



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
2022/2023 GENERAL RATE APPLICATION
HEARING

Before Board Panel:

Irene Hamilton - Board Chairperson
Robert Gabor, Q.C. - Board Chair
Michael Watson - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 12, 2021
Pages 1 to 292

1 APPEARANCES
2
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16 Chris Klassen (by Teams))
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20 Charlotte Meek (By Teams)) CMMG
21 Doug Houghton (by Teams))
22
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1	LIST OF EXHIBITS	
2	EXHIBIT NO.	DESCRIPTION
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9		July 7, 2021.
10	MPI-3	Part VIII - EAR - Attachment B -
11		Actuary report - July 7, 2021
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13		Scorecards (Redacted) - July 7, 2021
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15		2021
16	MPI-6	MPI 2022 Special Rebate Application -
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18	MPI-7	Part VIII - AR - Appendix 1 - Universal
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9	MPI-11	Part V - Claims incurred - Blackline	
10		and Clean CAC (MPI) 1-71 - August 17,	
11		2021	
12	MPI-12	Part V - Expenses Appendix 19 (Fig EXP	
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15	MPI-13	Part VII - Rate Stabilization	
16		Reserve Appendix 2 - Blackline and	
17		Clean CAC (MPI) 1-92 - August 17, 2021.	
18	MPI-14	Part V - Expenses Appendix 13 -	
19		Blackline and Clean PUB (MPI) 1-15 -	
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6	MPI-17	Part VI - Driver Safety Rating Appendix
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12	MPI-19	MPI letter to PUB re Round I
13		Information Request responses - August
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15	MPI-20	CAC-MPI_1-43 revised - August 20, 2021.
16	MPI-21	TC-MPI 1-18 revised - August 20, 2021
17	MPI-22	CAC-MPI 1-4 Attachment A (Confidential)
18		- August 25, 2021
19	MPI-23	Part VIII - Annual report - Appendix 5
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10		15, 2021	
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12		2021	
13	MPI-29	TC-MPI 11-9 revised - September 24,	
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17	MPI-31	MPI-TC Intervener evidence Information	
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19	MPI-31-1	MPI-TC Intervener evidence Information	
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6		service standards - loading suggested.
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8		VFH - PUB Order 148/04 - normal
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11	MPI-31-4	MPI-TC Intervener evidence Information Requests (1-8) - September 28, 2021.
12		VFH - similar driving risk - driver
13		profile.
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15	MPI-31-5	MPI-TC Intervener evidence Information Requests (1-8) - September 28, 2021.
16		VFH - comparison between passenger VFH
17		insurance use and public major class.
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20		VFH - serious loss.
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12	MPI-34	Part VIII - AR - Appendix 2 - notes to
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15	MPI-35	Part VIII - AR - Appendix 5 - 2020
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17	MPI-36	Part VIII - AR - Appendix 4 - quarterly
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20	MPI-37	MPI rate update 2022 GRA Appendix 1 -
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22	PUB-1	Notice of public hearing and prehearing
23		conference - June 26, 2021
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25		practice and procedure

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4	PUB-4	PUB letter to all parties re: MPI
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6		MFRs and IR template - MPI 2022/23 GRA
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9		qualifications - MPI 2022/23 GRA - June
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11	PUB-6	Board Order 56/21 - Manitoba Public
12		Insurance - internal procedural order
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14		2022 General Rate Application for
15		compulsory 2022/23 driver and vehicle
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18	PUB-7	Board Order 76/21 - Manitoba Public
19		Insurance Corporation (MPI or The
20		Corporation): Procedural Order for the
21		2022/23 General Rate Application
22	PUB-8	PUB-MPI Round I Information Requests
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6	PUB-8-2	PUB-MPI Round I Information Requests	
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14		Management Plan.	
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21		interest rate impacts.	
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20		initiative allocation.
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19		(1-47) - August 30, 2021. Financial	
20		overview - Corporate expenses.	
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5		Hire - Ratemaking.	
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8		capital management plan.	
9	PUB-10-6	PUB-MPI Round II Information Requests	
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13		(1-47) - August 30, 2021. Investments/	
14		ratemaking - financial forecast -	
15		interest rate impact.	
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12		stabilization reserve - Capital	
13		Management Plan.	
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15		(1-47) - August 30, 2021. Rate	
16		stabilization reserve - capital	
17		management plan - capital release.	
18	PUB-10-14	PUB-MPI Round II Information Requests	
19		(1-47) - August 30, 2021. Rate	
20		stabilization reserve - indicated	
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22		provision.	
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6		plan - MCT ratio.	
7	PUB-10-16	PUB-MPI Round II Information Requests	
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9		stabilization plan - capital management	
10		plan - MCT target.	
11	PUB-10-17	PUB-MPI Round II Information Requests	
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13		portfolio - Major asset classes.	
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15		(1-47) - August 30, 2021. Investment	
16		portfolio - Major asset classes -	
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18	PUB-10-25	PUB-MPI Round II Information Requests	
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20		- operational efficiency benchmarking.	
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22		(1-47) - August 30, 2021. Benchmarking	
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6		comparison to relative peers.
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18		Wong and Jeff Crozier).
19	CMMG-2	CMMG-MPI Round I Information Requests
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1 --- Upon commencing at 9:06 a.m.

2

3 THE PANEL CHAIRPERSON: Good morning,
4 everyone. I am Irene Hamilton, the Chair for this
5 Panel of the Public Utilities Board. I now call this
6 2022 Manitoba Public Insurance Corporation General
7 Rate Application (AUDIO ISSUES).

8 Sorry. If we could just pause for a
9 moment. There's somebody on Teams who's not muted.
10 Would everybody please mute. Thank you.

11 I now call this 2022 Manitoba Public
12 Insurance Corporation General Rate Application and
13 2022 Special Rebate Application hearing to order.

14 The Board acknowledges that we are
15 gathered on ancestral lands, Treaty 1 Territory, the
16 traditional territory of the Anishinaabe, Cree, Oji-
17 Cree, Dakota, and Dene peoples, and the homeland of
18 the Metis Nation.

19 I am joined by two (2) other Board
20 members in this hearing: Board Chair Robert Gabor and
21 Board Member Michael Watson. Also with us today are
22 Darren Christle, secretary to the Board, and Kristen
23 Schubert, judicial hearing assistant who will manage
24 our electronic document system.

25 Wendy Woodworth is our reporter.

1 Transcripts of this hearing will be recorded by Digi-
2 Tran and made available on our website.

3 MPI has applied to the Public Utilities
4 Board for approval of its premiums to take effect
5 April 1st, 2022. This hearing will be conducted in
6 accordance with the provisions of the Crown
7 Corporations Governance and Accountability Act, the
8 Public Utilities Board Act, and the Board's Rules of
9 Practice and Procedure. These rules are available for
10 review on the Board's website.

11 In its application, MPI provisionally
12 sought a 2.8 percent overall decrease in Basic vehicle
13 premium revenue for the 2022/'23 insurance year. This
14 overall rate decrease was calculated in accordance
15 with accepted actuarial practice and was based on the
16 naive interest rate forecast as at March 31st, 2021.

17 On April 5th, 2021, MPI filed an
18 updated final rate indication with the Board. The
19 updated rate request is for an overall rate decrease
20 of 1.2 percent calculated in accordance with accepted
21 actuarial practice and based on interest rates as at
22 August 31st, 2021.

23 This updated rate request includes the
24 removal of the 5 percent capital release provision
25 approved by the Board in Orders 146/20 and 1/21

1 following the 2021 General Rate Application.

2 On July 19th, 2021, MPI filed the 2022
3 Special Rebate Application with the Board based on
4 actual and projected savings from March 31st, 2021, to
5 September 30th, 2021.

6 At the time that it filed the Special
7 Rebate Application, MPI estimated the total amount of
8 the rebate to be \$202 million. Based on updated
9 actual results to July 31st, 2021, on October 5th, MPI
10 increased its requested rebate by \$133 million for a
11 total request of \$335 million.

12 The 2022 General Rebate -- General Rate
13 Application and the Special Rebate Application have
14 been consolidated and are being heard together
15 pursuant to Board Order 107/21 issued on October 4th,
16 2021.

17 MPI is not seeking any changes to
18 miscellaneous permits and certificates, driver
19 premiums, Basic service and transaction fees, or fleet
20 rebates and surcharges. MPI is applying for changes
21 to vehicle discounts through the Driver Safety Rating
22 System, primarily increases on the discounts applied
23 to DSR merit levels plus ten (10) to plus fifteen
24 (15).

25 We will begin the hearing on each day

1 at nine o'clock and adjourn at approximately 4:00 in
2 the afternoon. Each day will include a mid-morning
3 lunch and mid-afternoon break.

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

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

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

23 The Board takes its obligations and
24 mandate of protecting the public interest very
25 seriously. We are concerned not only with the short-

1 term economic impact of MPI's operation on ratepayers
2 and MPI itself, but also the fairness of that impact
3 on MPI's long-term fiscal and operational well-being.

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

8 In its procedural order of 76/21,
9 issued following the pre-hearing conference which took
10 place on July 9th, 2021, the Board approved a final
11 issues list for this hearing.

12 In accordance with that Order, the
13 Board looks forward to hearing evidence and
14 submissions from the parties with respect to the
15 following issues which are before the Board, among
16 others: the rate and rebates sought by MPI; the
17 requested changes to vehicle discounts under the
18 Driver Safety Rating System; MPI's financial position
19 including its financial forecasting accuracy and
20 projected financial results; MPI's Capital Management
21 Plan; MPI's expenses and cost containment efforts;
22 MPI's claims forecasting and runoff of prior years'
23 claims; benchmarking conducted by MPI; MPI's
24 investment portfolio performance; the Vehicles for
25 Hire class; MPI's IT expense -- expenses and projects;

1 and the ongoing operational and financial impact of
2 COVID-19 on MPI's financial results, rate-making
3 approach, and Capital Management Plan for the '22 --
4 2022/'23 and 2023/'24 rating years and beyond.

5 We trust the participants at this
6 hearing will be mindful of cost effectiveness and will
7 employ a cooperative approach, the common goal being
8 to put forward useful evidence to assist the Panel in
9 reaching sound decisions on the matters before it.

10 We have significant and complex issues
11 before us, and I am confident that we will all
12 approach this process with a view to benefitting the
13 public interest.

14 This year, we are again conducting
15 these hearings with the challenge of the COVID-19
16 pandemic. Given the current public health orders in
17 place, in-person attendance for this hearing is
18 restricted to no more than ten (10) people, with all
19 others participating via the Board's hearing room IT
20 infrastructure.

21 All individuals attending in person in
22 the hearing room must be fully vaccinated against
23 COVID-19 and are to wear masks at all times except
24 when speaking on the record. We thank the parties and
25 their counsel for their coordinated efforts in

1 ensuring compliance with public health requirements.

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

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

13 In addition to matters of housekeeping,
14 first, please ensure that all cell phones are off or
15 on mute throughout the hearing.

16 Second, all parties and their
17 representatives and consultants should be aware that
18 the Board's hearing -- hearings are live streamed
19 through a link accessible on the Board's website. As
20 such, for the benefit of the public, the use of
21 acronyms is to be discouraged. It will assist the
22 public's understanding of the issues and evidence if
23 acronyms are avoided.

24 I will now call upon Ms. McCandless for
25 introductions, followed by the introductions by MPI

1 and the Interveners. Ms. McCandless will then give
2 her introductory remarks, after which I will call upon
3 MPI and the Interveners to provide their opening
4 remarks. We will then proceed with the swearing in of
5 the first MPI panel and commence the evidentiary
6 portion of this hearing.

7 Ms. McCandless...?

8 MS. KATHLEEN MCCANDLESS: Thank you,
9 Madam Chair. Good morning. Good morning to members
10 of the Panel and to counsel and to anyone following
11 along on the live stream.

12 I'm Kathleen McCandless, Board counsel,
13 and with me to my right is my co-counsel Robert
14 Watchman, to my left, co-counsel, Kara Moore. Also
15 following along remotely is the Board's actuarial
16 advisor, Blair Manktelow.

17 And the Board accounting advisors,
18 Roger Cathcart and Kevin Yang, are also in attendance
19 today just not in the Hearing room. Thank you.

20 MR. ANTHONY GUERRA: Good morning,
21 counsel -- or good morning, counsel, and to, also, the
22 members of the panel. Anthony Guerra, counsel for
23 MPI, speaking, as well, this morning. And I will
24 introduce my colleague, Mr. Steve Scarfone.

25 MR. STEVE SCARFONE: Yes. Good

1 morning. Steve Scarfone, counsel for MPIC.

2 THE CHAIRPERSON: Ms. Dilay...?

3 MS. KATRINE DILAY (on Teams): Good
4 morning, panel members, PUB staff and advisors, MPI
5 representatives, Interveners, and members of the
6 public.

7 My name is Katrine Dilay. I'm a lawyer
8 with the Public Interest Law Centre, and we represent
9 the Manitoba branch of the Consumers' Association of
10 Canada in this proceeding.

11 I can indicate that my co-counsel, Mr.
12 Chris Klassen is also listening in, as well as the
13 executive director of CAC (Manitoba), Gloria Desorcy.
14 Thank you.

15 THE CHAIRPERSON: Thank you. Ms.
16 Meek...?

17 MS. CHARLOTTE MEEK (on Teams): Good
18 morning, Board members, MPI executive counsel,
19 Intervener counsel, and members of the public, as well
20 as those who are joining remotely today.

21 My name is Charlotte Meek, of the firm
22 BD Oakes Jardine Kaneski UnRuh LLP, and I appear on
23 behalf of the Coalition of Manitoba Motorcycle Group.
24 I believe Mr. Doug Houghton is also listening in
25 today.

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

3 MR. ANTOINE HACAULT (on Teams):
4 Bonjour, Madam Chair, members of the panel, all
5 counsel and participants and people listening on the
6 public platform.

7 My name is Antoine Hacault, of Thompson
8 Dorfman Sweatman. And we represent the Taxi Coalition
9 in these Hearings.

10 THE CHAIRPERSON: Thank you. Mr.
11 Guerra, would you please introduce your witnesses?

12

13 (BRIEF PAUSE)

14

15 MR. ANTHONY GUERRA: Sorry, Madam
16 Chair. Today we have one (1) witness who will be
17 presenting after our opening remarks, and that is our
18 President and CEO, Mr. Eric Herbelin, who will be
19 presenting later on this afternoon.

20 And then we'll have different members
21 of our panels who we'll introduce on the respective
22 days of their testimony.

23 MR. ANTHONY GUERRA: Madam Chair, just
24 one (1) point of clarification. I noticed you
25 indicated that after the opening statements, MPIC

1 would be calling its first witness.

2 Will there be public presentations
3 before MPIC calls Mr. Herbelin?

4 MS. KATHLEEN MCCANDLESS: I could -- I
5 will walk through that in that my opening --

6 MR. ANTHONY GUERRA: Okay. Thank you.

7 MS. KATHLEEN MCCANDLESS: --
8 submissions. Okay.

9 THE PANEL CHAIRPERSON: Ms.
10 McCandless...?

11

12 OPENING SUBMISSIONS BY MS. KATHLEEN MCCANDLESS:

13 MS. KATHLEEN MCCANDLESS: Thank you.
14 Good morning. As Madam Chair noted, Manitoba Public
15 Insurance is applying to the Public Utilities Board
16 for approval of premiums to be charged with respect to
17 compulsory vehicle insurance for the insurance year
18 2022/'23.

19 The rates would take effect April 1st,
20 2022, to March 31, 2023. By way of special rebate
21 application filed on July 19, 2021, and now
22 consolidated with the General Rate Application, MPI is
23 applying for a rebate of \$335 million of actual and
24 projected savings from March 31, 2021, to September
25 30, 2021, based on actual financial results to July

1 31, 2021.

2 In its General Rate Application filed
3 on June 28, 2021, MPI provisionally sought an overall
4 rate decrease of 2.8 percent. Following an update to
5 the rate indication based on interest rates as at
6 August 31, 2021, on Tuesday October 5th, MPI filed
7 with the Board an updated rate request for a decrease
8 of 1.2 percent.

9 The rate request includes the removal
10 of the 5 percent capital release approved by the Board
11 in Orders 146/20 and 1/21.

12 MPI has also asked this Board do
13 approve changes to vehicle discounts through the
14 Driver Safety Rating system, mainly through increases
15 on the discounts applied to DSR merit levels plus ten
16 (10) to plus fifteen (15).

17 MPI has not requested any changes to
18 other fees or discounts.

19 With respect to the evidence filed in
20 this proceeding, I note that there were six (6) PUB
21 exhibits entered on the record at the pre-hearing
22 conference in this matter which was held on June 30,
23 2021.

24 Those were Exhibit PUB 1, the notice of
25 public hearing and pre-hearing conference dated June

1 26, 2021, Exhibit PUB 2, the Board's rules of practice
2 and procedure, Exhibit PUB 3, the proposed hearing
3 time table for the General Rate Application.

4 Exhibit PUB 4 was a letter from Dr.
5 Christle to MPI and all prospective Interveners dated
6 June 28, 2021, with attachments.

7 Exhibit PUB 5 was a letter from Dr.
8 Christle to MPI and all prospective Interveners dated
9 June 28, 2021, regarding the pre-qualification process
10 for expert witnesses.

