



“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 7, 2019

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1 APPEARANCES
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9	MARK GIESBRECHT, Sworn	
10	GLENN BUNSTON, Affirmed	
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11		Pre-hearing conference -August 23, 2019	
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15		2019	
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6	MPI-23	Part V-II-DSR - appendix 2 - DSR public	
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10		blackline and clean - September 17,	
11		2019	
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13		request for extension re Intervener	
14		evidence - September 19, 2019	
15	MPI-34	Amended CAC-MPI-I-31(b) - appendix 1 -	
16		redacted, taxi change over worksheet,	
17		page 14 - September 25, 2019	
18	MPI-35	Amended CAC-MPI-I-31(b) - appendix 2 -	
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21		to support business and IT capabilities	
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5		FTEs	
6	PUB-8-80	PUB-MPI Round I Information Requests -	
7		July 15, 2019 Agile - list, description	
8		of metrics and measures in development;	
9		target baseline values	
10	PUB-8-81	PUB-MPI Round I Information Requests -	
11		July 15, 2019 Agile delivery - pilot	
12		success and progression of lessons	
13		learned - future initiatives.	
14	PUB-8-82	PUB-MPI Round I Information Requests -	
15		July 15, 2019 Business and IT	
16		capabilities.	
17	PUB-8-83	PUB-MPI Round I Information Requests -	
18		July 15, 2019 Agile - updates on	
19		project management resources	
20	PUB-8-84	PUB-MPI Round I Information Requests -	
21		July 15, 2019 contingent workforce	
22		savings (appendix 1-CSI)	
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4		July 15, 2019 status reports - internal	
5		process controls related to IT projects	
6		(b. attachment A - CSI)	
7	PUB-8-86	PUB-MPI Round I Information Requests -	
8		July 15, 2019 Status reports - over	
9		budget projects (a and b. Appendix 1	
10		and 2 - CSI)	
11	PUB-8-87	PUB-MPI Round I Information Requests -	
12		July 15, 2019 Contingent workforce	
13		savings - managing and allocating	
14		external resources for IT projects.	
15	PUB-8-88	PUB-MPI Round I Information Requests -	
16		July 15, 2019 budget contingency	
17	PUB-8-89	PUB-MPI Round I Information Requests -	
18		July 15, 2019 external labour strategy	
19	PUB-8-90	PUB-MPI Round I Information Requests -	
20		July 15, 2019 legal system	
21		modernization program - WITHDRAWN	
22	PUB-8-91	PUB-MPI Round I Information Requests -	
23		July 15, 2019 IT impairments/write-offs	
24	PUB-8-92	PUB-MPI Round I Information Requests -	
25		July 15, 2019 Staff mixing	

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2	PUB-8-93	PUB-MPI Round I Information Requests -
3		July 15, 2019 staffing counts - FTE
4		counts representing internal FTE and
5		consultant costs
6	PUB-8-94	PUB-MPI Round I Information Requests -
7		July 15, 2019 staffing counts -
8		internal costs presented inclusive of
9		LSM initiative
10	PUB-8-95	PUB-MPI Round I Information Requests -
11		July 15, 2019 LSM initiative -
12		rationale and details support noted
13		yearly budgeting values
14	PUB-8-96	PUB-MPI Round I Information Requests -
15		July 15, 2019 Progress reports
16		(various) - financial health across all
17		IT initiatives
18	PUB-8-97	PUB-MPI Round I Information Requests -
19		July 15, 2019 2018/19 progress update -
20		VM.1.4 customer self service - phase 1,
21		2 and 3
22	PUB-8-98	PUB-MPI Round I Information Requests -
23		July 15, 2019 2018/19 progress updates
24		- VM.5 information security maturity
25		program.

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5	PUB-8-99	PUB-MPI Round I Information Requests - July 15, 2019 VM.4 update on value management process - post implementation review on TRM project	
6	PUB-8-100	PUB-MPI Round I Information Requests - July 15, 2019 reserves regulation - rationale for compliance with reserve regulation for Basic	
7	PUB-8-101	PUB-MPI Round I Information Requests - July 15, 2019 reserves regulation - changes to MCT	
8	PUB-8-102	PUB-MPI Round I Information Requests - July 15, 2019 ALM implementation - implementation of Net investment strategy	
9	PUB-8-103	PUB-MPI Round I Information Requests - July 15, 2019 road safety - budget	
10	PUB-8-104	PUB-MPI Round I Information Requests - July 15, 2019 road safety and loss prevention - stakeholder engagement	
11	PUB-8-105	PUB-MPI Round I Information Requests - July 15, 2019 road safety - traffic safety culture "Save the 100"	

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2	PUB-8-106	PUB-MPI Round I Information Requests -
3		July 15, 2019 road safety - enhanced
4		enforcement
5	PUB-9	Board Order 115-19 Manitoba Public
6		Insurance Corporation (MPI or The
7		Corporation): procedural Order for the
8		2020/21 General Rate Application re:
9		Insurance Brokers Association of
10		Manitoba - August 16, 2019
11	PUB-10	PUB email to all parties re: CAC
12		(Manitoba) motion to compel responses -
13		Round I IRS - August 16, 2019
14	PUB-11	PUB-MPI Round II Information Requests -
15		August 26, 2019
16	PUB-11-1	PUB-MPI Round II Information Requests -
17		August 26, 2019 financial overview -
18		accounting policies
19	PUB-11-2	PUB-MPI Round II Information Requests -
20		August 26, 2019 claims incurred -
21		ultimate accident year values
22	PUB-11-3	PUB-MPI Round II Information Requests -
23		August 26, 2019 claims incurred -trends
24		calculated on combined basis instead of
25		severity group

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3	PUB-11-4	PUB-MPI Round II Information Requests -	
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5		sensitivity - difference weights for	
6		serious and other claims	
7	PUB-11-5	PUB-MPI Round II Information Requests -	
8		August 26, 2019 compliance with Board	
9		Orders - 159/18 - impact of literal	
10		compliance.	
11	PUB-11-6	PUB-MPI Round II Information Requests -	
12		August 26, 2019 break even objective -	
13		rate setting	
14	PUB-11-7	PUB-MPI Round II Information Requests -	
15		August 26, 2019 financial forecasts -	
16		Extension claims incurred.	
17	PUB-11-8	PUB-MPI Round II Information Requests -	
18		August 26, 2019 Cost allocation	
19		methodology - cost allocation to	
20		Extension	
21	PUB-11-9	PUB-MPI Round II Information Requests -	
22		August 26, 2019 compensation expense -	
23		reasonableness of forecasted	
24		compensation expense	
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3	August 26, 2019 Integrated cost
4	allocation methodology input changes
5	PUB-11-11 PUB-MPI Round II Information Requests -
6	August 26, 2019 Extension financial
7	forecasts
8	PUB-11-12 PUB-MPI Round II Information Requests -
9	August 26, 2019 DCAT key assumptions:
10	risk tolerance
11	PUB-11-13 PUB-MPI Round II Information Requests -
12	August 26, 2019 investment portfolio -
13	major asset class - forecasted
14	investment income
15	PUB-11-14 PUB-MPI Round II Information Requests -
16	August 26, 2019 investments -interest
17	rate forecast
18	PUB-11-15 PUB-MPI Round II Information Requests -
19	August 26, 2019 investment policy
20	statement - review of investment policy
21	statement
22	PUB-11-16 PUB-MPI Round II Information Requests -
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24	investment income - investment income -
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5		capitalization of operating expenses
6	PUB-11-18	PUB-MPI Round II Information Requests -
7		August 26, 2019 broker service
8		agreements
9	PUB-11-19	PUB-MPI Round II Information Requests -
10		August 26, 2019 agreements with
11		partners including broker commissions
12		and agreement(s)
13	PUB-11-20	PUB-MPI Round II Information Requests -
14		August 26, 2019 ICAM - reasonableness
15		of Extension forecast
16	PUB-11-21	PUB-MPI Round II Information Requests -
17		August 26, 2019 compensation - changes
18		in payroll costs
19	PUB-11-22	PUB-MPI Round II Information Requests -
20		August 26, 2019 evaluate benchmarking
21		information
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23		August 26, 2019 broker commissions -
24		reasonableness Basic financial forecast
25		assumptions

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5		- external consulting expense	
6	PUB-11-25	PUB-MPI Round II Information Requests -	
7		August 26, 2019 Basic capital	
8		expenditures - project cost comparison	
9	PUB-11-26	PUB-MPI Round II Information Requests -	
10		August 26, 2019 benchmarking - future	
11		benchmarking of IT service delivery	
12	PUB-11-27	PUB-MPI Round II Information Requests -	
13		August 26, 2019 Basic capital	
14		expenditures - project cost comparison	
15	PUB-11-28	PUB-MPI Round II Information Requests -	
16		August 26, 2019 capital projects -	
17		legacy modernization program	
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20		investment capital spending	
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23		consultant costs - based year to prior	
24		year and assess costs	
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5		conversion opportunities - use of	
6		consultants	
7	PUB-11-32	PUB-MPI Round II Information Requests -	
8		August 26, 2019 contingent workforce	
9		savings	
10	PUB-11-33	PUB-MPI Round II Information Requests -	
11		August 26, 2019 LSM project -	
12		reasonableness LSM project budget	
13	PUB-11-34	PUB-MPI Round II Information Requests -	
14		August 26, 2019 staffing counts -	
15		variances in consultant and FTE costs	
16	PUB-12	Board Order 130-19 re: motion of	
17		Consumers' Association of Canada	
18		(Manitoba) Inc. For an order compelling	
19		certain responses to information	
20		requests in the 2020/2021 General Rate	
21		Application	
22	PUB-13	Reminder Notice of Public hearing -	
23		September 7, 2019	
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4		for Extension re IBAM Intervenor
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6	PUB-15	PUB-CAC Intervener Information Requests
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9		- September 26, 2019 capital rate
10		request - target capital level
11	PUB-15-2	PUB-CAC Intervener Information Requests
12		- September 26, 2019 capital management
13		plan - capital build and release
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16		request - ratesetting
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18		- September 26, 2019 capital management
19		plan - Extension operating results and
20		ratesetting - regulatory schemes in
21		other jurisdictions
22	PUB-15-5	PUB-CAC Intervener Information Requests
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24		plan - Extension operating results and
25		ratesetting - excess profits

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5		plan - Extension operating results and	
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7		regulatory framework	
8	PUB-16	PUB-IBAM Intervener Information	
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10	PUB-16-1	PUB-IBAM Intervener Information	
11		Requests - September 27, 2019 Cost of	
12		operations and cost containment	
13		measures - broker commissions - rate	
14		comparison	
15	PUB-16-2	PUB-IBAM Intervener Information	
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17		operations and cost containment	
18		measures - broker commissions -	
19		processing online transactions	
20	PUB-16-3	PUB-IBAM Intervener Information	
21		Requests - September 27, 2019 cost of	
22		operations and cost containment	
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24		insurance broker models	
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5		operations and cost containment	
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8		products	
9	PUB-16-5	PUB-IBAM Intervener Information	
10		Requests - September 27, 2019 cost of	
11		operations and cost containment wrong	
12		done measures - broker commissions -	
13		trailing commissions	
14	PUB-16-6	PUB-IBAM Intervener Information	
15		Requests - September 27, 2019 cost of	
16		operations and cost containment	
17		measures - broker commissions -	
18		economic contribution of brokers	
19	PUB-16-7	PUB-IBAM Intervener Information	
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21		operations and cost containment	
22		measures - broker commissions -	
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24	BW-1	Intervenor application - Bike Winnipeg	
25		- June 26, 2019	

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6	policy and programs
7	BW-2-2 BW-MPI Round I Information Requests -
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9	budget setting methodology
10	BW-2-3 BW-MPI Round I Information Requests -
11	July 15, 2019 Road safety budget -
12	testing drivers against standards
13	BW-2-4 BW-MPI Round I Information Requests -
14	July 15, 2019 Road safety budget -
15	measuring drivers against standards
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18	driver education methodology and cost
19	BW-2-6 BW-MPI Round I Information Requests -
20	July 15, 2019 vehicle class impact on
21	safety of other road users - case study
22	- FSPU v. Class C sedans
23	BW-2-7 BW-MPI Round I Information Requests -
24	July 15, 2019 - Road to Zero - progress
25	report - collisions

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4		report - fatalities
5	BW-2-9	BW-MPI Round I Information Requests -
6		July 15, 2019 Road to Zero - progress
7		report - contributing factors
8	BW-2-10	BW-MPI Round I Information Requests -
9		July 15, 2019 Road to Zero - progress
10		report - data collected in pilot
11		project
12	BW-2-11	BW-MPI Round I Information Requests -
13		July 15, 2019 Road to Zero - progress
14		report/City of Winnipeg active
15		transportation network
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19		August 26, 2019 Optimal Road safety
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24		testing drivers again standards -
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8		August 26, 2019 road safety- drivers	
9		meeting standards - driver safety	
10		rating	
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13		class impact on safety of road users -	
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5	CAC-1-6 Intervener Applications CV of Marvis
6	Johnson
7	CAC-1-7 Intervener Applications CV of Peter
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9	CAC-1-8 Intervener Applications CV of Valter
10	Viola
11	CAC-1-9 Intervener Applications CV of Wallace
12	Pitt
13	CAC-1-10 Intervener Applications CV of Wayne
14	Simpson
15	CAC-1-11 Intervener Applications CV of John Todd
16	- Full
17	CAC-2 CAC Letter of PUB re experts' areas of
18	expertise - June 27, 2019
19	CAC-3 CAC-MPI Round I Information Requests -
20	July 15, 2019
21	CAC-3-1 CAC-MPI Round I Information Requests -
22	July 15, 2019 agreements with partners
23	including broker commissions and
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10		accreditation agreement and MNP LLP
11		report - CSI
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13		July 15, 2019 capital management plan -
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17		capital targets
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19		July 15, 2019 capital management plan -
20		reserves regulation used for
21		independent ratesetting purpose
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23		July 15, 2019 Capital management plan -
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7		July 15, 2019 capital management plan -	
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9	CAC-3-11	CAC-MPI Round I Information Requests -	
10		July 15, 2019 capital management plan -	
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12		changes by OSFI to MCT guidelines on	
13		RSR target	
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15		July 15, 2019 capital management plan -	
16		release and build provisions	
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18		July 15, 2019 historic variances	
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21		Extension reserve at MCT ratio of 200	
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24		July 15, 2019 DCAT Key assumptions:	
25		risk tolerance	

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5		to DCAT and plausible threats to	
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21		regulation	
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25		assumptions and constraints	

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9		to available-for-sale - Def. And	
10		accounting treatment	
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12		July 15, 2019 investment performance	
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20		July 15, 2019 product suite review -	
21		PIPP entitlement and coverage - appeal	
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24		July 15, 2019 current state of the PIPP	
25		- impact of lean process	

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11		additional case reserves (overpayment)	
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14		development)	
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16		July 15, 2019 actuarial report -	
17		portion related to change and reserving	
18		approach	
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20		July 15, 2019 actuarial report -	
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16		relativities used in final rate
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19		forecasted severity
20	CAC-3-44	CAC-MPI Round I Information Requests -
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22		frequency
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9		discontinued, optimal operational	
10		efficiencies	
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18		July 15, 2019 MPI risk profile changes	
19	CAC-3-52	CAC-MPI Round I Information Requests -	
20		July 15, 2019 changes in fiscal year	
21		and rating year	
22	CAC-3-53	CAC-MPI Round I Information Requests -	
23		July 15, 2019 legacy system	
24		modernization	
25			

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2	NO.	DESCRIPTION	PAGE NO.
3	CAC-3-54	CAC-MPI Round I Information Requests -	
4		July 15, 2019 customer self-service	
5	CAC-3-55	CAC-MPI Round I Information Requests -	
6		July 15, 2019 legacy system	
7		modernization - financial impact	
8	CAC-3-56	CAC-MPI Round I Information Requests -	
9		July 15, 2019 IT strategy	
10	CAC-3-57	CAC-MPI Round I Information Requests -	
11		July 15, 2019 information security and	
12		IT risk management processes	
13	CAC-3-58	CAC-MPI Round I Information Requests -	
14		July 15, 2019 new solutions vendors and	
15		service providers on the LSM program	
16	CAC-3-59	CAC-MPI Round I Information Requests -	
17		July 15, 2019 legacy system	
18		modernization - anticipated lifecycle	
19	CAC-3-60	CAC-MPI Round I Information Requests -	
20		July 15, 2019 legacy system	
21		modernization - new physical damage	
22		solution	
23	CAC-3-61	CAC-MPI Round I Information Requests -	
24		July 15, 2019 benchmarking	
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2	NO.	DESCRIPTION	PAGE NO.
3	CAC-3-62	CAC-MPI Round I Information Requests -	
4		July 15, 2019 benchmarking - Gartner	
5		recommendations update	
6	CAC-3-63	CAC-MPI Round I Information Requests -	
7		July 15, 2019 benchmarking - Gartner	
8		recommendations update - IT score tool	
9		set	
10	CAC-3-64	CAC-MPI Round I Information Requests -	
11		July 15, 2019 benchmarking - Gartner	
12		recommendations update - plan enhance	
13		IT staff development	
14	CAC-3-65	CAC-MPI Round I Information Requests -	
15		July 15, 2019 Road safety - reducing	
16		tragic human, financial and social	
17		costs of accidents	
18	CAC-3-66	CAC-MPI Round I Information Requests -	
19		July 15, 2019 road safety - education	
20	CAC-4	CAC (Manitoba) - Motion to Compel	
21		Response - August 15, 2019	
22	CAC-5	CAC reply to MPI re: Motion to compel	
23		response - August 21, 2019	
24	CAC-6	CAC-MPI Round II Information Requests -	
25		August 26, 2019	

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2	CAC-6-1	CAC-MPI Round II Information Requests -
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4		service provided - Basic and Extension
5	CAC-6-2	CAC-MPI Round II Information Requests -
6		August 26, 2019 broker commissions -
7		LSM business case operating models
8	CAC-6-3	CAC-MPI Round II Information Requests -
9		August 26, 2019 broker commissions -
10		appointment of brokers
11	CAC-6-4	CAC-MPI Round II Information Requests -
12		August 26, 2019 brokers and customers -
13		customer perspectives and rates for
14		service (attachment A - CSI)
15	CAC-6-5	CAC-MPI Round II Information Requests -
16		August 26, 2019 broker commissions -
17		relationship between Basic, Extension
18		and SRE lines of business and brokers
19	CAC-6-6	CAC-MPI Round II Information Requests -
20		August 26, 2019 Broker service and MPI
21		service centres - online services
22	CAC-6-7	CAC-MPI Round II Information Requests -
23		August 26, 2019 capital targets in
24		Saskatchewan (SCI) and British Columbia
25		(ICBC)

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5		reserve regulation for ratesetting	
6	CAC-6-9	CAC-MPI Round II Information Requests -	
7		August 26, 2019 loss reserves and rate	
8		stabilization reserves - unpaid claims	
9	CAC-6-10	CAC-MPI Round II Information Requests -	
10		August 26, 2019 customer self-service -	
11		modern P&C company systems	
12	CAC-6-11	CAC-MPI Round II Information Requests -	
13		August 26, 2019 DR repair estimates -	
14		shop estimates cost more than MPI	
15		estimates	
16	CAC-6-12	CAC-MPI Round II Information Requests -	
17		August 26, 2019 employee opinion survey	
18		- employee engagement success to LSM	
19		execution	
20	CAC-6-13	CAC-MPI Round II Information Requests -	
21		August 26, 2019 PDR - parts sourcing	
22	CAC-6-14	CAC-MPI Round II Information Requests -	
23		August 26, 2019 total losses/vehicle	
24		write-offs	
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3	CAC-6-15	CAC-MPI Round II Information Requests -	
4		August 26, 2019 response to CAC-MPI-I-	
5		16(b) - capital held to DCAT scenario	
6	CAC-6-16	CAC-MPI Round II Information Requests -	
7		August 26, 2019 claim forecast -	
8		response to CAC-MPI-I-34(a) - 7.5	
9		percent MFAD	
10	CAC-6-17	CAC-MPI Round II Information Requests -	
11		August 26, 2019 CAC-MPI-I-36 -	
12		clarification	
13	CAC-6-18	CAC-MPI Round II Information Requests -	
14		August 26, 2019 CAC-MPI-I-40 -	
15		definition of reserves	
16	CAC-6-19	CAC-MPI Round II Information Requests -	
17		August 26, 2019 CAC-MPI-I-42 -	
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19	CAC-6-20	CAC-MPI Round II Information Requests -	
20		August 26, 2019 mobility devices	
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5		skills training in schools program	
6	CAC-6-23	CAC-MPI Round II Information Requests -	
7		August 26, 2019 graduated driver's	
8		license	
9	CAC-6-24	CAC-MPI Round II Information Requests -	
10		August 26, 2019 LSM - ICBC Visi -	
11		lessons learned	
12	CAC-6-25	CAC-MPI Round II Information Requests -	
13		August 26, 2019 IT strategy -	
14		operational business champions - LSM	
15		modernization, Agile transformation	
16	CAC-6-26	CAC-MPI Round II Information Requests -	
17		August 26, 2019 information security	
18		and IT risk management processes - OSFI	
19		security guidance (attachment 1 - CSI)	
20	CAC-6-27	CAC-MPI Round II Information Requests -	
21		August 26, 2019 shadow portfolio	
22		returns - comparison report -	
23		calculation accuracy - returns of	
24		shadow portfolio	
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3	August 26, 2019 shadow portfolio -
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5	CAC-6-29 CAC-MPI Round II Information Requests -
6	August 26, 2019 capital management plan
7	- rate shock
8	CAC-7-1 CAC cover letter re: service of notice
9	of constitutional question - September
10	6, 2019
11	CAC-7-2 CAC (Manitoba) notice of constitutional
12	question - September six, 2019
13	CAC-8 CAC email response to IBAM requests for
14	Extension on intervenor evidence -
15	September 19, 2019
16	CAC-9 CAC letter to PUB re: intervenor
17	evidence - September 20th, 2019
18	CAC-10 CAC pulmonary list of legislative fact
19	evidence and non-judicial authorities -
20	September 20th, 2019
21	CAC-11 Elenchus - assessment of capital
22	management plan of MPI for 2020/21 GRA
23	based on generally accepted regulatory
24	principles - John Todd - September
25	20th, 2019

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4		far should I go? - Dr. Wayne Simpson	
5		and Ms. Andrea Sherry direct evidence -	
6		September 20th, 2019	
7	CAC-12-2	Protecting consumers against risk: how	
8		far should I go? - Dr. Wayne Simpson	
9		and Ms. Andrea Sherry direct evidence -	
10		September 20th, 2019. Appendix C - the	
11		role of the DCAT and interest-rate	
12		forecasting in 2019 GRA	
13	CAC-13	CAC-IBAM Intervener Evidence	
14		Information Requests - September 27,	
15		2019	
16	CAC-13-1	CAC-IBAM Intervener Evidence	
17		Information Requests - September 27,	
18		2019 current IT strategic plan - MPI	
19		proposed online services - insurance	
20		markets moved to online services	
21	CAC-13-2	CAC-IBAM Intervener Evidence	
22		Information Requests - September 27,	
23		2019 current IT strategic plan - MPI	
24		proposed online services - insurance	
25		coverage acquisition process	

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5		2019 current IT strategic plan - MPI	
6		proposed online services - value	
7		proposition and strategic business	
8		model	
9	CAC-13-4	CAC-IBAM Intervener Evidence	
10		Information Requests - September 27,	
11		2019 current IT strategic plan - MPI	
12		proposed online services - evolution of	
13		online purchases	
14	CAC-13-5	CAC-IBAM Intervener Evidence	
15		Information Requests - September 27,	
16		2019 current IT strategic plan - MPI	
17		proposed online services - acceptable	
18		changes to current delivery model of	
19		services	
20	CAC-13-6	CAC-IBAM Intervener Evidence	
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22		2019 current IT strategic plan - MPI	
23		proposed online services - diminish	
24		customer services in online environment	
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5		2019 current IT strategic plan - MPI
6		proposed online services - activities
7		and time spent in forming AutoPac
8		relating to Basic and Extension
9		insurance
10	CAC-13-8	CAC-IBAM Intervener Evidence
11		Information Requests - September 27,
12		2019 current IT strategic plan - MPI
13		proposed online services - marginalised
14		and limit marketplace choice if product
15		information is public
16	CAC-13-9	CAC-IBAM Intervener Evidence
17		Information Requests - September 27,
18		2019 current IT strategic plan - MPI
19		proposed online services - payment
20		options
21	CAC-13-10	CAC-IBAM Intervener Evidence
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25		services increase role of government

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3	CAC-13-12	CAC-IBAM Intervener Evidence
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5		2019 current IT strategic plan - MPI
6		proposed online services - compensate
7		brokers
8	CAC-13-13	CAC-IBAM Intervener Evidence
9		Information Requests - September 27,
10		2019 current IT strategic plan - MPI
11		proposed online services - Deloitte
12		report
13	CAC-13-14	CAC-IBAM Intervener Evidence
14		Information Requests - September 27,
15		2019 current IT strategic plan - MPI
16		proposed online services - research
17		conducted re: purchasing preference
18	CAC-13-15	CAC-IBAM Intervener Evidence
19		Information Requests - September 27,
20		2019 current IT strategic plan - MPI
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5	proposed online services - customer
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7	CAC-13-17 CAC-IBAM Intervener Evidence
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9	2019 current IT strategic plan - MPI
10	proposed online services - reassessment
11	notices paid in person
12	CAC-13-18 CAC-IBAM Intervener Evidence
13	Information Requests - September 27,
14	2019 current IT strategic plan - MPI
15	proposed online services - value for
16	money - evidence
17	CMMG-1 Intervener Application - June 21, 2019
18	CMMG-2 CMMG Intervention opening comments -
19	June 28, 2019
20	CMMG-3 CMMG-MPI Round I Information Requests -
21	July 12, 2019
22	CMMG-3-1 CMMG-MPI Round I Information Requests -
23	July 12, 2019 decrease (\$ percentage)
24	forecast motorcycle comprehensive
25	claims costs for application year.

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2	CMMG-3-2 CMMG-MPI Round I Information Requests -
3	July 12, 2019 proportion of 3.9 percent
4	increase attributed to interest rate
5	forecast
6	CMMG-3-3 CMMG-MPI Round I Information Requests -
7	July 12, 2019 alternative investment
8	strategies to produce more investment
9	income for major use or pooling of
10	interest rate risk to spread cost
11	CMMG-3-4 CMMG-MPI Round I Information Requests -
12	July 12, 2019 rate increase - premium
13	revenue raised by 3.9 percent increase
14	in motorcycle premiums
15	CMMG-3-5 CMMG-MPI Round I Information Requests -
16	July 12, 2019 rate changes -full
17	credibility required change 3\$, after
18	credibility increased to 3.9 percent
19	CMMG-3-6 CMMG-MPI Round I Information Requests -
20	July 12, 2019 asset mix - reevaluate
21	equities
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23	July 12, 2019 Extension revenues in
24	excess of 200 percent MTC, percentages
25	for past 10 years

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5		completed and results available	
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8		CMMG-MPI-I-9 from 2019 GRA - comparison	
9		of projected v. actual losses	
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11		July 12, 2019 loss distributions -	
12		CMMG-MPI-I-5 from 2019 GRA - loss data	
13		re head of coverage	
14	CMMG-3-11	CMMG-MPI Round I Information Requests -	
15		July 12, 2019 applied v. Approved rates	
16		-- CMMG-MPI-I-6 from 2019 GRA - updated	
17	CMMG-3-12	CMMG-MPI Round I Information Requests -	
18		July 12, 2019 loss ratios/claims	
19		frequency - CMMG-MPI-I-7 from 2019 GRA	
20		- updated	
21	CMMG-3-13	CMMG-MPI Round I Information Requests -	
22		July 12, 2019 road safety budget	
23		exclusively motorcycle initiatives for	
24		application year	
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4		experience rider program
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6		July 12, 2019 hot maps and initiatives
7		or new practices identified
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10		engineering - value to Manitobans
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16		members settled for application year,
17		or further charges
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20		2019 GRA - updated
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24		- August 26, 2019 CMMG-MPI-I-5 - 2.06
25		percent re-building fee.

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9		rider program	
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12		safety courses - incentives and	
13		promotions	
14	CMMG-4-5	CMMG-MPI Round II Information Requests	
15		- August 26, 2019 Qualitative value -	
16		FTE reductions in reduced repair shop	
17		labour rates	
18	IBAM-1	IBAM letter to PUB re: Intervener	
19		application - July 30, 2019	
20	IBAM-2-1	Intervener Application IBAM - August 2,	
21		2019	
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23		August 2, 2019	
24	IBAM-3	IBAM response to MPI re: Intervener	
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7		performance of service centres	
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10		model - expenses - FTE by department	
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12		- August 26, 2019 service delivery	
13		model - expenses - FTE increases	
14	IBAM-4-4	IBAM-MPI Round II Information Requests	
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17		online customers self-service	
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20		model - expenses - call/contact centre	
21		for online customer self-service	
22	IBAM-4-6	IBAM-MPI Round II Information Requests	
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24		model - expenses - customer	
25		satisfaction	

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12		levels - impact of online customer self
13		services
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19		liabilities
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21		- August 26, 2019 expenses - severance
22	IBAM-4-13	IBAM-MPI Round II Information Requests
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25		to customer sales

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9		cases - online customer self-service	
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12		expense	
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15		agreement with GOM re DVA revenues	
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21		- August 26, 2019 expenses - E&O	
22		exposure	
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8		- August 26, 2019 transactions -
9		workload and trends in broker channel
10	IBAM-4-23	IBAM-MPI Round II Information Requests
11		- August 26, 2019 commissions - broker
12		commission on basic atopic
13	IBAM-4-24	IBAM-MPI Round II Information Requests
14		- August 26, 2019 broker commissions -
15		comparatives
16	IBAM-4-25	IBAM-MPI Round II Information Requests
17		- August 26, 2019 consultant costs
18	IBAM-4-26	IBAM-MPI Round II Information Requests
19		- August 26, 2019 investment capital
20		forecast - City Place projects
21	IBAM-4-27	IBAM-MPI Round II Information Requests
22		- August 26, 2019 customer self-service
23		- customer service and information
24		technology and business transformation
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2	NO.	DESCRIPTION	PAGE NO.
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5		- land and building capital	
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7		- August 26, 2019 operating expense -	
8		compensation/salaries	
9	IBAM-4-30	IBAM-MPI Round II Information Requests	
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11		unpaid transactions	
12	IBAM-4-31	IBAM-MPI Round II Information Requests	
13		- August 26, 2019 briefing note - MPI	
14		online services - referring customers	
15		to MPI service centres	
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17		- August 26, 2019 briefing note - MPI	
18		online services - other insurers moving	
19		to direct/online self-service	
20	IBAM-4-33	IBAM-MPI Round II Information Requests	
21		- August 26, 2019 briefing note - key	
22		issue overview - "IBAM has no concerns"	
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24		evidence Extension - September 19 2019	
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3		23rd 2019	
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5		2019	
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7		Conference - General Rate Application	
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15		2019	88
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23		- MPI 2020 GRA - October 7, 2019	
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1 --- Upon commencing at 9:03 a.m.

2

3 OPENING COMMENTS BY THE CHAIRPERSON:

4 THE CHAIRPERSON: Good morning,
5 everyone. I'm Irene Hamilton, the Chair for this
6 panel, the Public Utilities Board. I now call this
7 2020 Manitoba Public Insurance Corporation General
8 Rate Application hearing to order.

9 I am joined by two (2) other Board
10 members at this hearing, Board Chair Robert Gabor and
11 Board member Carol Hainsworth. Also with us today are
12 Jennifer Dubois, who is the assistant associate
13 secretary of the Board, and Kristen Schubert, who will
14 manage our electronic document system. Donna
15 Whitehouse will act as our reporter. Transcripts of
16 this hearing will be recorded by Digi-Tran and made
17 available on our website.

18 MPI has applied to the Public Utilities
19 Board for approval of its premiums to take effect
20 March 1, 2020. This hearing will be conducted in
21 accordance with the provisions of the Crown
22 Corporations Governance and Accountability Act, the
23 Public Utilities Board Act and the Board's rules of
24 practice and procedure. These rules are available for
25 review on the Board's website.

1 In its application, MPI sought
2 provisionally 0.1 percent overall increase in Basic
3 vehicle -- vehicle premium revenue for 2020/'21
4 insurance year. This overall increase was calculated
5 in accordance with accepted actuarial practice, and
6 based on an interest rate forecast as at February
7 28th, 2019.

8 This provisional rate request was
9 updated by MPI on October 4th, 2019, based on interest
10 rates as at September 30th, 2019. The updated rate
11 request is for a rate reduction of 0.6 percent. MPI
12 also seeks to discontinue the anti-theft discount for
13 newly insured vehicles, with no changes to other fees
14 and discounts.

15 MPI has also requested approval of its
16 Capital Management Plan, which establishes a) The
17 means and pathway to achieve a one hundred percent
18 minimal -- minimum capital test level for the Basic
19 rate stabilization reserve pursuant to the reserves
20 regulation enacted on April 12th, 2019; b) The assumed
21 minimum regulatory target under the base scenario
22 during the forecast period used for determining
23 satisfactory financial con -- condition in the dynamic
24 capital ade -- adequacy test.

25 We will begin the hearings on each

1 hearing day at 9:00 a.m. and adjourn at approximately
2 4:00 p.m. Each day will include a mid-morning lunch
3 and midafternoon break.

4 The mandate of the Public Utilities
5 Board is to set just and reasonable rates that are in
6 the public interest. The public interest has been
7 defined by the Manitoba Court of Appeal as balancing
8 the impacts of rate increases on consumers with the
9 fiscal health of the Utility. In order to set just
10 and reasonable rates that are in the public interest,
11 the Board will need to hear and consider all of the
12 evidence that is adduced on the record of this
13 proceeding and hear submissions from Manitoba Public
14 Insurance and all approved Interveners.

15 Following closing arguments, the panel
16 was -- will sequester itself and deliberate to make
17 our final determination on the matters before us. In
18 the end, we may accept, deny, or vary MPI's
19 application. In reaching our decision, we will be
20 guided by the evidence, written and oral, and our
21 determination of what represents the public interest.

22 The Board takes its obligations and
23 mandate of protecting the public interest very
24 seriously. We are concerned not only with the short-
25 term economic impact of MPI's operations on both

1 ratepayers and MPI itself, but also the fairness of
2 that impact on MPI's long-term fiscal and operating
3 well-being. In addition, the Board views this process
4 as one which should ensure transparency in terms of
5 the Corporation's operations and financial position.

6 In its procedural Order 92/'19, issued
7 following the pre-hearing conference, which took place
8 on June 27th, 2019, the Board approved a final issues
9 list for this hearing. In accordance with that Order,
10 the Board looks forward to hearing evidence and
11 submissions from the parties with respect to the
12 following issues, among others which are before the
13 Board.

14 The rate sought by MPI, namely a
15 reduction of 0.6 percent; discontinuance of the anti-
16 theft discount for newly insured vehicles, with no
17 changes to other fees and discounts; MPI's financial
18 position, including its financial forecasting accuracy
19 and projected financial results; MPI's Capital
20 Management Plan and capital rate request; MPI's
21 expenses and cost containment efforts; MPI's claims
22 forecasting and runoff of prior year's claims;
23 benchmarking conducted by MPI; MPI's investment
24 portfolio performance, and the composition of the
25 portfolio; MPI's road safety and loss prevention

1 programming, as well as the driver safety rating
2 system; and MPI's information technology expenses and
3 projects.

4 We trust the participants at this
5 hearing will be mindful of cost effectiveness and will
6 employ a cooperative approach, the common goal being
7 to put forward useful evidence to assist the panel in
8 reaching sound decisions on the matters before it. We
9 have significant and complex issues before us, and I
10 am confident that we will all approach this process
11 with a view to benefiting the public interest.

12 The Manitoba ombudsman has issued
13 privacy guidelines for administrative tribunals. The
14 Public Utilities Board is mindful of its obligations
15 under those guidelines. Its decisions in respect of
16 the application being considered will be sensitive to
17 them. Personal information will not be disclosed
18 unless it is necessary and appropriate to do so.
19 However, the Board advises participants that these
20 proceedings are public, and that as a result, personal
21 information protections are reduced.

22 In addition to matters of house --
23 housekeeping, please ensure that all cell phones are
24 off or on mute throughout the hearing, and all parties
25 and their representatives and consultants should be

1 aware that the Board hearings are livestream --
2 streamed through a link accessible on the Board's
3 website. As such, for the benefit of public, the use
4 of acronyms is to be discouraged. It will assist the
5 public's understanding of the issues and evidence if
6 acronyms are avoided.

7 I will now call upon Board counsel, Ms.
8 McCandless for introductions, followed by the
9 introductions by MPI and the Interveners. Ms.
10 McCandless will then give her introductory rema --
11 remarks, after which I will call on MPI and the
12 Interveners to provide their opening remarks.

