MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2018/2019 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Robert Gabor, Q.C. - Board Chairperson

Michael Watson - Board Member

Carol Hainsworth - Board Member

Allan Morin - Board Member

Robert Vandewater - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

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APPEARANCES

Kathleen McCandless	)Board Counsel
Robert Watchman	)Board Counsel
Roger Cathcart	)Consultant
Alex McQuarrie	)Consultant
Steve Scarfone	)Manitoba Public
Matthew Ghikas	)Insurance
Byron Williams	)CAC (Manitoba)
Katrine Dilay	)
Raymond Oakes	)CMMG
Erika Miller	) CAA Manitoba
Christian Monnin	) Bike Winnipeg

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LIST OF EXHIBITS

EXHIBIT NO.	DESCRIPTION	PAGE NO.
BW-5	Bike Winnipeg supplemental books.	1938
CAC-25	CAC PowerPoint titled Own What You Did Regulatory Revisionism and the 2018/19 General Rate Application.	1939

--- Upon commencing at 9:07 a.m.

THE CHAIRPERSON: Good morning, everyone to day 10; hopefully the last day of the hearing. Mr. Ghikas, I understand you've got a response to one of my questions.

MR. MATTHEW GHIKAS: I do, yes. Thank you, Mr. Chairman and good morning, everyone. The question was posed: What happens with optional capital, if it's not being used to transfer to Basic?

I have a few points in -- in regard -- in response to that question, Mr. Chairman. The first being that while I understand why it's being asked, it shouldn't -- the answer to the question shouldn't have any bearing on the rate -- rate-setting process with respect to Basic, given that we are setting rates based on accepted actuarial practice, which contemplates dealing with the costs associated with writing Basic policies. So, that's my first point.

The second point is that I've been instructed by the Board of Directors that -- they recognize that they have a duty to consider both sides of the business and they recognize that they have to have a strategy, ultimately, to deal with both sides of the business and that capital. And my instructions are that in developing that strategy the first challenge that they are dealing with is putting Basic back on to a stable financial footing.

And the fact that Basic is in a state where it has lost over half a billion dollars in recent years, and in the last three (3) years alone $176 million looms large in their thinking.

MPI has been fortunate that it has had optional capital in order to transfer to deal with those losses, but that that can't continue. And the Board of Directors recognizes that, while they will ultimately need a strategy for optional as well, they're a long way from being in a position of being over capitalized and optional and that they can't contemplate a strategy doing anything particular with optional capital when doing something else with optional capital would put the whole organization's financial situation in -- in jeopardy.

So, when that strategy is developed, which I'm instructed to advise it will be developed once Basic is back on its stable footing, the -- the board will be answerable for that strategy to the Minister, given that the finances -- that the money held by optional is owned by the government, and that Section 44(1) of the MPIC Act provides a mechanism whereby excess capital can be removed from the optional business.

There will be public accountability, it just won't be through this process, Mr. Chairman, it will be to the Minister and in this process, in my respectful submission, we are concerned with Basic rate setting and the -- the answer really should have no bearing on -- on how we set rates in this process.

THE CHAIRPERSON: Thank you, Mr. Ghikas.

MR. MATTHEW GHIKAS: I had one (1) more thing I did want to say and it came out of yesterday's discussion about the compliance filing, and there was one (1) development that we wanted to make sure that the -- the Board was advised or was apprised of and, that is, it came up just with respect to the past expectations or hopes that the Order be -- come out by December 1st, and that has been the hope in the past. Obviously, last year's decision was on the 16th.

The past drivers for hoping for an Order by the -- by the 1st has been with respect to getting the regulations in place for the -- for the -- the rates themselves, and there is a new impetus this year in terms of the changes to the Crown Corporation

Governance and Accountability Act, which requires MPI to have an annual plan in effect that has to include a budget and the Board of Directors is meeting on the -- on the 14th of December to try to get the budget put in place.

And so it would be very helpful to have a decision prior to that date. Now, that -- to the extent that the -- the Board needs additional time to assess any compliance filing regarding the interest rate, we should be backing that time up to allow for that time.

So my -- my suggestion would be that if we were operating on a two (2) week assumption that -- as to how much time that would be that may be beneficial to back that date up to the 15th of November, which would still provide a conv -- you know, a significant additional benefit and certainty over the September 30th data that we have now.

So, that would be our proposal would be to file the information on the 15th and that can -- the Board can -- 15th of November.

THE CHAIRPERSON: So the proposal then is that you would file on the 15th of November rather than the 30th?

MR. MATTHEW GHIKAS: I think that

would provide additional time for -- for -- for you and would still provide, you know, some benefit there.

THE CHAIRPERSON: Thank you, Mr. Ghikas.

MR. MATTHEW GHIKAS: Thank you.

THE CHAIRPERSON: Mr. Oakes, I believe you're up.

FINAL SUBMISSIONS BY CMMG:

MR. RAYMOND OAKES: Thank you, Mr. Chairman, members of the Board, ladies and gentlemen and colleagues. As we come to the end of this hearing, not an overly long day hearing, despite what the counsel for MPI might allude to, we see a financial condition of the Corporation and its need for premium increases has changed substantially since the application was first filed.

In the overview of the application, MPI presented a vulnerable corporation with premium deficiencies and unsatisfactory financial status, according to MPI. Since the time of the application, however, we've also seen a rate -- an increase rate -- interest rate increase of approximately 50 basis points, which has a substantial impact on the rate requirements for motorcyclists, and all the insured in

Manitoba.

The impact on motorcyclists is shown in CMMG Interrogatory 2-8. And, Diana, if I could ask you to bring that up for us.

And that shows the dramatic effect on the required rate change for motorcycles in a -- interest rate increase of the magnitude shown and I'll come back to this point to -- when I talk about the compliance filing, if I might, but I want to reiterate to the Board just how the rate requirement is extremely sensitive for motorcycles to the interest rate change.

The Corporation has some flexibility in how they come before this Board and pro -- present their financial situation and after a year of continued record gains in equities owned by the Corporation, it could have easily taken sufficient gains in order to have a sig -- significantly increased investment income. As indicated by page 985 of the transcript, Mr. Yien confirms of the total investment income this year is over $119 million estimated for next year and investment income of over $93 million, with investment income projected out to being over $105 million in 2021.

I submit that those are reasonably

robust portfolios slightly increasing over the forecast period between now and 2021/22. At page 991 of the transcript Mr. Johnson indicates that going forward, we're basically projecting expected returns of more than 7 percent on the Corporation's investments.

We can also have regard to the six-month financial statement of MPI. It shows a six-month profit of $42.3 million, total claims costs were down $63.6 million, including a $28.5 million drop in bodily injury. I appreciate that those are numbers in for six (6) months before the winter in Manitoba, but of course, the winter in Manitoba can go both ways.

I would submit to you -- to the Board that this is not a corporation in a vulnerable financial position. I'd also submit that given the incre -- the increases in interest rates that of -- that we have seen to date and the expected increase in rates over the next year, the Corporation should be seeking a 0 percent increase, not seeking any increases for the motorists of Manitoba.

Of course, and this issue has fearfully raised its head over the last 24 hours. It's the elephant in the room. The biggest problem is the millions squirreled away in Extension coffers that we're not allowed to scrutinize; even though the Corporation is a monopoly and the Corporation piggybacks its Extension efforts on the back of its Basic program and on the backs of Manitoba motorists.

There should be a renewed cry to have full transparency in the Basic and Extension portfolios with a view to minimizing Basic RSR fluctuations by regular transfers from the Extension reserves.

In no case should there be a gun put to this Board's head indicating that if it doesn't approve the methodology that the Corporation uses to try and get upper limits of some $428 million for the RSR, that MPI will withhold Extension monies and not transfer same to the RSR Basic. This message, whether delivered at gunpoint or with white glove finesse, remains objectionable and serves to point out that the Corporation has lost sight of the fact that this is money that belongs to Manitobans.

We heard yesterday, this is money that belongs to the government. Well, the mot -- motorists in Manitoba paid those premiums, created those reserves and they shouldn't unduly be held back from the benefit of Manitobans.

We heard yesterday Mr. Scarfone refer

to page 1339 of the transcript using the term "ultimatum." Is this an ultimatum to this Board. And as I've sat in these hearings for twenty-five (25) years now and this isn't an executive MPI that I would characterize as so arrogant as to deliver an ultimatum to the Board. I haven't seen that for more than a decade and perhaps even two (2) since we've seen that kind of an approach.

But certainly, the Chairman's questions are very important. The answer that you heard this morning perhaps was more helpful to the Board than it was to me listening but, certainly, this is a problematic area that isn't going to go away based on the current jurisdictional issues that we have.

I'm going to abandon those larger issues going from macro to the micro. We're delighted to see the Corporation had found a way to save $10 million in cost reductions dealing with rodents. We struggled in the course of our cross-examination to understand how this very commonsense approach was not adopted previously and the Corporation in its defence indicated that the origin of these new procedures was being advised of the hantavirus by Health Canada. I'm not sure about anyone else in the room, but that's been common knowledge for a couple of decades. We're surprised the Corporation didn't adopt a policy of having exterminators trap the rodents instead of disassembling cars a long time ago. It begs the question: How many more commonsense fixes are there that could result in $10 million cost-saving reduction.

In any event target, our glee must be very short-lived and tempered by the fact that the Corporation has continued to do little or nothing when faced with burgeoning costs of wildlife collisions which more than eat up the $10 million cost-saving I just spoke about, as we saw wildlife collisions scream up to 47,900,000 in claims costs this year.

It's clear that MPI isn't going to do anything about the wildlife collision situation, or very little. It's clear when this Board asks -- or req -- ordered in -- in its Board Order 10-36 that the Corporation work with CMMG on a proposal for a pilot program involving the use of fencing in order to study its effectiveness in reducing wildlife collisions.

Well, they didn't work on a proposal for a pilot project, they came back and said, We're not involved in infrastructure, even though they can give the police millions of dollars; they can assist with respect to signs at high collision intersections;

they can put up variable message boards, but they're somehow jurisdictionally restricted from taking effective measures dealing with wildlife collisions.

Continuing in the area of road safety. We continue to be disappointed with a flat budget for motorcycle safety initiatives at some quarter million dollars; although, that budget doesn't get spent every year on motorcycle-specific initiatives. It continues to be inadequate year after year little or no change. In fact, the only new motorcycle initiatives by MPI was eight (8) new social media messages as set out in CMMG Interrogatory 1-14 and as indicated at page 785 and 786 of the transcript.

What the Corporation does like to spend money on, though, is videogames like the Driver X virtual reality game, and with colourful -- colourful dashboard pictures. But the Corporation remains light on actual research, actual initiatives and actual results.

Mr. Keith felt it was up to community groups to come up with initiatives and seek MPI's participation then, ultimately, sponsorship of those initiatives. We reviewed in our cross-examination with Mr. Keith, the many CMMG initiatives that were brought to MPI. They were the Look Twice safety message campaign. They were the spring motorcycle safety campaign, which originated with CMMG with the MLA Ride For Safety. They were the use of hot spot mapping at high collision intersections. These are all brought to MPI by CMMG.

I think what should give the Board concern is that it falls to community groups with no budget, no resources to bring these forward where this juggernaut of a corporation has well over $8 million to -- of money to spend on road safety initiatives, it comes up with no initiatives.

We saw in the loss prevention materials the Corporation stating, as is recorded at page 762 of the transcript, that progress on this front continues to be demonstrated by an overall downward trend in actual motor fatalities and collisions.

The Corporation referenced briefly the information from 2016, but continued with the course of graphics and -- and commentary in the loss prevention materials to try and sell their results as a good news story when, in fact, 2016 marks an alarming increase in fatalities in the order of 37 percent, and significant increases in injuries as well.

It's up to this Board to insist on

increased investment in road safety, not just in organization of frameworks but in actual initiatives.

The other reference in the last Board Order was 10-31, the Board ordered that the Corporation provide an estimate of the cost to MPI of providing full reimbursement or reimbursement of 50 percent of the cost of the experienced rider program to those who complete the program.

The Corporation did respond to that but I would suggest that this is an initiative that should be taken as a pilot project to see what the uptake would be if there was some subsidy to help with the cost of the experienced rider program. Until they take it to the market and offer that kind of a subsidy, we have no idea how successful that project could be.

With respect to the RSR, I would ask Diana to put up the information with respect to the Exhibit 36, the Appendix 1. And I'd ask the Board to take a few minutes and just look at that ending RSR numbers from the dates indicated 2001/02 right to 2016/17. And look at the type of RSR that this province has actually had. It starts out around the 50 million mark, dips a little, gets over a hundred in 2004/05, continues on to just below the hundred mark in 2013/2014, and continues down the last number for 2016/17 ninety-nine million two fifty-one (99,000,251).

So, we've never had the kind of reserves in hand that the Corporation wants to be able to hold back from Manitobans. We've never had $428 million, and inn fact the Corporation year after year carried out its mandate to Manitobans with as little as 35 million in the RSR coffers and an average of probably not much more than a hundred 'K' or a hundred and twenty-five 'K' -- or $125 million.

So, I would suggest that the amounts that the Corporation seeks are fantastical not required in this province. And when we asked for information about the challenges of -- that was Undertaking Number 28, Exhibit 37 and -- the Corporation talks about significant adverse financial events and talks about equity returns, interest rates and major claims coverages like hail. And the Corporation makes this conclusion:

> "The Corporation believes these examples make the point that significant drawdowns of the RSR are possible."

Well, there's a great deal in this life

that is possible, but the facts are clearly shown in Exhibit 36 that we just haven't had the type of drawdowns in the RSR that the Corporation has been talking about. And of course, we'd have to go back to the definition of the RSR and it's:

> "To protect motorists from rate increases made necessary by unexpected events and losses from nonrecurring events or factors."

So the fluctuations in the stock market, fluctuations in interest rates, these are all recurring factors. They're not the subject for which this RSR was created and maintained.

I would also, acting on behalf of the motorcyclists, point out that one (1) of the big possible significant drawdowns is hail, and that's certainly something that the motorcyclists aren't involved in. We don't get that coverage.

The issue of the RSR, Mr. Chairman, will be handled by CAC and its experts far better than the lone motorcyclists representative with his lack of anyone in the back row, but those are my comments relative to the RSR.

I'd like to speak for a few moments, if I might, about the compliance filing. This is a very difficult issue. Obviously, the audi alteram partem rule that in administrative law that we're entitled to meet the case and examine and test the evidence, it's not going to be possible with respect to the last filing of the interest rates.

Having said that, I think the approach that the Corporation's brought forward is probably the best in those difficult circumstances. I would like to see if we might have at November 15th, if that's the date, something from MPI to all the Intervenors to indicate what the revised numbers are with respect to the interest rate and the result on a -- at least a major use group basis.

My concern, and it's going back to that first slide that we showed, CMMG-2-8, my concern is that motorcyclists have a very neat -- unique response to an increase in the basis point of the interest rates and the ten (10) year rate. And so we want to make sure that the result is in compliance with a methodology. We're not arguing about the methodology. We're just making sure that we do get treated as we should, and that it's not a -- that we don't get the same treatment as, say, for a private passenger, which has a different application and sensitivity to interest rates.

So having said that, I think that on the issue of the rate forecast for interest rates, again, CAC's experts probably are -- have more academic credentials in -- in dealing with this, but I find it strange that the Corporation wants to move to the naive forecast when we've already seen that the interest rates have started changing. They were using the standard rate forecast, the SIRF, during a period when interest rates continued static. And now, as soon as we get into the area of increased interest rates, and that new environment, now they want to go to the naive forecast. And I would suggest that that's not appropriate.

But those would be my comments with respect to the issues that we heard over the ten (10) days. I want to thank everyone in the room for their courtesy, and I applaud the Corporation again this year for the quality of its witnesses and their forthrightness in dealing with questions on the cross-examination. Thank you, Mr. Chair.

THE CHAIRPERSON: Thank you, Mr. Oakes. Mr. Monnin...?

MR. CHRISTIAN MONNIN: Yes, Mr. Chair. Thank you. I do have a supplemental book of documents which I'll just circulate before -- it's very thin.

(BRIEF PAUSE)

THE CHAIRPERSON: Thank you, Mr. Monnin.

FINAL SUBMISSIONS BY BIKE WINNIPEG:

MR. CHRISTIAN MONNIN: Thank you, Mr. Chair. I'm going to make some brief opening submissions, then I'll make some more focussed submissions on issues that are contained in Bike Winnipeg's scope of intervention.

On behalf of Bike Winnipeg, I'd like to take this opportunity to thank the Board again for being granted the privilege to participate in this year's GRA. In addition, I'd like to take this opportunity to thank MPI and all those involved in putting forward this application. All the work that is involved is indeed significant, and it does not go unnote -- unnoticed, and it is not taken for granted from this particular Intervenor.

Bike Winnipeg is equally appreciative and -- of the collaborative work that it is able to pursue with MPI outside of these GRA hearings. This work, from Bike Winnipeg's perspective, has led to some real progress on the road safety front. However, at the same time, Bike Winnipeg wishes to stress that it is equally and firmly of the view that it's important that the PUB continue to exercise its regulatory oversight and duties with respect to MPI's road safety mandate and obligation. That is recognizing that successful road safety and loss prevention programs can minimize the economic and social costs to ratepayers and Manitobans resulting from collisions.

Some of you may recall that during Bike Winnipeg's opening submissions for this GRA hearing, I made reference to Board Order 151/'13 where, back in 2013, it was noted that MPI stated to the Board that it does not have jurisdiction to direct MPI to undertake road safety initiatives, including the safe systems approach. Subsequently in Board 162/'16, the Board directed MPI to clarify its stance on the use of a safe systems model or vision zero model.

The point being made here, Bike Winnipeg suggests that -- is that on account of Board exercising its regulatory oversight, and what Bike Winnipeg suggests is authority to -- to direct MPI, progress has been made and will continue to be made, provide the regulatory oversight of road safety issues is maintained by this Board.

Now, those are my brief opening submissions, and now I'll address the scope of Bike Winnipeg's intervention. As you have all heard probably ad nauseam by now, Bike Winnipeg scope of intervention is to assist the Board in critically evaluating certain aspects of MPI's road safety budget, road safety programs, and the quality and clarity -- clarity of MPI's data collection and analysis.

On this particular point, Diana, could you please go to transcript page 926.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Lines 12 through 20. And on this particular issue, I just want to highlight certain comments made by Mr. Keith when he was being cross-examined by My Friend Mr. Williams. And you'll see at lines -- actually, it's 11 to 20. But in particular, Mr. Keith speaks to yesterday's discussions with Mr. Oakes levelled some criticism about the extent to which we're protecting motorcyclists. And then again, with respect to myself, Mr. Monnin levelled some criticism about the extent of which we're introducing new initiatives to support pedestrian safety and cycling safety.

And now, I wish to make reference to this particular piece of the evidence of Mr. Keith in my opening submissions, simply that we are very appreciative, Bike Winnipeg, that is, of the work being done on road safety outside of the GRA hearings. And while it may seem that we're here to be levelling criticism, the very scope of our intervention is to assist the Board in critically evaluating certain aspects of the application.

And so it's -- it's we're able to wear two (2) hats, but we certainly don't want to minimize or dilute the collaborative effort that we recognize as being done outside of the GRA. But in the context of this hearing, we are very much here to assist in critically evaluating was has been put forward to this Board.

Moving first to the first prong of our intervention, the optimum size of the budget. On this particular point, it's respectfully submitted that there continues to be a real disconnect between MPI and the consistent orders of the Board. With regards to the critical evaluations of MPI's road safety budget and whether it's sufficient to enable a significant reduction in the cost of injuries to vulnerable road users, I would ask, Diana, to please go to page 30 -- 639 and 640 of the transcript.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: In particular, lines 18 to 25.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Starting at page 639, we have Mr. Keith giving the evidence that over the last three (3) years, we've made significant -- significant progress in developing these loss prevention and road safety frameworks. And these frameworks are evidence-based, data driven, and grounded in best practice. Following these frameworks, these methodologies, which have been independently evaluated, provide us -- I hope provide the Public Utilities Board with comfort that the money we invest in our road safety and loss prevention efforts is well-placed, and on an overall portfolio level, is producing a positive return on investment for ratepayers.

We suggest that this represents a

disconnect between MPI and the consistent Board orders, where the Board has clearly directed that MPI must demonstrate in a more concrete fashion that it has optimized its road safety budget, and that carries out its responsibilities as a leader of road safety by spending on initiatives that can reduce the social and financial costs of collisions. That can be found in Board Order 135/'14 at -- at page 4 of that order.

And Diana, if you could skip to page 642, please, lines 18 through 25.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: On this same issue, we have Mr. Keith giving evidence that we at MPI share the view of the Board that there are tremendous direct social and economic costs that result from motor vehicle collisions. We also share the view that we, indeed, have an important role to play in developing loss prevention and road safety initiatives to help the control -- help to control the number of collisions on our roadways and the costs associated with these collisions, both from a human toll perspective and from a direct insurance cost perspective.

He does make an effort to provide some generalized comments about the importance of social costs at other jurisdictional levels, but -- I'm sorry, if you -- Diana, if you now go to the -- page 902, I think this is what is important to -- to underscore. Page 902, line 4 to 14, Mr. Keith provides the Corporation's view on including social costs.

Starting at line 4, and this is be -- the exchange between My Friend Mr. Williams and Mr. Keith. Now, Mr. Williams is asking, well, whether the Corporation includes social costs -- accidents in -- in their -- their evaluation. And Mr. Keith's response is:

> "It's not something that we do today, and I can't say that we've contemplated over time, but it wouldn't rule out that we look at it, doing it in the provincial road safety further down the road, and that we start to combine our data in a more and a more aggregate sense."

As I was saying, he does make an effort to provide some generalized comments about the importance of social costs at other jurisdictional levels, but certainly not for MPI, and certainly not here within the context of the GRA.

And it's submitted that that is -- that that disconnect has been consistent over the several years, where the Board clearly has indicated that the social costs are rightfully to be addressed in the context of this General Rate Application, and the Corporation is quite clear that they don't share that perspective.

And this flows from what I would suggest or what Bike Winnipeg would suggest is the jurisdictional positioning of MPI. And Bike Winnipeg submits that it's indeed regretful that MPI seems, either willfully or otherwise, that it seems timid with respect to its -- its ability to -- to drive and to spend money on initiatives, or to drive these initiatives.

Diana, if you please go to page 789, lines 2 to 9.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Bear with me for second, here.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And if you scroll down, this is an exchange between Mr. -- I believe Mr. Oakes and -- and then Mr. Keith. And here it's -- it -- it frames exactly what I was alluding to about MPI's view on this, is that social costs of collisions are best addressed at a jurisdictional level, and include health, economic, and socital -- societal factors.

We're not disputing that the social costs ought to also be considered and addressed at a jurisdictional level, the Provincial Road Safety Committee, for example. But they certainly cannot be omitted or discarded in the context of the GRA, and in the context of what this Board has said it views as MPI's responsibilities.

In that regard, at Board Order 122/'10, at page 52, this Board has said it recognizes that -- while it recognizes the Province, municipal governments, and police have interests, and if not responsibilities, with respect to improving road safety, it is clear that MPI is in a relatively unique situation, joined by other jurisdictions with mandatory Crown monopolies, to, quote-unquote, "take action," which it clearly did in the case of auto theft.

Leaving aside direct investments in road design and construction, clearly a government responsibility with significant revenue flow through registration fees and taxation, the Board holds that MPI can and should play a much larger role in road safety than it has. A perfect example, we submit, of the ability to play a larger role is MPI's decision, or opting not to, as we've see with regard -- in this year, with -- with the issue of investing in infrastructure.

At page 728, lines 20 through 25, and page 729, lines 1 through 9, there's a discussion with my friend Ms. McCandless regarding wildlife fencing. Here, Mr. Keith states not only that MPI's view that it does not have jurisdiction to make such investments, but that based on the previous analysis they've done in other jurisdictions, there wasn't a satisfactory return on investing in infrastructure.

With the greatest of respect, a perfect example of this is a comparison with ICBC. This simply doesn't reconcile with the legislation and factual findings that can easily be made. Last -- last year, the Board ordered at item 10.25 was that in the 2018 GRA, the Corporation provide to the Board an analysis of the road safety budgets of SGI and ICBC, including specific mandate of those insurers, their annual road safety budgets, and budget breakdown by initiative as compared to the Corporation's road safety budget.

Members of the Board may recall that when I attempted to delve into specific mandates of ICBC and -- and MPI, it was met with great gnashing of teeth, and objections, and ultimately, when I was able to put a question to the witness produced by MPI in this piece, the following was the exchange. Diana, please, page 839, lines 21 and 25. "Question..."

THE CHAIRPERSON: Let's wait for the announcement.

(BRIEF PAUSE)

THE CHAIRPERSON: We'll have a break in the hearing.

--- Upon recessing at 9:45 a.m.

--- Upon resuming at 9:52 a.m.

