MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2020/2021 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, QC	- Board Chairperson
Robert Gabor, QC	- Board Chair
Carol Hainsworth	- Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

October 11, 2019

Pages 842 to 1056

APPEARANCES

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Robert Watchman	)
Roger Cathcart	)Consultant
Steven Scarfone	)Manitoba Public
Michael Triggs (np)	)Insurance
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UNDERTAKINGS

--- Upon commencing at 9:00 a.m.

THE CHAIRPERSON: Good morning. If you can just give us a few minutes, Kristen is trying to get the screens up. In the meantime, we'll get copies of the PowerPoint made for each of the Board members and then we can get going.

(BRIEF PAUSE)

THE CHAIRPERSON: Good morning, everyone. Sorry for the delay. We'll proceed by using good old-fashioned paper copies, and then if there are exhibits that are referred to that are unavailable, we'll get those printed and just -- sorry, we'll have to deal that delay when we come to it.

So, Ms. McCandless...?

MS. KATHLEEN MCCANDLESS: Thank you. Good morning, Madam Chair. Looks like we're up and running.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Excellent.

So today, first thing, we're going to be hearing from the Driver Safety Rating Panel. Once the Driver Safety Rating Panel is complete, then we will move into the Claims Ratemaking and Capital Management Plan Panel, and then right after the lunch break we will have Mr. Wennberg and Mr. Eden return for Mr. Monnin's cross-examination on road safety.

If that is complete before the end of the day, then we will resume the Claims Ratemaking and Capital Management Plan Panel. Thank you.

THE CHAIRPERSON: Thank you, Ms. McCandless. Mr. Scarfone...?

MR. STEVE SCARFONE: Mr. Guerra is going to conduct the introductions this morning, Madam Chair.

MR. ANTHONY GUERRA: Thank you. And just before we begin, I do have a few housekeeping matters.

The first actually pertains to just something that happened yesterday in terms of an undertaking that was discussed. It appears in the transcript as Undertaking No. 9, which was MPI to provide an explanation for the collision claims in 2013 and 2014 as set out at Slide 3 of MPI Exhibit Number 48.

Just so everyone recalls, we had indicated that we weren't opposed to providing information but it would be better coming from Mr. Johnston, who was expected to testify to that, in fact, today.

So what we are going to do is we're going to hold off on providing answer to this undertaking until we -- we've had a chance to hear from Mr. Johnston about it.

And then there's also three (3) exhibits that MPI would like to file. Exhibit MPI No. 50 is MPI's response to Information Request PUB/MPI 2-16. And so that's -- that's the first of the three (3) exhibits.

--- EXHIBIT NO. MPI-50: MPI's response to Information Request PUB-MPI 2-16.

MR. ANTHONY GUERRA: Exhibit No. 51 is the PowerPoint presentation for the Driver Safety Rating, which I understand has been circulated amongst the members of the Panel and the Interveners and PUB counsel as well.

--- EXHIBIT NO. MPI-51: PowerPoint Presentation
for the Driver Safety
Rating.

MR. ANTHONY GUERRA; And then finally, there is the presentation for the Claims Ratemaking and Capital Management Plan, which is Exhibit MPI-52, and again I understand this has been circulated amongst all members of the Panel, Interveners, and PUB counsel.

I do know that there will be a couple of changes from the version that was circulated, which will be addressed by the Panel when they are giving their presentation and we will certainly distribute the updated slides when they are available.

--- EXHIBIT NO. MPI-52 Presentation for the
Claims Ratemaking and
Capital Management Plan.

EXAMINATION-IN-CHIEF BY MR. ANTHONY GUERRA:

MR. ANTHONY GUERRA: So with that, we'd like to proceed with the Driver Safety Rating Panel. And just to confirm, we have three (3) members of the Panel today. They are Satvir Jatana, who is the Vice-President of Human Resources and Corporate Services, and the Chief Human -- Chief Human Rights Officer; Mr. Luke Johnston, we've heard, is the Chief Actuary and Vice-President of Product and Risk Management; and Scott Patton, who is the Senior Business Analyst and -- of Customer Research, rather.

So with that, I'd like all three (3) members of the Panel to be sworn or affirmed.

MPI PANEL NO. 4:

SCOTT PATTON, Affirmed

SATVIR JATANA, Sworn

LUKE JOHNSTON, Previously Affirmed

MR. ANTHONY GUERRA: Thank you. I'm reminded that Mr. Johnston has previously sworn or affirmed as well.

So with that, I'd like to begin with the presentation. So just to confirm though, we do have two (2) new members, Ms. Jatana and Mr. Patton. I'd like to -- to begin with introducing a little bit more about their background.

So Ms. Jatana, can you confirm that you are, in fact, vice-president of human resources in corporate services?

MS. SATVIR JATANA: Yes, that's correct.

MR. ANTHONY GUERRA: And how long have you held that position for?

MS. SATVIR JATANA: Just a little over two (2) years with MPI.

MR. ANTHONY GUERRA: And how long have you been with MPI in total?

MS. SATVIR JATANA: A little over four (4) years.

MR. ANTHONY GUERRA: And prior to your role as vice-president, what other roles did you occupy?

MS. SATVIR JATANA: I've held a senior vice-president role for another retail company, Princess Auto. Prior to that I was also vice president for Canad Inns and -- in HR as well, as human resource officer.

And prior to that, twelve (12) years with Walmart Canada, responsible for western Canada for operations and HR.

MR. ANTHONY GUERRA: And are you able to provide a bit of your educational background?

MS. SATVIR JATANA: Yes, I have CHRP, which is an HR designation, in addition to Masters in

Business Administration.

MR. ANTHONY GUERRA: And to confirm, you were a part of the team that prepared the presentation that we'll be looking at today?

MS. SATVIR JATANA: That's correct. So in addition to people responsibility, human resources, I also have corporate services, which has customer insight, research, and customer experience, so I work closely and oversee the team.

MR. ANTHONY GUERRA: Thank you.

Mr. Patton, can you confirm as well that you are the -- a senior business analyst with customer research?

MR. SCOTT PATTON: Yes, I can.

MR. ANTHONY GUERRA: And how long have you occupied that position?

MR. SCOTT PATTON: Eleven (11) years.

MR. ANTHONY GUERRA: And is that your -- your tenure with the company in total as well?

MR. SCOTT PATTON: Yes, that is.

MR. ANTHONY GUERRA: Okay. And prior to your work with MPI, can you give us a bit of a background with you -- with respect to your employment situation?

MR. SCOTT PATTON: Sure. I've been in

market research for twenty-four (24) years now. I've worked before MPI with Ipsos-Reid. Before that, Angus Reid, and then a company called the Advisory Group, all of which were market research supply companies.

MR. ANTHONY GUERRA: And can you also enlighten the -- the panel with respect to your educational background?

MR. SCOTT PATTON: Sure. I carry a designation of CMRP, which is a -- a Certified Market Research Professional.

I also carry a designation of CAIP, which is a Certified Analytics and Insights Professional.

MR. ANTHONY GUERRA: All right.

And just to confirm as well with -- with respect to this presentation, that you were part of the team that helped to prepare its content?

MR. SCOTT PATTON: Yes, I was.

MR. ANTHONY GUERRA: Okay. And just to confirm as well, Mr. Johnston, you also were integral to the preparation of this presentation?

MR. LUKE JOHNSTON: That's correct.

MR. ANTHONY GUERRA: Okay. With that, I'd like to turn it over to the panel now to present on the issue of driver safety rating.

MS. SATVIR JATANA: Well, good morning everyone, again. This is my first opportunity, so I'm -- help me through this, I hope it goes as well as I've planned.

We're here to respond to the direction we received last year, the order in regards to driver safety rating, DSR model, and the question whether we are charging the right rate to our customer.

The order speaks to three (3) points that we will touch on today. The first one is that MPI shall report on the progress on its public consultation effort, and I have a few slides that will touch on that.

In addition to that, the second part of that is that MPI to provide a report on its preliminary research on -- on the no or low-cost option for rating model.

And we have done some research, it is very difficult for us to get that type of information from a private insurer, but we have looked at SGI and ICBC for the low or no-cost options as part of this project.

The third part of this directive speaks to MPI to advise on our decision whether we would proceed with data collection for the higher cost option.

We had made the decision not to proceed with the two of the high cost options, and I will speak to that a little bit later on in my presentation.

So this slide talks to some of the timeline, as we know that the current model has been in its place since 2010, and it is well understood by Manitobans.

As most of us know in this room, that -- that the DSR, or driver safety rating, determines how much we will pay on our license and vehicle premiums. So as a driver, I have full control to obtain positive merits on my driver license, which allows me to receive a discount on the premiums.

The topic, however, has been raised whether this is the best model for charging the rate, especially when the vehicle is operated by multiple drivers.

And on that topic, there was a technical conference that was held, back in March 2018, with the stakeholders, and where MPI presented the alternative four models that we will speak to a little bit later. And it was agreed at that technical conference that a further analysis needed to be conducted prior to recommending anything in this stage.

So with that, we received an order last year which confirmed such work that needed to be done.

As we continued on the timeline, MPI has done a thorough public consultation, which like I said, I will share on the few slides here, and we have submitted a detailed report for the 2020 GRA.

There is still some work to be done prior to MPI recommending what the best option would be, but I can say that we are closer to that today than we were twelve (12) months ago.

So these are the models that we sought public consultation on. The current model, known as the registered owner, primary driver, L driver, all household drivers, declared drivers, and driver premium.

So as you can see, they all kind of sound the same, so I'm going to talk to each of the models in each of the slides here.

Just to help us and to illustrate this this better for today's purpose, we've used a -- a family of four (4) licensed drivers. In this case you have parents with two (2) teenage children and two (2) vehicles to give context to each of the models.

So the scenario we will use is that mom drives car one daily, the daughter drives the vehicle two daily, dad uses both vehicles during the week, and son has no access to any of the vehicles.

So, following that scenario how the current model works today, which is known again as the registered owner model, mom is the registered owner for both of the vehicles. This means that the vehicle premium is linked to mom's DSR and her rating on the right side would show that she has positive merits or merits on her driver's license which allows her some level of discount.

So in the public consultation, most Manitobans believe that this is a fair model. Manitobans say that the model promotes good driving behaviour, it allows the freedom to choose who the vehicle will be registered under, and fair to assume that in this family that the mother has the better merit for both vehicles to be under her name.

Of course, on the other hand, the concern is that both vehicles are registered under mom's name, but the mom is not driving the second vehicle, the daughter is, and who may not have positive merit, or may even have demerits in this situation, and does not reflect the right level of risk associated with that vehicle.

The second model that we -- we looked at, in addition to the current, of course, is the primary driver model.

In this case, the proposal would be that -- how it would play out is that mom is the primary driver for vehicle one, so the vehicle premium would be based on her driver safety rating. The daughter is the primary driver for the second vehicle, so the vehicle premium would be linked to her driver safety rating.

Manitobans -- when we put this in consultation, Manitobans also thought that -- to view this to be a fair model to be used. Manitobans thought that this would -- this model would promote safe driving behaviours, but the appropriate rate would also be charged.

The weakness, according to Manitobans for this model, would be to keep track of who the primary driver is. And it is still open to people using this system to their own advantage.

This model would involved a lower cost for implementation relative to some other models that we explored.

(BRIEF PAUSE)

MS. SATVIR JATANA: The third model is the all drivers in the household. So, in this model, the vehicle premium for 1 and 2 will be based on the average driver safety rating level of all four (4) drivers in the household.

Manitobans view this model to be unfair. Their thoughts is that this model benefits by allowing some sort of a blended rate for the household which promotes each driver to take responsibility for their own driving behaviour and which allows them to have a positive rating on their driver's licence.

And in this example both the son and the daughter would benefit from having a blended rate as the parents' DSR is in the positive.

The -- however, on the other hand, Manitobans thought that this model would penalize the mom and the dad by blending their rate, who have higher rate, with the children, who have lower or negative rating in this case.

So, the model would involve high cost from implementation overall than compared to others.

(BRIEF PAUSE)

MS. SATVIR JATANA: The fourth model is the declared driver model. In this case, the vehicle premium will be based on the registered owner, so mom's DSR level will be used for the vehicle premium as she is the registered owner I this illustration.

And under this model, drivers without vehicle, that don't have vehicle registered to them, in this case, the dad, daughter, and the son, will pay a high premium -- pardon me, I jumped -- jumped ahead in my notes, my apologies.

So, going back to the declared driver model, in this, the car 1 would -- premium would be based on the DSR levels of mom and dad who share the vehicle.

The vehicle 2 would be based on the daughter and the father. Did something happen there?

Okay. Sorry. When we asked Manitobans, they felt that this model could also be another option, and they would view this to be fair.

Manitobans thought that the primary strength of this model would be that it would hold all three (3) drivers accountable for their driving behaviour. As their individual rating has an impact on the premium, it allows parents to restrict the son from driving the car.

On the other hand, it may also restrict son from operating a vehicle in situation of emergency. The need to declare and keep the policy updated with all drivers is seen inconvenient by customers.

And Manitobans also thought that this model would be difficult to administer and enforce. And this model would also be high cost from implementation for MPI.

(BRIEF PAUSE)

MS. SATVIR JATANA: It's frozen.

(BRIEF PAUSE)

MS. SATVIR JATANA: Oh, went too far.

(BRIEF PAUSE)

MS. SATVIR JATANA: No, it's the one before that.

(BRIEF PAUSE)

MS. SATVIR JATANA: Okay. Oh, shoot. Okay, one (1) more. There we go. All right. The last model, the fifth model, which is called the driver premium model, so in this model the vehicle premium will be based on the registered owner of the vehicle, which is mom in this case, and the premium would be based on her DSR.

Under this model, drivers that -- or sorry, the drivers without a vehicle registered to them, which is, in this case, daughter, father, and the son, would pay a higher premium on their driver licence potentially and driver premium model is one where Manitoban's are divided whether they see this as fair model.

Manitobans thought that this model shifts risk-based premium on to all drivers and lower vehicle premium insurance, so makes all model -- it makes all drivers responsible regardless of the vehicle ownership.

The weakness, of course, of this model is belief that this model is penalizing those that don't drive or own a vehicle. And from implementation, this wa -- this model has no cost implication as we would have that information today.

So, those were the four (4) models in

addition to the current model that MPI sought public consultation on. The next couple of slides will touch on our approach as to how we conducted this consultation and the outcome of that.

So, we used a number of methods to raise awareness to the public of this consultation. We first created a discussion paper outlining the purpose of this review and detail of each of the models.

We had a dedicated web page on our website linked to the discussion paper. And this site received almost thirty-eight hundred (3,800) views with average of seven (7) minute per visitor, so -- which showed us that they were definitely looking at the information.

We ran newspaper, online, and social media ads to raise awareness. And we also approached our stakeholders to solicit their feedback.

So, our efforts of this outreach has garnered a positive outcome on participation from various groups. We have -- we completed fifteen hundred (1,500) general public survey over the phone.

Another six hundred and thirty-three (633) people completed the open link survey. Our e-panel participant also provided over seven hundred

(700) responses over three (3) iterations.

And we also used our e-panel in replace of a focus group. Generally, part of our consultation would be that we would pull in focus group anywhere -- sometimes we would have two (2) or three (3) dozen people in participation.

This, we felt, was a much more positive response, having over seven hundred (700) responses through the e-panel. And two (2) of our major stakeholders also submitted their feedback through this consultation. So, in total, more than twenty-nine (2,900) responses were received.

This is the outcome, what the Manitobans thought on the five (5) models. Forty-four percent of Manitobans prefer the current model known as the registered owner model with the primary driver model being the second preferred option chosen by about -- by 21 percent of Manitobans.

(BRIEF PAUSE)

MS. SATVIR JATANA: So in conclusion, Manitobans chose the current register owner model as their preferred model for the rate setting and of course half of Manitobans said that this model works.

They see no reason to replace this model. The primary driver model was selected the second most often.

Manitobans also don't view any single model as a perfect model, and if a model is selected to replace the current one, Manitobans believe that insurance premium should be based on the driving record of the person who drives the vehicle most often or the primary driver.

Manitobans also believe that the driver's licence premiums should be influenced by individual's driving record. And overall, Manitobans say that good driving should be rewarded with lower premium and paying the right price is important to them.

So MPI has explored all these options in its preliminary review. And based on the feedback, based on the cost implication, MPI has decided not to move forward with the all household driver and the declared drivers model as both of these models were at least favourable and also again a high cost for implementation.

While we recognize the current model is well understood by Manitobans, it also has its weakness particularly with accounting for multiple drivers and for most accurately pricing risk.

This slide highlights the work done so far on the PUB Order and next steps will be completed -- which is to complete the pricing examination on the two (2) new models, along with the reviewing our current model.

If the changes within the structure, the plan is to engage PUB and stakeholders to make the final decision regarding making those changes. If the change requires legislation or structure review, then approval from government would also be necessary prior to engaging PUB and other stakeholders prior to making those changes.

So with that in mind, MPI will be conducting further pricing examination and looking at the primary driver model and the driver premium model as the next steps in this process.

Thank you very much. That was the formal part of the presentation.

MR. ANTHONY GUERRA: Thank you, Ms. Jatana. I just have one (1) further question for the panel and maybe this is best answered by Mr. Johnston.

Ms. Schubert, can we pull up the slide presentation again and specifically slide number 5, please? Okay. So on this slide, we see the sample family here, and we have a situation where we have mother who is operating vehicle number 1 throughout the entire week, and we have daughter who is operating vehicle 2 throughout the entire week.

Ms. Schubert, can you pull up slide 7, please? Under the registered owner model under that scenario, we have both vehicles registered to mom at her preferred DSR level.

And my understanding -- and I'm going to -- paraphrasing from the presentation was that the belief, certainly amongst Manitobans, is that this might not fairly or accurately capture the true risk of the value or sort of the true risk to vehicle number 2 especially because that vehicle is not being driven by mother but is being driven by daughter who has a lower DSL (sic) level rating than the mother.

So my question, Mr. Johnston, is: Is that a fair belief amongst Manitobans that that risk for vehicle number 2 isn't truly captured because it's being operated by someone who may have a lower DSR level rating than the person who is the registered owner?

MR. LUKE JOHNSTON: Yes. Based on the scenario described, there's no real denying it. It's a -- it's not the -- the owner of the vehicle driving that vehicle. So that'd be true.

MR. ANTHONY GUERRA: Why isn't that risk captured in the daughter's DSR rating on her driver's licence?

MR. LUKE JOHNSTON: So that -- that's really the question we're trying to answer going forward with the new version of DSR. I guess we can call it DSR 2.0 or whatever we want to call it.

We have moved to capture more premium for demerit drivers, and in a previous hearing, we've talked about how -- even at the minus twenty (20) or the twenty (20) demerit level, we can't really justify collecting more than an additional 3,000, $3,500 from, like, the absolute highest risk drivers.

So the balance we're trying to find is, you know, what's the right amount to collect from drivers for their kind of incremental risk like in this scenario while still remaining fair to the -- like for the registered owner and -- and all other drivers.

So that's -- that's the balance, and that's what these -- the three (3) remaining models we're trying to solve.

MR. ANTHONY GUERRA: Okay. Thank you very much.

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

CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. I just have a few questions on driver safety rating. And unless I direct my question to a specific member of the panel, whoever feels most comfortable or is most appropriate to answer the question, please proceed to do so.

So just going back to slide 2 of MPI Exhibit number 51, that's the reference to the order following last year's general rate application. But if we go back one (1) further Order to Board Order 130/17 and the preamble of that Order at page 6, there was some commentary from the Board here with respect to the driver safety rating scale.

And so at the top of the page here, we see the Board stated that:

"The Board recognizes the importance of providing incentives to improve poor driving behaviour and the need for the public to have confidence that riskier drivers are paying more for their driving premiums than our safe drivers. The Board is satisfied that the proposed changes to the DSR scale will incent better driver behaviour and that, although not strictly actuarially based, are directionally supported by statistical information in a broad sense. Therefore, the Board has ordered the changes to the DSR scale as applied for by MPI. However, the Board would like to see the corporation strengthen its analytical tools in the determination of driver premiums."

And beyond that ordered the technical conference to which we heard reference this morning.

So to paraphrase this then, the corporation would agree that one (1) of the concerns that the Board expressed in Order 130/17 was the extent to which the driver safety rating scale was actuarially sound. Would that be fair?

MR. LUKE JOHNSTON: That's fair and -- and true. Yeah.

MS. KATHLEEN MCCANDLESS: And we did hear some evidence regarding the public consultation process, and the report of the public consultation is at MPI Exhibit number 23.

And so to what extent will the findings in the public consultation process inform the decisions that the corporation makes with respect to the DSR going forward, bearing in mind that there is the concern about the model being actuarially sound?

MR. LUKE JOHNSTON: I'll let my other panel members talk about the actual customer research. I don't think customers actually think about things as actuarially sound but -- but more about just fair -- is this fair for me? And -- and maybe even relative to their current situation, is this good or bad for me?

But it does seem to ring very true that customers are looking for -- for fairness, that high-risk drivers should pay a fair share, I think, within reason. So that kind of speaks -- that sounds a lot like actuarial soundness to me.

MR. SCOTT PATTON: Yeah. So based on the findings from the public consultation, we've been able to actually eliminate a couple of the high -- high cost models as being inconvenience, confusing models that Manitobans aren't interested in.

The actuarial soundness of any of the

models is then at question. So you don't need to look at something that is overly complex. You can look at other models that will bring in that actuarial soundness, and Manitobans would accept that.

MS. KATHLEEN MCCANDLESS: And to confirm, is it the intention of the Corporation that whatever it ends up proposing in terms of changes to the driver safety rating will be based on an analysis of experience to the extent it's possible?

MR. LUKE JOHNSTON: Yes. We're currently working to try to find a way to incorporate driver safety rating scores in all the other rate-making data that goes to the Public Utilities Board. So we have a rating variables for territory and insurance uses and how to merge the DSR into the -- into that experience. So some of the experience goes back a decade, and DSR's changed a little bit over time.

What I would expect to come forward is initial analysis of us, you know, making that effort to -- to blend the DSR into the figures, getting kind of a directional sense of where that needs to go. I think -- I think everybody knows that it's -- you know, this analysis would say brand new drivers should probably pay a little more on their licence or things like that. But what it actually means for vehicle discounts and the -- the breakdown of driver premium versus vehicle premium, things like that, yeah.

