



“When You Talk - We Listen!”



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 17, 2019

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1 APPEARANCES
2
3 Kathleen McCandless) Board Counsel
4 Robert Watchman)
5 Roger Cathcart) Consultant
6 Brian Pelly (np)) Advisor
7 Blair Manktelow (np)) Advisor
8
9 Steven Scarfone) Manitoba Public
10 Michael Triggs) Insurance
11 Anthony Guerra)
12
13 Byron Williams) CAC (Manitoba)
14 Katrine Dilay (np))
15
16 Charlotte Meek (np)) CMMG
17 James Wood (np))
18
19 Christian Monnin (np)) Bike Winnipeg
20 Charles Feaver (np))
21
22 Curtis Unfried) IBAM
23 Jennifer Sokal)
24 (Articling student)
25

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APPEARANCES (CONT'D)

Denis Guenette (np))Attorney General
Tamara Edkins (np))of Manitoba
(Articling Student)

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2

3 THE CHAIRPERSON: Thank you. We're
4 back on the record. Mr. Guerra, you had a follow-up
5 question?

6

7 MPI PANEL NO. 7 CONTINUED:

8 JOHN REMILLARD, PREVIOUSLY SWORN

9 GARY DESSLER, PREVIOUSLY AFFIRMED

10 BRAD BUNKO, PREVIOUSLY SWORN

11 LAWRENCE LAZARKO, PREVIOUSLY SWORN

12

13 CONTINUED RE-DIRECT-EXAMINATION BY MR. ANTHONY GUERRA:

14 MR. ANTHONY GUERRA: Yes, thank you.

15 This question I -- I'll pose to Mr. Bunko.

16 Mr. Bunko, it's -- is it fair to say
17 that MPI already has an arrangement with the
18 Government of Manitoba with respect to funding for
19 expenditures incurred while it administers the Driver
20 and Vehicles Act services?

21 MR. BRAD BUNKO: That is correct.

22 MR. ANTHONY GUERRA: And is it also
23 fair to say, Mr. Bunko, that -- that arrangement is
24 designed to ensure to the extent possible that -- that
25 the government, and not MPI, is the one who pays for

1 the costs associated with administering the Driver and
2 Vehicles Act?

3 MR. BRAD BUNKO: Yes, that is the
4 intent, and not to have any cross-subsidization from
5 other lines of business.

6 MR. ANTHONY GUERRA: So in other
7 words, government pays its share for -- for the Driver
8 and Vehicles Act administration, but doesn't cover
9 anything in addition to that, correct?

10 MR. BRAD BUNKO: Correct.

11 MR. ANTHONY GUERRA: And we heard some
12 questions from the Interveners and members of the
13 panel as well yesterday about whether or not the
14 government would ultimately be compensating MPI for
15 the Driver and Vehicles Act, or DVA, share of Project
16 NOVA.

17 And maybe just to reiterate or confirm,
18 is there some reason why we -- we don't have a
19 commitment from the Government of Manitoba at this
20 point in time with respect to -- to paying for the DVA
21 share of Project NOVA?

22 MR. BRAD BUNKO: Well, how that
23 agreement would change, and it's hard to predict. And
24 certainly, given that we haven't nailed down what the
25 actual costs will be, when those costs will -- will be

1 incurred, from the accounting perspective how they
2 will be handled as to an expense or deferred
3 development, I think there's many things that have to
4 be answered before that agreement could be finalized.

5 MR. ANTHONY GUERRA: Is it fair to
6 say, though, that MPI anticipates that when -- when
7 the costs of Project NOVA and some of the other
8 factors are -- are determined, or ironed out, that the
9 government will ultimately continue to -- to support
10 the DVA functions that MPI administers on its behalf?

11 MR. BRAD BUNKO: I think as in the
12 agreement that we have now, the intent is for us to
13 remain cost neutral on the administration of the DVA
14 Act.

15 MR. ANTHONY GUERRA: Thank you. I
16 have no further questions.

17 THE CHAIRPERSON: Thank you. And I
18 believe we will now proceed with the next panel, the
19 MPI service delivery model panel. So I'll just give
20 you a couple of minutes to make the changes. Thank
21 you very much for your presentation.

22

23 (PANEL STANDS DOWN)

24

25 THE CHAIRPERSON: Good morning, Mr.

1 Scarfone. Would you please introduce the panel, and
2 then we'll have those members who haven't previously
3 been sworn or affirmed, sworn or affirmed. Thank you.

4 MR. STEVEN SCARFONE: Yes. Good
5 morning, Madam Chair. Thank you.

6 So MPIC closes out its case by
7 presenting the service delivery model panel, the
8 members of which are before you. I'll introduce them.

9 To my right, of course, is Mr.
10 Wennberg, who has testified earlier, and as you've
11 indicated, previously sworn; our vice president of
12 customer service and our chief operating officer.

13 Beside Mr. Wennberg is Carol Hora.
14 She's a new -- new witness before the Public Utilities
15 Board. Ms. Hora is MPIC's director of service
16 delivery and broker operations. And perhaps after
17 she's sworn or affirmed, I'll have her provide a
18 little bit of background information on her experience
19 with MPIC.

20 Beside Ms. Hora, of course, is Mr.
21 Graham, MPIC's chief executive officer and president.

22 And lastly, beside Mr. Graham is Shayon
23 Mitra, also new to the Public Utilities Board. Mr.
24 Mitra has just been recently appointed as chief
25 transformation officer under the new Project NOVA, and

1 he will provide a little more information as well once
2 he's sworn or affirmed.

3 THE CHAIRPERSON: Thank you, Mr.
4 Scarfone.

5

6 MPI PANEL NO. 8:

7 BENJAMIN GRAHAM, PREVIOUSLY SWORN

8 CURTIS WENNBERG, PREVIOUSLY SWORN

9 CAROL HORA, SWORN

10 SHAYON MITRA, SWORN

11

12 EXAMINATION-IN-CHIEF BY MR. STEVEN SCARFONE:

13 MR. STEVEN SCARFONE: Good morning,
14 Ms. Hora. If you can, please, could you advise the
15 Board how long you've been in your role as director of
16 service delivery and broker operations?

17

18 (BRIEF PAUSE)

19

20 MS. CAROL HORA: This -- it's working?

21 MR. STEVEN SCARFONE: It's a magic
22 touch. Only Mr. Wennberg can operate them properly.

23 MS. CAROL HORA: I've been in my
24 current role as director of service delivery and
25 broker operations since November 2018. Prior to that,

1 my role as director service oper -- operations and
2 claims control, and I held that title -- or I was in
3 that role from 2013 up until 2018.

4 Previous to that, I was a manager of a
5 service centre for the Interlake, so managing Selkirk
6 and Arborg service centres. I began in the
7 Corporation in 1994, so I've been around for a little
8 while, and have experience in the fair practice
9 office, customer relations. I was an adjuster. I was
10 a claims supervisor. So I basically grew up at MPI.

11 MR. STEVEN SCARFONE: Great. Thank
12 you very much. So very extensive experience with
13 MPIC.

14 And Ms. Hora, there's a service
15 delivery model chapter in this year's General Rate
16 Application. Did you have a hand in preparing the
17 materials in that chapter?

18 MS. CAROL HORA: I did.

19 MR. STEVEN SCARFONE: All right.
20 Thank you so much.

21 And Mr. Mitra, sir, you, as I've
22 indicated, are the chief transformation officer for
23 MPIC under the new Project NOVA, correct?

24 MR. SHAYON MITRA: That's correct.

25 MR. STEVEN SCARFONE: And sir, how

1 long have you been with the Corporation?

2 MR. SHAYON MITRA: Just over eight (8)
3 years now. I started in the business transformation
4 department. I was a manager of the auto physical
5 damage side, and then was the director of the auto
6 physical damage side of the business, and moved into
7 this role September, so last month.

8 MR. STEVEN SCARFONE: Okay, thank you,
9 sir. And you too also had a hand in preparing some of
10 the materials that will be presented on service
11 delivery, correct?

12 MR. SHAYON MITRA: That's correct.
13 Specifically, the light vehicle accreditation
14 agreement, 2019/'18, and the direct repair components.

15 MR. STEVEN SCARFONE: Thank you, sir.
16 So, Madam Chair, with that, yesterday, MPIC filed as
17 an exhibit a presentation that Mr. Wennberg will
18 present for the Board.

19 MR. CURTIS WENNBERG: Good morning,
20 everyone. So we'll dive into the service delivery
21 model, and it's -- it's a -- a fairly comprehensive
22 walkthrough, some of the key things we've been -- been
23 changing or looking at, and we'll end up with some of
24 the online pieces.

25 First, we're going to go through

1 customer experience measurements. So we talked quite
2 a lot about customer and customer centricity. And so
3 we're going to talk a little bit about how we've
4 evolved that.

5 They're going to also talk about the --
6 the repairing of vehicles. It's a very significant
7 component of our rates is the payment of claims
8 underneath that, and we can talk quite a bit about
9 what's been changing, both in the service delivery,
10 and then the -- the expenses we have on those claims.

11 Third is a bit of an expose of where we
12 had some service delivery issues this year. And
13 that's come up with some of the licensing, and that
14 was precipitated because of the new MELT, the
15 Mandatory Entry-level Trucking and the Class I issues
16 we had. So I want to just open that to -- to this
17 group to review.

18 And then finally, it's the online
19 services.

20 So the next few slides are really
21 talking about customer experience. We had a -- a very
22 large project team that worked on this last year.
23 Carol, to my right, was instrumental in leading that.

24 And it may seem a little odd, but the -
25 - the first line in this is that we are now asking

1 customers. And we had in our annual reports for a
2 number of years, customer satisfaction that was on a -
3 - on a dial from zero to a hundred, and we had up in
4 the high nineties (90s) all the time of customer
5 satisfaction. It didn't really change a lot.

6 And when we looked at how we actually
7 measured that, what we really did is added up a whole
8 bunch of customer service standards, standards that we
9 often set ourselves at MPI.

10 I'll give you an example, that if you
11 total lost your car, let's say a tree fell on it, or
12 last week, and we gave you a number for your vehicle
13 to buy out this car as a total loss, within eight (8)
14 days, we would consider you one hundred percent
15 satisfied.

16 However, in truth, you may have
17 expected that number to come from us in three (3)
18 days. You may have hated that number for your car,
19 and thought it was a thousand dollars more. And
20 perhaps one (1) of our adjusters didn't treat you
21 properly on the -- the call or the email.

22 So -- so what we are doing is we are
23 actually asking customers, and we have a -- a series
24 of -- of different quarterly surveys that go out. We
25 -- we ask customers, and we -- we get into some depth.

1 And I'll take you through some of our findings.

2 In -- in the first one is a vehicle
3 claimants. This is not a bodily injury. This is
4 someone that's going through our process to get their
5 vehicle fixed.

6 Our satisfaction is 83 percent. So
7 it's not ninety (90) -- or high nineties (90s) that we
8 were talking about before. It's 83 percent, and
9 that's not bad. In the -- for total loss, it is not
10 very good. It's in the 60 to 70 percent mark. And we
11 -- we knew that was a rough process for us.

12 And I'm going to show you a project
13 that we have, where we've upped our game in terms of
14 how we handle customers with total loss. It's quite a
15 big change in service delivery.

16 The third piece is net promoter score.
17 We haven't introduced that concept to this Board
18 before. It is something that is well-known in
19 financial services in other parts -- rental car
20 companies, other groups measure it this way.

21 Net promoter score is basically
22 underneath satisfaction, you will ask how likely are
23 you to recommend MPI to a friend or colleague if
24 discussing auto insurance, or licensing, or -- or
25 bodily injury, or case manager, for example? And you

1 asked him on a zero to ten (10) point scale. If a
2 customer gives you a nine (9) or ten (10) on that ten
3 (10) point scale, you consider them a promoter. If
4 they give you a seven (7) or eight (8), they're
5 neutral, and if they give you a zero to six (6),
6 they're a negative -- or a -- a detractor.

7 And the reason we do that is because
8 there's a natural -- in North America, there's a
9 natural positivity bias, and so you want to make sure
10 we take out that positivity bias. And we truly only
11 give a -- a point for a nine (9) or ten (10), and we
12 minus a point for the zero to sixes (6s).

13 So here is your -- your index numbers.
14 We're basically around a forty (40) for vehicle
15 claimants, those that have injur -- or a -- a -- not
16 injuries, pardon me, a -- damage to their vehicle; a
17 twenty (20) for licensing customers, and fifteen (15)
18 for injury claimants.

19 So this is showing, certainly, some
20 areas of opportunity. USA is an insurance company in
21 the US that usually is much in the -- in the higher --
22 fifty (50) and higher, as -- as this score --
23 Enterprise is usually one of those that is quite good
24 with this score.

25 So it's going to lead us into

1 opportunities for improvement. And these suggestions
2 for improvement, obviously, will go into maybe larger
3 efforts, lean improvement projects, where we strip out
4 non-value-added steps, or non -- you know, customer
5 helpful events, or -- or even quick fixes.

6 So let's take a look at -- at the
7 current view today. Non-claims transactions have
8 higher satisfaction. This is when a customer has just
9 an insurance and licensing issue. They come into
10 either an MPI office, or they go into a broker office
11 to solve these issues.

12 The -- it's generally high. It's in
13 the nineties (90s). There is a -- what we learned
14 from this is there's similar satisfaction rates with
15 MPI or brokers, and there's really no difference in
16 urban or rural experience today within MPI.

17 When we asked the net promoter score
18 question underneath, it dives into it a little bit
19 more. And -- and what we see is for both the
20 insurance services and the licensing, they're probably
21 a little lower than what we want. And -- and really,
22 they're a little bit higher on the MPI than the broker
23 side.

24 Some of the common pieces we hear from
25 detractors through this service provision is that the

1 wait was too long, and we know that from an MPI
2 perspective. We had a lot of people waiting in line
3 for Class I tests, or Class V tests. It takes away
4 from others that are -- then have to wait in line for
5 other -- other transaction types.

6 So hence when we chase people into an
7 in person channel, as we're doing today, sometimes you
8 can have lower scores on net promoter scores. They're
9 generally satisfied with what they went in there, and
10 -- and they got done what they had to get done, but
11 they're not huge promoters of the service. They may
12 have wanted to get served in other channels.

13 This is isolating those customers that
14 had vehicle claims, the -- so there's some physical
15 damage to their -- to their car, and they've gone
16 through our process. If you look on average, it's
17 roughly eighty-three (83). If you look at the total
18 loss, it's sixty-nine (69), so it's much lower. And
19 this is for the -- the quarters that were averaged
20 over the last, roughly, year.

21 You can see a non-total loss. So just
22 when you've had damage to your vehicle, it's a little
23 higher. And then we've added the MPI estimate versus
24 direct repair, because we've talked about that a few
25 times in the -- in this PUB proceedings.

1 And you can see that the satisfaction
2 rate is slightly higher for the direct repair
3 customers. They are given a little bit more agency in
4 how they get their cars repaired, and they're going to
5 get them done within the shop, direct, and not visit
6 MPI. And that agency alone might -- might be giving
7 them the -- the increased satisfaction.

8 It's mirrored in that -- down -- as you
9 look at the net promoter score for the same
10 populations. And so I -- I won't go into too much
11 depth, there. What we know is total loss needs
12 improvement, and we've just launched that, and I'll
13 get into that later.

14 And what we also know is direct repair
15 customers like the option of direct repair. So we'll
16 -- we'll talk about that, and I'll give you an update
17 on that as a service delivery model.

18 The third major component of our
19 business where we have a unique customer survey
20 quarterly is injury claimants. The injury claimants
21 has a lower satisfaction than the other two (2) areas.
22 It's roughly around seventy (70) at this point.

23 A non-BAU means it's basically -- a
24 case manager is taking care of these. These are --
25 these are more complex injuries, more serious cases.

1 There -- there could be income replacement that's an
2 issue here.

3 And so we find that with just benefits
4 administration unit, which is what the acronym stands
5 for, basically we're just paying them and their bills;
6 the customer's going back to work; they're taking care
7 of themselves. It's higher, and when there's more --
8 more complexity, it's -- it's slightly lower.

9 When we ask our detractors -- so those
10 that have given us a zero to six (6) in these -- in
11 these surveys, we asked them immediately after they
12 rate us what is the suggestion for improvement, and we
13 leave it as a open forum type of a question -- open
14 text question.

15 And then we aggregate some of the
16 responses back, and -- and I -- we wanted to share
17 with this -- with this group, here's some of the major
18 touch points for us within MPI.

19 The first notice of loss is very
20 clearly answer your phones faster. And this year was
21 a tough year. Our phones were, in some cases, 40 to
22 50 percent more call volume based on some of the MELT
23 issues that we had, and customers really -- they
24 really let us know that very clearly.

25 For the estimating, it's an interesting

1 one, and we put it in here. It's -- it's provide a
2 closer inspection basically, look underneath the
3 vehicle, those sorts of things.

4 What's really interesting around this
5 is that we didn't think this is would be what the
6 customers are saying, and -- and this is why you want
7 to ask customers. You never want to assume service
8 standards for them. You really want to know what
9 their feeling is through a process.

10 In this one, we don't put cars on the
11 hoists. We -- we do a twenty (20) minute estimate,
12 and the expectation is that when there's serious
13 damage on a vehicle, they are to go to a shop and get
14 that vehicle hoisted and, you know, maybe torn down,
15 and -- and a full estimate then provided.

16 But I don't think we're giving the
17 expectation of that -- that process well enough to the
18 customer, and they think we're giving them a golden
19 bulletproof estimate through MPI.

20 And -- and then when they go to the
21 shop and the shop says, oh, no, we'll -- we just have
22 to put that on a hoist. And, you know, it
23 deteriorates from that whole experience for customers.
24 So there's maybe some things we can do to signal that
25 issue better.

1 For adjusting its return calls and
2 emails faster, we knew this was the case. As you
3 know, we're very fiercely fiscally accountable within
4 MPI. We have -- we have been tight on -- on full-time
5 employees and -- and adjusting is one (1) area that
6 it's been -- been fairly tough.

7 And so this is where customers are
8 telling us that we may have to watch that tradeoff.
9 The -- there is simply an -- you know, a limit to how
10 much people you can take out of a process and still
11 have an adequate process for customers.

12 For the injury case management, it's
13 interesting. The number one issue is return the calls
14 and be on my side on the claim. And so there's an
15 emotional intelligence we have to make sure our -- our
16 claims management folks use.

17 And we also want to make sure that we
18 return the calls. We do have thirteen (13) more FTE
19 in our injury case management capacity, and -- and we
20 are seeing some good signals, and -- and the customers
21 are holding us to -- to making sure that their
22 treatment is -- is on time. And that -- that was the
23 injury and PIPP benefits.

24 And the last one was licencing. It
25 seems like better knowledge or better training for

1 both staff and brokers. They want -- they want to get
2 the right answer right away. They don't want to have
3 get on a phone jointly with the broker agent, to then
4 call MPI, to then get an eventual answer.

5 And so even though the satisfaction is
6 90 percent for the -- for the five (5) or six (6) or
7 7 percent that are dissatisfied, that's generally what
8 it is is that maybe they couldn't be first call
9 resolution or first -- first issue resolution.

10 So that's -- that's covering the
11 customer experience as we -- as we now do it. It --
12 it is an evolution for us.

13 Now we're going to get into different
14 elements of the -- of the repairing of vehicles. The
15 reason why is that repairing vehicles -- this doesn't
16 even include total loss -- but repairing vehicles
17 alone is about a \$400 million claims cost. You know
18 it can fluctuate year to year.

19 But this represents about 35 percent of
20 the entire premium or -- or the rates that we charge.
21 So it's a -- it's an important piece for us.

22 I won't go through all the verbiage on
23 this slide, but essentially, we negotiated a new -- a
24 new deal -- a compensation deal with the repair trade
25 in Manitoba. They are represented by the ATA and MMDA

1 or the Auto Trades Association and the Manitoba Motor
2 Dealers Association.

3 This came into effect in April of this
4 year. There's some big changes. Some of these we
5 signaled to the PUB last year. One is that there's no
6 labour rate increase. What we find is that actually
7 many other provinces also didn't have a -- a rate
8 increase over the last few years and in fact even
9 Alberta went -- went down the other way.

10 The eighty-one dollar (\$81) direct
11 repair premium -- as we mentioned to you last year,
12 it -- it was a very big negative within the business
13 case for DR itself, and it was something that was
14 foreshadowed to be getting rid of. That is now
15 removed. We don't pay that on any of the claims.

16 One of the -- as reminder, that -- that
17 was only just introduced. So it was introduced in --
18 in 2017 with the -- the previous LVA deal. It was
19 more of a late stage addition and was never in the
20 business case for PDR overall, but it was a late
21 edition as -- on request of the trade, and -- and they
22 wouldn't have participated in -- in providing this
23 potentially if that wasn't provided.

24 On the third one, it's a -- a glass
25 standard. There's a discount from ten (10) to

1 20 percent. It -- it's sounds like a lot, but we've
2 compared that discount rate to other jurisdictions,
3 and it's -- it's medium. It's on the potential low
4 end of what other insurance companies are -- are
5 using, but it's a helpful thing.

6 And then the addition of other standard
7 compensation items, we want to pay the trade what it
8 costs to repair a vehicle, and -- and we are partners,
9 and we will be partners for repairing vehicles for the
10 next thirty (30), forty (40), fifty (50) years.

11 As cars are changing -- and we've
12 talked about that a lot in the PUB setting as well -
13 we now have to turn on expenses like pre and post
14 scanning, and that's scanning for the different
15 features that a car has. They -- they have those OBD2
16 scanners, and you can -- you can check if -- if
17 there's any other issues within the engine that you
18 can't see.

19 Calibration: So the radars that are on
20 the front and back of the vehicles or the cameras that
21 might be in the vehicles, there's all different
22 calibration types of processes.

23 And -- and other sorts of things like
24 blend that we had originally compensated the trade on,
25 we're not compensated in industry standard ways. So

1 we're trying to move our compensation to more industry
2 standard.

3 In doing this, we prepared a
4 cross-jurisdictional review or -- or got MNP to help
5 us do this cross-jurisdictional review. What you'll
6 see on the right-hand side of this chart is a
7 comparison of the labour body rates. So this is what
8 you pay per hour to have a shop fix or repair a
9 vehicle.

10 Some of these are obviously in crown --
11 other crown locations, and some of them are in private
12 market locations. This is data collected through --
13 through the Mitchell group that we use.