13 On October 4th, 2019, MPI filed an
14 application to amend its 2020 GRA rate request. I
15 would ask each Intervener to advise in their opening
16 submissions the position they take on the application
17 to amend. We will then proceed with the swearing in
18 of the first MPI panel, and commence the evidentiary
19 portion of the hearing.

20 Ms. McCandless...?

21

22 INTRODUCTIONS:

23 MS. KATHLEEN MCCANDLESS: Thank you,
24 Madam Chair. Good morning. Good morning to members
25 of the panel. It's Kathleen McCandless, Board

1 counsel. To my immediate left is my co-counsel,
2 Robert Watchman, and further to my left is Roger
3 Cathcart, accounting advisor to the Board.

4 THE CHAIRPERSON: Mr. Scarfone...?

5 MR. STEVEN SCARFONE: Good morning,
6 Madam Chairperson. Steve Scarfone, legal counsel for
7 Manitoba Public Insurance. Let me begin. On my far
8 left is Anthony Guerra, also legal counsel for MPIC.
9 Beside him is Mike Triggs, MPIC's general counsel and
10 corporate secretary.

11 To my right is Ben Graham, chief
12 executive officer and president of Manitoba Public
13 Insurance, and to his right is Luke Johnston, MPI's
14 chief actuary.

15 Behind Mr. Johnston is Peter Hope.
16 He's an analyst with regulatory affairs, and beside
17 him is Mr. Giesbrecht, Vice President of Finance and
18 Chief Financial Officer. Beside Mr. Giesbrecht is
19 Satvir Jatana. Satvir is the Vice President of Human
20 Resources and Corporate Services.

21 And over on the other side is Jeff
22 Crozier. He's our director of legal -- or sorry,
23 regulatory affairs. And beside Mr. Crozier is Tadeu
24 Meira. He's another regulatory analyst.

25 THE CHAIRPERSON: Mr. Williams...?

1 MS. KATRINE DILAY: Good morning,
2 Madam Chair. Katrine Dilay, lawyer with the Public
3 Interest Law Centre, and to my left is Mr. Byron
4 Williams, also a lawyer with the Public Interest Law
5 Centre. Together we represent the Consumers'
6 Association of Canada, Manitoba branch.

7 Gloria Desorcy, the director -- the
8 executive director of CAC (Manitoba) should be here at
9 some time today. Thank you.

10 THE CHAIRPERSON: Thank you. Ms.
11 Meek...?

12 MS. CHARLOTTE MEEK: Good morning.
13 Charlotte Meek, counsel here on behalf of the
14 Coalition of Manitoba Motorcycle Groups. On my left
15 is Mr. James Wood, who is also counsel on behalf of
16 CMMG.

17 I'd also like to let you know that in
18 the room is Doug Houghton, who is here. We'll be
19 presenting later this afternoon, and he's also here as
20 a board of director -- as CMMG.

21 THE CHAIRPERSON: Thank you. Mr.
22 Monnin...?

23 MR. CHRISTIAN MONNIN: Thank you,
24 Madam Chair, members of the panel. Christian Monnin,
25 on for Bike Winnipeg. To my immediate right is Mr.

1 Charles Feaver from Bike Winnipeg.

2 THE CHAIRPERSON: Thank you. Mr.

3 Unfried...?

4 MR. CURTIS UNFRIED: Thank you, Madam

5 Chair. Good morning, and fellow panel members. It's

6 Curtis Unfried, appearing on behalf of the Insurance

7 Brokers Association of Manitoba.

8 I'm joined on my right by Ms. Jennifer

9 Sokol, an articling student at my firm who's assisting

10 me throughout the conduct of this matter, and on my

11 left is Mr. Grant Wainikka, the CEO of the Insurance

12 Brokers Association of Manitoba.

13 THE CHAIRPERSON: Thank you. Ms.

14 McCandless...?

15

16 OPENING COMMENTS BY BOARD COUNSEL:

17 MS. KATHLEEN MCCANDLESS: Thank you.

18 Manitoba Public Insurance is applying to the Public

19 Utilities Board for approval of premiums to be charged

20 with respect to compulsory vehicle insurance for the

21 insurance year 2020/'21. The rates would take effect

22 on March 1st, 2020, and would be for a thirteen (13)

23 month period, to March 31, 2021.

24 In its application filed on June 20,

25 2019, MPI provi -- provisionally sought an overall

1 rate increase of .1 percent. Following an update to
2 the rate indication based on interest rates as at
3 September 30, 2019, on Friday, October 4th, MPI filed
4 with the Board a request to amend its rate request to
5 a rate decrease of .6 percent.

6 MPI has also requested discontinuance
7 of the anti-theft discount for newly insured vehicles
8 with no charges to other fees and discounts.

9 With respect to the evidence filed in
10 this proceeding, I note that there were six (6) PUB
11 exhibits entered on the record at the pre-hearing
12 conference in this matter held on June 27, 2019.

13 Those were:

14 Exhibit PUB-1, the notice of public
15 hearing and pre-hearing conference, dated June 22,
16 2019;

17 Exhibit PUB-2, the Board's rules of
18 practice and procedure;

19 Exhibit PUB-3, the proposed hearing
20 timetable for this General Rate Application;

21 Exhibit PUB-4, a letter from Mr.
22 Christle to MPI and all perspective Interveners, dated
23 June 20, 2019;

24 Exhibit PUB-5, a letter from Mr.
25 Christle to MPI and all prospective Interveners, dated

1 June 20, 2019, with attachments;

2 And Exhibit PUB-6, a letter from Mr.
3 Christle to MPI and all prospective Interveners, dated
4 June 25, 2019 regarding the process for the treatment
5 of commercially sensitive information in this general
6 rate application.

7 In addition, I would now ask to enter
8 the following exhibits.

9 Exhibit PUB 7, the Board's procedural
10 Order 92/'19, dated July 5, 2019 with appendices,
11 which Order approved the final issues list for this
12 GRA.

13 Exhibit PUB 8-1 to 8-106, and that is
14 the Public Utilities Board First Round Information
15 Requests, and MPI's responses to those requests.

16 Exhibit PUB-9 is the Board's procedural
17 order, dated August 16, 2019 in respect of the
18 application for Intervener status filed by the
19 Insurance Brokers Association of Manitoba.

20 Exhibit PUB-10 is an email, dated
21 August 16, 2019, sent on behalf of the PUB in respect
22 of a motion by the Consumers' Association of Canada
23 for an order compelling responses to certain
24 information requests.

25 Exhibits 11-1 to 11-34 are the PUB's

1 Second Round Information Requests and MPI's responses
2 to those requests.

3 Exhibit PUB-12 is PUB Order 130/'19 in
4 respect of the motion by CAC for an order compelling
5 certain responses to information requests.

6 Exhibit PUB-13 is the reminder notice
7 of Public Hearing, dated September 7, 2019.

8 Exhibit PUB-14 is an email, dated
9 September 19, 2019, on behalf of the Board in respect
10 of a letter from the Insurance Brokers Association of
11 Manitoba seeking an extension to file Intervener
12 evidence.

13 Exhibits PUB-15-1 to PUB-15-6 are the
14 PUB Information Requests of CAC and CAC's responses to
15 those requests.

16 Exhibits PUB-16-1 to 16-7 are the PUB
17 Information Requests of the Insurance Brokers
18 Association of Manitoba and IBAM's responses to those
19 requests.

20

21 --- EXHIBIT NO. CAC-14:

22 CAC Manitoba Opening
23 Statement - MPI- 2020 GRA
24 - October 7, 2019

25

1 MS. KATHLEEN MCCANDLESS: And on the
2 Friday of last week, I circulated to MPI and to the
3 Interveners a copy of a PowerPoint presentation of
4 Ward Keith who will be testifying on the road safety
5 technical conference which took place earlier this
6 year, and I would ask that that be entered now as PUB
7 Exhibit 17.

8 I also circulated this morning copies
9 of the book of documents of PUB counsel, and I would
10 ask that it be entered as PUB-18.

11

12 --- EXHIBIT NO. PUB-18: Book of documents of PUB
13 counsel

14

15 MS. KATHLEEN MCCANDLESS: And lastly
16 for the record, I would ask that a letter, dated March
17 28, 2019, from Darren Crystal, Board secretary, to MPI
18 be entered as Exhibit PUB-19. And that letter
19 addressed the process required by the Board for the
20 filing of the September 30, 2019 interest rate update,
21 which was filed by MPI on Friday of last week.

22

23 --- EXHIBIT NO. PUB-19: Letter, dated March 28,
24 2019, from Darren Crystal,
25 Board secretary, to MPI

1 MS. KATHLEEN MCCANDLESS: With respect
2 to the cross-examination to be conducted on behalf of
3 the Board over the next number of days, the following
4 major issues will be addressed:

5 The background to the rate applied for;

6 MPI's financial position;

7 MPI's capital rate request, capital
8 management plan, and the rate stabilization reserve;

9 MPI's expenses and claims forecasting;

10 Benchmarking conducted by MPI;

11 MPI's investment portfolio performance
12 and the composition of the portfolio;

13 MPI's IT strategic plan and IT expenses
14 and projects;

15 And MPI's road safety and loss
16 prevention program, as well as MPI's progress in its
17 examination of the driver safety rating program, as
18 well as other issues that will arise.

19 I would now refer to the procedural
20 outline which was distributed this morning and to the
21 bottom of the first page running to the second page in
22 particular where the order of the matters to be heard
23 is reflected. And please note that MPI will be
24 putting forward issue-specific witness panels again
25 this year.

1 At Item Number 3 at the top of page 2,
2 we see we have the first panel, which is a panel of
3 one (1), Mr. Ben Graham, the Chief Executive Officer
4 of MPI, from whom we will be hearing today. If time
5 permits this afternoon, we may begin to hear from the
6 second panel found at Item 5, which is the expenses
7 and investments panel of MPI. If not, we will hear
8 from that panel tomorrow morning.

9 We will not be sitting on Wednesday of
10 this week.

11 On Thursday at Item 6, we will hear
12 from Mr. Ward Keith on the road safety technical
13 conference as well as from the MPI road safety panel.

14 At Item 7 on Friday, we expect to hear
15 from the MPI driver safety rating panel and the rate
16 making capital maintenance provision, rate
17 stabilization reserve, vehicles for hire, personal
18 injury protection plan panel.

19 The ratemaking, et cetera, panel will
20 continue into next week.

21 We will not be sitting Monday as the
22 14th is Thanksgiving day.

23 We expect the ratemaking panel to
24 continue and to conclude on Wednesday, so that's
25 the 16th. And also on that day, we will hear from

1 Mr. Dave Makarchuk of Mercer and start the MPI IT
2 value management and legacy systems modernization
3 panel.

4 At Item 9 for Thursday and Friday of
5 next week, we expect to hear from the MPI service
6 delivery model panel.

7 Once the MPI panels are complete, we
8 will hear from the CAC witnesses: Mr. John Todd,
9 Dr. Wayne Simpson, and Andrea Sherry. They are
10 scheduled for Monday, October 21.

11 On Tuesday, October 22, we expect to
12 hear from the Insurance Brokers Association of
13 Manitoba witness panel.

14 Closing submissions will begin
15 October 24th.

16 One (1) item of note is the order of
17 closing remarks, so found at the bottom of page 2. In
18 this GRA, CAC has filed a notice of constitutional
19 question on the validity of the reserves regulation.
20 And notice has been given to the attorney general of
21 Manitoba, and we expect to hear from counsel for
22 Manitoba Justice with respect to this issue.

23 Because with respect to that particular
24 issue, the burden is on CAC to establish the
25 regulation is not valid. MPI is not required to

1 address that issue when it makes its initial closing
2 submissions.

3 CAC will raise the issue in its
4 response, and MPI will then respond to the issue in
5 its reply. What that means is that CAC will have a
6 limited right of reply to MPI on the particular issue
7 of the constitutional question, which is why we see
8 the very last item at the bottom of page 2 being reply
9 of CAC on constitutional question.

10 In addition, there will be the
11 opportunity for members of the public to present to
12 this hearing, and that will be this afternoon at
13 1:15 p.m. We do expect to hear from three (3)
14 presenters today.

15 As the hearing proceeds, changes to the
16 schedule may be required, but we will do our best to
17 follow the anticipated schedule.

18 Those are my opening remarks,
19 Madam Chair. Thank you.

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

22

23 OPENING COMMENTS BY MPI:

24 MR. STEVEN SCARFONE: Thank you,
25 Madam Chairperson. Good morning, fellow panel

1 information requests.

2

3 --- EXHIBIT NO. MPI-44: Update to Information
4 Request PUB-2-14

5

6 MR. STEVEN SCARFONE: Number 45 was
7 the presentation that Mr. Graham will be giving later
8 today.

9

10 --- EXHIBIT NO. MPI-45: Mr. Graham's presentation

11

12 MR. STEVEN SCARFONE: And at
13 Exhibit 46 is the revenue and expenses investments
14 presentation that will be given by MPIC.

15

16 --- EXHIBIT NO. MPI-46: Revenue and expenses
17 investments presentation
18 that will be given by MPIC

19

20 THE CHAIRPERSON: Thank you.

21 MR. STEVEN SCARFONE: As set out in
22 the letters circulated on Friday by Mr. Triggs, MPI's
23 general counsel, and corporate secretary -- and again,
24 that's Exhibit number 42 -- the adjusted rate
25 indication sought by the corporation in this year's

1 general rate application is a negative 0.6 percent
2 representing an overall decrease in insurance premiums
3 for Manitobans.

4 All the people that register a motor
5 vehicle in this province, of which there are over
6 807,000, will see their insurance bill go down next
7 year if the amended application's approved by this
8 Board. This is good news for Manitobans we suggest.

9 But some historical context is
10 important, Madam Chairperson. Two (2) years ago, MPIC
11 was before this Board facing significant financial
12 challenges. Capital transfers from the Extension line
13 of business had become routine, and the accepted
14 actuarial practice or AAP rate indication two (2)
15 years ago was 7.7 percent. With management action,
16 that was later reduced to 2.7 percent.

17 At that time, MPI said if it could just
18 address its concerns surrounding the capital reserves,
19 it anticipated returning to this Board with little or
20 no rate increases year after year. That was a bold
21 statement to be sure.

22 The PUB assisted MPI in its vision and
23 approved a 2.6 percent indication two (2) years ago,
24 and it allowed MPIC to retain the investment income on
25 the rate stabilization reserve to help build its

1 capital.

2 And then last year, Madam Chairperson,
3 MPIC was before this Board with an improved outlook,
4 an AAP rate indication of .1 percent, but with an
5 added 2.1 percent to assist the Corporation in
6 maintaining its capital position.

7 MPIC said last year that financial
8 stability at MPI appeared promising. MPI again said
9 that so long as the Rate Stabilization Reserve was
10 sufficiently funded, rate payers would soon enjoy the
11 benefits of properly capitalized Basic program. MPI
12 promised last year there would be no rate increases in
13 the 2020 GRA this year, and again in the 2021 GRA next
14 year. The PUB again assisted MPI in its vision, and
15 approved last year's rate indication, adjusted to
16 point -- or, to one point eight (1.8), excuse me, for
17 interest rates having risen.

18 And so MPI returns this year, I would
19 suggest having made good on those promises, and is now
20 seeking approval of a rate decrease. To be sure,
21 there are still issues to be canvassed, and I will
22 touch upon those shortly, but the bottom line is this,
23 Madam Chairperson, a negative point six (.6) rate
24 indication if approved by this Board.

25 MPI Exhibit number 42, which was sent

1 and circulated on Friday, shows strong financial
2 performance for Basic, and that, I would suggest, is a
3 relatively recent trend, beginning January 2018.
4 Before that, for at least two (2) years, Basic suffered
5 net income losses of approximately \$175 million,
6 largely the result of interest rate forecasting and
7 some bad hailstorms.

8 But rather than sit idle and perhaps
9 seek large rate increases from its customers, the
10 Corporation took action. It took steps to avoid
11 losses of this magnitude from happening again.

12 MPIC President and CEO Ben Graham, who
13 you will hear from shortly, will speak to the steps
14 and the strategies taken by MPI, but they include a
15 new asset and liability management program; a new
16 investment portfolio; increased capitalization of
17 Basic; and now, for approval by this Board, the new
18 capital management plan.

19 But, Madam Chairperson, MPIC can't take
20 all the credit. This Board has also assisted MPIC in
21 its efforts by directing the Corporation to make use
22 of AAP rate making because of its shorter forecast
23 horizon, which the Corporation started doing in the
24 2018 GRA. And then last year, in the 2019 GRA,
25 against the advice of Intervener expert witnesses, the

1 PUB approved the use of the naive interest rate
2 forecast, a methodology advocated by MPI for the past
3 couple years.

4 All of these factors, we say, Madam Chairperson, have
5 mitigated the risk of Basic again losing hundreds of
6 millions of dollars due to poor interest rate
7 forecasting.

8 However, the Corporation is not resting
9 on its laurels. It continues to identify areas of the
10 business that need to be fixed. Over the next three
11 and a half (3 1/2) weeks, the panel will hear from MPI
12 and Interveners on a number of important issues.

13 This morning, you will hear from Mr.
14 Graham on where MPI is now and where it expects to be
15 in the next few years.

16 Tomorrow, you will hear from witnesses
17 on expenses and investments. The evidence from MPI's
18 Corporate Controller, Cynthia Campbell, will be that
19 operating expense forecasts will remain steady for the
20 next three (3) years, from this year till 2022 twenty
21 twee -- 23, and that Basic expenses for this year,
22 2018/19, were 5 percent under budget when compared
23 against the 2019 GRA forecast.

24 Mr. Bunsten, who is MPI's Manager of
25 Investments, will update the Board on the final stages

1 of the implementation of the investment strategy under
2 the asset liability management study, and he will
3 describe for you the performance of MPI's investment
4 fund.

5 Following our day off, MPI will present
6 Curtis Wennberg -- he's the Vice President and Chief
7 Operating Officer -- as part of MPI's road safety
8 panel, to speak to new initiatives and an increased
9 road safety budget.

10 On Friday, you can expect to hear an
11 update from Luke Johnston, MPI's Chief Actuary, and
12 Satvir Jatana, MPI's Vice-President of Corporate
13 Services, on the new driver safety rating models being
14 considered by the Corporation, some of which, you will
15 learn, have already been rejected based in part on
16 feedback from a comprehensive customer survey.

17 Mr. Johnston will then keep his seat
18 and into next week for the next panel, which is rate
19 making and the capital management plan. The capital
20 management plan, Madam Chairperson, is of course
21 before this Board for approval in this year's GRA, and
22 Mr. Johnston will explain the mechanics of the capital
23 man -- management plan and how Basic policyholders
24 will receive the benefits of MPI's Extension line of
25 business. And you did hear that correctly -- AutoPac

1 will now benefit from the profits made by the
2 Extension line of business.

3 Extension, you may recall, panel
4 members, is one of MPI's competitive lines of
5 business, which sells the insurance products that
6 don't come with your Basic compulsory insurance, for
7 example, increasing your third-party liability, the
8 loss of use on a vehicle, new vehicle protection, that
9 kind of stuff. Those are the Extension products that
10 for the Extension line of business.

11 Mr. Johnston will testify that the
12 capital management plan was designed to achieve and
13 maintain capital of 100 percent MCT for Basic as
14 mandated under the reserves regulation, which was
15 enacted back in April. Mr. Johnston will tell you
16 that should the capital reserves in the Extension line
17 of business reach a threshold of 200 percent MCT,
18 there will be an automatic transfer of the excess
19 capital into Basic's rate stabilization reserve. This
20 will keep Basic capitalized to the level required
21 under the new regulation.

22 And I'm sure it's not lost on this
23 Board that this represents a departure from the
24 Corporation's position in recent general rate
25 applications, and that is where MPIC had maintained

1 that Basic must operate on a self-sustaining basis and
2 that the Board of Directors had no appetite for making
3 capital transfers from Extension.

4 The reserve regulation and 100 percent
5 MCT has obviously changed all that. This Board will
6 certainly remember asking MPI if the money in
7 Extension was not for cross-subsidization of Basic,
8 then what was it to be used for? The PUB, we say, now
9 has its answer, and I would suggest that the capital
10 management plan is the answer this Board was looking
11 for.

12 So that's the capital management plan
13 for which MPIC seeks approval; however, having said
14 that, as Ms. McCandless said, there is a wrinkle.
15 There is more to Issue number 18, and that being the
16 validity of the reserves regulation.

17 As the Board is aware, the regulation
18 has been challenged by my learned friend, Mr.
19 Williams, on behalf of his client, the Consumers
20 Association of Canada, the Manitoba branch. That
21 particular issue will not require MPIC to adduce any
22 evidence during the course of this hearing, but rather
23 will be dealt with in argument at its conclusion. In
24 addition, because Cabinet and the Government of
25 Manitoba decided upon the amount of capital that

1 should be held in the Corporation's reserves, MPIC
2 will take a back seat on this issue and allow my
3 learned friend from the Attorney General's office,
4 Denis Guenette, to answer the challenge. MPIC will,
5 however, be advancing some argument in a supporting
6 role by way of reply to the CAC's closing arguments.

7 I've been asked by Mr. Guenette to pass
8 along a few comments. Firstly, Mr. Guenette is in
9 Toronto today and tomorrow and sends his regrets.
10 Secondly, Mr. Guenette has received instructions to
11 raise an underlying issue, and that is whether the
12 Public Utilities Board has jurisdiction to hear the
13 question posed under the Constitutional Questions Act.

14 He does, of course, still intend to
15 argue more generally on the issue of the validity of
16 the reserves regulation, but he has been instructed to
17 look into the jurisdiction of this Board to hear that
18 particular issue. And lastly, his office also intends
19 to argue the alternative issue under Issue 18, and
20 that is whether the approved rates must comply with
21 the regulation should the regulation be determined
22 valid.

23 Next week, on Wednesday morning, Mr.
24 Makarchuk of Mercer Investments will again give
25 evidence on MPI's investment strategy. The Board

1 asked that Mr. Makarchuk return to answer questions
2 concerning the shadow portfolios designed for
3 comparison against MPI's actual portfolios. Mr.
4 Makarchuk will be here to provide evidence concerning
5 not only the purpose of a shadow portfolio, but also
6 the utility of a shadow portfolio. He will review for
7 the Board the composition of the shadow portfolios and
8 compare those against the securities held in the MPI
9 portfolios.

10 And finally, he will remind the Board
11 that the shadow portfolios contain asset classes that
12 MPI portfolios do not. For example, growth assets in
13 the Basic claims portfolio that were not in line with
14 the investment objectives of MPI and its Board of
15 Directors.

16 And later next week, MPI will wrap up
17 its case by calling witnesses to speak to information
18 technology in MPI's service delivery model. The
19 information technology panel will include MPI's
20 vice-president of information technology and chief
21 information officer Brad Bunko and the members of his
22 team best suited to speak to Project Nova including
23 its business case.

24 This project, I will suggest, is a good
25 example of MPI's ongoing commitment to openness and

1 transparency. You will hear evidence about how
2 Project Nova has been put through the riggers of a
3 very robust value management program and how each of
4 the capital expenditures in the budget are fully
5 accounted for. The panel members will be prepared to
6 answer any questions counsel or this Board may have
7 about Project Nova.

8 And lastly, MPI's service delivery
9 model and the changes that are underway concerning how
10 MPI with the assistance of MPI business partners will
11 deliver exceptional service into the future. The
12 witnesses on the service delivery panel will see
13 Mr. Graham and Mr. Wennberg return to the witness
14 stand along with MPI's director of service delivery
15 and the chief transformation officer for Project Nova.
16 And Project Nova, I should add, is the rebranding of
17 what is referred to in the application as the legacy
18 modernization system.

19 The evidence from the delivery service
20 panel will highlight the importance of MPI business
21 partners, one of whom the Insurance Brokers
22 Association of Manitoba, has intervened in this
23 application.

24 The evidence will also make clear that
25 the changes proposed by MPI, while perhaps disruptive

1 to the old way of doing business, are absolutely
2 necessary if MPI is to meet its mandate, and that is
3 to provide exceptional service and coverage to all
4 Manitobans.

5 When the service delivery panel is
6 giving their evidence, please remember this,
7 Madam Chairperson, what constitutes exceptional
8 service is determined by the customer. The MPI
9 executives on the service delivery panel will say we
10 should be clear to everyone in this room. It's not
11 about MPI. It's not about IBAM. It's not about the
12 repair trades. It's about the customer.

13 The old way of doing business is simply
14 not working. That will become clear throughout the
15 course of this hearing. With transparency comes the
16 expectation of providing Manitobans with value for
17 their money. If the compensation paid to service
18 providers is too high or not fair to the customer,
19 then the compensation model is broken and must be
20 fixed.

21 The new way of doing business with MPI
22 service providers will be fair to everyone involved.
23 Having said that, the MPI executives will acknowledge
24 that MPI cannot deliver exceptional service and safer
25 roads without its business partners and stakeholders.

1 And lastly, this rate application again
2 makes it evident that MPI is committed to openness and
3 transparency. The 2020 General Rate Application is
4 comprised of eight (8) parts and thirty-one (31)
5 chapters. The application proper totals four thousand
6 and seventy-five (4,075) pages including eight hundred
7 and ten (810) pages of commercially sensitive
8 information. Twenty (20) percent of the GRA proper
9 has been filed confidentially. There are documents in
10 there that in years past would probably not have
11 formed part of the GRA.

12 There are three hundred and sixty-six
13 (366) information requests in Rounds 1 and 2, and an
14 additional three thousand two hundred and thirty-five
15 (3,235) pages, including another eight hundred and
16 sixty (860) pages of commercially sensitive
17 information. That's 26 percent of the information
18 requests that have been filed confidentially.

19 The grand total including information
20 requests: eight thousand three hundred and ninety
21 (8,390) pages, Madam Chairperson, and that doesn't
22 include Intervener pre-filed testimony, Intervener
23 information requests, MPI rebuttal evidence, and
24 motion materials. I'm not certain whether any or all
25 of the Board members have read each and every page,

1 but I can you quite candidly that I have not, and I'm
2 lead counsel for the corporation.

3 Madam Chairperson, I don't have to tell
4 you this to impress you with numbers or to have you
5 wonder if I should be better prepared for this
6 hearing. I'm telling you this to suggest that even
7 here before the Public Utilities Board, there has to
8 be some measure of proportionality.

9 While the corporation is committed to
10 openness and transparency, it comes before this Board
11 this year seeking approval of a negative rate
12 indication, and we have scheduled three (3) plus weeks
13 for this hearing to conclude.

14 The corporation continues to seek
15 efficiencies and requires the Board's cooperation to
16 help streamline the process. Right now, it's not an
17 efficient process, and it's a very expensive process
18 for ratepayers.

19 Procedurally from the time the
20 application is filed in June to the start of this
21 hearing, a lot has to happen: information requests,
22 responses to information requests, motions to compel
23 responses, Intervener pre-file testimony, Intervener
24 information requests and the responses, and rebuttal
25 evidence.

1 The timetable, I would suggest, simply
2 does not allow sufficient time for the parties to
3 properly present their case and respond to others. I
4 expect that Interveners, particularly one that is new
5 to the process, find it all very overwhelming. For
6 example, the Insurance Brokers Association of Manitoba
7 had just five (5) days to respond to information
8 requests from the PUB, from MPI, and from the CAC. So
9 it wasn't surprising that they were a day or two (2)
10 late.

11 And bear in mind that Interveners, like
12 IBAM, do not have the resources that MPIC does. MPIC
13 has a department dedicated entirely to the GRA,
14 Mr. Crozier's regulatory affairs department, and I
15 don't mind telling you that they do all the heavy
16 lifting. For Mr. Crozier and his team, the general
17 rate application is basically a year-long process
18 beginning in February with the preparation of the GRA
19 and meeting deadlines under the timetable fixed by
20 this Board after the pre-hearing conference.

21 These last comments we hope the Board
22 will take away for consideration and revisit before
23 the 2021 general rate application.

24 And subject to any questions Madam
25 Chairperson or the panel members may have, that

1 concludes the opening statement of MPIC.

2 THE CHAIRPERSON: Thank you,
3 Mr. Scarfone. With regard to your final comments, can
4 we expect to receive some evidence from MPI with
5 regard to what you might propose as a streamlined rate
6 application?

7 MR. STEVEN SCARFONE: Absolutely. We
8 can take that away, and I can commit right here to
9 providing that evidence to this -- to this panel.

10 THE CHAIRPERSON: Thank you.

11 BOARD MEMBER GABOR: Mr. Scarfone, we
12 heard the same comments from Mr. Triggs. We went
13 through a scoping exercise where MPI put forward its
14 proposals. What are the issues that shouldn't be
15 considered at this application, streamlined it?
16 Should we not consider the broker commission argument?

17 THE STEVEN SCARFONE: No, I'm not
18 suggesting that, Mr. Gabor. And, in fact, the
19 streamlining that I make reference to is really about
20 the procedure.

21 So this year, for example, I don't mind
22 telling you that MPIC suggested perhaps removing one
23 round of information requests to allow for more time
24 so we're not so compressed near the end. And there
25 was no -- there was no appetite for that, quite

1 frankly. And so we were left filing our rebuttal
2 evidence on Friday, the day before the hearing.

3 And I would suggest, Mr. Gabor, the
4 other thing that you can take away from that is if,
5 for example, there was a refusal to one of MPIC's
6 information requests, when was MPIC to make its
7 motion? We could have brought a motion this week
8 and -- what -- maybe ask for an adjournment of the
9 hearing? There's simply not enough time, as I
10 indicated in the opening statement, for us to get all
11 of this done for October 7.

12 BOARD MEMBER GABOR: In your opening,
13 you know, Mr. Triggs comments at the pre-hearing
14 conference, there seemed to be some sort of suggestion
15 that the -- that the scope of the hearing is dependent
16 on the rate requested. Is that the position of MPI?

17 MR. STEVEN SCARFONE: No. It -- we
18 think that the investigation into the application
19 should be as robust, whether it's a positive rate
20 increase or a negative rate increase. We're not
21 debating that.

22 This Board could certainly find that
23 the zero point six (0.6) should be a two point six
24 (2.6) negative rate indication.

25 BOARD MEMBER GABOR: Okay.

1 MR. STEVEN SCARFONE: No, that is not
2 the corporation's position.

3 BOARD MEMBER GABOR: Thank you.

4 THE CHAIRPERSON: Ms. Dilay?

5

6 OPENING COMMENTS BY CAC (MANITOBA):

7 MS. KATRINE DILAY: Thank you,
8 Madam Chair. And I'll ask Kristen if we can switch
9 this screen. Great.

10 On behalf of CAC (Manitoba), we've
11 filed a PowerPoint presentation for our opening
12 submissions. And so we do also have physical copies
13 which people in the room should have access to. We
14 would ask this presentation to be marked as Exhibit
15 CAC-14.

16 I'll be presenting the opening
17 statement on behalf of CAC (Manitoba), and then
18 Mr. Williams will speak to CAC (Manitoba)'s position
19 with respect to MPI's application to amend the rate
20 request following the PowerPoint presentation.

21 The title of our presentation this
22 morning is: "Are we Losing Balance? Captive
23 Ratepayers and the MPI General Rate Application." And
24 we expect that the title of our presentation will
25 become evident as we walk through these slides with

1 Board members this morning.

2 We do expect to refer to the Manitoba
3 branch of the Consumers' Association of Canada as CAC
4 (Manitoba) just for efficiency sake.

5 CAC (Manitoba) has close to three (3)
6 decades of rate hearings under Crown corporation
7 governance legislation in Manitoba. CAC (Manitoba) is
8 guided by core consumer rights, some of which include
9 the right to be informed, the right to choice or to be
10 involved in the regulatory process as a proxy for
11 choice, the right to have a voice in marketplace
12 decision making, and the right to consumer education.

13 Developing the CAC (Manitoba) position
14 for a rate hearing such as this one involves many
15 components. It involves ongoing and regular consumer
16 contact. It involves consumer engagement, including
17 both CAC (Manitoba) engagement with consumers, as well
18 as the review of MPI surveys which were filed in this
19 application. It involves discussions with the CAC
20 (Manitoba) Board of Directors as well as advice from
21 expert advisors.

22 The experts that are retained by CAC
23 (Manitoba) to assist it with its participation in this
24 hearing are highly qualified and are independent.
25 We've included some wording from the retainer letter

1 that all of our -- all of CAC (Manitoba)'s expert
2 advisors sign. It includes that it is their duty to
3 provide evidence that is fair, objective, and
4 non-partisan, and is related only to matters that are
5 within their area of expertise.

6 As well, their duty in providing
7 assistance and giving evidence is to help the Public
8 Utilities Board, and this duty overrides any
9 obligation to the Manitoba branch of the Consumers'
10 Association of Canada.

11 On this slide, we've outlined the test
12 that is to be applied in this proceeding. The test of
13 just and reasonable rates is found in the Public
14 Utilities Board Act of Section 77 as well as the Crown
15 Corporation's Governance and Accountability Act at
16 section 25.

17 We note that the burden of proof to
18 show that any such increases, changes, or alterations
19 are just and reasonable is upon the owner, and so the
20 Crown corporation in this case seeking to make the
21 increases, changes, or alterations. And that's found
22 at Public Utilities Board Act Section 84(2).

23 And as Madam Chair referred to this
24 morning, the test -- in setting just and reasonable
25 rates, the Manitoba Court of Appeal has said that the

1 PUB has two (2) concerns when dealing with a rate
2 application: the interests of the utilities
3 ratepayers and the financial health of the utility.
4 Together and in the broadest interpretation, these
5 interests represent the general public interest.

6 The Public Utilities Board in past
7 orders has also identified a five (5) step framework
8 for the setting of just and reasonable rates. The
9 five (5) step framework is outlined on this slide, and
10 it comes from PUB Order 98/'14 at page 28 with respect
11 to MPI. It includes ensuring that MPI's forecasts are
12 reasonably reliable, ensuring that actual and
13 projected costs incurred are necessary and prudent,
14 assessing the reasonable revenue needs of the
15 Corporation in the context of the overall general
16 health of MPI, determining an appropriate allocation
17 of costs between classes, and setting just and
18 reasonable rates in accordance with statutory
19 objectives.

20 The rema -- the remainder of our
21 presentation today will be focussed on tha -- this
22 five-step framework that has been outlined by the PUB;
23 but before diving into that, we just want to highlight
24 that in this hearing, the overarching themes that CAC
25 (Manitoba) intends to explore are whether, through no

1 fault of the PUB, the longstanding balance under the
2 independent rate approval process between the
3 interests of captive ratepayers and the health of MPI
4 is in danger of being tipped in favour of the
5 interests of MPI and of certain industry players at
6 the expense of consumers.

7 In other words, are the interests of
8 ratepayers being subordinated to the risk appetite of
9 MPI and to the pecuniary interests of certain industry
10 players?

11 And CAC (Manitoba) also wants to
12 emphasize the necessity of a dynamic regulatory
13 process. In this hearing, CAC (Manitoba) expert
14 evidence reexamines the interplay of costs and
15 benefits between Basic and Extension while remaining
16 grounded in regulatory principles as well as the
17 Public Utilities Board responsibilities. The rate
18 approval process should be responsive to evolutions in
19 the marketplace and learning from the experience in
20 other jurisdictions, while remaining grounded in
21 regulatory principles relating to rate-making and the
22 statutory framework.

23 So the first step in the Public
24 Utilities Board five (5) step framework that we
25 outlined is ensuring that forecasts are reasonably

1 reliable for rate approval purposes, and this is a --
2 a relatively short section in our presentation this
3 morning.

4 The issues under this step that CAC
5 (Manitoba) intends to explore are:

6 What are the implications for the
7 reliability of the claims cost forecast of the
8 Corporation's ongoing challenges with respect to the
9 management of weekly indemnity claims?

10 Recognizing the determinations of the
11 PUB with regard to the naive forecast methodology,
12 what are the implications for the 2020 rate
13 application of current interest rates?

14 Leaving aside methodological issues but
15 also recognizing the interplay between Basic and
16 Extension, what is the magnitude and probability of
17 interest rate risk on the reliability of revenue and
18 expect -- expense forecasts and on the reliability of
19 projected transfers from Extension?

20 The next step or heading in the
21 framework are necessary and justified or prudent costs
22 and management. With respect to operating costs, how
23 does operating cost growth in the current application
24 compare to the operating cost growth allowed for rate
25 approval purposes by the Public Utilities Board in its

1 most recent Manitoba Hydro general rate application?

2 And that's PUB Order 69/'19 at page 24.

3 The next few slides will touch upon the
4 issue of broker commissions and a service delivery
5 model.

6 How does the role of brokers in a
7 market dominated by MPI differ from the role of
8 brokers in a competitive market? Should that
9 difference be reflected in broker compensation in
10 Manitoba?

11 Given significant and ongoing changes
12 in the role of brokers in the broader marketplace,
13 what are the implications, if any, for customer
14 service and broker compensation?