MS. KATHLEEN MCCANDLESS: And so just to follow on that, after implementation of a new model, the necessary experience would be collected to support the evolution of whatever ends up being approved?

MR. LUKE JOHNSTON: Yeah. Part of the -- the evolution of DSR has obviously been collecting information over time, so we're very happy with how the model results turned out relative to the predictions we made at the DSR -- in the DSR filing in 2009, I believe it was.

And as we've shown here, charging more on the bottom of the scale, moving drivers in a risk appropriate way, has led to significant behavioural changes on the -- on the bottom, or the higher-risk drivers, whereas the -- the low-risk drivers, it's pretty much the same as -- as before DSR was implemented.

MS. KATHLEEN MCCANDLESS: Now, assuming a new driver safety rating model is implemented at some point, would you expect that the Corporation would be able to provide a first analysis of that experience to the Board at some point after launch? And roughly when would that be? Would that be five (5) years, seven (7) years...?

MR. LUKE JOHNSTON: I may not totally understand the question, but we -- we'll be very cautious with any DSR-related changes that we propose. The -- if we come back to the Board and, you know, show the analysis we've done on the -- on the data portion and -- and where it's directing us towards and how we plan on incorporating those findings, you know, whether we stagger changes in over a decade or -- it's -- it's a very sensitive subject in the consultation,

Some people think of the driver premium as a fee. Even just communicating to the public that this isn't a fee anymore; this is a premium, and it's paying for lost cost and things like that -- will take some time, so when -- we'd do it very slowly.

MS. KATHLEEN MCCANDLESS: And perhaps my question was a bit confusing. I am going even farther into the future.

And so to the extent you can comment, please let me know, but it's with respect to once that new system is implement, how long after that implementation would the Corporation be in a position to do an analysis of its experience with a new model?

MR. LUKE JOHNSTON: That's difficult to say, but the -- we'd obviously have no concerns sharing the experience. Any model that we create would be tied to our historical experiences as much as possible, and it would also include how we intend to modify our -- our rates year to year going forward.

That -- that's the tricky part, to put it in -- to put all this in a framework that -- that the PUB could see every year, you know, and -- and, you know, we have rules right now for rate setting, you know, how much can experience cause your rate to change in a year, what are rate caps, and all these other things. A lot of those topics would have to be revisited on -- from a driver's premium standpoint at this hearing.

MS. KATHLEEN MCCANDLESS: Thank you. Now, and just with respect to the public consultation report that's on the screen before us. Kristen, could we please go to page 7 of the PDF. And this graphic is the graphic that was also reproduced at slide 14 of the presentation we saw this morning, but with some additional text here.

So I wanted to refer to the second bullet below the table, where it states:

"No single model that was viewed as

perfect. Many Manitobans took a
view that the current registered-
owner model was the best, that it
works, so they see no reason to
replace it. If a model is selected
or developed to replace the current
one, the strongest sentiment is to
base vehicle premiums on the primary
driver of the vehicle and to base
driver licence premiums on the
individual's driving record."

Yes?

MR. SCOTT PATTON: That is correct.

MS. KATHLEEN MCCANDLESS: So if I'm to understand this finding, then, correctly, essentially, the respondents took the attitude toward registered owner model that, essentially, if it isn't broke, then why fix it? Is that right?

MR. SCOTT PATTON: That's correct, yes.

MS. KATHLEEN MCCANDLESS: But if -- if MPI was to actually change the model, then the sentiment was more in favour of the primary driver. Is that correct?

MR. SCOTT PATTON: Yes.

MS. KATHLEEN MCCANDLESS: Okay. Thank you. And if we go to the next page of the public consultation report, when we looked at the -- and just scroll below fairness of the models. There's some commentary on the fairness of the registered owner model as compared to the primary driver model.

In the first two (2) bullets under both of those headings, we see that the -- the percentage of Manitobans who perceived those models as fair. So with respect to the registered owner model, 82 percent said that they -- they view the current registered ownem -- owner model as being fair, and then for primary driver model, it was 83 percent viewed as being fair, yes?

MR. SCOTT PATTON: Yes, that is correct. We consider those to be equal.

MS. KATHLEEN MCCANDLESS: From a statistical perspective?

MR. SCOTT PATTON: Yes.

MS. KATHLEEN MCCANDLESS: And so we see from slide 18 of the presentation this morning that MPI is conducting pricing of these models as -- in addition to the driver premium model, yes? Slide--

MR. SCOTT PATTON: Sorry?

MS. KATHLEEN MCCANDLESS: -- slide 18?

Yeah.

MR. SCOTT PATTON: Okay. Can you repeat the question?

MS. KATHLEEN MCCANDLESS: So these are the models, now, that MPI's going to be looking at pricing going forward.

MR. SCOTT PATTON: Yes.

MS. KATHLEEN MCCANDLESS: Okay. And so what -- and perhaps this has already been answered to some extent in what Mr. Johnston has mentioned -- but the interplay betw -- or what factors is MPI considering in determining which model to ultimately recommend? We have public support, we have actuarial soundness, is -- and pricing, I'm assuming is -- is part of that as well?

MR. LUKE JOHNSTON: The -- all -- well, all relevant factors that we think are necessary in the decision, actuarial indications being one (1) of them. But again, I think even going back to the original DSR filing, we kind of show the -- you know, this optimal model where, you know, if we just let the model run and price everything where it should be, it would be very extreme.

So the -- when we price these, that information will have to be layered on all the other considerations of implementation.

MS. KATHLEEN MCCANDLESS: Thank you. And Kristen, if we could go to the driver safety rating section of the filing. That's page 7.

With respect to the costs for pelim -- preliminary research on the rating models, we see on this screen, so registered owner had no data collection costs?

MR. SCOTT PATTON: That is correct.

MS. KATHLEEN MCCANDLESS: Primary driver has estimated data collection costs of two hundred and seventeen thousand (217,000); yes?

MR. SCOTT PATTON: Yes.

MS. KATHLEEN MCCANDLESS: Then going forward on the other pages, with respect to forced assignment, that -- that's the 'all drivers in the household' model that's been set aside by the Corporation. Is that right?

MR. SCOTT PATTON: Yes.

MS. KATHLEEN MCCANDLESS: Okay. And then continuing down the list, we have declared drivers and driver premium residual risk, and that has zero data collection costs as well, yes?

MR. SCOTT PATTON: Correct.

MS. KATHLEEN MCCANDLESS: So if we go

back to the previous page and the primary driver information on data collection costs, perhaps the Corporation could just explain how -- the information that's required to gather or perform the analysis on primary driver -- how is that information gathered?

MR. LUKE JOHNSTON: The -- the specifics, I won't pretend to know, but we would have to start asking this question and collecting the information, even though it's not used for anything on the rating side, similar to any other model that we wanted to pursue where we don't have the data.

From a pricing perspective, in the absence of that data, we'd have to make some assumptions about who the primary driver is, but until -- we don't -- we don't really need a -- a year's worth of information to figure out, you know -- you know, maybe we do it for half a year and we see what people's behaviour is in terms of declaring that information, and then we can make some assumptions, but it's mostly in the creation of a new variable and requesting that information and -- and putting in the system.

MS. KATHLEEN MCCANDLESS: When it comes to ultimately cost of implementation of a model, if there is a change in model, does the Corporation have a sense as to when that information will be available?

MR. LUKE JOHNSTON: I -- I don't, but that could be something we undertake to do.

MS. KATHLEEN MCCANDLESS: So that's something that would be available now?

MR. LUKE JOHNSTON: It -- it may not be something that we've costed yet, but I can go and have a look if that's been done, but I'm not aware of it.

MS. KATHLEEN MCCANDLESS: So perhaps if you could just undertake to determine whether any costing has been done to date on any of the models examined, and if so, provide that information.

--- UNDERTAKING NO. 11: MPI to determine whether any costing has been done to date on any of the models examined, and if so, provide that information.

MR. LUKE JOHNSTON: I could do that.

MS. KATHLEEN MCCANDLESS: Thank you. Those are all my questions. Thank you.

THE CHAIRPERSON: Thank you. Ms. Dilay...?

MS. KATRINE DILAY: Thank you, Madam Chair.

CROSS-EXAMINATION BY MS. KATRINE DELAY:

MS. KATRINE DILAY: Good morning MPI Panel members.

So I'd like to just go over some of the findings from the public consultation report for our client's benefit and for our understanding.

Kristen, could we turn to the DSR public consultation report, which is Part 5 of the GRA and page 4 of the PDF?

And so you will agree, and -- and we've already gone through part of this this morning, but just to confirm, you'll agree that we see one of the key highlights is that Manitobans chose the current registered owner model as their preferred model for setting vehicle and driver premiums, correct?

MR. SCOTT PATTON: That is correct.

MS. KATRINE DILAY: And the report says that about half of Manitobans, or 44 percent, said that this model works.

They see no reason to replace it,

correct?

MR. SCOTT PATTON: That is correct.

MS. KATRINE DILAY: And in terms of the runner-up, the primary driver model was selected second most often, correct?

MR. SCOTT PATTON: Yes, by about half as many Manitobans.

MS. KATRINE DILAY: As the registered owner model?

MR. SCOTT PATTON: Correct.

MS. KATRINE DILAY: Thank you. And just a question about the current dri -- Driver Safety Rating Program. Before the DSR -- the current DSR was implemented, was there any analogous surveying done by MPI?

(BRIEF PAUSE)

MR. LUKE JOHNSTON: I was here for that. I can't recall exactly what was done. I was joking that I was standing in shopping malls for a few weeks, asking people questions about it, but that doesn't qualify as detailed customer research, but -- but there was a pretty thorough application.

We'll have a look at it and -- I don't

know what the best approach is to -- to come back to you with that information, but there is -- there is some research done. I just don't know the details.

MS. KATRINE DILAY: So is that something you would be able to look into and provide a more thorough answer?

MR. LUKE JOHNSTON: Yes, we can do that.

MS. KATRINE DILAY: Okay. So by way of undertaking?

MR. LUKE JOHNSTON: Yeah. So I understand the undertaking is just to -- MPI to come back and explain what customer research was conducted for the original DSR implementation?

MS. KATRINE DILAY: Exactly, and would it -- would it be possible to also report on whatever results were of that -- that customer research at that time?

MR. LUKE JOHNSTON: For sure. Hopefully it's just part of that application and we can reference the section, but if not we'll look even further.

MS. KATRINE DILAY: Thank you.

--- UNDERTAKING NO. 12:   MPI to come back and explain what customer research was conducted for the original DSR implementation, and also report on whatever results were of that customer research at that time.

CONTINUED BY MS. KATRINE DILAY

MS. KATRINE DILAY: So still a few questions on the -- on the current public consult -- consultation report, pardon me, that is before us.

You'll agree that this report demonstrated that at least some consumers in Manitoba find that the current model of setting insurance premiums may not reflect the real risk that drivers bring to the system?

MR. SCOTT PATTON: That is correct.

MS. KATRINE DILAY: And I'd like to just bring you to some examples to follow up.

Kristen, could we go to page 8 of this report? And if we go a bit down the page under "Registered Owner Model" -- and the third bullet under "Registered Owner Model," you see that -- that bullet?

MR. SCOTT PATTON: yes.

MS. KATRINE DILAY: So you'll agree that it was reported from the public consultation that primary weaknesses of the registered owner model or concerns were that this model is subject to people gaming the system or using the system to their own advantage, that is, registering a vehicle in the name of a driver with a better driving record, resulting in a premium discount even though they may not be the primary driver of the vehicle, if they drive it at all, correct?

MR. SCOTT PATTON: That is correct. That was a concern going in that we -- we know that that happens, and it was a concern that Manitobans basically fed back to us.

MS. KATRINE DILAY: And if we turn to 33 of this report, and if we just stay at the top of the page, you'll agree that this report on the finding -- reports on the finding, pardon me, that one-third of respondents find the registered owner model unfair, correct?

MR. SCOTT PATTON: Sorry, are you talking about page 33 PDF or page 33 of the report?

MS. KATRINE DILAY: So, if you go to the top of the page 33 --

MR. SCOTT PATTON: M-hm.

MS. KATRINE DILAY: -- "Reasons for being unfair," and then it reads?

"The nearly one-third who said this practice was unfair.

Correct?

MR. SCOTT PATTON: Yes.

MS. KATRINE DILAY: And that relates to the registered owner model?

MR. SCOTT PATTON: No. This is -- this is an interpretation of what people thought was fair and unfair overall, so it's not specific to one model or another. It's in -- in general.

MS. KATRINE DILAY: And are you able to speak to what the -- the practice here in -- in that quote is?

MR. SCOTT PATTON: The practice here is referencing registering all the vehicles under a single person. So the question that was put to the -- the members of our e-panel was, is this a fair practice. So if you look at page 31, we actually asked the question -- or phrased it with:

"Some Manitobans choose to have a single person register all the vehicles in the household, while others choose to have different "people register the vehicles."

So they're responding to:

"Do believe that's a fair or unfair practice?"

MS. KATRINE DILAY: And that's a practice that is currently possible through the registered owner model, correct?

MR. SCOTT PATTON: Yes, it is.

MS. KATRINE DILAY: And just to follow -- still on the same page, the -- the second paragraph:

"The most recurring theme as to why this practice is considered not fair or why it is not completely fair is that it allows households to manipulate the system to obtain a lower premium by registering the vehicles under the person with the highest DSR regardless of their use of the vehicle."

Correct?

MR. SCOTT PATTON: That is correct, yes.

MS. KATRINE DILAY: And you'll agree that there are some quotes from the public consultation on this page here?

MR. SCOTT PATTON: Yes.

MS. KATRINE DILAY: And some of the quotes include that:

"The present system is meant to charge more for the high risk drivers."

Correct.

MR. SCOTT PATTON: Yes. That is a direct quote.

MS. KATRINE DILAY: And another quote is:

"Obvious effort to get a cheaper rate almost fraud."

Correct?

MR. SCOTT PATTON: Yes, again that's a direct quote.

MS. KATRINE DILAY: And if we turn to page 26 of this report, Kristen, and if you look at the second half of the page.

You'll agree that with respect to values of Manitobans with respect to their auto insurance model, the top ranked values were rewarding having a good driving record, accurately pricing risk/paying the right price or rate, as well as fairness, correct?

MR. SCOTT PATTON: That is correct.

MS. KATRINE DILAY: I'd like to just talk for a minute about the next steps that MPI will be taking with respect to the Driver Safety Rating, which you also alluded to this morning.

So I understand that one (1) of the next steps will be a pricing examination, correct?

MR. SCOTT PATTON: Yes.

MS. KATRINE DILAY: And will the pricing examination compare the registered owner model with the primary driver model and any other model that MPI is seriously considering, including the financial impact on premium revenue and the costs of modifying the systems?

MR. LUKE JOHNSTON: That would be the intent, with -- with obviously some of the newer models being more difficult from a data perspective, but that -- all that sounds reasonable, yes.

MS. KATRINE DILAY: And will one (1) of the next steps also include a review of best practices in other jurisdictions?

MR. LUKE JOHNSTON: To the extent we can obtain that information from -- like, obviously our other public insurers, we can talk to them openly, but a little harder on the private sector, but we'll do what we can, for sure.

MS. KATRINE DILAY: And will one (1) of the next steps also include further engagement directly with Manitoba consumers if a decision is made to change the model, for example, with respect to how it will be structured and implemented?

MS. SATVIR JATANA: So we do believe that this is not one and done. Our approach in -- in engaging customers and stakeholders at the right time at the right place is what our intent would be.

Difficult to anticipate what that step would be, but that would be correct.

MS. KATRINE DILAY: So just to confirm, you would anticipate future public engagement with Manitobans before a final implementation of a new system is made?

MS. SATVIR JATANA: We do recognize that further engagement with the customers and stakeholders would be necessary. What that looks like, it would be difficult to commit to at this point.

MS. KATRINE DILAY: Thank you. Just a few more questions.

You'll agree that the review of the

driver safety rating model came out of the 2018 general rate application hearing?

MR. SCOTT PATTON: Yes.

MS. KATRINE DILAY: And PUB counsel referred to this already, but in particular it came from concerns of a public utilities board relating to the actuarial soundness of the driver safety rating model?

MR. LUKE JOHNSTON: That's correct.

MS. KATRINE DILAY: In other words, the Board was concerned about the lack of actuarial evidence supporting the evaluation of driver risks, so that higher risk drivers pay more than safer drivers for both driver and vehicle premiums?

MR. LUKE JOHNSTON: That's correct, yeah.

MS. KATRINE DILAY: And as a result, MPI committed to reviewing the DSR model to ensure that the rates charged to customers reflect risk as accurately as possible?

MR. LUKE JOHNSTON: That's right.

MS. KATRINE DILAY: And would you agree that the decision with respect to the driver safety rating model, including whether there should be any changes, will include a balancing of multiple factors?

MR. LUKE JOHNSTON: Definitely, actuarial indications are only one (1) of those items, yes.

MS. KATRINE DILAY: And one (1) of the other factors could be consumer views?

MR. LUKE JOHNSTON: Definitely, yes.

MS. KATRINE DILAY: And one (1) other factor, which I -- I think you alluded to, that would be premiums that accurately reflect the risk that drivers of a vehicle pose?

MR. LUKE JOHNSTON: Correct.

MS. KATRINE DILAY: One (1) factor would be encouraging safe driving?

MR. LUKE JOHNSTON: That's correct.

MS. KATRINE DILAY: And another factor would include cost efficiency to the corporation?

MR. LUKE JOHNSTON: That would be good, I'm trying to think in my mind how that happens, but if possible, sure, yes.

MS. KATRINE DILAY: I believe those are all my questions. I'm just going to confirm with my client, if that would be okay.

Thank you very much, those are our questions.

THE CHAIRPERSON: Thank you. Questions?

BOARD MEMBERS GABOR: Yesterday we had the road safety panel and we talked a lot about programs to change driver's behaviour.

I don't know if -- if you were watching on the live stream or in person. So can you tell me how the registered model -- registered owner model follows that? That it changes driving behaviour when the person driving the car may not be the registered owner?

MR. LUKE JOHNSTON: So a couple things happen with DSR. The first one (1) was to properly rate the drivers on this scale, and we've shown that the model works very well to -- in doing that, right.

So we've -- we come back every year and we show the predictions it makes in the GRA.

The -- the second very valid question is now what are you going to do about it, like why haven't we changed the rates to reflect this model that seems to work very well.

So the -- the issue is how -- you know, how you share this -- you know, what should be on the drivers license or should we change the model altogether and have people report different drivers.

The initial research we came back with to the PUB was to show that, for the most part, having the license is kind of the indicator of risk, right? Like whether you own a car or don't own a car, the cost for each driver on -- by DSR level was very similar. It was a little bit less if you didn't own a car, but for the most part, those two (2) lines were the same.

We use that graphic to justify raising the rates on the demerit side of the scale, because on -- on that side of the scale there is very little question that we weren't getting enough.

Like even if they paid the full vehicle premium and this additional premium, we weren't over-charging, so we're very concerned about over-charging.

Those additional premiums, and perhaps this is the communication of the scale itself, has done a -- a really good job promoting safe behaviour on that side of the scale. And I don't know if we have it in this application, but in previous applications we showed that DSR might have been one (1) of the biggest road safety achievements ever for a really low cost. And you can see on the demerit side that frequency dropping.

So I think your question is more if we

do an even better job of that, pricing risk properly, can we get, you know, even more safe driving and more incentives to be -- behave in a lower-risk fashion. I think the answer is probably yes.

That's what we're looking to do now.

BOARD MEMBER GABOR: But Mr. Johnston, I -- and I appreciate your comments -- in terms of insurance premiums in determining the cost of the insurance, having a registered owner of the car, who may or may not even be driving that car, doesn't reflect the risk of the poor driver who may be driving the car, but doesn't own it.

MR. LUKE JOHNSTON: Yes, right now the -- if you have a license you can pretty much freely drive around anyone's vehicle in Manitoba, you don't have to be listed on someone's policy or anything like that. So it makes sense that really the DSR predicts how you're going to behave, not so much --

BOARD MEMBER GABOR: Not the -- not the insurance premiums?

MR. LUKE JOHNSTON: Yeah.

BOARD MEMBER GABOR: So the -- the hypothetical situation put forward, I believe yesterday or the day before, where the grandson rides -- drives a motorcycle and is a poor driver and then has the grandmother register the vehicle, although she doesn't drive motorcycles, is something that can happen under the current system?

MR. LUKE JOHNSTON: That's correct.

BOARD MEMBER GABOR: In -- in terms of surveys, was there a question put -- and I wrote this down quickly, so it may not be that good -- but was a question put to the people should the cost of insurance premiums take into account the driving record of the individual?

MR. SCOTT PATTON: Not as a direct question, but the response that we got back, and especially the -- the response that we received qualitatively tells us that Manitobans do think that way.

So they do believe that that's what's fair. What's fair is paying the right price and what's paying the right price is paying a price that reflects your risk.

BOARD MEMBER GABOR: Right. So, for example, luckily if I look at the chart on the screen, that's reflected by that in the first two (2) lines.

MR. SCOTT PATTON: Yes.

BOARD MEMBER GABOR: If that was your starting point, wouldn't that change the entire dynamics of the question of whether the preferred models the registered owner model?

MR. SCOTT PATTON: Could you rephrase that question?

BOARD MEMBER GABOR: Well if -- if the question put to the public as a single question, rather than these different scenarios, is should the cost of insurance premiums take into account the driving record of the driver, and you have an overwhelming yes, 90 percent, isn't that going to change the follow-up questions in terms of what model -- what model is viewed positively?

(BRIEF PAUSE)

MR. SCOTT PATTON: So, to answer your question, a driver's record is reflected on their licence and on the -- the surcharges, espe -- especially on the negative side, so that is already accounted for in our current model.

And if -- if we go back to the original discussions, that -- that's really what was being discussed, was, you know, how much can we change or should we change to focus on the driver licence premium versus the insurance premium for the vehicle.

And that's really the difference between two (2) of the models that we have, the current registered owner model and the driver premium model. It's -- it's that shift of the vehicle itself is not the risk, so it doesn't matter. The -- the vehicle should be rated at that point based on what type of vehicle it is, where it's operated.