14 And you'll see that some of the large
15 jurisdictions like Ontario are closer to the
16 sixty dollar (\$60) rate. We know that Quebec from
17 anecdotal feedback is around that area as well.

18 Now, the -- the study looked at both
19 rates. When you're -- when you're actually assessing
20 how much we pay overall in a holistic way to repair a
21 car, rates are one thing. Labour rates are generally
22 around 45 percent to 50 percent of the price of fixing
23 a vehicle. Parts is really the majority. Other part,
24 fifty-ish roughly.

25 But it's your estimating standards as

1 well, like how much of an hour -- how many hours to
2 fix this dent, or, you know, do you pay for other
3 accessory types of things.

4 And -- and so we tried to get some
5 sample cars and -- and review what would our
6 estimating standards and the body rate combined mean
7 to us in terms of repairing cars. And even still with
8 that study what we found is that we're basically
9 within the top part of the price to -- to get vehicles
10 done.

11 The one thing we -- we do need to say
12 is that our shops in Manitoba are excellent. They are
13 the most highly rated from an I-CAR perspective. I-
14 CAR is a measurement standard. Our shops have to be
15 I-CAR gold standard to fix cars.

16 Some other insurance companies do the
17 similar thing. They require their designated repairs
18 to also have certain degrees, if you will, behind
19 their name.

20 But -- but our percentage is extremely
21 high for Manitoba, so that's good. And we also
22 believe cars are properly repaired here, and -- and so
23 it's done well. That may have a factor in terms of --
24 of what we pay.

25 The other thing is that in Ontario

1 and -- and Quebec, for example, you will have some
2 more economies of scale, or there is a lot of activity
3 there. There's a lot of jobs. That may have
4 something to do with this as well. This is the -- the
5 current state.

6 Let's move to Direct Repair. So
7 Direct Repair is a major service delivery change that
8 we have -- have made now for the last two (2), two and
9 a half years. We -- we did make some changes to that
10 since we've been here last. We lifted the geographic
11 restriction, so meaning that a customer can choose
12 anywhere within seventy-five (75) -- there was a 75
13 kilometre radius. We now allow them to choose --
14 choose anywhere.

15 And there was -- the biggest issue was
16 that we had restricted shops with agreement from the
17 trade. But there was a restriction of five (5) jobs
18 per week, and if you didn't do up to five (5) jobs per
19 week, we didn't allow you to get Direct Repair
20 capability.

21 After the -- the deal was signed,
22 the -- the trade did say that that wasn't their issue.
23 It was more MPI's issue. And then we were pleased to
24 lift that in late last year, and we've trained up a
25 number of shops for direct repair.

1 We do -- slightly over two hundred
2 (200) shops repair our cars today and about a hundred
3 and eighty -- a little over a hundred and eighty of
4 them have Direct Repair. So it's pretty much the --
5 the exception now that doesn't do Direct Repair or is
6 capable of doing it.

7 What you'll see with the graph below is
8 essentially the eligibility of claims. So we're being
9 very slow, deliberate, and watching the -- the impact
10 of certain types of claims.

11 So we'll only turn on about half of the
12 types of the claims that we have. If we have any
13 concerns over certain claim types, we may want to see
14 the vehicle first and now allow it to go direct, but
15 we've been increasing those over time.

16 And as we see on this slide, the
17 customer uptake on this is now growing, and -- and
18 really it's because of the restrictions to move also a
19 little bit more of acceptable of going to -- to DR
20 shops.

21 So you'll see in the top red line there
22 the -- this is the percent of those who are eligible
23 to go Direct Repair actually take the Direct Repair
24 route, and this is going through February of last
25 year. We found that it's remained at that high

1 February rate through the -- the remaining parts of
2 this year as well.

3 So it's a -- it's a positive one,
4 and -- and we're going to -- we're going to continue
5 to -- to watch this, but we don't need to turbo charge
6 it.

7 What we found is that this is more of a
8 customer satisfaction service model. There's not a
9 huge income change or -- or cost reduction for us on
10 this. So it's more of a customer service.

11 And the only thing is we want to make
12 sure that there's no adverse customer implications
13 here. We have seen maybe that maybe some shops are
14 actually just taking the car into the front part of a
15 shop and not putting on the hoist either which is not
16 really providing a customer service piece.

17 And then we also want to look at the
18 claims cost impact, that if we're seeing a higher
19 severity rate on -- on jobs that go just Direct Repair
20 versus those that go to MPI first, we want to be -- be
21 really clear on how that shift is happening. So
22 that's Direct Repair.

23 This is a -- a success story. We
24 talked a little bit about this before, but we wanted
25 to just make sure that we're -- we're clear on -- on

1 where we've gone. So through Paintless Dent Repair,
2 we offered it in 20- -- late 2017. There wasn't a lot
3 of hail.

4 Last year, we did get a great degree of
5 hail. Our -- our savings from that year alone was
6 about \$9 million, and you could see that the number of
7 claims -- we just -- it was very few claims that
8 actually were Paintless Dent Repair fixed. Now we've
9 got about 70 percent are them are Paintless Dent
10 Repair fixed.

11 So we've reduced our claims cost.
12 We've reduced the total losses from those hail claims.
13 We -- we also find that it also distributes and opens
14 up the number of places you can take these repairs.
15 You can get them done fairly quickly.

16 What you'll see at the bottom is our --
17 our hail response unit. I -- we are a very
18 fiscally -- a fierce fiscally accountable firm. You
19 should know that that was a used hail trailer that we
20 bought off of a paintless dent facility with all of
21 the lighting and the -- the hookups needed in there.
22 We bought that for less than \$50,000 used and just put
23 the skin on it. That's -- that's not an expensive
24 paint job either.

25 And what we did is we used that in

1 tornados like Alonsa or some of the major hail we got
2 last year in places like Ninette where there really
3 isn't power; there isn't Wi-Fi. This unit goes out
4 into fields in some cases where we can almost create
5 real triage units and get people assessed quickly so
6 they don't have to wait for a long period of time.

7 Ben and I rode out to -- to Winkler to
8 look at a -- an arena that we had filled up to do some
9 hail repairs. And between those sorts of activities
10 and this response unit, we act faster, the service
11 delivery is terrific, we all save money, and we don't
12 have to charge more for the insurance.

13 Another innovation -- this is very
14 recent -- we have added a new total loss software
15 piece actually, and a new total loss process to what
16 we do. This is important.

17 In our -- in our 900 million of claims
18 in total per yer, total losses amount to 250 million.
19 So a quarter of a billion dollars a year go through
20 this process, and as you saw earlier, our customer
21 satisfaction through it has not been solid.

22 So we bought this new valuation tool.
23 We launched it in September of this year. This is an
24 independent -- about five (5) pages that will go to
25 our adjustors and our customers, if they ask for it

1 and wish for it. It shows relevant ads. It takes
2 away, in algorithms that are based on many other
3 insurance companies' experiences, what a car value
4 truly is.

5 And so we have less of the -- less of
6 the negotiation process or, even better, less of an
7 issue where I have, let's say, thirty (30) different
8 adjustors that do total loss. Each one (1) of them
9 may come up to a different number based on what they
10 use on Kijiji or looking at Black Book or looking at
11 autotrader.ca or their own personal views on things.
12 And that's not a good customer experience.

13 We don't want someone who's a hard
14 negotiator and someone who isn't to have two (2)
15 different experiences out of MPI. We're here for
16 everyone equally, and we want to make sure that
17 everyone gets the right number for their car.

18 So this results in a faster turnaround.
19 We have actually seen, just in the more recent data on
20 total loss, an uptick in customer satisfaction. This
21 -- this could be one (1) of the drivers. It's -- it
22 is very, very new, but -- but so far we like it, and
23 we think it's being very fair.

24 So let's move on to something that
25 didn't work in the last year. The MELT -- the MELT

1 process really rewarded people for trying to come into
2 our jurisdiction to get a Class 5 and then a Class 1
3 licence before the mandatory hundred and twenty (120)
4 hours. And -- and so what happened is we ended up
5 getting calls, almost like two hundred (200) and three
6 hundred (300) telephone calls from the same individual
7 to our contact centre per day trying to get Class 1
8 testing and more Class 1 testing. And it was really -
9 - it was really something. We hadn't seen that in a
10 long time.

11 We can't staff up for that kind of a
12 spike. It just -- it just isn't something that makes
13 any economic sense. MELT is mandatory entry-level
14 training for truck driving. It's the hundred and
15 twenty-one (121) hour course.

16 And -- and so we -- we do expect normal
17 testing and -- and con -- contact centre volume to
18 return and -- and they have, actually. We have
19 reviewed our licensing rules as a result. We are
20 making some changes. And we did talk about that a lot
21 in the road safety part, so I won't go over this too
22 much.

23 But what it did highlight is that
24 there's a lot of in-person effort here, and we heard
25 from our broker friends and our MPI centres that

1 people would be lining up, and -- and there really is
2 no online option on which to book. We did roll out
3 the Class 5 and 6, and I'll get into that later. But
4 sometimes, when you only rely on in-person or on-the-
5 phone types of service opportunities, these spikes in
6 demand come up, and you -- you can't adequately staff
7 for them.

8 MPI services brokers today too with
9 training and support, so -- so as we talk about how we
10 handle licensing, or if we talk about the customer
11 experience through our various channels, it -- it's
12 just maybe something that isn't really understood is
13 that we do actually have parts of our contact centre
14 that support brokers. They're -- they're -- they're
15 actually dedicated to broker call-ins, and we also
16 have another portion of our contact centre that can --
17 can also do some parts of the -- the -- the broker
18 needs.

19 We -- we get calls a lot of times for
20 different licensing issues or insurance issues, and we
21 assist brokers with questions around what a customer
22 may have in terms of payments they have on their
23 account with us for, let's say, winter tire financing
24 or maybe their insurance payment or registration. And
25 if a broker's unable to explain something, they get on

1 a call with MPI, and we -- we help them sort it out in
2 real time. Or they provide overrides. We have
3 mandatory approvals for certain activities, and they
4 get on the phone with us for those things.

5 We also have training programs. So we
6 -- we basically train brokers initially. When a
7 broker wants a -- a new broker to sell Autopac, we --
8 we put them through courses like Intro to Autopac, or
9 the Extension products would be another one, or SRE.
10 And -- and we do the training so that the broker has
11 the basis of knowledge that they need to make sure
12 that our customers are taken care of properly.

13 And then there is an annual refresh
14 process. It's not dissimilar to the computer-based
15 training that you might see in any organization. We
16 ask them to annually refresh.

17 What -- what is normal within -- within
18 that force is that there is turnover and retraining
19 required, and -- and we're pleased to work with the
20 brokers to provide that. It -- it is -- it is
21 absolutely critical for both of us as we partner to --
22 to make sure that that broker level of competency is
23 up and that we provide that great service that we're
24 both committed to for -- for Manitobans to satisfy the
25 base, as we say.

1 The -- as a -- as -- it's of interest
2 that when we were getting so many calls in, we -- we
3 were so saturated with demand that as we were working
4 with -- with IBAM, we -- we -- we heard a lot of
5 complaints because it affected the broker queues as
6 well. And -- and so this wasn't good. You know,
7 we'll put our hand up and -- and say that we were
8 backed up.

9 But -- but it was great. We -- we --
10 we looked at some of the major issues that brokers
11 were calling us for that they didn't need to. Like,
12 we had training out there. We had information on our
13 website.

14 And -- and what we did is we published
15 out to all brokers a 'top five (5) reasons you don't
16 need to call us' type of a document. And then what we
17 found is that the calls immediately dropped 10 to 15
18 percent after that. And so this is where working in
19 partnership with brokers on training and things can
20 actually reduce our costs and make it cheaper for all
21 Manitobans but have a good outcome.

22 Now we get to some of the -- the -- the
23 topic that we've seen in -- in -- in more of the
24 newspapers and some of the issues around -- online
25 services of the future, and -- and to read it for the

1 record, the -- the -- the quote's coming out of the
2 paper titled Changing Workforce: Implications of
3 Technological Disruption for the Insurance Industry of
4 Canada, 2018. And this was an attachment that was
5 part of the documentation that was submitted through
6 PUB. I'll quote.

7 "For brokers, the key concern is
8 that direct-to-consumer channel --
9 channels are eroding their value
10 proposition. The extent of the
11 disruption facing brokers will
12 depend on how they adapt. Augmented
13 by digital tools and analytics, the
14 broker of the future is expected to
15 move towards providing more complex
16 risk advice, while simpler risks
17 become automated."

18 You'll -- you'll note there's a number
19 of different publications from a number of different
20 sources and -- and best practice management
21 consultancies. This is a known trend. There's a lot
22 of known other industries that are facing some
23 disruption, and -- and the customer of today and
24 tomorrow just -- it just isn't the -- the same
25 customer of yesterday. And so I believe we'll be --

1 we'll be talking about that more so.

2 Our only recent addition to our service
3 delivery model of online was Class 5 and 6. And it
4 sure would have been good to have more classes
5 available for online booking in this past year, but --
6 but here was Class 5 and 6 online. When we first
7 rolled it out, it started off at 7 percent. Here for
8 the month it averaged to be 8 percent. So without
9 even advertising it, basically, customers took us up
10 on the online offering by 8 percent.

11 And where that came from was roughly
12 about neutral -- it was -- it was half of it from MPI
13 would have taken the other bookings and the other half
14 were brokers. It grew just organically. We didn't
15 really advertise this, and it grew organically to 12
16 percent. And I saw last we -- I get these weekly.
17 Last week was up to 15 percent. It does bounce around
18 a little bit. But you're just going to see customers
19 start to become more comfortable and use these things.

20 MR. STEVEN SCARFONE: Mr. Wennberg,
21 just on this slide, could you explain for the panel
22 the different classes in which customers are captured
23 by those classes?

24 MR. CURTIS WENNBERG: For sure.
25 Pardon me. Class 5 is by far our majority. This is

1 just the passenger -- passenger vehicles, half-tonne
2 trucks, SUVs -- by far, far the majority. Class 6 is
3 motorcycle, and so those are the ones that we have as
4 online options today. When I say Class 1 and MELT,
5 that's referring to the semi-truck driving group.

6 One (1) of the things we did in our
7 insurance and licensing quarterly surveys was ask
8 customers, really, are -- are they getting some of the
9 advice -- and this is through MPI channel or the
10 broker channel. And we wanted to get an understanding
11 and a baseline of what's happening out there in the
12 current process today.

13 As -- as some of my colleagues would
14 describe, whenever you're looking at changing a
15 process or doing a lean project, you always want to
16 understand what's -- what is happening today.

17 And so here we're -- we're looking at
18 cus -- current customers that may not be offered
19 choices. This -- this was asked to -- to customers:
20 were you -- if you had a change in your policy or if
21 you had a new insurance policy, were you offered other
22 products? And about 30 percent were offered -- were
23 not offered other products.

24 Of those that were offered other
25 products, these are the things that they remember.

1 And of course, you can never -- you can never be
2 purely accurate when you're asking somebody a month
3 after they've been -- they've had a transaction, well,
4 were you -- you know, did you -- were you asked about
5 this? But -- but this is from the customer's memory.

6 And -- and a concern -- a concern that
7 we've heard many times is -- is how will Manitobans be
8 advised properly if we only offer insurance online?
9 And another concern we have is are Manitoban insurance
10 transactions really being thoroughly conducted today?
11 You know, are -- are people often coming in and -- and
12 maybe they won't be asked the questions they need to
13 be asked on -- on certain risks. And I -- I -- that's
14 -- that's happened to me a couple of times in my
15 renewal or re -- reassessment interaction.

16 And so what we have in this list is
17 basically the Autopac options and Extension products
18 that customers did recall that they were asked about.
19 So deductible amount, five hundred (500), two hundred
20 (200), one hundred (100), three hundred (300) -- that
21 -- that seems to be the most commonly asked, and those
22 are about one in -- one (1) in two (2).

23 If you look down a little bit, changing
24 insurance use, pleasure to all-purpose -- really a
25 very small percentage were asked that, and -- and

1 maybe your -- maybe your risk issues don't change
2 enough for that question, but you know, it may be a
3 good idea that you are -- you -- you read up on that
4 and -- and get asked.

5 Things like new vehicle protection or
6 lease vehicle protection, at -- at 7 and 6 percent,
7 that's okay. I mean, we don't -- if it's the same
8 car, it's been for a while. You don't need to be
9 asked those sorts of things. And so really, we just
10 want to show this as a -- it is nascent, that this is
11 -- this is not meant to be -- this is exactly what's
12 happening out there today.

13 So -- so it's just more of a microcosm
14 of what maybe all of us -- a lot -- all of us go to --
15 to -- to brokers to reassess or pay or do. We have
16 our own experiences. This is -- this is one (1) data
17 piece that we wanted to -- to share.

18 MR. STEVEN SCARFONE: Mr. Wennberg,
19 maybe put you on the spot a little bit on this
20 particular slide, because I think it's important. So
21 these, of course, are some of the Extension products
22 that the Corporation provides and the brokers sell on
23 a daily basis. So some of those products, like the
24 last one on the list, the income replacement indemnity
25 extension --

1 MR. CURTIS WENNBERG: Yes.

2 MR. STEVEN SCARFONE: -- at 1.9
3 percent, what is that product?

4 MR. CURTIS WENNBERG: Yes, this is a
5 product that you would use on top of the PIPP product.
6 So PIPP will basically cover under the -- the -- the
7 Basic program, it will cover your income if you earn
8 less than ninety-eight thousand dollars (\$98,000),
9 essentially, and that's indexed.

10 If you earn -- if you're a high-income
11 earner and you earn more than that, you may want to
12 buy this product, which can top up that income
13 replacement for you if you are in an accident and you
14 are unable to go back to work. And -- and we had had
15 some -- some conversations with some of the insurance
16 brokers to say that, you know, people don't understand
17 that a little bit, and that might be leading to the 2
18 percent. It also just doesn't apply, since most
19 Manitobans earn less than a hundred thousand
20 (100,000).

21 MR. STEVEN SCARFONE: And then one (1)
22 other one (1), which you said may not apply to many
23 customers, is the new vehicle protection. You said
24 that, you know, if it's an older vehicle, obviously
25 that doesn't apply. So what does that product get for

1 the customer?

2 MR. CURTIS WENNBERG: New vehicle
3 protection and lease vehicle protection help you if
4 you've had an accident in a period -- the -- the
5 recent period after your purchase, so it could get you
6 the value of the car higher than what it would have
7 been if you'd factor in depreciation.

8 MR. STEVEN SCARFONE: Thank you.

9 MR. CURTIS WENNBERG: Online services
10 is possible for MPI. As we look at different
11 offerings for the licensing infrastructure under
12 Project NOVA in the insurance IT systems that -- that
13 -- that support NOVA, this is a common thing that is
14 being provided by a lot of the insurance -- the
15 insurance industry today. So we're at an opportunity
16 here now where we can -- we can actually build that
17 capability into our MPI website and then also make it
18 available for other brokers to link into -- to us and
19 our services to offer it out wherever the customer may
20 want to go.

21 That leads into the second piece, which
22 is customer-centricity, and customer needs come first.
23 And if they don't come first, we'll be like other
24 financial services or other providers where the market
25 is going to move on and customers are going to really

1 demand to -- to be served through the channel that
2 they -- they require these days.

3 The risk is a little lower here than in
4 other jurisdictions. A customer risk in choosing to
5 self-serve for some of their insurance choices is
6 lower here in Manitoba, and the reason why is because
7 we -- we don't have a choice of provider for the Basic
8 product. You -- you don't -- that -- that help that a
9 broker can broa -- provide and different prices, for
10 example, for different Basic products is just not
11 here.

12 And there's no difference in claims
13 experience. So some insurance companies might be much
14 harder on claims experience than other, and a broker
15 would be able to guide a customer through that, and we
16 -- we -- we take care of everybody.

17 When you think about the choices of
18 Extension product, our Basic product really covers
19 PIPP, it -- it covers even up to a five hundred dollar
20 (\$500) deductible, so there's -- there's not a --
21 there's not a -- the same level of risk within the
22 choices available here.

23 Customers get to choose a service
24 channel that suits them, and -- and what we know these
25 days is that's a -- a -- a high demand -- high demand

1 in all customers (sic) offerings by companies these
2 days.

3 And brokers, finally -- brokers are key
4 to future servicing of customers. This is something
5 that we've always said. Brokers are an important part
6 out there, even when online services or -- or direct
7 through the insurance company is provided. We know
8 there is a major segment of our customers that will
9 want to go in person to a broker or through a broker's
10 website or bundle all their advice under one visit --
11 type of discussion. And we get that.

12 We -- we also know that we have a very
13 diverse province here. There's a lot of rural and
14 remote communities. If you look at brokerages that
15 are single-brokerage types of towns, that are isolated
16 more than 50 kilometres away from any other brokerage
17 type of shop, it's -- it's about 2 percent of our
18 total broker compensation. So it's -- it's less than
19 \$2 million that we pay to those isolated groups.

20 But those are the groups that we want
21 to be really conscious of. And so even if -- and --
22 and we're open to that debate, that compensation
23 debate, because once we go online, if we -- if we take
24 out part of that 1.8 million that goes to those
25 brokers that are isolated brokers and we do want to

1 have that footprint out there, that is something that
2 we -- we want to -- we want to be reasonable about.
3 But that is only 2 percent of our total cost of the
4 compensation for brokers, and -- and we just need to
5 be -- we just need to -- to -- to walk down that road
6 together.

7 NOVA is -- is MPI's once-in-a-
8 generation type of event to provide this type of
9 online service, and so this is why I think this is
10 such an important point for us and -- and -- and why
11 everyone's coming together.

12 So in conclusion, through -- through --
13 whether it's asking for customers through different
14 elements of our service model, we're adopting industry
15 standards wherever we go. We're looking at software.
16 We're not looking at home-built software, like the
17 total loss solution that you see. We're looking at
18 industry standard types of software that we plugged in
19 for on-time, on-budget less than a million dollars and
20 is producing a -- a terrific product.

21 We're best practices in all areas of
22 service delivery, whether that's actually offering
23 something out to customers or answering telephones.
24 Adapting to this change can be difficult for our
25 partners. We know that, we felt that, and we want to

1 work with them over that so that it's not a -- a
2 hugely disruptive event.

3 And finally, we are seeing excellent
4 results from these types of strategies, excellent
5 results and fairly low risk by adopting some of what's
6 been working in other markets and bringing it back
7 home to Manitobans so that we can all benefit. And
8 that concludes my presentation.