THE CHAIRPERSON: Mr. Monnin, I

suspect somebody at home may have been watching you and got excited. So with that note, please continue.

CONTINUED BY MR. CHRISTIAN MONNIN:

MR. CHRISTIAN MONNIN: Thank you, Mr. Chair. I'm used to being -- folks making objections to my submissions, but this was quite pronounced as far as objections go.

Right. At -- at page 839, I had put a question to Mr. Keith regarding, What are the differences in the ICBC and MPI jurisdiction, the legislatively mandated jurisdiction. What can you point to say MPI is prohibited from infrastructure investment whereas ICBC is not?

And on the next page, Mr. Keith's answer was:

> "I'm sorry, but I don't feel qualified to make a legal interpretation of the similarities or differences between legislation in Manitoba and British Columbia."

And this by -- it's by no means a criticism of Mr. Keith, as I believe that he acquitted himself quite well with -- of his task. What the issue is is that the Board gave a specific direction on -- on the mandates of -- or comparative -- or a comparison of the mandates of these two (2) entities, ICBC and MPI. And a comment was made in the filing by MPI with respect to the jurisdictional differences, and MPI was not able to produce someone who could speak to that particular point.

And if we look at the language that MPI relies upon to say that they cannot do what ICBC can do, and that is found in our book of documents, Tabs 6 and 7. You may recall that I attempted, albeit briefly, in my cross-examination. to highlight or underscore the differences in that language.

And -- and we don't need to go there for today's purposes other than just to -- to flag them that you can find them at Tab 6 and 7 of our book of documents. And in particular, the -- the legislation for Manitoba -- high -- Manitoba Public Insurance, rather, 6.2(h), and the similar legislation in British Columbia, Tab 7, additional powers, 9(1)(I), there are some minor differences in the language, but we submit that the language which MPI relies upon to say that they cannot do what ICBC is doing is almost identical.

And -- and on that point, we're suggesting that this is a self-imposed yoke. We heard

My Friend, Mr. Ghikas, yesterday comment yesterday to this Board that the board of directors of MPI are very hawkish on cost containment. Perhaps this legislation interpretation is anchored in that philosophy as well.

Regarding Mr. Keith's statement that MPI wasn't convinced that there was sufficient return on investment of infrastructure, again, we submit that that is an incomplete answer. It was put to Mr. Keith during the cross-examination, but that since 1990, ICBC invested $150 million in road improvements, leading to a 24 percent reduction in severe crashes. It -- it -- his evidence was along the lines of -- and that can be found -- found at page 8 -- 846. We don't need to go there.

But his evidence was that he was aware that this was being done. But what he -- what MPI didn't put forward, I would suggest, is that there's a four point seven dollar ($4.7) rate of return every dollar invested by ICBC in these infrastructure investments. And at that point eventually, Mr. Keith's evidence was that the soundness of the program in British Columbia is not in question. It's whether or not there was a mandate within Manitoba for MPIC to pursue similar infrastructure.

So on the whole, with respect to this

first prong, what is Bike Winnipeg's position? We're not saying per se that the budget is inadequate or not optimal. We're saying that it hasn't increased dramatically over the years, and we're not saying MPI should just increase it for the sake of doing so.

What we are saying is that by being too timid about its perceived mandate, by taking to -- into account to too far great of a degree the retain -- the return on investment for ratepayers, and by not taking advantage of its unique position to take action as has been rightly noted by this Board, the budget is simply not what it ought to be.

That being said, Bike Winnipeg does take heart that with the diligence of this Board on this issue, and with the ability of MPI to be nudged along in the right direction, progress can continue to be made in the context of this particular venue.

On the issue of adequacy of programs, once again, Bike Winnipeg -- while Bike Winnipeg finds that the increased openness of MPI on the issue of road safety has been quite laudable, there still remains many questions. One (1) perfect example, pertains to the enhanced enforc -- enforcement funding, which is roughly -- we heard evidence during this hearing about $1 million.

On this particular point, Mr. Keith's evidence was that MPI provide some enhanced enforcement funding for impaired driving, and this is done specifically during the period of May to September or October. Indeed, Mr. Keith's evidence was that MPI believed this roadside enforcement gave it a maximum benefit in terms of outcomes and of the public awareness campaigns.

You may recall that Bike Winnipeg asked him some questions about this. Diana, at page 800 of the transcript, lines 9 through 22.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And on the issue of this is -- of sustained funding for this -- excuse me -- enhanced enforcement, the question was put to him:

"And my question for you and for the Corporation on this point, excuse me, it is my understanding is this: If that is one (1) of the main goals of the Corporation is awareness, is that safe to say?

Yes.

And it's my understanding also the Corporation views this as strategic enforcement that reinforces awareness campaigns, it leads to greatest awareness. Is that correct? So why not do greater bunch of it for it, sir?"

And obviously, it's always painful reading your own transcripts. You realize how poorly you speak. But the question was, if this -- if this is within their wheelhouse, and if this is something that is allowing them to reach what they've identified as their goals, why not a more sustained effort with it?

And you may recall he -- the -- the response was along the lines of, Well, this is ratepayer money, and we want to be cautious about that. And we asked, Well, you're -- you're a prolific poller, have you asked the public whether they would support a yearly program of this nature? And that was an undertaking that was given.

And the undertaking came back, I believe it's 22, was that they haven't made -- they haven't asked that question of the ratepayers or Manitobans of whether there would be support for a continued sustained enhanced enforcement project, such as the present one.

On the issue of hot spots, Bike Winnipeg continues to be concerned about the incongruity in MPI's positions regarding road safety programs on hot spots, which leads to concerns regarding adequacy. You may recall that Bike Winnipeg and Mr. Keith had an exchange on this issue. And, Diana, page 806, lines 2 through 13. And I was revisiting a discussion that Mr. Keith had with My Friend Mr. Oakes, but essentially it pertained to the comments or the language that you find at line 5:

> "In the past years the maps demonstrated an elevated risk for injuries and deaths of vulnerable road users as not identifiable with -- within specific hot spots. Rather, these incidents occur with a high degree of randomness throughout urban environments."

And, Diana, page 808, please. Thank you. And this runs really 808 through all the way to 8 -- 810, and I won't put you through the pain of having me read my own questions to Mr. Keith. But essentially the question and discussion I had there with Mr. Keith is that we have hot spot maps that were provided in the appendix. And the disc -- the discussion with Mr. Keith -- Mr. Keith was there that they were able from 2012 to 2016 to identify particular intersections where there was a high collision rate. And in those same particular intersections there were VRE and -- VRU and pedestrian injuries or fatalities.

And so we suggest that despite saying there's randomness and the inability to track these accidents and these fatalities, their own hot spots, which they produced, demonstrate that this can be done. And we would say that that's -- this can be found in -- in the closing submissions of MPI at 137 of 145 where, despite Mr. Keith's evidence on the hot spots and the randomness of these accidents for VRUs or pedestrians, at page 137 of 145 of their closing submissions -- Diana, you don't need to go there. Well, perfect. Thank you. She's just trying to move me along as fast as you can.

One (1) of the projects that MPI's is -- is highlighting is at the bottom:

"Research has demonstrated that pedestrians are more -- most likely to involve -- to be involved in a collision during the winter. In 2016, MPI began a series of pedestrian safety tactics for drivers spending -- for drivers specific messaging was delivered via billboards, radio, print ads, and on the back panel buses. For pedestrians messaging where -- was installed strategically in transit corridors where high risk pedestrian behaviours is common."

So on the one (1) hand we have evidence in the context of the GRA that there's a randomness to this, and we can't pinpoint where these pedestrians are injured or where they're killed, but in closing submissions we have what I would suggest is the contrary, that they're able to do so. They've highlighted these places. And they have a pilot program that is apparently going into effect.

Another incongruity that we would like to raise refers to the temporary signage, and we want to underscore that. You may recall during a discussion with Mr. Oakes about variable message boards to raise awareness, and this had to do with wildlife, at was indicated at page 730 -- and no need to go there -- but those new signs that are up for very short period of time, it tends to raise awareness of drivers because a longer -- the longest a sign is there it tends to blend in. And the position is that drivers tend to ignore them after a while.

However, when asked about intersection safety signage pilot initiative in urban Manitoba -- in the city, Mr. Keith's evidence was somewhat different on the issue of effectiveness of permanent signs, that Manitoba Hydro is doing a two (2) year pi -- pardon me, that's another GRA. MPI is doing a pilot project for two (2) years with fixed signs.

And when asked whether that ran contrary to the evidence that fixed signs, after a certain period of time are no longer effective, that was supplemented by Mr. Keith saying, Well, we do have some temporary signs in addition to that as a pilot project, and we don't have any -- we don't have the data of that yet.

On the issue of quality and clarity of data collection analysis and accessibility regarding collisions involving vulnerable road users, I think is important to underscore it on one (1) data point that MPI was quite happy to highlight. And -- and that was the table that it prepared regarding Manitoba fatal collisions, the summary of trend -- trends from 1995 to 2015. And again, we can find that at -- we found that in the -- the application, but we can find it again at page 131 of 145. And I won't take you there. We've seen it ad nauseam.

And, Diana, page 652 of -- of the transcript, please, and lines 19 to 25. And this is Mr. Keith's evidence on this particular point where he says:

"I don't want to suggest that any fatality is okay, as clearly zero fatality needs to be everyone's target. But when you see downward trending like this, it does really tell us that, collectively with our stakeholders, collectively with vehicle technology improvements, with tougher legislation, with greater enforcement and with greater ability to influence driver behaviour and road user behaviour, we are making progress in this province on an overall basis."

However, Diana, if you can now go to 654, please, when it was pointed out to Mr. Keith that the statistics are worsening post-2016, and this is 60 -- at lines 21to 25, please. Mr. Keith's evidence on behalf of MPI was as follows:

"These results do not indicate and should not be seen as indication that road safety efforts by MPI or our stakeholders are ineffective or failing. This just speaks to the randomness and the concern with respect to being able to track and convincingly create downward trending in terms of results into that. And I'm pleased to say that, based on 2017 preliminary data, we have returned to our previously enjoyed downward trending in fatal collisions and fatalities."

The point here is there's an incongruity, we would suggest, in the evidence that when things are going well, it's because of what we're doing that it's going really well. When there's a downward trend or something's going wrong, Well, it's just randomness and we really can't account for that. And that simply isn't good enough on behalf of Bike Winnipeg.

When things are going wrong, the same people, the same entities are saying we should all collectively be proud of what's happening and should take ownership of what's happening when things are going wrong, just as they take ownership when things are going right.

You may also recall a discussion I had with Mr. Keith regarding OECD measures for injuries and fatalities. Again, I tried to put that to -- to Mr. Keith, but much gnashing of teeth occurred on the fact that it was from SGI. But it wasn't. It was from -- it was from the federal government. And so the point I just want to make there is -- is in the supplemental book of documents, which we've provided today -- Diana, if you can please go to page 1, for example. And these are just different ways of rating fatalities and injuries and it's done by the -- the Transportation -- the -- Canadian Transportation and Casualty Statistics. And it runs from 2004 to 2015.

And the only point I was trying to make -- that Bike Winnipeg was trying to make is the same point I'm trying to make here today. It all depends on the data and how you frame it. It all depends on how you present it. And if you look throughout every year here, which I won't force everyone to go through that, but the point is simply this, is that consistently -- 2004 was a good year. Manitoba is actually at the Canad -- Canadian average on the first metric.

Going forward you will see that they are about the Canadian average, that Manitoba was above the Canadian average on these metrics. And when we're talking about the clarity of data and the analysis, there's different ways to skin a cat as we -- as we've heard, and there's different ways to present statistics and data. And while the -- the lowering of fatalities that Manitoba Hydro (sic) rightfully should be proud of has been underscored, a broader look at the subset of data and facts need to be taken in consideration on how successful road safety truly is.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And, Diana, if you could, please go to Bike Winnipeg IR-1-3.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Page 3 of 9.

And again, this is just -- this is on the transcript. It -- it's at page 847, lines 16 through 25. And at length through page 847 to 849. And you may recall just -- when you tease out certain of the data with regards to number of cyclists killed in motor vehicle collisions, for example, the evidence was that that trend line is actually going up. And the next page over please, Diana.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Mr. Chair, shall I continue?

THE CHAIRPERSON: I was going to wait for the announcement. Yeah, please continue, Mr. Monnin. We'll -- we'll know if it goes a third time that it is personal.

MR. CHRISTIAN MONNIN: And this would -- this is page 4 of 9, and this has to do with the number of pedestrians killed in motor vehicle collisions. Again, it's not necessarily climbing, but it's remaining flat. And -- and if the Board were to go through the other pages 5 of 9, and 6 of 9, and 7 of 9, and 8 of 9, and -- and 9 of 9, essentially the point Bike Winnipeg wishes to make on that is -- is if you get more granular in the data, and if you focus more on the pedestrians and the VRUs, which needs to be done, the view isn't as rosy.

And on this particular point, I think is quite telling when this was put to Mr. Keith, what was said. And it's a little lengthy, but I think it's worthwhile to get to it. At page 848, 849, starting at line 8. You may recall Mr. Keith indicated that on the whole, these -- these graphs were showing that some trending was going up or remaining flat. And his answer to that was:

> "Yes, I would agree with that. I do think though that when we look at the trend lines with respect to this type of a population, what is relevant as well as the number of actual pedestrians killed and cyclists killed. And again, I don't want my testimony to be perceived that any fatality is okay, but I do think that when, and for -- for instance, for cyclists when we're looking at a range of between two (2) and five (5) fatalities a year that, you know, that the trend line

may not be completely representative of what's happening.

I think we also need to compare this data as we do to the broader collision data with the number of cyclists that are on the road. And we do know from Bike Winnipeg's own data that there has been an increase in cycling activity in this province. I think it's very positive. It -- it feeds -- it speaks to our act -- act, I believe, active transportation.

But as cycling continues to climb, particularly commuter-based cycling, when cyclists are on the road at peak times when the majority of the vehicular traffic is, I think that has to be considered as well in order to assess the sort of -- the true relativity of the numbers here, notwithstanding that any fatality and any serious injury is -- is one (1) too many."

And it's respectfully submitted that

Mr. Keith's point was well taken. However, there cannot be a mindset of any relativity that can be part of this as part of the thought process when we're in an environment of towards zero.

And, frankly, the notion of relativity in these number is, indeed, incongruous with Mr. Keith's earlier testimony regarding the Corporation's traffic safety cultural -- culture initiative, where he stated -- Diana, page 658, lines 4 through 17, where he writes:

> "Lastly we are in -- and examining very closely and excited next year to make progress on what we're calling a traffic safety culture initiative, where we're truly trying to get at changing road user behaviour to the point where no one (1) will be accepting of a serious injury or fatality occurring on a public roadway in the future. This is a significant behavioural change that may take generations to fully implement -- implement, but we've seen it being implemented in other jurisdictions internationally.

While it has significant potential
and we think that it can be -- make
a difference, so we're anxious to
continue working with our
stakeholders to pursue these
initiatives."

That's great. But if that is the culture that we're going to be moving towards, if that's the culture that we're adopting, there cannot be any relativity with respect to the numbers of fatalities.

And so in con -- the point that Bike Winnipeg tries to make on the data is important, and how this data is presented. I'm not saying that would -- Bike -- Bike Winnipeg is not saying that what was put to this Board was directed science. Simply, it's important that the Board be provided with quality data from more than one particular perspective.

We made allusion to this earlier, but we wish to underscore it again, that a common thread that we've consistently heard from MPI in these hearings is how the road safety issues ought to be heard at the provincial road safety committee and not here. While we agree that these issues should be dealt with at the provincial road safety committee, Bike Winnipeg firmly disagrees that they should not be heard here.

Quite simply, Bike Winnipeg submits that it's because they have consistently and persis -- because these issues have consistently and persistently been heard here that we have achieved progress on this issue, and that work must continue.

And subject to any questions, those are Bike Winnipeg's submissions. And Bike Winnipeg will be making a cost application at the conclusion of this hearing as it's done in the past. Again, thank you to the Board. Thank you to MPI and thank you to the balance of the Intervenors and staff. Thank you.

THE CHAIRPERSON: Thank you. I'll ask the panel if they have any questions. Okay.

I have a question, Mr. Monnin, and I guess the question relates to your comments about Mr. Keith's testimony and the -- this issue of relativity. Isn't this a problem you run into whenever you raise statistics? I mean, the starting point is one (1) lost life is a tragedy, but as soon as you start shifting into numbers and start doing comparisons, you're -- you're in the conundrum because your default always is one (1) -- one (1) is a -- one (1) is a tragedy and -- and whenever you start saying, Well, they've dropped or -- or whatever you -- you sound heartless by even mentioning it.

MR. CHRISTIAN MONNIN: That's fair. I think the -- the quotation is -- is one (1) death is a tragedy and a million deaths is a statistic. But here the issue is, in particular, on the issue of VRUs and pedestrians. And we're not seeing that data hived out. It's been smoothed over in -- in data saying, On a year-to-year basis, if you glom them all together things are going down and they're progressing downwards.

And -- and they are on certain pockets of -- of data. But there is scope of intervention with Bike Winnipeg that deals particularly with VRUs, and particularly with -- with pedestrians. And we're suggesting that you need to look at that on an isolated basis to say, Well, okay, how -- how are those statistics doing? How are we auguring on that particular front? And if they're not getting better, why not?

And we know that we -- we -- MPI's -- one (1) of their programs is that they have found areas where pedestrians -- high traffic areas where pedestrians have dangerous conduct. So we can focus on that. We can focus on that particular statistic.

And it -- it doesn't serve the purpose of what this Board is trying to do, and frankly what MPI is trying to do, by not extricating that data and saying, Let's track that particular key -- that particular data point.

THE CHAIRPERSON: Thank you. I think this might be the opportune time to have the morning break. So we'll reconvene at twenty (20) to 11:00. Thank you.

--- Upon recessing at 10:21 a.m.
--- Upon resuming at 10:43 a.m.

THE CHAIRPERSON: Mr. Monnin, I understand we're putting the supplemental books in as your Exhibit Number 5?

MR. CHRISTIAN MONNIN: That's right. And hopefully no alarms go off but Bike Winnipeg Exhibit Number 5, yes.

THE CHAIRPERSON: It's always a concern to us. Thank you.

--- EXHIBIT NO. BW-5: Bike Winnipeg supplemental books.

THE CHAIRPERSON: I note that the transcript has used Dr. Williams. So Dr. Williams...?

DR. BYRON WILLIAMS: In Souris, they call me the farm boy so that is also appropriate.

We're going to -- we're having a few technical troubles with the Macintosh here. So, to start with at least, Diana's got control of the slides. We're hoping to switch over at some point.

We'll have two (2) exhibits to introduce today. One I would like to introduce right now as CAC Exhibit 25 is our PowerPoint, which is the written supplement to our oral submissions, and it is titled Own What You Did Regulatory Revisionism and the 2018/19 General Rate Application.

--- EXHIBIT NUMBER CAC-25: CAC PowerPoint titled Own What You Did Regulatory Revisionism and the 2018/19 General Rate Application.

FINAL SUBMISSIONS BY CAC:

DR. BYRON WILLIAMS: I hope no one gets a hernia lifting the PowerPoint. Mr. Ghikas advises me that he's done his fitness regime for the week already working out with it.

It -- you'll see on slide 2, I described Own What You Did as a small-town saying and -- and really, it's a saying from my people, the folks southwest of Souris, Manitoba, and it's about responsibility. And it sends a central message that you can learn a lot from your mistakes when you aren't busy ignoring them.

And a critical question for this hearing for the rate setting purposes, from our clients' perspective, is has MPI owned what it did? MPI has presented a carefully crafted case theory from the start of this hearing to the end through cross-examination. But does that regulatory narrative advanced by MTS accord with the record? Is it consistent with what we know happened based upon prior PUB Orders? Is MPI's carefully crafted narrative consistent with the evidence of this hearing?

That's up to you. Would a more dispassionate review of this record suggest that the challenges faced by MTI -- MPI today are the enduring and ongoing legacy of self-inflicted wounds and yet to be realized opportunities.

Own What You Did goes beyond accountability. In our clients' view, it has important ramifications for the ultimate decision in three (3) ways: Judgments that this Board has to make in terms of the prudence and reasonableness of the Crown monopoly's actions; our judgment on the overall health of the Corporation; and our understanding of the risks faced by the Corporation, and how many of those are self-inflicted.

I neglected to introduce our clients both Ms. Jacquie Wasney, a board member from CAC Manitoba, as well as Ms. Gloria DeSorcy are behind me in the third row, and certainly we'd like to thank our clients and I'm not sure it's always clear how much effort they put into these hearings, not only reviewing the material but the con -- conduct of focus groups that inform the language that you will hear today and the perspectives that are clients have -- have developed. So I thank them on behalf of the legal team.

Our clients have been at these hearings for over two (2) decades guided by four (4) core consumer rights and trying to follow the evidence and the perspective that they hear directly from consumers and from their board.

They follow as evidenced on slide 5 the statutory test. They recognize that the onus in this hearing is on Manitoba Public Insurance to demonstrate that any of the proposed changes going to the overall General Rate Application, or to driver safety rating surcharges are just and reasonable, consistent with the statutory scheme.

And on slide 6, you'll see the Board's own identified criteria for setting just and reasonable rates; part of it's about the forecasts, are they reasonably reliable? Part of it is about testing the actual and projected costs, are they necessary, are they justified? Part of it is assessing the reasonable revenue needs of an applicant in the context of its overall general health, and this Board has said repeatedly that -- that its overall general health includes Basic within the broader family of MPI, and that also goes to necessary reserves.

In this hearing bullet 4 speaking to the appropriate allocation of costs between classes and between drivers and vehicle owners is directly implicated by the proposed rou -- with regard to driver safety rating. And a goal -- of course, the ultimate outcome is a rate that is just and reasonable. A rate that inspires public confidence that is transparent and that is defensible.

The Consumer's Association of Canada, the Manitoba branch, is all about choice, informed choices by consumers. But in the Manitoba marketplace consumers when it comes to public auto insurance don't have a choice. There is a legislative monopoly on Basic and a de facto monopoly on Extension.

There is no marketplace to discipline Manitoba Public Insurance. Our clients, and Manitoba consumers rely on this Board and its evidence-based procedures to provide regulatory guidance. It's distinct even from jurisdictions like Saskatchewan and British Columbia where you see politicians providing a lot of guidance, often outside of regulatory processes.

For -- for our client in this hearing, the Board's Order and its rate decision offer an opportunity to send a signal, in the absence of price signals, in the absence of market signals an opportunity to bring significant value to the Corporation and its ratepayers and to better balance the public interest.

This is really a unique hearing. In a way, it's a chance for a fresh start. Own What You Did is especially important because MPI has a relatively new board. A new or soon to be new chief financial officer and a new CEO pending -- a new Chief Executive Officer pending. And there is an opportunity, as we note on slide 9, for this regulator within the context of a just and reasonable rates to dialogue with the Crown monopoly's new leadership, not through ultimatums but through a candid discussion of how we got to where we are today.

And from our clients' perspective holding MPI responsible for what it did, shining the Board's evidence-based light on the record is perhaps the best gift that this Board could offer to Manitoba ratepayers and to the new board, Chief Executive Officer and Chief Financial Officer of MPI.

I'm going to quickly just outline because the -- these are lengthy submissions so I just want to give you an outline of the -- the major elements of the submissions.

We'll devote one (1) slide to the MPI narrative. They had 145 pages yesterday, so I hope they'll -- they'll forgive me for that.

Part 2, on slide 11, though, is really where our client focuses on the prudence and -- and reasonableness of the proposed and ongoing Manitoba Public Insurance expenditures. And our client will focus on what they suggest are self-inflicted wounds of the Corporation with regard to asset liability mismatch risk and interest rate pricing risk; self-inflicted wounds as they relate to investment risk, as they relate to information technology expenditures and process management and as they relate to the personal injury protection plan reserving, and management of risk.

Our clients, like our friends from CMMG the motorcyclists, as well as Bike Winnipeg and CAA will also discuss unrealized opportunities, and certainly in the area of loss prevention.

Part 3 of our submissions will focus on the overall health of the Corporation, and that's where we'll get to the heart of the question of the rate stabilization reserve and the dynamic capital adequacy testing as the correct way to assess the risk of a significant drawdown for the rate stabilization reserve. And we'll also have an interesting discussion of rate shock.

On slide 13, we highlight that we will address in part 4 reasonably reliable forecasts, including challenges related to the interest rate forecasts, the PIPP estimates and rate indications and issues ensuring that they're consisted -- consistent with accepted actuarial and accepted regulatory practice.

And I want to stop on that third bullet for a moment, because I -- this morning I believe My Friend, Mr. Ghikas misspoke. He indicated that rates are set with -- he seemed to suggest that they're set exclusively based upon accepted actuarial practice and that, of course, is quite critical. But this is the Public Utilities Board. It has insight and particular institutional expertise into accepted regulatory practice, including considerations of intergenerational equity. And so our client, as you have seen, places heavy weight on actuarial practices, but we do not -- and the -- suggest that the Board should surrender its expertise, its jurisdiction as it relates to regulatory practice.