But the actual operator is the person who is reflecting the risk, so, therefore, it -- it indicates that we should be focussing on the licence more than the vehicle premium.

BOARD MEMBER GABOR: But then you would have -- wouldn't you have a system where you don't take into account who the registered owner is? Then your focus simply is the car -- sorry, the -- the vehicle?

MR. LUKE JOHNSTON: That's -- that's the balance. Like, so what is -- we're -- when we look at our current scale, we're saying what is the minimum -- or sorry, what is the maximum we could charge on the driver premium scale to -- where it's still fair, right.

And then whatever we don't collect would have to come from the vehicle side. And there's still diff -- big differences in vehicles if you're buying, like, a -- you know, a brand new SUV or a twenty (20) year old car.

So, that would still be reflected on the vehicle side. But in theory, you -- you could have all the risk of the driving on the licence, and then the vehicle amount is just the same for everyone, essentially. That would be, like, the most extreme side of the -- of the -- of the coin.

We're trying to ne -- work toward a better balance.

BOARD MEMBER GABOR: Right. But, Mr. Johnston, at that point, you've removed the concept of risk to the vehicle. What you're looking at is the cost of the vehicle and replacement of the vehicle.

And the owner of the vehicle, whoever you pick to determine the premium, has nothing to do with risk?

MR. LUKE JOHNSTON: Again, yeah, that is the -- that's the balance you --

BOARD MEMBER GABOR: Yeah.

MR. LUKE JOHNSTON: So, there is definitely -- having that licence and being able to drive as a ten (10) demerit driver carries a certain amount of risk that appears to have existed, you know, whether -- whether what car you own.

That's the amount we'd like to get there, and then the remaining charge to the vehicle side in appropriate way. That balance is -- is a tricky one (1) to figure out, yeah.

BOARD MEMBER GABOR: No, and I appreciate that. I guess my final question to you, Mr. Johnston, is that -- I was going to ask earlier what do other insurance companies do in terms of de -- determining if -- if you want to go to the actual driver.

And -- and you made the comment of, well, we could compare it to what other public insurers do, but it would be more difficult to private insurers.

Why is that? Why -- why isn't it just as relevant to see if private insurers say who's actually driving this car, we're going to determine the premium based on the driver of this car rather than the registered owner of this car?

MR. LUKE JOHNSTON: I'll split my answer in two (2). So, first of all, we really like our risk prediction scale. And then we think it's better than what most people have. We have access to all drivers. We can do a really good job of -- of doing that. We've compared to SGI and ICBC.

The other thing about our approach that I really like is we are -- at least the intent is to keep this actuarially sound, not to punish people. So, you've seen this stuff in the news. ICBC -- and new drivers are paying these astronomical rates.

And -- and I talked to them and say, well, is that based on the actuarial soundness of -- of what's needed for those drivers? And it doesn't sound like it is completed. So, we don't have any intention of charging people more than they -- they need to be charged.

The -- for private insurers, it's just more about accessing information, what they want to share. Like, we might know that they do a certain practice, but how they rate, that would all be proprietary information.

We'll get some sense of that when we do our -- our premium surveys across the country, you know, but they're not going to as openly share their models with us.

BOARD MEMBER GABOR: Okay. Thank you. Those are my questions.

(PANEL STANDS DOWN)

THE CHAIRPERSON: Thank you. Thank you very much. This concludes the first panel of the morning. Perhaps what we can do is take a break now for fifteen (15) minutes, and then come back with the next panel. Thank you.

--- Upon recessing at 10:20 a.m.

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

THE CHAIRPERSON: Mr. Scarfone...?

MR. STEVE SCARFONE: Thank you, Madam Chairperson. Our next panel is just a duo, Mr. Johnston and Tai Phoa. He's our manager of pricing.

Perhaps because the panel's familiar with Mr. Johnston -- of course our chief actuary -- I'll just have Mr. Phoa introduce himself and provide a little background information on both his job title and his experience. Go ahead.

MR. TAI PHOA: Good morning, panel. As counsel alluded to, my name is Tai Phoa. I am the manager of pricing at MPI. My job is to oversee all procedures and models related to the proper pricing of basing Extension policies according to current best practices.

I've been in this role since 2016. Prior to that, I was an actuary analyst. I have done a lot of work related to reserving and rate making over the course of my time at MPI which has been about eighteen (18) years.

MR. STEVE SCARFONE: Thank you, Mr. Phoa. And you report to Mr. Johnston?

MR. TAI PHOA: I report indirectly to Mr. Johnston. My immediate supervisor is Doug Overwater.

MR. STEVE SCARFONE: Okay. Thank you, sir. And so we'll get you sworn or affirmed before we begin today's presentation on rate making.

MPI PANEL NO. 5:

LUKE JOHNSTON, Previously Affirmed

TAI PHOA, Sworn

EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE:

MR. STEVE SCARFONE: Thank you. Mr. Johnston, are you making the presentation today on rate making and the capital management plan?

MR. LUKE JOHNSTON: Those two (2) items and the claims forecast as well. Yes.

MR. STEVE SCARFONE: Okay. And you're

aware that this presentation will form part of your direct evidence in the proceeding?

MR. LUKE JOHNSTON: I am.

MR. STEVE SCARFONE: Okay. Go ahead. Thank you.

MR. LUKE JOHNSTON: Okay. Good morning. So as we have on the screen, I'm going to go through the claims forecast first since it is the main driver of rates, and that'll tie in nicely to where the rate indication is going, and then lastly, we'll get the new capital management plan.

Okay. So this slide is total Basic ultimate losses, and what that means is in each accident year, this is our estimate of the total cost of claims for Basic in that -- in that year. The reason I say it's an estimate is 'cause prior years have PIPP claims and unsettled claims in those years. So the farther they are in time, the more certain they are, but they're still estimates.

If you look at the last column in the -- it says "variance to forecast." So in this year's forecast in the '20/'21 -- and 2021 year, we've lowered our claims forecast by 12 million relative to what we presented to the PUB last year. And then '21/'22, it's been lowered by 20.9 million. And I'll explain where those variances come from.

The -- this is the entire history of Basic losses by accident year since PIPP started. Given how straight that line is, you might think you don't need an actuary to make that prediction. It's -- just draw a line right through there.

The average growth is 4.4 percent per year. That is what I call kind of the Goldilocks zone of rate setting. And what I mean by that is we're going to get our volume growth of the fleet of about one and a half percent, sometimes two (2), sometimes a little less. And we're going to get upgrade so then the natural growth and premium, as people buy new cars, of about 2 1/2 percent.

So you put those together, we typically get 4, 4 1/2 percent of premium growth without asking for a rate increase. So when we had that nice run of about fifteen (15) years where we either didn't have an increase or -- or we had a rate decrease, that's why we were able to stay in that happy kind of 4 percent or less growth phase, and we didn't have to ask for additional rate.

One (1) item that we -- from the original slide, we talked about lowering the forecast on average of about 16 million a year. One (1) thing that obviously MPI can't take credit for is the PST reduction. So the PST going from 8 to 7 percent was equivalent to about almost 6 million reduction in the claims forecast resulting in about a half a percent rate decrease going forward permanently.

Okay. Weekly indemnity, also known as income replacement benefits and retirement benefits -- I put this giant chart in here to make a -- make a few points. On the claims count column, that's the number of weekly indemnity claims we've had where we've paid at least a dollar.

You can see that our claims aren't -- are not growing. Even with the fleet growing one and a half, 2 percent a year, the number of income replacement claims has -- I can describe that as flat or maybe even declining a little bit. And from a claims per vehicle standpoint, it's definitely declining. So that's good news in terms of injured claimants in the province.

On the severity side, on this graph you'll see it's severity being the cost per claim has averaged over the whole period at about 45,000. In 2010, you'll see a 46,000 severity. The year before that, you'll see it's 37,000.

Prior to 2010, we had never had a

severity over 40,000. So Mr. Williams referenced in his opening about the concerns with weekly indemnity coverage. This is where those concerns stem from. We had a really big jump in severity starting in 2010, and that cost -- caused our costs to increase.

We've maintained that level since, but I'm going to talk a little bit about why that happened.

Before I switch slides in the very last column, you'll see variance to forecast again. In the '20/'21 year, you'll see a 6 million increase. So the weekly indemnity forecast was increased about 6, 7 million relative to last year.

So the big driver to weekly indemnity increases in recent years -- and these largely have been reflected through actuarial valuation adjustments -- has been increased on the number of claims becoming lifetime claims.

So in the table here, you'll see we start accident year 2004/'05, and in that year we had seventy-three (73) claimants still collecting income replacement after five (5) years. At that time, the five (5) year rolling average of that number was about seventy-three (73) claimants a year.

As you saw in the earlier slides we've

had roughly the same number of income replacement claims over the last couple decades. So it's not like these numbers are changing much over time.

As we progress towards 2008, 2009, 2010, you can see we start rising into the hundred-plus level of lifetime claimants, and that rolling average increases to over a hundred. So we basically experience about a 30 to 40 percent increase in lifetime claimants around -- between, you know, the 2008, 2010 year. Every one (1) of those additional claims cost us about a half a million dollars.

The difficulty from the actuarial side of things is obviously when the year starts, I don't know that we're going to suddenly have a 30 percent increase in lifetime claims. I have to wait to see how that turns out. So five (5) years later, I find out, oh, wow, we have a hundred and five; I would have never have guessed that. Right?

As this has continued this way, we've had to take continued hits on the valuation as we put in more pessimistic assumptions. And so that's what's been occurring over the last few years, and that's caused the majority of the actuarial adjustments.

When we talked about weekly indemnity in previous applications, there was a concern that the results were tied into this BI3 claims management system, that we had changed processes and removed staff out of the -- in the early stage of the claim, and that had caused us deterioration in the limit -- number of lifetime claims.

So we're trying to address that concern. We've hired, I believe, thirteen (13) intake staff at the early stages of the claim to specifically work these type of income replacement claims where -- when I say these type of claims, I mean if it's an obvious lifetime claimant like a major injury, there's no, like, work to -- they're not going back to work. So that's a different story. But where it's more of a minor injury it's just a struggle getting the person back to work, that's where there'd be more focus.

So what you have here is there's four (4) different lines. 2000 to 2009 shows you the -- this is the percentage of claims that remain open over time, and then the green line above it is the percentage of claims that remain open in the more recent 2010 to 2017 period.

And basically, the difference between those two (2) lines at the end is that additional thirty (30), forty (4) lifetime claimants per year that's costing 15 to 20 million more to -- to -- in --

in claims per year.

The dotted lines on the chart, specifically the 2019, is showing that we've had some success lowering or -- or -- or improving those closure rates in the near term. However, from an actuarial perspective, it's a bit early for me to start recognizing that, but we're hoping that those results continue, and we'll keep the Board informed of them.

Okay, moving on to the other main driver of -- of -- of -- of change in this application, Accident Benefits Other - Indexed. These would be PIPP claims that are not income replacement claims, but they're largely other lifetime -- potentially lifetime index benefits such as personal care, medical expenses, things like that. Again, on the claims count side, you'll see that the counts have remained relatively stable over time, so the collisions per vehicle are -- are falling, which is good.

In the column titled ultimate, you'll see that the cost per year was basically hovering around 60 million per year until the '16/'17 year, where it jumped to 77 million and then 73 million and 73 million, et cetera. When we -- one -- one of the new programs we put on the reserving side is called centralized reserving, and the idea is these reserves -- all -- all PIPP reserves, once the claimant hits twenty-four (24) months of development, we kind of change our view on the outcome. And in order to identify exposure early so we don't have surprises, these are, essentially, automatically reserved, in most cases, for life to reflect, you know, the -- the probability that they'll -- they'll get off claim.

Those reserves have really driven up our ultimates. We're hoping that those numbers come down, but at the moment, we have -- we need some more experience to see kind of where that turns out. But you'll see that that's -- those recent higher numbers have fed into the forecast and -- and basically bumped up our forecast for this item by 10 million over last year.

So this is basically what I talked about. The -- the -- the -- the different approach in this coverage is -- income replacement, we've always -- it's -- it's very clear. You have to determine for a certain amount of money, and then all we do is say, you know, how long do we expect you to live?

On the personal care side, it's more difficult because sometimes, you know, your personal care needs fluctuate. Sometimes, you might not have any personal care needs at all, but we think you might need some twenty (20) years from now. The reserves are a lot more difficult to set. Centralized reserving is trying to make that more consistent, but that's -- that's where we're getting the pickup in cost.

In regards to the restated forecast that was used in -- in our October 4th updated filing, the question was raised, again, by Mr. Williams, what about -- you know, Mr. Johnston has to do this October valuation, and, you know, there's sometimes surprises, and -- and -- and that in those. What we've done in the -- in the restated forecast is we've actually booked PIPP entirely back to budget. So what I mean by that is to date, we're -- our reported PIPP claims are actually 24 million, or 22 percent under budget.

In the updated forecast, I've assumed that I'm going to add back reserves for all -- that entire amount when I do the valuation. So it's a little bit of a conservative view, but it's recognizing that that work has not been done yet, so we're not banking on it in that forecast. So just -- just so everyone understands, we're not -- on -- on the PIPP side, our -- our -- our forecast is essentially the same.

Okay, moving on to collision. Again, quite a bit of history here. I'll just start with the far right column. You'll see that we really dropped the collision forecast in this GRA relative to the previous. So the 2021 year, 25 million lower than the previous year. That's worth about 2 1/2 percent on rate right there.

The big surprise in our results in 2018 was that claims frequency line, where it says one one eight. You can see prior to that, we'd had a one point two o (1.20) -- was the lowest, but everything else was more in the thirteen (13), fourteen (14) claims per hundred type of range. So this frequency was a big -- big surprise.

I'm just going to flip to the other side here. The -- updating our -- our numbers to -- to September, the -- the '18/'19 collision frequency's since risen a bit to 1.22. That's largely because we had a very bad February and a lot of claims came in late. But if you look at 2019/'20, you can see our current updated collision estimate is even lower, at .116. So we're tracking extremely well on collision.

I -- I'm not sure if I mentioned on -- earlier, but to date, every month of collision results we've had has been the lowest month of all time. So from a statistical perspective, that's a pretty extreme result, and that's one (1) of the things that we've updated in -- in our forecast.

The other very surprising result in the '18/'19 year is you'll see our latest update on severity growth was only 1.45 percent in the '18/'19 year for collision. If you look back at some of those more recent years, you can see there's a 10 percent severity growth in the '15/'16 year. That's obviously a massive stresrer -- stressor to rates. We can't -- I talked about the -- you know, the 4 percent growth to -- you know, to stay -- break -- break even or no rate change. That -- that's not going to work for us there.

So the 1.45 percent I think speaks largely to the claim cost control, focussing on the core message that Mr. Graham talked about on -- on the first day, and we're hoping we've kind of set a new baseline, and then we'll go forward from there.

The light vehicle accreditation agreement, LVAA, is in our forecast. One aspect of that agreement was the removal of the direct repair premium of eighty-one dollars ($81). That additional premium was not actually recorded in collision costs.

It was recorded in a -- a separate expense item, unallocated expenses. The removal of that premium saves the Corporation about $6 million a year, so that was taken out of the forecast as part of the benefit.

The -- recognizing that the premium was, you know, part of these negotiations, the actual collision severity is -- appears to be a bit overstated at six point seven (6.7). If we kind of make an apples-to-apples -- you know, recognizing that we've recovered this amount, the actual growth would be 5 percent, and that's kind of what we're seeing on collision severity, 4 to 5 percent growth per year.

This is a difficult slide to follow, but what it's attempting to show here, and -- and we'll provide more detail when we do the undertaking that we have on this -- is just to show some of the -- the main categories of our -- of our claims forecast. On the first set of three (3) columns, you'll see the -- the Q2 actual versus the budget we had for that line item. So PIPP shows 13 million under budget; collision, 12; comprehensive, 18; et cetera.

So, those are the results that we saw at six (6) months. And the next question is, well, how did we update our forecast based on that information?

So, for PIPP, as I mentioned, it's a little bit hard to explain, but we've reversed most of the favourable amounts to -- not to bank on them, instead wait for the actuarial valuation.

But for collision, we've recognized some of that frequency that we're seeing, that -- you know, the -- it would be very unlikely that it doesn't continue given what we see in the first six (6) months, so that's -- that's recognized in our update.

And then, similarly, on the Comprehensive side, the coverages that would be expected to roll forward we've updated. Obviously, things like hail are fully already recognized in the -- in the earlier months.

Okay. We'll have more details on this when we do the undertaking. Okay.

Moving on to rate making.

MR. STEVE SCARFONE: Mr. Johnston, just before you begin with the rate making, I did have a followup question on -- on the first presentation.

So, just there's a lot of slides, a lot of numbers. Is it fair to say that, generally speaking, the property damage or collision claims are decreasing?

MR. LUKE JOHNSTON: The -- the

frequency of -- of collision claims is at levels we've never seen.

MR. STEVE SCARFONE: And -- and is it also fair to say, based on what you presented there, that the -- the PIPP claims, the injury claims, are either steady or increasing?

MR. LUKE JOHNSTON: So, there's just some relationship between the number of PIPP claims and the number of collision claims. That obviously makes sense.

You saw in the history though that injury claims have actually been declining as collision claims have been going up over time, so there's not a completely direct relationship, but we are seeing favourable frequency on the injury side, as well.

And now the -- the -- really the key is can our -- some of our new processes prevent as many of those claims from becoming longer duration claims. That's the -- the next step.

MR. STEVE SCARFONE: Yeah. And -- and so, that was essentially what I was trying to get from you, is one would expect a correlation between collision and injury claims.

If collisions are going down, the

occupants of those vehicles, you would expect, aren't being injured?

MR. LUKE JOHNSTON: Yes, it's definitely not a one (1) to one (1) correlation. For example, most of our big injury claims happen outside of Winnipeg on the -- in rural.

So, it's -- about two-thirds (2/3) of our serious claims happen outside of the city. So, if, you know, there was a lot less fender benders in Winnipeg, that might have no effect at all on the number of serious claims we have.

But as a general -- you know, if you don't crash, you don't -- you can't get injured, so there is some correlation for sure.

MR. STEVE SCARFONE: Okay. And then just one (1) further question. On the one (1) slide, you showed on the PIPP side the weekly indemnity. That's, you said, income replacement indemnity, retirement income benefits.

And then there's the accident benefits other. Does that capture everything, including permanent impairment benefits?

MR. LUKE JOHNSTON: No, it doesn't. I focussed really on the big changes in -- in this application. Another PIPP line would be accident benefits other non-index, which would be our death payments and our impairment payments.

Those are more one (1) off type -- you know, if -- if someone dies, they get a certain amount. They're not lifetime benefits. Like, so once they're kind of paid, we know where we stand. Those are more stable than the other lines.

MR. STEVE SCARFONE: Fi -- the -- the fixed PIPP costs?

MR. LUKE JOHNSTON: Once -- once settled, they're essentially fixed. And within two (2) to three (3) years, you kind of know where you stand for sure.

MR. STEVE SCARFONE: Okay. Thank you. Those are all my questions then.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: Okay. Moving on to rate making.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: So, our Basic rates on set on a breakeven basis and we follow accepted actuarial practice. Our updated breakeven rate indication is negative zero point six (0.6).

And we are not asking for a capital build or a lease provision or a maintenance provision, which was something that we removed from the previous GRA.

The -- there's also a note here about the change in fiscal year-end. I'll -- I'll talk about that.

So, we say our Brace -- Basic rate making methodology is -- is proven and stable. Obviously, we've changed that in recent years to be -- we still use the income statement. And -- and now we follow accepted actuarial practice.

Really, our plan has been very stable, too. I showed you that original graph where Basic was growing at about, you know, 4 percent a year for twenty-five (25) years. That obviously helps with rate stability, as well, so those two (2) together.

As you know, no -- no profit provision in Basic. And going forward, we will be coming to PUB, assuming the capital management plan is approved, or some version thereof, with -- with build or release provisions.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: So, reiterating the -- the fiscally prudent manner in which we operate, especially in -- in recent years where we've had a much greater focus on the core, claim costs per -- per vehicle increased by only 2 percent in this GRA, which, in terms of being in that kind of Goldilocks zone, that's less than we get naturally for just people buying and selling cars.

So -- so, again, what I mean by that is, you have a ten (10) year old car and you go buy a new SUV, MPI didn't change any rates, but you bought a more expensive car, so we got more premium. That would be an example of upgrade.

The other item helping the rates is obviously that expenses have been basically flat, so no -- no need to ask for additional moneys for expenses.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: There's a lot of info in this table again, I get that, but I just wanted the -- the Board to see the components of Basic rates and just to see that everything really we spend money on or get money in revenue is in the rate.

And it's really the -- the cost per vehicle unit and how that changes that drives rate indications, so, obviously claims are in here. But, you know, anything from reinsurance to getting service fees or driver premium, those are all either added or -- or subtracted off the rates.

So, as I mentioned, claims cost per unit have -- has increased 2 percent. That's the biggest category. You -- if you scroll down, you'll see reinsurance went from nine dollars ($9) a vehicle to twelve (12). That's the impact of us buying the new hail program.

So, that -- if -- if you want to know how much that costs ratepayers, it's two dollars ($2) per unit. We're going to try to bring that down, but that -- that's the cost.

And then on the bottom right there you'll see our costs -- our -- our total cost per unit went up 3.3 percent, but we have -- we adjust that for volume and upgrade and the removal of the capital maintenance, and that gets us to the 0.6 really -- rate reduction.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: I think I spoke to these already. Just -- yeah, just to reiterate -- reiterate, claims costs are always going to be the main driver; they're most of the cost. And those are tracking lower than the upgrade, so that's -- that's the main reason we're able to charge something close to zero.

The other -- sorry, the one (1) point I didn't make, the declining interest rates. So, why do -- why does that matter? When we're pricing to break even, we look at all the cashflows and, like, in and outs, like premium collected versus claims received.

And obviously, we're holding a lot of that premium until we have to pay claims. For PIPP, we may hold it for forty (40) years. We discount those cashflows to reflect the fact that we'll earn investment income on the -- that ec -- those excess funds.

And since the -- the discounting is tied directly to interest rates, if interest rates go down, we need to collect more today to be able to pay for the claims tomorrow, so that's -- that's why that matters.