9 MR. STEVEN SCARFONE: Thank you, Mr.
10 Wennberg. Just one (1) further question, following up
11 on one (1) of the slides at the end of the
12 presentation. So concerning MPI's provision of online
13 services to its customers, we've heard yesterday and
14 this morning that Project NOVA's really just getting
15 underway. When does the Corporation anticipate a
16 customer being able to log in and -- and purchase MPIC
17 products online?

18 MR. CURTIS WENNBERG: Well, it's going
19 to be a couple years down the road. I can't give an
20 exact date at this point in time, but we're not --
21 even when I say it would be nice to have Class 1 or
22 the truck online booking, we -- we don't really have a
23 lot of that capability built.

24 We're -- we're talking in two (2) to
25 three (3) years down the line, you know, and

1 potentially -- potentially longer for certain things.
2 There will be a -- a Gantt chart or a -- a delivery
3 schedule built for NOVA that will determine what's the
4 best to put first, whether it's, let's say, the
5 commercial insurance and policies, or is it going to
6 be the -- the retail side, and then deviate. The
7 team's still working that out.

8 And -- and from a business perspective,
9 from an operational perspective, as long as we build
10 what's acceptable to customers, I don't really mind if
11 it's two (2), three (3), or four (4) years down the
12 line, as long as when we deliver it, you know, it --
13 it's what customers want.

14 MR. STEVEN SCARFONE: Thank you, Mr.
15 Wennberg. So I believe that concludes the evidence
16 for this panel, Madam Chair.

17 THE CHAIRPERSON: Thank you, Mr.
18 Scarfone. I note that it's almost 12:10, so let's
19 break now for lunch and come back at ten (10) after
20 1:00.

21 MR. STEVEN SCARFONE: Very good.
22 Thank you.

23 MR. CURTIS WENNBERG: Thank you.

24

25 --- Upon recessing at 12:08 p.m.

1 --- Upon resuming at 1:12 p.m.

2

3 THE CHAIRPERSON: Good afternoon,
4 everyone. Ms. McCandless...?

5

6 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

7 MS. KATHLEEN MCCANDLESS: Thank you.

8 Good afternoon. Mr. Graham, Mr. Wennberg, nice to see
9 you again. Ms. Hora and Mr. Mitra, I am Board
10 counsel, and this is my first time questioning you.
11 So I figured I would introduce myself to you.

12 My questions this afternoon will be
13 mainly related to broker commissions. I expect that
14 likely that's Mr. Wennberg's area, but I will not be
15 directing my questions to any particular member of the
16 panel. So feel free for whoever's most appropriate to
17 respond to the question, please do so.

18 Following questions on broker
19 commissions, I will have a few questions on the
20 presentation from this morning as well.

21 So first, Kristen, could you please
22 pull up CAC-MPI-1-1 page 5.

23 Now, I understand that this figure
24 provides a schedule of commissions paid for both Basic
25 and Extension services from 2010 through to 2019?

1 MS. CAROL HORA: That's correct.

2 MS. KATHLEEN MCCANDLESS: Thank you.

3 Have further top up payments been made in addition to
4 these figures?

5 MS. CAROL HORA: No, they have not.

6 MS. KATHLEEN MCCANDLESS: And
7 commission rates are established through agreements
8 with -- between MPI and the Insurance Brokers
9 Association of Manitoba?

10 MS. CAROL HORA: That is correct.

11 UNIDENTIFIED SPEAKER: Sorry. Can I
12 just ask you a question? What did you mean when you
13 meant "top up"?

14 MS. KATHLEEN MCCANDLESS: So top up
15 with respect to anything over and above the straight
16 commission. If there's anything that's been added to
17 that to get to a level -- for example, in the amended
18 agreement, there's a -- a top up to \$71 million. If
19 anything's been added on top of that or if these are
20 the actuals --

21 MS. CAROL HORA: The top up was
22 included in what is in --

23 MS. KATHLEEN MCCANDLESS: Okay.

24 MS. CAROL HORA: -- in this chart.

25 MS. KATHLEEN MCCANDLESS: Okay.

1 Right.

2 MS. CAROL HORA: Yes.

3 MS. KATHLEEN MCCANDLESS: So the
4 initial agreement that we have as -- on the record was
5 entered into in 2008 with the Insurance Brokers
6 Association of Manitoba?

7 MS. CAROL HORA: You're speaking about
8 the current agreement or --

9 MS. KATHLEEN MCCANDLESS: The initial
10 agreement. So we've -- there are a number of
11 agreements on the record.

12 MS. CAROL HORA: Yes.

13 MS. KATHLEEN MCCANDLESS: One of the
14 agreements is 2008? Thank you. And that agreement
15 saw broker commissions for Basic transactions starting
16 at 5 percent and then declining to 2.5 percent over a
17 five (5) year period?

18 MS. CAROL HORA: That's correct.

19 MS. KATHLEEN MCCANDLESS: And we can
20 see on Figure 1 here that currently the broker
21 commission rate for Basic transactions is 3 percent of
22 the premium?

23 MS. CAROL HORA: Yes.

24 MS. KATHLEEN MCCANDLESS: And for
25 Extension at line 10, we see the original agreement

1 set commissions at 18.5 percent of the premium, and
2 it's now 19.75 percent?

3 MS. CAROL HORA: That is correct as
4 well.

5 MS. KATHLEEN MCCANDLESS: Can you
6 explain why there's a variation in the Extension
7 commission rates in the period from 2009 through to
8 2018/'19?

9 MS. CAROL HORA: The extension
10 commission rates are a negotiated rate, and some of
11 the fees, which we're not talking about right now --
12 the fees are actually prorated, but it's -- it's part
13 of the agreement that changes from year to year.

14 MS. KATHLEEN MCCANDLESS: At line 13,
15 there's a reference to "staggered retro" -- a
16 staggered retro payment?

17 MS. CAROL HORA: Yes.

18 MS. KATHLEEN MCCANDLESS: And what is
19 the -- what is that related to?

20 MS. CAROL HORA: One moment, please.

21

22 (BRIEF PAUSE)

23

24 MS. CAROL HORA: This -- it's actually
25 from before my time. I will have to do some digging

1 and get back to you on -- on that. Some strange
2 things happened that I'm still trying to figure out as
3 I've only had the broker area for a year.

4 MS. KATHLEEN MCCANDLESS: Thank you.
5 So maybe just to confirm for the record then that
6 MPI will provide an explanation for the staggered
7 retro-payment referenced at line 13 on Figure 1 of
8 CAC-MPI-1-1.

9 MS. CAROL HORA: Correct.

10 MS. KATHLEEN MCCANDLESS: Thank you.

11 MR. STEVEN SCARFONE: Yes, counsel.
12 You have that undertaking.

13

14 --- UNDERTAKING NO. 28: MPI will provide an
15 explanation for the
16 staggered retro-payment
17 referenced at line 13 on
18 Figure 1 of CAC-MPI-1-1

19

20 CONTINUED BY MS. KATHLEEN MCCANDLESS:

21 MS. KATHLEEN MCCANDLESS: And if we
22 scroll down the page here at 'B' ,we see a list of
23 services, yes?

24 MS. CAROL HORA: Yes.

25 MS. KATHLEEN MCCANDLESS: And MPI

1 compensates brokers for providing each of the services
2 we see on the page here?

3 And, Kristen, if you wouldn't mind
4 scrolling down.

5 MS. CAROL HORA: That's correct.

6 MS. KATHLEEN MCCANDLESS: And that's
7 through an approved fee schedule negotiated through
8 the broker accord agreement.

9 MS. CAROL HORA: That is correct.

10 MS. KATHLEEN MCCANDLESS: Thank you.

11 Kristen, could you please go to PUB-MPI-1-47 AI
12 Attachment B.

13 And this is part of the agreement that
14 I referred to just at the beginning, the 2008 broker
15 compensation agreement? Are you familiar with this
16 document?

17 MS. CAROL HORA: Yes.

18 MS. KATHLEEN MCCANDLESS: And my
19 understanding is that this agreement represented the
20 new at the time service delivery model. Correct?

21 MS. CAROL HORA: That's correct. This
22 is when went from an annual renewal to a five (5) year
23 renewal.

24 MS. KATHLEEN MCCANDLESS: And we see
25 at the first paragraph there under the heading

1 "new compensation model" that MPI forecast a reduction
2 of 80 percent for renewal transactions?

3 MS. CAROL HORA: Yes.

4 MS. KATHLEEN MCCANDLESS: And the new
5 negotiated agreement acknowledged that a reduction in
6 compensation was required and that the reduction
7 should be gradual in order to provide brokers with the
8 ability to adjust their business models?

9 MS. CAROL HORA: Yes, that's correct.

10 MS. KATHLEEN MCCANDLESS: And if we
11 scroll down a little bit here. Thank you.

12 MPI in this agreement acknowledged that
13 the loss of compensation based on revenue derived from
14 the renewal of Basic auto needed to be replaced with
15 other revenue streams, yes?

16 MS. CAROL HORA: Yes.

17 MS. KATHLEEN MCCANDLESS: And just to
18 confirm, the original 2008 agreement foresaw at first
19 an implementation of a phased in decrease in Basic
20 commission?

21 MS. CAROL HORA: Yes.

22 MS. KATHLEEN MCCANDLESS: And that was
23 the reduction of 5 percent to 2.5 percent that we
24 discussed at the beginning of my questions?

25 MS. CAROL HORA: Correct.

1 MS. KATHLEEN MCCANDLESS: Then Item 2
2 was an immediate increase in Extension commission?

3 MS. CAROL HORA: Yes.

4 MS. KATHLEEN MCCANDLESS: And so that
5 was when Extension commission increased to
6 18.5 percent then on execution of the agreement?

7 MS. CAROL HORA: Yes.

8 MS. KATHLEEN MCCANDLESS: And are you
9 aware what the commission rate was before the change?

10 MS. CAROL HORA: I am not.

11 MS. KATHLEEN MCCANDLESS: Okay.

12 Subject to check, would it -- would it have been
13 12.5 percent?

14 MS. CAROL HORA: It may have been.

15 I'm sorry. I don't have it in front of me. I
16 apologize.

17 MR. STEVEN SCARFONE: Ms. McCandless,
18 we can undertake to provide you with that information.
19 So just to clarify, it would be the rate that was in
20 existence before the 2008 broker accord was entered
21 into?

22 MS. KATHLEEN MCCANDLESS: On
23 Extension, yes.

24 MR. STEVEN SCARFONE: On Extension,
25 yes.

1 MS. KATHLEEN MCCANDLESS: Thank you.

2 MR. STEVEN SCARFONE: We'll undertake
3 to do that.

4 MS. KATHLEEN MCCANDLESS: Okay.

5

6 --- UNDERTAKING NO. 29: MPI to provide the rate
7 that was in existence
8 before the 2008 broker
9 accord was entered into on
10 Extension

11

12 CONTINUED BY MS. KATHLEEN MCCANDLESS:

13 MS. KATHLEEN MCCANDLESS: Then at
14 item 3, there was an immediate increase in the flat
15 fees paid for various non-commission able transaction
16 types?

17 MS. CAROL HORA: That is my
18 understanding, yes.

19 MS. KATHLEEN MCCANDLESS: At 4, an
20 indexing of flat fees to CPI?

21 MS. CAROL HORA: Correct.

22 MS. KATHLEEN MCCANDLESS: And
23 implementation of a 4 percent commission on Basic
24 fleets effective November 20, 2011, yes?

25 MS. CAROL HORA: Yes.

1 MS. KATHLEEN MCCANDLESS: Then if we
2 go to page 23 -- or pardon me -- page 22 of the
3 agreement. I think it's 23 of the PDF. Yes. Thank
4 you.

5 There's a reference here to the concept
6 of designated broker, yes?

7 MS. CAROL HORA: Yes.

8 MS. KATHLEEN MCCANDLESS: And
9 essentially, this was to -- was based on the concept
10 that for each first renewal -- so year one (1), the
11 designated broker would receive the commission for
12 each renewal for policy and registration.

13 MS. CAROL HORA: Correct.

14 MS. KATHLEEN MCCANDLESS: And so in
15 effect if a broker was the broker where a policyholder
16 initially registered a vehicle or in a renewal year,
17 that would establish the designated broker. So the
18 first broker that that policyholder went to was the
19 designated broker, yes?

20 MS. CAROL HORA: That is correct.

21 MS. KATHLEEN MCCANDLESS: And so for
22 each renewal period between year -- that first year
23 and the next renewal year five (5) years later, the
24 designated broker would receive a further commission.

25 MS. CAROL HORA: That's correct,

1 provided that the policy remained in force.

2 MS. KATHLEEN MCCANDLESS: And those
3 subsequent commission payments would be known as
4 trailing commissions?

5 MS. CAROL HORA: Correct.

6

7 (BRIEF PAUSE)

8

9 MS. KATHLEEN MCCANDLESS: And so
10 provided -- you mentioned provided the policy is still
11 in effect, then the designated broker receives a
12 trailing commission regardless of where or how the
13 policyholder renews the insurance in a non-renewal
14 year or...

15 MS. CAROL HORA: Correct. That would
16 be for clean reassessments. So if -- if a customer
17 actually attended a broker during that four (4) year
18 interval and made a change to their policy, then if
19 it's not the designated broker -- if a different
20 broker handled that, then they would be entitled to a
21 commission depending on what the change was as well.

22 MS. KATHLEEN MCCANDLESS: So
23 "depending on what the change was." So can you
24 explain then the distinction there?

25 MS. CAROL HORA: If -- if they did a

1 transaction change. So the policy remained in effect,
2 but they changed a deductible portion or -- or any of
3 our Extension products, then the -- the broker who
4 processed that change would then be entitled to
5 commission, either flat fee or a commission payable.
6 Making an address change, for example.

7 If it's not the designated broker or
8 regardless, the broker who processed it would -- would
9 be entitled to that fee.

10 MR. BENJAMIN GRAHAM: Sorry. Can I
11 just touch on one of your comments there? It's about
12 the -- the designated broker. So if there was -- and
13 I continue that reassessment of that five (5) year
14 renewal period, we pay the commissions up front.

15 So whilst Ms. Hora mentioned that it
16 was for a policies that were in force, that's correct
17 because they received the commission up front.

18 Sometimes a cancellation can occur, and
19 we would therefore cancel the policy. But at the same
20 time, the commission was still paid in full
21 originally, and we -- at this stage, we do not recover
22 any component of that even if the policy is no longer
23 in force for that -- that policy year.

24 MS. KATHLEEN MCCANDLESS: So just to
25 clarify something then, if the -- if the policyholder

1 went in, say, year two (2) and made a change to the
2 policy at a different broker, that new broker receives
3 a commission as well.

4 MS. CAROL HORA: Depending on what the
5 change was --

6 MS. KATHLEEN MCCANDLESS: Right.

7 MS. CAROL HORA: -- would depend on
8 the commission. Yes.

9 MS. KATHLEEN MCCANDLESS: Okay. And
10 is that a reduced commission or the same commission
11 rate?

12 MS. CAROL HORA: Well, the Basic --
13 the Basic commission on the Basic product would remain
14 with the designated broker.

15 The change that occurred -- so it was
16 an Extension product -- that secondary broker would
17 get that commission on the Extension product.

18 MS. KATHLEEN MCCANDLESS: Thank you.
19 Kristen, could we please go to MPI Exhibit number 14.

20 And this is a black line version of a
21 Information Request response that was provided
22 previously just with some corrections to the document.

23 And so Figure 2 before us, this shows
24 trailing commissions that were paid on Basic and
25 Extension for the period from 2009 through to

1 2018/'19, yes?

2 MS. CAROL HORA: Yes.

3 MS. KATHLEEN MCCANDLESS: And so we
4 see total from 2012/2013 \$41.3 million, then through
5 to 2018/'19 \$48.4 million in trailing commissions,
6 yes?

7 MS. CAROL HORA: Yes.

8 MR. STEVEN SCARFONE: Sorry,
9 Ms. McCandless. Can I just interrupt for a second? I
10 just want to get back to the -- to the question you
11 asked previously.

12 Hypothetically, if we're in year two
13 (2) of the policy and I change my coverage from, let's
14 say, five hundred thousand (500,000) to two (2)
15 million, the new broker is getting, I take it, a
16 commission on the Extension. But is the trailing
17 commission now changing to the new broker, or are they
18 getting a one (1) time commission on the -- on the
19 increase of the Extension?

20

21 (BRIEF PAUSE)

22

23 MS. CAROL HORA: I apologize for the
24 delay. There's some variations that occur. So if a
25 customer attends a broker and it's not their broker of

1 record -- so they ask for a change to their policy
2 like you described. So I've two hundred thousand
3 (200,000), now I want a million third-party liability.

4 We suspect that most brokers would ask
5 that customer to change to designate them as the
6 broker of record. If the broker doesn't do that, then
7 the original broker is going to retain that trailing
8 commission is what we believe, but I would like to
9 confirm my answer.

10 So we will take that away, and I may be
11 able to actually respond to it very quickly. Thank
12 you.

13 MS. KATHLEEN MCCANDLESS: Thank you.
14 It might be helpful to restate that for record then as
15 an undertaking, Mr. Scarfone? So --

16 MR. STEVEN SCARFONE: No, I think
17 that's -- that's probably appropriate.

18 So the corporation will undertake to
19 respond to an inquiry by the panel concerning the
20 trailing commissions that are owed to the designated
21 broker when certain transactions are made under an
22 existing policy.

23 BOARD MEMBER GABOR: Yeah. I don't
24 think that's actually the question. I think the
25 question is: Who gets the commission on the Extension

1 coverage when there's a change at a new broker and
2 whether the new broker then receives the trailing
3 commission or the old broker does.

4 And I -- Ms. Hora, I'd indicate this
5 isn't a trick question. This happened to me. So --
6 and it wasn't for two hundred thousand (200,000). I
7 raised it from two (2) million to five (5) million.
8 And I'm just -- you know, it's -- I'm just wondering
9 what it -- what actually happened because I was not
10 the question.

11 MR. BENJAMIN GRAHAM: We -- we can
12 double-check that.

13 BOARD MEMBER GABOR: Yeah. It was
14 just sort of -- you know, and it was just a very brief
15 transaction --

16 MR. BENJAMIN GRAHAM: I believe that
17 if the broker asks the customer, will I now become the
18 broker on record. If they do ask that question --

19 BOARD MEMBER GABOR: Yes.

20 MR. BENJAMIN GRAHAM: -- they can
21 change it?

22 BOARD MEMBER GABOR: Yes.

23 MR. BENJAMIN GRAHAM: But again,
24 whether they ask or not is a different story. But
25 there's only one (1) commission paid to one (1)

1 broker. So there's no double dipping.

2 BOARD MEMBER GABOR: Yeah.

3 MR. BENJAMIN GRAHAM: They're not
4 trying to take two (2) --

5 BOARD MEMBER GABOR: Yeah.

6 MR. BENJAMIN GRAHAM: -- commissions
7 at once.

8 BOARD MEMBER GABOR: No, no, no. I
9 appreciate that.

10 MR. BENJAMIN GRAHAM: Yeah.

11 BOARD MEMBER GABOR: So -- so I -- I
12 think the question is: Where there's an increase in
13 Extension at a new broker, who gets the commission and
14 what happens to the trailing commission?

15 MR. STEVEN SCARFONE: Yes. So does
16 the new broker get the -- the entirety of the
17 commission, or does some of it go to the designated --

18 BOARD MEMBER GABOR: Well, and does
19 the new broker get the trailing commission?

20 MR. STEVEN SCARFONE: Yes.

21 BOARD MEMBER GABOR: So that --

22 MR. STEVEN SCARFONE: Yes.

23 BOARD MEMBER GABOR: Thank you.

24 MR. STEVEN SCARFONE: We've got it.

25 BOARD MEMBER GABOR: Thank you.

1 --- UNDERTAKING NO. 30: MPI to answer the
2 question: Where there's an
3 increase in Extension at a
4 new broker, who gets the
5 commission and what
6 happens to the trailing
7 commission?
8

9 CONTINUED BY MS. KATHLEEN MCCANDLESS:

10 MS. KATHLEEN MCCANDLESS: Thank you.
11 So if we scroll further down this response at
12 page 11 -- oh, pardon me -- it will be CAC-MPI-1-1T,
13 page 11.
14

15 (BRIEF PAUSE)
16

17 MS. KATHLEEN MCCANDLESS: If you could
18 just scroll down so that we've got the full figure.
19 Thank you.

20 So as I understand this table, it shows
21 the total number of Basic insurance vehicle and
22 licence renewals and reassessments handled annually by
23 brokers and MPI staff as compared to automated
24 reassessments, yes?

25 MS. CAROL HORA: Yes.

1 MS. KATHLEEN MCCANDLESS: And perhaps
2 for the record, you could just explain what
3 "automated reassessments" are.

4 MS. CAROL HORA: Automated
5 reassessments are the Basic reassessments that occur
6 in year two (2), three (3), and four (4) on a policy.

7 MS. KATHLEEN MCCANDLESS: And so
8 automated reassessment customers can make a payment
9 online, at a bank, or in person.

10 MS. CAROL HORA: That's correct.

11 MS. KATHLEEN MCCANDLESS: And we see
12 at line 9, from 2014 to 2018, there's a range of
13 between 73 percent and 77 percent of reassessments
14 that were automated?

15 MS. CAROL HORA: That's correct.

16

17 (BRIEF PAUSE)

18

19 MS. KATHLEEN MCCANDLESS: Now, with
20 respect to what you referred to as clean
21 reassessments, there is some evidence in the 2008 --
22 there's some -- there's a number in the 2008
23 agreement, and perhaps we could just jump the --
24 there. It's Attachment B of PUB-MPI-1-47(a) at page
25 6. If we scroll down. Right. Thank you.

1 So there's a reference here in the
2 agreement to MPI's research having shown that 86
3 percent of renewals are clean, so that is to say there
4 is no change in coverage on these vehicles. Customers
5 are simply paying the invoice as billed, yes?

6 MS. CAROL HORA: Correct.

7 MS. KATHLEEN MCCANDLESS: And just to
8 clarify, is that -- that's with respect to year one
9 (1), so that would be when the customer is coming to
10 renew the policy, yes?

