



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2021/2022 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Robert Gabor, Q.C. - Board Chairperson

I Hamilton, Q.C. - Panel Chair

C. Hainsworth - Board Member

(by Teleconference)

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

October 19, 2020

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APPEARANCES

Kathleen McCandless ) Board Counsel  
Robert Watchman (by phone) ) Board Counsel  
Steve Scarfone ) Manitoba Public  
Anthony Guerra (by phone) ) Insurance  
Byron Williams ) CAC (Manitoba)  
Charlotte Meek ) CMMG  
Antoine Hacault ) Taxicab Coalition

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17		2020
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22		5, 2020
23	MPI-9	RMF appendix 3 - Risk scorecards -
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4		(1-81) - July 8, 2020. Expenses - 2019	
5		compensation report	
6	CAC-2-77	CAC-MPI Round I Information Requests	
7		(1-81) - July 8, 2020. Expenses -	
8		employee future benefits	
9	CAC-2-78	CAC-MPI Round I Information Requests	
10		(1-81) - July 8, 2020. Pro formas -	
11		MPI risk profile change (if any)	
12	CAC-2-79	CAC-MPI Round I Information Requests	
13		(1-81) - July 8, 2020. Risk management	
14		framework - risk appetite statement	
15	CAC-2-80	CAC-MPI Round I Information Requests	
16		(1-81) - July 8, 2020. Risk management	
17		framework - risk management process,	
18		communication and consultation	
19	CAC-2-81	CAC-MPI Round I Information Requests	
20		(1-81) - July 8, 2020. Rate	
21		stabilization reserve - updated RSR	
22		Basic program amounts	
23	CAC-3	CAC-MPI CI Round I Information Requests	
24		(PUBLIC) - August 5, 2020	
25			

LIST OF EXHIBITS		
EXHIBIT NO.	DESCRIPTION	PAGE NO.
1		
2		
3	CAC-MPI CI 1-4. Value management -	
4	Project Nova - Duck Creek architecture	
5	fit with MPI	
6	CAC-MPI CI 1-5. Value management -	
7	Project Nova - General updates -	
8	challenges	
9	CAC-MPI Round II Information Requests	
10	(1-24) - August 24, 2020.	
11	CAC-MPI Round II Information Requests	
12	(1-24) - August 24, 2020. Claims	
13	incurred impact of COVID-19 and other	
14	risks and opportunities of COVID-19	
15	CAC-MPI Round II Information Requests	
16	(1-24) - August 24, 2020. Claims	
17	incurred impact of COVID-19 and other	
18	risks and opportunities of COVID-19 -	
19	investigation	
20	CAC-MPI Round II Information Requests	
21	(1-24) - August 24, 2020. Claims	
22	incurred impact of COVID-19 and other	
23	risks and opportunities of COVID-19 -	
24	other insurers	
25		

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CAC-4-4	CAC-MPI Round II Information Requests	
4		(1-24) - August 24, 2020. Revenue	
5		forecast and COVID-19 - vehicle upgrade	
6		forecast	
7	CAC-4-5	CAC-MPI Round II Information Requests	
8		(1-24) - August 24, 2020. Revenue	
9		forecast - volume forecast	
10	CAC-4-6	CAC-MPI Round II Information Requests	
11		(1-24) - August 24, 2020. Claims	
12		forecasting - figure CI-13 weekly	
13		indemnity ultimate losses - follow-up	
14		on the selection of LDFs	
15	CAC-4-7	CAC-MPI Round II Information Requests	
16		(1-24) - August 24, 2020. Ratemaking -	
17		relativity procedure	
18	CAC-4-8	CAC-MPI Round II Information Requests	
19		(1-24) - August 24, 2020. Claims	
20		forecasting - accident benefits - other	
21		non-indexed loss development selections	
22		- backlog of PIPP transactions	
23	CAC-4-9	CAC-MPI Round II Information Requests	
24		(1-24) - August 24, 2020. Collision	
25		claims forecast	



1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CAC-4-10	CAC-MPI Round II Information Requests	
4		(1-24) - August 24, 2020. Claims	
5		incurred - collision frequency forecast	
6	CAC-4-11	CAC-MPI Round II Information Requests	
7		(1-24) - August 24, 2020. Claims	
8		incurred - claims severity forecasts,	
9		claims management	
10	CAC-4-12	CAC-MPI Round II Information Requests	
11		(1-24) - August 24, 2020. DSR -	
12		timeline for proposal development -	
13		driver risk	
14	CAC-4-13	CAC-MPI Round II Information Requests	
15		(1-24) - August 24, 2020. DSR -	
16		timeline for proposal development	
17	CAC-4-14	CAC-MPI Round II Information Requests	
18		(1-24) - August 24, 2020. Coverage	
19		changes - supporting rationale for	
20		changes	
21	CAC-4-15	CAC-MPI Round II Information Requests	
22		(1-24) - August 24, 2020. Internal	
23		operating metrics	
24			
25			

LIST OF EXHIBITS		
EXHIBIT NO.	DESCRIPTION	PAGE NO.
CAC-4-16	CAC-MPI Round II Information Requests (1-24) - August 24, 2020. Shadow portfolios - real return bonds and surplus volatility	
EXHIBIT NO.	DESCRIPTION	PAGE NO.
CAC-4-22	CAC-MPI Round II Information Requests (1-24) - August 24, 2020. Project Nova	
CAC-4-23	CAC-MPI Round II Information Requests (1-24) - August 24, 2020. Project Nova - one-time cost reconciliations and allocations amongst lines of business	
CAC-4-24	CAC-MPI Round II Information Requests (1-24) - August 24, 2020. RSR level	
CMMG-1	Coalition of Manitoba Motorcycles Group Inc. Intervener request - June 25, 2020	
CMMG-2	CMMG-MPI Round I Information Requests (1-12) - July 8, 2020.	
CMMG-2-1	CMMG-MPI Round I Information Requests (1-12) - July 8, 2020. Claims forecasting - comparison	

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG-2-2	CMMG-MPI Round I Information Requests	
4		(1-12) - July 8, 2020. Overview - risk	
5		assessment/management - improved	
6		collisions	
7	CMMG-2-3	CMMG-MPI Round I Information Requests	
8		(1-12) - July 8, 2020. Claims	
9		forecasting - PIPP - motorcycle loss	
10		run (Loss Bordereau)	
11	CMMG-2-4	CMMG-MPI Round I Information Requests	
12		(1-12) - July 8, 2020. Ratemaking - PPV	
13		LDFs for BI and AB for motorcycles	
14	CMMG-2-5	CMMG-MPI Round I Information Requests	
15		(1-12) - July 8, 2020. Ratemaking -	
16		accident benefits loss development	
17		factors	
18	CMMG-2-6	CMMG-MPI Round I Information Requests	
19		(1-12) - July 8, 2020. Value	
20		management - serious v. non-serious	
21		injuries from motorcycle class	
22	CMMG-2-7	CMMG-MPI Round I Information Requests	
23		(1-12) - July 8, 2020. Benchmarking -	
24		comparison Manitoba loss costs to other	
25		jurisdictions	

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG-2-8	CMMG-MPI Round I Information Requests	
4		(1-12) - July 8, 2020. Benchmarking -	
5		operational - additional profiles for	
6		comparison figure BMK-3	
7	CMMG-2-9	CMMG-MPI Round I Information Requests	
8		(1-12) - July 8, 2020. Benchmarking -	
9		operational - disparities between MB	
10		and other jurisdictions	
11	CMMG-2-10	CMMG-MPI Round I Information Requests	
12		(1-12) - July 8, 2020. Investments -	
13		risk assessment/management - rate	
14		change for motorcycle class	
15		attributable to interest rate forecast	
16	CMMG-2-11	CMMG-MPI Round I Information Requests	
17		(1-12) - July 8, 2020. Driver safety	
18		rating - current model	
19	CMMG-2-12	CMMG-MPI Round I Information Requests	
20		(1-12) - July 8, 2020. Risk	
21		assessment/management - updated CMMG 1-	
22		19 from 2020 GRA	
23	CMMG-3	CMMG-MPI CI Round I Information	
24		Requests (PUBLIC) - August 5, 2020	
25			

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG-3-1	CMMG-MPI CI I-1 Reduction in claims	
4		frequency - cost for motorcycles	
5	CMMG-3-2	CMMG-MPI CI I-2 IT - Bill 7 - immediate	
6		roadside prohibitions	
7	CMMG-3-3	CMMG-MPI CI I-3 risk management	
8		framework - risk assessment and risk	
9		management	
10	CMMG-3-4	CMMG-MPI CI I-4 value management -	
11		changes to Basic coverage/deductibles	
12	CMMG-4	CMMG-MPI Round II Information Requests	
13		(1-10) - August 24, 2020.	
14	CMMG-4-1	CMMG-MPI Round II Information Requests	
15		(1-10) - August 24, 2020. Driver safety	
16		rating (DSR) - including but not	
17		limited to MPI's progress towards	
18		changes to the DSR system - number for	
19		each rating	
20	CMMG-4-2	CMMG-MPI Round II Information Requests	
21		(1-10) - August 24, 2020. Driver safety	
22		rating (DSR) - including but not	
23		limited to MPI's progress towards	
24		changes to the DSR system - PIPP	
25			

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG-4-3	CMMG-MPI Round II Information Requests	
4		(1-10) - August 24, 2020. Driver safety	
5		rating (DSR) - including but not	
6		limited to MPI's progress towards	
7		changes to the DSR system - 5 year	
8		stats	
9	CMMG-4-4	CMMG-MPI Round II Information Requests	
10		(1-10) - August 24, 2020. Rate	
11		indication - loss development factors	
12	CMMG-4-5	CMMG-MPI Round II Information Requests	
13		(1-10) - August 24, 2020. Performance	
14		of investment portfolio and composition	
15		of portfolio, benchmark portfolio on	
16		market value basis	
17	CMMG-4-6	CMMG-MPI Round II Information Requests	
18		(1-10) - August 24, 2020. Ray	
19		indication - LDS factors	
20	CMMG-4-7	CMMG-MPI Round II Information Requests	
21		(1-10) - August 24, 2020. Requested	
22		vehicle rate and changes to other fees	
23		and discounts - claims forecasting	
24		(PIPP)	
25			

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG-4-8	CMMG-MPI Round II Information Requests	
4		(1-10) - August 24, 2020. Rate	
5		indication - serious v. non-serious	
6		losses	
7	CMMG-4-9	CMMG-MPI Round II Information Requests	
8		(1-10) - August 24, 2020. Claims	
9		forecasting (including PIPP)	
10	CMMG-4-10	CMMG-MPI Round II Information Requests	
11		(1-10) - August 24, 2020. Cost of	
12		operations and cost containment	
13		measures - budget of road safety	
14		programs	
15	CMMG-5	CMMG letter regarding motion to compel	
16		responses - September 18, 2020	
17	CMMG-6	CMMG email to PUB the motion to compel	
18		responses - abandoned - September 22,	
19		2020	
20	TC-1-1	Taxi Coalition Intervener request	
21		including attachment A - June 25, 2020	
22	TC-1-2	Taxi Coalition Intervener request	
23		including attachment A - June 25, 2020	
24		CV of Jeff Crozier	
25			

1	LIST OF EXHIBITS	
2	EXHIBIT NO.	PAGE NO.
3	TC-1-3	Taxi Coalition Intervener request
4		including attachment A - June 25, 2020.
5		CV of Patrick Bowman
6	TC-2	TC-MPI Round I Information Requests (1-
7		20) - July 8, 2020
8	TC-2-1	TC-MPI Round I Information Requests (1-
9		20) - July 8, 2020.
10		Ratemaking/expenses - Vehicle For Hire
11		- differences in ratemaking approach by
12		subcategory by VFH.
13	TC-2-2	TC-MPI Round I Information Requests (1-
14		20) - July 8, 2020. Ratemaking - VFH
15		claims expenses - actual claims
16		experience and COVID-19 impact
17	TC-2-3	TC-MPI Round I Information Requests (1-
18		20) - July 8, 2020. Ratemaking - taxi
19		and passenger VFH rates - year-over-
20		year comparison
21	TC-2-4	TC-MPI Round I Information Requests (1-
22		20) - July 8, 2020. Application rate
23		tables - VFH - time bands
24		
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1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	TC-2-5	TC-MPI Round I Information Requests (1-	
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5		time bands	
6	TC-2-6	TC-MPI Round I Information Requests (1-	
7		20) - July 8, 2020. Ratemaking - VFH	
8		claims pool - claims outside commercial	
9		operation	
10	TC-2-7	TC-MPI Round I Information Requests (1-	
11		20) - July 8, 2020. Ratemaking - VFH	
12		rates - processes for claims handling	
13		and appropriate coverage	
14	TC-2-8	TC-MPI Round I Information Requests (1-	
15		20) - July 8, 2020. Rate setting	
16		framework - RSF - optimal VFH rating	
17		data	
18	TC-2-9	TC-MPI Round I Information Requests (1-	
19		20) - July 8, 2020. Ratemaking -	
20		taxicab VFH rates - appropriateness of	
21		VFH subcategories	
22	TC-2-10	TC-MPI Round I Information Requests (1-	
23		20) - July 8, 2020. Ratemaking -	
24		passenger VFH rates - initial	
25		ratemaking assumptions	

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	TC-2-11	TC-MPI Round I Information Requests (1-	
4		20) - July 8, 2020. Revenue - DSR	
5		impact on taxi-VFH - driver premium	
6		forecast by DSR level	
7	TC-2-12	TC-MPI Round I Information Requests (1-	
8		20) - July 8, 2020. Expenses - VFH	
9		rates - loss prevention programming	
10		outcomes	
11	TC-2-13	TC-MPI Round I Information Requests (1-	
12		20) - July 8, 2020. Ratemaking - VFH	
13		rates - impact of major class on	
14		subcategory rates	
15	TC-2-14	TC-MPI Round I Information Requests (1-	
16		20) - July 8, 2020. Ratemaking - VFH	
17		rates - flat rating certain VFH	
18		categories	
19	TC-2-15	TC-MPI Round I Information Requests (1-	
20		20) - July 8, 2020. Ratemaking/revenue	
21		- fleet rebate program	
22	TC-2-16	TC-MPI Round I Information Requests (1-	
23		20) - July 8, 2020. Benchmarking - BMK	
24		- rate comparison	
25			

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	TC-2-17	TC-MPI Round I Information Requests (1-	
4		20) - July 8, 2020. Basic Autopac	
5		coverage - coverage changes -	
6		implications for VFH	
7	TC-2-18	TC-MPI Round I Information Requests (1-	
8		20) - July 8, 2020. Ratemaking - VFH	
9		insurance framework - general industry	
10		monitoring	
11	TC-2-19	TC-MPI Round I Information Requests (1-	
12		20) - July 8, 2020. Value management -	
13		Project Nova - impact of Project Nova	
14		on VFH framework	
15	TC-3	TC-MPI Round II Information Requests	
16		(1-15) - August 24, 2020.	
17	TC-3-1	TC-MPI Round II Information Requests	
18		(1-15) - August 24, 2020. Vehicle For	
19		Hire - difference in ratemaking	
20		approach by subcategory of VFH.	
21	TC-3-2	TC-MPI Round II Information Requests	
22		(1-15) - August 24, 2020. Vehicle For	
23		Hire claims experience - actual claims	
24		experience and COVID-19 impact -	
25		appropriate level	

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	TC-3-3	TC-MPI Round II Information Requests	
4		(1-15) - August 24, 2020. Vehicle For	
5		Hire claims experience - just and	
6		reasonable rates	
7	TC-3-4	TC-MPI Round II Information Requests	
8		(1-15) - August 24, 2020. Vehicle For	
9		Hire claims experience - actual claims	
10		experience in COVID-19 impact - loss	
11		ratios	
12	TC-3-5	TC-MPI Round II Information Requests	
13		(1-15) - August 24, 2020. Taxi and	
14		passenger VFH rates - year-over-year	
15		comparison	
16	TC-3-6	TC-MPI Round II Information Requests	
17		(1-15) - August 24, 2020. Vehicle For	
18		Hire - time bands	
19	TC-3-7	TC-MPI Round II Information Requests	
20		(1-15) - August 24, 2020. Vehicle For	
21		Hire - framework redesign	
22	TC-3-8	TC-MPI Round II Information Requests	
23		(1-15) - August 24, 2020. Vehicle For	
24		Hire rates - processes for claims	
25		handling and appropriate coverage	

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	TC-3-9	TC-MPI Round II Information Requests	
4		(1-15) - August 24, 2020. Rate	
5		setting framework - optimal VFH rating	
6		data	
7	TC-3-10	TC-MPI Round II Information Requests	
8		(1-15) - August 24, 2020. Vehicle for	
9		higher rates - loss prevention	
10		programming outcomes	
11	TC-3-11	TC-MPI Round II Information Requests	
12		(1-15) - August 24, 2020. Vehicle For	
13		Hire rates - impact of major class on	
14		subcategory rates	
15	TC-3-12	TC-MPI Round II Information Requests	
16		(1-15) - August 24, 2020. Vehicle For	
17		Hire rates - flat rating certain VFH	
18		subcategories	
19	TC-3-13	TC-MPI Round II Information Requests	
20		(1-15) - August 24, 2020. Fleet rebate	
21		program	
22	TC-3-14	TC-MPI Round II Information Requests	
23		(1-15) - August 24, 2020. Benchmarking	
24		- rate comparison	
25			

LIST OF EXHIBITS		
EXHIBIT NO.	DESCRIPTION	PAGE NO.
TC-3-15	TC-MPI Round II Information Requests (1-15) - August 24, 2020. Coverage changes - implications for Vehicle For Hire	
TC-4	TC Pre-files testimony of Jeff Crozier and Patrick Bowman - September 21, 2020	
PUB-16	Book of documents of PUB counsel	76
PUB-17	Series of letters from MPI general counsel, dated June 17, 2020; July 8, 2020; August 13, 2020; September 23rd, 2020; and October 6, 2020.	77
MPI-28	Risk Management Framework and Response to COVID-19 Presentation	82
CAC-5	Opening Statement PowerPoint	116
PUB-18	Letter from Mr. Triggs Dated October 9th, 2020, Outlining Updated Rate Requests	162
PUB-19	Figure CI-34: Collision Forecast from the 2020 GRA	252
PUB-20	PUB Pre-ask 1 from the Special Rebate Application	257
MPI-29	Update to Appendix 1, Exhibit MPI-27305	

1	LIST OF UNDERTAKINGS		
2	NO.	DESCRIPTION	PAGE NO.
3	1	MPI to provide an exhibit	
4		providing details on the assumed	
5		Government of Canada ten (10) year bond	
6		yield, as well as spreads for both	
7		provincial and Corporate bonds in the	
8		October 9th update, based on August 31,	
9		2020 market yields. Also to provide	
10		the cash flow discount rate used in the	
11		October 9th update for each fiscal year	
12		end.	249
13	2	For MPI to provide to the budget on the	
14		financial reporting basis as opposed to	
15		the actuarial ultimate basis on a	
16		monthly basis for the same period as	
17		set out in MPI Exhibit 2 from the	
18		Special Rebate Application	265
19	3	MPI to provide the revised estimate of	
20		the 2020/'21 collision ultimate	
21		incurred, what is the change from the	
22		actual GRA forecast	273
23			
24			
25			

LIST OF UNDERTAKINGS (cont'd)		
1	2 No.	PAGE NO.
3	4	For MPI to provide the effective date
4		of the interest rate adjustment of
5		\$123.4 million as found in figure 1 at
6		PUB-MPI-2-22 <span style="float: right;">290</span>
7	5	MPI to provide incremental costs
8		associated with the special rate rebate
9		underlying the figure of seven hundred
10		and eighteen thousand (718,000),
11		including mailing costs, including
12		regulatory costs, with the regulatory
13		costs further disaggregated by PUB
14		costs, Intervener costs, and MPI
15		costs <span style="float: right;">324</span>
16	6	For MPI to provide, in terms of the
17		October 9th update found at MPI Exhibit
18		27, the COVID-19 impact disaggregated
19		in a version similar to what we find in
20		the response to CAC/MPI-1-4(b) <span style="float: right;">333</span>
21		
22		
23		
24		
25		



1 --- Upon commencing at 9:03 a.m.

2

3 THE PANEL CHAIRPERSON: Good morning,  
4 everyone. I am Irene Hamilton, chair for this panel  
5 of the Public Utilities Board. I now call this 2021  
6 Manitoba Public Insurance Corporation General Rate  
7 application Hearing to order.

8 I am joined by two (2) other Board  
9 members in this Hearing, Board Chair Robert Gabor and  
10 Board member Carol Hainsworth who is joining us via  
11 teleconference.

12 Also with us today is Dr. Darren  
13 Christle, secretary to the Board, Ms. Kristen  
14 Schubert, judicial hearing assistant who will manage  
15 our electronic document system. And Donna Whitehouse  
16 is our reporter.

17 Transcripts of this Hearing will be  
18 recorded by Digi-Tran and made available on our  
19 website.

20 MPI has applied to the Public Utilities  
21 Board for approval of its premiums to take effect on  
22 April 1st, 2021. This Hearing will be conducted in  
23 accordance with the provisions of the Crown  
24 Corporation's Governance and Accountability Act, the  
25 Public Utilities Board Act, and the Board's Rules of

1 Practice and Procedure. These rules are available for  
2 review on the Board's website.

3 In its initial application, MPI  
4 provisionally sought a 10.5 percent overall decrease  
5 in Basic vehicle premium revenue for the 2021/'22  
6 insurance year.

7 This overall decrease was calculated in  
8 accordance with accepted actuarial practice and was  
9 based on the naive interest rate forecast as at March  
10 31st, 2020.

11 On October 9th, 2020, MPI filed an  
12 updated final rate indication with the Board. The  
13 updated rate request is for a decrease of 8.8 percent  
14 -- percent calculated in accordance with accepted  
15 actuarial practice and based on interest rates as at  
16 August 31st, 2020.

17 The updated rate request is comprised  
18 of a 3.0 percent decrease resulting from changes to  
19 the automobile insurance coverage regulation, a 0.8  
20 percent decrease in the breakeven cost of Basic  
21 vehicle premiums, and a 5.0 percent capital release in  
22 accordance with MPI's capital management plan as  
23 approved by the Board in Order 176/19.

24 MPI is not seeking any changes to  
25 miscellaneous permits and certificates, driver

1 premiums and vehicle premium discounts, Basic service  
2 and transaction fees, or fleet rebates and surcharges.

3           We will begin the Hearing on each  
4 Hearing day at 9:00 a.m. and adjourn at approximately  
5 4:00 p.m. Each day will include a midmorning lunch  
6 and midafternoon break.

7           The Public Utilities Board mandate is  
8 to set just and reasonable rates that are in the  
9 public interest. The public interest has been defined  
10 by the Manitoba Court of Appeal as balancing the  
11 impacts of rate increases on consumers with the fiscal  
12 health of the utility.

13           In order to set just and reasonable  
14 rates that are in the public interest, the Board will  
15 need to hear and consider all of the evidence that is  
16 adduced on the record of this proceeding and hear  
17 submissions from Manitoba Public Insurance and all  
18 approved Interveners.

19           Following closing arguments, the panel  
20 will sequester itself and deliberate to make our final  
21 determinations on the matters before us. In the end,  
22 we may accept, deny, or vary MPI's application.

23           In reaching our decision, we will be  
24 guided by the evidence written, and oral, and our  
25 determination of what represents the public interest.

1 The Board takes its obligation and mandate of  
2 protecting the public interest very seriously.

3 We are concerned not only with the  
4 short-term economic impact of MPI's operations on both  
5 ratepayers and MPI itself, but also the fairness of  
6 that impact on MPI's long-term fiscal and operational  
7 well-being.

8 In addition, the Board views that this  
9 process -- views this process is one that should  
10 ensure transparency in terms of the Corporation's  
11 operations and financial position.

12 Following the pre-hear -- hearing  
13 conference that took place on June 30th, 2020, the  
14 Board approved a final issues list for this Hearing in  
15 procedural Order 88/20.

16 In accordance with that Order, the  
17 Board looks forward to hearing evidence and  
18 submissions from the parties with respect to the  
19 following issues which are before the Board among  
20 others.

21 The rate sought by MPI, namely, an 8.8  
22 percent rate decrease with no changes to other fees or  
23 discounts; MPI's financial position, including its  
24 financial forecasting accuracy and projected financial  
25 results; MPI's capital management plan; MPI's expenses

1 and cost containment efforts; MPI's claims,  
2 forecasting, and runoff of prior year's claims; bench  
3 marking conducted by MPI; MPI's investment portfolio  
4 performance and the composition of the portfolio; the  
5 driver's safety rating system and claims experience of  
6 the vehicles for higher class; MPI's IT expenses and  
7 projects; and the impact of the changes to Basic  
8 coverages and deductibles in the automobile insurance  
9 coverage regulation.

10 We trust the participants at this  
11 Hearing will be mindful of cost-effectiveness and will  
12 employ a cooperative approach, the common being to put  
13 forward useful evidence to assist the panel in  
14 reaching sound decisions on the matters before it.

15 We have significant and complex issues  
16 before us. And I am confident that we will all  
17 approach this process with a view to benefiting the  
18 public interest.

19 This year, we are conducting these  
20 Hearings with the additional challenge of the COVID-19  
21 pandemic. Given the current public health orders in  
22 place, in-person attendance for this Hearing is  
23 restricted.

24 Others will participate via the Board's  
25 Hearing room IT infrastructure. And we thank the

1 parties and their counsel for their coordinate --  
2 coordinated efforts in ensuring compliance with public  
3 health requirements.

4                   The Manitoba Ombudsman has issued  
5 privacy guidelines for administrative tribunals. The  
6 Public Utilities Board is mindful of its obligations  
7 under those guidelines. Its decisions in respect of  
8 the application being considered will be sensitive to  
9 them.

10                   Personal information will not be  
11 disclosed unless it is appropriate and necessary to do  
12 so. However, the Board advises participants that  
13 these proceedings are public and that, as a result,  
14 personal information protections are reduced.

15                   At this point, I wish to note that this  
16 is the first General Rate Application Hearing we have  
17 had without Ray Oakes, who was counsel for the  
18 Coalition of Manitoba Motorcycle Groups since 1992.  
19 His participation and attendance at these Hearings  
20 will be missed.

21                   There are three (3) matters of  
22 housekeeping I would like to discuss. First, please  
23 ensure that all cellular phones are off or on mute  
24 throughout the Hearing.

25                   Second, all parties and the

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

8 Third, for those who are participating  
9 remotely, would you please state your name as you  
10 start speaking for the record so that we can ensure --  
11 ensure its accuracy.

12 I will now call upon Ms. McCandless for  
13 introductions, followed by the introductions by MPI  
14 and the Interveners. Ms. McCandless will then give  
15 her introductory remarks, after which I will call on  
16 MPI and the Interveners to provide their opening  
17 remarks. We will then proceed with the swearing of  
18 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, to counsel, and to anyone following over

1 the IT infra -- infrastructure this morning. It's  
2 Kathleen McCandless, Board counsel. My co-counsel,  
3 Robert Watchman, is following along remotely, as are  
4 Board advisers Rob -- Roger Cathcart, Blair Manktelow,  
5 and Brian Pelly.

6 MR. STEVE SCARFONE: Good morning,  
7 Madam Chairperson, Mr. Gabor. Steve Scarfone, counsel  
8 for MPIC. And good morning to my Learned Friends.

9 Also downstairs on Floor 3 is my co-  
10 counsel, Anthony Guerra, and right now, unless things  
11 change, we -- we have our witnesses on standby for  
12 this morning. Mr. Johnston and Mr. Giesbrecht will be  
13 presenting this morning.

14 THE PANEL CHAIRPERSON: Thank you.  
15 Ms. Meek...?

16 MS. CHARLOTTE MEEK: Good morning.  
17 Charlotte Meek here, of the firm BD Oakes,  
18 representing the Coalition of Manitoba Motorcycle  
19 Groups.

20 THE PANEL CHAIRPERSON: Mr.  
21 Williams...?

22 DR. BYRON WILLIAMS: Good morning.  
23 Byron Williams, appearing on behalf of the Consumers'  
24 Association of Canada, the Manitoba branch. And Ms.  
25 Desorcy, who's usually here for much of the hearing,



1 sends her regrets due to COVID restrictions.

2 THE PANEL CHAIRPERSON: Thank you.

3 Mr. Hacault...?

4 MR. ANTOINE HACAULT: Bonjour, my  
5 name's Antoine Hacault. I'm representing the Taxi  
6 Coalition. Participating virtually are two (2)  
7 consultants, Jeff Crozier and Patrick Bowman, and I  
8 believe the client's also participating.

9 THE PANEL CHAIRPERSON: Thank you.

10 DR. DARREN CHRISTLE: Darren Christle  
11 and Kristen Schubert for Board staff.

12 THE PANEL CHAIRPERSON: Thank you.

13 Ms. McCandless...?

14

15 OPENING COMMENTS BY BOARD COUNSEL:

16 MS. KATHLEEN MCCANDLESS: Thank you.  
17 Manitoba Public Insurance is applying to the Public  
18 Utilities Board for approval of premiums to be charged  
19 with respect to compulsory vehicle insurance for the  
20 insurance year '21 -- 2021/'22. The rates would take  
21 effect on April 1st, 2021, to March 31, 2022.

22 In its application filed on June 17,  
23 2020, MPI provisionally sought an overall rate  
24 decrease of 10.5 percent. That rate req -- request  
25 included a capital release of 5 percent, pursuant to

1 the Corporation's Capital Management Plan.

2           Following an update to the rate  
3 indication based on interest rates as at August 31,  
4 2020, on Friday, October 9th, MPI filed with the Board  
5 an updated rate request for a decrease of 8.8 percent,  
6 again, including a capital release of 5 percent. MPI  
7 has not requested any changes to other fees or  
8 discounts.

9           With respect to the evidence filed in  
10 this proceeding, I know that there were six (6) PUB  
11 exhibits entered on the record at the pre-hearing  
12 conference in this matter, held on June 30th, 2020.  
13 Those were:

14                   Exhibit PUB-1, the Notice of Public  
15 Hearing and pre-hearing conference, dated June 20,  
16 2020;

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 Dr.  
22 Christle to MPI and all prospective Interveners, dated  
23 June 17, 2020, with attachments;

24                   Exhibit PUB-5 was a further letter from  
25 Dr. Christle to MPI and all prospective Interveners,

1 dated June 17, 2020;

2 And PUB-6 was the Board's Interim  
3 Procedural Order 79/'20, dated June 2nd, 2020.

4 In addition, I now ask to enter the  
5 following exhibits for the record:

6 Exhibit PUB-7 is the Board's Procedural  
7 Order, dated eighty -- 88/'20, dated July 6th, 2020,  
8 with appendices, and that Order approved the final  
9 issues list for this GRA;

10 Exhibits PUB 8-1 to 8-91, the Public  
11 Utilities Board First Round Information Requests and  
12 MPI's responses to those requests;

13 Exhibit PUB-9, MPI's public responses  
14 to PUB -- Board First Round commercially sensitive  
15 Information Requests CI 1-2 and CI 1-8;

16 Exhibits PUB 10-1 to PUB 10-38 are the  
17 Public Utilities Board Second Round Information  
18 Requests and PUB's responses to those requests;

19 Exhibit PUB-11 is MPI's public  
20 responses to the Board Second Round commercially  
21 sensitive Information Requests CI 2-8 and CI 2-10;

22 Exhibit PUB-12 is the reminder notice  
23 of public hearing, which was dated September 26, 2020;

24 Exhibits PUB 13-1 to 13-8 are the PUB  
25 Information Requests of the Taxi Coalition and the

1 Taxi Coalition's responses to those requests;

2 Exhibit PUB-14 is a letter from Dr.  
3 Christle to all parties regarding the hearing process  
4 and attendance, dated October 7, 2020;

5 And Exhibit PUB-15 is Board Order  
6 123/'20, regarding MPI's request for confidential  
7 treatment of certain documents and information in this  
8 GRA, and that order was dated October 9, 2020.

9 I circulated this morning copies of the  
10 book of documents of PUB counsel and -- and would ask  
11 that it be entered as Exhibit PUB-16 at this time.

12

13 --- EXHIBIT NO. PUB-16: Book of documents of PUB  
14 counsel

15

16 MS. KATHLEEN MCCANDLESS: I would also  
17 like to enter as Exhibit PUB-17 a series of letters  
18 from MPI general counsel, dated June 17, 2020; July 8,  
19 2020; August 13, 2020; September 23rd, 2020; and  
20 October 6, 2020.

21 They were filed with the Board in  
22 compliance with the Board's directive in Order 67/'20  
23 following the Special Rebate Application, and they  
24 contain comparisons of monthly claims costs against  
25 budget for Basic for the period from March 1, 2020, to

1 September 30, 2020.

2

3 --- EXHIBIT NO. PUB-17: Series of letters from MPI  
4 general counsel, dated June 17,  
5 2020; July 8, 2020; August 13, 2020;  
6 September 23rd, 2020; and October 6,  
7 2020.

8

9 MS. KATHLEEN MCCANDLESS: With respect  
10 to the cross-examination to be conducted on behalf of  
11 the Board over the next number of days, the following  
12 major issues will be addressed:

13 The background to the rate applied for;  
14 MPI's financial position; MPI's Capital Management  
15 Plan; MPI's expenses and claims forecasting; Benchmark  
16 -- marking conducted by MPI; MPI's investment  
17 portfolio and the composition of the portfolio; MPI's  
18 IT strategic plan and IT expenses and projects;  
19 Vehicles For Hire; the Driver Safety Rating system;  
20 the effect of COVID-19 on MPI's financial results;  
21 the impact of changes to Basic coverage and  
22 deductibles; And issues arising from the Special  
23 Rebate Application, which took place in April and May  
24 of this year; as well as any other topics that may  
25 arise throughout the course of the hearing.

1 I will now refer to the procedural  
2 outline, which is before you on the screen, and to the  
3 bottom of the first page, running to the second page,  
4 is the order of the matters to be heard. Please note  
5 that MPI will be putting forward issue-specific  
6 witness panels, as -- as it has done in recent GRAs.

7 At Item number 3 on page 1 of the  
8 procedural outline is the first panel, the MPI risk  
9 management framework COVID-19 rebates panel, from whom  
10 we will be hearing today. We also have five (5)  
11 presenters scheduled for today, beginning at 1:15 p.m.  
12 Depending on how matters progress, the first MPI panel  
13 may conclude today or sometime tomorrow.

14 Then beginning tomorrow, we will move  
15 to the Rate Stabilization Reserve/Capital Management  
16 Plan/Compulsory and Extension Revision Project Panel,  
17 and on Wednesday, the Revenues, Expenses, and Pro-  
18 formas Panel. Note that these first three (3) MPI  
19 panels are comprised of Luke Johnston and Mark  
20 Giesbrecht.

21 Thursday and Friday of this week, we  
22 will be dealing with information technology issues, so  
23 Thursday will be devoted to Project Nova, and Friday  
24 we'll address other IT and value management issues.  
25 To the extent that any of the information to be

1 discussed is commercially sensitive, we will be  
2 holding an in camera session on Friday.

3 At Item 9, on Monday the 26th, we will  
4 hear from the MPI benchmarking, PIPP, and claims-  
5 incurred panel. Tuesday will be devoted to Driver  
6 Safety Rating. At Item 11, on Wednesday and Thursday  
7 of next week, we will hear from the ratemaking and  
8 Vehicles For Hire panel.

9 Once the MPI panels are complete, we  
10 will hear from Taxi Coalition witnesses Patrick Bowman  
11 and Jeff Crozier, and they are scheduled for Friday,  
12 October 30th.

13 Closing submissions will begin on  
14 November 3rd. As the hearing proceeds, changes to the  
15 schedule may be required, but we will do our best to  
16 follow the anticipated schedule.

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

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

21 MR. STEVE SCARFONE: Thank you, Madam  
22 Chair. Good morning again. Just before MPI begins  
23 its opening statement, I wanted to just discuss  
24 briefly, if we could, the procedural happening this  
25 week in terms of witnesses.

1                   And I noticed, right now, we have nine  
2 (9) people in the room. And so, MPI's preference, if  
3 possible, would be to have two (2) panel members  
4 testify. So for example, this morning, Mr. Johnston  
5 and Mr. Giesbrecht have a presentation that -- they  
6 will present jointly.

7                   And so, if they could both be here for  
8 that, that's preferred, as I indicated. Rather than  
9 have, for example, Mr. Johnston come, give half the  
10 presentation, and then do a switcheroo of sorts with  
11 Mr. Giesbrecht and have him complete the presentation.  
12 So that's -- that's one issue.

13                   And then, the other one, of course, is  
14 -- we just ask the Board and all of the Intervener  
15 counsel to have some patience this year, of course,  
16 with the back row support because there may be some  
17 delay. But we did some test runs with Ms. Schubert,  
18 so we're hopeful that that will work out.

19                   But I'm just wondering if the -- if the  
20 Board has any preference in -- with respect to the  
21 first item I've raised in -- in how the witnesses will  
22 -- will present. Because I do understand that the  
23 Board is agreeable to having witnesses testify  
24 virtually and they can be sworn virtually, if my  
25 understanding is correct?



1 THE PANEL CHAIRPERSON: Yes, they can  
2 be. I think, though, that if you can ask Mr.  
3 Giesbrecht and Mr. Johnston, when they attend at the  
4 hearing room, to ensure that they are appropriately  
5 socially distanced --

6 MR. STEVE SCARFONE: Yes.

7 THE PANEL CHAIRPERSON: -- we should be  
8 able to accommodate that.

9 MR. STEVE SCARFONE: Okay. And then,  
10 so if need be, does the panel have any concerns if  
11 myself or Mr. Guerra step out while the witnesses make  
12 their direct -- their presentation and provide their  
13 direct examination? And then, we'll return for the  
14 crosses, of course.

15 THE PANEL CHAIRPERSON: No, I don't  
16 have any concerns about that. My fellow panel member  
17 does not. And, certainly, you'll be, I'm assuming,  
18 listening to the live stream --

19 MR. STEVE SCARFONE: Yes.

20 THE PANEL CHAIRPERSON: -- from either  
21 the library here or on the third floor.

22 MR. STEVE SCARFONE: Okay. Very good.  
23 Thank you.

24 THE PANEL CHAIRPERSON: Thank you.

25 MR. STEVE SCARFONE: And then, so

1 before -- one (1) more item before I begin. I noticed  
2 Ms. McCandless read in all of the PUB exhibits. MPIC  
3 is -- is happy to do that if the Board prefers. We  
4 have a number of exhibits that have already been  
5 filed, including, of course, the Rate Application  
6 which was filed at the -- at the pre-hearing  
7 conference. So some of these have already been read  
8 into the record. But I'm prepared to go through them  
9 all.

10 If not, our next exhibit will be the  
11 presentation that Mr. Giesbrecht and Mr. Johnston  
12 present. It's their slide presentation. It'll be  
13 number 28. So right now, I think we're up to number  
14 27. And...

15 THE PANEL CHAIRPERSON: No, I'm  
16 expecting that all of the Interveners have seen the  
17 first twenty-seven (27) exhibits and are aware of  
18 them, so why don't you proceed with number 28.

19 MR. STEVE SCARFONE: Okay. So MPIC  
20 will mark as its next exhibit the Risk Management  
21 Framework and the Response to COVID-19 presentation  
22 that will be provided by Mr. Johnston and Mr.  
23 Giesbrecht later this morning.

24

25 --- EXHIBIT NO. MPI-28: Risk Management Framework

1 and Response to COVID-19  
2 Presentation

3  
4 MR. STEVE SCARFONE: And I should  
5 advise that if anybody in the room requires hard  
6 copies, I have ten (10) copies of this presentation  
7 and a bunch of hard copies of the all the other  
8 exhibits are downstairs. So if anybody needs hard  
9 copies for any of the twenty-eight (28) filed to date,  
10 just let me know.

11 THE PANEL CHAIRPERSON: Mr. Scarfone,  
12 if I could just interrupt you for one (1) moment.

13 Ms. Hainsworth, are you able to see the  
14 presentation that is now up on the screen in the  
15 hearing room?

16 MS. CAROL HAINSWORTH (by phone): Yes,  
17 I am.

18 THE PANEL CHAIRPERSON: Okay. Thank  
19 you. Sorry. Sorry, Mr. Scarfone. Please proceed.

20 MR. STEVE SCARFONE: Thank you.

21 THE CHAIRPERSON: Mr. Scarfone...?

22 MR. STEVE SCARFONE: Yes?

23 THE CHAIRPERSON: I'm a paper guy, so I  
24 wouldn't mind a copy at some point of the -- of the  
25 PowerPoint.

1 OPENING COMMENTS BY MPI:

2 MR. STEVE SCARFONE: Okay. Very good.  
3 Thank you, Mr. Gabor. I'll make sure to get that to  
4 you.

5 This, obviously, has been an unusual  
6 year. Highly unpredictable. Attributable, of course,  
7 to COVID-19 and the global pandemic.