11 And Exhibit PUB 6 was the Board's
12 interim procedural Order 76/21 dated May -- May 17,
13 2021.

14 In addition, I would now ask to enter
15 the following exhibits. Exhibit PUB 7 will be the
16 Board's procedural Order 76/21 dated July 15, 2021,
17 with appendices which order approved the final issues
18 list for this GRA.

19 Exhibits PUB 8-1 to PUB 8-90 are the
20 Public Utilities Board First Round Information
21 Requests and responses to those requests.

22 Exhibit PUB 9 is MPI's public responses
23 to the Public Utilities Board First Round commercially
24 sensitive Information Requests, CI-14 and CI-115.

25 Exhibits PUB 10-1 to 10-47 are the

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

3 Exhibit PUB 11 is the reminder notice
4 of public hearing dated September 4, 2021.

5 Exhibits PUB 12-1 to 12-7 are the PUB
6 Information Requests of the Consumers Association of
7 Canada, Manitoba Inc., and the Consumers'
8 Association's responses to those requests.

9 Exhibits PUB 13-1 to 13-10 are the PUB
10 Information Requests of the Taxi Coalition and the
11 Taxi Coalition's responses to those requests.

12 And PUB Exhibit 14 is Board Order
13 107/21 regarding MPI's request for confidential
14 treatment of certain documents and information in this
15 GRA and for consolidation and hearing together of the
16 GRA and the special rebate application. And that
17 Order was dated October 4, 2021.

18 We circulated this morning copies of
19 the book of documents of PUB counsel and would ask
20 that be entered as PUB Exhibit 15.

21

22 --- EXHIBIT NO. PUB-15: Book of documents of PUB
23 counsel

24

25 MS. KATHLEEN MCCANDLESS: And those

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

5 The background to the rate and rebate
6 applied for, MPI's financial position, MPI's capital
7 management expenses and claims forecasting,
8 benchmarking conducted by MPI, MPI's investment
9 portfolio performance and a composition of the
10 portfolio, MPI's IT expenses and projects, Vehicles
11 for Hire, the Driver Safety Rating system, and the
12 affect of COVID-19 on MPI's financial results, as well
13 as other topics that may arise.

14 I will now refer to the procedural
15 outline which was distributed this morning and is on
16 the screen before you beginning at the bottom of the
17 first page and running into the second page, in
18 particular, where the order of matters to be heard is
19 reflected.

20 Please note that MPI will be putting
21 forward issue specific witness panels as it has done
22 in recent GRAs.

23 At item number 3 on page 2 of the
24 procedural outline is the first MPI witness. We will
25 hear from MPI's Chief Executive Officer, Eric

1 Herbelin, later on today.

2 We also have three (3) presenters
3 scheduled today beginning after the lunchbreak at 1:15
4 p.m.

5 Then beginning tomorrow we will move to
6 the revenues, expenses, and rate update panel and the
7 benchmarking panel.

8 And then at items 6 and 7 on the list
9 we see that we will hear from the MPI IT Value
10 Management Project Nova panel. Any commercially
11 sensitive evidence will be heard in camera on Friday.

12 Then next week, at item 8, on Monday
13 the 18th, we will hear from the MPI Ratemaking Claims
14 Incurred and Personal Injury Protection Plan panel.

15 Tuesday and likely part of Wednesday
16 will be devoted to the Capital Management Plan Rate
17 Rebate and Rate Stabilization Reserve panel.

18 In the afternoon on Wednesday the 20th,
19 we will hear from the MPI Investments panel. At item
20 11, on Thursday of next week, we will hear from the
21 Vehicles for Hire and Driver Safety Rating panel.

22 Friday we have no hearing scheduled. I
23 expect that at some point later on in the Hearing we
24 will need time for cross-examinations arising out of
25 answers to undertakings or other cleanup matters.

1 And, as in previous hearings, we will
2 work within the schedule to find the most appropriate
3 time for such questions.

4 Once the MPI panels are complete, we
5 will hear from the Consumers' Association of Canada
6 and Taxi Coalition witnesses which are now scheduled
7 for Monday, October 25th.

8 Closing submissions will begin on
9 October 27th. So we will not be sitting on the 26th,
10 unless there is some spill over from the previous day.

11 As the Hearing proceeds, changes to the
12 schedule may be required. But we will do our best to
13 follow the anticipated schedule.

14 Those are my opening remarks, Madam
15 Chair, members of the panel. Thank you.

16 THE PANEL CHAIRPERSON: Thank you, Ms.
17 McCandless. Mr. Guerra...?

18 MR. ANTHONY GUERRA: Thank you, Madam
19 Chair. My colleague, Mr. Scarfone, will deliver his
20 opening remarks. Before he does so, I'd like to read
21 in to the transcript the exhibits MPI has filed since
22 the -- the last time before the panel, which was on
23 July 9th. So there are quite a few of them, so I
24 appreciate everyone's patience.

25 Starting with Exhibit number 6 is MPI's

1 Special Rebate -- excuse me, 20 -- 22, Special Rebate
2 Application, along with the workbook figures and pro
3 formas.

4 Number 7 is Appendix 1 of Part 8, the
5 annual reports chapter of the GRA, or General Rate
6 Application, the Universal Compulsory Automobile
7 Insurance Audited Financial -- excuse me -- Audited
8 Annual Financial Statements.

9 Exhibit number 8 is Appendix number 2
10 to Part 8 annual report, which is the Universal
11 Compulsory Automobile Insurance Unaudited Financial
12 Statements -- Annual Financial Statements, rather.

13 Exhibit 9 is Exhibit number -- sorry,
14 Appendix number 3 to the Part 8 annual report, which
15 is the annual report itself and the Corporate Audited
16 Annual Financial Statements.

17 Exhibit number 10 is the Part 8
18 External Actuary Review, Attachment C, the PWC
19 Actuarial Support.

20 Exhibit number 11 is an amended page 17
21 of Part 5, the Claims Incurred chapter of the General
22 Rate Application.

23 Exhibit number 12 is amended Part 5
24 Expenses, appendix number 19.

25 Exhibit number 13 is the amended Part 7

1 Rate Stabilization Reserve chapter of the General Rate
2 Application, Appendix number 2.

3 Exhibit number 14 is the amended Part 5
4 Expenses chapter of the Rate Application, Appendix
5 number 13.

6 Exhibit number 15 is an amended Part 5
7 Revenues chapter of the Rate Application, page 31.

8 Exhibit number 16 is the amended Part 7
9 Investments chapter of the Rate Application, page 12.

10 Exhibit number 17 is the amended Part 6
11 Driver Safety Rating chapter of the Rate Application,
12 Appendix 1.

13 Exhibit number 18 is the amended Part 5
14 Expenses chapter of the Rate Application, Appendix
15 number -- sorry, Appendix number 19.

16 Exhibit number 19 is the Round 1
17 Information Request response filing.

18 Exhibit number 20 is the amended
19 Information Request response to Information Request
20 CAC-MPI-1-43.

21 Exhibit number 21 is the Information
22 Request response of the amended Information Request
23 response to Information Request TC-MPI-1-18.

24 Exhibit 22 is the Information Request
25 response to CAC-MPI-1-4, Attachment A, the Forrester-

1 MPI CX Index Measurement refresh, on March 2021. You
2 should know that that's a confidential filing.

3 Exhibit number 23 is the Part 8 Annual
4 Reports Appendix 5 Annual Business Plan.

5 Exhibit number 24 is the Part 8 Annual
6 Reports Appendix 4 Quarterly Financial Report for
7 Quarter 1.

8 Exhibit number 25 is the second round
9 Information Request response filing.

10 Exhibit 26 is the amended Information
11 Request response to PUB-MPI-1-5.

12 Exhibit number 27 is the Part 6
13 ratemaking chapter of the Rate Application, Appendix
14 number 11, the Alternate -- Alternative, rather, Rate
15 Indication.

16 Exhibit 28 is the Information Request
17 response to Information Request TC-MPI-2-5, revised as
18 of September 24th.

19 Exhibit number 29 is the Information
20 Request response to TC-MPI-2-9, revised as of
21 September 24th.

22 Exhibit 30 is the Information Request
23 response to TC-MPI-2-7, revised as of September 24th.

24 Exhibit number 31 is the
25 evidence/questions from MPI to the Taxi Coalition.

1 Exhibit number 32 is the amended
2 Information Request response to CAC-MPI-2-25.

3 Exhibit number 33 is the Part 8 Annual
4 Report chapter of the rate application, appendix
5 number 1, the UCAI Basic Audited Financial Statements.

6 Exhibit number 34 is the Part 8 Annual
7 Reports chapter of the Rate Application, Appendix 2,
8 Basic Financial Statements.

9 Exhibit number 35 is the Part 8 Annual
10 Report chapter of the Rate Application, Appendix 3,
11 Corporate Audited Statements.

12 The exhibit number 36 is the Part 8
13 Annual Reports chapter of the Rate Application,
14 Appendix 4, Corporate First Quarter Financial Report.

15 Exhibit number 37 is the rate update to
16 2022 Rate Application, Appendix 1.

17 Exhibit number 38 is the Vehicle for
18 Hire Technical Conference summary, dated April 20th,
19 2021.

20 Exhibit number 39 is the amended
21 Ratemaking-1 figure from the indicated rate change.

22 And our final one for today -- or for -
23 - at the moment, rather, is Exhibit 40, which is the
24 presentation of our President and Chief Executive
25 Officer, Mr. Herbelin, which will be circulated via

1 hard copy as well later today. Thank you.

2 THE PANEL CHAIRPERSON: Thank you, Mr.
3 Guerra. Mr. Scarfone...?

4

5 OPENING REMARKS BY MR. STEVE SCARFONE:

6 MR. STEVE SCARFONE: Thank you, Madam
7 Chair. Good morning, again, and -- Board members,
8 Ms. McCandless, and my learned friends on the call.

9 A couple more procedural matters just
10 quickly, now that we're caught up with our exhibits.
11 And we'll be filing those as we go along, of course.

12 I just wanted to remind the Board that
13 there will, again, be virtual attendees this year.
14 And we ask, again, for everyone's patience with
15 respect to those back-row supporters, particularly
16 this year's. We expect there -- they will be called
17 on more so than in previous years.

18 And then, the second thing I wanted to
19 mention is, as the Board is aware, Mr. Giesbrecht and
20 his wife just had a little baby girl on Sunday, and so
21 that might mix things up a little bit. We spoke with
22 Ms. McCandless just briefly.

23 He was scheduled to testify tomorrow on
24 the Expenses, Revenues, and Rate Update panel; he
25 won't be attending for that. We do have a couple

1 other people on that panel.

2 And so, what we're suggesting, perhaps,
3 is that if there's any executive level questions for
4 Mr. Giesbrecht, they can be deferred, we think, till
5 next week when he appears twice. And so he'll be here
6 for that. But we'll -- we'll work that out. We'll
7 sort that out.

8 And so, with that, I want to begin my
9 opening remarks for the Corporation. I intend to be
10 about forty-five (45) minutes.

11 And as Madam Chair indicated, the
12 issues this year are significant and complex. We
13 agree with those words.

14 There's been a lot of change at MPI in
15 the past year, not only within the business but also
16 with key personnel at our management level. And a
17 review of the proposed witness list will reveal just
18 that.

19 Starting, of course, with MPIC's new
20 President and Chief Executive Officer, Eric Herbelin,
21 who joined MPI in January of this year. You will hear
22 from him later today and he will share with you, among
23 other things, MPIC's new five (5) year ambition and
24 the ongoing business transformation that we call
25 Project Nova.

1 You may recall that, last year at this
2 time, MPI's former President had accepted a job in the
3 private sector, and so this Board decided the
4 application without the benefit of hearing evidence
5 from MPIC's top executive. So we're all looking
6 forward to Mr. Herbelin's presentation this afternoon.

7 In addition, recall from the pre-
8 Hearing conference, the departure from MPIC's Chief
9 Actuary, Luke Johnston. He was replaced very recently
10 by MPIC's new Chief Actuary and Vice-President; her
11 name is Cara Low. Ms. Low joined MPI effective
12 September 20th.

13 And so to ensure she's still here next
14 year, a strategic decision was made; she won't be
15 appearing as a witness, but she will be appearing to
16 provide back-row support to the various panels that
17 are under her division, which is the Insurance and
18 Risk Management Division. But we're not throwing her
19 into the deep end quite yet.

20 Another new name and another new face
21 later this week is Sid Parti, and he is MPI's new
22 Vice-President, Chief Information and Technology
23 Officer. Mr. Parti replaces Brad Bunko (phonetic),
24 who retired in February.

25 Mr. Parti will form part of a very

1 important panel that is spread out over two (2) days,
2 and that's the IT Project Nova and Value Management
3 Panel.

4 In joining that panel for the first
5 time is Alex Ramirez. He's the Program Director of
6 Project Nova and he replaced John Remillard
7 (phonetic), with Mr. Remillard having retired also in
8 February.

9 And not to put too fine a point on this
10 theme, but we have a panel this year comprised of
11 three (3) witnesses that have never before provided
12 evidence to this Board, the Driver's Safety Rating and
13 Vehicle for Hire panel that's scheduled for October
14 21.

15 Tai Phoa, an Actuarial Analyst for the
16 Corporation, has in the past supported the chief
17 actuary in the back row, but will this year be
18 available to answer questions.

19 And accompanying Mr. Phoa be Jing Lang
20 and Curtis Prystupa, two (2) new names, I'm sure, to
21 this Board. Ms. Lang is Director of Pricing and
22 Portfolio Management and she joined MPI on September
23 7.

24 Mr. Prystupa is the Manager of Product
25 Development, and he joined MPI back in February. You

1 will also see Ms. Lang and Mr. Phoa on the Ratemaking
2 panel on October 18th. And Mr. Prystupa will be here
3 tomorrow to speak to benchmarking, alongside Michael
4 Gandhi, MPI's Corporate Controller. He's also
5 testifying for the first time.

6 And finally, I'm happy to see that
7 Service Delivery and Broker Operations do not appear
8 on the issues list this year, because both Curtis
9 Wennberg, Vice President and Chief Operations Officer,
10 and Carol Horra (phonetic), who was our Director of
11 Broker Operations have recently left MPI. Mr.
12 Wennberg left for another opportunity in August and
13 Mr. Horra retired in July.

14 So, there you have it. And I bring all
15 these changes to your attention, Madam Chairperson,
16 for one (1) reason, to impress upon you that most of
17 the evidence you hear this year will be presented by
18 people appearing before this Board for the very first
19 time.

20 And I couple that with the reminder of
21 what MPI's General Counsel said, Michael Triggs, at
22 the pre-hearing conference this past June, that the
23 2022 GRA represents, in his view, what may be the most
24 complicated General Rate Application filed by MPI in
25 his time with the Company.

1 And one (1) obvious example of that
2 would be the consolidation of the Rate Application, as
3 Madam Chair mentioned, with the Rebate Application and
4 the interplay between the two (2); that, for sure,
5 makes this hearing unique.

6 So, these witnesses that I've
7 mentioned, all qualified, all highly professional,
8 they will do their best to explain these joint
9 applications over the next three (3) weeks, and they
10 are eager to do so.

11 And we have prepared them for this
12 role. We practised questions that they might expect
13 from the lawyers in the room and on the call. But
14 what you can't do, we suggest, is replace the
15 institutional knowledge that was lost since we
16 appeared before you last.

17 And so, while Mr. Johnston may have
18 been able to answer questions on the fly, usually with
19 a disapproving lawyer sitting beside him, some of the
20 witnesses this year may ask, by way of undertaking, to
21 respond later in writing. So, again, we ask for your
22 patience in that regard.

23 We hope you understand, Madam Chair,
24 that the testimony this year may not be up to the high
25 standards that this Board has come to expect, but MPIC

1 will commit to getting you an answer nonetheless.

2 The evidence will, of course, be
3 presented openly and honestly. It just might not go
4 in as effortlessly as it has in -- in years past. And
5 that notice or proviso, is simply the result of not
6 enough time having passed for the new people to learn
7 our business.

8 You heard a lot of September dates.
9 These people are new, they're on a steep learning
10 curve. And in addition to that, they don't know
11 what's expected of them here. They've never appeared
12 before. They're unfamiliar with the process.

13 The relief sought in the Application is
14 as Ms. McCandless has indicated, an overall rate
15 reduction of 1.2 percent based on accepted actuarial
16 practice rate-making methodology.

17 This represents the third consecutive
18 year the overall rate indication is going down. This
19 also represents an increase from the initial rate
20 reduction filed in June, which was 2.8 percent, owing
21 primarily to a drop in interest rates, and anticipated
22 increases to both operating expenses and claims.

23 The other relief is a rebate, of
24 course, of three hundred and thirty-five million
25 dollars (\$335,000,000), representing a percentage of

1 premiums earned between November 22nd, 2020, and
2 December 9, 2021.

3 So, spanning almost an entire year.
4 And you will recall the last rebate before this Board
5 was for the period ending November 21, 2020, and that
6 was sixty-nine million dollars (\$69,000,000) on
7 October -- or sorry, on November 30th, 2020.

8 So, we're picking up from November 21,
9 2020, and beginning on November 22, 2020, through to
10 December. The other relief sought is the removal of
11 the 5 percent capital release that was approved by
12 this Board last year for rates beginning April 1,
13 2021, and that capital, of course, is being replaced
14 by the proposed rebate.