15 In Manitoba, specifically, recognizing
16 that the rate approval authority of the Public
17 Utilities Board is limited to Basic rates, but that
18 generally accepted regulatory principles and the
19 current statutory framework enables the examination of
20 intimately related affiliates, what are the
21 implications for broker compensation of the unic --
22 dyna -- the unique dynamics of the Manitoba
23 marketplace? These dynamics include:

24 Multi-year term products, such as
25 vehicle insurance;

1 The intertwined relationship of Basic
2 and Extension in MPI operations as well as in the
3 actual purchase by consumers of their vehicle
4 insurance;

5 The intertwined relationship of Basic
6 and Extension in broker compensation agreements and
7 negotiations between MPI and the industry;

8 As well as proposed transfers from
9 Extension reserves to Basic reserves through the
10 capital management plan.

11 Relating to the role that brokers play
12 in reassessment years, is it accurate to assume that
13 brokers often do not play a significant role in
14 reassessment years, which can be up to four (4) years
15 for multi-year term products such as vehicle
16 insurance?

17 Is it prudent and reasonable to pay
18 trailing fees for reassessment years in which the
19 broker may not play a significant role, or would it be
20 prudent and reasonable to consider alternative fee
21 approaches?

22 Regarding brokers and guaranteed
23 compensation levels, CAC (Manitoba) asks the question,
24 in light of changing market dynamics -- which include
25 multi-year term products such as vehicle insurance,

1 the materially changing roles of brokers in the North
2 American market, and potentially increased demand and
3 growing expectations of consumers for online purchase
4 and renewal services -- is it prudent and reasonable
5 for MPI to include a minimum compensation guarantee of
6 \$71 million annually in its agreement with brokers?

7 CAC (Manitoba) also intends to explore
8 a number of issues relating to brokers, consumer
9 choice and accessibility, and evolving markets.

10 Is the existing bricks-and-mortar model
11 of insurance purchase and renewal accessible to all
12 Manitobans, or are there currently important under-
13 served markets?

14 To the extent there are important
15 under-served markets, do market dynamics in these
16 regions suggest that bricks-and-mortar models are
17 unlikely to be effective in making purchase and
18 renewal more accessible?

19 Does the option of online insurance,
20 self-serve, and mobile service purchases have the
21 potential to cost-effectively enhance the
22 accessibility and quality of customer service in a
23 time of evolving needs and expectations?

24 What are the tradeoffs in terms of
25 cost, customer choice, and accessibility in terms of

1 the different online insurance purchase and renewal
2 service delivery models?

3 Should consumers wishing to buy or
4 renew their insurance online have the option of
5 choosing whether to conduct that transaction directly
6 with MPI or through a broker, or are their models
7 which require consumers to designate a broker
8 desirable?

9 In terms of MPI's evolving service
10 delivery models, what will the future operational
11 model look like, especially in light of evolving needs
12 and expectations of customers and the legacy systems
13 modernization project?

14 What are the implications for MPI, for
15 brokers, and for consumers?

16 What is the appropriate role and
17 compensation model for brokers in light of potential
18 significant changes to MPI's operational model and
19 technological disruption in the broader marketplace?

20 Are there opportunities for MPI to
21 improve consumer options for the purchase and renewal
22 of insurance while maintaining or lowering costs, and
23 what are the potential tradeoffs in doing so?

24 And has MPI conducted or is it planning
25 to conduct sufficient consumer engagement regarding

1 its operational model, inclusion -- including, pardon
2 me, the provision of online services?

3 Regarding MPI agreements with service
4 providers, what are the implications, if any, under
5 competition law of service provider organizations such
6 as brokers, chiropractors, and repair shops, entering
7 into agreements with MPI at negotiated rates? And
8 we've included here an excerpt from the Canadian
9 Competition Act, specifically, Sections 78 and 79 of
10 the Competition Act prohibit abuse of dominant
11 position by a firm or by multiple firms.

12 The three (3) elements that are
13 required to establish abusive dominant position
14 include one (1) or more persons substantially or
15 completely control throughout Canada or any area
16 thereof a class or species of business; that person or
17 those persons have engaged in or are engaging in a
18 practice of anti-competitive acts; and the practice
19 has had, is having, or is likely to have the effect of
20 preventing or lessening competition substantially in a
21 market.

22 And so flowing from this section from
23 the Competition Act, in the event there are any
24 competition law issues, what are the implications, if
25 any, for the Basic rate approval process and for MPI's

1 costs and the risks it faces? For example, have costs
2 paid to service providers been inflated because of
3 negotiations directly with service provider
4 organizations? And are there other models that can be
5 used to determine appropriate commissions and fees
6 that would address any competition law issues that
7 arise?

8 With respect to information technology
9 and, specifically, the Legacy Systems Modernization
10 Project, given that the Legacy Systems Modernization
11 Project is the largest information technology project
12 in MPI's history, at 106.8 million -- an estima --
13 estimated cost -- is MPI taking the necessary steps to
14 ensure that the project is successful or will be
15 successful, especially in the aftermath of the
16 physical damage re-engineering project?

17 Have the recommendations from legacy
18 systems modernization assessments by Deloitte and
19 Avasant been appropriately responded to and
20 incorporated in MPI's Legacy Systems Modernization
21 Project plan?

22 Is MPI positioning itself adequately in
23 light of significant changes to job roles,
24 technologies, business processes, and ultimately, to
25 its business culture as the organization moves towards

1 embracing the digital enablement of its core business?

2 With respect to the legacy systems
3 modernization business case, is the business case
4 credible under its existing assumptions? If it is
5 credible, would the business case for legacy systems
6 modernization continue to be viable if consumers were
7 obliged to employ a broker in conducting online
8 purchases rather than having the option of choosing to
9 transact directly with MPI?

10 We just have a few questions with
11 respect to benchmarking. What are the implications of
12 MPI discontinuing the services of Ward Group and
13 Gartner with respect to benchmarking? How will MPI
14 ensure that its costs remain reasonable, especially in
15 light of its information technology full-time
16 equivalence, its overall infrastructure and operations
17 spending, and its main -- maintenance costs being
18 higher than peer organizations?

19 Looking now at investment portfolios
20 and, specifically, the issue of the shadow portfolios,
21 will the shadow portfolios, which were ordered by the
22 Public Utilities Board in Order 159/'18, achieve the
23 objectives that were identified?

24 So in PUB Order 159/'18, the Board
25 recognized that it may be the case that the

1 Corporation has forgone an opportunity to hedge
2 against long-term risks by rejecting real return bonds
3 and reducing real assets in its new portfolio. And so
4 a bit later on in this quotation, the Board expects
5 that the shadow portfolios and the post-implementation
6 review will serve to inform it and the Corporation as
7 to whether the Corporation's asset liability
8 management strategy is reasonable.

9 And so flowing from this Public
10 Utilities Board Order, the questions that CAC
11 (Manitoba) is going to explore includes:

12 Were the shadow portfolio developed in
13 a way that will allow the measurement of foregone
14 opportunities as directed by the Public Utilities
15 Board?

16 Are the criteria -- for example,
17 investability-- and the assumptions -- for example,
18 market risk and credit risk levels -- that were used
19 by Mercer and MPI in developing the shadow portfolios
20 appropriate giving the -- given the Public Utilities
21 Board objectives in Order 159/'18?

22 Is the methodology used by Mercer and
23 MPI to create Shadow Portfolio 1 and Shadow Portfolio
24 2 appropriate? And what are the differences in
25 returns between the shadow portfolios and other

1 portfolios -- for example, actual portfolio, policy or
2 benchmark portfolio -- as well as differences in
3 risks?

4 With respect to MPI's risk management
5 framework as it relates to investments, is MPI's
6 tolerance or appetite for different types of risks,
7 for example, inflation risk, equity risk -- is that
8 reasonable in relation to the expected returns from
9 taking different types of risk, or does it unduly
10 penalize consumers?

11 On this slide, we discuss the
12 management of weekly indemnity claims. Does the
13 evidence filed by MPI demonstrate -- demonstrate
14 ongoing challenges with respect to the forecasting and
15 management of weekly indemnity claims in light of
16 evidence showing adverse development of prior accident
17 years for every valuation since February 2013?

18 What are the implications of any
19 challenges with respect to weekly indemnity claims for
20 the 2020/2021 revenue requirement, and for the
21 management of weekly indemnity claims going forward?

22 The next two (2) sides relate to the
23 issue of road safety. And we can indicate that CAC
24 (Manitoba) actively participated in a technical
25 conference -- technical conference relating to road

1 safety that occurred earlier this year that was
2 ordered by the Public Utilities Board, and it thanks
3 MPI for all the information that was presented during
4 this technical conference. Flowing from the technical
5 conference, CAC (Manitoba) was able to narrow its
6 focus for this hearing.

7 Over the course of the hearing, CAC
8 (Manitoba) expects to explore the following issues.
9 Without a provincial budget outlining what various
10 parties are contributing to the issue of road safety
11 in Manitoba, including activities and budget
12 requirements, how can the Public Utilities Board
13 ensure that MPI's road -- road safety portfolio is
14 optimized?

15 Has MPI demonstrated that it is working
16 with other stakeholders, including the City of
17 Winnipeg and other municipalities?

18 How was -- how will MPI's 2021 updated
19 Road Safety Operational Plan and framework, as well as
20 the methodology for setting the road safety budget,
21 relate to and take into account activities by other
22 stakeholders in Manitoba, with the ultimate goal of
23 optimizing costs that are spent on road safety?

24 What conclusions can be drawn with
25 respect to MPI's road safety portfolio from the lack

1 of a First Nation strategy, including the fact that
2 MPI collects no data on First Nations?

3 Has MPI provided sufficient evidence to
4 support the High School Driver Education Program, also
5 known as Drivers Z, business case?

6 Has MPI demonstrated that it is
7 adequately addressing issues relating to road safety
8 for vulnerable road users, including pedestrians? And
9 has MPI undertaken recommended actions relating to
10 medically at-risk pedestrians, including those who use
11 mobility aid devices?

12 Relating to MPI's service centres, we
13 note that MPI is considering re-purposing certain
14 service centres to minimize building expenses, as the
15 business is digital enabled. How should these costs
16 be treated for rate approval purposes?

17 So the next step in the -- the five (5)
18 step framework that was outlined by the Public
19 Utilities Board is the overall health of the
20 Corporation, including risk and appropriate reserves,
21 and this will be the last substantive section of our
22 presentation this morning.

23 In the next few slides, we addressed
24 the issue of the reserves regulation. Does the
25 independent rate approval authority of the Public

1 Utilities Board include the authority to set the rate
2 stabilization reserve level for rate-setting purposes,
3 to consider the appropriate methodology for
4 determining the RSR level, and to approve premiums
5 related to the buildup or reduction of the RSR to
6 within approved levels? If the PUB has that
7 authority, is the reserves regulation invalid, given
8 its conflict with the independent rate approval role
9 of the Public Utilities Board?

10 The next question is: if the reserves
11 regulation is considered valid, is it binding on the
12 Public Utilities Board in the exercise of its
13 independent rate approval process for Basic insurance,
14 as reflected in the interaction of the Public
15 Utilities Board Act, the Crown Corporations Governance
16 and Accountability Act, and the MPI Act?

17 If the reserves regulation is valid and
18 binding on the PUB, CAC (Manitoba) is asking, what are
19 the implications for rate approval of the mandatory
20 language that is contained in the reserves regulation
21 which dictates that the minimum amount the Corporation
22 must maintain in its Basic insurance RSR is the amount
23 determined using a minimum capital test ratio of one
24 hundred percent.

25 In other words, can MPI's proposed five

1 (5) year plan to reach the one hundred percent MCT, or
2 minimum capital test target, in the Capital Management
3 Plan be reconciled with the mandatory direction of the
4 reserves regulation? If not, what are the
5 implications for the Corporation and for Manitoba
6 ratepayers?

7 Moving now to the Capital Management
8 Plan itself, in assessing any Capital Management Plan,
9 and recognizing the intimate relationship between
10 Basic and Extension, is the proposed transfer from
11 Extension to Basic consistent with the benefit that
12 Extension enjoys because of its relationship with
13 Basic? Given the reliance of Extension on Basic, what
14 principles should inform the rate approval process,
15 and any transfers from Extension? Is a mechanistic
16 Capital Management Plan appropriate, or should
17 regulatory principles inform the magnitude of any
18 transfers from Extension to Basic?

19 Recognizing that the reserves
20 regulation subordinates consumer interests and PUB
21 risk tolerance in the setting of just and reasonable
22 rates to the risk appetite of MPI, what are the
23 implications for the pace at which reserves should be
24 rebuilt as proposed in the Capital Management Plan?

25 Talking about the Capital Management

1 Plan and the idea of a target versus a range for the
2 rate stabilization reserve, given the purpose of rate
3 stability, which in -- which is inherent in the rate
4 stabilization reserve, does a target range with a
5 minimum and maximum threshold achieve greater
6 stability than a specified target amount, or a ratio
7 under the minimum capital test?

8 Is it reasonable for MPI in its rate
9 application to have tested the adequacy of the current
10 approved rate levels, including the portion relating
11 to the net capital maintenance provision approved for
12 one (1) year in Board Order 159/'18?

13 And of course, we note the amended rate
14 application -- or rate request filed by MPI last week,
15 which now proposes not to include a net capital
16 maintenance provision, due to recent financial
17 performance by MPI, and Mr. Williams will speak in a
18 few minutes regarding CAC's Manitob -- CAC
19 (Manitoba)'s position with respect to that
20 application.

21 Is it reasonable for the Corporation
22 not to be recognizing expected return on investment
23 assets supporting Basic total equity in rates that are
24 set in accordance with accepted actuarial practice?
25 Should rebates and surcharges be calculated separately

1 from the actual -- actuarial rate calculation?

2 And this relates again to the Capital
3 Management Plan. And these are questions regarding
4 affordability versus stability. What does the survey
5 evidence in the proceeding tell us about the priority
6 that consumers place upon the affordability of rates
7 offered by MPI and related insurance services? Are
8 consumer concerns with affordability synonymous with
9 the alleged MPI focus on rate stability, or can those
10 concepts be distinguished? And if they can be
11 distinguished, or should be, what are the implications
12 for any Capital Management Plan?

13 Should a formal definition of rate
14 shock be developed for the purposes of the Capital
15 Management Plan and other rate approval
16 considerations? And if so, should it reflect
17 engagement directly with MPI consumers?

18 And finally, with respect to the rate
19 stabilization reserve, is regarding the appropriate
20 level. Assuming that the reserves regulation is not
21 valid, what is the appropriate methodology to set the
22 RSR target level for rate approval purposes in light
23 of the following:

24 The work that has been accomplished
25 through the regulatory process in past years, which

1 led to a methodology based on the dynamic capital
2 adequacy test to set the RSR target range;

3 Previous findings by the PUB that the
4 one hundred percent minimum capital test is not
5 appropriate as an upper threshold for MPI's rate
6 stabilization reserve;

7 And recent developments in British
8 Columbia, where the one hundred percent minimum
9 capital test target has been suspended.

10 So the next three (3) slides will focus
11 on this step in the PUB framework, an appropriate
12 allocation of costs between classes and lines of
13 business.

14 What is the impact of the proposed
15 thirteen (13) month rating year on customers renewing
16 in March 2021 and all other customers, in particular
17 as it relates to fairness between customers and inter-
18 generational equity?

19 Is a factor in determining appropriate
20 insurance premiums their risk in magnitude of damage
21 that is inflicted by a vehicle on others? And if that
22 is not a factor, should it be?

23 With respect to driver safety rating,
24 CAC (Manitoba) was pleased to see an engagement
25 strategy by MPI in the spring of 2019 which examined

1 multiple options as well as their strengths and
2 advantages -- strengths and weaknesses, that should
3 say, and engaged the public as well as stakeholders.

4 It asks what the necessary steps to be
5 taken by MPI as it relates to pricing of options, a
6 review of other jurisdictions, future consumer
7 engagement, and decision making.

8 How should MPI balance views of
9 consumers with fairness between consumers especially
10 as it relates to premiums being based on the risk that
11 ratepayers bring to the system as well as cost
12 efficiency to the corporation?

13 And finally, CAC (Manitoba) intends to
14 explore the overarching question of setting just and
15 reasonable rates in accordance with statutory
16 objectives throughout this proceeding.

17 So the Board can expect to hear from
18 both myself and Mr. Williams this week in
19 cross-examination, but the bulk of Mr. Williams'
20 cross-examinations will be taking place next week.

21 Mr. Williams will now provide brief
22 comments on CAC (Manitoba)'s position with respect to
23 MPI's application to amend its rate request. Thank
24 you.

25 DR. BYRON WILLIAMS: Thank you,

1 Ms. Dilay. And our client CAC (Manitoba) notes the
2 magnitude of the amendment proposed on Friday is
3 unusual, but our client does not believe that it is
4 prejudiced by the magnitude for two (2) central
5 reasons.

6 First of all, we were expecting an
7 update in terms of the impact of interest rates on the
8 2020/'21 year. We were aware, based upon Information
9 Requests, that was in the range of 1.2 percent. So
10 certainly in that regard, that was not unexpected.

11 And as Ms. Dilay's commentary notes as
12 well, our client was concerned with the surcharge on
13 the capital maintenance provision being continued
14 beyond the one (1) year period. So our client was
15 certainly engaged with that issue as well.

16 Our client will take -- explore the
17 credibility of the reasons underlying MPI's change of
18 heart. But in terms of the material amendment, it
19 does not prejudice our client, and our client does not
20 object to it. Thank you.

21 THE CHAIRPERSON: Thank you,
22 Ms. Dilay, Mr. Williams. Do you have any questions?
23 Thank you.

24 Ms. Meek...?

25

1 OPENING COMMENTS BY CMMG:

2 MS. CHARLOTTE MEEK: Good morning,
3 Board members, MPI executives and counsel,
4 Interveners, and ladies and gentlemen. As I said
5 before, my name is Charlotte Meek of the firm
6 BD Oakes Jardine Kaneski Unruh LLP, and I am appearing
7 on behalf of the Coalition of Manitoba Motorcycle
8 Groups or CMMG.

9 My co-counsel with me today, Mr. James
10 Wood who I introduced earlier, will also be appearing
11 throughout these hearings on behalf of CMMG.

12 Mr. Oakes regrettably is unable to
13 attend this year but sends his warm regards to the
14 Board and all attendees.

15 At this time, CMMG would request the
16 following exhibits be entered today for the record:

17 CMMG-1, the Intervener application,
18 dated June 21, 2019;

19 CMMG-2, the intervention opening
20 comments, dated June 28, 2019;

21 CMMG-3, CMMG MPI Round 1 Information
22 Requests, July 12, 2019;

23 And finally, CMMG-4, CMMG-MPI Round 2
24 Information Requests, dated August 26, 2019.

25 The CMMG is a non-profit organization

1 which promotes the safety of Manitoba's motorcyclists
2 by encouraging education, promoting legislative
3 reform, and disseminating information to aid in the
4 continued safe enjoyment of two (2) wheeled motorized
5 transportation. As some of you are aware, CMMG has
6 been granted Intervener status in the hearings for the
7 last 27 years.

8 My first experiences on a motorcycle
9 was as a passenger on the back of a friend's bike. I
10 quickly became tired of riding on the back and wanted
11 to be in the driver's seat.

12 I took my beginner's test in the summer
13 before my last year of law school. I was quick then
14 to purchase my first motorcycle, a Triumph Thruxton,
15 and I now ride my Triumph to work almost daily during
16 the riding season.

17 Mr. Oakes was excited the first day I
18 arrived to work on my motorcycle. We shared stories
19 of riding, and he showed me photos in his office of
20 his riding days and photos of the members of CMMG.

21 Mr. Oakes is always concerned on the
22 days that I arrive to work on my motorcycle in the
23 pouring rain, although I've been told that he has
24 boasted to our colleagues that I'm a very competent
25 rider.

1 I am grateful today to have the
2 opportunity, along with my CMMG co-counsel
3 Mr. James Wood, to represent CMMG and motorcyclists in
4 Manitoba in these hearings.

5 There is a legal expression which dates
6 back to at least 1837 and was used in 1904 by
7 US Supreme Court Justice Oliver Wendell Holmes which
8 talks about whether hard cases make good law.
9 Legal scholar Arthur Linton Corbin said that hard
10 cases make good law when he wrote in 1923.

11 If Mr. Corbin was correct, then the
12 Board's decision when it issues in December should
13 make very good regulatory law, given all of the very
14 large and difficult issues that have been placed
15 before this Board and its approved issues for
16 examination this year.

17 Of course, I am speaking about the
18 major issues before the Board this year like the
19 lieutenant governor's regulation regulating reserves
20 and the issue of brokerage compensation as well as all
21 the other more usual issues that are found in the
22 approved issues list.

23 While we are supportive of CAC's work
24 in these areas, the main motorcycle issues are outside
25 these other weighty matters. These, of course,

1 properly include dealing with the rate increase which
2 is sought by MPI for motorcycles at 3.9 percent and
3 now at 5.1 percent in MPI's amended application.

4 CMMG therefore opposes MPI's
5 application which seeks to significantly increase the
6 requested rate change for the motorcycle class from
7 the original application filed and is directly
8 prejudicial to motorcyclists.

9 The rates sought by MPI for the
10 motorcycle class are considerably higher than those
11 sought for private passenger. When we look at the
12 reasons why, as has been fully explored in the
13 interrogatories to date filed by CMMG and answered by
14 MPI, we see that approximately half of that increase
15 relates to a low interest environment and has nothing
16 to do with the loss experience of motorcyclists.

17 Mr. Oakes, then working with a previous
18 Board, was able to bring in what was called a loss
19 transfer for motorcyclists. Loss transfer, as some of
20 you will be aware as it was called then, recognizes
21 the inequities of someone in a larger passenger
22 vehicle or automobile driving poorly causing an
23 accident with resulting losses to motorcyclists.

24 It allowed a transfer of a portion of
25 those lost costs to the responsible party that caused

1 the accident. That was a fair and more equitable
2 system which is now fully part of the Public Utilities
3 Board's methodology and results in a very significant
4 benefit in terms of the insurance rates for
5 motorcyclists.

6 MPI's amended application demonstrates
7 the disproportionate affect the declining interest
8 rates have on insurance rates for the motorcycle
9 class.

10 The CMMG is proposing for consideration
11 not for this year but in the future, as this would be
12 a multi-year type of change, that MPI and the Board
13 consider some model that would ameliorate the effect
14 on investment income on the claims reserves that
15 occurs by the reduction in interest rates.

16 We anticipate that MPI will be opposed
17 to this long-term change or a more equitable model for
18 motorcyclists. Mr. Oakes has told me that when he
19 started advocating for loss transfer, he was told by
20 the then president of MPI Ms. Marilyn McLaren that it
21 would be over her dead body. Thankfully, it did not
22 have to come to that. We will be this year starting
23 that dialogue with a view to the future.

24 As well, we will be addressing the
25 other issues which flow from the work done in the

1 interrogatories by CMMG such as:

2 MPI's investment in equities and MPI's
3 management of the basics claims portfolio;

4 MPI's lack of prioritizing the
5 experience rider program as well as MPI's review of
6 that program;

7 The use of hot maps by MPI to determine
8 high collision intersections and initiatives
9 identified by the corporation;

10 The appropriateness of the MCT ratio
11 identified in regulation 76 2019 in determining the
12 rate stabilization reserve;

13 The comparison of projected versus
14 actual losses and the impact on the requested
15 motorcycle rate change.

16 Of course, the issue of road safety
17 will be addressed by myself by special dispensation of
18 MPI and the Board by asking Mr. Keith some questions
19 that flow from his presentation of the road safety
20 report.

21 We will endeavour to get copies of
22 those questions to him prior to the examination to
23 assist as we understand that it was not the intent
24 originally of the Board to have questions presented to
25 them.

1 Mr. Oakes has asked that I reiterate
2 that Mr. Keith is the most knowledgeable, competent,
3 and skilful person related to road safety that
4 Mr. Oakes has come across in his twenty-seven (27)
5 years of examining on the issue.

6 He further impressed upon me that
7 Manitobans have been very well served and should be
8 grateful for the efforts of Mr. Keith during his term.
9 We trust he is enjoying his retirement.

10 There will be other questions on road
11 safety including motorcycle training courses which are
12 made by CMMG co-counsel Mr. James Wood on which,
13 again, follow the material in the interrogatories of
14 CMMG.

15 We will be making an application for
16 costs at the conclusion of this hearing and would
17 request 15 days post-argument to file an amended legal
18 budget for approval.

19 We do wish to congratulate Mr. Curtis
20 Unfried who has started an application for IBAM well
21 into this process. From all the material we have seen
22 filed, he has done an excellent job especially since
23 we understand that this is his first year's appearance
24 before the Public Utilities Board. His considerable
25 experience in other venues has obviously served him

1 well in meeting the challenges of the GRA.

2 We look forward to another successful
3 GRA. Thank you to the Board and all parties for your
4 attention. And, if required, we can respond to any
5 questions by the Board at this time.

6 THE CHAIRPERSON: Thank you, Ms. Meek.
7 Any questions? Any questions?

8 I'm sure I speak for everyone in this
9 room. Please send our best wishes to Mr. Oakes.

10 Mr. Monnin...?

11

12 OPENING COMMENTS BY BIKE WINNIPEG:

13 MR. CHRISTIAN MONNIN: Thank you,
14 Madam Chair, members of the Board. I can say at the
15 outset that Bike Winnipeg takes no position with
16 respect to the amendment of the application.

17 Bike Winnipeg is pleased to have been
18 given the opportunity to once again intervene and
19 participate in this year's Manitoba Public Insurance
20 general rate application.

21 As has been noted in the past, Bike
22 Winnipeg submits that it represents not only the
23 interests of cyclists but also vulnerable road users
24 and those same individuals who are also Manitoba
25 ratepayers and have a substantial interest in the

1 outcome of the proceeding.

2 As has been noted in the past by both
3 Manitoba Public Insurance and this Board and does
4 recognize that the road safety and loss prevention are
5 complex multi-faceted issues that involve multiple
6 stakeholders with challenging emerging issues that
7 ultimately impact both direct and societal costs.

8 Bike Winnipeg's intervention continues
9 to address the general theme such as it is
10 consistently done in the past, namely the optimized --
11 the optimizing of MPI's road safety and loss
12 prevention budget and whether it is sufficient and
13 able to significant reduction of the costs to MPI of
14 injuries to vulnerable road users.

15 In addition, the adequacy of MPI's road
16 safety and loss prevention programs with respect to
17 fatal, severe injury of vulnerable road users and the
18 quality and clarity of MPI's data collection.

19 However to get a little bit more
20 specific and more gradual in these hearings, MPI
21 wishes -- pardon me -- Bike Winnipeg wishes to
22 underscore or highlight the following, that while it
23 supports and endorses the changes that MPI -- pardon
24 me -- Manitoba Public Insurance has highlighted and
25 promised for the GRA, in particular with respect to

1 vision zero, social costing, data collection, and
2 measurement of effectiveness and road safety, it
3 wishes to test and inquire how far along MPI is with
4 the process of implementing these changes in
5 anticipation of the next application.

6 And I'd like to pause here on the
7 comments that my friend made -- Mr. Scarfone -- with
8 respect to efficiency and the term of proportionality
9 because it touches upon the next issue that Bike
10 Winnipeg will deal with in the context of this general
11 rate application, and that's the road safety
12 conference.

13 And the point I'm making here is that
14 proportionality is a prevalent term that we hear in
15 civil litigation these days. That's in the context of
16 the courts dealing with civil -- with private parties.

17 Here, we're dealing with the public
18 interest, and I would suggest that it's somewhat
19 different. Efficiency might seem to be the preferred
20 manner because the public interest or having a
21 significant hearing might seem cumbersome. But when
22 you're dealing with the public interest, vis-a-vis
23 civil litigation, I would suggest you're not dealing
24 with apples to apples. You're dealing with different
25 considerations

1 And the point here is that to
2 underscore this Board that while -- the road safety
3 conference was and is an exceptionally useful process
4 for working on the issues of road safety. It is just
5 one tool in the Board's toolbox. And it's a tool that
6 is efficient, ought to be -- we encourage it to be
7 used on a going forward basis, but it's also important
8 that these issues come back before the Board on an
9 intermittent basis.

10 Because there's another tool in your
11 box that you can use, and that's the hammer, and only
12 the Board has the hammer when it comes to these
13 particular issues.

14 In addition, Bike Winnipeg wishes to
15 test if and how MPI uses its data from driver testing
16 to understand gaps in road safety knowledge and
17 behaviour to steer their public education programs.

18 The point here is that though driver
19 testing is funded by the province, the data that flows
20 from the process is highly relevant to public driver
21 education.

22 In addition, Bike Winnipeg wishes to
23 nudge or suggest a consideration ought to be given to
24 implementing initial steps in retesting of experienced
25 drivers and also to underscore its position that when

1 it comes to optimal budget, that consideration ought
2 to be given to a budget for road safety that is based
3 on the cost of educating all Manitoba drivers on rules
4 of the road.

5 And finally, we are looking to
6 underscore that -- to look and to give consideration
7 to whether further consideration -- fear of being
8 redundant -- ought to be given to look at the costs
9 caused by different types of vehicles being on the
10 road.

11 Bike Winnipeg intends to participate in
12 this proceeding in a reasonable manner, and it will
13 cooperate with the other Interveners without common
14 objectives.

15 And not only does Bike Winnipeg intend
16 to limit its intervention to issues in the
17 application, it will make every effort to ensure that
18 its participation is not unduly repetitive of other
19 Interveners.

20 And in that regard, its quite likely
21 that you will not see me for every hearing. It's more
22 than likely that you will not see me every day of the
23 hearing, and I'll only be here when it -- in
24 particular with matters that are relevant to our
25 intervention. Thank you.

1 THE CHAIRPERSON: Thank you. I note
2 that it's 10:30. Mr. Unfried --

3 BOARD MEMBER GABOR: I'm sorry. May I
4 ask a question?

5 THE CHAIRPERSON: I'm sorry.

6 BOARD MEMBER GABOR: Sorry.
7 Mr. Monnin, you said road safety issues need to come
8 forward on an intermittent basis.

9 MR. CHRISTIAN MONNIN: Yes, Mr. Gabor.

10 BOARD MEMBER GABOR: What is an
11 intermittent basis?

12 MR. CHRISTIAN MONNIN: Well, the
13 way -- at least from our perspective at this point in
14 time, the way that it's been staggered with -- I
15 believe if memory serves me correctly, Mr. Gabor, they
16 weren't in the last GRA. It was put down to the
17 detection of a conference which we can't stress
18 enough. It was a very positive experience.

19 But it's important, and we would
20 suggest that it continues to be staggered as it has
21 been and comes back before the Board to oversee the
22 process.

23 And so for a hard answer, I would
24 suggest continue proceeding as the Board is now
25 proceeding.

1 THE CHAIRPERSON: Mr. Unfried, have
2 you an estimate of how long your opening submission
3 will be?

4 MR. CURTIS UNFRIED: Yes, Madam Chair.
5 Yes. I expect that it'll be about twenty/twenty-five
6 (20/25) minutes or so.

7 But I've -- I do have a slide show
8 presentation that I'd like to refer to as well, and
9 I -- being the bright-eyed and busy-tailed rookie
10 amongst the others here, I'd like to maybe have a few
11 minutes to find out how to get that properly set up.
12 So...

13 THE CHAIRPERSON: Well, that's fine
14 then. We'll certainly provide for that and take our
15 break now. Be back, please, at quarter to 11.
16 Thank you.

17

18 --- Upon recessing at 10:33 a.m.

19 --- Upon resuming at 10:47 a.m.

20

21 THE CHAIRPERSON: If we could get
22 started again, please.

23

24 (BRIEF PAUSE)

25

1 THE CHAIRPERSON: Thank you. Mr.
2 Unfried...?

3 MR. CURTIS UNFRIED: Yes, good -- good
4 morning -- good morning, Madam Chair.

5 THE CHAIRPERSON: If we could get
6 started again, please. Thank you.

7

8 OPENING COMMENTS BY IBAM:

9 MR. CURTIS UNFRIED: Yes, good -- good
10 morning, Madam Chair, and fellow panel members. Thank
11 you for that time. I have now figured out the
12 realities of this new particular device here, so I --
13 I hope it -- everybody's able to see the presentation.
14 There are also some hard copies that were handed out.
15 I left several on some of the desks. If people are in
16 need of others, there's some extra ones that are --
17 that are here that we could -- we could pass around.

18 But the -- as I indicated at the
19 outset, we're -- I'm here on behalf of the Insurance
20 Brokers Association of Manitoba for this particular
21 GRA. This is a little unusual, of course, in that
22 historically, when IBAM has presented, it has largely
23 been in only an informational context or the, as I
24 understand it, would provide some general information
25 on -- on brokers and -- and broker commissions. And

1 in essence, that would be it.

2 Given the issues that have arisen over
3 the course of the past several months, however, it was
4 deemed necessary by the Insurance Brokers to seek
5 intervention, and it therefore proceeded to file the -
6 - the application that it did. And thankfully, the
7 Board saw the -- the merits that there was to that
8 application, and did grant us the Intervener status.

9 So having said that, having -- being
10 here today, I'm going to start the presentation to
11 focus on two (2) key words, which are context and
12 perspective. The reason being is that over the next
13 couple of weeks, the Board is beginning -- is going to
14 be hearing a lot of numbers that are -- generally
15 speaking, we're talking about dollar values and/or
16 percentage values, if you're talking about
17 commissions.

18 And what we will be here to stress and
19 remind all involved is that whatever those numbers and
20 values are, always do need to put in their proper
21 context, or into their proper perspective.

22 And we're certain that when the
23 evidence has been heard, and the numbers and -- and --
24 have been put into their proper context and/or
25 perspective, that what the Board will find is that

1 Manitobans are provided a valuable service by brokers
2 at a fraction of the cost that is paid by insurers in
3 other jurisdictions, and that brokers should remain
4 involved in any online service delivery model that may
5 be implemented by MPI.

6 Just some -- by way of some background
7 for the Board's consideration, IBAM is a not-for-
8 profit entity that represents the interests of brokers
9 and consumers in the -- the property and casualty
10 insurance industry in Manitoba. Brokers are
11 professionals, and are licensed by the Insurance Act.
12 It currently has over two thousand (2,000) broker
13 members, and over 95 percent of P&C brokerages in
14 Manitoba are IBAM members, which is the highest
15 participation rate in the country.

16 I should add as well that of -- of --
17 through those two thousand (2,000) broker members,
18 there's approximately twenty-six hundred (2,600)
19 people directly employed by those members throughout
20 the Province.

21 And I've highlighted the fact that IBAM
22 acts in the interests of both not only the brokers but
23 of the consumer, because a lot of times, that comes as
24 a surprise to people. The reason why they are focused
25 on ensuring that the consumer's interests are

1 protected is that, of course, they want to ensure that
2 the consumer is knowledgeable and informed about all
3 of their choices, exposures, and risks when they're
4 purchasing auto, property, and commercial insurance.

5 And of course, IBAM works with MPI to
6 do that, and as well, with the Insurance Council of
7 Manitoba, who oversees them and -- and governs them to
8 advance those interests of the consumer end of the
9 small broker business.

10 And if you weren't aware, the Insurance
11 Council of Manitoba's mandate is to act in the public
12 interest to protect Manitoba consumers of insurance
13 products, and to regulate all licensees, agents,
14 brokers to ensure that standards are maintained for
15 public protection.

16 So as far as the P&C brokers, it's
17 currently in the Province of Manitoba, there are three
18 hundred (300) storefronts serving approximately one
19 hundred and twenty (120) communities in Manitoba.
20 Again, there's approximately twenty-six hundred
21 (2,600) people. They contributed approximately 238
22 million to Manitoba's GDP in 2017, and 18 1/2 million
23 in product and production taxes, which excludes
24 corporate and personal income taxes.

25 In other words, this is a relatively

1 significant and important industry for the Province,
2 and given the way in which it is -- you know, our --
3 our members are located throughout the Province. It
4 is very important to ensure that all Manitobans, not
5 just those living in urban centres -- or large urban
6 centres are able to access professional services of a
7 broker in a time of need.

8 Over 70 percent of the brokers
9 volunteer in their communities and contribute an
10 average of two (1) -- an average of sixteen (16)
11 community partnerships per year. Those brokers
12 collectively donated more than \$3 million to local
13 charities, and partner with over six thousand (6,000)
14 local community groups. Those same brokers currently
15 offer services in thirty-one (31) language (sic).

16 In many ways, particularly in smaller
17 towns, they are the fabric of the community in their
18 direct involvement in the, you know, just sports and
19 hockey teams, et cetera, and -- and they take great
20 pride in that.

21 Of course, the Public Utilities Board,
22 you're well aware of what your oversight here, and Mr.
23 Williams has already touched on -- on the fact that
24 your job here is to ensure that MPI is seeking just
25 and reasonable rates. And you know, ensures that both

1 the impacted cust -- cons -- customers and financial
2 requirements of the Utility are -- are looked at.

3 We will not be participating in every
4 aspect of this particular hearing. I can -- I can say
5 that at the outset here. There will be a -- a few
6 days were we will be in particular with some of the
7 headings on costs and in the -- the new diser --
8 distance service delivery model we'll be taking part
9 in as well, and also on the issue of cost. And of
10 course, we will be providing our own evidence through
11 our -- our brokers when the time -- when the time
12 comes.