8 In unprecedented fashion, MPIC was  
9 before this Board following a declaration of a state  
10 of emergency by the province and returned to  
11 Manitobans fifty-eight million dollars (\$58 million)  
12 in the spring, in addition to fifty-two million  
13 dollars (\$52) million from the Extension line of  
14 business.

15 MPIC takes this opportunity to, once  
16 again, thank the Board and Interveners that  
17 participated in that Special Rebate Application, for  
18 cooperating with MPI in -- in getting that heard  
19 summarily. You'll recall that, all told, it took only  
20 about a week, which led to our customers having a  
21 cheque in hand shortly thereafter.

22 Also, as this Board is aware, MPI's  
23 president and chief executive officer, Ben Graham, has  
24 recently left his position with MPI for an opportunity  
25 in the private sector. MPIC is hopeful that an

1 announcement will be made regarding his successor  
2 during the course of this hearing.

3                   Notwithstanding these uncertain times,  
4 the Corporation is here before this Board seeking  
5 approval of a large rate decrease, updated recently --  
6 as Ms. McCandless indicated -- to a negative 8.8  
7 percent. Five percent of which is owing to excess  
8 capital that the Corporation holds.

9                   Put another way, MPIC will be seeking  
10 \$95 million (ninety-five million dollars ) less from  
11 Manitobans in 2021/'22. And that number is arrived at  
12 by simply taking the net premiums written and  
13 multiplying it by 8.8 percent. And that -- that's  
14 from figure 1 in revenues.

15                   If you couple that, Madam Chairperson,  
16 with the rebate application, that amounts to over \$200  
17 million in favour of the ratepayer. And if approved,  
18 this year's rate decrease would represent the largest  
19 in thirty (30) years, as Mr. Graham indicated back  
20 when the 10.5 indication was first filed. And that  
21 would surpass the negative 8 percent that was ordered  
22 by this Board in the 2012 GRA.

23                   This negative 8.8 percent also  
24 represents the second consecutive year that the  
25 overall rate indication is going down.

1                   This, it's worth noting, was forecast  
2 by MPI two (2) years ago. MPI predicted, in the 2019  
3 GRA, that there would be no rate increases in the 2020  
4 GRA and the 2021 GRA. And -- and see, for example,  
5 Mr. Johnston's DCAT report from the 2019 General Rate  
6 Application.

7                   Back then, MPIC had promised that  
8 Basic, once properly capitalized, would return before  
9 this Board, year after year, seeking little or no rate  
10 increases, absent a significant adverse scenario, of  
11 course.

12                   You may recall that MPI said Basic's  
13 natural growth in revenue through its volume and  
14 upgrade factors would allow for this, provided any  
15 increases to expenses in costs were kept below 4  
16 percent.

17                   The following year, the General Rate  
18 Application included a capital maintenance provision.  
19 It was abandoned last year in favour of the Capital  
20 Management Plan that was approved by this Board.

21                   And so, factored into this negative 8.8  
22 percent rate indication, unchanged from the original  
23 rate indication, is a 5 percent reduction from the  
24 Extension line of business under the capital  
25 management plan.

1                   And a further 3 percent reduction from  
2 the modernization of Basic products, which includes an  
3 adjustment to the Basic deductibles.

4                   Later this week, Mr. Johnston, our  
5 chief actuary, and Mr. Giesbrecht, MPI's chief  
6 financial officer, will answer any questions about the  
7 new Basic products.

8                   If the Capital Management Plan and the  
9 product modernization factors are removed, we are left  
10 with a negative .8 percent rate indication. And last  
11 year, it was a negative .6 percent.

12                   So the forecasting promises of 0  
13 percent AAP rate making from two (2) years ago are now  
14 being realized.

15                   And in contrast, I expect the panel  
16 members will be aware of media reports from other  
17 Canadian jurisdictions noting double digit rate  
18 increases in some provinces; namely, Alberta and the  
19 Maritime provinces.

20                   This 2021 General Rate Application  
21 marks the fourth GRA in which I have participated as  
22 counsel for MPIC. And during that time, Madam  
23 Chairperson, I would suggest this Board has seen a  
24 significant turnaround for the Crown Corporation.

25                   In the 2018 GRA, MPI and it's AAP rate

1 was 7.7 percent, reduced that year to 2.7 from  
2 management action.

3                   The following year, it was 1.8 percent,  
4 including the capital maintenance provision that I  
5 mentioned earlier.

6                   Last year, a .6 percent overall rate  
7 decrease, and you'll recall that because the net  
8 income was higher than forecast, the capital  
9 maintenance provision was removed after the September  
10 update. And so now in 2021 GRA, the Corporation is  
11 here before you at negative 8.8 percent.

12                   Mr. Giesbrecht will tell you that the  
13 books show MPI is at \$180 million in net income this  
14 past year. Compare that with a net loss of \$85  
15 million just three (3) years ago.

16                   This of course is corporate-wide, so  
17 includes the competitive lines of business which are,  
18 of course, supposed to earn a profit, but there are  
19 many reasons for the strong financial results, number  
20 1, largely due to a return to focussing on MPI's core  
21 business.

22                   Recall that when Mr. Graham took over  
23 two (2) years ago, his strict guidance from the MPI  
24 Board of Directors was to refocus on core insurance  
25 fundamentals, and those include claims handling,



1 pricing and underwriting, sound investment decisions,  
2 and prudent management of expenses.

3           But MPIC, notwithstanding that, can't  
4 take all the credit. There has been a reduction in  
5 the number of claims incurred. Collision frequency  
6 was down 9 percent in 2019/'20 from the previous year,  
7 with that percentage even greater today due to COVID,  
8 along with lower-than-budgeted costs for each  
9 individual claim. So claims are down, the costs for  
10 each individual claim are down.

11           PIPP managers -- PIPP case managers are  
12 working more effectively with injured claimants to  
13 return them to work sooner. MPIC is capturing more  
14 fraudulent claims. The Fraud Awareness Campaign has  
15 resulted in a 35 percent increase to the TIPS Line.

16           The road safety awareness, including  
17 mandatory entro -- entry-level training for the truck  
18 drivers, a Driver Z Program, and the Save the 100  
19 Campaign, are also allowing for a reduction in claims.

20           Curtis Wennberg, MPIC's Chief Operating  
21 Officer, will attend early next week to explain how  
22 each of these are being realized.

23           The reduction in claims, Madam  
24 Chairperson, and widespread impact is a useful  
25 reminder that everything we do here revolves around

1 the motor vehicle accident. If accidents are down,  
2 there will be fewer vehicles to replace, there will be  
3 fewer vehicles to repair and, more importantly, fewer  
4 people injured which means less long-tailed injury  
5 claims.

6 Fewer accidents also means more capital  
7 available for the benefit of Basic customers,  
8 including capital from the Extension insurance  
9 products that are sold but not used.

10 There are obviously a myriad of  
11 benefits when accidents are reduced, and this unusual  
12 year has underscored that reality. But ultimately,  
13 what it means for MPI customers is lower premiums.

14 The strong financial results are also  
15 into the expenses which are now tightly controlled  
16 with prudent spending. And one (1) important measure  
17 that you'll have seen in the rate application is the  
18 combined expense ratio which dropped over 1 percent  
19 this past year from 22.6 percent in 2018/'19 to 21.4  
20 percent in 2019/'20, which was below target.

21 And parenthetically, we recognize that  
22 this ratio will not look so good next year if the  
23 Board of appro -- if the Board approves the rate  
24 reduction in premiums by 8.8 percent.

25 Another factor is Basic's capital which

1 is at or near 100 percent MCT and expected to at least  
2 remain there and probably increase above that  
3 threshold throughout the forecast period. Indeed, by  
4 the end of March of next year, it's forecast to be at  
5 119 percent.

6           You will recall from a few years ago  
7 the three (3) pillars of prudent fiscal management.  
8 Efficient operations was one (1), adequate capital was  
9 two (2), appropriate premiums was three (3). And, not  
10 surprisingly, those still apply and have been applied  
11 consistently since the 2018 GRA.

12           And lastly, in terms of the financial  
13 position of MPI, we have to consider the investment  
14 returns, one (1) of four (4) major revenue sources for  
15 Basic.

16           The Investment Fund is now approaching  
17 \$3.5 billion in value, and the Basic Claims Portfolio  
18 with 100 percent investment in fixed income assets has  
19 now been operational for just over one (1) year. And  
20 it's already showing the benefits of MPI's low  
21 tolerance for investment risk.

22           The investment return in the Basic  
23 Claims Portfolio was not impacted by the volatility  
24 seen in the equity markets in 2020, and Glen Bunston,  
25 MPIC's Manager of Investments, will appear tomorrow to

1 explain this further. But all of Basic's asset -- all  
2 of Basic's liabilities are now backed by bonds, as  
3 this Board is aware, and that is to hedge against  
4 interest rate risk.

5                   So the approach I would suggest is slow  
6 and steady wins the race. And there will remain  
7 critics of MPI as tortoise in that popular fable,  
8 wondering perhaps about the absence of growth assets  
9 or bonds to protect against rising inflation.

10                   But when those suggestions are made at  
11 this hearing, we remind the Board that it found the  
12 decisions made by MPI under the ALM, the Asset  
13 Liability Management Study, the Board found those  
14 decisions to be reasonable.

15                   And that finding was on the heels of a  
16 comprehensive critique of the new investment strategy,  
17 including the generation of shadow portfolios. And  
18 this Board will remember Mr. Makarchuk having appeared  
19 in two (2) consecutive GRAs to explain the strategy to  
20 this Board.

21                   So with the Capital Management Play --  
22 Plan in place for at least another year, MPIC would  
23 suggest that now is not the time to tinker. No  
24 adjustment -- no adjustments need be made at this  
25 time. Colloquially, if it ain't broke, don't fix it.

1                   And so Ms. McCandless went through some  
2 of the issues that she expects to be addressed at this  
3 hearing. I too would like to not address all of them  
4 but some of the main issues, the first of which is the  
5 Capital Management Plan.

6                   That was introduced last year, and as  
7 I've said, it was approved by the PUB on a two (2)  
8 year trial basis. And it involves the transfer of  
9 excess capital from the Extension line of business  
10 over to Basic.

11                   It has paid immediate dividends to  
12 Manitobans for rates beginning April 2021. And that  
13 comes on the heels of \$110 million rebate just six (6)  
14 months ago.

15                   Moreover, the evidence before you shows  
16 the Capital Management Plan will, again, reduce the  
17 rate indication in the 2022 GRA. So I would suggest  
18 that there is nobody present here today that can  
19 reasonably criticize MPIC's Capital Management Plan.

20                   The Naive Forecast, it's working well  
21 to prevent the premium deficiencies seen in earlier  
22 years. And MPI would say, Don't tinker with this  
23 either.

24                   The Break-Even Model, it has any excess  
25 revenue flowing back to the ratepayer.

1                   So what do these strategies mean for  
2 ratepayers? Once again, Madam Chairperson, lower  
3 premiums. And not unlike its approach under the  
4 investment strategy, MPIC and Basic are now  
5 comfortably in a steady-as-she-goes mode -- that is,  
6 progressing in a stable, predictable manner where rate  
7 volatility appears to be of little concern now or into  
8 the future.

9                   Another big issue to be canvassed in --  
10 in this GRA is what I've called the COVID effect. It  
11 has undoubtedly impacted claims costs since March, and  
12 no better example of this than the rebate cheques that  
13 were issued in the spring.

14                   That was, I would suggest, a very  
15 public display of MPIC's financial position amid this  
16 pandemic. The volatility associated with the pandemic  
17 was largely favourable to MPI in terms of net income  
18 and in terms of its capital levels.

19                   Basic's contribution of \$58 million  
20 approved by this Board to the \$110 million rebate  
21 represented the projected net benefit from the  
22 pandemic. And remember, it was for the rebate period  
23 from March 15 to May 15.

24                   But MPIC has continued to experience  
25 favourable claims results through to August 31, 2020,

1 but to a lesser extent than it did -- did during that  
2 rebate period. But you will hear that trends are now  
3 normalizing.

4                   So, MPIC has to be careful to avoid a  
5 knee jerk reaction to this pandemic. Mr. Johnston  
6 will tell you that the experience from the pandemic is  
7 wholly insufficient from an actuarial standpoint.

8                   He will testify about COVID-related  
9 credibility or lack thereof, that it would be foolish  
10 to speculate, to forecast on a claims history of just  
11 eight (8) months where claims costs are down nearly 20  
12 percent and were down, you will recall, as much as 50  
13 percent during the peak of the pandemic when people  
14 were staying home.

15                   Much like the naive forecast which has  
16 proved to be the best estimate of where interests  
17 rates might go, predicting claims costs to maintain  
18 levels seen in 2020 would be conjecture, not a best  
19 estimate.

20                   And asking Mr. Johnston to forecast  
21 rates beginning April 1st, 2021, based on COVID still  
22 being prevalent six (6) months from now is not  
23 reasonable. The forecast before you in this GRA is  
24 MPIC's best estimate.

25                   On Project Nova, which -- which, of

1 course, is MPIC's transformational capital project,  
2 you will hear later this week from Shayon Mitra, Mr.  
3 Mitra's is Nova's chief transformation officer, and  
4 John Remillard, who has appeared before this Board in  
5 the past. He is the program director for Project  
6 Nova.

7                   There will be an update from these  
8 gentlemen concerning the status of the business case  
9 rebates line. That repurpose-base business case,  
10 however, is not at this moment complete and so won't  
11 be shared during the course of this Hearing. But more  
12 importantly, the Nova panel will speak to how this  
13 project is being carried out using best practices, due  
14 diligence, and good governance.

15                   For example, you will have seen from  
16 the -- from the application and the Information  
17 Requests the early involvement of professional outside  
18 firms, such as Deloitte and Avasant and, more  
19 recently, PricewaterhouseCoopers in an oversight role.

20                   So, I would suggest, Madam Chairperson,  
21 if you compare the manner in which Project Nova is  
22 unfolding to earlier capital projects, such as BI3 and  
23 PDR, which was the physical damage re-engineering  
24 project, there is a greater transparency that's  
25 happening before this Board. And I would suggest that



1 the benefits of that are very apparent.

2 The new agile iterative approach to  
3 Project Nova -- to Project Nova is also apparent, a  
4 proactive method when compared to the more reactionary  
5 approach of its waterfall counterpart.

6 And where before these projects were  
7 examined and discussed here only after they were  
8 completed, the Board is now along for the Project Nova  
9 ride, as it were, in a position to make inquiries in  
10 real time as the project unfolds.

11 The gentlemen that I spoke of early on  
12 the Nova panel -- on the Nova panel, along with Mr.  
13 Bunko, the Chief Information Officer and member of the  
14 Information Technology panel that will follow the Nova  
15 panel, will emphasize the paramount importance of this  
16 transformational project, that failing to deliver the  
17 project is not an option for MPIC.

18 It's absolutely critical in moving MPI  
19 into the future and to keep pace with other insurers  
20 in terms of customer service. MPIC's customers are no  
21 longer willing to accept services that are not  
22 available online. And this pandemic has driven home  
23 the importance of bringing MPI services into the  
24 online world.

25 Last year, the brokers, the Insurance

1 Brokers Association of Manitoba, were a registered  
2 Intervener. And this year, speaking of the online  
3 services that I just did, you will hear from Curtis  
4 Wennberg just prior to the Nova panel, and he will  
5 provide to this Board an update as it concerns the  
6 brokers and where things stand vis-a-vis the  
7 conciliation that MPIC was directed to enter into last  
8 summer by the Province.

9           On DSR, I know the Board is interested  
10 to hear from MPIC on that, and from Mr. Johnston in  
11 particular. I would suggest that's a very good  
12 example of just how important Project Nova is to this  
13 Corporation.

14           Mr. Johnston will explain how the  
15 future state of driver and vehicle licencing,  
16 including the driver safety rating system, relies on  
17 Project Nova.

18           You will hear evidence from Mr.  
19 Johnston that the future state of the driver safety  
20 rating system will be fully reviewed as part of  
21 Project Nova.

22           The DSR was, you will recall, front and  
23 centre here three (3) years ago when changes were made  
24 to the demerit side of the scale. And under cross-  
25 examination, Mr. Johnston candidly admitted to PUB

1 counsel that the scale has some actuarial  
2 deficiencies.

3                   Since that time, MPIC has received  
4 customer feedback on possible changes to the DSR and,  
5 more recently, just filed in this application, a  
6 pricing examination.

7                   However, a decision on a possible  
8 departure from the registered owner model in favour of  
9 another, perhaps the primary driver model, has not yet  
10 been made.

11                   Mr. Johnston will explain why the  
12 Corporation is leaning toward maintaining the existing  
13 model, notwithstanding at some point within the next  
14 year a final decision will have to be made so the  
15 Project Nova team can accommodate the preferred model  
16 and build it into the system.

17                   And, of course, with any change of that  
18 magnitude come the various stakeholders and the  
19 consideration of their respective positions, including  
20 the MPIC Board of Directors, MPIC's regulator, the  
21 Public Utilities Board, the Interveners here today,  
22 the Provincial Government, and ultimately bringing  
23 about the necessary changes to the existing  
24 legislation.

25                   Another of the main issues that MPIC

1 has identified its investments and the asset liability --  
2 liability management study. The segregation of a  
3 previously co-mingled portfolio has provided immediate  
4 benefits, and Basic avoided, as I've said, the  
5 substantial losses seen in growth markets during the  
6 early stages of the pandemic. Mr. Bunston will  
7 provide an update to this Board on the implementation  
8 of that strategy.

9           The net impact of change in interest  
10 rates on Basic claims liabilities and the associated  
11 asset backing Basic claims portfolio was largely  
12 negligible.

13           And while the equity market has now  
14 rebounded, the new Basic claims portfolio with 100  
15 percent allocation to bonds outperformed the Basic  
16 shadow portfolio that contained equities, and that was  
17 during the period March 2019 to March 2020.

18           As earlier stated, use of the naive  
19 forecast has avoided premium deficiencies and  
20 dovetails nicely with the investment strategy under  
21 the asset liability management study. That is 100  
22 percent fixed income assets in the Basic claims  
23 portfolio to hedge against interest rate risk.

24           As we heard, the LM was fully analysed  
25 two (2) years ago and has had the effect of lowering

1 capital required to keep MPIC in good financial  
2 standing by approximately 30 percent we heard Mr.  
3 Johnston testify, that was two (2) years ago, lowered  
4 the capital requirement from about 400 million to 300  
5 million. This has freed up capital for the capital  
6 management plan to work at full capa -- capacity and  
7 help lower rates.

8                   You will hear evidence that including  
9 growth assets in the Basic claim portfolio, so  
10 equities, whether to chase greater returns or to  
11 ameliorate the impact of interest rates on long-tailed  
12 claim liabilities, would essentially mean having to  
13 revisit the days of holding more capital to cover the  
14 increased risk.

15                   So, if -- if the Corporation's going to  
16 hold equity and growth assets in the Basic claims  
17 portfolio, it's going to need more capital; that was  
18 the tradeoff. So, in short, rate increases or  
19 rebuilding fees might be warranted.

20                   Mr. Hacault is here for the Taxi  
21 Coalition on the Vehicle For Hire issue, a new  
22 Intervener here this year representing Duffy's and  
23 Unicity. And MPIC welcomes the opportunity to discuss  
24 here in this forum the issues raised by the Taxi  
25 Coalition, which I think it's fair to say from their

1 perspective revolve around finding ways to perhaps  
2 even the playing field with Uber and TappCar and other  
3 ride sharing companies in Manitoba.

4           The evidence will show that the taxis  
5 do pay more in premiums than those ride sharing  
6 companies, but justifiably so, and Mr. Johnston will  
7 explain the reasons for that. Mr. Johnston will also  
8 speak to the claims experience of the Vehicle For Hire  
9 class, including the credibility of the data and how  
10 MPIC's handling of the data for these rate  
11 classifications has changed since the local Vehicle  
12 For Hires Act was brought into force three (3) years  
13 ago.

14           And lastly, the Compulsory and  
15 Extension Revision Project, which was identified as  
16 CERP on the hearing calendar, that when we -- if you  
17 hear some of the witnesses mention CERP, easier to  
18 think of that, Madam Chair, as just the modernization  
19 of the Basic suite of products. Mr. Giesbrecht and  
20 Mr. Johnston will speak to MPIC's modernization of  
21 those products, which serve to lower the rate  
22 indication by 3 percent, and effective for new  
23 policies purchased beginning April 1, 2021. And I  
24 would encourage the Board to look at the business case  
25 that was prepared by MPIC and sent to government for

1 the moder -- modernization of those products.

2           But what it represents is greater  
3 customer choice at no extra cost. Deductibles will be  
4 adjusted to range from two hundred dollars (\$200) to  
5 seven hundred and fifty dollars (\$750), and customers  
6 have the option to reduce their premiums by increasing  
7 their deductible. The Basic Autopac deductible will  
8 increase from five hundred dollars (\$500) to seven  
9 hundred and fifty dollars (\$750). Third-party-  
10 liability protection, which is now at two hundred  
11 thousand dollars (\$200,000) under Basic, will increase  
12 to half a million dollars.

13           And lastly, greater protection for  
14 replacing motor vehicles, and that's a reflection of  
15 the cost that's being seen in repairs and in the cost  
16 of vehicles. So that will go from the -- the maximum  
17 insured value will go from fifty thousand dollars  
18 (\$50,000) to seventy thousand dollars (\$70,000) under  
19 the -- under the CERP. And as indicated, Mr.  
20 Giesbrecht will tomorrow give evidence on these -- on  
21 these upgrades that the Corporation has planned.

22           And those are the comments of MPIC,  
23 including the main issues from the procedural order,  
24 subject to any questions Madam Chair may have.

25           THE PANEL CHAIRPERSON: Thank you, Mr.

1 Scarfone.

2 Questions?

3 THE BOARD CHAIRPERSON: Mr. Scarfone,  
4 I -- sorry. Mr. Scarfone, I just want to raise an  
5 issue in relation to the filing. I don't expect you  
6 to answer it, but I would ask you to notify the  
7 revenue panel.

8 MR. STEVE SCARFONE: Okay.

9 THE BOARD CHAIRPERSON: Part of our  
10 role when we -- we're reviewing the material is to  
11 ensure that the record is accurate, and I have one (1)  
12 concern about the material that was -- that was filed,  
13 and -- and it relates to a comment about the -- last  
14 year's application.

15 So, Kristen, could you pull up Part 5,  
16 Revenues, page 16 of 34?

17

18 (BRIEF PAUSE)

19

20 THE BOARD CHAIRPERSON: And again, I'm  
21 not asking you to respond to it. It's just I don't  
22 want the person I'm asking, which I think will be the  
23 revenue panel, to be blind sided by it, so I'd just  
24 like them to get prepared for it.

25 MR. STEVE SCARFONE: Sure. I'm sure



1 that he or she will appreciate that.

2 THE BOARD CHAIRPERSON: Yeah.

3 MR. STEVE SCARFONE: It's probably  
4 going to be Mr. Johnston.

5 THE BOARD CHAIRPERSON: Yeah, I have  
6 no doubt it'll be Mr. Johnston.

7 If you could go to page -- are you on  
8 page 16? Okay, if you could stop right there.

9 It says:

10 "In 2021 -- 2020/'21, the forecast  
11 is 28.5 million lower than the  
12 forecast of the previous year as a  
13 result of a lower-than-anticipated  
14 rate change. MPI applied for a 0.1  
15 percent increase but received a 0.6  
16 percent rate decrease. Lower volume  
17 --"

18 -- and then goes on. I would like your  
19 panel -- or Mr. Johnston, I guess -- to look at that  
20 issue of "applied for a 0.1 increase but received a  
21 0.6 rate decrease," because I think that statement is  
22 incorrect and misleading.

23 In light of MPI, from last year, MPI  
24 Exhibit 42 -- if you could raise that, Kristen --  
25 which is a letter from Mr. Triggs, supported -- if you

1 could go to page -- Kristen, there's an attached  
2 document, which is a certificate from Mr. Johnston  
3 asking -- you had it right there, actually. Just keep  
4 going. Right there. Right there. Keep going. No.  
5 Yeah, right there.

6 Mr. Triggs requests an amendment to 0.6  
7 percent, and I just want to have your revenue panel  
8 confirm that that -- the statement in the GRA is  
9 accurate, because --

10 MR. STEVE SCARFONE: -- revenues  
11 chapter.

12 THE BOARD CHAIRPERSON: Pardon me?

13 MR. STEVE SCARFONE: In the statement  
14 that we looked at earlier in the revenues chapter.

15 THE BOARD CHAIRPERSON: Yeah, because  
16 there was an amendment made, I think, as of September  
17 30th --

18 MR. STEVE SCARFONE: Yes.

19 THE BOARD CHAIRPERSON: -- and the  
20 subsequent request for an amended ap -- for an amen --  
21 amended amount --

22 MR. STEVE SCARFONE: Yes.

23 THE BOARD CHAIRPERSON: -- and I just  
24 want to make sure the record's correct, because I get  
25 concerned when an application's filed and says it's

1 28.5 million lower because the Board didn't give MPI  
2 what they requested, when, in fact, based on the  
3 amended application in the exhibit --

4 MR. STEVE SCARFONE: MPI asked for it.

5 THE BOARD CHAIRPERSON: - they asked  
6 for it.

7 MR. STEVE SCARFONE: Yes. No --

8 THE BOARD CHAIRPERSON: And -- and, as  
9 I said before, I just want to make sure the -- the  
10 record is accurate, because if it's inaccurate, you  
11 know, we'll ask Mr. Johnston for his comment on it,  
12 because it's -- it's got to be corrected.

13 So, anyways, I'm not asking you to  
14 comment on it. I just want to give you, as in MPI and  
15 Mr. Johnston, a heads-up, because in my mind, when I  
16 went through that, I just -- it's a misleading  
17 statement in my mind and I just want to see the  
18 comments of MPI.

19 MR. STEVE SCARFONE: Okay.

20 THE BOARD CHAIRPERSON: Okay.

21 MR. STEVE SCARFONE: Thank you, Mr.  
22 Gabor.

23 THE BOARD CHAIRPERSON: Thank you.

24 THE PANEL CHAIRPERSON: Ms.

25 Hainsworth, do you have any questions?

1 MS. CAROL HAINSWORTH (by phone): No,  
2 Madam Chair, I do not.

3 THE PANEL CHAIRPERSON: Thank you.  
4 Thank you very much.

5 Ms. Meek.

6

7 OPENING COMMENTS BY CMMG:

8 MS. CHARLOTTE MEEK: Thank you, Madam  
9 Chair.

10 Good morning again to Board members,  
11 MPI executives and counsel, Interveners, and ladies  
12 and gentlemen who are with us remotely today.

13 The Coalition of Manitoba Motorcycle  
14 Groups, or CMMG, has been granted Intervener status in  
15 the Public Utilities Board hearings on insurance rates  
16 for twenty-eight (28) years. For every year previous  
17 to this one, CMMG was represented by Mr. Raymond  
18 Oakes. As many of you are aware, Mr. Oakes lost his  
19 battle with cancer in January of 2020.

20 As Madam Chair noted this morning, Ray  
21 was in attendance at these hearings every year since  
22 1992. I would like to take a moment to spend a little  
23 time remembering Ray and his contributions to the  
24 hearings over the last twenty-seven (27) years.

25 Ray was introduced to CMMG through his

1 good friend Robyn Gray, who at the time was the owner  
2 of the Harley Davidson in Winnipeg. As some of you  
3 know, Robyn Gray was a very active participant in the  
4 GRA hearings over the years as well.

5                   The CMMG members affectionately  
6 remember Ray joining them on rides on his old British  
7 Norton Commando. Robyn Gray would offer Ray a newer  
8 Harley, but Ray would always choose what the members  
9 referred to his -- as his Snortin' Norton instead. As  
10 is famous for British twins, they are temperamental,  
11 and Ray would often end up pushing his ride home  
12 because he -- it had decided to quit on him. Ray  
13 jokingly called this his exercise program.

14                   Ray's dedication to the PUB hearings  
15 and to the CMMG is evident in his loyal pursuit of  
16 motorcycle safety initiatives as well as his sharp  
17 critique of the Corporation's investment strategies  
18 and actuarial methodologies over the years. Ray's  
19 accomplishments have helped to ensure that  
20 motorcyclists continue to be able to afford insurance  
21 at reasonable rates in this province.

22                   A long-time pursuit of Ray's on behalf  
23 of CMMG was the loss transfer initiative, which  
24 according to this Board -- to a Board order in 2006,  
25 spanned a decade of controversy. When I began working

1 on this file with Ray, this initiative was one that he  
2 referenced with pride as a major accomplishment of  
3 CMMG. This change in the Corporation's methodology  
4 has prevented skyrocketing rates for the motorcycle  
5 class.

6 Ray was well known for his challenging  
7 cross-examinations of the Corporation. He liked to  
8 coin colloquial terms or phrases during his arguments,  
9 like "holding their feet to the fire," or when MPI  
10 introduced the new Capital Management Plan, Ray  
11 playfully dubbed it the "collect more pesos." This  
12 trait is, I think, what Ray will most likely be  
13 remembered for the most: his ability to keep everyone  
14 smiling, his ability to remind us to take a minute to  
15 laugh when we all get a bit too serious.

16 When Ray was too ill to attend the  
17 hearings last year, myself and my colleague, James  
18 Wood, did our best to fill some very big shoes. I  
19 hope to be able to represent CMMG with the same skill  
20 for advocacy that Ray provided.

21 Ray was my biggest fan in these  
22 hearings last year and told me, You're already better  
23 than I ever was, kiddo. Although it's not possible  
24 for that to be true, I'll take Ray's word for it.

25 CMMG would like to take this

1 opportunity to thank Ray for his hard work and  
2 dedication over the years, but mostly for his  
3 friendship. He will be sorely missed by all of our  
4 members.

5 I'd now like to move on to my more  
6 formal statements on behalf of CMMG for the 2021  
7 general rate application.

8 CMMG is pleased to be granted  
9 Intervener status again this year for its twenty-  
10 eighth year. CMMG, as some of you know, is a non-  
11 profit volunteer-run organization which promotes the  
12 safety of Manitoba's motorcyclists. CMMG seeks to  
13 represent the interests of the approximately seventeen  
14 thousand (17,000) riders in Manitoba in assisting the  
15 Board to determine whether MPI's proposed application  
16 is just and reasonable.

17 The Corporation has come to the Public  
18 Utilities Board this year with a request of an overall  
19 rate decrease of 8.8 percent. According to MPI's rate  
20 update filed on October 9th, 2020, MPI is seeking a  
21 rate decrease of 9.4 percent for private passenger  
22 vehicles, while seeking a rate increase for the  
23 motorcycle class of 4.7 percent.

24 Despite Mr. Scarfone noticing -- noting  
25 in his opening statements this morning that this rate

1 decrease is the largest it's seen in decades, the  
2 motorcycle class still is not reaping any of the  
3 benefits. The motorcycle class is the only vehicle  
4 class this year for which MPI is proposing a rate  
5 increase. The requested rate change represents a  
6 disparity between the motorcycle class and private  
7 passenger class of 14.1 percent.

8           Mr. Scarfone noted that MPIC and Basic  
9 are now steady as she goes and progressing in a stable  
10 and predicable manner. These statements do not hold  
11 true for the motorcycle class. It appears that MPI  
12 has forgotten about approximately seventeen thousand  
13 (17,000) of its ratepayers in this province,  
14 motorcyclists.

15           Despite stability or even reductions in  
16 claims counts and claims costs, the motorcycle class  
17 is again experiencing a rate increase. Last year, the  
18 Board noticed -- noted the effects of declining  
19 interest rates on the motorcycle class and expressed  
20 concern over the disproportionate impact that it had  
21 on motorcyclists apart from other classes. The Board  
22 directed the Corporation to evaluate these issues and  
23 to explore options to ameliorate the impact on the  
24 motorcycle class.

25           The Corporation has come back before



1 the Board this year with weak suggestions, which  
2 provide no relief for the motorcycle class in this  
3 year's GRA.

4 MPI continues to take the position that  
5 positive impacts of improved collisions apply to  
6 private passenger vehicles while not applying to the  
7 motorcycle class. CMMG plans to test MPI's assertion  
8 that motorcycle claims frequency and severity continue  
9 to climb, thereby justifying rate increases.

10 CMMG intends to examine the investment  
11 portfolios as compared to the shadow portfolios, which  
12 were ordered by the Board in Board order 159/18. CMMG  
13 will explore whether MPI's investment strategies are  
14 best suited to achieve the intended results, including  
15 MPI's assertion that these portfolios have reduced  
16 concerns regarding interest rate risk.

17 MPI has employed a changed methodology  
18 this year by separating out serious and non-serious  
19 losses. CMMG also intends to review MPI's methodology  
20 for calculating premiums in order to determine whether  
21 the rates as calculated for the motorcycle class are  
22 just and reasonable.

23 The driver safety rating system has  
24 been under scrutiny by CMMG for several years. The  
25 current DSR model promotes the mis-assignment of DSR

1 credits for drivers who are high risk. Risky drivers  
2 are permitted to register their vehicles with another  
3 owner with a more favourable DSR rating. As a result,  
4 motorists in Manitoba -- motorists in Manitoba who  
5 insure their vehicle they predominantly drive continue  
6 to subsidize risky drivers who avoid more appropriate  
7 but more expensive insurance rates.

8 CMMG intends to review the lost  
9 premiums that MPI forgoes through the use of the  
10 registered owner model and for the impact that this  
11 may have on the rate indication each year.

12 The COVID-19 pandemic is a major focus  
13 of this year's GRA. In the spring this year, the  
14 Corporation brought a special application seeking  
15 approval for a capital release in the form of a  
16 rebate. This was to reimburse rate payers for excess  
17 premiums earned in the spring as a result of reduced  
18 costs from the COVID-19 pandemic.

19 While MPI initially sought to exclude  
20 the motorcycle class from this rebate, CMMG was  
21 pleased with the Board's decision that it would not be  
22 just and reasonable to do so.

23 The pandemic continue to have lasting  
24 implications on ratepayers in Manitoba and on MPI's  
25 investment portfolio. CMMG intends to review these

1 impacts with a specific focus on the implications for  
2 the motorcycle class in particular.

3 At this time, CMMG would request that  
4 the following exhibits be filed today for the record:

5 CMMG-1, the Intervener application,  
6 dated June 25, 2020;

7 CMMG-2, Round 1 Information Request,  
8 numbers 1 to 12, dated July 8, 2020;

9 CMMG-3, Round 1 Information Request CI,  
10 1 to 4, dated August 5, 2020;

11 CMMG-4, Round 2 Information Request, 1  
12 to 10, dated August 24, 2020;

13 CMMG-5, letter to PUB, dated September  
14 18, 2020;

15 And CMMG-6, email to PUB, dated  
16 September 22, 2020.

17 CMMG would again like to thank the  
18 Board for the opportunity to act in the Intervener --  
19 as an Intervener in the 2021 general rate application.  
20 Thank you.

21 THE PANEL CHAIRPERSON: Thank you, Ms.  
22 Meek and thank you for your warm remembrance of your  
23 colleague, Mr. Oakes.

24 Mr. Williams...?

25

1 OPENING COMMENTS BY CAC (MANITOBA):

2 DR. BYRON WILLIAMS: Yes. And,  
3 certainly, thank you to my learned friend from -- on  
4 behalf of CMMG for those comments about Mr. Oakes, who  
5 is much missed.

6 Just before we -- we do have a proposed  
7 exhibit, but I'll just note for the record that -- and  
8 enter:

9 CAC-1, which will be our Intervener  
10 applications and CVs;

11 CAC-2, which will be the First Round  
12 Information Request and Responses;

13 CAC-3, which will be the Confidential  
14 First Round IRs and Responses Information Requests;

15 CAC-4, which will be the CAC (Manitoba)  
16 Requests and Responses in the Round 2;

17 And this -- the CAC Opening Statement  
18 PowerPoint, we would ask be marked as CAC-5.

19

20 --- EXHIBIT NO. CAC-5 - Opening Statement PowerPoint

21

22 DR. BYRON WILLIAMS: We'll stay on the  
23 first slide for just a second because I -- I think it  
24 captures some of the issues that - that our client is  
25 pondering in this -- this rate application.

1                    Obviously, the pandemic and the  
2 attendant uncertainty in terms of its impacts in 2021  
3 and whether or not it has impacts beyond that are  
4 certainly front and centre from our clients' concerns.

5                    Our clients are grateful, obviously,  
6 that before them is an 8.8 percent rate decrease,  
7 although unstated in the opening statements of the  
8 Manitoba Public Insurance is recognition of the 8  
9 percent in cumulative rate increases between 2017/18  
10 and 2019/20, which laid the foundation for the  
11 recovery of Manitoba Public Insurance.

12                    As my learned friend from CMMG has  
13 noted, issues related to driver safety rating and  
14 cross-subsidy are a longstanding issue and of concern  
15 to our client.

16                    And, obviously, the material risk  
17 related to the Project Nova is front and centre for  
18 our client as well.

19                    Slide 2. Like CMMG, CAC (Manitoba) has  
20 been here since the start of the regulatory process,  
21 roughly three decades under the Crown Corporations'  
22 governance legislation, and always it is guided by  
23 four core consumer rights: the right to be informed;  
24 to choice, or, when one is a captive consumer of a  
25 monopoly, to be involved in the regulatory process as

1 a proxy for choice; to have a voice in marketplace  
2 decision making; and to consumer education.

3           And the CAC (Manitoba) position, as  
4 this Board is aware, is developed through multiple  
5 inputs, including ongoing and regular consumer  
6 content; consumer engagement through focus group-like  
7 processes, as well as quantitative surveys; the CAC  
8 (Manitoba) board; and as well as advice from its  
9 expert advisors.

10           The Board is well familiar with the  
11 legal test in these proceedings, being just and  
12 reasonable rates ultimately under the PUB Act and the  
13 Crown Governance Act, with Manitoba Public Insurance  
14 having the burden. And of course, the Board, in  
15 assessing the case, balancing those two rate concerns,  
16 the interests of the utilities ratepayers and the  
17 financial health of the Utility, ultim -- ultimately  
18 making a determination in the public interest.

19           And the Board in prior decisions,  
20 notably 98/14, set out five (5) elements that our --  
21 our clients were guided by in the course of this  
22 proceeding: first, ensuring that the forecasts of  
23 Manitoba Public Insurance are reasonably reliable;  
24 secondly, ensuring that actual and projected costs  
25 incurred are necessary and prudent; third, assessing

1 the reasonable revenue needs of the Corporation in the  
2 context of its overall general health; fourth,  
3 determining an appropriate allocation of costs and  
4 rates between classes -- and that's obviously a  
5 concern when we look at driver safety rating; and  
6 finally, setting just and reasonable rates in  
7 accordance with statutory objectives.

8           We've -- the next five (5) slides  
9 capture from our client's perce -- perspective the  
10 core issues that they'll be examining in this issue,  
11 and the first two (2) relate to COVID-19 and the  
12 revenue requirement for 2021, which the Board has  
13 already made an order for, as well as for '21/'22 and  
14 whether it's just and reasonable.

15           And our clients ask whether or not the  
16 ongoing impact of COVID-19 on claims incurred is  
17 sufficient to trigger further review and variance of  
18 the Capital Management Plan, either in the form of an  
19 additional rate rebate or a higher than 5 percent  
20 capital release.

21           And that's something certainly our  
22 clients will be trying to understand more of in the  
23 next two (2) days in terms of what's going on with  
24 COVID-19, especially as it affects rates -- sorry,  
25 costs in '20/'21, the current year, and what if any

1 implications that has for retained earnings.

2                   Turning to the '21/'22 year and COVID-  
3 19, is a return to normal forecast a just and  
4 reasonable approach? If it is, is ongoing regulatory  
5 monitoring and supervision necessary to protect  
6 ratepayers?

7                   In terms of forecasting, our client is  
8 interested in -- in three (3) particular issues. The  
9 PIPP claims volatility is notable, and from our  
10 clients' perspective, they're seeking to  
11 understanding, recognizing the efforts that Manitoba  
12 Public Insurance has taken over the last couple of  
13 years, whether PIPP claims incurred forecast  
14 management and cost control is still suffering from  
15 the longstanding challenges associated with the  
16 rollout of the BI3 initiative.

17                   And noting the Board's concern about  
18 acronyms, I wish I could remember what BI3 stands for,  
19 but we'll pretend I did.

20                   Secondly, have collision severity  
21 forecasts been skewed upwards by challenges with the  
22 rollout of the Physical Damage Re-engineering Project?  
23 And notably -- and a notable trend over the last  
24 number of years is lower collision frequency with new  
25 driver safety technology identified by Manitoba Public



1 Insurance as a factor in that.

2                   And what are the implications of this  
3 new driver safety technology on claims frequency and  
4 claims incurred going forward?

5                   Our client is less sanguine about  
6 Project Nova than My Learned Friend on behalf of  
7 Manitoba Public Insurance.

8                   A critical question for this hearing is  
9 whether the last year's business case presented by  
10 Manitoba Public Insurance is undermined by (a) \$12  
11 million in unexpected licensing costs, (b) a  
12 significant risk of diminished broker commission  
13 savings, and (c) uncertainty surrounding full-time  
14 equivalent savings.