Just while I'm offering opportunities to correct inadvertent misstatements, the Board also might've heard a suggestion by learned counsel for Manitoba Public Insurance - at least that's what we heard - that MPI had lost close to half a billion dollars on the Basic program.

We will examine that and suggest that that is inconsistent with the facts as set out in CAC Exhibit 20 or MPI Exhibit 36. Perhaps an misstatement or inadvertent no doubt.

We will come to our recommendations collectively and I'll also note that as we go through sections 2 through 4, we are going to start out with our recommended findings. The findings that we would recommend to the Board, and then we're going to follow that up with the evidence.

So on slide 15, we articulate what we consider to be the key elements of the implicit MPI narrative. Element 1: A suggestion implicit that the losses experienced by MPI over four (4) of the last five (5) years are through no fault of its own: inadequate premiums, the regulators holding it down, the marketplace, that's how we interpret a central element of MPI's case theory.

Element 2: An allegation that MPI has left no stone unturned in seeking efficiency or in mitigating the proposed rate increase.

Allegation Number 3: That for the purposes of mitigating rate shock, the Basic side of Manitoba Public Insurance is undercapitalized, with the overt suggestion that it is being subsidized by Extension.

And Element Number 4: That the proposed changes to driver safety rating are a fair response reflective of the statistical evidence.

That's how we, on behalf of our clients, interpret the case theory of Manitoba Public Insurance.

Slide 17 is where we start to focus in on the serious concerns our clients have with the manner in which this Corporation has conducted its business over the last five (5) years. We focus on issues, first of all, with regard to asset liability mismatch risk and interest rate pricing risk. These all go to the issue of the resilience of the Corporation in the face of unforeseen developments in terms of the bond market and the interest rates.

So again, we'll come to the evidence in support of our assertion in just a moment but here are the key recommended findings from our client that we would invite this Board to make.

First, that contrary to warnings of the Public Utilities Board, and frankly consumers in '13 and '14, Manitoba Public Insurance exposed itself to undo asset liability mismatch risk by seeking to opportunistically - we underline that word at least verbally - cash in on a duration mismatch between assets and liabilities.

Second, that the implications of this mismatch continued to be felt during the '15/'16 year.

Third, that despite guidance, gentle

proddings, advice by the PUB dating back through 2013, 2014 and 2015, Manitoba Public Insurance exposed itself and its ratepayers to undo interest rate pricing risk by setting its rate indicator based on the fiscal year rather than the policy year, contrary to accepted actuarial practice.

To understand and to get insight into the thrust of our submissions, it's important to identify key tools for mitigating interest rate risk. And as Mr. Yien confirmed in my discussion with him as presented on slide 18, a critically important tool to mitigate interest rate risk is matching duration liabilities and assets on a corporate basis. And he and I went through an exhaustive conversation referring to PUB Information Request 1-43 which is in -- is a response that highlights the -- the insulating effect of asset liability matching, at least on the corporate basis. So that's one (1) of the key tools.

The other key tool is moving to accepted actuarial practice for the rate indication which the Board directed be done last year and which has been done again in this year. And as Mr. Johnston confirmed, again on slide 18, this significantly reduces the pricing risk from interest rates because we're just focused on the policy year rather than the entire balance of claims liabilities.

And I want to stay on that point as we move to slide 19. Moving to accepted actuarial practice does two (2) critical things in terms of interest rate risk. It shortens the duration of the forecast period from three (3) years to a bit beyond one (1) year, only to the end of the policy year. And secondly, it avoids interest rate risk created by the claims liabilities, the long duration ones, which are interest rate sensitive and which by definition are not related to the new policy year.

The slides which follow slide 19 will highlight the fa -- the fact that dating back to at least 2013 - and there are folks in this room with superior memory to myself who will observed that it's probably longer than that - the Public Utilities Board was offering guidance to -- to MPI to move to these key tools. These critically important tools to mitigate interest rate risk.

Here on slide 20 we have the Board warning of the risk of speculating on asset liability mismatches. In its Order speaking to Manitoba Public Insurance, and noting that MPI was hoping that interest rates will increase such that it will recover additional funds to offset some of its losses. Back in Souris, we'd call that throwing good money after bad.

In the view of the Board, the Board says at page 32 of this decision:

"It is not appropriate for Manitoba Public Insurance to speculate on increasing interest rate risk..."

This was only four (4) years ago.

"...thereby risking ratepayers funds. Rather, it should seek to immunize itself to the extent possible from the impact of changing interest rate risk."

Don't gamble on the forecasts. Do what SGI does, protect your portfolio; maybe not using the same tools. Do what every reasonable insurance company in the marketplace does, protect yourself against forecast risk.

Slide 21. This again is the Board:

"It is the view of the Board that the Corporation's current approach to duration mismatching makes it too vulnerable to interest rate risk and inviting and directing Manitoba Public Insurance to submit a

discussion paper on duration
matching of its claims liabilities
as part of the next General Rate
Application."

So on slide 22 we're in 2014. And I want to be clear, we'll come to what the Board said in 2014 in just a minute. This is my clients' speaking as portrayed in the Board Order and our clients expressed in 2014, just three (3) years ago, that there was a disproportionate downside risk to Basic, arising from declining interest rates.

Our clients highlight the material losses that consumers have suffered. And most importantly, directing your attention to the third last line of that first quotation, noting that MPI's continuing to bet, continuing to bet on interest rate risk through the ongoing duration mismatch. They finally went from a duration gap of plus or minus two years down to one, but still exposing themselves to significant interest rate duration mismatch risk.

Noting as well at the bottom of slide 22, that the Corporation was not showing the utmost fidelity to its proposed policy in that particular year either.

So that's what our client said. We're

still in 2014 and this is the Public Utilities Board providing some insight into the mindset of Manitoba Public Insurance. Noting on the second line of slide 23, the quote:

"The more favourable the rul -- the results for the Corporation if interest rates rise."

Slide 24, the Board makes this same point.

"MPI continues to position itself such that the average duration of bonds is less than the average duration of claims liabilities because it expects that interest rates will increase. Gambling, betting that an increase in interest rates will benefit Basic's net income."

Slide 25. Here's the Board in the strongest language possible warning just three (3) years ago that the Corporation should seek to manage interest rate risk rather than attempt to predict how interest rates will change; again, seeking movement on improved asset liability management.

And on page 26, I misspoke on the

previous page, because I said the Board used the strongest language there. Page 26, the emphasis added I should note is from our clients and I will note that the emphasis added throughout this document is by our clients, not from the Board Order per se.

Page 26. It is not appropriate - this is 2014 - for MPI to speculate on increasing interest rate risk, thereby risking ratepayers funds. The existing asset liability mismatches has already cost the Corporation to suffer significant losses which could have been avoided. The corpor -- the Board goes on to find that the Corporation's current approach, even after changes in 2014, continues to make it too vulnerable to interest rate risk, particularly given that interest rates may decrease further prior to the end of 2014/15. Powerful prescient language by our independent regulator.

On slide 27, we note the concerns articulated in 2015, again by the Public Utilities Board and by our clients, the language is not as salty. You'll see also on -- on page 28, our articulation -- slide 28 -- our articulation from our client of the estimated impacts of the bets placed by Manitoba Public Insurance, the gambles placed by Manitoba Public Insurance in certain years such as

'11, '12, '14, '15, speculating on interest rate -- interest rates rising.

So that's on asset liability mismatching or matching, which is the desired outcome, the second critical prong of protecting the Corporation about interest rates is through using accepted actuarial practice to determine rate indications. And as I indicated previously, there are two (2) beneficial outcomes of that.

One (1) is that you significantly shorten the temp -- temporal risk, because you're only looking out the policy year rather than three (3) years down the line.

And secondly, and Mr. Johnston made this point in cross-examination. More importantly, perhaps, is that you're focused only on the call -- policy year, not on the risks associated with the -- the long-tail claims liabilities. So significantly less pricing risk.

So here's our Board, our independent Public Utilities Board back in 2013, hinting, perhaps too politely, that Manitoba Public Insurance should be walking down the fat path of filing its application for rate indications in accordance with accepted actuarial practice. If you back away for a moment, you can see back in 2013, the Public Utilities Board handing to Manitoba Public Insurance the two (2) key tools that it should have known about already. One (1) is asset liability duration matching; the other being setting rates in accordance with accepted actuarial practice, not a radical concept, but certainly handing on a platter analytically to Manitoba Public Insurance the tools necessary to defend its ratepayers from the most serious of this -- variances associated with interest rate forecasting risk.

Slide 30, you see advice from the Board again in 2014. Going to the second bullet, let's go to, you know, look at updated rate indications in accordance with accepted actuarial -- with an accompanying discussion paper addressing the revenue expense matching principles. Get your head out of the long-time accounting paradigm used to develop the rate indications; advice from the Board in 2014.

Slide 31 demonstrates in 2015 an encouragement to develop the MPI rate-making model in accordance with accepted actuarial practice, and a warning that it was going -- the Board was going to explore this issue further the next GRA, and an invitation, which I believe all parties did take up the Board on, to work collaboratively with the Board's actuarial advisor, as well as the CAC (Manitoba) and other advisors, to enhance the analysis.

Slide 32, there has been a narrative in this hearing, and you actually saw it most pronounced in Exhibit MPI-37 -- we do not need to turn there -- by Manitoba Public Insurance that it suffered interest rate impacts through no faults of its own. And in Exhibit 37, you will see the statement from Manitoba Public Insurance that -- that is represented in the first bullet. Deficient premiums. Own what you did. The Public Utilities Board made these tools available to Manitoba Public Insurance. Reasonable management and diligence is displayed in its sister Crown Corporation in Saskatchewan would have known of these tools well in advance. Own what you did.

We're moving from interest rate risks, including pricing and asset liability miss -- duration mismatch risk to investments on slide 33. And our client will present a number of recommended findings to -- for the Board's consideration, and then support it hopefully with the evidence.

First, that in reviewing the investment portfolio of Manitoba Public Insurance, there are grounds to be concerned that it accepts undue risk for insufficient benefit. And there are certainly grounds to be concerned that it's equity portfolio is unduly concentrated. But as discussed, going to the third notional bullet with the assistant deputy Minister of -- from the Province, there are grounds to believe that there may be opportunities to reduce portfolio risk through diversification while maintaining return.

The fourth recommended finding is that there are substantial grounds to closely supervise the Corporation's approach to asset liability matching analysis, including the concerns that the current portfolio is over-concentrated, over-constrained, and unduly focussed on short-term results, putting at risk the long-term interests of ratepayers.

And our clients will also suggest that there are grounds to be concerned that the Corporation's approach to both the asset liability study directed by the Board last year to be presented in this hearing and to the corporate bond purchase was to first of all act in leisure, and then to repent in haste.

On slide 34, these findings we consider relevant to the Board's determination of its jurisdiction with regard to investments. Historically, there has been a -- an allegation by

Manitoba Public Insurance that the Board's jurisdiction was significantly limited. The Board in Order 98/'14 articulated an appropriate and reasonably robust sense of its jurisdiction. But thanks to the gifted cross-examination of the assistant deputy Minister -- or direct examination of the assistant deputy Minister by My Learned Friend, legal counsel to the PUB, we've got significantly new insight in this hearing about who's really driving the bus when it comes to key decisions relating to investments.

And we would recommend these findings to the Board: a) That Manitoba Public Insurance drives the bus when it comes to key decisions, and -- and practical decisions, as well, like the request for proposals relating to the access liability management study.

Secondly, that the Corporation undertakes undue risk for -- it says here, "potential reserves." It should say "for insufficient reserves." To the extent the Corporation undertakes undue risk, it has implications for the health of the Corporation, including tot -- calculations of total equity and the RSR.

Third, that to the extent the -- that portfolio decisions are within the MPI's -- or the statutory mandate, they're on the list, MPI does not require ministerial sign off. This was the key insight from the examination of the ADM, inviting a prudence review of decisions within that legislative mandate.

Fourth, that ratepayers, through the Corporation, pay for external advisors and fund managers, not the Province.

And 5), that forecasts of investment income are important to calculate -- to the calculation of other sources of revenue needed to break even.

And Mr. Chair and members of the panel, just to pause here for a moment. Out of Board Order 98/'14, the Board made it clear that it considered it had jurisdiction to look at the reasonableness of the forecasts, that it considered it had jurisdiction to look at the overall health of the Corporation, the -- the third ground, including reserves.

It was less clear whether the Board considered it had jurisdiction to undertake a prudence and a reasonableness review, and our clients' submission is that based upon Board counsel's dialogue with the ADM, it is clear that MPI enjoys signi -- significant autonomy and sufficient autonomy for the

Board to undertake a prudence review of the party that drives the bus. And so we urge the Board to read these comments on slide 34, accompanied by its decision and decision 98/'14.

A small point on page -- on slide 35, we cited one (1) transcript reference here, being page 119, but on a couple of occasions, MPI has appeared to try and portray the investment issue is one of whether it's able to assume more risk. From our clients' pers -- perspective, the investment dialogue is not necessarily about accepting more risk. It's about optimizing returns given reasonable risk tolerances, recognizing the insights of modern portfolio theory.

And as my discussion on slide 36 with Mr. Johnston demonstrates -- this might be an old Souris saying as well -- modern portfolio theory teaches the value of not putting all of one's eggs in one (1) basket. It's relatively simple math that even a lawyer can figure out. Adding assets to a diversified portfolio, assets that have correlations of less than one (1) with each other can actually decrease the risk of the portfolio without sacrificing return. And you there you see on slide 36, Mr. Johnston's agreement with that assertion.

On slide 37, we go back to the not

putting all your eggs in one (1) basket, and agree that when we look at the investment risk assumed by Manitoba Public Insurance or SGI, one wants to look -- take into account the diversification of their portfolios.

On slide 38, we re-articulate the concern that was eloquent -- eloquently expressed by Mr. Viola in last year's General Rate Application, that we should be concerned that Manitoba Public Insurance is accepting undue risk for insufficient return. And it's unfortunate that we -- that the asset liability study was not presented in this hearing, because the Board would have benefitted from hearing directly from Mr. Viola as they did last year. But the low water mark, or the high water mark, or the -- the red flag for our clients was 2015/'16, where the Basic program, on a portfolio of over $2 billion, suffered a loss of $4 million with a significant driver of that loss being a write-down of impaired Canadian equity in excess of $25 million.

And I'm going to ask Diana to turn to CAC Exhibit 16 from the hearing, and in particular, slide 38 before we proceed to slide 39 on the application. And I apologize, Diana, for not giving you notice, but you're still amazingly quick.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: On the right-hand side, this is for Mr. Viola's evidence from Holland Park's evidence last year. You see a comparison of the public equity mix between Manitoba Public Insurance and SGI, as well as with a -- another organization known as PIAC.

But just directing your attention to the top right-hand quadrant, you see SGI at Canadian equity, forty-seven (47); US equity, thirty-one (31); international equity, twenty-three (23); hardly all the eggs in one (1) basket.

MPI, by contrast, Canadian equity dominating the portfolio at 67 percent, and US equity at 33 percent, Canadian equity accounting for, what, 3 percent of the global marketplace?

Slide 39, just for a minute, Diana makes this point -- no, slide 39 of that same document, being CAC Exhibit 16, slide 39. It makes this point more equitaly -- more eloquently.

Just focus on the left-hand and right-hand extremes. On -- on the left-hand side, Manitoba Public Insurance was 67 percent of its equity portfolio in one (1) basket. On the right-hand side, one (1) of the world's best-known and best regarded pension funds, Teachers, was 5 percent. That graph speaks far more eloquently than I can. But we can return to slide 39.

Slide 39 merely restates the information you've seen, as does slide 40. Stay on slide 40 for a moment, though. Mr. Viola's point and our clients' point is that the MPI portfolio just doesn't look like other well-regarded portfolios. Just look at that equities and -- and then compare it to other well-regarded portfolios. Regardless -- and -- and so I'll move on from there, but that's something critically important, from our clients' perspective.

Slide 41 gives us ground for some optimism. We had a strong signal from -- from the Minister's delegate that if MPI went back and sought to diversify its portfolio, there wouldn't be pru -- governmental concerns, departmental concerns, and our clients don't want to portray this as a -- a panacea in terms of returns. Our clients are focused on the acceptance of undue risk for insufficient returns, and the need to diversify this portfolio to escape from the undue and excessive constraints that do not seem to add to the optimization of the portfolio, but indeed impair the optimization of the portfolio.

Slide 42. These next two (2) slides, 42 and 43, are critically important, from our clients' perspective. This Board has institutional knowledge, and indeed, at least one (1) of the panel members was here when the Board first received the Aon report of 2014. Aon is a very well-regarded firm in the marketplace, but Mr. Viola's conclusion in evidence last year -- and these are our client -- the -- this is from Board Order 162/'16, page 15. This is our client speaking through the Board Order.

But Mr. Viola's concerns, and our clients' concern was that the Aon asset liability matching study in 2014 was shackled -- shackled by undue constraints. And this gives our client serious grounds for concerns as MPI embarks in haste on its -- its re-exploration of asset liability studies with Mercer's.

Mercer's is an internationally-regarded firm. It's well known, but the concern are, what are the constraints? Are the outcomes preordained? Are the good people at Mercer's, just as the good people of Aon, A-O-N, for the record, shackled and hamstrung by excessive constraints?

This is grounds for important

oversight. It's MPI's call. It's their asset liability study, but significant vigilance, our client would suggest, is called for by this Board.

Slide 43 makes the same point, that the Aon study from 2014 had limited utilities, given the return risk metrics and excessive constraints, and understated the risks of the Corporation in terms of market risk.

And also, highlighting through our submissions to the Board Order -- as captured in Order 162/'16, a concern that the emphasis by MPI on short-term rate stability was leading to an excessive level of risk for the investment returns gained. And that theme of a pre-ordinate focus on short-term rate stability has dominated the MPI submission in this hearing.

We heard from Mr. Yien a radical redefinition of rate shock, which I'll get in to this afternoon. And not that consumers don't want rate stability, but consumers want evidence-based choices. And in circumstances where consumers don't have a choice in terms of where to go in the marketplace, they need to be confident that Manitoba Public Insurance is looking at all sides of the questions from different perspectives, and not just the naked self-interest of senior executives who don't want to -- who are perhaps inordinately focused on short-term rate stability.

Slide 44. Our client highlights the needs for vigilance because there is nothing -- nothing in the Corporation's performance to date in terms of its pending asset liability matching study that would inspire confidence. The history of this is well covered in the transcript, both in questions by counsel for the Board, as well as for CAC (Manitoba). We know MPI was told, directed, ordered to file a study, an asset liability matching study, for the purposes of the 2018/'19 GRA. And we know that MPI said it could not. Six (6) months was not long enough. Under -- in its application it said that.

And on or about October the 5th, as set out at slide 45, under cross-examination by Board counsel, we came to understand that a study that MPI could not complete in six (6) months was all of a sudden being conducted within two and a half (2 1/2) months. And you see my inelegant questioning from slide 10, page 1052 and 53 of the transcript, suggesting that the Corporation had moved from suggesting a six (6) month structure to a two and a half (2 1/2) month race against time.

Mr. Yien wouldn't quite go with me that far in terms of the race against time, but he did agree that they were proposing to do two (2) -- within two and a half (2 1/2) months, the same activity performed normally over a six (6) month period.

And at transcript pages 1036 to 1045 -- we do not need to go there, Diana -- but you'll see a discussion that our client had with Mr. Yien in -- in terms of the extremely tight time frames. And I've got a headline at the top of this pace -- page, which is "Act in leisure, repent in haste." And it goes to the point that somehow MPI couldn't employ the time frame between the Board order and the rate application to do a asset liability study, but then in September it engages in this frantic race against time. And that should cause everyone in this room, in our clients' respectful submission to raise significant questions of confidence and credibility with regard to the Corporation's conduct.

Slide 46. Corporate bonds are, in our clients' submission, another example of the Corporation acting in leisure, repenting in haste. And one (1) of the panel members made the point in this discussion with the Assistant Deputy Minister of Finance, at transcript page 1427, that the absence of corporate bonds probably has hurt the performance of the portfolio. And to no one's surprise Mr. Steski agreed.

Slide 47 makes the point, we hope, that the decision of Manitoba Public Insurance in 2017 to radically re-alter its portfolio towards corporate bonds was not based in a vacuum. It was not some miraculous insight. In 2014 Aon recommended an expanded commitment to corporate bonds in Phase 2 of its report. Poor Aon, it -- it's -- it's arms were so tightly shackled by the constraints of Manitoba Public Insurance that a commitment to corporate bonds was one (1) of the few tools to improve return.

And our client, and more importantly the Board, in Order 128/15 picked up on this point. Here you see at the bottom of slide 47 our client noting an unrealized opportunity for investment in higher yielding corporate bonds. Not in 2017, not in 2016. Back in 2015, What are we going to do about the 2014 report of Aon? And for a number of years there's little evidence that Manitoba Public Insurance did anything.

Slide 48. The Public Utilities Board made this same point in Order 128/15 at page 75, seeking an update on what was going on with corporate bonds.

And on slide 49, we simply note that for Manitoba Public Insurance, the advice of Aon, the advice of our client, the advice of the Public Utilities Board way back in 2014/2015 was hardly radical. Its brother and sister Crown corporations, SGI and ICBC, already have robust portfolios of corporate bonds.

So the unanswered question is: Why the sloth? Why the failure to take initiative on -- on an important tool to improve the returns of the -- for consumers and for the Corporation in a reasonable risk tolerance manner?

Slide 50. Again, our client is outside the Corporation and we understand that some of its staff, staff like Mr. Johnston, are incredibly talented, probably with undue responsibilities thrust upon them. Actuary investments seems like part-time claims reserve overseer. But you see the Corporation not acting on Aon's advice to until 2017, and then becoming concerned that it had overreacted.

And there's a really interesting discussion from Mr. Yien at pages 287 and 288 of the transcript. I'm assuming this is in September when this revelation came to Manitoba Public Insurance.

And then, finally, when we had looked at the overall bond strategy, we also realized that we couldn't just make the bond strategy just on bringing the rate down alone. It can't be the driver of our investment. We can't put our entire 3 billion portfolio at risk just because we want to the lower the rate of roughly .8 percent.

So, therefore, we also require the ALM study. And as a result we started to accelerate that. So that's really the -- the genesis of why we held back, and why we were accelerating it. Our client does not see this as the results of a prudent, reasonable, rational Corporation. Wait three (3) years, then impose a very significant change and a change with significant opportunity, and then come to the belated realization that we might want to look at our whole portfolio. Is that prudent? Is that reasonable? Is that the fiscal prudence of which Manitoba Public Insurance spoke so proudly in their opening statement?

Slide 51 highlights the good news that Manitoba would be supportive. And although I'm not sure it's part of the evidence, apparently there were assertions by legal counsel yesterday that a decision is pending. Again, it's not evidence so I'm not sure what we can make of that. But -- so there's an opportunity. But our client is trying to give the Board our clients' sense of conduct that does not inspire confidence for ratepayers.

Slide 52 highlights the third element of acting in leisure and repenting in haste. And our client asked whether MPI has got Mr. Viola's evidence backwards. Two (2) members of this panel were here last year. They had an opportunity to judge Mr. Viola, his insight, his incredible qualifications. Mr. Johnston this year acknowledged that he seemed very experienced.

So Mr. Viola makes eighteen (18) recommendations to Manitoba Public Insurance, one (1) of which MPI accepts; the other seventeen (17) are referred to the asset liability study. Any one (1) who sat in the room with Mr. Viola last year, or who read his evidence with care would know his advice is: start with the framework, identify that, and then go to the other issues, being portfolio metrics and oversight.

When this Board looks at the request for proposals and the contract with Mercers, you will see, no doubt to your consternation as to our clients, that the key framework elements, the key elements that

Mr. Viola said you have to get right first, are put at the back of the bus. Not in Phase II, not that there's much time in Phase II, but at Phase III.

So the stuff you've got to get right first, in his expert opinion, they put last. The minimum risk portfolio, which the Board will revolve -- acknowledge, the evolved risk framework -- framework, explicit risk management, all those cre -- key tools from Mr. Viola's long years of experience, both with Teachers and Canada Pension Plan, at the back.

Slide 53 highlights a concern of our client that the Mercer's analysis will be unduly constrained. And we suggested to the client, looking to the cita -- to Mr. Yien at page 1056 at the top, that you would want to look at different risk tolerances. You'd want to be looking at some scenarios. He took issue with that suggestion.

And on 1056/1057. I asked him:

> "You've said the RSR capital target as determined by your Board is a key constraint for the asset liability matching study?"