11 MS. CAROL HORA: That's right.

12 MS. KATHLEEN MCCANDLESS: Okay. And
13 that was as of 2008. Does MPI know if that percentage
14 has changed?

15 MS. CAROL HORA: If you go -- I think
16 the change was actually identified in the prior slide
17 that you had.

18 MS. KATHLEEN MCCANDLESS: Okay. So if
19 we go to --

20 MS. CAROL HORA: The percentage -- so
21 the automated reassessments that are outlined here are
22 actually the -- the clean reassessments that you're
23 speaking of. Or am I misunderstanding the question?

24 MS. KATHLEEN MCCANDLESS: So perhaps
25 we're at cross purposes. So does this incorporate

1 both reassessments and renewals?

2 MS. CAROL HORA: Well, the -- this
3 actual slide shows renewals and reassessments.

4 MS. KATHLEEN MCCANDLESS: Right.
5 Okay. And so the agreement that we were just looking
6 at had -- was with respect to renewals, I believe.

7 MS. CAROL HORA: Okay. Sorry, so what
8 was the question?

9 MS. KATHLEEN MCCANDLESS: Okay --

10 MS. CAROL HORA: I apologize.

11 MS. KATHLEEN MCCANDLESS: Yeah. No
12 problem. So my question was that 86 percent figure
13 for renewals, does MPI have updated information as to
14 what that percentage is now on a renewal?

15 MR. CURTIS WENNBERG: Subject to
16 check, in, I think it was, a review of last year,
17 about eighteen (18) months ago, it was around the 90
18 percent figure, so it's roughly about the same as it
19 was.

20 MS. KATHLEEN MCCANDLESS: Thank you.
21 So the -- the data that we see on Figure 3 here, how
22 does the Corporation keep track of this information?

23 MS. CAROL HORA: Through our financial
24 department.

25 MS. KATHLEEN MCCANDLESS: So how is

1 that -- okay.

2 MS. CAROL HORA: Sorry, one moment.

3

4 (BRIEF PAUSE)

5

6 MS. CAROL HORA: The information was
7 pulled out of our Autopac online system.

8 MS. KATHLEEN MCCANDLESS: Thank you.

9 So that's the system through which the brokers will --
10 will, in --

11 MS. CAROL HORA: Transact business.

12 MS. KATHLEEN MCCANDLESS: Yes. And so
13 that's how MPI's able to obtain the data, then.

14 MS. CAROL HORA: Correct.

15 MS. KATHLEEN MCCANDLESS: Thank you.

16 So if we now go to PUB-MPI-1-47, Attachment C.

17 And this is an amending agreement
18 between MPI and the Insurance Brokers Association of
19 Manitoba dated September 19, 2012, yes?

20 MS. CAROL HORA: Yes.

21 MS. KATHLEEN MCCANDLESS: And this
22 amended the 2008 agreement that we reviewed
23 previously?

24 MS. CAROL HORA: Correct.

25 MS. KATHLEEN MCCANDLESS: And if we

1 scroll to the bottom of the first page, please. Thank
2 you.

3 So at Article 1.02(a) at the bottom of
4 the page, we see that effective September 1, 2012,
5 this provided a minimum annual total compensation of
6 \$71 million to be paid to Manitoba's insurance agents
7 for the fiscal periods March 1, 2012, through to
8 February 28, 2018, yes?

9 MS. CAROL HORA: Yes.

10 MS. KATHLEEN MCCANDLESS: And then if
11 we continue on to the next page at 1.02(b), as I
12 understand this clause of the agreement, if actual
13 commissions in a year that -- they fell below \$71
14 million, then MPI would pay brokers a top-up, yes?

15 MS. CAROL HORA: Yes.

16 MS. KATHLEEN MCCANDLESS: And then we
17 see at 1.02(d) here that Basic premium commissions
18 would remain at 3 percent, yes?

19 MS. CAROL HORA: Yes.

20 MS. KATHLEEN MCCANDLESS: And if we
21 could jump to CAC-MPI-1-1, Appendix 15.

22 And this -- on page 2, so this is a
23 ministerial briefing note. Just at the top of the
24 screen there -- thank you, Kristen -- we see with
25 respect to top-ups, it appears that MPI paid top-ups

1 in 2013/14, 2014/15, and 2015/16?

2 MS. CAROL HORA: Correct.

3 MS. KATHLEEN MCCANDLESS: And at the
4 top of the page, that's for a total of \$5.43 million
5 yes?

6 MS. CAROL HORA: Yes.

7 MS. KATHLEEN MCCANDLESS: Now, I
8 understand the amended agreement that we just looked
9 at was extended first in October of 2017, and I can
10 take you to the reference if you need it, Ms. Hora.

11 MS. CAROL HORA: No, that's fine.

12 MS. KATHLEEN MCCANDLESS: And then
13 again on November 12, 2018?

14 MS. CAROL HORA: Yes.

15 MS. KATHLEEN MCCANDLESS: And I
16 understand it's set to expire February 28, 2021.

17 MS. CAROL HORA: That is correct.

18 MS. KATHLEEN MCCANDLESS: Then if we
19 could please go to PUB-MPI-2-18, Appendix 1.

20 Now, I understand that this table
21 represents the existing commission arrangement for all
22 transactions from March 2013 through to March 2019?

23 MS. CAROL HORA: Correct.

24 MS. KATHLEEN MCCANDLESS: And at the
25 top of the page, we see that currently, brokers are

1 paid 3 percent on all Basic policy renewals?

2 MS. CAROL HORA: Yes.

3 MS. KATHLEEN MCCANDLESS: And then
4 with respect to Extension, we see the commission rate
5 of 19.75 percent?

6 MS. CAROL HORA: Correct.

7 MS. KATHLEEN MCCANDLESS: Thank you.
8 And if we could please go to PUB-MPI-2-19, page 2,
9 Figure 2. Thank you.

10 And so I understand that this table
11 represents a schedule of commissions that have been
12 paid from 2009/10 to 2018/19, with a forecast through
13 to 2023/24?

14 MS. CAROL HORA: That is correct.

15 MS. KATHLEEN MCCANDLESS: And we see
16 that this represents the transactions paid with
17 respect to Basic and Extension, as well as driver and
18 vehicle administration transactions?

19 MS. CAROL HORA: Yes.

20 MS. KATHLEEN MCCANDLESS: So for the
21 last full fiscal year, which would be 2018/19, at line
22 7, we see total commission written in the amount of
23 \$78.5 million, yes?

24 MS. CAROL HORA: Correct.

25 MS. KATHLEEN MCCANDLESS: And I

1 understand that this schedule excludes commissions
2 paid on special risk extension?

3 MS. CAROL HORA: That is correct.

4 MS. KATHLEEN MCCANDLESS: And so if we
5 go to PUB-MPI-2-23 --

6 MR. STEVEN SCARFONE: Just before
7 Kristen leaves that screen, Ms. McCandless -- sorry to
8 interrupt your cross -- because that screen has the
9 notation that you asked a question of earlier. If you
10 give us a moment, we do have an answer to the retro
11 commissions for you.

12

13 (BRIEF PAUSE)

14

15 MS. CAROL HORA: I have a little bit
16 of information. I think we're still going to have to
17 get back to you again on it, but the retro that was --
18 that was applied was actually tied to the change when
19 we went to the streamline renewal in 2008. So we
20 anticipated there would be a reduction in traffic in
21 our -- at the brokers, so they would see less
22 customers and would require some top-up.

23 So it was a gradual reduction over
24 time, which is what we've got right now. We're just
25 reviewing the business case, so we'll have some more

1 information shortly.

2

3 CONTINUED BY MS. KATHLEEN MCCANDLESS:

4 MS. KATHLEEN MCCANDLESS: Thank you.

5 MS. CAROL HORA: That was for pre-
6 2008.

7 MS. KATHLEEN MCCANDLESS: Right.

8 MS. CAROL HORA: And that's what you
9 were asking for? The -- the commission rate was 12.75
10 percent, I'm told.

11 MS. KATHLEEN MCCANDLESS: Thank you.
12 So just continuing on to line 7 here, we see that for
13 the test years for the application, the Corporation is
14 forecasting \$82.7 million in commissions in 2020/21?

15 MS. CAROL HORA: Eighty-eight point
16 three seven zero (88.370)?

17 MS. KATHLEEN MCCANDLESS: No. For
18 2020/21, we see \$82.7 million in commissions?

19 MS. CAROL HORA: Right. Yes.

20 MS. KATHLEEN MCCANDLESS: And then
21 \$85.4 million in 2021/22?

22 MS. CAROL HORA: Correct.

23 MS. KATHLEEN MCCANDLESS: And through
24 the end of the forecast period, \$91.4 million in
25 2023/24, yes?

1 MS. CAROL HORA: Correct.

2 MS. KATHLEEN MCCANDLESS: Thank you.

3 Does the forecast of broker commissions for the
4 application years, so 2020/21 and 2021/22, reflect the
5 current approved fee arrangements?

6 MS. CAROL HORA: Yes. That would be
7 based on -- on current 3 percent for Basic and
8 inflation on any adjustments, like the flat fees.

9 MS. KATHLEEN MCCANDLESS: Thank you.
10 So as we confirmed earlier, this figure does not
11 include commissions on special risk extension.

12 Kristen, if we go to PUB-MPI-2-23,
13 Figure 1, at page 2. Thank you.

14 So this table shows commissions paid,
15 including special risk extension for 2018/19, yes?

16 MS. CAROL HORA: Yes.

17 MS. KATHLEEN MCCANDLESS: And so when
18 we added that in at \$8.4 million, the total
19 commission, then, is \$85.6 million, yes?

20 MS. CAROL HORA: Yes.

21 MS. KATHLEEN MCCANDLESS: Thank you.

22 MR. BENJAMIN GRAHAM: Sorry, can I
23 just build on the SRE component there? So we are --
24 premiums are rising as the risk exposure changes on
25 the SRE piece, so we will see a fairly significant

1 rise the amount of commissions paid for SRE.

2 It is really a -- a -- a different
3 business model, so it's very much a base boke
4 (phonetic) underwriting model, where a fleet may come
5 to us and we will underwrite that accordingly. So
6 it's really underwritten on a case-by-case basis, as
7 compared to a -- a one-size-fits-all coverage similar
8 to Basic.

9 So whilst that's -- that commission is
10 going up, so is the effort for the underwriting and
11 the role of the broker in that business.

12 MS. KATHLEEN MCCANDLESS: Thank you.
13 Now, Kristen, if we could please go to MPI Exhibit
14 number 62, and this is the presentation from before
15 the lunch break. Slide 5 first, please. Thank you.

16 So this is the net promoter score that
17 you spoke about, Mr. Wennberg?

18 MR. CURTIS WENNBERG: Yes.

19 MS. KATHLEEN MCCANDLESS: How long has
20 MPI been using this metric?

21 MR. CURTIS WENNBERG: We started it in
22 last quarter of last year, so we've got about three
23 (3) quarters under our belt.

24 MS. KATHLEEN MCCANDLESS: Okay. And
25 can you shed any light, then, on the -- or interpret

1 the difference in scores between the MPI service
2 centres and broker agencies?

3 MR. CURTIS WENNBERG: I think so. So
4 part of the question, if you remember, on net promoter
5 score is -- is how would you -- how would you speak
6 highly -- would you speak highly about MPI if you're
7 referring insurance or licensing to a friend or
8 colleague? If they've chosen -- self-selected to
9 choose a broker model, they may be naturally less
10 inclined to MPI and -- and could -- that could be part
11 of the rationale for a lower net promoter score.

12 It could be that there's longer service
13 lines, because we have a certain limitation on both
14 the locations for our areas, plus we also serve --
15 remember, we serve a lot of different things. We've
16 got people there for drive tests. We've got -- we've
17 got all -- a host of other -- other areas that we
18 serve through our service centres. So it's really not
19 an apples-to-apples comparison.

20 So if they're -- if they're coming to
21 the service centres, they may have a very complex type
22 of a situation -- complex, and they may feel quite
23 good about the service they got at the end of it.
24 That could be part of it as well. So I think it's
25 difficult to take this from an apples-to-apples

1 comparison, and I -- I wouldn't want it to be read
2 that way. It's also fairly nascent, and we -- we need
3 to dive into these.

4 MS. KATHLEEN MCCANDLESS: Thank you.
5 If we could jump ahead to slide 10, please.

6 And this is with respect to the cross-
7 jurisdictional review that MPI engaged MNP to conduct.
8 And MPI is at the -- or Manitoba's at the higher end
9 of the range in western Canada.

10 MR. CURTIS WENNBERG: Correct. Or in
11 Canada.

12 MS. KATHLEEN MCCANDLESS: And just to
13 clarify, does the Corporation have any insight on --
14 into why the rates in Saskatchewan are significantly
15 higher than in Manitoba?

16 MR. CURTIS WENNBERG: Yeah. The rates
17 in Saskatchewan are higher than anywhere that we can
18 -- we can find at this point in time, and so we -- we
19 have stopped comparing our labour rates to
20 Saskatchewan, and we encourage that not to happen in
21 future.

22 Saskatchewan was much lower, and then
23 there was a -- a request for Saskatchewan rates to go
24 up by 10 percent, 10 percent, 10 percent over three
25 (3) successive years. And I'm -- it's -- it's pre-

1 dating my involvement with MPI or the insurances, and
2 so that's probably about five (5) years ago, subject
3 to check.

4 But -- but they had big, big increases
5 for -- for a period of time, and now they've flat-
6 lined at that level. There's -- they -- they really
7 are in a different -- a different category.

8 MS. KATHLEEN MCCANDLESS: And are you
9 able to explain what factors the Corporation might
10 attribute to the lower rates in Ontario? Is it
11 competition, perhaps?

12 MR. CURTIS WENNBERG: Possibly. So I
13 did get into a little bit of that. Ontario is a
14 private market. The way insurance is -- insurance
15 companies hire providers to repair their vehicles is -
16 - is they would normally set up what they call a
17 designated repair program, DRP. And -- and they would
18 get a number of different companies that serve their
19 needs, so maybe twenty (20) to fifty (50) different
20 auto -- autobody repair companies. And they would
21 establish a rate card, if you will, or, you know,
22 certain requirements, that they need to be I-CAR Gold
23 standard, which is, you know, like something we have,
24 so that the quality of the repair is of a certain
25 type, the expectations of the -- the visit is a

1 certain type, and then the rate is a certain type.

2 And potentially within those broader
3 markets, there could be a bit more of the competition
4 or other issues that could be effecting a -- a lower
5 labour rate that could take place there. But as you
6 see in potentially some of the other smaller areas,
7 you also see a lower -- a lower rating than -- than
8 what we have at this point.

9 The other thing that Ontario and some
10 other areas have is a higher cost of living sometimes
11 too than we have, so there are some -- there are many
12 variables, I suppose, that go into the underlying body
13 rates.

14 MS. KATHLEEN MCCANDLESS: What does
15 the Corporation intend to do with the information
16 provided in this study? So is it in terms of
17 negotiation with industry, or...?

18 MR. CURTIS WENNBERG: Yeah. Well,
19 before -- when you do strategy, before you know where
20 you're going to go, you want to know where you're at
21 right now, and we wanted to do this as a benchmarking
22 exercise to really understand where are we at, not
23 just relative to us and another Crown, but where --
24 where is the entire marketplace at this point in time,
25 both within Canada and in the US as well. A lot of

1 the US body shop rates, basically, it hovers around
2 the fifty dollar (\$50) mark.

3 This informs our discussions with the
4 trade, and we had a lot of -- a lot of -- a lot of
5 discussion with them about some of what our findings
6 are here, and it -- it's worthwhile.

7 We want to make sure that what we are
8 paying is -- is average. I know it's never good to
9 strive for average as a company, but we've been very
10 vocal and -- and open with our repair trade that when
11 it comes to body shop repair, we really just want to
12 be average. We don't actually want to try and pay in
13 the lowest level of Canada and or US. We don't want
14 to pay at the highest levels, though, either.

15 And so that's why we're just raising
16 this issue, making it open, and we want to slowly
17 transition to more of the average.

18 MS. KATHLEEN MCCANDLESS: Thank you.
19 Jumping ahead now to slide 16. This is with respect
20 to the broker network training.

21 So Mr. Wennberg, you mentioned that MPI
22 trains broker staff. And is that training done
23 annually?

24 MS. CAROL HORA: I'll -- I -- I can
25 take it --

1 MS. KATHLEEN MCCANDLESS: Thank you.

2 MS. CAROL HORA: -- thank you. Yes.

3 We -- we train even, we probably have about four (4)
4 classes a year.

5 MS. KATHLEEN MCCANDLESS: Thank you.

6 And so there's an initial training?

7 MS. CAROL HORA: Intro to Autopac,
8 yes.

9 MS. KATHLEEN MCCANDLESS: Is there any
10 sales type of training, sales techniques or anything
11 like that, or is it...?

12 MS. CAROL HORA: We have a customer
13 service course. It doesn't really speak to sales
14 techniques. It's more -- it's very focused on
15 customer service.

16 MS. KATHLEEN MCCANDLESS: And the
17 refresh training, what's involved in that?

18 MS. CAROL HORA: The refresh training
19 is a shorter version, just, you know, if there were
20 any changes throughout the year, changes in Basic
21 insurance, deductibles, any of our Extension products.
22 It's -- it's a refresher. It's -- basically describes
23 it well.

24 MS. KATHLEEN MCCANDLESS: And how much
25 does the Corporation invest in training annually?

1 MS. CAROL HORA: In total, so, would
2 you like to know for the brokers or for internal
3 staff?

4 MS. KATHLEEN MCCANDLESS: For the
5 brokers.

6 MS. CAROL HORA: For the brokers? I'm
7 not sure if I have that. Just one moment.

8

9 (BRIEF PAUSE)

10

11 MS. KATHLEEN MCCANDLESS: And perhaps
12 while you're looking for that, it's probably best to
13 get both, so brokers and internal.

14

15 (BRIEF PAUSE)

16

17 MS. CAROL HORA: We will have to take
18 that one away. We don't have the cost for -- we
19 didn't price out what it cost us to train the brokers.

20 MS. KATHLEEN MCCANDLESS: So just to
21 confirm for the record then that would be the
22 Corporation's costs -- or annual cost for training of
23 brokers and internal staff?

24 MR. STEVEN SCARFONE: Yeah, that's --
25 that's fine, Ms. McCandless.

1 MS. CAROL HORA: There is an
2 undertaking that we have already for internal costs.

3 MS. KATHLEEN MCCANDLESS: Okay.

4

5 (BRIEF PAUSE)

6

7 MS. KATHLEEN MCCANDLESS: Right. I
8 think that was just provided. So -- so then the
9 undertaking would just be with respect to brokers.

10 MR. STEVEN SCARFONE: Yeah, unless the
11 -- that undertaking that you have before doesn't give
12 you an aggregate total, we can do that as well. I
13 don't believe it does.

14

15 (BRIEF PAUSE)

16

17 MS. KATHLEEN MCCANDLESS: Perhaps
18 we'll just set that aside for now, and we can -- can
19 reconfirm on the record perhaps after the break as --
20 as to what the undertaking would be.

21 MR. STEVEN SCARFONE: Okay. That
22 sounds good. Thank you.

23

24 CONTINUED BY MS. KATHLEEN MCCANDLESS:

25 MS. KATHLEEN MCCANDLESS: Thank you.

1 Does the Corporation recover any of its costs for the
2 broker training or -- or refresh training?

3 MS. CAROL HORA: No, we do not.

4

5 (BRIEF PAUSE)

6

7 MS. KATHLEEN MCCANDLESS: On the slide
8 here, we see that the Corporation has forty-five (45)
9 staff trained to provide customer numbers, document
10 orders, and basic overrides, yes?

11 MS. CAROL HORA: Yes.

12 MS. KATHLEEN MCCANDLESS: Are these
13 resources dedicated 100 percent to this activity?

14 MS. CAROL HORA: The thirty-five (35)
15 trained contact centre staff are full-time. The
16 forty-five (45) trained staff are also trained in
17 other functions, so they take claims, they open injury
18 claims, and they also answer registration and driver's
19 license inquiries, simple inquiries that may come in
20 from the brokers or from the service centres.

21 MS. KATHLEEN MCCANDLESS: Thank you.
22 And does the Corporation recover any of the costs for
23 this broker support?

24 MS. CAROL HORA: No, we do not.

25 MS. KATHLEEN MCCANDLESS: Has the

1 Corporation done any comparisons of the costs it
2 incurs related to broker support with other
3 jurisdictions?

4 MS. CAROL HORA: We have not.

5 MS. KATHLEEN MCCANDLESS: Just briefly
6 on the issue of industry trends and slide 17, there
7 was just a -- a quote here on the slide. And for the
8 record, I understand that there are two (2) documents
9 here depicted on the right-hand side of the screen,
10 and one (1) is 'Agents of the Future, the Evolution of
11 Property and Casualty Insurance Distribution', and on
12 the right, 'Digital Disruption in -- in Insurance,
13 Cutting Through the Noise'.

14 I don't believe that 'Digital
15 Disruption in Insurance: Cutting Through the Noise'
16 has been filed, so perhaps if the Corporation could
17 just undertake to file that document with the Board.

18 MR. CURTIS WENNBERG: Okay.

19 MS. KATHLEEN MCCANDLESS: Thank you.

20 MR. STEVEN SCARFONE: Sorry, and I
21 know you're looking at me, Ms. McCandless, for
22 confirmation, so, yes. The -- I would -- the
23 Corporation will confirm to file that document on the
24 record.

25 MS. KATHLEEN MCCANDLESS: Thank you.

1 --- UNDERTAKING NO. 31: MPI to file the document
2 'Digital Disruption in
3 Insurance: Cutting Through
4 the Noise'

5

6 CONTINUED BY MS. KATHLEEN MCCANDLESS:

7 MS. KATHLEEN MCCANDLESS: Now if we
8 could go to slide 19.

9

10 (BRIEF PAUSE)

11

12 MS. KATHLEEN MCCANDLESS: Thank you.
13 So these are the transaction statistics, essentially.
14 So what customers said were discussed or options
15 offered by agents when purchasing insurance, yes?

16 MR. CURTIS WENNBERG: Yes.

17 MS. KATHLEEN MCCANDLESS: And just to
18 clarify, is this for customers who attended at brokers
19 only, or does this include customers who attended MPI
20 service centres as well?

21 MR. CURTIS WENNBERG: I -- this was
22 through brokers only. The specific quarter that we
23 pulled this analysis from was -- was recent, and I
24 think the entire survey was about a thousand customers
25 that had insurance and licensing transactions.