This slide shows the breakdown by major vehicle class of the -- of the rate change. Eighty-two percent of vehicles have a rate change of less than fifty dollars ($50).

I don't have them on this slide, but a little more than half the vehicles would have a -- a rate decrease, just it's generally like a bell curve looking type of chart.

The explanation for passenger vehicles is basically the same as basic overall favourable claims experience is the main driver.

On the -- for the public class, I'll talk about that. That relates to taxis, for the most part.

Motorcycles is most -- like, it's a PIPP and interest rates, so you saw that in an earlier slide we raised the PIPP forecast, almost the entire motorcycle rate is for PIPP. The reduction, the collision forecast has really no effect on the motorcycles at all, that's why they feel that -- that rate change that -- that the private passenger class doesn't have.

So for the public class, the big driver here is that when we introduced vehicle for hire we -- internally we said okay, well, there's going to be this new group of vehicles coming in, taking business from the taxis, that -- in theory.

And is it right to assume that they have -- going to have this same claim cost tomorrow if there is twenty (20) other competitors, you know, coming in and trying to take business from them.

So we -- the truth is we didn't know what to assume in that regard. So what we did is we -- we allowed taxis to be eligible for a DSR discount, which reduces their premium.

And we made a -- a general assumption that their loss cost would decrease by -- by about a million dollars to, you know, about the size of the DSR discount.

Unfortunately, we've seen almost no change in their behaviour. So now that we actually have data we can't really justify that -- that decrease so you know, we -- we've applied the usual rate making methodology to indicate what should be charged and that's the reason they're seeing a bigger increase this year.

Of course, we'll continue to follow this. Last time I looked there was about four hundred and fifty (450) taxis and about four hundred and fifty (450) to five hundred (500) vehicle for hire vehicles, so they're about the same in size.

But for whatever reason, the taxi experience isn't being affected by that.

Moving on to motorcycles, so the table on the right shows you a percentage of PIPP costs, so private passenger vehicles, 29 percent. Motorcycles, 91.

If we had -- if rates -- interest rates did not decrease from our original application, private passenger vehicles, excluding the capital maintenance, would have been a 2.9 percent decrease, and motorcycles would have been a 0.2 percent increase.

Just the change in interest rates has the effective change in that motorcycle indication from 0.2 to 5.1. No fault of the motorcyclist, purely just the -- the nature of the claims that they have and the impact of discount.

I get that that's a very difficult message to hear from the CMMG side, but in terms of following our rate making methodology, this is just a reality.

For every 1 percent change in interest rates, a motorcycle rate will change by about 6 percent. So if -- if rates increased -- interest rates increased by 2 percent, all else equal, motorcycles could expect to get about a 12 percent rate decrease.

So that -- that's how extreme that -- the -- that is. And it does introduce volatility, that is -- that's for sure.

The change in the fiscal year end, we're asking that rate stay in -- in effect for thirteen (13) months. I think this is a good time to do that, we're asking for a rate change of around zero, so if we were in this environment where rates were rapidly, you know, increasing or decrea -- whatever the case, it could be more -- it could be a bigger deal that we're, you know, allowing these rates to stay in effect for one group of customers for an extra -- an extra year.

Currently we're asking for zero, our projections are close to zero, so this I don't think creates any financial or rating issues for customers. But again, this -- this is our approach, we saw this as being the least impactful to ratepayers.

And this is just reiterating what I already talked about.

MR. STEVE SCARFONE: Thank you, Mr. Johnston. I'll just ask another couple questions on that particular deck.

Are you able to just go back a couple slides to slide 20, I believe it was. It makes reference to the -- the natural growth that the corporation realizes, and you made reference to about 4 percent I think you said, correct?

MR. LUKE JOHNSTON: Yeah, and longer term averages about 4 percent, 1 1/2 percent for fleet growth and about 2 1/2 percent for upgrade.

MR. STEVE SCARFONE: Right, so I see that on the bottom there, the natural upgrade, that's people buying new cars, correct?

MR. LUKE JOHNSTON: Most of it. But if -- another example would be if I used to live in the country, like in rural, where the rates are cheaper and I decided I want to move to the city, you'd -- we'd get upgrade from those type of activities as well.

MR. STEVE SCARFONE: Okay, and we see there that serves to lower the rate indication by 2 1/2 percent. And then the -- the volume, as I understand it, that's the size of the -- the fleet that's insured by MPIC, right?

MR. LUKE JOHNSTON: That's right, and this here, all we're saying is that the -- we had to adjust the '18/'19 volume for what actually -- the difference between what we expected and what actually happened that year, just to -- to make it an apples-to-apples comparison. That's that adjustment there.

MR. STEVE SCARFONE: Right. So if the -- if the volume or the number of vehicles being registered by the Corporation is going up, then that would be a negative percentage there normally, is that right?

MR. LUKE JOHNSTON: If we had done better than expected on our volume, that would be a negative, but we had a -- we did have low volume growth last year, so that's basically adjusting for the fact that we -- we mis-estimated volume growth in that year. We had less than we thought last year, in terms of growth, yes.

MR. STEVE SCARFONE: So that was my question. Does that mean that the -- the fleet decreased in -- in size?

MR. LUKE JOHNSTON: No, it means that the -- I don't have the exact numbers in front of me, but say we expected, you know, 1.7 percent growth and we only got 1 percent growth, for example, we -- we have to make up for the fact that we didn't get that growth that we expected and we -- we were under on premiums slightly.

MR. STEVE SCARFONE: Okay, so that I guess the -- the upshot of that is the natural growth that we normally expect wasn't enough this year to exceed the required rate indication?

MR. LUKE JOHNSTON: It was -- I wouldn't really say it was less than we -- than we baked into the rates last year. And since we didn't bake that amount into the rates we -- we don't have it, so it has to be adjusted for in this years, yes.

MR. STEVE SCARFONE: I see. Okay, thank you, those are all the questions I had on -- on the rate making presentation.

MR. LUKE JOHNSTON: Just moving ahead, hoping not to freeze the screen.

Okay, the capital management plan. We'll start with purpose of the rate stabilization reserve. I think everyone's familiar with this definition.

What we've introduced with the capital management plan is that we are now essentially always managing rate volatility by constantly moving towards our target.

So what I mean by that is we don't wait until things get really bad or really good to ask for surcharges or release large sums of money. We always will be moving to the target in a structured, predetermined manner that's acceptable in terms of rate volatility and -- and such, and we won't allow bubbles to occur. That's the objective.

We -- the target itself is, I think, a separate discussion. The manner in which we move to the target is really important for these Hearings because that really defines how, you know, quickly or much we -- we're moving or -- or releasing.

So, as it says here, we've made a choice to cap any surcharge at any time at 5 percent. Even in the most dire circumstances, we're saying cap it at 5 percent, but that's open to debate.

We wanted our plan to be used in all situations. We didn't want, like, an ICBC-type plan where things got really bad and they just abandoned the whole plan.

Like, so, we said internally, if things really did get -- would we follow this plan. And the belief is that we've set it up so that -- that we would.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: This is basically just a slide talking about the reserves regulation. As everyone knows, that's in place and up for some debate later in the Hearings, but our -- our -- we're working off a target of 100 percent MCT for the purposes of this capital management plan proposal.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: Okay. So, two (2) kind of objectives to the capital management plan. Obviously, we want to achieve the purpose of the RSR, or the rate stabilization reserve.

And we always -- like I mentioned, we always want to move towards our capital target in a structured and consistent manner from year to year.

Why I -- we say one (1) simple methodology? When we originally met with our board on this topic, right away it was, like, what are all these different factors that go into this -- this capital management plan.

Like, we're talking -- we have investment kind of on the RSR. We got the capital maintenance provision. We got surcharges, rebates, like, all these. And the message we got was, like, make it simple.

Like, it's -- it's -- why do you have all these separate provisions? Isn't the object get to the target, and if you have too much money, go back down to the target?

And so, that was the message we heard from our board. And -- and really, that's what this proposal is. It takes out all these other factors and just looks at one (1) thing, where you are today and where you need to be in terms of the target and tries to roll that into one (1) capital adjustment factor separate from the accepted actuarial practice breakeven rate.

And the hope would be that that factor would be a separate item listed on the renewal notice that makes it very clear that this is not part of your breakeven Basic, this is because, for example, MPI had a really good year and made more money than they expected, and we're -- we're returning funds because, you know, we're over our capital target or -- or vice versa.

That's something that I think customers already expect. So, they'd see, hey, MPI had a really good year, I'm going to get some money back, or what. A lot of ways, this plan will do that, meet those expectations if -- if we're always hovering around a hundred percent.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: The plan has four (4) components. I'll go through each of these on the next few slides.

The first component of the plan is always set rates based on accepted actuarial practice breakeven. So, don't -- don't deviate from that. I know there's been an ongoing debate about this investment income on the RSR, even more so with this capital management plan.

Our view on that is that that should not -- that adjustment should not be included in the breakeven rate. By definition, this is investment income on the rate stabilization reserve that is not part of the costs of setting new rates. Like, this is a reserve provision that we have that was supplied by either Extension or past policyholders. We're earning funds on it.

We want to split that and put it where it belongs really in terms of how the capital is growing naturally. So, again, what I mean by that, we set breakeven rates.

If we looked over at the RSR and there was enough investment income to maintain our capital at 100 percent, great, we don't have to ask for any other adjustment.

In prior years, what you saw though is, if we set rates in reducing the -- for investment income, or MCT would deteriorate over time and -- and we'd become more thinly capitalized over time.

That was a reason for the maintenance provision. We've -- we've tried to roll that all into one (1) capital adjustment factor now.

MR. STEVE SCARFONE: Just a question on that. And sorry to interrupt your presentation.

So, if you go back one (1) screen, Mr. Johnston. When you indicate in the second bullet there that the investment income on the RSR should not be included in the breakeven rate, I take that to mean that the investment income would be returned into the RSR.

Is that where it would remain?

MR. LUKE JOHNSTON: That's right. Like, in -- so, we're not -- we're saying leave it -- leave it in the RSR, allow the RSR to grow however it ne -- like, it -- it does based on the investment income.

If it -- if that triggers a release of capital or -- or if it's not enough to build to where we need to be, then we'll adjust the -- the actual capital build release request that we have.

But in some years, this amount alone will be enough to kind of maintain our capital position and won't have to do anything.

MR. STEVE SCARFONE: So -- but I take that to mean, all things being equal, the effect of that would be ultimately to push the MCT above 100 percent?

MR. LUKE JOHNSTON: So, the issue with including -- let's say we -- we calculate the breakeven rate the way that MPI's suggesting, at -- at zero percent, and then we find out that investment income on the RSR is ten million (10,000).

So, we say, well, decrease the rate by that ten million (10,000), let's have a negative 1 percent rate decrease now.

So, that would mean, if the RSR is 300 million today, it's still going to be 300 million next year, except the rest of MPI's operations have grown, liabilities, assets, all that, our MCT score is going to be decline because our absolute dollar amount hasn't changed.

We're saying let the RSR include its natural growth. If that natural growth is too much, more than we need, more than a hundred percent MCT or whatever the -- we'll release it as part of the capital management plan, but until then, why would we remove it from the rate when -- when it's necessary?

MR. STEVE SCARFONE: Okay. Thank you. And that's -- that was the response that I was looking for because, if it is too much, then, in fact, that investment income in an indirect way would affect the rate indication?

MR. LUKE JOHNSTON: Definitely. So, when we get into -- let's say we're at 105 percent MCT. The -- there's no need to grow the MCT and we would have our three (3) target and we'd force the -- the capital release to decrease the MCT down to that target, which will --

MR. STEVE SCARFONE: Lower the rate indication?

MR. LUKE JOHNSTON: -- take a portion of that. Yeah.

MR. STEVE SCARFONE: Yes. Okay. Thank you.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: Okay. Moving on to capital transfers. So, this is another -- again, another form of essentially a capital adjustment. This is -- capital transfers from Extension was never part of the -- the basic rate.

It's coming in a year-end and adjusting MPI's capital position in the form of the MCT ratio. As the Board's aware, we've had many discussions here, what are you doing with the Extension money.

Like, obviously, we can see our consolidated financial statements. We've had years where we've had hundreds of millions of dollars in Extension, and what -- what's MPI doing with it.

So, the -- the capital management plan prescribes that, based on the -- this capital target for Extension of 200 percent, when there are funds beyond that amount, what we're doing with it is sending it to Basic.

The -- an Extension rebate or something like that would be very difficult to administer, we're not going to call someone up and give them a 10 percent refund cheque on their rental car insurance that they bought.

So for the most part, Basic and Extension are the same people, the same customers. We'll transfer these funds over. If they're required to build capital, to meet our build targets, great, that means we don't have to ask Basic ratepayers for those funds.

If it means it push -- this amount pushes Basic MCT over 100 percent, then that will provide a means for releasing or rebating Extension funds back to policyholders, which we didn't really have on the -- on the Extension side.

Just to be clear, I -- I say "rebate", but we don't intend to actually, under this plan, have any rebates. We intend to incorporate it through rate decreases.

Okay. The next component, Capital Build or Release Provision. So again, simple calculation, are we getting to 100 percent MCT, we're suggesting five (5) years for a build. We're really close to the 100 percent MCT right now, so five (5) years for build in that context sounds kind of unnecessary, I get that.

But there will be times when we're farther away and we think five (5) years is appropriate, it also allows for, you know, good luck and other things to happen, you know, there's ups and downs in the insurance cycle.

And if that five (5) year period means that we have to charge a surcharge more than 5 percent, we would cap it at 5, in that case that -- it would be -- we wouldn't get there in five (5) years, but in all other circumstances we're shooting for five (5) years.

On the release side, we have 100 -- we have more than 100 percent MCT, you know, there's no -- not nearly as big of a concern with -- with negative rate decreases as there is with increases, I think everybody would agree to that.

There's still market cycles, so maybe we just have a really great year on the stock market, you know, it pushes us through the 100 percent MCT, do we want to just liquidate all those funds, like immediately, I would suggest no. Three (3) years gives, you know, a little bit of -- slows that release a little bit just in case there are market cycles.

The description below I think is self-explanatory. Take off forecast calculate, you know, where the target MCT ratio would be over the forecast based on where you are today.

If we are not meeting the expectation

of a -- of the target, so if we're not building or releasing fast enough, trigger the build or release that gets us to that amount.

If we say, you know, we're at 90 percent MCT and we're naturally building faster than required, we don't have to ask for anything. So Extension money is coming over and covering that gap, we don't have to ask for a build, for example.

MR. STEVE SCARFONE: Mr. Johnston, the required timeframe in that slide, that particularly for the capital build, the five (5) years, that's different than what you presented at the tech conference earlier this year, correct?

The timeframe and the capital management plan has changed since the tech conference?

MR. LUKE JOHNSTON: Yes, it has. Yes.

MR. STEVE SCARFONE: And what was the reason for changing the timeframes?

MR. LUKE JOHNSTON: Again, recognizing this is -- this is our first go at this, but really related to my earlier comments. In the build phase you're asking ratepayers for more money. You know, rate increases, we don't want -- you know, regardless of what your definition of rate shock is, this is a much more sensitive and kind of contentious period that we would be in. And we want to do it in a -- a publically acceptable way.

But at the same time, we want to be fiscally responsible and get back to the target that we've -- that we have, so that this was seen as a balance to that.

MR. STEVE SCARFONE: Thank you.

MR. LUKE JOHNSTON: I already spoke about this briefly, but this plan would essentially eliminate the capital maintenance provision and roll all capital adjustments into one provision that would reflect are we -- is capital growing at the pace we need it to grow to meet the targeted MCT in a build or a release scenario.

Okay. So a lot of questions about why MPI filed a -- a revised rate indication, and what -- what the decision-making process was around -- around doing that.

So I tried to give two (2) charts here that puts in perspective what we were seeing and -- and why we decided to make the change.

So if you look at the -- this is the -- what we saw in the filing, original filing from June. The -- the current MCT position is on the left, approximately 87 percent, I believe. The dotted line dictates the build required from the five (5), you know, the five (5) year build in the capital management plan. So that's the target that we need to be.

If we remove the capital maintenance provision we would have been in that lighter green line underneath the -- the target. So at -- at that time we said okay, well we have this provision and rates, if we take it out we're not getting to 100 percent, we should leave it in.

The forecast with the capital maintenance provision in is the line on the -- the higher -- the above line, the darker green line, and that shows that we were expecting to get to 100 percent MCT within a -- within a -- two (2), three (3) years.

Okay. Move forward to the October filing, so we updated our -- obviously having some really good results, especially on a corporate basis, well into the 100 millions of profit.

You know, we're obviously investigating a lot of what's going on, why are we making so much money, et cetera. We updated our forecast and asked ourselves the same question again. So you'll see the dotted line there that shows the five (5) year build target, given that we're expecting to be in the high nineties of MCT, that's not a very major build.

If we include the capital maintenance provision in the rate, you can see that higher light green line, essentially blowing through the target immediately and speeding towards 120 percent within the next few years.

We agreed internally that we -- that wasn't appropriate, so the suggestion was to remove the capital maintenance and produce the line, the darker green line at the -- at the bottom of the chart.

Our current forecasts are not showing that that darker green line hits 100 percent MCT. But we have not updated any of our forecasts in this GRA for 20/21 and after. So what -- what I mean by that is we've given the Board a new '19/'20 estimate, but all other forecasts in that location for the rating years and beyond are unchanged, with the -- of course, with the exception of interest rates being updated.

Okay, so that was -- that was really the decision process in terms of our improved financial position. And that's the end of my presentation.

MR. STEVE SCARFONE: Thank you, Mr.

Johnston.

Just a couple -- just a couple more questions on the capital management plan, just some general questions for you, sir.

So firstly, the capital management plan, was this something that you designed?

MR. LUKE JOHNSTON: I was definitely in -- involved in the design and then a few feedback loops with our Board and management.

MR. STEVE SCARFONE: Thank you. So this may seem like a silly question, but where does someone come up with a capital management plan? Is this something that you would have learned about in school, or how did you learn about these things?

MR. LUKE JOHNSTON: Well, we -- we've had a long journey over the whole RSR and capital target. So I've learned a lot about those topics over the last two (2) decades. We have -- we did bring in SGI, and they talked a little bit about their capital management plan.

Really, all we're trying to figure out is what our targets should be, and how we stay there, and how we respond when we're not there. Right?

So it's -- it's not really an actuarial thing so much as it is we're trying to find, at least in our plan, a fairly common sense approach and simple approach to maintaining capitalization where we want it to be and in a way that doesn't shock ratepayers and -- or achieves the purpose of the RSR.

MR. STEVE SCARFONE: And how closely tied to the 100 percent MCT target under the regulation is the capital management plan?

MR. LUKE JOHNSTON: How close are we today?

MR. STEVE SCARFONE: How closely tied to the target under the regulation is this capital management plan?

MR. LUKE JOHNSTON: Well, the -- the main driver is the target itself. So everything -- the capital management plan revolves completely around getting to -- to that 100 percent MCT target.

And as referenced in the filing, we -- any target -- you know, unless you're way above it on purpose or something, which we're not, you're going to have ebbs and flows where you're sometimes below or sometimes above.

If we're a little bit below the target and we have this plan to get back to it, we didn't see ourselves as violating the intention of that regulation because we're under it for, you know, like a short period of time.

The -- the objective of the capital management plan is to ensure that we're -- we have a plan to get back to that target at all times. If we don't have that plan, that's when we would not achieve the objectives of the -- the regulation.

MR. STEVE SCARFONE: And so that plan to be at that target or as closely to it as possible is either through build release provisions in the plan. Is that right?

MR. LUKE JOHNSTON: Well, that's -- that's actually the point I was trying to make at the beginning that hopefully not -- you don't have to do as many of those if we -- if we have -- you know, investment income on the RSR coming over naturally, Extension transfers coming over -- we'll see where we sit there and decide if a build or release is required.

But yes, in the absence of those things getting us to where we need to be, we would -- the net effect would be a build or release.

MR. STEVE SCARFONE: And last question for you, sir. So the capital maintenance provision we heard is out, but does that preclude it from being inserted back into your plan in future years?

MR. LUKE JOHNSTON: I -- I think we -- we -- like admittedly, we could have done a better job explaining the capital management provision in this GRA.

What we're going to see going forward is we're always going to have some sort of capital adjustment decision. So what I mean by that is say, you know, we -- we need to build, and we put in an extra 1 percent in the rates to -- to build similar to, like, we did with the capital maintenance.

Next year when we look at the rate ask, we'll obviously still have that build in the rate. If we look at our forecast and we're progressing in the way that we need to with that capital adjustment embedded in rates, the decision will probably just be to leave it in there, or that's what MPI would -- would recommend.

But we need to do a better job of explaining, you know, what's currently embedded in the rate and how we're adjusting that to capital provision year to year so it's clear to everybody here.

MR. STEVE SCARFONE: Thank you. Those are all my questions, Madam Chairperson.

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

CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you, Madam Chair. Mr. Johnston, I'm just going to start with some questions about the rate change proposal and Mr. Phoa as well. Kristen, could you please go to Figure RM-1 from the application. This is just for your reference.

So in the General Rate Application as originally submitted, the overall indicated rate change was shown as a 0.1 percent increase in rates. Yes?

MR. LUKE JOHNSTON: Yes.

MS. KATHLEEN MCCANDLESS: And then if we jump to pages 30 to 31 of the rate making section starting on page 30 at about line 23 in the supporting derivation the required rate change or the '20/'21 required rate change scrolling down to the next page was initially estimated at a rate decrease of 1.9 percent. Yes?

MR. LUKE JOHNSTON: Yes.

MS. KATHLEEN MCCANDLESS: And this 1.9 percent rate decrease represents the estimated change from the current approved average rate level projected forward down to the estimated required average rate level. Is that correct?

MR. LUKE JOHNSTON: Yes.

MS. KATHLEEN MCCANDLESS: And that current approved average rate level included a loading for what we were hearing about as the net capital maintenance provision of about 2.06 percent. Is that right?

MR. LUKE JOHNSTON: That's right.

MS. KATHLEEN MCCANDLESS: And in Order 159/'18 after the 2019 GRA, the Board approved the net capital maintenance provision for the 2019/'20 rating year only. Is that right?

MR. LUKE JOHNSTON: That's right.