And he seemed to indicate yes. Now, I'm not sure that -- whether the questions were imperfect or it was the answers, but we did try to explore whether MPI was looking at other scenarios of risk tolerance. But relative to rate stabilization limits, that is what the Board has decided on. And the Board has institutional knowledge. They observed Mr. Viola's evidence last year. Those risk return metrics that were -- that Aon was shackled with in 2014, our client is concerned that Mercer will face the same dilemma.

On slide 55 we highlight our observations relating to the cross-examination of -- or the examination of the ADM, Mr. Steski, both by Board counsel as well as my colleague and Learned Friend Ms. Dilay, making the point repeatedly of how much responsibility and ownership MPI has of the -- the investment portfolio. "The Corporation is ultimately responsible," says Mr. Steski, noting that he had no voting ability on the MPI investment committee.

He highlighted how much of the leadership, many of the initiatives are taken by Manitoba Public Insurance. Recommendations to the investment committee working group, changes to the investment policy brought forward by MPI. He outlined on slide 57 that there are key decisions that do not require ministerial approval. This was a key insight from this examination:

"If MPI wants to make a change to the fund that involves a change in the allocation or the mix of investments, investments already permitted under the Act, does MPI need to go the Minister for approval?

No.

Even if that required a change in the investment policy itself?

The Minister wouldn't need to approve that."

And that, again, was a key insight from that examination.

We see that even when we're talking about an order in counsel, a change that needs approval of the -- of the Lieutenant Governor and Council, because it's outside the expressly permitted class of investments, who does the due diligence? The ADM relying on the investment department's work for that.

Slide 59. I've said it ad nauseam. There is the bus driver question.

Slide 60. This was quite striking to us. Who is directing the ALM study? The investment committee working group did not. They did not have a stand -- a hand in the development of the scope. The request for proposal was not reviewed by the Assistant Deputy Minister. Indeed, he did not review Mr. Viola's evidence from last year's which are key components of this year's study. And, of course, the analysis is not paid for by the province. It's paid for by Manitoba Public Insurance ratepayers through the Corporation.

Mr. Chairperson, I'm moving into a new section. It's a lengthy one. I don't want -- I'm happy to -- to move through it. Or alternatively, like, I expect it would take about forty (40), thirty (30) to forty (40) minutes to move through this section or, alternatively, we could -- we could take a shorter lunch break or -- I'm at the Board's discretion.

THE CHAIRPERSON: You know what, we'll take a break now and reconvene at ten (10) to 1:00. Thank you.

--- Upon recessing at 11:48 a.m.

--- Upon resuming at 12:54 p.m.

THE CHAIRPERSON: Mr. Williams, before you resume, I'll -- I'll just give you a warning in that the -- the secretary was talking to the building manager and they're doing repairs. There is a chance, a slight chance, that the alarms might go off again. If they do, we've been told to ignore them and we'll sort of play it by ear as to whether -- you know, whether we continue, or -- or take a short break until it -- until it stops. Hopefully it won't go off again, but I just thought I'd give you the warning. Although, if you want to blame Mr. Monnin for it you're -- you're free to do so.

DR. BYRON WILLIAMS: I was just going to say if Me. Monnin can handle it, we'll do our best to as well.

We're moving to under the self-inflicted harm section, item number 3. And in terms of information technology expenditures, we're going to make a number of recommended findings. First, that amortization including deferred development of information technology projects is a significant driver of costs at the Corporate and Basic level. And also that amortization expenses related to deferred development have shown significant growth, both in absolute terms and percentage terms.

And on the horizon there are very significant expenders -- expenditures pending relating to IT projects which are likely to have a significant impact on Basic. The most notable, obviously, is the Autopac online, claims administration reporting system, placeholder that's currently in place.

Going to slide 62, in terms of the reasonableness and justification of the expenditures of Manitoba Public Insurance with regard to information technology, we recommend that the Board find that it continues to operate at a low level of business process maturity and that it is invest -- investing significantly more in infrastructure and operations than its peers. And in particular, significantly higher investments in staffing and software.

The physical damage re-engineering project has been a significant aspect of this hearing. There is a mathematical error on line 3 of the first bullet. The six (6) should be replaced with an eight (8).

We recommend that the Board make the finding that PDR was initiated in the absence of a well articulated business case and that the project scope has changed in, quotation marks, "dramatically," resulting in the cancellation of eight (8) projects and the putting on hold of another. The key PDR sub-elements such as the 20 plus million dollar customer claims reporting system lack an independent business case. That contrary to good practice, as articulated by the Gartner Group, operating and maintenance costs have been excluded from the calculation of the physical damage re-engineering projects' costs.

And 4th, that more than $10 million in costs associated with closely linked projects, including predictive analytics, Centre of Excellence, and shop (insert the word 'training management') Shop Training Management have been excluded from the calculation of the physical damage re-engineering project costs.

And just before we leave that last bullet, I -- I wanted to just highlight "shop training management" because when the Board no doubt turns to PUB -- we don't need to go there now -- but, MPI Exhibit 49, and you look at that sheet that shows the expenditures, you're going to see a cancelled project, which is also related to shop management but above it on the middle of that line you're going to see a reference to a $1.6 million project called Shop Training Management, which is still being spent, but which has been moved out of the PDR budget.

Slide 64. Ironically, we also asked the Board to find -- we don't ask them to find it ironically, but we ask the Board to find that notwithstanding the exclusion of the capital costs of predictive analytics from the cost side of the equation relating to the physical damage renewal cost benefit analysis, MPI has included the savings from predictive analytics and loss prevention on the benefits side.

We ask the Board to find that the assessment of the business case is also inconsistent with good practice in that Gartner did not consider or employ the MPI weighted cost of capital. It used its one related to the consumer price index. And our clients urge the Board to conclude that the calculation of net present value of the PDR program presented by Gartner Group cannot be relied upon for the purposes of this process.

Finally, as we look forward to the big expenditures of the future, our client asks the Public Utilities Board to find that MPI, Manitoba Public Insurance, has not demonstrated that it's practicing modern information technology portfolio management or optimization. And to note the absence of financial information related to the next great big expenditure AOL/CARS.

I want to highlight for our clients the importance of depreciation and, in particular, amortization for the Basic program accounting for 10 percent of all Basic expenses in the current year. And as we look forward at a corporate level, the forecast for depreciation and amortization is -- is 26.7 -- 26.8 million in '17/'18 and for the test year on a corporate basis 32 million. It's not insignificant.

Our client notes the fast growth of amortization and deferred development at the corporate level and trickling down predom -- predominantly to the Basic level, compound annual growth from '13/'14 to '16/'17 of 17.5 percent, and forecast growth still at 13.3 percent.

And, again, focusing on amortization deferred development in absolute terms, and at the corporate level, this slide, being slide 26, traces its growth from around 8.8 million in '12/'13 to actuals of 16.9 in '16/'17, and moving out to '18/'19 of 26; that's at the corporate level.

But a significant proportion of these costs as illustrated in slide 69 are borne by Basic.

We don't need to go there but PUB Exhibit 2-16 expresses this quite well. Roughly 205.6 million of the total corporate projects identified the 278 million are associated with Basic deferred development.

I want to turn for a couple moments to staffing metal levels and, again, Board counsel canvassed this issue more thoroughly than the Pub -- we did on behalf of our clients. But, we're going to suggest that there's been a relatively high level of IT personnel since at least 2012/13.

And on slide 71 that is borne out by the conclusions of the Gartner Group that MPI spends 63 percent of its IT budget on personnel versus 44 percent for its peers. And while this is an item of concern, it is also an opportunity and as Mr. Geffen observed in conversation with Board counsel, as organizations mature and MPI is apparently significantly more mature in terms of IT function, you would like to reduce the number of retained staff and getting better at providing -- at -- at more effective services from your third-party service provider. So an opportunity there.

And Mr. Geffen highlighted this again noting that MPI in terms of staffing levels is probably somewhat higher than would be expected.

Slide 74 is an interesting one in our clients' submission. Mr. Geffen did not praise any of my questions as being good questions, but he did praise one (1) of Board counsel's questions. At -- on or about page 1152, Board counsel had asked is more than 30 IT projects at the -- at the same time too much? And Mr. -- Mr. Geffen didn't provide a def -- definitive answer but he flagged the issue. How much change can organizations take, not only financially, but actually incorporating, taking the advantage of those changes.

It's a pretty fundamental question, and certainly from our clients' perspective, MPI has not satisfied us that they have taken appropriate advantage of their investments in information technology.

Slide 75 highlights the conclusions that business process management remains generally low and that it matters. In the first bullet on page 75, Mr. Geffen points out that it gives you better ways of identifying opportunities to optimize benefits for the business. So generally low and missed opportunities flowing from it.

Slide 76 makes that same point. It's a

Gartner response to a PUB request for an undertaking. Noting that the MPI use of business cases - going to the last two (2) lines - has not matured to the point of using these as part of the benefits realization and evaluation.

I want to focus on infrastructure and operations' expenditures. And I've highlighted from page 1161 Gartner's articulation of how they pick peers. Peers with similar workload and complexity so that where -- we're -- we're comparing MPI to organizations that -- that have that similar IT footprint.

And why I'm going to spend a couple minutes on this page is Gartner said in terms of its process maturity benchmarks not -- that some of them were getting dated. But our understanding of Gartner's Group is not when it comes to the peer to peer numerical analysis. It's the scorecard that was getting dated not the peer-to-peer analysis.

And you'll recall evidence from Gartner that they refresh this information every six (6) months. So these comparisons to peers we think our current, they're vital and they provide tremendous insight. And I'd ask Diana to pull up from the Gartner presentation to the Public Utilities Board in

Ja -- to MPI in January 2017. Slide number 14.

We went over this slide in cross-examination but check out the headline. At 24 million MPI's overall infrastructure and operations spend is 6.3 million or 35 percent higher than the work -- workload peer.

And if you go to the table on the left-hand side just reminding you that at the bottom of that side you'll see MPI, the big 24 million, being the '15/'16 expenditure. Go over -- that's the total at the bottom. If you go over two (2) lines you'll see the peer at 17.8, and then go over two (2) more columns, you'll see the peer at the 75th percentile, still being significantly below Manitoba Public Insurance.

Move up that page, just for a second on the -- on the left side. No, Diana, that's perfect right there. You'll see in the second paragraph on the left-hand side that software continues to provide the most immediate areas for cost-saving.

And go down to that IBM outsourcing contract. A higher yearly costs that might be expected. From our clients' perspective, this is significant determinative of evidence in terms of our concerns with regards to the prudence and reasonableness in which MPI manages its operation as compared to peers with a similar IT footprint.

Slide 17 -- Slide 77, 78 articulate what we've just discussed. Slide 79 does the same thing. Those are -- that's some of the information that I shared with you. And slide 80 does as well. Those are -- again, that's all drawn from that Slide 14 of that Gartner Group presentation highlighting poor performance relative to peers in IT infrastructure and operations.

I want to turn now to the physical damage re-engineering program, and to highlight a comment by Mr. -- it says here Mr. Martin Green. I'm pretty sure that's Mr. Geffen. I think that the PDR -- I hope I didn't make that typographical error, but I might've. I think that the PDR program itself has changed quite dramatically over the six (6) years, or however long it's been in play.

We know, through conversations with Board counsel, that what -- the first loss, the big loss was the CARS, Claims Administration Reporting System, replacement.

At Slide 83 you see Mr. Geffen, not Mr. Green, responding to a question from the Chairperson on the Board. Is this many cancellations a lot? And

I'll just note he's not counting CARS here, but here's what he says.

"As of last year there were twenty (20) projects; eight (8) were complete, seven (7) cancelled and five (5) were going ahead. And so, yeah, it looks like it's a high proportion in terms of those that are cancelled."

A frank comment from Mr. Geffen. And we note that that seven (7) has been joined, not by a cancellation, but another one (1) put on hold at slide 84 remote estimating, a multimillion dollar project.

Also, at Slide 85, we note perhaps not turnstiles but changes in leadership in terms of the PDR program. In 2016 if the Board goes back to Gartner's advice and report from last year, they were applauding the appointment of an executive director with clear structures for program governments -- governance, delivery, an overall project structure; that person is no longer there.

And some of the budgeting, quite frankly, is opaque. And I'm not going to drag you through slides 86 and 87, in terms of trying to figure out what was going on with remote estimating, but I thought for humour the very first line and a half is Mr. Yien trying to make it clear to me for perfect com -- clarity how the budget worked. And at your leisure I urge you to work your way through and -- and see if perfect clarity is -- is achieved.

And you'll go on to Slide 87, and I'll suggest to you that we -- we still don't have much of a grasp on what went on with the remote estimating budget, except for that -- that program is in trouble and is on hold and that has very significant implications for rural Manitobans, and rural service.

And so at Slide 88 we have a late-breaking rule strategy bigger than remote estimating we're told by Manitoba Public Insurance, but not many details unveiled. So, in a program with dramatic changes, the replace -- the loss of the CARS replacement, the cancellation of seven (7) other projects, remote estimating on hold, we now have a rural strategy of -- of -- of which we are not aware of much.

But the Board will recall through its institutional knowledge that a consistent concern of our clients and of the Board is what will happen to rural Manitobans to rural service to those rural businesses, all -- obviously all of us are concerned with efficiency, with good operations, but there seems to be a significant hole in the strategy outside the perimeter and outside southeastern Manitoba and southwestern Manitoba. And that is of concern for our clients consistent with long-standing representations.

Board -- both Board counsel and the Board Chair flagged the lack of business cases for the revamped projects. We highlighted with emphasis added Gartner Group asking for revised business cases towards the bottom of slide 89 and none were available.

And again, from our clients' perspective, and in their most respectful submission, that does not demonstrate prudent management.

Slide 90, again, forensic work by Gartner and Board counsel noting that the estimate of net present value is significantly lower than last year.

And this Slide 91 explains primarily due to delays in getting these projects up and running.

Our client has asked me to highlight their absolute lack of confidence in the cost benefit assessment presented in support of the PDR program. As a starting point and, again, Board counsel did this very well, operating and maintenance costs are not part of the assessment of business value.

Slide 93 Mr. Geffen reminds us, though, while they're not in the MPI assessment, they -- Gartner Group is -- good practice recommends to their clients that they focus not just on procurement and acquisition, but on the ongoing -- on the ongoing operating costs as well. And that analysis is absolutely missing from the Gartner Group analysis.

And after the Board raised this issue last year, our clients would've expected a candid assessment of what the operating and maintenance costs are and how they affect the value of the program as against its costs.

Slide 94 simply points out we don't put a lot of -- a great amount of weight on this, but that the assessment of the benefits of physical damage re-engineering was done by MPI. Gartner Group did not do a detailed assessment.

Slide 95, though, is of significant concern for our client. We allege that more than 10 million in closely related capital costs have been wholly excluded. On this page, you'll see some of our math, the 2.2 million related to predictive analytics. The 6.3 related to the Centre of Excellence program.

And then on the next page -- we won't go there yet, you'll note the shops training management, which is another $1.6 million.

And what I think is very interesting are the number of times -- the number of authorities at the bottom of slide 95 for this proposition. My hypothesis is that neither Board counsel or counsel for CAC (Manitoba) could -- could actually believe that these costs weren't included. So we kept asking and trying to confirm that they were not part of the budget. And so on this page we've just put a few of the citations in support of that uncontestable proposition that these costs were excluded.

Now, whether they should have been wholly included or partially included, it is unclear to us, but this is of -- a core source of our lack of confidence in the assessment of the net present value presented by Gartner Group.

Slide 96 highlights the point. And this, you will see as well from Exhibit 49, that shops training match -- Shop Training Management, the $1.6 million, they're still spending it. But if you look at that exhibit, they're just sliding it off the PDR budget. That expenditure will continue, but just simply no longer be counted against the PDR budget.

Mr. Yien accepted that, subject to check, and MPI has not come back on that point.

So there you have this significant package of costs excluded from the PDR budget, but let's go to the benefit side at slide 97. You will see there in terms of when Gartner Group calculates the benefits for the PDR program. They cite predictive analytics/loss prevention, only half a million dollars in annual -- in '18/'19 and a million annually thereafter.

So out on the cost side; in on the benefit side. That assertion was never successfully answered by the Corporation.

And our client, through legal counsel, went back to Mr. Geffen and said, Would it be fair to suggest that the predictive analytic benefits, that should not read 1-6 -- 16 million a year, that's a -- that is a line number. So it should just read one million a year are linked to the predictive analytics project. So we asked him, can we make that link? Yes, they would be. And we went on to say, and that's what you mean when you said that the predictive analytic project is tightly related to achieving PDR success? And Mr. Geffen confirmed that.

We note as well that cost of capital,

in terms of the project, Gartner Group indicated that it wasn't based upon an -- Manitoba Public Insurance risk assessment. It was a figure picked out as a standard benchmark from the Consumer Price Index.

At Slide 100, we try to highlight why this matters, and the accountants, and the economists, and the business owners in the room will know this better than I do, but the cost of capital selection gives critical insight into the tipping point in terms of whether you're indifferent to the project, supportive of the project, or choosing not to go ahead, 3 percent, versus 4 percent, versus 5 percent makes a big difference. And Mr. Geffen can confirm this to me, it's important in terms of whether you want to invest or not.

And at Slide 101, I expressed my astonishment to him that he had selected a cost of capital figure not based upon MPI's estimated cost of capital -- capital, but to something not related to MPI, related to the Consumer Price Index. And on the third heading on slide 101, you see me asking with the greatest of respect, that would seem to me almost a starting place for almost every bit of financial analysis I've ever seen, and Mr. Geffen agreed. It was a piece of analysis that we looked to do in this project, and it's something that we should have asked MPI to do.

At slide 102, we simply note that with remote estimating on hold, that raises the question of whether the benefits should still be included in the calculation. The benefits associated with remote benefits are challenging to articulate for MPI in Gartner Group, and I flagged the two (2) transcript pages in which we have that discussion.

Slide 103 simply points out that there is diminishing risks associated with the PDR, but they are still significant, and the most significant risks relate to the Customer Claims Reporting System, CCRS, the one for which we do not have a business case.

And here at slide 103, Mr. Geffen articulates the innovative approach with regard to Customer Claims Reporting System, also the absence of a track record, and just the uncertainty associated with it. So we simply point that out to say that the risk is not over with this project.

Board counsel at slide 104 made this point, more eloquently than I was able to, noting that while Gartner had a high level of confidence that it -- the program would be completed in the original budget, they said the same thing last year prior to the additional seven (7) programs being cancelled.

Moving away from PDR, our clients want to go to the issue of the information technology portfolio management. How is MPI moving from individual business cases to making a judgment on where to prioritize its expenditures and at what pace under its overall IT portfolio? And Mr. Geffen highlighted to me, at slide 105, the importance of this, looking at the technical health, the business health, and the cost to operate, those are the core elements that one would want to see in IT portfolio management.

And on slide 106 and on, our client sought to explore -- explore this. We know that Manitoba Public Insurance has a big figure in its budget coming up to Autopac Online, and the Claims Administration Rep -- Reporting System in excess of $60 million, if memory serves me right. And we're trying to get a sense of how are they making the choice whether to proceed with a -- a new build, to continue with the existing system? How do -- how are they doing that?

At slide 106, we just articulate that these applications provide well-defined and specific business function -- functionality from which the organization derides quantifiable business value. There's value there, and it's quantifiable.

At slide 107, we went to the next question. The natural question is, well, how are you making your business choices? We are seeing AOL CARS showing up in the budget for next year, and there's some big numbers. We suggested to MPI that there is not a project charter, or a detailed business case, and a social -- associated analysis for the rebuild versus the replace of Autopac Online, or CARS, and that was confirmed by Mr. Yien. No charter, no detailed business case, no thick business case, as the new value management process describes it.

Slide 108, we go to the -- a step back, then, Can you give us your total cost of ownership? Can you give us the cost of maintenance associated with CARS and AOL? That was pre -- a pre-ask asked by our clients. Mr. Yien, he actually said I had a good question there. I'll -- I'll take that one.

> "Your question is a good one. It's
> -- there's complexity in terms of
> the allocation of the maintenance
> between Aon --
> say] AOL and CARS. We don't have
> that, and that is something that

needs further work."

And our client notes, moving away from AOL/CARS, that the Public Utilities Board did request the operating and maintenance costs associated with the physical damage re-engineering. MPI Exhibit 50 said that it was seeking to release this information. You'll recall that in cross-examination, our client indicated we would take it at a highly aggregated level. Our -- we're not sure what happened, but our understanding is is that MPI is not providing further information other than Exhibit 50, which is not responsive to the PUB request.

Beyond that, slide 110 highlights the options we have not taken to our clients yet, but obviously, consideration can be given to an order compelling production of this information in confidence. Alternatively, the Board may wish to squ -- seek sworn confirmation that the information is not available.

Just before we leave information technology, we want to highlight the point made by Mr. Geffen way back on slide 14 of the January presentation to the MPI Board, that software provides an immediate and -- oh, sorry, provides an important opportunities for savings. And a discussion of the opportunities for savings take place in the transcript at pages 1,222 and 23. I will not take you there. That's just for your reference in terms of your deliberations.

Mr. Chair and members of the panel, I'm moving to a new section, and it's the last section in terms of the self-inflicted harm section. These are our clients' recommended findings to the Board with regard to the administration and reserves of the Personal Injury Protection Plan.

Our clients recommend that the Board find that the Corporation book significant adverse development is a missing word in the Personal Injury Protection Plan claims in '16/'17 related to the '11/'12 through '15/'16 years. That there -- we recommend that the Board find that MPI and its actuaries have expressed a lack of confidence in current reserves relating to PIPP, and that, in part, at least, that lack of confidence can be attributed to a failure to follow reserving practice guidelines.

Our clients recommend that MPI -- the Board find that MPI has not complied with the 2015 order of the Public Utilities Board to seek further insight into developments with regard to long-term claims from the Quebec auto insurer.

Our client also recommends that existing challenges of the Corporation in meeting its permanent impairment benefit targets can be attributable, at least in part, to significant staff churn and turnover. And finally, that MPI would benefit from an external review of claims reserves related to PIPP.

The Board had -- Manitoba Public Insurance had $58.7 million of bad news related to PIPP last year, with the bulk of that, some 44 to 45 million, being related to ultimate loss estimates from 2010/'11 through '15/'16.

On slide 114, Mr. Johnston confirms that this unfavourable runoff was driven by a change in the number of -- percentage, excuse me, of injury claims remaining open longer than five (5) years, especially since 2010/'11. He also confirmed comments by the actuaries relating to changes in methodological assumptions related to increased uncertainty related to case reserves, especially for those less than forty-eight (48) months.

So there you have a driver of significant changes in expected ultimates related to claims over five years, but also the actuaries, in very frank statements, highlighting increased uncertainty related to case reserves, which is driving some of the expected increase in PIPP costs for '17/'18 and '18/'19.

Our client sought to explore with Mr. Johnston at slides 116 and 117 some of the challenges. And based upon an information response which is on the record, we suggested that certain claims were not being reserved for life per established reserving guidelines, not being res -- reserved in a manner consistent with established reserving guidelines.

And Mr. Johnston, in his usual thoughtful manner, talked me through the issue at slide 116 before confirming on slide 117, that in terms of the non-catastrophic claims, he politely called it optimism, and in those cases, kind of the global average reserve wasn't put up. The guidelines were not adhered to, and we are under reserve for that reason.

Slide 118. We highlight the rather surprising statement that claims reserving -- we presume it's with -- with regard to Personal Injury Protection Plan is being removed from case managers and moved to a centralized reserving unit, a centralized committee between March of 2017 and October of 2017, with one (1) of the motivations being to increase the consistency and reliability of reserves.

And at slide 120, you see Mr. Johnston's hope that reserves will be timely and appropriate going forward, yet again, emphasizing the challenges in adhering to the reserving guidelines related to 2010/'11, '11/'12, '12/'13, '13/'14, '14/'15, a quite extended period of time.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: Our client notes that the -- the very significant dump of increased ultimates in 2016/'17, is not wholly an uncontrollable event. As MPI candidly admitted, a significant factor were the challenges in following reserving guideline -- guidelines. And ensuring that reserves are timely and appropriate is a management issue, and ultimately, if they're not appropriate, a forecasting issue. It's owning what you did.

So here you see, again from MPI Exhibit 37, in terms of uncontrollable unexpected events, massive significant dumps related to weekly indemnity in '15/'16 and '16/'17, our clients' not in a position to challenge the actual reserves. Our client is in a position to criticize the failure to adhere to reserving guidelines.

Slide 123, our client simply asked a rhetorical question whether the rate stabilization reserve is there to shield MPI from a failure to follow reserving guidelines.

More signs of discomfort in this same adjusting area is captured at slide 124. We simply note that MPI was having challenges in meeting their permanent impairment benchmarks, and -- and actually, a really good information response. I'm -- 2-33. I'm not sure if it's PUB or CAC. I think it's actually CAC. But MPI flagged that one (1) of the drivers of the challenges has been unforeseen staff turnover and internal resource churn.