15                   And we'll note that if you look at  
16 items (b) and (c), those amount to more than 50  
17 percent of the promised benefits of Project Nova in  
18 terms of its business case and the assessment of a net  
19 -- a positive net present value.

20                   And what are we to make of and what  
21 kind of findings can the Board make in the absence of  
22 the evidence relating to the promised re-basing of  
23 Project Nova?

24                   What if anything can the Board conclude  
25 about the business case of Project Nova and an

1 underlying area of risk, recognizing that Project Nova  
2 contemplates multiple system replacements in one (1)  
3 major project, whether this big bang approach is  
4 assuming undue risk?

5                   In terms of balancing the multiple  
6 interests with the overall health of the Corporation,  
7 our clients have a concern with the treatment of the  
8 deductible, and in terms of the notification given to  
9 consumers and being placed in the -- not just in terms  
10 of the Basic, but in essence being placed within  
11 Extension insurance, assuming that they are going to  
12 buy down their deductible to -- to five hundred (500),  
13 what our clients consider a negative option approach  
14 to Extension deductibles, and whether that is unfair  
15 both to captive ratepayers and to the competitive  
16 marketplace.

17                   Our clients are also concerned about  
18 statements made in the course of this proceeding by  
19 Manitoba Public Insurance about the Capital Management  
20 Plan, and -- and it's to the effect that it is  
21 conceivable that Extension products could be utilized  
22 for purposes other than transfers to Basic. And  
23 certainly our client will want -- want to understand  
24 the meaning of that in -- in the context of the  
25 viability of the ongoing Capital Management Plan

1 pilot.

2                   Turning to cross-subsidization and  
3 rates that are not unduly discriminatory -- and just  
4 for the -- before I go into these two (2) bullets, I  
5 should note the second bullet, "Should the first  
6 review of territories in fifty-eight (58) years," I  
7 think the word "fifty-eight (58) years" should be  
8 struck out and replaced with "many" because if -- if  
9 my aged memory serves me right -- and Mr. Oakes would  
10 be able to help me out -- there might have been a  
11 commuter class added in the early 1990s.

12                   But on this page, being slide 10,  
13 reminding the Board that one (1) of the issues is  
14 whether rates between classes of ratepayers and within  
15 classes are not unduly discriminatory, can the Board  
16 still make this finding that the existing premium  
17 discount is not unduly discriminatory given the  
18 enduring subsidy of other ratepayers by the three  
19 hundred thousand (300,000) or so drivers at DSR Level  
20 15?

21                   All -- also from our clients'  
22 perspective is -- is whether the first review of  
23 territories in many years should be given higher  
24 priority.

25                   Our clients, as always, are very

1 grateful for the opportunity to appear before this  
2 Board in an evidence-based, transparent, and  
3 independent process. And subject to any questions or  
4 concerns from the Board, those close our opening  
5 submissions.

6 THE PANEL CHAIRPERSON: Thank you, Mr.  
7 Williams.

8 Any questions? Ms. Hainsworth, any  
9 questions?

10 MS. CAROL HAINSWORTH (by phone): No  
11 questions, Madam Chair. Thank you.

12 THE PANEL CHAIRPERSON: Thank you.  
13 Mr. Hacault...?

14

15 OPENING COMMENTS BY TAXI COALITION:

16 MR. ANTOINE HACAULT: Thank you very  
17 much, Madam Chairman. Thanks to the Public Utilities  
18 Board for allowing the Taxi Coalition to participate.  
19 Thank you to Manitoba Public Insurance for its efforts  
20 and forthright contributions to the record on this  
21 subject in this proceeding. And for the newbie on --  
22 on this proceeding, thank you for all the cooperation,  
23 collaboration between other Interveners and  
24 participation -- participants.

25 As a background for the objectives of

1 the Taxi Coalition, Taxi Coalition is comprised of  
2 Duffy's Taxi Ltd. and Unicity Taxi Ltd., who together  
3 have served Winnipeg and the surrounding areas for  
4 approximately the last sixty (60) years.

5           The Taxi Coalition has a combined fleet  
6 of about five hundred and eight (508) vehicles and  
7 represents about 80 percent of all taxicabs in the  
8 province. The Taxi Coalition has aimed to represent  
9 the interests of a broad cross-section of taxi  
10 vehicles for hire, and to that end has sought input  
11 from taxi operators in Brandon and in Thompson.

12           Those taxi operators who are outside  
13 Winnipeg are supportive of the Taxi Coalition's  
14 objectives in this hearing and with its engagement  
15 with Manitoba Public Insurance on matters related to  
16 vehicle-for-hire rates in the province.

17           The Taxi Coalition's objectives in this  
18 Hearing are straightforward to ensure rates paid by  
19 Vehicles For Hire, that's the general category, meet  
20 the statutory test of being just and reasonable.

21           In the context of auto insurance rates  
22 offered by MPI, it is important, firstly, to have  
23 rates that reflect cost coverage and, secondly,  
24 provide effective incentives to improve loss  
25 experience. And we'll be talking more about that as

1 it relates to taxis who have such high rates.

2           A moment on the current and future  
3 Vehicle For Hire framework. By all relevant measures,  
4 the current passenger Vehicle For Hire framework is in  
5 its infancy, we've seen this. Since about 2018, we  
6 started to gather information on this, and the Vehicle  
7 For Hire framework could be improved.

8           One (1) of the items we'll be looking  
9 at is time bran -- time bands. We say it's  
10 appropriate to review supplemental bands for Vehicle  
11 For Hire, and specifically for taxi Vehicle For Hire.

12           Just a little note on that. The rates  
13 are set based on which time bands you're getting. So,  
14 if you get all four (4) time bands, you --  
15 generalizing, my understanding, you pay four (4) time  
16 -- four (4) times, and if you just choose one (1),  
17 you'd pay one quarter. So, having those time bands  
18 right for the operations is pretty important.

19           With respect to the Vehicle For Hire  
20 framework as such, the following critical issues have  
21 been identified. Number 1, there's significant  
22 differences between the taxi Vehicle For Hire and  
23 passenger Vehicle For Hire rates. Mr. Scarfone said  
24 their witnesses are going to deal with that in part.

25           There's significant differences in

1 exposure arising from kilometres driven, time on the  
2 road, time bands when the accidents -- accidents are  
3 most like to occur, and driver risk, which is  
4 something that's been mentioned by a couple  
5 participants. And these, in our respectful view, are  
6 not properly captured in the current system.

7           There's also feedback from the  
8 transportation network companies, those are the  
9 passenger Vehicle For Hires, like Ubers, that the  
10 current product offering does not meet their needs.  
11 Some of them are asking for kilometre-based rates and  
12 blanket coverages.

13           And finally, there's a lack of  
14 incentives to improve driving behaviour, for example,  
15 flat-rated taxi Vehicle For Hire.

16           Notwithstanding that this Vehicle For  
17 Hire framework redesign comes on the heels of the Uber  
18 entry into the Manitoba marketplace, the Taxi  
19 Coalition welcomes the effort to revise Vehicle For  
20 Hire framework and is pleased with MPI's commitment to  
21 consult with the Vehicle For Hire industry as it  
22 develops its new framework. Much work lies ahead.

23           Changing to the -- the general subject,  
24 the next discussion, the issue for taxi Vehicle For  
25 Hire rates and risk.

1                   PUB has received evidence that -- in  
2 this proceeding that taxi Vehicles For Hire are  
3 unusually risky relative to all other public major  
4 class; that is the risk is more acute, especially  
5 within the City of Winnipeg.

6                   PUB has also received evidence that MPI  
7 does not presently collect data to fully understand  
8 the nature and causes of this unusually high risk that  
9 the taxi Vehicles For Hire present.

10                  There is also evidence in this Hearing  
11 that the incentive programs for driving, namely the  
12 DSR Program, is focussed on the registered vehicle and  
13 not the driver safety record of the drivers.

14                  And in that context, there's also some  
15 programs which would be of benefit to the taxi Vehicle  
16 For Hire category, the Fleet Program that are -- is  
17 not available to taxi owners and, more broadly, small  
18 corporate customers who do not meet the eligibility  
19 criteria for either the Fleet Program or the Driver  
20 Safety Rating Program.

21                  We intend to assist the PUB in its  
22 determination of just and reasonable rates by  
23 canvassing issues related to the unusual riskiness of  
24 taxi Vehicle For Hire, pursuing an understanding of  
25 MPI's willingness and ability to collect relevant data



1 -- I listed that a while ago -- necessary to shed  
2 light on the risks for Vehicle For Hire, including  
3 taxi vehicles for hire, exploring gaps in incentive  
4 programming, exploring how the Fleet Program  
5 incentives may be more mean it and effective at  
6 addressing the issue of principled driver risk than DS  
7 -- than the DSR Program as currently structured, and  
8 exploring what approaches MPI is proposing to address  
9 the issue of unusually high risk of the taxi Vehicle  
10 For -- For Hire and what approaches might be taken.

11                   Now moving to passenger Vehicle For  
12 Hire rates. We say the record demonstrates that MPI  
13 did not have a clear understanding of how passenger  
14 Vehicle For Hire would operate in the marketplace at  
15 the time of developing the Vehicle For Hire framework  
16 and associated rates.

17                   The Taxi Coalition understands that the  
18 PUB and MPI did the best they could at the last GRA  
19 with information available at that time.

20                   But as time has now passed and new  
21 information has become available, the Taxi Coalition  
22 is of the view that there should be a reexamination of  
23 the weight put on the new information which supports  
24 the view that passenger Vehicle For Hire rates are  
25 being subsidized by the pass -- by private insurance

1 generally, because that's where they are, and are not  
2 just and reasonable.

3                   We will, therefore, be pursuing a  
4 request that the PUB set rates for passenger Vehicle  
5 For Hire that reasonably reflect the risks and  
6 coverages, the cost to provide that coverage.

7                   We will be exploring the current  
8 understanding of how passenger Vehicle For Hire  
9 operate and what basis MPI has for forming that  
10 understanding.

11                   We'll be exploring the implications of  
12 new additional entrance in the ride share services.  
13 You know, we have Skip the Dishes and a lot of other  
14 kind of commercial applications that -- where people  
15 are now providing commercial services out of their  
16 private vehicles and the riskiness that they present  
17 and how that creates uncertainty about how passenger  
18 vehicles for hire operate.

19                   Finally, we'll attempt to assist the  
20 PUB in determining the known operating characteristics  
21 of passenger Vehicle For Hire and how that should  
22 influence the current and future Vehicle For Hire  
23 frameworks.

24

25

(BRIEF PAUSE)

1 MR. ANTOINE HACAULT: The PUB has  
2 evidence that, based on the current experience,  
3 passenger Vehicle For Hire rates would have increased  
4 by 56 percent to meet the actuarially indicated  
5 breakeven rates and that under rate-making meto --  
6 methodology used by MPI would take approximately ten  
7 (10) years for rates to achieve that level, all else  
8 being equal.

9 So, we'll explore the regulatory  
10 principles applied by MPI and whether or not they're  
11 appropriate given the lack of data available to set  
12 the initial rates for passenger Vehicle For Hire  
13 rates.

14 There's another, it's a minor point,  
15 but flaw in the current system, in our view, whereby  
16 MPI Insurance relies on new delivery service drivers  
17 to identify themselves when a different higher cost  
18 coverage under a different insurance use, for example  
19 the Skip the Dishes, is required and that under  
20 automatic renewals, which is a system now, these  
21 customers may not consult a broker for up to five (5)  
22 years.

23 Without getting into evidence, it's our  
24 understanding that MPI then, when there's an accident,  
25 requires a new higher premium to be paid. But for all

1 the years where those drivers operate under the wrong  
2 insurance, there is no other consequence except for  
3 when there's an accident they pay a higher rate.

4 We thank the PUB, MPI again, and look  
5 forward to participating in this hearing. Thank you,  
6 all.

7

8 (BRIEF PAUSE)

9

10 THE PANEL CHAIRPERSON: Thank you.

11 Questions? Okay.

12 If you could just give us one (1)  
13 moment, please.

14

15 (BRIEF PAUSE)

16

17 THE PANEL CHAIRPERSON: Okay, thank  
18 you very much. We'll break now, take our morning  
19 break, and come back, please, at 10:45.

20 Mr. Scarfone, just a matter of  
21 procedure, when the panel is sworn or affirmed, there  
22 will be -- the secretary of the Board will attend only  
23 for a moment and then leave, so if you want to remain  
24 for the direct of your panel, that would be acceptable  
25 to us.

1                   MR. STEVE SCARFONE:    Well, that is  
2 what MPI would prefer, although when I was counting, I  
3 thought if we added -- even with the number in here  
4 now, if we add two (2), won't we be in excess of ten  
5 (10)?

6                   THE PANEL CHAIRPERSON:    One (1), two  
7 (2), three (3), four (4), five (5), six (6), seven  
8 (7), eight (8), nine (9), ten (10), eleven (11), yes,  
9 because we've got the reporter.

10                  MR. ANTOINE HACAULT:    Madam Chair, it  
11 wasn't my intention -- I didn't address this in my  
12 opening remarks, but I had advised all other counsel -  
13 - after my opening statement, I intended to parti --  
14 participate virtually.

15                  THE PANEL CHAIRPERSON:    Excellent.

16                  MR. ANTOINE HACAULT:    And -- and my --  
17 my participation, unless otherwise indicated, in  
18 person would be this day at the opening statements,  
19 and then the next time I would appear would be for the  
20 Vehicle For Hire days -- so that's eight (8), nine  
21 (9), and then ten (10) -- our evidence, and then the  
22 closing statements.

23                               I think we're able to have some  
24 discussions between counsel so that my questions,  
25 although they -- some of them might have been specific

1 to another panel, you know, the people that are going  
2 to be up during the Vehicle For Hire panel would be  
3 able to answer those odd-- those questions. So that  
4 would deal with your -- your numbers issue.

5                   The only other thing is a housekeeping  
6 thing. All other counsel listed their exhibits for  
7 the record. I know they're all on the PUB website,  
8 and they're all distributed to counsel. Can I just  
9 proceed on the basis that whatever's listed on the PUB  
10 website is marked as exhibits in this proceeding?

11                   THE PANEL CHAIRPERSON: Yes, that's  
12 acceptable. And thank you very much for assisting  
13 with the logistical problems, so we'll see everybody  
14 at 10:45. Thank you.

15                   MR. STEVE SCARFONE: And just before  
16 that, Madam Chair, so we appreciate what Mr. Hacault  
17 has just indicated. So what we've done, or what we're  
18 trying to do, is we've asked all Intervener counsel to  
19 provide us with their expected attendance both in the  
20 morning and the afternoon for each of the panels  
21 throughout the course of the hearing.

22                   So we've gathered all of that, and I  
23 think Mr. Johnston's the only one that could probably  
24 figure it out, but we're going to try and have it so  
25 that there's only ten (10) at -- at any one (1) point.

1 And that would allow for MPI to have a lawyer here,  
2 maybe with two (2), maybe with one (1), but -- so it  
3 may, as Ms. McCandless said, it will fluctuate as the  
4 hearing proceeds.

5 THE PANEL CHAIRPERSON: Okay. Thank  
6 you very much, and I certainly appreciate the  
7 cooperation of all counsel in dealing with this  
8 unusual hearing, so --

9 MR. STEVE SCARFONE: Thank you.

10 THE PANEL CHAIRPERSON: -- thank you.

11

12 --- Upon recessing at 10:34 a.m.

13 --- Upon resuming at 10:48 a.m.

14

15 THE PANEL CHAIRPERSON: Ms.

16 Hainsworth, are you back on?

17 MS. CAROL HAINSWORTH (by phone): Yes,  
18 I am, Madam Chair.

19 THE PANEL CHAIRPERSON: Thank you.

20

21 (BRIEF PAUSE)

22

23 THE PANEL CHAIRPERSON: Mr. Scarfone,  
24 would you introduce your panel, please?

25 MR. STEVE SCARFONE: Yes. Thank you,

1 Madam Chair. So, you will have before you now MPI  
2 Exhibit Number 28, which is the presentation that the  
3 witnesses will -- will provide this morning, and it's  
4 on the screen before you.

5 So, presenting this morning are two (2)  
6 gentlemen that the panel is familiar with, Luke  
7 Johnston, chief actuary for Manitoba Public Insurance  
8 and Vice-president of product and risk management, and  
9 Mark Giesbrecht, Vice-president of finance and Chief  
10 Financial Officer.

11 So, I'll ask that those two (2)  
12 gentlemen be sworn.

13 THE PANEL CHAIRPERSON: Thank you.

14

15 MPI PANEL NO. 1 re RISK MANAGEMENT FRAMEWORK/COVID-  
16 19/REBATES PANEL

17

18 LUKE JOHNSTON, Affirmed

19 MARK GEISBRECHT, Affirmed

20

21 EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE:

22 MR. STEVE SCARFONE: Thank you. So,  
23 let me just by way of introduction, Mr. Johnston, I  
24 understand, sir, that you will be presenting here this  
25 morning on the issues of risk management framework



1 and, in addition to that, the Corporation's response  
2 to the COVID-19 pandemic.

3 And lastly, the presentation, I think  
4 Mr. Giesbrecht, will touch more upon this, is the  
5 issue surrounding the rebate cheques that were issued  
6 as part of the Special Rebate Application, correct?

7 MR. LUKE JOHNSTON: That's right. The  
8 only thing I'd add there is the -- the response to the  
9 pandemic will be covered by -- partly by myself and  
10 partly by Mr. Giesbrecht.

11 MR. STEVE SCARFONE: Okay. Thank you.  
12 And, sir, do you adopt what is contained within the  
13 PowerPoint presentation as part of your direct  
14 examination in this proceeding?

15 MR. LUKE JOHNSTON: I do.

16 MR. STEVE SCARFONE: Okay. Thank you  
17 very much. And so, we'll let you begin with your  
18 slide deck.

19 MR. LUKE JOHNSTON: Thank you. Maybe  
20 if -- if it's okay, I'll just -- Mr. Gabor, you had  
21 just a comment before the break. I can tell you that  
22 that wording in the revenue section is just  
23 unfortunate wording on MPI's part.

24 We were comparing to the -- what was  
25 originally filed. And you're -- you're correct, it

1 should have said MPI originally filed for .1 and  
2 subsequently refiled for .6, so noted. Yeah.

3 Okay. So, beginning our presentation  
4 here. If we can go to slide 2.

5 MR. STEVE SCARFONE: Just one (1)  
6 second, Mr. Johnston. It seems as though we've got an  
7 echo that's happening with your every word. Can you  
8 try speaking into the mic again?

9

10 (BRIEF PAUSE)

11

12 THE PANEL CHAIRPERSON: If I may  
13 interject. It appears that there's someone who's  
14 listening to the live streaming and we are getting the  
15 live stream coming back into the Hearing room. Could  
16 you please mute your devices so that we don't get the  
17 feedback? Thank you.

18

19 (BRIEF PAUSE)

20

21 MR. LUKE JOHNSTON: Maybe I'll just  
22 say a few words for a test. Does that sound better?

23

24 (BRIEF PAUSE)

25

1 CONTINUED BY MR. STEVE SCARFONE:

2 MR. LUKE JOHNSTON: Okay. Thanks.  
3 Technology issue number 1 solved, I guess. Okay. So,  
4 the agenda here, as already mentioned, I'll speak on  
5 the risk management framework. Then we'll talk about  
6 the response to the COVID situation, and then go into  
7 a summary of the 2021 rebate.

8 Okay, risk management framework. Just  
9 to bring some context to this, as you're aware, Mr.  
10 Graham started as a CEO at MPI two (2) to three (3)  
11 years go.

12 Immediately, he recognized that MPI did  
13 not have really any ERM program. We had some  
14 scattering of -- of risk management functions around  
15 MPI, but they definitely weren't all coordinated in  
16 one (1) ERM framework, so.

17 At that time, we looked for ERM  
18 candidates. We hired Mr. Wes Sprenger. He did not  
19 have much ERM experience but, as you know, Mr. Graham  
20 was very experienced in that -- in that regard.

21 So, Mr. Springer has spent the last  
22 couple years really doing a great job developing the  
23 framework for MPI and that the work he's done has been  
24 also verified by external consultants, so we're very  
25 pleased with that.

1                   In general, from where we were a couple  
2 years ago, we obviously wanted to develop the -- the  
3 framework itself but also change the MPI culture  
4 towards -- towards risk and have our management and  
5 executive and Board focus on key risks, spend their  
6 time on, you know, the most critical matters of the  
7 Corporation.

8                   And unless there's somebody bringing  
9 forward those concerns to an executive, it's hard to  
10 know, you know, everything that's going in the  
11 Corporation, so ERM -- ERM does that.

12                   So, starting with the framework, I  
13 won't read through all these, but, obviously, some of  
14 the principles, independent oversight. The second one  
15 is really changing that risk culture. Everybody is  
16 responsible for -- for risk, a three (3) lines of  
17 defence approach which I'll go into, and a tracking of  
18 the material risks and making sure that we're in  
19 compliance with risk management practices and our risk  
20 appetite.

21                   Quickly here, I think the first line of  
22 defence would be the business units themselves. So,  
23 that's again a cultural change, recognize -- having  
24 the groups recognize risks they have and -- and report  
25 key risks.

1                   The -- the second line is effectively  
2 the -- the departments, like, the Enterprise Risk  
3 Management Department that have that independence from  
4 operations. And this group is responsible for the  
5 risk management framework and -- and the reporting.

6                   And then the third line of defence  
7 would be audit and the Board. And they're doing a  
8 high-level activity, such as setting the risk appetite  
9 and the general oversight.

10                  When we develop the ERM framework,  
11 obviously, we would want to follow best practices, but  
12 also recognize, you know, perhaps unique circumstances  
13 for MPI. And regardless of who the CEO is, or the  
14 Board of Directors, we'd want a structure that  
15 sustains over time.

16                  So, what you see here is the -- the ERM  
17 lead reports to me but has several other dotted line  
18 reporting mechanisms. So, there is a direct dotted  
19 line to the CEO at any time that does not include me.  
20 So, that -- that relationship is -- is there.

21                  Similarly, on the Audit and Finance and  
22 Risk Committee, the ERM lead attends those committees  
23 but also has in camera access to the -- the Board.  
24 So, there is no concern whatsoever that that person  
25 is, I guess, being influenced or blocked through the -

1 - the chain of command. Next slide.

2                   The risk appetite statement is a very  
3 important piece of the framework. Step 1 -- or one  
4 (1) of the first steps, I guess, to managing risk is  
5 actually understanding what level of risk you're  
6 willing to accept. And we outline some of those on  
7 the -- on the -- the next slide.

8                   This will change over time, but the  
9 good thing is that it's constantly being reviewed and  
10 we're tracking and -- and measuring those risks. Next  
11 slide.

12                   So, by way of examples here, there's --  
13 I won't read them all, but I'll start with the  
14 corporate net income. So, as we've discussed at  
15 previous Hearings, MPI and Government have a very low  
16 appetite for annual net income volatility.

17                   And we've set our -- a target for  
18 ourselves, that we should not exceed plus or minus 50  
19 million net -- net income volatility over a four (4)  
20 year period. And that -- we arrived at that through  
21 some modelling.

22                   Obviously, we're not always going to  
23 hit these targets, but what they do is they create a  
24 basis for reporting. So, if we are managing within  
25 that level, we can say, here, and -- and to any of our

1 stakeholders, that we recognize we were going to have  
2 this -- you know, some level of volatility but we're  
3 staying within our -- within our targets.

4                   If it goes out of those targets, then  
5 we'll raise the level to a yellow level and -- and  
6 look into the matter further. And, obviously, if it  
7 gets significantly out of target, we'd raise to the  
8 red level.

9                   So, of course, there's going to be  
10 unique situations. The -- the pandemic situation is a  
11 very obvious recent example where we are not going to  
12 be within plus or minus 50 million of budget, but,  
13 again, that's what -- that's what this system's here  
14 for.

15                   Just touching on a few of the other key  
16 items. We are targeting rate increases that are 2  
17 percent or less, essentially, inflationary or less;  
18 and that's on an overall basis.

19                   And we also recognize that in the  
20 shorter term, we could have bigger net income swings,  
21 but over the long-term, we're suppose -- we're  
22 supposed to breakeven on Basic, essentially, so we  
23 would expect the volatility to be -- approach zero  
24 over the long term.

25                   On the -- in the Section 2, just some

1 general items about not providing services outside of  
2 our mandate, managing our catastrophic hail exposure,  
3 and addressing volatility in the -- the claim  
4 liabilities, being, like, the long -- the long-term  
5 PIPP liabilities, for example. So again, without  
6 getting into detail, these targets are -- are based on  
7 our own modelling of this risk and -- and what we've  
8 since done to mitigate that -- that risk, yeah.

9           SRE not a topic of this hearing, but  
10 just generally, we're focussed on Manitoba and core --  
11 core products.

12           Investment risk -- the first bullet  
13 point talks about how we've put in the Asset-Liability  
14 Management Program, and our expectation is to be very  
15 close to matched. Plus or minus 10 million is a tiny  
16 amount on billions, about \$2 billion on either side of  
17 the asset and liabilities. So we've been operating  
18 very close to that, which is good.

19           As you're aware, though, we don't hedge  
20 all our interest rate risk. We do have investments in  
21 -- in bonds in -- in the RSR and other lines of  
22 business, so we've accep -- accepted some interest  
23 rate risk there. And then the other pieces talk about  
24 currency exposure and equity exposure.

25           And then number 5, just noting that we



1 have no appetite at all for any financial or non-  
2 financial breaches of regulatory compliance.

3           As I mentioned, we have reported -- we  
4 start reporting on the top risks. One (1) of the  
5 first things we discussed with Mr. Sprenger is that we  
6 didn't want ERM to just be this mess of policies and -  
7 - and long documents that nobody reads. We want it to  
8 be very practical, and one (1) of the most practical  
9 ways to do that is to get assessment of the top risks  
10 and have that in -- in front of the Board on a regular  
11 basis so, again, we're talking about the important  
12 things that matter.

13           And then on the COVID-19 pandemic,  
14 you'll hear more about this, but we're obviously very  
15 pleased with how MPI handled that. We -- we have a  
16 business continuity program, and the truth is a lot of  
17 -- you know, as we, you know, went through all these  
18 assessments over the years, some staff may feel  
19 they're somewhat annoying at times and unnecessary,  
20 preparing for these events that are never going to  
21 happen.

22           Well, they happened, and I can say that  
23 we were very well prepared, and that -- that was one  
24 (1) of the reasons we were able to move sixteen  
25 hundred (1,600) employees to working from home in less

1 than a month. So we're very happy with how that went.

2 Also noted is we were able to share  
3 some of our locations with the government as drive-  
4 through testing sites. So from everything I've seen -  
5 - I'm the actuary, not the -- the operations vice-  
6 president -- but all indications were that that was  
7 very smooth.

8

9 (BRIEF PAUSE)

10

11 MR. MARK GIESBRECHT: All right, I'll  
12 continue on from here, and I'll -- I'll be  
13 highlighting some of the -- the key impacts of COVID  
14 from a financial perspective. There have been many  
15 implications of COVID on operations and as we work  
16 with government to utilize our service centres for  
17 testing and in that regard, but we'll look at some of  
18 the -- the key implications from a financial  
19 perspective.

20 So the slide in front of you, it has a  
21 list of what costs we've incurred over and above of  
22 the normal course. So starting from the bottom,  
23 you'll see the largest chunk around vehicle  
24 sanitation.

25 And so this is where we -- we will pay

1 to our various repair shops fifty dollars (\$50) per  
2 car to ensure that cars are returned to customers  
3 after being repaired being fully clean and sanitized  
4 and to ensure that there is no risk of -- of any kind  
5 of virus to be -- to go back to our customers in that  
6 regard. So that's an ongoing cost, and it is the  
7 largest single cost that we're seeing on an  
8 incremental basis.

9                   A special rebate, that is in relation  
10 to the mailing costs and the hearing cost to  
11 distribute our \$110 million rebate. So that's -- that  
12 was about seven hundred and eighteen thousand dollars  
13 (\$718,000).

14                   The next line you'll see is  
15 productivity, that green bar, and what we mean by that  
16 is, you know, lost time due to sick time, family  
17 leave, salary continuance, different programs around  
18 ensuring that our staff are able to deal with the  
19 pandemic and make sure that we are -- you know, that  
20 we're safe during this time. So there is a little bit  
21 of productivity loss in that regard; that equates to  
22 about six hundred and eighty-one thousand (681,000)  
23 through the first half of the year.

24                   Incremental staffing, there have been  
25 some -- some need to move around people to address the

1 needs of the businesses on an ongoing basis. An  
2 example of that would be in our contact centre, as we  
3 had, during the initial shutdown in March and April --  
4 moving to way to service our customers via phone, as  
5 an example, so having to shift staff around in order  
6 to maintain our service to the public. So there --  
7 there has been some costs there.

8                   Technology enablement, that's all  
9 around getting people to work from home, as Mr.  
10 Johnston spoke to, you know, in a short order, moving,  
11 you know, the great majority of our staff, who were --  
12 that had the ability to work from home, given the  
13 nature of their work flows, to do that.

14                   So that's had costs around tokenization  
15 for VPN access, laptop deployment, special --  
16 utilizing home PCs to -- to remote into -- to  
17 desktops, all these kind of things to allow that work  
18 from home. So there was costs there, about five  
19 hundred and forty-seven thousand dollars (\$547,000).

20                   Then we'd also have sanitization and  
21 the personal and protective equipment; that totals  
22 about three hundred and ninety thousand dollars  
23 (\$390,000). So as we ensure that we have the right  
24 sanitization and cleaning in place through our service  
25 centres and our head office, there's additional cost

1 there. So all told, through six (6) months of the  
2 year, about \$6 million in cost -- in incremental cost  
3 to the Corporation.

4           The next slide, you'll see some of the  
5 key highlights of the savings that we've had on an  
6 operational basis. Given that salary and benefits is  
7 our biggest expense line, that's where we see the  
8 greatest savings relative to budget. And so as we  
9 have gone through this pandemic, we have not filled,  
10 necessarily, all the vacancies as they've -- they've  
11 come due.

12           We had a number of committed savings  
13 that we wanted to make sure -- as other Crown  
14 organizations and government agencies were looking for  
15 -- for savings and efficiencies, we were no different.  
16 And we have seen an average of about -- about a  
17 hundred and forty-two (142) vacancies throughout this  
18 period. That has led to \$5.8 million -- or an under-  
19 budget savings on a salary-and-benefit basis.

20           With our Driver Education Program,  
21 again, due to the change in the program and the  
22 initial shutdown earlier this year, there was a move  
23 to online. And so some of the costs that we normally  
24 would incur have been deferred or, in this case, saved  
25 for -- for this particular year; that equates to \$1.7

1 million.

2                   Advertising and public campaigns.  
3 Anywhere there was what we considered discretionary  
4 spending, we looked to reduce that spend. This was  
5 one (1) area where we felt that we -- we could realize  
6 some savings, so there was about \$1.4 million in that  
7 regard. Campaigns continue to be formulated and will  
8 rolled out, but during that period, there were some  
9 savings realized there.

10                   And, of course, given the travel  
11 restrictions, there's very little travel taking place.  
12 Obviously, out of -- out of province is almost or  
13 completely halted, and any province -- provincial  
14 travel is only where absolutely necessary. So there  
15 is about four hundred thousand dollars (\$400,000) in  
16 savings from travel and our vehicle expense side.

17                   On to the next slide, you'll see our  
18 direct-claims savings. So this is a summary of the  
19 report that we've been providing to this panel on a  
20 monthly basis. So you see from March to September the  
21 claims incurred on an actual-to-budget basis.

22                   And you'll see that back in March, we  
23 had about \$25 million in better-than-budget  
24 performance, and that has kind of moved up a little  
25 bit. It's been cut in half to about 11, 12, \$13

1 million in the last number of months.

2                   And so this is primarily what we would  
3 expect to be a direct result of, you know, the COVID  
4 pandemic restrictions, working from home, all these  
5 kind of things leading to, you know, reduced traffic  
6 flows and reduced incidents of -- of accidents. And  
7 so, you know, a fairly dramatic change there.

8                   We do see that returning closer to  
9 normal levers -- levels in the last number of months,  
10 but, no doubt, there have been significant savings  
11 during the first six (6) months of the year.

12                   On the next slide, we'll see -- this is  
13 a representation of a year-over-year claims assigned  
14 within the -- our service centres on a city and a  
15 rural basis. So it's another way of looking at -- at  
16 the incidence of claims.

17                   And so, what you see is, in the early  
18 months, claims being assigned within the service  
19 centres dropping roughly 50 percent. And then, kind  
20 of coming back closer to normal levels. The -- the  
21 turquoise colour there is the -- the city of Winnipeg.  
22 And you'll see in around July -- kind of comes back to  
23 about that ten (10) and fluctuates to about 15  
24 percent. This is as compared to prior year.

25                   On the rural side, there was a faster

1 return to normal levels or closer to normal levels  
2 than on -- on the city side. And in early July,  
3 there's a bit of a spike there. There was, I believe,  
4 some flooding in the Brandon area that gave rise to  
5 that. But, except for that spike, similar depictions  
6 of the year-over-year claims versus city but not quite  
7 as dramatic on that basis.

8                   So the story really is, you know, a  
9 dramatic reduction in claims in the early -- early  
10 part, returning closer to normal levels as we've  
11 proceeded through the pandemic.

12                   As far as impact on our portfolio --  
13 and we'll get more into that with the investment panel  
14 -- but just some quick highlights.

15                   At the end of 2019/2020, we did have an  
16 impairment on our investment portfolio of about \$68  
17 million; \$54 million of which related to our equity  
18 portfolio. And of that, \$42 million related to the  
19 Basic side of the business.

20                   And so, I just want to give a bit more  
21 clarity around what that impairment -- what that  
22 means. I know there was questions within the IR  
23 rounds about that.

24                   So we will value our equities at fair  
25 market value at any given period. But depending on



1 how they are classified for accounting, the -- the  
2 changes will fluctuate and flow through the -- the  
3 financial statements in a different way.

4           So, for example, we'll classify our  
5 equities as what's known as available for sale. And  
6 what that means is the accounting treatment -- the  
7 unrealized gains and losses will flow through not the  
8 profit and loss, but the other comprehensive income.

9           And so, what that means is you don't  
10 see that volatility in your net income. However,  
11 given the dramatic downturn in -- so you -- you see  
12 before you on the chart, this is the cumulative  
13 returns of our equity portfolio in 2019. And you can  
14 see that there's -- there's gains made basically all  
15 along until, you know, early 2020. And then, of  
16 course, in March, as the pandemic was officially  
17 declared in North America, you see a dramatic drop  
18 off. And that's where we realized that -- that drop  
19 at the end of the fiscal year of 2019/2020.

20           So because it was a -- a dramatic and  
21 significant impact, due to the accounting rules,  
22 generally speaking, when you have a drop of greater  
23 than 20 percent, that will typically qualify in -- in  
24 case of our policy, it did qualify for an impairment.  
25 And so, we shift that other comprehensive loss over to

1 net income. And that gave rise to, on a corporate  
2 basis, a \$68 million loss for 2019/2020.

3           We have seen, subsequent to that loss,  
4 quite a rebound. It's been very -- very interesting  
5 to watch the markets. You know, with government  
6 reaction, with stimulus in the marketplace, there has  
7 been a dramatic turnaround.

8           And so, this will be recognized in our  
9 balance sheet, however, not in our statement of profit  
10 and loss as those rebounds are not reflected in the  
11 profit and loss until you actually realize those  
12 gains. However, it is reflected in our total equity  
13 position.

14           Onto the next slide. This depicts our  
15 asset liability management program, some of the  
16 impacts that we're recognizing here.

17           On the right hand of the -- the slide,  
18 you'll see the -- the government yield curve for  
19 Canadian bonds. And what you'll see is the -- the red  
20 bar -- so the end of the fiscal year prior to the one  
21 that we just closed where rates were significantly  
22 higher than what we closed last year that.

23           And then, in this fiscal year -- or at  
24 the end of August, that is -- you'll see a bit of a  
25 continued drop in interest rates across all points on

1 that curve.

2                   What you don't see on the slide as well  
3 is the impact of bond spreads between Corporate bonds,  
4 provincial bonds, versus the -- the government bonds  
5 and that's had a lot of movement as well.

6                   And that's given rise, this year, to a  
7 dramatic impact on our investment income and our  
8 claims incurred.

9                   So on the left side, you'll see the  
10 impact. The lighter blue represents the actual impact  
11 to investment income and -- and claims. The darker  
12 blue is the -- the better-or-worse position relative  
13 to budget.

14                   And so, you'll see investment income  
15 has increased \$127 million relative to budget; whereas  
16 claims incurred has increased to \$140 million. So  
17 they have roughly offset and the net impact is about a  
18 \$13 million negative impact.

19                   But you can see the dramatic impacts on  
20 either side of the ledger. And the result of the ALM  
21 program that really hedges that impact and mitigates  
22 it as best as possible. So while there has been a lot  
23 of volatility, the impact on the profit and loss has  
24 been mitigated significantly.

25                   Moving along, just a quick recap on the

1 rebate. So, again, we'd like to -- to thank the panel  
2 members and all Interveners through that process. We  
3 applied initially on April 27th, had a very quick  
4 process with an Order to come on May 1st. So that  
5 was, you know, excellent. Definitely an expedient  
6 process, so we thank everyone for that.

7                   Just to -- to recap. There were two  
8 (2) components of that rebate. The first one was the  
9 -- the Extension profits that, in normal course, would  
10 have flowed through the Capital Management Plan, but  
11 during this, you know, pandemic time, the need to  
12 expedite that. So that was the \$52 million that  
13 formed part of the rebate to customers.

14                   Then, of course, the part B, the  
15 forecasted claims between March 15th to May 15th, that  
16 \$58 million. So, all told, \$110 million were rebated  
17 to customers. And so, we were really pleased to be  
18 able to do that in the time of need for -- for  
19 Manitobans.

20                   And on our final slide here, just some  
21 of the numbers that go with that. So at the end of  
22 May, we started to mail out cheques to -- to policy  
23 holders.

24                   For any rebate that was under ten  
25 dollars (\$10), we did not mail out those rebates.

1 They were left as a credit on accounting customers  
2 where their next interaction could have that applied  
3 against their future payments. But for the majority  
4 of folks, about six hundred and forty-nine thousand  
5 (649,000) customers received a rebate cheque. On  
6 average, between a hundred and forty (140) and a  
7 hundred and sixty dollars (\$160). So that made up the  
8 \$110 million rebate.

9                   We did have a very small second cheque  
10 run in late July. This was a result of a customer  
11 inquiry where we found that there was a small  
12 contingent of customers -- about, you know, roughly  
13 nine thousand (9,000) customers -- who had a  
14 calculation error. And it -- it stemmed from  
15 customers who had a mid-stream change or -- or  
16 transfer of their policy.

17                   And so, upon investigation, we reviewed  
18 that and we did find that there were a few customers  
19 impacted. And then, we did do a secondary cheque run  
20 to address that issue.

21                   So it was typically small dollars. The  
22 average rebate there was twenty-five dollars (\$25).  
23 And then, again, for rebates less than ten dollars  
24 (\$10), we followed the same practice to leave a credit  
25 on account where necessary.

1                   That concludes the presentation piece  
2 of our panel.

3                   THE PANEL CHAIRPERSON:    Thank you, Mr.  
4 Giesbrecht and Mr. Johnston.

5                   Mr. Scarfone, do you have anything  
6 further in direct?

7                   MR. STEVE SCARFONE:    I don't, Madam  
8 Chair. Thank you.

9                   THE PANEL CHAIRPERSON:    Okay. Any  
10 questions? Okay. Ms. McCandless...?

11

12 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

13                   MS. KATHLEEN MCCANDLESS:    Thank you.  
14 Good morning, Mr. Johnston, Mr. Giesbrecht.

15                   I appreciate that you did get into  
16 detail on COVID-19 and the rebate and the risk  
17 management framework this morning.

18                   I'm going to take you back a little bit  
19 first, however, just to ask some questions about the  
20 rate applied for and the rate indication. I believe,  
21 Mr. Johnston, you're likely aware that that was  
22 coming. Thank you.

23                   First -- and most of these questions, I  
24 believe, will be directed to Mr. Johnston. You accept  
25 that the Corporation bears the onus of proof to

1 substantiate the General Rate Application?

2 MR. LUKE JOHNSTON: I do.

3 MS. KATHLEEN MCCANDLESS: And so, the  
4 Corporation bears the onus of establishing that the  
5 proposed rates and fees are just and reasonable?

6 MR. LUKE JOHNSTON: Yes.

7 MS. KATHLEEN MCCANDLESS: And another  
8 way of stating the test is that the rates are to be  
9 actuarially sound and statistically driven?

10 MR. LUKE JOHNSTON: That's correct.

11 MS. KATHLEEN MCCANDLESS: Thank you.

12 Now, I'm just going to take you through  
13 an overview of the initial application request and how  
14 that's changed based on the update that was filed on  
15 October 9th.

16 So, Kristen, could you take us to part  
17 1, the Legal Application, at page 3? It's also found  
18 in the book of documents at Tab 1.