MS. KATHLEEN MCCANDLESS: And then that Order also directed the Corporation to come forward in this GRA with the capital management plan as an evolution from the net capital maintenance provision. Would you agree?

MR. LUKE JOHNSTON: Agreed.

MS. KATHLEEN MCCANDLESS: And so we've obviously heard a fair bit already about the proposed capital management plan. The GRA, as originally submitted, derived a 2020 adjusted required rate change -- so at line 7 and down -- of 0.1 percent based on retaining the net capital maintenance provision in light of the new capital management plan.

You see that line 5?

MR. LUKE JOHNSTON: That's right. And that -- the visual -- the graphical visual of that is in my PowerPoint in terms of why -- why we did that. But that is correct, yes. Yeah.

MS. KATHLEEN MCCANDLESS: So the average rate level resulting from the adjusted required rate change of 0.1 percent is about 2.06 percent above the rate level required for breakeven rates as defined by the Corporation.

Is that accurate?

MR. LUKE JOHNSTON: That's accurate.

MS. KATHLEEN MCCANDLESS: And the GRA, as originally submitted, included a capital management plan and net capital maintenance provision. Yes?

MR. LUKE JOHNSTON: Yeah. Those -- that relates to my comments from a few minutes ago about defining that capital adjustment better, but that's -- that is correct.

MS. KATHLEEN MCCANDLESS: Okay. And just to clarify, the net capital maintenance provision is not a part of the capital management plan. Correct?

MR. LUKE JOHNSTON: It is -- those exact terms, no. Going forward, we want to embed all kind of capital adjustments into one factor which will be a build or release, if necessary.

But that'll be comprised of all aspects that impact capital, RSR on the invest -- investment income re -- sorry -- transfers, capital build release, et cetera. Yeah.

MS. KATHLEEN MCCANDLESS: Why did the Corporation feel it was necessary to have both in the application as originally submitted -- so having both the capital management plan and the net capital maintenance provision rather than allowing the capital management plan on its own to address the determination of capital adjustments for inclusion in the proposed rate change?

MR. LUKE JOHNSTON: Yeah. No. That's -- to your question, we -- so we have a -- a factor built in -- into rates. As I showed on my slides, in maintaining that existing factor would get us to a hundred percent MCT -- at least projected at that time -- in a two (2) to three (3) year period.

Given that that objective was, you know, given that we're tracking above our minimum build requirement, the decision was made to not change that 'cause there -- you know, we were above the target line.

So the -- another option, of course, would have been to ask for the -- the capital adjustment to be changed to go exactly to the targeted MCT, which would mean less than 2.06 percent. But, yeah, the decision that we made was that given that this is, you know, moving us in a -- a -- a -- you know, at the -- or, above the target and not exceeding a hundred percent in the rating period, that it was -- it was going to be our proposal.

MS. KATHLEEN MCCANDLESS: So if we go to RM -- Figure RM-1 again and up to the body of the document here. When preparing the wording for the certificate of the actuary for the GRA, which is something you prepared, Mr. Johnston. Is your document here?

MR. LUKE JOHNSTON: Sorry, can you say that again? I missed the last part, yeah.

MS. KATHLEEN MCCANDLESS: This document here is signed by you and prepared by you, yes?

MR. LUKE JOHNSTON: That's right. Yeah.

MS. KATHLEEN MCCANDLESS: Why is there no mention of a net capital maintenance provision included in this document, especially considering the explicit reference to the assumed 0 percent profit provision?

MR. LUKE JOHNSTON: Yeah, that -- I -- I recognize that would have been helpful, so it -- it's not -- it's obviously in the -- the document itself describing that, but perhaps it could have been more directly referenced in here. I admit that.

MS. KATHLEEN MCCANDLESS: And on a related note, if we scroll down, why -- why does the certificate of the actuary describe the overall .1 percent rate change as the indicated rate change rather than as the adjusted indicated rate change, so the terminology that -- that would be used in RM 4.2.5?

MR. LUKE JOHNSTON: Again, that -- I -- I definitely can understand the -- the request. When doing this, you know, the decision to keep the maintenance in the provision and figure out what the rate change would be -- it was made in that context.

Today, we probably would not show it that way, and in the future, I think it definitely makes sense to split the -- the pure AAP breakeven from any capital adjustment factors. So we'll -- that's something we'll definitely do.

MS. KATHLEEN MCCANDLESS: Thank

you. Now, jumping to MPI Exhibit Number 42, and so this is the amendment to the proposed rate change, and page 1 of Exhibit Number 42. Scrolling down to the appendices, yeah. All right.

So now, MPI, as acknowledged, proposes an overall rate change of a .6 percent rate reduction, and you've acknowledged that already today?

MR. LUKE JOHNSTON: That's right. Yeah. Yeah.

MS. KATHLEEN MCCANDLESS: And so this amended rate change proposal res -- reflects an update for movement in market interest rates and removal of the originally proposed continuation of the net capital maintenance provision, correct?

MR. LUKE JOHNSTON: Correct.

MS. KATHLEEN MCCANDLESS: And why is it now that the Corporation believes -- and you've touched on this somewhat already, but perhaps you could expand on why the net capital maintenance provision is no longer required.

MR. LUKE JOHNSTON: Yeah. The -- per the discussion we -- we just had, it definitely makes sense going forward that this item be explicitly identified on -- on this cover page rather than the document, so I accept that.

This -- this version, obviously, doesn't have any maintenance provision, and then -- and the -- per my presentation, our -- our reasons for removal of that maintenance provision were related to our -- basically, our current financial position and our projection to be at a hundred percent MCT quite easily without that provision.

MS. KATHLEEN MCCANDLESS: So now, is it fair to say that in the amended rate application, the Corporation is allowing the capital management plan on its own to address the determination of capital adjustments for inclusion in the proposed rate change?

MR. LUKE JOHNSTON: That's true with -- with one (1) kind of exception. There's no question that coming to the hearing with a updated current-year forecast is abnormal, but the -- the feeling is that our results are that significantly different than expected that this was necessary.

So when we -- when we talked to our board about this change, we said, well, you know, if we were going to lose $200 million, would we be having this meeting as well? And I -- we would, right?

So if we -- if we thought we were at 95 percent MCT, and things had kind of crashed and burned, and we had fallen to 50 percent or something like that, we would hope -- we would expect to do the same thing, because our forecast says -- it was -- it would be hard to call it a best estimate when I know, back at the office, I've lost hundreds of million dollars, for example. So that -- that's the circumstances around this -- this application.

MS. KATHLEEN MCCANDLESS: Now, subject to the approval and use of a -- an appropriate capital management plan, can you foresee any reason why the net capital maintenance provision would be required again in future applications?

MR. LUKE JOHNSTON: I do not, no.

MS. KATHLEEN MCCANDLESS: And Mr. Johnston, on the issue of the expected return on investment supporting Basic total equity, you did speak about that in your presentation this morning.

And just to confirm, consistent with its prior position, in the current application, the Corporation has again derived its estimate of breakeven rate indication excluding the recognition of the expected return on investment assets supporting Basic total equity, yes?

MR. LUKE JOHNSTON: That's correct. Of course, the information's available, but -- but we've not included in that calculation.

MS. KATHLEEN MCCANDLESS: And for ease of reference in this line of question, I'm -- I'm just going to refer to it as RSR return, to shorten that phrase up.

MR. LUKE JOHNSTON: Sure.

MS. KATHLEEN MCCANDLESS: So we've previously -- or it's previously been acknowledged by the Corporation that the RSR return is a Basic insurance cashflow. You would agree with that?

MR. LUKE JOHNSTON: Yes. It's a cashflow, yes.

MS. KATHLEEN MCCANDLESS: And the Corporation has previously agreed that AAP rate making calls for determining the indicated rate level such that, and quoting from the standards of practice of the Canadian Institute of Actuaries:

> "The best estimate present value of cashflows relating to the revenue at the indicated rate should equal the best estimate present value of cashflows relating to the corresponding claim costs and expenses costs plus the present value of a provision for profit over

a specified period of time."

Agreed?

MR. LUKE JOHNSTON: I -- I agree. And -- and those are probably direct quote. The -- the key for me in there is that these are policies -- sorry, these are cashflows related to the new policyholders, of which we do not consider the funds investment income earned on previously supplied funds -- whether from Extension or previous ratepayers in the RSR -- as being related to those policyholders.

We're not taking the money away from anybody, but it's staying in the RSR as a way to build or, if necessary, rebate in the future, but in the pricing of new policies, we don't consider that to be appropriate cashflow for -- to include in our rate setting.

MS. KATHLEEN MCCANDLESS: In its application, the Corporation has included a -- a zero per -- percent profit provision in estimating the overa -- overall required rate change, yes?

MR. LUKE JOHNSTON: That's right. So the cashflows in and the cashflows out are breakeven. There's no adjustment for profit.

MS. KATHLEEN MCCANDLESS: And again, as confirmed in your presentation, in the application, the Corporation has not included a provision for the RSR return in estimating the overall required rate change, so in effect, excluding this acknowledged Basic cash inflow, correct?

MR. LUKE JOHNSTON: If you can, can you repeat that again? Yeah.

MS. KATHLEEN MCCANDLESS: I certainly can. So the Corporation, in the application, has not included a provision for the RSR return --

MR. LUKE JOHNSTON: Yes.

MS. KATHLEEN MCCANDLESS: -- in estimating the overall required rate change?

MR. LUKE JOHNSTON: Correct.

MS. KATHLEEN MCCANDLESS: So in effect, excluding this cashflow to Basic, which is acknowledged as a Basic cash inflow, correct?

MR. LUKE JOHNSTON: It's -- yeah, there's no question it's a cashflow to Basic. Is it a cashflow reflective of the pricing of the -- the cost of new policies? We say no. The cashflow itself is incorporated in the capital management plan build release decision, and so it's being utilized.

But again, if we -- if we're in a -- say we're in a position where we're at -- regardless of what you think of the target, we're below the target MCT, why would we give the investment income on the RSR as a rate reduction to the current policyholders when we already know that the RSR itself isn't sufficient? That's -- that's where we're coming from, so it's not related to those policies.

If we were to give them that money, what does -- what does that have to do with their claim costs and expenses that we're pricing for? It's essentially giving them -- say it's $10 million -- $10 million of investment income we earned on other -- other people's contributions to the RSR. So that's -- that's our rationale for not doing it.

MS. KATHLEEN MCCANDLESS: Thank you. Kristen, could you please pull up PUB-MPI-2-6, and question b(ii), and here -- pardon me -- the Corporation was asked about rate indications determined in accordance with accepted actuarial practice and whether they could be estimated with or without recognizing the expected return on investments supporting Basic total equity, yes?

MR. LUKE JOHNSTON: Oh, sorry. Yes, I see that. Yes.

MS. KATHLEEN MCCANDLESS: And if we scroll down to the response there at b(ii). The response cites the standards of practice of the

Canadian Institute of Actuaries, but if you had to answer "yes" or "no" to that question, which would it be?

MR. LUKE JOHNSTON: I get that your actuarial advisor has lots of experience, say, with other companies and what they do and rate setting. What we're saying here is our prof -- our profit vision is zero, and we see no direct mention in the standards that the practice of investment income on total equity is a requirement for AAP rate setting.

MS. KATHLEEN MCCANDLESS: I think the question is -- is a bit different, though. Is -- the question is whether AAP rate indications can be estimated either with or without recognizing the RSR return.

MR. LUKE JOHNSTON: Well, by doing so, we're saying that they -- they can be with or without, because we're not... Yeah. Yeah.

MS. KATHLEEN MCCANDLESS: Thank you. Then if we go down to the response at (c) here. No, pardon me. I'll just leave that reference for now.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Madam Chair,

I'm just noting the time, and I do have what I would say is a few hours of questioning, so there's no chance I'll be finished with the panel before lunch. Perhaps this would be a good time to break.

THE CHAIRPERSON: Thank you. We will break for lunch now and come back at 1:15 with Mr. Wennberg, and I expect that at that time, Mr. Monnin will be here on behalf of Bike Winnipeg to --

MS. KATHLEEN MCCANDLESS: Yes.

THE CHAIRPERSON: -- complete the cross-examination portion of that panel.

MS. KATHLEEN MCCANDLESS: That is correct, and then once that's complete, we will hear from Mr. Johnston and -- and Mr. Phoa again. Thank you.

THE CHAIRPERSON: Thanks very much. I'll see everyone at 1:15.

(PANEL RETIRES)

--- Upon recessing at 12:03 p.m.

--- Upon resuming at 1:11 p.m.

THE CHAIRPERSON: Good afternoon, everyone. We will reconvene the Panel that we concluded on yesterday afternoon. I believe we're at the stage where it's your opportunity for cross-examination, Mr. Monnin.

CONTINUED MPI PANEL NO 3:

CLIF EDEN, Previously Sworn

CURTIS WENNBERG, Previously Sworn

CROSS-EXAMINATION BY MR. CHRISTIAN MONNIN:

MR. CHRISTIAN MONNIN: Thank you, Madam Chair, members of the Panel. Since we are talking about road safety, I just want to commit to the record that I did drop off my car this morning to get the winter tires put on, so I'm doing my -- my part.

I'll try go get you folks out as -- as quickly as possible today. Thank you for your time and for accommodating my cross-examination this afternoon.

Kristen, I'll start with -- if you can just have ready the Bike Winnipeg IRs, Round 1-1 and 1-8, and I just have some questions. I'll start off with social costs and -- and the impact on policy and programming at MPI.

In particular, at page 2 of 2 of 1-1,

the responses of -- of MPI -- right there, please. Thank you.

And just to summarize:

"But essentially effective immediately, MPI plans to update the corporate measure for success for road safety and based on -- on reduced harm to users from collisions and adopt [or "adapt" rather] adopt social costing when analysing the impact of collisions and setting priorities."

And under the response to question -- you don't need to go there, but it talks about filing a road safety operational plan framework in the '20/'21 General Rate Application, which will reflect that.

And now if you can go to 1-8, I just have some questions with respect to social costs.

And with the preamble -- notes that:

"According to Transport Canada, the societal costs of collisions in Manitoba are estimated to have been 1.98 billion in 2016, up 21 percent from 2015."

Is it fair to say that MPI doesn't necessarily take issue with those statistics?

MR. CLIF EDEN: No.

MR. CHRISTIAN MONNIN: And again in addition, still under the -- that IR, in 2016, the -- the societal cost of collisions per licensed driver increased $2,211, up 19 percent from 2015, and that was due primarily from an increase in the number of fatalities in 2016.

And again, MPI doesn't necessarily take any issue with those statistics?

MR. CURTIS WENNBERG: Not specifically to that year, but we got to remember what we've been talking about before. When it comes to fatalities in Manitoba, they do bounce around because of the small number bias involved in them. So you'd probably just want to make sure you look at a trend line in fatalities.

MR. CHRISTIAN MONNIN: Sure. And that's fair, they do bounce around.

If you can go to the next page, Kristen, please.

The response to Question B, which is:

"Fatalities and injuries, they do bounce around, but they comprise

over 75 percent of the societal cost
and therefore the increase in
fatalities contribute considerably
to the increase, 69 percent, with
the increase in injuries
contributing to the next largest
increase of 23 percent."

That's -- you don't disagree with those percentages?

MR. CURTIS WENNBERG: No, but again I -- I don't think you would ever want to do policy on the basis of a 23 percent increase in one (1) year and then a 23 percent decrease in the next year simply because fatalities have dropped down, because of the normal volatility. We'd want to take a very -- let's go back.

We just added societal costs of $8 million per fatality into what we're doing in road safety, so that's a big shift, I think as you would agree, in terms of how we've started to involve these types of social costs.

Whether that 8 million goes to 9 million in one (1) given year, or then goes back down to 7 1/2 million on the -- on the basis of this sort of mathematics, we shouldn't be bouncing it around that much.

We -- we probably just want to make sure that we have a relative cost, I think, seeing some of the other studies where the United States uses 10 -- $10 million per fatality as an example.

I think some of those numbers -- it's less of what they are. It -- it's more that we now include them, so that things like passenger restraint systems that -- now beget that special project that my colleague was talking about that we'd like to have due for early of next year, but it's now on the books and we make sure that we're dealing with that.

MR. CHRISTIAN MONNIN: Thank you. I appreciate the answer, but the point I'm trying to get here is, and I'm just wondering if -- if I understand correctly, and if that's the case, does MPI agree to that.

Is that when you're looking at these -- these -- the pocket of damages, two-thirds (2/3) would be fatalities or injury and then one-third (1/3) would be property damage. Is that fair to say?

MR. CURTIS WENNBERG: Roughly, yeah.

MR. CHRISTIAN MONNIN: Okay. And what I want to get a better understanding of is -- is I understood with Mr. Keith's evidence yesterday that there's been changes in the priorities for road safety for -- for MPI; namely, that you're now looking at societal costs.

And he also, I believe, said that there's an increased -- increase into the analysis of human toll. Is that fair to say?

MR. CURTIS WENNBERG: Yes, because the human toll now includes the -- the $8 million and most of that's from fatalities and then serious injuries, you're going to get some slight shifting within our programming.

We talked about this at -- at a bit more length in the technical conference that we had. There's three (3) main priorities that we have that will probably remain as the top priorities. In essence it's distracted driving, impaired, especially with the addition of cannabis, and then speed. So those three (3) are going to be the top, whether you include social costing or not, because of the impact and how much they have an impact on fatalities and serious injuries.

The one (1) where it may have had slightly less emphasis yesterday but now will have more emphasis tomorrow, are things like the passenger restraint system or some maybe specific stuff in rural, and that's where it may come up into the -- up a little bit higher.

MR. CHRISTIAN MONNIN: Okay. Kristen, can you please go to Part 7 of Attachment A, page 67 or 69? That's part of the -- that's the report of the technical conference.

And I'm just try to reconcile what -- what I'm hearing today and what I see here, and it's likely that I've missed it somewheres, but the fourth paragraph from the bottom of the page, it says:

> "With respect to the use of social costs, MPI commits to considering these costs in their priority setting, business case development, and resource allocation decisions, but caution that doing so may not have a radical impact on current road safety priorities, given human toll is already weighted into the priority setting methodology, which serves to prioritize road safety issues most commonly associated with fatal and serious injury collisions."

Is that dated? Is -- is that no longer

the case?

MR. CURTIS WENNBERG: No. That's what I was trying to refer to. When I'm talking about the -- the main three (3) that affect fatal and serious injuries are distracted driving, impaired, and speed, and so those two (2) -- those three (3) will still remain as the top ones.

What you get with passenger restraints is they do have fatalities when people are in an accident without a passenger restraint, but there's just not a lot of them, so they haven't come up -- it was still -- it was still important before. It was still on the matrix that -- that Clif runs, but -- but it may be even higher now that we assign these costs to them.

Does that answer your question? Maybe my colleague can explain it differently.

MR. CHRISTIAN MONNIN: Perhaps it does, but my read from this is what MPI is saying, that you previously were looking at human toll, correct?

MR. CLIF EDEN: Correct.

MR. CHRISTIAN MONNIN: And -- and now Mr. Keith's evidence was yesterday that there's an increased consideration -- analysis given to human toll, correct?

MR. CLIF EDEN: Well, when we -- when we use social costs, then yes, the social cost of a fatality and serious injury will weight that -- that road safety issue higher.

So maybe to answer your question, before we used the relative cost but it was mostly a claims cost and a property damage -- damage cost. So now when we look at social costs, even though the human toll is high, the social cost of fatalities for -- for issues that wouldn't necessarily have a high physical damage cost, what's going to happen is those issues are now going to bubble to pop.

So, for instance, pedestrians or cyclists would go higher because of the fatality and serious injury social costs related to those -- those issues.

MR. CHRISTIAN MONNIN: Okay. And then also, Mr. Wennberg, with your exchange with Ms. Meek yesterday when she was asking you a similar line of question, your response was you would assign more funds or spend more time working on an issue on -- on account of societal costs or social costs.

And here I'm seeing back to the comments that's on the screen in front of you, it doesn't necessarily equate to more funds being allocated, and we see that -- that the -- the road safety budget remains flat going forward.

MR. CURTIS WENNBERG: M-hm.

MR. CHRISTIAN MONNIN: So I'm just trying to understand which one (1) is it. Does -- you're -- you're committing to consider social costs, you're increasing the analysis to -- to human toll.

On the one hand, you're -- you're giving evidence that it would -- would assign more funds, but here saying it might not necessarily impact the allocation amount. So I'm just try to get a better understanding --

MR. CURTIS WENNBERG: For sure, yeah.

MR. CHRISTIAN MONNIN: -- what that all means.

MR. CURTIS WENNBERG: I understand the question. So it sounds like there's two (2) different issues here. One (1) is, how -- how are social costs and using them changing the -- the programming, and the second is, how is that affecting your budget for -- for road safety?

So in the first case, I think we -- we're trying to explain this, but what I'm hearing from some of your questioning is whether there was a -

- a black-and-white scenario, that if you never -- never had, like, a zero social cost before, did you ever consider fatalities or serious injury types of issues in terms of your priority setting?

And what my colleague and I are trying to say is that they were always embedded in some of the framework, and therefore it's not really like going from zero to a hundred or a black or white that they were never in and now they're in, and so your framework's going to radically give you a different set of things to work on that. That's -- that's -- that's really -- it's not the way to think about.

There was -- there was just a view on fatal and serious injury related things on road safety but they were never priced in.

Now that we price them in, there's a mechanism to just -- it's another thing to just say, okay, well now these are pretty important. So hopefully that gets that -- a different way of explaining how this will shift slightly the framework, but that's what I mean by slightly and that's what it's saying in these closing comments.

It's exactly the same thing we're trying to -- to get across here, is that it may slightly change how the framework pumps out the high, medium, and lower priorities for -- for Clif in the budget.

Now let's get to the budget itself. So as we talked about the other day, we're -- we're not here to just grow and endlessly grow road safety budget and maximize the budget, we're here to optimize the budget because we are a -- a group of finite resources, and therefore what we'll have to do is understand that if there is a strategy that the unit comes out with that says something we should do on rural roads with seatbelts, for example, because we do see there's some high fatalities in rural for seatbelts for younger male drivers predominantly, and -- and so we need to have a little bit more effort on that.

We then have to source, well, what is the more effort? So if it -- if there's best practices we can -- we can use, what are the three (3) to four (4) best practices, what is the returns you'd get on those best practices, and which of the two (2) or three (3) then that we would do. So -- so that's how we would go through it.

