



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2021 SPECIAL REBATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, QC - Panel Chair

Robert Gabor, QC - Board Chair

Carol Hainsworth - Board Member

(by phone)

Robert Vanderwater - Board Member

(by phone)

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

April 30, 2020

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APPEARANCES

Kathleen McCandless) Board Counsel
Robert Watchmen (by phone)) Board Counsel
Steven Scarfone) Manitoba Public
Michael Triggs (by phone)) Insurance
Anthony Guerra (by phone))
Byron Williams) CAC (Manitoba)
Katrine Dilay (by phone))
Charlotte Meek (by phone)) CMMG
Curtis Unfried) IBAM

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1 --- Upon commencing at 8:59 a.m.

2

3 OPENING COMMENTS BY PANEL CHAIRPERSON:

4 THE PANEL CHAIRPERSON: Good morning,
5 everyone. I'm Irene Hamilton, the Chair for the panel
6 of the Public Utilities Board. I now call this
7 Manitoba Public Insurance 2021 Special Rebate
8 Application hearing to order. I am joined by Board
9 Chair Robert Gabor in the hearing room, Board members
10 Carol Hainsworth and Bob Vanderwater are participating
11 by livestreaming.

12 Also with us today in the hearing room
13 are Kristen Schubert, our judicial hearing assistant,
14 who will manage our electronic document system; Donna
15 Whitehouse will act as our reporter. Transcripts of
16 this hearing will be recorded by Digi-Tran and made
17 available on our website. Darren Christle, secretary
18 to the Board is in the office, so if needed, can be
19 asked to join the hearing room.

20 The Board recognizes the challenging
21 and unique circumstances under which this hearing is
22 being held, and thanks everyone for their efforts in
23 allowing these proceedings to run smoothly.

24 MPI has applied to the Public Utilities
25 Board for a directive that MPI issued to ratepayers a

1 percentage of their annualized premiums in respect of
2 universal compulsory automobile insurance policies in
3 force and earning premiums on March 15th, 2020 through
4 a special rebate in an amount equal to the approximate
5 sum of \$58 million by May 31st, 2020, or as soon
6 thereafter as reasonably practicable.

7 This hearing will be conducted in
8 accordance with the provisions of the Crown
9 Corporation's Governance and Accountability Act, the
10 Public Utilities Board Act, and the Board's Rules of
11 Practice and Procedure. These Rules are available for
12 review on the Board's website.

13 Pursuant to the Board's Rules of
14 Practice and Procedure, Section 3(2) and 4(1), on
15 April 27th, 2020, the Board issued direction to MPI
16 and to Interveners of record for the 2019 and 2020
17 General Rate Applications for the procedure of this
18 rebate application.

19 As part of this procedure, this
20 morning, the Board is holding a question and answer
21 session with MPI and Interveners of record. Tomorrow,
22 Friday, May 1st, beginning at 9:00 a.m., MPI and
23 Interveners of record will have the opportunity to
24 make oral submissions on the application. The Board
25 also invited members of the public to comment on the

1 application on the Board's website until 4:00 p.m.

2 Wednesday, April 29th.

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

12 Following tomorrow's oral submissions,
13 the panel will -- will sequester itself and deliberate
14 to make our final determination on the matter before
15 us. In the end, we may accept, deny, or vary MPI's
16 rebate application. In reaching our decision, we will
17 be guided by the evidence, written and oral, and our
18 determination of what is in the public interest.

19 The Board takes its obligation and
20 mandate of protecting the public interest very
21 seriously. We are concerned not only with the short-
22 term economic impact on MPI's operations -- of MPI's
23 operations on both ratepayers and MPI itself, but also
24 the fairness of that impact on MPI's long-term fiscal
25 and operational well-being.

1 In addition, the Board views this
2 process as one which should ensure transparency in
3 terms of the Corporation's operations and financial
4 position.

5 The Manitoba Ombudsman has issued
6 privacy guidelines for administrative tribunals. The
7 Public Utilities Board is mindful of its obligations
8 under those guidelines. Its decisions in respect of
9 the application being considered will be sensitive to
10 them. Personal information will not be disclosed
11 unless it is appropriate and necessary to do so.
12 However, the Board advises participants that these
13 proceedings are public, and that as a result, personal
14 infor -- information protections are reduced.

15 In addition to matters of housekeeping,
16 first, please ensure that your cellular phones are off
17 or on mute throughout the hearing. All parties
18 attending via teleconference and Skype, please ensure
19 that you state your full name before speaking, and
20 remember to mute yourself when you are done. It is
21 also requested that you do not use a speakerphone to
22 avord -- avoid distorting the audio.

23 Secondly, all parties and the
24 representatives and consultants should be aware that
25 the Board hearings are livestreamed through a link

1 accessible on the Board's website. As such, for the
2 benefit of the public, the use of acronyms is to be
3 discouraged. It will assist in the public's
4 understanding of the issues and evidence if acronyms
5 are avoided.

6 I will now call upon Board counsel Ms.
7 McCandless for introductions, followed by the
8 introductions by MPI, and the Interveners of record.
9 Ms. McCandless will then give her introductory
10 remarks, after which we will then proceed with the
11 affirmation of the MPI witnesses and commence the
12 question-and-answer session.

13 Ms. McCandless...?

14

15 OPENING COMMENTS BY BOARD COUNSEL:

16 MS. KATHLEEN MCCANDLESS: Thank you,
17 Madam Chair. Good morning. Good morning to members
18 of the panel appearing in person and virtually, and to
19 all other participants in the room and over the -- the
20 streaming.

21 I'm Kathleen McCandless, Board counsel.
22 Joining remotely is my co-counsel, Robert Watchmen.
23 To my left is the actu -- the accounting advisor for
24 the Board, Roger Cathcart, and the actuarial advisors
25 to the Board Brian Pelly and Blair Manktelow are

1 following the proceedings on the livestreaming.

2

3

(BRIEF PAUSE)

4

5

THE PANEL CHAIRPERSON: Mr. Scarfone,

6 I understand that you have opening remarks. Would you

7 proceed, please?

8

9 OPENING REMARKS BY MPI:

10

MR. STEVEN SCARFONE: Yes. Thank you,

11 Madam Chair. Good morning. Good morning to the panel

12 members and My Learned Friends.

13

I'm Steve Scarfone, counsel for

14 Manitoba Public Insurance, and I have here with me

15 today Luke Johnston, who is MPIC's chief actuary, and

16 Mark Giesbrecht, who is MPIC's chief financial

17 officer, both gentlemen vice-presidents of the

18 Corporation, both of whom will be affirmed and giving

19 evidence here today.

20

MPIC does have some exhibits that it

21 would like to enter into the record. I suppose the

22 very first one, Exhibit number 1, should be, if not

23 already marked, the special rebate application that

24 was filed earlier this week, dated April 27, 2020.

25

1 --- EXHIBIT NO. MPI-1: Manitoba Public Insurance
2 Corporation 2021 Special
3 Rebate Application - April
4 27, 2020
5

6 MR. STEVEN SCARFONE: And then a
7 number of pre-asks that have been answered by MPIC and
8 circulated here today. I propose that we have the --
9 four (4) pre-asks -- I beg your pardon, five (5) pre-
10 asks. Rather than have them all marked separately,
11 perhaps we could mark them by Intervener.

12 And so Exhibit Number 1, (sic) we
13 propose would be the responses to the pre-asks by the
14 CMMG, the Coalition of Manitoba Motorcycle Group.
15

16 --- EXHIBIT NO. MPI-2: PUB-MPI Pre-Asks Responses
17 - April 30, 2020.
18

19 MR. STEVEN SCARFONE: The -- the third
20 exhibit, then, would be the responses to the pre-asks
21 that were sent by the Public Utilities Board, of which
22 there are four (4) that were circulated.
23

24 --- EXHIBIT NO. MPI-3: Responses to pre-asks by
25 PUB

1 MR. STEVEN SCARFONE: And the last
2 exhibit would be the responses to the pre-asks of the
3 CAC -- the CAC, but I -- I see that largely, it -- it
4 would be the minutes that were circulated. So a lot
5 of the pre-asks that were sent in by My Friend Mr.
6 Williams came in the form of an -- of an area of
7 inquiry, but one (1) of which that we've circulated,
8 and we'll ask it to be marked as an exhibit, Exhibit
9 number 4 would be the board of directors draft minutes
10 from April 15, 2020, and April 22nd, 2020.

11

12 --- EXHIBIT NO. MPI-4: MPI Board meeting minutes
13 - April 30, 2020

14

15 MR. STEVEN SCARFONE: So I believe
16 those are the only exhibits that -- that we need to
17 mark at this time, Madam Chair.

18 And just before we begin the question-
19 and-answer session, I -- just to -- want to make a --
20 a brief comment about the --

21 MS. KATHLEEN MCCANDLESS: If -- if I
22 could maybe have a suggestion, Mr. Scar -- Scarfone.
23 If we could have every -- all the parties introduce
24 themselves, and then we will get into the opening
25 submissions?

1 MR. STEVEN SCARFONE: Absolutely.

2 Sure.

3 MS. KATHLEEN MCCANDLESS: Thank you.

4 DR. BYRON WILLIAMS: Byron Williams,
5 representing the Consumers' Association of Canada, the
6 Manitoba branch. Livestreaming -- viewing, Ms.
7 Katrine Dilay, also legal counsel, and Ms. Gloria
8 Desorcy, executive director.

9 THE PANEL CHAIRPERSON: Thank you.

10 DR. DARREN CHRISTLE: Kristen
11 Schubert, which is judicial hearing assistant and
12 Darren Christle, PUB secretary.

13 THE PANEL CHAIRPERSON: Thank you.
14 Counsel on the livestream, Ms. Meek?

15 MS. CHARLOTTE MEEK (by phone): Good
16 morning. Charlotte Meek, counsel for CMMG.

17 THE PANEL CHAIRPERSON: And counsel
18 for IBAM, Mr. Unfried?

19

20 (BRIEF PAUSE)

21

22 THE PANEL CHAIRPERSON: I believe we
23 were anticipating that Mr. Unfried would be joining,
24 but at some point, he can chime in. Thank you.

25 Mr. Scarfone...?

1 MR. STEVEN SCARFONE: Yes. One (1)
2 thing further, Madam...

3

4 (BRIEF PAUSE)

5

6 OPENING COMMENTS CONTINUED BY BOARD COUNSEL:

7 MS. KATHLEEN MCCANDLESS: Thank you,
8 Madam Chair. I'm just going to proceed with my
9 opening remarks, then I understand Mr. Scarfone has
10 some comments to make, and then I -- I'm not sure if
11 any of the other participants have opening remarks. I
12 know Mr. Williams does not.

13 Ms. Meek, do you have any opening
14 remarks to make?

15 MS. CHARLOTTE MEEK: I was not
16 planning on making opening statements.

17 MS. KATHLEEN MCCANDLESS: Thank you.
18 As you mentioned this morning, Madam Chair, Mani --
19 Manitoba Public Insurance is applying to the Public
20 Utilities Board for a directive that MPI issue to
21 ratepayers a percentage of their annualized premiums
22 for universal compulsory automobile insurance policies
23 in force and earning premium on March 15, 2020,
24 through a special rebate in an amount equal to the
25 approximate sum of \$58 million by May 31, 2020, or as

1 soon thereafter as is reasonably practicable.

2 With respect to the evidence filed in
3 this proceeding, there are five (5) PUB exhibits to
4 enter on the record at this time.

5 They are Exhibit PUB-1, the notice of
6 virtual hearing, dated April 27, 2020.

7

8 --- EXHIBIT NO. PUB-1: Notice of virtual Public
9 hearing dated April 27,
10 2020

11

12 MS. KATHLEEN MCCANDLESS: Exhibit PUB-
13 2 is the Board's rules of practice and procedure.

14

15 --- EXHIBIT NO. PUB-2: The Public Utilities
16 Board's Rules of Practice
17 and Procedure

18

19 MS. KATHLEEN MCCANDLESS: Exhibit PUB-
20 3 is a letter from Darren Christle to MPI and all
21 Interveners of record, dated April 27, 2020, issuing
22 direction for the procedure of this application.

23

24 --- EXHIBIT NO. PUB-3: PUB letter to MPI and past
25 Interveners re: MPI 2021

1 Special Rebate Application
2 - April 27, 2020

3

4 MS. KATHLEEN MCCANDLESS: Exhibit PUB-
5 4 is the PUB Pre-Ask questions to MPI, dated April 29,
6 2020.

7

8 --- EXHIBIT NO. PUB-4: PUB-MPI Pre-Ask questions
9 (1-4) - April 29, 2020

10

11 MS. KATHLEEN MCCANDLESS: And Exhibit
12 PUB-5 is a written comment from a member of the
13 public, which was posted on the Board's website.

14

15 --- EXHIBIT NO. PUB-5: Public comment regarding
16 Application - April 30,
17 2020.

18

19 MS. KATHLEEN MCCANDLESS: Those are
20 all the exhibits.

21 We have this morning set aside for a
22 question-and-answer session with representatives from
23 MPI. The session will provide the Board and
24 Interveners of record with an opportunity for further
25 clarification and understanding of the rebate

1 application.

2 In terms of the order of questioning
3 this morning, counsel for CAC, Mr. Williams, will
4 proceed first, followed by Ms. Meek, counsel for CMMG.
5 I will proceed after counsel for CMMG has completed
6 her questioning.

7 Tomorrow morning's oral submissions are
8 scheduled to begin at 9:00 a.m. and will be completed
9 no later than noon. We are conducting the hearing
10 under challenging circumstances, and I would like to
11 thank everyone for their patience and cooperation.
12 Those are my opening remarks, Madam Chair.

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

15

16 OPENING COMMENTS CONTINUED BY MPI:

17 MR. STEVEN SCARFONE: Thank you, Madam
18 Chair. I was going to say I just want to clarify or
19 correct, perhaps -- I think I may have indicated for
20 Exhibit number 2, the pre-asks numbered in -- five (5)
21 in total. I believe there are six (6) that MPIC has
22 responded to in Exhibit number 2, and I just wanted to
23 confirm as -- particularly with Ms. Meek, that she has
24 received responses to her client's pre-asks.

25 MS. CHARLOTTE MEEK (by phone): Thank

1 you. I was actually going to jump in. I haven't
2 received anything from MPI in terms of response to the
3 pre-asks. I'm not sure if that was sent by email at
4 some point?

5 MR. STEVEN SCARFONE: Well, I -- I
6 expect that there are people listening and that that
7 will be sent as -- as this unfolds, if -- if not in
8 the next couple minutes, you'll be receiving those.

9 MS. CHARLOTTE MEEK (by phone): Okay,
10 thank you.

11 MR. STEVEN SCARFONE: So, Madam Chair,
12 MPIC, of course, is here on a special rebate
13 application, and the relief sought is approval of a 50
14 million -- \$58 million rebate to the ratepayers as --
15 as a percentage of their annualized premiums. The
16 special rebate application is brought before this
17 Board under Section 44 of the Public Utilities Board
18 Act.

19 And the Corporation as set out in the
20 application is also seeking relief under rule 36 that
21 would allow the Board to make a -- a variation of the
22 previous orders to allow for the rebate to occur.

23 And you're going to hear from Mr.
24 Johnston and Mr. Giesbrecht about the application
25 itself, but to suffice to say, the application makes

1 it clear, I believe, that MPIC finds itself in a very
2 strong financial position, and therefore finds itself
3 in a position to offer some immediate financial relief
4 to its ratepayers by returning premiums collected for
5 accidents that did not occur during the last couple
6 months. And that, of course, is due to the pandemic.

7 This application, it's important to
8 remember, Madam Chair, was put together in very short
9 order for approval by the Board to expedite the return
10 of excess capital to MPIC customers in a timely manner
11 and in a time of financial need.

12 But this is the important point to
13 recall. Not all customers will be receiving the
14 benefit of this rebate, if approved. The excess
15 capital now being held in the RSR is largely the
16 result of claims costs being well below forecast
17 because people are working from home and they're
18 driving less. Those people are those that register
19 private passenger vehicles, because those are the
20 vehicles, Madam Chair, and the occupants of those
21 vehicles that are at risk.

22 So you will hear evidence that the
23 Corporation has set aside cash that would otherwise
24 have been invested to fund the rebate, if so approved.
25 And -- and that is simply all the Corporation needs to

1 say, I believe.

2 I trust that the panel members have
3 read the application, and we can now proceed with the
4 questions for Mr. Johnston and Mr. Giesbrecht.

5 THE PANEL CHAIRPERSON: Thank you, Mr.
6 Scarfone. Mr. Christle, could you please have the
7 witnesses affirm?

8

9 LUKE JOHNSTON, Sworn

10 MARK GIESBRECHT, Sworn

11

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

14

15 CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

16 DR. BYRON WILLIAMS: Yes. Thank you,
17 and good morning.

18 Mr. Johnston, I'll -- I'll have a few
19 questions to you, and then a few -- a somewhat
20 lengthier, but not too lengthy, discussion with Mr.
21 Giesbrecht.