Now, if you go to the transcript, you'll see it mistakenly say that it's internal resource turn, but if you go back to the IR, it's churn. And our client respectfully signi -- submits that unforeseen staff turnover and resource churn reflects an underlying management challenge. And in this part of the -- of the business.

In the next few slides, our client is going to be leading up to the recommendation that was made in 2015 by the PUB at our clients' advice to go to Quebec and get greater insight into the development of long-term claims. I just want to highlight on these next couple of slides that the tail factor, which you often hear talked about, matters. Mathematically, the tail factor is kind of what MPI estimates is going to be left over in incurreds after ten (10) years. Mathematically, it affects all the years associated with the claim. So if we change the tail factor, then it would impact every year of the PIPP program. It's a big deal.

Slide 126. And it's also hard. And one of the problems is PIPP, the Personal Injury Protection Plan, has only been around for twenty (20) -- a bit over twenty (20) years. And these claims, these long-tail claims last longer, thirty (30), forty (40) years. And so Mr. Johnson flags the challenges in -- in terms of getting information about the tail at slide 126.

And at slide 127, referring to the transcript, he highlights how important this development after ten (10) years is in terms of money, risk, and uncertainty. Forty-seven (47) percent of ultimate paids related to accident benefit weekly indemnity, a very significant line of business, 47 percent takes place after year nine (9). And these claims are the ones that are highly sensitive to interest rate changes.

And Mr. Johnston really puts it well at the bottom of slide 30 -- 127. That's why we -- these really are the reason why we have close to 2 billion in claims liabilities and a fixed income portfolio to match. Most of that's for PIPP claims of a long-tail nature. So hopefully -- this is a challenge -- has always been a challenge for me to understand in this hearing. I -- I hope it under -- highlights our clients' concerns with the uncertainty related to the tail factor.

Slide 128, we simply point out that in -- in comparison to the benchmark of keeping claims open, only 10 percent actually, as of February 2017, in terms of claims staying open longer than five (5) years, it's about 14 percent, and that is worrisome, given the size of these claims.

We won't spend much time in the Ernst and Young report on BI-3, except for to note that long-term claims matter, and they drive risk, but Ernst and Young does not address the long-term claims in their analysis.

Mr. Johnston indicated that any longer-tail open claims were excluded from that analysis, because they haven't closed. He went on to say that Ernst and Young wouldn't have looked at the longer-tail open claims, and that only fully developed claim years for each duration band, were evaluated. So a big part of the story wasn't part of the Ernst and Young analysis, in our clients' view.

And our client has to express some puzzlement, because you have these two (2) almost contemporaneous developments. In the spring of this year, you get a very laudatory report by Ernst and Young about BI-3, related to the Personal Injury Protection Plan. And at or about the same time, MPI was removing reserving from its adjusters, a long time responsibility, experiencing material negative development, and articulating challenges with significant staff churn. So which narrative is it?

Our client noted in our cross-examination of Manitoba Public Insurance that there's help out there. There are Nor -- North American experts in no-fault who are retained by insurers to offer an independent review of claims reserves to bring their North American experience to local problems.

We asked Manitoba Public Insurance if they were considering this option. It is meeting with other Crowns, and -- and that's -- that's certainly laudatory. But it certainly has not considered bringing in that kind of expertise at this point in time. And that's certainly, from our clients' perspective, something that might be very useful and helpful to the Corporation and its ratepayers.

Our clients have so much respect for Mr. Johnston, and I articulated earlier, the incredible pressures he appears to be under wearing many hats. But given the significance of long-tail experience from Queb -- given the direction of the Board to seek experience from Quebec to improve our estimates, our client is disappointed that that has not been acted upon, and they are confident that it will be a priority for MPI in the pending year.

Mr. Chair and members of the panel, I want to move to road safety. Lest you despair at the side of the -- size of the PowerPoint stack, I do want to indicate that in my view, this has been the heavy grinding. We'll try to move through them more quickly.

Certainty related to road safety generally, our clients ask the Board to find that the MPI program was relatively immature compared to other jurisdictions in 2013, but there have been strides taken since then, certainly not as much as our friends from CMMG or Bike Winnipeg would like. But there have been strides both by the province and Manitoba, we recommend that the Board find, to develop a strategy and to build the framework for a more evidence-based approach.

We ask the Board to find that there are still significant concerns as they relate to rural Manitobans and other communities. And, importantly from our clients' perspective, our clients want to put MPI to the test. MPI asserts that its stakeholder committees are working well. We think there would be value in getting feedback survey information from those committees to see how stakeholders regard the stakeholder process.

In terms of loss prevention, moving more broadly than road safety, our clients recommend that the Public Utilities Board find:

1) That there are significant opportunities to modernize the fleet rebate program, which are yet to be acted upon;

2) That the introduction of driver safety rating in 2010 was an important step forward; but

3) We recommend that the Board find

that with regard to loss prevention and driver safety rating that there are significant concerns related to missed opportunities to identify primary and secondary vehicle drivers in a manner that better addresses the intersecting risks of who is actually driving the vehicle; missed opportunities to set discounts, premiums, and surcharges in a way that better reflects risk; missed opportunities to enhance the overall understanding among drivers of how their driving behaviour can affect how much they pay; and significant concerns in terms of whether MPI can demonstrate that the proposed changes to the DSR, those surcharges are just and reasonable, especially taking into account information related to the relative costs estimated to be brought to the system by -- by drivers between zero and positive seven (7) on the DSR scale.

Our clients are not satisfied with this information. They recommend the Board make the same finding.

Our clients believe, finally, and recommend to the Board that it conclude that there is ample evidence to suggest that in consultation with stakeholders, MPI should review the effectiveness of its current rate making and driver safety rating system, in terms of associating insurance risk to the cost of insurance, including considerations of what is going on in other jurisdictions.

Quickly, and much of this was canvassed by My Friends, MPI has admitted, We're not there yet as a jurisdiction or as a Corporation in terms of loss prevention and road safety, but we think it's important to honour the pri -- the strides that MPI has made since 2013.

And I won't dwell on this. We did this in cross-examination. But in 2013, slide 140 presents important conclusions from Mavis Johnson about the importance of using a safe system approach, the absence of a road safety strategy, the importance of critically evaluating cr -- costs and returns on a program level and on a portfolio level. So these are the gaps Ms. Johnston (sic) was identifying back in -- in 2013.

And again, CAC (Manitoba) notes that there have been strides in terms of the MPI development of a framework for priority setting and evaluation of programs, and that recently the provincial road safety strategy was released. So it's taken a while, and the costs relating to accidents and fatalities are far too high, but our clients want to acknowledge progress made by the Province of Manitoba and by its partner Manitoba Public Insurance.

Our clients in particular want to flag a statement by Mr. Keith at page 889 of the transcript:

"By next year we want to be in a position to measure the return on investment at the portfolio level for loss prevention."

We -- we ain't there yet. We're not there yet, but that's his expectation and his commitment as we understand it.

And at slide 143 we want to go back to IT for just a second. If only we had that commitment on the IT side. MPI is not there yet on road safety and loss prevention, but from our clients' perspective, what they've done on this side of the business stands a quantum leap ahead of where they are in information technology, at least based on the evidence our clients have seen.

Our clients commend the initiation of a gravel road pilot project by Manitoba Public Insurance. That's slide 144.

And they reiterate at slide 145 of the disproportionate impact of fatalities in rural

Manitoba.

And at slide 146, the risks associated with gravel roads. So that gravel road pilot project, it's a modest step forward, but our clients think an important effort to get insight into whether enforcement initiatives can make a difference on rural roads where far too many Manitobans are -- are suffering traumatic injury or loss of life.

So that's the positive stuff from our clients' perspective. Our clients, in terms of loss prevention, noted with disappointment the statement of Mr. Keith that:

> "I don't believe there any initiatives that we are pursuing today -- that we are not pursuing today that we ought to be pursuing."

And at slide 148 they also expressed some disappointment that MPI does not appear to be acknowledging the need for better data on the loss prevention side. Mr. Keith, at the bottom of that slide says:

> "If there's more deep analysis to go it would be on the road safety side."

Why this matters, why do we care?

Slide 149 just highlights how important data is to making evidence-based decisions on the loss prevention and road safety side.

And slide 150 highlights the point from Mr. Johnston that when it comes to loss prevention, MPI does not have the type of data that enables private insurers in other jurisdictions to dig deeper, to make better links between vehicle risk and driver risk.

Our client is not talking about nor would our client ever suggest insuring based upon gender or age. That's a great strength of the Manitoba program. But the missing link, the critically important data, is who are the primary and secondary drivers of a vehicle. Now who is the registered vehicle; who is driving it. That is a critically important risk factor that MPI does not have the information for.

And as Mr. Johnston flags in the transcript of page 1310, he confirmed that that's a way to dig deep into the aggregate risk posed by the vehicle and the primary driver. So from our clients' perspective, that's the great, gaping hole in terms of data that is impairing loss prevention initiatives, at least as it relates to driver safety rate -- rating.

Recall the conversation with Mr. Keith, where he said he couldn't think of a program that they weren't doing. But at slide 151 you'll see that the IBM report in 2015 fi -- highlighted basic fleet management, the surcharge repay program, as an area of loss prevention with a relatively low maturity level in terms of alignment with loss prevention objectives. Now, that sounds like consultant speak to us, but flagging an opportunity with regard to fleet rebate.

And at slide 152 our client inquired of Mr. Keith about the status of the fleet rebate review. And initially, I asked him, Do those issues still exist? And he advised me that he'd have to get back to me. But ultimately he confirmed that fleet rebate management is a future opportunity for MPI.

And that the third bullet on slide 153 highlights the fact that while MPI was devoted significant attention to driver safety rating the fleet rebate program has not been modernized to that same degree.

And Mr. Keith thought that was a fair statement. And so our clients take that as an opportunity, a significant opportunity on the loss prevention side that suggests future initiatives. And we just speak of the -- on slide 154 of that opportunity.

But at slide 155 we note that there is no specific timeline for the fleet rebate review. And given that unrealized opportunity, given that it -- it was based upon the advice of IBM, given that it's been three (3) years, our clients think that this is a gap in the loss prevention program that should be acted upon.

I want to turn for the last moments on the discussion of this section to driver safety rating. And again, our clients want to recognize the achievements of driver safety rating. But in -- in terms of owning what you did, our clients will acknowledge, and their legal counsel will certainly acknowledge, that when we looked at this program back in '09/'10, collectively our client did not sufficiently address its minds to the challenges related to the aggregate risk posed by the primary and secredy -- secondary drivers of a vehicle, and whether DSR appropriately reflected this.

We note that others did, CMMG. Mr. Oakes should be taking some credit, he flagged it right -- right there. So that certainly was an oversight on our clients' part and their legal counsel's part. It doesn't mean that DSR hasn't been a good and important program, but it's -- it's an issue.

At slide 157, we highlight the goals for DSR, and we bolded:

"Enhancing the overall understanding among drivers of how their driving behaviour can affect how much they pay for auto insurance."

The question we raise on behalf of our clients is at the bottom of slide 157. If you look at these goals, they're not overtly linked to the revenue requirement or revenue-generating tool. The DSR goals, at least as articulated in 2011, were about behaviour modification, sending the right price signals to consumers

In 2017 those DSR surcharges are now being turned into a very significant request for revenue, $17 million worth. And our client wonders whether the current design of this behaviour modification program is a good fit as a revenue-generating tool.

Going back to that objective of DSR, the bolded one (1) from the page before, does the current system enhance the overall understanding among drivers of the risk of how their behaviour can affect how much they pay? Well, Mr. Keith offered a thoughtful comment:

"I know there could be questions about the actuarial science behind how the premium was established for each level of the DSR scale."

And Board counsel for the Public Utilities Board, at slide 159, flags some significant challenges with the Corporation's proposal with regard to driver safety rating. I was not there that day, but my understanding is that negative distract -- discrepancies were used as a term of art to articulate those levels on the driver safety rating scale, in which the Corporation estimated that the consumers, the drivers on that scale, were not fully paying their costs.

And so the Corporation, as we understand it, made a policy decision, not to say a political decision, to raise surcharges for some of those consumers at classes on the DSR scale with negative discrepancies, those on the minus side.

But at slide 159 you see a really interesting conversation by PUB counsel with Mr. Johnston about the other part of the negative discrepancy equation, that it actually begins about plus seven (7). And -- and he goes on to have confirmed by Mr. Johnston that drivers zero through six (6) are in the negative discrepancy as well, but the proposal is not to address the issue.

And so Mr. Johnston candidly admits that the proposal was really to focus on the demerit side of the scale. But I know -- I know what you're saying. This is a very challenging question for our client, and at slide 160 they ask:

> "Is it appropriate to impose surcharges on some drivers assumed to be not bearing their full costs while excusing others?"

And in terms of our clients' deliberations in terms of the driver safety rating scale, this is a fundamental point of discomfort with the policy decision to impose sur -- additional surcharges on one (1) part of the population with estimated negative discrepancies while excusing others.

PUB counsel, at slides 161 and 162, noted that there are other consumers on the other side of the ledger, at least in terms of positive discrepancies, including the plus fifteen (15) drivers. But at slide 162, potentially, as well --

slide 162 -- those in the minus seventeen (17) to nineteen (19) range. And that again has caused some discomfort for our clients.

Our clients have no doubt that if we ask Manitobans, whether through surveys or focus groups, Should we make high-risk drivers pay their full costs or -- excuse me, let me try that again -- Should we make high-risk drivers pay their full shares, you'd get a positive response. But when you see inconsistencies in the application in terms of positive and negative discrepancies our clients wonder whether Manitobans would come to the same conclusion.

Just to finish off in this section, going back to the point, the absence of data in terms of who is the primary driver and -- and who is the secondary driver, at slide 163 we just highlight that fact that MPI doesn't have the data that allow -- that allows private insurers to get that kind of insight to get to that granular level of rating risk.

As Mr. Johnston notes on slide 164, unlike the private examples in which rate based upon risk related both to the vehicle and the primary driver in terms of vehicle rates, MPI does not rate risk according to who the vehicle driver is expected to be. And we know about what we've called on this slide, a loophole, the majority of vehicles in Manitoba being registered by high -- drivers high on the DSR scale, more vehicles registered to these drivers than there are drivers at the top end of the DSR scale.

So this poses some challenges in our confidence in terms of whether we're actually, through the driver safety rating, vehicle discounts, and premiums surcharges and discounts, optimizing our signal in terms of the risk that consumers bring to the equation. Not that folks aren't paying some, but Mr. Johnston agrees that he won't pretend that it's optimized.

Slide 1 -- 167 also just points to the fact that there's a lot of drivers at the DSR level 15, about two hundred and seventy thousand (270,000), who if there was another scale to go up would be moving up. And it's an ongoing issue for our clients, whether the discount for these clients -- for these individuals should remain at 33 percent, or whether there should be consideration of changing it.

So it's a whole package of looking at the driver safety rating. Perhaps our client, and more importantly their legal counsel, hasn't been vigilant enough on this issue in the last couple years. Driver safety rating was a good initiative when it came in. It still is valuable, but the proposal to use it as a revenue-generating device with unequal application to those with negative discrepancies has caused our client to look more closely at this system and wondering whether -- and concluding that MPI, in collaboration with stakeholders, should be having -- and Manitobans should be having a broader dialogue regarding this issue.

Just to conclude, there's a lot of opportunity and work related to driver safety rating. We flagged the imperfect information, challenges in employing robust modelling tools, and the loophole.

I have a couple of road safety short snappers, and then, Mr. Chair, I'm going to ask for, like, a five (5) minute break and then I -- I -- then I can, with a renewed momentum and comfort, take us home. But I'm just going to finish with these short snappers about the --

THE CHAIRPERSON: -- happy we may give you more than five (5) minutes.

DR. BYRON WILLIAMS: Just a few points about other loss prevention road safety issues. We just had a discussion in this hearing about Uber, or excuse me, more importantly, the potential introduction into Manitoba and -- and Winnipeg of ridesharing activities. And we flag on -- on that slide 169 that MPI is examining the issue and it's certainly something that we would recommend they report back to the Board on next year. Perhaps they'll be coming in with approval, but it is an issue. The market is changing rapidly, and that's something that we recommend that the Board keep an eye on.

We note as well my conversation with Mr. Keith at transcript page 945, that there would be value in having targets, measures, and outcomes underlying the operational plans under the road safety strategy. And certainly we would ask the Board to recommend that to MPI and to its partners on the broader provincial strategy.

And, finally, in terms of road safety at slide 171, we asked the question of Manitoba Public Insurance:

> "In terms of your RoadWatch program, are there any weak spots in terms of enforcement?"

And MPI was not able to answer that at that point in time. We flagged this as an issue just to explore it next year. If we look, there's a very significant expenditure by the Corporation on RoadWatch, and one (1) of the issues we raise is where -- whether -- how can we be confident that we're getting an appropriate provincial rate -- reach.

Gravel roads were initiated this summer as a pilot project. How can we can be confident that -- that the RoadWatch is targeting the places that need it most, but also is fairly serving all Manitobans through increased enforcement and awareness?

Finally, on slide 172, there's been a lot of talk in this hearing of stakeholder committees. And you heard My Learned Friend Mr. Monnin speak of them today. And you heard Mr. Keith suggesting, at least in conversation with me, that perhaps that was a better place to air grievances than at the PUB.

Our clients disagree, but our clients also believe that it's important for MPI to report back on the process of the stakeholder committees and suggest that there would be value in getting survey information, confidential survey information, from those who are actually participating in those committees in terms of their satisfaction with that. And I believe on that point there will be a recommendation made by CAA that our -- our client will certainly be endorsing.

If I -- if we could have a -- a brief break, sir, and that would be appreciated.

THE CHAIRPERSON: We'll -- we'll take ten (10) minutes. Thank you.

--- Upon recessing at 2:11 p.m.

--- Upon resuming at 2:26 p.m.

THE CHAIRPERSON: Mr. Williams...?

CONTINUED BY DR. BYRON WILLIAMS:

DR. BYRON WILLIAMS: Yes, thank you. Thank you for the break.

Just before we leave loss prevention I want to flag, as well, that our colleagues at CAA will also be making a recommendation regarding regular roadside studies regarding cannabis use. We'll leave them to detail it but CAC (Manitoba) supports that recommendation as well.

In terms of the overall health of the Corporation, this of course includes consideration of necessary reserves of which the most notorious in these proceedings, perhaps, is the rate stabilization reserve.

And at slide 175, we will highlight our recommended findings regarding the RSR. From the perspective, the CAC would recommend that the PUB find that the purpose of the RSR is to mitigate rate shock related to material unforeseen and uncontrollable events; that it is not to avoid inflationary costs increase. It is not to avoid necessary rate increases, or surcharges, and it is not to effectively immunize management from imprudent actions.

And in reviewing the transcript on behalf of our clients, initially, I had some optimism that we had consensus on the purpose of the RSR. You see Mr. Yien at slide 176 from transcript page 1 -- 1075 saying that it is about mitigating rate shock for the -- the elements that are uncontrollable.

At slide 177 My Learned Friend Mr. Scarfone on behalf of MPI talked about the RS -- the rate stabilization reserve protecting against unforeseen and uncontrollable events. Protect ratepayers against these events. Slide 177.

Slide 178, you see Dr. Simpson, again, it's about unexpected and nonrecurring events and avoiding rate shock. It's what it's about. Slide 178.

And -- and in my conversation with Mr. Johnston, he made it clear from his perspective that notwithstanding the Corporation's definition of rate shock as 3 percent, if the rate indication was at 4 percent his understanding that the RSR was not there to avoid necessary rate increases above the rate shock definition.

At slide 180, again, you see a conversation with Mr. Yien that -- that it's not appropriate to draw down the RSR to cover legitimate inflationary cost projections. And again, going back to -- it's there for extreme unpredictable events.

And at slide 181, still reinforcing my sense that there might be consensus, Mr. Johnston is saying, it's not about making sure that future rates don't change. So there those few slides highlight what at first glance appears to be consensus.

But then we turn to slide 182, and the Corporation's response to CAC Information 1-87 and it's directly quoted here. You'll see in my question the third -- second and third line, there was a suggestion by the Corporation to better serve the purpose of the RSR. Prevention of rate increase or RSR rebuilding fees.

And that seemed to our client and --

and to their legal team to be an unusual definition for the RSR; inconsistent with the other definitions we had canvassed. And then you see a brief pause which was actually a lengthy delay and Mr. Johnston apologizing for the delay and explaining that that reference was about the range. Prevention of rate increase or RSR rebuilding fees. CAC/MPI-1-87. We invite you to read those last two (2) lines.

The inference our client drew from that conversation is that while MPI and CCA (Manitoba) had consensus on the threshold, the lower end of the target, there was a material unfathomable irreparable gap in terms of the -- their understanding of the purpose of the range.

And at slide 193 you see Mr. Yien talking about the range. Anytime we have a target I re-emphasize the word "range" because anytime when we have a target, it generates rate shock. Because if we have a number that we are aspiring to, take any number once we go above it, it's rebate. Once we go below it's rebuilding fee. So we guarantee a shock. And that's why having the rate range is so important to MPI.

With respect our clients, Manitoba consumers, we would submit, Mr. Oakes' clients did not sign -- sign up for an RSR designed, in essence, to be double padding, double padding that is not rationally aligned to risk. Our client accepts that the RSR is there to defend against rate shock. Our client does not accept that there is a -- that the range is to defend against rate increases and surcharges as articulated in CAC/MPI-1-87. And our client notes that the proposed range, the gap between the bottom of the range and the top of the range, is actually larger than the difference between the lower range and zero.

Our clients suggest that if Manitoba consumers took into account the opportunity costs, and assuming they are rational economic actors, it is extremely unlikely they would endorse a range this large, and for the purposes articulated for the range by the Corporation.

And you heard Mr. Oakes this morning on behalf of the CMMG. He was pretty fiery on the RSR and he had some great quotes on the first day of the hearing. He arctic -- was articulating a concern that MPI was -- on the fourth line of his quote:

> "looking to pad reserves and put money aside so that their job becomes easier."

But suggesting that we're getting away

from the concept that these funds are Manitobans and should be made -- returned to Manitobans, unless an adequate case can be made to retain those.

And on that point, our clients or on all fours (4s) with Mr. Oak -- Mr. Oakes and in vehement disagreement with the purpose and the thinking and the rationale of Manitoba Public Insurance in support of the range.

And let's go to risk. Why would a rational consumer informed by an independent evidence-based project -- process endorse protection for rate increases or surcharges to protect against more than a 1:2000 year event without management action, and a far lower probability with -- with management action. That is the math that the PUB had to drag out of Manitoba Public Insurance in association with what it would take to drawdown the upper end of that range to zero.

Why would a rational consumer informed by an independent evidence-based process endorse -- endorse higher than floodway protection, higher than 1:700 year protection to protect against rate increases, or surcharges. Our client understands how that type of stability would be attractive to Manitoba Public Insurance and its executive. Our client does not understand how that serves the purpose of the RSR or protects consumers.

Our client wants to deal with the concept of rate shock as well because it has animated, as we've indicated before, MPI's participation in this hearing. And as I noted earlier, MPI came up with quite a shocking characterization of how it defines rate shock. These are our clients' recommended findings with regard to rate shock. Our clients except fully that a 3 percent rate increase -- let me back up. They recommend that the Board find that while a 3 percent rate increase may not be affordable to many consumers, it is not an appropriate definition of rate shock for regulatory purposes.

Our clients also recommend that the Board find that in low inflationary time -- times, it also is not appropriate to employ the frequently used threshold of 10 percent. So it's not 3; it's not 10.

What would our clients recommend the Board find? In terms of defining it, using its expert judgment in the public interest, we recommend that the Board consider the level of inflation whether or not there are competitive alternatives; whether the commodity is a basic necessity; and whether there are other significant cost pressures on necessities.

Our clients would suggest that in low inflationary time rate shock is likely to be defined in the 5 to 7 percent range. I've already talked about how this definition animates the MPI approach, the rate stabilization reserve and the application.

We pressed MPI on how -- how they defended this definition of rate shock because it's unusual in a regulatory concept. They seem to say that they had been advised by consumers that they can't afford 3 percent.

At slide 191, you'll see my failed efforts to tie the Corporation down on whether their definition of rate shock was tied to inflation. And so at the top of the slide you see me asking Mr. Yien: Is that rate shock calculation of 3 percent, is that affected in any way by the relationship with inflation? Absolutely, we were informed by the Corporation. It' defined in the context of current inflation.

I thought I was making progress, but I -- I'll direct you to the bottom of that page. I don't want to give an impression that rate shock is defined by inflation. So, our client is unclear on how -- where that definition, how, if at all, it relates to changes in the consumer price index which we characterize as inflation.

Dr. Simpson was much more clear on this point. He talked about, you have to be tying it to what's going on with -- with the general cost of living, and certainly said in low inflationary times rate shock might be 5 or 6 or 7 percent. And generally, that's where our client comes down -- comes down.