1 About six hundred (600) -- I -- subject
2 to check, it was roughly six hundred (600) that went
3 through the broker channel, like, six hundred and
4 sixty (660) or so, and then three hundred (300) and
5 some went through the MPI channel.

6 So this would have been out of the six
7 hundred (600). And then out of that six hundred
8 (600), there was only a subset that was just under a
9 hundred of these customers. So this -- this
10 information is from a hundred of -- of the underlying
11 customers that were surveyed that had a new policy or
12 a change in the policy.

13 We wanted to focus it in just where
14 they had something that was -- you -- you would expect
15 these types of questions to be asked.

16 MS. KATHLEEN MCCANDLESS: Okay. And
17 so I gather, then, that MPI did ask these same
18 questions of customers who attended at a service
19 centre?

20 MR. CURTIS WENNBERG: I -- I believe
21 so. Because a small number of our interactions at the
22 service centre are related to doing the insurances, it
23 may not have been, so I'll have to -- I'll have to get
24 back and check on whether there's an MPI version of
25 this.

1 MS. KATHLEEN MCCANDLESS: That was my
2 question. So if the -- if the Corporation could
3 undertake to provide the equivalent data with respect
4 to customers at MPI service centres, if available?

5 MR. STEVEN SCARFONE: Yes, Ms.
6 McCandless, we'll -- we'll provide that undertaking.

7 MR. CURTIS WENNBERG: While -- while
8 my colleague will provide the undertaking, I'm really
9 sure we're going to have a small number issue here,
10 because -- because we're dealing with less than a
11 hundred who went to the broker channel, where you do
12 these sorts of new and changing policies, because you
13 get a -- such a smaller percentage through MPI, we
14 just may not have a corresponding -- like, we may end
15 up having six (6), or ten (10), and it would be -- you
16 know, it would make the analysis irrelevant.

17 We might have to wait a few quarters
18 before we can build up enough so that we could
19 actually produce a similar chart for the MPI
20 transactions. However, we can certainly try and check
21 and see if there is --

22 MR. STEVEN SCARFONE: Yeah. So given
23 Mr. Wennberg's comments, the Corporation will
24 undertake to provide what it currently has with
25 respect to any analogous document for internal

1 purposes.

2 MS. KATHLEEN MCCANDLESS: Thank you.

3 And so I take it as part of the customer service
4 training then training staff on how to explain and
5 offer these products would be part of that?

6 MR. CURTIS WENNBERG: Yes.

7

8 --- UNDERTAKING NO. 32: MPI to provide what it
9 currently has, with
10 respect to any analogous
11 document for internal
12 purposes, the equivalent
13 data with respect to
14 customers at MPI service
15 centers; and to indicate,
16 as part of the customer
17 service training, how
18 staff is trained on how to
19 explain and offer these
20 products

21

22 CONTINUED BY MS. KATHLEEN MCCANDLESS:

23 MS. KATHLEEN MCCANDLESS: Now MPI's
24 staff, you would accept, are not subject to the
25 licensing requirements that private insurance brokers

1 are?

2 MR. CURTIS WENNBERG: Correct.

3 MS. KATHLEEN MCCANDLESS: And so I
4 take it you would accept that private insurance
5 brokers are subject to registration and discipline, a
6 potential discipline by their regulator?

7 MR. CURTIS WENNBERG: Yes.

8 MS. KATHLEEN MCCANDLESS: And so I
9 believe we've heard some comment, and I think it may
10 have been from counsel, not from a witness in these
11 proceedings, but essentially, that brokers are more
12 beholden to their customers than, say, MPI staff might
13 be, because they're more beholden to their employer?

14 And I'm just interested in MPI's
15 comment on that.

16 MR. CURTIS WENNBERG: If -- if you go
17 in and speak to a number of MPI folks, we are
18 dedicated to the customer -- dedicated to the customer
19 outcomes. You -- you'll find that even -- even
20 throughout the -- the company, even as you go up to
21 the management channels where you might be
22 disassociated from the customer interface, there is --
23 there is very strongly a feeling towards the customer.
24 And there's a -- there's a lot of motivation to do the
25 right thing.

1 You may see some of that in terms of
2 how we're trying to become more open, and -- and
3 really just understand where the customer wants to
4 lead us. We -- we would think that we're just as much
5 in the customer's corner as -- as a broker through
6 some of these transactions.

7 MS. KATHLEEN MCCANDLESS: Thank you.
8 If we can go to slide 21.

9 The second bullet here, the -- it
10 mentions that adapting to change can be difficult for
11 MPI partners.

12 I'm just wondering if you could
13 elaborate a bit on that.

14 MR. CURTIS WENBERG: As we've adopted
15 various industry standards or changes, if -- if we go
16 back to -- one (1) of the changes we did -- I'm going
17 back two (2) years -- two and a half (2 1/2) years
18 ago, is we had a very -- a growing rodent problem,
19 mice infestations. And -- and I know it's -- it's a -
20 - it's an unusual topic, but we had mouse infestations
21 that grew from, like, 2 to \$3 million in claims per
22 year that was getting past 16 million, 17 million.

23 It was trending upwards with almost no
24 -- no reduction in the trend line. And this just
25 wasn't mirrored in any other jurisdictions.

1 It happened to do with how we set up
2 our policy on how we handle mouse infested trailers,
3 and other things. We just basically adopted how the
4 industry handles these issues, and we changed how we
5 did the cleanup.

6 But we did get a lot of backlash from
7 some of the shops that formerly got the benefit of the
8 additional \$15 million per year spend, but we didn't
9 receive a lot of customer -- negative customer
10 feedback either. We're basically making the -- the
11 vehicles back to pre-accident condition, or pre-issue
12 condition.

13 If we -- if we look at paintless dent
14 repair, and we talked about that earlier too, there --
15 this is a change in our approach, and formerly, some
16 of the shops would either have gotten a lot more body
17 shop work out of some of the hail, and it could have
18 fixed -- you know, it could have been a level -- a
19 level as the summer crashes, you know, work themselves
20 through September, October. It could have provided a
21 lot of work for them. As that 8, 9 million per year
22 moves off, it can be an impact to that industry, and -
23 - and therefore, it's difficult for them.

24 As we know, we've been publicly talking
25 about what we think is the right thing for customers,

1 which is to allow them to choose the channel of their
2 choice when -- when selecting insurances, and -- and
3 we are -- there are some issues with some of our
4 partners that help on the distribution side.

5 So -- so we need to be aware of that.
6 We know it can be difficult to adapt to change, and we
7 know that many industries have gone through the same
8 thing, whether it's brokerages in other financial
9 services types of products, or other things, these are
10 -- these are normal when you're going through industry
11 upheaval. Business valuations get affected, and lives
12 get affected, and so we have to do this prudently.

13 In the end, the customer needs to get
14 the service that they deserve. And we'll end up
15 there, but we want to try and end up there so that
16 there's no major disruptions to all of our partners
17 who, as we've said before, have helped us for -- for
18 almost fifty (50) years in this company.

19 MS. KATHLEEN MCCANDLESS: And so
20 partners would include the trades and brokers?

21 MR. CURTIS WENNBERG: All of our
22 partners; medical practitioners, others.

23 MS. KATHLEEN MCCANDLESS: Okay. Thank
24 you.

25 Kristen, could you please pull up MPI

1 Exhibit number 63.

2 And just jumping back on the issue of
3 broker commissions very briefly, this document shows
4 the basic commission structure. And I'm not going to
5 go through it again. But just to the bottom of the
6 page, there's a reference to -- on page 2,
7 cancellation.

8

9 (BRIEF PAUSE)

10

11 MS. KATHLEEN MCCANDLESS: So the very
12 last paragraph on this page says:

13 "If a customer cancels a policy, MPI
14 does not clawback commissions on
15 unearned premium from a broker.
16 Instead, it applies penalty fees on
17 the customer to recoup the loss.
18 This does not apply to cancellations
19 resulting from sales and transfers
20 of ownership."

21 Yes?

22 MS. CAROL HORA: Yes.

23 MS. KATHLEEN MCCANDLESS: What amount
24 of penalty is assessed against the customer? So is
25 that to cover -- recover the full commission paid to

1 the broker?

2 MS. CAROL HORA: No, not at all. The
3 cancellation fee -- it's been a while. I -- I think
4 it's about 3 percent of unearned premium, but just one
5 moment.

6

7 (BRIEF PAUSE)

8

9 MS. CAROL HORA: I apologize again for
10 the long delay. The cancellation fee is a flat fee.
11 It's twenty-five dollars (\$25), and it's in the fee
12 schedule, actually.

13 MS. KATHLEEN MCCANDLESS: So why does
14 the Corporation not adjust broker commissions to
15 recover for cancellations?

16 MS. CAROL HORA: That's a great
17 question.

18

19 (BRIEF PAUSE)

20

21 MR. BENJAMIN GRAHAM: I -- I -- sorry,
22 I'll just touch on that. I believe that -- that was
23 something that was introduced -- I believe in a -- a
24 time when I wasn't the CEO of the Corporation, nor
25 Curtis was the COO, and I believe Carol wasn't in that

1 role.

2 So the -- the reasoning behind that, I
3 -- I can't speak to, and I don't think the -- the team
4 can as well.

5 MS. KATHLEEN MCCANDLESS: Would be any
6 system limitations in -- in order to determine if that
7 were to change from whom to recover that commission?

8 MS. CAROL HORA: Our system is
9 extremely old. As we've already talked about, we're
10 running on an Atari. So I would suspect that it would
11 be quite difficult to make that change at this point,
12 but that would be a question for our IT department.

13 MS. KATHLEEN MCCANDLESS: Those are my
14 questions. Thank you.

15 THE CHAIRPERSON: Thank you, Ms.
16 McCandless. Mr. Williams...?

17 DR. BYRON WILLIAMS: It's totally up
18 to the panel. I'll be going for a while. Is -- is it
19 convenient to have a break now, or I could -- I could
20 ask a few quick questions now. Whatever you wish.

21 Take you to 2:00 -- 2:30?

22 THE CHAIRPERSON: Yeah. Let's go till
23 2:30, or at a -- a time near then, when you think it's
24 appropriate, this break in your questions.

25

1 CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

2 DR. BYRON WILLIAMS: I just wanted to
3 clear up some of the terminology on the record in
4 terms of renewals and reassessment.

5 So maybe we'll start there. Ms. -- Ms.
6 Hora --

7 MS. CAROL HORA: Yes.

8 DR. BYRON WILLIAMS: -- and just --
9 let's take the era prior to 2008, I can remember back
10 that far, when every year, Manitobans came in to renew
11 their license bef -- correct?

12 MS. CAROL HORA: That is correct,
13 yeah.

14 DR. BYRON WILLIAMS: And over time,
15 Manitoba transitioned to this five (5) year cycle of
16 renewals, agreed?

17 MS. CAROL HORA: Yes, agreed.

18 DR. BYRON WILLIAMS: So Year 1, you
19 renew your licence, get your picture taken. Year 2 is
20 a reassessment year, correct?

21 MS. CAROL HORA: That is correct.
22 Year 2, 3, and 4.

23 DR. BYRON WILLIAMS: And so when we --
24 and what about year 5?

25 MS. CAROL HORA: Year 5 is your --

1 DR. BYRON WILLIAMS: I go back in and
2 get my --

3 MS. CAROL HORA: -- renewal.

4 DR. BYRON WILLIAMS: -- picture taken?

5 MS. CAROL HORA: That's right.

6 DR. BYRON WILLIAMS: I look worse
7 every time, if that's --

8 MS. CAROL HORA: Me too.

9 DR. BYRON WILLIAMS: -- yes.

10 MS. CAROL HORA: I get it.

11 DR. BYRON WILLIAMS: And your
12 evidence, and I can take you there if you need it.
13 But when we were -- when MPI was going into the two
14 (2) -- MPI being Manitoba Public Insurance, was going
15 into the 2008 broker agreement, when it was looking at
16 the yearly renewals, it -- it was reviewing them and
17 concluding that 86 percent were clean, meaning that
18 there was no change in the coverage, correct?

19 MS. CAROL HORA: That is correct.

20 DR. BYRON WILLIAMS: And Mr. Wennberg,
21 you've testified, subject to check, that when it comes
22 to reassessments, your current knowledge is that
23 they're about 90 percent clean?

24 MR. CURTIS WENNBERG: Yes. We wanted
25 to do a -- a view of this in one (1) of the cycles

1 where we were redoing -- redoing the compensation
2 agreements, and we wanted to see how much was still
3 clean. And so that was an analysis that was done.

4 DR. BYRON WILLIAMS: So -- so that's
5 for Years 2, 3, and 4, the reassessment years?

6 MR. CURTIS WENNBERG: The reassessment
7 years.

8 DR. BYRON WILLIAMS: So let's go now
9 to Year 5. In terms of a renewal year, again, do we
10 have a conclusion in terms of what percentage of
11 renewals are clean?

12

13 (BRIEF PAUSE)

14

15 MS. CAROL HORA: We don't believe we
16 done the analysis on that piece.

17 DR. BYRON WILLIAMS: There was also
18 some questions at the start in terms of broker
19 commissions, how they trailed. So Year 1, let's say
20 it's Mr. Williams goes in, gets his insurance at a
21 broker. And let's assume for years two (2) and three
22 (3), there's no change when I -- when there's a
23 reassessment.

24 MS. CAROL HORA: Okay.

25 DR. BYRON WILLIAMS: Okay. Year two

1 (2), instead of going into the broker's office to --
2 to pay my reassessment, I go into the MPI downtown
3 centre. Who gets the commission in that year?

4 MS. CAROL HORA: The designated
5 broker.

6 DR. BYRON WILLIAMS: Okay.

7 MS. CAROL HORA: The broker who
8 processed the initial renewal on that policy.

9 DR. BYRON WILLIAMS: Okay. And
10 year three (3) -- again no changes in the coverage --
11 I pay online because my wife has taught me finally how
12 to -- how to do that. Who gets the commission in
13 year three (3), if anyone?

14 MS. CAROL HORA: The designated
15 broker.

16 DR. BYRON WILLIAMS: Okay.

17 Mr. Graham, you were comparing the role of a -- a
18 broker when it comes to special risk extension --
19 SRE -- versus the role of the broker when it comes to
20 Basic. You recall talking about that a little bit
21 earlier today?

22 MR. BENJAMIN GRAHAM: I certainly do.

23 DR. BYRON WILLIAMS: And, sir, you
24 used the term "underwriting," and again, I went
25 through this definition with Mr. Johnston, but it's

1 not a term that I'm that familiar with.

2 But would it -- can we work with this
3 definition: Under -- underwriters determine whether
4 an insurance agency should undertake the risk of
5 insuring a client, they determine the risk and
6 exposure of clients, and also how much insurance
7 should be granted to a client, how much they should
8 pay for it, and whether or not to offer an insurance
9 policy in the first place?

10 MR. BENJAMIN GRAHAM: It's even more
11 summarized than that, Mr. Williams. It is, as an
12 insurer, how much premium do you need to take on to
13 cover a liability of a large number of clients.

14 DR. BYRON WILLIAMS: Okay. And let's
15 take an example, Mr. Graham, not of the -- the Basic
16 transaction but in a competitive marketplace, whether
17 it's MPI or not. Even prior to soliciting quotes if a
18 broker is dealing with the client, one of the pieces
19 of information they might want to know is a claims
20 history? Would that be something?

21 MR. BENJAMIN GRAHAM: Yeah,
22 absolutely.

23 DR. BYRON WILLIAMS: And they
24 obviously, as well, would want to get details of the
25 actual asset being insured?

1 MR. BENJAMIN GRAHAM: Yes.

2 DR. BYRON WILLIAMS: Agreed?

3 MR. BENJAMIN GRAHAM: Yes.

4 DR. BYRON WILLIAMS: And they'd want
5 to explore the type of risk that's being insured,
6 whether it's comprehensive or otherwise?

7 MR. BENJAMIN GRAHAM: A lot of the
8 discussion would be around what type of risk the
9 customer's willing to accept in protecting that asset.

10 So, you know, it could be a -- are you
11 willing to pay a -- for a larger commercial policy, it
12 could be something like, is it a \$2 million deductible
13 with so many reinstatements of policy and things like
14 that. I'm talking more complex policies as compared
15 to a Basic Autopac policy.

16 DR. BYRON WILLIAMS: And in those
17 complex transactions, there's also a duty on the
18 broker to make sure the client understands exactly
19 what their -- what their coverage is for, what their
20 deductibles are as well.

21 MR. BENJAMIN GRAHAM: Absolutely. So
22 if I can -- if I can expand on that a little bit, in a
23 private market -- and I'll -- and I'll use my
24 experience from the Middle East in this one -- we
25 would be able to understand from a customer what type

1 of -- for example, what -- where they want their
2 vehicle repaired, what type of network repair, was it
3 in network?

4 So if it was a Porsche vehicle, do you
5 want it repaired at Porsche? You might be able to pay
6 less if it was at an aftermarket repair facility and
7 those types of things.

8 So there's a -- many more factors that
9 go into more complex underwriting transactions, and
10 the broker is there to understand the needs and wants
11 of that customer.

12 DR. BYRON WILLIAMS: And thank you for
13 that. And if I were that customer looking at numerous
14 options in terms of --

15 MR. BENJAMIN GRAHAM: Yeah.

16 DR. BYRON WILLIAMS: -- insurance
17 companies, one thing I might want to explore even is
18 the financial stability of the company to make sure
19 that I would be insured when I needed it.

20 MR. BENJAMIN GRAHAM: I believe that
21 if a customer saw a -- a well known, highly reputable
22 insurance company offering -- offering the same
23 coverage for the same premium as a lesser known
24 company that they would take the -- the strong name.
25 Absolutely.

1 DR. BYRON WILLIAMS: Okay. And thank
2 you for that. And let's go after we've done all that
3 investigation, as a broker in that competitive market
4 presumably I would then want to shop around for some
5 quotes. That potentially would be one of my tasks.

6 MR. BENJAMIN GRAHAM: That's correct.

7 DR. BYRON WILLIAMS: And in -- in
8 getting quotes, I would also want to filter that
9 information to -- and check the fine print just to
10 make sure that I'm actually offering the customer --

11 MR. BENJAMIN GRAHAM: Apples to
12 apples.

13 DR. BYRON WILLIAMS: -- apples to
14 apples.

15 MR. BENJAMIN GRAHAM: That's correct.

16 DR. BYRON WILLIAMS: And in the
17 private market in -- in your experience, you might be
18 looking at coverages with -- which are wider in scope.
19 And I'll give you an example: As compared to Manitoba
20 where Basic is a five hundred (500) deductible, you
21 might be looking in a marketplace where there a
22 two thousand deductible (2,000) and different types of
23 deductibles as well.

24 MR. BENJAMIN GRAHAM: That's correct.

25 DR. BYRON WILLIAMS: And so that would

1 add to the complexity of the filtering project.

2 MR. BENJAMIN GRAHAM: And again,
3 that's -- that's where the role is really important
4 where -- where an agent or the insurance company
5 itself would be able to explain, you are taking on
6 more risk, and to offset, you are paying less. But
7 there is more inherent risk on the insurer at that
8 time.

9 DR. BYRON WILLIAMS: Okay. Thank you
10 for that. I wonder if we can go to Attachment A to
11 IBAM Insurance Brokers Association of Manitoba
12 Information Request 2-4(d), a report by McKinsey &
13 Company.

14 And this obviously can be for Ms. Hora
15 or Ms. -- Mr. Wennberg. But, Mr. Wennberg, you refer
16 to this information in your -- in your opening
17 statement?

18 MR. CURTIS WENNBERG: Yes.

19 DR. BYRON WILLIAMS: Do you recall
20 that? I might even call that evidence. I apologize
21 for that. And we're just go -- maybe we just go to
22 page -- PDF page 3 of 28. Sorry. IBAM-2-4(d)
23 Attachment A McKinsey & Company.

24

25 (BRIEF PAUSE)

1 DR. BYRON WILLIAMS: I'll just step
2 away from the mic for a second.

3

4 (BRIEF PAUSE)

5

6 DR. BYRON WILLIAMS: And perhaps we
7 can go to PDF page 5 of 28. Actually, this is fine
8 right here.

9 Mr. Wennberg, you're familiar with this
10 document?

11 MR. CURTIS WENNBERG: Yes.

12 DR. BYRON WILLIAMS: And its opinion
13 of one (1) firm among a number of firms --

14 MR. CURTIS WENNBERG: Correct.

15 DR. BYRON WILLIAMS: -- who look at
16 the market.

17 MR. CURTIS WENNBERG: Yeah.

18 DR. BYRON WILLIAMS: And generally one
19 of the points of this article is that the longstanding
20 role of local agents in the property and casualty
21 insurance landscaped generally is coming under some
22 pressure and disruption? Would that be fair?

23 MR. CURTIS WENNBERG: Correct. Yeah.

24 DR. BYRON WILLIAMS: And scroll down
25 just a little bit on this page.

1 You'll see the suggestion by McKinsey
2 that where agents once served as a front line in risk
3 selection and pricing, those -- those roles are
4 becoming less important in the industry context?

5 MR. CURTIS WENNBERG: Correct.

6 DR. BYRON WILLIAMS: And another
7 factor that's ongoing is that McKinsey is suggesting
8 is that customers are increasingly using multiple
9 channels to connect with their carrier?

10 MR. CURTIS WENNBERG: Yes.

11 DR. BYRON WILLIAMS: And one of the
12 areas that's potentially most at risk of disruption,
13 McKinsey is suggesting, is the auto insurance field,
14 agreed?

15 MR. CURTIS WENNBERG: Agreed.

16 DR. BYRON WILLIAMS: And you see there
17 fast becoming commoditized, sir? Do you see that
18 reference?

19 MR. CURTIS WENNBERG: Yes.

20 DR. BYRON WILLIAMS: Could you help my
21 client to understand what is meant or your
22 understanding of commoditized?

23 MR. CURTIS WENNBERG: Commoditization
24 of any market is -- is generally referring to the fact
25 that each -- each block looks like the -- the other.

1 So there's no differentiation between services or
2 offerings or other things like that. And in -- in
3 broad terms, that's what we mean by commoditized.

4 The other pieces of -- involved with
5 commoditization is that it's generally much easier to
6 understand because there's less differentiation
7 between different items or services or offerings,
8 whatever you might call it.

9 And then the other piece with
10 commoditization is that you've got -- there's low
11 search costs; there's no pricing differential either.