15 The Corporation is looking for a one
16 (1) year extension of the two (2) year trial for the
17 Capital Management Plan, approved by this Board in the
18 2020 General Rate Application.

19 And lastly, there's changes to the
20 Driver Safety Rating system that are being proposed
21 including expansion of the sale to include a new plus
22 16 level and having lower rates for the safest drivers
23 by applying the sought-after rate decrease to DSR
24 levels ten (10) through fifteen (15) to allow for
25 greater discounts.

1 Before I move on to address some of the
2 evidence you will hear on the issues, it is important
3 to remember that my client, Manitoba Public Insurance,
4 has four (4) lines of business. They have four (4)
5 lines of business to attend to.

6 Each of them are equally important.
7 Everyone here today is for one (1) of those lines of
8 business, Basic, the Universal Compulsory Driver and
9 Vehicle Insurance Program.

10 But there are three (3) other lines,
11 the Extension line of business, which sells the
12 optional products to our customers. The Driver and
13 Vehicle licensing line of business, and the Special
14 Risk Extension, which is our commercial trucking line
15 of business, a competitive line of business.

16 The Corporation cannot run one (1) line
17 of business to the detriment of another, and this
18 includes Basic.

19 The Executive and the MPIC Board of
20 Directors will always consider the financial health of
21 each, including Basic, when decisions are made for the
22 benefit of MPIC and its customers.

23 I will now deal with the following six
24 (6) issues. And again, Madam Chair, they are
25 significant and complex. And I picked these six (6)

1 because I thought that that would -- the most
2 important ones to highlight for the Board.

3 Those six (6) issues are the Capital
4 Management Plan and the transfer of money to driver
5 and vehicle administration. Next is Project Nova.
6 Next is the Pandemic, Taxis, and Vehicle for Hire, the
7 Driver Safety Rating system, and lastly, Investments.

8 The Capital Management Plan is now in
9 year 2 of its two (2) year trial. It was approved by
10 this Board in an Order from December 2019, and that
11 was following the 2020 General Rate Application.

12 The Board said at the time that it
13 wanted to assess the impact of the Capital Management
14 Plan on Basic ratepayers over the next two (2) years,
15 ergo, the two (2) year trial. That was December 2019.

16 Three (3) months later, in March 2020,
17 COVID-19 arrived in Manitoba. A significant reduction
18 in claims costs from March to May 2020 had the Rate
19 Stabilization Reserve exceeding its target of 100
20 percent MCT.

21 And so one hundred and ten million
22 dollars (\$110,000,000) was the subject of a rebate
23 application in April 2020. Fifty-eight million
24 (58,000,000) of which was from the Rate Stabilization
25 Reserve. The other, you'll recall, fifty-two million

1 (52,000,000) was rebated directly from the Extension
2 line of business.

3 We suggest that this was the first
4 indication that the release provision under the
5 Capital Management Plan, which had yet to be used in a
6 Rate Application, don't forget, this is April, was not
7 able to regulate the accelerated accumulation of
8 capital.

9 That was the first indication. A
10 further concern was the absence of a rebate provision
11 under the Capital Management Plan, which allowed MPIC
12 to fund part of that first rebate directly from
13 Extension rather than first transferring Exten --
14 Extension surplus to the Rate Stabilization Reserve.
15 Because the CMP does not contemplate rebates, only
16 rate decreases, a requirement to first transfer the
17 surplus to the rate stabilization reserve was not
18 needed.

19 And so when MPI filed its rate
20 application a couple months later, in June 2020, it
21 applied a 5 percent reduction to rates as contemplated
22 under the Capital Management Plan. And this is year 1
23 of the two (2) year trial. So last year's general
24 rate application.

25 The first wave of the pandemic had now

1 passed and it appeared to be at bay. But all of that
2 changed by the fall of 2020. And so the forecasts for
3 rates beginning April 1, 2021, were again dramatically
4 off. The Rate Stabilization Reserve was again above
5 target and another rebate was required to do what the
6 Capital Release Provision could not, and that is bring
7 Basics Capital back down to target in a timely manner.

8 As mentioned in November of last year,
9 \$69 million dollars was released. And we are now
10 before you requesting MPIC's largest ever release of
11 capital, \$335 million dollars equaling the rebate
12 ordered by this board back in 2011.

13 As stated in the Overview section, the
14 pandemic has thrown the Capital Management Plan a
15 curve ball. It has revealed a lynch pin. And now, as
16 explained in the Overview section, MPIC must address
17 what it calls an artificial premium deficiency; that
18 is the need for capital at some future date. It's a
19 deficiency created by the Capital Release Provision,
20 that must be addressed in order to issue the proposed
21 rebate and facilitate break-even ratemaking. That is
22 so premiums collected next year accurately reflect
23 today's rate indication.

24 It's important to note that the removal
25 of the Capital Release Provision is not tantamount to

1 a rate increase. As MPI has stated in the past, and
2 again throughout this year's application, AAP rate-
3 making is distinct from the capital side of Basic.

4 And as it concerns the artificial
5 premium deficiency, Madam Chair, I -- I don't know if
6 you think I can explain that further, I will candidly
7 tell you that I cannot. But you're going to have to
8 wait for the evidence of Mr. Giesbrecht, Dean
9 Dunstone, and others, and they will explain that to
10 you further. But I might also direct you to revisit
11 CAC-1-89A for an explanation by MPIC on the
12 elimination of the Capital Release Provision. That's
13 CAC-1-89A.

14 And so this is why MPIC sought
15 consolidation of the two (2) applications. The rate
16 application we say is inextricably linked to MPIC's
17 request that a rebate be issued.

18 And if Ms. Schubert could pull up page
19 5 from the Special Rate Appli -- Rebate Application
20 please?

21 You will see there at line 24 -- I want
22 to read to you an excerpt from the Special Rebate
23 Application. It reads:

24 "The amount of the estimated rebate
25 is inversely proportional to no

1 longer releasing capital under the
2 provisions of the Capital Management
3 Plan."

4 That is, the two (2) amounts behave
5 opposite in nature, whereby unwinding the Capital
6 Release Provision allows for a greater rebate and puts
7 premium dollars back into the hands of ratepayers more
8 expeditiously.

9 And so that is why MPIC said, in
10 response to CAC-2-37, that capital release versus a
11 special rebate, is not an either/or proposition, and
12 therefore rejected the suggestion that a hybrid
13 approach could be used. MPIC prefers the release of
14 capital through only one (1) mechanism.

15 Before I leave the Capital Management
16 Plan, and MPIC's desire to have it extended by one (1)
17 year to allow for proper testing -- to be clear, that
18 is not under the forecasting challenges of a pandemic
19 -- I will remind this Board, that the essence of the
20 Capital Management Plan is this: The transfer of
21 capital from Extension to Basic, should the Extension
22 MCT ratio of the Extension Reserve exceed 200 percent
23 at fiscal year end.

24 I want to repeat that. The transfer of
25 capital from Extension to Basic, should the Extension

1 MCT ratio of the Extension Reserve exceed 200 percent
2 at fiscal year end. That is the essence of the
3 Capital Management Plan.

4 And last year, in the first rebate
5 application, April 2020 and the 2021 GRA, the
6 unequivocal evidence of MPIC, Mr. Giesbrecht and Mr.
7 Johnston, was that it had the discretion to use
8 Extension profits for purposes other than a transfer
9 to Basic, provided that the transfer occurred before
10 fiscal year end, and that's March 31.

11 And so on -- and so this year, on March
12 25, 2021, the MPIC Board of Directors approved the
13 transfer of \$60 million dollars to address a funding
14 shortfall in the DVA line of business, Drivers and
15 Vehicles Administration. That \$60 million dollars
16 represented the amount exceeding the 200 percent MCT
17 threshold in the Extension Reserve.

18 This Board, and the people in this
19 room, do not have to be -- be reminded that facts, in
20 our profession, are very important. It follows that
21 the accurate reporting of facts, by a lawyer such as -
22 - such as myself, to a tribunal such as yourselves, or
23 even a court, the accurate reporting of facts is
24 equally important.

25 And so concerning the transfer of \$60

1 million dollars to the DVA line of business, these are
2 the facts that will be adduced during the course of
3 this Hearing.

4 DVA funding from the government has not
5 changed since MPI took on administration of the
6 Drivers and Vehicles Act back in 2004. The annual
7 cost of the program have exceeded the amounts paid to
8 MPI by the government. The DVA line of business is no
9 longer a self-sustaining line of business.

10 The agreement between MPIC and the
11 Government of Manitoba does not include funding for
12 the Project Nova costs that are now being allocated to
13 the DVA line of business.

14 And I want to stop there and ask Ms.
15 Schubert to pull up CAC-1-91C.

16 And this is a very interesting figure
17 that demonstrate how Project Nova impacts the DVA line
18 of business. So what you see there is a couple of
19 things. You see a red line that has significant costs
20 or effects on both the net income and the total equity
21 of the DVA line of business. You will see the blue
22 line which is the operating costs of the DVA line of
23 the business absent the costs that are being charged
24 to that line of business by the Nova Project.

25 And so you can see there, I would

1 suggest, the problem that MPIC had in its forecasting.
2 There will be significant costs and charges against
3 the DVA line of business as Nova moves forward.

4 And so I was reciting for this Board
5 some facts. For your consideration, I will sprinkle
6 in a little bit of law, and that is Section 3 of the
7 Reserve's regulation, under the MPIC Act. That
8 requires that any excess money in Basic's rate-
9 stabilization reserve be used to lower rates. That's
10 what Section 3 says.

11 The \$60 million transfer to DVA that
12 occurred on March 25, 2021, that money was never in
13 Basic's rate stabilization reserve. It was never in
14 the reserve.

15 And so MPIC was at all times in
16 compliance with the law. Notwithstanding the fact
17 that the money has always been accounted for in a non-
18 Basic line of business, MPIC made this Board aware of
19 that transfer at its first opportunity in the June
20 filing.

21 MPIC also made this Board aware of its
22 intention to transfer next year an additional \$55 1/2
23 million from Extension to DVA. And that money as well
24 will never find its way into Basic's Rate
25 Stabilization Reserve, and therefore will not trigger

1 Section 3 of the Reserves Regulation.

2 And that transfer will again occur
3 before fiscal year end, and so it won't transfer -- or
4 it won't trigger an automatic transfer under the
5 Capital Management Plan.

6 So there was no requirement at law, by
7 law, under law, however you want to phrase it, in a
8 statute, a regulation, or otherwise to use that
9 surplus for the benefit of Basic customers. That may
10 have been MPI's preference, let's be clear, but there
11 was no such requirement either under the reserves
12 regulation or the Capital Management Plan.

13 And on that point, it's important to
14 say there's nothing in the Capital Management Plan
15 that precludes MPI from directing excess Extension
16 funds to the DVA line of business so long as that
17 transfer occurs before fiscal year end.

18 And so I'd encourage this Board, if
19 necessary, to look carefully at the provisions of the
20 Capital Management Plan and Section 3 of the Reserves
21 Regulation. And I'm also sure it's not lost on this
22 Board that Section 3 is the impugned section from two
23 (2) years ago, one (1) of the sections that this Board
24 did not like. And when I say, "did not like," made a
25 finding of ultra vires.

1 But as MPI has said in its evidence --
2 and it's at CAC 1-96, there's a full explanation there
3 for this Board to review, CAC 1-96. MPIC takes the
4 position it must still adhere to the requirements of
5 the Reserves Regulation, and absolutely did so when
6 the decision was made to transfer \$60 million to the
7 DVA line of business.

8 And so two (2) things I think still
9 must be said, both of which are taken from the
10 evidence. Yes.

11

12 (BRIEF PAUSE)

13

14 MR. STEVE SCARFONE: I'm happy to
15 answer any questions.

16 THE CHAIRPERSON: Yeah. Mr. Scarfone,
17 here's the problem I have. Is all of this going to be
18 reintroduced into evidence?

19 MR. STEVE SCARFONE: Yes.

20 THE CHAIRPERSON: Because the problem
21 is you're laying out the case and all of the
22 arguments, and if we're going to go through all of
23 this all over again with the panel -- or, sorry, with
24 your multiple panels, that's fine. But if we aren't,
25 then the Interveners or the Board is going to be

1 forced to cross-examine you.

2 I mean, I always thought the purpose of
3 opening submission is simply to lay out the case, not
4 lay out the -- the entire argument that's going to be
5 introduced into evidence. So that's -- this is fine
6 as long as it's going to be done all over again with
7 the panels, okay?

8 MR. STEVE SCARFONE: Oh, absolutely,
9 and -- and that's why I made reference to some of the
10 evidence that is already before the Board in the
11 Application and -- and the witnesses and what you can
12 expect to hear not only from Mr. Herbelin this
13 afternoon, but Mr. Giesbrecht. He's going to talk
14 about the DVA transfer.

15 Oh, yeah, absolutely. All of this will
16 be adduced, as I said, as evidence under oath.

17 THE CHAIRPERSON: Okay. That's fine.
18 One (1) quick question --

19 MR. STEVE SCARFONE: Yes.

20 THE CHAIRPERSON: -- so I don't have
21 to interrupt you again later. I was just interested,
22 given all of the changes in the panels, who -- who do
23 we ask questions to for rebates or DVA? Because now
24 Mr. -- do we do it to Mr. Giesbrecht later, or do we
25 do it to one of these panels?

1 I'm just a little concerned that it's
2 going to get -- it's going to get disjointed, and
3 maybe the parties need to understand that certain
4 panels or certain people have specific responsibility
5 on the issues of rebates and -- and DVA.

6 MR. STEVE SCARFONE: Yeah. So Mr.
7 Guerra's just pointing to me, and I had the same
8 document before me. Those questions are most properly
9 put to the panel that's appearing on October 19th and
10 again October 20th for a half day in the morning.

11 So the main person will be Mr.
12 Giesbrecht, and I would suggest as well that when you
13 hear Mr. Herbelin's presentation this afternoon -- I
14 know Ms. McCandless has some questions for him -- he
15 too will be able to provide some -- some responses to
16 the Board on this issue.

17 THE CHAIRPERSON: Thank you, Mr.
18 Scarfone. Sorry for interrupting.

19 MR. STEVE SCARFONE: Just wrapping up
20 that -- that transfer and -- and the interplay with
21 the Capital Management Plan, I think it's important
22 that two (2) things be said, both of which again are
23 taken from the evidence before you in response to CAC
24 1-94 and CAC 1-97, the first of which is: MPIC
25 maintains that use of excess capital from Extension

1 will in the normal course be directed to Basic at
2 fiscal year end as contemplated under the Capital
3 Management Plan.

4 However, it's now likely to be rebated
5 under our revised Capital Management Plan that the
6 Corporation intends to present next year. And we've
7 said that in the Application.

8 The second point is -- and this is an
9 important one -- had the transfer to the Driver and
10 Vehicle Administrations not occurred, it would have
11 gone to the RSR and increased the amount of the
12 rebate, absolutely.

13 However -- and this is important -- the
14 DVA shortfall would remain, and the solution not
15 selected -- to substantially increase DVA service fees
16 -- would have been borne by the Basic customer because
17 they too are DVA customers.

18 So I will reiterate what I said at the
19 outset. MPIC is responsible for the service delivery
20 and financial health of the Corporation as a whole,
21 which includes all MPI lines of business including
22 Basic and DVA.

23 And I was encouraged to hear Madam
24 Chairperson indicate in her opening remarks that this
25 Board is, in fact, concerned with the long-term well-

1 being of not only Basic, but Manitoba Public
2 Insurance.

3 I would suggest it would have been
4 imprudent to transfer excess Extension capital to an
5 already swollen Rate Stabilization Reserve with
6 another line of business in financial need.

7 Moving on to Project Nova, on October
8 14th and 15th, for two (2) full days, you will hear
9 from Sid Parti, Chief Information and Technology
10 Officer; Shayon Mitra, Nova's Chief Transformation
11 Officer; Alex Ramirez, Program Director for Project
12 Nova; and Lawrence Lazarko, Director, Data Management
13 and Analytics. That is that panel.

14 And if the back row as support is any
15 indication of the importance of this panel to MPI, it
16 is comprised of no less than ten (10) individuals, all
17 of whom will be attending virtually and listening
18 intently to make sure MPI has answers to all your
19 questions.

20 Since we appeared before you last, MPIC
21 has filed an updated Business Case for Project Nova
22 referred to as a re-baseline in the Application. And
23 you will have undoubtedly have noted that the budget,
24 including contingency, is now at \$128.5 million, up
25 from \$106.8 million. This is a very large capital

1 project.

2 Under the Re-purpose Business Case, the
3 forecasted total benefits have improved in three (3)
4 ways, I would suggest. And you'll hear evidence from
5 the panel on this. Broker commissions are down under
6 the new accord for online transactions. There are
7 more online transactions now available under -- under
8 the online plan. And the online uptake that the
9 Corporation anticipates was increased from 30 percent
10 to 40 percent.

11 Project Nova now shows a net present
12 value of \$18.4 million over fifteen (15) years, and so
13 the Nova panel, with its back row support, will update
14 the Board on progress, projected time lines for
15 providing online services to its customers and will
16 answer all those highly technical questions in terms
17 that we lay people can understand.

18 As we said last year, and it still
19 holds true, the pandemic has driven home the
20 importance of bringing MPI services into the online
21 world.

22 On to the pandemic. While the pandemic
23 has exposed MPI's ability to effectively manage its
24 capital, it has obviously had a favourable impact on
25 Basic's capital position, rebates of 110 million, 69

1 million, and now 335 million if approved by this
2 Board.