It may also imply that we don't have enough resources, so maybe let's take a look at, of the twenty (20) different program items we have, are we going to drop one (1) or two (2) down if we don't think that they are really as critical now, because we always have to make trade-off choices.

MR. CHRISTIAN MONNIN: Thank you. And on the issue of optimizing, is it MPI's view optimizing the budget is that -- is it MPI's view that optimizing the budget is to get the best return or is optimizing the budget to actually bring down injuries and fatalities?

MR. CURTIS WENNBERG: It -- it would be a bit of both. It's -- it's not -- it's not as simple in -- in some other areas like when I've run marketing departments in the past, you can almost get a precise return on investment on different marketing spend. Like I send out a million may -- mailers to -- to get credit card enrolments or -- or mortgages, and you can really define and measure it down as -- as we've been talking about in the past.

Measurement on some of the road safety initiatives is -- is trickier. You -- you sometimes have multiple points of data to lead you to believe that a program is working or not working, or we may have a million dollars to spend on a general awareness campaign of a traffic safety culture, like Save the 100, where you're really looking at impressions and --

and recall, which is very difficult to put into an ROI perspective.

Therefore, the whole 13.4 million budget, it's very difficult. I can't actually sit here and give you an ROI on that budget, or even a return on fatalities, a return on serious injuries.

But what we're going to try to do is when we -- let's say there's a bicycle program or another one, we're going to try and do something that actually has best practice case already in another ent -- another jurisdiction and -- and use those types of success stories to bring them in, use them here.

And -- and that way we optimize our budget, meaning that we -- we try not to spend money on things that don't work and try and spend more of the money on things that do work.

Part of that is by bringing an in-best practices, because we know they'll work with a higher degree of probability, and part of it is measuring it once we put it into the Manitoba environment to make sure that it is actually still working here.

MR. CHRISTIAN MONNIN: And now that MPI is committed to considering social cause and is committed to increasing the important of human toll when it comes to road safety, does MPI anticipate bringing in expertise, other individuals, other -- other professionals to incorporate them into their road safety programming, to -- to -- part of its commitment to road -- pardon me, to social costs?

MR. CURTIS WENNBERG: In the -- the most recent hire we had is our director of loss prevention, Tori, and -- and Tori comes to MPI with many years as a director in a very large corporation, and she's also run marketing communications and different communications entities.

So she knows how to measure and evaluate some of these more difficult or ambiguous types of programs to do. And -- and we're really looking forward to her involvement.

As we think about the spoke areas, we could use our MPI and crown status to also link in with other jurisdictions, I found that to be quite useful for us in -- in other areas, including claims and other things, including bodily injury and how we handle that.

And road safety is no different, and we do this a lot through our involvement with the CCMTA, the -- the motor transport authorities group for Canada and we share best practice, that's kind of how MELT came into being and -- and we will try and do that.

Sometimes that means harmonizing what we do with other jurisdictions and sometimes that means just bringing in best practice. It could also mean just having a good eye on -- on an individual that may want to come and join us, either for a term period or for some specific project, and -- and we could do it that way.

But if we have the need, I would certainly be interested in reaching out and grabbing that need.

MR. CHRISTIAN MONNIN: And has MPI started to identify any of those needs that it may need to -- to fill?

MR. CURTIS WENNBERG: Not at this point.

MR. CHRISTIAN MONNIN: I'd like to ask you some questions about driver testing. Kristen, Bike Winnipeg, IR1-4, please.

And if you can go to response to -- stop at question f), just to give you context. Sorry, can you go up a little higher.

And here we're asking how does MPI ensure the experienced drivers keep up to date with rules of the road and other updated road safety legal requirements.

And I'll let you walk through, but f) is if not, why does MPI not obtain this type of data or information. And the response was as follows:

"MPI intervenes as a result of driver action such as involvement in collisions and driving offences, rather than driver experience. The driver fitness department determines the appropriate intervention based on the nature and number of driver incidents in an effort to improve driving behaviour of individuals identified as high risk."

What trigger or event is required for MPI driver fitness department to intervene with a driver?

MR. CLIF EDEN: Well, there would be a number of -- of instances where driver fitness would intervene, but -- but typically it would be if there was a driver, an offence notice and conviction, as well as a collision by a driver. Yes, or medical.

MR. CHRISTIAN MONNIN: Any others?

MR. CLIF EDEN: Yeah, off the top of my head, that's -- that would be the main ones.

MR. CHRISTIAN MONNIN: Does MPI track how many drivers a year that it intervenes with?

MR. CLIF EDEN: We would have that information, but I don't have it with me.

MR. CHRISTIAN MONNIN: Would you undertake to -- to provide that information?

(BRIEF PAUSE)

MR. CLIF EDEN: Maybe I should clarify too, in terms of -- it would have to be a -- an instance that would be worthy of going to driver fitness. One instance, one collision may not be severe enough to -- to go to driver fitness.

So it's -- it's really a combination of -- of instances either a -- a conviction or a collision and -- in order to trigger that driver going to driver fitness.

MR. CHRISTIAN MONNIN: So -- so there isn't a decision tree or any kind of matrix that MPI would look at and say if you fit into this box, we're going to intervene?

(BRIEF PAUSE)

MR. CURTIS WENNBERG: There are -- there are decision trees that do deal with those, and when you bring the customer in.

My other colleague and I were talking about taking that undertaking and we'll -- we'll do that.

MR. CHRISTIAN MONNIN: Thank you, an the undertaking was for -- for the number, the amount, and to the extent that I can add to that or you're willing to add to that, is if in addition to -- to the number count of how many intervene with, the reasons why, or maybe if you have the decision tree that could be produced to demonstrate when MPI will intervene with a driver.

MR. CURTIS WENNBERG: Without getting too involved in the decision tree, would you be happy with an undertaking that gets you the numbers of what we look at per year?

MR. CHRISTIAN MONNIN: The numbers would be a start, and the reasons why. Do you have those numbers?

MR. CURTIS WENNBERG: Okay, we undertake to do that.

MR. CHRISTIAN MONNIN: Okay, thank you.

MR. ANTHONY GUERRA: And the only thing I would add to that is that, you know, although we do not mind giving an undertaking, we are getting down a -- a path with respect to -- to more of a -- a driver vehicle administration role that MPI performs, which is not within the purview of the -- the PUB.

I would only caution that further questioning down this line might res -- might have a response that -- that information will not be provided.

I can also indicate that we don't have the manager of driver fitness here, so that's going to limit our ability to respond to questions pertaining to driver fitness.

MR. CHRISTIAN MONNIN: And -- and that point has been made clear by MPI in the response to the IR, so I appreciate the undertaking, thank you very much.

--- UNDERTAKING NO. 13: MPI to provide the numbers of what they look at per year

CONTINUED BY MR. CHRISTIAN MONNIN:

MR. CHRISTIAN MONNIN: Kristen, if you

can go to Bike Winnipeg, IR1-3, and also keep 1-4 open, I may have to bounce back and forth. Thank you.

In particular, to give the witness some context, if you could scroll down and show the -- the preamble and the question.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: I'll give you the opportunity to review that, gentlemen. Do you have that in front of you?

MR. CLIF EDEN: I'm sorry, could you repeat -- repeat that, please?

MR. CHRISTIAN MONNIN: I just want to ask you some questions with the content of this IR, I just wanted to give you the opportunity to review it.

MR. CLIF EDEN: Thank you.

MR. CHRISTIAN MONNIN: And if you could scroll down further, Kristen, to give the full -- give them the full list of questions. Thank you.

Now, if you can go to Figure 2 and 1 or 1 and 2, rather. I'll give you the opportunity to look at Figure 1, just absorb that as well, gentlemen. That's the number or road tests completed by driver license class from 2016 to 2018.

And scrolling down to Figure number 2, please. That's number of years ago a driver was tested by driver license and class. And it goes from zero to four (4), all the way to thirty (30) plus.

Staying on figure 2 here, do I understand -- if, starting from the thirty (30) plus column, running all the way to the 15-19 years column for driver class 5, my math shows me that's three hundred seventy-eight thousand three hundred sixty-eight (378,368) drivers, of a total of seven thirteen (713) to seven three nine (739).

Subject to check, would you agree to that, so going from thirty (30) plus all the way to fifteen nineteen 15-19?

MR. CURTIS WENNBERG: That sounds reasonable.

MR. CHRISTIAN MONNIN: Okay. So, does that -- that shows that -- as I understand that, that's fi -- over 50 percent of Manitoba class 5 drivers have not been tested in the last fifteen (15) years. Would that make sense?

MR. CURTIS WENNBERG: Yes.

MR. CHRISTIAN MONNIN: Okay. And looking at no record of test, you have under that same class 5 a hundred and ten thousand three hundred and nineteen (110,319), no record test.

So, 15 percent have never been tested in Manitoba. Would you agree to that, subject to check?

MR. CURTIS WENNBERG: Subject to check.

MR. CHRISTIAN MONNIN: So -- and mindful of -- of My Friend Mr. LaFontaine Garrett's (phonetic) comments, but how does MPI maintain a level of confidence that drivers who have not been tested for fifteen (15) years can driving according to the contemporary rules of the road and -- and MPI's standards?

MR. CURTIS WENNBERG: I -- I'm not sure if you've seen studies on correlations between those that are sixteen (16) years out of getting a road test and whether they have a higher correlation of a fatality or serious injury, and -- and so we haven't either.

So, some of the -- some of the major components we see towards fatality, serious injuries, and what we see in other Vision Zero jurisdictions around the world is that what you want to focus on are distracted driving, speed, and impaired driving. Those are the top three (3) overall.

And -- and you got to have your program set around those pieces, and there's no automatic link between the age. What you do see with age sometimes is that it's sometimes the younger drivers that are more at fault for some of the claims, and they may be more on the fresh side, if you will, on how long it's been since they've done the testing.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: So, provided that if -- if people aren't losing their points and there's no reason to intervene, then MPI is satisfied with the drivers?

MR. CURTIS WENNBERG: If people aren't losing their points --

MR. CHRISTIAN MONNIN: Yes.

MR. CURTIS WENNBERG: -- or -- or medical. So, for example, my colleagues does have some numbers that he can share on some of the medical issues for which they would be called in to -- to review their licence; often doesn't result in retesting, but -- but, no.

MR. CHRISTIAN MONNIN: And -- and if I can still try to do some math knowing that math is not my strong point. Looking at -- in figure 1, if you can go back, Kristen, thank you, class 5 road test per year, the average from 2016 to 2018 is -- is sixty-one thousand eighteen (61,018).

And in a four (4) year span, on average, that would be about two hundred and forty-four thousand and seventy-two (244,072). Subject to check, would you agree with that?

MR. CURTIS WENNBERG: Yeah.

MR. CHRISTIAN MONNIN: Okay. Going back to figure 2 now, it shows seventy-six thousand six hundred and forty-six (76,646) licences issued in the past four (4) years, give or take. So, that's about 31 percent of road tests resulting in -- in licence issued.

Is that -- is that fair?

MR. CURTIS WENNBERG: That's fair. Our general pass rates I think is what you might be trying to refer to here because some people may have licences lapse or, for whatever reason, drop out.

But what we generally see for those younger -- younger Manitobans that come out of the high school driver's ed, they pass at about a 50 percent pass rate.

And for some of the adult population,

it's more like in the 30s. It's about a third (1/3) that pass through, so we do have a fairly high fail rate.

And when we test that to other jurisdictions, we -- we notice that a lot of fail rates have been dropping over the last ten (10) years, ours, as well. Other jurisdictions are the same.

But we are reviewing our -- we're trying to make sure our tests are fair and -- and appropriate, but -- but we do seem to be having a higher fail rate in Manitoba than in some of the other provinces that we benchmarked against.

MR. CHRISTIAN MONNIN: And what does -- what does Manitoba Hydro (sic) do with -- with that data? They're showing the gaps and -- and the fail rate. Do you use any of what you've learned from those fail rates? And any data that comes from that, do you do anything with it?

MR. CURTIS WENNBERG: Yeah. MPI I think you're referring to, but --

MR. CHRISTIAN MONNIN: Sorry, that's another --

MR. CURTIS WENNBERG: That's okay.

MR. CHRISTIAN MONNIN: That's another --

MR. CURTIS WENNBERG: No, that's quite all right. I know what you're saying. But, yeah, in MPI, we -- we've been taking a look at our driver pass rates, and we've been looking at -- and what we try and been doing -- what we've been doing for the last three (3) years is bringing more continuous improvement, thinking, and -- and trying to make managers of a service centre operation or -- or our directors, make them as business owners.

And so, some of them we had on point to really try and understand why are we having this drop in our pass rates. And we've done a number of things. Like, one (1) of the pieces we put in was that, after four (4) failed attempts -- because we would have some people come and try and do a drive test twenty-five (25), thirty (30) times, and some of these were definitely employee safety issues.

And -- and so, there was -- you know, there was some things we needed to do. So, we actually put in a rule where, if you fail four (4) tests, you need to go out and get a couple hours of -- of instruction with a -- with a drive -- a drive facility -- a drive training facility, and then come back to us with the drive training facility saying you're okay to test again.

There's some hypotheses within the group that we have a fairly low charge rate for drive tests. We only charge thirty dollars ($30), and that hasn't been changed for a long time. We currently have a request in to alter some of those rates.

So, we're looking at a -- at a higher rate that would then make it less seem like they're using our drive test as a training opportunity, if you will, which -- which certainly isn't good for us. It's not good for the customer. It's not good for Manitobans, so we're doing that.

We've also then put -- we -- we've tried to track where the failures are occurring. So, we have some higher failure rates in certain places. If you remember, we were talking yesterday around a very strong desire by some people in Mani -- or Winnipeg to go and test in rural areas, like in Arborg or Selkirk.

So, what we did is we tracked -- and in a bubble chart we determined where are they failing, are they failing in certain turns, are they failing -- and so, we're trying to track different routes and are the routes fair, are the routes appropriate.

And -- and so, we've got a team that's looking at that, too. So, there's quite a bit of work we're doing to try and make sure that we -- you -- you can't make a drive test so difficult that you're failing people, you know, unnecessarily or -- or incorrectly, and you're trying to get the right -- you know, the right numbers to -- to pass, but you got to be safe. Whoever's coming out of this process, you got to be safe.

MR. CHRISTIAN MONNIN: So, I appreciate you look at where folks are failing. Do you look -- do you have the date or do you collate, do -- do you analyse it on what they're failing in particular?

MR. CURTIS WENNBERG: Yes. And in some of the discussions when I've gone to town halls, through different centres, I've been asking them, you know, are we -- have we been too tough on these folks with all the different separate rules.

It seems like more of the failures are on critical fails, so they may have pulled out too close to traffic or something where our instructors are saying, Look, Curtis, it's -- it's not me, it's not -- I'm not being too hard on these people, they're -- they're just doing something that's unsafe, and it's critical, so we are getting more of the criticals.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Is -- is -- does that data collate in a manner that you can track the numbers or you -- you can analyse that data in any way?

MR. CURTIS WENNBERG: Which data are you referring to?

MR. CHRISTIAN MONNIN: The -- the failure rates, the reasons why they're failing, the sub -- the topics that they're -- seem to be failing on, you said, you know, there's --

MR. CURTIS WENNBERG: There's some limitations within our data on that. So, we do track year to year the failure rates. We do segment it by some of the different customers, so, for example, the -- the students versus the adults.

But we -- we don't really have very good data, and certainly not historical, on some of the bubbled sheets that we track; it's -- it's a bit of snapshot in time and for a period, because it's quite a manual exercise to do that piece.

MR. CHRISTIAN MONNIN: Thank you. Kristen, if you can go back to 1-4, please, Bike

Winnipeg.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Stop there, please. Question B was:

"Does MPI have any tests or programs where experienced drivers are tested with the contemporary driver licencing exam?"

And the response, if you can scroll down, please, on page 3 of 3. There. No, sorry, it's right there.

"MPI does not test experienced drivers with the contemporary driver's licencing exam beyond the initial road test required to obtained the driver's licence of the class.

Drivers who wish to obtain a licence in class 1-4 are required to be retested as part of the training process for these classes of licences."

On a point of clarification, what does

MPI mean by, "Retest"? What does that entail?

MR. CURTIS WENNBERG: They undergo the road test for those different classes.

MR. CHRISTIAN MONNIN: And do all applicants for class 1-4 licence have to redo the class 5 knowledge and road test?

MR. CURTIS WENNBERG: No, they do a class 1.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And to be redundant and maybe daft, that doesn't include some portion of the Class 5 test at all.

MR. CLIF EDEN: No. They wouldn't take a Class 5. If they're going for a Class 1, they would take a Class 1 road test. They wouldn't have to take a Class 5 again.

MR. CHRISTIAN MONNIN: Okay. Thank you. I'd like to just ask you a few more questions on retesting. If you could go to IR Bike Winnipeg 2-4, please.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And in response to this IR, MPI provided table DSR Movement in 2018. That's Figure 1.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And looking at line item 7, the table shows that 4,252 drivers lost ten (10) points or more in 2018.

Does MPI have any position as to what would be considered a significant loss of driver points? Is ten (10) the -- that's your highest, I guess, or more, but would -- does MPI consider ten (10) to be a lot?

(BRIEF PAUSE)

MR. CURTIS WENNBERG: We don't have any defined limit that we could share at this point. There are certain, as we talked about before, decision criteria or risk criteria for bringing people in for significant offences.

My colleagues would remind me that five (5) points lost, it's a fairly major category, and 38,000 for two (2) points lost -- two (2) points would be like a speeding ticket; five (5) points is an accident.

As we spoke about, we -- we've amended some things in the past like in Winnipeg, for example, you would get five (5) points taken off for hitting a pothole. Now we've just adjusted that this year, and we no longer take five (5) demerit points for potholes.

MR. CHRISTIAN MONNIN: That would be a lot of points.

MR. CURTIS WENNBERG: It is. Yeah. Especially if you get in one (1) accident or one (1) pothole, then you've got ten (10) points. Right? So -- so we need to take a look at the case-by-case basis for the individuals.

MR. CHRISTIAN MONNIN: And so based on that, I think -- I think I know what the answer's going to be based on how you previously responded. But does MPI have any internal or otherwise position that when it deems it to be reasonable to retest drivers who lose a certain amount of points, when do they interfere with that driver?

MR. CURTIS WENNBERG: We -- we'd have to review with our driver fitness group and confirm back.

MR. CHRISTIAN MONNIN: So, Counsel, will you give that as an undertaking?

MR. STEVE SCARFONE: Sorry, Mr. Monnin. The undertaking is to provide your client with the event that triggers intervention --

MR. CHRISTIAN MONNIN: With regards to DSR points here, at what point or under what condition or situation would MPI intervene with that particular driver if it exists?

MR. STEVE SCARFONE: You mean with respect to driver improve -- the driver improvement program?

MR. CHRISTIAN MONNIN: Yes. At what point does MPI look at these -- I'm using the word "point" too often here -- but at what moment in time does MPI look at how many points are lost, if at all, and says, we need to -- we need to reach out to this driver, or we need to retest this driver?

MR. CURTIS WENNBERG: That's two (2) different questions. Retest is a much smaller scale -- a subcomponent. Reaching out, you're -- we're going to reach out to 50,000-some drivers for -- for different things, medical and otherwise.

But if it's actually retesting, we're going to have to go back and find out what are those conditions on -- on retesting. It -- it would be suspension and loss of licence, and then you'd have to retest. So it -- it'd be a -- it would be a subset.

MR. CHRISTIAN MONNIN: Oh, pardon me. So the requirement for remedial education or retesting in total is roughly about a thousand eight hundred and ninety-four for the last year. Sorry. We -- so we can avoid that undertaking?

MR. CURTIS WENNBERG: Thank you.

MR. STEVE SCARFONE: I don't know if that answers your question, Mr. Monnin.

CONTINUED BY MR. CHRISTIAN MONNIN:

MR. CHRISTIAN MONNIN: Well, those are the retests of last year. Here I'm looking at -- we're looking at the lost points, and I asked whether MPI had any internal or otherwise a position as to when it would be reasonable to retest drivers who lose that many points.

MR. CURTIS WENNBERG: I wonder if my colleague can read out some of the -- some of the numbers and the specific activity that -- that's related to. And perhaps that can -- can get us through this logjam.

MR. CHRISTIAN MONNIN: If I may

before, I'm not saying no to that. I'm not resisting that suggestion. Ultimately, we're in the hands of the Board.

MR. CURTIS WENNBERG: Yeah.

MR. CHRISTIAN MONNIN: But what are you reading from?

MR. CURTIS WENNBERG: It's an internal -- internal piece of -- of paper that's got what our system and driver fitness has contacted a customer for and what are the numbers for that.

So, for example, our highest number is 29,000 customers are given a system-generated advisory or warning that perhaps some of these demerit issues are going to cause them to come in and -- and do a show-cause hearing for some of the driving activity.

A course requirement is 5,104 for last year. So we've -- so, for example, a friend of mine's daughter was speeding a hundred and thirty-two in a hundred zone, and without any other issues on her licence, she was required to come in and do a course, for example.

And the next couple highest would be system-generated record review -- so a show-cause hearing with one of our agents -- is 6,600 of them. Three thousand (3,000) are licence suspensions. And as I said, 894 are actual retests.

So retesting is a small component. You might actually lose your licence or suspended or you have to take a course. There's a multiple -- so when we talk about that decision tree, there's multiple different courses of action for different activities.

MR. CHRISTIAN MONNIN: And would it -- would MPI be open to producing that document which you read from, obviously subject to review and redacting.

MR. STEVE SCARFONE: That is certainly something that we'd have to take away and look at the document that -- not only that Mr. Wennberg is referring to but any decision tree that's made use of by driver fitness.

I think, based on the earlier answer, Mr. Monnin, there's a number of factors, as the evidence indicated, that trigger points being lost. And so, for example, you might expect that if someone's in that fault collision and has lost five (5) points and in that same year had two (2) moving violations, now they're up to nine (9) points, that might trigger a letter from the driver improvement people.

But I think there's some discretion as well internally as to whether that customer is contacted, but we can certainly take away your inquiry and decide whether that decision tree, if in fact there is one, can be produced.