22 Sir, we'll come to your estimate of
23 COVID-19 impacts on claims incurred in just a second,
24 but in terms of the factual backdrop to this
25 application, it's that we're in the provincial state

1 of emergency related to COVID-19, agreed?

2 MR. LUKE JOHNSTON: Agreed.

3 DR. BYRON WILLIAMS: And with that
4 state of emergency come realities such as more people
5 working at home, some businesses and -- and services
6 being closed, and kids staying home from school, no
7 doubt to the displeasure of their parents?

8 MR. LUKE JOHNSTON: That's right.

9 DR. BYRON WILLIAMS: And a consequence
10 of the combination of these factors is that people are
11 driving less, and that at least between March 15th and
12 April 15th, there were less collisions?

13 MR. LUKE JOHNSTON: Yes. From the
14 data we have, it's -- it's very apparent that
15 exposures is -- is down.

16 DR. BYRON WILLIAMS: And for the
17 purposes of this application, the Corporation has
18 developed an estimate of 58 million in COVID-19
19 related claims incurred reductions, comprised -- at
20 the risk of asking a compound question -- of three (3)
21 elements, namely, an observed \$29 million reduction in
22 claims costs from March 16th to April 15th, an assumed
23 \$29 million reduction in claims costs from April 16th
24 to May 15th, and no assumed impacts on claims costs
25 from May 16th to March of 2020 to March 31st of 2021,

1 agreed?

2 MR. LUKE JOHNSTON: That's correct.

3 And those -- each of those three (3) estimates have, I
4 guess, progressively weaker strength, one (1) being
5 essentially in-hand, we know; the second one, probably
6 a pretty reliable estimate of the very near future,
7 and then beyond that, we haven't -- they attempted to
8 -- to estimate what the further impacts could be.

9 DR. BYRON WILLIAMS: And -- and thank
10 you for an -- for that, Mr. Johnston. Be -- in
11 essence, in understanding the estimate of 58 million,
12 it's important to understand that it assumes no
13 impacts on claims costs related to COVID-19 after May
14 16th, 2020 -- after May 15th, excuse me.

15 MR. LUKE JOHNSTON: That's correct.

16 DR. BYRON WILLIAMS: Without being in
17 any way critical, recognizing the time frame and the
18 challenges of estimating, your estimate assumes
19 business as usual on Manitoba roads after May 15th?

20 MR. LUKE JOHNSTON: Essentially, yeah,
21 if -- in terms of forecast numbers, we are assuming we
22 revert to normal frequency after that date.

23 DR. BYRON WILLIAMS: And to the extent
24 that it's not business as usual, that people continue
25 to work at home or practice social distan --

1 distancing, there is a possibility that Covid-19
2 impacts on collision data will persist beyond May 15th
3 of 2020, agreed?

4 MR. LUKE JOHNSTON: Agreed.

5 DR. BYRON WILLIAMS: And Mr. Johnston,
6 can I -- can you and I or can you agree that neither
7 you or I or Donald Trump can predict when the impacts
8 of COVID-19 upon us will end?

9 MR. LUKE JOHNSTON: We -- we cannot.

10 DR. BYRON WILLIAMS: We cannot
11 predict?

12 MR. LUKE JOHNSTON: We cannot predict
13 perfectly or -- we're making a -- a kind of a best
14 estimate, but that's -- that's the best we can do.

15 DR. BYRON WILLIAMS: Mr. Johnston, you
16 play a leadership role not only in claims forecasting,
17 but in dynamic capital adequacy testing, modelling as
18 well. Agreed?

19 MR. LUKE JOHNSTON: Agreed.

20 DR. BYRON WILLIAMS: And in your work
21 on claims forecasting and Dynamic Capital Adequacy
22 Modelling, it's fair to say that you observed -- you
23 have observed a relationship between claims incurred
24 and claims expenses, with changes in claims expenses
25 tending to be positively correlated with changes in

1 claims incurred. Would that be fair, sir?

2 MR. LUKE JOHNSTON: That's correct.

3 DR. BYRON WILLIAMS: And sir, so to
4 the extent that claims incurred moved down, you would
5 generally expect that claims expenses also tend to
6 move down. Would that be fair?

7 MR. LUKE JOHNSTON: In a general
8 sense, yes. As you can appreciate now, and I'm sure
9 you've seen maybe some comments in the media, our
10 ability to instantly react to such a dramatic change
11 on -- on operational expenses isn't going to be quite
12 as fast. But that -- that is of course the reality if
13 there's 60 percent less claims, anyone that handles
14 claims would be in less need, I guess, to put it
15 simply.

16 DR. BYRON WILLIAMS: Mr. Johnston, as
17 vice-president and chief actuary, it's your role to
18 stay alive to trends and claims, including deviations
19 from normal patterns, correct?

20 MR. LUKE JOHNSTON: That's right.

21 DR. BYRON WILLIAMS: And given your
22 high level of professional excellence, you will
23 continue to actively monitor the ongoing effects, if
24 any, of COVID-19 beyond May 15th, 2020, correct?

25 MR. LUKE JOHNSTON: That's correct. I

1 don't -- I can't recall if we were doing this last
2 year, but we are at the stage now where we update our
3 entire forecasting model on a monthly basis.

4 It's about a -- it's about a month lag
5 to -- to reporting those numbers. But even going into
6 next hearing with the assumption of a -- a September
7 update and things like that, we're definitely staying
8 on top of those forecasts every month.

9 DR. BYRON WILLIAMS: And that part of
10 your job becomes even more critical, just given the
11 dramatic impact you've seen on claims reductions in --
12 in -- from mid-May to -- mid-March to mid-April,
13 agreed?

14 MR. LUKE JOHNSTON: Agreed.

15 DR. BYRON WILLIAMS: So we can be
16 confident that MPI will be monitoring the impacts of
17 COVID-19 on claims incurred in the May to June period,
18 and in the June to July period, agreed?

19 MR. LUKE JOHNSTON: Agree claims and
20 really all other aspects of operations expenses,
21 investments premium.

22 DR. BYRON WILLIAMS: Mr. Johnston, I'm
23 not sure if we need to turn it, but just to -- because
24 you're being cited here, perhaps if we could go to the
25 MPI application, page 15 of 27, and I believe it's line

1 23.

2 And Mr. Johnston, you see there on line
3 23 and 24 a -- the statement that the -- the proposed
4 57 million rebate from Basic is according to MPI's
5 chief actuary, a capital release of excess monies now
6 being held in the RSR.

7 Do you see that statement, sir?

8 MR. LUKE JOHNSTON: I do.

9 DR. BYRON WILLIAMS: And that's an
10 accurate statement, sir?

11 MR. LUKE JOHNSTON: That's right.
12 Specific to this application. So just -- just to be
13 clear, there is other money in the RSR, but for this
14 particular application there is a -- an estimated 58
15 million excess, yes, that will be there.

16 DR. BYRON WILLIAMS: Okay. Mr.
17 Johnston, I'm going to turn my attention without --
18 hoping not to offend you in any way, to Mr.
19 Giesbrecht. Feel free if there's a question that I
20 pose to him that's more relevant to you, to intervene.

21 Mr. Giesbrecht, I wonder if we can go
22 to pro forma 5, which appears towards the back of the
23 application.

24 And Mr. Giesbrecht, this looks at the
25 MPI statement of operations as was forecast back in

1 the fall, early winter, versus the -- what underlies
2 this rebate application. Is that correct, sir?

3 MR. MARK GIESBRECHT: Correct.

4 DR. BYRON WILLIAMS: And the third
5 column, 2020 GRA, 2020-2021F, that's from the late
6 fall, winter of 2019. Is that correct, sir?

7 MR. MARK GIESBRECHT: Sorry, which
8 column did you reference?

9 DR. BYRON WILLIAMS: The third column
10 in, the 2020/21F.

11 MR. MARK GIESBRECHT: Yes.

12 DR. BYRON WILLIAMS: And to its right
13 is the forecast that underlies this application.
14 Would that be fair?

15 MR. MARK GIESBRECHT: Correct.

16 DR. BYRON WILLIAMS: And if we go down
17 to line 17, sir, in terms of total claims incurred, it
18 would be fair to say that that shows a reduction of
19 over \$100 million in terms of the expectations of
20 Manitoba Public Insurance for the -- for the 2020/21
21 year. Correct, sir?

22 MR. MARK GIESBRECHT: That's correct.

23 DR. BYRON WILLIAMS: Okay. If we go
24 down one more line, sir, in terms of claims expenses,
25 being line 18, claims expenses are forecast to

1 actually, as compared to the fall forecast, rise by
2 \$7.5 million, sir?

3 MR. MARK GIESBRECHT: Correct.

4 DR. BYRON WILLIAMS: So, in essence,
5 at least in this application, moving in opposite
6 directions of claims incurred?

7 MR. MARK GIESBRECHT: Yes, and there's
8 one primary explanation for that. It's -- it's simply
9 a reclass of certain expenses that previously had been
10 included in claims incurred.

11 So that aside, it would be basically be
12 more flat, in essence. But there were certain claims
13 expenses relating to some of our software that is
14 directly tied to our shops that we felt was more
15 appropriately classified as a claims expenses, rather
16 than a -- a claims incurred.

17 So it's -- it forms part of the claims
18 costs, but just we changed the bucket in which it
19 lies.

20 DR. BYRON WILLIAMS: And so just so I
21 understand, sir, if we removed those numbers, you --
22 your suggestion is that in terms of claims expense it
23 would be flat, not declining?

24 MR. MARK GIESBRECHT: Roughly
25 speaking, yes.

1 DR. BYRON WILLIAMS: And sir, if we go
2 up to line 13, being total earned revenues, that
3 number stays relatively flat between the forecasts in
4 the fall and the -- the numbers underlying this
5 application? Going down a little bit, around 4.7
6 million?

7 MR. MARK GIESBRECHT: Yes, they --
8 there's a slight decline based on continued decreases
9 in the volume and upgrade factors, but generally
10 speaking it -- it's fairly flat.

11 DR. BYRON WILLIAMS: And Mr.
12 Giesbrecht, you would agree that there has -- it would
13 be reasonable to expect that there's been a
14 significant adverse effect in March and April of
15 Covid-19 on the Manitoba economy and on Manitobans,
16 would that be a fair statement, sir?

17 MR. MARK GIESBRECHT: I think that's a
18 fair statement, yes.

19 DR. BYRON WILLIAMS: Jobs have been
20 lost, businesses have been closed, and savings have
21 been depleted. Is that a fair statement, sir?

22 MR. MARK GIESBRECHT: Yes, agreed.

23 DR. BYRON WILLIAMS: And while we
24 don't know how long it will last, it would be fair to
25 expect persistence in the economic effect of COVID-19

1 will last beyond the term of the public health
2 measure. Would that be fair, sir?

3 MR. MARK GIESBRECHT: That's fair, I
4 believe, yes.

5 DR. BYRON WILLIAMS: And there is a
6 risk, of course, that adverse economic circumstances
7 could effect new vehicle purchases negatively?

8 MR. MARK GIESBRECHT: It's a
9 possibility.

10 DR. BYRON WILLIAMS: And there's also
11 a risk that adverse economics could effect insurance
12 decisions with some consumers potentially to choosing
13 to change insurance coverage or to quit driving and
14 quit insuring their vehicles, that's a possibility?

15 MR. MARK GIESBRECHT: That's a
16 possibility.

17 DR. BYRON WILLIAMS: In terms of the
18 Corporation's forecast relating to -- underlying this
19 rebate application, MPI has not reduced the 2020
20 revenue projections for changes in customer behaviour
21 such as cancelling insurance or switching to layoff
22 coverage. Would that be fair?

23 MR. MARK GIESBRECHT: Sure.

24 DR. BYRON WILLIAMS: And Mr. Johnston,
25 this may be for you, but just one (1) question.

1 Perhaps surprisingly, but customers to date have
2 cancelled or reduced coverage on less policies than
3 they did during the weeks of mid-March to mid-April in
4 2019, agreed?

5 MR. LUKE JOHNSTON: We were told this
6 morning that we were going to get a update to that
7 table, so that'll be provided. But what I can tell
8 you from just looking at it, the conclusion will be
9 very similar. There -- no -- nothing dramatic in
10 terms of behaviour that, I guess, gives us the ability
11 to make a -- a strong prediction in that matter.

12 You know, like, if it -- if it was --
13 you know, if everyone -- if across the board, 5
14 percent and trending in that direction, sure, that
15 maybe we put in the reduction for the two (2) months.
16 But to date, I've nothing really to -- to -- to grab
17 on to and assume in the forecast.

18 DR. BYRON WILLIAMS: Okay. And Mr.
19 Giesbrecht, this is probably more a matter for the
20 jurat, but just one (1) question.

21 Does this apparent absence of consumer
22 response suggest a collective need to im -- for
23 improved communication of these options for Manitobans
24 to reduce insurance costs?

25 MR. MARK GIESBRECHT: I think we --

1 we'll be able to conclude a bit more con --
2 conclusively when we have that better data available
3 to us. We have seen a little bit of change in those
4 behaviours. I know that we have had a number of press
5 releases talking about the different options available
6 to customers, and we will continue to monitor what
7 those behaviours look like and, if necessary, adjust
8 our GRA.

9 DR. BYRON WILLIAMS: Thank you. Mr.
10 Giesbrecht, this is an unusual application for MPI
11 brought on an expedited basis during a provincial
12 state of emergency, agreed?

13 MR. MARK GIESBRECHT: Agreed.

14 DR. BYRON WILLIAMS: And MPI is
15 seeking to review and vary two (2) Orders of the
16 Public Utilities Board, being 159/'18 and 176/'19, to
17 the extent that they do not require the issuance of
18 rebates, agreed?

19 MR. MARK GIESBRECHT: Agreed.

20 DR. BYRON WILLIAMS: And you'll recall
21 that Manitoba Public Insurance presented a Capital
22 Management Plan during the last General Rate
23 Application that was approved by the Public Utilities
24 Board for a two (2) year period -- trial period,
25 correct?

1 MR. MARK GIESBRECHT: Correct.

2 DR. BYRON WILLIAMS: And as compo --
3 compared to that Capital Management Plan, sir, one (1)
4 difference between the RSR rebate being proposed is
5 that MPI anticipates and is seeking a one (1) time
6 rebate of excess reserves today rather than a capital
7 release through lower rates over the next three (3)
8 years.

9 That would be one (1) difference
10 compared to the Capital Management Plan, sir?

11 MR. MARK GIESBRECHT: Yes. Simply
12 put, I would characterize it as an acceleration of
13 that -- that capital release rather than reducing
14 future rates. Given the need and the -- the nature of
15 the current pandemic, it's an acceleration of that
16 rebate in the form of a -- of a cash rebate.

17 DR. BYRON WILLIAMS: So it's a one (1)
18 time payment via a cheque instead of a capital release
19 over the next three (3) years through lower insurance
20 rates, correct?

21 MR. MARK GIESBRECHT: Correct.

22 DR. BYRON WILLIAMS: And would another
23 difference, sir, be that this is a one (1) time rebate
24 paid to all eligible policy -- policyholders at the
25 same time of the year rather than paid to ratepayers

1 through lower rates at staggered times during the year
2 as their insurance becomes due? Would that be fair?

3 MR. MARK GIESBRECHT: That's fair.

4 DR. BYRON WILLIAMS: I wonder if we
5 could turn to Figure 10, and Madam Chair, if -- with
6 your permission, I'm just a little dry. I'm going to
7 try and social distance and get some water, and I
8 apologize for not having the foresight to do that.

9 THE PANEL CHAIRPERSON: By all means,
10 Mr. Williams.

11 DR. BYRON WILLIAMS: I -- I see that
12 someone's being kind enough to do that.

13

14 (BRIEF PAUSE)

15

16 DR. BYRON WILLIAMS: I'll say, that
17 was a first for me to actually be served water at the
18 Public Utilities Board, and I think it's a tradition
19 we should look at instituting in the future.

20 THE PANEL CHAIRPERSON: We'll take
21 that under advisement.

22

23 CONTINUED BY DR. BYRON WILLIAMS:

24 DR. BYRON WILLIAMS: Mr. Giesbrecht,
25 if we look at Figure 10, this provi -- takes a look at

1 total equity and MCT, with the first part of this
2 figure looking at Basic total equity.

3 Would that be fair, sir?

4 MR. MARK GIESBRECHT: True.

5 DR. BYRON WILLIAMS: And if we look at
6 where MPI is projected to be at fiscal year end for
7 the '20/'21 year, it's projecting to be at 530
8 million, approximately, sir?

9 MR. MARK GIESBRECHT: True.

10 DR. BYRON WILLIAMS: And Basic total
11 equity as of 2021/'22 fiscal year end is projected to
12 be at about 613 million, agreed?

13 MR. MARK GIESBRECHT: Agreed.

14 DR. BYRON WILLIAMS: And that would be
15 after, as we see on -- on line 15, after a -- a RSR
16 rebate of 58 million in -- in 2020/'21, correct?

17 MR. MARK GIESBRECHT: Correct.

18 MR. LUKE JOHNSTON: Just -- just to be
19 clear for everyone, we haven't put any rate changes or
20 capital releases or anything in this forecast. So it
21 would -- it wouldn't get to that number just based on
22 normal rate setting, but it's shown there just
23 untouched, yeah.