19 And so this reflects the provisional  
20 rate request that was filed in June of this year; yes?

21 MR. LUKE JOHNSTON: Yes.

22 MS. KATHLEEN MCCANDLESS: And so we  
23 see at line 6 that initially the Corporation requested  
24 an overall rate decrease of 10.5 percent?

25 MR. LUKE JOHNSTON: Correct.

1 MS. KATHLEEN MCCANDLESS: And that was  
2 comprised of three (3) components. The first was a 3  
3 percent decrease resulting from changes to the  
4 Automobile Insurance Coverage Regulation; yes?

5 MR. LUKE JOHNSTON: Yes.

6 MS. KATHLEEN MCCANDLESS: The second  
7 was a 2.5 percent decrease in the break-even cost of  
8 Basic vehicle premiums calculated in accordance with  
9 accepted actuarial practice and grounded in naive  
10 interest rate forecasts as at March 31, 2020; yes?

11 MR. LUKE JOHNSTON: Correct.

12 MS. KATHLEEN MCCANDLESS: And that --  
13 item number 2, that's what's been updated in the  
14 October 9th rate update; yes?

15 MR. LUKE JOHNSTON: All of these items  
16 were tech -- technically updated in the October  
17 update. For example, the -- the release, if it -- if  
18 it needed to change, we would have changed it, but --  
19 and then similar to point 1, the reasons for our  
20 change didn't really affect that item. But if there  
21 were any updates to be made, we did, but it was the  
22 same indicated number.

23 MS. KATHLEEN MCCANDLESS: Understood.  
24 Thanks. With item 3, that's the release, the 5  
25 percent capital release you just referred to; yes?



1 MR. LUKE JOHNSTON: That's right.

2 MS. KATHLEEN MCCANDLESS: And that's  
3 in accordance with the Capital Management Plan which  
4 was approved on a conditional basis for this rating  
5 year by the Board; yes?

6 MR. LUKE JOHNSTON: Correct.

7 MS. KATHLEEN MCCANDLESS: Thank you.  
8 And MPI is seeking this -- seeking the new rate for  
9 the twelve (12) month period beginning April 1st,  
10 2021, yes?

11 MR. LUKE JOHNSTON: Correct.

12 MS. KATHLEEN MCCANDLESS: So if we now  
13 go to MPI Exhibit 27 -- oh, pardon me. You know what,  
14 first, Kristen, if you could go to -- it's a letter  
15 dated October 9th, 2020, and it's from general counsel  
16 for MPI to the Board. It's not yet been filed as an  
17 exhibit.

18

19 (BRIEF PAUSE)

20

21 MS. KATHLEEN MCCANDLESS: Thank you.

22 So for the purposes of the record, I will just have  
23 this marked as PUB Exhibit Number 18. This is the  
24 letter from Mr. Triggs, general counsel, dated October  
25 9th, 2020, outlining the updated rate requests.

1

2 --- EXHIBIT NO. PUB-18: Letter from Mr. Triggs  
3 Dated October 9th, 2020,  
4 Outlining Updated Rate  
5 Requests

6

7 MS. KATHLEEN MCCANDLESS: Are you  
8 familiar with this document, Mr. Johnston?

9

MR. LUKE JOHNSTON: Yes.

10

MS. KATHLEEN MCCANDLESS: Thank you.

11

And so on the left side of the letter, we see the

12

provisional overall rate request of 10.5 percent, yes?

13

MR. LUKE JOHNSTON: Yes.

14

MS. KATHLEEN MCCANDLESS: And then on

15

the right side of the screen, we see the October 9th

16

overall rate decrease update, yes?

17

MR. LUKE JOHNSTON: Yes.

18

MS. KATHLEEN MCCANDLESS: And so as

19

you had mentioned just a moment ago, there's no change

20

to the decrease resulting from changes to the

21

regulation?

22

MR. LUKE JOHNSTON: Correct.

23

MS. KATHLEEN MCCANDLESS: Or to the

24

capital release. But where we see the change is in

25

the middle on the right-hand side of the screen.

1 Now the break-even cost of Basic  
2 vehicle premiums is a decrease of .8 percent, yes?

3 MR. LUKE JOHNSTON: That's correct,  
4 and so what we -- just to be completely clear here, we  
5 did update for the latest interest rates, but we also  
6 updated our year-to-date experience in our -- in our  
7 financial model. Not shown here is an uncapped  
8 version of the Capital Release Provision. Those would  
9 not be the same in both scenarios, but because of the  
10 cap, they are the same at 5 percent.

11 MS. KATHLEEN MCCANDLESS: And so we  
12 see here that there's a -- a 1.7 percent reduction in  
13 the indicated actuarial-based rate, or I suppose an  
14 increase, yes?

15 MR. LUKE JOHNSTON: I didn't hear the  
16 last part of the question, sorry.

17 MS. KATHLEEN MCCANDLESS: This is a  
18 difference of 1.7 percent --

19 MR. LUKE JOHNSTON: Yes.

20 MS. KATHLEEN MCCANDLESS: --  
21 essentially? Yes. On the right-hand side of the  
22 page, we see a point eight (.8) decrease and then  
23 'provisional' in brackets.

24 Is there a reason why this decrease is  
25 considered provisional?

1 MR. STEVEN SCARFONE: So, counsel, I  
2 noticed that, and that was an oversight that should  
3 not have been included in the letter, so it's not  
4 provisional.

5 MS. KATHLEEN MCCANDLESS: Thank you.  
6 And I take it then that's the same with respect to the  
7 capital release at the bottom of the right-hand side  
8 of the screen?

9 MR. STEVEN SCARFONE: Correct. Thank  
10 you.

11 MS. KATHLEEN MCCANDLESS: Thank you.

12

13 (BRIEF PAUSE)

14

15 CONTINUED BY MS. KATHLEEN MCCANDLESS:

16 MS. KATHLEEN MCCANDLESS: If we could  
17 go to MPI Exhibit Number 27, Appendix 1, so that's the  
18 Rate Indication Table and the MCT percentage before  
19 and after the Capital Management Plan.

20 Mr. Johnston, MP -- MPI provided nine  
21 (9) scenarios including an update to the naive  
22 interest rate forecast. We see at lines 1 to 9,  
23 naive, naive with COVID up to Q3 2020, naive with  
24 COVID up to Q4 2020, 50/50, standard interest rate  
25 forecast, reduction of fifty (50) basis points, an

1 increase of fifty (50) basis points, reduction of  
2 twenty-five (25) basis points, and an increase of  
3 twenty-five (25) basis points, yes?

4 MR. LUKE JOHNSTON: Yes. I was  
5 surprised that we provided that many scenarios, but my  
6 understanding is that they were requested, so, yes,  
7 that's correct.

8 MS. KATHLEEN MCCANDLESS: All right.  
9 Thank you. And so the naive and each of the two (2)  
10 COVID-19 scenarios -- so lines 1 to 3 -- plus the  
11 50/50 and the standard interest rate forecast -- so  
12 four (4) and five (5) -- each indicate the maximum 5  
13 percent capital build and release -- or build --  
14 release, pardon me.

15 MR. LUKE JOHNSTON: That's right. In  
16 all these scenarios, it triggers the -- the maximum  
17 release. We don't -- I've seen other versions of this  
18 where we show the uncapped version of that which would  
19 probably be informative, but it's more than negative 5  
20 percent.

21 MS. KATHLEEN MCCANDLESS: And each of  
22 the actuarially indicated break-even rates includes a  
23 3 percent rate reduction related to the coverage  
24 changes. Is that right?

25 MR. LUKE JOHNSTON: That's right, and

1 that includes the product changes, which is why it's  
2 not the 0.8 percent that you referenced earlier. So  
3 the rounded version of point seven-six (.76) would be  
4 zero point eight (0.8). Three percent is the product  
5 changes.

6 MS. KATHLEEN MCCANDLESS: Thank you.  
7 Now, Kristen, could we put up PUB Exhibit Number 27,  
8 page 2? That's RM-1. It's also at Tab 4 of the book  
9 of documents. And place that side by side, if  
10 possible, with Tab 2 from the book of documents which  
11 is the -- is Part 6 from the rate-making section of  
12 the Application, page 5.

13

14 (BRIEF PAUSE)

15

16 MS. KATHLEEN MCCANDLESS: Perfect.  
17 Thank you. So this is just to highlight, Mr.  
18 Johnston, the changes in the indicated rate change  
19 between the application as filed in June and the  
20 updated filed earlier this month, yes?

21 MR. LUKE JOHNSTON: That's correct,  
22 and I'm always disappointed on how bad my handwriting  
23 is in the -- on the right-side one, but it is what it  
24 is.

25 MS. KATHLEEN MCCANDLESS: So if we

1 look on the right-hand side of the screen for the  
2 rate-making section of the application, we see the  
3 private passenger indicated rate change was a decrease  
4 of 11 percent.

5 And that has now changed in Exhibit 27  
6 to a decrease of 9.4 percent?

7 MR. LUKE JOHNSTON: Correct.

8 MS. KATHLEEN MCCANDLESS: And then  
9 line 2 with respect to commercial, initially the  
10 indication was a decrease of 4.8 percent, and that has  
11 been updated in Exhibit 27 to a decrease of 2.1  
12 percent?

13 MR. LUKE JOHNSTON: Yes.

14 MS. KATHLEEN MCCANDLESS: Public  
15 class, we see an initial indicated rate change of 6.1  
16 percent decrease which has now been revised to a 3.7  
17 percent decrease?

18 MR. LUKE JOHNSTON: Correct.

19 MS. KATHLEEN MCCANDLESS: Motorcycles,  
20 initially the -- the indicated rate change was a 1.8  
21 percent increase, and that has been updated to a 4.7  
22 percent increase?

23 MR. LUKE JOHNSTON: Yes.

24 MS. KATHLEEN MCCANDLESS: Trailers, a  
25 slight difference in that June, the indicated rate

1 change was a decrease of 11.4 percent, which has now  
2 changed to a decrease of 11.3 percent?

3 MR. LUKE JOHNSTON: Yes.

4 MS. KATHLEEN MCCANDLESS: No change to  
5 off-road vehicles in either --

6 MR. LUKE JOHNSTON: Correct.

7 MS. KATHLEEN MCCANDLESS: -- scenario,  
8 and then we come to the total indicated overall rate  
9 change of 8.8 percent in the update.

10 MR. LUKE JOHNSTON: That's correct.

11 MS. KATHLEEN MCCANDLESS: Thank you.

12 Now, if we could go to MPI Exhibit 27, page 25.

13

14 (BRIEF PAUSE)

15

16 MS. KATHLEEN MCCANDLESS: And this is  
17 figure RM-19 from the October 9th update, which is the  
18 percent distribution for all classification and rate  
19 adjustments, yes?

20 MR. LUKE JOHNSTON: I see that, yes.

21 MS. KATHLEEN MCCANDLESS: I appreciate  
22 the numbers in front of us are very small. So, just  
23 to walk you through some of them, if we look to the  
24 left-hand side of the screen, under the column,  
25 "Number of vehicles," we see a total decrease of, in



1 the middle of the screen here, nine hundred and fifty-  
2 four thousand eighty-nine (954,089) or 81.5 percent of  
3 all vehicles will be receiving a decrease in rates  
4 based on the updated rate indication?

5 MR. LUKE JOHNSTON: That's correct.

6 MS. KATHLEEN MCCANDLESS: And then if  
7 we go to page 23 of this same exhibit, this is figure  
8 RM-18, and that's the dollar distribution for all  
9 classification and rate adjustments?

10 MR. LUKE JOHNSTON: Yes.

11 MS. KATHLEEN MCCANDLESS: And if we  
12 look to the left-hand side of the screen, towards the  
13 top, under, "Number of vehicles," we see that two  
14 hundred and twenty-two thousand five hundred and five  
15 (222,505) vehicles will receive a decrease of between  
16 one hundred (100) to one hundred and fifty dollars  
17 (\$150)?

18 MR. LUKE JOHNSTON: I see that, yes.  
19 Yes.

20 MS. KATHLEEN MCCANDLESS: Just one (1)  
21 row above that we see a hundred and forty-eight  
22 thousand four hundred and seventy (480,470) vehicles  
23 will receive a decrease of one hundred (100) to two  
24 hundred dollars (\$200) -- one hundred and fifty (150)  
25 to two hundred dollars (\$200), pardon me?

1 MR. LUKE JOHNSTON: Yes.

2 MS. KATHLEEN MCCANDLESS: Next, above  
3 that, we see fifty-three thousand five hundred and  
4 sixty-two dollars (sic) (\$53,562) will receive a  
5 decrease of two hundred (200) to two hundred and fifty  
6 dollars (\$250), yes?

7 MR. LUKE JOHNSTON: Yes.

8 MS. KATHLEEN MCCANDLESS: And then the  
9 last two (2) at the top of the page, roughly over  
10 eighteen thousand (18,000) vehicles will see a  
11 decrease in excess of two hundred and fifty dollars  
12 (\$250), yes?

13 MR. LUKE JOHNSTON: That's right.

14 MS. KATHLEEN MCCANDLESS: And then if  
15 we look to the middle column under, "Private passenger  
16 vehicles 2021," towards the very bottom of the page,  
17 the second line from the bottom, "Total increasing,"  
18 we see that almost every private passenger vehicle  
19 will receive a decrease while four (4) will receive no  
20 change in rates and three hundred and nineteen (319)  
21 will see an increase?

22 MR. LUKE JOHNSTON: Yes, three hundred  
23 and nineteen (319).

24 MS. KATHLEEN MCCANDLESS: Thank you.  
25 What are the characteristics around the private

1 passenger vehicles still receiving an increase with a  
2 9.5 -- 9.4 percent indicated rate reduction for the  
3 class?

4 MR. LUKE JOHNSTON: I'd have to look  
5 in -- into the details. I believe we do have that in  
6 the application. But in -- in a general sense, it  
7 would have to be a class that was in need of a larger  
8 rate increase; that would typically be a smaller  
9 class.

10 And it -- it may also pertain to  
11 vehicles where their rate group was increased from the  
12 Insurance Bureau of Canada rate groups, but even that  
13 is only allowed to go up one (1) -- one (1) rate group  
14 at a time.

15 So, I would have to -- I'd have to look  
16 into the details of that. Just one (1) second. Maybe  
17 I'll pull up a reference.

18

19 (BRIEF PAUSE)

20

21 MR. LUKE JOHNSTON: My apologies. I'm  
22 -- I'm looking for a table we normally provide of the  
23 top fifty (50) increases. That -- that would be  
24 helpful to understand why somebody might fall in that  
25 group.

1 MS. KATHLEEN MCCANDLESS: Thank you.  
2 I don't think we'd need an undertaking for that  
3 information, but if it becomes available, perhaps you  
4 could just speak to it later.

5 MR. LUKE JOHNSTON: Okay. So, yeah,  
6 just my understanding is we still provide that just so  
7 the Board is aware of who the top fifty (50) are and -  
8 - and why they saw increases.

9

10 (BRIEF PAUSE)

11

12 MS. KATHLEEN MCCANDLESS: Thank you.  
13 Now, if we look to the left-hand side of the column  
14 here under, "Percentage of vehicles," in the middle of  
15 the page, we see no change, a hundred and seventy-six  
16 thousand eight and ninety-nine (176,899) vehicles, or  
17 15.11 percent, will see no change in pre -- premium,  
18 yes?

19 MR. LUKE JOHNSTON: That's correct.

20 MS. KATHLEEN MCCANDLESS: And then at  
21 the very bottom of that same column under total -- or  
22 beside, "Total increasing," only thirty-nine thousand  
23 five hundred and sixteen (39,516) vehicles are  
24 receiving a rate increase, yes?

25 MR. LUKE JOHNSTON: Correct.

1

2

(BRIEF PAUSE)

3

4

MS. KATHLEEN MCCANDLESS: And then the  
5 second column from the right is, "Commercial  
6 vehicles." And towards the very bottom, under total -  
7 - or beside, "Total increasing," we see that fifteen  
8 thousand two hundred and fifty-six (15,256), or 32.7  
9 percent, of commercial vehicles are receiving some sor  
10 -- some form of increase, yes?

11

MR. LUKE JOHNSTON: Yes.

12

MS. KATHLEEN MCCANDLESS: Now, the  
13 second page of this exhibit -- or this figure, page  
14 24, on the left-hand side of the page we see the  
15 motorcycle class?

16

MR. LUKE JOHNSTON: I do.

17

MS. KATHLEEN MCCANDLESS: And at the  
18 very bottom, beside, "Total increasing," we see that  
19 almost all motorcycles are increasing, so seventeen  
20 thousand one hundred and seventy-six (17,176)  
21 motorcycles, and only five hundred and ten (510) are  
22 decreasing if we look up in that column towards the  
23 middle, yes?

24

MR. LUKE JOHNSTON: That's correct.

25

MS. KATHLEEN MCCANDLESS: Now, if we

1 could go to the book of documents, tab 15, that's also  
2 part 5 of the application revenue, figure 3.

3 This represents the detail of premiums  
4 written and earned based on the original application?

5 MR. LUKE JOHNSTON: Yes.

6 MS. KATHLEEN MCCANDLESS: And so, what  
7 it shows is the impact of the proposed 10.5 percent,  
8 or the initially provisional rate decrease, yes?

9 MR. LUKE JOHNSTON: That's right.

10 MS. KATHLEEN MCCANDLESS: And that  
11 would be at line 4?

12 MR. LUKE JOHNSTON: Line 4 under the  
13 2022 F column.

14 MS. KATHLEEN MCCANDLESS: Okay. And  
15 with the impact of the rate change on premiums written  
16 and -- or collected, yes, in line 12?

17 MR. LUKE JOHNSTON: Correct.

18 MS. KATHLEEN MCCANDLESS: That's a  
19 reduction of \$119.7 million, yes?

20 MR. LUKE JOHNSTON: That's right.

21 MS. KATHLEEN MCCANDLESS: Point eight,  
22 pardon me, I believe. So, just over 50 percent of  
23 this reduction would be earned in 2021/'22 with the  
24 remaining 48.77 percent recognized in 2022/'23 due to  
25 staggered renewals?

1 MR. LUKE JOHNSTON: Correct.

2 MS. KATHLEEN MCCANDLESS: Now, if we  
3 look to the volume and upgrade factors, so towards the  
4 top of the page, looking at the HTA Volume Change  
5 relative to the 2020 GRA, we know that the forecast  
6 for the 2020 GRA for volume was 1.4 percent.

7 You'll accept that, subject to check?

8 MR. LUKE JOHNSTON: That's correct.

9 MS. KATHLEEN MCCANDLESS: But the  
10 actual, as we see at line 2 here, is .41 percent?

11 MR. LUKE JOHNSTON: That's right.

12 MS. KATHLEEN MCCANDLESS: What were  
13 the drivers of this change?

14 MR. LUKE JOHNSTON: There's -- we've  
15 definitely seen lower volume growth in recent years.  
16 It's not being -- it's not a function of drivers  
17 because driver growth is -- continues to be  
18 approximately 1.3, 1.4 percent.

19 We don't have, you know, an exact  
20 answer to this question. We think it could have  
21 partially to do with economic conditions. We also had  
22 very short fall seasons the last couple years where it  
23 basically rained or snowed every day starting in  
24 September which would also cause some -- some groups  
25 to bring summer vehicles off the road and -- and not

1 earn units.

2                   And I guess, yeah, the other -- the  
3 other piece that could exist, we haven't confirmed  
4 this, but any tendency for younger drivers, for  
5 example, to not drive could be playing in the numbers,  
6 but I don't have firm evidence on that, yeah.

7                   MS. KATHLEEN MCCANDLESS: Thank you.  
8 For the '20/'21 forecast budget at line 2, we  
9 understand that the reduction in the volume change  
10 from 1.4 percent to point one four (.14) percent was  
11 due to the pandemic?

12                   MR. LUKE JOHNSTON: Yes, of course,  
13 recognizing the information that we had at that time.  
14 But what we did is looked at the year-over-year volume  
15 growth by month and noted that for the -- for the  
16 '20/'21 years, where we had that information that  
17 volume growth was progressing very slowly, so we  
18 assumed that, you know, a -- a valid reason for that  
19 could be the pandemic, and we made an adjustment to  
20 that forecast to 0.14 percent.

21                   Without going into the details, which  
22 are in the revenue section, and I suspect you'll ask  
23 about this, but I'll just -- I'll say it now anyways -  
24 - we assumed that that growth rate -- that very low  
25 growth rate was temporary and -- and that customers



1 would insure their vehicles somewhat close to normal  
2 the following year, which is why you see the -- the  
3 recovery the following year. If you take the average  
4 of those two (2) numbers over a two (2) year period,  
5 you're -- you're back to about the 1 percent per year  
6 growth, which sustains for the rest of the forecast.

7 MS. KATHLEEN MCCANDLESS: You did  
8 anticipate my next question, so thank you.

9 Kristen, if we could go to PUB-MPI 1-  
10 21, and that's at tab 16 of the book of documents.

11 And on page 2, there's a paragraph just  
12 under Figure 1, for your reference, Mr. Johnston. So  
13 based on the application, there was a change in the  
14 methodology of estimating the volume change for 2022  
15 and thereafter, yes?

16 MR. LUKE JOHNSTON: Can you repeat  
17 that, sorry?

18 MS. KATHLEEN MCCANDLESS: There was a  
19 change in the methodology that the Corporation used in  
20 est -- for estimating the volume change for 2022 and  
21 thereafter using policy year earned units instead of  
22 earned-year units. Is that right?

23 MR. LUKE JOHNSTON: Sorry, yes. Yeah.

24 MS. KATHLEEN MCCANDLESS: And so based  
25 on the response to PUB-MPI 1-21, I understand that the

1 impact of this change was a reduction of point one por  
2 -- point one four (.14) percent per year in assumed  
3 volume growth, without which the rate indication would  
4 have been initially 10.6 percent instead of ten point  
5 five (10.5), yes?

6 MR. LUKE JOHNSTON: That's right. The  
7 -- I guess I'd characterize this as a -- a  
8 methodological -- a methodological improvement, yeah.

9 MS. KATHLEEN MCCANDLESS: Thank you.  
10 And we understand that MPI has assumed that the impact  
11 of COVID-19 would persist until August 2020.

12 MR. LUKE JOHNSTON: At that time, yes,  
13 yeah. I can tell you that the -- as you've seen,  
14 revenues are very close to budget, so assumptions that  
15 were made, whether it was luck or just in the  
16 aggregate worked out, they are very close.

17 MS. KATHLEEN MCCANDLESS: And for the  
18 October update, has MPI revised any of its assumptions  
19 on the impact of COVID-19 when determining its volume  
20 forecast?

21 MR. LUKE JOHNSTON: We have not. And  
22 just -- just kind of restating, we definitely had a  
23 lot of concerns over our -- our premium intake. We've  
24 heard, you know, different parts of Canada had major  
25 drops in premiums. We -- we didn't see that. We made

1 a minor adjustment for volume, but we're tracking very  
2 close to -- to target.

3 MS. KATHLEEN MCCANDLESS: Thank you.  
4 Kristen, if we could go to Figure CI-72.

5 And these are the overall claims-  
6 incurred changes for 2021/'22 and 2022/'23?

7 MR. LUKE JOHNSTON: Yes.

8 MS. KATHLEEN MCCANDLESS: If we start  
9 with the total Basic ultimate incurred, which you see  
10 the movement in forecasted claims in the test years,  
11 we can see that 2021/'22 has decreased by \$53 million.

12 That's line 7 on the right-hand side of the figure.  
13 Yes?

14 MR. LUKE JOHNSTON: Oh, pardon.  
15 Sorry. '21/'22 has -- our revised ultimate is 53  
16 million lower than last year's forecast, yes.

17 MS. KATHLEEN MCCANDLESS: Thank you.  
18 And line 8 for 2022/'23, there's a decrease of \$77  
19 million?

20 MR. LUKE JOHNSTON: That's correct.

21 MS. KATHLEEN MCCANDLESS: And the --  
22 these decreases include a \$15 million and a \$30  
23 million impact of coverage changes, yes?

24 MR. LUKE JOHNSTON: That's right, and  
25 the only reason the '21/'22 impact is fifteen (15) is

1 just because it's -- only half the policies have had a  
2 chance to earn. It -- it's really a \$30 million or  
3 about a 3 percent impact.

4 MS. KATHLEEN MCCANDLESS: So excluding  
5 the coverage changes, then, we see that the forecasted  
6 claims have decreased by \$38 million and \$47 million,  
7 then, for 2021/'22 and '22/'23, respectively?

8 MR. LUKE JOHNSTON: On approximate  
9 terms, yes, yeah.

10 MS. KATHLEEN MCCANDLESS: And that's  
11 with reductions in most coverages, yes?

12 MR. LUKE JOHNSTON: The biggest driver  
13 would be collision frequency reduction assumptions,  
14 but there are others that total to that amount.

15 MS. KATHLEEN MCCANDLESS: Thank you.  
16 And then if we go to Figure CI-7, and that's at tab 19  
17 of the book of documents as well.

18 So this figure shows the assumed  
19 impacts to ultimates from implementation of the  
20 coverage changes, yes?

21 MR. LUKE JOHNSTON: That's right.

22 MS. KATHLEEN MCCANDLESS: And we can  
23 see that there is only half of the impact in 2021/'22,  
24 so at line 3?

25 MR. LUKE JOHNSTON: Yes.

1 MS. KATHLEEN MCCANDLESS: And then the  
2 full impact is shown in 2022/'23 at line 4, yes?

3 MR. LUKE JOHNSTON: Correct.

4 MS. KATHLEEN MCCANDLESS: And the  
5 majority of the reductions are due to decreases in  
6 collision and comprehensive claims costs, yes?

7 MR. LUKE JOHNSTON: That's right. The  
8 biggest impact of the product changes by -- by far is  
9 the deductible increase.

10 MS. KATHLEEN MCCANDLESS: Thank you.  
11 Kristen, could we go to Figure CI-37?

12 These are collision ultimate incurred  
13 losses, yes?

14 MR. LUKE JOHNSTON: That's right.

15 MS. KATHLEEN MCCANDLESS: And these  
16 incurred losses have decreased from the 2020 GRA  
17 estimates by \$40 million and \$54 million,  
18 respectively, yes? We see on the right-hand side of  
19 the figure, at lines 15 and 16.

20 MR. LUKE JOHNSTON: That's right, and  
21 inclusive of the CERP impact, yeah.

22 MS. KATHLEEN MCCANDLESS: Okay. And  
23 so that's about \$8 million and \$16 million due to CERP  
24 impacts, respectively, yes?

25 MR. LUKE JOHNSTON: That's right.

1 MS. KATHLEEN MCCANDLESS: And so that  
2 leaves about \$32 million and \$38 million due to  
3 reduced projections of claim -- claims costs for those  
4 two (2) years, yes?

5 MR. LUKE JOHNSTON: Correct.

6 MS. KATHLEEN MCCANDLESS: Would you  
7 agree that this is driven almost entirely by reduced  
8 claims frequency?

9 MR. LUKE JOHNSTON: The vast majority,  
10 yes, and -- and you can see the historical evidence in  
11 -- in the chart under the claim frequency column. It  
12 wasn't that long ago that -- that MPI was at point one  
13 three (.13), point one four (.14) frequency.

14 The '13/'14 year would have been that  
15 really bad winter that we had, where it was minus 30  
16 every day and there were all the ruts in the road and  
17 -- and we had really poor experience. Since that  
18 time, we basically dropped off the table from those  
19 high levels to about point one two (.12), and then in  
20 '19/'20, we saw very -- another very big drop down to  
21 point one one one (.111).

22 So we are -- as you can see in the  
23 forecast, we are reacting to that, but, obviously,  
24 we're not going to have, you know, perfect prediction  
25 of what that's going to be, but we're just trying to

1 stay on top of it in a responsible way.

2 MS. KATHLEEN MCCANDLESS: Thank you.

3 I'm now going to get into some questions about the  
4 impact of changes to interest rates on the break-even  
5 rate indication.

6 MR. LUKE JOHNSTON: Okay.

7 MR. STEVE SCARFONE: Jus -- just  
8 before you begin on that new line, Ms. McCandless, the  
9 -- the information that Mr. Johnston was looking for  
10 is in Part 4 of the application, Rate Making Appendix  
11 5, and he can answer that question about the exception  
12 to the passenger vehicles that you asked earlier, his  
13 top-fifty (50) list.

14

15 (BRIEF PAUSE)

16

17 MR. LUKE JOHNSTON: Just quickly  
18 looking at this page. I might need a few moments to  
19 digest all these -- all these changes.

20 So, if you don't mind, I'll -- I'll  
21 gladly come back and give a -- a brief of summary of  
22 the general reasons for -- for why they saw increases.

23

24 CONTINUED BY MS. KATHLEEN MCCANDLESS:

25 MS. KATHLEEN MCCANDLESS: So we're to

1 move on then. Is that what -- or do you need some  
2 time and maybe we can talk about it after?

3 MR. LUKE JOHNSTON: If -- if it's  
4 okay, I -- I can look at that at lunch and just make  
5 some notes without getting into the painful detail  
6 that you see here. Yeah.

7 MS. KATHLEEN MCCANDLESS: Thank you.  
8 So with respect to the impact of -- of changes to  
9 interest rates on the break even rate indication, in  
10 the 2021 GRA, as filed in June, the assumed new money  
11 yield was 2.58 percent based on information as of  
12 March 31, 2020?

13 MR. LUKE JOHNSTON: That's my  
14 recollection, yes.

15 MS. KATHLEEN MCCANDLESS: And based on  
16 June 30, 2020 market information -- and that's shown  
17 in PUB-MPI-2-11 at page 3. At that time, the assumed  
18 new money yield decreased to 1.93 percent. That's at  
19 figure 2.

20 MR. LUKE JOHNSTON: Yes. Correct.

21 MS. KATHLEEN MCCANDLESS: So a  
22 reduction of sixty-five (65) basis points from March  
23 31 then?

24 MR. LUKE JOHNSTON: Correct.

25 MS. KATHLEEN MCCANDLESS: And the



1 break even rate indication based on the March 31, 2020  
2 new money yield was 5.5 percent?

3 MR. LUKE JOHNSTON: Sorry. Yes. Yes.

4 MS. KATHLEEN MCCANDLESS: Then the  
5 break even rate indication based on the June 30, 2020  
6 new money yield was 3.81 percent, and that's at figure  
7 3.

8 MR. LUKE JOHNSTON: Yes, that's  
9 correct. I always forget to add the 3 percent product  
10 changes in there, but that -- that's correct, both  
11 those numbers.

12 MS. KATHLEEN MCCANDLESS: Okay. And  
13 there were no other changes in assumptions that would  
14 have affected the break even rate indication in 2-11,  
15 correct?

16 MR. LUKE JOHNSTON: That's correct.

17 MS. KATHLEEN MCCANDLESS: The change  
18 in market rates did affect other items, which  
19 potentially would affect the capital build or release  
20 provision. Yes?

21 MR. LUKE JOHNSTON: That's -- that  
22 right. Anything that interest rates touches, for any  
23 reason, could be impacted.

24 MS. KATHLEEN MCCANDLESS: So a  
25 reduction of sixty-five (65) basis points then caused

1 an increase in the indicated break even rate. It was  
2 less negative of 1.7 percent?

3 MR. LUKE JOHNSTON: That's correct.

4 MS. KATHLEEN MCCANDLESS: And that  
5 would cause a sensitivity of about two-point-six (2.6)  
6 times the movement in interest rates?

7 MR. LUKE JOHNSTON: Sounds correct,  
8 subject to check. But I'll accept that.

9 MS. KATHLEEN MCCANDLESS: And last  
10 year, I believe it was estimated to be about two-  
11 point-four (2.4) times?

12 MR. LUKE JOHNSTON: Subject to check,  
13 but that -- that sounds reasonable as well.

14 MS. KATHLEEN MCCANDLESS: Thank you.

15 Now, if we go to PUB-MPI-1-22. For  
16 sensitivity purposes, in this Information Request, a  
17 request was made to provide the rate indication with a  
18 twenty-five (25) basis point lower new money yield.  
19 And that's at figure 1 on page 2.

20 MR. LUKE JOHNSTON: I see that.

21 MS. KATHLEEN MCCANDLESS: And that's  
22 with a break even rate indication of negative 4.9  
23 percent. Yes?

24 MR. LUKE JOHNSTON: Yes.

25 MS. KATHLEEN MCCANDLESS: So for a

1 sensitivity of about two-point-four (2.4).

2 MR. LUKE JOHNSTON: Roughly, yes.

3 MS. KATHLEEN MCCANDLESS: And as well,  
4 in this same figure, at line 1, we see that a request  
5 was made to provide the rate indication with a twenty-  
6 five (25) basis point higher new money yield, with a  
7 break even rate indication of negative 6.03 percent.

8 MR. LUKE JOHNSTON: Correct.

9 MS. KATHLEEN MCCANDLESS: So that's a  
10 sensitivity of about two-point-zero (2.0)?

11 MR. LUKE JOHNSTON: Sounds correct,  
12 yes.

13 MS. KATHLEEN MCCANDLESS: So if we  
14 return to MPI Exhibit 27, appendix 1, I note that  
15 scenarios 6 through 9 provide break even rate  
16 indications incorporating changes of fifty (50) point  
17 -- basis point decrease and increase, and a twenty-  
18 five (25) basis point decrease and increase,  
19 respectively.

20 With the resulting sensitivities to  
21 interest rate movement of between two-and-a-half (2.5)  
22 and two-point-seven (2.7) times. Is that right?

23 MR. LUKE JOHNSTON: Correct.

24 MS. KATHLEEN MCCANDLESS: So  
25 summarizing then all the sensitivity tests, the

1 sensitivity of the rate indication to interest rate  
2 movement seems quite consistent with the break even  
3 rate indication moving by between two-point-four (2.4)  
4 and two-point-seven (2.7) times the movement in  
5 interest rates. Yes? But in the opposite direction?

6 MR. LUKE JOHNSTON: That's right. And  
7 it's hard for me to quantify everything the -- the  
8 financial model does, right, in any detail in this  
9 forum. But, again, Anything that flows through in the  
10 update that, you know, may result in, you know,  
11 changes in asset balances, all these kind of things,  
12 could have minor impacts on the rate indication.

13 But I think what you've shown here is  
14 that it's -- it's consistent with evidence that we  
15 provided. And it should -- it should stay that way  
16 for any interest rate update.

17 MS. KATHLEEN MCCANDLESS: Thank you.  
18 Scenarios 1 to 3 here, on appendix 1, all naive  
19 interest rate forecasts.

20 So assuming no movement in market  
21 interest rate either up or down, they all use a 1.94  
22 percent new money yield and have an actuarially  
23 indicated break even rate indication of negative 3.76  
24 percent. Yes?

25 MR. LUKE JOHNSTON: Yes.

1 MS. KATHLEEN MCCANDLESS: And that's -  
2 - the new money yield is very close to the June 30,  
3 2020 rate indication, based on that new money yield of  
4 1.93 percent. Yes?

5 MR. LUKE JOHNSTON: Yes.

6 MS. KATHLEEN MCCANDLESS: So I believe  
7 it was negative three-point-eight-one (3.81) versus  
8 three-point-seven-six (3.76). Yes?

9 MR. LUKE JOHNSTON: Correct.

10 MS. KATHLEEN MCCANDLESS: The 2.58  
11 percent new money yield at March 31, 2020, that was  
12 comprised of a .7 percent yield on Government of  
13 Canada ten (10) year bonds and a weighting between  
14 spreads for provincial and corporate bonds. Yes?

15 MR. LUKE JOHNSTON: Yes.

16 MS. KATHLEEN MCCANDLESS: And that was  
17 a hundred and thirty-four (134) basis points for  
18 provincial?

19 MR. LUKE JOHNSTON: I -- I don't have  
20 those memorized. I think you had the table up here  
21 earlier, which I could confirm those numbers. But I'd  
22 have to pull something up to -- to verify that.

23 MS. KATHLEEN MCCANDLESS: Subject to  
24 check, will we just --

25 MR. LUKE JOHNSTON: Subject to check,

1 yeah. I have no doubt that those numbers are correct,  
2 but a reference would be -- would be helpful to see  
3 it.

4 MS. KATHLEEN MCCANDLESS: Maybe I'll  
5 take you back to that in a -- in a moment. I'm --  
6 I'll jump ahead for now and then we can find the  
7 reference and take you back there.

8 MR. LUKE JOHNSTON: Thanks. Yeah.  
9 Just a lot of numbers. It's hard to remember them  
10 all.

11 MS. KATHLEEN MCCANDLESS: Absolutely.

12 Mr. LUKE JOHNSTON: Yeah.

13 MS. KATHLEEN MCCANDLESS: Would you  
14 agree that the only assumption that has any material  
15 impact on the break even indicated rate that has  
16 changed from the application as initially filed to the  
17 October 9th update is the change in the new money  
18 yield due to observed movements in the market interest  
19 rates from March 31 to August 31, 2020?

20 MR. LUKE JOHNSTON: Agree. And that -  
21 - that the main reason for that is that MPI has not  
22 adjusted any of its claims forecast in the -- in the  
23 rating period. So that really all that's being  
24 updated is the new money -- new money rate.

25 MS. KATHLEEN MCCANDLESS: Okay. So in

1 summary, in this application, projected of claim --  
2 projected claims costs have reduced significantly from  
3 the projection in last year's application, mainly due  
4 to decreases in expected claim frequency for collision  
5 claims and additional changes due to coverage changes  
6 as well. Yes?

7 MR. LUKE JOHNSTON: That's right.  
8 We're seeing very good collision experience. We're  
9 rolling that forward into the forecasts. It's a bit  
10 complicated as it's mixed in with coverage changes and  
11 complicated COVID situation. But as of right now, the  
12 '21/'22 rating year reflects those items you  
13 mentioned; that collision frequency and coverage  
14 changes being the main drivers.

15 MS. KATHLEEN MCCANDLESS: And so,  
16 offsetting reduced claims costs then is a reduction in  
17 the new money yield?

18 MR. LUKE JOHNSTON: Correct. In the  
19 absence of the collision frequency reductions, the --  
20 the declining interest rates would have created rate  
21 increases for customers.

22 MS. KATHLEEN MCCANDLESS: And  
23 especially considering the October 9th update, that  
24 results in less investment income on assets supporting  
25 the claims provisions. Yes?

1 MR. LUKE JOHNSTON: Correct. The  
2 break even, as -- you can understand why we split out  
3 the break even rate. The -- the overall rate  
4 reduction is very large in the 8 to 10 percent range.  
5 But 3 percent is product changes and 5 percent is  
6 capital release.

7 So the actual break even change that we  
8 would normally come to these hearings has really only  
9 fluctuated between negative 2.5 percent and 0.8 --  
10 negative 0.8 percent. And that's almost completely  
11 driven by interest rate updates.

12 MS. KATHLEEN MCCANDLESS: Thank you.  
13 So would you consider this to be an accurate synopsis,  
14 this results in an overall break even rate indication  
15 of -- of negative 3.8 percent, that's comprised of 3  
16 percent savings due to coverage changes and a .8  
17 percent reduction indication excluding the coverage  
18 changes?

19 MR. LUKE JOHNSTON: Agreed.

20 MS. KATHLEEN MCCANDLESS: Thank you.  
21 And this would be an appropriate time to break  
22 because, subject to that one (1) question we'll come  
23 back to, I will be moving on to COVID-19 affects.

24 THE PANEL CHAIRPERSON: Thank you, Ms.  
25 McCandless.



1                   Do you want to come back just in  
2 advance of the presenters at 1:15, so that we can  
3 follow up with Mr. Johnston with regard to those  
4 questions?

5                   MS. KATHLEEN MCCANDLESS:    I -- I'm at  
6 the panel's disposal.  It will only be a minute or so  
7 for that one.  And then, I'll be moving straight into  
8 COVID-19.  So I'm not sure that we'll be saving much  
9 time if we come back before.

10                  THE PANEL CHAIRPERSON: Okay.  Well,  
11 let's come back then at 1:10.  We'll wrap up with  
12 those -- that additional information and then carry on  
13 with the presenters at 1:15.

14                  Okay.  Thank you very much.  We'll see  
15 you at 1:10.

16                  MR. STEVE SCARFONE:     Madam  
17 Chairperson, if -- if the...

18

19   (BRIEF PAUSE)

20

21                  MR. STEVE SCARFONE:     Madam  
22 Chairperson, if it pleases the Board, Mr. Johnston  
23 says that response will take about thirty (30)  
24 seconds.  And then, Ms. McCandless can move into her  
25 COVID stuff.

1                   So perhaps it's best if we do the  
2 public presentations first.

3                   THE PANEL CHAIRPERSON:    Sure. That's  
4 fine. And so, we'll see you following the Public  
5 presentations, Mr. Johnston.

6                   So back at -- in time for the Public  
7 presentations at 1:15. Thank you.

8

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

10 --- Upon resuming at 1:15 p.m.

11

12                   THE PANEL CHAIRPERSON:    Okay. Good  
13 afternoon, everyone. We are about to start that  
14 portion of our Hearing when we will hear from  
15 presenters.