13 MPI, of course, has been given the
14 power to deliver insurance registration licensing
15 services to Manitoba. They do currently have twelve
16 (12) claims and service centres located in Arborg,
17 Beausejour, Brandon, Dauphin, Portage la Prairie,
18 Selkirk, Steinbach, Swan River, the Pas, Thompson,
19 Winnipeg, and Winkler. They recently closed a claim
20 service centre in Flin Flon. Of course that area will
21 now be serviced by the brokers that are in that
22 particular area.

23 But those are -- said with -- with
24 respect to the members of IBAM, we're in one hundred
25 and twelve (112) different -- or approximately a

1 hundred and twelve (112) different communities located
2 throughout the Province. So it's got a much bigger
3 foot -- footprints in -- in that regard.

4 MPI has stated that its four (4) core
5 values in -- in its -- fulfilling to it -- its
6 mandate. The first is striving for excellence, which
7 is providing exceptional coverage and -- and service,
8 while adapting to meet the evolving customer and
9 industry needs, focusing on continuing improvement. I
10 would expect you're going to be hear (sic) a lot about
11 that particular core value in dealing with the
12 prospect of online services for consumers in the
13 Province of Manitoba.

14 Their second core value is providing
15 value to Manitobans, maintaining affordable rates, and
16 ensuring access to coverage, doing what's right,
17 acting with integrity and accountability, striving to
18 be open and transparent, and finally, investing in the
19 public, or investing in people, empowering -- and by -
20 - in doing so, they empower its employees to provide
21 excellent service while working together with
22 business. Of course, that would include IBAM and its
23 brokers, community, and road safety partners.

24 For all intents and purposes, brokers
25 have been the face of MPI Autopac for a consumer since

1 1971. And again, I used the word 'perspective' at the
2 beginning of this particular opening statement. And
3 just to put those forty-eight (48) years into
4 perspective, you know, that's two (2) years before
5 Neil Young walked on the moon. It was the same year
6 Jim Morrison passed away. It was one (1) year before
7 Foster Hewitt's iconic words of Henderson, a score for
8 Canada, in the 1972 series, and when Prime Minister
9 Trudeau -- the other one -- was serving his first term
10 as Prime Minister.

11 So we've just -- recognizing that over
12 the course of those forty-eight (48) years, brokers
13 have worked hand-in-hand with MPI in furtherance of
14 those four (4) core values. They too provide
15 exceptional coverage and service to Manitobans while
16 adopting -- adapting to meet evolving customer and
17 industry needs, also focusing on continuous
18 improvements.

19 That, of course, includes the
20 possibility of online services. And again, we -- we -
21 - as you -- we'll elaborate on a little further, IBAM
22 and its members are fully supportive of online
23 services, contrary to some statements that it made in
24 -- in public in the press by MPI and others. They are
25 open to it, in fact, many brokers in -- in Manitoba

1 already offer online services, albeit for non-MPI
2 related products. So they are definitely open to the
3 concept.

4 Secondly, they also maintain affordable
5 rates and ensuring assessable coverage. They also act
6 with integrity and accountability, and striving to be
7 open and transparent, and they also empower its
8 employees to provide excellent service while working
9 together with MPI, the community, and road safety
10 partners.

11 Again, although there have been no
12 doubt some ups and downs in the relationship over the
13 years, there can be little doubt that it has been
14 mutually beneficial for them, but more importantly, I
15 would suggest, is that this forty-eight (48) year
16 relationship has benefited the consumers of Manitoba
17 in the form of consumer protection and high quality
18 services.

19 Moreover, this forty-eight (48) year
20 relationship has led Manitobans to currently enjoying
21 a stable vehicle insurance environment, the hallmark
22 of which is Province-wide, and low-cost access to a
23 local insurance professional.

24 The overall success of this forty (40)
25 -- forty-eight (48) year partnership can also be

1 confirmed by looking at other things. MPI has
2 probably claimed Manitobans enjoy the among the lowest
3 rates in the country. MPI's reported net income grew
4 from 91 million in 2018 to 159 million in 2019, and
5 MPI's 2011 to 2019 compound annual growth rate, or
6 CAGR, for total premium growth is 3.70 percent, which
7 is -- is very impressive for that particular line of
8 insurance.

9 Again, although there were -- have been
10 ups and downs, the members of IBAM continue to value
11 their relationship with MPI. And although they had
12 previously participated in the GRAs in the past,
13 largely on an informational basis, this year they
14 determined that they needed to take a more -- more of
15 an Intervener role, as it became clear that the
16 current broker model was going to be placed before the
17 PUB for -- in several areas, but was -- it was clear
18 that the current broker model and the payment of
19 compensation was going to be a relatively central
20 hearing -- a central issue at this hearing.

21 When it did seek Intervenor status, I
22 can assure you, given the forty-eight (48) year
23 relationship that it has had with MPI, it didn't take
24 the decision lightly. However, it ultimately
25 determined that it all -- had no choice to do so, in

1 part because MPI is contemplating different scenarios
2 for future service delivery, which includes a direct-
3 to-consumer online model. The implementation of such
4 a model would adversely affect and impact consumer
5 protection and consumer services.

6 And there's also been a relatively
7 significant focus on the commissions paid to brokers
8 through the GRA and in the media. However, rarely, if
9 ever, have those commissions been put into their
10 proper context.

11 IBAM also thought -- sought Intervener
12 status before the Board, as they do -- as brokers play
13 an indispensable role in consumer protection service
14 delivery for Manitobans. IBAM can provide the
15 information regarding the services that are provided
16 by brokers, and the reasonableness of the commissions
17 paid to those brokers, and the continuing need to have
18 brokers providing services in an online environment.

19 We are grateful that the PUB saw the
20 value of IBAM participating in this GRA as an
21 Intervener, and we will ensure that the -- that the
22 Board has a full and proper understanding of the
23 issues at hand, at least as it relates to the role of
24 brokers, the important role that they play in the day-
25 to-day lives of Manitobans, and with respect to the

1 commissions that are paid for those services.

2 We also sought Intervener status
3 because we had some question as to whether the -- the
4 Board would have a full and proper understanding of
5 the issues without IBAM's intervention. This is due
6 to the fact that there was a -- a belief that it was
7 highly unlikely that MPI would provide a critical
8 analysis or a fair representation of its own proposed
9 distribution channel.

10 We also felt that our intervention was
11 required to bring balance to this issue, as MPI has
12 pointed their -- their proverbial guns -- and I use
13 that term loosely, of course, and lightly -- but
14 they've pointed their proverbial guns at the broker
15 channel that has been in place for forty-eight (48)
16 years. And it's -- the relationship between MPI and
17 IBAM is distressed, and MPI's position against the
18 current broker channel is curious.

19 We do, as -- IBAM as an association
20 believes that the forty-eight (48) years of success
21 and the relatively small percentage that brokers
22 comprise in the overall operating expenses --
23 expenditures of MPI will lead one (1) to question, why
24 such a focus? Again, was it -- not only from MPI but
25 also from -- from the Consumers Association that filed

1 several questions as part of the Information Requests,
2 but we were -- given its relatively small amount, we
3 were surprised and questioned whether or not broker
4 compensation is germane to the issues before the
5 Board. I guess we'll -- we will have to find out.

6 Based on the information that's been
7 exchanged through the IR process, we expect that
8 you'll hear evidence that will attempt to minimize or
9 simplify the important role that brokers play in
10 consumer transactions. However, you'll also hear
11 evidence that the purchase and insurance -- of
12 insurance and that the assessment of coverage and risk
13 is complex, and that the selection of proper
14 regulation -- registration classes is also complex.

15 Brokers are there to guide these
16 consumers through these complex insurance purchases
17 and to renew -- and renewal decisions in compliance
18 with applicable regulations. The consequences for an
19 improperly or under-insured individual can be
20 devastating and catastrophic for -- for the individual
21 and -- or, who is subject to such a terrible incident
22 without proper insurance.

23 Brokers also provide consumers with
24 consultation and advice with respect to both Basic and
25 Extension AutoPac packages. They play a major role in

1 establishing the identity of new customers, And this
2 was very important after the events of 9/11.

3 And in fact, brokers are held
4 accountable for producing photos. They meet stringent
5 standards set by various organizations, including the
6 American Association of Motor Vehicle Administrators
7 and the International Civil Aviation Organization. I
8 say it's not as simple as just taking a selfie for the
9 purposes of your identification. There are standards
10 that need to be met, and brokers are there and are
11 held accountable if they are not.

12 Brokers also respond to customer needs.
13 They have a global view, unli -- unlike MPI or any
14 other private insurer, for that matter -- brokers have
15 a global view of their customers' insurance needs and
16 are able to service them holistically in that they're
17 able to not only deal with their vehicle insurance or
18 their driver's licence.

19 They're also there to be able to deal
20 with their home insurance, personal liability,
21 commercial coverages, marine insurances, all in one,
22 and can determine the best possible coverage for them
23 under their particular circumstances.

24 As indicated, they do that currently in
25 thirty-one (31) different languages throughout -- out

1 the province. And they also advise -- I think, most
2 importantly -- in the event that there is an
3 alternative and more suitable Extension coverage
4 available from competitors of MPI, they will obviously
5 advise them of those -- the more suitable options that
6 are out there, one of the concerns being IBAM's belief
7 that it would be unlikely that MPI would offer an
8 alternative or more suitable Extension coverage that's
9 offered by one of their competitors in the event that
10 that would occur.

11 It just -- it -- obviously, MPI has to
12 act in their own best interest in -- in -- in
13 providing that type of service, and it's just highly,
14 highly unlikely that they would be referring a
15 customer to Wawanesa or another insurance company that
16 provides services and Extension coverages.

17 In contra -- when we've got this issue
18 of on -- what I'll use is online sales and direct-to-
19 consumer sales. Is -- there's a lot of -- I -- I
20 believe there's a lot of confusion between these two.
21 Contrary to the position of MPI, brokers are not
22 adverse (sic) to moving MPI work online.

23 Unfortunately, the public's been left
24 with this impression that brokers have been an
25 obstacle to achieving this outcome. Indeed, online

1 services are and have been introduced by other public
2 and private insurers, and brokers in Manitoba
3 understand that they need to meet and need to evolve
4 to meet the challenges and -- and needs and
5 expectations of consumers in this province. They
6 fully intend to do so.

7 However, MPI's used the terms 'direct'
8 and 'online' intercha -- interchangeably, which has
9 caused some confusion for consumers. The brokers in
10 Manitoba believe that online services are appropriate
11 but that they should be conducted through the broker
12 channel so their important role in counselling and
13 ultimately protecting the consumer remains.

14 You will hear evidence during the
15 course of this hearing as to why direct model -- or,
16 as what a direct model is and why that is dangerous
17 for consumers and costly for insurers. It's for this
18 reason that direct-to-consumer, meaning MPI going
19 direct to the consumer under this proposed -- this new
20 proposed model that -- we've -- we've determined that
21 that is not done in any other public jurisdiction in
22 Canada, namely, British Columbia, and Saskatchewan.

23 And moreover, although MPI has
24 obviously explored some of the virtues associated with
25 this particular plan, in our view, when you -- when

1 you take a closer look at it, it actually limits the
2 choice in the marketplace by removing the role of the
3 brokers and the availability of services through those
4 brokers. Any attempt by a -- a monopoly to use power
5 in other parts of a value chain such as this removes
6 customer choice and empowerment. Brokers provide
7 choice and maintain that customer empowerment.

8 We also have some online insurance
9 examples in Canada from very recently, one being
10 Sonnet Insurance. Sonnet is a direct-to-on -- direct-
11 to-consumer model of insurance. It is the -- it's a
12 subsidiary of Economical Insurance, and when Sonnet
13 was launched three (3) years ago, Economical went from
14 a profit of \$176 million, with a combined ratio of
15 ninety-seven point four (97.4) and an MCT of 285.2
16 percent, to a loss of 73 million, with a combined
17 ratio of a hundred and eleven point eight (111.8) and
18 an MCT of 227 percent.

19 Although anything's possible for the
20 future, it's evident that Economical is bleeding money
21 attempting to run Sonnet and is -- is not having the
22 financial success that it -- it would -- would
23 obviously want. I also cited in -- this is minor issue
24 of talking about the safety and protection of the
25 consumer being utmost. Sonnet does have terms of use

1 on their website, and their disclaimer, I found
2 interesting, in that it says:

3 "Sonnet does not guarantee the
4 quality, accuracy, completeness, or
5 timeliness of the information or
6 other website content provided.
7 Sonnet assumes no obligation to
8 update the information or other
9 website content -- content or advise
10 on further developments concerning
11 the topics mentioned. Information
12 or other website content contained
13 on the site may contain
14 typographical errors. Information
15 or other website content provided
16 may be changed without notice.
17 Access to this website is provided
18 on an as-is and as-available basis.
19 You should not assume that this site
20 will be error-free or that the site
21 will operate without interruption."

22 There's some additional things there,
23 but you could imagine any business in customer service
24 trying to have that type of a -- a disclaimer at their
25 front desk, basically saying, We can't guarantee the

1 quality of the information we're about to give you,
2 you know, and -- and therefore, we're providing this
3 information to you as is.

4 There is a need, in -- in our view, for
5 a licenced professional broker to be involved in the
6 transaction to ensure that the proper information is
7 communicated and -- and done through the usual and
8 proper channel. And, of course, yes, technology can
9 be part of that, but brokers should still be involved
10 throughout the process.

11 Wawanesa also tried to do -- to enter
12 into direct-to-consumer in Quebec. It was an
13 unmitigated disaster. In fact, their President of P&C
14 operations was recently quoted as saying:

15 "Anyone who thinks it's easy to do
16 direct insurance is extremely
17 naive."

18 I've been in this business for over
19 forty (40) years. The one thing I know is that
20 brokers look after their customers better than the
21 directs. Brokers know what their customers need and
22 want, and brokers will provide the value that a
23 customer requires, which is choice.

24 MPI believes that it can do what others
25 have been unable to do. I point to Wawanesa as an

1 example, and -- and one question we'll have is why
2 incur the risk of bringing in a new model where others
3 have failed, given the success that it has enjoyed to
4 date by using the current broker channel over the
5 course of the past forty-eight (48) years?

6 As for the role of brokers in an onsur
7 -- online insurance environment, they -- again, they
8 do provide expert advice and customer service. That
9 still will exist in an online environment.

10 Again, and to reiterate, IBAM and its
11 members are not opposed to the services being
12 delivered online. However, it wants to insure that
13 customers are protected and that customer service is
14 prioritized, and it believes firmly that broker
15 involvement is pivotal to those -- those very two (2)
16 issues.

17 Even in a self-selecting environment,
18 customers will still need advice in relation to their
19 insurance coverage needs. MPI's advised that the
20 Insurance Act and the Insurance Council of Manitoba do
21 not apply to its employees due to provisions that are
22 under the Manitoba Public Insurance Act.

23 We could advise that most Manitobans
24 have a limited understanding of insurance, generally,
25 and of how vehicle classification and third-party

1 liabilities work. Without brokers being involved,
2 consumer risk in obtaining incorrect or insufficient
3 information or not receiving the information they
4 require will be problematic.

5 Another issue with respect to online
6 is, you know, what will those Manitobans without
7 Internet access do? Again, you've got a lot of people
8 in relatively remote areas of the pro -- of the
9 province or in, you know, highly impoverished areas in
10 -- in rural -- in particular, northern and rural
11 communities.

12 How are they going to be serviced under
13 this online model? I expect that they would still
14 need to be using brokers in and around their -- their
15 areas, but those are something that would be open to
16 discussion at a -- at a later date.

17 The -- also, the important thing to
18 remember is that brokers are legally beholden to
19 represent customers. The choice of the broker and the
20 broker offers choice in Extension coverage.

21 Conversely, the employees at MPI are
22 beholden to MPI, and again, from -- from our
23 perspective, the role of the broker -- the important
24 role of the broker would be completely undermined and
25 removed from the equation if there was going to be an

1 online environment that they were not involved in.
2 And again, a simple -- if MPI were to do that, the
3 employees at MPI, or -- have -- you know, their -- you
4 know, their fiduciary duties and are required to act
5 in the best interest of the Company, so why would --
6 again, I go back to why would they be offering
7 services of a competitor in the -- in the sale and
8 purchase of -- of insurance?

9 The purchase of insurance can be
10 complex. Other online insurance providers have
11 reported that many online customers will call for
12 advice before purchasing the insurance. Often, that's
13 done in person at a local broker, but regardless, they
14 would require flexible hours and people who can
15 provide important advice to handle the call volumes.
16 In a direct model, the work will all be transferred
17 from the small-business broker to the government.

18 Brokers also provide choices to
19 consumers in regards to insurance products and beyond
20 Basic coverage such as Extension. As I've indicated,
21 it'd be unlikely that these -- or at least the
22 Extension services competitors -- from competitors
23 would be offered by MPI. This would further
24 marginalize the competition area of Extension and
25 further limit customer choice.

1 An adoption of a government implemented
2 directed consumer online model would also increase the
3 role and presence of government in our day-to-day
4 lives.

5 I should add as well that if MPI was to
6 implement the directed consumer online business model,
7 it would be an outlier compared to its government-run
8 counterparts in British Columbia, which is ICBC or the
9 Insurance Corporation of British Columbia, and in
10 Saskatchewan where it has SGI or the Saskatchewan
11 Government Insurance.

12 Both of those governments run
13 monopolies that have recognized and acknowledged the
14 important role that brokers play in the consumer
15 transaction. For this reason, they have each
16 expressed their commitment to providing online
17 services to consumers through their existing online
18 broker channel.

19 IBAM, I believe, has a similar
20 commitment is in the best -- would be in the best
21 interests of all parties, namely MPI, IBAM, and, most
22 importantly, the consumers of the province of
23 Manitoba. However to date, MPI has been reluctant to
24 express similar assurances to the brokers here.

25 If implemented, MPI would be the only

1 public insurer in Canada to move to this direct
2 consumer model and IBAM, however -- pointing to
3 Saskatchewan, Saskatchewan has already implemented an
4 online model through its broker channel.

5 Having said all of that, IBAM is
6 looking forward to the upcoming consolidation that had
7 been directed by the provincial government recently,
8 and we are hopeful that MPI and IBAM will be able to,
9 you know, set aside any differences and reach an
10 amicable resolution to the issues at hand that
11 would -- of course will be in the best interests of
12 all Manitobans. Unfortunately, time will tell.

13 The commissions that have been paid to
14 brokers have been a focus of the GRA and in the media.
15 For example, there are several questions posed in
16 Information Requests filed herein.

17 I also just had a quick look at a
18 June 26th, 2019 Winnipeg Free Press article with the
19 heading "Province Overruled MPI in Paying Brokers for
20 Work not Performed," in which the article stated that
21 MPI told the province that it was no longer willing to
22 pay commissions for little or no work.

23 I can tell you that these words were
24 seen by IBAM and its members as inflammatory and not
25 only incorrect but taken out of context. And again,

1 like many other things, I'd just urge the Board to
2 remember to put things into the proper context when
3 you're hearing these numbers.

4 Of course, IBAM can't deny that the
5 broker channel receives commission and revenue in
6 services delivered to MPI. Again, it's no different
7 than referring to the events of 1971 to put that into
8 perspective. The amount of broker commission needs to
9 be put into its proper perspective as well, and one
10 must look at the overall revenues and compare it to
11 other jurisdictions.

12 What you're going to hear and find is
13 that MPI and Manitoba ratepayers received value for
14 their money as brokers are paid only 3 percent
15 commission on Basic insurance.

16 Commissions paid by MPI to brokers for
17 Basic insurance only account for approximately
18 2.4 percent of MPI's overall expenses. Again given
19 the relatively small amount, it leads one to question
20 why this has been highlighted as an issue at this
21 particular hearing.

22 Again just to put those amounts into
23 perspective, there's graphs setting out the -- you
24 know the total MPI expenses with claims and auto
25 repair or other operating expenses and corporate

1 commission -- or corporate compensation with Basic
2 commissions being at the -- at the very end of, you
3 know, a mere thirty-two million seven hundred and
4 forty-nine thousand four hundred and thirty-three
5 dollars (\$32,749,433). Again, it's 32 million -- that
6 \$32 million is put into its proper context or put into
7 perspective, it's more than reasonable.

8 You'll also hear that Manitoba has a
9 five (5) year renewal system and that renewals are
10 done in person and the reassessments are done
11 annually.

12 There was an agreement between IBAM and
13 MPI a few years ago when this was implemented. The
14 Basic commission was reduced from 5 percent to
15 3 percent on Basic after implementation on the basis
16 that there would be a reduction in customer traffic
17 and transactions.

18 However, it's been the experience of
19 IBAM brokers that this is, for the most part, simply
20 not happening. There are also a substantial number of
21 non-paid transactions in consultative services that
22 brokers provide in those reassessment years.

23 You will also hear -- it's been touched
24 on by a few already -- the issue of trailing
25 commissions for the work. And by regulation, again,

1 brokers receive 3 percent on Basic which, again, is
2 the lowest in the country. Those brokers deliver
3 revenue stream to MPI, and with every other insurance
4 company in Canada, brokers are compensated based on
5 revenue delivered.

6 In addition, most customers attend at
7 brokers for advice in reassessment years and thus the
8 trailing commissions directly compensate the brokers
9 for that work. Brokers are often called on to provide
10 services between renewals and reassessments for which
11 no direct compensation is paid.

12 These commissions that are paid to
13 brokers and the number of transactions have been
14 provided by MPI as follows -- again, you see the --
15 this is the figures provided by MPI. You've got the
16 contracted revenue that was provided on both Basic and
17 Extension and the commission to contracted revenue for
18 those two (2) particular lines of coverage.

19 And of course, the 2018/2019, being the
20 last year, the Basic percentage was 3.08 percent, and
21 the Extension was 19.84 percent.

22 As seen above, MPI's confirmed the
23 trailing commissions reflect a 3 percent commission
24 paid to brokers on the value of the contract and
25 revenue stream to MPI. Again, this is the lowest

1 percentage in the country.

2 And as indicated, this was reduced from
3 5 percent to 3 percent when the five (5) year renewal
4 was introduced. However, that just simply hasn't
5 played out. To be clear, if trailing...

6

7 (BRIEF PAUSE)

8

9 MR. CURTIS UNFRIED: Sorry, I just...
10 Sorry. So if I -- if trailing commissions were
11 eliminated, it would result in brokers losing money by
12 completing Autopac transaction or providing advice in
13 reassessment years.

14 And moreover, commissions have not
15 increased with inflation or the consumer price index,
16 but broker expenses are rising in accordance with
17 inflation and the CPI.

18 MPI has also described certain
19 reassessment transactions as automated, but MPI has
20 confirmed that this term does not distract consumer
21 behaviours surrounding the reassessment process.

22 MPI has confirmed that the majority of
23 reassessment transactions are processed through broker
24 offices, and brokers report that they provide similar
25 consultation and advice in the reassessment process as

1 they do in renewal years.

2 Commissions that have been paid by
3 brokers -- this shows the real growth that brokers
4 have received over the years, dating back to 2012.
5 And as you will see that there was actually -- brokers
6 had experienced negative real growth in four (4) of
7 the eight (8) years that were subject, those four (4)
8 years being 2012, which was a 13.04 percent drop.
9 That's when they did the reduction from 5 percent to
10 3 percent.

11 There was then the one point zero seven
12 (1.07) drop in 2013, a 2.82 percent drop in 2015, and
13 a 0.97 percent drop in 2017.

14 And again the real growth -- the total
15 broker compensation was some other numbers. Again, it
16 shows the real growth of total broker compensation,
17 and again in those years -- 2012, 2014, and 2017 --
18 there were an actual -- the real gross was negative
19 between negative nine point eight two (9.82) in 2012
20 and negative 2.16 percent in 2017.

21 So those were sort of additional slides
22 for jurisdictional comparisons on commissions. We've
23 got British Columbia which uses a hundred percent
24 fee-based model for Basic auto. Commissions are not
25 measurable out there. Basic in BC does not include

1 any collision coverage. As a result, the extreme
2 majority of consumers have Extension coverages.

3 And a more useful comparative is to
4 compare the percent of Basic and Extension commissions
5 to Basic and Extension premiums, and that is
6 8.1 percent in British Columbia while it is
7 5.5 percent in Manitoba.

8 And again, this show the commissions
9 paid in Alberta. The ICBC 2018/2019 report shows that
10 the paid commissions to brokers in the amount of
11 490 million. And again, recognizing it's a large
12 number, but again, you put it into context or its,
13 like, total amount of out \$6.079 billion in
14 British Columbia.

15 And so the chart between the various
16 jurisdictions across Canada -- basically, if you're in
17 a private jurisdiction, you'd be paying a commission
18 of 12.5 percent to a broker. Manitoba, again, on
19 Basic at 3 percent, and that, again, is the lowest in
20 Canada followed closely by Saskatchewan at
21 4.9 percent.

22 So when those numbers are put into
23 proper perspective, it's apparent to both MPI and the
24 citizens of the province that received high quality
25 service from licenced professional brokers at more

1 than reasonable rates -- when compared to their
2 counterparts in other jurisdiction, there can be no
3 dispute that they're the lowest commissions in Canada.

4 Although IBM -- or sorry -- although
5 IBAM understands and appreciates MPI's desire to find
6 operational savings based on the foregoing, it cannot
7 credibly view the services provided by brokers and
8 their associated costs as being unreasonable
9 especially in light of the small percentage of its
10 overall expenses.

11 There is also some trends in commission
12 that you will be hearing about, and what you will hear
13 is that brokers' commissions are growing at a slower
14 rate than MPI's corresponding premiums and in some
15 cases are shrinking while MPI's premiums continue to
16 grow. And again, here's a chart from 2011 to 2019
17 indicating the growth as far as Basic and driver
18 premiums that have been paid.

19 And you'll see in the note on the side
20 that Basic and driver commission has gone down
21 1.54 percent, which is -- 1.75 percent -- sorry -- I
22 should say which is the next trade here.

23 Again further illustrations on the
24 actual commissions that have been paid -- again, we've
25 got a declining percentage dating back to 2011.

1 Likewise with basic commission and driver training.

2 And here's a -- as far as MPI's
3 premiums for Basic and Extension demonstrated as CAGR
4 3.7 percent from 2011 to 2019, which again is very
5 impressive, but that has not led to higher
6 commissions.

7 And at the end of the day -- again
8 we'll be getting at these later -- but these facts and
9 figures all demonstrate that MPI revenues continually
10 outgrown the payment of commissions to brokers.

11 As for the future of service delivery
12 strategy -- again it was mentioned -- IBAM and MPI
13 have agreed to enter into a conciliation which they
14 are looking forward to taking part in. Both parties
15 are restricted from discussing the status and content
16 of that.

17 However, IBAM has the expertise and the
18 general operations of MPI's distribution model for the
19 sale and service of Autopac in Manitoba, and -- and
20 the restrictions that's been placed on us will not
21 detract from its participation in the GRA in order to
22 ensure that you have a full and proper understanding
23 of the issues that -- and role that brokers play in
24 the distribution channel.

25 Just from concluding remarks, again,

1 contrary to what's been reported, brokers are not
2 adverse to moving online. In fact, they openly
3 embraced the concept. They do want to offer online
4 services to evolve with their customer needs, and in
5 fact, many of them do offer online services already,
6 albeit for non-MPI products.

7 It's been unfortunate this impression
8 has been given to consumers, who have viewed brokers
9 as the only obstacle to achieving this outcome, but we
10 are confident that once the evidence is heard, and --
11 and the -- at this particular hearing, that -- that
12 will quickly be corrected, and it will -- and we'll
13 confirm that IBAM and brokers do want to play a role,
14 an important one, in the delivery of online services.

15 Again, we're of the view that the --
16 Manitoba and MPI should follow the lead of
17 Saskatchewan and British Columbia, both of which are
18 overseen by very senior insurance executives, that MPI
19 should commit to an online delivery model that
20 maintains broker involvement. If not, broker -- if
21 not, then MPI should -- should not be able -- we would
22 urge MPI not to be the outlier amongst its
23 counterparts in the country.

24 Brokers provide an excellent service.
25 Again, they have the lowest percentages in Canada, and

1 are only responsible for 2.4 percent of overall
2 operating expenses.

3 Again, although MPI has used the term
4 'direct' and 'online' interchangeably, brokers believe
5 that online services are appropriate, but they should
6 be conducted through the broker channel, so that they
7 continue their role in counselling and -- and in
8 presenting all available options, and ultimately
9 protecting the consumers, so that it would be a
10 situation where you would be presented with something
11 more than just MPI product, which would be --
12 obviously the -- what would occur in an MPI-only
13 model.

14 Again, I've recognized what -- Sonett
15 (phonetic), the disaster that they've had financially,
16 and what Ms. Carol Jardine had mentioned, that anyone
17 who thinks it's easy to do direct insurance is
18 extremely naive. Brokers know what their customers
19 need and want, and brokers will provide what the value
20 -- the value that the customer requires, which is
21 choice. The direct model is danger for consumers,
22 costly for insurers, and that's the reason why it's
23 not been done in any other public jurisdiction, i.e.,
24 Saskatchewan, British Columbia.

25 MPI believes it can do what others have

1 been unable to do, and we ask why incur the risk,
2 given the success that it's enjoyed to date? Costs
3 are largely incurred by brokers in the private sector
4 now. If MPI assumed the role of delivering services,
5 it would bear all the costs, and this is not something
6 that would be nominal. And it -- the average salary
7 at MPI is currently approximately ninety-three
8 thousand dollars (\$93,000).

9 The question that would have to be
10 asked is what kind of savings would ultimately have to
11 be -- ultimately be realized, if any? Well, we don't
12 know, but one could look at the Pheo -- recent Phoenix
13 Payroll System debacle to realize that you -- if a
14 computer system goes wrong that was supposed to be a -
15 - a better program for handling payment of Federal
16 government workers, the government's now going to be
17 walking away from a \$2.2 billion tag on that -- a
18 price tag on that one, and are now -- have -- engaging
19 the private sector to do the job for them.

20 So you just say I'm hopeful that it
21 never would ever reach that type of stage, but there
22 are examples that have been out there that are our
23 concern.

24 The insurance transactions are complex.
25 Brokers are trained and licensed professionals. And

1 given the successful relationship that's in -- been
2 enjoyed by IBAM and MPI over the course of the forty-
3 eight (48) years, and MPI's stable position, the
4 question that needs to be asked is, why mess with the
5 success?

6 And again, at the end of the day, with
7 -- with the evidence that you will hear, we're
8 confident that the role of the broker will be seen as
9 the -- as an important one that should be maintained
10 throughout the entire insurance purchase process,
11 whether it be in person or online.

12 So subject to any questions, that
13 concludes my submission.

14 BOARD MEMBER GABOR: Mr. Unfried, I
15 read your prefiled testimony, and we have this
16 detailed material. I note the three (3) witnesses
17 you're proposing to put forward, will they be an --
18 able to answer questions on the prefiled testimony and
19 this -- this PowerPoint presentation?

20 MR. CURTIS UNFRIED: They will be able
21 to answer the -- the -- yeah, they'll be able to
22 answer questions on the prefiled testimony, which is
23 base -- which this presentation is based on.

24 BOARD MEMBER GABOR: Correct. Okay.
25 I just have one (1) question, because -- it's legal in

1 nature. I -- I assume there will be a -- a number of
2 questions when your witnesses are on the stand, but
3 Kristen, if -- could you go to page 26 of the
4 presentation?

5

6 (BRIEF PAUSE)

7

8 BOARD MEMBER GABOR: Mr. Unfried, can
9 you explain to me what the phrase, "Brokers are
10 legally beholden to represent customers," means?

11 MR. CURTIS UNFRIED: They are required
12 to have a fiduciary duty to the customer in the
13 purchase of insurance.

14 BOARD MEMBER GABOR: Okay. I just
15 want to clarify. Are they agents of the company, or
16 are they agents of the customer?

17 MR. CURTIS UNFRIED: When they are
18 getting their insurance, that they're -- well, they're
19 -- they are a licensed agent to sell insurance, but
20 they are able to buy and sell insurance from different
21 companies.

22 BOARD MEMBER GABOR: So you're saying
23 their fiduciary duty is to the customer and not to the
24 insurer?

25 MR. CURTIS UNFRIED: Correct.

1 BOARD MEMBER GABOR: Okay. Thank you.

2

3 (BRIEF PAUSE)

4

5 THE CHAIRPERSON: Thank you. When we
6 heard the opening remarks from CMMG, Ms. Meek noted
7 that the application to amend the rate application was
8 opposed, and so Mr. Scarfone, I would like you to
9 respond to that opposition, please.

10 MR. STEVEN SCARFONE: Thank you, Madam
11 Chairperson. Yes, we have the position of the CMMG.
12 MPIC disagrees with their position, quite frankly. We
13 think the amendment should be allowed, and for these
14 reasons.

15 We'll start with the law under 25(1) of
16 the Crown Corporations Governance and Accountability
17 Act. This Board is not to approve any new rates of
18 service before considering such an application, or the
19 amendment, in this case. And under your own rules,
20 Madam Chairperson, the Board may, on condition and --
21 or otherwise allow any amendment to any document. And
22 the -- and the Corporation takes the position that --
23 that would include the application proper.

24 So in our letter that was filed last
25 week, dated October 4, 2019, Exhibit number 42, the

1 Corporation says at the bottom of that letter that if
2 the amendment is not allowed, the alternative to that
3 would be the rate indication as at September 30th,
4 2019. That would include the net capital maintenance
5 provision of 1.5 percent.

6 For the reasons set out in my opening
7 statement, the Corporation maintains that the negative
8 rate indication is a good thing for Manitobans. And
9 the reason the CMP was removed, as indicated in the
10 letter, was for two (2) very important reasons:

11 The financial results of the
12 Corporation were stellar. On the letter, the second
13 page, you'll see that basic net income last week was
14 estimated to be \$119.5 million, and that this MCT
15 ratio last week was at one hundred percent.

16 And so the Corporation and its Board of
17 Directors felt that it would be simply unpalatable for
18 this Corporation to come forward with a 1.5 percent
19 rate indication. And so the net capital maintenance
20 provision was dropped.

21 And so I understand the Motorcycle
22 Group, and their position is this. Well, when the
23 application was filed in June, the motorcycle people
24 were going to get 3.9 percent. And now with the
25 amended application that was filed last week on

1 October 4th, it's 5.1 percent. So they object to that
2 increase from three point nine (3.9) to five point one
3 (5.1).

4 But what they failed to mention or
5 appreciate, perhaps, is that on September 30th, before
6 the CMP was removed, before the capital maintenance
7 provision was removed, the rate indication for the
8 Motorcycle Group was 7.3 percent, and that, I would
9 suggest, Madam Chairperson, is the real number we need
10 to look at, because by letter dated March 28th, 2019,
11 this Board approved the new methodology that MPIC had
12 proposed this year, and that was to provide a
13 provisional rate indication in June.

14 And then, as we did last year, update
15 the rate indication when the ten-year Government of
16 Canada bond yield released its rate on September 30th.
17 And when we did that, because interest rates had
18 fallen, everybody rate -- everybody's rates go up,
19 including the Motorcycle group. They went up to 7.3
20 percent, as I indicated.

21 So it's a little, perhaps, disingenuous
22 for them to say, Well, our rates went up from June.
23 They, in fact, went down from September 30th. And so
24 it's instructive, I think, to borrow from what the
25 courts would consider when there's an opposition to an

1 amendment. There's a number of factors that the court
2 will consider. One (1) of those is the prejudice to
3 the party that's opposing the amendment. And it's not
4 just the prejudice; it's whether there's serious
5 prejudice to the party opposing the amendment. And we
6 would say, There's no such prejudice here, because, in
7 face, the rate indication has gone down for the
8 Motorcycle group from September 30th.

9 More importantly, another factor is was
10 there any delay on the part of the party that's
11 seeking the amendment? There's no such delay here.
12 In the letter that the Board sent to MPIC on March
13 28th, 2019, it approved the provisional rate request
14 methodology, and it provided MPIC four (4) business
15 days from September 30th to update its rate
16 indication. And that's what the -- that's what the
17 Corporation did; it complied with that time line.
18 There was absolutely no delay on the Corporation's
19 part in bringing this amendment before the Board.

20 And -- and another factor, and perhaps
21 it has no real application here, is can the prejudice
22 be compensated by way of costs or an adjournment?
23 Well, we would suggest the adjournment is -- has no
24 application. The -- the costs would seem not
25 appropriate in this case given that the rate

1 indication for the Motorcycle group is going down from
2 September 30th.

3 So don't look at the June filing, Madam
4 Chairperson, and compare it against the October 4th
5 filing. Look to the September 30th filing, as ordered
6 by this Board, and compare it against the -- the rate
7 indication when the CMP is removed as proposed by the
8 Corporation in its October 4th letter.

9 So that's our position with respect to
10 the amendment. We think that it should be allowed for
11 those reasons.

12 THE CHAIRPERSON: Thank you. Any
13 questions? Questions? Thank you, Mr. Scarfone. We
14 will deliberate on that issue over lunch rather than
15 taking an adjournment at this point, and we'll advise
16 when we return following the lunch break.