3 I know Mr. Gabor will remember last
4 year at this time MPI asked the Board to avoid having
5 a knee-jerk reaction to the pandemic. We said at the
6 time that trends were normalizing. We also said it
7 would be foolish to ask our chief actuary to forecast
8 rates beginning April 1, 2021, based on COVID still
9 being prevalent in six (6) months.

10 Well, if you look at the pandemic
11 numbers, Manitoba's third wave actually started in
12 earnest on April 1st, 2021. So, it's fair to say that
13 we got that one wrong.

14 And the \$335 million rebate currently
15 before you underscores that point. It represents the
16 actual and projected net benefit from the pandemic.
17 But MPIC also still believes, as it did last year, and
18 notwithstanding the now twenty (20) month duration of
19 this long pandemic, that the lower claims frequency is
20 not a reliable indicator in the post-pandemic world.

21 To borrow from the actuary lexicon, the
22 pandemic experience is not credible. And so, tomorrow
23 Mr. Dunstone, the manager of reinsurance and
24 forecasting, will update the Board on what MPIC is
25 doing, what it's not doing, what adjustments were

1 made, and what adjustments are contemplated.

2 I think we all want to know will normal
3 accident frequency ever return. And MPIC will do its
4 best to answer that question over the coming weeks. I
5 do expect you will hear Mr. Dunstone say, as we have
6 indicated in parts of the application, that MPIC's
7 best estimate for claims costs is based largely on
8 what the various levels of government are doing in
9 response to the pandemic.

10 So, MPIC is following in step with the
11 government decisions; that is, the lifting of
12 restrictions, vaccination targets, mandatory workplace
13 vaccination, proof of vaccination requirements, the
14 easing of border measures, et cetera, et cetera.

15 And, Kristen, if you could, please,
16 figure 1 of PUB 2-41. This is a response to an
17 Information Request from the Public Utilities Board.
18 And I would suggest to this Panel it's an encouraging
19 sign as it concerns claims incurred.

20 And you'll see there that the budgeted
21 versus actual over the past seventeen (17) months, the
22 forecasting has definitely improved for the past five
23 (5) or six (6) months compared to what it was earlier
24 on in the pandemic.

25 And I might also suggest that taking a

1 conservative approach -- a conservative approach to
2 forecasting during this pandemic is a much better
3 alternative than MPIC collecting insufficient premiums
4 and later requesting more money from its customers.

5 And a rebate cheque, in our view, will
6 reinforce with customers the financial strength of MPI
7 even during these uncertain times, and returning
8 unused money will reinforce the trust that's bestowed
9 upon MPIC.

10 I'll move on to the taxis and the
11 Vehicle for Hire issue. The Taxi Coalition is again
12 participating in the MPIC General Rate Application as
13 a registered Intervener.

14 From a snapshot of vehicles in the rate
15 model, we see that transportation network companies,
16 that is the ride sharing companies, are starting to
17 dominate the market.

18 That snapshot shows that TNCs almost
19 double the number of taxicabs, eleven-o-two (1,102)
20 versus six-o-nine (609). And that's from TC-11,
21 figure 1.

22 In Winnipeg, the average rate for an
23 Uber with all four (4) time bands is three thousand
24 and seventy-one dollars (\$3,071), for a taxi, ninety-
25 five hundred (9,500).

1 Last year, you will recall that this
2 Board found there to be cross-subsidization with
3 respect to the ride sharing companies which this Board
4 said was unfair to the taxi industry.

5 Last year's Order included a rate
6 increase of 20 percent for Uber, TappCar, and others.
7 The evidence was that the loss ratios for the ride
8 sharing companies had about 120 to 130 percent
9 demonstrated insufficient premiums were being
10 collected to achieve breakeven ratemaking.

11 MPI agreed, but Mr. Johnston was
12 confident the loss ratios would adjust over time.
13 However, the Board accelerated the anticipated
14 adjustment by ordering two (2) additional rate
15 increases of 20 percent unless the experience filed by
16 MPI this year showed the ride sharing companies had
17 now approached actuarially indicated breakeven rates.

18 The evidence this year as part of the
19 panel scheduled for October 21 will indeed show that
20 these rates are now at target following application of
21 this year's 20 percent increase. That is no further
22 increase is required at this time.

23 If, however, the Board is of the view
24 that another rate increase should be applied to the
25 ride sharing companies, MPIC agrees that the cap

1 ordered last year was the proper measure to combat
2 rate shock for these customers.

3 The taxi experience continues to be
4 poor with rates increasing again this year by more
5 than 4 percent. The Corporation has stated in
6 response to TC-115 that the high cost of claims for
7 taxicabs using historical claims data is the primary
8 cause of the high relativities.

9 And if the Board would contrast that to
10 the motorcycles this year who are seeing just a
11 nominal increase of just .5 percent under the update,
12 largely -- and you will hear evidence on this because
13 serious losses are calculated using data from the past
14 ten (10) years.

15 In year 11, which has now dropped from
16 the equation, was a very bad, serious loss year for
17 the motorcycles. But it's out, and so their rates
18 aren't going up as significantly as they have over the
19 past ten (10) years.

20 So, to put it simply, when determining
21 rates, accident and claims costs, as they always have
22 been, will always mean more than relativities and
23 balancing procedures.

24 And as was the case last year, you'll
25 recall Mr. Johnston saying the credibility of the

1 Vehicle for Hire data is low given the small number of
2 vehicles within these classifications and, as it
3 concerns the ride sharing companies, exacerbated
4 further by the short period of time over which that
5 data has been collected. They haven't been in the
6 market that long.

7 These are the tangible limitations that
8 Ms. Lang and Mr. Phoa will speak to next week.

9 And lastly on taxis, among other
10 things, they will advocate this year that serious
11 losses, that is claims over half a million dollars,
12 should be calculated into the rates of the ride
13 sharing companies, notwithstanding that no such
14 experience exists.

15 And so, while there may be a contest
16 over the appropriateness of loading serious losses
17 where no such actual losses exist, MPIC again welcomes
18 input from the Taxi Coalition in the upcoming design
19 of its new Vehicle for Hire framework.

20 And, in that regard, I encourage the
21 Board to review if it hasn't already the recently
22 filed Vehicle for Hire technical conference report;
23 that's MPI Exhibit 38.

24 Unfortunately, that report was only
25 filed Friday. And I would suggest that was my fault,

1 Madam Chairperson, having failed to get back to Mr.
2 Watchman when he sent it to MPI for comment in July,
3 but the Board has it before -- before it now.

4 Two (2) more issues to speak of just
5 briefly, the Driver Safety Rating system. As
6 mentioned, MPIC has proposed changes to the Driver
7 Safety Rating system in this year's GRA. And this, I
8 would suggest, is the result of having first revealed
9 back in 2017, you'll recall, at the 2018 General Rate
10 Application, that the actuarial soundness of the scale
11 could benefit from some adjustments, quite frankly.
12 And since then there has been public consultation, and
13 more recently a pricing review filed this year as MPI
14 Exhibit 2.

15 In this Application, the Corporation
16 has decided that the best course of action is to move
17 the premiums closer to the actuarial target under the
18 existing model, the registered-owner model, rather
19 than adopt a primary-driver model. MPI is suggesting
20 that the sought-after rate decrease be allocated to
21 the DSR vehicle discount levels, with the most
22 significant need for rate adjustments at those levels.
23 It so happens that those are needed at the top of the
24 scale.

25 And Kristen, one last figure to put

1 before the Board. It's Figure DSR-2.

2

3

(BRIEF PAUSE)

4

5

MR. STEVE SCARFONE: And, as Madam
6 Chair indicated, there are no changes proposed to DSR
7 premiums, only to the discounts. And there you will
8 see what the Corporation has proposed for this Board's
9 consideration.

10

There is a large disparity there
11 between what's indicated, 56 percent, and what's
12 current at 33 percent. That -- that represents the
13 discount that a DSR-15 driver would get.

14

And so the Corporation, not wanting to
15 have too great a rate dislocation, as -- as the
16 actuaries call it, has decided to do this gradually.
17 And you'll see that the suggestion there is that 4
18 percent be addressed in this year's application. And
19 just by my crude math, if we were to maintain that
20 adjustment, it would take approximately five (5) years
21 to get up to that indicated 56 percent discount that
22 would make that scale actuarially sound.

23

Again, Ms. Lang, Mr. Phoa, and Mr.
24 Prystupa, the DSR panel, will explain for the Board
25 the proposed expansion of the scale, that is adding

1 DSR levels over the next five (5) years. And one (1)
2 question we expect to be discussed is whether MPI's
3 proposal is moving too fast, or perhaps too slow,
4 towards the actuarial targets.

5 And I know that Ms. Meeks, listening on
6 the call, counsel for the CMMG, she will have
7 questions about why MPIC has now decided, rather
8 unequivocally, that it has no plans to move to a
9 primary driver model. And MPI stated that in response
10 to CAC-1-54.

11 And lastly, on investments, I'm happy
12 to report that there will be a familiar face appearing
13 next week, October 20th, on the investments panel.
14 Glenn Bunston has a new job title, Manager, Asset
15 Liability Management and Investment Management. He
16 will be alongside Mr. Giesbrecht, who we expect to
17 answer questions on the International Financial
18 Reporting Standards, which are upcoming.

19 Based on the Information Requests, I do
20 not expect investments to be a contentious issue this
21 year. But the people in this room and on the call
22 could prove me wrong.

23 However it might unfold, Mr. Bunston
24 will be here to answer questions about the performance
25 of the investment fund, the segregated portfolios, and

1 the asset classes within those portfolios:

2 There is a new ALM study on the
3 horizon, a new asset liability management study,
4 that's being proposed by the Corporation;

5 There is something he refers to as
6 'moment matching', which is a new strategy that MPIC
7 is using this year;

8 And he'll also address, I expect, any
9 concerns he might have surrounding the Consumer Price
10 Index, that is the rising inflation that we saw in
11 July and August. Maybe it's just gasoline-driven,
12 maybe not. But I know that the CAC has always raised
13 concerns about the portfolio and how it's hedged
14 against rising inflation; continued use of the NIED
15 (phonetic) forecast; and, lastly, there may be even
16 some questions on those shadow portfolios from a
17 couple years ago.

18 So that was my intention here this
19 morning, Madam Chairperson. Not to speak to each
20 issue on the enumerated list from your procedural
21 order, but, rather, to speak to those issues I suspect
22 interest the Board most.

23 And subject to any questions, aside
24 from the ones that I've answered, that concludes
25 MPIC's opening statement.

1 THE PANEL CHAIRPERSON: Thank you, Mr.
2 Scarfone.

3 Any questions? Any questions? Thank
4 you.

5 I think what we'll do is take the
6 morning break now and come back at twenty-five (25) to
7 11:00, and we'll start with the opening remarks from
8 the Consumers' Association of Canada. Thank you.

9

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

11 --- Upon resuming at 10:42 a.m.

12

13 THE CHAIRPERSON: Okay. Thank you,
14 everyone. We'll proceed now with the opening comments
15 from the Consumer's Association of Canada.

16 Ms. Dilay...?

17

18 OPENING SUBMISSIONS BY MS. DILAY:

19 MS. KATRINE DILAY (by Teams): Bonjour
20 and good morning once again, Madam Chair and Panel
21 Members. Before going into our opening statement,
22 I'll like to enter some additional CAC (Manitoba)
23 exhibits on the record of the proceeding.

24 I -- I believe I had already entered
25 CAC (Manitoba's) application to intervene during the

1 pre-hearing conference, and that was filed as Exhibit
2 CAC-1. So, in terms of additional exhibits, CAC Round
3 1 Information Request to MPI and the responses to
4 those, numbers 1 to 97. That would be filed as
5 Exhibit CAC-2.

6 And then as CAC to MPI, Round 2
7 Information Requests and MPI's responses to those
8 numbers 1 to 39, that would be filed as CAC Exhibit 3.

9 CAC Exhibit 4 would be Oliver Wyman
10 actuarial evidence, and that's CAC (Manitoba's)
11 independent expert evidence filed September 24th,
12 2021.

13 CAC-5 would be the -- in other --
14 Information Requests posed by CAC (Manitoba) to the
15 Taxi Coalition on September 28th.

16 And finally, Exhibit CAC-6 is CAC
17 (Manitoba's) Opening Comments, the PowerPoint
18 Presentation, filed today, October 12th, 2021.

19
20 --- EXHIBIT NO. CAC-6: CAC/Manitoba's Opening
21 Comments via PowerPoint,
22 filed October 12, 2021

23

24 MS. KATRINE DILAY (by Teams): And now
25 moving on to our presentation. We've called our

1 presentation this morning, Fairness to Ratepayers,
2 Over Collection and Cross-subsidization, and the 2022
3 MPI GRA. And we intend to address these themes
4 throughout our presentation. So, if we move on to
5 slide number 2.

6 Before going into the substance of our
7 presentation, I'd just like to give a breth -- brief
8 introduction to our client. CAC (Manitoba), and I'll
9 refer to our client as this. It's the Manitoba Branch
10 of the Consumer's Association of Canada, has close to
11 three (3) decades of rate hearings under Crown
12 corporation governance legislation.

13 CAC (Manitoba) is guided by core
14 consumer rates. We have not listed all of them, but I
15 think the four (4) main ones that relates to the
16 hearing before the panel today, include the right to
17 be informed, the right to choice or to be involved in
18 the regulatory process as a proxy for choice, which is
19 very relevant in the matter before us today.

20 The right to have a choice in
21 marketplace decision-making, and the right to consumer
22 education. Moving on to slide number 3.

23 CAC (Manitoba) developed its position
24 regarding the issues in this proceeding during the
25 months prior to the hearing. And they do this through

1 ongoing and regular consumer contact, consumer
2 engagement, which includes focus group-like
3 engagement, as well as quantitative surveys.

4 CAC (Manitoba) also relies on its Board
5 of Directors for insights and advice and it also
6 relies on advice from expert advisors. Now, moving on
7 to slide number 4.

8 On the next two (2) slides we've set
9 out what we understand to be the legal test in this
10 proceeding, based both on the governing legislation as
11 well as precedence or decisions from the Manitoba
12 Court of Appeal and the Public Utilities Board.

13 The legal test set out in the
14 legislation is from the interaction of the Public
15 Utilities Board Act and the Crown Corporation's
16 Governance and Accountability Act.

17 And essentially, the PUB sets just and
18 reasonable rates for MPI, for Basic compulsory
19 insurance. And the burden of proof is upon the owner,
20 which, of course, in this case in MPI.

21 The Manitoba Court of Appeal has
22 characterized the Public Utilities Board role in
23 setting just and reasonable rates, as the PUB having
24 two (2) concerns when dealing with the rate
25 application.

1 First, the interest of the Utilities
2 ratepayers, as well as the financial health of the
3 Utility. And together, and in the broadest
4 interpretation, these interests represent the general
5 public interest.

6 On slide 5 we've set out the PUB's own
7 description of setting just and reasonable rates that
8 -- that it has included in decisions based both on
9 MPI, as well as Manitoba Hydro.

10 First, ensuring that MPI's forecasts
11 are reasonably reliable.

12 Second, ensuring that actual and
13 projected costs incurred are necessary and prudent.

14 Third, assessing the reasonable revenue
15 needs of the Corporation in the context of the overall
16 general health of MPI.

17 Fourth, determining an appropriate
18 allocation of coas -- costs, pardon me, between
19 classes;

20 and fifth, setting just and reasonable
21 rates in accordance with statutory objectives.

22 And when we look at a filing by
23 Manitoba Public Insurance, we really try to base our
24 intervention on these five (5) factors. While I won't
25 refer specifically to the elements of the test, the

1 rest of our presentation has been organized to address
2 these five (5) elements that have been set out by the
3 Public Utilities Board previously.

4 On slide 6, the first theme that we
5 address here, that we think really touches upon a lot
6 of the more specific issues in this hearing, and Mr.
7 Scarfone has actually referred to this theme as well,
8 in his presentation.

9 Over the past year there have been a
10 lot of changes happening at MPI. And CAC (Manitoba)
11 is asking, given the significant changes in MPI's
12 executive, are there any risks to the Corporation
13 being able to achieve its plans, both in the short-
14 term and the longer term within time and within
15 budget.

16 And slide 7, this relates to -- to
17 forecasting. And Mr. Scarfone had also referred to
18 this in his presentation. We all know that COVID-W19
19 has been an ongoing disruptive event in the lives of
20 many Manitobans, as well as the Corporation, over the
21 past eighteen (18) months.

22 So, specifically regarding the impacts
23 of COVID-19 on MPI, has the Corporation adequately
24 recognized that there may be long-term impacts of
25 COVID-19 on claims incurred? And is it prepared to

1 monitor those impacts and adjust accordingly?

2 And in the event that excess capital
3 grows faster than forecast, such as it did since March
4 2020, what is the Corporation's plan to return those
5 over-collected premiums to ratepayers on a timely and
6 fair basis?

7 On slide 8, and again, this topic will
8 refer -- relate, pardon me, to forecasting. CAC
9 (Manitoba) is going to explore in this proceeding
10 whether some of the Corporation's actuarial
11 assumptions are too conservative and are making the
12 forecasts look inflated, and potentially leading to a
13 higher rate indication.