16                   Each presenters has a ten (10) minute  
17 time frame within which to make his, her, or its  
18 presentation. There will be a five (5) minute  
19 transition period following each presentation.

20                   So, my apologies, if you are running  
21 over your ten (10) minutes, I'm sorry, I'm going to  
22 have to cut you off and move on to the next  
23 presentation.

24                   So, our first presenters are from the  
25 Manitoba Motor Dealers Association. And could you

1 please identify yourselves for the transcript, and  
2 then proceed with your presentation? Thank you.

3 MR. CRAIG DUNN (by phone): Yeah. My  
4 name is Craig Dunn. I'm with the Manitoba Motor  
5 Dealers Association.

6 THE PANEL CHAIRPERSON: Thank you, Mr.  
7 Dunn.

8 MR. SCOTT WIDEMAN (by phone): And  
9 it's -- and it's Scott Wideman, collision program  
10 manager for Volkswagen Group Canada.

11 THE PANEL CHAIRPERSON: Thank you.  
12 Please proceed.

13

14 PUBLIC PRESENTATIONS:

15 MR. CRAIG DUNN (by phone): Good  
16 afternoon. Thank you for giving our association the  
17 opportunity to speak before you today. As noted, I'm  
18 Craig Dunn, with the Manitoba Motor Dealers  
19 Association, joined by Scott Wideman, of the  
20 Volkswagen Group Canada.

21 The MMDA represents a franchise, new  
22 vehicle dealerships in Manitoba, and deals with  
23 provincial issues that affect the well-being of  
24 franchise dealers.

25 Collision repair is an integral part

1 for many of our dealers. We represent a hundred and  
2 twenty-five (125) dealerships, forty-seven (47) of  
3 those members operating collision repair facilities.

4                   And as an essential part of their  
5 dealership service to Manitoba consumers, these  
6 facilities repair approximately 50 percent of MPI  
7 claims annually. As a result, our responsibility for  
8 the LBAA agreement with MPI and the ATA is of the  
9 utmost importance to us. The rapid advances in  
10 vehicle technology, changes in repair process to  
11 accommodate new materials, like aluminum, carbon  
12 fibre, as well as an ever changing market, requires an  
13 agreement that reflects fair compensation to a skilled  
14 trade.

15                   We strive for this agreement to reflect  
16 that the trade in Manitoba is recognized as one (1) of  
17 the most highly trained and skilled in the country and  
18 repairs vehicles in a safe and -- safe and proper  
19 manner.

20                   OEM collision certification is growing  
21 significantly. Many manufacturers stipulate that in  
22 order to maintain warranty, collision repairs must be  
23 completed by a certified collision centre with the use  
24 of OEM parts

25                   Toyota, Honda, Ford, Nissan, Lexus,

1 Infinity, Chrysler and now GM to name a few, all  
2 require certified collision care. OEM engineers have  
3 made significant advances in the construction of  
4 today's vehicles, and it's critical that we follow OEM  
5 standards to restore a vehicle's integrity and safety  
6 after a collision.

7           The cost to introduce and maintain this  
8 certification is solely born by the trade. MPI, at  
9 this time, does not stipulate OEM certification.

10           There are two (2) main areas that we  
11 would like to share information with you on to bring  
12 light to data that may surprise you about the state of  
13 our indus -- industry. This contrasts in the glowing  
14 report that was presented to you in October of last  
15 year on behalf of MPI by Curtis Wennberg.

16           As an industry, our labour rate  
17 increases have been inconsistent, including no  
18 increase in our last agreement.

19           For this year's negotiations, we put  
20 together some data that has been validated by BDO in  
21 order for us to make a measurable comparison of our  
22 rates alongside other published measures, such as CPI,  
23 GDP, as well as MPI employee wage rate increases.

24           You'll see from the slide, from 2016 to  
25 2019 CPI has risen, and starting in 2016, the trade

1 has fallen behind and has no increase in the last  
2 year. This significantly reduces our ability to keep  
3 pace with operating costs.

4                   As an industry deemed an essential  
5 service during COVID, we are somewhat behind. We  
6 understand that MPI wants to provide the best possible  
7 rates for the consumer, but the cost of that cannot be  
8 born by the trade, its employees, and a loss of the  
9 integrity of the vehicle. Are Manitoba consumers to  
10 be disadvantaged as we are required to deliver repairs  
11 where the goal is the lowest possible cost instead of  
12 safe, proper, and to OEM standards?

13                   Is it possible we're voiding the  
14 warranty on vehicles that we are required to use after  
15 market parts on? Again, lost cost doesn't equal safe  
16 and proper.

17                   MPI's mandated use of after market  
18 parts is not providing the consumer what we promised  
19 as part of our agreement or MPI's agreement with the  
20 consumer, which is returning the vehicle to pre-  
21 incident condition. Reference page 7 of the 2020  
22 guide to Autopac.

23                   Furthermore, the onus is on repair  
24 facilities to warrant any after-market parts for a  
25 minimum of one (1) year at their own expense even

1 though it's MPI's position to use those parts.

2                   We hope this offers an awareness that  
3 to offer the best rates possible, MPI is offloading  
4 significant cost to the repair facilities as well as  
5 not keeping up with CPI in order to maintain those  
6 lower rates.

7                   We are aware you were advised in  
8 October last year that we are in fact one (1) of the  
9 highest paid industry -- in the industry for labour  
10 rates. On the surface, that appears true; however,  
11 severity or cost per claim plays a big part in this  
12 equation, and it was not shared with you. If you  
13 refer to the chart, you'll see the average insurance  
14 repair in Manitoba is thirty-three hundred and twenty-  
15 eight dollars (\$3,328). And you'll see that that is  
16 significantly lower than all other western provinces  
17 even though a non-insurance repair is fairly similar  
18 in cost.

19                   I'm going to break that down into  
20 average labour skills on the next slide and you'll see  
21 Manitoba total labour on a repair order is eight  
22 hundred and forty-dollars (\$840) lower than all  
23 western provinces, body labour seven hundred and  
24 fifty-six dollars (\$756) lower than all western  
25 provinces, and refinished labour five hundred and

1 forty dollars (\$540) also lower. I ask you, is this  
2 consistent with a high labour rate?

3                   There are multitude of reasons why we  
4 have what appears to be a good labour rate but low  
5 average insurance sales and labour sales, and the  
6 majority fall into simply not being paid fairly for  
7 labour operations and being undercut substantially for  
8 materials on the repair.

9                   The next slides I'm sharing, produced  
10 and validated by BDO, show a clear lack of material  
11 growth rate in 2009. The years referenced in the  
12 chart are '13 to '17, which shows paint and material  
13 costs and body material costs have risen by 25  
14 percent, and we have had no increase, again, since  
15 2009. That's a 25 percent differential in those years  
16 alone. And it's clear MPI has offloaded this cost to  
17 the repair industry.

18                   As captured in the slides I've shared  
19 today, the evidence is clear that we, as an industry,  
20 are falling significantly behind. In order for our  
21 business to stay healthy, we need a revision of rates  
22 with measurable increases each year that are in line  
23 with CPI similar to a stance held by MPI for employee  
24 wage increases, as you can see in Appendix 'A'.

25                   Is it unreasonable to ask the same for



1 an industry partner that provides an essential service  
2 to rate paying Manitobans?

3                   A final note, I'll mention MPI's  
4 significant net profit the last three (3) years as can  
5 be seen in the published rates, or published  
6 financials. And although we understand a healthy MPI  
7 is good for all Manitobans, the incongruence of these  
8 profits beside the repair industry that suffers with  
9 unpaid labour operations, no increase in labour rates  
10 or materials, the burden of training costs and  
11 equipment purchases to keep pace with the rapid change  
12 in vehicle technology is conspicuous.

13                   And I hope this short presentation, we  
14 were able to give some thought to the shortcomings of  
15 our agreement with MPI, and I hope the comparison  
16 would help for you to understand from our perspective  
17 that this aspect of the business is struggling as a  
18 result of this.

19                   Please note I have only presented  
20 published data in order to draw your attention to what  
21 we feel the industry needs to be -- as an industry  
22 needs to be revised.

23                   I'll answer your questions after  
24 Scott's presentation. Scott is from VW Canada, as --  
25 as was pointed out and he will present on the

1 standpoint of the OEM manufacturer as to the use of  
2 OEM parts, a topic we don't take lightly.

3 Scott...?

4

5 (BRIEF PAUSE)

6

7 THE PANEL CHAIRPERSON: Mr.

8 Wideman...?

9 MR. SCOTT WIDEMAN (by phone): Thank  
10 you. I -- I appreciate this opportunity to present to  
11 the group, and it's an important topic that's -- as I  
12 represent all vehicle manufacturers in a shared  
13 subcommittee for collision that we have concerns about  
14 safety for the consumer.

15 And so with the proposed 10.5 percent  
16 rate decrease that MPI is looking to institute, we as  
17 OEMs feel it is imperative to point out to this panel  
18 that MPI's policies related to alternate parts usage  
19 could be putting the consumer at risk should they be  
20 in a subsequent vehicle accident.

21 So if you look at this first slide, the  
22 concerns are that we have two (2) opposing sides in  
23 this equation.

24 The OEMs are required by regulation to  
25 provide safe vehicles and must follow stringent crash

1 safety guidelines in the production of our vehicles.  
2 As opposed to when it comes to repair of the cars, the  
3 industry often dictates, and the insurers, on how the  
4 vehicles should be repaired, what parts are used, and  
5 do not take into account the OEM requirements.

6                   So the aftermarket parts tend to have  
7 significant differences in their characteristics, as  
8 you can see in this slide, when compared to the OEM  
9 parts.

10                   So then what are the risks to consumer  
11 safety and severity? These are the risks that OEMs  
12 are acutely concerned with. So part of obviously the  
13 -- MPI's financial results have been through alternate  
14 parts usage, and you can see from their operating  
15 guide the concerns that we have as OEMs is the  
16 increasing use of alternate parts used.

17                   Looking at the two (2) years and newer  
18 category, when we're looking at Asian vehicles, North  
19 American vehicles, well over a third of the parts used  
20 in that repair are labelled as alternate parts used.  
21 What is the effect on vehicle safety systems as these  
22 parts are not tested to make sure that they meet the  
23 exacting engineering requirements of the OEM?

24                   So the question then becomes: Are we  
25 pursuing cost containment at the expense of consumer

1 safety?

2                   And then, as a sub-point in one (1) of  
3 the appendices here, you'll notice that using OEM  
4 parts is a requirement when the vehicle is leased and  
5 is the property of the finance company of the OEM.

6                   So the policy of using aftermarket  
7 parts puts the customer in contravention of their  
8 lease policy and can lead to financial penalty. So is  
9 this the - the state that we want to -- to place our  
10 customers in?

11                   So in researching for this  
12 presentation, just in closing, I came across an  
13 awareness campaign about Save the 100 for those  
14 fatalities that occur due to driver behaviours in  
15 Manitoba. But it's important to point out that the  
16 risks in the current alternate parts usage policy that  
17 can increase the severity and risk of injury or death  
18 in secondary collisions contradicts the efforts made  
19 for this kind of campaign.

20                   So in effect, the insurer is rolling  
21 the dice on consumer safety with its current alternate  
22 parts usage policies. So --

23                   THE PANEL CHAIRPERSON:    Okay. Now --

24                   MR. SCOTT WIDEMAN (by phone):    So I  
25 direct the Panel to refer to the exhibits from the

1 presentation that illustrate the concerns shared by  
2 the OEMs, and I thank you for your time and attention.

3 THE PANEL CHAIRPERSON: Thank you, Mr.  
4 Wideman. Yes, we have your presentations. I  
5 appreciate that.

6 Any questions from the Panel? Mr.  
7 Gabor...?

8 THE BOARD CHAIRPERSON: Yeah. Sorry.  
9 Either Mr. Dunn or Mr. Wideman, what is the use of  
10 alternate parts in other jurisdictions?

11 MR. SCOTT WIDEMAN (by phone): I can  
12 tell you -- it's Scott, from Volkswagen of Canada. I  
13 can tell you many of the insurers across the country,  
14 including the other public insurance pro -- provinces,  
15 carry similar policies and -- and usage.

16 And this is a presentation that we  
17 consistently make to the industry to raise awareness  
18 about what the concerns are as vehicles become more  
19 technically advanced.

20 THE BOARD CHAIRPERSON: So this  
21 appears to be an industry-wide issue?

22 MR. SCOTT WIDEMAN (by phone):  
23 Absolutely an industry-wide issue.

24 THE BOARD CHAIRPERSON: Yeah. Thank  
25 you.

1 THE PANEL CHAIRPERSON: Ms.

2 Hainsworth, any questions?

3 MS. CAROL HAINSWORTH (by phone): No  
4 questions, Madam Chair.

5 THE PANEL CHAIRPERSON: Okay. Thank  
6 you. Thank you very much, Mr. Dunn and Mr. Wideman,  
7 for your presentation this afternoon.

8 Our next --

9 MR. SCOTT WIDEMAN (by phone): Thank  
10 you. Have a good day.

11 THE PANEL CHAIRPERSON: Thank you.

12 MR. CRAIG DUNN (by phone): Thank you.

13 THE PANEL CHAIRPERSON: Our next  
14 presenter is James Nash. Ms. Schubert, is he on the  
15 line?

16

17 (BRIEF PAUSE)

18

19 THE PANEL CHAIRPERSON: Is Mr.  
20 Houghton on the line? Perhaps we could go to him and  
21 then come back to Mr. Nash.

22

23 (BRIEF PAUSE)

24

25 DR. DARREN CHRISTLE: Madam Chair, Mr.

1 Nash is experiencing some IT technical problems. He  
2 did contact the office but we haven't been able to  
3 resolve them. He did ask that, when we do receive a  
4 copy of his PDF presentation, that it gets read into  
5 the record. I've informed our counsel, but we don't  
6 physically have that presentation either at this time.

7 THE PANEL CHAIRPERSON: Thank you. Do  
8 we have any presenter who is ready to go on the line  
9 right now? And who is that, please?

10 MR. DOUGLAS HOUGHTON (by phone): Mr.  
11 Houghton.

12 THE PANEL CHAIRPERSON: Mr. Houghton,  
13 would you please proceed? Could you introduce  
14 yourself for the record?

15 MR. DOUGLAS HOUGHTON (by phone):  
16 Hello?

17 THE PANEL CHAIRPERSON: Hello, Mr.  
18 Houghton?

19 MR. DOUGLAS HOUGHTON (by phone): Yes.

20 THE PANEL CHAIRPERSON: Are you -- are  
21 you ready to proceed? Our --

22 MR. DOUGLAS HOUGHTON (by phone):  
23 Yeah, but give me about a second here. I wasn't quite  
24 ready.

25 THE PANEL CHAIRPERSON: Yeah, sure.

1 That's fine. Thank you very much. And once you do  
2 proceed, would you please introduce yourself for the  
3 record?

4 MR. DOUGLAS HOUGHTON (by phone): I'm  
5 sorry, I can't hear you very well at all. You're  
6 very...

7 THE PANEL CHAIRPERSON: Would you  
8 please introduce yourself for the record, Mr.  
9 Houghton?

10 MR. DOUGLAS HOUGHTON (by phone): Just  
11 hang on a sec. I've lost the visual here.

12 THE PANEL CHAIRPERSON: Okay.

13

14 (BRIEF PAUSE)

15

16 MR. DOUGLAS HOUGHTON (by phone):  
17 Yeah. I have to get you back here. I can't --

18 THE PANEL CHAIRPERSON: Well, we can  
19 hear you quite well, so if you want to proceed with  
20 just audio, that's fine.

21 MR. DOUGLAS HOUGHTON (by phone): Can  
22 I -- can I get -- can you give me a minute to get back  
23 on here? Everything -- everything just disappeared  
24 all of a sudden when I used the phone.

25 THE PANEL CHAIRPERSON: Sure. We'll



1 give you a minute to give that a try. And if it  
2 doesn't work out, we'll just go ahead with the audio,  
3 okay?

4 MR. DOUGLAS HOUGHTON (by phone): All  
5 right.

6 THE PANEL CHAIRPERSON: Thank you.

7

8 (BRIEF PAUSE)

9

10 MR. DOUGLAS HOUGHTON (by phone):

11 Hello.

12 THE PANEL CHAIRPERSON: Hello. Have  
13 you got the visual back?

14 MR. DOUGLAS HOUGHTON (by phone):

15 Yeah. I've got my copy up. Do you want my camera on  
16 to see me, or how --

17 THE PANEL CHAIRPERSON: No.

18 MR. DOUGLAS HOUGHTON (by phone): --  
19 how's that work?

20 THE PANEL CHAIRPERSON: No, that's  
21 fine. We've got your presentation up on our screens  
22 as well and we have paper copies, so please proceed.

23 MR. DOUGLAS HOUGHTON (by phone): Okay  
24 then. Thank you very much. Good afternoon, Board  
25 members, MPI staff, legal counsel, and Interveners and

1 presenters. Thanks for this opportunity to review  
2 this year's 2021 rate application.

3                   Though I'm presently president of the  
4 Coalition of Manitoba Motorcycle Groups, today I'm  
5 speaking on my own behalf, and my views are not  
6 necessarily those of the CMMG.

7                   I intend to address MPI's rate  
8 increase, but also express my concerns with respect to  
9 current MPI policies and methodologies that permits  
10 premium avoidance by high - by high-risk drivers, and  
11 suggest alternatives to current rate settings so as to  
12 incorporate fairness in premium methodology and cost  
13 allocation.

14                   I've been riding motorcycles for about  
15 fifty-five (55) years or so, and I've been in CMMG for  
16 twenty-six (26) years. I served as a director on the  
17 board of the Motorcyclists Confederation of Canada, a  
18 national advocacy group of which CMMG is a member.

19                   I'm going to start skipping a few to  
20 save time.

21                   Attitudes towards motorcycles and  
22 motorcyclists have been substantially changed from  
23 twenty (20) years ago when CMMG members were  
24 unceremoniously asked to leave the MPI boardroom.  
25 Although not always agreeing, CMMG now enjoys a more

1 collaborative relationship with MPI and Manitoba  
2 Infrastructure staff.

3 Motorcycles are now recognized as one  
4 (1) of our road users and not as inherently dangerous.

5 For many years, CMMG has been invited  
6 into the boardrooms of MPI and Manitoba  
7 Infrastructure, and it participates on a number of MPI  
8 and Manitoba Infrastructure committees. CMMG has also  
9 provided input into the Vehicle Equipment, Safety, and  
10 Inspection Regulation and more recently into  
11 amendments thereto.

12 Last year, staff had positive  
13 discussions with CMMG -- MPI staff had positive  
14 discussions with CMMG for input on opportunities to  
15 reduce insurance rates on motorcycles. They're  
16 presented in this year's GRA, but I understand not to  
17 be implemented this time. Safety initiatives not only  
18 reduce accident claims, but save lives and reduce  
19 injuries, and much of CMMG's discussion with MPI  
20 involves safety.

21 I'm going to jump to premiums now.  
22 Like motor -- like most motorcyclists, I was shocked  
23 with last year's 5.1 percent premium increase for  
24 motorcycles, while other groups were to get  
25 reductions. At first, this year's 1.8 percent

1 increase didn't sound too bad, except the automobiles  
2 were to enjoy an 11 point percent increase. Then to  
3 add insult to injury, MPI at the last minute emba --  
4 em -- amended the GRA so that motorcyclists will now  
5 suffer a four point seven (4.7) increase, while auto -  
6 - automobiles will still enjoy a 9.4 percent decrease.  
7 The average motorcycle premium will now go from eight  
8 forty seven (847) to eight hundred and eleven (811),  
9 not including comprehensive coverage and increased --  
10 increased deductibles.

11                   If automobile rates are considered as a  
12 baseline, this is the equivalent of a 14.1 percent  
13 increase for motorcyclists, which contradicts trends  
14 of recent years. To explain, I'll have to go back  
15 about twenty-seven (27) years. In ninety -- 1993 to  
16 2006, with the introduction of no-fault insurance and  
17 -- and PIPP, motorcycles were hit with annual premium  
18 increases of up to 15 percent. CMMG argued that these  
19 increases were due to the premiums methodology, while  
20 assigning the cost of motorcycle claims, including  
21 those for which motorcycles were not at fault, to  
22 motorcycle premiums.

23                   PUB recognized this inequity in 2002  
24 over to MPI to undertake a loss transfer study, which  
25 resulted in the 2005 special hearing and to MPI's

1 claims attribution approach and the concept of los --  
2 loss transfer. PUB agreed with CMMG and, pursuant to  
3 PUB Order 97/05, ordered MPI to develop a claim cost  
4 attribution model for rate-setting purposes so as to  
5 implement a form of long -- loss transfer for mip --  
6 for PIPP claims, commencing with the 2007/'08  
7 insurance year. Later, this methodology is extended  
8 to collision claims as wildli -- wildlife and hit-and-  
9 run collisions.

10 In following years, motorcyclists  
11 experiences a rate -- rate rollbacks and reductions  
12 ranging between 6.6 and 10.3 percent. In recent  
13 years, in spite of last-minute changes to the GRA,  
14 motorcycle premiums increased -- increases remain  
15 somewhat stable, reflecting cost of living and  
16 paralleling some one -- some of those of motorcycl --  
17 of automobiles, rather, sometimes a little higher,  
18 sometimes a little lower.

19 Now that brings us back to the current  
20 year, with this fourteen point one (14.1) premium  
21 differential with automobiles. Why is it that in  
22 spite of motorcycles' declining accident frequency,  
23 motorcycle premiums are increasing again at a much  
24 greater rate than automobiles? I've been told that  
25 motorcycle premium increases are link -- linked to the

1 low-yield investment interest rate relative to the  
2 long-term PIPP cost for motorcyclists. However, it's  
3 difficult for me and many of our members to understand  
4 and accept that the same methodology that effects an  
5 overall rate decrease could cause an increase for  
6 motorcyclists. Why increases are even necessary given  
7 last year's record profit and rebates? Is the  
8 methodology different now than it was several years  
9 ago?

10                   To address this matter, last year PUB  
11 directed MPI to consider an investment strategy to  
12 ameliorate the effect of interest rates on the  
13 motorcycle class. MPI responded that it did not  
14 support the idea of creating a special asset backing  
15 perfor -- portfolio, specifically, motorcycle claims  
16 liability, simply for the purpose of lowering  
17 motorcycle rate in -- indication. Instead, it would  
18 use interest rates of port -- points on the yield  
19 curve corresponding to the liabilities instead of the  
20 current single-discount rate. This could be  
21 implemented in the 2022 GRA, but since interest rate  
22 curve is flat, there would be no significant benefit  
23 to motorcyclists.

24                   In my opinion, the response does not  
25 address the issue. If the methodology either benefits

1 or is unfairly detrimental to a particular vehicle  
2 class, then the methodology is discriminatory and must  
3 be changed. Future earnings and a lack of interest  
4 should not have an equitable impact -- should have an  
5 equitable impact on all vehicle classes. I urge this  
6 Board -- Board not to accept MPI's response and once  
7 again, as in 2005, either order appropriate changes to  
8 methodology or hold a special hearing to address the  
9 matter in detail.

10 I'll go into product -- motorcycle  
11 product review. Even though it's not part of this  
12 year's, it could be next year. I was pleased to find  
13 a section -- section this year dealing with motorcycle  
14 premiums and changes. Most motorcyclists, CMMG  
15 members, were favourable to the suggestion of  
16 reconfiguring the seasonal earnings of motorcycle  
17 premiums: one (1) policy for the core May-to-September  
18 season and another similar one to the current  
19 seasonally adjusted premium for the entire year. More  
20 details are necessary though.

21 Motorcycle licence premiums are another  
22 matter. MP -- MPI reports that there are only twenty-  
23 one thousand (21,000) registered motorcycles but  
24 seventy thou -- thousand (70,000) persons with a Class  
25 6 licence. It proposes a thirty-five dollar (\$35)

1 motorcycle licence premium so that all licence holders  
2 contribute to premiums or simply give up their Class  
3 6. Our memo -- members were generally not receptive  
4 to a licence premium, as there is still a general  
5 mistrust of MPI and whether the licence premium would  
6 translate into equivalent premium reductions or just  
7 disappear into general revenue. Comments like, I just  
8 got my driver's licence down to thirty doll -- thirty-  
9 five dollars (\$35). Why should I pay more?

10 Most agreed that the members often pay  
11 this licence premium would not be in the seventy  
12 thousand (70,000) range. Many of these persons have  
13 aged out, can't afford it, or are no longer riding and  
14 would cancel their Class 6, resulting in a more  
15 realist -- realistic twenty-one thousand (21,000) to  
16 thirty thousand (30,000) Class 6 holders, thereby  
17 reducing the premium benefit.

18 I personally have no real objection to  
19 such a premium, but it first must be demonstrated that  
20 it would result in reduced premiums.

21 I don't think the motorcycle licence  
22 premium will have any impact on the 27 percent of  
23 claims involving a motorcycle driver without a  
24 registered motorcycle. These riders are either  
25 inexperienced without merits or high-risk drivers who



1 are riding a motorcycle registered to another family  
2 member or person with a higher premium discount. They  
3 could also be the same person driving an automobile or  
4 a pickup truck registered in the same manner.

5 In my opinion, the forty-five-dollar  
6 (\$45) licence premium will not eliminate these  
7 factors. It is less costly to pay the extra premium  
8 for the registered owner than to register the  
9 motorcycle in their own name.

10 The remaining motorcycles owned by  
11 persons with a valid Class 6 licence that are  
12 presumably being ridden by another person in order to  
13 attain a higher DSR discount, in my opinion, the  
14 higher DSR rating should be eliminated from the  
15 registered owner's premium, thus contributing a  
16 greater share to the motorcycle premium pool and being  
17 more reflective of the actual rider's risk.

18 Premium avoidance. When somebody avoids  
19 paying premium penalties on their vehicle, good  
20 drivers bear the cost. The current Driver Safety  
21 Rating is a good system, but it can be manipulated.  
22 As such, this system encourages high-risk drivers to  
23 transfer ownership to other family members so as to  
24 not pay higher vehicle premiums and, therefore, not  
25 contribute fairly into the public insurance systems.

1 Perhaps vehicle premiums should be based on the  
2 average DSR rating of all persons who drive a vehicle.  
3 Now this can be still manipulated and difficult to  
4 police.

5                   There's another option. Drivers and  
6 riders cause accidents; vehicles don't. So perhaps  
7 the fairest solution is to apply a penalty cost to the  
8 driver's licence and not the vehicle. Then there is  
9 no financial incentive to transfer ownership.

10                   PIPP premiums are not applied equally.  
11 Some vehicles and classes do not pay PIPP, and they're  
12 still being subsidized by premiums paid by other  
13 vehicle classes. Also not paying are the persons with  
14 driver's licences who do not own vehicles but who  
15 contribute to the actions of other veh -- of other  
16 costs.

17                   As well, there are others who will save  
18 PIPP benefits that neither own a vehicle nor have a  
19 driver's licence. Classes not paying PIPP include  
20 interprovincial trucks and exempt vehicles such as  
21 Government of Canada and fire department vehicles. In  
22 addition, off-road vehicles, dirt bikes, snowmobiles,  
23 and bicycles do not contribute to PIPP; however, if  
24 the riders are involved in a collision with an  
25 automobile in motion, they receive PIPP benefits even

1 if -- even at fault.

2 Drivers without a registered vehicle  
3 accounted for 27 percent of PIPP claims in past years.  
4 If all Manitobans can receive PIPP benefits, and since  
5 one-third of PIPP claims are from non-contributors,  
6 why then should motorcyclists pay substantially more  
7 for this coverage when other vehicle owners pay  
8 nothing?

9 It's time to rethink the methodology  
10 and insert fairness for assigning PIPP cost to  
11 premiums. The fairest way might be to establish a  
12 flat rate for PIPP premiums and spread them equally  
13 across all vehicle groups, with increases based on  
14 experience and driving record, not severity of  
15 industries. And it should be attached to the driver's  
16 licence and not the vehicle.

17 Larger vehicles have the potential to  
18 inflict serious injury to pedestrians, riders, and  
19 smaller vehicles. Perhaps premium methodology should  
20 be revised so these vehicles bear a greater share of  
21 the PIPP cost.

22 Since nearly one-third of PIPP claims  
23 are from drivers who do not own a vehicle, it would be  
24 much more equitable if PIPP as well as liability  
25 premiums were transferred to the driver's licence

1 rather than placed solely on the vehicle. Only  
2 collision and comprehensive -- comprehensive coverage  
3 would be necessary for the vehicle. In other words,  
4 we separate the skin from the tin.

5                   Unlike other insurers, MPI provides no  
6 discount for a second vehicle, the assumption being  
7 that both could be driven at the same time with risk  
8 of accidents. Statistics indicate that when a  
9 motorcycle's registered, the risk goes down on the  
10 owner's passenger vehicle.

11                   According to the 2015 GRA, the per unit  
12 claims costs for passenger vehicles owned by non-  
13 motorcycle owners is 68 percent higher than those  
14 passenger vehicles where the registered owner was also  
15 -- has also a registered motorcycle. A more detailed  
16 actuarial investigation will support another vehicle  
17 discount where one of the vehicles is a motorcycle.

18                   Now that concludes my presentation.  
19 I'm sorry for rushing it. Thank you for giving me  
20 this opportunity to speak and your attention for this  
21 matter. I'm open to questions.

22                   THE PANEL CHAIRPERSON: Thank you very  
23 much, Mr. Houghton. Mr. Gabor, any questions? Ms.  
24 Hainsworth, any questions?

25                   MS. CAROL HAINSWORTH (by phone): No,

1 no questions, Madam Chair.

2 THE PANEL CHAIRPERSON: Okay. Thank  
3 you, Mr. Houghton.

4 MR. DOUGLAS HOUGHTON (by phone):  
5 Okay. Thank you.

6 THE PANEL CHAIRPERSON: Ms. Schubert, do  
7 we have Mr. Nash on the line yet? Pardon me?

8 MS. KRISTEN SCHUBERT: Not that I'm  
9 aware of.

10 THE PANEL CHAIRPERSON: All right.  
11 Then we'll move on to the next presentation from the  
12 Automotive Trades Association. Ms. Sicotte, are you  
13 on the line?

14 We're fifteen (15) minutes ahead. Mr.  
15 Crozier, are you on the line?

16

17 (BRIEF PAUSE)

18

19 THE BOARD CHAIRPERSON: Is anybody on  
20 the line?

21 THE PANEL CHAIRPERSON: Is anybody on  
22 the line?

23

24 (BRIEF PAUSE)

25

1 THE PANEL CHAIRPERSON: Okay. Well,  
2 we'll wait until someone connects and Ms. Schubert can  
3 advise us when that happens. Thanks.

4

5 (BRIEF PAUSE)

6

7 MR. RYAN KEHL (by phone): Hello?

8 THE PANEL CHAIRPERSON: Yes, hello.  
9 Can you identify yourself, please?

10 MS. THERESA JACHNYCKY (by phone):  
11 It's Theresa Jachnycky, Ryan Kehl, and Ferd Klassen,  
12 representing the ATA Association of Manitoba.

13 THE PANEL CHAIRPERSON: Thank you very  
14 much. We'll proceed with the presentation by the --

15 MS. THERESA JACHNYCKY (by phone):  
16 Thank you.

17 THE PANEL CHAIRPERSON: -- Automotive  
18 Trades Association.

19 MS. THERESA JACHNYCKY (by phone):  
20 Thank you very much.

21 THE PANEL CHAIRPERSON: So, please,  
22 proceed. And could you please identify yourself  
23 again? I'm sorry. I don't think we necessarily  
24 caught that for the record.

25 MS. THERESA JACHNYCKY (by phone): All

1 right. It's Theresa Jachnycky, Ryan Kehl, and Ferd  
2 Klassen, all representing the Automotive Trades  
3 Association.

4 THE PANEL CHAIRPERSON: Thank you.  
5 Please proceed.

6 MS. THERESA JACHNYCKY (by phone):  
7 Thank you. Good afternoon, Madam Chair, Ms. Hamilton,  
8 Mr. Gabor. On behalf of the Automotive Trades  
9 Association, thank you for the opportunity to come  
10 before you today to present information into MPI's  
11 General Rate Application before the Board. We  
12 appreciate having our request to appear today  
13 approved.

14 We will be addressing three (3) issues  
15 within the context of the Manitoba Public Insurance  
16 issues list. They are issue number 1, number 9, and  
17 number 5.

18 ATA understands and supports in  
19 principle the many proposals set forth protecting the  
20 fundamentals of Basic auto insurance.

21 We wish to bring to the Board's  
22 attention that additional costs incurred by all body  
23 shops without new offsetting revenue or equivalent  
24 decrease in body shop operating costs will create  
25 financial hardship on many -- on many and possibly

1 insolvency for others.

2                   The minus 3 percent rate reduction  
3 primarily results in the increase of a deductible from  
4 five hundred (500) to seven hundred and fifty (750),  
5 and directly affects the operating expenses of  
6 collision repair shops since the deductible, unless  
7 paid in cash, is subject to merchant fees.

8                   The slide before you sets the rates in  
9 relation to the Canadian CPI for the past two (2)  
10 years. The blue bar is MPI premiums. The yellow,  
11 CPI.

12                   It clearly demonstrates that for  
13 Manitoba consumers the rates have been stable and  
14 predictable, except for perhaps between the years of  
15 2014 and 2019.

16                   Communities are different. Household  
17 incomes vary by community. We have witnessed where  
18 shops are located on or near low income neighborhoods,  
19 the five hundred dollar (\$500) deductible appears  
20 prevalent.

21                   We were advised by our colleagues and  
22 from their observations that, in rural and northern  
23 communities, they too also favour higher premiums for  
24 lower -- for -- sorry, lower premiums for a higher  
25 deductible.



1                   This led us to realize that those shops  
2 located or serving communities where larger  
3 deductibles are favoured, the shops could be  
4 disproportionately affected by the change when  
5 compared with colleagues situated in more affluent  
6 areas.

7                   There are some risks to both consumer  
8 and collision shops and these are listed in the lower  
9 half of the slide.

10                  SGI offers a -- SGI, Saskatchewan  
11 Government Insurance, offers a deductible payment  
12 program. Perhaps this might be worthy of  
13 consideration in the coming year, given the pandemic,  
14 to ease people's fears, the insurers and the shops.

15                  Understandably, the Corporation might  
16 be reluctant given the efforts these past two (2)  
17 years of bringing their credit card related fees under  
18 control.

19                  Under the light vehicle accreditation  
20 agreement, shops may finance deductibles and  
21 betterment, but under the current climate, the  
22 pandemic and tight finances, most simply cannot afford  
23 it.

24                  This next slide shows you the changes  
25 in deductibles based on the types of cars that are

1 used by the various consumers. Most shops do not  
2 accept American Express and they are not represented  
3 on this slide.

4 So you can see that there is anywhere  
5 from a 50 to 100 percent increase per transaction,  
6 depending on the card type used. And that's really  
7 the only point that we wanted to make for the Board  
8 with respect to the merchant fees.

9 I'd like to move on to the maximum  
10 insured values limit. This is welcome news about the  
11 increased limit. Why the limit wasn't brought up to  
12 the present value of seventy-five dollars (\$75), we're  
13 unsure. This shortfall for fifty-five hundred dollars  
14 (\$5500) makes a difference for -- for vehicles with  
15 loaded options, especially today's trucks. If under-  
16 insured, then the consumer will pay out of pocket.

17 This also affects approved damages  
18 because usually MPI is only willing to approve 60  
19 percent of the values initially. When estimating  
20 damages for approval, they do approve higher amounts.

21 On the next slide, we have a comparison  
22 of a vehicle in 2009 and a vehicle in 2020. It's  
23 essentially the same model vehicle. And what you can  
24 see here is that there is a 20 percent increase in  
25 price over the -- over the years in which the two (2)

1 models were introduced.

2 Under the new maximum insured value,  
3 some of the loaded features that are available in 2020  
4 but would not have been available in -- or would have  
5 ben included in 2009, they might not be covered under  
6 the maximum insured value -- value and would be  
7 required to purchase Extension insurance.

8 On the next slide, I would just like to  
9 draw to your attention, as my colleague previously  
10 had, is that, for Manitoba shops, we are in the lowest  
11 quartile in Canada, and have been for the past two (2)  
12 decades with respect to net profits or bottom line,  
13 and this is because the focus has been and continues  
14 to be driving costs down rather than simply looking at  
15 cost containment or understanding that the industry  
16 has changed significantly in terms of technological  
17 change.

18 I'm concerned with the effect on the  
19 industry of consistent and multiple cost and revenue  
20 cutting initiatives, PDR, labour rates, material  
21 rates, loopholes from non-included operations, for  
22 example.

23 The rates are not -- our net profit  
24 rates have been consis -- consistently eroding. The  
25 net effect of having the lowest not -- net profit in

1 the country means that we have less buying power to  
2 purchase the required services, equipment, and wages  
3 that we need to fix people's cars.

4 Operating profits were insufficient  
5 under the -- under a study by Meyers Norris Penny back  
6 in 20 -- 2010. Operating profits were then  
7 insufficient to support capital investment by  
8 operators, for operators who had revenues under 2  
9 million.

10 Fast forward to 2020. That 2 million,  
11 the present value is 2.44 million, and this  
12 observation remains valid today as it was more than a  
13 decade ago with material and labour rates lagging  
14 behind CPI in all but one (1) year.

15 You had seen a slide with -- from my  
16 previous colleagues and it just shows you the  
17 disparity between the CPI and labour rates.

18 On the matter of load severity in  
19 western Canada, we are the lowest labour rate in  
20 western Canada, and, Ryan, I think you have a comment  
21 on that.

22 MR. RYAN KEHL (by phone): Yeah. I  
23 mean, this is -- this is something that's -- that --  
24 that's been, I guess, trending for -- for quite some  
25 time this way.

1                   When we look at shared data from the  
2 other insurance companies throughout the west, we're -  
3 - both in dollar amount and labour hours, our severity  
4 is considerably lower than the other provinces.

5                   MS. THERESA JACHNYCKY (by phone):

6 Thank you, Ryan.

7                   On the next slide -- can you advance  
8 it, please? On the next slide, it just shows you that  
9 Manitoba's severity is 50 percent below the national  
10 average. And we are using the MPI alternate severity  
11 rates to make that comparison. Next slide.

12                   So what's the real deal about severity  
13 verus labour and material rates? Well, severity is  
14 really where it matters because, as has been  
15 demonstrated, despite having among the highest labour  
16 and material rates in the past, we still have the  
17 lowest severity.

18                   And what essentially that means is  
19 that, through estimatic (phonetic) policy and other  
20 practices, MPI has eroded the labour hours and/or  
21 material -- material times for the technicians to be  
22 able to complete the work.

23                   There is a loophole in the current  
24 Mitchell (phonetic) alternate estimatic platform that  
25 allows MPI to establish compliant rates, to reduce

1 hours such as labour time and/or materials to reduce  
2 severity.

3                   On many occasions when that occurred,  
4 that was unknown to the industry. The matter of fact  
5 is that there's been an erosion of the bottom line for  
6 the automotive industries that possibly infringe on  
7 the Competition Act simply because Manitoba Public  
8 Insurance not only coordinates the Mitchell estimating  
9 programs for all of the shops, but they also pay for  
10 them.

11                   For many shops, some of them are on the  
12 brink of insolvency, and this is actually supported by  
13 Statistics Canada small business profiles.

14                   In Manitoba, one (1) in five (5)  
15 collision repair shops are not profitable, and  
16 enormous investment in the tools, training, and  
17 infrastructure that was needed is set against net  
18 profit. For there to be a future for service and to  
19 warranty issue shops need to -- a reasonable net  
20 profit.

21                   Some of the factors leading to  
22 insolvency include MPI's estimating policies and  
23 compliance rules that are pushing towards insolvency.  
24 This is -- a physical damage re-engineering pro --  
25 project further eroded profitability.

1                   There's been extensive attention by MPI  
2 on driving down its operational costs without due  
3 attention to the needs for a healthy and sustainable  
4 industry that is affecting shops' ability to keep up  
5 with training and equipment.

6                   Fewer shops, more consolidation  
7 jeopardizes MPI's distribution channels as shops and  
8 small markets in the north in remote communities  
9 cannot support the needed investments and low profit  
10 margins.

11                   The next slide is -- pertains to the  
12 northern region. While the northern strategy is  
13 outside the scope of this presentation, its mention is  
14 to call attention to the importance of fulfilling  
15 expectations for reasonable profitability and wages  
16 for people con -- engaged in collision repair work and  
17 to provide industry context to the closing comments  
18 that were made at last year's GRA Hearing, suggesting  
19 shops in the north were in violation of the  
20 Competition Act.

21                   The region here is very different.

22                   UNIDENTIFIED SPEAKER:   Sorry, I missed  
23 that.   Could you say it again, please?

24                   MS. THERESA JACHNYCKY (by phone):   And  
25 they have disproportionate issues when it comes to

1 full employment, economic and cultural isolation, and  
2 that affects their ability to attract and maintain  
3 skilled labour. There is also a lot of competition,  
4 such as from mining. But really though, the staff --  
5 the -- this draft for the northern communities is  
6 seeing their own work being transported to Winnipeg  
7 for the repairs because they didn't have the capacity  
8 to repair them up north.