MR. CHRISTIAN MONNIN: Thank you, Counsel. The witnesses gave their best evidence they could today, and I appreciate that. The undertaking was whether they could produce what was being read from and any other documents that would be driving the best evidence they gave today.

MR. STEVE SCARFONE: Yes.

MR. CHRISTIAN MONNIN: And that's well and good. Thank you.

MR. STEVE SCARFONE: Thank you.

CONTINUED BY MR. CHRISTIAN MONNIN:

MR. CHRISTIAN MONNIN: I'd like to ask you some questions about optimal budget and looking at IR -- Bike Winnipeg IR 2-6. And the question was if:

> "MPI were to undertake a zero-based budget approach to set the funding level for its road safety budget within all its expenditures, what methodologies would be appropriate for that task?"

In response to that question if you

scroll down -- sorry. Scroll -- you had it correctly.

It's subject to interpretation, but the answer is:

"MPI presently relies on the IBM framework to identify, develop, and prioritize loss prevention programming. This framework was detailed in 2017 GRA and discussed at the road safety technical conference in the spring of 2019. MPI anticipates completing the next three (3) year operational plan 2020/2023 by spring 2020 which will include the intended approach and methodology on setting the funding level for its road safety budget."

So do I understand MPI's answer to be then when asked what methodologies would be appropriate for that task, the answer is it's going to be the IBM framework or whatever we show you in 2020? Is that a fair interpretation of the answer?

MR. CLIF EDEN: Yes. Like currently we do our budgeting based on our operational plan and the framework that's set up.

Now if that was to change in our new

operational plan, that would be included within document, and we would obviously explain that next year.

MR. CHRISTIAN MONNIN: And to further zero in or tighten up your response, I believe then it's the IBM framework that we're going to see eventually that contains, in MPI's view, the methodologies that are appropriate.

MR. CLIF EDEN: The IBM framework is currently what we're -- what we're currently using. Should that change, we would indicate that in -- in our next operational plan and how it would change.

MR. CHRISTIAN MONNIN: And is it fair to say that, at least up until now, based on what we've seen in the filing, it's safe to say that the IBM framework has tended to result in a quite consistent or flat level of expenditures in the past three (3) years on road safety?

MR. CLIF EDEN: That's the way it's worked out, but it could -- it could change from year to year. It really depends on -- and going through, looking at our priorities, and then looking -- when we do our -- our planning for program development and we're looking at other jurisdictions and the work that they've done, as well as looking at the existing programs that we have and whether we want to potentially modify or change or reduce those programs.

It's really a combination of that, so there's really not a -- a limit in terms of what we would be spending, but as all -- any program that we were going to suggest to senior management would require a strong business case in terms of what the spend is and what we were expecting.

MR. CHRISTIAN MONNIN: It could change, but at least -- at least until 2022, it's anticipated that we remain flat. Is that correct?

MR. CURTIS WENNBERG: It's been projected at this time, but Tori and the team and I are going to be going through this. We're going to be looking adding a little bit of money here and there. Telematics is one that I spoke about earlier, so there might be some -- some additions for that.

We're going to be looking at some of the advertising that we've done over the last little while, measuring whether that's got the effect we still wanted. So there could be pluses and minuses, and we're going to make sure -- like, depending on where we go with passive enforcement on the cameras, there could be a big add there or a small add.

So we don't know, but we don't want to

rule out the potential addition of maybe 3 million or 4 million or -- if it's got a really strong return and there's a good reason why we have to put the money in, even if it's for a short period of time, and then go back down to thirteen (13) or maybe eleven (11) depending on what happens over time.

But -- but we do need to -- we do need to make sure that we -- we get the returns for the dollars that we spend.

MR. CHRISTIAN MONNIN: Thank you. Kristen, if you can go to Appendix 4-1, and that's Basic total expenses. Thank you.

And -- and being mindful of -- of the response you just gave, Mr. Wennberg, I'm looking at, for example, safety loss prevention, that line item being the line ide -- line item 9.

It -- it seems here that the years -- the four (4) years of '15/'16 and '18/'19, and then the years '19/'20 to '21/'22, we see a decrease in expenses in safety and loss prevention programs. In particular with the '19/'20, '21/'22, can you explain why it's gone down 4.6 percent?

MR. CLIF EDEN: A significant piece of that would be the auto theft program or the Immobilizer incentive program that we discontinued.

So that was a program that was approximately $1 1/2 to $2 million, so that program is now off the books. That would be driving a lot of that number.

MR. CHRISTIAN MONNIN: Okay. Thank you.

MR. CURTIS WENNBERG: For clarity, that was where we would be funding and doing anti-theft devices within cars, and now what we've found is that the fleet, basically, in Manitoba -- that they -- that they all have these types of pieces in them, so it just -- it wasn't of value.

MR. CHRISTIAN MONNIN: And Kristen, if you go to Appendix 3-5. I think I know the answer to the question, but I still want to commit this to the record. We're looking at a ten (10) year summary of Basic expenses by category, to -- total expenses.

And I can appreciate that things are subject to change, but this table's intended to provide overview of expected expenditures up until 2023, correct?

MR. CURTIS WENNBERG: Correct.

MR. CHRISTIAN MONNIN: And again, we're looking at safety and loss prevention. Going to 2023, that number's actually getting some downward pressure again, correct?

MR. CURTIS WENNBERG: Yes, per what my colleague was just describing.

MR. CHRISTIAN MONNIN: The -- the anti-theft is -- is the only reason why it's going down?

MR. CURTIS WENNBERG: Yeah, that's your majority piece. And -- and there will be -- there'll be little bits, like I said, each -- each year, and Tori and I were just talking about it this morning. We might be going up four hundred (400) for, like, the licence plate readers in one (1) year; two hundred thousand (200,000) down or up for things like the taxi mobile pilot; or -- you -- you never know. Little -- little pieces around it, but that's your major change.

The other piece that could happen there is that's our trending run rate budget as at this time, but depending on what we do over the next year or two (2), we may need to -- to -- to bolster back up to where we were. But we -- but we need to find something that's materially beneficial before we just add budget for something.

MR. CHRISTIAN MONNIN: And at the same time, it's not all bad news here. You're looking at, at least from our perspective -- line item 17, driver education program, that seems to be going up up until 2023/2024. What -- what's the explanation for the increase in the allocation there?

MR. CURTIS WENNBERG: We've -- we've just -- we -- we just spend a fair amount of money. The entire cost for our new high school driver's ed program was $7 million, and the amortization's going to be starting to hit us to go through on that, so -- so that will be coming through over the next few years.

And -- but it is a -- a -- it's a very big reboot of what that program is and trying to appeal to students of today. So it's -- it's worthwhile, and we think about driver education and -- and safety and loss prevention similarly.

It -- it should be -- I think you -- you were saying something that's consequential. I just want to make sure to add there's no reason that safety loss prevention went down just because high school driver's ed went up.

MR. CHRISTIAN MONNIN: It certainly wasn't my -- my suggestion in the line of questioning, but I appreciate that clarification. Thank you.

And -- and we -- we may have covered this, and I just want to close this off. Given that we're committing a -- we -- using the royal 'we' of MPI -- committing to look -- looking at social costs and committing to having increased consideration of human toll, wouldn't that necessarily -- and I know you want (sic) to just throw money blindly, but wouldn't that necessarily call for an increase to road safety programming as opposed to remaining flat?

MR. CURTIS WENNBERG: Like we mentioned before, it's not a like a black or white scenario where you weren't doing any consideration of accident types or training or awareness out there that wouldn't affect fatalities and serious injuries.

So we want to make sure that -- that the room understands that the frameworks that the team had before very much had elements like distracted driving, speed, and impaired, which would be your top three (3) that affect your fatalities and serious injuries, and therefore you're not going to see a great big change in terms of the actual programs that you do.

And so we may see a change as we go over time. We'll take a look at the -- the reshuffle for 2020, 2023 plan. The -- the team knows that we are not beholden to these exact numbers. If we see there's other really neat opportunities for us in

Manitoba at both MPI or MPI in concert with our partners like the City of Winnipeg, potentially, with cameras in different very hot-spot intersections and to really understand how these near-miss intersections take place, where other jurisdictions are using some of this, it may be a little chunk of money that we have to go through and maybe perhaps help them with.

Or -- or cameras, or other speed devices where you have a wire across the road here and a wire across the road in another part of the highway, and you could determine who's speeding in that way. There's unique things that are happening. We are not doing them right now, and it may require a little bit of capital. So that's wha -- that's what might affect our budget, more so than just that we've shifted to now using social costs, because probably a lot of that social cost is already into some of our programming framework today.

MR. CHRISTIAN MONNIN: You said probably a lot. How -- how -- probably a lot of that social cost is already there.

MR. CURTIS WENNBERG: I -- I -- I'll -- I'll go back, then. I'll say it is definitely there. Pardon me for my terminology. The -- once again, the three (3) top areas for almost every group that's in the Vision Zero is your distracted, speed, and impaired. Those are the three (3) that would come out for a second and third when you're looking at a social cost program that's explicitly in your frameworks, as opposed to your frameworks having, you know, taking -- taking a look at things that are meaningful impacts on your collisions, which is what the team did before.

You're -- it -- it is there, definitely there today, but we are evolving with your help, in terms of suggesting social cost from years ago. We agree with you. It is an evolution in terms of how we adjust our frameworks, we're happy to have them in, and they are in now. And it will affect certain things, potentially some stuff around the -- the bicycle safety. Definitely around stuff around the passenger restraint systems and the roles and the accidents you get on gravel roads without a -- a seatbelt.

MR. CHRISTIAN MONNIN: I appreciate that clarification, thank you. Kristen, if you can go to IR1-5, Bike Winnipeg.

And I'd like to ask some questions, again with -- with driver education and budgeting. And -- and here MPI, you can take time to review it and -- but to give you the Cole's notes version, is MPI has described the process followed to inform the public about the increases and penalties for using hand held devices while driving, bill 17.

And MPI described the process in -- in its response if -- you can go to the answer, please. Sorry, if you scroll down a little further, the steps that were taken. There we go.

And for the benefit of the record, it -- such tactic such as supporting the government's announcement of legislation coming to effect through news releases, radio and print advertisement, public website changes, social media, and appropriate communications through MPI's internal communications. And there's four (4) more bullets there setting out the steps that MPI took with this particular initiative.

And -- and the cost to deliver that was - was that $7 million approximately, 7 -- 7.6 million?

MR. CLIF EDEN: No, that's seven thousand six hundred dollars ($7,600).

MR. CHRISTIAN MONNIN: That's what it cost?

MR. CLIF EDEN: That is the amount.

MR. CHRISTIAN MONNIN: Okay.

And in the same way, it -- dealing with the -- it's still a -- Bike Winnipeg 1-5, the slow down move over campaign. There was steps that were taken as well, and the cost associated with that was ten thousand dollars ($10,000), is that fair to say?

MR. CLIF EDEN: So those costs would be awareness costs or media costs, so there's a -- whenever there's a change that's that significant, it goes through our change management group, and -- because really there's a lot of groups that could be impacted, both internally and externally, so that group leads to that change.

As you can appreciate, when Bill 17 came in there could be system changes, there could be form changes on forms that we use. So we basically go through the process of identifying what those changes are, identifying who are stakeholders with that change.

We also identify who the target audience or who we need to communicate to. So that's both internally and externally. Part of the communication plan would be to the general public, and as we've noted in our -- our response, we -- we tend to go -- sorry, we set up the communication plan to include the audiences that we want to reach.

We -- where we can use our existing communication channels, we do. So that's why the costs -- any incremental costs would be relatively low for that type of communication.

MR. CHRISTIAN MONNIN: And so for both of those initiatives, seven thousand dollars ($7,000) spent and ten thousand dollars ($10,000) spent, I understand that there was no formal follow up or -- or evaluation conducted, that's fair to say?

MR. CLIF EDEN: There wasn't a formal evaluation conducted on that, basically because of the spend. When we look at the -- evaluating our communication efforts it's really based on the spend and the -- the priority. In this case, the investment that was made, it just wouldn't have been prudent to do a full-scale evaluation on that.

MR. CHRISTIAN MONNIN: And so how is MPI satisfied that it reached its appropriate target audience with these spends if there's no evaluation done?

MR. CLIF EDEN: What we -- what we did do is had an internal review and a lessons learned in the discussion, and getting feedback from both our internal partners and external partners.

But we wouldn't have polled the public

on whether or not they would have seen it, if that's what you're asking.

MR. CHRISTIAN MONNIN: And what -- what size of spend does it -- is warranted for MPI to actually evaluate a program or something of that nature?

MR. CLIF EDEN: The campaigns that we would evaluate would be our larger awareness campaign, such as Save the 100. So those -- those spends are typically two, three hundred thousand ($300,000) or more.

So that would be an example of an -- an awareness campaign that we would evaluate.

MR. CHRISTIAN MONNIN: Thank you. Madam Chair, I note it's 2:10, I would anticipate that I have about another twenty (20) minutes. So if you want to break now or I can continue, I'm in your hands.

THE CHAIRPERSON: No, I think you should proceed and we'll break around 2:30 when you're done. Thank you.

CONTINUED BY MR. CHRISTIAN MONNIN:

MR. CHRISTIAN MONNIN: I'd like to ask you some questions about signage on the road. I know you -- you -- Mr. Eden, you had some discussion with -- with Ms. McCandless about that yesterday.

And I appreciate that MPI's position is that the roads are not -- the -- pardon me. The signs are not their jurisdiction.

And in response to IR2-2 -- I'm sorry, that's another one (1), that's driving testing standard, but I -- with regards to the signage on the road, that's something you've done in the past and I think the example you gave to Ms. McCandless was it was done in the Riding Mountain area.

MR. CLIF EDEN: What we were referring to yesterday was variable message signage, which provides a message to the driver to watch for deer.

MR. CHRISTIAN MONNIN: And in addition to that one instance to watch for deer, is MPI -- and I think the answer you gave to Ms. McCandless was you might do it collaboratively with Manitoba Infrastructure, but there's -- there's nothing on the horizon, is that -- is that fair to say?

MR. CLIF EDEN: I think I -- I -- for clarity, are you, when you're talking about roadside signage, are you talking about the variable message boards that we've put up as well as potentially the speed boards that we are looking at doing and other municipalities.

Is that what you're referring to or are you referring to the signage that indicates the driver, which is put up by the traffic authority, to alert to tell the driver what they can and cannot do on that roadway?

MR. CURTIS WENNBERG: Well, both. So -- we could work through that, and I apologize for not being as clear.

So there are different types of signs, as you indicated, Mr. Eden, there's signs that control traffic and those are generally listed as manual uniform traffic control devices?

MR. CLIF EDEN: Correct, yes.

MR. CURTIS WENNBERG: And there's signs that inform drivers like the signs about fines for use of handheld devices and passing on roadways, things of that nature?

MR. CLIF EDEN: Right.

MR. CURTIS WENNBERG: And then there is the -- the changeable ones, like we addressed yesterday, for wildlife in the Riding Mountain National Park area?

MR. CLIF EDEN: That's right.

So typically that's the signage that we

have done is the variable message board, and those boards are up for a period of two (2) to three (3) weeks and then they're removed, in most cases.

MR. CURTIS WENNBERG: And I appreciate that MPI's position is, and -- and we don't dispute that, that's Manitoba Infrastructure's jurisdiction, but has MPI ever investigated or inquired working with Manitoba Infrastructure to use signs to educate drivers, more permanent signs? Is that something that MPI would be open to doing?

MR. CLIF EDEN: That's something we've looked at before. Whether -- we would have to do a review to determine what potentially our -- our role in that would be, because we wouldn't necessarily want to do something that's beyond our role and the role of Manitoba Infrastructure.

MR. CURTIS WENNBERG: And is that something that MPI would be open to -- to considering at the road safety committee, for example?

MR. CLIF EDEN: Yes. Maybe just go a little further, there's been -- there's been three (3) examples of signage experiments that we've done in the last little while. One is -- one (1) is a fail, so we teamed up and we looked at high collision intersections within the city of Winnipeg and we put up a sign that would -- what did we -- Clif, it was -- what was the sign?

MR. CLIF EDEN: It said high risk -- I believe it said high collision location.

MR. CURTIS WENNBERG: High collision location. And maybe some people saw it. What we found is absolutely no correlation to any change in the collisions within those intersections.

So one (1) of these would be Waverley and -- sorry. Waverley and Kenaston --

MR. CLIF EDEN: Kenaston and McGillivary.

MR. CURTIS WENNBERG: Thank you. And then we also tried to have larger signs that said the same thing and it did nothing.

And then we also had enforcement, and when you have enforcement with those signs, it seemed like it was good, but then it's too high cost and it defeats the purpose of the signage. So -- so that was an interesting experiment in a city environment.

Cliff talked about the -- the signs about deer and warnings on deer, and that can make sense in certain seasonality, and so we'll look at the effi -- efficacy of those signs.

And now we're approaching the AAMs for

different municipals in certain areas where you can have signage, particularly if the road's going from a hundred kilometre hours to 70 kilometre hours to 50 kilometre hours -- kilometres per hour.

You can get some feedback for the drivers. You make sure that they're going at the right speed for those municipalities, so we're curious about trying that.

And Cliff and his team have found that that -- that last version has some strong indications from other jurisdictions that it works.

MR. CHRISTIAN MONNIN: Thank you very much. Kristen, if you can go to IR 1-6, please.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And also have IR 2-5 available. In fact, have that one (1) on the screen first. Here, it was dealing with comparisons of collisions caused by different classes of vehicle.

Bike Winnipeg had asked for MPI to conduct a quantita -- quantitative analysis of crash consequences that compares two (2) proper classes of vehicles, full size pickups and C-sized cars.

And in 2-6, that was refused. And Bike

Winnipeg recognizes and continues to recognize it would be a significant task for this to -- to be done. But I just have some questions with regards to -- to that answer.

Would MPI agree with the suggestion that, if some vehicles pose greater dangers on the road than others, this would be a consideration when it comes to managing road safety and their cost impact on MPI? Would it be -- would you agree with that suggestion?

(BRIEF PAUSE)

MR. CURTIS WENNBERG: I would say yes. And a lot of those should be factored into the -- the clear rating.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And in particular, I just wanted to clarify MPI's response to 2-5 in its refusal. Under (I) it said:

"The request information is not available and, therefore, requires the production of new evidence which cannot be reasonably produced."

And I just want to get clarification on that answers (sic). The analysis hasn't been done; that's fair. But does the underlying data exist for such an analysis to occur?

Is MPI able to advise on that particular point?

MR. CURTIS WENNBERG: I don't know within the data that we have whether it's easy to pull a report that automatically determines if -- if it was this sort of vehicle and -- and it was a -- it was a pedestrian or a cyclist.

This may be one (1) of those topics. If the -- if the suggestion from Bike Winnipeg is that there's harder hits on cyclists for half-tonne trucks, for example, we are a smaller province, smaller jurisdiction than many other places.

And this is one (1) where we're encouraging our team to also see is there -- is there studies or research somewhere else where you actually see this take place. And then we'd be happy to entertain it if you find some research document or correlation, and we can take a look at it.

And that way, it saves our team from -- from doing analysis that might be fairly involved.

MR. CHRISTIAN MONNIN: I believe that -- thank you for that answer. And I think that information is available.

And I -- I think the -- it's something that could -- would -- would you agree that, if that information is provided to MPI, it's something that they could build upon in a more local manner?

MR. CURTIS WENNBERG: Yes. We -- we really encourage working with Bike Winnipeg. And the whole BEST program is a combined effort between us and your group.

And -- and so, if there's some studies that -- that you've got that -- please send them to Cliff.

MR. CHRISTIAN MONNIN: Thank you very much. Some questions with regards to the 2018 MPI traffic collision statistics report. And at the same time, Kristen, if you could have the Road to Zero progress report handy, please.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And I apologize to the witnesses because I believe you've gone through this particular issue ad nauseam yesterday, but I -- I just want to walk through some of the -- the figures, firstly, in the traffic collision statistics report.

If you can go to page 8, please.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Right. The -- the numbered page 8 of the -- the report, not the -- the number of the PDF. I apologize for that.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And that would be figure 1-1.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Essentially, here, this is fatal injury and property damage collision by total licenced drivers 2008 to 20 -- 2018. Working the left-hand column of years.

Then you have, workings towards the right, licenced drivers, collision incidence, and total reportable collisions.

And -- and we know that, as of 2011,

there's an uptake because of how reportable collisions are -- are -- collisions are reported. But nevertheless, would you at least agree with me that, once those are -- once those are -- the -- the new way of reporting is -- happens in 2011 and 2012, we see some uptake, but it still consistently seems to be climbing, is that fair to say, going from thirty-four thousand (34,000) in 2011 up to 2018 we're looking at fifty-one thousand seven three two (51,732)?

MR. CURTIS WENNBERG: Again, that's -- that's where we get into the problem with that TAR reportable collision. So, again we seem to be quoting on the table where these are collisions that are over two thousand dollars ($2,000) to merit getting included in that statistic.

The problem we found with that is that you -- it is -- it is -- it's really -- it's really unfortunate to be chosen as a mark because so many smaller tra -- collisions are -- are actually two thousand (2,000), twenty-one hundred (2,100), twenty-five (2,500).

Our -- our average collision severity now is just over three thousand (3,000). And at the time when this was starting in '08, it was probably just at two thousand (2,000), so almost half of our collisions are going to be below that.

So, the problem is, in the natural inflation of repairing vehicles you've got a natural increase in reportable collisions, so it's a highly misleading factor; therefore, we add the collision incidence.

So, if you look at even the 2011 to 2018, on an absolute level, it goes from ninety-four thousand (94,000) down to the eighty-seven (87). Again, you never look at any one (1) individual year.

But you just look at that trend line, and it seems to balance around the ninety thousand (90,000); hence, it's really mostly flat even though your licenced driver numbers have gone up and, therefore, your rate per driver has gone down in terms of the collisions.

That's your true conclusions you want to take out of this.

MR. CHRISTIAN MONNIN: Okay. Thank you for that. And I -- I -- it's probably the same answer to the following figures, but I still want to put them before you and put them on the record.

Kristen, you had had table 1-1. If you can go to figure 1-1.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: And that's you're giving your total collisions per ten thousand (10,000) licenced drivers and vehicles registered. And that shows a little more starkly the increase from 2008 to 2018.

