing the ratio of IT consultants to internal staff, in particular project management roles, and any update as to measures taken by the Corporation to improve the management of its relationships with IT vendors.

CAC Manitoba will also review MPI's evidence in response to Directive 11.16, an update to the Gartner Benchmark Findings and Recommendations Executive Report, including an update to its IT Score, with the Board.

At this point in time, the Manitoba Branch of CAC Manitoba does not intend to call evidence in this area. In terms of its analysis in this area, it intends to rely upon Mr. Dyck, with the possibility of also retaining Mr. Wallace Pitt on discrete tasks.

Overall health of the corporation including reserves

Preliminary Issues List #1: Requested vehicle rate and any changes to other fees and discounts

Preliminary Issues List #7: Capital management plan and update of Dynamic Capital Adequacy Testing

Preliminary Issues List #8: Performance of the investment portfolio and the composition of i) the portfolio, ii) benchmark portfolio(s) on a market value basis (e.g. asset mix)

Preliminary Issues List #13: Risk Assessment and Risk Management

Preliminary Issues List # 18: Proposed Capital Management Plan

Preliminary Issues List #19: Asset Liability Management Study

Under this heading, CAC Manitoba proposes to examine the appropriateness of core elements of the rate application including the necessity of the 0.1% in premium increases, as well as issues relating to the methodology and appropriateness of the proposed Capital Management Plan. In this context, CAC Manitoba also intends to examine particular risks and opportunities flowing to ratepayers from the Corporation's investment portfolio management practices.

In terms of the appropriateness of the 0.1% requested overall rate increase, CAC Manitoba notes that it appears MPI's financial bottom line is forecasted to improve quite impressively since last year. CAC Manitoba intends to investigate the causes of this financial turnaround, including examining actuarial assumption changes, improved investment income, lower than expected claims volume, write-offs of sunk IT costs.

In terms of risks, risk management and appropriate reserves, CAC Manitoba will consider:

- the 2018/19 annual report and assess the financial condition and impact on future revenue requirements;
- an analysis of the various significant accounts where amounts, year over year, have changed materially and should be examined to determine the reason for the changes and the financial impact these changes may have on the proposed 2020 GRA – Basic Insurance rates, if any.
- CAC Manitoba will review the Accounting Policy Changes, including a review of financial statements for impacts of accounting policy changes, if any, management judgements and how they impact the 2020 GRA.
- The financial sustainability of the Corporation on a going forward basis including whether significant risks are being being mitigated cost effectively.
- In reviewing current risk management framework and risk mitigation processes, has MPI's risk profile changed from last year? Are significant risks being mitigated cost effectively?
- CAC Manitoba will review MPI's identification and assessment (severity and likelihood) of key risks related to the portfolio and liabilities, as well as other areas (i.e. non-investment-related). CAC Manitoba will also review MPI's tolerance or appetite for different types of risk (e.g. inflation risk, equity risk) in relation to the expected returns from taking different types of risk. It will also review the overall robustness of the RMF (and its implementation, if complete).
- CAC Manitoba will review the Operational ALM Policy in the context of the Risk Management Framework, including the Pension Funding Policy.
- CAC Manitoba will review the degree of active management (tracking error, or risk of underperforming benchmark portfolios), given the underperformance last year.

In terms of the investment portfolio, CAC Manitoba participated extensively in this area during the 2017 and 2019 GRAs and intends to assess MPI's progress in this proceeding, including MPI's implementation of the PUB directives in Order 159-18.