9 I'd like to devote the rest of the time  
10 to the annual business plan. The annual business plan  
11 affords Manitobans an opportunity to better understand  
12 what and how MPI plans to fulfill its mandate mission  
13 and vision.

14 The industry fully subscribes to MPI's  
15 mission. We have a major role in helping MPI fulfill  
16 its promise. Fulfilling its promise means that we  
17 need to invest in human resources, training, and  
18 safety equipment, communications and IT, capital,  
19 infrastructures. All of this is dependent on  
20 reasonable rates of return commensurate with the risk  
21 of operating a business.

22 The next couple of slides are just  
23 examples of increases in technician training. In  
24 1965, a technician needed five thousand (5,000) pages  
25 to scan in order to repair a vehicle.



1                   Fast-forward to 2020; it increased a  
2 hundred times, and they're now looking at deciphering  
3 five hundred thousand (500,000) plus pages to fix  
4 today's vehicle.

5                   The next few slides just give you an  
6 indication of the complexity of our industry and the  
7 types of equipment that we are now required.

8                   Moving on to the internal investment by  
9 MPI within their -- their internal investment made for  
10 the Corporation. This is a sharp contrast to the  
11 cost-cutting in the external environment.

12                   The out -- the outcomes achieved by MPI  
13 and the Corporation's investment in their people, as I  
14 said, is a sharp contrast to what we'd be able to  
15 provide in the private market, especially wages, yet  
16 the people in the private sector are the ones  
17 repairing the vehicles; it appears a bit paradoxical.

18                   Now I'm going to focus on the fact that  
19 Manitoba journeypersons in shops earn less than the  
20 MPI equivalent position, such as estimators, SRAs,  
21 supervisors.

22                   These journey persons fall below the  
23 national industrial wage average. The MPI wage rate  
24 scale begins at the top of the hourly earnings for the  
25 private sector, and the MPI wages in this wage scale

1 surpass the national industry wage average by 24  
2 percent.

3                   The -- the second and almost final  
4 slide is the future of the light vehicle accreditation  
5 agreement and the rate card.

6                   The annual operating plan also  
7 identifies the challenges of MPI's external  
8 environment, making mention of a new LVAA and ensuing  
9 rate card.

10                   Within the industry, the term 'rate  
11 card' is almost exclusively reserved for the  
12 application -- for application in the private  
13 insurance market, where the private insurance company  
14 sets the rate for the shops enrolled in their direct  
15 repair program.

16                   In turn, partnering collision repair  
17 shops agree to accept discounted rates and estimating  
18 policies with the understanding the insurance company  
19 will direct claims to the DRP (phonetic) shops.

20                   Manitoba Public Insurance cannot direct  
21 work to shops at the present time, and it would be  
22 some of those reasons that they are looking to make  
23 alterations to the legislation.

24                   In conclusion, our industry needs open  
25 communications and trans -- transparency, including

1 severity, and these are required for restoring healthy  
2 relations with MPI. Having been designated an  
3 essential service, collision repair facilities  
4 represented through the ATA and MMDA are genuine and  
5 wanting to fulfill both ratepayer and MPI needs.

6                   The private sector needs a healthy  
7 bottom line to fulfill MPI mission and consumer needs.  
8 In going forward with our agree -- with our review of  
9 the LVAA with MPI this year, the Trade has requested  
10 assistance from a third party in the event of a  
11 dispute.

12                   And that concludes our presentation.  
13 We're open to any questions you may have.

14                   THE PANEL CHAIRPERSON: Thank you very  
15 much, Ms. Jachnycky.

16                   Mr. Gabor...?

17                   THE CHAIRPERSON: Ms. Jachnycky, can  
18 you -- sorry, Kristen, can you go screen 8?

19                   THE CHAIRPERSON: Right there. That  
20 one. Good. Yeah.

21                   Can you -- can you see that screen, Ms.  
22 Jachnycky? Sorry, it's -- it's screen 8 of your  
23 presentation. It's entitled "Net Profile Lowest  
24 Quartile in Canada, 2007 --

25                   MS. THERESA JACHNYCKY (by phone):

1 Yes.

2 THE CHAIRPERSON: -- to '18"?

3 MS. THERESA JACHNYCKY (by phone):

4 Yes, correct.

5 THE CHAIRPERSON: What are the factors  
6 that it's so much higher in Saskatchewan? They're  
7 both public insurance. I -- you know, it's -- we have  
8 difficulty looking at private insurance for different  
9 things, but the -- the province immediately west of us  
10 has got a much higher profitability.

11 MR. RYAN KEHL (by phone): If I can  
12 speak to that --

13 MS. THERESA JACHNYCKY (by phone): Ry  
14 -- yeah.

15 MR. RYAN KEHL (by phone): This is  
16 Ryan. Well, their labour rate's about 25 percent more  
17 than what ours is, so that's -- that's probably the  
18 largest contributing factor. That in addition to  
19 material rate increases and --

20 MS. THERESA JACHNYCKY (by phone):  
21 Severity.

22 MR. RYAN KEHL (by phone): -- and --  
23 and just -- well, and -- and that's -- that's the  
24 driving force behind the severity, right? I mean, you  
25 know, they're -- they're getting paid more per labour

1 hour, and, you know, I mean, parts are parts. I mean,  
2 we're paying, you know, similar amounts, you know,  
3 across the board, but the -- but the main difference  
4 is in estimatic (phonetic) policy and in the rate in  
5 which they're able to charge the insurance company.

6 THE PANEL CHAIRPERSON: Excuse me,  
7 sir, could you please identify yourself for the record  
8 so we have it in the transcript?

9 MR. RYAN KEHL (by phone): It -- it's  
10 Ryan Kehl.

11 THE PANEL CHAIRPERSON: Thank you.

12 THE CHAIRPERSON: Mr. Kehl, I -- I  
13 guess the other question is on a per capita basis, do  
14 you know the number of shops in Saskatchewan versus  
15 Manitoba?

16 MR. RYAN KEHL (by phone): There's  
17 more.

18 THE CHAIRPERSON: There's more in  
19 Saskatchewan?

20 MR. RYAN KEHL (by phone): Yeah. I --  
21 I don't have the number on the top of my head, but  
22 there -- there is more.

23 THE CHAIRPERSON: Okay. And then --  
24 and then my final question is: In relation to your  
25 presentation and the lower rates, is there an impact

1 on safety, and if so, what is it?

2 MR. RYAN KEHL (by phone): Well, to  
3 date, most shops have been sacrificing the health of  
4 their business to ensure that they are compliant from  
5 a safety perspective. But -- but it's getting to the  
6 point where, you know, there -- I suppose, and I mean,  
7 I can't speak, you know -- but, anecdotally, I -- I  
8 could -- I would say that -- that, yeah, I mean, you  
9 know, if we -- if things carry on like this, the  
10 safety would -- would be one (1) concern, but net  
11 profitability and -- and, ultimately, the ability to  
12 stay open and -- and be able to serve customers is --  
13 is getting to the -- the point where it's -- it's at  
14 that breaking point.

15 THE CHAIRPERSON: Okay. Thank you,  
16 sir.

17 MS. THERESA JACHNYCKY (by phone): I  
18 think I can add to -- sorry, if I may, I -- it's --

19 THE CHAIRPERSON: Yeah.

20 MS. THERESA JACHNYCKY (by phone): --  
21 it's Theresa Jachnycky. If I can add, there has been  
22 an initiative in Manitoba with respect to having cerf  
23 -- safety certifications among all of the shops,  
24 including the dealerships.

25 One (1) of the issues that members in

1 the private sectors are identifying is that the cost  
2 of additional safety requirements, including many of  
3 the PPEs, are further eroding the -- the bottom line  
4 for -- for businesses because there's nothing to  
5 offset it. It is a direct, below-the-line cost. It  
6 is not something that's recognized as part of cost of  
7 goods sold.

8                   And that is truly the sad truth, that  
9 while they're not necessarily jeopardizing the safety  
10 of the vehicle, in some cases, employees are at risk.

11                   THE CHAIRPERSON:     Okay.

12                   MR. RYAN KEHL (by phone):     And just  
13 from a safety perspective as well -- this is -- this  
14 is Ryan speaking again -- you know, the -- the need  
15 for more specialized equipment in order to be able to  
16 fix vehicles safely and to ensure that -- that the  
17 general public is -- is able to, you know, get their  
18 vehicle repaired and repaired accurately and safely,  
19 the cost of that equipment has increased exponentially  
20 over the last ten (10) years with the introduction of  
21 -- of specialized materials and technology in  
22 vehicles.

23                   So it's just been an absolute tidal  
24 wave of change that's -- that's happened for the  
25 industry, and it's been so -- thoroughly --

1 thoroughly, I would say --

2 MS. THERESA JACHNYCKY (by phone):

3 (INDISCERNIBLE).

4 MR. RYAN KEHL (by phone): Yeah, I  
5 mean, it's -- it's burdened almost solely by the -- by  
6 the collision repair industry themselves, where we  
7 haven't seen proportionate labour rate increases and  
8 support in order to be able to offset that -- the cost  
9 required in order to be able to repair vehicles --

10 THE CHAIRPERSON: Thank you.

11 MR. RYAN KEHL (by phone): --

12 properly.

13 THE CHAIRPERSON: Thanks very much for  
14 your comments.

15 MS. THERESA JACHNYCKY (by phone):

16 Thank you.

17 MR. RYAN KEHL (by phone): Thank you.

18 THE PANEL CHAIRPERSON: Thank you.

19 Ms. Hainsworth, do you have any  
20 questions?

21 MS. CAROL HAINSWORTH (by phone): No  
22 questions, Madam Chair.

23 THE PANEL CHAIRPERSON: Okay, thank  
24 you very much for your presentation.

25 MS. THERESA JACHNYCKY (by phone):



1 Thank you very much.

2 THE PANEL CHAIRPERSON: Ms. Schubert,  
3 do we have the Taxi Coalition?

4 MR. RAM VALLURUV (by phone): Good  
5 afternoon.

6 THE PANEL CHAIRPERSON: Yes, would you  
7 please identify yourself for the record?

8 MR. RAM VALLURUV (by phone): Yeah, my  
9 name is Ram Valluruv, general manager for Duffy's  
10 Taxi.

11 THE PANEL CHAIRPERSON: Thank you.

12 MR. RAM VALLURUV (by phone): Along  
13 with me is (INDISCERNIBLE) the president of Unicity  
14 Taxi. He is also here with me. Thank you for the  
15 opportunity to present these points. This  
16 presentation is on behalf of the Duffy's Taxi and the  
17 Unicity Taxi.

18 Both Duffy's and Unicity Taxis are in  
19 the business for over sixty (60) years, serving  
20 Winnipeg and the surrounding areas twenty-four seven  
21 (24/7), three hundred and sixty-five (365) days. We  
22 provide the standard taxis and taxi services.  
23 Currently, Duffy's Taxi have a fleet of two hundred a  
24 fifteen (215) taxis, and the Unicity have two hundred  
25 and ninety-three (293) taxis.

1                   The structure -- the company structure  
2 is, like, both of these dispatch companies are  
3 limited companies and operate according to by law.  
4 Taxi owners operators are the shareholders of these  
5 companies. Currently, Duffy's Taxi have around two  
6 hundred and eighty (280) owners, and there are around  
7 twelve hundred and seventy-five (1,275) drivers, and  
8 both full-time and part-time drivers are there. But  
9 at Unicity Taxi have around three hundred and fifty  
10 (350) owners, and around six hundred and fifty (650)  
11 or six hundred (600) drivers are there as both the  
12 full-time and part-time drivers.

13                   (INDISCERNIBLE) in 2018, taxi industry  
14 (INDISCERNIBLE) changed from provincial government to  
15 municipal government. City of Winnipeg drafted a  
16 Vehicles for Hire bylaw, and the regulations  
17 (INDISCERNIBLE) and new business models to provide  
18 more options to Winnipeg. Subsequently,  
19 (INDISCERNIBLE) companies, like the so-called ride-  
20 share companies, entered into the Winnipeg market.  
21 The expectation was the level playing field in all  
22 parts of the business from (INDISCERNIBLE) --

23                   THE PANEL CHAIRPERSON:    Ex -- excuse  
24 me for a moment, please.

25                   MR. RAM VALLURUV (by phone):

1 (INDISCERNIBLE).

2 THE PANEL CHAIRPERSON: Excuse me for  
3 a moment, please. We're getting sound quality that  
4 sounds like you're cutting out. Could you perhaps sit  
5 closer to your microphone and see --

6 MR. RAM VALLURUV (by phone): Sure.

7 THE PANEL CHAIRPERSON: -- if that  
8 helps? Thank you.

9 MR. RAM VALLURUV (by phone): Is it  
10 clear right now?

11 THE PANEL CHAIRPERSON: Yes, that's  
12 better --

13 MR. RAM VALLURUV (by phone): Is it  
14 better?

15 THE PANEL CHAIRPERSON: -- thank you.  
16 Yeah.

17 MR. RAM VALLURUV (by phone): Okay,  
18 sure. So subsequently, like, PTB (phonetic)  
19 companies, so-called ride-sharing companies, entered  
20 into Winnipeg market. The expectation was the level  
21 playing field in all parts of the business, like from  
22 licensing, regulation, enforcement, and insurance  
23 premiums. Standard taxi premiums are high in  
24 Winnipeg. (INDISCERNIBLE) on the previous client's  
25 history or lost issue or, most importantly, the number

1 of operating hours being on the road.

2 Here I would like to mention one (1)  
3 observation. So some of the ride-sharing vehicles are  
4 operating under multiple ride-sharing banners or  
5 companies and at the same time using this vehicle for  
6 a delivery purpose also, like delivering food and  
7 packages. So you can see some of these vehicles have  
8 more than four (4) or five (5) logos or decals on  
9 these vehicles.

10 If our sources are correct, for some of  
11 these vehicles and individuals, it's a full-time  
12 employment for them. More and more longer hours are  
13 on the road, like taxis. But there is a vast  
14 difference in our insurance premiums, like between  
15 these two (2) categories.

16 During the height of the pandemic, taxi  
17 -- taxis lost revenues and ridership. Like other  
18 industries, like, COVID-19 hit hard on taxi industry  
19 too. At one (1) time, Duffy's ridership fell down to  
20 64 percent and the Unicity ridership declined to 80  
21 percent due to decline in air travel, so they have a  
22 airport contract.

23 We approached various levels of  
24 government for industry-specific financial relief.  
25 Here, I would like to take the opportunity to express

1 our thanks to MPI for providing some financial relief  
2 to taxi owners, along with other vehicle -- vehicle  
3 insurers in the province.

4 We had -- we had an extensive  
5 consultation with some of our taxi operators in the  
6 province. So who are supporting our initiatives --  
7 some of them are, like, Brandon, some of them are in  
8 Thompson, and we are -- when we approached all of them  
9 are, like, a support you and they are supporting our  
10 initiatives.

11 Some of these initiatives are: increase  
12 the parity of insurance rates, expanding the options  
13 for time bands which fit for taxi operations. Current  
14 bands, what we have, may not really work for taxi  
15 operations because the business model is completely  
16 different from ride-sharing companies.

17 Because we got -- the pandemic give a  
18 little bit of opportunity for us to learn ourself that  
19 if some drivers are not available actually, our datas  
20 are -- are not available, so how can we -- like, we  
21 indicate, like, damage.

22 So expanding the incident use for  
23 accident-free driving, that's one (10 of the  
24 initiatives. And all these other taxi operators in  
25 the province supported us. And it is with MPI on new

1 vehicle for hire framework. So these are the  
2 initiatives we are expecting.

3 And next (INDISCERNIBLE) is, in recent  
4 years, MPI has been meeting with the taxi industry on  
5 a regular basis. Currently, we are working on sharing  
6 the current and the past drivers that are -- and a  
7 number of fares in certain times. So that, like, we  
8 can analyze the data and we can come up with the  
9 better suitable plan of insurance structure framework.

10 So earlier MPI (INDISCERNIBLE) taxi  
11 industry in collaboration connect the pilot project on  
12 Mobileye for the collision evidence system  
13 (INDISCERNIBLE) Project Close Out meeting held  
14 recently.

15 In conclusion, like, about insurance  
16 rates, here what we are expecting is level playing  
17 field. Just level playing field. Thank you.

18 This concludes my presentation. If you  
19 have any questions, I will try to answer.

20 THE PANEL CHAIRPERSON: Thank you very  
21 much. Do you have any questions? Ms. Hainsworth, do  
22 you have any questions?

23 MS. CAROL HAINSWORTH (by phone): No,  
24 I do not. Thank you.

25 THE PANEL CHAIRPERSON: Could you

1 please explain to me briefly what the Mobileye Pilot  
2 is?

3 MR. RAM VALLURUV: Mobileye Project  
4 is, like -- around like a -- ninety-eight (98) taxis,  
5 we collect a follow the collision evidence system.  
6 (INDISCERNIBLE) for any taxi which has the device, it  
7 allows the driver with approximately the distance  
8 between the front vehicle and the taxi.

9 So like it can avoid -- alerts the  
10 driver or if he is drifting left lane or right lane,  
11 so that it gives kind of a (INDISCERNIBLE) makes a  
12 noise to driver get alerted and he can avoid the --  
13 that impact or whatever other things can occur.

14 So that is the evidence. So it should  
15 provide for some kind of reasonable data, like  
16 feedback. And some was not useful. That's what like  
17 what we heard from MPI that, in last close out  
18 meeting, the data collected was not giving the clear  
19 picture of whether it's really helpful to stop the  
20 occurrence of the collisions.

21 THE PANEL CHAIRPERSON: Okay. Thank  
22 you very much for that explanation. And thank you  
23 very much for your presentation. Good-bye.

24 MR. RAM VALLURUV: Thank you. Bye.  
25 Thank you.

1 (BRIEF PAUSE)

2

3 THE PANEL CHAIRPERSON: It appears  
4 that we've been unable to connect with Mr. Nash at  
5 this point. If he forwards the presentation, then we  
6 will certainly have it read into the record.

7 So we will proceed where we left off  
8 this morning, which I believe is on the COVID impact  
9 examination by Ms. McCandless.

10 MS. KATHLEEN MCCANDLESS: Madam Chair,  
11 could I just have maybe two (2) or three (3) minutes  
12 before we resume?

13 THE PANEL CHAIRPERSON: Certainly.

14 MS. KATHLEEN MCCANDLESS: Thank you.

15

16 (BRIEF PAUSE)

17

18 THE PANEL CHAIRPERSON: Okay. Thank  
19 you. Ms. McCandless, please proceed.

20

21 CONTINUED CROSS-EXAMINATION BY MS. KATHLEEN

22 MCCANDLESS:

23 MS. KATHLEEN MCCANDLESS: Thanks.

24 Thank you.

25 Mr. Johnston, just one (1) quick



1 question arising out of the questions on the interest  
2 rate this morning.

3                   To confirm, the 2.58 percent new money  
4 yield at March 31, 2020, that was comprised of a .7  
5 percent yield on Government of Canada ten (10) year  
6 bonds and a weighting between spreads for provincial  
7 of one hundred and thirty-four (134) basis points and  
8 corporate bonds at two hundred and thirty-five (235)  
9 basis points for A rated and three-twenty-three (323)  
10 basis points for Triple B rated. Correct?

11                   MR. LUKE JOHNSTON: Correct.

12                   MS. KATHLEEN MCCANDLESS: By way of  
13 undertaking, would it be possible to receive an  
14 exhibit providing details on the assumed Government of  
15 Canada ten (10) year bond yield, as well as spreads  
16 for both provincial and Corporate bonds in the October  
17 9th update, based on August 31, 2020 market yields?

18                   MR. LUKE JOHNSTON: Yes, we'll  
19 undertake to do that. I actually would have  
20 anticipated that we would have filed that, but I guess  
21 we didn't. So we'll do that.

22                   MS. KATHLEEN MCCANDLESS: As part of  
23 that undertaking, would it be also possible to receive  
24 the cash flow discount rate used in the October 9th  
25 update for each fiscal year end?

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

3  
4 --- UNDERTAKING NO. 1: MPI to provide an exhibit  
5 providing details on the assumed  
6 Government of Canada ten (10) year  
7 bond yield, as well as spreads for  
8 both provincial and Corporate bonds  
9 in the October 9th update, based on  
10 August 31, 2020 market yields. Also  
11 to provide the cash flow discount  
12 rate used in the October 9th update  
13 for each fiscal year end.

14  
15 CONTINUED BY MS. KATHLEEN MCCANDLESS:

16 MS. KATHLEEN MCCANDLESS: Thank you.  
17 So now moving on to questions related to the effects  
18 of COVID-19, we spoke earlier about the volume factor.  
19 Now just a couple of questions with respect to upgrade  
20 factor.

21 And MPI provided this in response to a  
22 CAC IR. I don't think we need to go there, but MPI  
23 had indicated that it would continue to determine its  
24 upgrade factor based on best estimates and utilizing  
25 all available data. Is that accurate?

1 MR. LUKE JOHNSTON: Oh, sorry. Yes,  
2 that is.

3 MS. KATHLEEN MCCANDLESS: Has there  
4 been any change from the 2021 GRA -- so the  
5 Application as initially filed -- in the vehicle  
6 upgrade factor of 2.45 per cent per year?

7 MR. LUKE JOHNSTON: There hasn't, and  
8 that's consistent with my earlier statements where our  
9 revenue projections are pretty close actual to budget.  
10 So we didn't make any change to that assumption.

11 MS. KATHLEEN MCCANDLESS: Okay. Thank  
12 you. With respect to the DSR upgrade factor that  
13 varied between .02 percent and .1 percent in 2021 and  
14 2024/'25, has there been any change?

15 MR. LUKE JOHNSTON: We have -- we  
16 haven't changed that one. The -- that -- depending on  
17 how long the collision frequency stays under budget,  
18 that one could -- could be impacted.

19 MS. KATHLEEN MCCANDLESS: Thank you.  
20 Now, moving to claims incurred, if we start with the  
21 collision forecast from the 2020 GRA -- and that's  
22 Figure CI-34. And of course that won't be on the  
23 record already, so, Kristen, I would just ask that  
24 this be marked as PUB Exhibit 19, for the record.

25

1 --- EXHIBIT NO. PUB-19: Figure CI-34: Collision  
2 Forecast from the 2020 GRA

3

4 CONTINUED BY MS. KATHLEEN MCCANDLESS:

5 MS. KATHLEEN MCCANDLESS: If we look  
6 to Figure CI-34, Collision Ultimate -- no, this is  
7 from the 2021 GRA. We need the 2020 GRA. Sorry.

8

9 (BRIEF PAUSE)

10

11 MS. KATHLEEN MCCANDLESS: It'll be on  
12 page 39, Kristen.

13

14 (BRIEF PAUSE)

15

16 MS. KATHLEEN MCCANDLESS: Perfect.  
17 Thank you. So this is the document that I would ask  
18 be marked as PUB-19. So just looking at line 15  
19 there, for the year 2020/'21, we see for Collision  
20 Ultimate -- so that's the fourth column in from the  
21 left -- we have ultimate claims incurred of 447.3  
22 million for the fiscal year '20/'21, correct?

23 MR. LUKE JOHNSTON: That's right.

24 MS. KATHLEEN MCCANDLESS: And then  
25 just scrolling to the next page of this same part of

1 the 2020 GRA is Figure CI-35, and these are collision  
2 claims incurred. At line 8, we see reported collision  
3 claims incurred of 475.6 million for fiscal year  
4 '20/'21, correct?

5 MR. LUKE JOHNSTON: That's right.

6 MS. KATHLEEN MCCANDLESS: What would  
7 be the source of the difference between CI-34 and CI-  
8 35?

9 MR. LUKE JOHNSTON: So CI-34 would be  
10 for -- by loss year. So of all the collisions that  
11 happened in -- in the loss year '20/'21, what we  
12 expect their ultimate cost to be when -- when all  
13 claims are settled.

14 Figure CI-35 is -- it's all on a  
15 reporting basis, how you would see on the financial  
16 statements. For -- the 475.6 million there would be  
17 how much of the dollars we expect would be reported in  
18 that fiscal year. So that could include reporting  
19 from previous years as claims are settled or late  
20 reporting of claims or things like that.

21 So, we do reconcile these numbers  
22 internally and in this report, but in the past we used  
23 to only show the actuarial view. And then everyone  
24 had trouble bridging that to the accounting view, so  
25 we do both now.

1 MS. KATHLEEN MCCANDLESS: Do you  
2 recall if there were any changes to this forecast up  
3 to the date of the 2020 GRA hearing?

4 MR. LUKE JOHNSTON: I don't believe we  
5 changed this forecast, but again it's last year, so  
6 I'd have to check. But I don't recall anything.

7 MS. KATHLEEN MCCANDLESS: If you  
8 determine that your answer was not accurate, you will  
9 advise?

10 MR. LUKE JOHNSTON: Yes. I'm assuming  
11 my staff are listening, and they'll let me know right  
12 away if that's incorrect. But I'll -- it's noted that  
13 I'll check, yeah.

14 MS. KATHLEEN MCCANDLESS: Thank you.  
15 Now if we move to this GRA and Figure CI-37, it's also  
16 found at Tab 22 of the book of documents. And these  
17 are Collision Ultimate Incurred for accident year  
18 2010/'11 through to 2024/'25.

19 If we look at line 14 --

20 MR. LUKE JOHNSTON: Yes.

21 MS. KATHLEEN MCCANDLESS: -- under  
22 Ultimate again, and that would be four (4) columns in  
23 from the left, we see that it's showing \$416.1  
24 million, yes?

25 MR. LUKE JOHNSTON: 416.1 million?

1 Yes.

2 MS. KATHLEEN MCCANDLESS: And then  
3 Figure CI-38, so just the next figure in this section  
4 -- thank you -- it shows at line 7 for 2020/'21 417.2  
5 million?

6 MR. LUKE JOHNSTON: That's right,  
7 yeah.

8 MS. KATHLEEN MCCANDLESS: And these  
9 numbers were the starting claims forecasts adjusted  
10 for the estimated impact of COVID. Is that right?

11 MR. LUKE JOHNSTON: That's correct.  
12 The original filing, yes.

13 MS. KATHLEEN MCCANDLESS: And then if  
14 we could jump to Figure CI-8, and that's page 16 of  
15 Claims Incurred. Thank you, Kristen.

16 The estimated claims reduction for  
17 collision from March 16 to April 15, 2020, at line 1  
18 was 17.7 million roughly, yes?

19 MR. LUKE JOHNSTON: Correct.

20 MS. KATHLEEN MCCANDLESS: And so for  
21 the month and a half that there was assumed to be an  
22 impact in 2020/'21, this would translate to an  
23 adjustment of 26.5 million. And that matches the  
24 amount in Figure CI-10, I believe?

25 MR. LUKE JOHNSTON: Just looking here.

1 Correct.

2 MS. KATHLEEN MCCANDLESS: And that's  
3 at line 3 under 'Collision', correct?

4 MR. LUKE JOHNSTON: I -- I think  
5 you're referencing the 26.5 million in this chart?

6 MS. KATHLEEN MCCANDLESS: Yes.

7 MR. LUKE JOHNSTON: Yeah.

8 MS. KATHLEEN MCCANDLESS: That's  
9 right.

10 MR. LUKE JOHNSTON: Yeah, correct.

11 MS. KATHLEEN MCCANDLESS: Okay. So  
12 does this mean that, based on the analysis in this  
13 GRA, the expected Collision Ultimate for 2020/'21 if  
14 COVID had not happened would have been 442.5 million?

15 MR. LUKE JOHNSTON: Subject to doing  
16 the math, we would have added back these -- these  
17 numbers. So if that is the math, I'll accept that,  
18 yeah.

19 MS. KATHLEEN MCCANDLESS: Thank you.  
20 So that would be about \$35 million lower than the  
21 corresponding amount in the 2020 GRA, correct?

22 MR. LUKE JOHNSTON: Again, subject to  
23 checking the math which I have no reason to believe  
24 it's wrong, I believe you said 35 million lower, my  
25 expectation is that we've lowered the collision



1 forecast about that magnitude.

2                   So if -- if you're okay accepting that  
3 we would have had a fairly substantial reduction in  
4 the collision forecast even without COVID, agreed.

5                   MS. KATHLEEN MCCANDLESS: Thank you.

6 Now, if we move to some evidence from the Special  
7 Rebate Application, and in particular, PUB Pre-ask 1 -  
8 - and that was MPI Exhibit Number 2 -- and on the  
9 second page of this, MPI was asked for the Collision  
10 Ultimate budget by month at that time.

11                   And, Kristen, I would ask that this be  
12 marked as PUB Exhibit 20, please.

13

14 --- EXHIBIT NO. PUB-20:       PUB Pre-ask 1 from the  
15                                   Special Rebate Application

16

17 CONTINUED BY MS. KATHLEEN MCCANDLESS:

18                   MS. KATHLEEN MCCANDLESS: Does the  
19 budget estimate of collision claims provided in the  
20 Special Rebate Application -- so what we see before us  
21 on the screen here -- represent the most current  
22 claims budget for collision?

23

24                                   (BRIEF PAUSE)

25

1 MR. LUKE JOHNSTON: So, the -- okay.  
2 Is the question, have we updated this forecast beyond  
3 our update to do an actual to date? Is that...?

4 MS. KATHLEEN MCCANDLESS: Essentially,  
5 have you updated it beyond what was provided in the  
6 Special Rebate Application?

7

8 (BRIEF PAUSE)

9

10 MR. LUKE JOHNSTON: So, we updated our  
11 forecast for the GRA filing.

12

13 (BRIEF PAUSE)

14

15 MS. KATHLEEN MCCANDLESS: Mr.  
16 Johnston, if it might assist, if we could jump to PUB-  
17 MPI 2-22, and page 3.

18 MR. LUKE JOHNSTON: So, just -- just  
19 so you understand, we're not a hundred percent  
20 certain. We set our budget earlier in the year, like,  
21 prior to the fiscal year. And that budget stays  
22 locked in, as...

23 But when we come to the GRA process,  
24 we'll provide the most up-to-date forecast. So, our  
25 budget hasn't changed, but our GRA forecast would have

1 been updated when we filed in -- in normal course.

2                   So, I'm not sure if that answers the  
3 question, but --

4                   MS. KATHLEEN MCCANDLESS:   Sort of.  
5 Kristen, could we just go to the paragraph right above  
6 figure 2 here, from 2-22, maybe just to clarify?

7                   So, in PUB-MPI-2-22, the Corporation  
8 was asked for an update of budget of collisions by  
9 month -- collision ultimate by month in the same  
10 format as had been provided in the Special Rebate  
11 Application, which is what I just showed to you, and  
12 then provide a comparison with that presented in that  
13 previous exhibit, explaining any changes.

14                   And so, the response was to see figure  
15 2 below, the budgets remain the same as in Exhibit  
16 number 2 of the Special Rebate Application. And  
17 what's provided here is the actual experience.

18                   Does that assist?

19                   MR. LUKE JOHNSTON:   Yeah. So, I'm  
20 just making sure we're -- everyone's using the word  
21 'budget' correctly. But, yeah, our budgets wouldn't -  
22 - our budget wouldn't change.

23                   Even internally, we -- we do have to  
24 tackle the issue with the GRA forecast being different  
25 than the budget. We -- we were hoping that -- that we

1 would get rid of that issue by doing both at the same  
2 time, but in -- in this particular year, so much  
3 changed between when we set the budget and -- and when  
4 we had to do the GRA, that it just wasn't appropriate.

5 But, yeah, the budget numbers should  
6 stay the same as originally filed.

7 MS. KATHLEEN MCCANDLESS: Okay. Thank  
8 you. So, the other document we were just looking at,  
9 PUB -- or MPI Exhibit 2 from the Special Rebate  
10 Application, yes, I'm not sure that looking at this is  
11 going to help you with my question.

12 But the budget and collision claims  
13 provided in this document from March to September of  
14 2020 total 226.4 million; that's lines 13 to 18 -- or  
15 19, pardon me.

16 Will you accept that, subject to check?

17 MR. LUKE JOHNSTON: I do.

18 MS. KATHLEEN MCCANDLESS: Thank you.  
19 And then you will recall, Mr. Johnston, that in Order  
20 16/20, following the Special Rebate Application, the  
21 Board had directed MPI to file monthly actual claims  
22 costs against budget for the period from March 1,  
23 2020, through to September 30, yes?

24 MR. LUKE JOHNSTON: Yes, I do.

25

1 (BRIEF PAUSE)

2

3 MS. KATHLEEN MCCANDLESS: If you'd  
4 just bear with me for a moment.

5

6 (BRIEF PAUSE)

7

8 MR. LUKE JOHNSTON: Thank you for your  
9 patience there. There's a lot of -- fortunately, a  
10 few different sets of numbers with all these updates,  
11 so.

12 MS. KATHLEEN MCCANDLESS: No problem.  
13 I was just looking for my series of letters. So,  
14 Kristen, if you could pull up PUB Exhibit 17 that was  
15 just introduced this morning.

16 And this is the series of letters from  
17 general counsel to the Board from June through to  
18 October. And this is the information that was  
19 provided by MPI in compliance with the directive in  
20 Order 67/'20.

21 And I trust you're familiar with the  
22 contents of each of these letters?

23 MR. LUKE JOHNSTON: I see that, yes.

24 MS. KATHLEEN MCCANDLESS: Thank you.

25 When reviewing the monthly reporting as contained in -

1 - in PUB Exhibit 17, we noted that there were  
2 differences between the collision costs budget and the  
3 actual numbers compared to what was provided at the  
4 Special Rebate Application in this Hearing.

5 MR. LUKE JOHNSTON: Okay.

6 MS. KATHLEEN MCCANDLESS: Are you  
7 aware of that difference?

8

9 (BRIEF PAUSE)

10

11 MR. LUKE JOHNSTON: If it's -- if the  
12 intent is to be budget, then I wouldn't be aware of  
13 that. I would expect the budget to be the same. If  
14 there's differences between budget and what was filed  
15 in the updated GRA, then I would expect there to be  
16 differences.

17 Hopefully, they weren't mislabeled as  
18 'budget' rather than GRA forecast, but if we need to  
19 take that offline or whatever we need to do, I can  
20 rectify that.

21 MS. KATHLEEN MCCANDLESS: Perhaps just  
22 by way of example, I could take you to something. So  
23 --

24 MR. LUKE JOHNSTON: Sure.

25 MS. KATHLEEN MCCANDLESS: -- Kristen,

1 could we please just go to page 2 of this exhibit?  
2 And looking at March total Basic claims at the top  
3 here, we see the budget amounts for PIPP collision and  
4 property damage at lines 3, 4, 5, and then the total  
5 for Basic at line 6, yes?

6 MR. LUKE JOHNSTON: I -- I think I may  
7 know the reason, if you want me to just blurt it out.

8 MS. KATHLEEN MCCANDLESS: Just so my  
9 understanding is -- is correct, could we then jump to  
10 Pre-ask 1 from the Special Rebate Application and look  
11 at the March budget numbers, so March 2020?

12 They don't seem to match up at all at  
13 line 13 with what's been presented in PUB Exhibit 17?

14 MR. LUKE JOHNSTON: Yeah, that is a  
15 helpful example. Thank you. So, similar to the  
16 previous discussion we had, ultimates are really an  
17 actuarial term.

18 So, this is ultimate losses that we  
19 expect by loss month. So, of all the claims that  
20 happened in November 2019, for example, we think  
21 ultimately we'll end up paying 28.6 million in  
22 repairs.

23 The -- all the -- all of these  
24 actuarial numbers are put into the model, and there's  
25 assumptions what -- how claims are reported and such.

1 So, in the financial model, similar to how we looked  
2 at the two (2) views earlier, there's going to be some  
3 differences in how dollars are reported.

4 And I -- I understand the confusion.  
5 Cou -- we could definitely provide the same view of  
6 how this information translates into the budget, which  
7 you've seen on the annualized basis but not on the  
8 monthly basis, but that is the reason for the  
9 difference.

10 MS. KATHLEEN MCCANDLESS: That is  
11 information you could provide?

12 MR. LUKE JOHNSTON: We can. And it  
13 sounds like it would help this --

14 MS. KATHLEEN MCCANDLESS: Yes.

15 MR. LUKE JOHNSTON: -- discussion, so.

16 MS. KATHLEEN MCCANDLESS: And perhaps,  
17 Mr. Johnston, you could advise as to the specifics of  
18 what could be provided for the record so we know what  
19 the undertaking should be.

20 MR. LUKE JOHNSTON: The request, as I  
21 understand it, would be to provide the budget on the  
22 financial reporting basis as opposed to the actuarial  
23 ultimate basis on a monthly -- monthly basis.

24 MS. KATHLEEN MCCANDLESS: For the same  
25 period as set out in PUB -- or MPI Exhibit 2 from the



1 Special Rebate Application?

2 MR. LUKE JOHNSTON: We -- we can do  
3 that.

4 MS. KATHLEEN MCCANDLESS: Thank you.

5

6 --- UNDERTAKING NO. 2: For MPI to provide to the  
7 budget on the financial  
8 reporting basis as opposed  
9 to the actuarial ultimate  
10 basis on a monthly basis  
11 for the same period as set  
12 out in MPI Exhibit 2 from  
13 the Special Rebate  
14 Application

15

16 (BRIEF PAUSE)

17

18 CONTINUED BY MS. KATHLEEN MCCANDLESS:

19 MS. KATHLEEN MCCANDLESS: Thank you.  
20 Just at the bottom of figure 1 here, MPI stated that  
21 it does not maintain a monthly budget for property  
22 damage and bodily injury claims, yes?

23 MR. LUKE JOHNSTON: That's correct.

24 MS. KATHLEEN MCCANDLESS: How did the  
25 Corporation prepare the budget numbers for PIPP and

1 property damages in the monthly reporting of claims  
2 incurred?

3 MR. LUKE JOHNSTON: We would look at  
4 historical reporting percentages and allocate out the  
5 annualized number for financial reporting. So, from a  
6 financial reporting perspective, they would have a  
7 monthly budget.

8 From an actuarial perspective, we'd  
9 just forecast the entire year's ultimate value, and  
10 then look at past -- convert that to a financial view  
11 by looking at kind of how -- what per -- how  
12 percentage -- what percentage of claims were reported  
13 in each month.

14 So, there is an accounting budget by --  
15 by coverage, if that makes sense. Sorry. So the --  
16 maybe the easiest way to explain what's a little bit  
17 confusing concept -- if you take PIPP, for example,  
18 that's more extreme example, where we may have, you  
19 know, a hundred million (100 million) PIPP claims that  
20 occur this year. As you can appreciate, those could  
21 be reported over many, many years in the future.  
22 Today, we can have new reporting from claims in 1994  
23 that would flow into the -- this year's reported PIPP  
24 claims.

25 It's less extreme for collision and --

1 and comp and such, but any change in prior years'  
2 numbers is reported in the current year, so if that  
3 helps. I don't know if that makes it more confusing.

4 MS. KATHLEEN MCCANDLESS: And just  
5 going back one (1) question for clarification, what  
6 was provided in the monthly budget update? Was that  
7 actuarial or accounting?

8 MR. LUKE JOHNSTON: Accounting, yeah.

9 MS. KATHLEEN MCCANDLESS: Thank you.  
10 Now, if -- focussing again on -- oh, pardon me. Now  
11 going to 2 -- PUB-MPI 2-22-D, and that's Figure 2,  
12 here we have the Collision Ultimates as of July 31,  
13 2020.

14 What would the Corporation attribute to  
15 the difference in the reporting of collision claims  
16 incurred in the monthly reporting? You've already  
17 answered that question, I believe. But the reported  
18 claims cost -- costs since March, as provided in PUB-  
19 17, have been materially low -- lower than budget,  
20 yes?

21 MR. LUKE JOHNSTON: That's true. In  
22 the early stages of the pandemic -- pandemic, by a  
23 significant margin, around 50 percent reductions and  
24 sometimes more. Sometimes a little less. Since that  
25 time, collision specifically has approached about a 10

1 percent delta, like, from -- from the budget, and PIPP  
2 is a little more volatile.

3                   One (1) thing we were going to mention  
4 this morning when we were looking at the -- we -- we  
5 presented the deltas from budget, a lot of the  
6 favourable experience we're seeing right now is from  
7 PIPP prior years, which it really has nothing to do  
8 with the current-year experience. So we discussed at  
9 break that we may want to remove that, but we can --  
10 we can have that discussion.

11                   MS. KATHLEEN MCCANDLESS:    Okay. And  
12 so just maybe as an illustration of this decline that  
13 you were speaking of, Kristen, could we go back to  
14 PUB-17, and if we start at page 2? Thank you.

15                   We see from March that there's a 35.8  
16 percent variance from budget; April, 41.8 percent; and  
17 May, 28.4 percent, yes?

18                   MR. LUKE JOHNSTON:    Correct. And what  
19 I was speaking to just -- just now was that we have to  
20 be careful with PIPP because PIPP actual reported is  
21 all reporting, and I can tell you just -- I will just  
22 look this up.