14 Are there better options for pure
15 premium trends for property damage, bodily injury --
16 bodily injury, pardon me, collision, income
17 replacement, and accident benefits other non-indexed
18 and comprehensive? Would better options reflect the
19 statistical significant as well as the relevant
20 historical experience?

21 And would that ultimately lead to a
22 load -- lower rate indication?

23 Moving to Slide 9, and this again
24 relates to forecasting, but on the Personal Injury
25 Protection Plan, CAC Manitoba will explore why MPI

1 customers are less satisfied when they have to deal
2 with injury claims, as opposed to physical damage
3 claims, licensing and insurance policy transactions.

4 CAC Manitoba is also examining whether
5 MPI's treatment of complex claims, such as brain
6 injuries, concussions and mental health are in line
7 with best practice and is MPI adequately considering
8 evolving medical science and its assessment of these
9 complex claims?

10 On Slide 10, we move on to the -- the
11 topic or the -- the factor of the reasonableness of
12 MPI's costs and expenses. And I'd like to start here
13 with Project Nova and IT.

14 Now that Project Nova is underway, it's
15 not in the future anymore, it is underway, has MPI
16 appropriately recognized the significant risks
17 associated with Project Nova?

18 And is the Corporation well positioned
19 to respond to these risks should they materialize?

20 Are MPI consumers being adequately
21 engaged and -- and talked to about their needs with
22 respect to interactions with the Corporation,
23 especially in the context of a transforming
24 information technology strategy?

25 Is there value in continuing annual

1 third party IT benchmarking exercises, given the
2 ongoing work that MPI is doing on recommendations
3 received from Gartner, as well as the ongoing
4 significant changes to MPI's information technology
5 strategy?

6 And finally on this topic, is MPI's
7 five (5) year ambition reminiscent of past MPI IT
8 ambitions?

9 To what extent does MPI, as a monopoly
10 with captive ratepayers, need to be leading edge in
11 terms of information technology?

12 And moving on to Slide 11. On this
13 slide we have listed three (3) distinct issues from
14 CAC Manitoba's perspective, which relate to the
15 reasonableness of the Corporation's expenses.

16 Has MPI failed to review the option of
17 debt financing for capital projects? And as a result,
18 has it missed a significant opportunity for
19 ratepayers, given the very low interest rates that we
20 saw in 2020.

21 Should MPI be directed to review this
22 option and present its analysis in next year's GRA?

23 Is the Corporation's reinsurance
24 program reasonable or is it intended to cover some of
25 the same risks, as the Rates Stabiliz -- Stabilization

1 Reserve, that's becoming a cushion on top of a
2 cushion?

3 And, finally, does MPI think it is
4 appropriate to be paying brokers for on-line
5 transactions in which brokers play no role, especially
6 as MPI's on-line adoption rate is forecast to
7 significantly increase over the coming years and
8 Project Nova coming on-line?

9 On Slide 12, again relating to
10 Manitoba's -- Manitoba Public Insurance's costs, CAC
11 Manitoba's review of MPI's evidence raises the
12 question whether MPI is too FTE or full time
13 equivalent heavy, as compared to the other Crown
14 insurers, Saskatchewan, SGI and ICBC?

15 And on Slide 13 we move on to the issue
16 of MPI's investments and, in our view, this relates to
17 the -- the topic, or the factor, of the reasonableness
18 of MPI's revenue requirement.

19 Given that MPI has acknowledged that
20 inflation volatility is a risk, but that its
21 investment portfolio is still based on a nominal
22 liability benchmark rather than a real liability
23 benchmark, what should be the parameters? What are
24 the appropriate parameters for the upcoming Asset
25 Liability Management Study regarding inflation risk?

1 Should the Asset Liability Management
2 Study be expedited so that an important opportunity to
3 review MPI's investment portfolio for the Public
4 Utilities Board, as well as Interveners, is not
5 squandered?

6 And finally, on this topic, is MPI's
7 investment income forecasting methodology adequate?
8 And is MPI willing to explore alternatives that may be
9 more consistent with best practice?

10 On Slide 14, again, regarding the
11 reasonable revenue needs of the Corporation, in the
12 context of the general health of the Corporation, CAC
13 Manitoba intends to explore issues relating to MPI's
14 capital and its management of capital, that we -- we
15 hope will be of use to the Public Utilities Board, or
16 will be helpful.

17 Given that the acknowledgment -- sorry,
18 given that MPI has acknowledged that the Capital
19 Management Plan was not successful at returning
20 capital to ratepayers in a timely manner in the last
21 year, or even eighteen (18) months, and also issues on
22 the record relating to confusion between rates and
23 capital provisions, what should be done with the
24 Capital Management Plan in the test year, so in the
25 year 2022/23 and going forward?

1 In the absence of a proposed tool to
2 return capital to ratepayers over the next year, so in
3 the test year of 2022/23, what are options for the
4 PUB's consideration, especially in the face of
5 uncertainty with respect to ongoing COVID-19 impacts
6 on claims incurred?

7 And moving on to Slide 15, and I
8 apologize for this slide being quite busy, but this
9 also relates to the issue of the management of capital
10 by MPI.

11 And CAC Manitoba has significant
12 concerns about the transfer of Extension funds to the
13 program Driver and Vehicle Administration and so there
14 are a number of issues here that -- that we've listed,
15 that we will be exploring and that we hope will be
16 helpful to the Public Utilities Board in its
17 examination of this issue.

18 First, has MPI contravened the Manitoba
19 Public Insurance Corporation Act by transferring
20 Extension funds to Driver and Vehicle Administration?

21 Has MPI contravened the Capital
22 Management Plan, which was approved by the Public
23 Utilities Board in 2019 by transferring \$60 million
24 in 2020/21 and forecasting another \$53.5 million in
25 2021/22 from Extension to Driver and Vehicle

1 Administration, which is a program historically funded
2 by the provincial government?

3 And related to this question, has MPI
4 inappropriately claimed discretion to transfer the
5 capital accumulated by over collection of Extension
6 ratepayer's money to another part of the Corporation?

7 And this is despite assurances two (2)
8 years ago that excess capital in Extension would
9 automatically be transferred to Basic.

10 To recognize the advantage that are
11 procured to Extension, which is a big facto monopoly,
12 by Basic, which is a legislated monopoly. And of
13 course we'll go through these issues in more detail
14 during the hearing, or it's our at -- intention to do
15 -- to do so through cross-examination.

16 In the event that MPI has contravened
17 the Capital Management Plan, what should be done?
18 Should the excess capital from Extension that MPI
19 transferred to Driver and Vehicle Administration,
20 should it be returned back to Basic ratepayers? And
21 if so, what are the options for the Public Utilities
22 Board to return the -- this excess capital to
23 ratepayers? What does that look like?

24 And if we look on a going forward
25 basis, has MPI advocated on behalf of ratepayers to

1 obtain a fair deal with government to address the
2 funding shortfalls in a Driver and Vehicle
3 Administration Program, relating to the necessary
4 information technology upgrades?

5 So moving on to Slide 16, and this is
6 moving to the issue of the appropriate allocation of
7 costs to classes of ratepayers.

8 And, of course, for a few years now,
9 the issue of the driver rating system has been, and a
10 cross-subsidization within that system, has been
11 before the Public Utilities Board and CAC Manitoba has
12 been very interested in this issue.

13 In this particular hearing, CAC
14 Manitoba is asking, does MPI's transition plan for the
15 Driver Safety Rating adequately address the ongoing
16 and significant cross-subsidization of lower DSR
17 levels by higher DSR levels?

18 Or does MPI's plan not address the
19 cross subsidization in the short term and does not
20 plan to address the inherent issues with the
21 registered owner model in the long term?

22 Given findings by the Public Utilities
23 Board that a primary driver model may better reflect
24 the risks that drivers bring to the system, are there
25 other options that was -- that would resolve the issue

1 of the cross-subsidization more effectively and
2 fairly?

3 And should MPI at least collect the
4 data regarding to -- to -- regarding prim -- primary
5 drivers, pardon me, in order for MPI, the Public
6 Utilities Board and Interveners to study this issue
7 more closely with the benefit of a pricing study on
8 the primary driver model?

9 On Slide 17, this is a -- a related
10 issue to the DSR. Given that MPI has still not
11 conducted a long over due review of territories and
12 Uses, should the Corporation be directed to file this
13 review in the next GRA?

14 On slide 18, we've -- we've listed two
15 (2) other distinct issues that CAC (Manitoba) intends
16 to address relating to the allocation of costs between
17 customers. Is there a better way to allocate fleet
18 program costs to those customer classes who get the
19 most benefit from the fleet -- fleet program and its
20 rebates?

21 And regarding Vehicles for Hire, while
22 private passenger Vehicles for Hire appear to have
23 been paying too little and cannot continue to be
24 subsidized by other customer classes, how can we
25 ensure that insurance rates do not hinder competition

1 in the marketplace, competition which may be
2 beneficial to ratepayers and customers?

3 And on slides 19 and 20, we address the
4 last factor that the Public Utilities Board has listed
5 in part of the test for just and reasonable rate,
6 which is really looking at whether the rate request is
7 just and reasonable.

8 Due to the fact -- CAC (Manitoba) here
9 is asking whether it is clear enough for the public
10 that the rate being sought by MPI will amount to a
11 rate increase due to the fact that MPI is seeking an
12 overall rate decrease of 1.2 percent, as well as the
13 removal of the 5 percent capital release provision.
14 So is the resulting proposed rate increase of 3.8
15 percent reasonable?

16 And finally, on slide 20, as it relates
17 to the special rebate application, is the amount
18 proposed to be rebated to ratepayers in this third
19 special rebate application appropriate, or should this
20 amount be approximately \$114 million higher to reflect
21 the inappropriate transfers to the Driver and Vehicle
22 Administration line of business resulting from an
23 over-collection of Extension ratepayers' money and
24 which contravenes the spirit and intent of the Capital
25 Management Plan?

1 And when it is issuing this rebate to
2 customers, should MPI be using an option other than
3 mailing out physical cheques, given the cost
4 associated with this process? We intend to -- to do -
5 - to look at this issue in more detail and hope that
6 it will be of use to the Board.

7 Subject to any questions the panel may
8 have, that is our opening statement on behalf of CAC
9 (Manitoba). Thank you.

10 THE PANEL CHAIRPERSON: Thank you, Ms.
11 Dilay. Any questions?

12 Thank you. I'll now ask Ms. Meek to
13 provide opening comments on behalf of the Coalition of
14 Manitoba Motorcycle Groups.

15

16 (BRIEF PAUSE)

17

18 OPENING SUBMISSIONS BY MS. MEEK:

19 MS. CHARLOTTE MEEK (by Teams): Thank
20 you, Madam Chair. Good morning again to the panel,
21 counsel, and members of the public. Again, my name is
22 Charlotte Meek, of the firm BD Oakes Jardine Kaneski
23 UnRuh LLP, and I appear on behalf of the Coalition of
24 Manitoba Motorcycle Groups. I will refer to the
25 Coalition of Manitoba Motorcycle Groups as CMMG going

1 forward.

2 I'm just checking. Is my camera
3 working at the moment or is it not coming through?

4 THE PANEL CHAIRPERSON: No, we're not
5 seeing you.

6 MS. CHARLOTTE MEEK (by Teams): Okay.

7

8 (BRIEF PAUSE)

9

10 MS. CHARLOTTE MEEK (by Teams): If I
11 might just have a moment, Madam Chair, I'm just going
12 to fix -- fiddle with my camera a minute.

13 THE PANEL CHAIRPERSON: Sure.
14 Certainly.

15

16 (BRIEF PAUSE)

17

18 THE PANEL CHAIRPERSON: We now have M.
19 Hacault.

20 MR. ANTOINE HACAULT (by Teams): I was
21 just testing mine while she was looking at hers just
22 to make sure I didn't have the same technical issues.

23 THE PANEL CHAIRPERSON: There. We can
24 see you now.

25

1 (BRIEF PAUSE)

2

3 THE PANEL CHAIRPERSON: You need to
4 unmute, please.

5

6 (BRIEF PAUSE)

7

8 THE PANEL CHAIRPERSON: No, we can't
9 hear you yet.

10

11 (BRIEF PAUSE)

12

13 MR. ANTOINE HACAULT (by Teams): If it
14 assists, I can jump the queue and allow Ms. Meek to
15 deal with her technical issues? It's up to the Board.

16 THE PANEL CHAIRPERSON: Thank you, Mr.
17 Hacault. I think we will take advantage of that
18 offer, and we'll be back to Ms. Meek and hopefully she
19 can sort out the technical issues. Please, proceed.

20

21 OPENING COMMENTS BY MR. HACAULT:

22 MR. ANTOINE HACAULT (by Teams): Yes.
23 Good morning, everyone. My name's Antoine Hacault, of
24 Thompson Dorfman Sweatman. I act on behalf of the
25 Taxi Coalition.

1 We'd like to thank the Public Utilities
2 Board for allowing the Taxi Coalition to participate
3 in this hearing. And we'd also like to acknowledge
4 and thank MPI for its efforts and forthright
5 contributions to the record in this proceeding. I
6 extend my thanks to all the other participants who --
7 and their collaboration also.

8 So a little bit of background on the --
9 and objectives of the Taxi Coalition. It's -- the
10 Taxi Coalition is comprised of Duffy's Taxi Ltd. and
11 Unicity Taxi Ltd., who together have served Winnipeg
12 and the surrounding areas for approximately the last
13 sixty (60) years.

14 The Taxi Coalition is a combined fleet
15 of some five hundred (500) vehicles and represents
16 about 80 percent of all the taxicabs operating in
17 Manitoba.

18 The Taxi Coalition aims to represent
19 the interests of a broad cross-section of taxi
20 operators, and to that end we have remained in contact
21 with taxi operators in Brandon and in Thompson. Our
22 objective in this hearing is fairly straightforward;
23 to ensure that rates paid by Vehicles for Hire,
24 generally, are just and reasonable.

25 In the context of auto-insurance rates

1 offered by MPI, that means having rates that fully
2 reflect the cost of coverage which the Taxi Coalition
3 plans to address through various topics related to
4 ratemaking.

5 The Taxi Coalition has also been
6 actively involved in consultations with MPI regarding
7 the revisions to the Vehicles for Hire framework, and
8 appreciates the work that MPI is doing to that end.
9 The Taxi Coalition looks forward to the results of
10 that framework review being before the PUB and being
11 dealt with in the next General Rate Application.

12 I will now cover broadly six (6) issues
13 or subject matters which will be of particular focus
14 for the Taxi Coalition. Although, we may have
15 questions in general areas, the focus of the Taxi
16 Coalition will largely be in -- in the areas which I
17 will cover.

18 The first one was addressed by Mr.
19 Scarfone in his presentation: serious losses for
20 passenger Vehicles for Hire. There were eleven (11)
21 actually separate directives in Order 1/'21 of the PUB
22 related to Vehicles for Hire, and with the revised
23 Vehicles for Hire framework still under development,
24 many of those directives have not yet been completed.

25 One of those was 8H, as in Harry, which

1 required MPI to analyze and report on the relative
2 probability as between passenger Vehicles for Hire and
3 other Vehicles for Hire, as to whether there will be a
4 serious loss complaints experience -- or claims
5 experience in the future.

6 We note that MPI has yet to report on
7 this directive, but we have adduced some evidence that
8 a serious loss loading of somewhere between two
9 hundred and fifty-eight dollars (\$258) and four
10 hundred and twenty-eight dollars (\$428) would be
11 appropriate to reflect the eventuality that passenger
12 Vehicles for Hire will incur serious losses.

13 The PUB also has before it evidence of
14 opinions on the reasonable range for serious loss
15 loadings on passenger Vehicles Hire -- for Hire which
16 may extend beyond those preferred by our witnesses.

17 So, we intend to examine and make
18 recommendations to this Board about the appropriate
19 serious loss loadings that should be included in
20 passenger Vehicle for Hire rates in order to ensure
21 that rates reflect an appropriate expectation of
22 future costs.

23 The second issue also dealt with by Mr.
24 Scarfone and which, quite frankly, surprised me,
25 saying that the rates didn't need to continue to have

1 the 20 percent applied to it in the future.

2 We have quite the contrary view, is
3 that there continues to be a mispricing of the -- the
4 products. And by contrast, the private industry in
5 other provinces are adjusting rates, even though they
6 may be material rate increases, to properly reflect
7 the risk of the coverage.

8 And the Taxi Coalition intends to
9 examine the merits of increasing rates which the PUB
10 approved for the next two (2) years and to explore the
11 potential implications of a revised Vehicle for Hire
12 framework.

13 We certainly wouldn't want to start
14 with improper rates under a new system, and then try
15 to do catchup again as we're trying to do in the
16 current situation.

17 A restart and guidance from the PUB on
18 what an appropriately priced product, including
19 serious losses, would be an important contribution
20 towards getting the framework correct from the start.

21 Part of the issue not specifically
22 addressed by Mr. Scarfone but of interest to us is
23 what they call the credibility weighting. It's
24 closely related to the issue of capping because it
25 relates to rate stability and credibility adjustments

1 to reflect new experiences in an insurance use.

2 So, last year, the Taxi Coalition
3 challenged to some extent to the credibility methods
4 applied by MPI for smaller insurance uses.

5 And there's further evidence to be
6 adduced before this Board, which we suggest that
7 there's a misalignment between current and indicated
8 rates for passenger Vehicles for Hire and other
9 classes, which leaves those classes of insureds
10 underpaying for years.