17 At this point, do you want to proceed,
18 then, to call your first witness?

19 MR. STEVEN SCARFONE: Yes, thank you,
20 Madam Chairperson. So I'm going to let my co-counsel,
21 Mr. Guerra, introduce our first witness for the 2020
22 General Rate Application.

23 MR. ANTHONY GUERRA: Thank you, Mr.
24 Scarfone, and thank you, panel members. MPI's first
25 witness in this GRA is its President and CEO, Mr.

1 Benjamin Graham. So with that, I will ask Mr. Graham
2 to provide his sworn testimony. However, I believe
3 he'll be sworn in first.

4 THE CHAIRPERSON: Yes. Would you
5 swear Mr. Graham, please?

6

7 MPI PANEL 1:

8 BENJAMIN WILLIAM GRAHAM, SWORN

9

10 EXAMINATION-IN-CHIEF BY MR. ANTHONY GUERRA:

11 MR. ANTHONY GUERRA: Thank you, Mr.
12 Graham. Just to confirm, you are the President and
13 Chief Executive Officer of MPI, correct?

14 MR. BENJAMIN GRAHAM: Yes, I am.

15 MR. ANTHONY GUERRA: And how long have
16 you served in that role for?

17 MR. BENJAMIN GRAHAM: Nineteen (19)
18 long months.

19 MR. ANTHONY GUERRA: Thank you. And
20 my -- my friend from the Insurance Brokers Association
21 of Manitoba had referenced the -- the -- the
22 significant, I guess, senior insurance executive roles
23 played by the -- the executives for SGI and ICBC.
24 Perhaps you could enlighten the Interveners and the
25 panel members today with respect to your background as

1 a senior insurance executive.

2 MR. BENJAMIN GRAHAM: Sure. Prior to
3 this role, I was the Asia-Pacific head of risk, Chief
4 Risk Officer, for QBE Insurance. That's a global
5 Australian insurance company. I believe they -- from
6 gross written premium perspective, I believe that they
7 are the eleventh (11th) largest in the world, and my
8 responsibility there was technical underwriting, was
9 the purchase of reinsurance, and risk management
10 across Asia-Pacific for sixteen (16) countries.

11 Prior to that, I was the Chief Risk
12 Officer for the Abu Dhabi National Insurance Company,
13 one of the largest P&C insurers in the Middle East,
14 and I took on that role for approximately five and a
15 half (5 1/2) years.

16 MR. ANTHONY GUERRA: Thank you, Mr.
17 Graham. And I understand that you have a presentation
18 you'd like to -- to give to the panel and the
19 Interveners as well this morning, correct?

20 MR. BENJAMIN GRAHAM: Yes, I do.

21 MR. ANTHONY GUERRA: And you are
22 prepared to exa -- to, excuse me, adopt that evidence
23 -- or, that presentation as your evidence?

24 MR. BENJAMIN GRAHAM: Yes, I am.

25 MR. ANTHONY GUERRA: Okay, without

1 further ado, then, can you please present your
2 presentation.

3 MR. BENJAMIN GRAHAM: Thanks. Good
4 morning to everyone in attendance this morning. I'll
5 -- I'll make two (2) promises before lunch. I will
6 not speak in the same legalese as my -- my
7 counterpart, Steve Scarfone, and I will not read my
8 slides. I promise that I will try to keep everyone
9 awake as possible before the lunch break.

10 So again, good morning to everyone.
11 I'd like to start this presentation with a -- with a
12 comment around transparency, and I would like to
13 believe that, since I had taken on this role nineteen
14 (19), twenty (20) months ago -- that we have increased
15 our level of transparency not only with our customers
16 and stakeholders, but also with the Public Utilities
17 Board.

18 I believe that that's clearly evidenced
19 through our written submissions, as well as our IRs,
20 and I also want that transparency to continue today,
21 especially. We are open to questions, we are open to
22 discussion, and we're open to any feedback over the
23 next three (3) weeks on how we can improve the
24 business for the province.

25 So we'll start with a quick look at the

1 agenda. Really just want to touch on solidifying the
2 financials, so what are the promises we made and the
3 promises that we've kept? We can then focus on our
4 shift from solidifying our financials now to really
5 looking at the needs of the customer. And then I'll
6 talk a little bit about Project NOVA, or as we used to
7 call it, legacy systems modernization.

8 I'll then talk a little bit around the
9 key issues for this hearing and a lot of our asks, and
10 they will come through in the key requests component
11 of the presentation. And I'll then make a short
12 summary to close.

13 We're nearly fifty (50) years old as a
14 Corporation. If I look at the original mission of
15 MPIC, I believe we've almost come full circle. Our --
16 our mission has really come back around to really
17 focussing on core insurance and providing the best
18 level of protection for all of Manitobans. We haven't
19 helped our reputation.

20 I think there's a -- there's a hand up
21 here to be honest and tell the truth around the fact
22 that I think some perception around MPI's that we're
23 probably a bit slow, a bit bureaucratic, and
24 potentially a bit bloated. Unfortunately, I inherited
25 an organization that in some parts were secretive, and

1 when questions were asked around a black hole of money
2 that sat with Extension, it was difficult for us to
3 defend ourselves because we weren't as transparent as
4 we should have been.

5 Unfortunately, the insurance industry
6 has moved on pretty quickly. Back to some of my
7 previous experience, three (3) years ago, we were
8 developing a two-question underwriting tool through
9 data mining across Hong Kong and Singapore to provide
10 small to medium enterprises with insurance within
11 sixty (60) seconds, simply with two (2) questions. We
12 still use fax machines, so the insurance industry has
13 moved much quicker than we have, and unfortunately,
14 that can't be kicked down the road for too long.
15 We're not trying to be innovative; we are simply just
16 trying to play catch-up. And we can't leave our
17 customers behind on that change.

18 MPI has been given an extremely high
19 level of trust by this province, and it's a privilege
20 that we have and we must earn and continue to build
21 on. Trust will continue to be built through
22 activities.

23 And I'll talk about the level of
24 transparency that we've provided the Public Utilities
25 Board. But later on, I'll also be showing a slide

1 about the level of transparency we want to give to
2 customers, just through an example that we want to use
3 during the renewal notice period.

4 We want to clearly demonstrate to every
5 Manitoban where every cent goes. That's reinforced by
6 our capital management plan but also through our
7 renewal notice that will demarcate where every cent
8 goes on expenses, bodily injury claims, and physical
9 damage claims.

10 I'm talking in that slide about
11 empowering our employees. While some might have held
12 senior positions in other insurance companies
13 globally, I've never been an adjuster. I've never
14 inspected a vehicle at time of claim and been able to
15 say that that is two thousand four hundred dollars
16 (\$2,400) worth of damage. So why would I overturn the
17 decisions of those that are trained in that special
18 field?

19 We have been very clear in making sure
20 that all of our staff are as trained as possible, and
21 we support their decisions. We will make mistakes.
22 Everyone does.

23 But the ability of someone to call MPI
24 the executive four and basically state that, you know,
25 write me a cheque for a total loss or I'm going to go

1 to the press, we're standing by our people. Those
2 days are gone, and that is clearly reflected through
3 our claims experience of this year.

4 I'll reinforce that empathy is at the
5 heart of customer service especially when someone is
6 making a claim. We sell a promise, and at the time of
7 claim, we must have empathy for those that have been
8 involved in a vehicle collision.

9 But our decisions -- while supported
10 through empathy and the delivery of empathy to our
11 customers, our decisions are supported through data.
12 One of my favorite quotes of all time is: In God we
13 trust. All others must bring data.

14 So throughout this hearing, you will
15 very much from us that all of the things that we are
16 asking for is practical to the customer, and we can
17 provide quantifiable evidence as to why we need that.

18 It doesn't seem that long ago --
19 12 months ago -- that I was appearing before the
20 Public Utilities Board, and we came here with four (4)
21 very specific enables to achieve our mission as MPI.

22 The first one was around optimizing
23 reinsurance. We had an archaic system where we would
24 have risk event coverage, and I don't want to go into
25 the details -- I can talk later 'cause it's one thing

1 that excites me about this job -- is that reinsurance
2 was clunky and did not serve customers well.

3 So every time there was a hail storm,
4 the reinsurance program would restart. We had to
5 retain all losses up to 15 million, and then we would
6 have a \$2 million reinstatement fee.

7 I believe three (3) years ago or
8 four (4) years ago, we lost \$53 million in hail, and
9 we recovered zero. That makes budgeting for hail
10 extremely difficult.

11 So we now have a single aggregate
12 tower, the first of its kind in Canada of which our
13 broker now Aon is saying a number of other insurance
14 companies are exploring. It allows us to budget for
15 hail. If we go above it, it is recovered from
16 reinsurance. If we do not, we are under budget, and
17 under the new capital management plan, that money will
18 flow back directly into the pockets of consumers.

19 The second achievement was that we were
20 able to get the one hundred (100) MCT target put into
21 regulation. I understand that we spoke about this
22 last year there was some questions around what would
23 that mean for rates if that was the case?
24 Understandably so, considering how MCT was not at an
25 appropriate level.

1 We are now at a hundred MCT. We are
2 now modeling very much break-even scenarios for our
3 Basic product moving forward.

4 We also have a capital management plan
5 that is extremely transparent. I don't -- I can't see
6 any areas where considering there is a compulsory
7 transfer of excess capital and Extension to basis that
8 there are any questions about the level of capital
9 that we currently hold or any questions about the
10 amount that could be potentially transferred over to
11 Basic. Everyone will see everything.

12 So those were two (2) very large
13 achievements for the corporation.

14 We've made significant progress in
15 relation to some of our strategic partnerships. We
16 were able to renegotiate a number of agreements, all
17 except one (1), and that has been rolled over the next
18 two (2) years.

19 It would be remiss of us as a Crown
20 corporation to not explore the value that we get from
21 those partnerships. And what do I mean by that is
22 that MPI continues to offer Manitobans extremely low
23 rates, but that doesn't mean that we shouldn't pull
24 the covers back and have a look at the underlying
25 assumptions that sit behind it.

1 So all of our key strategic
2 relationships, we should look at the value that they
3 provide to customers and can continue to provide to
4 customers into the future. We can't rely on the fact
5 that we have low rates to not pull the blankets back
6 and have a good look.

7 We'll continue to look at modernizing
8 our products and services. You will hear a little bit
9 from me about NOVA, and that's the way that we deliver
10 these services.

11 We are not planning on excluding anyone
12 from anything. We will simply be augmenting our
13 current distribution network with online
14 functionality. I won't talk about what that future
15 service deliver model will look like, but if brokers
16 were able to sell online and we were able to sell
17 online, you've already got two (2) new channels for us
18 to do business with customers.

19 I was at a meeting a couple of weeks
20 ago at the NICC, and they were talking about what the
21 ideal model would look like for an insurance
22 company -- an auto insurance company in Canada. And
23 the learned gentleman -- I believe his name is
24 David Jackson; I can double check on that -- wrote a
25 paper about Ontario auto insurance.

1 The reason why I'm raising this
2 discussion was that he said the ideal model would be a
3 regulatory framework similar to that in Manitoba,
4 Saskatchewan, and BC but with providing customers a
5 higher level of choice than within those
6 jurisdictions.

7 So whilst we enjoy the regulatory
8 framework that establishes our role as a Crown
9 corporation, we are now endeavouring to make sure that
10 we provide customers in the future with as many
11 choices as possible, be it on Basic, Extension, or our
12 SRE line of business.

13 So now it's time to focus on the
14 customer. The analogy I'd like to use here is:
15 Everyone's been on an airplane, and the safety video
16 comes on, and you're supposed to fix your mask to
17 yourself before you look after others.

18 That's what we had to do. Financially,
19 there was a fair level of uncertainty for the
20 corporation, and we've been able to fix that through
21 prudent management of the organization.

22 So our oxygen mask is on, and now it's
23 time to look after the customers that support us. Our
24 vision statement was renewed recently, and there's
25 two (2) words that I really want to focus on there.

1 The first one is around trust and how
2 we build that trust with our customers, how we build
3 that trust with you as the Public Utilities Board, and
4 then every Manitoban.

5 If I want to walk into a broker's
6 office at 12:00 and buy my insurance, if I want to
7 renew online at 9:00 p.m. because I forgot 'cause I
8 was busy -- I should be given that choice. Just
9 because there is a single product when it comes to
10 Basic, there are no changes. There is no options.

11 But it would be remiss of us to not
12 provide customers with an option of at least how they
13 transact with MPI, and that's going to be a real focus
14 for us when we try to achieve that vision of providing
15 exceptional coverage in service to all Manitobans.

16 Proving customer trust through
17 transparency. This is just a simple diagram -- it's
18 still in its working stages -- of what could
19 potentially go into our renewal notice. The mockup --
20 and this is just on Basic -- if you think about our
21 customer base on Basic, that's a hundred percent of
22 Manitobans. On Extension, it'll be about 86 percent
23 of Manitobans. And we will also be doing a similar
24 mockup when it comes to motorcycles.

25 Why is it important? Motorcycles --

1 the majority of their premium is made up through PIPP
2 premiums, not physical damage. There is a fundamental
3 difference, and I don't know the exact -- I'm trying
4 to remember the exact number, but if you were to
5 basically swap damage and injury, I actually think
6 motorcycles is higher than 60 percent.

7 And when you -- unfortunately if you
8 fall off a motorcycle, you stay fallen off for a long
9 time. So that's the value of the PIPP program, but it
10 does come with a cost.

11 So we are hoping in March 1 or in your
12 notices will have similar diagrams on where all of
13 their premium dollars are going.

14 And then the following year for Basic
15 and Extension, as well as motorcycles, we want to make
16 it bespoke for every customer, and it will be in a
17 dollar amount as part of their renewal.

18

19 (BRIEF PAUSE)

20

21 MR. BENJAMIN GRAHAM: So let's talk
22 about NOVA. Legacy systems modernization, to me
23 wasn't the appropriate term. It simply implied that
24 we were upgrading Windows 7 to Windows 10. Trust me,
25 it is a much bigger exercise than that.

1 It is the single largest initiative in
2 MPI history. I noted the number one-o-six (106).
3 Just so we're clear, it's eighty-four (84) -- eighty-
4 four (84) plus contingency, and I'm making sure that
5 we try not to spend all that contingency. But it
6 noted it is a massive project and a massive spent.

7 Our business case and our
8 accountability, as well as being transparent with the
9 PUB, was witnessed earlier this year when myself and
10 Brad Bunko, the chief information officer, presented
11 our actual business case that was approved by the
12 Board to both Darren Christle and Marc Caron.

13 So we didn't give them a abbreviated
14 version. We walked them through the exact
15 presentation that went to our Board of Directors. At
16 the end of that meeting, Marc's words were, I had
17 eight (8) questions; I have none remaining.

18 Is this a difficult project?
19 Absolutely, but we will be here. We will be
20 transparent. We will share everything, and we're
21 hoping to make sure that this project goes as smoothly
22 as possible.

23 It is a business-driven initiative.
24 Like I said, it just isn't simply an upgrade of our
25 systems. As we continue to engage more with our

1 customers on an online platform, peoples' information
2 is paramount, so information security, as well as
3 technology risk needs to be addressed. Our current
4 systems are simply not appropriate for moving into the
5 next ten (10) to fifteen (15) years.

6 We'll be a much more agile
7 organization. I want our first question, when -- if
8 our brokers would have come to us and ask us for a new
9 product, and if it made sense, and there was market
10 demand, and we could do it, I don't want the first
11 question to be, well, how long is that going to take
12 for us to do in our current IT system, because that is
13 the default today.

14 And at the bottom of that is the
15 support of online services. So again, that is a
16 byproduct of upgrading these systems and remapping our
17 business processes, but it is not the key driver of
18 why we are doing this. I do use the analogy that we
19 run a 3 1/2 billion dollar corporation on an Atari,
20 and its time for an upgrade.

21

22 (BRIEF PAUSE)

23

24 MR. BENJAMIN GRAHAM: NOVA is about
25 expanding customer choice. Initial customer feedback

1 does demonstrate to us that they want to transact
2 online, and that was validated independently. We will
3 be engaging with customer working groups across the
4 life of this project to make sure that customers can
5 assist us in mapping our new business processes and
6 making sure that the system delivers on their needs,
7 not ours.

8 The key outcomes of project NOVA is
9 around improving that customer experience, as defined
10 by them, not as defined by us or any one of our
11 stakeholders, but by the customer. So that will
12 define what that customer experience will look like,
13 the ability to meet their needs with new products, as
14 well as expanding the choice on how they can access
15 MPI and transact with us.

16 There has been a -- a number of stories
17 across the press. Just to be very clear and to put it
18 on the record, we are not replacing existing
19 distribution channels. We are augmenting them.

20 MPI has no plans to build any more
21 service centres, any more bricks and mortar. We will
22 not be spending taxpayers money in that way. So
23 through the update of our system, which is required
24 for us to continue to do business, our ability to
25 provide online will grow, and hence the augmentation

1 of our current channels will go on.

2

3 (BRIEF PAUSE)

4

5 MR. BENJAMIN GRAHAM: All right, I
6 know what's happening with the...

7

8 (BRIEF PAUSE)

9

10 MR. BENJAMIN GRAHAM: Who's in charge
11 of IT?

12

13 (BRIEF PAUSE)

14

15 MR. BENJAMIN GRAHAM: One (1) second,
16 see if I can go back. No.

17

18 (BRIEF PAUSE)

19

20 MR. BENJAMIN GRAHAM: I'll just see if
21 I can...

22

23 (BRIEF PAUSE)

24

25 MR. BENJAMIN GRAHAM: Yeah, I'm just

1 trying to -- to change it here, and I can't.

2

3 (BRIEF PAUSE)

4

5 MR. BENJAMIN GRAHAM: I do -- no. I'm
6 after slide 12, please.

7

8 (BRIEF PAUSE)

9

10 MR. BENJAMIN GRAHAM: Okay. No,
11 that's fine. It's not your fault.

12

13 (BRIEF PAUSE)

14

15 MR. BENJAMIN GRAHAM: I'm glad I just
16 spent five (5) minutes talking about replacing old IT
17 systems.

18 So let's talk about where we are at in
19 -- for this hearing. We are performing well. There's
20 no hiding from the fact. If I look at our budgeted
21 numbers against how we're performing this year,
22 towards the end -- towards the end of Q2, PIPP we're
23 managing to 20 percent better than budget. And when
24 it comes to physical damage, we're managing it to 14
25 percent better than budget, and our expenses are down

1 6 percent on budget.

2 So when I came here last year, and I
3 spoke about really focusing on claims management, and
4 focusing on our core, they are the results that we
5 wanted. So with every part of the business that was -
6 - is within our care, custody, and control, we are
7 managing this Corporation better.

8 Unfortunately, I'm not mother nature,
9 so hail can still happen, but she was kind to us this
10 year, and we didn't have many hailstones, and that
11 would have been -- that adverse impact would have been
12 prevented anyway through the structure of our new rain
13 insurance program.

14 Basic is making swift progress towards
15 a one hundred (100) MCT. As of the end of Q2 we are
16 at a one hundred (100) MCT, and if you look at -- the
17 picture on the right, there, you can truly see the
18 impact on a new ALM strategy, where the changes in
19 investment income and claims incurred due to changes
20 in interest rate have effectively been offset against
21 each other.

22 So again, I would like -- yeah. I'm
23 going to the next slide, am I? Okay.

24 Next slide. So what is our ask? We
25 have updated our ask according to the new naive

1 interest rate, one point three-six (1.36). The last
2 time that MPI came to the Public Utilities Board and
3 asked for a decrease was eight (8) years ago.

4 It would be remiss of us as a
5 Corporation to be posting the profits that we are
6 based on management action and ask ratepayers to pay
7 for more. It is -- it is unfair. Based on that, we
8 have removed the net capital maintenance provision.
9 We understand that last year, it was granted to us on
10 a one (1) year basis, and we will not be reapplying
11 for that provision in this year's application.

12 If you look at the amended rate
13 request, whilst there is a overall rating of point six
14 (.6) of a percent, that doesn't spread out evenly
15 across all of the vehicle classes.

16 We are pricing this as break-even, so
17 unfortunately, as we manage our claims better on
18 passenger vehicles, et cetera, you will see a
19 reduction now that we are at the appropriate level of
20 capital. For motorcycles, unfortunately, the loss
21 experience does not reflect well, and therefore an
22 increase is required. Again, these are break-even
23 numbers. We have a break-even mandate.

24 When I speak about transparency, we --
25 we have created the scepticism. I said that in some

1 of my opening slides. Whilst Extension is a
2 competitive line, and the Public Utilities Board does
3 not have the jurisdiction to set Extension rights,
4 there was a clear transfer of capital from Extension
5 to Basic in the past. A mysterious number that would
6 come, we don't know how, we don't know when, but it
7 was there.

8 If approved, this Capital Management
9 Plan will provide everyone in this Province very clear
10 lens on what the amount is, and when it will be
11 transferred, and what it means for Basic. I can't --
12 personally, I can't grant the PUB jurisdiction over
13 the rate setting for Extension, but I can definitely
14 be transparent in showing you the amount that comes
15 over at year-end year on year, and that will flow
16 directly back into the pockets of Manitobans on the
17 Basic program.

18 We talk about MCT, and we talk about
19 other Crown corporations across Canada. Of course, BC
20 has abandoned their hundred MCT model. I think we're
21 very well aware of what's happening in BC in the
22 environment. So obviously, they have, because that
23 would have meant billions of dollars of capital
24 injection from the provincial government to get them
25 back to the hundred (100).

1 SGI has a revised MCT target, 140
2 percent on their Basic auto fund, and they're
3 currently sitting at one forty-seven (147). So whilst
4 we are moving the needle on having more reserves than
5 in the past, we are at the minimum of the minimum
6 capital test, not a dollar more, not a dollar less,
7 and through management action, we are already there.

8

9 (BRIEF PAUSE)

10

11 MR. BENJAMIN GRAHAM: What we will be
12 able to show, as I spoke about earlier in this
13 presentation, every year we will be able to show
14 ratepayers the compulsory transfer of excess Extension
15 reserves into Basic. So there will be no -- and I'll
16 -- I'll put it in the -- the quotes, there's no black
17 hole of money. There isn't, and we'll be as
18 transparent as we can be in making sure that everyone
19 sees that dollars.

20

21 (BRIEF PAUSE)

22

23 MR. BENJAMIN GRAHAM: Sorry, I'm just
24 -- I've lost my tunnel of -- of nodding to get the --
25 sorry.

1 (BRIEF PAUSE)

2

3 MR. BENJAMIN GRAHAM: So what are our
4 key requests of the Public Utilities Board this year?
5 We are asking for a .6 percent decrease in rates,
6 based on break-even rates in AAP, based on the
7 September 30 naive interest rate forecast, and we are
8 asking to remove the 2.1 percent net capital
9 maintenance provision.

10 We are asking for an approval of our
11 Capital Management Plan. We are moving very quickly,
12 and have moved very quickly towards that one hundred
13 (100) MCT, which I knew was a point of conjecture, but
14 we are already there, and now customers can take
15 advantage of what that means for them from a rate
16 stability perspective.

17 And the last one is further dialogue
18 and additional avenues for transparency. So we have
19 technical committees. We have meetings. If we can
20 explore, be it with the Interveners, or also the PUB,
21 what are the types of dashboards, briefings and other
22 supplemental processes that we can have as part of
23 this GRA to make sure that we are as transparent as
24 possible?

25

1 (BRIEF PAUSE)

2

3 MR. BENJAMIN GRAHAM: In closing,
4 we've kept our promises. Our MCT has moved in the
5 right direction. We are asking for a rate decrease,
6 and we will continue to provide stability for
7 customers into the future. So again, we have been
8 prudent. We've put our oxygen mask on. Our Capital
9 Management Plan is built around the hundred MCT.

10 We have ensured that we have pulled the
11 blankets back on all of our partnerships, and made
12 sure that customers, as well as MPI, are getting value
13 for money. However, much more fact-based decision-
14 making organization. So we don't make decisions based
15 on emotion. We make them based on information and
16 data.

17 We have focused on our core. We've
18 focused on claims. We focused on investments. The
19 establishment of the risk management department and
20 actuarial function under -- under Luke Johnston was
21 another step in bringing information to the forefront
22 of the decision-making table.

23 And the last one is around transparency
24 and accountability. We are providing the PUB with a
25 very clear view, as well as taxpayers, on what the

1 Capital Management Plan entails, and what it means to
2 rates, and will continue to engage the PUB on all of
3 the major projects that we undertake to improve
4 customer service. That's me.

5 THE CHAIRPERSON: Thank you, Mr.
6 Graham.

7 MR. BENJAMIN GRAHAM: Thank you.

8 THE CHAIRPERSON: Any questions?

9

10 (BRIEF PAUSE)

11

12 THE CHAIRPERSON: Call the break now
13 for lunch until 1:15.

14

15 --- Upon recessing at 12:20 p.m.

16 --- Upon resuming at 1:18 p.m.

17

18 PUBLIC PRESENTATIONS:

19 THE CHAIRPERSON: Good afternoon,
20 everyone. We are now entering the portion of the
21 hearing where presenters will make submissions -- or
22 make presentations to the Board. I would call on the
23 representatives of TappCar Inc. to come forward,
24 please.

25

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: And can you please
4 introduce yourselves for the record? Thank you.

5

6 PRESENTATION BY TAPPCAR INC.:

7 MR. CAMERON MACKAY: Hello. My name
8 is Cam MacKay. I'm the general manager of TappCar.

9 MR. DHAVAL PATEL: My name is Dhaval
10 Patel, and I'm the controller for TappCar.

11 MR. CAMERON MACKAY: Thank you, Madam
12 Chair. So we've operated in Manitoba for the past
13 year and a half underneath the current insurance
14 regime put in place. During this time period, we've
15 completed just below 1 million rides, and have
16 recruited over twelve hundred (1,200) full and part-
17 time drivers.

18 So we understand there's a small rate
19 decrease this year for passenger vehicles, and
20 certainly, we support that. However, we'd like to
21 talk just more broadly about the -- the product that's
22 currently offered.

23 Four (4) areas I just want to touch on
24 are just some of the primary benefits for consumers,
25 the competition that exists in the marketplace, the

1 increased safety on the roads, and the time ban
2 product that is currently offered through MPI.

3 So the Manitoba product, or the -- the
4 product that's currently offered for ridesharing,
5 offers for more competition and more consumer choice
6 the marketplace. So other jurisdictions that we
7 operate in, such as Alberta, will have a blanket
8 insurance policy. This product traditionally is not
9 available to smaller ridesharing companies in most
10 markets, if it is available at all. It will cost
11 about six (6) figures plus to secure such a policy.

12 So, for example, in Edmonton, where we
13 operate, our blanket insurance policy costs nearly two
14 hundred thousand dollars (\$200,000) per year. And
15 there's only one (1) insurance company that offers
16 that product in the marketplace.

17 In most markets, insurance remains a
18 barrier to entry that precludes companies from
19 operating that don't have large blanket insurance
20 policies. As a result, you generally see only a -- a
21 couple of ridesharing companies in most markets, and
22 they're generally multinational corporations that can
23 afford to get that kind of insurance product.

24 So, just for example, in Edmonton,
25 there's currently two (2) ridesharing companies, of

1 which we are one (1); in Saskatoon, there's one (1)
2 ridesharing company; in Regina, there's one (1)
3 ridesharing company; in most North American cities,
4 there is generally one (1) or two (2) ridesharing
5 companies, except in jurisdictions where there's a
6 concerted effort made to enhance consumer choice and
7 to enable more companies to come in and compete.

8 With the current ridesharing insurance
9 policy here in Manitoba, you currently have about
10 eighteen (18) companies in Winnipeg that operate, so
11 it just kind of shows the difference. And there's a
12 lot of different choice. There is some ridesharing
13 services that offer services exclusively to the
14 handicapped, just for example. And so we view that as
15 a big success story.

16 The curtain insurance product enhances
17 road safety. So with the current ridesharing business
18 model, there's a lot of competition between players to
19 attract drivers, and as a result, these drivers that
20 go onto the road will have higher -- more driving --
21 more kilometres that they'll put on the road. And so
22 as a result, if you're a poor, inexperienced driver
23 with many accidents or tickets, you would pay more for
24 your personal insurance here in Manitoba, and more for
25 your ridesharing insurance.

1 As a result, there's a subtle
2 discouragement of drivers with poor records to drive
3 more, and to become ridesharing drivers where they
4 would drive a lot. So that currently helps the roads
5 to become a little bit safer. As it -- and, you know,
6 you have to admit, the one (1) person that can affect
7 the road safety the most is the driver.

8 So it may surprise you, but under more
9 traditional ridesharing business models with blanket
10 insurance, there generally isn't an additional cost
11 for the driver to start driving for a different
12 company. So as a result, you have drivers with less-
13 than-perfect records that will get on the road, and
14 there's no cost to them to do it. It's covered by the
15 blanket insurance policy.

16 So you have situations where you'll
17 see, you know, a driver with three (3) or four (4)
18 accidents does not pay anything extra to become a
19 rideshare driver, but due to the competition of the
20 marketplace for drivers, you will sign them up, and
21 there's a little bit of an increase in -- in -- you
22 know, for the public for to -- for -- to have people
23 like that on the road, whereas in this marketplace,
24 that doesn't exist.

25 If you have a lot of accidents, your

1 own personal ridesharing policy will cost more.
2 You'll have to make a personal decision whether you
3 want to do that, whether you're willing to pay the
4 increased costs to cover the cost of being on the road
5 or not. So as a result, we feel that the roads in
6 Winnipeg and Manitoba are safer.

7 The way the insurance product that we
8 have in Alberta, just as a contrast, to explain that a
9 little bit, it's divided into a time period zero, one
10 (1), two (2), and three (3). So in time period zero,
11 you don't have a fare, and so you wouldn't have the
12 app turned on. In time period one (1), you'd have the
13 app turned on, and you'd be on the road, just driving
14 around. In time period two (2), you'd be on your way
15 to pick up a customer. In time period three, the
16 driver has a passenger on board.

17 And so the -- those are the different
18 time periods, zero, one (1), two (2) -- zero, one (1),
19 two (2), and three (3) that the insurance model looks
20 at to categorize the different periods. During
21 periods two (2) and three (3), the ridesharing
22 company's insurance will apply. During time period
23 zero and one (1), the driver's insurance will apply.
24 And between 40 and 60 percent of the ridesharing
25 drivers time will be spent on time zero, around town,

1 just looking for work.

2 This dramatically increases the --
3 like, ridesharing does increase the amount of
4 kilometres you spend on the road, and as a result, you
5 will be at a higher risk.

6 So in Alberta, the average driver that
7 has insurance with the different companies will cross
8 subsidize the ridesharing cost due to increased
9 insurance risks at time period one (1), as this period
10 will increase a lot with ridesharing. So in Manitoba,
11 that doesn't occur. Each driver pays their own fair
12 share. And so it's a -- an inequitable model to the
13 taxpayer as well.

14 The other thing we really appreciate is
15 that the -- the product offered has the -- the
16 flexibility of different time bands for different
17 drivers. So if you only wish to drive on weekends,
18 you can choose to have that, and you can limit your
19 cost by just selecting those periods of time to drive.

20 Overall, we feel that MPI and the
21 Manitoba Public Utilities Board is really taking the
22 time to understand the nature of the industry and how
23 it works, and has come up with a good product, and we
24 want to thank you for your due diligence in that
25 regard.

1 In the future, we'd like to work a
2 little bit more closely with -- with the MPI, and
3 we'll reach out to them in due course. We've got a
4 few items that we think can even improve the product
5 better. We'd like to be able exchange data real-time
6 with the MPI so that we know if a specific driver's
7 insurance policy has been paid, is up-to-date, and
8 those kind of things, and so if it's not, then we can
9 immediately take them off the road to ensure a hundred
10 percent compliance with the insurance regime.

11 And we'd also like to work with them to
12 create some postcards that explain exactly how the
13 product works, and what the options are, and what to
14 do if they get into an accident, so that things are
15 all very easy to understand for the driver.

16 So that's really all we wanted to say
17 today. We appreciate the work and due diligence that
18 you do on behalf of the public, and we're open for
19 questions.

20 THE CHAIRPERSON: Thank you, Mr.
21 MacKay. Do you have any questions? Any questions?

22 Thank you for your presentation.

23 MR. CAMERON MACKAY: Thank you very
24 much.

25

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: The next presenter
4 is the Automobile -- sorry, Automotive Trades
5 Association.

6

7 (BRIEF PAUSE)

8

9 THE CHAIRPERSON: Thank you. And
10 would you please introduce yourselves for the record?

11

12 PRESENTATION BY AUTOMOTIVE TRADES ASSOCIATION:

13 MS. THERESA JACHNYCKY: Thank you. My
14 name is Theresa Jachnycky, and accompanying me is Paul
15 Lapointe and Duran McFale (phonetic), and we're
16 representing Automotive Trades Association.

17

18 (BRIEF PAUSE)

19

20 MS. THERESA JACHNYCKY: Okay. Thank
21 you. A bit of a background about the Automotive
22 Trades Association. The ATA is entirely volunteer run
23 by its board of directors. A two (2) year now
24 discontinued grant was provided by MPI to the board.
25 Contrast this with annual grants to IBAM.

1 Originally formed and active since the
2 1930s, and re-registered in 1986, the Automotive
3 Trades Association's mandate is to promote and further
4 the interests of members regularly engaged in the
5 automotive repair industry, to the general public,
6 civic, and government bodies.

7 This mandate has grown, becoming more
8 comprehensive over the decades, in keeping with the
9 evolution of MPI and the industry. Today, MPI and
10 other stakeholders form a vast, multifaceted network
11 of interrelated activities and processes that
12 ultimately benefit the trade, MPI, and of course, the
13 Manitoba consumer.

14 The only way that such an integrated
15 system can work and continue to benefit the consumer
16 is by MPI investment, support, and transparent fair
17 course of dealings with the repair industry. In past
18 months, we have experienced challenges with MPI
19 culture not being fair, open, transparent, and
20 committed to common goals.

21 The issues as we see them are as
22 follows.

23 First, present and emerging gaps within
24 the Manitoba Public Insurance system threatening
25 ratepayers' future access to safe and proper repairs,

1 long-term rate consistency, and retention of vehicular
2 value following vehicle repairs.

3 The second issue is increasing
4 bureaucratic red tape, inefficiencies, and cost
5 offloading.

6 And the third, absence of MPI and
7 stakeholder alignment.

8 Examples of present and growing gaps
9 include affordability of advanced and safety training,
10 ability of repairs to bear the ongoing and increasing
11 costs of obtaining crucial equipment, technology, and
12 information to ensure driver occupant and third-party
13 post -- safety post repair.

14 There is a reduced opportunity for
15 repairers to throw in unpaid labour or materials to
16 produce the highest quality repair. Unaffordability,
17 in our minds, breeds mediocrity, not excellence.

18 Diminished value of the insurance
19 vehicle post-repair resulting from an increased use of
20 alternative parts. In our understanding, there are no
21 plans for redistributing insurance premium revenues
22 based on actual and predicted deficits in knowledge
23 and specialized equipment resulting from technological
24 change.

25 ATA has this to say about the

1 affordability of ongoing and advanced safety training:
2 Manitoba has an honourable distinction of having the
3 most advanced trained repairs in North America. That
4 is a huge accomplishment. The cost of this advanced
5 training is entirely born by the repairers."

6 Except for a now discontinued grant
7 from MPI of a hundred and eight-nine dollars (\$189).
8 To qualify for ICAR Gold and retain MPI accreditation,
9 Manitoba shops paid out between five thousand (5,000)
10 and ten thousand six hundred and seventy dollars
11 (\$10,670) for role specific ICAR training. They
12 continue to pay out one thousand and eighty dollars
13 (\$1,080) yearly for continuing education for four (4)
14 roles. As of today, this doubles to two thousand
15 dollars (\$2,200) beginning October 7th and excludes
16 the cost of welding training, which ranges from eight
17 hundred and fifty (850) to two thousand five hundred
18 and fifty dollars (\$2,550) per person.

19 This fall, requirements are changing,
20 and the training cost jump by approximately by
21 68 percent. This price spike will place even more
22 pressure on repairer's ability to retain their
23 accreditation leaving to possible closures, sale to
24 consolidators, or becoming a non-accredited repairer.

25 Rural and remote locations are at more

1 risk for losing an accredited shop than urban areas
2 because there are more accredited shops in urban
3 areas.

4 While MPI facilitated a large
5 percentage of the hands-on training at his physical
6 damage research centre, shops also took up the call to
7 provide needed space and training. ICAR does
8 reimburse the shops for using their facilities. So
9 I'm not sure if it reimburses the research centre.

10 Safety training and tooling required by
11 SAFE Work Manitoba costs about twelve thousand dollars
12 (\$12,000) when a consultant is used.

13 On the issue of the second gap, the
14 ability of repairs to bear the ongoing and the
15 increasing costs of obtaining crucial equipment,
16 technology, and information, we have this to say:
17 Tooling an average shop is equivalent to putting a
18 student through a four (4) year university program.

19 Average cost per shop for the basic
20 equipment today is eighty-one thousand dollars
21 (\$81,000). For shops certified to repair Hondas,
22 Ford F150s, add another fifty thousand dollars
23 (\$50,000) per shop. For future GM repairs, add
24 another thirty thousand dollars (\$30,000) per shop to
25 replace the resistant welder if it isn't already

1 compatible. Double and triple this investments for
2 shops repairing European, Japanese, and top-end
3 brands.