23                   PIPP prior years, so not even this  
24 current year, is tracking at more than 20 million  
25 under budget. So some of the under budget on PIPP is

1 -- is not the current year, but that -- that was kind  
2 of my point. But I don't think it affects your --  
3 your -- the point you're trying to make here. Yeah.

4 MS. KATHLEEN MCCANDLESS: Right, yeah.  
5 If we -- if we scroll ahead, then, into the more  
6 recent months, we see now the vary -- the variance is  
7 17.2 percent in June, yes?

8 MR. LUKE JOHNSTON: M-hm.

9 MS. KATHLEEN MCCANDLESS: In July,  
10 it's 27.9 percent; August, 19.1 percent, yes?

11 MR. LUKE JOHNSTON: Yeah, and if -- if  
12 you don't mind, if we -- maybe we can just start here  
13 in September. Notice collision is nine percent --  
14 point one percent (sic) under budget and PIPP's 35  
15 percent under budget. Our focus, at least internally  
16 and projecting the COVID impacts, is on the collision  
17 line.

18 It's not to say that the PIPP  
19 favourable development isn't happening, but I don't  
20 want to call prior years' PIPP a COVID-related  
21 savings. Not to say that there couldn't be some  
22 impacts from COVID, but we're trying to focus here on  
23 how is -- how have crash rates been impacted by COVID.  
24 And to get a est -- a good estimate there, I'd suggest  
25 we focus on the collision line.

1                   So just per -- per my point, I guess,  
2 9.1 percent was the -- was the difference in  
3 September. If you go backwards the same way you went  
4 forwards, so August, we see it's eleven point seven  
5 (11.7); July, nine point eight (9.8); and in June,  
6 eighteen point eight (18.8). So the last three (3)  
7 months were about 10 percent under, yeah, for  
8 collision claims incurred.

9                   MS. KATHLEEN MCCANDLESS: Thank you.  
10 And so I understand that MPI presently expects a  
11 reduction in exposures for 2020/'21 but not in  
12 '21/'22, correct?

13                   MR. LUKE JOHNSTON: There's no perfect  
14 answer to this. It's a -- it's a difficult question  
15 to answer. We've seen, just by the examples you just  
16 used, collision being 40, 50 percent under budget and  
17 rising to about 9 percent under budget.

18                   Do I think that we'll see under budget  
19 again for the month -- for the next month? Very  
20 likely. Do I think seven (7) months from now,  
21 collision will continue to be under budget? I don't  
22 know. And I obviously hope that we're not still in a  
23 pandemic seven (7) months from now or over the '20/'21  
24 rating period, but I think that's more of a leap in  
25 terms of forecasting.



1 MR. LUKE JOHNSTON: So collision, we  
2 have as 25.3 percent under budget year to date,  
3 effective September 30th, yeah.

4 MS. KATHLEEN MCCANDLESS: Okay, thank  
5 you. Has MPI considered any revisions to its forecast  
6 of 2021/'22 claims projection?

7 MR. LUKE JOHNSTON: At this time, we  
8 haven't. The way we're looking at it right now -- and  
9 I'm -- I'm talking today. I'm not -- you know, will I  
10 feel differently in January? I -- it depends what we  
11 see for the next several months.

12 This year in our history is going to be  
13 an outlier year. There's no other way to put it.  
14 Everything we see in this year, whether it's volume or  
15 upgrade or claims experience, is likely going to be  
16 unusable for forecasting in a normal situation.

17 So our view is that our best estimate  
18 of '21/'22 today is that we use the -- the forecast  
19 pre -- pre-COVID. But, of course, like, being  
20 reasonable, I only think that now. Three (3) or four  
21 (4) months from now, it could get worse, and it would  
22 be hard to make that statement. But as of today,  
23 that's what I -- that's what MPI believes.

24 MS. KATHLEEN MCCANDLESS: And just to  
25 go back, with respect to the question about September



1 year to date, you provided relative to budget, but the  
2 question was relative to forecast.

3                   So do you have information as to how  
4 much lower than the '20/'21 GRA forecast collision is  
5 running year-to-date?

6                   MR. LUKE JOHNSTON:    The numbers I  
7 provided would be the accounting basis.  I'd have to  
8 look up the -- our ultimate for that year.  Yeah.

9                   MS. KATHLEEN MCCANDLESS:   Is that  
10 something you can provide?

11                  MR. LUKE JOHNSTON:    I can.  So I -- I  
12 think the request is year-to-date -- the revised  
13 estimate of the 2020/'21 collision ultimate incurred,  
14 what is the change from the previous forecast?

15                  MS. KATHLEEN MCCANDLESS:   Correct.

16                  MR. LUKE JOHNSTON:    Or the original  
17 forecast, I guess.

18                  MS. KATHLEEN MCCANDLESS:   From the --  
19 the GRA forecast.  I believe it would be actual.

20                  MR. LUKE JOHNSTON:    GRA forecast.  We  
21 can do that.

22                  MS. KATHLEEN MCCANDLESS:   Thank you.

23

24 --- UNDERTAKING NO. 3:   MPI to provide the revised  
25                                   estimate of the 2020/'21 collision

1 ultimate incurred, what is the change  
2 from the actual GRA forecast

3

4 (BRIEF PAUSE)

5

6 CONTINUED BY MS. KATHLEEN MCCANDLESS:

7 MS. KATHLEEN MCCANDLESS: Thank you.

8 So, in summary, if we were to add up the -- the  
9 difference in budget versus actual on the monthly  
10 updates, according to our math it is a difference of -  
11 - or the amount -- the total amount is 232.6 million.  
12 You'll accept that, subject to check?

13 MR. LUKE JOHNSTON: Sorry, what does  
14 that number represent?

15 MS. KATHLEEN MCCANDLESS: That would  
16 be the monthly updates. So from March through to  
17 September of 2020, the favourable variance in the  
18 budget.

19 MR. LUKE JOHNSTON: I wouldn't think  
20 it's that big. I would have expected year-to-date  
21 variance around 97 million. With collision being  
22 about --

23 MS. KATHLEEN MCCANDLESS: This is on  
24 total Basic not just collision. Does that...

25 MR. LUKE JOHNSTON: So maybe we can

1 just flip through these quickly. So September, I see  
2 12.6 million; 13 million in August; nineteen (19) in  
3 July.

4 MS. KATHLEEN MCCANDLESS: Pardon me.  
5 The budget. The budget is two-thirty-two (232). Yes.

6 MR. LUKE JOHNSTON: That sounds much  
7 more reasonable, yeah.

8 MS. KATHLEEN MCCANDLESS: Pardon me.

9 MR. LUKE JOHNSTON: Just -- I wasn't  
10 intending to add them all up, but I just wanted to  
11 show that they weren't going to be 250 million. Yeah,  
12 that's all.

13 MS. KATHLEEN MCCANDLESS: So that is  
14 the -- that's about \$6.3 million higher than what was  
15 previously presented. Correct?

16

17 (BRIEF PAUSE)

18

19 MR. LUKE JOHNSTON: Can you repeat  
20 that? Just make sure I'm understanding.

21 MS. KATHLEEN MCCANDLESS: So it  
22 appears that the budget that was provided in the  
23 Special Rebate Application is about \$6 million higher  
24 than what was provided in the monthly updates.

25

1 (BRIEF PAUSE)

2

3 MR. LUKE JOHNSTON: I'll accept that  
4 subject to check. That -- I do know they're  
5 different, but the exact amount -- yeah.

6 MS. KATHLEEN MCCANDLESS: And if we  
7 look to the pre-ask 1 from the Special Rebate  
8 Application -- and, again, I'll be doing some math on  
9 the fly, so you can accept this subject to check, of  
10 course.

11 But if we total up the -- on the right-  
12 hand side under -- if you could just scroll up a  
13 little bit, please, Kristen -- so collision total  
14 incurred for the period from April 2020 -- so starting  
15 at line 14 through to March 2021, we get a total of  
16 462.1 million. Does that sound correct?

17 MR. LUKE JOHNSTON: Yeah. Okay. So I  
18 -- I see. This -- this may just be related to  
19 actuarial versus accounting view. But I'll accept  
20 that number. Yeah.

21 MS. KATHLEEN MCCANDLESS: And  
22 similarly, if we total up March 2020 -- so line 13 --  
23 to February 2021, we get 460.6 million. Does that  
24 sound correct as well?

25 MR. LUKE JOHNSTON: I'll accept that.

1 MS. KATHLEEN MCCANDLESS: So could you  
2 explain the source of the difference -- and this may  
3 be the accounting versus actuarial issue -- the source  
4 of the difference of the budget amount of 462 million  
5 or four-sixty-one (461) from the 2020 GRA forecast of  
6 477 million?

7 MR. LUKE JOHNSTON: Yeah. I'd have to  
8 go back and look at -- at what's being prepared.  
9 Because it's hard to do those calculations, kind of,  
10 on the fly here.

11 But the -- the forecast for the GRA and  
12 the ultimates -- if we do all our forecasting on an  
13 ultimate basis, we need to see ultimate frequency,  
14 ultimate severity. That's all done on a loss year  
15 basis. And then, we take that forecast and it has to  
16 be converted to -- how it will come in on an  
17 accounting basis. That's likely the difference.

18 But best I -- I guess I can offer is to  
19 take it offline and make sure I understand the  
20 question. Hard to do the math right here. Yeah.

21 MR. STEVE SCARFONE: Ms. McCandless,  
22 what was the difference between those two (2) numbers?  
23 Did you calculate that as well? What was the  
24 variance?

25 MS. KATHLEEN MCCANDLESS: It's roughly

1 \$15 million.

2 MR. STEVE SCARFONE: Fifteen million?

3 MS. KATHLEEN MCCANDLESS: Yes.

4 Perhaps we can have a discussion offline and then we  
5 can put on the record what MPI might be willing to  
6 provide.

7 MR. LUKE JOHNSTON: Yeah. No problem  
8 at all. It's probably best. And then, I -- I can  
9 obviously come back in and -- and confirm whatever you  
10 need.

11

12 CONTINUED BY MS. KATHLEEN MCCANDLESS:

13 MS. KATHLEEN MCCANDLESS: Similarly,  
14 with respect to the -- the variance between the  
15 Special Rebate Application budget and the monthly  
16 claims budget.

17 And my understanding is that the  
18 Special Rebate Application budget was 226 million and  
19 the monthly claims was two hundred and thirty-two  
20 (232). But we can have that discussion offline.

21 MR. LUKE JOHNSTON: Okay.

22 MR. STEVE SCARFONE: And -- and that  
23 last one was the subject of an undertaking, was it  
24 not? I think it was. The -- the Special Rebate  
25 Application inquiry?

1 MS. KATHLEEN MCCANDLESS: I don't  
2 believe that specific one was, but we'll sort it out  
3 offline and put it back on the record. Yeah.

4

5 (BRIEF PAUSE)

6

7 CONTINUED BY MS. KATHLEEN MCCANDLESS:

8 MS. KATHLEEN MCCANDLESS: In the  
9 Special Rebate Application, MPI assumed a perfect  
10 correlation between collision, physical damage, and  
11 bodily injury claims. Yes?

12 MR. LUKE JOHNSTON: We did.

13 MS. KATHLEEN MCCANDLESS: And the  
14 Corporation, has it developed the expertise to  
15 forecast monthly claims counts and property damage and  
16 bodily injury claims?

17 MR. LUKE JOHNSTON: It's not so much  
18 the expertise as it is more of a timing issue. So  
19 collision claims come in and -- and are settled pretty  
20 quickly. And we -- we have a lot of collision claims.  
21 And so, we can make monthly development and closure  
22 assumptions for collision.

23 PIPP, you know almost nothing in the  
24 early stages. So this year is a -- a really good  
25 example. You've probably seen in the news that we've

1 had a lot more serious claims this year. But we've  
2 also had a lot less injury -- like, small injury  
3 claims.

4                   So I -- I've obviously talked to the  
5 injury claims side and just said, Let's, you know,  
6 make sure that we at least put up, you know, the  
7 minimum five hundred thousand (500,000) reserve on  
8 these so they're flagged as -- as large claims.

9                   But I -- I won't really know what we're  
10 seeing, with any confidence, until we see how those  
11 claims are closed.

12                   So, when we make an assumption about  
13 perfect correlation between collision and injury, we  
14 think that, you know, at the end of the day, when we  
15 find out when all the -- you know, all the injury  
16 claims come in, if you have 20 percent less  
17 collisions, you're probably going to have 20 percent  
18 less injuries. It's a -- it was definitely a  
19 simplifying assumption.

20                   But we don't forecast injuries on a  
21 month-by-month basis just because, again, there's not  
22 much value provided in the early stages, really, until  
23 twenty-four (24) to sixty (60) months after the claim  
24 is open. You don't really know what -- what you have.

25                   MS. KATHLEEN MCCANDLESS: Is that the



1 same with respect to property damage? Or is that  
2 forecast on a monthly basis?

3 MR. LUKE JOHNSTON: Property damage is  
4 -- we could do that one (1) on a monthly basis. The  
5 col -- in that case, it's really the opposite. The --  
6 the correlation between property damage and collision  
7 is so strong that we could do that. It's just a lot  
8 smaller dollars, so we haven't -- haven't done so.

9 MS. KATHLEEN MCCANDLESS: And that's  
10 just not something you've been doing to date is what I  
11 understand.

12 MR. LUKE JOHNSTON: We haven't. Our  
13 focus has been -- our first priority was on collision  
14 forecasting just 'cause of the dollars and the number  
15 of claims there. That -- that was seen as the most  
16 valuable.

17 The other -- the other coverages,  
18 there's less incentive to do that on a monthly basis  
19 just 'cause of the magnitude.

20 MS. KATHLEEN MCCANDLESS: Thank you.  
21 Kristen, if we could go back to PUB-MPI 2-22 and  
22 Figure 1 again. So -- pardon me. Figure 1, yes. So  
23 -- pardon me. Figure 2.

24 If we look at the -- the claim counts  
25 as of July 31, 2020, if we look at line 13 here for --

1 it's March 2020, and the actual as of this document  
2 for March 2020 is six thousand and thirty-eight  
3 (6,038) collision claims, yes?

4 MR. LUKE JOHNSTON: That's right.

5 MS. KATHLEEN MCCANDLESS: And then if  
6 we jump to the budget -- so that was found in Pre-ask  
7 1 from the Special Rebate Application -- line 13 in  
8 this document from March 2020 shows that the budget  
9 was, on the far right of the page, eight thousand  
10 seven hundred and six (8,706), yes?

11 MR. LUKE JOHNSTON: I see that, yes.

12 MS. KATHLEEN MCCANDLESS: So actual  
13 colli -- collision counts then for March were roughly  
14 30 percent lower?

15 MR. LUKE JOHNSTON: Roughly, yeah,  
16 yeah.

17 MS. KATHLEEN MCCANDLESS: And the  
18 state of emergency came into effect in mid-March,  
19 March 15th --

20 MR. LUKE JOHNSTON: I can't remember  
21 the exact date --

22 MS. KATHLEEN MCCANDLESS: -- or so?

23 MR. LUKE JOHNSTON: -- but mid-March  
24 is reasonable, yeah.

25 MS. KATHLEEN MCCANDLESS: And then if

1 we look to April of 2020, we see what was budgeted on  
2 the far right side at line 14 was seven thousand one  
3 hundred and fifty (7,150).

4 MR. LUKE JOHNSTON: Yes.

5 MS. KATHLEEN MCCANDLESS: And if we  
6 jump to the actual, so 2-22 for April, we see three  
7 thousand four hundred and eighty-two (3,482). Is that  
8 right?

9 MR. LUKE JOHNSTON: That's right.

10 MS. KATHLEEN MCCANDLESS: So a very  
11 significant reduction there as well in terms of --

12 MR. LUKE JOHNSTON: Agreed, and -- and  
13 this -- this actuarial view is the best way to -- to  
14 look at the numbers you're talking about because it is  
15 saying collisions that actually happened in that  
16 month, not when they happened to be reported. So this  
17 gives you a sense of -- of that month specifically.

18 MS. KATHLEEN MCCANDLESS: Okay. And  
19 then the actuals for May of 2020 were, at line 15 on  
20 the right-hand side, four thousand three hundred and  
21 sixty-one (4,361).

22 MR. LUKE JOHNSTON: Yes.

23 MS. KATHLEEN MCCANDLESS: So an  
24 increase from May, but still below budget if we jump  
25 to Pre-ask -- oh, thank you, Kristen.

1 MR. LUKE JOHNSTON: That's right,  
2 yeah.

3 MS. KATHLEEN MCCANDLESS: -- below  
4 budget, which was seven thousand four hundred and  
5 ninety-three (7,493) at line 15, yes?

6 MR. LUKE JOHNSTON: That's right,  
7 yeah.

8 MS. KATHLEEN MCCANDLESS: Just a  
9 couple more. So at line 16, the budget for June was  
10 seven thousand seven hundred and forty-seven (7,747).

11 MR. LUKE JOHNSTON: Yes.

12 MS. KATHLEEN MCCANDLESS: And if we  
13 jump to actuals...

14 MR. LUKE JOHNSTON: I'd say five six  
15 nine nine (5,699) would be my prediction.

16 MS. KATHLEEN MCCANDLESS: Yes.

17 MR. LUKE JOHNSTON: It's very  
18 accurate.

19 MS. KATHLEEN MCCANDLESS: And then  
20 July, we see the actuals of six thousand five hundred  
21 and sixty-eight (6,568) at line 17, and the budget of  
22 seven thousand seven hundred and twenty-nine (7,729),  
23 yes?

24 MR. LUKE JOHNSTON: That's right. And  
25 so although these are on a different basis, on an

1 actuarial basis, you can see the convergence to  
2 similar to what the financial reporting view was; very  
3 big deltas in the kind of 50 percent range in the  
4 early stages. And this last one is approaching  
5 roughly 10 percent.

6 They will be pretty close to each other  
7 at the end of the day, but they are different  
8 presentations of -- of information.

9 MS. KATHLEEN MCCANDLESS: Thank you.

10

11

(BRIEF PAUSE)

12

13 MS. KATHLEEN MCCANDLESS: Now, if we  
14 look to PUB-MPI 2-22 at 'A' -- thank you. So these  
15 were Basic claims for the period ending July 31, 2020,  
16 yes?

17

MR. LUKE JOHNSTON: Yes.

18

MS. KATHLEEN MCCANDLESS: And I  
19 understand that this represents the cumulative impact  
20 on the covers active to the end of July. Is that  
21 right?

22

MR. LUKE JOHNSTON: That's right.

23

MS. KATHLEEN MCCANDLESS: And if we  
24 look at line 15 in Figure 1, this is number of covers  
25 active business. Could you just explain what that

1 means?

2

3

(BRIEF PAUSE)

4

5

MR. LUKE JOHNSTON: Sorry. I've never  
6 seen the word 'active' used in covers, but cover  
7 counts -- so I'll just explain the difference.

8

On -- on the actuarial side, over time  
9 we started forecasting based on claim counts with  
10 payment. So a lot of claims in the past, particularly  
11 injury claims, were settled without payment. So we  
12 were, like, why would we bother counting those 'cause  
13 that just kind of messes up your -- your forecasts.  
14 So on the actuarial side, we use claim counts with  
15 payment.

16

On the cover -- on the fin -- financial  
17 side, there are covers for different benefit types.  
18 And so an injury claim, for example, could have an  
19 income replacement cover, a personal care expense  
20 cover, so not the same thing as a claim is what I'm  
21 basically saying.

22

But that said, any -- the trends you  
23 see in covers should at least somewhat resemble claims  
24 counts. So that's just to -- to explain what  
25 difference -- what a cover is.

1                   So, yeah, they're -- I do see that if  
2 that was the question. Sorry.

3                   MS. KATHLEEN MCCANDLESS: Okay. And  
4 so if we look at line 22, if I understand this  
5 correctly, the overall claims count is seventy-six one  
6 thirty-three (76,133). Is that right?

7                   MR. LUKE JOHNSTON: These are cover  
8 counts. Collision cover and collision claims should  
9 be roughly the same number, but PIPP will have more  
10 covers than -- than claims 'cause it can, right. But  
11 you should be able to compare collision reasonably  
12 close with covers and claims counts, but these are  
13 covers.

14                  MS. KATHLEEN MCCANDLESS: Right.

15                  MR. LUKE JOHNSTON: So a claim, sorry,  
16 with a collision and an injury would have at least two  
17 (2) covers. So not to confuse anybody, but that's --  
18 it's just -- it's not claims count.

19                  MS. KATHLEEN MCCANDLESS: Okay. And  
20 so we see that the actual was thirty-three thousand  
21 three hundred and fifty-two (33,352) better -- or,  
22 pardon me, three (3) -- three hundred (300) -- 33.3  
23 million better, correct?

24                  MR. LUKE JOHNSTON: Correct.

25                  MS. KATHLEEN MCCANDLESS: Okay. And

1 did MPI determine that this impact was related to  
2 COVID-19?

3 MR. LUKE JOHNSTON: A large portion of  
4 the claims and cover count variance, it's attributal -  
5 - attributed to COVID-19, no question, particularly in  
6 the months where you're seeing 50 percent plus deltas.  
7 So that -- you can't argue that.

8 What -- what we're struggling with now,  
9 in -- in earlier questioning we went through our  
10 collision frequency numbers, and it was noted that  
11 we've been trending lower, right?

12 So, as we approach budget, and I talked  
13 about being within 10 percent or -- or so of budget,  
14 it is tough to know what's COVID and what's favourable  
15 claims trends, like.

16 So, without COVID, would -- could we  
17 have been 7 percent under budget on frequency? Maybe,  
18 right, so that -- that's difficult to know. The  
19 reason that distinction's important is because we  
20 think COVID will end and -- but a permanent frequency  
21 reduction may not. And that would change how the rate  
22 indication is calculated.

23 So, right now, we're saying to leave it  
24 the same. But it's getting more difficult every day  
25 to figure out how much COVID impacted this particular



1 month.

2 MS. KATHLEEN MCCANDLESS: There is an  
3 interest rate adjustment. If we scroll a little  
4 towards the top of figure 1, an interest rate  
5 adjustment of a \$123 million increase in bodily injury  
6 claims incurred, yes?

7 MR. LUKE JOHNSTON: Yes, that def --  
8 that demonstrates why we have an ALM program right  
9 there, that one (1) line, yeah.

10 MS. KATHLEEN MCCANDLESS: As of what  
11 date was that adjustment?

12 MR. LUKE JOHNSTON: That should be --  
13 if you can scroll to the top of the... That should be  
14 effective July 31. Let me just have a quick check.

15

16 (BRIEF PAUSE)

17

18 MR. LUKE JOHNSTON: Would you mind  
19 scrolling up to put the question in part A?

20

21 (BRIEF PAUSE)

22

23 MR. LUKE JOHNSTON: Can you scroll  
24 down to the answer again, please?

25

1 (BRIEF PAUSE)

2

3 MR. LUKE JOHNSTON: I'll have to take  
4 that away. I just noticed the -- the question says,  
5 "Through September," and then this chart says, "Period  
6 ending July 31," so I -- I have to check when the --  
7 what the effective date of that is.

8 MS. KATHLEEN MCCANDLESS: So, that's  
9 an undertaking to provide the effective date of the  
10 interest rate adjustment of \$123.4 million as found in  
11 figure 1 at PUB MPI-2-22?

12 MR. LUKE JOHNSTON: Yes. Thanks.

13 MS. KATHLEEN MCCANDLESS: Thank you.

14

15 --- UNDERTAKING NO. 4: For MPI to provide the  
16 effective date of the  
17 interest rate adjustment  
18 of \$123.4 million as found  
19 in figure 1 at PUB-MPI-2-  
20 22.

21

22 CONTINUED BY MS. KATHLEEN MCCANDLESS:

23 MS. KATHLEEN MCCANDLESS: And this  
24 information was provided in response to a question  
25 about the impacts of COVID-19.

1                   Are you able to say now why this  
2 interest rate impact is considered COVID-19 related?

3                   MR. LUKE JOHNSTON:     That wouldn't be  
4 the intent.  Do -- do I think interest rates were  
5 impacted by COVID?  Yes.  But we're not trying to  
6 isolate and say that the interest rate impact is  
7 entirely because of COVID.  We're just showing the  
8 complete results, actual versus budget, inclusive of  
9 the interest rate impact.

10                   For the most part, interest rates are  
11 hedged, so I don't think it's a huge part of the story  
12 other than to show, you know, how significant of an  
13 impact it -- it was and that we were able to hedge it  
14 with our ALM strategy.

15                   MS. KATHLEEN MCCANDLESS:     And so, we  
16 will be speaking about investments tomorrow, but how  
17 did the change in interest rates affect investment  
18 income?

19                   MR. LUKE JOHNSTON:     To date, at least  
20 for the interest rate impact itself, we're very close  
21 to offsetting the impact between claims versus the  
22 asset side.

23                   As you know, that doesn't do anything  
24 for the rate indication.  The rate indication is new  
25 money yields, but existing liabilities were hedged.

1 And we try to manage that hedge to within plus or  
2 minus 10 million, so it shouldn't have a major impact.

3 MS. KATHLEEN MCCANDLESS: What was the  
4 net impact from this interest rate change to Basic?

5

6 (BRIEF PAUSE)

7

8 MR. LUKE JOHNSTON: We've been  
9 tracking very close to zero, like, to -- to  
10 offsetting. We -- we track it every month. But if --  
11 if that's sufficient, I can tell you that it's -- it's  
12 been tracking close to zero.

13 MS. KATHLEEN MCCANDLESS: Thank you.  
14 Overall, MPI is reporting bodily -- body injury claims  
15 incurred impact of unfavourable of 105.5 million, yes?

16 MR. LUKE JOHNSTON: We've had to get  
17 used to talking about this differently, too.  
18 Internally, we would pull out the interest rate  
19 adjustment and say that's not really claims, you know,  
20 we have strategy for that, let's put that in a bucket  
21 and call that interest rate impacts, ALM strategy.

22 PIPP on its own, actual 65.8 million  
23 verses budget 84.1 would be a more appropriate way to  
24 describe the claim-specific impacts that we're seeing  
25 exclusive of interest rates. But on the financial

1 statements, net claims incurred will show that impact.

2 But I don't want anyone to think that  
3 we're 105 million over budget on PIPP this year  
4 because that's -- that's not really the correct  
5 interpretation.

6 MS. KATHLEEN MCCANDLESS: It looks as  
7 though, if we look at line 13, that physical damage  
8 claims costs represent the majority of the claims  
9 savings related to COVID-19, yes?

10 MR. LUKE JOHNSTON: We would think the  
11 majority of that is COVID related, yes.

12 MS. KATHLEEN MCCANDLESS: And at line  
13 9 we see collision claims are down by 40.5 million?

14 MR. LUKE JOHNSTON: That's right.

15 MS. KATHLEEN MCCANDLESS:  
16 Comprehensive hail claims are 9.6 million lower than  
17 forecast at line 11, yes?

18 MR. LUKE JOHNSTON: Sorry, could you  
19 repeat that? I couldn't hear that.

20 MS. KATHLEEN MCCANDLESS:  
21 Comprehensive hail at line 11.

22 MR. LUKE JOHNSTON: Yeah, hail we  
23 wouldn't think had any -- any major impact from COVID,  
24 but if everyone's at home with their car in the  
25 garage, maybe, but nothing that we could substantiate.

1

2

(BRIEF PAUSE)

3

4

MS. KATHLEEN MCCANDLESS: Physical  
5 damage claims at line 13 are down, as mentioned. But  
6 if we consider the bodily injury interest rate  
7 impacts, then MPI indicates that claims incurred is  
8 \$50.8 million worse off, yes, at line 14?

9

MR. LUKE JOHNSTON: Yeah. Again, it's  
10 unfortunate the interest rate adjustment is in there,  
11 but that is -- that is how it would appear from a  
12 financial reporting basis.

13

Pure claims, you'd have to adjust out  
14 the \$123 million interest rate impact.

15

MS. KATHLEEN MCCANDLESS: So, if we  
16 were to ignore the interest rate impact, that is  
17 nearly perfectly hedged by a duration matching of the  
18 claims liability against the investment portfolio, the  
19 impact of COVID-19 would be roughly \$72.6 million  
20 lower than forecast then?

21

MR. LUKE JOHNSTON: Accept the impact?  
22 To say it's all COVID, I can't say that. To say it's  
23 mostly COVID, I can -- I can agree to that, yeah.

24

As mentioned earlier, there could be  
25 other impacts that are difficult to determine, but we

1 -- we definitely agree that the majority of this  
2 favourable experience is COVID related.

3 MS. KATHLEEN MCCANDLESS: Thank you.

4

5 (BRIEF PAUSE)

6

7 MR. MARK GIESBRECHT: Regarding the  
8 undertaking previously mentioned, I -- I can confirm  
9 right now that the 127.2 million is for the period  
10 ending July.

11 MS. KATHLEEN MCCANDLESS: Thank you.

12

13 (BRIEF PAUSE)

14

15 MS. KATHLEEN MCCANDLESS: Now, if we  
16 go to CAC/MPI 2-2.

17

18 (BRIEF PAUSE)

19

20 MS. KATHLEEN MCCANDLESS: And this IR  
21 was with respect to the effect of the pandemic on  
22 severity trends. MPI has stated that the collision  
23 severity increased markedly COVID-19, yes?

24 MR. LUKE JOHNSTON: We have -- we have  
25 seen increases, yes.

1 MS. KATHLEEN MCCANDLESS: Okay. And  
2 MPI has analyzed the factors behind the increase in  
3 the severity trend since the pandemic?

4 MR. LUKE JOHNSTON: We have. The -- I  
5 can leave it at that or I can expand if you want.

6 MS. KATHLEEN MCCANDLESS: Just to  
7 confirm, so according to MPI's analysis, the increase  
8 in severity had to do with two (2) factors, one (1)  
9 being the increase in the number of wildlife claims  
10 which are more respe -- inspecsive -- pardon me,  
11 expensive to repair?

12 MR. LUKE JOHNSTON: That's true.  
13 Increase -- if -- if you think about how much  
14 collision has -- frequency has fallen, even if we had  
15 the same number of wildlife claims as normal, they'd  
16 be a higher proportion of the total, which would raise  
17 severity, but if we had even more on top of that, it'd  
18 be a bigger impact.

19 MS. KATHLEEN MCCANDLESS: There was  
20 also an increase in the number of rural claims  
21 relative -- relative to other claims. Is that right?

22 MR. LUKE JOHNSTON: Correct. Rural  
23 claims are often on the highway and -- and generate a  
24 larger severity. And so, again, it's more -- it's not  
25 so much an increase in rural as it is a decrease in



1 the city and -- and change in that distribution.

2 MS. KATHLEEN MCCANDLESS: And I take  
3 it that there was little change in rural driving  
4 patterns during the what I'll call to -- call  
5 colloquially -- colloquially the lock-down period?

6 MR. LUKE JOHNSTON: What I've seen --  
7 the latest information I've seen, and it's more --  
8 likely more up-to-date than -- than what we filed, we  
9 track -- I'm trying to remember the name of it --  
10 mobility data.

11 So, there are different breakdowns  
12 provided for people going to work versus people  
13 travelling in rural. And there has been an increase  
14 in rural driving and a pretty sharp decrease in  
15 commuting to work in the city type of driving, so no  
16 surprise that we see more rural claims because of  
17 that.

18 MS. KATHLEEN MCCANDLESS: Thank you.  
19 And just as an illustration of what we've been talking  
20 about, we see at figure 1 here the wildlife collision  
21 repair distribution?

22 MR. LUKE JOHNSTON: I -- I see this,  
23 yeah.

24 MS. KATHLEEN MCCANDLESS: And this  
25 table reflects that the wildlife collision claim

1 severity has a much higher average than all other  
2 claims severity, correct?

3 MR. LUKE JOHNSTON: Correct.

4 MS. KATHLEEN MCCANDLESS: And so, we  
5 have -- at lines 4 and 5 you can see the increase in  
6 the relative claims count of wildlife claims, of total  
7 claims increased from 13 percent at line 4 in 2019,  
8 April to July 2019, to 17 percent this year in the  
9 lock-down time frame, yes?

10 MR. LUKE JOHNSTON: That's true. And  
11 you'll -- you'll notice that the actual claim counts  
12 declined, but it's a higher percentage. So, when we  
13 talk about an outlier year, we'll have to be careful  
14 when we forecast these in future years to split them  
15 into the different types and -- or forecast a more  
16 regular distribution.

17 MS. KATHLEEN MCCANDLESS: And at  
18 figure 2 we see the rural claim counts between April  
19 and July of last year as compared to April and July of  
20 this year are down, yes?

21 MR. LUKE JOHNSTON: Agreed.

22 MS. KATHLEEN MCCANDLESS: But they are  
23 increasing in proportion to the total claims overall,  
24 yes?

25 MR. LUKE JOHNSTON: Yes.

1 MS. KATHLEEN MCCANDLESS: Now, if we  
2 could please go to PUB MPI-1-45.

3

4 (BRIEF PAUSE)

5

6 MS. KATHLEEN MCCANDLESS: And just at  
7 the preamble there, in various sections of the  
8 application the Corporation had indicated the impact  
9 of COVID-19 and that operating expenses for fiscal  
10 year 2020/'21 were adjusted to reflect anticipated  
11 favourable controllable expenses?

12

13 (BRIEF PAUSE)

14

15 MR. MARK GIESBRECHT: Yes, I see that.

16 MS. KATHLEEN MCCANDLESS: Sorry to  
17 keep you waiting, Mr. Giesbrecht.

18 MR. MARK GIESBRECHT: Not a problem.

19 MS. KATHLEEN MCCANDLESS: So, if --  
20 the Corporation was asked at 'B' to provide a schedule  
21 summarizing the impact of COVID-19 on operating claims  
22 and road safety expenses in 2020/'21 and future  
23 forecast years, yes?

24 MR. MARK GIESBRECHT: Yes.

25 MS. KATHLEEN MCCANDLESS: And so, we

1 see that provided at figure 1, COVID-19 expenses, yes?

2 MR. MARK GIESBRECHT: Correct.

3 MS. KATHLEEN MCCANDLESS: And to  
4 confirm, MPI's not forecasting any future savings in  
5 the rating year?

6 MR. MARK GIESBRECHT: That is correct.  
7 Similar to our expectation of -- of claims, we expect  
8 that we will return to a more normal basis in the --  
9 the rating year.

10 MS. KATHLEEN MCCANDLESS: What is the  
11 impact of the savings for Basic's forecast for  
12 2020/'21?

13 MR. MARK GIESBRECHT: So, these  
14 numbers, I believe, are on a corporate basis, so I  
15 would be -- roughly speaking, say about 8 million -- 7  
16 to 8 million of that would be Basic.

17 MS. KATHLEEN MCCANDLESS: Thank you.  
18 And we see the total corporate expenses here. The  
19 savings are 9.4 million roughly?

20 MR. MARK GIESBRECHT: Correct.

21 MS. KATHLEEN MCCANDLESS: Okay. Now,  
22 that's probably it for you, Mr. Giesbrecht. And back  
23 to Mr. Johnston, just the last few questions on the  
24 October 9th update and the scenarios that were  
25 presented.

1                   So, if we go to Appendix 1, I believe,  
2 from Exhibit number 27. And the -- and the nine (9)  
3 scenarios, the first three (3) at lines 1 to 3 use  
4 identical naive interest rate forecasts.

5                   The only difference is the difference  
6 in assumption as to when the impacts of the pandemic  
7 would end, yes?

8                   MR. LUKE JOHNSTON:     Correct.

9                   MS. KATHLEEN MCCANDLESS:    So, we have  
10 at line 2 COVID effects up to Q3 of 2020 and at line  
11 3, the effects of COVID up to Q4 2020, yes?

12                  MR. LUKE JOHNSTON:     Correct.

13                  MS. KATHLEEN MCCANDLESS:    Can you  
14 explain the difference in any assumptions in these  
15 three (3) scenarios?

16                  MR. LUKE JOHNSTON:     Yes. So, we --  
17 what we did is we took the collision claims and phased  
18 out the delta from -- from budget between the August  
19 31 result to the end of Q3 in the first version, and  
20 then to the end of Q4 in the -- in the second version  
21 of the -- of the scenario.

22                  So, when I say, "Phased out,"  
23 basically, uniform decline towards budget between  
24 August 31 and the end of that quarter. The -- we  
25 don't expect that it will just be, you know, under

1 budget, under budget, and then just magically return  
2 to budget in one (1) month.

3                   So, we -- this is just an example of  
4 what it might look like if it gradually phased back to  
5 budget over that period.

6                   MS. KATHLEEN MCCANDLESS:    So, just to  
7 -- to clarify or understand further, there's -- there  
8 are difference -- differences in assumptions in claims  
9 costs and expenses for -- as among those three (3)  
10 scenarios? It just depends on when the effects phase  
11 out, essentially?

12                   MR. LUKE JOHNSTON:    That's right. So,  
13 we just -- we used our original forecast from the GRA,  
14 looked at the deltas that we observed to date, and  
15 then just said, you know, at what pace will this  
16 uniformly return to -- to the budget that we have.

17                   And this is just, I guess, effectively,  
18 about a three (3) months phase back versus a six (6)  
19 month phase out. We have no evidence to support that  
20 three (3) or six (6) are right, but they're just  
21 scenarios so you can see the magnitude.

22                   MS. KATHLEEN MCCANDLESS:    And  
23 appreciating that the breakeven rate indication is the  
24 same for all three (3) scenarios, does MPI have a  
25 position on whether any of these three (3) scenarios

1 is the most likely?

2 MR. LUKE JOHNSTON: I -- I don't. I  
3 will walk through the -- the tables showing collision  
4 was about 9 to 10 percent under budget, continue to  
5 watch that.

6 I think that's different than if we  
7 were still at 50 percent under budget, right? But six  
8 (6) months from now is a long time. And we're  
9 definitely hoping that the pandemic is over, but, of  
10 course, I can't guarantee that that's -- that that'll  
11 be the case.

12 MS. KATHLEEN MCCANDLESS: Thank you.  
13 Those are my questions on COVID-19.

14 THE PANEL CHAIRPERSON: Thank you, Ms.  
15 McCandless. Mr. Williams, can you give us an estimate  
16 of how long you might be and whether you want to start  
17 this afternoon or start tomorrow morning?

18 MR. BYRON WILLIAMS: I hate those -- I  
19 hate those questions, Madam Chair. I would guess in  
20 the range of an hour to an hour and a half, somewhere  
21 in that range, so I'm agnostic.

22 I can probably tighten up some things,  
23 including the accounting versus actuarial questions  
24 that were a bit challenging this afternoon, but I can  
25 go ahead now or I can go ahead tomorrow. It'll be a

1 little more efficient tomorrow, but I am ready to  
2 proceed as you desire.

3 THE PANEL CHAIRPERSON: One moment,  
4 please.

5

6 (BRIEF PAUSE)

7

8 THE PANEL CHAIRPERSON: Well, let's  
9 proceed this afternoon. And then we'll start with Ms.  
10 Meek tomorrow morning.

11 MR. BYRON WILLIAMS: Not to have any  
12 unfair advantage on the witnesses. Might we take a  
13 healthy lifestyle break for five (5) minutes just in  
14 case anyone has any of those requirements?

15 THE PANEL CHAIRPERSON: I think we can  
16 all be healthy in five (5) minutes. Thank you.

17

18 --- Upon recessing at 3:34 p.m.

19 --- Upon resuming at 3:47

20

21 THE PANEL CHAIRPERSON: Sorry, Mr.  
22 Williams. Are you ready to go? Okay. Thank you.

23 MR. STEVE SCARFONE: And, Madam Chair,  
24 I spoke to My Learned Friend, just before we begin,  
25 because I know he's going to touch upon this in his



1 questions.

2                   After lunch, we circulated MPIC's next  
3 exhibit, which we'll mark as MPI Exhibit Number 29.  
4 And that is really just an update to the update at  
5 Exhibit 27. So Appendix 1 is being updated now to  
6 include a new column that shows the uncapped part of  
7 the Capital Management Plan.

8

9 --- EXHIBIT NO. MPI-29:       Update to Appendix 1,  
10   Exhibit MPI-27

11

12                   THE PANEL CHAIRPERSON:    Thank you, Mr.  
13 Scarfone.

14                   Mr. Williams...?

15

16 CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

17                   DR. BYRON WILLIAMS:    Yes, and our  
18 clients do thank Manitoba Public Insurance for their  
19 courtesy in ensuring that document.

20                   I'm going to start with Mr. Johnston,  
21 but I will get to Mr. Giesbrecht because I -- I felt  
22 you were a little neglected at times today.

23                   So, Mr. Johnston, you're an MPI  
24 executive, a Manitoba citizen, and a proud parent,  
25 agreed?

1 MR. LUKE JOHNSTON: Agreed.

2 DR. BYRON WILLIAMS: And in all three  
3 (3) of those roles, you have kept an eye on the impact  
4 of COVID-19 on Manitobans generally and on their  
5 driving behaviour in particular, correct?

6 MR. LUKE JOHNSTON: Yes.

7 DR. BYRON WILLIAMS: And it's fair to  
8 say that 2020 has hardly been a normal year,  
9 especially when we consider the impacts of a worldwide  
10 pandemic, correct?