And this definition from our clients' perspective is important to how we look at the RSR. From our clients' perspective, they recognize affordability concerns at 3 percent, but that is not the same as rate shock. They point out that there is a difference between affordability, which is tied to income and to life circumstances, and rate shock which relates to the consumer's expectations and the ability to adjust to price changes in an orderly fashion.

Our client notes that in low inflationary times 10 percent, a frequently used threshold, is probably not the right figure, and they highlight their considerations in looking at how they would define rate shock. And would agree with Dr. Simpson that in low inflationary times rate shock is likely to be defined in the 5 to 7 percent range.

At slide 194, our client presents its

recommended findings relating to the dynamic capital adequacy testing, or DCAT; the minimal capital test and the overall or MCT; and the overall health of the Corporation.

Our client believes that there is consensus and they would recommend that the Board find that there is consensus that the DCAT is the -- in quotation marks -- "correct tool" to assess the risk of a drawdown in the RSR.

We recommend that the Board find and this is our understanding of the Board's decision in 2016, that the DCAT was approved for the purposes of the RSR by an independent regulator in an evidence based process as a tool.

From our clients' perspective they also recommend that the PUB find that the appropriate thresholds and range of the RSR must be determined in light of the harm it is developed to address, i.e., rate shock relating to uncontrollable and unforeseen events and the risk tolerance of those it is designed to protect, taking into account their opportunity costs and the implications of those opportunity costs.

Additional recommended findings in this area is con -- that contrary to the assertion of MPI Extension is reliant upon and strengthened by its relationship to Basic; that a long-term view of the Corporation demonstrates significant indicia of good health; and significant opportunities to return to short-term health, with improved management and forecasting.

They recommend a finding that any comparison of capital levels must consider the purpose of the reserve and the process by which the reserve was developed.

They recommend that -- that the Board find that neither MPI Basic, or its Extension adjunct, face a material risk related to premium flight.

And they recommend that the Board find that the MCT targets of the SGI Autofund, and ICBC were selected through a political process not an independent regulatory process.

In terms of the recommended findings relating to the DCAT, MCT, and overall health of the Corporation, our client recommends that the PUB find that the DCAT is a robust regulatory tool with opportunities for improvement related to the use of the naive forecast, which in our clients' view is not a best estimate, ongoing challenges with the interest rate floor, especially in a rising interest rate environment, and a need for further consideration of the implications of corporate bond -- corporate bonds which have not been considered in any collaborative process.

And our recommendations I'll note for the DCAT are primarily for -- for next year's model.

Finally on this slide, being slide 96, our client would recommend that care should be taken and that the Board should find that care should be taken with regard to offhand comments relating to statuary -- statutory interpretations relating to the reserves under the statute.

At slide 197 our client highlights an acknowledgment by MPI in Exhibit 37 that the correct way -- this is MPI, its response, the first paragraph in that -- in that undertaking response. The correct way to assess the risk of a significant drawdown in the RSR balance is by using the results of the dynamic capital adequacy test. In essence, the DCAT is the best tool to identify unforeseen uncontrollable risks.

And certainly, generally, Dr. Simpson is in agreement with MPI and our client is in the agreement with MPI as well. They see the DCAT as a robust tool specifically designed in Manitoba to the RSR purpose. It takes into account historical experience. It naturally accounts for inflation. And

Mr. Oakes went through this with you how the -- how the -- the target range had -- had grown in a response to inflation. It allows for reasonable management action. It considers correlations and risk tolerances. And it makes sense. Con -- consumers can see what type of risk is being presented; a 1:40 risk or in the case of the upper limit a more than 1:2000.

And I won't go into this, but I think this is a -- an apt quote by Dr. Simpson on the value of the DCAT and how it dynamically takes into account the ups and the downs, and gives us confidence in our assessment of risk.

In terms of the considerations for the threshold and range, our clients would say the number one consideration, although it's not on this slide, is the output of the DCAT after management action; that should be a primary guide and then up to the Board to decide what's the appropriate level of risk tolerance.

But other key consideration should be the RSR purpose. It's about rate shock. It's not about the flood of the century. It's not about protecting against an earthquake in BC. It's about what is a reasonable risk tolerance in light of the RSR purpose.

Consideration all should -- also should

be given to the opportunity costs associated with ex -- storing excessive amounts in the DCAT and, of course, the overall health of the Corporation. And by "overall health of the Corporation," we re-reiterate, as this Board has consistently found, Basic, which is the heart of the Corporation, but also the Corporation as a whole.

Dr. Simpson made this -- in terms of risk tolerance made a really good point. At transcript page 1572, reproduced on slide 201. When we're looking a wider range, let's keep in mind the purpose and risk tolerance levels. Should be 1:2000? Maybe 1:500? But then we're comparing it to the floodway.

Do Manitoba ratepayers want to protect themselves as much from a catastrophic flood as they do from a rate shock? And he thinks the answer to that question is no, and suggests 200 -- 1:200 as an upper -- upper bound.

Again at transcript pages 5094-5095 and at slide 202, Dr. Simpson highlights, you gotta look at the purpose.

Paragraph 1 he says in the case of Manitoba Public Insurance we're looking at rate shock. In the context of a private insurer, it's the risk of flight premiums -- premium flight, excuse me, the risk of insolvency. They don't control the rate. They have to be competitive whereas MPI doesn't have that concern.

And from our clients' perspective, this is such a critical insight. You will hear and have heard about how thinly capitalized MPI was. But in all those questions of cross-examination, did they ever ask to what end? You can't prepare capitalization un -- unless you link it to the purpose.

Dr. Simpson -- and he had a great discussion with the Board Chairman at slide -- in -- on the transcripts. He said you have look at the business cost. If you want to take a balanced perspective in the public interest, there is the business interests of MPI, but the legitimate interests in stabilizing rates and protect against risk and the values -- value to consumers, ratepayers, of having their money in their pocket to spend, and invest.

More money in the RSR may make MPI management feel better, but that -- there is a significant opportunity cost to Manitoba consumers, and that's what Dr. Simpson is talking about on this slide.

And he correctly points out that Ernst & Young -- this is one (1) of the key points that they made in their review of ICBC. There is a societal opportunity cost with having excessive reserves. And you can read that quote for yourself, but there is Dr. Simpson at slide 16 -- transcript page 1615.

I want to back away for a moment from the DCAT and before we come to the MCT, I want to talk about the monopoly status of Basic and the relation of Basic with Extension. And again, a central theme in this hearing has been the allegations that Extension is cross subsidizing Basic. And our clients vehemently take issue with that suggestion.

Moving through fairly quickly on slide 205, we know that MPI is a legislative monopoly. We simply underscore at the bottom of that slide, consumers have no choice, no place in terms of where to go in the event that rates are increased.

Extension on paper is not a monopoly. We also note on slide 206 that there -- the beginnings of this intimate relationship between the monopoly Basic and the allegedly competitive side of the business. They often work off the same information technology program.

To Manitoba consumers Basic and Extension are one (1) face and they're one (1) computer sk -- screen. Their key contact with Manitoba Public Insurance is for Autopac online services at their broker. That's one (1) screen service. It's key to both the operations of Basic in Manitoba and -- and it's a shared platform. So is the claims administration system, which is noted by Mr. Yien at transcript page 1015.

And transactions are seamless. When a consumer goes into the broker's office, they have -- can have a seamless transaction, getting Basic and Extension at the same time off the same platform.

And at page -- slide 209, this point was made in questioning of the -- by the Chairperson and Mr. Johnston. It's integrated in one (1) screen that Basic and Extension service. It's a one (1) screen advantage. It's an overwhelming advantage for the Extension side of the business. It is critically reliable -- reliant upon it. It drives the Extension bus.

We'll move on from slide 2010. This just notes the commissions paid. One (1) of the arguments made by MPI in its admiss -- initial submissions and Information Responses is that the

Extension side of business, it's -- it's in a competitive marketplace. It's subject to fluctuations. And the evidence in this hearing has overwhelmingly rejected that. We use the slogan 95 percent today, 95 percent in 2010, 95 percent in 2008. I put all the transcript references there.

Manitoba Public Insurance, its Extension service dominates the Manitoba marketplace. It has dominated it for at least a decade. And we note in 2010, the Board observed that at that point in time there was no private insurer having even a 0.5 percent share.

While and -- Manitoba Public Insurance focuses on the alleged subsidy from Extension to Basic, looking only at transfers to the RSR, we think there's a much deeper side of the -- the course of -- of the question, shared platforms, but with the heavy part of the load being born by Basic. Not that that's inappropriate, but where would Extension be without it? And that evidence is -- is flagged on slide 2 -- 2,000 and -- or 2,000 -- it feels like it -- 212.

In -- and what we're trying to highlight on the next couple of slides being 213 through to 215 is that while they share risks, Manitoba Public Insurance, both Basic and Extension, when it comes to interest rate risk, it is Basic that is disproportionately exposed. In essence, it's taken one for the team. Mr. Yien agrees with me at -- at slide 213 that they're both exposed to interest rate risk.

Now, we seek -- and Manitoba Public Insurance seeks to mitigate that due to corporate level asset liability and matching. And at slide 214, we start to discuss, What are the implications of this? And I want to highlight we're not saying this is a bad business choice by Manitoba Public Insurance. We just want to highlight that when the Corporation seeks to mitigate interest risk at a corporate level, a disproportionate share of that burden is borne by the Basic program.

And there's a great PUB Information Request 1-43 that explores this. It's looking at a -- a hundred basis point shift, and it estimates a nate -- net impact of about minus 21 million in '18/'19 for the Corporation, but roughly twice as much, if you go to the middle part of this page, for Basic. The estimated net impact of a minus hundred (100) point -- hundred (100) basis point shift is 44.7 million in '18/'19.

Again, not saying it's bad, but a

strong reputation of the suggestion of cross-subsidy. And you'll see it going forward, as well. Look at the same information response, the same discussion with Mr. Yien in 2021/'22. On the corporate side, the impact of a negative hundred (100) point -- a hundred basis point shift is about 4 million, and for Basic, thirty-nine (39).

When it comes to hail and comprehensive insurance, the Basic side has taken one for the team as well. And CMMG Information Request 1-5 makes that point, and the Corporation, I believe Mr. Johnston generally agreed with me at page 1,032 of the transcript, I urge you to review it yourself. With regard to hail and comprehensive coverage, transferring risk from the Basic program to the Extension program would not reduce risks for the Corporation. It would merely transfer it to another line of business.

Just how intimately linked these businesses are, with Extension being a heavy beneficiary. And slide 217 highlights our clients' conclusions. Extension benefits from Basic in five (5) key ways. It dominates the market due in large part due to the seamless transaction costs. It benefits from common platform such as Autopac Online and CARS, with the heavy proportion of those costs coming from Basic.

Basic, as compared to Extension, bears the disproportionate share of interest rate downside risk, which benefits the Corporation as a whole. We're not saying it's a bad decision, but based on a conscious choice, which Corporation judged in its best overall interests. And that there was substantial reason to question the allegation that Extension is subsidizing Basic.

Mr. Oakes, at slide 218, just highlighted how strong Basic -- Extension has grown on the backs of Basic. He was asking what -- what's over at Extension with the minimum equity, and actually, they don't have a range. It's the -- the target of 67.5 million, and noting that there was 31 million over and above that at Extension.

Please don't get our clients wrong. Our clients want to make sure that the rates get set properly for Manitoba Public Insurance and the Basic program. They want to make sure the program is -- minimizes its risks, and is well-managed. But they want -- when we look at the doom and gloom of Manitoba Public Insurance and the allegations of cross subsidization for substantial context, and to understand that this is a team effort, that Extension is -- sorry, that Basic is bearing a disproportionate amount of the load, and that Extension reaps a disproportionate advantage from that, presumably to the general betterment of Manitobans.

Time is pressing, but our client urges this Board to review both CAC Exhibit 20 as well as MPI Exhibit 36 to get a sense of the net income of this Corporation over time. And if you go to CAC 20, you'll see some bad years for the last five (5) years for Basic have been bad. And if you go back a couple more years, you'll see a fabulous year of two hundred and eighty-five thousand (285,000) net income.

And if you went to MPI Exhibit 36, you'll see many years of strong performance for Basic. What you'll also see consistently in CAC 20 is confirmation of our hyper -- hypothesis that Extension has grown strong on the backs of Basic. You'll see a very a -- a great number of good years for the Extension program, certainly over the last decade. Taking the longer and medium-term view, the fundamentals of this Corporation are strong, as they should be, given the monopoly on Basic and the de facto monopoly on Extension.

In terms of the MCT, our client asks --

asked the Board to take into account, first of all, the fact that when pressed by the Board in repeated Information Requests to identify a single scenario where there was a drawdown to zero at the upper proposed threshold of a hundred percent MCT, MPI could not identify one. And even without management action, they were looking at a 1:2000 year event. Our client urges the Board to conclude that the MCT is not a good fit for the RSR purpose, especially given the consensus by MPI and -- and intervenors that the DCAT is the best tool to identify the risks of a drawdown.

And certainly based upon the Corporation's response to PUB 1-73(b), CAC (Manitoba) recommends that the Board find that the Saskatchewan and BC targets were not selected by an independent regulator in an evidence-based proc -- process. And they also note just a couple of jurisdictions where the MCT is -- is not required.

We've shown you this slide before. This is simply Dr. Simpson's point of the need to look at the relationship between what you're protecting against and the risk tolerance, and that -- his expectation, as of -- our clients', that when you're looking at a flood, you'd want a higher level of protection than you would in the case of rate shock.

At slide 222, you see a good discussion from Ms. Sherry in terms of why she doesn't think the MCT is a good fit, and realize that Ms. Sherry's been in -- in with SGI. She's been with MPI. She's been in private practice at senior positions looking at risks. And in her expert opinion, she -- she takes a perspective that the MCT wasn't created for an RSR target, per se. It was created so that OSFI would know when a company was in the potential of going insolvment -- solvent. She flagged the sum of the tests under catastrophe, such as an earthquake, things that MPI doesn't fit -- face.

Just to point out the fact that it -- it wasn't designed for necessarily the same issues, as well, MPI does not face the same risk of insolvency, and does not pose the risks to the whole economy of Canada if they go down. That's what OSFI is trying to protect the consumers against. It wasn't built for a monopoly public insurer.

And drawing on her rich experience, both in the public sector and the private sector, and her familiarity with these tools, that's her opinion. And Mr. Ghikas, able cross examiner that he is, tried to press her on that, and was unsuccessful. With respect, he did try to impeach -- and -- and I -- I wish I would have stuck out the word "torture" that's probably not appropriate. But in our view, it wasn't very effective.

Ms. Sherry's been consistent in both hearings. She doesn't mind if you do a calculation. She recommends, you know, Do the DCAT calculation, then if you want to translate that into a MCT figure, if you think that's a value, go ahead. That's what she was trying to say last year, and that's what she's trying to say in this response as well.

Our client notes at slide 224 that Ernst and Young, in the document provided as an exhibit, or attached to an information response of CAC (Manitoba), in their review of ICBC, they looked at the opportunity cost, but also in the -- the last sentence of their -- their discussion, they also question whether MCT is the appropriate tool.

Our client certainly doesn't suggest Ernst and Young is determinative, but it's -- our clients, the Public Utilities Board are not the only folks looking at whether the MCT is the right tool for the purpose of rate stabilization for a monopoly insurer.

Slide 2 -- 225, we simply note a couple of exceptions in terms of who is bound by the MCT. In

Ontario, as Mr. Johnston acknowledged, farm mutual insurers are exempt, and why? Because their membership in a mutual guarantee fund provides support for their capital. Also, Mr. Johnson notes he thinks another exception may be the SA -- excuse me, the SAAQ. He wasn't definitive on that -- that point.

I'm going to deal with interest rate forecasts in just a few minutes more conclusively, but we do want to point out the opinion of Dr. Simpson and Ms. Sherry, that for the purposes of the DCAT modelling, the naive forecast is not the best estimate. And here you see the fam -- famous language of -- at the bottom of the first paragraph of -- at least to return to the 50/50 forecast, which was used in the DCAT -- DCAT modelling last year, noting as well rapidly improving economic growth.

And our client also observes at slide 227 that the DCAT modelling has literally been over -- as it applies to interest rates, it's literally been overtaken by events. We've seen a significant change in the actual market interest, contrary to the -- contrary to the assumptions in the naive forecast underlying the DCAT modelling with a -- a growth in interest rates. That's zero point four-six (0.46) as of September 30th.

Dr. Simpson also offers advice that, in terms of the modelling for the DCAT, that a scenario without inflation is unlikely to be a best estimate. In particular, focusing on years 3 and 4. That's at slide 228.

And at slide 229, he flags his concerns with the interest rate floor. His answers are there, and it's in his evidence as well as the -- so I won't burden you with that.

But I will note at slide 230, in terms of interest rate modelling, Board counsel asked him about it, Dr. Simpson is raising the suggestion that, going forward, there is less need of a floor, especially going into next year. And when you look at the proposed tweaks to the DCAT model that Dr. Simpson's proposing, they're material, but there is a broad consensus between MPI and CAC (Manitoba) that it's a good tool, and that there's a good process of dialogue about improving the results.

At slide 231, I simply note Dr. Simpson's conclusions that the DCAT risks are probably overstated. And that's something -- or at slide 232, our client highlights that these are opportunities for improvement, especially for the purposes of the next GRA. They would reject against using the naive forecast. They would note the ongoing challenges with the interest rate floor, especially in a rising interest rate environment, and a need for further consideration of corporate bonds.

At slide 233, our client wants to make the point, there's been a lot of discussion about the RSR and DCAT versus MCT for many years at this Board. And in terms of protecting consumers against rate shock, it's an important tool, but it's hardly the key tool. Good management, good reserves, and good fat -- forecasting are more important tools.

And that was the point that the Public Utilities Board was trying to make to Manitoba Public Insurance in 2013 and 2014 with those conversations about asset liability mismatches. Focus on the tools, focus on protecting consumers. Good management is the best protection for consumers.

And our client is concerned that it -- an excessive RSR, a range that's too high, chills accountability. And imagine MPI trying to go to consumers for an RSR surcharge, rather than getting transfers from Extension after PUB warnings about asset liability mismatches in 2013 and 2014. Imagine that as an accountability tool.

There's been some talk of ultimatums in

this hearing. At slide 234, we highlight the conversation between myself and Mr. Yien, which perhaps precipitated that talk, and a suggestion by Mr. -- my -- I put to Mr. Yien that, If the Public Utilities Board exercise -- exercises independent professional judgment and selects a different range for the RSR, and does not accept the recommendations of MPI with regard to the treatment of cash flow, is MPI taking the position that the decision to extend the purchase of corporate bonds from 8 to 18 percent will be cancelled? And that point -- at that point in time, he said, That is exactly right.

And I do want to note at slide 235 that our client was extremely uncomfortable by that exchange, and certainly interpreted some of the dialogue at the Board two (2) years ago in terms of there appeared -- it says "CEA" there, but it should say "CEO" -- there appeared to be a suggestion that transfers from the Extension lines were contingent upon an appropriate RSR level.

We're not -- so that -- that's why our client heard that conversation with Mr. Yien with a significant amount of discomfort. And we commend legal counsel for MPI and Mr. Yien for what we consider to be a recanting or retraction of what we did consider to be an ultimatum. And Mr. Yien's a direct person, and -- and perhaps didn't mean it in the way we took it, but we think that's -- was a good concession and retraction from Mr. Yien.

Slides 237 and 238, I -- I highlights some creative cross-examination from legal counsel for MPI, suggesting that the -- that the act mandates sufficient reserves in place for the Corporation. And we'd just point -- point out that Section 18 of the Act provides the duty to maintain reserves to meet all the payments as may become payable.

So we think it's a bit of a different new -- nuance. And I guess the point we're trying to make is that offhand statements in cross-examination or closing argument regarding the legislation would -- should be treated with some care.

And at slide 238, we see another example of a suggestion by MPI that there's nothing that would prevent the Province of Manitoba from demanding that MPI redeem its investments and send the cash over the people at Broadway. Our client respectfully suggests that that conclusion is one that they disagree with, and that it requires an understanding of the interplay of numerous parts of the Act. And so we'd just again caution about offhand statements regarding this.

And perhaps on that same point, I'll ask Diana to pull up on the ATCO decision 2006, the Supreme Court of Canada. If you -- paragraph 70.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: On a number of occasions and apparently in opening -- or in closing argument yesterday, ATCO was cited by the Corporation. And when you're saying MPI is suggesting that -- there -- there's a suggestion that ratepayers enjoy no property right in the assets used to provide them with ser -- service, and that MPI is using this case for their argument that the RSR is not ratepayers' money in either fact or law.

It's important to understand that in ATCO, the Supreme Court said that the property is a private property of the owner of the utility, but it's of note that in -- that ATCO is a regulated monopoly, but not a Crown corporation. It makes a profit, and has to answer to its share -- shareholders. And this critical distinction is made at paragraph 70 in ATCO. Furthermore, one has to recognize that utilities are not Crown entities, fraternal societies, or cooperatives.

Scroll down to the next page. The capital invested is not provided by the public -- purs -- or by the customers. It is injected into the business by private parties who expect as large a return on the capital invested as they would receive as investing in other securities. This prospect will necessarily include any gain or loss.

So with respect -- the greatest of respect, in the context of MPI, our client says that ATCO is not applicable, that the Supreme Court has clearly made this distinction, and that furthermore, a reading of the statute does not support this assertion either.

And certainly, our client wants to highlight that in the event that there are written submissions in terms of the interpretation of the statute offered by MPI, our client would appreciate an -- and the Board deems it relevant to its deliberations, our clients would request an opportunity to file reply.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: Mr. Chair and

members of the Board, almost there.

In terms of recommended findings related to interest rate forecasts, our clients recommend that the Board find that the naive forecast approach is not employed by SGI, ICBC, the Province of Manitoba, or Manitoba Hydro. They recommend that the -- the Board find that the naive forecast was not recommended by Dr. Clearly -- Cleary on behalf of MPI during last pre -- last year's proceedings, or by Dr. Simpson or Ms. Sherry in this proceeding, and that the Board find that the naive forecast is not employed by the major banks.

The clients also recommend that the Board find that adoption of the naive forecast would be contrary to major economic trends as flagged by the Bank of Canada in its July 2017 marked -- monetary policy report, that report being referenced in Dr. Simpson's evidence, and the Board find as well that this is not the right time, especially in a climate of stronger economic fundamentals and rising interest rates to adopt a naive forecast.

At slide 243, our clients recommend that the Board find that since the Great Ret -- Recession, interest rate forecasting has been challenging, although there appears to be growing traction for expectations of interest rate growth, given Canada's economic fundamentals and statements by the Bank of Canada.

They also recommend that the Board find that adoption of the standard interest rate forecast would be -- I'll insert the word 'generally consistent' with the approach taken with regard to Manitoba Hydro currently, and with the prior decisions made by the Board; that they also find that Dr. Simpson and Ms. Sherry have recommended moving to at least the 50/50 approach for the purposes of DCAT modelling.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: Just working through the slides, we note at 244, our interpretation of Ms. Dilay's conversation with Mr. Steski that the Province of Manitoba does not employ a naive forecast, and certainly, there was provision made in the 2017 budget, as he confirmed, for an upward movement of interest rates. We note that Mr. Johnston has confirmed that SGI uses the conference board in terms of its forecasting, and again, does not use a naive forecast.

And at slide 246, there was not a suggestion by Mr. Johnston that ICBC is using the naive forecast. And I just want to be clear here, he was just saying that he did not know.

In terms of forecasting, this is a question our client, which appears both before the Public Utilities Board related to MPI, and on matters related to Manitoba Hydro would ask, and that is, Would anyone endorse a naive forecast for Manitoba Hydro? And certainly in its deliberations, our client has given serious thought to the concept that consideration should be given to a standard regulatory approach for all Crowns.

They note as well, as confirmed by Mr. Johnston, that Mr. Cleary did not select the naive forecast. And at slide 249, the concept -- the critical concept of Dr. Simpson that you should not be going the wrong direction at the wrong time, and that his comment of at least 50/50 reflects the fact that we shouldn't be going in the wrong direction at exactly the wrong time. We reiterate at page 250, Dr. Simpson and Ms. Sherry's rejection of the naive forecast, and recommending at least the 50/50 -- 50.

And at slide 251, there's a conversation between the Chairperson and Dr. Simpson that I want to spend a couple moments on, because the Chairperson's question in this regard, in our view, is eminently fair. And I thought Dr. Simpson's answer was very interesting.

The Chairperson is trying to reconcile Dr. Simpson's commitment to the SIRF last year at a time of flat interest rates, and the endorsement for DCAT modelling purposes of at least 50/50 when interest rates are going up. And I just did want to highlight Dr. Simpson's comment there and his interpretation of the DCAT modelling: "Well, I said at least" -- that should be "at least" rather than "at lease" --

> "-- 50/50 because we kind of reached agreements last year that the 50/50 was a compromise."