4 For all shops, add another two thousand
5 seven hundred dollars (\$2,700) for updating the
6 subscriptions of software and add another six thousand
7 dollars (\$6,000) per year for an average manufacturer
8 certification and much more for European, Japanese,
9 and top-end brands.

10 The effect of these expenditures on
11 consumers may lead to longer queues, longer cycle
12 times, and further travel distances as fewer shops
13 will be able to afford the specialty equipment
14 required to retain and perform safe repairs.

15 On the third gap, diminished value of
16 insured vehicles post-repair. Containing severity is
17 everybody's responsibility. After-market parts do not
18 always fit precisely as an OEM part. That means we
19 must spend more time in adjusting the fit adding to
20 cycle time.

21 Recycled parts may fit -- may address
22 the fit issue but require a cleaning to bring the part
23 to pre-accident condition.

24 On page 7 of the 2019 Guide to Autopac
25 Insurance, MPI promises to pay for repairing "your

1 vehicle to pre-accident condition." Page 8 provides
2 an example of parts usage for a five (5) year old
3 vehicle and states options, include using recycled or
4 brand new factory manufactured parts.

5 To an average consumer, brand use
6 suggests OEM not after market. This example is also
7 misleading because it implies vehicles under five (5)
8 years might have different options. We don't think
9 this is being transparent.

10 We would like to know if MPI has
11 approached OEM for better pricings as an alternative
12 for after-market price. In our view, best value for
13 consumers equals recycled parts plus OEM new parts.

14 Consumers care about the value of their
15 vehicle and the price they get at trade in, lease
16 return, or private sale. How is vehicle value and
17 price affected when alternate parts are used? Are
18 consumers able to purchase Extension policies for OAM
19 parts through MPI or other insurers?

20 The fourth gap is absence of plans to
21 redistribute insurance premiums based on actual and
22 predicted deficits in knowledge and specialized
23 equipments.

24 With a reported surplus of a hundred
25 and fifty-eight million dollars, redistributing

1 revenue should be possible without affecting
2 ratepayers and consumers. We have two (2) examples.
3 I know we're short of time. We can address those
4 examples after.

5 Moving on to the next issue which is
6 increasing bureaucratic red tape, inefficiencies, and
7 cost offloading, the DR program has cost the industry
8 a lot of money. It required us to increase personnel
9 estimators with wages averaging sixty thousand dollars
10 (\$60,000). For those who couldn't afford an
11 estimator, it has resulted in increased administrative
12 workload, and that workload is also shared by larger
13 volume shops.

14 There's also a huge cost in materials
15 particularly in terms of paper and printing cartridges
16 because MPI used to provide the estimates and now
17 that's -- we're expected to do that.

18 There is an issue with in-process and
19 post-vehicle repair status notifications. The current
20 new cloud-based Mitchell Connect does not integrate
21 with its own management system Mitchell Repair or
22 other proprietary system.

23 The incompatibility drives shop
24 inefficiencies with double entering, and it's also
25 unfair. And if we don't comply within the requisite

1 time frame, our score card gets docked.

2 Moving on to the third and final
3 issue -- a third and final issue is absence of MPI and
4 stakeholder alignment. There's several examples here,
5 but our primary one is refusal to release severity
6 data to Mitchell International as private insurance
7 companies do for benchmarking in Mitchell's industry
8 trends report.

9 In closing, ATA's one hundred and fifty
10 (150) members are hardworking business people with a
11 dedication to their craft. We want to repair our
12 vehicles with skill and efficiency. We will be
13 monitoring the evidence in this GRA especially as this
14 relates to how MPI deals with its business partners.

15 We've provided numerous draft questions
16 to existing Interveners so that a better prospective
17 can be painted of the industry. Our presentation this
18 year lays the foundation for an anticipated
19 application by ATA as an Intervener next year. We
20 have some time then.

21 Thank you for your time and attention,
22 and we're here to answer any questions you may have.

23 THE CHAIRPERSON: Thank you,
24 Ms. Jachnycky. Do you have any questions?

25 BOARD MEMBER GABOR: You've made

1 certain specific statements here. Have you talked to
2 MPI directly about these items in a -- sort of in an
3 organized fashion?

4 MS. THERESA JACHNYCKY: Yes.

5 BOARD MEMBER GABOR: And what has
6 their response been?

7 MS. THERESA JACHNYCKY: That's why
8 we're here because we haven't received an adequate
9 response.

10 BOARD MEMBER GABOR: By "adequate
11 response," you haven't received any response, or is it
12 that they just disagree with the positions you've
13 taken?

14 MS. THERESA JACHNYCKY: On the issue
15 of affordability or on the issue of transparency? I
16 mean, there's many issues that have been brought
17 forward to MPI this year and in past years, and they
18 have not been addressed to our satisfaction.

19 Has the issue of affordability
20 specifically arised (sic)? Yes, we discussed that
21 during negotiations. Our rates have remained the
22 same.

23 But that's not why I'm here. I'm here
24 to tell you that there are issues in transparency and
25 equity in terms of how the trade is dealt with. We

1 have major concerns in terms of the repairability of
2 vehicles if we cannot afford to buy the technology and
3 the equipment and continue to invest in human capital
4 so that our repairers are -- remain the best trained
5 repairers in this country.

6 BOARD MEMBER GABOR: Can you tell me
7 what the -- what the industry practice is in other
8 jurisdictions? I mean, are you funded by insurance
9 companies either in public -- where there's public
10 insurance or private insurance?

11 MS. THERESA JACHNYCKY: Are we funded?

12 BOARD MEMBER GABOR: Well --

13 MS. THERESA JACHNYCKY: Could you
14 rephrase that?

15 BOARD MEMBER GABOR: Sorry. At the
16 beginning, you said what you had was a discontinued
17 grant provided by MPI to the Board. You have a number
18 of places where you've indicate -- where you talk
19 about how your costs have increased --

20 MS. THERESA JACHNYCKY: Oh, I can
21 address that directly.

22 BOARD MEMBER GABOR: So in --

23 MS. THERESA JACHNYCKY: So other
24 insurance companies do not require as a condition of
25 their -- either their DRP status -- I don't they're

1 accredited in other jurisdictions other than public
2 insurers -- to be ICAR platinum. It's not a
3 requirement.

4 We are required to satisfy those
5 educational requirements. We are required to have
6 that equipment in order to be accredited.

7 If you want to be non-accredited,
8 that's fine. You don't have to have those equipments
9 nor that education. But is it safe to repair vehicles
10 if you're not accredited?

11 BOARD MEMBER GABOR: Yeah. Thank you.

12 THE CHAIRPERSON: Thank you for your
13 presentation.

14 MS. THERESA JACHNYCKY: Thank you very
15 much.

16 THE CHAIRPERSON: Our next presenter
17 is Douglas Houghton. Mr. Houghton, please proceed.

18

19 PRESENTATION BY MR. DOUGLAS HOUGHTON:

20 MR. DOUGLAS HOUGHTON: Good afternoon.
21 My name is Doug Houghton. I am a director of the
22 Coalition of Manitoba Motorcycle Groups, and of
23 course, I'm a motorcyclist.

24 Good afternoon, Board members,
25 MPI staff, MPI legal counsel, Intervenors, and other

1 presenters. Thank you for giving me this opportunity
2 to speak to MPI's rate application. I'll try to keep
3 my presentation brief.

4 And in order to avoid any possible
5 contradiction with CMMG's solicitors today, I speak on
6 my own behalf, and the views expressed are my own and
7 not necessarily those of the CCMG or MCC.

8 Today, I not only intended to address
9 MPI's rate increase but express my concerns with
10 recent interference by government and the public
11 review process of PUB.

12 I have already addressed current
13 policies and methodologies that permit premium
14 avoidance by high-risk drivers and suggest
15 alternatives to current rate setting so as to
16 incorporate fairness in premium methodology and cost
17 allocation.

18 For those of you who are new to these
19 hearings, I'd like to tell you a little about myself.
20 I have been involved with the Coalition of Manitoba
21 Motorcycle Groups for over twenty-five (25) years.
22 I'm currently a director and have previously served as
23 president and vice president.

24 I have also served as a director on the
25 Board of the Motorcyclists Confederation of Canada and

1 National Motorcyclist Advocacy Group of which CMMG is
2 a member.

3 I'm a retired municipal planner, a
4 single parent with four (4) middle-aged children, and
5 have been a motorcyclist most of my life. I'll be
6 73 years old in a few months, and I've been riding
7 since the mid-1960s.

8 Like many in my area, our first rides
9 were in our teens on motorcycles borrowed from friends
10 who didn't worry about insurance. Fifty year ago in
11 1969, I bought my first motorcycle and started riding
12 on a regular basis.

13 Motorcycling is how I spend most of my
14 spare time. My girlfriend and I usually ride between
15 15,000 and 30,000 kilometres a year on vacations,
16 weekends with friends, and adult children. It's also
17 how I visit my grandchildren.

18 My oldest daughter also rides but finds
19 it difficult to insure on a full-time basis and still
20 manage mortgage payments, childcare, and other
21 household expenses.

22 I'll start with the positive.
23 Attitudes towards motorcycles and motorcyclists have
24 changed substantially. Twenty (20) years ago, CMMG
25 members were unceremoniously asked to leave the MPI

1 boardroom.

2 Motorcyclists are now recognized as
3 motor -- as vulnerable road users and not inherently
4 dangerous as in the past. Although not always in
5 agreement, CMMG now enjoys a more collaborative
6 relationship with MPI and Manitoba infrastructure
7 staff.

8 For the past decade, CMMG has been
9 invited into boardrooms of MPI and Manitoba
10 infrastructure, and it participates on a number of MPI
11 and Manitoba infrastructure committees.

12 Earlier this year, MPI staff entered
13 discussion with CMMG to get input on ways to
14 investigate opportunities to reduce basic motorcycle
15 rates for motorcycles. This matter is still in
16 discussions to date, but response has been positive.

17 In recent years, CMMG has provided
18 input into the new vehicle equipment safety and
19 inspection regulation, and just last month, Manitoba
20 infrastructure has asked us to provide input into
21 proposed amendments. Excuse me.

22 Much of CMMG's relationship with MPI
23 involves safety. CMMG is a member of MPI's external
24 stakeholder committee on loss prevention, participates
25 on interdepartmental vulnerable road users committee,

1 and has provided input into MPI's wildlife strategy
2 and the province's road safety plan.

3 CMMG has also provided input into
4 Manitoba safety -- MPI's safety pamphlets and annual
5 safety campaigns. Safety initiatives not only reduce
6 accident claims but they save lives -- lives and
7 reduce injuries. As a CMMG member, I'd like to thank
8 MG -- MPI for its support and participation in
9 attending and providing some financial assistance for
10 our annual motorcycle safety awareness rally and for
11 attending our general meetings as guest speakers.

12 CMMG directors are of the opinion that
13 driver and motorcycle training is the best safety
14 initiative and that the graduated licensing program
15 and corresponding mandatory motorcycle training course
16 have been major contributing factors in reducing
17 motorcycle accidents and resulting claims.
18 Motorcyclists now know how to ride a motorcycle before
19 entering public highways.

20 MPI has been a supporter of motorcycle
21 training and followed CMMG's recommendation to
22 encourage riders to take the longer four hundred and
23 thirty dollar (\$430) gearing-up course by providing a
24 two hundred dollar (\$200) rebate, making it a little
25 less costly than the three hundred and twenty-five

1 dollar (\$325) shorter course.

2 Many old -- older, long-term riders
3 have not taken formal motorcycle classroom or skills
4 training, like myself, and there are many riders in
5 their sixties (60s), seventies (70s), and even
6 eighties (80s) who still ride. I know from personal
7 experience that balance, perception, and reaction time
8 diminish with age.

9 There's an experienced rider course
10 available at a cost of a hundred and seventy-nine
11 dollars (\$179), but I believe the added cost in
12 addition to insurance premiums has resulted in minimal
13 uptake. As well, long-term riders don't believe they
14 could benefit from training. I'm of the opinion that
15 a financial instit -- ini -- incentive such a rate
16 reduction over several years would increase
17 participation. To date, MPI has not supported this
18 initiative.

19 Premium increases -- I'll not spend a
20 lot of time addressing this year's proposed premium
21 increases for motorcycles. I'll leave most of that
22 task to CMMG solicitors. I was certainly surprised to
23 learn of the last-minute amendment to the rate
24 application. This is apparently due to Basic AutoPac
25 program investments reaching target three (3) years

1 ahead of schedule, which resulted in MPI removing the
2 capital maintenance provision from the approved
3 actuarial practice.

4 At first, I was pleased with the
5 overall rate decrease of minus 0.6 percent as was
6 expected in a reduction of Motorcycle premiums. You
7 can understand my shock and anger to learn that the
8 Motorcycle premiums would increase from 3.9 to 5.1
9 percent. It's really difficult for me and many of our
10 members to understand and accept how the same change
11 that effects an overall decrease could cause an
12 increase for motorcyclists.

13 Motorcyclists are now expected to
14 endure an increase of 5.1 percent, yet accident
15 frequency has been declining. We're told that
16 increases are due to increase PIPP costs and lower
17 interest rates; however, I fail to grasp how these
18 rates don't affect our other classes as well. It
19 certainly unfairly impacts motorcyclists. It's ironic
20 that when finances are good for MPI, they're bad for
21 motorcyclists.

22 It's also dis -- also difficult to
23 understand why increases are even necessary, as MPI
24 recorded a profit of 159.1 million last year, which is
25 nearly two and a half (2 1/2) times the previous 68

1 million, and as of -- as of February 28th, had
2 retained earnings of 511.8 million. It would appear
3 prudent either to reduce two hundred -- 2020 premiums
4 or offer a rebate to policyholders, as in the past.
5 Could it be that this profit is -- as well as returned
6 earnings will be swallowed up in part by last May's
7 unprecedented government regulation to increase MPI
8 rate stabilization reserves to 350 million, almost
9 double the current level?

10 As well, I understand there's been
11 government directive for MBI -- MPI to continue its
12 relationship with private insurance brokers and not to
13 move its service online that's savings in the hundreds
14 of millions, according to the Free Press, resulting in
15 lower AutoPac rates.

16 This brings me to the next issue.
17 Since an increase in RSR will have a direct impact on
18 rates, it is my opinion that it should fall within
19 PUB's mandate. It appears that the government is
20 using these reserves to improve its overall financial
21 position, but it fails to recognize that MPI surpluses
22 are not tax revenue but -- but policyholder money.

23 As well, delaying or preventing online
24 services will also affect rates and reserve services.
25 Myself -- and an aside here -- I don't see myself as

1 not using the agents for most of my activities in --
2 in insurance, but there are some areas where there are
3 some difficulty. Right now, for example, if you're on
4 a holiday out of the province and your vehicle's
5 damaged or it needs repairs, you -- you can't get
6 rental insurance unless you come into an AutoPac agent
7 office and sign the documents. You can't do this
8 online. So that's -- that is one area, I think, that
9 could be addressed, among some of these other minor
10 areas, by an online application.

11 Overall, as a Manitoban, I'm concerned
12 with government interference in the operation of MPI.
13 The use of regulation or directive removes the rate-
14 making process from public scrutiny and input. MPI
15 has indicated that rates won't be affected, as it will
16 use profits from the sale of Extension insurance.

17 We must note that comprehensive
18 insurance is not part of the Basic Motorcycle
19 premiums. The proposed eight hundred and fourteen
20 dollar (\$814) annual rate shown earlier in the
21 exhibits would probably be nine hundred and fifty
22 (950) to a thousand dollars if comprehensive insurance
23 is taken, which most of us take. Are Motorcycle and
24 comprehensive premiums part of Extension profits, and
25 if so, will it use of profits for SAR cause an

1 increase in Motorcycle comprehensive rates or, at
2 minimum, negate any reduction in such premiums?

3 The reason for pass -- goes back to
4 1993 with the introduction of no-fault insurance. I'm
5 going to skip along here, and basically, to the next
6 paragraph. PIPP premiums are not applied equally.
7 I'm at a disadvantage of not having current data;
8 however, contrary to what maybe some people may
9 believe, motorcycles are not involved in greater
10 percentage of accidents. In fact, past statistics
11 have shown that there are a greater percentage of
12 motorcycles with full merit -- full merits than
13 automobile owners.

14 As indicated earlier, about 83 percent
15 of our premiums for PIPP, and I'm going to skip again.
16 Go back to one-third (1/3) of PIPP claims are for non-
17 vehicle owners, and it's about thirty -- about 30
18 percent. All Manitobans -- PIPP benefits. I think we
19 should look towards a PIPP -- a fair rate for PIPP.

20 The cost for all motorcycles would not
21 be extreme. We should allocate a greater share of
22 PIPP to larger vehicles, transfer PIPP premiums to
23 driver's licence, also avoid a case where people can
24 transfer their vehicle ownership to a family member or
25 another person with a better vehicle rate.

1 Vetted premium rates. An example of
2 this, too, is many motor -- some -- many people know a
3 motorcyclist that don't even own -- have a motorcycle
4 licence. Obviously see somebody else that is riding
5 these motorcycles, it's possibly because they don't
6 have a good driving record. So I think we have to
7 take more action in getting the responsibility for
8 paying premiums to those drivers who have the worst
9 driving record who are now avoiding premiums by
10 transferring ownership.

11 We can also look at multi-vehicle
12 discounts for motorcyclists. Many other jurisdictions
13 offer this advantage. MPI doesn't. Motorcyclists --
14 unlike other vehicles, if you're driving your car,
15 your motorcycle is just usually sitting there unused.
16 Motorcyclists, as a general rule, don't share their --
17 their vehicle. I'm sorry to rush on this, but I think
18 I'll conclude with that. If there are any questions,
19 I -- I -- it'd be good to hear them.

20 THE CHAIRPERSON: Thank you, Mr.
21 Houghton, and we have your written presentation.

22 MR. DOUGLAS HOUGHTON: Thank you.

23

24 QUESTION PERIOD:

25 THE CHAIRPERSON: Questions?

1 BOARD MEMBER GABOR: Sorry, thank you
2 Mr. Houghton. I -- I -- I'll read the entire
3 presentation later. The question I have is if you had
4 one recommendation that you would put forward for
5 something done in another province that you think
6 would improve safety for motorcyclists in Manitoba,
7 what would it be?

8 MR. DOUGLAS HOUGHTON: Well -- well,
9 one of the biggest things now, the problems we have,
10 is with distracted driving. I think that's been the
11 cause of some of the motorcycle accidents, and I
12 think, yeah, MPI and the province has been heading in
13 the right direction here. Probably we should maybe
14 increase the penalties there.

15 In terms of methodology, I think the --
16 one of the best things to do to get bad drivers either
17 off the road or paying their fair share would be to
18 transfer penalties and also PIPP liability to the
19 driver rather than the vehicle. The vehicle itself
20 doesn't create a liability, although we tend to put
21 our -- apply our penalties to the vehicle and not the
22 driver, and this -- this creates a situation where
23 drivers can avoid penalty by transferring ownership.

24 In Quebec, they sort of transfer the
25 tin from the skin. You -- your -- your liability

1 insurance for your -- is on your driver's licence.

2 Your car, you just basically pay for collision and

3 upset and comprehensive.

4 BOARD MEMBER GABOR: Thank you, sir.

5 MR. DOUGLAS HOUGHTON: Okay, thank

6 you.

7 THE CHAIRPERSON: Thank you, Mr.

8 Houghton. Our next presenter is Janice Lukes.

9 THE COURT REPORTER: Madam Chair, can
10 we get a recess?

11 THE CHAIRPERSON: Yes, certainly.

12 Five (5) minutes?

13 THE COURT REPORTER: Yeah.

14 THE CHAIRPERSON: Thank you. Five (5)

15 minutes.

16

17 --- Upon recessing at 1:54 p.m.

18 --- Upon resuming at 2:00 p.m.

19

20 THE CHAIRPERSON: Okay. Thank you,
21 everyone. We will reconvene now. Our next presenter
22 is Janice Lukes. Would you please proceed?

23 No, push the button until it turns red.

24 There we go.

25

1 PRESENTATION BY MS. JANICE LUKES:

2 MS. JANICE LUKES: Good. Thank you
3 very much. All right. I want to thank you for the
4 opportunity to speak today. My name is Janice Lukes,
5 and I'm the city councillor for the Waverley West
6 Ward.

7 I've had the opportunity to read the
8 Public Utilities Board technical conference on the
9 state of road safety in Manitoba, June 20th, 2019, and
10 I'd like to speak to a couple points in the report in
11 my opinion are related to ultimately lowering rates.
12 I'm going to speak about public engagement, and
13 Winnipeg's growth from immigration.

14 So related to public engagement, I know
15 we could have safer roads and ultimately lower rates
16 if MPI presented the opportunity for the public to
17 engage in the discussion of road safety. We see in
18 the report that MPI is having active public engagement
19 with many of the larger stakeholders, Consumers'
20 Association of Canada, Canadian Automobile
21 Association, Bike Winnipeg, Manitoba Trucking
22 Association, and the like.

23 And I did note in the report that MPI
24 feels these organizations are representative of the
25 public, and they are, but I strongly believe there is

1 a missed opportunity -- opportunity to engage the
2 general public in conversations of road safety.

3 One (1) of the tremendous benefits of
4 public engagement is the opportunity to educate, and I
5 want to briefly share a case study on the benefits of
6 public engagement as related to a complex issue.

7 So I'm going to talk about the story
8 quickly, and then I'll get -- I'll relate it to rates.

9 In South Winnipeg, in the area that I
10 represent, we have a very complicated issue regarding
11 illegal rooming houses around the University of
12 Manitoba. When I was elected in 2014, people were
13 beyond frustrated about the impact illegal rooming
14 houses were having on their neighbourhoods.

15 I'd hold public meetings, and two
16 hundred and fifty (250) to three hundred (300) people
17 would turn out demanding a solution. I quickly
18 realized residents had many questions, and they were
19 not clear on things like why were there so many
20 illegal rooming houses? They weren't clear on whose
21 responsibility it was to provide safe accommodations.
22 There was a lack of clarity on how the City and the
23 Province -- provincial enforcement worked. Residents
24 saw landlords taking advantage of students, but had no
25 idea how to become involved. Residents were not clear

1 how to properly violate -- or properly report
2 violations, and on and on.

3 But over a two and a half (2 1/2) year
4 period, through many public sessions with many
5 stakeholders, and there were many professionals that
6 came to speak to residents, residents became educated,
7 and then empowered.

8 Illegal rooming houses is a very
9 complex, complicated, layered issue, with many
10 stakeholders, in a similar vein -- same/same, but not
11 the same, to road safety. The even -- bylaw
12 enforcement, fire protection, insurance companies,
13 recruiting agencies, landlords and tenagy -- tenancy
14 branches, on and on.

15 But over this period of two and a half
16 (2 1/2) years, residents were educated on the reasons
17 to why, who was responsible, bylaw enforcement, so --
18 house supply and demand would be solved, and so forth.

19 Has the problem gone away? Through
20 many actions, there have been huge positive changes,
21 and I think -- I know one (1) of the most significant
22 actions that resulted in change was residents felt
23 they were empowered. They were educated. They took
24 action. They reported properly. They educated
25 others. They gained a dramatically improved

1 understanding of triggers. They formed a
2 neighbourhood residents group to take back the
3 neighbourhood. And all of this was because they were
4 educated and empowered through public engagement.

5 So if we think about the pub -- the
6 value of public engagement and road safety, effective
7 engagement increases the community's awareness and
8 understanding. And -- and so it would be no
9 different, and it would be applied similar to the
10 topic of speed, road safety, speed management.

11 There's much to be said about the
12 benefits of public engagement. Learning is one (1) of
13 the key objectives of engaging citizens and
14 stakeholders. It provides the opportunity for the
15 public to learn about a subject simply by observing
16 and paying attention.

17 I have seen that well-designed public
18 engagement has the amazing ability to level a playing
19 field for participants, regardless of background,
20 socioeconomic status, race, or gender, public
21 engagement sets a platform for citizens to find common
22 ground on complicated, divisive issues. Public
23 engagement provides clear, concise, accessible
24 information, and it helps citizens mobilize in their
25 communities and effect change, and it empowers them.

1 Road safety is very complicated.
2 There's many layers, and many, many players ensuring
3 our roads are safe. Years ago, I worked with MPI to
4 traffic calm the street I lived on. MPI used -- I
5 think it was called the Speed Watch program, where
6 residents would organize themselves, set up a station,
7 hold a radar gun. There'd be digital boards
8 identifying the speed. They'd record it, and so on.

9 For actually changing driver behaviour,
10 I don't think the program worked. I know you pha --
11 you phased it out. But what it did to was it worked
12 as a medium. It worked as a tool to rally the
13 neighbourhood to discuss the issues, to look for
14 solutions, and to build community around the issues.

15 The end result of that project was
16 neighbours raised funding, built a trail, educated
17 themselves, changed behaviour for the people on the
18 street, and the trail resulted in a safe area for
19 vulnerable road users, because the community was
20 empowered.

21 So this Wednesday, I'm holding a second
22 public engagement session in the Waverley West Ward
23 for residents on speed, road safety, and traffic
24 calming. I've -- since I've learned that MPI does not
25 have the Speed Watch program anymore, and really has

1 no tools for community engagement, no tools that I can
2 use to go out and engage my community with.

3 I've also learned that MPI won't send a
4 representative to speak to residents either, which is
5 very frustrating, so frustrating it motivated me to
6 come down here.

7 I think the public engagement is a key
8 aspect that's overlooked, and should be considered in
9 any type of programming MPI is developing. There's
10 countless research studies that show the likelihood of
11 projects or solution will be widely accepted and occur
12 when citizens are engaged and participate in problem
13 solving.

14 Countless studies on that. Actually,
15 New Zealand has an amazing community engagement
16 approach on road safety. They've got a book, a guide,
17 programs that people can initiate.

18 In the report, some stakeholders did
19 speak to the importance of engaging the general public
20 on the issue of road safety. I think MPI should
21 appoint a person that can go to communities who want
22 to engage on their programs to answer questions. I
23 think it's a disservice to residents in Manitoba that
24 MPI doesn't have someone to speak about these programs
25 and to speak about road safety.

1 That's what I wanted to talk about on
2 engagement. And I want to talk about Winnipeg's
3 growth by immigration. So our population in Winnipeg
4 is driven by immigration. It was identified in the
5 report that's it's very important that education and
6 awareness campaigns be sensitive to the language and
7 cultural differences that exist within the City.

8 I can only speak from experience, but
9 the population growth occurring through the Provincial
10 Immigration Program and through the International
11 Student Program at the University of Manitoba is
12 creating quite incredible driving experiences on our
13 streets in South Winnipeg.

14 I've had the good fortune to travel to
15 India, Vietnam, China, and other densely populated
16 countries, where the driving culture is quite
17 different from here, and I truly believe for the lack
18 of education and training, I see very similar driving
19 cultures on our streets right now in South Winnipeg.

20 To summarize, I think to improve MPI's
21 rates, I seriously recommend that MPI looks at
22 developing programs and tools that engage the
23 community. I think that you -- MPI should seriously
24 look at retaining a public speaker to represent MPI
25 for communities that want to harness that local energy

1 and ideas in their neighbourhood.

2 And I -- I strongly request that MPI
3 acts in a timely manner on -- on some of the points in
4 the Public Utilities Board technical conference and
5 the state of road safety in Manitoba to ensure
6 education and awareness campaigns be sensitive to the
7 language and cultural differences that exist within
8 our City.

9 These are just -- no, I -- I wasn't
10 aware that I could present until Friday afternoon. I
11 had to do a lot of juggling to get here. We have a
12 very large road safety issue, I think, in our
13 Province. I'm dealing with it daily, and I just don't
14 feel the tools are there, and I feel that MPI could do
15 a better job in providing tools to help us improve
16 road safety.

17

18 QUESTION PERIOD:

19 THE CHAIRPERSON: Is -- thank you, Ms.
20 Lukes. Any questions?

21 BOARD MEMBER GABOR: You put forward a
22 number of ideas. Have you talked directly to them
23 about your ideas?

24 MS. JANICE LUKES: To who?

25 BOARD MEMBER GABOR: MPI.

1 MS. JANICE LUKES: I deal with Mr.
2 Smiley, and I've talked about quite a few emails we've
3 had back and forth on different -- with different
4 individuals in the department.

5 So from the standpoint of community
6 engagement, he recommended too that I come here and
7 speak today. So I'd gladly sit down with anyone and
8 talk about it.

9 BOARD MEMBER GABOR: Okay. Thank you.

10 MS. JANICE LUKES: Okay. Thank you.

11 THE CHAIRPERSON: Thank you for your
12 presentation.

13

14 (BRIEF PAUSE)

15

16 THE CHAIRPERSON: Thank you. We will
17 now continue with the application, if MPI could return
18 to the table.

19

20 (BRIEF PAUSE)

21

22 THE CHAIRPERSON: Before we proceed
23 further with the application, there is the issue of
24 the application for the amendment to the 2020 General
25 Rate Application. We considered the issue of whether

1 the amendment should be approved.

2 And I can advise that the panel has
3 agreed to amend the application as proposed in the
4 letter from Mr. Triggs dated October 4th, 2019.

5 Mr. Scar -- I'm sorry, not Mr.
6 Scarfone. Ms. McCandless...?

7

8 MPI PANEL 1 CONTINUED:

9

10 BENJAMIN WILLIAM GRAHAM, PREVIOUSLY SWORN

11

12 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

13 MS. KATHLEEN MCCANDLESS: Thank you.

14 Mr. Graham, I have some questions for you about the
15 application and about your presentation from this
16 morning.

17 So first, just some background
18 questions for you, Mr. Graham. First, do you accept
19 that the Corporation bears the onus of proof to
20 substantiate the General Rate Application? And that
21 means that the Corporation bears the onus of
22 establishing that the proposed rates and fees are just
23 and reasonable.

24

25 (BRIEF PAUSE)

1 MR. BENJAMIN GRAHAM: Is that better?

2 MS. KATHLEEN MCCANDLESS: And so
3 another way of stating the test would be that the
4 rates applied for are to be actuarially sound and
5 statistically driven?

6 MR. BENJAMIN GRAHAM: That's correct.

7 MS. KATHLEEN MCCANDLESS: Thank you.
8 Now in the overview section of the application,
9 there's a letter from the Minister of Crown Services
10 to the Chair of the Board of MPI. Kristen, if you
11 could pull that up, that's part 4, the overview
12 section, attachment B. Do you see that before you,
13 Mr. Graham?

14 MR. BENJAMIN GRAHAM: Yes, I can see
15 it.

16 MS. KATHLEEN MCCANDLESS: Now as I
17 understand this document, it's a mandate letter from
18 the Government of Manitoba. Essentially it sets
19 expectations from the government to MPI.

20 Is that right?

21 MR. BENJAMIN GRAHAM: That's correct.

22 MS. KATHLEEN MCCANDLESS: And if we
23 jump to page 2 of that letter, towards the bottom of
24 the page, there are number of bullets there.

25 Do you see those before you?

1 MR. BENJAMIN GRAHAM: Yes, I do.

2 MS. KATHLEEN MCCANDLESS: Thank you.

3 The lead-in paragraph to that section of the letter
4 says:

5 "We also ask that you assume
6 ownership and leadership in respect
7 of our following priorities for
8 you."

9 There are a number of priorities there.
10 I'm not going to take you through each of them, but I
11 do have some questions about them.

12 So with respect to the second bullet,
13 it states:

14 "Modernized public automobile
15 insurance regulations, policies, and
16 procedures with the goal of
17 achieving better value for
18 ratepayers."

19 You see that?

20 MR. BENJAMIN GRAHAM: I do.

21 MS. KATHLEEN MCCANDLESS: And what is
22 MPI's understanding as to the modernization of
23 insurance regulations, policies, and procedures that
24 are intended by this letter?

25 MR. BENJAMIN GRAHAM: We've been --

1 we've been asked to make sure that we continually
2 review all of the regulations in which we operate and,
3 of course, all of the products, the policies, and the
4 procedures in which we have to follow.

5 So I don't think it's making specific
6 reference to a particular policy or procedure. It's
7 just about making sure that we continue to revise
8 and -- and make them relevant in today. That's all.

9 MS. KATHLEEN MCCANDLESS: And is that
10 work underway at MPI?

11 MR. BENJAMIN GRAHAM: Yes.

12 MS. KATHLEEN MCCANDLESS: The third
13 bullet states:

14 "Engage with the Public Utilities
15 Board to implement a capital
16 management plan that includes --"

17 And then there are a number of bullets
18 underneath that. And obviously, we've heard about the
19 capital management plan, and there's fair bit in the
20 filing about it.

21 MR. BENJAMIN GRAHAM: Yeah.

22 MS. KATHLEEN MCCANDLESS: And the last
23 bullet notes:

24 "Bringing Extension insurance under
25 the oversight of PUB."

1 And the Board has received some
2 evidence this year about Extensions final results,
3 about which you spoke this morning.

4 I just wanted to clarify something with
5 respect to Extension. This morning you gave some
6 evidence about the percentage of the population or the
7 people who --

8 MR. BENJAMIN GRAHAM: Yeah.

9 MS. KATHLEEN MCCANDLESS: -- who place
10 Extension insurance. And my understanding is that you
11 gave a figure of 84 or 86 percent. Now, was that of
12 the policyholders that placed Extension insurance?

13 MR. BENJAMIN GRAHAM: That's correct.
14 So if you have a Basic Autopac policy, about 85 to
15 86 percent of those customers also buy additional
16 Extension coverage.

17 MS. KATHLEEN MCCANDLESS: And of that
18 percentage of policyholders, I understand that MPI
19 holds 96 percent of that market? So of that figure
20 then, about 96 percent of the Extension product is
21 placed through MPI and not a different insurer. Is
22 that right.

23 MR. BENJAMIN GRAHAM: Yeah. There --
24 thereabouts, correct.

25 MS. KATHLEEN MCCANDLESS: Okay. Thank

1 you. The first sub-bullet under the main bullet
2 number 3 has to do with the minimum rate stabilization
3 reserve of a hundred percent MCT for a Basic. Yes?

4 MR. BENJAMIN GRAHAM: Yes. That's how
5 it reads.

6 MS. KATHLEEN MCCANDLESS: And we heard
7 from you this morning that the process to achieve that
8 100 percent MCT is ahead of schedule?

9 MR. BENJAMIN GRAHAM: That's correct.

10 MS. KATHLEEN MCCANDLESS: And could
11 you explain to the Board what the main drivers are of
12 this improvement?

13 MR. BENJAMIN GRAHAM: For the most
14 part, it's -- as I mentioned through my presentation,
15 it's about managing the core business.

16 So if you think about core insurance,
17 it's how we issue policies, a policy admin, that's
18 around how we manage claims, how we manage expenses,
19 and also investments.

20 So we have been managing those
21 prudently over the last twelve (12) to eighteen (18)
22 months and, as I mentioned, a number of very positive
23 returns when it comes to how we're managing collisions
24 as well as bodily injury claims.

25 And again, we are down by about

1 6 percent on expenses. So if you combine that with a
2 good weather season, we are performing better than
3 scheduled.

4 MS. KATHLEEN MCCANDLESS: And so does
5 this amount of what I would describe as volatility in
6 the Basic MCT ratio give rise to any concerns for rate
7 stability under the capital management plan which
8 incorporates build release provisions into the
9 proposed rates based in part on forecasted MCT?

10 MR. BENJAMIN GRAHAM: I -- I think
11 that's why we've got two (2) different speeds of
12 either build or release. So if we are above the one
13 hundred (100) MCT, we would therefore reduce it at a
14 faster rate to get it back to the one hundred (100) as
15 compared to a build over potentially five (5) years.

16 And then if you factor in -- sorry --
17 if you factor in any possible excess capital transfers
18 from Extension, that speed of getting back to a
19 hundred should be minimized.

20 MS. KATHLEEN MCCANDLESS: And that
21 actually leads into my next series of questions about
22 the five (5) year build of that --

23 MR. BENJAMIN GRAHAM: Okay.

24 MS. KATHLEEN MCCANDLESS: -- of the
25 reserves regulation -- or pardon me -- the rate

1 stabilization reserve.

2 So if we can refer RSR point 4 -- it's
3 Part 6 of the filing, and if we go to -- through lines
4 1 to 8 of that document, the capital target pursuant
5 to the reserves regulation is the MCT ratio of 100
6 percent as you see before you. Yes?

7 MR. BENJAMIN GRAHAM: That's correct.

8 MS. KATHLEEN MCCANDLESS: And then at
9 lines 4 to 8, MPI states:

10 "According to its interpretation,
11 MPI satisfies this obligation where
12 the Basic MCT ratio is in excess of
13 100 percent or MPI establishes a
14 plan (i.e. the CMP) to bring the
15 Basic MCT ratio to at least
16 100 percent within a period of five
17 years or less."