24 DR. BYRON WILLIAMS: And Mr. Johnston,
25 thanks for that clarification. This is assuming zero

1 percent rate increases and no capital releases, sir?

2 MR. LUKE JOHNSTON: Correct.

3 DR. BYRON WILLIAMS: Mr. Giesbrecht --
4 and Ms. Schubert, if you can just scroll a little back
5 up the page. That's super.

6 Mr. Giesbrecht, going back to the
7 concept of the capital management plan, a central
8 element of that plan was a transfer of capital from
9 Extension to Basic should the Extension MCT ratio of
10 the Extension reserve exceed 200 percent at fiscal
11 year end, correct?

12 MR. MARK GIESBRECHT: Yes. The plan
13 entails a transfer of any excess capital for Extension
14 that we -- will be moved to Basic, yes.

15 DR. BYRON WILLIAMS: And excess is in
16 excess of 200 percent, sir?

17 MR. MARK GIESBRECHT: Correct.

18 DR. BYRON WILLIAMS: And if we go to -
19 - under the column 2019/'20, line 10, we -- we can see
20 that at the time that MPI made its compliance
21 forecast, it was projecting a \$75 million transfer
22 from Extension to Basic at -- at or about fiscal year
23 end 2019/2020, agreed?

24 MR. MARK GIESBRECHT: Agreed.

25 DR. BYRON WILLIAMS: Kristen, if we

1 can go down on this page to line 6 and 7. Proceed
2 down the page. Yes, thank you.

3 In the -- in the current context, it's
4 fair to say that there was no transfer of that -- of --
5 - of an excess reserves from Extension to Basic at --
6 at the fiscal year end of 2019/'20.

7 Is that right, sir?

8 MR. MARK GIESBRECHT: Right. So we
9 are currently in the midst of closing our 2019/2020
10 books, and in the past, we had used an estimation to
11 move the required capital over. So in the last two
12 (2) years, we had transferred and included those
13 results in the fiscal year.

14 This year, given the volatility within
15 the -- the month of March with the pandemic, we had
16 decided to wait until after year end. We had closed
17 the actual books and had the final numbers, and then
18 that -- that transfer would happen shortly after year
19 end is closed. So it had not happened in 2019/2020 as
20 --

21 DR. BYRON WILLIAMS: So is -- as our
22 clients understand this, rather than applying the
23 Extension capital transfer, MPI suggests it's received
24 government approval to immediately rebate 52 million
25 from Extension in May of 2020, correct?

1 MR. MARK GIESBRECHT: Correct. What -
2 - what otherwise would have transferred via the normal
3 mechanism is now to be transferred via this one (1)
4 time special rebate.

5 DR. BYRON WILLIAMS: Mr. Giesbrecht,
6 just to get mathematical clarification, is MPI
7 suggesting that at the fiscal year end of 2019/'20,
8 Extension reserves in excess of 200 percent MCT were
9 \$52 million?

10 MR. MARK GIESBRECHT: So there --
11 those estimates were done at different points in time,
12 and so as we were looking at the evolution of the
13 pandemic, we were discussion with government what our
14 different options were, what our capital position was
15 forecasting to be.

16 At a point in time prior to the
17 production of this application, that -- that forecast
18 had a \$52 million estimate. That's been updated to
19 seventy-five (75), and the final number will be a
20 little bit different than both of those in the end,
21 which we will know soon as we're close to closing off
22 our -- our actual books.

23 DR. BYRON WILLIAMS: Sir, do you
24 anticipate the -- the number, the final number to be
25 in excess of 75 million?

1 MR. MARK GIESBRECHT: Right now that's
2 our best number. I don't -- I couldn't say it would
3 be higher or lower at this point in time.

4 DR. BYRON WILLIAMS: So in terms of
5 the MPI estimate of excess reserves and Extension at
6 fiscal year end, the best estimate currently is 75
7 million?

8 MR. LUKE JOHNSTON: Just to be clear
9 here, so the 75 million is coming from last year's
10 compliance forecast.

11 On -- in figure 12, our best estimate
12 of -- of capital transfers would -- would be what's
13 flowing into 2021. So you can see in this figure that
14 there's a -- we revert back to the -- the transfer
15 methodology, whatever wasn't transferred ultimately --
16 or sorry, wasn't transferred in 2019/20 is assumed to
17 be transferred at the end of 2021, which would ensure
18 the -- you know, the basis for the rate application
19 doesn't change, so as you know the capital management
20 plan is looking at the start of the rating period.

21 So you can see the a -- the rebate is
22 in -- in this figure from Extension and then an
23 additional 68 million capital transfer.

24 So recognizing that there's been some
25 growth in the excess over that year, there's some

1 remaining capital and then whatever profitability we
2 got from Extension in 2021.

3 DR. BYRON WILLIAMS: And thank you,
4 but our client is focussed on the 2019/'20 year end.

5 I don't know if pro forma Extension
6 number 3 would -- our client is seeking clarity.

7 First of all, let's confirm that at
8 fiscal year end, March 31st, 2020 for Extension there
9 was more than 52 million over and above the 200
10 percent MCT target for Extension. Agreed?

11 MR. MARK GIESBRECHT: There could very
12 well be. However, the final numbers are not yet
13 complete. These remain forecasted, so there -- there
14 very well could be. However, the final numbers are
15 yet to be determined.

16 DR. BYRON WILLIAMS: When will those
17 numbers be determined, sir?

18 MR. MARK GIESBRECHT: In the coming
19 weeks.

20 DR. BYRON WILLIAMS: Is it your
21 expectation that they will be higher than 52 million?

22 MR. MARK GIESBRECHT: That's a -- a
23 strong possibility.

24 DR. BYRON WILLIAMS: And significantly
25 higher, sir? In the range of tens of millions?

1 MR. MARK GIESBRECHT: I wouldn't say
2 tens. It could be 10 to 20, potentially.

3 DR. BYRON WILLIAMS: Thank you.

4 MR. MARK GIESBRECHT: I just should
5 add, you know, we are in time of un -- unprecedented
6 volatility and we are seeing financial impacts daily
7 in terms of impacting our investment portfolio, the
8 valuation of our future employee benefits, pension
9 obligations and those kind of things.

10 And so until we have the final-final
11 numbers, I don't want to lock anything down quite yet.
12 So these are estimates and they have been changing
13 rapidly over the past weeks, and will continue to
14 change in the coming weeks as well.

15 DR. BYRON WILLIAMS: Mr. Giesbrecht,
16 one (1) of the policy rationales for choose --
17 choosing an immediate one time rate rebate from Basic
18 rather than following the capital management plan, is
19 that the financial position of MPI had significantly
20 improved at the same time as the position of many of
21 its ratepayers had declined. Agreed?

22 MR. MARK GIESBRECHT: Agreed.

23 DR. BYRON WILLIAMS: And driving the
24 focus on a one time rate rebate is the sense that
25 there was a -- an urgent need to support Manitoba's

1 ratepayers given -- MPI's ratepayers given the
2 financial circumstances of MPI, correct?

3 MR. MARK GIESBRECHT: True. These are
4 extraordinary times and we know we are looking to work
5 with government to do what we can to provide relief to
6 ratepayers.

7 DR. BYRON WILLIAMS: And as opposed to
8 the Capital Management Plan, what this rebate does is
9 -- is get money in consumer's hands in two (2) months,
10 rather than over three (3) years.

11 Would that be fair, sir?

12 MR. MARK GIESBRECHT: Fair.

13 DR. BYRON WILLIAMS: And as opposed to
14 the Capital Management Plan, all consumers get the
15 money near the time they need it most instead of
16 eligible consumers, instead of having to wait for
17 their annual renewal time. Agreed?

18 MR. MARK GIESBRECHT: Agreed.

19 DR. BYRON WILLIAMS: And at a time of
20 seemingly unremitting bad news, this rebate could be
21 perceived as an important good news signal from MPI
22 that is responding to -- to the needs of its
23 ratepayers. Agreed?

24 MR. MARK GIESBRECHT: Agreed. And we
25 feel it's important that we respond to the times and

1 be prudent about our long-term forecasts and impact on
2 our financial liability.

3 However, it's only prudent that we --
4 we do this.

5 DR. BYRON WILLIAMS: Mr. Giesbrecht,
6 apart from the Capital Management Plan and the one-
7 time only cheque, were any other rate rebate
8 mechanisms considered by Manitoba Public Insurance?

9 MR. MARK GIESBRECHT: We have been
10 looking at potential for credits to be applied against
11 future bills and -- and that kind of thing. And due
12 to our systems and technology, it was deemed as a very
13 difficult ask or -- or to make those system changes
14 required to apply it to an upcoming bill.

15 And in -- in consultation with
16 government, we felt it also made the most sense to get
17 cash in people's hands, so that decision was made.

18 DR. BYRON WILLIAMS: And in terms of -
19 - we'll call that the crediting customers accounts,
20 that's something that Manitoba Public Insurance might
21 contemplate in the future? Or crediting their bills,
22 excuse me.

23 MR. MARK GIESBRECHT: Potentially,
24 depending on how things unfold. Right now our plan is
25 that we have the special rebate application and we'll

1 continue to monitor claims trending going forward.

2 So that's a possibility, but I wouldn't
3 say they were actively looking to do that in the near
4 future.

5 DR. BYRON WILLIAMS: In terms of the
6 tech -- I'm sorry, Mr. Johnston, go ahead, please.

7 MR. LUKE JOHNSTON: Outside of this
8 emergency situation, as -- as I think everyone is
9 aware, the intent was to essentially put a line on the
10 customer's renewal saying capital release amount x,
11 rather than any form of rebate.

12

13 (BRIEF PAUSE)

14

15 DR. BYRON WILLIAMS: We may come back
16 to that.

17 From an insurance perspective, is it
18 fair to say that MPI is rebating funds on the basis of
19 eligible policies as a straight percentage of premium?
20 Would that be fair?

21 MR. LUKE JOHNSTON: I can answer this.
22 We -- the -- we are refunding as a percentage of -- of
23 premium, yes.

24 DR. BYRON WILLIAMS: Would it --
25 again, with the provisional all other things being

1 equal, would it be fair to say that ratepayers or
2 households with more cars will receive more rebate
3 money?

4 MR. LUKE JOHNSTON: That's correct.

5 DR. BYRON WILLIAMS: And would it be
6 fair to say that ratepayers or households with more
7 expensive cars will receive more rebate money, all
8 other things being equal?

9 MR. LUKE JOHNSTON: Yes, all other
10 things being equal. There's a -- outside of
11 percentage of premium, it's -- it's difficult to think
12 of other fair options.

13 For example, if we were to just cut a
14 cheque for the same amount to every policy holder, you
15 -- you could have situations where the cheque is more
16 than their entire premium, if they're a moped or
17 something like that.

18 So it's hard to find another solution
19 outside of premiums that's considered equitable.

20 DR. BYRON WILLIAMS: This has been
21 premised on insurance risk, in essence, sir?

22 MR. LUKE JOHNSTON: Correct,
23 especially in a -- in a Basic rate setting environment
24 where one of the main assumptions is everyone has the
25 same profitability and that's zero.

1 DR. BYRON WILLIAMS: Okay. Would
2 fleets like the Manitoba Hydro fleet receive -- be
3 eligible for rebates or fleets like that corporate
4 fleet?

5 MR. LUKE JOHNSTON: Fleets are
6 eligible. Using the -- the same rules, as long as
7 they're -- they're enforced.

8 Again, a good point relating to
9 percentage of premium. Someone is not using their
10 car, they're not paying any premium, so to give them a
11 rebate based on paying nothing would -- wouldn't
12 really make a lot of sense.

13 So they have to be in operation, in
14 earning premiums, to get the rebate.

15 DR. BYRON WILLIAMS: And by in
16 operation, you mean in operation as of March 5 --
17 15th, 2020, sir?

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

20 DR. BYRON WILLIAMS: Mr. Giesbrecht,
21 in terms of the funding of the rebate, would it be
22 fair to suggest that about 80 million of the rebate is
23 funded by cash at hand, with the rest funded from
24 anticipated excess revenues over costs in the two (2)
25 months in question, being March to April and then

1 April to mid-May, sir?

2 MR. MARK GIESBRECHT: Yes, that's what
3 we currently expect. We'll have to continually
4 monitor our cash position as we enter closer to the
5 date of the rebate, but that is our assumption right
6 now, yes.

7 DR. BYRON WILLIAMS: Sir, given the
8 uncertainty in the marketplace at the current time,
9 including low interest rates and volatile equities,
10 does MPI anticipate keeping more cash in hand rather
11 than in the investment fund in the short-term future?

12 MR. MARK GIESBRECHT: So that's
13 exactly what we did entering the pandemic, is we -- we
14 looked at what would we potentially need over a two
15 (2) month period. So at -- at this point in time, we
16 were -- you know, we were doing our best estimates and
17 speculating on what -- you know, what might take
18 place.

19 We were, at that point in time, trying
20 to enable work from home for our staff, so we were
21 looking at -- if we didn't have the ability to move
22 funds due to whatever reason -- due to banking or
23 staffing reasons -- and if we were to lose a number of
24 revenues because customers could not pay -- just kind
25 of looking at worst-case scenarios -- we -- we then

1 held back about \$85 million in cash so it was
2 available to pay out our obligations as they came due.

3 DR. BYRON WILLIAMS: So as we stand
4 today, we wouldn't be expecting MPI to be selling
5 equities at this highly volatile time to finance the
6 rebate, for example, sir?

7 MR. MARK GIESBRECHT: I wouldn't
8 expect to be selling much, if any. Again, we'll look
9 at, in the next two (2) weeks, how things progress and
10 what happens in the markets. But as of now, we do not
11 expect any meaningful sell-off of our invested assets.

12 DR. BYRON WILLIAMS: And sir, just
13 moving forward past the May 15th time frame, does MPI
14 anticipate keeping more cash at hand than -- than
15 normal as we try and feel our way out of the COVID-19
16 related emergency?

17 MR. MARK GIESBRECHT: Yes, I would
18 expect that we would hover on the higher side of -- of
19 our expected range, given some of the uncertainties,
20 but, you know, we do expect to see some cash
21 generation based on reduction in claims.

22 DR. BYRON WILLIAMS: Okay. And the
23 higher end, sir, just what -- what -- what does the
24 "higher end" mean?

25 MR. MARK GIESBRECHT: So our

1 established range is \$60 to \$100 million in cash. We
2 -- we tend to look around eighty (80) as our kind of
3 midpoint or target, so that would be the range.

4 DR. BYRON WILLIAMS: Okay. Thank you.

5 With apologies to Mr. Scarfone, I
6 didn't get the exhibit number, which is embarrassing
7 because there's so few. But in terms of the board of
8 director meeting draft minutes, MPI was kind enough to
9 provide two (2): one dated Wednesday, April 15th,
10 2020; and one dated Wednesday, April 22nd.

11 MR. STEVEN SCARFONE: Yes, Mr.
12 Williams, those were marked as Exhibit number 4, those
13 redacted minutes from those board of directors
14 meetings.

15 DR. BYRON WILLIAMS: Thank you for
16 that, sir.

17 Mr. Giesbrecht, based on your
18 experience as a senior executive, in terms of
19 initiation rate application -- rate applications
20 generally, that responsibility rests with the MPI
21 board, with guidance from MPI management. Would that
22 be your experience over your time at MPI?

23 MR. MARK GIESBRECHT: Yes, the board
24 is -- is kept apprised and ultimately approves our
25 direction, yes.

1 DR. BYRON WILLIAMS: And in terms of
2 approving your direction, it would be your experience
3 that they would indeed approve a -- a minute of the
4 board approving specific elements of the rate
5 application.

6 MR. MARK GIESBRECHT: Typically, yes,
7 yeah.

8 DR. BYRON WILLIAMS: If we turn, sir,
9 to CAC -- or, sorry, Exhibit 4, excuse me, Wednesday,
10 April 15th, 2020. On entry 20-047, Excess Capital,
11 you'll see a statement that:

12 "The members were supportive of the
13 providing a credit to customers and
14 excess capital to government."

15 Do you see that statement, sir?

16 MR. MARK GIESBRECHT: I do.

17

18 (BRIEF PAUSE)

19

20 DR. BYRON WILLIAMS: Mr. Giesbrecht,
21 factually, has there been any transfer of excess
22 capital to government?

23 MR. MARK GIESBRECHT: No.

24

25 (BRIEF PAUSE)

1

2 DR. BYRON WILLIAMS: And in terms of
3 the rebate cheque, the rebate funds comprised of 58
4 million from Basic and 52 million from Extension,
5 would it be correct to say that the cheque that --
6 that comes from that will be transferred directly from
7 Manitoba Public Insurance, not from government?

8 MR. MARK GIESBRECHT: That's correct.

9

10 (BRIEF PAUSE)

11

12 DR. BYRON WILLIAMS: If we could go to
13 page 4 of 27, lines 1 to 4, of the application, you'll
14 see, Mr. Giesbrecht -- I'll paraphrase this -- a
15 statement suggesting that the special rebate
16 application results from the April 23rd, 2020,
17 announcement of the Honourable Mr. Jeff Wharton that
18 MPI provide economic relief to its customers during
19 the COVID-19 pandemic. You see that statement, sir?