11 MR. LUKE JOHNSTON: Correct.

12 DR. BYRON WILLIAMS: We had the  
13 lockdown in the spring with schools closing and many  
14 employees be sent -- being -- being sent home to work.  
15 You recall that, sir?

16 MR. LUKE JOHNSTON: I do.

17 DR. BYRON WILLIAMS: And you'll recall  
18 as well that, for a while, things just seemed to be  
19 getting back to normal over the summer, or closer to  
20 normal, correct?

21 MR. LUKE JOHNSTON: Yeah, closer,  
22 sure, yeah.

23 DR. BYRON WILLIAMS: Then you'll  
24 recall as well that the west band region re-entered  
25 Code Orange -- Orange for a time, sir?

1 MR. LUKE JOHNSTON: I do recall that.

2 DR. BYRON WILLIAMS: And now Winnipeg  
3 has been in Code Orange for over two (2) weeks. Is  
4 that your understanding?

5 MR. LUKE JOHNSTON: Yes.

6 DR. BYRON WILLIAMS: And would it be  
7 fair to suggest that we may be in the midst of a  
8 second wave in Winnipeg?

9 MR. LUKE JOHNSTON: It's possible,  
10 depending on your definition, yeah.

11 DR. BYRON WILLIAMS: Now, in terms of  
12 MPI employees, and those working at the head office --  
13 and this can go to either you or Mr. Giesbrecht -- but  
14 many of them were sent home at -- in the heat of  
15 COVID-19. Is that fair?

16 MR. LUKE JOHNSTON: Mr. Giesbrecht can  
17 give probably better numbers, but the vast majority of  
18 City Place is not at work. We've had stages where  
19 just the call centre and managers were there, and  
20 that's ebbed and flowed.

21 DR. BYRON WILLIAMS: Okay. And that's  
22 probably enough. And just so I'm clear, what I'm  
23 hearing from MPI is that the vast majority of City  
24 Place employees were sent home and that they remain  
25 home. Would that be fair?

1 MR. LUKE JOHNSTON: Agreed.

2 DR. BYRON WILLIAMS: And in terms of  
3 its total workforce, does MPI have any estimate of the  
4 percentage that are working remotely as compared to --  
5 today, who are working remotely today, as compared to  
6 working at their usual office pre-COVID-19?

7 MR. MARK GIESBRECHT: Subject to  
8 check, I would -- I would say somewhere I believe  
9 around 70 percent I want to say work from home. Could  
10 be a little higher than that even, but in that  
11 ballpark.

12 DR. BYRON WILLIAMS: Okay. And, Mr.  
13 Giesbrecht, are they going back to work at the office  
14 next week?

15 MR. MARK GIESBRECHT: I do not expect  
16 so.

17 DR. BYRON WILLIAMS: Do you expect  
18 them to go back to work at the office before January  
19 1st, 2021?

20 MR. MARK GIESBRECHT: Hard to say. We  
21 continue to follow guidance from -- from Public Health  
22 and -- and, you know, how the pandemic is -- is  
23 transpiring. But at this point, hard to envision that  
24 they'd be back before Christmas, but, you know, we  
25 would look at a phased approach when it's appropriate

1 to do so.

2 DR. BYRON WILLIAMS: Okay. At this  
3 point in time, you have no immediate plans to phase  
4 employees back to work at City Place or other  
5 locations where they're not currently in their pre-  
6 COVID-19 offices?

7 MR. MARK GIESBRECHT: There's no  
8 current plan. The plan is to continually evaluate  
9 that and make a decision when it -- when we're ready  
10 to do so.

11 DR. BYRON WILLIAMS: And, Mr. Johnston  
12 -- and I'm getting it right with the 'T', I hope, or  
13 am I getting it -- yes? Okay. Good.

14 MR. LUKE JOHNSTON: That's right,  
15 yeah.

16 DR. BYRON WILLIAMS: In your  
17 discussion with My Learned Friend, legal counsel for  
18 the Public Utilities Board, just before we had the  
19 health break, you -- you mentioned that Manitoba  
20 Public Insurance -- and you specifically track  
21 mobility data?

22 MR. LUKE JOHNSTON: Yes. There's been  
23 some data that's become available. I can't remember  
24 the -- the source, but through one of the government  
25 agencies and I guess some of the kind of cell phone,

1 internet tracking that we've had access to. And in  
2 the Winnipeg region, commuter type of mobility, it  
3 correlates very well to our -- our Winnipeg collision  
4 frequency.

5                   And then it's also where we noted that  
6 rural driving and driving in total in the summer was  
7 actually up and -- at times because you can imagine a  
8 lot of people were driving to the cabin and going to  
9 the beach and -- and things like that.

10                   DR. BYRON WILLIAMS:   And just in terms  
11 of the mobility data that you -- you use -- and -- and  
12 I take it that you use it to cross-reference your  
13 collision frequency data, sir?

14                   MR. LUKE JOHNSTON:   Really, when we  
15 found out it was available, like I think everyone else  
16 here, trying to understand what's COVID related and  
17 what behavioural changes have happened. And we saw  
18 that as -- as an opportunity to -- to parse out some  
19 of those impacts.

20                   DR. BYRON WILLIAMS:   Okay. And, sir,  
21 what period of time do you have that data available  
22 for in the urban environment, sir?

23                   MR. LUKE JOHNSTON:   I'll have to check  
24 with my group, but my understanding is I believe we  
25 had that through the whole kind of pandemic period, if

1 -- if -- possibly at the early, early stages, maybe  
2 not, but most of it.

3 DR. BYRON WILLIAMS: Okay. And in  
4 your conversation with PUB counsel, you mentioned a  
5 sharp decrease in urban commuting. Do you remember  
6 using words somewhat to that effect, sir?

7 MR. LUKE JOHNSTON: Yes. The -- the  
8 biggest directions we saw on the mobility was for  
9 commuter in -- in the city.

10 DR. BYRON WILLIAMS: And just so I  
11 understand your evidence, Mr. Johnston, are you  
12 suggesting that there is no longer an urban commuter  
13 effect in the mobility data?

14 MR. LUKE JOHNSTON: No, I'm not  
15 suggesting that. Relative to -- to budget, we've seen  
16 three (3) to four (4) months of about -- about 10  
17 percent under budget on collision.

18 DR. BYRON WILLIAMS: On the mobility  
19 data, sir?

20 MR. LUKE JOHNSTON: Oh, pardon me. On  
21 our --

22 DR. BYRON WILLIAMS: I'll come back --  
23 I'll get to it.

24 MR. LUKE JOHNSTON: -- yeah, on our --  
25 on our collision experience specific to Winnipeg only,

1 I don't have that in front of me, but it wouldn't  
2 surprise me if, you know, around that 10 percent,  
3 that, you know, Winnipeg would have a bigger delta and  
4 rural would have not as big of a delta, if that's --

5 DR. BYRON WILLIAMS: Okay.

6 MR. LUKE JOHNSTON: And that would  
7 align with the mobility data likely, yeah.

8 DR. BYRON WILLIAMS: Okay. And just -  
9 - just -- and, sir, when you use the term 'delta,'  
10 that's a term that reflects --

11 MR. LUKE JOHNSTON: Sorry. Yeah, I  
12 shouldn't -- probably shouldn't use that word. Really  
13 just the difference. In this case, I'm saying the  
14 change or the difference from budget.

15 DR. BYRON WILLIAMS: And delta often  
16 tracks change in movement or change over time. Would  
17 that be fair?

18 MR. LUKE JOHNSTON: Correct, yeah.

19 DR. BYRON WILLIAMS: You certainly  
20 shouldn't use it with me because, you know, it may  
21 confuse my aged mind.

22 Sir, we talked about just the -- the  
23 impacts of COVID-19 on commuting. You'll agree as  
24 well, focussing on Manitoba, that it has had  
25 significant economic impacts on our province, sir?



1 MR. LUKE JOHNSTON: Definitely. Not  
2 an expert in that, but it -- it must have, yes. I  
3 have no reason to doubt that.

4 DR. BYRON WILLIAMS: You're not an  
5 expert, sir, but it's part of the forecasting business  
6 to be aware of general economic conditions. Would  
7 that be fair, sir?

8 MR. LUKE JOHNSTON: Definitely need to  
9 be aware, yes.

10 DR. BYRON WILLIAMS: And more people  
11 are unemployed in Manitoba in the midst of the  
12 pandemic than there were before the pandemic. Would  
13 that be fair?

14 MR. LUKE JOHNSTON: That is true.  
15 Unemployment rate is higher, yes.

16 DR. BYRON WILLIAMS: And economic  
17 health, sir, is measured through gross domestic pro --  
18 product. All other things being equal, it's fallen as  
19 compared to the pre-pandemic time?

20 MR. LUKE JOHNSTON: Correct.

21 DR. BYRON WILLIAMS: And certainly,  
22 sir, based upon your personal observations, you'll  
23 agree that certain businesses, especially in the  
24 hospitality and entertainment industry, appear to be  
25 under severe and ongoing stress. Would that be fair?

1 MR. LUKE JOHNSTON: That would be my  
2 expectation, yes.

3 DR. BYRON WILLIAMS: And our beloved  
4 Blue Bombers are not playing?

5 MR. LUKE JOHNSTON: They are not,  
6 yeah.

7 DR. BYRON WILLIAMS: Okay. And it  
8 would be fair to say that things have not returned to  
9 normal economically, socially, or in the personal  
10 finances of a number of Manitobans as a result of  
11 COVID-19 impacts, sir?

12 MR. LUKE JOHNSTON: That's -- it would  
13 be a reasonable assumption, yes.

14 DR. BYRON WILLIAMS: Mr. Johnston, in  
15 terms of the mobility data, especially as it relates  
16 to urban community -- commuting, if it's too -- I'm  
17 not going to ask for this if it's too hard to gather,  
18 but would you be able -- would it be readily  
19 accessible to get the mobility data as it relates to  
20 urban commuting by month for the COVID-19 pandemic,  
21 sir?

22

23 (BRIEF PAUSE)

24

25 MR. LUKE JOHNSTON: My discussion back

1 there is basically to check and make sure that we're  
2 allowed to share this data. But is the analysis  
3 already done and tracked regularly? Yes. So I think  
4 the word was take it under advisement and get back to  
5 you. Is that -- is that fair?

6 DR. BYRON WILLIAMS: Okay. So what I  
7 understand is that you're taking under advisement that  
8 request, and the -- the -- you have the data  
9 available. The issue is whether there are any  
10 prohibitions on you sharing that, and that you will  
11 report back after consulting with your legal counsel  
12 more -- more thoroughly.

13 MR. LUKE JOHNSTON: Yes.

14 DR. BYRON WILLIAMS: Okay. That's not  
15 an undertaking. We'll -- we'll just kind of -- unless  
16 I'm told that it is.

17 THE CHAIRPERSON: Sorry. I'm just  
18 wondering, how do you determine commuting on a daily  
19 basis?

20 MR. LUKE JOHNSTON: Yeah. We had the  
21 same question when we started receiving that data, but  
22 our understanding is that certain behaviours are  
23 tracked and -- and when -- it's kind of a little bit  
24 disturbing if you think about it. You -- you think,  
25 well, you pick up your phone and then it tells me, you

1 know, I'm fifteen (15) minutes from that same place I  
2 go to every Monday night or whatever it is. In that  
3 same way, they kind of track regular commuting  
4 behaviour, this -- but we do have that. In the  
5 information we're given, it's split that way.

6

7 CONTINUED BY DR. BYRON WILLIAMS:

8 DR. BYRON WILLIAMS: Mr. Johnston, at  
9 this point in time, I don't want yet to get into the  
10 differences between COVID-19 impacts that are reported  
11 accounting-wise versus actuarially.

12 But it would be fair to say that --  
13 generally that the collision, PIPP, and property  
14 claims incurred forecasts for Manitoba Public  
15 Insurance have been under budget since March of this  
16 year, generally?

17 MR. LUKE JOHNSTON: Yes, definitely,  
18 yeah.

19 DR. BYRON WILLIAMS: And again, we'll  
20 get into this in greater detail. And a significant  
21 driver of that is the impacts on driving behaviour and  
22 claims frequency of COVID-19?

23 MR. LUKE JOHNSTON: Yes. We would not  
24 model any outcome like that just from random -- random  
25 chance, so yeah.

1 DR. BYRON WILLIAMS: And, sir,  
2 obviously you recall the deliberations regarding the  
3 special rebate related to both Basic and Extension  
4 that took place in April and early May of 2020, sir?

5 MR. LUKE JOHNSTON: I do.

6 DR. BYRON WILLIAMS: And you'll recall  
7 that Manitoba Public Insurance brought a special rate  
8 -- rebate application on April 27th, and in essence,  
9 looking to rebate the savings resulting from the  
10 estimated reduction in claims costs for the period  
11 between March 15th, 2020, and May 15th, 2020.

12 Would that be fair, sir?

13 MR. LUKE JOHNSTON: Yes.

14 DR. BYRON WILLIAMS: And in terms of  
15 the emergency rebate hearing, sir, MPI presented in --  
16 in terms of the elements of its forecast of the \$58  
17 million rebate, I'll suggest to you one (1) element of  
18 it was a \$29 million reduction in actual claims costs  
19 from March 16th, 2020, to April 15th, 2020.

20 You recall that, sir?

21 MR. LUKE JOHNSTON: That sounds  
22 accurate, yeah.

23 DR. BYRON WILLIAMS: A second --  
24 sorry, sir.

25 MR. LUKE JOHNSTON: Sorry. I'll

1 accept that.

2 DR. BYRON WILLIAMS: Okay. Thank you.  
3 I apologize for interrupting.

4 MR. LUKE JOHNSTON: It's okay.

5 DR. BYRON WILLIAMS: A second element  
6 of that, sir, was an assumed \$29 million reduction in  
7 claims costs from April 16th, 2020 to May 15th, 2020?

8 MR. LUKE JOHNSTON: Yes.

9 DR. BYRON WILLIAMS: And a third  
10 element of the forecast was an assumption of a  
11 reversion to "normal frequency" of forecasted claims  
12 after May 15th, 2020. You recall that?

13 MR. LUKE JOHNSTON: I do.

14 DR. BYRON WILLIAMS: And again, we'll  
15 get into this later, but the assumption of normal  
16 frequency post-May 15th, 2020 has not borne out to  
17 date, correct?

18 MR. LUKE JOHNSTON: It has not, and  
19 we're still under budget -- not the same magnitude,  
20 but -- but still under budget, yes.

21 DR. BYRON WILLIAMS: Now, Mr.  
22 Giesbrecht, again, I wonder if I can just direct your  
23 attention to MPI Exhibit 28, slide 13.

24 And, Mr. Giesbrecht, you were here for  
25 the conversation between my -- PUB counsel and Mr.

1 Johnston about PUB Exhibit 17, which was you'll recall  
2 a series of reporting letters from Manitoba Public  
3 Insurance in June, July, et cetera, in terms of the  
4 budget variance between budgeted claims incurred and  
5 actual claims incurred. Do you recall that, sir?

6 MR. MARK GIESBRECHT: Yes, I do.

7 DR. BYRON WILLIAMS: And, sir, when we  
8 look at the information captured on slide 13 and the  
9 difference between budget and actual in the months  
10 March through September, that is the accounting world  
11 view, not the -- not the actuarial world view.

12 Would that be fair, sir?

13 MR. MARK GIESBRECHT: That is fair.

14 DR. BYRON WILLIAMS: And so, subject  
15 to check, in the accounting world view, if we took the  
16 difference for the seven (7) months -- if we took the  
17 difference for the seven (7) months between budget and  
18 actual, with the seven (7) months being March through  
19 September, that would be about a \$113 million  
20 variance, sir, subject to check?

21 MR. MARK GIESBRECHT: Sounds about  
22 right.

23 DR. BYRON WILLIAMS: Okay. And if we  
24 focussed just on the months June, July, August, and  
25 September and -- and the difference between budget and

1 actual, I'll suggest to you that it -- it would be  
2 about a \$56 million difference. You'll accept that  
3 subject to check?

4 MR. MARK GIESBRECHT: I would.

5 DR. BYRON WILLIAMS: And, Mr.  
6 Johnston, turning over to you for a minute, one (1) of  
7 the warnings you might give to my clients was -- would  
8 be to say, even if we're seeing a budget variance in  
9 the accounting world between the budgets and the  
10 actuals for this seven (7) month period, you have to  
11 be careful about it because in -- captured in that  
12 variance, for example, are variances related to the  
13 Personal Injury Protection Plan, with some of those  
14 changes being releases from prior years where there's  
15 been favourable development.

16 Is -- is that what you were getting at  
17 earlier today, sir?

18 MR. LUKE JOHNSTON: Yeah. As soon as  
19 we went through this chart this morning, I -- I was  
20 thinking, well, we should have at least had another  
21 line that showed collision by itself because that  
22 largely is what we're talking about, how -- you know,  
23 how much fewer crashes are we seeing.

24 So, as I mentioned, there has been  
25 favourable results from prior years' PIPP, and some of



1 those are COVID related, and I'll explain.

2                   If you're getting rehabilitation of  
3 some kind and the physio place is closed, it's hard to  
4 -- to do that. So we did have some of those early  
5 months where those payments stopped happening, so  
6 there are some impacts there.

7                   But other impacts could be non-COVID  
8 related. You know, we've talked about better, you  
9 know, claims control and claims handling and such.

10                   With the current PIPP year, my caution  
11 would be we have to do the October valuation. And if  
12 we are seeing more serious claims, we may, you know,  
13 have to post in an IBNR provision for -- for there  
14 being more serious loss claims which could be an  
15 unfavourable adjustment to PIPP. I'm not saying it  
16 will be, but that -- that piece hasn't been done.

17                   That aside, that's kind of why I'd say  
18 focus on the -- on the collision claims itself. I  
19 would expect PIPP to follow eventually with that  
20 trend, but short-term fluctuations in PIPP, you should  
21 be cautious, yeah.

22                   DR. BYRON WILLIAMS: So just so I'm  
23 clear, you're not saying that there is no COVID-19  
24 impact on PIPP. You're just saying that not all the  
25 PIPP changes reflected in the variance between actual

1 and budget are -- are COVID-19?

2 MR. LUKE JOHNSTON: Yeah. Our -- our  
3 assumption that if collision goes down 20 percent,  
4 PIPP will probably go down 20 percent as well, I think  
5 that continues to be reasonable. It just takes a  
6 little longer to figure out the final ultimate PIPP  
7 losses.

8 DR. BYRON WILLIAMS: Okay. And while  
9 you're focussing on collision, in your answer to me,  
10 you're -- you're not suggesting that the property  
11 damage impacts are not COVID-19 related, sir?

12 MR. LUKE JOHNSTON: Those would follow  
13 collision almost perfectly. So if collision's down 10  
14 percent, we'd expect property damage to be very close  
15 to 10 percent down, for example.

16 DR. BYRON WILLIAMS: Mr. Giesbrecht,  
17 you'll recall that obviously there was a significant  
18 rebate in the spring of 2020, 58 million from Basic  
19 and 52 million from Extension?

20 MR. MARK GIESBRECHT: I recall that,  
21 yes.

22 DR. BYRON WILLIAMS: And did Manitoba  
23 Public Insurance track the -- or did Manitoba Public  
24 Insurance survey or track the public response to -- to  
25 that rebate in any way?

1 MR. MARK GIESBRECHT: What exactly do  
2 you mean by track the -- the response?

3 DR. BYRON WILLIAMS: Did Manitoba  
4 Public Insurance do a quantitative survey in terms of  
5 the perception of the Corporation post-rebate?

6  
7 (BRIEF PAUSE)

8  
9 MR. MARK GIESBRECHT: There was no  
10 survey completed to my knowledge in that -- to that  
11 effect.

12 DR. BYRON WILLIAMS: Mr. Giesbrecht,  
13 just a comment you made this morning in terms of what  
14 I think you said was the cost of carrying out the  
15 rebate.

16 And I believe you used the figure of  
17 seven hundred and eighteen thousand dollars (\$718,000)  
18 related both to the mailing of the document, as well  
19 as the regulatory commitment to the rebate.

20 Do you recall that, sir?

21 MR. MARK GIESBRECHT: Yes.

22 DR. BYRON WILLIAMS: And, sir, would  
23 you have that figure of seven hundred and eighteen  
24 thousand (718,000) disaggregated between the costs of  
25 mailing versus the costs of the PUB process and then

1 further disaggregated between the PUB costs, the  
2 Intervener costs, and MPI costs?

3 MR. MARK GIESBRECHT: That would be  
4 available, yes.

5 DR. BYRON WILLIAMS: Would you  
6 undertake to provide that, sir?

7 MR. MARK GIESBRECHT: Yes, we could do  
8 that.

9 DR. BYRON WILLIAMS: And the  
10 undertaking is to provide the -- the costs -- the addi  
11 -- incremental costs associated with the special rate  
12 rebate underlying the figure of seven hundred and  
13 eighteen thousand (718,000), including mailing costs,  
14 including regulatory costs, with the regulatory costs  
15 further disaggregated by PUB costs, Intervener costs,  
16 and MPI costs.

17 MR. MARK GIESBRECHT: Yeah. If it's  
18 helpful, the majority of the cost is around the  
19 postage; that would be the highest cost. But if you  
20 require more details, we can undertake to do that.

21 DR. BYRON WILLIAMS: Yeah, that would  
22 be helpful, sir.

23

24 --- UNDERTAKING NO. 5: MPI to provide incremental  
25 costs associated with the

1 special rate rebate  
2 underlying the figure of  
3 seven hundred and eighteen  
4 thousand (718,000),  
5 including mailing costs,  
6 including regulatory  
7 costs, with the regulatory  
8 costs further  
9 disaggregated by PUB  
10 costs, Intervener costs,  
11 and MPI costs

12

13 (BRIEF PAUSE)

14

15 CONTINUED BY DR. BYRON WILLIAMS:

16 DR. BYRON WILLIAMS: I think this goes  
17 to you, Mr. Johnston, but if not you'll pass it down  
18 the -- the row.

19 You'll recall at the time that Manitoba  
20 Public Insurance provided its initial rate  
21 application, it also indicated that both the AAP,  
22 Actuarial -- the AAP acronym, as well as the capital  
23 release were provisional. Is that correct?

24 MR. LUKE JOHNSTON: So the -- the  
25 break even rate per Accepted Actuarial Practice and

1 the capital release were provisionally. Yes.

2 DR. BYRON WILLIAMS: It's late in the  
3 day, Mr. Johnston.

4 And in terms of the designation of the  
5 capital release as provisional, what are the factors  
6 that Manitoba Public Insurance would look at between  
7 the filing of the rate application and the October  
8 9th, 2020 update that would allow it to lock in that -  
9 - that -- that provisional rate, or, otherwise, adjust  
10 it?

11 MR. LUKE JOHNSTON: So, as you know,  
12 we are making bills -- or release decisions on the MCT  
13 level. If, you know, circumstances between the -- the  
14 filing and the hearing date or to our update  
15 dramatically changed, either the current MCT or the  
16 projected MCT level, minimum capital test level, we  
17 would or may want to respond to that -- to that event.

18 DR. BYRON WILLIAMS: Thank you, Mr.  
19 Johnston. Just so I understand, one (1) example of  
20 how you might want to respond would be if the  
21 projected MCT level, as of -- at the end of March 2021  
22 changed materially, that might be cause to consider  
23 amending the proposed capital release. Agreed?

24 MR. LUKE JOHNSTON: Agreed. So when  
25 we do our update actual to date, let's say that

1 economic conditions worsened and the stock market  
2 went, you know, down significantly, MCT would be  
3 lower, as an example.

4                   And revised projections may show that  
5 we're -- we're not in a release position. Obviously,  
6 that could happen at any time and there has to be some  
7 of form of cutoff where you just say, This is it,  
8 we're -- we're filing. But particularly in this year,  
9 we wanted to note that that was provisional with all  
10 the uncertainty in the forecasting.

11                   DR. BYRON WILLIAMS:   And of course,  
12 depending on the year, Mr. Johnston, that  
13 provisionality could go the other way in the event  
14 that only a 2 percent capital release was contemplated  
15 and the results were improved.

16                   Looking forward to the year end of the  
17 current year that you're in, that -- that  
18 provisionality could be amended with a larger capital  
19 release.   Correct?

20                   MR. LUKE JOHNSTON:   Yes. Agreed. And  
21 I think what we've learned, even through the interest  
22 rate adjustments and such that we've made, that we can  
23 reduce the likelihood of either inadequate or  
24 excessive rates by updating these forecasts at least  
25 for interest rates.

1                   And this is kind of new, the Capital  
2 Management Plan, but if we're presented with a totally  
3 different situation, it would probably make sense to  
4 react to that.

5                   DR. BYRON WILLIAMS:    So the expected  
6 MCT level as a -- as of March -- the end of March 2021  
7 was an important factor in the determination of the  
8 Corporation's ultimate capital release proposal.  
9 Agreed?

10                  MR. LUKE JOHNSTON:    Yeah.  And we're  
11 just updating our -- our forecasts as best estimates  
12 and letting the Capital Management Plan kind of run  
13 its course and produce the indicated -- indicated bill  
14 to release.

15                  DR. BYRON WILLIAMS:    Now, Mr.  
16 Johnston, for the purposes of the October 9th, 2020  
17 financial update, Manitoba Public Insurance updated  
18 its claims forecasts.  Is that correct, sir?

19                  MR. LUKE JOHNSTON:    Updated for actual  
20 to date and -- and no change thereafter.  But we did  
21 provide some other scenarios, not knowing really what  
22 to put as a best estimate.

23                  DR. BYRON WILLIAMS:    So that question  
24 was very poorly asked, so I apologize for that.

25                                        In terms of the update for the claims



1 forecast for the purposes of the October 9th, 2020  
2 update underpinning Exhibit 27, that update was done  
3 from the actuarial world view, sir? Or the accounting  
4 world view?

5 MR. LUKE JOHNSTON: So all of our  
6 forecasting is done as it relates to rates on an  
7 actuarial basis. And -- and when we come to this  
8 hearing, we're asking for a rate in that particular  
9 policy year and actuarial forecasting is kind of set  
10 up on that basis.

11 But whatever we charge or forecast on  
12 the policy year basis has to, obviously, be converted  
13 into accounting language so you can do financial  
14 statements and such. So that was the reason why the -  
15 - for the -- the questioning around why these don't  
16 match.

17 But the -- it's the actuarial forecast  
18 that's updated, put into our financial model, and  
19 that's converted into how claims will be reported and  
20 how to look from a financial standpoint.

21 The numbers -- there's, you know, lags  
22 in terms of how things are reported and such. But at  
23 the end of the day, they should be similar when it  
24 comes to percentage impacts and such.

25 DR. BYRON WILLIAMS: And in terms of

1 the claims incurred forecast, sir, that would reflect  
2 the actuarial world view as of August 31st, 2020?

3 MR. LUKE JOHNSTON: Correct.

4 DR. BYRON WILLIAMS: Okay. And just  
5 so I understand, so to the extent that there was  
6 COVID-19 favourable experience in the month of  
7 September 2020, would that be reflected in the update  
8 presented underlying Exhibit 27?

9 MR. LUKE JOHNSTON: Would only have  
10 impacts through August. So the -- August 31 -- we use  
11 data up until August 31st to do -- to do the update.  
12 So the ultimate collision losses for September, for  
13 example, would not be impacted in the -- updating the  
14 actuals.

15 DR. BYRON WILLIAMS: Would you assume  
16 a return to normal, sir, in the ultimates for  
17 September 2020?

18 MR. LUKE JOHNSTON: Yes. That is what  
19 that -- that scenario entails. Yeah.

20 DR. BYRON WILLIAMS: And, sir, just  
21 following that along, if we -- we actually have before  
22 us MPI Exhibit 27, Appendix 1. And if we look at that  
23 naive forecast, line 1, and we look at the results for  
24 that, sir, in terms of COVID-19 impacts, that assumes  
25 a return to normal as of September 1st, 2020 and

1 running all the way out to the end of March 2021.

2 Would that be fair?

3 MR. LUKE JOHNSTON: That's right.

4 Really, September 2020 and thereafter.

5 DR. BYRON WILLIAMS: If we can turn to

6 CAC First Round Information Request Number 4. We're

7 on page 2019 of the -- and then, to the response to

8 (b). Oh. That's it right there, I think.

9 Mr. Johnston, if we look at this figure

10 -- this is, first of all, from the actuarial world

11 view. Correct?

12 MR. LUKE JOHNSTON: That's right. And

13 we can tell that by seeing the accident year label.

14 Yeah.

15 DR. BYRON WILLIAMS: You may be able

16 to tell that, Mr. Johnston. Don't be so sure that I

17 can. But I'll accept your answer, subject to check.

18 One (1) of the things that you're

19 attempting to do, as My Learned Friend, Ms. -- PUB

20 counsel went through with you in this response, is

21 look at the -- the changes in coverage under the

22 acronym CERP, as well as the COVID-19 impacts for

23 certain years, including the current year of 2021

24 through to '24/'25, correct?

25 MR. LUKE JOHNSTON: That's right.

1 DR. BYRON WILLIAMS: And at line 6,  
2 column 2, for the 2020/'21 year, MPI is indicating  
3 that it built into its initial filing at the time of  
4 the GRA of an expected COVID-19 related impact of  
5 \$43.6 million. Is that correct, sir?

6 MR. LUKE JOHNSTON: For the -- yes,  
7 for the accident year 2020/'21. And you'll -- you'll  
8 see that some of that impact is in the previous year  
9 because March falls in that year.

10 DR. BYRON WILLIAMS: Yeah. Would --  
11 and what you're saying there, sir, is that if I go up  
12 one (1) more line to the 2019/'20 year, I'll also see  
13 a \$14.5 million COVID-19 impact in that particular  
14 year.

15 Was that what you were referring to?

16 MR. LUKE JOHNSTON: That's right.

17

18 (BRIEF PAUSE)

19

20 DR. BYRON WILLIAMS: And, Mr.  
21 Johnston, in terms of the October 9th update found at  
22 MPI Exhibit 27, are you able to give me the COVID-19  
23 impact disaggregated in a version similar to what we  
24 find in the response to CAC/MPI-1-4(b)?

25 MR. LUKE JOHNSTON: Yes. So, I think

1 you're talking the figure on the screen updated to  
2 August 31st, 2020. We can do that.

3

4 --- UNDERTAKING NO. 6: For MPI to provide, in  
5 terms of the October 9th  
6 update found at MPI  
7 Exhibit 27, the COVID-19  
8 impact disaggregated in a  
9 version similar to what we  
10 find in the response to  
11 CAC/MPI-1-4(b)

12

13 CONTINUED BY DR. BYRON WILLIAMS:

14 DR. BYRON WILLIAMS: Is that  
15 undertaking sufficient, Court Reporter, or -- good.  
16 Good for you, Mr. Johnston, because I was going to ask  
17 you to repeat it.

18 MR. LUKE JOHNSTON: Oh, yeah. No,  
19 that --

20 DR. BYRON WILLIAMS: Okay. Thank you.

21 MR. LUKE JOHNSTON: -- we can  
22 definitely do that.

23

24 (BRIEF PAUSE)

25

1 DR. BYRON WILLIAMS: If we can go to  
2 CAC Second Round Information Request number 1, and the  
3 preamble to start with.

4

5 (BRIEF PAUSE)

6

7 DR. BYRON WILLIAMS: And, Madam Chair,  
8 I think -- I still have a fair ways to go, so I think  
9 I'll kind of try and finish this Information Request.  
10 And then I'll suggest we resume tomorrow, but that's  
11 up to you.

12 THE PANEL CHAIRPERSON: That's --  
13 that's just fine. Thank you, Mr. Williams.

14

15 CONTINUED BY DR. BYRON WILLIAMS:

16 DR. BYRON WILLIAMS: Oh, you can just  
17 stay on this page, please, and just go up a little  
18 bit.

19 Mr. Johnston, basically, and I don't  
20 want to repeat too much what My Learned Friend  
21 canvassed with you, what this is telling us is that  
22 when it relates to the '21/'22 test year, at this  
23 point in time, MPI is not forecasting any COVID-19  
24 impact.

25 Would that be fair, sir?

1 MR. LUKE JOHNSTON: That's correct.

2 DR. BYRON WILLIAMS: And I want to go  
3 to preamble (d) at the top of the next page. And  
4 there you see, Mr. Johnston, in terms of the current  
5 year, at least that's how I'm going to suggest we  
6 interpret this, that:

7 "MPI does not anticipate any impacts  
8 by COVID-19 on its Capital  
9 Management Plan unless significant  
10 COVID-19-related claims savings  
11 persists much longer than  
12 anticipated or unless a second wave  
13 of COVID-19 prompts a mass  
14 shutdown."

15 Do you see that response, sir?

16 MR. LUKE JOHNSTON: I do.

17 DR. BYRON WILLIAMS: And, sir, just  
18 when we see the language boded -- bolded, "much longer  
19 than anticipated," can you indicate what time frame  
20 this was relating to? And if you need to go back and  
21 check the original IR, I understand, sir

22 MR. LUKE JOHNSTON: No. I -- the  
23 truth is this is uncharted territory. And we,  
24 clearly, don't know what the forecast is going to be  
25 for COVID.

1                   So, obviously, we've already rebated  
2 110 million on the basis of an emergency situation, so  
3 I obviously can't argue that, you know, presented with  
4 a similar type of emergency, MPI may have to act or --  
5 or may see or want to act. And if -- if that occurs,  
6 then we'll have to deal with it at that time.

7                   What we're seeing right now is -- and -  
8 - and we've looked at some of the scenarios -- we're  
9 still projecting a capital release of 5 percent based  
10 on updated year-to-date forecasts. So, that's an  
11 additional 5 percent rebate in addition to the 110  
12 million that was released.

13                   To the extent that things are better or  
14 worse than that, obviously, that number will be off.  
15 But if they are better than that, based on our Capital  
16 Management Plan, we'd stay at negative -- negative 5  
17 percent release.

18                   If we were presented with a scenario  
19 where everything shut down and we were sitting on  
20 hundreds of millions of dollars, we'd have to rethink  
21 that position. But that's -- that was what we meant  
22 by this statement.

23                   DR. BYRON WILLIAMS:    Mr. Johnston, you  
24 kind of asked me this question before, but I'm going  
25 to ask you. MPI uses the term 'second wave of COVID-



1 19' here. How did MPI define this term in the context  
2 of this quote, sir?

3 MR. LUKE JOHNSTON: I -- I don't have  
4 a definition for that. It's -- it's, again, uncharted  
5 territory. I think everyone here would say, you know,  
6 the numbers we had initially were actually pretty low  
7 compared to today's numbers, and -- and we locked down  
8 significantly and -- and we saw our -- our collision  
9 frequency drop 50, 60 percent, versus today where I'd  
10 say the situation's much worse than it was when --  
11 back in March and April in terms of numbers, and we're  
12 not seeing 50, 60 percent reduction in frequency.  
13 We're seeing something more like 10 percent.

14 So it's -- I can't define it with any--

15 DR. BYRON WILLIAMS: Okay.

16 MR. LUKE JOHNSTON: -- you know,  
17 accuracy, but we can respond to what we see as  
18 experience.

19 DR. BYRON WILLIAMS: Mr. Johnston, I  
20 want to direct you to this response, and in  
21 particular, CAC 2-1(c) which appears on page 4 of 5.  
22 And in particular, I want to direct your attention to  
23 the second paragraph, sir.

24 You see that for the week ending  
25 September 5th, 2020, in this response, MPI is

1 suggesting that collision frequency was tracking at  
2 approximately 10 to 15 percent below the previous five  
3 (5) year average? You see that, sir?

4 MR. LUKE JOHNSTON: I do.

5 DR. BYRON WILLIAMS: And, sir, when  
6 you speak of changes in collision frequency, are you  
7 generally comparing the changes to the five (5) year  
8 average?

9 MR. LUKE JOHNSTON: There's definitely  
10 different ways to look at this. You've seen today  
11 compared to our budget. In a lot of ways, our budget  
12 should be consistent with the five (5) year average,  
13 right? Like we should use the recent history to  
14 forecast.

15 So -- but internally, we have -- we  
16 also have reporting relative to previous years versus  
17 budget, et cetera. But both budget and prior-year  
18 comparisons are tracking around 10 percent or so under  
19 -- under budget or under recent experience.

20 DR. BYRON WILLIAMS: Does Manitoba  
21 Public Insurance track collision frequency by week?

22 MR. LUKE JOHNSTON: We do get weekly  
23 reporting on collision frequency. We've learned some  
24 lessons about doing that, particularly in the  
25 beginning when nobody wanted to fix their car 'cause

1 they were maybe scared to go to the body shop and --  
2 or, you know, things like that. So there was some lag  
3 that we picked up, but we do track that for -- for  
4 general trends.

5 DR. BYRON WILLIAMS: So when you speak  
6 of the delta or movement, which you've used quite  
7 frequently today, are you talking about changes in  
8 collision frequency compared to what, sir? Are you --  
9 the five (5) year average? The previous year average?  
10 What is -- what are you using that, sir?

11 MR. LUKE JOHNSTON: So we do some  
12 internal reporting that just avoids using the budget  
13 because what is the budget for the week -- first week  
14 of September? We don't have that, right?

15 So the team would just, you know, take  
16 the previous five (5) year average for the first week  
17 of September and -- and compare to that and say, you  
18 know, looks like we're 15 percent under. So that's --  
19 that's really what's being referenced there.

20 You've seen today in other exhibits is  
21 MPI preparing -- comparing to budget. So that's just  
22 one (1) example of why we use the two (2) different  
23 versions.

24 DR. BYRON WILLIAMS: For the purposes  
25 of disaggregating the impact of COVID-19 underlying

1 the update up to August 31st, 2020, and you've got an  
2 Undertaking about that, in ter -- maybe I'm going to  
3 ask you to slightly amend the Undertaking, with your  
4 counsel's permission.

5 In terms of the methodology that you  
6 use to do that, would -- would you be willing to put  
7 in a brief explanation of that, Mr. Johnston?

8 MR. LUKE JOHNSTON: Sure. So the --  
9 in the actual versus forecast or -- or budget, in the  
10 actual -- in that difference, we don't know exactly  
11 what COVID is in that, right?

12 So it's -- you can't deny that it must  
13 have an impact, but we can't measure it. So even when  
14 we're making these other projections three (3) to six  
15 (6) months out, we don't know that this is the COVID  
16 adjustment.

17 So I -- I don't have a way to really  
18 parse that out, you know, outside of claims frequency  
19 being lower than normal. But we talked earlier, our -  
20 - you know, our claims frequency was already trending  
21 down, so maybe it was going to trend down anyway.

22 So it's -- it is really difficult to  
23 know. As you can see, we're trying here to at least,  
24 you know, update some of these numbers to be more  
25 relevant. But it's tough to know the -- it's tough to

1 forecast accurately in this environment.

2 MR. STEVE SCARFONE: I think that may  
3 have been Mr. Johnston's polite way of saying no to  
4 your narrative on the amended undertaking.

5

6 CONTINUED BY DR. BYRON WILLIAMS:

7 DR. BYRON WILLIAMS: I think I got a  
8 narrative, Mr. Johnston. And what you're telling me  
9 is that there is a considerable amount of professional  
10 judgment where it's difficult to disaggregate the  
11 COVID-19, or where there's clearly a COVID-19 effect,  
12 but there is a high degree of professional judgment in  
13 that estimate.

14 MR. LUKE JOHNSTON: Yeah. You've seen  
15 -- we've talked about all kinds of things today:  
16 wildlife claims, rural claims, more serious injuries  
17 'cause people are going to the lake, you know,  
18 mobility in city, mobility in the rural. And, you  
19 know, mix that in with all the efforts we're doing on  
20 claims control and returning PIPP claimants to work,  
21 and it's -- it's really difficult.

22 We're trying to do those splits as best  
23 we can, but I don't think we'll ever get that, you  
24 know, perfectly split apart.

25 DR. BYRON WILLIAMS: Sir, when you see

1 a -- and this will be my last question for right now.  
2 When you see a collision frequency still tracking at  
3 approximately 10 to 15 percent below the five (5) year  
4 average in September of 2020, that would suggest to  
5 you that there's still an ongoing COVID-19 impact,  
6 agreed?

7 MR. LUKE JOHNSTON: That would -- it'd  
8 be very likely that that was the case, yes.

9 DR. BYRON WILLIAMS: Okay. Madam  
10 Chair and members of the Panel, I certainly thank MPI.  
11 I still have a ways to go, but I think my hour to hour  
12 and a half should be on topic, probably maybe forty-  
13 five (45) minutes to go, forty (40).

14 THE PANEL CHAIRPERSON: Thank you very  
15 much, Mr. Williams. Yes, this seems like an opportune  
16 time to stop. Thank you very much to the Panel, and  
17 we will see you all back here tomorrow morning at nine  
18 o'clock. Thank you.

19

20 (PANEL NO. 1 STANDS DOWN)

21

22 --- Upon adjourning at 4:36 p.m.

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Certified Correct,

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Donna Whitehouse, Ms.