And I presume he's referring to the DCAT model, and this -- the understanding that it has been an effort to develop a reliable forecast of drawdowns through a collaborative process. And that is certainly how I interpreted his answer in that regard.

At slide 252, we note that the economy and Bank of Canada are driving greater confidence in rising rates, especially at slide 253 in the context with a rapidly growing economy. Slide 254, our client notes an alignment between the Bank of Canada monetary policy report and the SIRF forecast.

I'm going to be at our recommendations quite soon, sir, and members of the panel. We have a couple of forecasting short snappers on slide 255 that I'll -- I've already talked about PIPP and about Comprehensive, Dr. Simpson's point that we should be testing for impacts related to climate change and for structural breaks on an ongoing basis.

The last at slide 252nd -- 256, excuse me, the last big ticket item our clients want to speak to before going to recommendations is their recommended findings relating to the inclusion of investment income from the RSR in the rate indication.

Our client asked the Board to find that this treatment would be most consistent with the regulatory principle of intergenerational equity; that it is consistent with act -- accepted actuarial practice and commonly employed; and it's also consistent with our understanding of how inflation is built into estimates of claim design, revenue requirement, and the DCAT.

At slide 257 we get back to the point, as articulated by Ms. Sherry here, that our client has made consistently regarding the rate stabilization reserve. And it goes to the point that Mr. Oakes made as well in terms of whose money is it and what's an appropriate balance of -- of interest?

And Ms. Sherry in -- in recommending including investment income from the RSR in the rating indication draws on that principle of intergenerational equity and the idea that the money in the rate stabilization reserve was put there by Manitoba consumers, and whether Extension or Basic customers, that they're the same policyholders and that it's the -- that investment is what's backing the book. And -- and certainly she thinks it's appropriate from a perspective of intergenerational equity to include it.

At slide 258 we highlight her conclusion that it's also consistent with accepted actuarial practices and an assessment that I don't think was significantly or successfully challenged by Manitoba Public Insurance. The real debate with Manitoba Public Insurance is whether it's the right way to go. I don't think there's any suggestion that it's inconsistent with actuarial practice. And certainly we have plenty of examples from other jurisdictions in terms of supporting Ms. Sherry's approach.

I'll move through slide 259. I'll just make a -- a final point at slides to 260 and 261 that there was some discussion in terms of endorse -- in terms of the capital maintenance provision akin to what is done in Saskatchewan, and that neither Ms. Sherry or Mr. Johnston were supportive of that concept.

Finally, at slide 262 I note that natural growth is built into -- to the MPI forecasts and into the -- the development of the RSR. And we make the point here that if there are unbiased forecasts, they take into account inflationary impacts, and that assuming a well-run business with unbiased forecasting we would expect positive as well as negative variations from forecasts, and that over time the level of both positive variances and negative variances should reflect inflationary pressures. That's a critical concept underlying the DCAT, and certainly underlying the rate indication.

Finally on this point, apparently in closing yesterday MPI made much of a statement by Dr. Simpson in -- in questioning by MPI that -- that he -- he was hoping that the MPI would grow the rate stabilization reserve. We want to focus on this just for a couple moments because we suggest it's much ado about nothing.

Dr. Simpson was not hired to form a conclusion in terms of whether the RSR income should be accepted into the rate indication. Dr. Simpson would never profess experience or expertise in accepted actuarial practice. And he answered that question as a -- as a citizen and certainly but not from a position of expertise or of giving attention to that particular issue.

Have we handed out our -- Mr. Chair, there's a summary of recommendations that is CAC Exhibit 26. It's 13 pages, sir. I don't purport to go through all of them, but I do want to -- because many of them have been canvassed, but there's four (4) or five (5) key ones that I think we should draw to the Board's attention.

Just going back to slide 2 for just a moment, Diana, if you would, or page 2 of this Exhibit 26. I just want to note for the Board how these recommendations are organized. There's overall rate recommendations and -- and DSR recommendations on page 3; advice relating to investments in claim forecasting as you go along relating to the DCAT and the RSR; interest rate forecasting; road safety and loss prevention, et cetera. And I'm -- I'm proposing, subject to client instructions and your questions, to focus on five (5) or six (6).

At slide 3, you will see the overall rate recommendation of our client. And, in essence, it is that MPI be granted an overall rate increase of 2.5 percent but no driver safety surcharge. So it's a 2.5 percent, but without an allocation of the additional 17 million sought with the surcharge.

In making this recommendation, the court -- the -- our clients considered the challenges of the Corporation and the failure to demonstrate prudent and reasonable behaviour as it relates to investment income and information technology, as well as the demonstrated challenges of the Corporation in -- in following appropriate reserving practices.

They also took into account on sub-bullet ii that the determination of the overall rate increase should include recognition of the impacts of significant changes in interest rates on the projected claims liabilities and revenues, which suggests a 0.8 percent reduction in the overall rate indication.

And 3, that determination of the overall rate change should include a reduction of 1.1 percent due to including the investment income on the rate stabilization reserve in the rate indication.

The 2.5 percent, Mr. Chair and members of the panel, was an overall judgment of the client, taking into account its serious concerns in terms of the prudence and reasonableness of the Corporation's behaviour, as well as already ongoing changes in terms of interest rates.

If we can slide down the page, please, Diana. Our client also recommends that MPI's proposal to increase premiums on the negative side of the DSR scale not be approved, and that research into a more comprehensive reform be undertaken. And I'll take you in a few moments to our recommendations under road safety and loss prevention on page 10.

On slide 4 our client makes a number of recommendations with the regard to investments. And on this page I'll leave this for the Board's review, but I'll simply note at page -- at (b) there's an offer by our client, if MPI wishes to accept it, to have our expert consultant, Mr. Viola, who's provided tremendous value to the Board deliberations to meet with them MPI and/or Mercer prior to the -- to the public filing of this document, and to provide feedback if MPI wishes to receive it.

On slide 5, in terms of claim

forecasting, our client wishes to highlight a number of the recommendations, (a) which I've talked about extensively; a recommendation for the retention of an external expert consultant, given the material uncertainty with regard to PIPP reserving practices and reserves expressed by the actuary. A report by Manitoba Public Insurance for next year's General Rate Application in terms of whether the lack of confidence in PIPP reserving has been resolved. And, critically, a recommendation that MPI take advantage of potential learnings from Quebec with regard to long-term PIPP claims, a recommendation made by the Board two (2) years ago. For future hearings, our client believes there would be value in having claims management part of the MPI panel.

On slide 6, in terms of the DCAT recommendations, most of these are -- should be palpably evident from our comments, but I want to flag (e), that the strict use of the naive forecast in the DCAT be replaced with at least the 50/50 forecast used previously, and that MPI undertake to assess the 50/50 forecast in light of rising interest rates.

Apart from the DSR surcharge, I can indicate that this is a recommendation our client has struggled with in terms of owning what you did. Our client has consistently recommended using the standard interest rate forecast as best practice and has urged that the real challenges with interest rates be dealt with through appropriate actuarially accepted practice in rate indications, as well as asset liability matching. They felt that that was most sustainable, but they do recognize as Mr. -- sorry, as Dr. Simpson did in his conversation with the Chairperson that the collaborative process invites some comments.

So while CAC (Manitoba) sees the 50/50 interest rate forecast as a compromise between the naive interest rate forecast and the SIRF for forecasting on a fifteen (15) month horizon, it would not object to the use of the SIRF. I hope that's not as clear as mud. This is a difficult recommendation for our client, sir. It's taking into account Dr. Simpson's comments and -- and efforts to be collaborative. The client is not uncomfortable with the SIRF, but is trying to honour his perspective.

In terms of slide 8, investment income. This is Ms. Sherry's recommendation. I'll simply note in the second last paragraph in the brackets we've -- there's been a slight change to zero return on equity.

At slide 9, in terms of interest rate forecasting the client, again, recommends that at least the 50/50 be used, but indicates it's -- it would not object to the use of the SIRF.

Slide 10, our client is sympathetic to those who want to make sure that we send a strong signal to high risk driving behaviour, but it -- it expressed significant reservations with -- in terms of the driver safety rating program and the learnings from this hearing.

So, it is recommending a broader review of the effectiveness of the driver safety rating system, in terms of associating insurance risks to the cost of insurance. And it recommends that consideration should be given to factors, including the designation of primary and secondary drivers to a vehicle and analytical tools used for setting premiums that reflect risk, ensuring that there's appropriate weight given to drivers and to vehicles.

(b), and this is important as well, that the review of rate making methodology be taken in consultation with stakeholders including consumers and ratepayers, and that any review should include a process for evaluation of whether risk is better addressed.

Our other recommendations, I believe, have already been highlighted except for (f). Our client would appreciate a review of the road safety and loss prevention strategy for rural Manitoba, including its gravel road strategy for the next general rate application.

Slide 12. (b) is a critical recommendation highlighting the need with regard to cars and Autopac online for detailed calculations, including the supporting working papers in terms of total cost of ownership, net present value, and internal rate of review analysis. As well as (d), an articulation of how the Corporation conducts project portfolio management and a demonstration of how projects are aligned to strategic organizational objectives.

In terms of PDR, our client is rec -- recommending, given the critical importance and expenditure and uncertainties associated with this program, an updated net present value, including consideration and incorporation of operating and maintenance costs and demonstration that the weighted cost of capital is appropriate for MPI.

(c), that MPI provide a separate customer claims reporting system, net present value, and internal rate of return analysis consistent with the good practice articulated by Gartner Group.

On slide 14, our client is making a recommendation relating to circumstances when MPI forms the conclusion that it is not able to comply with a Board Order. In those cases our clients would recommend that MPI be directed to seek an order to review and vary that Order, rather than simply report upon that noncompliance in some -- with its General Rate Application.

Subject to a brief check with my clients, those are our submissions. Our client, as always, expressed -- appreciates the time of the Board. I hope I have not tested your patience too hard today. It's a great honour to appear before them, and in front of this Board, and we appreciate the opportunity. There will be, within the thirty (30) day time frame, an application for costs that -- that follows. We are available for questions.

THE CHAIRPERSON: Thank you. I'll ask if there any questions. There are no questions. I'd ask, Ms. Miller, could you proceed, and then we'll take a break.

FINAL SUBMISSIONS BY CAA:

MS. ERIKA MILLER: Thank you, Mr. Chair, members of the Board, counsel and fellow

Intervenors. I'd like to begin by noting that while Mr. Mike Mager, CAA Manitoba's president, does his best to attend these hearings, business regrettably prevented him from appearing this year. He has received regular updates, however, and asked me to share the following comments on his behalf.

As you know, CAA Manitoba participates in these annual hearings on behalf of our two hundred and four thousand (204,000) members, who often turn to us when they have questions about insurance rates and road safety. Our members trusts and value our judgment in representing their interests as ratepayers because they respect and appreciate that we look to them for their opinion when we set CAA Manitoba's plans and priorities.

We believe trust and respect are key ingredients in just about anything in life, which is why it's refreshing to hear from Mr. Ward Keith that Manitoba Public Insurance recognizes the value stakeholders bring to the table on road safety issues, and that MPI appreciates the input from Intervenors at this rate -- rate application hearing. As the tone of these hearings demonstrates, MPI continues to grow in that regard and we applaud them for it.

Before we get into purely financial

issues we'd like to address the Corporation's loss prevention and road safety initiatives, as well as stakeholder committees, all of which work together to directly impact the rates Manitobans pay through MPI. We believe the loss prevention committee, which we sit on as a stakeholder, is not only a complement to the provincial road safety committee, it's a great exercise in cooperation to keep costs down for ratepayers.

While both committees contribute to the result of rates, each group has goals that require scrutiny under different lenses, and we give kudos to MPI for recognizing that. Of course, to be successful, committees and projects generally must use benchmarks and ask for feedback to improve. To that end, we recommend MPI formally conduct a stakeholder survey with the loss prevention committee members. The survey would ideally request feedback to determine if the meetings are frequent enough and if stakeholders felt anything was taken off the table before they had a chance to contribute to the issue.

For instance, CAA Manitoba was pleased to have a walk-through of the data dashboards at one (1) meeting, but it was a demonstration and there was limited opportunity to provide feedback or ask questions. The results of this survey should be used to increase meaningful stakeholder involvement, productivity, and results from the group overall.

Further to our commi -- comment about the data dashboards, we are eager to see how the insights gathered from that tool will guide the Corporation in the future. We believe they will be vital in creating and executing awareness and education campaigns that achieve results.

Yet data is not the only tool to form a successful campaign. We strongly encourage the Corporation to call upon their stakeholders for insights, assistance, and communications experience and channels to tackle matters like cannabis impaired driving, distracted driving, and other issues. The reality is stakeholders can often take the message MPI wants to engage on farther and to a wider variety of audiences, as well as save money by working collaboratively to affect that change.

A perfect example of this is the partnership MPI has with Bike Winnipeg to teach bike safety skills to kids in Seven Oaks school division. As experts in the field and with feet on the ground in the community on a regular basis, Bike Winnipeg is well-positioned to effect positive change through the best program.

Consequently, we strongly believe that MPI will need to lean on stakeholders to assist them in getting the message out more than ever before. Because as much as Manitoba Public Insurance faces many important issues today, there's no doubt that they have a huge job ahead of them with cannabis impaired driving, and distracted driving.

Texting and driving in particular seems to be growing, rather than a shrinking problem. Clearly illustrated by MPI Exhibit 19 in the 2016 study on distracted driving filed as Appendix 1, MPI states:

> "The cost of distracted driving - related crashes to Manitoba Public Insurance can range from 69.4 million to $92.4 million per year. In addition to the costs, distracted driving related crashes, based on contributing factors and convictions, are responsible for thirty-one (31) people killed, one thousand eight hundred and five (1,805) -- excuse me -- one thousand eight hundred and five (1,805)

people injured and involved ten thousand five hundred and thirty (10,530) vehicles annually. When including distraction-related rear end and red light running crashes, it is estimated that thirty-one (31) people are killed, two thousand six hundred eleven (2,611) people are injured, and thirteen thousand seven hundred and four (13,704) vehicles are involved in these crashes annually."

Unfortunately, the public is still not getting the message to put down their phone when they're behind the wheel, or when they're stopped at red lights. In fact, a CAA study done in December 2016 found that 33 percent of Canadians admitted they texted while stopped at a red light in the previous month. That's despite evidence your mind could still be distracted and not focused on the task of driving for up to twenty-seven (27) seconds after interacting with your phone, much longer than the time it takes to drive through an intersection.

But while nearly 70 percent of Canadians believe using their phone at a red light is unacceptable, this has not stop people from doing it. Simply put, it's not enough to see an attitude shift on the issue. Our actions need to follow, especially as MPI has released their commitment to follow the road to zero, and achieve zero road fatalities.

However, it will be very difficult to make change if MPI, as the largest road safety organization in the province, commits just eight hundred and fourteen thousand nine hundred eight-one dollars ($814,981) on distracted driving initiatives in fiscal year 2017/'18 as noted in MPI Exhibit 31, when at the same time their 2016 research study on distracted driving related crashes suggested a cost range of 69.4 million to $92.4 million per year.

Right now, distracted driving is probably the scariest and fastest growing concern for all road users. While we can't tell you how much money would make a bigger impact, a larger and more concentrated investment is needed over the long term to create societal change. And like our friends at Bike Winnipeg pointed out, that cost range is simply the direct insurance cost to Manitoba Public Insurance. It doesn't take into account the personal and social costs of motor vehicle collisions which are in the road to zero document.

To be frank, if we considered the social cost the price tag would be considerably higher. For that reason, we ask you to consider the information MPI states on page 4 of the road to zero document that notes:

"The annual social cost of motor vehicle collisions in Manitoba in terms of loss of life, medical treatment, rehabilitation, lost productivity, property damage, et cetera, are estimated at $6.4 million per fatality and one hundred and thirty-three thousand dollars ($133,000) per injury. Using that $6.4 million per fatality figure, if those thirty-one (31) deaths from distracted driving in 2016 were prevented MPI would have helped save our community, one hundred ninety-eight million four hundred thousand dollars ($198,400,000), and we would have thirty-one (31) of our loved ones, friends and family still here with us today, which is priceless."

We hope that as the road to zero plan

to create working groups unfolds, MPI will collaborate with stakeholders like Bike Winnipeg and CAA who have lived experience in cycling and road safety. Their perspective and input is not only essential in the planning phase, but the action phase as well in order to help our community achieve zero road user fatalities.

In addition to distracted driving, the costs of cannabis impaired driving are looming on the horizon. CAA Manitoba has heard from our counterparts in Colorado and Washington that the most important lesson learned after marijuana legalization was that education and awareness couldn't have started too early or been promoted too frequently. In fact, one (1) representative from Colorado expressed that they wished they had spent far more money on education ahead of legalization.

For that reason we're pleased to see that MPI has conducted a roadside survey to collect data on cannabis and other drug impaired driving in Manitoba. Without a doubt, data is key to informing education and awareness campaigns, but what we are concerned with is that the Corporation has no plans or budget to set -- set to conduct a similar study until 2019.

We firmly propose that MPI conduct regular roadside studies ahead of July 1st, 2018, aggregate the data, and draw a baseline average to use as a comparison post-legalization. A small sample size collected from one (1) short snapshot in time is not representative of the scope of the issue throughout the year, and Manitoba Public Insurance would be doing a disservice to our community if they waited until after legalization to revisit the issue.

In years past, CAA Manitoba has suggested to the provincial government that it's time to strengthen sanctions for people in the graduated driver's licensing program who are charged with distracted driving or cannabis impaired driving by impounding their vehicles if they are charged.

MPI's collision statistics indicate inexperienced drivers are over represented in collisions, and implementing these sanctions would encourage safe driving habits from day one (1). In fact, provinces like BC already have tougher sanctions like this in place, and now as legalization draws near, we hope that MPI would make the same policy suggestion at the next appropriate time.

The high school driver education program also plays a vital role in education and awareness on issues like cannabis impaired and distracted driving. It's heartening to see that MPI is continuing to update and improve their programming and we urge them to continue to consider how to create engaging, informative curriculums that teach teenagers using a method they enjoy and are used to, and reach them where they consume media, specifically online.

We're glad to see that MPI has joined in the social media world, and as a company that is also relatively new to social media, we at CAA Manitoba understand the challenges of adopting advertising and working to engage an online audience. But we also recognize social media can be very rewarding when it's done right.

That's why we sincerely hope that MPI comes to the next rate application hearing with a detailed report on the results and successes in social media over the last year. Undoubtedly, social media can help further campaigns and messaging in a way traditional and outdoor media can't, and if the Corporation leverages these tools correctly they can make a significant impact on the right audiences for the issue.

In summary, road safety has a ripple effect in our community, and not only can save lives, it can save money in many sectors. This year's hearing has provided some good insight into Manitoba Public Insurance's financial straight and illustrated that the organization continues to work toward improving and formalizing project management processes, which lay the groundwork for many of the road safety projects and campaigns.

One (1) of the financial improvements we are pleased to see MPI put forward this year is the proposed -- proposed fee increase for drivers on the negative side of the driver safety rating scale. We have publicly supported the proposed changes to the DSR, and we would like to have our support from CAA Manitoba noted formally on the PUB record.

We have no issues with drivers in the demerit side of the scale paying substantially more when their behaviour behind the wheel is creating risks for road users and driving up ratepayers' costs from at fault collisions. This proposed fee will hopefully incent high-risk drivers to take more care on the roads while providing MPI with a new revenue stream.

As an Intervenor for over 20 years, CAA Manitoba has observed the discussion evolve over the rate stabilization reserve and dynamic capital adequacy testing, as well as Manitoba Public Insurance's investments. We listened intently to other Intervenors, especially our learned colleagues for the CAC, and based on the testimony of their expert witnesses we have similar concerns about MPI's investment portfolio.

We believe diversifying and balancing the portfolio to reduce undue risk and guard against inadequate returns is the best course of action, because at the end of the day the dividends earned or lost impact us all as ratepayers.

As for the rate stabilization reserve, we hope that the Corporation and the PUB will consider the knowledgeable testimony of the CAC's expert witnesses and come to an agreement this year on the appropriate minimum and maximum levels. We've said it before, but it bears repeating year after year that stable, predictable rates are the most -- are the standard Manitoba Public Insurance, as a Crown Corporation serving Manitobans, should strive to achieve and uphold.

In a perfect world, MPI would be shooting for zero at every rate application hearing with no rebates and no increases. But over the last few years the Corporation has asked for an increase and it worries us there's a trend in the horizon. We live in challenging economic times today, where many Manitobans are being asked to do more with less, and we believe the Corporation should do the same.

We recognize there has been significant costs -- cost saving measures over the last year, but if the Corporation takes some simple steps to improve their financial outlook by enhancing their investment portfolio, we believe that would significantly assist in reducing costs to ratepayers.

CAA Manitoba does not support the 2.7 percent rate increase because of the economic pressures of Manitobans and the investment opportunities at hand for MPI. As MPI is poised to increase the fee for drivers on the negative side of the driver safety rating scale, we believe this will continue to generate additional revenue in an ongoing basis, and as such reduces the need for such a large general rate increase.

To conclude, we would understand and accept if the Board, in their knowledgeable and sensible judgment, were to grant a rate increase of no more than 1.4 percent on top of the proposed increases to the DSR. On behalf of our president, Mr. Mike Mager and CAA Manitoba, I would like to thank the members of the Public Utilities Board and our knowledgeable Intervenor colleagues Dr. Byron Williams, Mr. Christian Monnin, and Mr. Raymond Oakes for their critical evaluation and thorough work during these proceedings. CAA Manitoba looks forward to hearing the Board's final decision. Thank you.

THE CHAIRPERSON: Thank you, Ms. Miller. Mr. Ghikas or Mr. Scarfone, I don't know which. How much of a break would you like before --

MR. MATTHEW GHIKAS: If -- if you're able to give us half an hour, I think we can shuffle our paper and --

THE CHAIRPERSON: And how long do you think you would be in reply?

MR. STEVE SCARFONE: I'm expecting, Mr. Chair, to be -- I'm going to zip through them and promise to get done probably about a half hour.

MR. MATTHEW GHIKAS: I -- I would be less than that I think. Yeah.

THE CHAIRPERSON: Okay. I just want to confirm, what we're talking about for reply are new arguments that cannot be anticipated. We're not talking about repeating previous arguments?

MR. MATTHEW GHIKAS: That's -- that's exactly right. Yeah.

THE CHAIRPERSON: Okay.

MR. MATTHEW GHIKAS: And we're --

THE CHAIRPERSON: We'll -- we'll adjourn till 430. Thank you.

--- Upon recessing at 3:58 p.m.

--- Upon resuming at 4:29 p.m.

THE CHAIRPERSON: Mr. Ghikas...?

REPLY BY MPI:

MR. MATTHEW GHIKAS: Thank you, Mr. Chair, for the break. It's always nice to have a few minutes to high-grade. We -- we're going to tag team along the lines of what we did for our primary evidence and we really are going to focus in on the -- just some -- some points that were raised today.

I want to start off by saying that CAC's presentation is appropriately titled Regulatory Revisionism but, in my submission, the description applies to the presentation itself.

And the thrust of that submission, the first number of pages of that slide deck, Mr. Chairman, tell a story of MPI being dragged kicking and screaming into accepted actuarial practice, being warned over time that it's coming and that losses flow -- in recent years, flowed from MPI gambling with ratepayer money and, in my submission, that is an incomplete picture of the past, and that it is based on portions of Orders without the full context, without putting those propositions to the witnesses. And I would like to spend a couple of minutes filling in some of the proverbial ellipses, Mr. Chairman.

Dealing first with accepted actuarial practice. I threw together a few slides essentially while we were sitting here. Ms. Robinson was doing this for me while we were sitting here earlier on. So I just threw a few things into some slides. It's not fancy and I apologize for any formatting and the like, but I thought it would be useful to just pull some of these up.

Mr. Chairman, on accepted actuarial practice, the fundamental basis of MPI's rate setting for many years, dating back to 1988, the Kopstein report, has been to set rates based on net income, breakeven net income basis. That approach has been used with universal acceptance for many, many years in terms of the approach for setting rates.

It -- it -- in recent years there has been a request by the PUB and as I said at the outset there -- there has been a push and an initiative by the PUB to have rates -- actuarial rate indications also provided with applications and that is a good thing.

But, in my submission, it goes too far to say that MPI was doing this kicking and screaming. The first slide in here is just simply -- and, Mr. Chairman and Commissioner Morin -- or Mr. Morin will appreciate this. And I'm not going to dwell on this, but last year the context was that MPI was just cautioning that switching to accepted actuarial practice has implications and they -- they should all be understood.

So, in my submission, while the contrary suggestion about MPI being warned that it would be examined and the like fits with the Souris nat -- the Souris narrative. It doesn't fit with the true context, in my submission.

The second theme of the regulatory revisionism that I wanted to address was MPI's gambling streak. And this is -- relates to how asset liability matching has proceeded and My Friend took you to some quotes from prior slides. And there is no question that the PUB was pushing for greater asset liability matching; not an issue.