12 So it's just a -- it's a simpler market
13 to understand. It's just -- that's -- that's
14 generally the -- the underlying premise on
15 commoditized.

16 DR. BYRON WILLIAMS: And the
17 suggestion of McKinsey is in that type of environment.
18 There is a -- the potential for consumers to use
19 channels other than the agent in -- in making their
20 insurance choices.

21 MR. CURTIS WENNBERG: Yes. And
22 it's -- this is really also not just in the insurance
23 choices and the selection of the insurance up front.
24 So where you may have heard yesterday in Project NOVA,
25 the -- the attributes that we'd be looking for from

1 our IT systems in future is that a customer can -- can
2 actually do first notice of loss on a claim online or
3 interact with us through email or through their portal
4 account, order different transactions.

5 It could involve even -- like a robo-
6 advisor type of a -- type of a system on -- when they
7 are renewing their insurance or -- or reassessing
8 their insurance that there's automatic questions that
9 ask you, are you sure, when you're ordering your
10 third-party liability component of your insurance or
11 those things like that.

12 So -- so what they're referring to here
13 is all of the above essentially in -- in software
14 making our lives easier. It can include all of the
15 services that we provide within an insurance company.

16 MR. BENJAMIN GRAHAM: If I could just
17 build on that a little bit, so the commoditization.
18 If you think about a -- if you were individually
19 underwriting each risk on an auto insurance policy,
20 it's very time consuming.

21 So the way that it's now working -- and
22 don't tell Luke Johnston and his underwriting team
23 this 'cause he might get a bit nervous -- but, you
24 know, a lot of these predictive models now, there
25 could be a -- potentially in a previous role, we would

1 have forty (40) to forty-five (45) rating factors that
2 could determine a premium. Five (5) or six (6) of
3 them would make up 95 percent of that premium.

4 So, again, it's about the standardized
5 product. You might only ask six (6) questions, load
6 the premium by 5 percent, and that then is addressing
7 the customer's want for just the quickest, easiest
8 transaction as possible.

9 DR. BYRON WILLIAMS: Okay. Thank you.
10 Let's go away from kind of the broader trends in the
11 industry. We've discussed previously that Manitoba
12 has a five (5) year renewal process. Is that -- would
13 we expect five (5) year renewals in jurisdictions
14 across Canada, or is that relatively unusual? I can't
15 hear you. Your mics are...

16 MR. CURTIS WENNBERG: Unusual.

17 DR. BYRON WILLIAMS: Are there -- is
18 there any other jurisdiction in Canada that offers a
19 five (5) year renewal?

20 MS. CAROL HORA: Not that we're aware
21 of.

22

23 (BRIEF PAUSE)

24

25 DR. BYRON WILLIAMS: And just a final

1 couple of clean-up questions here. In terms of the
2 Basic compulsory product, Manitobans have no choice in
3 their deductible or their third-party liability,
4 agreed?

5 MR. BENJAMIN GRAHAM: It's a standard
6 product. Sorry, Curtis.

7 DR. BYRON WILLIAMS: And in terms of
8 Extension which you're aware occupies 95 percent of
9 the -- MPI occupies 95 percent of that market, is it
10 a -- let me back -- let me back up. That's fine
11 there, sir.

12 I do have some questions, unfortunately
13 having to track -- track back a little bit where
14 My Learned Friend from the PUB was. This might be
15 a -- a good time to break just so I can avoid some
16 duplication.

17 THE CHAIRPERSON: Sure. That's a good
18 idea. We'll break. It's 2:26. We'll be back at
19 2:45, please.

20

21 --- Upon recessing at 2:26 p.m.

22 --- Upon resuming at 2:45 p.m.

23

24 THE CHAIRPERSON: Mr. Williams, are
25 you ready to proceed, or do you need a minute?

1 DR. BYRON WILLIAMS: No, I -- but I
2 believe My Learned Friend on behalf of MPI has some
3 words.

4 THE CHAIRPERSON: Okay. Thank you.
5 Mr. Scarfone...?

6 MR. STEVEN SCARFONE: Yes. Yes, thank
7 you, Mr. Williams.

8 So, Madam Chair, we just wanted to --
9 with respect to one (1) of the undertakings given just
10 before the break, we wanted to have that put on the
11 record. It's the undertaking that concerns the total
12 costs of training, both internal employees and the
13 brokers.

14 And so again we wanted to get that on
15 the record, because I expect My Friend, Mr. Unfried,
16 will be interested for the -- for his cross-
17 examination.

18 So as it turns out, it -- it's
19 Undertaking number 31 (sic), we believe, and the
20 response to that will in part be reference to
21 Undertaking number 18 (sic), with a -- with a bit of
22 an explanation by Ms. Hora, and then Ms. Hora will
23 provide a verbal response to the cost of training the
24 brokers.

25 THE CHAIRPERSON: Thank you. Ms.

1 Hora...?

2 MS. CAROL HORA: Hi. I believe the
3 undertaking that was already filed is 8, not 18.

4 MR. STEVEN SCARFONE: If I said 18,
5 yes, I misspoke. It's -- it's number 8.

6 MS. CAROL HORA: Okay. So in relation
7 to Undertaking 8, which we filed recently, we provided
8 the costs for internal training for our staff. So we
9 were requested -- or the -- the request was for the
10 training costs for service centre representatives who
11 sell our products within the service centres.

12 And we have internal training
13 identified, so service centre training is -- is a
14 combination of lessons, and then the service centre
15 representatives shadowing a senior employee in the
16 role, and -- and then this -- the senior SER trains
17 that employee.

18 A second part of that relates to broker
19 training courses. And I thought there may be some
20 confusion as to that title. So we consider our
21 service centre representatives within the service
22 centres to actually be brokers. They only sell
23 Autopac policies, though, so we call it broker
24 training, and it is -- it is exactly the same as the
25 training that we provide to external brokers.

1 So it's a combined -- a -- a
2 combination of the intro to Autopac and driver's
3 license course, Extension products, customer service
4 excellence, and commercial vehicle registration. And
5 the training estimate that we have here is six
6 thousand three hundred and fifty-two dollars and
7 forty-one cents (\$6,352.41) per employee.

8 We also have provided information
9 relating to service centre -- or sorry, contact centre
10 staff, because they provide the assistance required by
11 all of the brokers in Manitoba and our service centre
12 representatives.

13 So the -- I won't go through it in
14 detail. To become what we call a customer care agent
15 2, which is the assistance line for -- for the
16 brokers, typically, the costs would be about twelve
17 thousand dollars (\$12,000), eleven thousand six
18 hundred and fifty-five point zero-nine (11,655.09).

19 If that's the only training they get,
20 if -- if that employee actually progressed through the
21 different roles within the contact centre, so they
22 started with us as a claims-only representative. They
23 were cross-trained subsequently on injury claims, and
24 then the public inquiry line, and then became a -- a
25 CCA-2, the cost would actually be closer to thirty-

1 four thousand dollars (\$34,000) per employee.

2 That would be combining the cost of a
3 public inquiries agents, which that cost is twenty-two
4 thousand six seventy-one (22,671), with the cost of
5 the CCA 2 training. It is over and above the costs
6 for the prior position.

7 Any -- if there's any questions on
8 that. I will also provide the annual cost for
9 training external brokers. The amount that I've been
10 provided is ninety thousand dollars (\$90,000)
11 annually. It is an approximate cost, which includes
12 the instructor-led training, and elearning costs. So
13 an -- instructor travel, administration, and the
14 course maintenance was included in that ninety
15 thousand dollars (\$90,000).

16 So that would be annual, and we do
17 offer approximately four (4) training classes per year
18 for the brokers.

19 MS. KATHLEEN MCCANDLESS: Thank you.

20 MR. STEVEN SCARFONE: Thank you, Ms.
21 Hora. So Undertaking Number 88 (sic) the Corporation
22 would to like to mark as Exhibit number 65 right now.

23

24 --- EXHIBIT NO. MPI-65: Response to Undertaking 88

25 (sic)

1 MR. STEVEN SCARFONE: And so just
2 quickly, Ms. Hora, ninety thousand dollars (\$90,000)
3 is the annual training cost for brokers, I gather,
4 based on your earlier response. We don't have an
5 annual cost for the internal employees.

6 Is that correct?

7 MS. CAROL HORA: That is correct. It
8 would vary year to year, depending on how many
9 employees we hire, and what our attrition rate is
10 annually. So it does fluctuate.

11 MR. STEVEN SCARFONE: Thank you.
12 Sorry, Mr. Williams, so.

13 DR. BYRON WILLIAMS: Just in terms of
14 the first undertaking after the break, presumably
15 that's in writing somewhere?

16 MR. STEVEN SCARFONE: Sorry, which
17 undertaking is that? This one?

18 DR. BYRON WILLIAMS: Yes.

19 MR. STEVEN SCARFONE: The one that she
20 just provided?

21 DR. BYRON WILLIAMS: Yes.

22 MR. STEVEN SCARFONE: No, that's the -
23 - that will be our response to the Undertaking number
24 31 (sic).

25 DR. BYRON WILLIAMS: Okay. Just for

1 My Learned -- sorry, there's not a paper version of
2 it?

3 MR. STEVEN SCARFONE: No.

4 DR. BYRON WILLIAMS: Okay. I'm just
5 thinking -- because transcripts won't be available
6 till tomorrow.

7 MR. STEVEN SCARFONE: Yes. So we
8 thought that rather than wait and put that response in
9 writing, it might be too late for the purposes of Mr.
10 Unfried's cross-examination.

11

12 CONTINUED BY DR. BYRON WILLIAMS:

13 DR. BYRON WILLIAMS: Okay. If we can
14 go to the broker agreement on -- agreement on broker
15 compensation 2008, and specifically, to start with,
16 page 3 of 24.

17 And Ms. Hora, just in terms of this
18 agreement, it covered both Basic and Extension,
19 agreed?

20 MS. CAROL HORA: Agreed.

21 DR. BYRON WILLIAMS: So it was part of
22 -- it was part of a holistic package, correct?

23 MS. CAROL HORA: Correct. That is my
24 understanding, yes.

25 DR. BYRON WILLIAMS: And if we looked

1 at subsequent agreements in 2012 or otherwise, again,
2 it's not an agreement for Basic and then a separate
3 one for -- for Extension. It is a holistic package as
4 well.

5 MS. CAROL HORA: That is correct.

6 DR. BYRON WILLIAMS: And I'm just --
7 if we can go down a little bit under meeting with
8 brokers. That's fine, thank you.

9 In the second paragraph there, you see
10 a sentence:

11 "The new service delivery model was
12 designed to macki -- maximize
13 compensation based on professionally
14 managing the customer's overall
15 business portfolio."

16 You see that reference?

17 MS. CAROL HORA: Yes, I do.

18 DR. BYRON WILLIAMS: And presumably,
19 that business portfolio refers to their business with
20 Manitoba Public Insurance, whether it's in Basic or
21 Extension. Would that be fair?

22 MS. CAROL HORA: That would be fair.

23 DR. BYRON WILLIAMS: Going to the top
24 of page 4 of 24.

25 I'll try not to trespass where My

1 Learned Friend has gone before, but in the second full
2 paragraph there, you'll see that Manitoba Public
3 Insurance would only negotiate a formal agreement with
4 the in -- Insurance Brokers Association of Manitoba
5 and not with brokers individually. You see that
6 reference?

7 MS. CAROL HORA: Yes, I do.

8 DR. BYRON WILLIAMS: And Mr. Wennberg,
9 I think I heard you talking about in Ontario, and you
10 referred to a -- I think you used the ack -- acronym
11 DRP in terms --

12 MR. CURTIS WENNBERG: Yes.

13 DR. BYRON WILLIAMS: -- and again,
14 we're not talking about brokers, but you were, in that
15 context, sir, talking about in the auto -- auto
16 trades, correct?

17 MR. CURTIS WENNBERG: Correct.

18 DR. BYRON WILLIAMS: And just in terms
19 of that DRP concept, if I heard you correctly, maybe
20 you could just elaborate on it just a little bit, sir.

21 MR. CURTIS WENNBERG: Yeah. So -- so
22 what an insurance company would do is seek out and
23 select different providers of repair -- repair shop
24 capacity, and they would approach them if they fit --
25 they fit the mold of who they would want to be

1 servicing their customers, and that is a general
2 industry standard type of a thing.

3 The -- the difference that we have
4 sometimes in our market or in other Crown services is
5 that you end up aggregating the repair shops into an
6 association, if you will, where it's basically all of
7 them, and they're all being negotiated through a -- a
8 small select group of people. And that would be --
9 that would be on the repair side.

10 If -- if we're looking at this, MPI
11 does only negotiate through IBAM. We don't open up
12 those negotiations publicly, and generally, what you
13 have is a small committee on MPI's side and a very
14 small committee of -- of people that are usually on
15 the board of directors or maybe always on the board of
16 directors of IBAM's side, so it's a -- it's a very --
17 fairly small group.

18 And they get together; negotiate
19 something over a period of a number of months, half a
20 year, maybe; and -- and then finally put that through
21 onto a formal document that commits the organization
22 to certain price. The price is set with that group
23 for the entire market.

24 DR. BYRON WILLIAMS: Okay. And
25 notionally, if there are dissenters in the marketplace

1 in terms of brokers, they can just take it or leave
2 it?

3 MR. CURTIS WENNBERG: Yes. What's --
4 what's -- what's negotiated in these -- in these
5 terms, and -- and I'm -- I'm speaking -- I've only
6 been here for two (2) extensions, so on the IBAM side,
7 we never actually formally came to a conclusion. We -
8 - we ess -- we essentially extended for one (1) year
9 on the premise that Mr. Wainikka would be at least a -
10 - a -- a new entity on the IBAM side, and we were
11 getting a new CEO as well. We thought it would be a
12 one (1) year push to get renegotiated. So it wasn't
13 really successfully done.

14 And then we just pushed this last one
15 (1) as well for a number of years.

16 DR. BYRON WILLIAMS: Okay.

17 MR. CURTIS WENNBERG: But I have seen
18 a number of negotiations take place, and we've
19 concluded on a number of those with the repair trade,
20 commercial repair trade, rental vehicles, and the
21 association in Manitoba for that, and the
22 chiropractors' association.

23 DR. BYRON WILLIAMS: Okay. Thank you
24 for that. And I'll just indicate -- we'll come to
25 what they do in BC with brokers in -- later in this

1 conversation.

2 MR. CURTIS WENNBERG: Okay. Yeah.

3 DR. BYRON WILLIAMS: And just for the
4 panel, I will indicate, and I -- I've -- I've let My
5 Learned Friend know, but we will have -- our client
6 will have some -- in terms of some of the review of
7 fees for chiropractors and other, we will have some
8 CSI, which I understand will take place tomorrow after
9 the -- the rest of public part of the hearing.

10 I wonder if we can go to page 8 still
11 of the two-o-eight IBAM agreement. Oh, Kristen, you
12 anticipated me.

13 You'll see as well here, there was a
14 commitment by Manitoba Public Insurance as part of
15 this agreement that it would not endeavour to provide
16 customers with the option of renewing vehicle
17 registration, insurance, or driver's licence online,
18 agreed?

19 MR. BENJAMIN GRAHAM: Yes, I see that.

20 DR. BYRON WILLIAMS: Finally, at page
21 12 of 24, this agreement was, I'll suggest to you --
22 oh, it's not quite finally. The concept was this
23 agreement would be reviewed jointly by MPI and I --
24 and the insurance brokers in 2015, agreed?

25 MR. BENJAMIN GRAHAM: Yes, correct.

1 DR. BYRON WILLIAMS: And just going to
2 page 13 for a second, towards the middle of the page.

3 In terms of -- you'll see on the first
4 red arrow on page 13, the schedule and the plan was
5 that the commission on Basic Autopac would be trans --
6 transitioned by 2012 to 2.5 percent, correct?

7 MR. BENJAMIN GRAHAM: Yes, I see that.
8 Yes, correct.

9 DR. BYRON WILLIAMS: And would it be
10 your understanding that we've never reached that 2.5
11 percent, sir? That we've been at -- we got to 3
12 percent but no lower in terms of Basic, subject to
13 check?

14 MR. BENJAMIN GRAHAM: I think subject
15 to check, yeah. For some reason, I thought that we --
16 we did go down a little bit below the 3 percent, but
17 we got to 3 percent quite quickly.

18

19 (BRIEF PAUSE)

20

21 DR. BYRON WILLIAMS: If we can go to
22 the amendment agreement from 2012, which is PUB-MPI-1-
23 47(a)(ii), Attachment C.

24

25 (BRIEF PAUSE)

1 DR. BYRON WILLIAMS: And just a small
2 point on page 2 at the top, under (d), you'll see
3 again, the agreement here in 2012 to keep the rates at
4 3 percent and -- and not to reduce them. Do you see
5 that, sir?

6 MR. BENJAMIN GRAHAM: Yes, I see that.

7 DR. BYRON WILLIAMS: Okay.

8

9 (BRIEF PAUSE)

10

11 DR. BYRON WILLIAMS: If we can go to
12 CAC-1-1, Appendix 15, a Crown service briefing note
13 dated July of 2018. And to go to page 2 of 2, under
14 "what can I say if I'm asked about this issue."

15 On the last arrow, you'll see reference
16 to maintaining the financial viability of MPI's rural
17 broker network in communities where the Corporation
18 does not otherwise have a physical presence. You see
19 that, sir?

20 MR. BENJAMIN GRAHAM: I do.

21 DR. BYRON WILLIAMS: And I'm not
22 trying to get into any details of any conciliation
23 process --

24 MR. BENJAMIN GRAHAM: I understand.

25 DR. BYRON WILLIAMS: -- but

1 conceptually, sir, if the -- if one (1) of the
2 objectives was regardless of what happens generally
3 with the industry supporting rural and remote brokers,
4 what are some of the tools that are out there in the
5 toolbox?

6 MR. BENJAMIN GRAHAM: This was -- this
7 was part of a conversation that was had as we were
8 reviewing the -- the old agreement. It was led by
9 myself, Mr. Wennberg, and, God bless him, Mr. Ward
10 Keith to come up with what we felt was -- using the
11 anchor of the current agreement and then looking at
12 how we could change that to really focus on, as we're
13 doing with all our agreements, paying value for
14 service and value for money.

15 So I had -- I had a -- a real feeling
16 that we should move away from trailing commissions,
17 especially in those -- as you mentioned, 90 percent of
18 the policies don't have a change. So for those types
19 of things, we wanted to move to higher commission
20 levels for new policies.

21 We wanted to make sure that our rural
22 network was supported, because a lot of them do rely
23 on trailing commissions, so we would have to have run
24 that off over time. There could be potentially
25 performance KPIs for those brokers. There -- I forget

1 all -- I believe that we were taking a -- a
2 significant chunk away with the trailing commissions,
3 but we were trying to supplement that with four (4) or
4 five (5) other ways that brokers could receive
5 appropriate commissions for their out -- for their
6 services.

7 DR. BYRON WILLIAMS: And sir, I'm not
8 looking for any new work, but the four (4) or five (5)
9 options that you were conceptually considering, are
10 they written down somewhere?

11 MR. BENJAMIN GRAHAM: Yes, they are.

12 DR. BYRON WILLIAMS: And focussing not
13 on any conciliation, but just so -- kind of
14 conceptually, would Man -- Manitoba Public Insurance
15 undertake to identify the -- the -- the options that
16 they had considered to support rural and remote
17 brokers?

18 MR. BENJAMIN GRAHAM: Just give me one
19 (1) second, please.

20

21 (BRIEF PAUSE)

22

23 MR. BENJAMIN GRAHAM: Mr. Williams, a
24 lot of those conversations were -- were had with the
25 governments. I think it would be appropriate for me

1 to source that document, and I -- it wouldn't take me
2 long to find it, and then I could walk through that
3 verbally tomorrow, if that's okay.

4 DR. BYRON WILLIAMS: So my
5 understanding is that in terms of the response, you'll
6 provide that verbally tomorrow.

7 MR. BENJAMIN GRAHAM: I can do that
8 tomorrow, yes.

9 DR. BYRON WILLIAMS: Thank you. And I
10 don't know properly if that's an undertaking or not.
11 I guess what we'll -- I think -- I guess we'll just --
12 it will be to respond to the -- verbally, to the --
13 some of the options that were canvassed in terms of
14 support -- supporting rural and remote brokers in the
15 event that changes were made to trail --

16 MR. BENJAMIN GRAHAM: I think that's
17 the best way, but I'm sure Steve can talk about it for
18 five (5) minutes.

19 MR. STEVEN SCARFONE: I'll -- I'll
20 keep it to a minute or less. So we'll confirm the
21 undertaking that Mr. Williams has indicated, and
22 perhaps we'll just do it at the outset of tomorrow
23 before we all forget.

24 MR. BENJAMIN GRAHAM: Thanks, Steve.

25

1 --- UNDERTAKING NO. 33: MPI to identify the
2 options that they had
3 considered to support
4 rural and remote brokers
5

6 CONTINUED BY DR. BYRON WILLIAMS:

7 DR. BYRON WILLIAMS: If we can go to
8 PUB-2-19, page 2 of 2, Figure 1, commissions fees paid
9 to brokers.

10 And I realize that PUB counsel has gone
11 -- gone through this, so I don't want to spend too
12 much time here. Just if we -- if we look -- let's
13 take a year, the 2018/19 year for Basic -- the 2018/19
14 year to the right, we'll see that on line 2, Basic
15 broker commissions were \$34.5 million, agreed?

16 MR. BENJAMIN GRAHAM: Yes, I see that.

17 DR. BYRON WILLIAMS: Extension in that
18 time were about the same --

19 MR. BENJAMIN GRAHAM: Yeah, the same.
20 Correct.

21 DR. BYRON WILLIAMS: -- at thirty-four
22 point eight (34.8), sir? Correct?

23 MR. BENJAMIN GRAHAM: Yes, that is
24 correct.

25 DR. BYRON WILLIAMS: And then, of

1 course, there are flat fees for Basic in the range of
2 six point seven (6.7), correct? Million?

3 MR. BENJAMIN GRAHAM: Correct.

4 Correct.

5 DR. BYRON WILLIAMS: And so just at
6 that point in time, the Basic commissions were about
7 the same as Extension. The Basic flat fees, I'll
8 suggest to you, sir, were -- were significantly
9 higher.