CAC Manitoba intends to examine the following issues relating to MPI's investments:

- Whether the asset mix has changed and the impact of any change, including changes resulting from the ALM Study.
- Review the investment performance in light of Mr. Viole's recommendations from the 2017 and 2019 GRAs recommendations (i.e. absolute returns, and returns relative to both the policy benchmark and Liability Benchmark).
- Whether there have been impact on financial operations of the implementation of the ALM and whether there any changes recommended or required with respect to risk vs reward.
- With respect to the Investment Policy Statement, whether there were there any changes and the impact of any changes.
- Contrast the annual yield return per the Investment Performance report with the reported/forecasted investment income.
- Whether Mercer's methodology in developing the shadow portfolios ordered by the PUB in Order 159/18 is appropriate, including whether Mercer appropriately

characterized risk and return in Shadow Portfolio 1 (constrained) and Shadow Portfolio 2 (unconstrained), or whether a more appropriate approach would be to hold risk (not return) constant, then infer the higher expected return on the efficient frontier, and finally the associated asset allocation for this risk/return combination.

- Interest rate risk exposure changes, especially given the long time horizon (duration) of the liabilities.
- Investment Income Reporting changes, including MPI's reliance on accounting (rather than market value) metrics to inform investment decisions.
- By way of follow up to past GRAs where a number of upcoming changes (IFRS) were identified, CAC Manitoba will explore any update on accounting standard changes, including MPI's plan to adopt those changes (including timing of implementation, and impact on financial statements, such as net income and OCI).
- MPI's accounting policies, where a choice is available.

With respect to the Rate Stabilization Reserve (RSR), CAC Manitoba will review the RSR documentation filed, along with the Board Order 159/18, to assess the current process for maintaining the RSR in light of the current risks faced by MPI. It will also assess the impact of the Capital Management Plan (CMP) and the legalization of the CMP.

Specifically, with respect to the Reserves Regulation and the CMP, CAC Manitoba intends to ask the following questions:

- whether the Reserves Regulation is lawfully enacted pursuant to the MPI Act;
- the applicability of the Reserves Regulation for the rate-setting process;
- should the Reserves Regulation be determined to be lawfully enacted and applicable for the independent rate-setting process, whether MPI's proposed capital management plan is compliant with the language of the Reserves Regulation; and
- should the Reserves Regulation be determined not to be lawfully enacted, target capital analysis and the target Basic total equity threshold levels, including with reference to the Dynamic Capital Adequacy Test (DCAT).

In terms of the overall health of the corporation, and specifically the Capital Management Plan, the Rate Stabilization Reserve and the DCAT, CAC Manitoba proposes to bring evidence in this area. At this point in time, it is expected that evidence will be developed relating to:

- The appropriate capital structure and regulatory principles with respect to the purpose of reserves, such as the Rate Stabilization Reserve, for Crown corporations;
- The relationship between regulated and non-regulated lines of business, such as Basic, Extension and SRE in the context of MPI;
- How regulatory principles relating to reserves and the relationship between

regulated and non-regulated lines of business applies to MPI's Rate Stabilization Reserve; and

- The appropriate level for the Rate Stabilization Reserve, including how the DCAT has been used to set a range for the RSR.

It is expected that this evidence will be developed by Mr. John Todd in collaboration with **either Dr. Wayne Simpson or Ms Andrea Sherry**. Further information about Mr. Todd, Dr. Simpson and Ms Sherry is found in Attachment B.

CAC Manitoba intends to retain Mr. Valter Viola for consulting assistance with issues relating to investments and the Asset Liability Management Study. CAC Manitoba intends to retain Ms Mavis Johnson for consulting assistance on issues relating to road safety. At this time, CAC Manitoba does not intend to file evidence from Mr. Valter Viola or Ms Mavis Johnson. In the event that this changes as the record of the proceeding develops, CAC Manitoba will advise the Board and MPI and will seek direction on how to proceed in order to qualify the witnesses.