11 That also has a converse effect. The
12 approach to assigning credibility means -- remains an
13 issue. And the current proceedings for Taxi/Vehicles
14 for Hire we're expecting with improved incentives and
15 the forthcoming revision to the Vehicle for Hire
16 framework, that there will continue to be an
17 improvement in the collision experience.

18 But unless there's a change in the way
19 MPI applies its credibility, they'll only receive a 10
20 percent weighting, which we say is only a slight
21 recognition under MPI's current approach to assigning
22 credibility.

23 Such a result of overpaying for years,
24 we would suggest, is not a just and reasonable outcome
25 or just and reasonable rates and would hinder the

1 ability of insurance rates to send appropriate price
2 signals about risk.

3 So, we will address the issue of
4 credibility assignment for small insurance uses,
5 consider the tradeoffs between responsiveness and rate
6 stability, and not just for Taxi/Vehicles for Hire to
7 -- who hope to improve their experience in the
8 upcoming years, but all small insurance uses.

9 These tradeoffs of responsiveness and
10 rate stability and cost causation will all -- all be
11 addressed.

12 There's another issue that had been
13 identified in the last hearing. And what -- we had
14 looked at possible mispricing between territories and
15 MPI's ratemaking model.

16 MPI -- the PUB, sorry, will have
17 received evidence in this proceeding that relativities
18 and loss ratios between urban and rural taxis suggest
19 that rural taxis are overpriced.

20 PUB will also have received evidence
21 that the small volume of rural data could be unduly
22 influenced by random noise, but that the issue is
23 likely pervasive across all insurance uses.

24 The PUB will also have received
25 evidence that the simplistic rating model, and this is

1 -- might be under a separate title, of a minimum bias
2 procedure is unable to tease out these complex
3 relationships and identify risk factors that are both
4 significant and high in confidence.

5 The PUB will have received evidence
6 that there are alternatives to MPI's rating
7 methodology, a methodology that's probably not used
8 much anywhere else for the last fifteen (15) years. A
9 new type of modelling which improves assessment of
10 risk is a generalized linear model, or in the
11 industry, they refer to them, as I understand, as
12 GLMs.

13 And we understand and will adduce
14 evidence that they are now considered standard
15 methodology and private industry. And the technology
16 to implement these models is available for free in
17 open soft -- source software.

18 So, this aligns with MPI's stated five
19 (5) year plan of being a fast follower of industry
20 best practices and trends.

21 So, we intend to examine the
22 territorial mispricing issue and the potential remedy
23 and the opportunities available to MPI to modernize
24 its ratemaking methodology and fully harness the data
25 that MPI has available to it.

1 Another issue in this which we intend
2 to cover, there were quite a few directives that,
3 unfortunately, MPI did not have time to fully address,
4 and some of them, the answers were only provided after
5 our opportunities to ask IRs.

6 One (1) of those directives was PUB
7 directive 8D, as in Donald, to review and report on
8 rating variables appropriate to setting the Vehicles
9 for Hire rates.

10 So, that hasn't been addressed fully.
11 MPI's position on additional data collection relevant
12 for Vehicle for Hire rating which was identified in
13 PUB directive 8F is also at issue, as is the timing of
14 such data collection and analysis relative to the
15 revisions.

16 In a very general way, Taxi Coalition
17 believes that a lot of these directives were material
18 and had important information to be addressed prior to
19 finalizing Vehicle for Hire framework and requesting
20 regulatory changes.

21 And we don't have any information, so
22 it's -- we think that that information would be
23 important to collect before we actually set things
24 down in regulations and finalize the -- the framework.

25 So, we'll explore also enhancements to

1 its rating model, the collection of additional
2 relevant data, and make recommendations on that.

3 With respect to 8F, MPI has produced,
4 as we've said, an analysis of creating a separate
5 Vehicles for Hire major class. But, as noted, that
6 analysis is very fresh, and there's been limited
7 opportunity to examine this analysis.

8 We intend to further examine the
9 results and implications of adding a new class to the
10 existing ratemaking methodology before making any
11 recommendations to the PUB.

12 I'm pretty close to the end now.
13 There's -- there are going to be some comments with
14 respect to driver's safety rating and the proposed
15 rate reductions. We expect that other Interveners
16 will take a lead role in those areas, but we will be
17 addressing them.

18 And, finally, the Special Rebate
19 Application. Ms. Dilay has addressed that, as Mr.
20 Scarfone has. Again, we may not be taking the lead
21 role, but we will be dealing with that issue and the
22 appropriateness of the proposed rebate stemming from
23 the pandemic, as well as recommendations on the
24 Capital Management Plan and the future treatment of
25 excess capital.

1 In closing, we'd like to thank the PUB
2 again for the opportunity to participate in this
3 Hearing and to contribute to the PUB's determination
4 of just and reasonable rates for taxis, Vehicles for
5 Hire, generally, and all Manitoba ratepayers. Thank
6 you very much.

7 THE PANEL CHAIRPERSON: Thank you very
8 much, Mr. Hacault. Any questions? Questions? Thank
9 you.

10 Ms. Meek...?

11 MS. CHARLOTTE MEEK (by Teams): Yes,
12 Madam Chair. Can you hear me now?

13 THE PANEL CHAIRPERSON: Yes. And we
14 can see you, as well. Thank you --

15

16 OPENING REMARKS BY MS. CHARLOTTE MEEK:

17 MS. CHARLOTTE MEEK (by Teams): Thank
18 you very much.

19 Thank you, Mr. Hacault, for stepping in
20 there, and I appreciate the Board's patience as I
21 dealt with some technical issues there.

22 As I said previously, my name is
23 Charlotte Meek. I'm appearing on behalf of the
24 Coalition of Manitoba Motorcycle Groups, who are
25 referred to as CMMG throughout this presentation.

1 CMMG has been an Intervener in these
2 proceedings now for approximately twenty-nine (29)
3 years. CMMG is a non-profit volunteer-run
4 organization with several objectives as follows:

5 Promoting the safety of motorcyclists
6 through education and liaison with safety councils;

7 Promoting legislative reform and
8 organizing events with government;

9 Disseminating information to promote
10 safe enjoyment of motorcycling in Manitoba;

11 And, finally, to intervene and
12 participate in these hearings to promote affordable
13 motorcycle rates in this province.

14 Through its Intervention, CMMG seeks to
15 represent the interests of approximately seventeen
16 thousand (17,000) motorcycle riders in Manitoba in
17 assisting the Board in determining whether MPI's
18 proposed application is just and reasonable.

19 Throughout the years that CMMG has been
20 granted Intervener status, the group has worked not
21 only to ensure that rates for motorcyclists in
22 Manitoba are affordable, but has also advocated for
23 road safety initiatives. CMMG seeks to ensure that
24 Manitoba is a safe place, not only for vehicles, but
25 for other vulnerable road users, including

1 motorcyclists, cyclists, and pedestrians.

2 CMMG has been involved in collaborating
3 with MPI and other Interveners to ensure
4 accountability and transparency in how the Corporation
5 operates. This year will be one where CMMG continues
6 this important collaboration with other Interveners to
7 test MPI's actions and assumptions in this complex
8 application.

9 MPI's rate update, filed on October
10 5th, 2021, seeks an overall rate reduction of 1.2
11 percent. Based on MPI's application, the motorcycle
12 class will not benefit from any reduction this year,
13 with a requested rate indication for motorcycles of a
14 positive .5 percent.

15 As we are all aware, the COVID-19
16 pandemic has had a huge impact on the world and each
17 of our lives. As governments work to prevent the
18 spread of the virus, businesses and places of
19 employment shut their doors and the public was
20 encouraged to remain at home. The ramifications of
21 these government mandates meant that collision
22 frequencies across the province dropped and MPI
23 revenues flew past required targets for claims costs.

24 Over the last year, MPI has come to the
25 Board twice seeking to provide rebates to customers in

1 Manitoba. MPI, the Board, and Interveners worked on
2 very short time lines to review the excess revenues
3 that MPI quickly accumulated as a result of the
4 pandemic.

5 Alongside the General Rate Application
6 today, MPI has also brought a Special Rebate
7 Application; again, seeking the Board's approval to
8 rebate excess revenues that continue to be accumulated
9 by MPI. Based on the October 5th update, MPI is
10 seeking to rebate approximately \$335 million. This
11 will be the largest rebate we have seen to date.

12 While CMMG agrees that excess revenues
13 must be returned to customers, CMMG is concerned that
14 rebates are not cost -- are not a cost-effective
15 process. Each rebate process has cost MPI customers
16 approximately a million dollars in expenses to
17 facilitate the rebate, including costs such as issuing
18 cheques and post issues, for example.

19 The source of rebates is also a point
20 of concern for the CMMG. MPI has accumulated excess -
21 - excess reserves, not only in the Basic fund, but the
22 Extension line of business as well. As outlined in
23 MPI's application and explored in depth throughout the
24 Information Request process, MPI has reallocated
25 excess funds from Extension to fund shortfalls in the

1 Driver and Vehicle Administration line of business.
2 CMMG intends to challenge the legitimacy of transfers
3 to DVA, and examine whether the rebate applied for by
4 MPI should, in fact, be much higher.

5 MPI is proposing also this year that
6 the Capital Management Plan, which is still in trial
7 run, be removed from the rate indication, in tandem
8 with the provision of rebates to customers. The
9 interaction of the removal of CMP, with the rate
10 calculation concurrently with the provision of a
11 rebate, which in turn is being allocated only to those
12 at certain DSR levels, has made for a particularly
13 complex General Rate Application. CMMG intends to
14 examine these methodology changes for fairness and
15 reasonableness.

16 As in previous years, CMMG will review
17 MPI's ratemaking methodology with a specific interest
18 and implications for the motorcycle class. Issues of
19 trend setting and duration will be a priority in this
20 year's GRA. CMMG will review the Board's orders from
21 the 2021 GRA to ensure compliance by MPI on this
22 issue.

23 MPI's investment strategy has been
24 criticized by CMMG for several years. The Board has
25 acknowledged the deleterious effects of changing

1 interest rates that have had on motorcycle class, in
2 particular. In previous GRAs, the Board has directed
3 MPI to examine alternative options or methodologies to
4 alleviate this issue. Unfortunately, MPI's suggested
5 remedies have been ina -- inadequate.

6 This application indicates that a new
7 ALM -- ALM study will be commencing. CMMG intends to
8 take this opportunity to review the shadow portfolios,
9 prospective returns over previous years, with a view
10 to providing the Board with recommendations to
11 diversify MPI's investment portfolio.

12 Finally, the issue of the Driver Safety
13 Rating system is an area of significant interest for
14 CMMG. MPI has acknowledged the inadequacies of the
15 Registered Owner Model and provided the Board with
16 some suggestions for modification. Respectfully, the
17 suggested remedy offered is a band-aid solution at
18 best. While CMMG acknowledges that improvements can
19 of course be made to the Registered Owner Model, the
20 simple truth is this model is not the most fair or
21 accurate way to price risk.

22 CMMG is disappointed with MPI's
23 outright rejection of the Primary Driver Model. The
24 Primary Driver Model has been acknowledged by MPI
25 itself to provide a more accurate assessment of risk

1 and actuarially sound pricing than the Registered
2 Owner Model.

3 As anticipated by Mr. Scarfone, CMMG
4 does intend to spend time questioning MPI's basis for
5 clinging to a Registered Owner Model that is
6 insufficient. CMMG looks forward to being able to
7 provide the Board with recommendations for the Primary
8 Driver Model and an alternative perspective to that
9 proposed by MPI.

10 In conclusion, CMMG would request that
11 the following exhibits be filed today for the record.
12 CMMG-1, Intervener application, dated July 7th, 2021;
13 CMMG-2, Round 1 Information Requests 1 to 11; CMMG-3,
14 Round 2 Information Requests 1 to 4; CMMG-4, CMMG
15 Information Requests on CAC Intervener evidence 1 to
16 4.

17 CMMG thanks the Board for the
18 opportunity to provide opening comments this morning
19 and looks forward to the Hearing ahead. Subject to
20 any questions, those are the opening comments of CMMG.

21 THE PANEL CHAIRPERSON: Thank you, Ms.
22 Meek. Any questions? Any questions? Thank you.

23 Ms. McCandless, we're at almost 11:30.
24 I don't believe we have anything now scheduled until
25 1:15. Is that correct?

1 MS. KATHLEEN MCCANDLESS: That's
2 correct.

3 THE PANEL CHAIRPERSON: Okay. So
4 we'll break now until 1:15, please.

5

6 --- Upon recessing at 11:29 a.m.

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

8

9 THE PANEL CHAIRPERSON: Thank you.
10 Welcome back, everyone. We will now have the portion
11 of this hearing that hears from public presenters.
12 Our first presenter is Charles Feaver, with Bike
13 Winnipeg.

14 Mr. Feaver, I would just remind you to
15 please keep your presentation to the ten (10) minutes
16 that's been allotted to you. Thank you very much.
17 Please proceed.

18

19 PRESENTATION BY MR. FEAVER:

20 MR. CHARLES FEAVER (on Teams): Okay.
21 Good afternoon. I am Charles Feaver, presenting on
22 behalf of Bike Winnipeg, and thank you for the
23 opportunity to present to you today.

24 Bike Winnipeg is a non-profit
25 organization dedicated to improving bicycling

1 conditions in the city and encouraging more
2 Winnipeggers to cycle more often for their everyday
3 trips.

4 However, survey after survey shows us
5 that the biggest barrier to more people cycling more
6 often is that most Winnipeggers don't feel safe cycling
7 among automobiles in this city.

8 Bike Winnipeg tries to deal with this
9 issue in two (2) ways: (1) encouraging municipal and
10 provincial roadway authorities to build infrastructure
11 that separates cyclists from automobiles, and (2)
12 promoting measures that will improve safety for
13 cyclists who share the roadway with automobiles.

14 In the long run, we hope for a future
15 where most people can make most trips by bicycle on
16 separated infrastructure. The City approved the well-
17 researched Pedestrian and Cycling Strategies Document
18 2015.

19 It's a good plan, but implementation
20 has stretched out well beyond the long term envisioned
21 in the plan. Therefore, people travelling by bicycle
22 will need to ride on roads to get to most
23 destinations.

24 One very important way to address on-
25 road safety is to ensure that the automobile drivers

1 in the city know how to drive safely when they
2 encounter bicycles on the road.

3 MPI is the lead provincial government
4 authority responsible for training automobile drivers.
5 The cost of MPI's program designed to train drivers is
6 part of the rate base for MPI, and therefore a
7 consideration in determining the revenue requirement
8 for MPI. That is why I want to address you today.

9 This will be the second year that Bike
10 Winnipeg is not participating as an Intervener in the
11 MPI Rate Hearing because this is the second year in a
12 row that MPI road safety expenditures will not be
13 thoroughly reviewed at your hearing.

14 I would like to give you some
15 perspective on MPI's record on managing road safety
16 training and provide some ideas to improve the next
17 hearing cycle.

18 More than a decade ago, Bike Winnipeg
19 first appeared as a presenter. In media follow-up, an
20 MPI spokesman said that cyclist injuries and
21 fatalities in automobile collisions were
22 insignificant. We were flabbergasted. How could
23 several cyclists deaths in a small jurisdiction like
24 Manitoba be considered insignificant?

25 By participating in the PUB hearings,

1 we came to learn that MPI accounted for two (2) kinds
2 of collision expense: the cost of fixing the vehicles
3 made up roughly two-thirds of collision costs, and the
4 other third was the cost of compensating injured or
5 bereaved Manitobans.

6 Road safety was part of loss
7 prevention. At that time, the average payout to
8 families of bicycle riders killed on the road was
9 about seventeen thousand dollars (\$17,000).

10 In its loss prevention business case,
11 MPI focussed on the problems that caused the greatest
12 claims costs: two (2) expensive vehicles crashing at
13 an intersection is a much greater loss to MPI than a
14 bicycle rider hit and killed, thus prioritizing the
15 fender-bender in the business case development.

16 When we became Interveners, we raised
17 this issue over a number of years. MPI officials
18 typically assured the Board that they weighed other
19 human costs when they developed the business case of
20 loss management, but they could not describe the
21 quantitative methodology.

22 We argued that they should use the
23 economic concept of value of life to quantify the
24 benefit of avoiding a fatality. Typically, this
25 involves attributing a median value of roughly \$8

1 million as the benefit achieved by avoiding a loss of
2 life. That's almost five hundred (500) times more
3 than seventeen thousand dollars (\$17,000), so it
4 should elevate the priority of avoiding collisions
5 that kill people above avoiding fender-benders.

6 It wasn't until the provincial
7 government started a road safety initiative and
8 adopted a Vision Zero approach that MPI appeared to
9 change its story.

10 Vision Zero is an approach to road
11 safety which is becoming prevalent in most advanced
12 economies. It involves the scientific methodology to
13 reduce harms to humans on the road. It focusses on
14 reducing serious injuries and fatalities, not fender-
15 benders.

16 The last time the PUB reviewed road
17 safety, MPI assured the Panel that they had adopted
18 Vision Zero, prioritizing the reduction of collisions
19 involving serious injuries and fatalities. They cited
20 the value of life methodology, and estimated that the
21 total social cost of collisions in Manitoba amounted
22 to some \$2 billion a year.