10 MR. BENJAMIN GRAHAM: Yes, correct.

11 DR. BYRON WILLIAMS: Okay. And if we
12 go back -- or we go over to the right, sir, just to
13 take another snapshot in time, it's forecast for
14 2022/23 that Basic fees from commissions will be about
15 41 million, sir?

16 MR. BENJAMIN GRAHAM: Yes, that's
17 correct.

18 DR. BYRON WILLIAMS: Extension
19 somewhat lower now, thirty-six point seven (36.7),
20 sir?

21 MR. BENJAMIN GRAHAM: That is correct.

22 DR. BYRON WILLIAMS: And presumably,
23 that's because of the -- the growth, the natural
24 growth --

25 MR. BENJAMIN GRAHAM: Yeah, it's --

1 DR. BYRON WILLIAMS: -- in the Basic
2 program?

3 MR. BENJAMIN GRAHAM: It's twofold.
4 So you'll actually see -- I think maybe the best
5 example to see that -- that shift is probably '19/'20.
6 Twofold. You've got organic growth in the number of
7 policies, and you've got the rates that we come to the
8 PUB and ask for. Then we have some -- you know, the
9 value of the vehicles as well. So there's organic
10 growth in -- in those commissions as well as our
11 premiums.

12 We did lower our Extension rates by 6
13 percent last year, so that kind of offsets it. That's
14 where you'll see that little shift over that one (1)
15 year period. So we did lower Extension rates by 6
16 percent, and Basic is continuing that organic growth.

17 DR. BYRON WILLIAMS: So the dynamic
18 you're describing, sir, in that particular year, being
19 '19/'20, is the natural growth in the Basic portfolio
20 as well as a lowering of the Extension fees --

21 MR. BENJAMIN GRAHAM: Yeah, as it is
22 a percentage of premium, you can see that -- that --
23 that organic shift in the commissions earned by our
24 brokers.

25 DR. BYRON WILLIAMS: If we can turn to

1 CAC-1-1(k), Figure 2, Trailing Commissions.

2

3

(BRIEF PAUSE)

4

5 DR. BYRON WILLIAMS: If we look at the
6 2018/19 year, the total of trailing commissions
7 written in that particular year would be \$46.5
8 million, agreed?

9

MR. BENJAMIN GRAHAM: That is agreed.

10

DR. BYRON WILLIAMS: With Basic
11 accounting for about 22.5 million of that total,
12 correct?

13

MR. BENJAMIN GRAHAM: Correct.

14

DR. BYRON WILLIAMS: I fear to tread
15 here, Ms. Hora, but I want to go back to under -- I'm
16 trying to understand automated versus -- so if we can
17 go to CAC-1-1(t), Figure 3.

18

And Ms. Hora, generally what this table
19 is trying to capture are vehicle and licence renewals
20 and reless -- reassessments, correct?

21

MS. CAROL HORA: That's correct.

22

DR. BYRON WILLIAMS: So years one (1)
23 through five (5) -- or years one (1) through four (4)
24 in the cycle that we discussed?

25

MS. CAROL HORA: Yes. One (1) through

1 five (5).

2 DR. BYRON WILLIAMS: One (1) through
3 five (5).

4 MS. CAROL HORA: I think I was
5 mistaken when I answered previously. I mean, you --
6 you do a re -- it is a five (5) year renewal, right,
7 but that first year -- yeah. There's -- there's four
8 (4) years in between, and then -- so --

9 DR. BYRON WILLIAMS: What -- what
10 you're --

11 MS. CAROL HORA: -- it's a five (5)
12 year renewal.

13 DR. BYRON WILLIAMS: What you're
14 telling me is that there is a renewal --

15 MS. CAROL HORA: Six (6).

16 DR. BYRON WILLIAMS: -- in year one
17 (1), four (4) years of rea -- reassessments --

18 MS. CAROL HORA: Yes.

19 DR. BYRON WILLIAMS: -- and then a --
20 a renewal again in year six (6).

21 MS. CAROL HORA: Correct. I
22 apologize.

23 DR. BYRON WILLIAMS: So this is
24 catching that five (5) year cycle.

25 MS. CAROL HORA: Correct.

1 DR. BYRON WILLIAMS: And so when I see
2 automated, is that term 'automated' ref -- referring
3 exclusively to reassessments, or are some renewals
4 captured there if they're clean?

5 MS. CAROL HORA: A renewal -- a clean
6 renewal may be captured here. Hold on a moment.

7

8 (BRIEF PAUSE)

9

10 MS. CAROL HORA: I am so sorry.

11 DR. BYRON WILLIAMS: Oh, no apologies.

12 We're just --

13 MS. CAROL HORA: We're getting a
14 little tripped up on the -- on the -- the name of the
15 slide. So renewals are never done automatically,
16 right? So we pulled the information. The question
17 actually asked for automatic renewals, and there is no
18 such thing. So this does include renewals and
19 reassessments. Yes.

20 DR. BYRON WILLIAMS: But --

21 MS. CAROL HORA: But none of the
22 renewals are automatically reassessed.

23 DR. BYRON WILLIAMS: So -- so just so
24 I'm clear, the automated line is reassessments.

25 MS. CAROL HORA: It is.

1 DR. BYRON WILLIAMS: You may hate me
2 for this.

3 MS. CAROL HORA: I won't hate you.

4 DR. BYRON WILLIAMS: Are those
5 reassessments clean, as we've been using the term?

6 MS. CAROL HORA: I want to say yes
7 because that's what was asked for. Automated renewals
8 should be clean renewals. One moment. Or
9 reassessments.

10 DR. BYRON WILLIAMS: We're going to
11 call them reassessments, please.

12 MS. CAROL HORA: Clean reassessments,
13 yes.

14 DR. BYRON WILLIAMS: Following where,
15 on our automated renewals, they're clean
16 reassessments, would it be correct to suggest that
17 even though they're clean reassessments, that some of
18 those transactions will take place in a broker's
19 office? It'll be a simple --

20 MS. CAROL HORA: That is correct.

21 DR. BYRON WILLIAMS: Okay.

22 MS. CAROL HORA: Yes.

23 DR. BYRON WILLIAMS: And so that would
24 -- it -- it would involve no change in the policy, but
25 it would in -- involve taking a payment.

1 MS. CAROL HORA: That's right.

2 DR. BYRON WILLIAMS: Okay.

3 MS. CAROL HORA: Yeah.

4 DR. BYRON WILLIAMS: So when we go to
5 the broker line, is that renewals?

6 MS. CAROL HORA: It would be renewals
7 and reassessments. That is my understanding.

8 DR. BYRON WILLIAMS: Okay. And -- and
9 captured in there would be reassessments that are not
10 clean.

11 MS. CAROL HORA: Correct.

12 DR. BYRON WILLIAMS: Okay. Now we're
13 getting there. And --

14 MS. CAROL HORA: That is my
15 understanding.

16 DR. BYRON WILLIAMS: Okay.

17 MS. CAROL HORA: Yes.

18 DR. BYRON WILLIAMS: And -- okay,
19 that's very helpful. Thank you.

20

21 (BRIEF PAUSE)

22

23 DR. BYRON WILLIAMS: So can we go to
24 IBAM 2-23, Figure 3, and can we look at the question
25 before we go to the answer, just for a second.

1 So the question was, on a percentage
2 basement -- basis, how many reassessments are being
3 handled by independent brokers directly on an annual
4 basis? Do you see that question?

5 MS. CAROL HORA: Yes.

6 DR. BYRON WILLIAMS: Okay. Can we go
7 to Figure 3 now.

8

9 (BRIEF PAUSE)

10

11 DR. BYRON WILLIAMS: So just first of
12 all, we see the terminology here. They're called
13 reassessment transactions. Okay, no, that's fine.
14 The automated again, would those be clean reass -- is
15 that --

16 MS. CAROL HORA: Yes.

17 DR. BYRON WILLIAMS: Okay. That's
18 helpful. I've got it. I've got it now. Thank you,
19 and I apologize for the -- the pain of going through
20 that.

21 If we could go to CAC-2-4, Appendix 1,
22 page 2 of 10. Actually, let's go to 1 of 10 for a
23 moment, please.

24 Okay. Madam Chair, if I can just step
25 away -- oh. Oh, here we go.

1 If you could go to the next page,
2 please. Thank you. Here were are.

3 So this is from -- this is from the MPI
4 ePanel. Is that correct?

5 MS. CAROL HORA: Yes, it is.

6 DR. BYRON WILLIAMS: And from the
7 participants on the ePanel, the question was, would
8 your most preferred option be to complete the
9 following transactions in person, over the phone, or
10 online? Do you see that?

11 MS. CAROL HORA: Yes, I do.

12 DR. BYRON WILLIAMS: Okay. And in
13 terms of purchasing new insurance products, which is
14 the second row, you'll see that on the ePanel, around
15 63 percent suggested 'in person', correct?

16 MS. CAROL HORA: That's correct.

17 DR. BYRON WILLIAMS: And a hundred and
18 fifty three (153) suggested 'online'?

19 MS. CAROL HORA: Yes. Thirty-three
20 (33) percent.

21 DR. BYRON WILLIAMS: Okay. And in
22 terms of 'renew your insurance', you'll see 'in
23 person' was suggested by 36.82 percent?

24 MS. CAROL HORA: M-hm. Correct.

25 DR. BYRON WILLIAMS: And by --

1 'online' was sixty point three five (60.35).

2 MS. CAROL HORA: Yes.

3 DR. BYRON WILLIAMS: And I know that
4 within Manitoba Public Insurance, 'renew' and
5 'reassess' are terms of art. How is my client to --
6 to interpret this when -- was this 'renew your
7 insurance' meant to be the -- the once every five (5)
8 years event or the four (4) out of five (5) years
9 reassessment?

10 MS. CAROL HORA: The 'renew your
11 insurance' was meant to be the every five (5) year
12 event, yes.

13 MR. CURTIS WENBERG: In reality, this
14 is an ePanel where we've asked volunteers to be a part
15 of a community base group that can give us feedback on
16 any part of our -- our business, so they're -- they're
17 there to just answer questions like this.

18 As we know with customer research, when
19 you ask them fairly simple phrases like purchase new
20 insurance products, they take that for themselves what
21 -- what they mean. 'Renew your insurance' would be
22 the same thing. They may actually not worry about our
23 semantics about renewal versus reassessment; in fact,
24 a lot of our customers get confused about that.

25 I think what you'd probably see is if

1 it's buying a new car or if it's a brand new insurance
2 type of a product, they would want to go and see them
3 face to face. And if it's renewing an insurance
4 policy, something -- whether we call it a reassessment
5 or a renewal in year six (6) or year eleven (11) or
6 whatever that renewal body is, it -- it's probably in
7 that 60 percent range that would prefer that, sort of
8 a automated transaction to be online.

9 DR. BYRON WILLIAMS: Okay.

10 MR. CURTIS WENNBERG: That would be
11 speculating upon what the customers -- the -- the
12 panel here would -- would be thinking.

13 DR. BYRON WILLIAMS: Okay, and I -- I
14 thank you both for that -- that assistance.

15 If we can go to CAC-1-1, Appendix 14,
16 which is a PowerPoint, The Future of MPI's -- Manitoba
17 Public Insurance's Customer Service Delivery Model,
18 Operating Model -- Model Analysis.

19 Mr. Graham, I saw you reach for the --
20 the mic, so this is -- you're -- you're up.

21 MR. BENJAMIN GRAHAM: I guess I'm up,
22 yeah.

23 DR. BYRON WILLIAMS: Slide 4, if we
24 could go there for a moment.

25 This was obviously done in the context

1 of NOVA, as we now call it, life after -- after NOVA,
2 and to look at different operating models in -- in
3 terms of your current state and -- and distribution
4 networks as well as costs. Is that fair?

5 MR. BENJAMIN GRAHAM: Yeah, there was
6 a -- there was a real want from the board of directors
7 to really understand the impact on potential broker
8 commissions depending on the operating model that we
9 moved forward with. So whilst we disagree with the
10 implementation of some of them, it would be remiss of
11 us not to understand the impact of every option
12 available.

13 DR. BYRON WILLIAMS: Okay. And let's
14 go to slide 6. And I'm going to not really discuss
15 Model 1 or Model 6. You can feel free to, but I'll
16 suggest to you that there were Models 2, 3, fo -- 4,
17 and 5.

18 First of all, Model 2 looked at a model
19 that was 100 percent broker in person and online,
20 agreed?

21 MR. BENJAMIN GRAHAM: That's correct.

22 DR. BYRON WILLIAMS: And would that
23 mean, sir, that in terms of renewals and
24 reassessments, one would no longer go to a service
25 centre? Is that the model?

1 MR. BENJAMIN GRAHAM: Yeah, it pretty
2 much means that only the back office work would be
3 done by MPI, so all customer-facing transactions would
4 be done by brokers on behalf of the Corporation.

5 DR. BYRON WILLIAMS: Okay. And then
6 number three (3), being 100 percent broker online,
7 would preserve the in-person choice of channel for --
8 through MPI or brokers but make any online track --
9 transaction completed via a broker. Is that right?

10 MR. BENJAMIN GRAHAM: That's correct.

11 DR. BYRON WILLIAMS: And I'm not
12 saying this is the model you looked at, but one (1)
13 example of that might be what -- what there is in
14 Saskatchewan.

15 MR. BENJAMIN GRAHAM: It is one (1) of
16 the models that we've looked at. Correct.

17 DR. BYRON WILLIAMS: And Model 4,
18 shared delivery, would contemplate both online and in-
19 person transactions completed either through a broker
20 or through MPI.

21 MR. BENJAMIN GRAHAM: That -- that's
22 the one that we've spoken a lot about in relation to
23 allowing the customer to choose which channel they go
24 to.

25 DR. BYRON WILLIAMS: Okay. And

1 finally, 100 percent MPI online would preserve the in-
2 person choice for both brokers and -- and MPI, but
3 restrict the online choice to Manitoba Public
4 Insurance.

5 MR. BENJAMIN GRAHAM: That's correct.

6 DR. BYRON WILLIAMS: And if we can go
7 to slide 7 for a -- a second. And would it be correct
8 to suggest to you, sir, that this is not a deep dive
9 business case assessment of these models but more so a
10 high level look at -- at some of the implications?

11 MR. BENJAMIN GRAHAM: Yeah. There --
12 there's a number of assumptions that went into
13 sitting -- so sitting behind this -- this presentation
14 was a -- a financial model that was built in house
15 with a number of assumptions built into it. So a
16 number of assumptions around customer uptake of
17 online.

18 So for the shared delivery -- for the
19 100 percent broker online and the 100 percent MPI
20 online, it was probably a lot of uneasy -- it was a
21 lot -- much easier model to develop.

22 The shared delivery model, there was a
23 lot more assumptions on how many people used on --
24 using the data that we had and some of the independent
25 analysis that was given to us, how many would want to

1 go online or in person, and how many would want to go
2 through a broker or through MPI online or in person?

3 And the -- and -- and that model could
4 be changed by different assumptions being put in --
5 different rating factors.

6 DR. BYRON WILLIAMS: Thank you for
7 that. And just so -- what I think you heard you say
8 is part of that answer that the easier assumptions
9 would have been the hundred percent broker or the
10 hundred percent MPI.

11 MR. BENJAMIN GRAHAM: It's -- it's a
12 little bit easier to --

13 DR. BYRON WILLIAMS: Okay.

14 MR. BENJAMIN GRAHAM: Yes. Because
15 you -- you're taking away that analysis of who will go
16 where as it applies to commissions.

17 DR. BYRON WILLIAMS: And taking those
18 which were on the -- the bottom row of -- of this
19 table just for a second to kind of juxtapose the rest
20 of the discussion, at a high level the hundred percent
21 broker -- it was expected that that would increase
22 broker commissions -- increase broker commissions
23 by -- what -- \$45 million over --

24 MR. BENJAMIN GRAHAM: Over a period of
25 five (5) years. Yes.

1 DR. BYRON WILLIAMS: And by increase,
2 that's compared to the base -- the base year? Is that
3 what that means?

4 MR. BENJAMIN GRAHAM: Yes.

5 DR. BYRON WILLIAMS: Okay.

6 MR. BENJAMIN GRAHAM: On current
7 assumptions, yes.

8 DR. BYRON WILLIAMS: And
9 alternatively, the hundred percent MPI over five (5)
10 years at a high level was expected to reduce broker
11 commissions by \$473 million?

12 MR. BENJAMIN GRAHAM: That's correct.

13 DR. BYRON WILLIAMS: And that's a
14 cumulative figure, sir --

15 MR. BENJAMIN GRAHAM: That is correct.
16 Yes.

17 DR. BYRON WILLIAMS: -- not a annual
18 figure obviously.

19 MR. BENJAMIN GRAHAM: Again, with
20 whatever assumptions we could actively apply.

21 DR. BYRON WILLIAMS: And 100 percent
22 broker online was expected to increase broker
23 commissions over the next five (5) years by about
24 \$23 million, sir? That's to the left.

25 MR. BENJAMIN GRAHAM: That's correct.

1 Yeah. It's -- it's a smaller number because the
2 insurance brokers do a lot of the insurance types of
3 transactions where MPI's -- we do a number of
4 transactions, but a lot of them are the flat fee lower
5 value types of transactions.

6 So it might be an increase in -- in
7 work for brokers, but it won't be that much commission
8 because it's -- it's the lower value work.

9 DR. BYRON WILLIAMS: Okay. And the
10 shared delivery which would preserve choice in person
11 at the broker or MPI and online, that was expected to
12 result in broker commission savings over five (5)
13 years of \$91 million, sir?

14 MR. BENJAMIN GRAHAM: Correct.

15 DR. BYRON WILLIAMS: And, again, on
16 the -- the middle row on the far right if MPI did all
17 the online transactions, it was expected that broker
18 commission savings would be in the range of
19 \$237 million, sir?

20 MR. BENJAMIN GRAHAM: Yeah. Based on
21 the assumption that 50 percent of customers would
22 transact with us online. So you'll see that the --
23 the broker commission savings were exactly half of it
24 was a hundred percent MPI.

25 DR. BYRON WILLIAMS: Can we go to

1 Slide 24, please?

2

3 (BRIEF PAUSE)

4

5 DR. BYRON WILLIAMS: And, sir, this is
6 a map of a portion of Manitoba --

7 MR. BENJAMIN GRAHAM: M-hm.

8 DR. BYRON WILLIAMS: -- I'll suggest
9 to you, trying to set out high broker transaction
10 density as -- as compared to low broker transaction
11 density. Is that fair?

12 MR. BENJAMIN GRAHAM: Yeah. The
13 purpose of this slide was to clearly demonstrate to
14 the Board that whilst online could augment our -- our
15 current distribution network.

16 You can see there really are a number
17 of areas across the province where a physical location
18 of a broker is critical to meeting customer needs.

19 DR. BYRON WILLIAMS: And my eyesight
20 is diminished, sir, but it would be fair to suggest to
21 you that this map doesn't canvass the entirety of the
22 province with the -- the north in particular?

23 MR. BENJAMIN GRAHAM: From my
24 knowledge of the province of Manitoba, there is a
25 little bit cut off. Yes. Correct.

1 DR. BYRON WILLIAMS: We'll come back
2 to this slide in a couple seconds. Could we go to
3 Slide 32 just for a moment?

4

5 (BRIEF PAUSE)

6

7 DR. BYRON WILLIAMS: Slide 32
8 captures, in the view of MPI, some of the pros and
9 cons of the -- the scenario where consumers, whether
10 online or in person, have the choice of brokers in
11 MPI. Would that be fair, sir?

12 MR. BENJAMIN GRAHAM: That is correct.

13 DR. BYRON WILLIAMS: And I won't go
14 through it except for -- are there any of the pros or
15 cons that you want to speak to, sir?

16 MR. BENJAMIN GRAHAM: No. I -- I
17 think -- again, I've reiterated this point in a number
18 of forums that the shared delivery model is something
19 that we are seeking.

20 And if you look at the -- the
21 50 percent online uptake, again trying to figure out
22 those assumptions. But the \$91 million was on a
23 fairly high level of online uptake. I -- a number of
24 customers are saying to us that they want to go
25 online, but I don't think 50 percent would be

1 reasonable year one (1). I think it would have to
2 ramp up over time to get that level.

3 But for the purposes of a very
4 simplistic financial model, we -- it was difficult for
5 us to say, we think it would be 22.5 percent,
6 28 percent, and incrementally move it up.

7 DR. BYRON WILLIAMS: Okay. And I'm
8 just going to ask -- Madam Chair, can I just chat with
9 my client for just one (1) second, please.

10

11 (BRIEF PAUSE)

12

13 DR. BYRON WILLIAMS: This can go --
14 Mr. Graham, if it's fine to go to you, you would just
15 remember in the ePanel survey there was a -- a smaller
16 number of consumers who also talked about purchasing
17 insurance or renewing by phone. Do you remember that,
18 sir?

19 MR. BENJAMIN GRAHAM: That's correct.

20 DR. BYRON WILLIAMS: And is a
21 toll-free phone renewal and reassessment being
22 considered as part of the -- the model, either for
23 brokers or for MPI?

24 MR. BENJAMIN GRAHAM: Not to the best
25 of my knowledge, no.

1 (BRIEF PAUSE)

2

3 DR. BYRON WILLIAMS: Going back to
4 Slide 24 for a second, sir, you noted some service
5 gaps in the -- the south of the province, and I'm
6 defining the "south" with all apologies to people in
7 Gypsumville as what's on this -- on this screen.

8 But, sir, if there are service
9 deficiencies in the south, as we go north, whether
10 it's to Pimicikamak First Nation or to Fox Lake or --
11 or in those northern communities, it would be fair to
12 say that the -- the coverage is even more strained in
13 the north. Would that be fair, sir?

14 MR. BENJAMIN GRAHAM: I would agree
15 with that, yes.

16 DR. BYRON WILLIAMS: And in Manitoba
17 Public Insurance vision of a post-NOVA service
18 delivery model, what's the solution or what's the
19 mechanism to enhance service and coverage in the
20 north, sir?

21 MR. CURTIS WENNBERG: Maybe I could
22 shed a little bit of light on -- on some of the things
23 that we've already done. What -- what's interesting
24 is that we've already seen a shift in some of the
25 broker locations and the coverages that we've had.

1 And -- and if we think about -- if we
2 think about towns and -- and where we have the broker
3 transaction volumes, about 50 percent of all of our
4 commissions and -- and monies we pay to brokers really
5 comes into Winnipeg. Brandon adds another 5 percent
6 of that.