But the fact of the matter is that the -- the passages that -- that My Friend took you to in slides 24 and 26 came out of almost entirely -- well, actually those slides came out from 2013 and 2014 Orders. So a two-year period. And you'll have noted, I hope, that in the second quotation that was provided to you that the Board was applauding MPI's efforts in the interim to move further towards duration matching.

What I wanted to do is if we can flip another slide here. This is a -- this is 2015, but it's basically describing the progress that MPI made and it's within a plus and minus one (1) year duration match, and the -- the Board wanted further matching, cashflow matching, matching the cashflows more directly and there's no question about that.

But if we can go to the next slide, you'll see in line 5. This is from the investments chapter, in line 5, duration gap years, you'll see the progress moving left to right across there in terms of the duration matching. So MPI was not sitting on its hands, it was working to improve the duration matching in that process.

And the -- of course, the second aspect and -- and the second aspect that was going on in that context, Mr. Chairman, was with respect to interest rate forecasting, and that should not be understated. Of course, asset liability matching is important, but when you know that the process hasn't been completed, if you can scroll down, when you know that the process of asset liability matching hasn't reached the point where it's perfect cashflows matching because cashflow matching has a cost to it. It has a -- it has a practical issue of having to -- to separate the lines of business when you're doing your matching.

When you know you're not there yet, you have to deal with interest rate forecasting. And this is the scenario that we were confronted with during that period. And it was MPI, Mr. Chairman, that was urging caution with using this forecast based on that experience. And, in my respectful submission, that is the exact opposite of gambling with ratepayer money.

And if you -- if we are -- if we were to turn to My Friend's PowerPoint presentation for a moment, slide 27, if we were to read the last bullet there in isolation, we would have CAC being the champion of avoiding interest rate forecasting risk for many years.

And, of course, they did say, we exer -- you know, we're concerned about the historic overforecasting. And My Friend took you to passages that said that, but of course, every year My Friend's client was in here arguing that, ah, we should use the SIRF anyway. And so, in my submission, you have to look at both sides of this -- this issue.

If we can go down a slide. I think in my slide, right. So this is a passage from 2014 where -- where it recounts CAC's pos -- position in the front first line. And then the next slide, is there another one? Right. So -- and then of course, last year we had the CAC arguing that MPI hadn't met the onus to use a 50/50 rating and, of course, again we're just looking at a longer track record every year of the SIRF being far off the mark.

And if we harken back to -- the Dr. Simpson's quote that was put on My Friend's slide at slide 249, you should not be going the wrong direction at the wrong time. Well, in my submission, the CAC has been doing that for a number of years right now, based on the SIRF.

So, in my submission, the point that I'm trying to make here is that there is more than one (1) side to the past. And it is more productive, in my submission, to take the current circumstances and try to look for a solution. It is appropriate to not throw stones from glasshouses in Souris, if I can really stretch that metaphor.

So, I'm going to hand things over to my -- my co-counsel, Mr. Scarfone now to deal with some other issues.

MR. STEVE SCARFONE: Thank you. By way of reply, Mr. Chair, I want to start first with investments. The -- some of the issues touched upon by My Friend Mr. Williams. And again, some of these will be as my colleague Mr. Ghikas indicated, filling in the ellipses.

If you look to his criticism of the MPIC investment portfolio, Mr. Chair, you'll recall that Mr. Williams raised the issue of its performance against Saskatchewan government insurance and if Diana, if you could pull up Undertaking Number 3, which is MPI Exhibit 35.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Sorry, that -- is that the undertaking? Oh, there is. Thank you.

This particular issue was the subject of an undertaking. And if you look in the second paragraph with the beginning of -- it reads:

"The question focused on the

relative performance in 2015."

And it does indeed indicate there that SGI outperformed MPI. But it goes on to say, it should be noted, that MPI out performed SGI in three (3) of the last five (5) years. So when My Learned Friend suggests to this Board that the MPI investment portfolio does not look like other well-regarded portfolios, we point to this because MPI is often compared against SGI and we have outperformed SGI in their investments. And that's without any international equities, and My Learned Friend to suggest -- I think the implication is that perhaps MPIC should be looking to international equities, maybe even before the corporate bond increase that's been proposed.

But the evidence, of course, was that the Board of Directors needs the capital it's seeking herein before it has the comfort to move ahead with the corporate bond strategy. And so I'll leave it with the Board to decide whether that same rationale would apply to moving into international equities in the absence of sufficient capital.

And underscoring all of that, when My Friend suggested that the MPIC investment portfolio doesn't look like other well-regarded portfolios, those were his words, bear in mind that the evidence in this particular proceeding from Mr. Steski, was that the ratepayers, in his view, are in very good hands with the investment committee. They're very experienced and very competent people.

Another of the ellipses that pertain to the investments area is the reference that Mr. Williams made at his slide 43, Diana, in his presentation. And he cites from there at the bottom a passage taken from Board Order 162/16, an --

> "an emphasis by MPI on short-term rate stability leads to an excessive level of risk for the investment returns gain."

That particular passage is, indeed, from the Order, but it comes from the Intervenor's position part of the Order. It's certainly not a finding that was made by this Board. And in fact, MPIC is emphasized, and reiterated throughout this entire proceeding, that its emphasis is on long-term financial strength. Certainly not on short-term gains. And indeed, my understanding of Ms. Sherry's evidence is that she wants to make use of the RSR investment income, and offset it against rates, for the immediate benefit of ratepayers. MPIC is vehemently opposed to that.

So it would seem to me that Ms. Sherry's position is short-term gain. In other words, a penny-wise-pound-foolish proposal is being made by Ms. Sherry, in our view.

Mr. Williams wondered why it took the Corporation so long to implement or come around to considering the recommendations of Aon, that it move into corporate bonds. I think his words were "why the sloth." Well, the answer to that is -- is -- it's already been stated, it's because the Corporation and the Board of Directors wants sufficient capital before it moves into more riskier investments.

Mr. Williams also wondered why Mr. Viola's recommendations are not in the appropriate place in the Request For Proposal. He wondered how they found their way to the back when perhaps they should be in the front. Those recommendations were the subject of an Order, and they appear in the Request For Proposal. We don't think that where they appear in the proposal is -- is of any real moment in terms of whether the asset liability matching study will be completed in an effective manner.

As it concerns the corporate bond strategy, Mr. Oakes made what I consider a rather crude comment and left I think what -- a rather graphic impression with the Board that the Corporation was holding a gun to the head of the PUB.

I thank Mr. Williams for bringing to the attention of the Board that, in fact, the ultimatum that was put to Mr. Yien, the evidence is that it was, in fact, not an ultimatum and that Mr. Yien expressed very sound business reasons, under oath, for why the corporate bond strategy could not proceed in the absence of the upper and lower RSR targets that the Corporation was seeking.

Mr. Williams has indicated that SGI and ICBC and the province of Manitoba are all rejecting use of the naive forecast. He's also confirmed here today that his client is advocated for the use of the SIRF for many, many years and as we've heard evidence, MPIC adopted the SIRF for many years to the extreme prejudice of MPIC and its ratepayers.

On this point, and I'm new to this, but it seems to me it becomes very apparent that everybody here gathers each year to try and guess what interest rates are going to do. And Dr. Simpson agreed at the outset of his testimony under cross-examination that uncertainty is where the analysis begins. We remove uncertainty, in our view, by making use of the naive forecast. And it makes eminent sense in conjunction with the use of AAP rate-- ratemaking where the outlook period has been dramatically reduced compared to how it was used in the past.

(BRIEF PAUSE)

MR. STEVE SCARFONE: A lot has been made about who ultimately owns the investment portfolio, who's driving the bus, who's making the decision, who owns the bus. We've heard all of that. At the end of the day, approval is required by the Minister given the bond strategy that MPIC is proposing.

The Corporation cannot proceed with the corporate bond strategy without ministerial approval; that evidence is unequivocal.

A couple of points on IT, information technology. It's important, again, to fill in the ellipses. The full -- a full picture I think is -- is of some benefit for the panel members and Mr. Chairperson. Diana, if you could retrieve please, the CIO scorecard from the benchmarking chapter of the rate application. It's attachment 'A'. Thank you.

At page 7 of the PDF, please. In his

closing submission, Mr. Williams indicated that the Corporation continues to operate at a low level of maturity. You'll see the conclusion -- the concluding remarks and the scorecard, the last bullet reads:

"That overall IT maturity continues to rise; from 3.34 to 3.42, in the last couple years."

And then at page 14 -- 15 PDF, please, Diana. Thank you. The suggestion was made that the Corporation hasn't shown improvements in business process management, which is clear compared against the industry standard. If you'll see on the right-hand side there, insurance was at 1.76 and highlighted in yellow is 1.60 for business process management.

Left out of all of -- left out of that analysis are the other results: infrastructure and operations, above the industry standard; cost containment, above the industry standard; applications and organization, above the industry standard; as well as enterprise architecture, open innovation readiness, effectiveness innovation, enterprise viewpoint and effectiveness innovation IT organization viewpoint. The overall score is higher than the insurance industry standard.

And again the implication there on the

left-hand side is that MPIC has increased its maturity across the board.

There was some criticism of MPIC and its use of consultants. Mr. Geffen's evidence was that use of IT consultants by MPIC is decreasing.

On the physical damage re-engineering program, closing remarks of Mr. Williams were that Mr. Geffen and Mr. Yien both testified that there were a number of substantial changes to the program. And that's true. But the rest of the story is, they both testified that those weren't unusual for a project of that size; $65 million project over seven (7) years.

Mr. Williams indicated that the loss of the use of the claims administration reporting system had been abandoned, its replacement. That wasn't the evidence, in fact, the evidence was that some CARS' functionality will be decommissioned as a direct result of the PDR program.

The absence of business cases on PDR was attributed to delays in Mr. Geffen's view but Mr. Geffen also said that the program is now on track in his update last week or in -- in week one.

I just wanted to comment briefly, Mr. Chair, on Undertaking Number 10, because I know My Friend Mr. Williams brought it up and that, of course, con -- concerns the operating costs of PDR. The Corporation is -- as Mr. Chair has recognized or has been advised, is under contractual obligation with its vendor. The contract provides for an opportunity to the vendor to make representations if any confidential information is ordered to be disclosed.

So the Corporation's position with respect to that particular undertaking is that we -- the Corporation is still prepared to provide that information on a confidential basis, but has some grave concerns about releasing any information generally without allowing the vendor an opportunity to make submissions in that regard.

Yes and as Mr. Ghikas has pointed out, the confidential information that's of concern to the vendor is they can back calculate the numbers based on the percentages and the actual numbers of the -- of dollars that were allocated to certain aspects of the program, including licensing fees.

Just briefly on -- on the claims under the personal injury protection plan. Information Request Number 69 and Information Request Number 66 -- sorry for setting those out in the wrong order. They provide, in our view, a full response to the trend that's been seen in the long-term claims that are staying open longer in Mr. Williams' submission.

And the UI report says that the BI-3 project will help in this respect, but it shouldn't be surprising, given this trend, and the complexities involved with these types of injury claims that the reserving is in a state of flux. That we now have unprecedented complex claims that are staying open longer than they have historically.

A couple of comments about road safety and loss prevention. Firstly, with respect to fencing and engaging in infrastructure, compliance with the --

THE CHAIRPERSON: Sorry, Mr. Scarfone, I missed the first word. In respect of something and what was --

MR. STEVE SCARFONE: Fencing.

THE CHAIRPERSON: Oh, fencing, okay, thank you.

MR. STEVE SCARFONE: No problem. I know Mr. Monnin asked everyone to take a look at the British Columbia legislation and compare it against what MPIC is able to do on its -- under its own home statute.

The Corporation's position has been made clear on that. We only wanted to add that MPIC thinks it's made a reasonable interpretation of its own statute, but more than that, it doesn't at this point have a mandate from the provincial government to engage in any infrastructure.

(BRIEF PAUSE)

MR. STEVE SCARFONE: I just wanted to address a couple comments. And this, I -- I expect, is probably -- I'll tread carefully, because I appreciate, Mr. Chair, I'm in reply mode here.

But, Mr. Oakes indicated -- suggested in his closing that the Corporation is not in a vulnerable state, that its financial condition is sound, that it's a juggernaut. He also indicated at some point during the proceeding that there'd been no drawdowns against the -- against the RSR, Not even during the great flood, I think were his words.

And we know now, of course, from the undertaking -- that was the answer to undertaking -- that was provided that there was a drawdown of the RSR. In fact, $560 million in nine (9) years.

And he also suggested that any drawdowns in that regard, including interest rate risk force -- forecasting, and other such factors were, I don't think he used the word 'predictable', but he didn't -- he took issue with whether they were unforseen or unexpected. Well, the evidence here, Dr. Simpson, were that all those drawdowns that were put to him were unex -- were unexpected and unforeseen events. That's the evidence. And -- and -- yes, Mr. Ghikas has indicated that for that, page 1,603 is the evidence that Dr. Simpson gave with respect to that.

(BRIEF PAUSE)

MR. STEVE SCARFONE: A suggestion was made, again, still with road safety and loss prevention, by My Friend Mr. Monnin, and as well as Mr. Oakes, that the Corporation appears to be placing the onus on stakeholders to bring new ideas to the Corporation to help reduce collisions, and fatalities, and that's simply not -- not the evidence that's been filed in this proceeding. The frameworks that were fired -- filed clearly requiring previously file business cases show that MPI commits significant resources to undertake the research analyses and effort to complete the programs.

The framework that was filed in this proceeding also requires the Corporation to consult with stakeholders, the validator approach in that regard.

(BRIEF PAUSE)

MR. STEVE SCARFONE: And on that same point, the Corporation welcomes stakeholders to provide feedback on the concept it develops, and welcomes the submission of ideas, and stakeholders have responded.

At page 17 of the loss prevention chapter, there's an example there of the Motorcycle Group requested MPIC to align it's a public awareness messaging with the Motorcyclist Federation of Canada, and MPIC did that in 2017. Another example, as just heard, is the pilot project in Seven Oaks school division, the bicycling education, and the school's training pilot program.

(BRIEF PAUSE)

MR. STEVE SCARFONE: At slide 170, Diana, of Mr. Williams' presentation.

(BRIEF PAUSE)

MR. STEVE SCARFONE: There's a recommendation there being made by Mr. Williams' client, that would have targets, measures, and outcomes incorporated into MPIC's road safety strategy. We -- well, that is, in fact, what we see in Exhibit number 4, which is the Manitoba Road Safety Plan that was filed in this proceeding, a road to zero.

I don't -- you don't have to bring it up, Diana, but just for the record, at page 13 of the Road Safety Plan, there's a -- there's a heading, 'Road Safety Targets', and in fact, targets and measurements are part of the plan of the province and MPIC.

(BRIEF PAUSE)

MR. STEVE SCARFONE: The suggestion, of course, that Mr. Oakes makes is that the Corporation needs to do more where it concerns road safety, and include more money in the budget.

Again, treading carefully, because this is a reply, I can just, on that note, indicate that 30 percent of this year's General Rate Application is committed to road safety, over a thousand pages of the

3,400 pages filed concerns road safety and the efforts being made by the Corporation in that regard, twenty-one (21) information requests, and eight (8) undertakings.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Just a few comments about the driver safety rating and the proposed changes that are being made. To borrow from Mr. Williams' presentation, the Corporation shares his view that people should own what they did, and the bad drivers should take ownership of their poor driving behaviour and pay more premiums.

Mr. Williams made some comments about the discrepancy that appears to exist on the merit side of the scale between zero and plus six (6). And he pointed to Mr. Johnston's evidence who confirmed that there is a discrepancy there that hasn't been accounted for in the proposed changes.

But don't lose sight of the fact, Mr. Chair, that the people on the zero to plus six (6) are the good drivers. So it wouldn't seem very reasonable to expect the good drivers to pay more premiums, if we're all agreeing that people on that side of the scale are the good drivers. The proposals that the Corporation is making is only for the bad drivers.

And the same can be said about the -- the concerns that Mr. Williams' client has about the rating mechanism, and the fact that the Corporation uses a -- a model that only identifies the vehicle and not the driver of that vehicle.

But in my submission, in our reply, mechanism in place still gets the premium it -- it needs from the poor drivers. And when I say that, I mean a registered owner can certainly be at the top of the scale at the plus fifteen (15) side, and we've heard evidence that most registered owners are. That doesn't mean that that person doesn't have a son or daughter who's engaging in risky driving behaviour. And that person, when they go to renew their license, if they're at the bottom end of the scale, they're going to pay more premiums.

So the -- the premiums are captured. So I don't -- I don't appreciate the distinction between -- or the comparison being drawn against other jurisdictions where the -- where the model that Mr. Johnston uses still identifies the bad drivers, and this new proposal will have them paying more premiums, notwithstanding they may be driving a registered vehicle that's owned by someone at plus fifteen (15).

(BRIEF PAUSE)

MR. STEVE SCARFONE: So in short, I don't -- I don't share Mr. Williams's view that there's a gaping hole. In fact, the Corporation is of the view there's no holes at all. And the evidence of Mr. Johnston was that any discrepancies, any small discrepancies that may exist on the demerit side will be adjusted for after the first year of implementation.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Just give me one (1) second, Mr. Chair. I'm just going to go through my notes and see if there's anything further.

(BRIEF PAUSE)

MR. MATTHEW GHIKAS: Okay, Mr. Chairman --

MR. STEVE SCARFONE: Thank you.

MR. MATTHEW GHIKAS: -- it's back to

me to bring us home. And I will not be long. I have just a couple of points to make, here.

On the issue of the RSR. My -- My Friend -- Learned Friend Mr. Williams was speaking about whether there is consensus on the purpose of the RSR and, in my submission, parsing the words of a quote of -- of a witness to suggest that there is an unfathomable gap is reading too much into a single quote.

The -- the point is that the RSR is there, the range is there to absorb unforeseen volatility in the rates. And if that wasn't the purpose of the RSR, then we wouldn't have two (2) levels. We'd have one (1), because the only possible purpose -- the -- having an upper level can be is to create a range in which you hope to operate.

The discussion about the Floodway and the probabilities, those probabilities are to take us down to zero. And in my submission, that if you're looking at the upper level, you're -- you shouldn't be looking at that. You should be looking at how much it takes to get below the lower level so that you're into a rebuilding fee.

On -- on the issue of the MCT level on slide 195 of My Friend's presentation that he indicated that the MCT level that was reflected for SGI and ICBC is a political decision. And I thought it would be worthwhile, given that I have the advantage of coming from one (1) of those jurisdictions, to just point out why, in respect of ICBC, that isn't the case.

This is the governing direction to the Utilities Commission here, and if you look under Section 1 special direction IC2. So if you look under Section 1, and you look at the definition of capital management target, and Jeff, if you can scroll down a bit. All right.

So you see the capital management target is the combination of three (3) things. And the little 'A', the MCT required under Section 31(b) is a hundred percent MCT, and then they have two (2) other margins that are on top of that to deal with risk and to deal with rate stability and predictability.

And if you look, it was flow from the, quote "Capital Management Plan" unquote. If you go one (1) definition higher, you'll see that that is a plan that's most recently approved by the commission, and includes maintenance and build or release provisions.

THE CHAIRPERSON: Sorry, Mr. Ghikas. Sorry. Diana, can you scroll up? Is -- is this a statute or is it --

MR. MATTHEW GHIKAS: What it is is a regulation.

THE CHAIRPERSON: Regulation? Okay.

MR. MATTHEW GHIKAS: Yeah, under the Insurance Corporation Act. And -- and they -- in BC, they have something called a special direction to the commission. It effectively has the effect of circumscribing the Utilities Commission's jurisdiction, so it -- it's -- it is -- it -- it's an Order in Council. It has effect of a regulation.

THE CHAIRPERSON: Thank you.

MR. MATTHEW GHIKAS: And it informs how they exercise their jurisdiction.

THE CHAIRPERSON: Thank you.

MR. MATTHEW GHIKAS: So the -- the level that the commission has determined is 145 percent, and there is a -- there are provisions later in that about releasing capital, excess capital, and the level of the commission is set for that is one sixty (160).

Now, in terms of -- in terms of income on total equity, My Friend mentioned that neither Mr.

Johnston nor Ms. Sherry supported putting a capital maintenance provision in the rate, and I -- I would suggest that for -- from Ms. Sherry's perspective, that would be because a capital maintenance provision would be bigger than what MPI is asking for.

And from Mr. Johnston's perspective, MPI is trying to make a reasonable request without driving a rate up further. And that's where you land on the proposal that has been made of putting zero profit provision in the rate indication.

In the SGI document, there was a Reference My -- My Friend Mr. Williams made to, Well, there's inflation built into the forecast. Well, I -- I think if you go to that SGI document, which is quoted at page 55 of our closing submission, and you -- it -- where the discussion of the maintenance provision is is that even if you forecast accurately, your MCT is going to decline unless you have a capital maintenance provision in there.

So it's -- in my submission, that's not an -- it -- that's not an answer to the argument. That's just good forecasting, and the profit provision is in there to ensure that you keep pace with overall growth of the business.

The final point I have, Mr. Chairman,

is -- is dealing with the issue of the order requested by My Friend, the counsel for CAC. And that is the 2.5 percent. And as I understood -- as I understood is his logic that there was some concern about issues of management in the areas of IT.

And my submission on this is that -- is that the position of CAC in this regard is contrary to regulatory law in that it would result in a -- a disallowance of prudently incurred costs. And that -- the reason I say that is because if we go back to the pie chart, and we don't have to actually go there. But if we go back to the pie chart, you'll recall just how small the IT capital slice of that pie is, 2 percent, and that's because the only thing that's in the rates this year is the amortization expense associated with IT expenses.

And an arbitrary reduction of the rate to account for IT expenditures that simply don't have -- that aren't driving the rate increase to that extent would be contrary to regulatory principle. And I would hasten to add that the evidence is that IT projects are -- are being brought in on budget, by and large. So on those two (2) points, in my submission, that would get us to the wrong place following -- following My Friend's recommendation.

The other point I wanted to make is that My Friend -- My Friend's client is -- is asking to remove the DSR, to -- asking to -- to decline the request by MPI to -- to make changes to the DSR, and of course, hasn't added that to the two point five (2.5) that he's asking for, but as we saw on the slide in the presentation, in the closing submissions, about the ways in which the initial actuarial rate indication was brought down from the 7 percent range down to where we got to the DSR was 1.8 percent of that.

And in my submission, if you were to accept My -- My Friend's proposal and effectively disallow 1.8 percent of the rate increase that is otherwise driven by the actuarial rate indication, you would be running afoul of the regulatory law in that regard too, because effectively, you would be disallowing prudently incurred costs.

So subject to any questions, that concludes things for us. I'd like to thank everybody, and Mr. Chairman, and -- and members of the panel for accommodating us this evening.

THE CHAIRPERSON: Thank you, gentlemen. Any questions...?

(BRIEF PAUSE)

CLOSING COMMENTS BY THE CHAIRPERSON:

THE CHAIRPERSON: I'd like to make some closing comments to everyone here and to anyone who may be watching at home. This concludes the 2018 Manitoba Public Insurance Corporation General Rate Application hearing. On behalf of the Board panel, I would like to thank everyone for their cooperation and their professional approach -- and the professional approach exercised by everyone throughout this hearing.

This includes the MPI front row, including Mr. Yien, Mr. Johnston, Mr. Keith, Mr. Scarfone, and Mr. Ghikas; the MPI back row, including from time to time, Ms. Robinson, Mr. Crozier, Ms. Christoph, Mr. Bunston, Mr. Sprenger, Ms. -- was that -- and Ms. Mann, Mr. Yu, Mr. Phoa, Mr. Dunstone, Mr. -- Ms. Campbell, Mr. Krupinski, Ms. Way, Mr. Andersen, Mr. Remillard, Mr. Yakel, Ms. Bunkowsky, Mr. Eden, Mr. Riel, and Mr. Triggs; the Intervenors and the respective counsel for CAC, Dr. Williams and Ms. Dilay; for CCMG, Mr. Oakes, for Bike Winnipeg, Mr. Monnin, and as well as Ms. Miller for CAA; the witnesses who testified before the Board, and the presenters who made the submissions this year; the Secretary of the Board, Mr. Darren Christle, and our document manager Ms. Diana Villegas; our court reporter, Digi-Tran, including Ms. Cheryl Lavigne and Ms. Wendy Woodworth; our advisors, Mr. Cathcart and Mr. Pelly, and our counsels, Ms. McCandless and Mr. Watchman.

The Board also appreciates the members of the public who took time to sit in during the course of the hearings, and to follow the proceedings via our livestreaming on the PUB website.

The panel will be meeting in the very near future to deliberate and make our final determinations on the matters before us. This concludes our hearing. Thank you very much

--- Upon adjourning at 5:22 p.m.

Certified Correct,

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Cheryl Lavigne, Ms.