Is -- is -- does your explanation to the previous table apply here, as well?

MR. CURTIS WENNBERG: Yes. And I'm af -- I'm afraid the -- I'm sorry that we're actually putting both in because now we're -- we're getting pretty confusing with people. And here, the title of this graph is unfortunate where it says, "Total collisions," because we've used -- we -- we should be saying total TCR report collisions versus actual total collisions that we -- that we track in MPI.

And for -- for comprehensiveness sake, it's still in the -- the TCSR report. But we've got both of them now. I'm afraid we're going to have to go through a year or two (2) of explaining both of them. But -- but, yes, this is that bias because of the -- the two thousand dollar ($2,000) threshold.

MR. CHRISTIAN MONNIN: And -- and, Kristen, with figure 1-3 -- Mr. Wennberg, was that the same --

MR. CURTIS WENNBERG: Correct.

MR. CHRISTIAN MONNIN: -- explanation --

MR. CURTIS WENNBERG: Correct.

MR. CHRISTIAN MONNIN: -- showing quite starkly that they're rising?

MR. CURTIS WENNBERG: Yes.

MR. CHRISTIAN MONNIN: And if you could go, Kristen, to the -- the Road to Zero progress report, I believe, page 2 of 3.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Again, here we're showing Manitoba over -- essentially, a little bit north of the national -- of the national average. Is that fair to say?

MR. CURTIS WENNBERG: Yes, that's right.

(BRIEF PAUSE)

MR. CHRISTIAN MONNIN: Madam chair, those might be all my questions. If I may just have five (5) minutes with my client and --

THE CHAIRPERSON: Certainly.

MR. CHRISTIAN MONNIN: Thank you.

(BRIEF PAUSE)

THE CHAIRPERSON: Go ahead, please.

MR. CHRISTIAN MONNIN: Thank you, Madam Chair. Kristen, if you can just scroll up a little bit more. The figure that -- sorry -- down. I apologize. The figure that it was -- there we go.

And that's dealing with serious injuries. And the question here is while things were auguring in the right direction being below the national average, they certainly take a spike up after the 2014 year. Is that fair to say?

MR. CURTIS WENNBERG: Yes. And once again, this graph is for serious injuries where someone's been admitted to the hospital, and you're dealing with the total number in the recent year there was around four hundred (400) Manitobans.

MR. CHRISTIAN MONNIN: And if we see that these serious injuries -- people being admitted to hospital -- spiking up, would it be fair to say that perhaps not enough is being done to stop that from occurring?

MR. CURTIS WENNBERG: I -- I think it's -- because you're dealing with, again, a bit of small numbered volatility that you're dealing with on this graph, we need -- this is where you need to take multiple data points for a proper road safety policy and analysis.

One (1) of the things that our team has done is taken a look at how many customers in Manitoba are off work on injury -- or income replacement, for example. So they're injured enough, they may not have been admitted to hospital, but we have to actually replace their income with our PIPP product. And that average is roughly around 9,000 per year.

So -- so what we find is that it's been very flat from the income replacement level, but this is a much smaller number, and we just seem to have bounced over the last couple of years.

So if both of them bounced, okay, now we have -- maybe there's something systemic going on under -- underlying the serious injuries.

There's no doubt these are serious injuries. There's no doubt this matters. At the moment, I can't give you a root cause for what this bounce was. Our team just doesn't have it at this point, but it doesn't seem to be replicated for other people who are injured enough that they can't work. It's a bigger number though, and it's flat.

MR. CHRISTIAN MONNIN: Mr. Wennberg, Mr. Eden, I thank you for your time. Members of the panel for MPI, thank you as well.

MR. CURTIS WENNBERG: Thank you.

MR. CHRISTIAN MONNIN: And, Madam Chair, those are my questions. Thank you.

THE CHAIRPERSON: Thank you. Are you first? Questions?

BOARD MEMBER GABOR: I have a few questions, Mr. Wennberg. You talked about the priority areas: distracted drivers, speed, and impaired driving.

Do you -- when you have statistics in your database, are those categories in the database, and you fit the numbers into those categories?

MR. CLIF EDEN: Yes. When there's a collision, the contributing factor for a collision is noted, and it -- we can collect up to three (3) different contributing factors. And the contributing factors of speed, distracted driving, and impaired driving are consistently the highest number that is reflected.

BOARD MEMBER GABOR: Okay. So I have a question in relation to speed. Are you talking speed limit?

MR. CLIF EDEN: It's note -- it's identified as speed or too fast for conditions.

BOARD MEMBER GABOR: Okay. So that was -- I was thinking about it today --

MR. CLIF EDEN: Yes.

BOARD MEMBER GABOR: -- whether you're under the speed limit, but you're driving too quickly for the condition.

MR. CLIF EDEN: Right.

BOARD MEMBER GABOR: So that would fall into that category.

MR. CLIF EDEN: It -- it does, yes.

BOARD MEMBER GABOR: Okay. Mr. Wennberg, I am interested and I have always been concerned about the seat belt issue.

At least in my car if I don't put on my seat belt within ten (10) seconds, I get binged until I go out of my mind. I assume that's the case with -- my colleague thinks that that's the cause.

But you have people then who don't put the seat belts on. They've either disengaged it or done something so that the noise stops. The question

I have for you is you mentioned that for distracted driving, it's an automatic $672 ticket plus five (5) demerits.

MR. CURTIS WENNBERG: Plus a suspension.

BOARD MEMBER GABOR: Plus a suspension.

MR. CURTIS WENNBERG: Yeah. Immediate.

BOARD MEMBER GABOR: So what's the penalty for not using a seat belt?

(BRIEF PAUSE)

MR. STEVE SCARFONE: While they're discussing that, Mr. Gabor, I can tell you it's not as severe because I've just had one, and it's --

BOARD MEMBER GABOR: Well -- sorry. You just which?

MR. STEVE SCARFONE: I've just had one, and so the demerits aren't five (5). But I don't know the -- I can't recall what the --

BOARD MEMBER GABOR: Well, you may not like my -- my suggestion then.

(BRIEF PAUSE)

BOARD MEMBER GABOR: You know, you can give it by way of an undertaking to find out what the penalty is for it. But the question I have is I believe, Mr. Wennberg, you said that there is evidence that the steps taken on the distracted driving are having results.

So the question I have is you have somebody taking deliberate steps to not use their seat belt. We have people dying in accidents, especially in rural areas, because they're not using their seat belts.

Has there been any thought to recommend to the government that they change the law to increase the penalties for failure to use seat belts?

MR. CURTIS WENNBERG: Not that I'm aware of. There hasn't been any approach on the -- the seat belt issue. Our -- our biggest efforts over the last couple of years have been around the distracted driving and the dramatic increase in distracted driving, whereas seat belts have generally been one of those things where society and seat belts have gotten more and more use over time.

We -- we end up today at -- in rural

areas, we think it's about 92 percent use of seat belts; 95 percent or even higher in the city use.

And it -- it's one of those where if we think about social costs, it's now coming up nicely into the top or priority -- top priority -- pardon -- and it's -- it's something that I think we can't ignore.

What -- what my colleague and I were looking at the other day was what's happening with these fatalities in rural, and it looks like it's 70 percent male. It's mostly between 25 and 34 of age.

And when you -- when you look at it, there are accidents are -- of the fatalities, it's about 50 percent seat belts is the only reason. But about 29 percent on top of that is seat belts and alcohol. And so you get some combo effects.

I think with some of the rural road enforcement that we've been doing where we have been leaving the gravel roads alone without enforcement for a little bit, that can have an impact. It maybe has had some impact. We don't know. So that's good. And there's probably like multiple levers we can -- we can adjust here -- the amount of penalty for seat belts potentially.

And I do know that some vehicles if you leave the seat belt off for a period of time, the dinging goes away. And there is a culture in certain areas of -- I used to live in rural, and -- and the culture is often to jump into the car, and, as our colleague Ward Keith said earlier, often the attitude of any driver across North America is that it's not me; it's somebody else.

And so if you're on a rural road and you're the only one (1) in the car and you're driving yourself, a lot of them probably take the chance that says I -- I will drive without a seat belt, and it's just a habit. And what we know about seat belts is that's generally a habit-causing issue.

So, you know, potentially some of this is awareness. Maybe it's an increased fine because it's significant. I think no matter what this is not a small issue. This is a significant fatality issue. And I'm pleased that we're going to be taking a strategic approach and come back with something on it.

BOARD MEMBER GABOR: Okay. You would agree that the 92 percent who buckle up really wouldn't have to worry then if you increased the penalty because they wouldn't suffer the penalty.

Mr. Wennberg, you also made a comment

where you talked about that you could fund road enhancement cameras. What's included in those road enhancement cameras, and what is your authority to introduce road enhancement cameras?

MR. CURTIS WENNBERG: Okay. I'll answer that. I -- I should get back to you. We've -- we do two (2) DSR points for a seat belt , and it's gone up to $298 for a ticket at this point.

BOARD MEMBER GABOR: Thank you.

MR. CURTIS WENNBERG: Yeah. In terms of the -- the authority to do it, I'm -- I'm not aware that we have the specific authority. We -- we also would probably want to work with either our municipal partners or our infrastructure partners in Manitoba Infrastructure, depending on what sort of systems we're setting up, whether it's highway or within the city.

So let's get back at two (2) opportunities that we see in road safety globally that seems to be working. One would be, let's say, a passive speed camera. So this is just a camera -- we have a few of them set up in areas of -- of Winnipeg now. The ones we have, my colleagues in the Winnipeg Police Service operate solely. They're fairly old technology, but -- but they will take a picture of your vehicle, and they'll take a picture of your licence, and we give you a -- a ticket for it, but you don't get the demerit points. It -- we can't determine who's driving it, so you -- you get the points.

A lot of those were set up and can't be moved easily is what I'm told. It's expensive to move them around. Nowadays, you can get cameras that could even be solar power or -- they're much lighter, they're -- they're more capable of -- of -- of doing the job they need to do, and you can move them around or you can -- ideally, what we want is to put them in the most high-risk situations -- again, not high-revenue situations; high-risk situations -- so that you really control the traffic. There's been a number of studies around these cameras that say that they are effective when they're up, or if people know where they are, they then slow down for those areas.

You -- you also get an increase in rear-end collisions, but what they find is, you take away the high-speed T-bone type of collisions, and you supplant that with a few more smaller fender benders with rear enders as people stop for the red light or, you know, maybe slow down slightly. We'll take that tradeoff.

BOARD MEMBER GABOR: Okay.

MR. CURTIS WENNBERG: We'll take that tradeoff. So that's one (1) type of camera.

BOARD MEMBER GABOR: Okay.

MR. CURTIS WENNBERG: Would you like me to go into the other type?

BOARD MEMBER GABOR: Sure.

MR. CURTIS WENNBERG: Okay. So what's happening more recently, and we do have a Manitoba example of this -- but for any of us who have driven down past Oak Bluff, there's a new roundabout in Oak Bluff, and it's just the junction of highways 2 and 3, just on the other side of Oak Bluff. I used to go down there quite a bit.

And -- and now they've put a roundabout in, and the reason is, they put cameras in that intersection. It was a stop sign on two (2) highways, basically. Tons of traffic. The cameras, over a period of two (2) weeks, would look at the traffic and determine how much near misses happened.

So there wasn't collisions, necessarily, in the two (2) week period, but there was enough near misses at 70 and going up to a hundred kilometres an hour that they realized this is sign -- there's a significant potential for impact and potentially with more vehicles, so that -- it requires a roundabout, and there's been no -- there's been no accidents since that roundabout's been installed, and I'm going to say it's eighteen (18) months ago.

Those near-miss cameras aren't just for rural areas or highways. Those near-miss cameras work well on some of our biggest intersections, like Leila and McPhillips, or like we were talking about, McGillivary and --

BOARD MEMBER GABOR: Kenaston.

MR. CURTIS WENNBERG: Yeah. Those are like two (2) of the top five (5). You put one (1) of those cameras in there, even for just a couple of weeks, and it can give you back what are your top three (3) opportunities. Maybe you take some trees away. Maybe you change your signage. Maybe you change your traffic lights. And we get to the root cause.

Is that -- what I really like about this technology is that it -- it -- the -- the AI or the artificial intelligence within the computer programs they have these days will get you what is a near miss and what isn't, and then really give you suggestions on what you should do to improve. And so we liked that quite a bit.

I do know in discussions with the City that they're looking at setting up a number of these things. It's going to be a bit of a -- a one-off, as I understand it now. But if there's other municipal or provincial governments and entities that don't have budget to set up what we have as -- see as a working, functioning, high-return -- if I call it that -- type of technology, then I -- I would like us to be able to potentially stand up and help put some seed money into some smart design like this.

BOARD MEMBER GABOR: Okay, thank you. Kristen, can you go to Loss Prevention Attachment A, Appendix 5, page 31. Okay. Mr. Eden, this one's for you --

MR. CLIF EDEN: Okay.

BOARD MEMBER GABOR: -- because you were speaking to it.

MR. CLIF EDEN: Yes.

BOARD MEMBER GABOR: I understand you went through the different steps here. The question I have is number 5, obtain consensus. It's consensus of whom? Who's involved in the discussion of -- to obtain the consensus?

MR. CLIF EDEN: So when we look at establishing our priorities, part of this is we do reach out to stakeholders and -- and get a sense of what's important, what are some of the issues that are important to them. So this consensus is looking at what we've -- what we've put together for human -- or what we've ranked for human toll, as well as for our cost.

And then the other piece where there's consensus building is around whether it's a national priority and a stakeholder priority, so that's -- that's really from information that we get from our stakeholders in terms of yes, this is a priority for us.

BOARD MEMBER GABOR: Okay, thank you. Finally -- well, just one (1) second. Yeah, I've got a couple more. Mr. Eden, you talked about speed display signs.

MR. CLIF EDEN: Yes.

BOARD MEMBER GABOR: Have you looked at Edmonton to see what they do with speed display signs?

MR. CLIF EDEN: We have.

BOARD MEMBER GABOR: Because my -- my understanding from about a year ago, I just heard on the radio that the City of Edmonton has -- had at that time about a hundred throughout the city of Edmonton showing what everybody was -- what the speed of -- of drivers, and it had a --

MR. CLIF EDEN: Right.

BOARD MEMBER GABOR: -- dramatic impact on reducing speed.

MR. CLIF EDEN: It did, yeah. So that's sort of why we thought that this would be an intervention that we would -- would like to pursue if -- both with municipalities as well as -- and urban centres like Winnipeg and Brandon, perhaps.

BOARD MEMBER GABOR: But -- but are you looking at something of that size, because as I understood it, you were looking more at municipalities and setting up a --

MR. CLIF EDEN: We have budget initially for thirty-five (35), and then -- and then that grows to about forty (4) for the next couple years. So over the next two (2) to three (3) years, we're getting into the kind of number of seventy-five (75) to a hundred (100).

BOARD MEMBER GABOR: Okay. I don't know who wants to answer this. The experienced rider program, we were talking about the fact that there aren't that many people doing it. What's the registration fee for it?

MR. CLIF EDEN: I believe the registration -- and this is subject to check -- but I believe it's below two hundred dollars ($200).

BOARD MEMBER GABOR: Okay. And how many people did you say...

MR. CLIF EDEN: There are two (2) courses offered, and this is information that we received from the service provider --

BOARD MEMBER GABOR: Right.

MR. CLIF EDEN: -- Safety Services Manitoba. There are two (2) courses provided, one in 2015, I believe, and the other was this past year; and in total, there were twelve (12) participants.

BOARD MEMBER GABOR: For both of them?

MR. CLIF EDEN: In total.

BOARD MEMBER GABOR: Okay.

MR. CLIF EDEN: So one was, I think, three (3), and the other was nine (9).

BOARD MEMBER GABOR: Okay. Mr. Wennberg, I'm going to admit my ignorance in technology, which is no surprise to our kids. I don't know what telematics are, and you were talking about it. And I talked to people here, and they said it was raised at earlier hearings, but it -- it was hearings before my time.

So I'm just wondering if you could give me a brief explanation of what they are.

MR. CURTIS WENNBERG: Yes, I'd be happy to. And I -- I could even show you on my telephone what one of the applications looks like and what it gives you as a report out. But telematics are essentially an ability for some device within your vehicle to track how that vehicle's being driven.

In the original modes of this, it would be like a -- a -- a small computer or black box that would be installed in the vehicle, so it was fairly intrusive, and -- and an early, you know -- some insurance companies would have to incent (sic) the customer to even sign up for this.

Insurance companies are interested in these devices because if a customer is willing to even have someone observe their driving habits, they generally would -- you're probably looking at positive section there, or adverse selection if you're not willing to put them in the -- in the vehicles.

The evolutions now are going to smart phone applications, so I'll have my telephone on me in the car as I drive, and this telephone app, if it's on, will -- and it can be on in the background. It's not like you actually have to physically switch it on.

It will determine a number of things around your driving, like whether you were speeding.

So it knows within some of the algorithms underneath it what speed limits there are on certain sections of the road. And it will tell you if you sped. It will tell you if you've accelerated too quickly. It will tell you if you've decelerated too quickly, like you've hit the brakes too hard, or you're cornering.

It can sense all of that, and it can give you a relative mark out of a hundred. It'll score you out of a hundred points, for example. The neat thing around these types of tools is that it's non-intrusive, and -- and -- and it's -- and it's very immediate feedback.

The other thing you can do, and -- and some insurance companies have done, is they will give you -- I know it sounds silly, but a free coffee or $2 off something if you did really well in a month or you have twenty (20) trips in a row where you didn't touch your camera -- or your smart phone, and so there's no distracted driving.

You know, there's -- there's -- or the top ten (10) across the entire jurisdiction, or you will get -- you will get something. So there can be a reward -- a risk reward in this as well as the immediate reward of how your driving was.

BOARD MEMBER GABOR: Will they lower your premiums?

MR. CURTIS WENNBERG: Some do; some don't. I believe it was in Italy where they found that it was more of a customer retention tack, and what they could do is with good driving they would give them discounts on, say, Michelin tires or something like that and the insurance company would work it that way. It was less a discount than it was a reward system.

But -- but, you know, over time as insurance becomes a bit more precise perhaps in its underwriting, with some of the user-based insurances or, you know, the amount of kilometres you travel and maybe how you drive, will also be one of those things that we base our insurance price on.

BOARD MEMBER GABOR: Thank you, gentlemen.

MR. CLIF EDEN: Mr. Gabor, if I could clarify maybe my response on obtain consensus, that is an internal consensus, but we do look at feedback and information from external stakeholders when we're building our priority list.

BOARD MEMBER GABOR: Okay. That -- that was the point -- I thought it was internal, but given your comment, it sounded like it was stakeholder.

But if it's internal, who's involved in the decision-making to determine what the consensus was and to create the -- the priorities, which is No. 6?

Is it the heads of departments or is it -- you know, is it a group of people or -- or what? So you're taking the information from stakeholders and other things and bringing it forward to a group of people.

Who's in the group of people --

MR. CURTIS WENNBERG: So --

BOARD MEMBER GABOR: -- who then move towards the -- determining the priorities?

MR. CURTIS WENNBERG: Road safety strategy and the results we get from it are really represented by this team, and Tori as the Director of Loss Prevention will own the strategy of how we spend the $13 million, but as you can imagine, just general budgetary requirements, we'd have to coordinate what we're spending with Finance and others. We'd have to make sure what we're doing makes sense to the

Executive Committee, like spending on, we'll say, a new high school drivers' ed program. That is a $6 million spend.

With technology improvements, we have to make sure IT -- our technology group is capable, and, you know, how we select that. We have a Communications Department where, if we're going to spend a million or, you know, some bit of money on a -- maybe on just PR, if it's not paid media, we have to make sure that they're -- they're capable, they have the amount of capacity that we need for that year to do it.

So that would be the -- the obtaining consensus in an internal side, leaving out the external stakeholders' piece.

THE CHAIRPERSON: I have one (1) question with regard to -- I think there were probably -- there may have been more, but three (3) that I identified, initiatives that require legislative change, which would be photo enforcement outside Winnipeg, the low blood alcohol content between 05 and 08, and the administrative roadside suspension for impaired driving.

In your capacity as Co-Chair of the Provincial Road Safety Committee, are you aware of whether any of those have been introduced as bills?

(BRIEF PAUSE)

MR. CURTIS WENNBERG: We'll have to take an undertaking to get back to you about when those pieces might be coming forward.

--- UNDERTAKING NO. 14: MPI to provide information re whether initiatives that require legislative change have been introduced as bills.

THE CHAIRPERSON: Okay. Thank you very much. Mr. Scarfone...?

MR. STEVE SCARFONE: I believe that -- we don't have any questions on redirect for this panel, Madam Chairperson. Thank you.

MR. CURTIS WENNBERG: We do have a clarification that we didn't answer from yesterday.

There was a question on whether 2013 and 2014 -- if you remember there was a slight increase in those years for collisions. It went up to 98,000 and then 95,000 for 23 (sic) and '14 and we did confirm -- 23 -- '13, it was definitely the -- the bad winter year, and we knew that, but we wanted to confirm 2014 because it really wasn't that bad of a year overall for collisions, but -- but it looked like it was.

There was a -- there was a -- a long winter in 2013 and then the spring of 2014 where there was so much snow and ruts that we actually had winter types of claims levels well into the March and April of the following year, 20 -- 2014 and '15. That was the rationale for that minor blip up.

THE CHAIRPERSON: Thank you very much, and thank you, Panel, for your participation in this GRA.

Can we adjourn for ten (10) minutes, be back at three o'clock, and we will then carry on with Mr. Johnston and the rate-making CMP PIPP rate stabilization reserve panel.

MR. CURTIS WENNBERG: Thank you very much.

--- Upon recessing at 2:50 p.m.

--- Upon resuming at 3:01 p.m.

THE CHAIRPERSON: Okay, thank you

everyone. Thank you very much for coming back this afternoon.

There have been discussions amongst counsel and given that we would be limited to forty-five (45) minutes at this point of continued cross-examination by the Board counsel, I think what we'll do is adjourn for the weekend.

I wish everyone a Happy Thanksgiving and hope to see everyone back on Tuesday morning at nine o'clock. Thank you.

--- Upon adjourning at 3:01 p.m.

Certified Correct,

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Donna Whitehouse, Ms.