20 MR. MARK GIESBRECHT: I do.

21 DR. BYRON WILLIAMS: Lest there be any
22 misinterpretation, MPI is not suggesting in that
23 statement that mins -- Minister Wharton is directing
24 its board to provide a rate rebate.

25 MR. MARK GIESBRECHT: No. We have

1 worked in conjunction with government as the pandemic
2 evolved. We have looked to different alternatives,
3 what was the best course of action, and, you know, we
4 consulted with all of our stakeholders, including our
5 ultimate shareholder, the government, as well as our
6 board of directors, in making that determination.

7

8

(BRIEF PAUSE)

9

10 DR. BYRON WILLIAMS: Would it be fair
11 to state it in this manner, sir, that the special rate
12 application results from direction of the MPI board,
13 with guidance from management and the support of the
14 minister and the government as stakeholder?

15 MR. MARK GIESBRECHT: I believe that
16 to be a -- a fair statement, yes.

17 DR. BYRON WILLIAMS: If we can just
18 turn to page 17, line 6, towards the bottom, Ms.
19 Schubert.

20 You'll see here, Mr. Giesbrecht, a
21 statement that:

22 "Rather than applying the Extension
23 capital transfer, MPI has instead
24 received government approval to
25 immediately rebate 52 million from

1 Extension in May of 2020."

2 You see that statement, sir?

3 MR. MARK GIESBRECHT: I do.

4 DR. BYRON WILLIAMS: What, if any,
5 approval is Manitoba Public Insurance suggesting it
6 requires from the government to rebate these monies to
7 consumers?

8 MR. MARK GIESBRECHT: Given the
9 extraordinary times that we are in and -- and the
10 potential for a rebate cheque that we had contemplated
11 and are now applying for, we had entered into
12 conversations and discussion with government looking
13 at different options, and we had sought out their
14 blessing or approval in that process because we want
15 to make sure that we have -- you know, that we
16 consider all different avenues available to us, given,
17 again, these extraordinary times.

18 So -- and that said, you know, we have
19 the alignment of both our board of directors and
20 government to proceed with this rebate.

21 DR. BYRON WILLIAMS: Going just back
22 and noting the time, going back to Exhibit 4 and the
23 reference 20-047, Excess Capital, recognizing, sir,
24 that there was no transfer of excess capital to
25 government, what is contemplated by that language?

1 "The members were supportive of the
2 providing a credit to customers and
3 excess capital to government."

4 Like, what is meant by that "providing
5 excess capital to government" statement, sir?

6

7 (BRIEF PAUSE)

8

9 MR. STEVEN SCARFONE: You probably
10 anticipated this, Mr. Williams, but Mr. Giesbrecht
11 wasn't a part of that -- that meeting and isn't able
12 to comment on -- on what the members may have been
13 thinking when they made that statement.

14 DR. BYRON WILLIAMS: Our client is not
15 going to request an undertaking at this time. They
16 may pursue it -- and just recognizing the urgency of
17 this matter, they may pres -- pursue that in the -- in
18 the General Rate Application.

19 Noting the time and noting my promise
20 to be done before 10:00, those are our clients'
21 questions.

22 Madam Chair, I'll just note, with no
23 disrespect to anyone else in the hearing, I had a
24 prior commitment at 10:00 a.m. that I'm -- so I'll be
25 leaving now, with your permission.

1 THE PANEL CHAIRPERSON: Certainly.

2 Thank you, Mr. Williams.

3 Ms. Meek...?

4 MS. CHARLOTTE MEEK (by phone): Thank
5 you, Madam Chair. Good morning. I'm Charlotte Meek,
6 counsel for the Coalition of Manitoba Motorcycle
7 Groups, or CMMG. If I could just --

8 THE PANEL CHAIRPERSON: Ms. Meek, just
9 --

10 MS. CHARLOTTE MEEK (by phone): --
11 start off -- oh, sorry.

12 THE PANEL CHAIRPERSON: Have you
13 received the documents?

14 MS. CHARLOTTE MEEK (by phone): I -- I
15 did just receive the documents about half an hour ago
16 --

17 THE PANEL CHAIRPERSON: Okay.

18 MS. CHARLOTTE MEEK (by phone): -- so
19 thank you to MPI for forwarding those to me.

20 THE PANEL CHAIRPERSON: Thank you.

21 MS. CHARLOTTE MEEK (by phone): And I
22 just wanted to also apologize, I failed to note that I
23 had some exhibits that I'd like to be filed earlier in
24 my opening. So if I could have those two (2) CMMG
25 exhibits filed, if that's possible, at this time.

1 THE PANEL CHAIRPERSON: Certainly,
2 thank you.

3

4 --- EXHIBIT NO. CMMG-1: Photos of Road Conditions
5 of Manitoba

6

7 --- EXHIBIT NO. CMMG-2: Winnipeg Manitoba April
8 Weather Conditions

9

10 CROSS-EXAMINATION BY CMMG:

11 MS. CHARLOTTE MEEK (by phone): Thank
12 you. So CMMG acknowledges the intention of the rebate
13 as proposed by MPI and the importance of providing the
14 economic belief to Manitobans here in this difficult
15 time. While CMMG was pleased to see that
16 motorcyclists were included in the release from
17 Extension, and CMMG is concerned that MPI has excluded
18 motorcyclists from the rebate from Basic.

19 I believe most of my questions could be
20 directed toward Mr. Johnston, but if Mr. Giesbrecht is
21 in a better position to answer any, feel free.

22 So Mr. Johnston, MPI is proposing a
23 rebate based on the capital released from both the
24 Extension and the Basic.

25 Is that correct?

1 MR. LUKE JOHNSTON: I'm doing my best
2 to -- to hear you, but I think you said
3 MPI is rebating both Extension and capital on Basic?

4 MS. CHARLOTTE MEEK (by phone): Yes.

5 MR. LUKE JOHNSTON: That's correct.

6 MS. CHARLOTTE MEEK (by phone): Sure.
7 Can you hear me okay, or is it...

8 MR. LUKE JOHNSTON: It's -- it's not
9 bad. I'm -- I'm a little hard of hearing, so -- but
10 I'll do my best.

11 MS. CHARLOTTE MEEK (by phone): Okay.
12 Okay. I will try and speak up.

13 MR. LUKE JOHNSTON: If I can't, I'll
14 just ask for a repeat, then.

15 MS. CHARLOTTE MEEK (by phone): Okay.
16 Maybe if I do it this way. Is this a little bit
17 better?

18 MR. LUKE JOHNSTON: It sounds -- that
19 sounds fine. Thanks.

20 MS. CHARLOTTE MEEK (by phone): Okay.
21 MPI's application has indicated that the motorcycle
22 class will receive an exten -- a -- a rebate from
23 Extension, but are not eligible for the rebate from
24 Basic. Is that correct?

25 MR. LUKE JOHNSTON: That's correct.

1 MS. CHARLOTTE MEEK (by phone): Okay.
2 And MPI's application provides an explanation of the
3 Capital Management Plan, or the CMP, and this is on
4 page 15 of the MPI application.

5 And MPI indicates that where there is a
6 balance of the RSR, or the Rate Stabilization Reserve
7 exceeds the 100 percent MCT, that a capital release is
8 triggered under the Capital Management Plan.

9 Is that correct?

10 MR. LUKE JOHNSTON: That's -- that's
11 correct in the traditional way the -- the Capital
12 Management Plan is -- is used. That's right.

13 MS. CHARLOTTE MEEK (by phone): Right.
14 And that usually comes as a relief of the excess
15 capital incrementally over a number of years in the
16 form of reduced premium rates for insured.

17 Is that correct?

18 MR. LUKE JOHNSTON: That's right.

19 MS. CHARLOTTE MEEK (by phone): And
20 you'd agree with me that the rate reduction through
21 the Capital Management Plan would be applied to all
22 the major classes proportionally, correct?

23 MR. LUKE JOHNSTON: That's correct,
24 but just to -- just to be clear, the -- the main
25 assumption of the Capital Management Plan is that

1 everyone's contributing equally to that benefit.

2 So there is -- in -- in -- for Basic
3 insurance, everyone is priced to break even, and the
4 Capital Management Plan assumes that any surcharges or
5 rebates should be collected equally.

6 This special rebate does not meet those
7 assumptions. The amount saved by MPI right now can be
8 identified to a specific group and time period, which
9 would -- is not the case when we, for example, earn --
10 earn more income than we expect on the -- our equity
11 portfolio, or -- or something like that.

12 So that's the reason for the unique
13 treatment in this case.

14 MS. CHARLOTTE MEEK (by phone): Right.
15 So MPI is -- is focussing on the additional excess
16 income from the March 15th to the May 15th period?

17 MR. LUKE JOHNSTON: Yeah. So to put
18 it simply, if -- since this rebate is -- is purely
19 based on claims reductions from the pandemic, or
20 assumed claim reductions, if the pandemic did not
21 occur, MPI's forecast would not be impacted by the 58
22 million, in -- in theory, and no one would get this
23 rebate, including motorcycles.

24 MS. CHARLOTTE MEEK (by phone): Right.
25 And so in -- in the application that MPI submitted,

1 they've submitted that the proposed rebate is
2 tantamount for a release under CMP, but -- but what
3 they're suggesting is that instead of a gradual relief
4 in the form of premium reductions, that MPI is
5 proposing that the rebate be offered in a lump sum
6 capital release.

7 Is that correct?

8 MR. LUKE JOHNSTON: That's right, and
9 -- and we -- we talked a little bit this -- at this --
10 the prehearing conference, I believe, that the best
11 method to -- to provide relief would have been to
12 simply cut rates at -- at the time. So say at the
13 beginning of April, we knew the situation we were in.
14 We could say, you know, we're really confident that
15 the -- the rates for the month of April can be 40
16 percent lower, for example, and -- and do that.

17 And that would obviously provide a -- a
18 very direct and obvious benefit to the people at that
19 time. That's very complicated with -- with policy
20 years overlapping, and -- and rate approval processes.
21 That was seen as a -- something that would take a long
22 time and be very complex.

23 MS. CHARLOTTE MEEK (by phone): Right.

24 MR. LUKE JOHNSTON: So the -- the
25 decision was made to attempt to quantify the rebate

1 and -- and give it to the same customers that would
2 have got a rate decrease at that time, if we were able
3 to do that.

4 MS. CHARLOTTE MEEK (by phone): Right.
5 So had a rate decrease been provided, that would have
6 been provided across all motorcyc -- or all vehicle
7 classes?

8 MR. LUKE JOHNSTON: If we could have
9 done a rate decrease, it would have been provided --
10 yeah, not -- not having done it, I can't see a
11 compelling reason why we would have excluded certain
12 classes from decreased rates.

13 The -- the message we're saying here
14 for motorcycles is motorcycles do not actually pay
15 insurance premiums in March and April, so we could
16 give discounted rates, but there is no rates being
17 paid, so by definition, that would -- would be zero.

18 MS. CHARLOTTE MEEK (by phone): Right.
19 And I -- and I understand MPI's position about the
20 period of time that we're talking about, but just to
21 confirm, had the relief been done under the normal
22 process with the Capital Management Plan of a relief
23 in the form of premium reductions, it would have been
24 across vehicle -- all vehicle classes?

25 MR. LUKE JOHNSTON: Yes. Like, if

1 this had flown through the RSR, that -- and followed
2 the Capital Management Plan, then -- then it
3 definitely would have followed that process.

4 What we're saying here is this -- this
5 is very special circumstances, and -- and utilizing
6 that process at this time, we're asking to pause that
7 and provide immediate rebate to the customers impacted
8 right now.

9 MS. CHARLOTTE MEEK (by phone): Okay.
10 And -- and the intention is, here, I understand from
11 MPI, is -- is in order to get money into the hands of
12 Manitobans who are struggling due to the economic
13 impacts of COVID-19 more quickly, correct?

14 MR. LUKE JOHNSTON: That is the
15 intention, but to do it in an equitable way, so --

16 MS. CHARLOTTE MEEK (by phone):
17 Correct.

18 MR. LUKE JOHNSTON: -- you know, if
19 the -- we are not providing a relief to snowmobiles,
20 or any other seasonal vehicle that isn't operating at
21 this time. So the -- the release of capital with a
22 rebate isn't just a cheque. It is tied to -- to risk
23 and -- and the reductions from the classes that we
24 believe have -- have reduced risk. And our
25 expectation, of course, coming to the PUB, is that --

1 that we have to provide evidence that we're rebating
2 as equitably as possible, and that's -- that's what
3 we're -- we're doing, here.

4 MS. CHARLOTTE MEEK (by phone): Okay.
5 And so you've kind of alluded to this already, but in
6 providing this rebate, MPI has required that it be
7 based on Basic premium that are in force and earning
8 premium as of March 15, 2020, correct?

9 MR. LUKE JOHNSTON: Correct.

10 MS. CHARLOTTE MEEK (by phone): All
11 right. And MPI has provided kind of two (2) reasons
12 as to why the motorcycle class has been disqualified
13 for the Basic rebate. If we can go to page 23 of the
14 application, the top of the page.

15

16 (BRIEF PAUSE)

17

18 MS. CHARLOTTE MEEK (by phone): Sorry,
19 mine's being a bit slow, here. I'm just going to wait
20 a minute to see where we are.

21 MR. LUKE JOHNSTON: I -- I didn't hear
22 that, sorry.

23 MS. CHARLOTTE MEEK (by phone): Sorry.
24 I'm just saying my -- my presentation screen is -- is
25 being a bit slow. I'm not sure if everybody can see

1 the page right now.

2 MR. LUKE JOHNSTON: I can see page 23,
3 if that's --

4 MS. CHARLOTTE MEEK (by phone): Okay.
5 Good. Okay. That just might be my computer being a
6 little bit slow. Okay.

7 So there are two (2) reasons that MPI
8 has provided. The first reason, I'm going to just
9 give a summary here, is that there are only few
10 motorcyclists on the road during the two (2) month
11 period that has been identified from March 15th to May
12 15th, coupled with the fact that MPI defines the
13 riding season for motorcyclists as May 1st to
14 September 30th.

15 Is that fair?

16 MR. LUKE JOHNSTON: That is fair, and
17 -- and that is -- is not paying premiums during March
18 and April.

19 MS. CHARLOTTE MEEK (by phone): Okay.
20 And the second reason is that MPI is indicating that
21 motorcycle premiums are only earned by MPI during the
22 riding season, which falls between May 1st and
23 September 30th.

24 Is that fair?

25 MR. LUKE JOHNSTON: That's right.

1 MS. CHARLOTTE MEEK (by phone): Okay.
2 So if we just look at that first reason first, would
3 you agree that based on weather and road conditions of
4 this year and in 2020, motorcyclists were likely on
5 the road for at least half of the identified period?
6 So from about April 15th to May 15th?

7 MR. LUKE JOHNSTON: Would some
8 motorcycles have been on the road this -- there's --
9 I've definitely been passing them in the last few
10 days. So the -- yes, there would be motorcycles on
11 the road.

12 But again, MPI is saying we can't
13 refund premium that wasn't paid. There's nothing paid
14 in those months.

15 And so there's -- there's no evidence
16 of a financial loss in terms of a premium, even if
17 there were relatively minor changes to claims
18 frequency.

19 MS. CHARLOTTE MEEK: Okay, but in
20 terms of risk, you would acknowledge that
21 motorcyclists were riding, potentially from as early
22 as April 17th onwards.

23 MR. LUKE JOHNSTON: I'm sorry, I
24 couldn't make out that question. If you could repeat
25 it, please?

1 MS. CHARLOTTE MEEK: Sure.

2 In terms of -- of the risk factor that
3 MPI is covering, motorcyclists were on the road from
4 the period of April 17th onwards.

5 MR. LUKE JOHNSTON: There's definitely
6 been motorcycles on -- on the road at this time.
7 There's no question about that.

8 We do talk in the rate application,
9 like outside of what I mentioned already on premiums,
10 the vast majority of motorcycles are insured as
11 pleasure use as well. So that's another reason why we
12 couldn't anticipate significant -- or at least not the
13 same reductions in frequency from motorcycles relative
14 to -- to vehicles that are used to go to work every
15 day.

16 But that is not the basis for the
17 exclusion per -- for one and two. It does rely on the
18 fact that motorcycles aren't paying premium at that
19 time.

20 MS. CHARLOTTE MEEK: Right. But part
21 of the reason that MPI is -- is excluding
22 motorcyclists is because one (1) of the reasons is
23 that there are fewer motorcyclists on the road during
24 that time and they're suggesting that the riding
25 season is defined as May 1st onwards.

1 But you'd agree with me that the riding
2 season, being defined as May 1st to September 30th
3 does not actually indicate when motorcyclists would be
4 on the road, and weather permitting, the riding season
5 could be much earlier than that.