7 And so as you see, some of the red heat
8 circles here, that's -- it's going to add up to
9 roughly 70 percent of the entire commissions that we
10 pay -- or compensations that we pay for the brokers.

11 In the north, it's roughly around
12 two (2) million. So of all the total monies we pay to
13 brokers, it's -- it's really a fairly small component.
14 And that's -- that's the north -- north of Dauphin, I
15 believe, is the -- the cutoff for that.

16 The other -- the other piece is that as
17 you rightly declared, some of the southern parts of
18 Manitoba are also what we'd consider rural. And so
19 what we want to do is take a look at any of the -- any
20 of the towns where there may be a single broker
21 location, and there's no alternative within fifty (50)
22 kilometres.

23 And that entire amount that we pay --
24 so in the amount of transactions that go through that
25 today is about -- is about one point six (1.6) to

1 one point eight (1.8) million for that remote type of
2 group.

3 We've had broker offices close down in
4 some of these areas. So if we take a look at Snow
5 Lake, for example, there was a fairly innovative model
6 developed by Ms. Hora beside me and an innovative
7 broker where a brokerage closed, but we allowed
8 someone from Winnipeg to -- periodically, they go up
9 and service clients face to face, but otherwise,
10 people can call down and into the Winnipeg area.
11 They -- they serve them out of the Winnipeg area.

12 And we just need to do this. This is
13 also in -- in certain other areas of the north where
14 places have closed down -- the brokerage office -- and
15 we just try and think about innovative ways that we
16 can -- we can serve those clients. So this would be a
17 couple of things that we see today as it stands.

18 One -- one of the ways that fill the --
19 that breach, that gap is -- is with MPI. So as we've
20 described here today already, MPI does have a
21 capability of servicing the clients for licencing.

22 And we have -- we have gone into the
23 Island Lakes area. So, for example, there isn't a
24 broker covering that Island Lakes area. I mentioned
25 this a little bit in the road safety -- the road

1 safety part of last week where we will now send a
2 couple of folks in there, one to do the drive testing
3 and the other one to do a lot of the licencing
4 transactions.

5 And -- and even in some of those
6 communities, we find that not only a lot of the
7 Manitobans unlicenced, but they're also unbanked. So
8 we've had to develop some innovations around taking
9 payment through the Northern Card, which is -- is done
10 through the northern stores there. So it's -- it's a
11 bit of a reconciliation issue for us and parts of our
12 finance.

13 But -- but it's -- it's something that
14 we're trying to do to innovate so that we can actually
15 provide the service that we -- we want to have in some
16 of the northern communities. But it's definitely
17 something that we've talked to members of IBAM that
18 we're open for business when it comes to some
19 innovative ways of solving for areas in the north.

20 DR. BYRON WILLIAMS: If we can -- and
21 thank you for that -- that answer. And just going
22 back to Island Lakes or other more remote communities
23 if -- if I recall your evidence from the road safety
24 side of the equation, you were speaking of the reality
25 that there were a number of uninsured motorists

1 driving in that -- that region?

2 MR. CURTIS WENNBERG: Yes, that's
3 correct. If you drive around the -- the streets,
4 there's a lot of cars that don't have licence plates,
5 and people don't have more than a -- a restricted
6 licence or a -- they'll -- they'll stay with a
7 learners for a while.

8 And -- and we want to go up there
9 and -- and make sure that we get them their licences
10 so that they can drive on the -- the winter roads.

11 MR. BENJAMIN GRAHAM: Can I just also
12 touch on the fact that the drivers licence that we
13 issue from MPI is -- is a critical access to -- to
14 lifestyle. It's an important piece of identification.

15 So to be able to allow those people in
16 remote northern communities to have a very critical
17 piece of identification, whether it -- if they do come
18 to Winnipeg to access services in the city, it's a
19 very important piece of information to have.

20 DR. BYRON WILLIAMS: Thank you. If we
21 can go to IBAM-2-6 B3 B4 Appendix 1 which is the
22 insurance and licencing customer survey report. And
23 specifically, if we can go to page 5 of that document
24 and towards the bottom?

25

1 (BRIEF PAUSE)

2

3 DR. BYRON WILLIAMS: And, again, I'll
4 suggest to Manitoba Public Insurance, this is an
5 excerpt from a survey -- a random sample of
6 nine hundred and ninety-six (996) customers who had an
7 insurance or drivers licencing transaction?

8 MR. CURTIS WENNBERG: Correct.

9 DR. BYRON WILLIAMS: With about
10 six hundred (600) of them visiting a broker agency and
11 another three hundred and eighty (380) or so visiting
12 an MPI service centre?

13 MR. CURTIS WENNBERG: Correct. Yeah.

14 DR. BYRON WILLIAMS: And,
15 Mr. Wennberg, this may relate to Slide 19 that you
16 spoke of previously, but in -- in this survey, the
17 percentage of -- of those surveyed who indicate that
18 agent discussed additional options and Autopac
19 Extension products was about 70 percent?

20 MR. CURTIS WENNBERG: Correct.

21

22 (BRIEF PAUSE)

23

24 DR. BYRON WILLIAMS: I may have asked
25 Mr. Graham this on Monday, but I'm going to ask you

1 while I've got you here. Does Manitoba Public
2 Insurance ever survey consumers to see whether they
3 were actually offered the choice in purchasing
4 Extension, of MPI, or an alternative, sir?

5 MR. CURTIS WENNBERG: Well, that's --
6 this is one of the benefits of changing some of our
7 customer experience strategy is that this -- as far as
8 I'm aware, this is the first time we started asking
9 some of these questions that really get at the
10 experience of our customers, both through the MPI
11 service centre and the brokers and the rural/non-rural
12 splits.

13 We -- we're going to get better over
14 time as we do this as well. We're also going to get
15 better numbers, and -- and so this is what we know as
16 of -- as of today.

17 MR. BENJAMIN GRAHAM: Mr. Williams,
18 can I just confirm whether you said you were speaking
19 to me this coming Monday or last Monday.

20 DR. BYRON WILLIAMS: I -- I'm not
21 planning to speak to you on --

22 MR. BENJAMIN GRAHAM: Okay. Thank
23 you.

24 DR. BYRON WILLIAMS: -- on Monday, but
25 if you --

1 MR. BENJAMIN GRAHAM: That was the
2 right answer. Thank you.

3 DR. BYRON WILLIAMS: -- if you want to
4 give me a call, you know -- or -- or, sir, you know,
5 we always --

6 MR. BENJAMIN GRAHAM: I was just
7 making sure. I didn't believe I was supposed to be
8 here next Monday. So just confirming.

9

10 (BRIEF PAUSE)

11

12 DR. BYRON WILLIAMS: And,
13 Mr. Wennberg, conceptually having an online platform
14 might assist consumers by having a pop up that -- that
15 automatically reminds them of their -- the Extension
16 choices and -- and some of the potential insurance
17 needs that they might require.

18 MR. CURTIS WENBERG: Yes, that's
19 correct. You -- you'll already have seen this as you
20 book tickets -- flight tickets or other things like
21 that.

22 As -- as you go through a transaction
23 or even if you buy -- if you buy securities online,
24 you -- you'll have different pop-up boxes. So if I
25 buy a security that I already own in a certain

1 account, it'll pop up a box first and just make sure I
2 checkmark that to say, do you acknowledge you already
3 have this? Do you acknowledge that you already -- you
4 don't have enough money in your account, or whatever
5 that might be, depending on the week.

6 But -- but there's -- there's a number
7 of -- this is advancing, too. There's -- as per the
8 McKinsey or the other reports, there's a lot of
9 software that's getting fairly good at guiding
10 consumers through these types of transactions.

11 And -- and I think at this point of our
12 evolution in MPI, we just can't ignore that anymore.

13 DR. BYRON WILLIAMS: Okay. And,
14 Mr. Wennberg, you've heard a discussion a bit earlier
15 today that -- the suggestion that SGI Saskatchewan
16 Government Insurance allows customers to renew their
17 annual insurance online? Is that your understanding,
18 sir?

19 MR. CURTIS WENNBERG: Yes, that's
20 correct.

21 DR. BYRON WILLIAMS: And, sir, is it
22 also your understanding that when a consumer chooses
23 to renew online in Saskatchewan, they must select a
24 broker via a pull-down menu?

25 MR. CURTIS WENNBERG: Correct.

1 (BRIEF PAUSE)

2

3 DR. BYRON WILLIAMS: And does that
4 mean that the consumer is obliged to actually conduct
5 that transaction through the broker?

6 MR. CURTIS WENBERG: What it means is
7 there's a -- a drop-down menu that if you go to the
8 SGI site, you can renew your insurances and do it all
9 online. It does force you to choose a broker that
10 you're aware of.

11 And then if you do that transaction
12 through the online side, that broker will get a
13 commission for that transaction, but that commission
14 rate that they receive is about 1 percent less than if
15 they went and did that transaction in person, is my
16 understanding.

17 DR. BYRON WILLIAMS: Would there
18 necessarily be interaction with that broker?

19 MR. CURTIS WENBERG: There doesn't
20 necessarily have to be an interaction with the broker,
21 but what -- what we would understand and -- and what
22 brokers might say is that the brokers are always there
23 for the customer. And if a customer has questions,
24 they could have gone to that broker, they could have
25 sought advice, and then completed the transaction

1 online.

2 So what -- what you may hear from --
3 from some of the brokers or my -- my friends who are
4 brokers is that they're always there to be catching
5 the customer and being there as advisors. And then,
6 therefore, that is the justification for some part of
7 the commission structure.

8

9 (BRIEF PAUSE)

10

11 DR. BYRON WILLIAMS: And let's just
12 say hypothetically that consumer -- and if you don't
13 under -- understand the -- well, let's say they chose
14 to get their advice from SGI, being Saskatchewan
15 Government Insurance, rather than the broker.

16

17 Would there still be a broker
18 commission.

19 MR. CURTIS WENNBERG: Yep.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: We're going to a
24 bit of change in subject and I'll ask Kristen to pull
25 up PUB-1-50 which relates to the direct repair

1 program.

2 So, Mr. Wennberg, I'm going to assume
3 that this is you?

4 MR. CURTIS WENNBERG: Either myself or
5 Mr. Mitra at the other side. Yeah.

6 DR. BYRON WILLIAMS: I didn't mean to
7 insult you, sir. So it'll be for one (1) of you.

8 Just a couple of questions regarding
9 this, and if we could go to the bottom of page 1 of 6,
10 and I will be scrolling over to the -- to the next
11 page.

12 Just in terms of the second bullet, the
13 lesson -- I'll suggest to you that the lesson taken
14 from Manitoba Public Insurance is that the limited
15 number of shops in the Direct Repair program impacted
16 customer choice and created a competitive advantage
17 for some larger repair shops and that the action of
18 Manitoba Public Insurance was to remove the volume
19 restriction of a minimum of five (5) jobs per week.
20 Correct?

21 MR. SHAYON MITRA: That's correct.

22

23 (BRIEF PAUSE)

24

25 DR. BYRON WILLIAMS: And -- and

1 perhaps MPI answered a bit of this earlier today, but
2 would that restriction of a minimum of five (5) jobs
3 per week have been negotiated between Manitoba Public
4 Insurance and the -- and the repair shops?

5 MR. SHAYON MITRA: From my knowledge,
6 it wasn't negotiated. It was discussed.

7 And the premise behind that was because
8 DR or Direct Repair was new to the repair trade here
9 doing a specific volume, which was five (5) per week,
10 would give them enough practice to get proficient in
11 writing estimates themselves. Because previous to
12 ruling out Direct Repair, service centres MPI --
13 Manitoba Public Insurance service centres were the
14 ones that were all the first estimates.

15 DR. BYRON WILLIAMS: And so did
16 Manitoba Public Insurance receive adverse feedback
17 from repair shops that did lower volumes and who were
18 left out of the deal?

19 MR. SHAYON MITRA: Yes, we did.

20

21 (BRIEF PAUSE)

22

23 DR. BYRON WILLIAMS: On page 2 as
24 well -- just one second, please -- on page 2 as
25 well -- yes, that's the bullet that's in front of us.

1 Limited -- you'll see the suggestion
2 that limited administrative savings once the minimum
3 level of required estimator effort at MPI service
4 centre locations was reached. You see that -- that
5 point, sir?

6 MR. SHAYON MITRA: Yes, I do.

7 DR. BYRON WILLIAMS: What does that
8 mean?

9 MR. SHAYON MITRA: So what we had
10 assessed was as Direct Repair would become more
11 prevalent and more shops would get more proficient,
12 customer preference would shift from coming to a MPI
13 service centre and instead go to a Direct Repair
14 facility.

15 But similar to what Mr. Wennberg
16 covered earlier with regards to coverage, MPI still
17 needs to have access available to Manitobans should
18 they choose to a service centre across the province.

19 So if you have a service centre in
20 The Pas, we can't have zero estimators there. So we
21 had to have staffing levels to hit a minimum level in
22 order to service all Manitobans, thereby giving them
23 the choice to -- to go to a Direct Repair facility or
24 come to our service centres.

25 DR. BYRON WILLIAMS: And so what I

1 think you're saying is that in some of those
2 locations, the volume of estimating were -- was not
3 enough to fully utilize that -- that estimator in the
4 service centre?

5 MR. SHAYON MITRA: What I'm saying is
6 our assessment of administrating -- administrative
7 savings would max out once we know what a minimum
8 level, which we know now, of estimated capacity is to
9 staff all our service centres.

10 So we could not reduce our estimating
11 staffing compliment below a certain number, even if
12 customer preference was showing that the volumes were
13 shifting. You still needed a minimum staffing
14 compliment at each of the service centres.

15 DR. BYRON WILLIAMS: And so what you
16 had to do in the second action there was rejig the job
17 description and some of the tasks that -- that they're
18 doing. Is that correct, sir?

19 MR. SHAYON MITRA: That's correct.

20 MR. CURTIS WENBERG: I -- I just want
21 to note here that this really -- this isn't a major --
22 a major part of the business case implications.

23 In Direct Repair, what we note is that
24 an estimator still has to look a lot of photos. They
25 haven't seen the car in a Direct Repair estimate.

1 They get a lot of photos. It takes them a long time
2 to actually go through those photos and then also
3 approve supplements on top of that.

4 If they actually take a look at the car
5 and do the first estimate themselves at MPI, they take
6 twenty (20) minutes to do that estimate. They get a
7 sense of the car. They do actually remember these
8 cars and the damage when they do finally get the --
9 the final estimate from the repair shops. It doesn't
10 actually them that much time to go through the photos
11 then.

12 So what we found is that it's not a
13 tremendous savings on the estimators from just
14 Direct Repair. What my colleague Mr. Mitra did with
15 his team is they turned on earned approval levels, so
16 this allows straight through processing for shops that
17 we trust, and those levels are between, say,
18 two thousand (2,000) and \$4,000 of basically a free
19 ride.

20 If -- if an estimate is less than
21 twenty (20) -- two thousand (2,000) or \$2,200 and if
22 you're a certain tiered shop, we really give you a
23 certain trust level, and you can basically go ahead
24 and do those pieces of work. Our estimators don't
25 even look at that, and, you know, they'll look at it

1 behind the scenes on an audit cycle.

2 That straight through processing is
3 really the guts of the savings we get on an FTE side,
4 and we've gone from over ninety (90) estimators to
5 less than eighty (80).

6 DR. BYRON WILLIAMS: Okay. Mr. Mitra,
7 on page 5 of 6 under Figure 5 -- so the last bullet on
8 that page -- and this was at a point in time, the
9 lesson at that point in time was that there -- there
10 had been less than 50 percent customer uptake on
11 Direct Repair eligible claims. You see that, sir?

12 MR. SHAYON MITRA: That's correct.

13 DR. BYRON WILLIAMS: And just if we
14 can go to the top of page 6, we see an MPI action
15 possible considering removing MPI service centre
16 option on Direct Repair eligible claims to further
17 reduce MPI estimated costs. You see that -- that
18 thought that, sir?

19 MR. SHAYON MITRA: Yes, I do.

20 DR. BYRON WILLIAMS: And is that
21 option still on the table, sir, or with the change in
22 volumes, has -- is it off the table?

23 MR. CURTIS WENNBERG: This would limit
24 the choice for our customers. Basically what we're
25 saying here is that if we wanted to push

1 Direct Repair, we could say that if your claim is
2 eligible for Direct Repair, you don't have an option.
3 You must go to a shop.

4 We are certainly not in that position
5 to entertain that at this point in time. We find that
6 one of the top two (2) reasons that customers don't
7 choose Dr or Direct Repair is because they want to
8 come to MPI. They want to see our -- see our people
9 or -- or maybe they want to talk with an adjustor at
10 the same time.

11 Therefore, we're still a little bit too
12 young in terms of rolling this service model out, that
13 we would not want to make -- make an forced decisions
14 on this.

15 The other thing is we also want to
16 watch the -- how do I describe this? There's a number
17 of times where a customer get an estimate for their
18 vehicle and never actually repair it, and there's a --
19 there's an amount of money there.

20 What we've heard anecdotally for other
21 jurisdictions that turn on something like
22 Direct Repair is that once a shop has done the
23 estimate for a vehicle, they could always really work
24 the phones, and in a period of slow business, they
25 could encourage those customers to come back in and

1 get that work done even if the customer is probably
2 willing to wait it out a little bit.

3 That has an implication in terms of the
4 claimed costs, and so we may not want to rush down
5 into that territory too quickly.

6 DR. BYRON WILLIAMS: Okay. Thank you.
7 Madam Chair, I have one (1) more area. My proposal --
8 I think I can canvass it in twenty (20) minutes or so
9 tomorrow, or I could do it today. I -- I leave it up
10 to you and your -- your patience.

11 THE CHAIRPERSON: So if -- what is the
12 plan for tomorrow morning? I think that that's
13 probably the important thing to consider first.

14 MS. KATHLEEN MCCANDLESS: We have the
15 service delivery model panel for all of tomorrow.
16 That's the only panel that's anticipated.

17 So we would have Mr. Williams complete
18 his cross-examination; Mr. Unfried do his. I'm not
19 sure if Mr. Unfried has an estimate as to how long he
20 intends to be.

21 MR. CURTIS UNFRIED: Pardon me. I
22 expect I'd be less -- hour and a half to two (2)
23 hours.

24 MS. KATHLEEN MCCANDLESS: Okay. And
25 then Mr. Williams has some questions that we would go

1 in-camera for at the conclusion of the panel.

2 So I think we have ample time tomorrow,
3 based on what I'm hearing, so.

4

5 (BRIEF PAUSE)

6

7 THE CHAIRPERSON: Thank you very much,
8 Mr. Williams. I think what we'll do is adjourn for
9 the day and reconvene tomorrow with this panel at
10 9:00.

11 MS. KATHLEEN MCCANDLESS: Before we do
12 that, just one (1) matter, Madam Chair.

13 So for the record, today the Board
14 received a letter from counsel for the -- for Duffy's
15 and Unicity Taxi with respect to their not having made
16 a decision or made -- their having made a decision not
17 to intervene in the GRA this year based on their
18 understanding as to what was happening with the
19 taxicab class arising out of a meeting that was held
20 with MPI back in June of this year.

21 So the Board provided the letter to
22 counsel for MPI. MPI has provided a response. I know
23 the panel has not had an opportunity to review the
24 response.

25 And so essentially, there are two (2)

1 issues: One is just MPI's responded to what's been
2 set out in the letter which is on the screen here;
3 two, in the letter, counsel requests an opportunity to
4 make a presentation before the Board with respect to
5 this issue.

6 So I have had an opportunity.
7 Thank you, Mr. Triggs. He brought me the letter as
8 Mr. Williams was finishing his cross-examination. And
9 it does speak to what's been set out in the letter but
10 not with respect to whether MPI takes any position as
11 to whether Duffy's and Unicity can make a
12 presentation. So perhaps we could just have that put
13 on the record.

14 MR. STEVEN SCARFONE: Yeah. That's
15 fine, Ms. McCandless. So did you want us to provide a
16 more fulsome position tomorrow?

17 MS. KATHLEEN MCCANDLESS: I'm not sure
18 if there's a need to do that or if it's -- if MPI can
19 advise at this time whether it takes a position as to
20 whether or not taxicabs should be permitted to make a
21 presentation at this stage in the hearing?

22

23 MR. STEVEN SCARFONE: So the
24 corporation takes no position with respect to that.

25 THE CHAIRPERSON: Thank you. We will

1 commence tomorrow morning then with regard to a
2 decision on that particular issue. It'll give us time
3 to have a meeting after we adjourn and come to a
4 conclusion on that.

5 MS. KATHLEEN MCCANDLESS: Thank you.

6 THE CHAIRPERSON: Thanks very much.

7 See everyone tomorrow --

8 MR. STEVEN SCARFONE: Madam Chair --

9 Madam Chair, sorry. One -- one (1) further thing.

10 I know we're kind of all over the
11 place, but Ms. Hora tells me rather than circulate
12 another response to an undertaking, she does have a
13 response to Mr. Gabor's question which we did say we
14 would get to him by way of undertaking on the
15 commissions that happen when you increase your
16 third-party liability. So we'd like to deal with that
17 now if we can.

18 THE CHAIRPERSON: Sure. Let's do
19 that. Thank you.

20 MS. CAROL HORA: Thank you very much.

21 So the -- the scenario that you describe, Mr. Gabor,
22 was that you attended a broker who was not the
23 designated broker to make a mid-term change -- and
24 when I say "mid-term," you would have been in year
25 two (2) or three (3) of your five (5) year renewal?

1 So I apologize for not having the full
2 information earlier. What I understand is that the
3 broker you attended would receive commission on that
4 Extension product on a prorated basis up to the
5 reassessment year or the end of the reassessment.

6 So if you were six (6) months into your
7 annual policy, it would be 50 percent commission on
8 that Extension product only.

9 When the reassessment would have --
10 would occur, the designated broker would take on that
11 commission as well as any other commission that they
12 were receiving on the originally purchased policy
13 which would have been whatever was purchased on the
14 renewal.

15 BOARD MEMBER GABOR: Thank you.

16 MS. CAROL HORA: You're welcome.

17 THE CHAIRPERSON: Thank you. And
18 anything else from anyone?

19 Thanks. We're adjourned.

20

21 (PANEL RETIRES)

22

23 --- Upon adjourning at 4:00 p.m.

24

25

1 Certified Correct,

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5 _____

6 Donna Whitehouse, Ms.

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