23 That sounded like good progress.
24 However, value of life is a complicated concept that
25 comes from the discipline of economics and is not part

1 of the accounting discipline. MPI struggled with the
2 concept, but they did say they were adopting it in
3 order to revise their Loss Prevention Business Plan.

4 We thought we'd made significant
5 progress. Now we're not so sure. We have not seen a
6 plan that shows the impact of that significant change
7 in valuation. Instead, we see a very similar
8 expenditure and effort by road user type as in the
9 past year.

10 It gets worse. Let me read you a quote
11 from this year's MPI annual report, page 21:

12 "Loss Prevention Programs and
13 activities support Manitoba Public
14 Insurance's objective to reduce
15 claims and claims costs which
16 ultimately contribute to lower
17 insurance premiums for customers."

18 So much for Vision Zero and value of
19 life costing. This is just one (1) example of MPI
20 failing to accept outside instruction and make
21 significant changes to road safety training.

22 On other road safety issues, MPI rags
23 the puck, complexifying and dragging out issues raised
24 by outsiders so that your Panel is likely to get lost
25 in the detail rather than dealing with the big issue

1 of making road safety training sufficiently effective
2 to reduce harmful collisions.

3 Collisions are avoidable. If MPI were
4 truly working to improve road safety, then the number
5 of people killed and injured should come down at a
6 rate comparable with other Vision Zero jurisdictions.
7 That is not happening.

8 The PUB has indicated that it will
9 review MPI road safety plans in the next annual rate
10 review cycle, and that this process will include a
11 road safety technical conference.

12 In structuring next year's road safety
13 review, please don't let the process bog down. Please
14 ensure that, first, the process establishes whether or
15 not MPI is, in fact, the road safety training
16 authority for the province.

17 If MPI is the driver training
18 authority, then the PUB must ensure that MPI deploys
19 the quantity and quality of resources required to
20 ensure that all drivers achieve and maintain a
21 sufficient standard of training to operate their
22 vehicles without killing or injuring other road users.

23 Training people to operate dangerous
24 equipment and maintaining an adequate standard of
25 training as conditions change over time requires more

1 than a one (1) time licence approval and occasional
2 media advertising. It requires an ongoing training
3 regime built on data to deliver results.

4 On the other hand, if MPI is not the
5 driver training authority for the province but simply
6 the auto collision insurance company that is expected
7 to provide a modicum of road safety training as a
8 social benefit, then the PUB must ensure that the
9 government clearly understands that MPI is not
10 adequately resourced to lead ongoing driver training
11 in Manitoba, and that there is a dangerous gap in
12 maintaining the standards of driver knowledge in
13 Manitoba.

14 Secondly, please ensure that the
15 process establishes whether the methodologies MPI uses
16 in their road safety programs for existing drivers
17 such as media campaigns are appropriate and effective
18 for updating the training of operators of dangerous
19 equipment.

20 If this methodology is not adequate for
21 pilots, for instance, why would it be adequate for
22 automobile drivers?

23 Thirdly, please ensure that the goal
24 for road safety training is to reduce the human costs
25 of collisions occurring in our transportation system

1 rather than loss prevention.

2 As a company with a mission to provide
3 low-cost automobile insurance, MPI is strongly
4 motivated to minimize claims costs. It will take a
5 firm hand from the PUB to steer MPI's road safety
6 training toward the Vision Zero objective of
7 minimizing human suffering rather than pursuing claims
8 cost reductions.

9 Finally, please design a different
10 process this time. The Road Safety Technical
11 Conference should be led by an independent road safety
12 expert with a mandate that clearly lays out what
13 issues should be addressed rather than reviewing the
14 road safety proposals for the coming years put forward
15 by MPI, which has been the focus in the past.

16 Together with my colleagues at Bike
17 Winnipeg, I look forward to working with all parties
18 in this hearing to make our roads safer for all users
19 through effective driver training. Thank you.

20 THE PANEL CHAIRPERSON: Thank you very
21 much, Mr. Feaver. Any questions? Mr. Gabor...?

22 THE CHAIRPERSON: Mr. Feaver, are you
23 satisfied with the number of people -- number of
24 cyclists who wear helmets? I just --

25 MR. CHARLES FEAVER (by Teams): You

1 know --

2 THE CHAIRPERSON: I just preface this
3 because when I'm driving downtown, I'm always struck
4 by how many cyclists don't wear helmets and -- and,
5 quite frankly, I don't understand why.

6 MR. CHARLES FEAVER (by Teams): It is
7 a question of personal preference. I wear a helmet; I
8 wouldn't feel comfortable without it. But I -- I've
9 got to tell you, my heritage is from Holland, and when
10 you ride the streets of Holland, nobody's wearing
11 helmets; cycling is not considered a dangerous
12 activity.

13 So, I have neighbours here across the
14 way, Dutch doctors, they both ride to their hospitals
15 not wearing a helmet. And when I ask them, "do you
16 wear a helmet?" I get this hmm look, like, how -- how
17 silly are you?

18 So, the -- the issue is that, in fact,
19 driving a car you should wear a helmet, too, because
20 that too is a dangerous activity. In reality, in the
21 cycling community, the sports riders all insist on
22 wearing a helmet because in a bicycle-to-bicycle
23 collision or in a bicycle on its own collision, that
24 the helmet is a key factor. But if you get hit by a
25 car going over 50 kilometres an hour, it's not the

1 helmet that's going to help you.

2 So, the on-the-road community is more
3 mixed about it, the -- you know, the -- the casual
4 user. And -- and, indeed, you know, in the sort of --
5 in the broader world community, an assessment of
6 whether people think it's safe to ride in their own
7 community on a bicycle is whether the women who ride
8 bicycles are or are not wearing helmets, and it's a
9 healthy indicator if the women choose not to wear a
10 helmet.

11 So, it's an interesting dilemma, but --
12 but that's -- that's sort of the world view on it.

13 THE CHAIRPERSON: Thank you. Thank
14 you.

15 THE PANEL CHAIRPERSON: Any questions?
16 Thank you very much for your presentation, Mr. Feaver.

17 MR. CHARLES FEAVER (by Teams): You're
18 welcome.

19 THE PANEL CHAIRPERSON: We'll move to
20 our next presenter, Fred Dugdale, from the Brain
21 Injury Association.

22 MR. FRED DUGDALE (by Teams): Hello.
23 My name is Fred Dugdale. I am a --

24 THE PANEL CHAIRPERSON: Hello. Hello,
25 Mr. Dugdale. Thank you very much. Thank you very

1 much for...

2 Mr. Dugdale...? Mr. Dugdale...?

3 MR. EDUARD HIEBERT (by teleconference):

4 No. This is Eduard --

5 MR. FRED DUGDALE (by teleconference):

6 Yes --

7 THE PANEL CHAIRPERSON: Yes, Mr.

8 Dugdale is --

9 MR. FRED DUGDALE (by Teams): -- hear
10 me well enough.

11 THE CHAIRPERSON: Very well. Thank
12 you. May I remind you that you have ten (10) minutes
13 for your presentation. Please proceed now.

14

15 PRESENTATION BY MR. FRED DUGDALE:

16 MR. FRED DUGDALE (by teleconference):

17 Okay. Yes, my name is Fred Dugdale. I have been
18 involved with Manitoba Brain Injury Association for
19 many years and, also, with Manitoba League of Persons
20 with Disabilities and several other organizations.

21 I, myself, was involved in a motor
22 vehicle accident in September of 2000. Back then, I
23 was diagnosed as having whiplash which led to a
24 concussion which remained affecting me in what is
25 often called post-concussion syndrome, although they

1 have tacked a whole bunch of different names since
2 then, but the effect is still the same. It affected
3 me in many ways in terms of my ability to continue in
4 my occupation. And to this day, I still -- even
5 though I have been able to recover somewhat, it still
6 affects me, and I've never been able to get a
7 satisfactory result from any of my personal injury
8 claims.

9 First of all, the -- the group that
10 does the assessments, we don't who they are, which I
11 can understand. We also don't know what the
12 qualifications are, nor do we know what the criteria
13 is. It is extremely difficult to get any kind of very
14 definitive soft tissue injury assessment unless you go
15 to tests that apparently are not available in
16 Manitoba.

17 So, therefore, they use a battery of --
18 of things, such as getting the notes from your doctor,
19 getting any other information that -- that comes along
20 with that, like, x-rays, et cetera, blood test. They
21 also use something called a neuropsychological
22 analysis which, if anybody knows how those work, they
23 are point in time measure of your capacity.

24 They are not, absolutely not a way of
25 diagnosing a concussion, because unless you have a

1 number of those spread out from before, immediately
2 after, and subsequent along a continuum, one (1) of
3 those several years later is simply going to tell you
4 on that day at that time what you are capable of doing
5 from a cognitive perspective, yet they will use that
6 as a way to deny your claim.

7 I have come to the point now where I no
8 longer go through that process. I do not believe that
9 it's effective. I think it's deeply flawed. My most
10 recent neurologist referred me to a program that was -
11 - well, actually, a clinical study that was taking
12 place with the University of Manitoba on site at
13 Riverview Health Centre. This study was for people
14 with persistent post-concussion syndrome. For me to
15 even qualify to be in that clinical study, I have to
16 go through several hours of interviews, testing, and a
17 number of other things.

18 I was accepted, which means that they
19 considered me to have a concussion and post-concussion
20 syndrome. I went through the entire process
21 faithfully. When this was all said and done, they
22 issued a report. Interestingly enough, that report
23 was funded by Manitoba Public Insurance, so they
24 themselves must at least recognize that this is a
25 valid study. The long and short of it is that that

1 study was done, some improvements were shown, and
2 basically is probably collecting dust somewhere on a
3 shelf or in a filing cabinet.

4 Nothing has been done to help diagnose
5 or help brain injuries, a lot of which result from
6 vehicle accidents. I am quite concerned that money
7 being rebated is not being used effectively in that
8 sense because you're giving a few dollars back to a
9 large number of people while denying a smaller number
10 of people, either they're compensations for the injury
11 or making proper treatments, proper diagnose, proper
12 treatments available.

13 Not too long ago, there was a fairly
14 well documented story. The one that I'm referring to
15 was reported in CBC about a lady who had a judgment,
16 and somehow MPI managed to step away from that
17 judgment. She went back and got that sorted out. And
18 there were several years where that dragged on. The
19 judge finally addressed the situation, expressing that
20 he felt that MPI was acting in bad faith. I think bad
21 faith is right across the board.

22 And I'm really hoping that there's a
23 way to actually look at the statistics. As I heard in
24 the previous presentation, concerns about how the
25 numbers are collected and used, how many people

1 actually get properly compensated when they make these
2 kinds of claims? How many people, especially with
3 brain injuries, are denied because it seems that these
4 injuries are difficult to properly assess; an x-ray
5 does not show it up, some other things don't show it
6 up. Yet, the research that I've done on brain injury
7 internationally argues against most of the things that
8 MPI uses in terms of making those assessments.

9 And if things don't improve, of course,
10 they'll be quite happy to leave things with a huge
11 amount of grey area so that no one will successfully
12 challenge them. I think it's a slap in the face to
13 anybody who has struggled with a brain injury due to a
14 motor vehicle accident and has not been able to get
15 properly diagnosed beyond -- or properly diagnosed to
16 the degree that will be accepted by MPI.

17 And that is something that I kept
18 saying to them. I would say, now, you told me what
19 you won't accept, will you please tell me what you
20 will accept? What test can I go and get that will
21 identify sufficiently to you that I have that
22 condition? And, of course, you do not get answers to
23 those kinds of questions. They love grey area because
24 it allows them to sidestep their responsibility.

25 So that pretty much is -- is what I

1 have to say.

2 When you have gone through that
3 particular clinical study and come out the other end,
4 it's -- it's like saying that the study was invalid
5 because I was accepted into the program when MPI said
6 there's nothing wrong with me.

7 Yet, within MPI, there is an area
8 dealing with driver licenses and the interesting thing
9 about that is I don't think they really talk to each
10 other. Because, as doctors are responsible to report
11 anything that they think could affect your ability to
12 drive to the department within MPI that deals with
13 driver's licenses. I got a letter that said to me,
14 You must now go for a very specific vision examination
15 that has to be certified and returned to us meeting
16 our criteria. It is not covered by Manitoba Health
17 nor is it covered by MPI. It is to be done at your
18 expense.

19 So I went to my eye doctor. A very
20 well-known doctor in Winnipeg that has since retired,
21 Dr. Guplin (phonetic). Dr. Guplin did the test, said,
22 Yes, you are above the line. I will certify this and
23 that will be sent in to Manitoba Public Insurance.

24 Shortly thereafter, thinking that
25 everything was fine, I continued to operate a vehicle.

1 I got another letter saying, we now think that this
2 should become a semi-annual test.

3 This time it was done by Dr. Behzad
4 Mansouri, who is a neurologist and a neuro-
5 ophthalmologist, who was the most recent neurologist I
6 go to, and he said he would do it. He again found
7 that I was above the line. Not by a huge amount, but
8 I still met their criteria. That went in as an
9 additional fifty dollars. So, so far, I had spent a
10 hundred dollars (\$100) on two (2) vision exams.

11 Then I got another letter later on,
12 saying, We now feel that you should have a full
13 physical, according to our criteria. And that, again,
14 is at your own expense. That became --

15 THE PANEL CHAIRPERSON: Mr.
16 Dugdale...? Mr. Dugdale, I'm sorry to interrupt you.
17 You're past your ten (10) minutes. Could you please
18 conclude?

19 MR. FRED DUGDALE (by teleconference):
20 Okay. That was another ninety dollars (\$90). So now
21 I'm spending a hundred and ninety dollars (\$190) based
22 on what the licensing people said were their
23 requirements because I had a concussion.

24 So they're using the terminology
25 'concussion' based on what my doctors were reporting.

1 And the injury people are saying, Nothing wrong with
2 you.

3 So they can't even agree between
4 themselves. So I -- I just think the whole thing is -
5 - is a scam and there needs to be some significant
6 changes, the way things are done. Thank you very
7 much.

8 THE CHAIRPERSON: Thank you for your
9 presentation, Mr. Dugdale. Any questions? Mr.
10 Gabor...?

11 THE CHAIRPERSON: Mr. Dugdale, I don't
12 have any questions. I guess I have a suggestion.

13 Have you contacted the Ontario Brain
14 Institute?

15 MR. FRED DUGDALE (by teleconference):
16 Yes. They're certainly one of the organizations that
17 work in conjunction with Brain Injury Canada.

18 THE CHAIRPERSON: Okay.

19 MR. FRED DUGDALE (by teleconference):
20 In fact -- in fact, Mr. Clark (phonetic) is a former
21 Manitoban.

22 THE CHAIRPERSON: Yeah.

23 MR. FRED DUGDALE (by teleconference):
24 And I looked at all their information. I looked at
25 all the information that comes in from the (AUDIO

1 ISSUE) Foundation, from the University Health Network
2 in Toronto, Dr. Charles Patter (phonetic).

3 THE CHAIRPERSON: Yeah.

4 MR. FRED DUGDALE (by teleconference):
5 There's a lot of information out there that absolutely
6 goes against what is being used by MPI at the present
7 time.

8 MPI's people are out of date, out of
9 sync, out of touch, and are simply grasping at straws
10 to find any reason not to pay out.

11 THE CHAIRPERSON: Yeah. Okay. Thank
12 -- thank you. I just wanted to make sure you had.
13 Thank you.

14 THE PANEL CHAIRPERSON: Any questions?
15 Thank you very much, Mr. Dugdale.

16 Our next presenter is Mr. Hiebert. Mr.
17 Hiebert, are you on the line?

18 MR. EDUARD HIEBERT (by teleconference):
19 Yes.

20 THE PANEL CHAIRPERSON: Yes. And may
21 I remind you, please, to limit your presentation to
22 ten (10) minutes. Proceed, please.

23 MR. EDUARD HIEBERT (by teleconference):
24 Just a second. Thank you. A hearty good afternoon
25 to one and all. And Dugdale (sic), I only caught a

1 part of yours, but my name and phone number is 204-
2 864-2102, and I would welcome your call at some time
3 afterwards.

4 First, a few housekeeping matters.
5 Just to verify, can you hear me?

6 THE PANEL CHAIRPERSON: Yes, we can.
7 Thank you.

8 MR. EDUARD HIEBERT (by teleconference):
9 Thank you. Based on the best available science, we
10 will likely not ever return to a pre-COVID normal.
11 Having been before the Public Utility Board over a
12 period of many decades, even before the use of fax
13 machines were permitted to serve the various parties
14 and the Board. Along the way, I wish to thank the
15 Board for improvements made along the way, such as
16 being able to participate today via this
17 teleconference.

18 I hope the Board makes this into an
19 ongoing standard practice. Such as the transcripts
20 made for the -- on the public time (sic) were
21 eventually made available to participants and the
22 public years ago.

23 Regarding my ten (10) minute
24 presentation, as per the documentation received, I ask
25 that I not be interrupted and such -- lack of

1 interruption will not be construed as your agreement.

2 On the very definition and front of
3 Manitoba's Public Utility Board, my further thanks to
4 the Board and staff for revisiting procedures through
5 a current olive branch on how many -- on how my
6 presentation, after all what was said and done, was
7 made so easily possible free of bureaucracy. Thank
8 you.