6 MR. LUKE JOHNSTON: I don't -- I have
7 no issue with motorcycles being on the road. Again,
8 if -- if there was any premium being paid in these
9 months and there was some logic to giving a discount
10 on the premium paid for motorcycles, and we were able
11 to do that, we -- we would. But there's no premium
12 being paid, so it's hard for me to give a -- a
13 discounted premium to something that's not being paid
14 at all.

15 MS. CHARLOTTE MEEK: And there's a
16 distinction there between premiums paid and premiums
17 earned, right? You're talking about motorcyclists not
18 actually paying any premium at all?

19 MR. LUKE JOHNSTON: Sorry, I'm really
20 struggling to hear. I'm doing my best, but I --

21 MS. CHARLOTTE MEEK: Oh, I apologize,
22 I'll try and speak up.

23 You're -- you're using the terminology
24 "premium paid," and there's an -- a distinction
25 between premiums paid by the insured and premiums

1 earned by MPI. Am I correct in saying that?

2 MR. LUKE JOHNSTON: In general earning
3 premiums mean that you owe MPI money and you have to
4 pay it at some point.

5 So paid and earned are -- are very
6 similar. The -- you would -- someone might pay their
7 insurance policy for the entire year, last year, and
8 then earn the premium 300 -- for 365 days.

9 So that's the distinction. So we don't
10 -- that's why we don't look at the day you paid. We
11 look at whether you're actually earning and -- and if
12 -- if the vehicle is in force and earning premiums on
13 that day, that means you are -- you are paying money
14 for using the vehicle on that day.

15 MS. CHARLOTTE MEEK: Right. So an
16 earned premium is kind of an accounting methodology
17 that is used by insurance companies that, as you say,
18 it's not based on when the premium is collected, it's
19 deemed unearned at that time.

20 But once the insurance company covers
21 the risk period, then it would be deemed, in an
22 accounting perspective, as an earned premium once that
23 risk period has expired. Would that be fair to say?

24 MR. STEVEN SCARFONE: Ms. Meek, I
25 heard your question but Mr. Johnston is -- is

1 struggling to hear you.

2 MS. CHARLOTTE MEEK: Okay.

3 MR. STEVEN SCARFONE: I understand
4 you're asking for the clarification between an earned
5 premium and a paid premium, is that --

6 MS. CHARLOTTE MEEK: Yeah.

7 MR. LUKE JOHNSTON: So perhaps another
8 way to look at this -- the only reason motorcycles
9 have seasonal earnings is because of a program that we
10 created, I believe with the help of CMMG, to have
11 seasonal rating.

12 MS. CHARLOTTE MEEK: Right.

13 MR. LUKE JOHNSTON: In -- in the past
14 if a motorcyclist wanted to ride their motorcycle in
15 March, they would come in and they'd have to pay for
16 March premium, the same as any other month, and have
17 to guess when the season was going to start, for
18 example.

19 But they would have to pay. We do the
20 seasonal earnings to avoid motorcyclists having to
21 have that hassle of guessing when the season is going
22 to start and we picked May to September to earn the
23 premiums.

24 So in theory you can essentially ride
25 for free in those outside months, and without having

1 to pay a premium.

2 If seasonal rating wasn't here, if a
3 motorcyclist wanted to ride in early April, they would
4 come in and pay for April. And on that basis if --
5 sure, if we saw reductions from claims due to the
6 pandemic and monies being paid, earned, then there may
7 be some logic to a rebate.

8 But that -- that isn't the case.

9 MS. CHARLOTTE MEEK: Right. And --
10 and part of the reason that the earned premium as
11 defined by MPI as May 1st to September 30th, is it
12 partly because MPI is wanting to match the recognition
13 of revenue with the timing of the incurred loss?

14 MR. LUKE JOHNSTON: In a -- in a
15 general sense, yes. The dates are selected as to
16 reflect when a -- a typical full-season rider would
17 have -- you know, would always have their bike
18 insured.

19 I recognize that not every motorcyclist
20 does that. But it -- again, it takes away the guess
21 work outside of the kind of shoulder months where it
22 may be warm or it may not be, and just allows a
23 motorcyclist to just renew once and -- and -- and earn
24 the premiums in that period.

25 And then they can drive as much as they

1 want outside the period at no cost.

2 MS. CHARLOTTE MEEK: Right. So as
3 well as it being a convenience for motorcyclists
4 themselves, and that we don't have to come in and earn
5 or renew our premiums, you know, in the shoulder
6 seasons when we're not sure of what the weather is
7 going to be, this is also an internal accounting
8 decision made by MPI to match the -- the revenue with
9 the timing of incurred losses as to when motorcyclists
10 are most likely to be on the road.

11 MR. LUKE JOHNSTON: It is an attempt
12 to charge premiums when the exposure occurs.

13 MS. CHARLOTTE MEEK: Thank you.

14 MR. LUKE JOHNSTON: That is true.

15 MS. CHARLOTTE MEEK: So -- so part of
16 MPI's reasoning, as you've explained, is that MPI has
17 not yet earned the premiums because the premiums are
18 only earned in May to September, and therefore
19 motorcyclists should not qualify for the rebate. Is
20 that correct?

21 MR. LUKE JOHNSTON: That's true. The
22 logic for the rebate is the estimated \$58 million in
23 claims reductions from vehicles at that time. And we
24 -- again, vehicles earning and paying premium at that
25 time, and we don't believe there is logic to include

1 vehicles that are not -- that are, you know, off-
2 season vehicles, such as motorcycles, snowmobiles, or
3 other ORVs, things like that.

4 MS. CHARLOTTE MEEK: Right. So it's -
5 - it's to make up for the reduction of claims costs
6 between March and May, and so because MPI has not
7 earned premiums on motorcycles at that time, they're
8 being excluded at this time?

9 MR. LUKE JOHNSTON: Correct. We're
10 not earning premiums and there's not a -- an
11 expectation or evidence that motorcycles are
12 contributing at this magnitude during that period
13 because they're not, in general, either paying premium
14 or exposed at this level.

15 I -- I agree with you, motorcyclists
16 are on the road today. But again, that is not
17 something that they're paying for directly in this --
18 at this time.

19 MS. CHARLOTTE MEEK: I'm -- you'd
20 agree with me, Mr. Johnston, that MPI has not
21 technically earned premiums for any other vehicle
22 class, up to and including the May 15th, 2020 date, as
23 of yet?

24 MR. LUKE JOHNSTON: As of yet, we have
25 not. But obviously being a monopoly and having a --

1 the entire vehicle population, it's a -- it's a pretty
2 strong assumption to -- to assume that for the most
3 part vehicles will continue to earn.

4 MS. CHARLOTTE MEEK: Okay. You'd
5 agree with me, Mr. Johnston, that the riding season is
6 not in any way representative of the coverage offered
7 or the service provided by MPI in the sense -- if I
8 can rephrase that.

9 MPI still covers motorcycles for the
10 entire year, not just the riding season?

11 MR. LUKE JOHNSTON: I believe you said
12 motorcycles are covered for the entire year if they
13 keep their policy enforced, not just the riding
14 season, if that's true --

15 MS. CHARLOTTE MEEK: Yes.

16 MR. LUKE JOHNSTON: -- yes, that's
17 true.

18 MS. CHARLOTTE MEEK: And motorcyclists
19 are still paying premiums outside of the riding
20 season, in the sense of premiums are still being
21 collected by MPI, but they are not deemed earned until
22 the riding season. Is that correct?

23 MR. LUKE JOHNSTON: I can't recall how
24 we do the -- the financing. But it -- it definitely
25 would not surprise me if -- if financing plans and

1 such resulted in premiums being paid out of the actual
2 riding season.

3 MS. CHARLOTTE MEEK: Sorry, when you
4 say "premiums paid" out of the actual riding season,
5 do you mean paid by the individual insured, or do you
6 mean earned by MPI?

7 MR. LUKE JOHNSTON: My apologies.

8 Paid can definitely occur outside of
9 the riding season, which is also the earning --
10 earning period. If -- if that helps.

11 MS. CHARLOTTE MEEK: I'm -- I'm sorry.
12 Maybe I'm -- I'm not clear.

13 Insureds are still paying premiums
14 throughout the entire year, but MPI is not deeming
15 those premiums earned until the -- the riding season.
16 Is that accurate?

17 MR. LUKE JOHNSTON: That's true. But
18 just to give a really extreme example, I'm not saying
19 this happens, but in -- in theory you could put a
20 motorcycle in force on November 1st and cancel it on
21 April 30th and pay nothing.

22 MS. CHARLOTTE MEEK: Right. As could
23 any other vehicle class?

24 MR. LUKE JOHNSTON: Yeah. So the
25 earning period is -- is there for a reason. But yes,

1 you can -- you can pay your premiums outside of the
2 earning period.

3 But if you don't drive in the earning
4 period, we will not charge you for the earning -- the
5 premiums only come due to extend your in force during
6 that earning period.

7 MS. CHARLOTTE MEEK: Right. And --
8 and similar to the vehicle class, an individual could
9 pay their premium in full at the beginning of the
10 year, and MPI would not deem that premium earned until
11 each month passes throughout the year.

12 Is that accurate?

13 MR. LUKE JOHNSTON: That's right, but
14 again the bill is due based on the days that you earn.
15 Whether you pay it today or tomorrow or twelve months
16 ago, if you're in force and earning, you -- you're
17 owing MPI money for that day of use.

18 MS. CHARLOTTE MEEK: Okay. So
19 motorcyclists, just to clarify, are fully covered
20 throughout the entire year and MPI is obligated to pay
21 out any losses incurred during any time of the year?

22 MR. LUKE JOHNSTON: If they continue
23 to have a -- a policy, yes.

24 MS. CHARLOTTE MEEK: Okay. And as I -
25 - as I indicated, I did receive the responses to the

1 pre-asks and I'd like to just have some follow-up
2 questions if -- if that's okay, if time is permitting?

3 THE PANEL CHAIRPERSON: Yes, please
4 proceed.

5 MS. CHARLOTTE MEEK: Thank you. And I
6 -- we -- we can maybe start with MPI exhibit number 6,
7 so this is CMMG Pre-Ask 1. So we can just focus on
8 the chart at the bottom of the page.

9 So the request was that MPI provide the
10 motorcycle numbers for this figure. And I'm just
11 noting that the last column of this figure hasn't been
12 provided.

13 Is there -- is there any reason as to
14 why that number was not able to be provided, or was it
15 just a -- an issue of time?

16 MR. LUKE JOHNSTON: So you -- you
17 believe there should be a column 7 there, is that what
18 you're asking?

19 MS. CHARLOTTE MEEK: Yes. If we go to
20 page 22 of page 27 of the application, on figure 13 at
21 the bottom of the page there's a seventh column there
22 that gives you the average dollar rebate for policies
23 enforced on March 15th, 2020, which seems to be
24 excluded from the figure that was provided.

25 And I'm just wondering if there's any

1 reason as to why that was excluded.

2 MR. LUKE JOHNSTON: My apologies, I
3 don't know why that would have been excluded.

4 MS. CHARLOTTE MEEK: Okay, but we have
5 most of the other numbers.

6 MR. LUKE JOHNSTON: We'll make sure we
7 update the record if -- if necessary.

8 MS. CHARLOTTE MEEK (by phone): Thank
9 you. And -- and if I -- if we could go back to
10 Exhibit 6, please, Kristen. If we go to page 2.

11 MR. STEVEN SCARFONE: Ms. Meek, if I
12 could just interject, just so the record is clear --

13 MS. CHARLOTTE MEEK (by phone): Sure.

14 MR. STEVEN SCARFONE: -- I know that
15 your -- the responses to your client's pre-asks are
16 marked as such on the screen, but just for ease of
17 reference, MPIC this morning marked the responses to
18 your client's pre-asks all together as Exhibit Number
19 2.

20 MS. CHARLOTTE MEEK (by phone): Oh, I
21 understand. Okay, so all of the -- the pre-ask
22 questions from CMMG are Exhibit 2?

23 MR. STEVEN SCARFONE: Yes, and then --
24 so you can just refer --

25 MS. CHARLOTTE MEEK (by phone): Oh, I

1 apologize.

2 MR. STEVEN SCARFONE: -- to Exhibit 2
3 and then -- and then the specific pre-ask number.

4

5 CONTINUED BY MS. CHARLOTTE MEEK:

6 MS. CHARLOTTE MEEK (by phone): I
7 understand. Thank you for clarifying that.

8 So just to clarify the record here, we
9 are on Exhibit Number 2, Pre-Ask 1. If we can go to
10 page 2 of that, I think that's where we were.

11 So the first point that MPI has made is
12 that the motorcycle class has no in-force policies.
13 So that's not quite accurate. There are policies that
14 are in force; they are just not earning premium as of
15 March 15th, 2020, as we've previously discussed.

16 MR. LUKE JOHNSTON: Yeah, I think to -
17 - to -- to get this accurate, you have to read their
18 -- the rest of the sentence. So "no in-force policies
19 earning premium" -- that is the -- that's the
20 statement, yeah.

21 MS. CHARLOTTE MEEK (by phone): Right.

22 MR. LUKE JOHNSTON: Yeah.

23 MS. CHARLOTTE MEEK (by phone): So if
24 we took out "earning premium," it would be accurate to
25 say that there are in-force policies.

1 MR. LUKE JOHNSTON: Yes. Yeah,
2 there's -- there's -- there's in-force policies.
3 That's true.

4 MS. CHARLOTTE MEEK (by phone): Thank
5 you. And again, I think we've talked about this, and
6 I don't know if the Board requires further
7 clarification, but maybe I'll just my exhibits that
8 I've prepared anyway.

9 The second point on this page indicates
10 that motorcycle major classes do not contribute
11 significantly -- significantly to the lower claims
12 frequency between March 15th and May 15th. And if we
13 could just go to CMMG Exhibit 1, please.

14

15 (BRIEF PAUSE)

16

17 MS. CHARLOTTE MEEK (by phone): And
18 just for reference here, this is a Twitter update of,
19 like, a Winnipeg traffic Twitter account, and if you
20 scroll gradually down for me, Kristen.

21 It goes -- starts from April 29th, and
22 it goes back. It doesn't have every single day, but
23 it provides some idea of the road conditions
24 throughout the two (2) weeks prior to today, and
25 demonstrating that the roads are clear, so would be

1 reasonable for motorcyclists to be out on the road.

2 There's no ice or snow on the road. Is that correct?

3 MR. LUKE JOHNSTON: I've seen
4 motorcyclists out, so yeah, that's a decision for them
5 to make, but if they think it's safe, sure.

6 MS. CHARLOTTE MEEK (by phone): Sure.

7 MR. LUKE JOHNSTON: Yeah.

8 MS. CHARLOTTE MEEK (by phone): Thank
9 you, Kristen. And if we could go to CMMG Exhibit 2.

10 And this is just to give us an idea of
11 what the temperature ranges are from about the 17th
12 onwards, so that's exactly where we need to be.

13 And there are only three (3) days that
14 are below 11 degrees Celsius, which would indicate
15 that it was warm enough weather for some motorcyclists
16 to be on the road. Would you agree?

17 MR. LUKE JOHNSTON: Again, that's --
18 that's -- that's a choice, but plus 14 -- I don't see
19 why motorcyclists couldn't ride in plus 14, sure.

20 MS. CHARLOTTE MEEK (by phone): Thank
21 you.

22 MR. LUKE JOHNSTON: Yeah.

23 MS. CHARLOTTE MEEK (by phone):
24 Kristen, if we could just go back to Exhibit 2, then,
25 please.

1 MR. STEVEN SCARFONE: So Ms. Meek,
2 just to -- sorry, it's Steve Scarfone again. Sorry to
3 interject.

4 MS. CHARLOTTE MEEK (by phone): Okay.

5 MR. STEVEN SCARFONE: Earlier, you
6 asked Mr. Johnston a question that was premised on a
7 date that I believe you said was April 17.

8 MS. CHARLOTTE MEEK (by phone): Yeah.

9 MR. STEVEN SCARFONE: So is that --
10 are these exhibits that you're making reference to --
11 are those from the basis of that date that you've put
12 to Mr. Johnston?

13 MS. CHARLOTTE MEEK (by phone): Yes.
14 So from the 17th of April to the end of the month,
15 there are only three (3) days where the temperature
16 high was not above 11 degrees.

17 And then the other photograph provides
18 evidence from the 17th of April onwards demonstrating,
19 obviously, not every day, but for a majority of the
20 days, clear road conditions that don't have any snow
21 or ice on the road, which I would submit make it
22 reasonable that motorcyclists could be riding. And I
23 believe Mr. Johnston agreed with me somewhat on those
24 facts.

25

1 (BRIEF PAUSE)

2

3 MS. CHARLOTTE MEEK (by phone): So if
4 I could just go back again -- sorry, Kristen -- to
5 Exhibit 2. We're just at the second page. Perfect.
6 Thank you.

7 So the third point here is that MPI is
8 saying that they cannot confirm that the same volume
9 of policies in the motorcycle class will be in force
10 between May 1st and May 15th, given the current
11 environment. And so that's implying that it's
12 possible that people might cancel their policies.