Appropriate allocation of costs between and within classes

Preliminary Issues List #15: Driver Safety Rating

Preliminary Issues List #16: Claims experience to date for the Vehicles for Hire (VFH) class

With respect to Vehicles for Hire, CAC Manitoba will focus on:

- Claims experience to date for this class, including variation from forecasts, reasons for variations and adjustments needed to rates;

CAC Manitoba may also explore the following issues:

- the interplay between the *Vehicles for Hire Act*, the Regulations and the insurance rating model;
- rates for taxicabs versus passenger vehicles for hire;
- the financial impact of the vehicles for hire rating model on the Corporation;
- DSR premium discount impacts, if any;
- information technology costs;
- forecasting of claims incurred;
- road safety and loss prevention, especially relating to safety and training standards and requirements for vehicles for hire operating in Manitoba;
- monitoring of industry standards and best practices; and
- stakeholder engagement.

CAC Manitoba intends to examine the issue of Driver Safety Rating, with respect to the public consultation undertaken by the Corporation. Specifically, CAC Manitoba will make inquiries with respect to the research by MPI on the models presented in the public consultation process, as well as the results of the public consultation when filed in

September 2019.

Ratemaking

Preliminary Issues List # 2: Rate indication based on accepted actuarial practice in Canada

CAC Manitoba intends to focus on whether the proper actuarial principles are in place for the indicated rate and rate making exercise.

It is expected that Mr. Dyck will lead in this area.

5) Costs

Do you intend to request an award of costs for your participation? Please explain how you meet the criteria for an award of costs.

CAC Manitoba intends to request an award of costs for its participation in the 2020/21 MPI GRA.

As stated in the Intervener Costs Policy, in any proceeding, the Board may award costs to be paid to any Intervener who has:

- (a) made a significant contribution that is relevant to the proceeding and contributed to a better understanding, by all parties, of the issues before the Board;
- (b) participated in the hearing in a responsible manner and cooperated with other Interveners who have common objectives in the outcome of the proceedings in order to avoid a duplication of intervention;
- (c) represented interests beyond their sole business interest; and
- (d) a substantial interest in the outcome of the proceeding and represents the interests of a substantial number of ratepayers.

CAC Manitoba intends to make a significant contribution to this proceeding through its information requests, evidence from its expert witnesses, as well as its cross-examination of MPI's witnesses and its final submissions. Its intervention will be guided by the PUB's criteria for the consideration of just and reasonable rates. CAC Manitoba also expects its intervention to be guided by engagement with Manitoba ratepayers.

CAC Manitoba will participate in this hearing in a reasonable manner and will cooperate with other interveners who have common objectives, including CMMG, Bike Winnipeg and CAA, if applicable. CAC Manitoba will make reasonable efforts to ensure that its participation is not unduly repetitive of other interveners. For example, it has already met with legal counsel to Bike Winnipeg in an attempt to collaborate on any areas of common interest. CAC Manitoba's intervention will be limited to those issues that are raised in this application and approved in the PUB's procedural order following the Pre-

Hearing Conference.

As has been described above, CAC Manitoba represents the interests of all Manitoba ratepayers, and in particular the private passenger class. As a result, it has a substantial interest in the outcome of the proceeding and represents the interests of a substantial number of ratepayers. The Consumers Coalition aims to protect and reconcile the interests of all Manitoba ratepayers.

Do you intend to seek approval for any other form of participation or provision of evidence, including for which you intend to seek an award of costs? If yes, please provide details and an explanation of the relation to issues in scope in the proceeding.

In addition to its participation in the GRA, CAC Manitoba intends to seek approval for its participation in two Technical Conferences leading up to the 2020 GRA:

- Road Safety Technical Conference, held on April 4-5, 2019; and
- Capital Management Plan Technical Conference, held on April 16, 2019.

CAC Manitoba participated actively in both technical conferences, including:

- reviewing all materials provided,
- working with consultants to identify relevant issues and areas of inquiry,
- posing questions to MPI prior to and/or during the Technical Conference to clarify issues, request further information and have a dialogue relating to common objectives and interests; and
- making submissions with respect to its position on the issues canvassed.

Both Road Safety and the Capital Management Plan are included in the Board's Preliminary List of Issues, and CAC Manitoba intends to explore both issues in the scope of the proceeding.