18 Yes?

19 MR. BENJAMIN GRAHAM: Yes.

20 MS. KATHLEEN MCCANDLESS: And so now
21 that the Basic RSR is -- has essentially met
22 100 percent MCT, does MPI maintain the interpretation
23 of satisfying the obligation of the reserves
24 regulation if it has a plan to get it up to
25 five (5) -- to 100 percent in five (5) years?

1 MR. BENJAMIN GRAHAM: I believe that
2 the -- the plan for the five (5) years is if there is
3 a shortfall in capital, and we don't envision seeing
4 that.

5 MS. KATHLEEN MCCANDLESS: Okay.
6 Although it is a possibility, I suppose, at some point
7 in the future. So --

8 MR. BENJAMIN GRAHAM: We are an
9 insurance company. So sometimes you win; sometimes
10 you lose.

11 MS. KATHLEEN MCCANDLESS: Right. So
12 if that were the case, is MPI maintaining its
13 interpretation as set out at lines 6 to 8 here on the
14 page before you?

15 MR. BENJAMIN GRAHAM: Yes, that would
16 be correct.

17 MS. KATHLEEN MCCANDLESS: Now, who
18 enforces the reserves regulation, vis a vis MPI?

19

20 (BRIEF PAUSE)

21

22 MR. BENJAMIN GRAHAM: Just double
23 checking. If the Public Utilities Board approves that
24 plan, then it would be coming under the purview of the
25 Public Utilities Board.

1 MS. KATHLEEN MCCANDLESS: Thank you.
2 Now apart from -- of its obligations to file before
3 the Public Utilities Board, does MPI have any
4 reporting requirements under the regulation? For
5 example, reporting MCT ratios per quarter or something
6 of that nature?

7 MR. BENJAMIN GRAHAM: I don't believe
8 there's anything prescribed at the moment. But again
9 if that was something -- we are building fairly strong
10 enterprise risk management dashboards and if that was
11 something that the Public Utilities Board or the
12 government wishes to see at any time, we are open to
13 that.

14 MS. KATHLEEN MCCANDLESS: Thank you.
15 I'm now going to ask you just a few questions about
16 reinsurance.

17 MR. BENJAMIN GRAHAM: Yeah.

18 MS. KATHLEEN MCCANDLESS: We heard
19 from you this morning about reinsurance, and that
20 under your tenure as chief executive officer, MPI did
21 bring in a new reinsurance strategy. Yes?

22 MR. BENJAMIN GRAHAM: That's correct.

23 MS. KATHLEEN MCCANDLESS: And for
24 reference, that's MPI Exhibit number 45 slide 6.
25 There is a bullet there about optimizing reinsurance.

1 And so just to clarify as I understand
2 it, MPI will accumulate claims throughout the year,
3 and once losses exceed \$35 million, we'll make a claim
4 against reinsurance?

5 MR. BENJAMIN GRAHAM: That's correct.

6 MS. KATHLEEN MCCANDLESS: And so
7 that's a \$1 million deductible against -- or for each
8 catastrophic event? Is that...

9 MR. BENJAMIN GRAHAM: Yes, that's
10 correct. So once it abridges that threshold, all of
11 those claims can be attributed to the aggregate tower.
12 Correct.

13 MS. KATHLEEN MCCANDLESS: And what has
14 been MPI's experience to date with this change?

15 MR. BENJAMIN GRAHAM: We had a really
16 good year, and I think we had some losses occur, I
17 believe, about three (3) weeks ago which should total
18 somewhere between 10 and 12 million claims incurred
19 from a cap loss perspective.

20 MS. KATHLEEN MCCANDLESS: And is MPI
21 looking at any further changes to its reinsurance
22 strategy?

23 MR. BENJAMIN GRAHAM: Making it
24 cheaper. The thirty-five (35) -- I'll just -- I'll
25 expand on it that a little bit.

1 So the thirty-five (35) might seem like
2 a lot, but again, obviously the closer you get down
3 from a deductible basis, it's exponentially more
4 expensive.

5 So the rate online for getting it down
6 between -- if there's was a rate online for a five (5)
7 in excess of thirty (30) to get us up to thirty-five
8 (35), that might cost us two-thirds (2/3s) of the
9 actual coverage.

10 So it doesn't make sense for -- for
11 ratepayers to pay that amount for another small layer
12 of insurance.

13 MS. KATHLEEN MCCANDLESS: Thank you.
14 And now also with respect to this slide under number 2
15 under "achieved", you spoke this morning about the
16 100 percent MCT target in capital management plan and
17 that being a -- representing a promise kept. Yes?

18 MR. BENJAMIN GRAHAM: That's correct.

19 MS. KATHLEEN MCCANDLESS: Now,
20 previously the Public Utilities Board has found that
21 the evidence led didn't support a Basic capital target
22 level as high as a 100 percent MCT.

23 So when you state that this is a
24 promise kept, to whom was the promise made?

25 MR. BENJAMIN GRAHAM: I believe that

1 we stated that we felt that a one hundred (100) MCT
2 target was appropriate for a Crown corporation.

3 And since that time, it has now been
4 put into regulation, and our application this year is
5 formed around that specific framework.

6 MS. KATHLEEN MCCANDLESS: Thank you.
7 And then at the bottom of this slide, we have progress
8 made, and number 2 is "modernized products and
9 services." Yes?

10 MR. BENJAMIN GRAHAM: That's correct.

11 MS. KATHLEEN MCCANDLESS: And so
12 Project NOVA, formerly Legacy Systems Modernization --
13 is that one of the major products and services you're
14 intending to modernize?

15 MR. BENJAMIN GRAHAM: Yes. If -- if
16 you think about it, the products is more around the
17 products waiting which we provide customers.

18 And then the services piece is how we
19 deliver those products to our customers. So NOVA is a
20 key enabler in that process.

21 MS. KATHLEEN MCCANDLESS: Okay. And
22 so with respect to other products and services, you
23 mentioned this morning the issue of expanding choice
24 to --

25 MR. BENJAMIN GRAHAM: That's correct.

1 MS. KATHLEEN MCCANDLESS: Is that
2 what -- what this touches on here?

3 MR. BENJAMIN GRAHAM: Yes, that will
4 be.

5 MS. KATHLEEN MCCANDLESS: Now, if we
6 could go to slide 10, please? And this is, again,
7 about Project NOVA. And you mentioned this morning
8 about MPI engaging with customer working groups over
9 the life of the project. Yes?

10 MR. BENJAMIN GRAHAM: Yes, we will.

11 MS. KATHLEEN MCCANDLESS: And so
12 perhaps you could just expand a bit on what that looks
13 like. So the number of groups and the frequency which
14 the -- which those groups are --

15 MR. BENJAMIN GRAHAM: Yeah. I -- I
16 don't have a specific plan sitting in front of me.
17 But the way that we would do it is this is a
18 business-driven project; therefore, if we're going to
19 look at our processes end to end throughout the
20 insurance loss cycle, customers are going to drive the
21 types of things that they feel they have value from
22 and those that don't.

23 So I know that we've done a fair amount
24 of lane value stream mapping throughout the
25 organization in the last twelve (12) months, and we

1 found a number of processes that are quite clunky or
2 bureaucratic in nature, and we're -- and we're
3 starting to remove those steps in the process that
4 either don't help making a decision on the claim or
5 the policy or doesn't impact the final settlement
6 amount.

7 So making sure that it's as -- as quick
8 and as easy as possible is where customers want to go.
9 And -- and so engaging them in the process of
10 remapping our processes to make sure they get what
11 they want is key.

12 MS. KATHLEEN MCCANDLESS: Thank you.
13 Can we please go to slide 12 of the presentation. So
14 on the right side of this slide is the information as
15 to the financial performance actual to the end of Q1
16 for 2019/'20. Yes?

17 MR. BENJAMIN GRAHAM: Correct.

18 MS. KATHLEEN MCCANDLESS: And based on
19 the first quarter comparison that's been provided to,
20 what extent is the improved financial position related
21 to changes -- to interest rate changes as compared to
22 claims frequency or severity experience?

23 MR. BENJAMIN GRAHAM: Yeah. If you --
24 if you look at the -- the claims incurred number,
25 that's -- that's a little bit misleading because of

1 the impact that interest rates have on our long-term
2 liabilities.

3 But again, as I mentioned before, back
4 to budgeting numbers, we're about 20 percent below on
5 PIPP. I believe it was sixteen (16) on physical
6 damage and six (6) below on expenses.

7 So with all of those things that we're
8 doing, unfortunately the shift in interest rates
9 visually takes us away from those achievements. But
10 if we were to strip out the interest rate impacts,
11 that that's how we're traveling as a corporation.

12 MS. KATHLEEN MCCANDLESS: And there is
13 some information at the bottom of this slide about the
14 Basic MCT for the end of Q2. So does the corporation
15 have its second quarter results on a preliminary basis
16 at this time?

17 MR. BENJAMIN GRAHAM: Yes, we do.

18 MS. KATHLEEN MCCANDLESS: And are you
19 able today to speak to whether they are more
20 favourable than what was forecast for the second
21 quarter previously?

22 MR. BENJAMIN GRAHAM: I've just been
23 told in general terms. I'll just double check what
24 that means.

25

1 (BRIEF PAUSE)

2

3 MR. BENJAMIN GRAHAM: Yes, I can
4 answer some questions. Yeah.

5 MS. KATHLEEN MCCANDLESS: The question
6 was very general. It really was whether they are more
7 favourable than what was forecast previously to the
8 end of Q2.

9 MR. BENJAMIN GRAHAM: They are.

10 MS. KATHLEEN MCCANDLESS: And this is
11 likely a question for your counsel, but I expect that
12 we will receive the Q2 financial report when it's been
13 approved for release? Thank you.

14 MR. STEVEN SCARFONE: That's correct,
15 counsel.

16

17 CONTINUED BY MS. KATHLEEN MCCANDLESS:

18 MS. KATHLEEN MCCANDLESS: Now, if we
19 could go ahead to slide 13 which simply highlights the
20 amended rate request. So MPI's operations have some
21 seasonality. Correct?

22 MR. BENJAMIN GRAHAM: Yeah, that's
23 correct.

24 MS. KATHLEEN MCCANDLESS: And does the
25 corporation anticipate experiencing a higher number of

1 claims during the next six (6) months? For example,
2 coming into the winter driving season?

3 MR. BENJAMIN GRAHAM: Yeah. The way
4 that our budget is forecast for the year is we do
5 perform traditionally better in the drier, warmer
6 months. So we will see a deterioration in our claims
7 experience over the coming six (6) months.

8 But we still feel that we can make
9 our incremental gains on -- on where we are at
10 currently.

11 MS. KATHLEEN MCCANDLESS: That does
12 lead into my next question which was essentially given
13 the months we're leading into, how confident is the
14 corporation that what's been forecast for net income
15 for 2019/'20 can be achieved?

16 MR. BENJAMIN GRAHAM: Yes, we're
17 confident.

18 MS. KATHLEEN MCCANDLESS: Thank you.
19 Now, from a policy perspective, are there any risks to
20 the Corporation in revising its rate request to remove
21 the net CMP based on mid-year results of a year that
22 is not yet closed?

23 MR. BENJAMIN GRAHAM: We do not
24 foresee any risks.

25 MS. KATHLEEN MCCANDLESS: Thank you.

1 Those are my questions, Mr. Graham.

2 MR. BENJAMIN GRAHAM: Thank you.

3 THE CHAIRPERSON: Thank you, Ms.

4 McCandless.

5 Mr. Williams...?

6

7 CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

8 DR. BYRON WILLIAMS: Yes. Good

9 afternoon, panel, and Mr. Graham.

10 MR. BENJAMIN GRAHAM: Hi, Mr.

11 Williams. How are you?

12 DR. BYRON WILLIAMS: Good, thank you

13 for asking. Mr. Graham, I -- I think you mentioned

14 this in -- in discussions with legal counsel this

15 morning, but you're a relative newcomer to Manitoba?

16 Would that be fair?

17 MR. BENJAMIN GRAHAM: That's fair.

18 DR. BYRON WILLIAMS: But I take it you

19 rea -- you've realized that Manitoba is notorious for

20 its winters?

21 MR. BENJAMIN GRAHAM: Yes.

22 DR. BYRON WILLIAMS: And some elements

23 of the notorious winter conditions are regular winter

24 storms, agreed?

25 MR. BENJAMIN GRAHAM: That's correct.

1 DR. BYRON WILLIAMS: We call them
2 blizzards. Is that a term you're familiar with?

3 MR. BENJAMIN GRAHAM: I am now.

4 DR. BYRON WILLIAMS: And another
5 element is icy roads. That's characteristic --

6 MR. BENJAMIN GRAHAM: I am very well
7 aware of those, yes.

8 DR. BYRON WILLIAMS: And you're aware
9 that with regular storms and icy roads, there tends to
10 come an increasing frequency of accident. Would that
11 be fair, sir?

12 MR. BENJAMIN GRAHAM: Yes, and they
13 are built into our budget forecast every year.

14 DR. BYRON WILLIAMS: And testifying
15 under oath before the PUB today, you cannot predict
16 with certainty the severity of the pending winter, can
17 you?

18 MR. BENJAMIN GRAHAM: I -- I mentioned
19 earlier today that I am not Mother Nature, but again,
20 we've put processes in place to hopefully mitigate
21 those risks.

22 DR. BYRON WILLIAMS: And, sir, you
23 cannot predict with certainty the frequency of
24 collision claims --

25 MR. BENJAMIN GRAHAM: No.

1 DR. BYRON WILLIAMS: -- that may flow
2 from the winter of 2019/20?

3 MR. BENJAMIN GRAHAM: That's correct.

4 DR. BYRON WILLIAMS: Now, you've got
5 Mr. Johnston be -- beside you, Johnston with a 'T'.
6 When I misspeak during the hearing, Mr. Johnston, I've
7 got it on the record correctly --

8 MR. BENJAMIN GRAHAM: He does get very
9 angry.

10 DR. BYRON WILLIAMS: I -- I can -- I
11 can take you to a reference, but you could just look
12 to him for confirmation as well. It would be -- be
13 fair to say that if we look at the experience since
14 February 2013 of actual with expected experience in
15 previous year-end valuations for accident benefits
16 weekly indemnity, in every year since February 2013,
17 we have seen adverse development of prior accident
18 years, agreed?

19

20 (BRIEF PAUSE)

21

22 MR. BENJAMIN GRAHAM: I can confirm
23 that you are correct, but at the same time, the only
24 change that we've made to this application is relation
25 to taking out the capital maintenance provision as

1 compared to changing those numbers.

2 DR. BYRON WILLIAMS: And you are
3 aware, sir, that -- that there will be an external
4 actuarial policy liability valuation in October of
5 2019, agreed?

6 MR. BENJAMIN GRAHAM: That's correct.

7 DR. BYRON WILLIAMS: And again in
8 March 31st of 2020, given the thirteen (13) year in
9 this particular case?

10 MR. BENJAMIN GRAHAM: Yeah, sure.

11 DR. BYRON WILLIAMS: Thirteen (13)
12 month -- I misspoke. Thank you.

13 MR. BENJAMIN GRAHAM: Yes, that's
14 correct.

15 DR. BYRON WILLIAMS: And testifying
16 under oath today, you cannot say with certainty
17 whether or not the external actuary may find adverse
18 developments when they perform policy liability
19 valuations in October of 2019 or March of 2020.

20 MR. BENJAMIN GRAHAM: I cannot
21 guarantee it, but I think the chances of that are very
22 slim.

23 DR. BYRON WILLIAMS: Now, Mr. Graham,
24 Manitoba Public Insurance has a new corporate mission
25 statement. You're aware of that? You were pretty

1 instrumental on it.

2 MR. BENJAMIN GRAHAM: I -- I've --
3 yeah. Yes.

4 DR. BYRON WILLIAMS: And as you spoke
5 of this morning, one of the elements of that speaks to
6 exceptional coverage and service, including affordable
7 rates, agreed?

8 MR. BENJAMIN GRAHAM: That's correct.

9 DR. BYRON WILLIAMS: And similarly,
10 the corporate values, again, speak to maintaining
11 affordable grate -- rates. Is that correct, sir?

12 MR. BENJAMIN GRAHAM: That is correct.

13 DR. BYRON WILLIAMS: I wonder if we
14 can turn to CAC-MPI-2-4, Attachment A, the Deloitte
15 report PDF page 3. And Mr. Graham, you'll be familiar
16 with this report, at least at a high level. This was
17 research undertaken by Deloitte to -- consumer
18 research globally, nationally, and within Manitoba,
19 agreed?

20 MR. BENJAMIN GRAHAM: That's correct.

21 DR. BYRON WILLIAMS: And in this
22 report, sir, you wanted to get a -- a sense of
23 customemner -- customer needs globally within Manitoba
24 and in Manitoba with respect to insurance and driver
25 and vehicle services, correct?

1 MR. BENJAMIN GRAHAM: That is correct,
2 and I -- I thought it was important to make sure that
3 we didn't just use information based on our research.
4 We wanted it to be independent as well as making sure
5 that -- I think, Manitobans deserve to know what is
6 happening around the world or nationally to make sure
7 that we don't just pick something that's prob -- maybe
8 the easiest solution, but -- but something that is
9 meeting their needs and the best choice for everyone.

10 DR. BYRON WILLIAMS: And we can go to
11 page 11 of this report, but, sir, following up on that
12 answer, you wanted to let Manitobans know what was
13 happening generally elsewhere, agreed?

14 MR. BENJAMIN GRAHAM: It was an
15 internal report. It was just validating some of the
16 assumptions we had as a corporation.

17 DR. BYRON WILLIAMS: And you also
18 wanted insight in to what makes Manitoba's market
19 unique, correct?

20 MR. BENJAMIN GRAHAM: Of course. Yes.

21 DR. BYRON WILLIAMS: And on page 11 --
22 and I'll direct your attention to the top in terms of
23 the unique market structure and then the second bullet
24 -- one of the observations, I'll suggest to you, of
25 Deloitte was that due to Manitoba's unique insurance

1 market structure, there are some differences for
2 Manitoba customers as compared to the average
3 Canadian. Agreed?

4 MR. BENJAMIN GRAHAM: Yeah. Sure.

5 DR. BYRON WILLIAMS: And directing
6 your attention to the second bullet, you'll agree that
7 Deloitte found that in regards to auto insurance,
8 where there are no alternatives due to MPI's monopoly,
9 Manitobans are highly price-sensitive. Agreed, sir?

10 MR. BENJAMIN GRAHAM: If it's one
11 thing I've noticed since I moved here, it is how
12 price-sensitive Manitobans are.

13 DR. BYRON WILLIAMS: And Deloitte --
14 excuse me, Manitoba Public Insurance does survey
15 Manitobans, including those who have recently
16 purchased insurance, to test their satisfaction with
17 the services that MP is -- MPI is offering?

18 MR. BENJAMIN GRAHAM: That's correct.

19 DR. BYRON WILLIAMS: As well, you --
20 you -- you survey personal injury claimants as well as
21 collision claimants, agreed?

22 MR. BENJAMIN GRAHAM: Yes, we do.

23 DR. BYRON WILLIAMS: And if we could
24 turn to IBAM Information Request 2-6, Appendix 1, page
25 1. And sir, we're just going to stay on this page for

1 a second to refresh your memory.

2 MR. BENJAMIN GRAHAM: Yeah.

3 DR. BYRON WILLIAMS: You'll agree that
4 this was a survey of customers who had either vote --
5 visited a broker agency or an MPI service centre,
6 agreed?

7 MR. BENJAMIN GRAHAM: M-hm. Yeah.

8 DR. BYRON WILLIAMS: And turning -- go
9 ahead, sir.

10 MR. BENJAMIN GRAHAM: Yes, correct.
11 Yeah, sorry.

12 DR. BYRON WILLIAMS: Turning to page
13 9, and to the bottom of that -- well, we'll see --
14 stay at the top, here. Here, sir, we're not going to
15 dwell on this at -- in this point of the hearing, but
16 you'll see the overall satisfaction with coverage,
17 going to the lefthand-side column, is in the kind --
18 the 70 percent range, sir?

19 MR. BENJAMIN GRAHAM: Correct.

20 DR. BYRON WILLIAMS: And if we go down
21 to the bottom of this page, I'll suggest to you, sir,
22 that MP -- MPI also asked consumers what is not
23 satisfactory about coverage; and this -- these
24 questions were asked, if you need to refer to the
25 first asterisk, to those who gave a one (1) to five

1 (5) rating out of seven (7). Do you see that, sir?

2 MR. BENJAMIN GRAHAM: Yes, I do.

3 DR. BYRON WILLIAMS: And of those
4 individuals who were asked this question in terms of
5 what is not satisfactory, over 80 percent suggested
6 rates and prices are too expensive, agreed?

7 MR. BENJAMIN GRAHAM: I see that, yes.

8 DR. BYRON WILLIAMS: And, sir, you do
9 not need to go there. We do not need to go there
10 unless you're going to test me on this, but you'd
11 agree as well that when MPI has survi -- surveyed
12 injury claimants or collision claimants, it has found
13 that less than 50 percent agree that rates are
14 affordable?

15 MR. BENJAMIN GRAHAM: I don't recall
16 that number, but sure.

17 DR. BYRON WILLIAMS: Okay, and just
18 for your counsel's reference, if you want to check,
19 IBAM-2-7, Appendix 1, page 15, and IBAM-2-7, Appendix
20 2, page 19, Question (h).

21 MR. BENJAMIN GRAHAM: When you -- when
22 you -- when you look at the cross-section of those
23 that are surveyed at the time, I -- I trust that
24 people that have just been involved in a claim or an
25 accident where there is still a deductible attributed

1 to their recovery -- not too many people are overly
2 happy with that.

3 DR. BYRON WILLIAMS: And sir, of
4 course, this is the survey information right in front
5 of us --

6 MR. BENJAMIN GRAHAM: Yeah.

7 DR. BYRON WILLIAMS: -- on this page,
8 though, is of -- of those just going to -- to conduct
9 a transaction --

10 MR. BENJAMIN GRAHAM: Yes, not
11 surprising.

12 DR. BYRON WILLIAMS: And sir, you
13 spoke about this this morning, and I'm going to ask
14 you to confirm without asking you to elaborate. The
15 capital management plan contemplates transfers from
16 the Extension line of business to Basic reserves.
17 Agreed, sir?

18 MR. BENJAMIN GRAHAM: It doesn't
19 contemplate it. It's -- if there is excess capital
20 left over, it will be taken down to a hundred, and
21 that excess capital will be transferred to Basic.

22 DR. BYRON WILLIAMS: And, sir, when we
23 speak about Extension, you're aware -- and of course,
24 you can confirm for the panel -- that while the
25 coverages under Basic are mandatory, the com --

1 coverages under Extension are optional for Basic
2 consumers, agreed?

3 MR. BENJAMIN GRAHAM: That's correct.

4 DR. BYRON WILLIAMS: And you're aware,
5 and you can confirm for the panel, that while Basic is
6 a statutory monopoly, Extension is not a statutory
7 monopoly, correct?

8 MR. BENJAMIN GRAHAM: No, it is not.

9 DR. BYRON WILLIAMS: And so
10 theoretically, competitor -- competitors are able to
11 enter the Manitoba market and sell the optional
12 coverage to Manitobans, agreed?

13 MR. BENJAMIN GRAHAM: Yes, they can.
14 Absolutely.

15 DR. BYRON WILLIAMS: And so
16 theoretically again, sir, one of the risks of
17 transfers from Extension to Basic is pressure on the
18 Extension line of business from competitors, agreed?

19 MR. BENJAMIN GRAHAM: It could be.
20 Correct.

21 DR. BYRON WILLIAMS: And sir, prior to
22 coming to Manitoba Public Insurance, you worked in the
23 'exotic to this farm boy from Manitoba' city of Hong
24 Kong. Is that right, sir?

25 MR. BENJAMIN GRAHAM: That's correct.

1 DR. BYRON WILLIAMS: And you worked in
2 the private sector, agreed?

3 MR. BENJAMIN GRAHAM: Yes, I did.

4 DR. BYRON WILLIAMS: And you have
5 extensive experience, sir, in the dynamic of a
6 private-sector marketplace?

7 MR. BENJAMIN GRAHAM: I do.

8 DR. BYRON WILLIAMS: And you would
9 agree, sir, based on -- on your experience, that
10 unless there are market or regulatory barriers,
11 markets tend to be quite agile, agreed?

12 MR. BENJAMIN GRAHAM: Yes.

13 DR. BYRON WILLIAMS: So if someone has
14 a good thing going in terms of market share or
15 profits, in a competitive market, other players will
16 see opportunities to enter into the marketplace,
17 agreed?

18 MR. BENJAMIN GRAHAM: Absolutely.

19 DR. BYRON WILLIAMS: I wonder if we
20 can turn to the Corporation's response to CAC-MPI-1-
21 5(c).

22

23 (BRIEF PAUSE)

24

25 DR. BYRON WILLIAMS: And sir, you had

1 a conversation with Ms. McC -- Mur -- counsel for the
2 Public Utilities Board on this point, but just so --
3 in reviewing this application, it would be -- this --
4 this answer, it would be fair to say that currently,
5 Manitoba holds 95 percent or more of the Extension
6 auto insurance market, meaning that of those consumers
7 who choose to purchase a -- the Extension product, 95
8 percent of them are choosing MPI. Is that correct,
9 sir?

10 MR. BENJAMIN GRAHAM: That is correct,
11 and I assume that that is a byproduct of two things.
12 The first one is ease of claim. If there is a claim,
13 you're only dealing with MPI. And the second dynamic
14 there would be the price, and -- and -- and this --

15 BOARD MEMBER GABOR: Sorry, I missed
16 that. The second one is...?

17 MR. BENJAMIN GRAHAM: Price.

18 BOARD MEMBER GABOR: Price. Okay.

19 MR. BENJAMIN GRAHAM: So we actually
20 reduced our Extension prices this year by
21 approximately 6 percent already, so I assume that they
22 are the major drives of our market share.

23

24 CONTINUED BY DR. BYRON WILLIAMS:

25 DR. BYRON WILLIAMS: And sir, you'll

1 see as well that this market dominance has extended at
2 least since 2008. Agreed, sir?

3 MR. BENJAMIN GRAHAM: Sure. I've --

4 DR. BYRON WILLIAMS: Well, it -- it's
5 right there in front of you, sir.

6 MR. BENJAMIN GRAHAM: Oh, yeah.

7 Sorry. Yes. I didn't see the actual data. Yeah.

8 That's correct.

9 DR. BYRON WILLIAMS: And if we can go
10 to PUB-MPI-2-11, figure 1 from that response. And
11 sir, you, of course, were anticipating some of my
12 questions, but if you need to refresh your memory, we
13 can go to the previous page, but you'll accept that
14 this provides a ten-year history of certain
15 information related to the Extension line of business.
16 You'll accept that, sir?

17 MR. BENJAMIN GRAHAM: Yes, correct.

18 DR. BYRON WILLIAMS: And in the
19 lefthand column under rating year, you'll see the
20 particular year in question, and to its immediate
21 right, you'll see the overall profit target of MPI
22 when -- when setting rates for that year. See that,
23 sir?

24 MR. BENJAMIN GRAHAM: I do.

25 DR. BYRON WILLIAMS: And going over to

1 the far right column, you'll see the actual overall
2 rate change in that particular year, sir?

3 MR. BENJAMIN GRAHAM: That's correct.

4 DR. BYRON WILLIAMS: And, sir,
5 focussing your attention on the years 2014 through to
6 2018, would it be fair to say that the lowest overall
7 pro -- profit target in that period was 15.7 percent
8 in 2013?

9 MR. BENJAMIN GRAHAM: That's correct.

10 DR. BYRON WILLIAMS: And in 2018, MPI
11 was looking for -- had to set its rates with a profit
12 target of 32 percent?

13 MR. BENJAMIN GRAHAM: That's correct.

14 DR. BYRON WILLIAMS: And again,
15 generally, in terms of the trend on the right-hand
16 side being the actual overall rate change, would it be
17 fair to describe it as decreasing or less than
18 inflation increases?

19 MR. BENJAMIN GRAHAM: Correct.

20 DR. BYRON WILLIAMS: So, sir, Mr.
21 Graham, focussing on risk to continuity of capital
22 maintenance Extensions from competition, would it be
23 fair to say that with 95 percent market share and
24 profits of this level, that this market in Manitoba is
25 not -- not functioning like the economic textbooks

1 tell us a market normally operates?

2 MR. STEVEN SCARFONE: Well, I'm just
3 going to jump in here. Mr. Williams, what -- the
4 question is premised on a textbook that I don't know
5 that Mr. Graham is familiar with or -- or has read.

6 DR. BYRON WILLIAMS: Well, let me re -
7 - rephrase it then.

8

9 CONTINUED BY DR. BYRON WILLIAMS:

10 DR. BYRON WILLIAMS: Sir, based upon
11 your many years of experience with market dynamics and
12 given the 95 percent market share enduring since 2008,
13 at least, and profits of this level, that would
14 suggest to you that this market is not functioning
15 like you would have expected a market to operate?

16 MR. BENJAMIN GRAHAM: As specific to
17 Extension, in a number of markets that I've been privy
18 to, it's not -- it's not unusual to see a combined
19 operating ratio target of around eighty-five (85), so
20 a 15 percent would be absolutely reasonable.

21 Anything in the high to mid-twenties
22 (20)s, or even early-thirties (30s), I believe in the
23 past -- and I don't want to speak to any predecessors
24 -- I felt that potentially Extension was simply being
25 used to potentially cross-subsidize the losses that

1 were being made on Basic.

2 And for a number of years, from the
3 evidence that I've seen, that was the case, so. Now,
4 as we have a one hundred (100) MCT from a -- from an
5 RSR perspective, we are now crossing break even.

6 I can only see over time the rates
7 being charged for Extension as potentially going down.

8 DR. BYRON WILLIAMS: Sir, how is it
9 that MPI can enjoy profit targets in the range of 32
10 percent for -- for Extension? What does that tell us
11 about the dynamics of that marketplace?

12 MR. BENJAMIN GRAHAM: It tells me a
13 couple of things. The first one (1) is that people
14 value the Extension product, so they're willing to pay
15 for it. It also tells me that, in the -- maybe
16 there's room to move on price and we can potentially
17 go down.

18 But again, for -- if you look at it
19 from a portfolio underwriting perspective, it wasn't
20 remiss on me, for example, to take a medical product
21 as a loss later to -- for a corporate to potentially
22 sell the more profitable business.

23 People will take Basic. And if they
24 see the value of this and the price is not that
25 expensive compared to the coverage that they receive,

1 then that -- that sounds reasonable.

2 DR. BYRON WILLIAMS: Just a last
3 couple of questions, sir. And if these are beyond
4 your knowledge, you'll just advise me of that.

5 MR. BENJAMIN GRAHAM: No.

6 DR. BYRON WILLIAMS: As CEO, your duty
7 is to be generally aware of the operations of your
8 sister Crown and automobile insurers in other
9 provinces. Would that be fair?

10 MR. BENJAMIN GRAHAM: That's correct.

11 DR. BYRON WILLIAMS: Based on that
12 knowledge, would it be fair to suggest to you that in
13 Saskatchewan, the Crown insurer does not enjoy a 95
14 percent market share in Extension services?

15 MR. BENJAMIN GRAHAM: Okay. Sure.

16 DR. BYRON WILLIAMS: And would it be
17 fair to suggest it's less than 70 percent?

18 MR. BENJAMIN GRAHAM: Possibly, yes.

19 DR. BYRON WILLIAMS: Again, if this is
20 beyond your knowledge, sir, you'll let me know. Do
21 you have a view on the reasons for the difference
22 between the absolute market dom -- dominance of MPI in
23 Manitoba versus the -- the more robust market in
24 Saskatchewan?

25 MR. BENJAMIN GRAHAM: I couldn't

1 really hazard a guess. But the fact is that SGI have
2 two (2) operating companies.

3 So, you have auto fund, which is very
4 similar to the model that we operate under. And then
5 SGI Canada is a privately-held company, and they sell
6 a range of different products.

7 So, I think it's just potentially maybe
8 market knowledge.

9 DR. BYRON WILLIAMS: And so, some of
10 the seamless transactions that you spoke about in
11 Manitoba may not be available in Saskatchewan?

12 MR. BENJAMIN GRAHAM: They still enjoy
13 it. They still enjoy a fair percentage but not as
14 high as us.

15 DR. BYRON WILLIAMS: Okay. Mr.
16 Graham, thank you for that. We'll talk to you later I
17 the Hearing.

18 MR. BENJAMIN GRAHAM: Will do.

19 DR. BYRON WILLIAMS: And, Madam Chair,
20 I appreciate the opportunity.

21 MR. BENJAMIN GRAHAM: Thanks.

22 THE CHAIRPERSON: Thank you, Mr.
23 Williams. Questions...?

24 BOARD MEMBER GABOR: Mr. Graham, I
25 want to pick up where Mr. Williams left off. You

1 enjoy 95 percent of the Extension market in Manitoba.

2 Is that correct?

3 MR. BENJAMIN GRAHAM: That is correct.

4 BOARD MEMBER GABOR: Have you done any
5 surveys of consumers in Manitoba to indicate whether
6 they knew that they had an option to buy Extension
7 elsewhere?

8 MR. BENJAMIN GRAHAM: I haven't got
9 that research in front of me.

10 BOARD MEMBER GABOR: Do you know, has
11 MPI ever done that research?

12 MR. BENJAMIN GRAHAM: Not to my
13 knowledge, no.

14 BOARD MEMBER GABOR: When somebody
15 goes to purchase insurance and they are asked by
16 either MPI or the agent if they want two hundred
17 thousand dollars (\$200,000) and the pur -- or -- or
18 the option to move up to a half a million dollars or a
19 million dollars, is it the practice of MPI to say, by
20 the way, if you move up beyond the two hundred
21 thousand dollars (\$200,000), you have the option to
22 obtain your Extension insurance somewhere else?

23 MR. BENJAMIN GRAHAM: I mean, we
24 wouldn't do that at a service centre. But in relation
25 to most of those transactions, they're done by the

1 broker network, so that is potentially a question for
2 them.

3 BOARD MEMBER GABOR: Is there a
4 directive from MPI to the brokers who represent you
5 that they should advise customers that, if they want
6 beyond Basic, there is an op -- opportunity to buy
7 Extension insurance elsewhere?

8 MR. BENJAMIN GRAHAM: To the best of
9 my knowledge, no such directive has ever been given.
10 And I would be very surprised if the brokers would be
11 doing that.

12 BOARD MEMBER GABOR: And I assume -- I
13 -- I -- we'll -- we'll talk to the brokers, but I
14 assume it's because they're getting a commission on
15 the Extension insurance?

16 MR. BENJAMIN GRAHAM: Yes, I believe
17 that commission is about 19.75.

18 BOARD MEMBER GABOR: Okay.

19

20 (BRIEF PAUSE)

21

22 BOARD MEMBER GABOR: In your push for
23 transparency, do you think it would be a positive
24 thing to educate consumers that Extension -- that
25 there is a competitive marketplace for Extension

1 insurance?

2

3

(BRIEF PAUSE)

4

5

MR. BENJAMIN GRAHAM: As a -- as a truly competitive line, I don't think it's our obligation to do that. I think that should happen at the point of sale.

9

So, if there was -- and again, the role of the broker is to compare what the best coverage is for a customer. So, if there is an -- an Extension coverage that meets a customer's needs better, then it is their duty to inform the buyer of what are the pros and cons and what is the price of that coverage.

15

BOARD MEMBER GABOR: If you move to the direct model as you propose, will the direct model provide information to the consumer that, if they want beyond Basic, that they're -- they have an opportunity to seek Extension elsewhere?

20

MR. BENJAMIN GRAHAM: We haven't designed what that would look like in an online portal, but I -- I'm assuming that that would come through just general maturity of this insurance market, that people would know where they can get their insurance from.

25

1 BOARD MEMBER GABOR: Well, I must say,
2 Mr. Graham, I'm pretty mature, and nobody ever
3 explained it to me that there was a -- that there was
4 an opportunity to buy Extension insurance, so I -- I
5 don't know how mature the market's going to have to
6 get.

7 MR. BENJAMIN GRAHAM: If I -- if I was
8 to go to -- as an example, if was in Australia and I
9 went to QBA to buy my insurance, I don't know if it's
10 QBA's obligation to say to a buyer, excuse me, do you
11 know that you can get this product elsewhere from a
12 competitor.

13 BOARD MEMBER GABOR: But your -- your
14 testimony is that it is the obligation of the broker
15 to do so?

16 MR. BENJAMIN GRAHAM: They provide the
17 advice to the customer on what meets their needs the
18 best, and we compete in that competitive market.

19 BOARD MEMBER GABOR: Okay. Thank you,
20 sir.

21 THE CHAIRPERSON: Thank you, Mr.
22 Graham. Ms. McCandless, at this point --

23 MS. KATHLEEN MCCANDLESS: Just -- does
24 MPI counsel have any re-exam for Mr. Graham?

25 MR. STEVEN SCARFONE: Just a couple of

1 re-exam questions, Madam Chairperson. Thank you, Ms.
2 McCandless.

3

4 RE-DIRECT BY MR. STEVEN SCARFONE:

5 MR. STEVEN SCARFONE: Mr. Graham, my
6 learned friend, Mr. Williams, brought to your
7 attention MPIC new mission statement. Do you recall
8 that?