13 Is that correct?

14 MR. LUKE JOHNSTON: That's true.
15 Motor -- motorcyclists, as I'm sure you're aware, have
16 -- have different needs and affordability of -- of --
17 of insurance and such, so most of these vehicles are
18 registered as pleasure. If there was financial
19 hardship, it would not shock me if someone chose to
20 not insure their motorcycle for a certain amount of
21 time just to save on premiums.

22 MS. CHARLOTTE MEEK (by phone): Right,
23 but you would agree with me that this similarly -- is
24 similar to the vehicle class. You cannot confirm that
25 the same volume of policies will be in force in the

1 future.

2 MR. LUKE JOHNSTON: Yeah, for any veh
3 -- I think I heard the question. For any vehicle, I
4 can't absolutely confirm that -- that the policy will
5 be in force on -- on May 15th. That's true, if that
6 was the question.

7 MS. CHARLOTTE MEEK (by phone): Okay.
8 Okay. I'm just reviewing some of these other pre-
9 asks. I think I've covered a number of these points.

10 If we could go to Exhibit 2, Pre-Ask
11 Number 3, please, Kristen.

12

13 (BRIEF PAUSE)

14

15 MS. CHARLOTTE MEEK (by phone): Maybe
16 you could just tell me when you're there. My
17 computer's being a little bit slow. Is it up on the
18 screen now?

19 MR. LUKE JOHNSTON: Sorry, I -- I can
20 see the question, yes.

21 MS. CHARLOTTE MEEK (by phone): Okay,
22 great. So the -- this question was asked in relation
23 to the implementation strategy that MPI had outlined
24 in their application and the cost of implementation of
25 this -- this proposed rebate. And in the second

1 sentence of this response, MPI has indicated that:

2 "MPI would expect to incur
3 additional costs to print and mail
4 cheques to its customers in the
5 motorcycle class."

6 Wouldn't it be fair to say, Mr.
7 Johnston, that MPI is already printing cheques and
8 mailing cheques to those motorcyclists with Basic
9 policies under the Extension rebate?

10 MR. LUKE JOHNSTON: Yeah, like, this
11 is a very literal description. Obviously, if we pay
12 any amount of additional cheques, there's a
13 incremental cost. The -- I don't want to make anybody
14 think that this is a massive cost. Obviously, as per
15 your point, it's the -- it's the same queries.

16 There -- there would be, relative to
17 the -- the queries we have today, this would set us
18 back a little bit to change it. Obviously, we're
19 pursuing on the basis of approval.

20 So if -- if anything was changed to
21 include or modify the query in any way, I believe the
22 current estimate is about a week if -- if we're using
23 the same queries and then possibly as much as two (2)
24 weeks if it was a totally different idea, just to --
25 just in approximate terms.

1 MS. CHARLOTTE MEEK (by phone): Okay.

2 And you'd agree with me, Mr. Johnston, that the
3 motorcycle class, similarly to any other vehicle
4 class, would have suffered the economic impacts of the
5 COVID-19 pandemic?

6 MR. LUKE JOHNSTON: Again, we're not
7 trying to pay a rebate here as an attempt to quantify
8 any kind of personal suffering. What MPI does is it
9 collects premiums and pays claims. We have evidence
10 that these -- the premiums we've collected are quite a
11 bit more than necessary for the claims that were
12 reported in this period.

13 We've done a calculation of those
14 savings and tried to rebate that -- those funds to the
15 customers that we think most equitably deserve those
16 amounts because they've overpaid on premiums at that
17 time.

18 MS. CHARLOTTE MEEK (by phone): Okay.
19 Thank you very much, Mr. Johnston. Those are my
20 questions.

21 MR. LUKE JOHNSTON: Thank you.

22 THE BOARD CHAIR: Sorry, Mr. Johnston,
23 just as a follow-up. My understanding is that MPI's
24 proposing to send out one (1) cheque representing the
25 Basic rebate and the Extension rebate for -- for

1 customers. Is that correct?

2 MR. LUKE JOHNSTON: That's right.
3 We'll be -- merge the two (2) queries and -- and into
4 cus -- it will -- won't be about vehicles. It'll be
5 about policyholders. We could have, you know, two
6 (2), three (3), five (5), whatever policies -- or,
7 vehicles on the policy.

8 THE BOARD CHAIR: Thank you.

9 THE PANEL CHAIRPERSON: Thank you.

10 Mr. Unfried, are you on the line?

11

12 (BRIEF PAUSE)

13

14 THE PANEL CHAIRPERSON: Oh, okay. I
15 propose that we take a break for a few minutes and
16 give you a chance to have a glass of water. So can we
17 get back here at 10:55 -- no, 10:50. How's that?

18 MR. STEVEN SCARFONE: That's fine,
19 Madam Chair. Thank you.

20 MS. CHARLOTTE MEEK (by phone): Thank
21 you, Madam Chair.

22 MR. CURTIS UNFRIED (by phone): Hi,
23 good morning, Madam Chair. I am here listening.

24

25 --- Upon recessing at 10:35 a.m.

1 --- Upon resuming 10:50 a.m.

2

3 THE PANEL CHAIRPERSON: Thank you,
4 everyone. I wondered if we could, before we get going
5 again, just do a -- a roll call for who is back on.
6 So the two (2) panel members Robert Vanderwater and
7 Carol Hainsworth, are you both on?

8 MR. ROBERT VANDERWATER (by phone):
9 Yeah, Rob Vanderwater. I'm here.

10 MS. CAROL HAINSWORTH (by phone): I'm
11 -- I'm --

12 THE PANEL CHAIRPERSON: Okay. Thank
13 you.

14 MS. CAROL HAINSWORTH (by phone): --
15 Carol Hainsworth. I'm here.

16 THE PANEL CHAIRPERSON: Thank you.
17 Ms. Meek...?

18

19 (BRIEF PAUSE)

20

21 THE PANEL CHAIRPERSON: Mr.
22 Unfried...?

23

24 (BRIEF PAUSE)

25

1 THE PANEL CHAIRPERSON: Okay, we will
2 proceed. Ms. McCandless...?

3

4 CROSS-EXAMINATION BY BOARD COUNSEL:

5 MS. KATHLEEN MCCANDLESS: Thank you,
6 Madam Chair. And this morning, MPI filed a number of
7 responses to pre-asks that were sent on behalf of the
8 Board yesterday, so thank you for that.

9 The majority of our questions that have
10 been answered and already put on the record, so I -- I
11 just have some follow-up in terms of what ground was
12 covered by Mr. Williams and Ms. Meek this morning.

13 Before I do that, though, just a couple
14 matters of housekeeping. So first, I'll address these
15 questions to you, Mr. Johnston.

16 Would you accept that the Corporation
17 bears the onus of proof to substantiate the rebate
18 application?

19 MR. LUKE JOHNSTON: We do.

20 MS. KATHLEEN MCCANDLESS: Thank you.
21 And the Corporation bears the onus of establishing
22 that the proposed rebate is just and reasonable?

23 MR. LUKE JOHNSTON: Yes.

24 MS. KATHLEEN MCCANDLESS: Thank you.

25

1 (BRIEF PAUSE)

2

3 MS. KATHLEEN MCCANDLESS: Now MPI
4 Exhibit number 4 is the response to PUB-MPI pre-ask
5 number 3. And we'll just have it up on the screen for
6 your reference. Ms. Meek did have a number of
7 questions for you, Mr. Johnston, with respect to the
8 motorcycle treatment in the rebate application.

9 So if we could go to that Exhibit
10 number 4, please, Kristen.

11

12 (BRIEF PAUSE)

13

14 MS. KATHLEEN MCCANDLESS: So the
15 questions here that were asked of MPI were:

16 "a) What portion of the motorcycle
17 riding season falls within the March
18 15th to May 15th period, and b)
19 Please indicate how MPI could
20 recognize this within the RSR rebate
21 proposal."

22 And then we see that the response at a)
23 below, there are one hundred and fifty-three (153)
24 days in the riding season between May 1, 2020, and
25 September 30, 2020. The fifteen (15) days between May

1 1, 2020, and May 15, 2020, represents approximately 10
2 percent of the riding season, yes?

3 MR. LUKE JOHNSTON: That's right.

4 MS. KATHLEEN MCCANDLESS: And then MPI
5 at b) says it's unable to recognize this within the
6 rebate application, because it cannot predict how --
7 how many -- I think that should read "many" --
8 motorcycle policies will be in force and earning
9 premium on May 1, 2020, and to whom those policies
10 will be issued, yes?

11 MR. LUKE JOHNSTON: That's right, and
12 we -- we admitted that that's true for any vehicle.
13 Motorcycles, again, I want to emphasize about 90
14 percent of these are pleasure use, and much of what
15 we're talking about now is the inability to go to
16 work, school, daycare, et cetera.

17 This is a -- a different population
18 where almost all the vehicles are pleasure, so it
19 isn't obvious how someone might behave given the
20 vehicle -- a pleasure use is generally like an
21 optional use. You don't need it to go to work, so
22 they -- it's quite possible they can cancel premium.

23 MS. KATHLEEN MCCANDLESS: In terms of
24 the earning period in this application, what
25 proportion of the earning period applies for all

1 vehicles other than motorcycle?

2

3 (BRIEF PAUSE)

4

5 MR. LUKE JOHNSTON: I'm just trying to
6 understand the question.

7 So in a general sense, by saying in
8 force and -- and earning premium on March 15th, we're
9 excluding all vehicles with seasonal type -- type
10 earnings. The -- I'm trying to think offhand if
11 there's -- what types could be different than
12 motorcycles, but the vast majority of vehicles would
13 earn uniformly over that period, again, motorcycles or
14 RVs being some of the obvious exceptions.

15 MS. KATHLEEN MCCANDLESS: Right. So
16 in terms of the earning period for all vehicles other
17 than motorcycle, my math would say that that -- the
18 earning period is 16.7 percent.

19 Subject to check, would you agree with
20 that?

21 MR. LUKE JOHNSTON: I see. If -- if
22 you're taking approximately sixty (60) days, and
23 dividing by three sixty-five (365), then I'll --
24 subject to check, that's fine.

25 MS. KATHLEEN MCCANDLESS: Thank you.

1 And the proportion that would apply to motorcycles
2 would be 10 percent as compared to the 16.7 percent?

3 MR. LUKE JOHNSTON: The math in -- in
4 part A is the -- that -- that stretch of time reflects
5 that -- that exposure period.

6 Again, just -- not to overemphasize
7 this, but we are looking at observed claims reductions
8 or observed reduced exposure for impacted vehicles
9 over stretch of time. At -- at this point in time, I
10 have no evidence to support that motorcycles will see
11 a 60 percent frequency reduction.

12 So when we say "earned," we -- we -- we
13 mean exposure. It's not clear, and I have no way of
14 providing evidence to support that motorcycles would
15 see 10 percent of their riding season have a 60
16 percent reduction in frequency.

17 MS. KATHLEEN MCCANDLESS: Okay. And
18 so that 60 percent, I think you're -- just for the
19 purposes of clarification, that's the ratio of 10
20 percent to 16.7 percent, correct? So the earning
21 period for motorcycles versus all other vehicles?

22 MR. LUKE JOHNSTON: Purely on
23 earnings? Yes. Yeah.

24 MS. KATHLEEN MCCANDLESS: And so maybe
25 just to clarify again, so then my understanding is

1 that motorcycles, bearing in mind that ratio, has 60
2 percent of the exposure that all other vehicles do?

3 MR. LUKE JOHNSTON: In normal times.
4 So if -- in -- in the case of the rebate, we're
5 saying, it's not normal times. If normal exposure is
6 a hundred, we're seeing forty (40) in terms of costs.
7 That's why we're doing the rebate.

8 So just counting days, your math is --
9 is correct. Counting actual exposure to normal claims
10 costs on a break-even basis, not -- not -- it's not
11 equal. Yeah.

12 MS. KATHLEEN MCCANDLESS: MPI is
13 planning to give rebates to pleasure use private
14 passenger vehicles?

15 MR. LUKE JOHNSTON: That's true.

16 MS. KATHLEEN MCCANDLESS: And if MPI
17 does eventually see a -- a reduction in motorcycle
18 claims, is MPI looking at doing anything in the future
19 with respect to that?

20 MR. LUKE JOHNSTON: That's a good
21 question. So as we spoke this morning with Mr.
22 Williams, we'll definitely be continuing to track
23 this. The motorcyclists will -- if there is, say, for
24 example, slightly better experience, that would
25 obviously feed into their normal ratemaking

1 calculation, et cetera.

2 But yeah, we've no issue giving updates
3 on how the pandemic has impacted different vehicle
4 types as part of the GRA, IRs, for example. Again, we
5 only have basically one (1) month of actuals.

6 MS. KATHLEEN MCCANDLESS: Thank you.
7 And I -- I will have some more questions for you in a
8 moment. I just wanted to ask Mr. Giesbrecht one (1)
9 question in follow-up to the questions from Mr.
10 Williams about the Extension results.

11 I -- I gather that there may be an
12 adjustment to 2019/'20 results after the books are
13 closed until the financial statements.

14 Would that be accurate?

15 MR. MARK GIESBRECHT: That's true.

16 MS. KATHLEEN MCCANDLESS: So there may
17 be an adjustment in 2019'20 to transfer Extension
18 access that is not reflected yet in this application.

19 Would that be fair?

20 MR. MARK GIESBRECHT: There may be
21 additional excess capital that we flow back in
22 2020/'21, but not in the year 2019/2020.

23 MS. KATHLEEN MCCANDLESS: And now this
24 question is either for Mr. Johnston or Mr. Giesbrecht.

25 What -- what would MPI say is the key

1 or central evidence that the Board should be looking
2 to to ensure that granting the rebate sought would not
3 result in future rate increases to policyholders?

4 MR. LUKE JOHNSTON: So a -- a very
5 good question. So we've collected a -- a month of --
6 of data. The results are compelling. As you -- you
7 know, if you been here for years, collision frequency,
8 particularly outside of winter, is extremely stable.
9 To see weekly results come in at 40, 50, 60 percent
10 under budget is -- is obviously unheard of.

11 We have that money in hand,
12 essentially. The claims didn't -- didn't come in. We
13 have evidence, at least initially, that there wasn't
14 drastic changes in -- and, you know, everyone
15 cancelling their insurance.

16 We don't believe it's a -- a stretch to
17 suggest that we'll see reduced frequency for at least
18 a month. Recognize that we didn't go, you know, push
19 it out four (4) or five (5) months. We didn't think
20 that was appropriate. We obviously don't know when
21 this is going to -- going to end. But we thought an
22 extra month was definitely a reasonable assumption.

23 And then as you've seen now that you
24 have some of the actual results from '19/'20, MPI is
25 in a very strong financial position. If we were an

1 insurer that, for example, had a lot invested in the
2 stock market, and we really took a major hit, and the
3 MCT was in trouble, and -- and all -- and all of that,
4 this question would be -- the -- the whole rebate idea
5 would be a bit more difficult.

6 How -- how do we rebate when we're in -
7 - in dire straits, right? We're not in dire straits
8 at all. We're -- we have more -- excess funds in
9 Basic and Extension. So even if our projections are a
10 little bit off on premium or claims, it's not going to
11 put us in a -- in a detrimental position.

12 THE BOARD CHAIRPERSON: Sorry, can I
13 just ask a quest -- point of clarification.

14 Mr. Johnson, when you said you pushed
15 it out a month, is this the April 15 to May 15 period
16 you're talking about, or are you talking about a -- a
17 month from May 15th?

18 MR. LUKE JOHNSTON: So we have
19 evidence for that first month of March to April 15th--

20 THE BOARD CHAIRPERSON: Yeah.

21 MR. LUKE JOHNSTON: -- and then we
22 thought it was reasonable to do one (1) more.

23 THE BOARD CHAIRPERSON: Second month -
24 - this --

25 MR. LUKE JOHNSTON: Yeah.

1 THE BOARD CHAIRPERSON: -- it's the
2 assumed month?

3 MR. LUKE JOHNSTON: Yeah.

4 THE BOARD CHAIRPERSON: Okay. Thank
5 you.

6 MR. LUKE JOHNSTON: And to be clear,
7 we -- we know it's just not going to stay at the exact
8 same reduction for the next month. The reality is if
9 -- if -- say it's, you know, 50 percent reduction now,
10 it's going to start recovering a little bit, and
11 probably extend a little beyond May 15th. Like,
12 that's realistic.

13 But in -- in general, what we think --
14 we're comfortable with the two (2) months, and of
15 course, we'll report to the Board what's -- what's
16 actually happened as it does. Yeah.

17 MR. MARK GIESBRECHT: And I'll just
18 add to that -- that response. One (1) way of looking
19 at our ability to pay the rebate is again looking at
20 the tracking of our capital position and our MCT.

21 And if I just look back at the last
22 number of quarters and go back a couple years, at
23 February 2018, our Basic MCT was 44 percent. That
24 tracked -- at -- at February 2019, to 52 percent for a
25 slight improvement, then into this current fiscal

1 year, it grew to 87 percent after the first quarter,
2 and then it's hovered between eighty (80) and ninety
3 (90), kind of there -- thereon, and now in around to
4 the hundred percent range.

5 So -- and we're not forecasting that to
6 -- that to drop going forward, because the substance
7 of the rebate is based on claims savings assumed to
8 happen between that -- that period. And so we will
9 remain in a strong financial position post rebate.

10 MR. STEVEN SCARFONE: Ms. McCandless,
11 I think that was a good question, because you've got
12 all of our attention.

13 Just to assist the Board, I think the
14 evidence that -- in the application itself, if -- if
15 the Board was to look at page 16, lines 1 through 9,
16 that may also assist the Board in -- in getting that
17 confidence that the Board counsel has alluded to.

18 MR. LUKE JOHNSTON: One (1) -- one (1)
19 other piece I would add to that -- maybe I'll let you
20 read it first, but -- we -- we are about to come for
21 another application for the '21 rates, so you'll get a
22 -- an update on our position very soon. And as you
23 can tell by some of the projections right now that are
24 having MCT push into the 130 percent plus range, we're
25 not going to be asking for a rebuilding fee if we

1 filed today or anything even close to that. So that's
2 another source, I guess, of confidence that we can af
3 -- we can afford this.

4 MS. KATHLEEN MCCANDLESS: Mr.
5 Johnston, just one (1) follow-up to your response on
6 the -- the 60 percent issue with motorcycles. So MPI
7 has estimated a re -- reduction of about 60 percent
8 for all classes and territories combined, yes?

9 MR. LUKE JOHNSTON: Can you repeat
10 that?

11 MS. KATHLEEN MCCANDLESS: So in your
12 forecasting, you've estimated a reduction of about 60
13 percent in claims for all classes and territories
14 combined.

15 MR. LUKE JOHNSTON: My apologies.
16 Yes, so on a overall basis of vehicles on the road in
17 that stretch of time, there is about a 60 percent
18 frequency reduction in the March 15th to April 15th
19 period.

20 MS. KATHLEEN MCCANDLESS: How much
21 variation in that reduction would you estimate might
22 exist for certain territories or classes?

23 MR. LUKE JOHNSTON: We haven't gone to
24 that detail level. As you can appreciate, when we're
25 looking at very short spans of time, we start -- and

1 we -- if we were to try to parse in the hundreds of
2 different rating classification, that'd be a -- a very
3 messy exercise.

4 So our approach was, especially for
5 rebates, to use the broadest interpretation as
6 possible, and that -- given that as -- as an entire
7 fleet, our results were about 60 percent under budget
8 on frequency, that group we thought would be
9 appropriate to rebate to. And the only groups that we
10 excluded were ones that we -- we thought it was pretty
11 obvious that they were not part of that experience in
12 any way.

13 And again, it's nothing -- I don't have
14 any bad feelings for the motorcyclists or anything.
15 It's just they clearly weren't driving in March, and
16 they didn't contribute to that or pay any premiums, so
17 anyone that meets those kind of criteria, like
18 snowmobiles or other ORVs, aren't in the rebate as
19 proposed.

20 MS. KATHLEEN MCCANDLESS: So I think,
21 then, there's a recognition that not all territories
22 and classes may experience a similar reduction. There
23 -- there could be some variation, yes?

24 MR. LUKE JOHNSTON: Definitely. Like,
25 there's -- there's no way that this is perfectly the

1 same for every vehicle or territory. But on the
2 whole, of active vehicles, we know that it is 60
3 percent.

4 MS. KATHLEEN MCCANDLESS: And then
5 with respect to the Basic MCT, what would happen to
6 the MCT if the discount rate applicable to the pension
7 valuation dropped back down by 1 percent to the level
8 that it was previously at?

9 MR. MARK GIESBRECHT: I can give a
10 ballpark estimate. One (1) percent, subject to check,
11 I would say somewhere to the tune of \$100 million. It
12 -- so it is quite dramatic, and we have seen movement
13 in -- in interest rates since the end of March, and --
14 and that'll continue to -- to move.

15 It is a -- it's a long-term, you know,
16 valuation, and it is -- it's a unrealized paper
17 movement; however, it will impact the calculation of
18 the MCT if it goes up or down.

19 MR. LUKE JOHNSTON: If I -- if I can
20 just add to that, we have to be cautious not to look
21 at the pension valuation liability side in isolation,
22 so there are supporting assets. If you think about
23 our Basic claims portfolio, we've completely hedged
24 that portfolio for interest rates. Pension is not
25 completely hedged; it's about half fixed income.

1 So just -- Mr. Giesbrecht can chime in
2 if my numbers are off, but at a high level, 100
3 million would probably generate about a 50 million
4 offsetting impact on -- on fixed income related to the
5 assets backing the pension. So it's not one to one,
6 but a partial offset.

7 MR. MARK GIESBRECHT: Yes, I believe
8 about 40 percent would be roughly the hedge ratio.

9 MR. LUKE JOHNSTON: Thanks.

10 MS. KATHLEEN MCCANDLESS: Thank you.
11 Now, Mr. Johnston or Mr. Giesbrecht, either of you or
12 both of you may respond to this one. If this trend of
13 reduced claims continues, does MPI anticipate making
14 further adjustments later this year?

15 MR. LUKE JOHNSTON: So as mentioned,
16 we're -- we're finishing year end. We'll continue to
17 produce a monthly forecast for our executive and --
18 and -- and board and -- including up into and
19 including the -- what's probably the last possible
20 update would be about the September or so update for
21 the Public Utilities Board. So yeah, we'll continue
22 to stay on top of those.

23 The difficulty, depending on how long
24 this pandemic continues, will be, of course, how long
25 the claims savings continue or whatever other impacts

1 are -- are happening. To date, we've assumed that
2 next year is kind of back to normal, so hopefully
3 that's true.

4 But when we're doing rate making and
5 other calculations in the -- in the future, we're
6 probably going to have to look back at this period and
7 say, That's probably an outlier. Might need to
8 exclude that.

9 MS. KATHLEEN MCCANDLESS: Thank you.
10 And in terms of that monthly reporting to the board,
11 is that something that could be provided to the Board
12 -- the Public Utilities Board as well on an ongoing
13 basis?

14 MR. LUKE JOHNSTON: Yeah. Our
15 expectation was, at least through the IR process, it
16 would be reasonable -- you know, What's your latest
17 update on the rate indication? Especially given the
18 pandemic, we figured that would be a popular request,
19 so we've no issue providing those updates. It -- it's
20 about a month lag from the end of the month, just
21 recognizing all the -- every forecast has to be re --
22 redone.

23 MS. KATHLEEN MCCANDLESS: Thank you.
24 And if there is a trend of reduced claims, and MPI
25 were to make some sort of an adjustment, another one,

1 does MPI have in mind what mechanism it might use to
2 do so?

3

4 (BRIEF PAUSE)

5

6 MR. MARK GIESBRECHT: We'll have to
7 monitor how things evolve and -- and assess what is
8 the best cor -- course of action at that -- at that
9 point in time. We're hopeful that the pandemic is
10 starting to move in the right direction and things are
11 moving towards a new normal and a -- and a rebate like
12 this wouldn't be necessary.

13 But if things continue and there are
14 dramatic reductions in claims that continue for a
15 lengthy period of time, then it would -- we'd have to
16 consider an option like this again, potentially.

17 MR. LUKE JOHNSTON: The -- the
18 magnitude of the impact, obviously, is pretty
19 critical. You know, issuing a rebate for \$10 million
20 would -- wouldn't make a lot of sense. So we just
21 happen to be in a position right now where 100 million
22 or so is a sizeable amount that it makes sense to
23 issue seven hundred thousand (700,000) cheques.

24 But if we were to come here and say,
25 Okay, we'll only -- you know, we think maybe we're

1 going to make an extra \$10 to \$15 million, that --
2 it'd be tough to justify warranting a -- a rebate
3 cheque for such an amount. So it'd have to be pretty
4 substantial. That would -- that would be --

5 MS. KATHLEEN MCCANDLESS: Thank you,
6 and I apologize for jumping around. Just one (1) last
7 question. The valuation date for the pension, was
8 that March 31?

9 MR. MARK GIESBRECHT: Yes.

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

12 THE PANEL CHAIRPERSON: Thank you, Ms.
13 McCandless.

14 Mr. Gabor...?

15 THE BOARD CHAIRPERSON: I don't know
16 who I'm directing this to, but it'll either be Mr.
17 Johnston or Mr. Giesbrecht. Do you gentlemen know the
18 term "snowbirds"?

19 MR. LUKE JOHNSTON: I do. Like, so,
20 like, someone going down south for the winter?

21 THE BOARD CHAIRPERSON: Yeah, so I'll
22 -- I'll -- I'll define it as people who are not in
23 Manitoba during the period January 1st to March 31st
24 and are -- are down either in the United States or
25 some other place to avoid winter.

1 People buy insurance for the full year
2 but are away for the first three (3) months of the
3 year, so they're not driving their vehicle here. Are
4 they eligible for the rebate?

5 MR. LUKE JOHNSTON: So right now, if
6 in your example, they put their policy in for, say,
7 March 20th, and so they weren't here --

8 THE BOARD CHAIRPERSON: No, what I'm
9 saying is they're paying -- they're -- they're -- they
10 pay their premiums every year for the full year. It's
11 just that they're not driving their vehicle.

12 MR. LUKE JOHNSTON: I see. So yeah,
13 that kind of goes back to our inability to, you know,
14 fine tune every -- every rebate amount. If they were
15 paying and they participated in the 60 percent claims
16 reduction, we're saying, Yeah, you should get the
17 rebate.

18 THE BOARD CHAIR: Okay. If -- if you
19 could clarify something in relation to your
20 application, on page 19, there's a forecast 68.6
21 million capital transfer anticipated from Extension to
22 Basic. That didn't happen, correct?

23 MR. MARK GIESBRECHT: So as of
24 2019/'20, there has been no transfer at year end at
25 this point in time. That's correct.

1 THE BOARD CHAIR: Right. But at -- at
2 the time, there was -- there was going -- there was
3 anticipated to be one. There was an excess of 68.6
4 million above the 200 percent target, and under the
5 Capital Management Plan, anything above the 200
6 percent target would be transferred.

7 MR. MARK GIESBRECHT: So --

8 THE BOARD CHAIR: Is that correct?

9 MR. MARK GIESBRECHT: -- the -- the 68
10 is the forecasted amount to remain at the end of
11 2020/'21, which would flow through the normal course
12 of the CMP.

13 THE BOARD CHAIR: Okay. And instead,
14 there was a -- a decision made by the Corporation
15 supported by government that there would be a \$52
16 million rebate from Extension directly to customers.
17 Is that correct?

18 MR. MARK GIESBRECHT: Correct. That -
19 - and that was based on a forecast that was made at --
20 at a prior point in time.

21 THE BOARD CHAIR: Okay. I -- I'm
22 using very simple logic. Is there \$16 million in ex -
23 - in the Extension reserve that would not be there if
24 the transfer had occurred as of March 30th?

25 MR. LUKE JOHNSTON: So the -- we were

1 going to do a re-direct on this question, so maybe
2 I'll answer it any -- now. So Mr. Williams was kind
3 of implying that we had a whole bunch of Extension
4 money sitting there, in the tens of millions of
5 dollars. If you go -- not -- not to necessarily over-
6 complicate this, but EPF-3, which is page 15 of our
7 application -- sorry, of the exhibits, pardon me.

8 THE BOARD CHAIR: Okay. Sorry, 'E' --
9 EPF-3...

10 MR. LUKE JOHNSTON: So if you look in
11 the '19/'20 column, you'll see at the bottom of that
12 '19/'20 column, it says a 371 percent MCT ratio. If
13 we had followed the Capital Management Plan rules,
14 that would be 200 percent. So just really quick math,
15 if you look a line -- about one (1) line up, it says:

16 "Minimum capital required, 100
17 percent MCT."

18 Our minimum capital for Extension is
19 200 percent MCT, so that would mean we need about 75
20 million to maintain our 200 percent MCT ratio. If you
21 look above that, it says:

22 "Capital available, 139.7 million."

23 The difference between 139 and about 75
24 million is I think about 64 million, subject to check.
25 We're rebating 52 million of that, and then about an

1 extra 12 million will flow into the next year and re -
2 - be rebated as a part of the following year's full
3 transfer to Basic. Is that -- does that make sense?

4 THE BOARD CHAIRPERSON: Right. So I -
5 - I guess my point is that the difference is flowing
6 into the next year.

7 MR. LUKE JOHNSTON: Absolutely, yeah.
8 And no impact at all on the GRA because the -- all
9 monies would be transferred before the start of the
10 '20/'21 rating year.

11 THE BOARD CHAIRPERSON: Right. As I
12 take it, it may simply be a timing issue?

13 MR. LUKE JOHNSTON: Correct, yeah.

14

15 (BRIEF PAUSE)

16

17 THE BOARD CHAIRPERSON: Sorry, those
18 are my questions.

19 THE PANEL CHAIRPERSON: Ms.
20 Hainsworth, do you have any questions?

21 MS. CAROL HAINSWORTH (by phone): No,
22 I have no questions. Thank you.

23 THE PANEL CHAIRPERSON: Thank you.
24 Mr. Vanderwater...?

25 MR. ROBERT VANDERWATER (by phone):

1 No, I'm fine. Thanks very much.

2 THE PANEL CHAIRPERSON: Thank you. I
3 have one (1) point, just as a matter of clarification
4 so that I can confirm my understanding of this.

5 Page 16, to which you referred, Mr.
6 Scarfone, talked about the proposed rebate being
7 tantamount to a capital release under the CMP. That
8 capital release would be applicable to all vehicle
9 classes. Is that correct?

10 MR. LUKE JOHNSTON: Capital releases
11 would be applied equally on the assumption that,
12 again, we charge everyone breakeven rates. If we have
13 a good year, we assume that everybody contributed, so
14 that's why we do it that way, yeah.

15 THE PANEL CHAIRPERSON: Thank you.
16 Anything further? Mr. Scarfone...?

17

18 RE-DIRECT EXAMINATION BY MR. STEVEN SCARFONE:

19 MR. STEVEN SCARFONE: Thank you, Madam
20 Chair, just a few questions on redirect to both Mr.
21 Johnston and Mr. Giesbrecht.

22 Perhaps the -- the best place to start
23 is just to follow up on a question that was just put
24 to you, Mr. Johnston, from Mr. Gabor, on the excess
25 capital in the Extension reserve.

1 So if I'm understanding what you've
2 just went through on -- on page 15 of 15, is -- is
3 another way of putting that -- that after the proposed
4 rebate is paid out, it would -- there would be
5 approximately \$11 million left over in Extension?

6 MR. LUKE JOHNSTON: Approximate terms
7 recognizing that -- as Mr. Giesbrecht noted, we have
8 to close the books. So this is a -- is a forecast
9 incorporating everything that we know to the best of
10 our knowledge, those -- those -- the results will be
11 finalizing on the -- you know, crystalize that number,
12 but that's our current estimate.

13 MR. STEVEN SCARFONE: Thank you.

14 And then perhaps in response to -- in
15 further response to the -- the question that was put
16 to you by Board Counsel about how this Board can be
17 satisfied that there won't be further or any rate
18 increases in -- in future GRAs as a result of the
19 rebate being proposed, could you look at -- at the pro
20 formas PF3 and EF -- EPF3, so the pro formas for Basic
21 and the pro forma for Extension, and just indicate for
22 the Board how much total equity would be available
23 between those two after the rebate of \$110 million is
24 paid out?

25 MR. LUKE JOHNSTON: I'll let Mr.

1 Giesbrecht jump in if he wishes.

2 PF3, just in -- in simple terms on the
3 lines 18 and 19, you can see the -- you know, without
4 applying for any rate changes MCT is projected to rise
5 up to 172 percent. Obviously that'll never happen
6 because we'll make applications to bring it back to
7 100.

8 But one (1) thing when we had kind of
9 the initial call, MPI noted that the Board for the
10 first time would see just how good of a year MPI had
11 in 19/20, just as an example. I believe reported
12 claims were about \$114 million under budget in the
13 year, which is a remarkable result.

14 So we were going to be coming to this
15 CRA with a very -- very good results anyways. And the
16 pandemic situation, unfortunately for customers, but
17 not so much for us, has actually resulted in even
18 better results, so we really felt the need to -- to
19 act, given the amount of monies we had -- or we're
20 making from this situation.

21 MR. STEVEN SCARFONE: And Mr.
22 Giesbrecht, did you have anything to add to my
23 question to Mr. Johnston?

24 MR. MARK GIESBRECHT: No, I think the
25 numbers are quite clear that, you know, based on the

1 current run rates at the capital position as it stands
2 today, it's forecasted to -- to grow, had we not make
3 any changes in the future.

4 And so, that suggests that future rate
5 decreases might be available if the same trending
6 continues.

7 So again, all else equal, we had -- we
8 likely been coming, as Mr. Johnston alluded to, in
9 future GRAs for potential rate decreases. And so by
10 rebating \$58 million, which is predicated fully on
11 additional claim savings over and above what we've
12 already experienced, there will be no hindrance or
13 necessary rate increases going forward.