9 MR. BENJAMIN GRAHAM: I do.

10 MR. STEVEN SCARFONE: And you'll be
11 familiar with it? It reads that:

12 "MPIC will provide exceptional
13 coverage and service, affordable
14 rates, and safer roads through
15 public auto insurance."

16 Is that right?

17 MR. BENJAMIN GRAHAM: That's correct.

18 MR. STEVEN SCARFONE: Just focussing
19 on the affordable rates portion of that mission
20 statement, sir, would you agree that affordable rates
21 would include more stable rates?

22 MR. BENJAMIN GRAHAM: That's correct.
23 Predictability is important.

24 MR. STEVEN SCARFONE: And less
25 volatility in rates?

1 MR. BENJAMIN GRAHAM: That is one (1)
2 of our objectives, yes.

3 MR. STEVEN SCARFONE: And who, sir, is
4 the mission statement directed to? Who is this
5 commitment to?

6 MR. BENJAMIN GRAHAM: The mission
7 statement is -- is a very clear direction. And it's -
8 - it's also adjudicated on by government to make sure
9 that we are very clear on what we are to provide
10 Manitobans.

11 MR. STEVEN SCARFONE: So, it's
12 directed to the customers then?

13 MR. BENJAMIN GRAHAM: Yes, correct.

14 MR. STEVEN SCARFONE: And in your
15 experience, sir, does a sufficiently capitalized
16 insurance company provide more stable and less
17 volatile rates?

18 MR. BENJAMIN GRAHAM: It certainly
19 does.

20 MR. STEVEN SCARFONE: And does the 100
21 percent MCT target that's now enshrined in regulation
22 provide that sta -- stability and less volatility in
23 your view?

24 MR. BENJAMIN GRAHAM: It does provide
25 further stability on rights. Having said that, as I -

1 - as I mentioned earlier, we are an insurance company,
2 so depending on loss experience, you know, we have to
3 -- we have to navigate those roads as they come.

4 MR. STEVEN SCARFONE: And, in your
5 view, is the 100 percent MCT reserve regulation
6 fulfilling the mission statement, in particular, the
7 affordable rates portion of that mission statement?

8 MR. BENJAMIN GRAHAM: Absolutely. I
9 think it's very important that we have a very single
10 target point. A large range I feel does not provide
11 that level of certainty. And I think that the 100 MCT
12 again is the minimum, and I think it's appropriate for
13 a Crown corporation.

14 MR. STEVEN SCARFONE: And so, Ms.
15 McCandless asked you about promises kept. Would you
16 agree then, sir, that a promise perhaps of 100 percent
17 MCT, given what you've said, was a promise made to
18 your customers?

19 MR. BENJAMIN GRAHAM: Yes. I think I
20 promised less, but I think we've out performed our --
21 our budget and our forecasts.

22 MR. STEVEN SCARFONE: And then just
23 one (1) other area of redirect, Mr. Graham. My
24 learned friend asked you about the forecasts. And you
25 mentioned that you're not Mother Nature. And maybe

1 this is Mr. Johnston's bailiwick, but do you know,
2 sir, if the MPI forecasts for revenues and expenses
3 factor into the historical data?

4 MR. BENJAMIN GRAHAM: Yeah. Well, I
5 have to start somewhere, so. We don't recreate the
6 wheel every year, so -- especially when you come to
7 things around reserves. You don't have one (1) good
8 year, and then automatically change forecasts, it
9 happens over a period of time.

10 MR. STEVEN SCARFONE: And would that
11 historical data include the blizzards and the icy
12 roads that my friend, Mr. Williams, alluded to?

13 MR. BENJAMIN GRAHAM: They do.

14 MR. STEVEN SCARFONE: Thank you.
15 Those are all my questions.

16 THE CHAIRPERSON: Thank you, Mr.
17 Scarfone.

18

19 (PANEL STANDS DOWN)

20

21 THE CHAIRPERSON: Ms. McCandless...?

22 MS. KATHLEEN MCCANDLESS: So, we do
23 have about an hour left for the day. And the in --
24 investments and expenses panel is prepared to come and
25 start their PowerPoint presentation before the Board

1 if that's what the panel would like.

2 Perhaps we should take a short break so
3 that they can come up and...

4 THE CHAIRPERSON: Yes, that would be
5 great. Can we reconvene at 3:10, please?

6

7 --- Upon recessing at 2:59 p.m.

8 --- Upon resuming at 3:11 p.m.

9

10 THE CHAIRPERSON: Thank you. Mr.
11 Guerra, please proceed.

12 MR. ANTHONY GUERRA: Thank you, Madam
13 Chairperson.

14 So to begin, I noted that earlier in
15 our discussion we had to address this panel as the
16 expenses and investments panel. The issues that will
17 actually be discussed in this panel are -- are
18 revenues, expenses, and investments, and to that end
19 we have a panel comprised of four (4) members of the
20 Corporation, Mr. Mark Giesbrecht, who is our Vice-
21 President of Finance and our Chief Financial Officer.
22 He will be presenting the revenues portion of the
23 three (3) presentations.

24 And we will go in succession, so we
25 will hear from revenues and then we will have a

1 separate slide show presentation with respect to
2 expenses, and then we'll have a -- a third
3 presentation with respect to investments -- Ms.
4 Cynthia Campbell, our Corporate Controller, who will
5 be providing the expenses presentation, and then
6 finally Mr. Glenn Bunston, our Manager, Investments,
7 who will be presenting the investments presentation.

8 However, I should also note that we
9 will have Mr. Luke Johnston, our Chief Actuary and
10 Vice-President of Product and Risk Management, who
11 will also be here to field any questions.

12 So to that end I think it would be
13 appropriate at this time to have all of the witnesses
14 on this panel sworn or affirmed.

15 THE CHAIRPERSON: Thank you.

16

17 MPI PANEL 2:

18 CYNTHIA CAMPBELL, AFFIRMED

19 MARK GIESBRECHT, SWORN

20 MR. GLENN BUNSTON, AFFIRMED

21 LUKE JOHNSTON, AFFIRMED

22

23 EXAMINATION-IN-CHIEF BY MR. ANTHONY GUERRA:

24 MR. ANTHONY GUERRA: Thank you very
25 much. So for the sake of efficiency, what I propose

1 that we do is, I will present the backgrounds of the
2 individual members. I will then get them to adopt
3 their presentation as -- as their evidence, and then
4 we'll go through the individual presentations one
5 after the other, and that we'll avoid the need of
6 having to reconfirm everyone's background and adoption
7 of evidence.

8 To that end I'd like to begin with Mr.
9 Giesbrecht. Mr. Giesbrecht, was I able to correctly
10 identify your designation as the Vice-President of
11 Finance and Chief Financial Officer of MPI?

12 MR. MARK GIESBRECHT: Yes, that's
13 correct.

14 MR. ANTHONY GUERRA: And can you
15 please explain how long you've held this position with
16 MPI?

17 MR. MARK GIESBRECHT: Approximate
18 two(2) years.

19 MR. ANTHONY GUERRA: And where were
20 you prior to that point in time?

21 MR. MARK GIESBRECHT: Prior to joining
22 MPI, I worked for Western Financial Group, where I had
23 the position of VP of Finance, where I oversaw the
24 financing of three (3) of their business units, two
25 (2) being regulated insurance companies and one (1) an

1 insurance brokerage. That was for approximately three
2 (3) years.

3 Prior to that I worked for Western Life
4 Assurance, who is a Canadian life insurance company,
5 also as VP of Finance for about three (3) years. And
6 prior to that I first got into insurance about twenty
7 (20) years ago as a life insurance licensed
8 salesperson.

9 MR. ANTHONY GUERRA: Thank you. And
10 is it fair to say again, as I mentioned previously,
11 that you're presenting the revenues portion of the
12 three (3) presentations this afternoon?

13 MR. MARK GIESBRECHT: Yes, that's
14 correct.

15 MR. ANTHONY GUERRA: And you're
16 prepared to adopt that presentation as your evidence
17 this afternoon?

18 MR. MARK GIESBRECHT: I am.

19 MR. ANTHONY GUERRA: Okay, thank you.
20 With respect to Ms. Campbell, did I -- did I get your
21 designation as the Corporate Controller correct?

22 MS. CYNTHIA CAMPBELL: Yes, you did.

23 MR. ANTHONY GUERRA: And can you
24 provide the Panel and the Interveners with your
25 background -- with your employment with MPI?

1 MS. CYNTHIA CAMPBELL: I have been the
2 Corporate Controller with MPI now over seven (7)
3 years. Before that I was the Corporate Controller at
4 the Canadian Wheat Board as well.

5 MR. ANTHONY GUERRA: Thank you. And
6 was I correct when I had indicated that you will be
7 giving the presentation with respect to expenses?

8 MS. CYNTHIA CAMPBELL: Yes, that's
9 correct.

10 MR. ANTHONY GUERRA: And you're
11 prepared to adopt that evidence -- presentation as
12 your evidence today?

13 MS. CYNTHIA CAMPBELL: Yes.

14 MR. ANTHONY GUERRA: Thank you. And
15 finally, Mr. Bunston, was I correct when I identified
16 you as the Manager of Investments for MPI?

17 MR. GLENN BUNSTON: Yes, that's
18 correct.

19 MR. ANTHONY GUERRA: And can you
20 please provide the Panel with the your background as
21 an employee of MPI, and prior to that as well?

22 MR. GLENN BUNSTON: Yes. I've been at
23 MPI for sixteen (16) years, fourteen (14) of those as
24 Manager of Investments. Prior to that I was a
25 Treasury Analyst at the Canadian Wheat Board.

1 MR. ANTHONY GUERRA: Thank you. And
2 was I correct when I identified you as having -- or
3 giving the investments presentation this afternoon?

4 MR. GLENN BUNSTON: Yes, that's
5 correct.

6 MR. ANTHONY GUERRA: And again,
7 confirm you will -- excuse me, will adopt this
8 evidence -- this presentation as your evidence?

9 MR. GLENN BUNSTON: Yes, I will.

10 MR. ANTHONY GUERRA: Okay, thank you.
11 And with that I'd like to turn it over to Mr.
12 Giesbrecht to present on the revenues portion.

13 MR. MARK GIESBRECHT: Okay, thank you
14 very much.

15 So as we've heard, just quickly here is
16 our agenda. I'll walk you through a quick overview of
17 our revenues. Mrs. Campbell will take us through
18 expenses, and we'll hear finally from Mr. Bunston on
19 the state of our investment portfolio.

20 In terms of revenues, not a lot has
21 changed from last year in terms of our structure, so
22 it'll be mostly refresher on the expense side. I am -
23 - I am happy to report that our expense ratio
24 continues to improve, and what that means is there is
25 more dollars from our ratepayers available for coming

1 back right to them in the form of claims as opposed to
2 running the cost of the operation, and we'll hear from
3 Mr. Bunston in terms of progress we've made on the
4 implementation of our asset liability and management
5 study and the new investment strategy.

6 So jumping into revenues then -- okay.
7 So on this slide here, you see a chart depicting our
8 gross revenues, and it shows that our vehicle premiums
9 represented the vast majority of Basic's total
10 revenues at about 93 percent. Drivers' licence
11 premiums, including DSR impacts make up 5 percent, and
12 services account for about 2 percent.

13 This make-up is consistent from prior
14 years and has not changed materially.

15 Okay. Now, on this slide we see the
16 amounts in terms of our -- our forecasted period in
17 terms of motor vehicle premiums, driver premiums, and
18 seated premiums and so on.

19 I need to back up for a second. Okay,
20 there we go. So in terms of motor vehicles, they are
21 -- excuse me, I went too far down the track here.
22 Okay, there we go.

23 So taking you through the factors that
24 impact Basic premiums. So there are five (5) main
25 components that comprise Basic premiums. There are

1 rate changes, volume changes, upgrade factors,
2 anti-theft discounts, and fleet rebates. So I'll take
3 you quicky through what each of those means.

4 As far as the rate, the updated
5 2020/2021 application includes a zero point six (0.6)
6 rate decrease which is comprised of our one point five
7 (1.5) break-even cost of policies less the two point
8 one (2.1) net capital maintenance provision that are
9 proposing to remove.

10 The 1.5 percent increase on the
11 break-even cost of policy shows how sensitive premiums
12 are to interest rate changes as our initial
13 application was for 0.1 percent using rates as at
14 February 2019.

15 Volume: So changes in volume are
16 basically the number of vehicles that are on the
17 street and in our fleet, and as you have volume
18 growth, of course, you're going to have more premium
19 that flows as a result of more vehicles being on the
20 road.

21 We have a forecast of roughly one point
22 four (1.4) percent which is based upon our recent
23 three (3) and five (5) year trends.

24 Upgrade: This is the component that is
25 forecasted in this application at about 2.5 percent,

1 again based on historical trends. Upgrade factors
2 include changes to makes and models of vehicles on the
3 road as well as insurance, uses, and territories.

4 Also included in upgrades is DSR
5 movements. However, this has stabilized over the past
6 few years, and currently, there is little impact on
7 the overall rate indication.

8 Anti-theft discounts for after-market
9 immobilizes equates to about \$2. million in rebates
10 for customers in the 2020/2021 forecast year. This
11 amount will reduce over time as the program is in
12 runoff and is no longer offered to new policies.

13 And fleet rebates: Owners of ten (10)
14 or more vehicles qualify as fleet customers and will
15 receive either a rebate or a surcharge based on actual
16 claims results.

17 Historical rebates have hovered around
18 \$18 million per year; surcharges at about \$2 million
19 per year for a net fleet rebate of roughly 16
20 million). This represents approximately a fleet
21 discount of about 20 percent.

22 Now on to the forecast numbers: So on
23 this chart, you see our forecasted revenues for motor
24 vehicles, drivers, and so on. Looking first at motor
25 vehicles.

1 Last year presented a milestone for the
2 Basic product in that 2018/2019, the first year that
3 the Basic product eclipsed \$1 million in earned
4 premium. For this rating application year, Basic
5 premiums are forecasted at \$1.09 billion. Again, this
6 represents 93 percent of the total Basic revenue.

7 Motor vehicle premiums are forecasted
8 to grow 4.8 percent in 2021 versus five point five
9 (5.5) in the prior year.

10 Included in these forecasts is a volume
11 growth factor near its lowest rate in the last ten
12 (10) years while upgrade factors remain relatively
13 stable in all years past and forecasted going forward.

14 On to the next slide, we'll see a
15 breakout of our driver premiums. Driver premiums
16 include both the base driver premium of forty-five
17 dollars (\$45) as well as the driver safety rating
18 licence premiums which slide on a scale based on
19 merits and demerits.

20 About \$24 million or 34 percent of
21 driver premiums come from the forty-five dollar (\$45)
22 base fee with a further \$47 million or 66 percent
23 coming from demerit licence surcharges.

24 This \$47 million acts as an incentive
25 to encourage better driving behaviours on the road

1 which ultimately will lead to safer roads for all
2 Manitobans.

3 In terms of the premiums and how they
4 are forecasted, we are expecting for the application
5 year \$71.2 million. Due to the order in 2018, there
6 was an increase in how the DSR demerit factors were
7 derived, and as a result, we've seen a large jump in
8 driver's premiums in 2018/'19 and '19/'20 as compared
9 to prior years.

10 This year over year growth for these
11 years are estimated at 22 percent and 17 percent
12 respectively. This will then slow to about 2 to
13 4 percent going forward based on normal volume growth
14 pending any future changes to the DSR program.

15 Now, reinsurance premiums: Reinsurance
16 really is about exceeding risk and using insurance for
17 insurance companies. So it's a way to mitigate risk
18 and a way to reduce volatility. It also acts to
19 reduce capital requirements for insurance companies.

20 As we've heard today, we have made a
21 change to our structure in 2019 whereby we've changed
22 from a single incident coverage type to an aggregate
23 cover that will kick at \$35 million.

24 We also insure large casualty claims in
25 the event we retain the first \$10 million. So if we

1 do have large claims with multi vehicles -- you know,
2 multi casualty or injuries over \$10 million, we'll
3 have -- reinsurance will kick in on that standpoint.

4 And here you see how that translates
5 into the cost. Historically, a Basic reinsurance
6 hovered around \$12 million annually. With a change in
7 catastrophic coverage, this amount has increased by
8 about \$2 million to about \$14 million per year.

9 This additional reinsurance spend adds
10 better value through aggregate event coverage and
11 resulting improvement in future catastrophic loss
12 forecasting.

13 So as we heard today from our CEO, we
14 find that we'll have a lot better value in the current
15 program as it relates to predicting future losses and
16 getting ultimate value for all Manitobans.

17

18 (BRIEF PAUSE)

19

20 MR. MARK GIESBRECHT: I'll just wait
21 for this slide to advance. Next, we'll talk about
22 service fees. Okay. There we go.

23 So MPI received revenue from various
24 services and customer transactions. These include:
25 financing interest costs, late charges and NSF fees,

1 driver education course fees, and other various
2 transaction fees.

3 Over 50 percent of these fees come from
4 interest revenues, and the majority of these fees have
5 not been updated in over twenty (20) years.

6 So when we came last year to the PUB,
7 we had before you or we discussed a little bit about
8 how we're working with government to modernize these
9 costs.

10 There's really not much update this
11 year. We are still in the midst of discussion with
12 government to change both the government side of fees,
13 and then that will have a ripple effect into how we
14 charge, you know, fees to -- to Basic customers.

15 So not a lot of -- of change in that
16 regard. There was a jurisdictional scan that was
17 completed. What that told us was our fees are quite
18 outdated, hadn't been updated for CPI or inflation.

19 So we know there is some things that
20 we -- we will anticipate changing in the future, but
21 there are no changes pending or before you in this
22 application.

23 In terms of the dollars and cents, we
24 can see the current service fees charged are about
25 \$28 million and grow to \$35 million over the forecast

1 period. Again, no changes to the current structure
2 from last year in this application. All the
3 forecasted growth is based on just growth organically
4 within our customer base. And with that, I'll pass it
5 over to Ms. Campbell to discuss expenses.

6 MS. CYNTHIA CAMPBELL: Thank you, Mr.
7 Giesbrecht. Members of the Board, thank you for the
8 opportunity to speak today. I'm going to just take a
9 couple of minutes to outline the operating expense
10 forecast for the 2020 rate application and how it
11 doesn't significantly impact the rates being
12 requested.

13 Prudent fiscal management is a priority
14 at MPI. There's over a 2 percent reduction in
15 operating expenses for the rating years compared to
16 the prior year application. So this is a second year
17 of continual expense decreases over prior year rate
18 applications.

19 So prudent fiscal management is a
20 prominent activity and mind set at MPI. Expenses
21 continue to be actively managed, and they don't factor
22 into the rates in this application. The 2018/19
23 fiscal year saw an extremely strong financial result
24 for the Corporation. This strong financial result
25 included a 5.1 percent under budget for operating

1 expenses.

2 However, these types of expenses cannot
3 continue in perpetuity. Annually, MPI needs to factor
4 in contractual increases relating to our -- relating
5 to our union contract. They are negotiated economic
6 and merit increases associated to salaries. They're
7 generally around 3.5 to 4.5 percent per annum.

8 Also coming into play is a general
9 price increase relating to an -- inflation. This is
10 generally around 2 percent, which is a normal consumer
11 price index increase. However, for this rate
12 application, for the 2020/21 and 2021/22 years, we
13 actually used the assumption of a zero percent
14 increase relating to CPI. So we have found decreases
15 in our expenses while not factoring in the inflation.

16 So despite the increases that we do
17 face on a regular basis, the average operating
18 expenses for the rating year for 2020 are lower than
19 the 2019 GRA by 5.4 million.

20 Examples of the way in which the
21 Corporation continually seeks out to -- to better
22 manage their expenses -- we've taken a look at our
23 warehouse leasing, and we are actually stopping the
24 lease on one of our warehouse space, and we're
25 combining space within Cityplace. So we are making

1 more effective and efficient use of our current
2 footprint.

3 To illustrate MPI's prudent fiscal
4 management, we've also outlined the operating expenses
5 compared to net premiums earned. So NPE, as it says
6 on the slide, is net premiums earned, which is our
7 revenue component within MPI. The lower the
8 percentage, the better the results, and as you can
9 see, this ratio decreased from 25.6 percent in 2014/15
10 to -- to 20.2 percent in 2020/21. That's a 5.4
11 percent decrease in Basic operating expenses when
12 compared to growth of net premiums earned.

13 If you refer to the line entitled total
14 Basic allocated corporate expenses -- that's a
15 mouthful. It's about midway down the slide. When you
16 compare the current year rate application to the
17 forecasted from the prior year, we have another
18 demonstration of the Basic expense reduction. This
19 decrease is 5.6 percent, or 2.3 percent from the prior
20 year application.

21 If you refer a couple lines down, total
22 Basic expenses, this number's highlighted. This
23 includes commissions and premium taxes. Our change
24 actually increases even further to 6.6 million, but it
25 decreases to 2.1 percent. So these decreases are due

1 to continued concentration on expense management, and
2 they're despite the contractual increases that are
3 embedded into our business.

4 Now, this chart shows the forecasted
5 Basic expenses over the next several years and
6 compared to the last three (3) applications. The
7 current rate year is in red, and the prior rate
8 applications are in various shades of blue.

9 As you can see, for 2018/19, the actual
10 results were below forecast from the prior
11 applications. This was mainly due to a very low FTE
12 number experienced in 2018/19, and we had low FTE
13 numbers -- sorry, FTE is full-time equivalent. My
14 apologies. We had this low personnel number due to
15 higher than usual retirements and turnover, which
16 meant larger number of vacant positions than
17 historical averages.

18 And as a result of these higher number
19 of vacant positions, we had a longer than normal
20 recruitment process due to the volumes of recruitments
21 that were required. So you do see a very strong
22 result coming through in 2018/19.

23 For 2020/21 and 2021/22, we are
24 forecasting below the prior year rate applications,
25 and as you can see, these expense forecast reductions

1 are not driving any rate increases and continually
2 demonstrate the corporate prudent fiscal management
3 philosophy.

4 Getting a little bit more into
5 compensation, the largest single operating expense
6 category that MPI deals with is compensation. It
7 comprises approximately 58 percent of our expenses in
8 2018/19, and it actually goes up to 61 percent during
9 the rating years. MPI is faced with those mandatory
10 annual increases relating to both economic and merit
11 compensation increases from the negotiated MGEU union
12 contract. Both of these increases combined over 3
13 percent per annum; however, basic salaries are only
14 expected to grow on average 2.3 percent from 2019/20
15 to 2021/22.

16 And we have these figures laid out for
17 you throughout the years, so again, despite a 1.75
18 percent merit increase assumption combined with the
19 economic increase of between 1 and 2 percent during
20 the years of the negotiated contract, the Corporation
21 has managed to increase at below these levels.

22 Overall, MPI has maintained effective
23 controls over expenses, and the expense forecast is
24 not the primary driver of the changes in the 2020 rate
25 application. And with that, I'm going to turn it over

1 to Mr. Bunston, who will discuss investments.

2 MR. GLENN BUNSTON: Thank you very
3 much. So I'm pleased to be here today to speak to you
4 about MPI's investment portfolio and the
5 implementation of our new investment strategy. This
6 last year has been a year of significant change at MPI
7 within our investment portfolio, as it has undergone
8 the largest transformation ever with the creation of
9 five (5) new investment portfolios, each with its own
10 asset allocation, the hiring of four (4) new
11 investment managers, and the addition of two (2) new
12 asset classes.

13 So I'll talk a little bit about the
14 objectives for our investment portfolio, and then the
15 -- the results of our asset liability management
16 study. I'll talk about the implementation to date of
17 the new investment strategy that resulted from the
18 asset liability management study. I'll talk about
19 interest rate forecasting; and finally the shadow
20 portfolios.

21 So the -- the main findings from the
22 asset liabi -- liability management study were to
23 develop unique investment strategies to allo -- allow
24 us to better align the purpose and characteristics of
25 the investment portfolio to the underlying

1 liabilities. We've reduced the volatility of the
2 Basic claims portfolio, and that has resulted in a --
3 a reduction of the risk -- investment risk and allowed
4 us to reduce our required capital.

5 And I'm happy to say that the new
6 investment strategy is almost fully implemented at
7 this point, with the exception of the illiquid asset
8 classes.

9 So turning to investment objectives for
10 our portfolio, as determined by our Board of Directors
11 and by the Government. So the first objective is to
12 reduce the volatility of the premiums charged to
13 customers; secondly, to directly match our investments
14 to the underlying liabilities. We've developed unique
15 investment strategies for each of the five (5)
16 portfolios, and this is all to ensure that we have
17 capital available to pay claims when they come due.

18 And finally, we want to have
19 appropriate levels of risk driven by the -- the
20 purpose of each of the portfolios. So the asset
21 liability management study has helped us to design
22 portfolios to meet each of these objectives.

23 So the major recommendations from the
24 asset liability management study were to segregate the
25 assets associated with the three (3) lines of business

1 at MPI, as well as our rate stabilization reserve and
2 employee future benefits portfolio. We've de-risked
3 the assets backing our Basic claims portfolio by
4 removing equities and alternatives, and we've better
5 diversified our fixed income and our equity
6 portfolios. And finally we've reduced our allocation
7 to equities, real estate, and infrastructure, which we
8 refer to as growth as -- assets collectively.

9 So the benefits of those actions are
10 that interest rate risk has been reduced by segmenting
11 the portfolios, and on the next slide I have some --
12 some numbers to illustrate that. There is less
13 volatility within the fixed income and equity
14 portfolios due to the increased diversification. And
15 finally we have, because of the asset mix in the rate
16 stabilization portfolio, it balances safety with the
17 opportunity to earn reasonable levels of return, and
18 that helps us to enhance the rate stability and lower
19 the rates required of customers.

20 So this slide illustrates the impact of
21 rising interest rates. This was pulled from the
22 investment section of the rate application. And it
23 shows that the average forecasted impact of a 1
24 percent increase in interest rates in the fiscal years
25 ending in 2021 and 2022 fell from an average of \$37

1 million in the 2018 General Rate Application to \$1.1
2 million in the 2020 General Rate Application. So the
3 impact of rising interest rates is significantly
4 reduced due to the new investment strategy.

5 This slide shows the previous asset
6 allocation that we had when we had a single commingled
7 portfolio, so we had 70 percent allocated to fixed
8 income assets, 30 percent to growth assets, which
9 again includes real estate, infrastructure, and
10 equities.

11 And on the bottom we see the high level
12 asset allocations for the three (3) portfolios, so the
13 Basic claims portfolio is invested a hundred percent
14 in fixed income assets, the rate stabilization reserve
15 portfolio is a balance portfolio with 50 percent in
16 fixed income and 50 percent in growth assets, and
17 finally the employee future benefits portfolio is 40
18 percent fixed income, 60 percent growth assets.

19 And the employee future benefits
20 portfolio has a higher weighting to growth assets in
21 order to ensure that the portfolio has a return that
22 can both outpace inflation and fund the pension
23 severance and extended health benefits that are owed
24 to retirees, and with -- the low yields on fixed
25 income assets are not sufficient to -- to fund these

1 liabilities.

2 And finally at the bottom we have the -
3 - the weight for the consolidated portfolio to fixed
4 income and growth assets with about 81 percent in
5 fixed income assets, but those weights will vary over
6 time depending on the relative weights of the -- of
7 the three (3) portfolios.

8 So here we see the asset allocation of
9 the Basic claims portfolio, so 60 percent is allocated
10 to provincial bonds, 20 percent to corporate bonds,
11 and 20 percent to non-marketable bonds, or what we
12 call MUSH bonds, and so we've increased the allocation
13 of corporate bonds and allocated all of our MUSH bonds
14 to the Basic claims portfolio in an effort to -- to
15 increase the yield of the portfolio.

16 Next we have the rate stabilization
17 reserve portfolio, so as I mentioned it's -- it's
18 balanced, so 50 percent in -- in fixed income. So we
19 can see it has -- in addition to corporate bonds and
20 provincial bonds, it has private debt with a 20
21 percent weight.

22 And then on the growth side, as --
23 global equities are in this portfolio with a weight of
24 23 percent, Canadian equities at twelve (12), real
25 estate at ten (10), and infrastructure at five.

1 Finally we have the employee future
2 benefits portfolio. So here we have only 40 percent
3 in fixed income, and it's in corporate bonds and
4 private debt, and then we have a mixture of the other
5 growth assets with global equity being the largest at
6 25 percent.

7 Again, the employee future benefits
8 portfolio funds pension obligations, severance, and
9 extended health benefits to employees -- to retired
10 employees.

11 In -- in terms of the real estate
12 portfolio, we are invested in a Canadian pooled real
13 estate fund, which is diversified by both geography
14 and investment type, and so it includes exposure to
15 office multi-family residential, retail, and
16 industrial real estate assets.

17 It owns assets located right across the
18 country. It's Canadian only. And just to give you
19 some examples of assets they own here in Winnipeg, the
20 fund owns the office tower located at 201 Portage
21 Avenue, it -- it owns the Crossroads Shopping Center
22 at Regent and Lagimodiere, and also the Colony Square
23 Apartment Tower at 500 Portage Avenue.

24 So we've added three (3) new asset
25 classes to the portfolio. So private debt is the

1 first one. Private debt is simply a loan -- a direct
2 loan between two (2) parties. It's a debt instrument
3 with a fixed maturity date and periodic payment of
4 interest throughout the life of the loan, just like a
5 bond.

6 However, private debt is not rated by
7 credit rating agencies and they're not widely marketed
8 by banks like -- like a normal bond. However, private
9 debt is generally much more flexible than a bond and
10 can meet -- can be tailored to meet the specific needs
11 of the borrowers. The -- the market for private debt
12 has grown significantly since the financial crisis in
13 2008 as banks have reduced their commercial lending
14 activities.

15 And so, private debt is less liquid
16 than public debt and, as a result, the yields are
17 generally higher, and by about seventy-five (75) basis
18 points.

19 We've also added exposure to global
20 equities, so this includes primarily developed market
21 equities. Examples of the developed markets are the
22 US, Japan, UK, France, Canada, Switzerland, Germany,
23 and Australia, among others.

24 And there is some exposure to emerging
25 market equities, as well. So, adding global equities

1 to the portfolio allows us to better diversify the
2 portfolio relative to our previous portfolio that had
3 only Canadian and US equities, and it provides a
4 greater opportunity set to the investment management
5 to select high quality securities.

6 And finally, we've added exposure to
7 low volatility global equities. So, here the manager
8 selects from the same universe of equities, global
9 equities, but they look to -- to choose stocks that
10 have less volatility than the average stock in the
11 universe.

12 And so, this offsets some of the
13 volatility of investing in global equities with
14 minimal reduction in return.

15 So, now I'll talk about the
16 implementation of the new investment strategy. So,
17 we've -- we've been working in implementing the new
18 portfolios since the plan was developed and approved
19 by our investment committee in April of 2018. And
20 this slide shows the major steps that we've completed
21 since last fall.

22 So, external investment management
23 companies have been hired to oversee the day-to-day
24 asset management of MPI's investment portfolio. They
25 have full discretion to select securities on behalf of

1 MPI in the relevant asset classes.

2 And in order to consider and review
3 every qualified investment manager across four (4)
4 asset classes in a relatively short period of time, we
5 retained a company who specializes in assisting
6 investors with selecting investment managers.

7 We worked with that company throughout
8 the fall of 2018 and into the winter of 2019. And
9 that resulted in -- in recommending three (3)
10 investment managers to our investment committee in
11 February of 2019, so we recommended two (2) global
12 equity managers and a corporate bond manager to the
13 committee.

14 And after they were approved, we moved
15 to review and negotiate and sign contracts with those
16 managers for the next couple of months.

17 Then we realized gains within our
18 equity portfolio and transitioned our Canadian
19 equities into pooled funds with the managers that were
20 previously managing our funds.

21 In March of two thou -- 2019, we
22 developed a plan to allocate our co-mingled portfolio
23 amongst the five (5) new portfolios. And then we, in
24 May and June, moved to actually move the securities
25 into the new portfolios.

1 In May, we recommended the final
2 investment manager, a private debt manager, to our
3 investment committee. And then we reviewed and
4 negotiated contracts with the manager. Our initial
5 transfer of funds to that manager happened on July
6 31st.

7 And we -- our final transfer to our
8 corporate bond manager also happened at the end of
9 July. And the funds that we sent to the corporate
10 bond manager, they were fully invested by the end of
11 August.

12 In September, we rebalanced between the
13 portfolios and -- and take -- took some money out of
14 the Basic claims portfolio to ensure that we were
15 matched to our liabilities on a dollar basis.

16 And the final step will be to -- to
17 liquidate a portion of our infrastructure portfolio to
18 get us to our target weights. We expect that to
19 happen in the -- in the fourth quarter of -- of this
20 calendar year and in -- in the first quarter of next
21 calendar year.

22 So, the new investment strategy was
23 substantially implemented by the August, which was
24 about three (3) months behind the original expectation
25 due to the complexities of creating these five (5) new

1 portfolios.

2 Next, I'll talk about interest rate
3 forecasting, and specifically the im -- the importance
4 of accurate in -- interest rate forecasts.

5 So, interest rates are a key input into
6 our financial model which is used to forecast our
7 revenues and expenses and is used to determine the
8 rate indication for our application and premiums
9 charged to customers in the next rating year.

10 So, using an accurate forecast ensures
11 that customers are charged the correct premium. And
12 updating the forecast with interest rates as of
13 September 30th reduces the time between when we make
14 that forecast and when we begin to charge new rates to
15 customers, resulting in a more accurate forecast.

16 And, finally, using accepted actuarial
17 practice reduces the impact of interest rates on
18 premiums charged to customers.

19

20 (BRIEF PAUSE)

21

22 MR. GLENN BUNSTON: So, our goal with
23 forecasting interest rates is to reduce pricing risk
24 by using the most accurate forecast. A naive forecast
25 simply uses today's actual interest rate as the

1 forecast for future interest rates.

2 And we believe that a naive interest
3 rate forecast is -- is a best estimate, and that is
4 supported by the statistical analysis that was
5 included in the rate application.

6 So, both the naive forecast and the
7 50/50 forecast have similar standard error, which is a
8 measure of variance, but the naive forecast is less
9 bias than the standard interest rate forecast or the
10 50/50 forecast, meaning that the forecast is closer to
11 actual interest rates.

12 So, figure INV-12 (phonetic) in the
13 Rate Application showed that the median naive forecast
14 is closest to the actual interest rate as it was
15 higher by only eleven (11) basis points while the
16 50/50 forecast was three (3) times higher than actual
17 interest rates, and it was higher by thirty-nine (39)
18 basis points.

19 So, we've hedged what we can by
20 developing unique investment portfolios and be
21 selecting a portfolio for Basic claims that includes
22 only fixed income assets and by matching the duration
23 and dollar value of the asset portfolio to the
24 associated claims liabilities.

25 Changes to the level of actual interest

1 rates relative to our forecast is beyond our control
2 and cannot be hedged. This is why it's critical to
3 use the most accurate and unbiased interest rate
4 forecast possible.

5 Finally, I'll talk about the shadow
6 portfolios and how those were created. So, four (4)
7 portfolios were developed with assistance from Mercer
8 and in conjunction with PUB council and its advisors
9 in accordance with the PUB order.

10 We created two (2) portfolios for the
11 Basic claims portfolio and two (2) for the employee
12 future benefits portfolios. The portfolios include
13 allocations to our existing asset classes as well as
14 real return bonds and private equities, and also
15 include the use of leverage or borrowing to invest.

16 And a representative of Mercer will be
17 here on October 16th to answer questions related to
18 the shadow portfolios.

19 So, in conclusion, unique investment
20 strategies are -- are better aligned to the purpose of
21 the associated liabilities. The volatility of the
22 Basic claims portfolio has been reduced because it's
23 invested in fixed income assets only.

24 And the expected reduction in
25 investment risk has had a positive impact on our re --

1 required capital. And I'm pleased to report that the
2 new investment strategy is almost fully implemented,
3 with the exception of the liquid asset classes.

4 That concludes my presentation.

5 MR. ANTHONY GUERRA: Thank you, Mr.
6 Bunston. And I believe that now concludes the -- the
7 evidence for the entire panel, subject to any
8 questions on redirect.

9

10 (BRIEF PAUSE)

11

12 THE CHAIRPERSON: Ms. McCandless, I
13 note that it's nine (9) minutes to four o'clock.

14 MS. KATHLEEN MCCANDLESS: M-hm.

15 THE CHAIRPERSON: Do you want to start
16 your cross-examination now or leave it until tomorrow
17 morning?

18 MR. KATHLEEN MCCANDLESS: I don't
19 think I'll be making any significant headway by
20 starting today, so my suggestion would be we adjourn
21 and start fresh tomorrow.

22 THE CHAIRPERSON: Thank you very much.
23 We'll be adjourned then for the day. And I'll see
24 everyone tomorrow at 9:00. Thank you.

25

1 (PANEL RETIRES)

2

3 --- Upon adjourning at 3:52 p.m.

4

5 Certified Correct,

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10 _____

11 Donna Whitehouse, Ms.

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