14 MR. STEVEN SCARFONE: Okay, and I just
15 wanted to confirm with you gentlemen, because you can
16 read these pro formas better than I can, but my
17 reading of them is that after the rebate of \$110
18 million, if you combine what's in PF3 and EPF3, there
19 would be an excess of \$600 million of total equity
20 available to the Corporation?

21 MR. MARK GIESBRECHT: Yes, it would be
22 in excess of 600 million, yes.

23 MR. LUKE JOHNSTON: And again, just to
24 be clear, this isn't the -- these forecasts include
25 all the rebates so that the -- they're not excluding

1 those numbers. This is -- if we did not rebate, you
2 could add that money to this forecast, to this already
3 very good forecast, so we're very strong position.

4 MR. STEVEN SCARFONE: A question for
5 Mr. Johnston following up on some questioning by Mr.
6 Williams at the CAC.

7 You recall, Mr. Johnston, that Mr.
8 Williams suggested to you that the proposed rebate
9 could be perceived as a good news story for MPIC?

10 MR. LUKE JOHNSTON: It -- it could. I
11 do think there's a -- a -- when MPI reports, you know,
12 we're 60 percent under budget on claims frequency, I
13 think there's -- I think expectation that MPI does --
14 does something about that.

15 So good news story or the right thing
16 to do, however you want to interpret it, agreed.

17 MR. STEVEN SCARFONE: And -- and that,
18 of course, would be the result of the return of some
19 premiums paid by customers during the rebate period.
20 Is that right?

21 MR. LUKE JOHNSTON: That's right.

22 MR. STEVEN SCARFONE: And so following
23 up on that, sir, the impact of the rebate or perhaps
24 better phrased, the pros and cons of the rebate, the
25 \$58 million rebate, if approved, won't obviously be

1 available to reduce the rates in future GRAs, correct?

2 MR. LUKE JOHNSTON: If we said you
3 know what, we don't really know what will happen
4 because of this pandemic situation and let's just wait
5 and see and allowed our -- our RSR to grow, it would -
6 - it would have come forward and propose that it's
7 been distributed through the -- the Capital Management
8 Plan.

9 We just felt that that length of time
10 was just unreasonable under the circumstances.

11 MR. STEVEN SCARFONE: Right. So if --
12 if the Board was to approve the Basic rebate of \$58
13 million, that money won't be applied to the 20/21 GRA
14 in the form of a rate decrease?

15 MR. LUKE JOHNSTON: That's right, and
16 -- and as you've heard a little bit today from -- from
17 motorcycles, for example, not -- not everybody likes
18 that application, like the way that's being applied.

19 So if there was a capital release
20 provision, it -- it -- yes, it would have gone to
21 everyone, motorcycles, ORVs, based on what was paid in
22 the previous year. That's a long lag.

23 On the opposite end of that spectrum,
24 if MPI had paid or distributed these funds through
25 lower premiums, that would have meant lower broker

1 commissions, for example, lower premium taxes, things
2 like that that are tied directly to premium.

3 So by not paying this out through a
4 premium reduction, brokers for example, save from
5 having to have lower commission in the following year.

6 MR. STEVEN SCARFONE: So, do I take
7 that to mean that a rate reduction would, like we saw
8 last year, would normally result in a reduction to
9 some of MPI's expenses?

10 MR. LUKE JOHNSTON: That's -- that's
11 right, to the extent that MPI pays any expenses that
12 are related to premium paid, premium tax and
13 commission would be the most obvious ones. There may
14 be some other on the financing side, but the two (2)
15 big ones would be brokers are about 3.2 percent, and
16 premium taxes are about 3 percent.

17 So by -- if we had done re -- capital
18 release provisions, we would not have had to pay those
19 -- those amounts.

20

21 (BRIEF PAUSE)

22

23 MR. STEVEN SCARFONE: If I could have
24 Exhibit 2, CMMG Pre-Ask number 3 back up on the
25 screen, please. Thank you, Kristen.

1 So council for the CMMG, Mr. Johnston,
2 brought your attention to this particular response.

3 I want to draw your attention to the
4 last paragraph of that response, which reads:

5 "Should the rebate calculation
6 methodology be material of change.
7 The additional time required to pull
8 data and revise the rebate
9 calculation for 700,000 customers
10 would likely mean delay in the
11 issuance of the cheques."

12 Firstly, is that the approximate number
13 of customers that MPIC has identified for a rebate?

14 MR. LUKE JOHNSTON: On an approximate
15 basis, yes.

16 MR. STEVEN SCARFONE: And so do I take
17 that to mean, sir, that if for example the motorcycle
18 class was included in the proposed rebate, that those
19 700,000 customers would have their rebate reduced?

20 MR. LUKE JOHNSTON: That's -- that's
21 right. And again, that's -- we're trying to
22 distribute the rebate as -- as fairly as possible.

23 The 58 million doesn't change in
24 totality whether you decide to include motorcycles or
25 other vehicles that are -- we're suggesting are not

1 applicable.

2 So yes, for every dollar that you pay
3 to a different excluded vehicle type, it's a dollar
4 less going to other customers.

5 MR. STEVEN SCARFONE: And to date,
6 sir, just to confirm, the motorcycle class hasn't
7 contributed any premiums to MPIC during the proposed
8 rebate period?

9 MR. LUKE JOHNSTON: To date no
10 premiums have been contributed. I get that there's a
11 -- an argument being made that at least part of the
12 season is in that 60 day period. But what we can say
13 is we have no evidence that motorcycles are
14 contributing to the massive rate -- or sorry, claims
15 frequency reduction today, and that's I guess the
16 secondary reason for excluding them, premium, not
17 paying premium for the majority of the period and no
18 evidence of participation in the -- the claim savings
19 would be the second one.

20 MR. STEVEN SCARFONE: Mr. Giesbrecht,
21 on page 6 of the application, page 6 of Exhibit 1, at
22 figure 2, Mr. Williams asked Mr. Johnston, I believe,
23 about the cancellation policies and customers that may
24 have put their vehicle on lay up insurance.

25 I understand, sir, that through Mr.

1 Johnston's response that some of those numbers weren't
2 yet finalized.

3 Do you have anything that you want to
4 add to what appears in Figure number 2?

5 MR. MARK GIESBRECHT: Yes. So we have
6 discovered that there were some errors in the initial
7 table that were provided. There -- there is no
8 meaningful change in any of the assumptions going
9 forward.

10 However, we should correct the record,
11 and so I do have the numbers that I can -- I can speak
12 into the record. With respect to cancellations in
13 2019, and I'll speak to week 12 and onward, in week 12
14 there were 3,297 cancellations, followed by 3,460,
15 3,454, 3,394, and 3,198.

16 And then cancellations for the year
17 2020, for those same weeks, were 3,252, 3,443, 3,704,
18 2,513, and 3,123.

19 And then moving to layups. For 2019,
20 beginning in week 12 we had 2,103, 2,746, 3,514,
21 3,671, 4,521.

22 And for week 12 of 2020, was 2,620,
23 3,671, 4,372, 3,701, and 4,632.

24 And so what this suggests is that
25 there's -- there's no meaningful change in the

1 cancellations from what we had previously reported.

2 On the layup side, there are a little
3 bit of a -- a larger year-over-year change; however,
4 I'm only talking a few thousand policies, and
5 therefore, it doesn't change in any meaningful way our
6 revenue forecasts.

7 MR. LUKE JOHNSTON: Just an additional
8 point on that. As you know, Basic -- the -- at least
9 the intent is to break even. As customers switch to
10 layup and buy Extension policies, those policies are
11 profitable. At least, they're sold with a profit
12 target in mind. So there is a little bit of interplay
13 between the two (2).

14 If -- if the two (2) lines of business
15 -- if more vehicles go on layup, MPI will likely make
16 more profit on Extension, and premiums will go down a
17 bit on Basic and up on Extension. That would simply
18 mean transferring more funds from Extension to Basic
19 at the end of the year. It's not -- by no mean a
20 perfect match, but if premiums are down a little bit
21 on Basic, there is a bit of a hedge on Extension.

22 MR. STEVEN SCARFONE: And Mr.
23 Johnston, again, dealing with the questions put to you
24 by Ms. Meek, the riding period, as I understand it,
25 commences May 1, correct?

1 MR. LUKE JOHNSTON: The earning period
2 for which we -- we start charging motorcycles a
3 premium, if they're in force, is May 1.

4 MR. STEVEN SCARFONE: And the proposed
5 rebate period before this Board ends May 15th. Is
6 that correct?

7 MR. LUKE JOHNSTON: That's right.

8 MR. STEVEN SCARFONE: And I know that
9 you indicated that it's -- the Corporation is not at
10 this time able to predict how many of those motorcycle
11 policies will be earning premiums in those last two (2)
12 weeks, but do you have any sense of what the claims
13 experience might be on a go-forward basis for the
14 balance of the rebate period?

15 MR. LUKE JOHNSTON: In terms of hard
16 evid --

17 THE BOARD CHAIRPERSON: Sorry, sorry,
18 the balance of the rebate period we're talking about
19 is two (2) weeks --

20 MR. STEVEN SCARFONE: Yes.

21 THE BOARD CHAIRPERSON: -- to May
22 15th?

23 MR. STEVEN SCARFONE: Yes, from --

24 THE BOARD CHAIRPERSON: Okay, no, I
25 just wanted to make sure. Okay.

1 MR. LUKE JOHNSTON: In terms of hard
2 evidence such as claims numbers, I don't -- obviously,
3 I don't have those 'cause it hasn't happened yet. The
4 -- again, I'll reiterate about -- I don't know if I
5 quoted this, but about 90 percent of motorcycles are
6 on pleasure use. It's not obvious to me what that
7 behaviour will look like.

8 You know, in -- in some ways, if you
9 are at home, it may give yourself more opportunity to
10 ride a motorcycle. The -- some of the -- you know,
11 the CMMG was showing pictures of roads and all of that
12 that you can drive. Well, that isn't really making
13 the case for reduced frequency. That -- if we're
14 making -- if the case is being made that lots of
15 motorcycles are out driving right now, that's kind of
16 a case against the fact that they're going to be 60
17 percent in frequency reduction.

18 I don't know that, but again, re --
19 recognizing that this vehicle group is about a 90
20 percent pleasure use, it's -- it's different, for
21 sure, and -- and yeah. Like, if -- well, we'll
22 obviously report on what ac -- what actually happens
23 with motorcycles, but intuitively, I have no reason to
24 believe they're going to be 60 percent under budget.

25

1 MR. STEVEN SCARFONE: And just give me
2 one (1) moment, Madam Chair. That may be all my
3 questions.

4

5 (BRIEF PAUSE)

6

7 MR. STEVEN SCARFONE: Thank you. I'm
8 sorry about that. Those are all the questions on re-
9 direct for MPIC.

10 THE PANEL CHAIRPERSON: Thank you, Mr.
11 Scarfone.

12 Mr. Gabor...?

13 THE BOARD CHAIRPERSON: Yeah, I've
14 just got one (1) issue related to your re-direct, Mr.
15 Scarfone, and I didn't make a note of it.

16 Can you go back two (2) pages -- can
17 you -- can you advise me where you were two (2) pages
18 ago, where it said -- you had the comment about seven
19 hundred thousand (700,000) people and that there would
20 be a delay in calculating...

21 MR. STEVEN SCARFONE: Sure.

22 THE BOARD CHAIRPERSON: I'm just
23 trying to...

24 MR. STEVEN SCARFONE: That was Exhibit
25 number 2, the Pre-Ask of the CMMG number 3.

1 THE BOARD CHAIRPERSON: Thank you.

2 Can you go there, Kristen? Right, thank you. Thanks
3 very much.

4 Mr. Johnston, has MPI already
5 calculated what the -- what the figures are for the
6 rebates to the individual policyholders?

7 MR. LUKE JOHNSTON: So yeah, the two
8 (2) queries have been built and are going through all
9 the checks. We're obviously trying to -- you know, if
10 this is approved, we're ready as quickly as possible.
11 And if it's not, then we'll -- we'll -- we'll have to
12 go back and -- and fix it, but we're pretty close.

13 Not -- that's purely from a -- a
14 numbers perspective. Actually printing cheques and
15 all that is a different story, but --

16 THE BOARD CHAIRPERSON: Yeah, that's a
17 different matter. But in terms of determining the
18 actual amounts per -- per policyholder.

19 MR. LUKE JOHNSTON: That's right,
20 yeah.

21 THE BOARD CHAIRPERSON: Okay. It says
22 here:

23 "Would likely mean delaying the
24 issuance by an unknown amount of
25 time."

1 I mean, are we talking -- if it's not
2 exactly those numbers and you have to make
3 adjustments, are we talking a few days? Are we
4 talking a week? Are we talking two (2) weeks? I
5 mean, "an unknown amount of time" really doesn't say -
6 - say much.

7 MR. LUKE JOHNSTON: Agreed.
8 Recognizing that these are -- are loose -- I'm not the
9 IT person by any means -- what I was told is if we're
10 essentially using the same queries and we wanted to,
11 you know, include a different group or something,
12 we're probably looking at a -- you know, a couple days
13 to re-run all that stuff. It takes computer time and
14 such. And then there's some IT time to run these
15 checks and tests and all that. And then that's
16 approaching a week.

17 THE BOARD CHAIRPERSON: The -- well,
18 the IT time to run the checks, you're going to need
19 anyways no matter what the numbers are.

20 MR. LUKE JOHNSTON: Sorry, I should
21 have clarified. In terms of just the -- the actual
22 calculation amount, so to run -- even just run the
23 systems at night to do these things so we don't eat
24 our computing power during the day, I'm told, takes a
25 couple days, and then there's a bunch of system

1 testing that has to make sure it's all correct before
2 proceeding to that next step. That's -- that appears
3 to be close to a week.

4 If it's a completely redesigned type of
5 rebate, then they were estimating that you're probably
6 going to lose about a week just figuring that out and
7 then another week to do all the things I just said
8 about the running it and testing and all that stuff,
9 so.

10 THE BOARD CHAIRPERSON: But the
11 running and testing, that -- sorry.

12 MR. LUKE JOHNSTON: Yeah.

13 THE BOARD CHAIRPERSON: The running
14 and testing week you have to do no matter what.

15 MR. LUKE JOHNSTON: Yeah.

16 THE BOARD CHAIRPERSON: So you're --
17 you're saying that you could, if -- if there's a
18 change in the numbers, it could cause up to a week of
19 delay, it sounds like.

20 MR. LUKE JOHNSTON: Yeah, recognizing
21 that we're doing it right now to hopefully save time,
22 yeah.

23 THE BOARD CHAIRPERSON: Right, okay.
24 Thank you.

25 MR. MARK GIESBRECHT: Just to add to

1 that, my understanding from our IT folks is that --
2 excuse me -- that it could be up to about two (2)
3 weeks. Again, it all depends on what the methodology
4 might look like, but I think worst case is two (2), no
5 more than three (3) weeks tops.

6 THE BOARD CHAIRPERSON: Yeah, okay.
7 Thank you.

8 THE PANEL CHAIRPERSON: Thank you,
9 everyone, for your participation here this morning.
10 We will reconvene tomorrow morning at 9:00 a.m. for
11 closing submissions. We're --

12 MS. CHARLOTTE MEEK (by phone): Madam
13 Chair, could I just interject for one (1) moment?
14 It's Charlotte Meek here.

15 THE PANEL CHAIRPERSON: Oh, hello.
16 Sure.

17 MS. CHARLOTTE MEEK (by phone): I
18 apologize. I -- I just noted that one (1) of the CMMG
19 pre-asks, the Pre-ask number 5, wasn't responded to by
20 MPI, and I'm only just noticing that now.

21 I'm wondering if that was just
22 inadvertent or if there isn't a response, because if
23 there is, I would like it to be included with the
24 exhibit of all the other CMMG pre-asks.

25

1 (BRIEF PAUSE)

2

3 THE PANEL CHAIRPERSON: Mr.

4 Scarfone...?

5 MR. STEVEN SCARFONE: Ms. Meek, yes,

6 I'm told by Mr. Giesbrecht that we can provide that

7 response to you and --

8 MS. CHARLOTTE MEEK (by phone): Okay,

9 and -- and then it can be included in the exhibit as

10 well so that I can use it?

11 MR. STEVEN SCARFONE: Yes.

12 MS. CHARLOTTE MEEK (by phone): Thank

13 you very much.

14 MR. STEVEN SCARFONE: Yes. So I might

15 only add, Madam Chair, just following up on the

16 comments of Mr. Gabor and Mr. Johnston's evidence

17 that, you know, things are happening in the works, as

18 it -- as it were.

19 And it may be a little presumptuous.

20 There's a lot for the panel to digest, but the

21 Corporation would like the -- the panel to give some

22 consideration to -- perhaps, if they are satisfied, of

23 issuing an Order off the bench, with reasons to

24 follow. So that's just something that the Board might

25 take away for consideration.

1 THE PANEL CHAIRPERSON: We will
2 certainly consider that, yes. Thank you.

3

4 --- Upon adjourning at 11:44 a.m.

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7 Certified Correct,

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11 Donna Whitehouse, Ms.

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