9 Finally, on housekeeping matters, I
10 very specifically asked the PUB to stop having the can
11 with respect to presenters kicked down the lane into
12 the irrelevant by having the Utility make non-answers.
13 Instead of receiving a well-considered and informed
14 reply from the very Manitoba Public Utility Board in
15 the service of Manitobans' wider public.

16 Now briefly, three (3) matters specific
17 to the regulation of the monopoly-operated Utility in
18 the best interest of all Manitobans.

19 By way of parallel to how a multi-car
20 family can register the most expensive vehicle for all
21 purpose, and, thereafter, free to use any one of the
22 several vehicles for such use, but only one at any one
23 time, I now make the following argument.

24 Likewise, concerning farmers and other
25 small non-incorporated businesses, now for the Nth

1 time, I'm asking -- not MPI -- but the Manitoba Public
2 Utility Board to do likewise with our use of multi
3 vehicles. But not charge us the incremental fee
4 structure and add-ons, like, deductible and third
5 party liability, as if all of them are on the road at
6 any one time.

7 Two, the market value versus
8 replacement value of written off vehicles. The
9 current practice is an exorbitant tax in the form of a
10 improper cross-subsidy on the backs of the few -- of
11 the frugal and significant benefit to the most heeled.
12 We have no pain in experiencing 20 to 30 percent
13 reductions in their vehicle value just by driving the
14 vehicle off the lot.

15 This perverse subsidy cascades like a
16 domino play from the richest -- who must have every
17 shiny new trinket, and have no problem keeping up with
18 the Joneses -- on to those who, in comparison,
19 exercise a very tiny footprint on Planet Earth.

20 Last, and not least, Manitoba's Public
21 Utility Board has a fiduciary duty to regulate MPI to
22 the benefit of all Manitobans, irrespective of their
23 partisan clout.

24 Through an exceptionally very layered
25 rationalization, it can be argued Manitoba's Public --

1 Manitoba's Public Utility Board has done so regarding
2 the highly questionable and extremely high cost
3 benefit of allowing Manitoba Public Insurance the
4 political calculation of mailing rebate cheques when
5 the -- when the ink on the GRA previously had not yet
6 even been extended.

7 I, as one person representing the voice
8 of many, have been denied reasonable opportunity to
9 make that case.

10 With my vehicle having been totalled
11 and that matter now legally closed, I will indicate a
12 survey of MPI service was conducted around the time of
13 the previous General Rate Application. And after I
14 gave several truthful, but very negative, scores, the
15 interviewers broke into a laugh and said, So far, a
16 hundred (100) percent of the contacts had said the
17 same thing.

18 We, the public, have been denied
19 examination of that very service -- survey, pardon me,
20 essentially conducted on the public dime, and begs a
21 host of questions, whether Manitobans were justly
22 served by the political theatrics of a high-cost
23 relatively small benefit mailed to each and ever
24 client -- Manitoba Public Insurance client.

25 This brings an end to my submission.

1 As in the days gone by, I'm now open to the Public
2 Utility Board and Interveners to aspects of
3 clarification while the public and the media may
4 contact me at (204) 864-2102. I repeat (204) 864-
5 2102.

6 Again, my thanks for this opportunity
7 and the service towards a well run monopoly utility
8 provider. Thank you.

9 THE PANEL CHAIRPERSON: Thank you, Mr.
10 Hiebert. Any questions...? Any questions...? Thank
11 you very much. That ends the portion of this hearing
12 related to public presentations. And I believe now,
13 Mr. Scarfone, it's over to you.

14 MR. STEVE SCARFONE: Thank you, Madam
15 Chairperson. Just before MPIC calls its first
16 witness, I -- I do want to just settle a few
17 outstanding matters. And I know we're only in day one
18 of the hearing, but we have a proposal that I've
19 discussed with Ms. McCandless, as it concerns the --
20 the time table, or the schedule.

21 So, tomorrow we had the Revenue Expense
22 and Rate Update panel that was scheduled to start
23 first thing in the morning. That, I understand, is
24 still happening. The difficulty that we have is in
25 the afternoon we had the Benchmarking panel that has

1 on it our corporate controller Mr. Ghandi.

2 Mr. Ghandi has been asked to present to
3 the Treasury Board in Mr. Giesbrecht's absence. And
4 so, he wouldn't be available to attend for
5 benchmarking until 2:30 in the afternoon.

6 And so, I've asked Ms. McCandless the
7 best way to approach that and she thought, well,
8 that's not a concern, because I expect it to go quite
9 past lunch with the revenues, expenses, and the rate
10 update.

11 But the difficulty there is Mr. Ghandi
12 is also on that particular panel. So, what we've
13 suggested instead is if benchmarking was to begin at
14 10:30 (sic) tomorrow afternoon, we could have the
15 revenue expense and rate update panel come back the
16 next day, so --

17 THE PANEL CHAIRPERSON: So, you mean
18 2:30 in the afternoon? Is that correct?

19 MR. STEVE SCARFONE: No, they -- we
20 would carry on with benchmarking --

21 THE PANEL CHAIRPERSON: Right.

22 MR. STEVE SCARFONE: -- at 2:30 until
23 the end of the day. And then the next day we would
24 have that Revenue Expense and Rate Update panel
25 return, so that would be Thursday morning, and then

1 start with IT.

2 THE PANEL CHAIRPERSON: I have a
3 couple questions with regard to that. Do you have any
4 assurance from the Treasury Board that he will be back
5 here by 2:30?

6 MR. STEVE SCARFONE: Yes.

7 THE PANEL CHAIRPERSON: Yes. Okay.
8 And what time would he have to leave in order to be at
9 Treasury Board for his appearance there?

10 MR. STEVE SCARFONE: I'm told at the
11 lunch hour, at noon.

12 THE PANEL CHAIRPERSON: So, that would
13 mean we would be adjourning between 12:00 and 2:30?

14 MR. STEVE SCARFONE: Correct.

15 MS. KATHLEEN MCCANDLESS: And perhaps
16 -- I just wanted to clarify my discussion with Mr.
17 Scarfone. It wasn't -- I wasn't saying that
18 benchmarking -- or that we would -- we would flip the
19 order.

20 My understanding is because Mr. Ghandi
21 is on both panels --

22 MR. STEVE SCARFONE: Yes.

23 MS. KATHLEEN MCCANDLESS: -- and
24 because now we need to cut tomorrow short somewhat,
25 that everyone who's scheduled tomorrow should be

1 available to return on Thursday in the event that I or
2 one of the other Interveners do not finish with the
3 Revenues, Expenses and Rate Update Panel before the
4 end of the day.

5 MR. STEVE SCARFONE: Oh, yeah, that's
6 what -- sorry, if I didn't say that, I meant Mr.
7 Dunstone and Mr. Gandhi would return Thursday morning.

8 MS. KATHLEEN MCCANDLESS: But, we
9 would continue with that -- that issue Panel until
10 that issue is complete and then resume -- and then
11 start Benchmarking as soon as Revenues, Expenses and
12 Ratemaking is complete rather than splitting up the
13 topic, considering that Mr. Gandhi is not available
14 for either of them, right, so -- that afternoon.

15 MR. STEVE SCARFONE: No, because Mr.--

16 MS. KATHLEEN MCCANDLESS: So, what --

17 MR. STEVE SCARFONE: -- Gandhi has to
18 leave at noon.

19 MS. KATHLEEN MCCANDLESS: Yes. What
20 I'm -- I'm saying is I do not expect that we will get
21 through the first issue or this first issue panel by
22 lunch tomorrow.

23 MR. STEVE SCARFONE: Right.

24 MS. KATHLEEN MCCANDLESS: Therefore,
25 when Mr. Gandhi is able to return, I would expect that

1 he's returning to speak on the Revenues, Expenses and
2 Rate Update Panel with Mr. Dunstone, and then the
3 following morning it may still be Revenue, Expenses
4 and Ratemaking. It may not yet be benchmarking.

5 MR. STEVE SCARFONE: Oh, I see, so
6 benchmarking might get pushed forward into Thursday
7 afternoon is what you're saying?

8 MS. KATHLEEN MCCANDLESS: I don't
9 know. I'm just saying, let's not split the subject
10 matter up. Let's keep it all --

11 MR. STEVE SCARFONE: Okay. Sorry.
12 Sorry, I was confused, I thought we were.

13 So, what Ms. McCandless is suggesting
14 now is -- is -- and maybe before, is benchmarking
15 doesn't start until Revenue, Expense and Rate Update
16 is done. Is that the best way to put that?

17 MS. KATHLEEN MCCANDLESS: Yes.

18 MR. STEVE SCARFONE: Is that the best
19 way to put that?

20 MS. KATHLEEN MCCANDLESS: Yes.

21 MR. STEVE SCARFONE: Okay. So, what
22 that would mean, Madam Chair -- what that would mean
23 is -- is tomorrow we would begin with Revenue, Expense
24 and Rate Update. We would break at noon until 2:30.
25 We'd come back with that same panel, perhaps, and

1 carry on until it's complete and then maybe start rate
2 -- our benchmarking tomorrow late afternoon, or not
3 until Thursday morning.

4 THE PANEL CHAIRPERSON: Yes, that's
5 fine. I mean, that will be -- we'll just continue in
6 the same order as is set out in the -- the hearing
7 outline and we'll just have a two and a half (2 1/2)
8 hour break tomorrow afternoon pending Mr. Ghandi's
9 return.

10 MR. STEVE SCARFONE: Yes.

11 THE PANEL CHAIRPERSON: And I just
12 stress that it's important that we actually recommence
13 at 2:30.

14 MR. STEVE SCARFONE: Yes.

15 THE PANEL CHAIRPERSON: We don't want
16 to lose a half a day with the number of people who are
17 involved in this sort of waiting to see when he might
18 be back.

19 MR. STEVE SCARFONE: Yes, and -- and I
20 -- I had that same concern, so I asked that question
21 twice, is he available? Will he be here at 2:30?

22 THE PANEL CHAIRPERSON: Okay.

23 MR. STEVE SCARFONE: And the answer
24 was "yes". And the last part that I should add, is
25 the Corporation, if there's no objection, is adding

1 one (1) witness to the benchmarking panel, right now
2 it's Mr. Ghandi and Mr. Prystupa.

3 The Corporation is also asking that it
4 can add a gentleman by the name of Scott Patton
5 (phonetic), and he is manager of customer insights and
6 analytics. I'll repeat that. The gentleman's name is
7 Scott Patton. He's the manager of customer insights
8 and analytics, and he would appear on the Benchmarking
9 panel.

10 So, he was in the back row. He's been
11 promoted if there's no opposition?

12 THE PANEL CHAIRPERSON: No, that's
13 fine, Mr. Scarfone.

14 MR. STEVE SCARFONE: Thank you. And
15 then just before I ask Mr. Herbelin to come, I did
16 leave with Ms. Schubert a number of exhibits that you
17 should have har -- hard copies of.

18 And so, on the record, MPIC is now
19 going to mark MPI Exhibit No. 40, which is the CEO
20 presentation of Eric Herbelin.

21

22 --- EXHIBIT NO. MPI-40: CEO presentation of Eric
23 Herbelin

24

25 MR. STEVE SCARFONE: And Exhibit

1 number 41, which is the revenue expenses and
2 performance presentation that will be presented
3 tomorrow.

4

5 --- EXHIBIT NO. MPI-41: Revenue, Expenses and
6 performance presentation

7

8 MR. STEVE SCARFONE: And lastly,
9 Exhibit number 42, which is the benchmarking
10 presentation that we hope will be presented tomorrow
11 as well.

12

13 --- EXHIBIT NO. MPI-42: Benchmarking Presentation

14

15 THE PANEL CHAIRPERSON: Thank you.
16 We'll now proceed with the testimony of MPI CEO, Eric
17 Herbelin.

18 MR. STEVE SCARFONE: Yes. Can I just
19 have a couple minutes to see where Mr. Herbelin is?

20 THE CHAIRPERSON: Yes.

21 MS. KATHLEEN MCCANDLESS: I believe
22 that Ms. Dilay is going to appear in person for this
23 portion of the afternoon as well, so we may need a
24 minute to have her --

25 DR. DARREN CHRISTLE: She's going to

1 come for her cross-examination.

2 THE PANEL CHAIRPERSON: Okay. Thank
3 you.

4 MR. STEVE SCARFONE: Should we take
5 five (5)? Yes. Downstairs.

6

7 (BRIEF PAUSE)

8

9 MR. STEVE SCARFONE: Madam Chair, my
10 apologies. So, that last discussion we just had, I
11 got a note from our backroom people to pause the
12 discussion.

13 There seems to be a lot of confusion
14 about the Treasury Board Meeting and availabilities,
15 so we're going to have to clarify that.

16 THE PANEL CHAIRPERSON: Well, so my
17 question with regard to that is: Is it possible that
18 the Treasury Board meeting is not going to require MPI
19 representatives to be present, or is it going to be at
20 a different time or on a different day?

21

22 (BRIEF PAUSE)

23

24 MR. STEVE SCARFONE: So, yes. The --
25 the gentleman is required at the meeting. The 2:30 --

1 the 2:30 arrival back here was not correct. He has to
2 depart at 2:30 for the Treasury Board Meeting.

3 THE PANEL CHAIRPERSON: So we are then
4 not going to, yeah, meet in the afternoon and we do
5 not necessarily have to break at noon?

6 MR. STEVE SCARFONE: That's correct.

7 THE PANEL CHAIRPERSON: So I -- I
8 think we're going to have to have a discussion about
9 how much time we're going to need and whether we can
10 proceed to utilize all of that time, or to the extent
11 that we can most of the time up to 2:30.

12 MR. STEVE SCARFONE: Yes.

13 THE PANEL CHAIRPERSON: And -- and
14 then adjourn for the balance of the day. So if you
15 wouldn't mind giving us a moment on that we'll discuss
16 it. Thank you, Mr. Scarfone.

17

18 (BRIEF PAUSE)

19

20 THE PANEL CHAIRPERSON: Thank you, Mr.
21 Scarfone. What we would like to do is start at 9:00
22 tomorrow morning. We will continue the hearing until
23 2:30 in the afternoon when Mr. Ghandi has to leave.
24 We would take a very short lunch break, probably
25 around 11:00 and our morning break would be very short

1 as well, if needed.

2 So, we'll proceed on that basis. The
3 other point I think that's important is that we will
4 have to determine at 2:30 tomorrow whether that panel
5 is going to be needed the following day or not.

6 So if you can please put those people
7 on notice that that's a possibility and then we'll
8 proceed with the schedule as it's currently set out in
9 terms of the order of the panels.

10 MR. STEVE SCARFONE: Yes. Okay. And
11 that -- that sounds like a good plan. We had already
12 confirmed that Mr. Dunstone and Mr. Ghandi are
13 available Thursday morning, if need be.

14 THE PANEL CHAIRPERSON: Okay, thank
15 you very much Mr. Scarfone.

16 MR. STEVE SCARFONE: Thank you.

17 So MPI's first witness is the President
18 and Chief Executive Officer of Manitoba Public
19 Insurance and we'd ask that -- Mr. Herbelin be sworn
20 or affirmed into the record please.

21

22 ERIC HERBELIN, Affirmed

23

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

25 MR. STEVE SCARFONE: Good afternoon,

1 Mr. Herbelin. Sir, we just heard that you are the
2 President and Chief Executive Officer of Manitoba
3 Public Insurance.

4 How long, sir, have you been in this
5 role?

6 MR. ERIC HERBELIN: Since January 4th
7 of 2021.

8 MR. STEVE SCARFONE: And understand I
9 would normally go through some of your qualifications,
10 credentials, for the edification of the Board, but I
11 understand that you have some of that covered off in a
12 presentation that you would like to give to the Board.
13 Is that correct?

14 MR. ERIC HERBELIN: That is correct.

15 MR. STEVE SCARFONE: And, sir, do you
16 adopt what we see in front of us as the CEO Overview,
17 do you adopt all of the information contained therein
18 as part of your examination in-chief here today.

19 MR. ERIC HERBELIN: And obviously one
20 slide, but I presume this is my presentation, so yes.

21 MR. STEVE SCARFONE: Yes. Thank you.
22 And so if there is nothing further, sir, I'll ask that
23 you go -- and if there's nothing further, sir, I'll
24 ask that you proceed with your presentation here this
25 afternoon. Thank you.

1 MR. ERIC HERBELIN: Thank you.
2 Members of the panel, presenters and those joining us
3 by live-stream, good afternoon and thank you for
4 having me.

5 My name is Eric Herbelin. I am the
6 President and CEO of Manitoba Public Insurance. I'm
7 proud to be here today as we begin the 2022/23 General
8 Rate Applications Hearing.

9 I would like to acknowledge that we are
10 located on Treaty 1 Lands and that our MPI locations
11 operate on the original lands of the Anishinaabe,
12 Cree, Dakota, and Dene and Oji-Cre Peoples, and the
13 homeland of the Metis.

14 As a Corporation, we are educating
15 ourselves about truth and reconciliation. And that
16 noted to best serve our employees and our customers as
17 we move towards a more collaborative future.

18 As this is my first appearance before
19 the Public Utilities Board since I joined MPI in
20 January 2021, I'd like to take some time today to
21 introduce myself and share with you my background and
22 the path that led me here to Manitoba and MPI.

23 I will also provide an overview of the
24 good work happening in MPI, especially how we have
25 continued to provide value to customers during the

1 COVID-19 pandemic.

2 Following that, I'll update you on the
3 new vision for MPI, that I and my executive team have
4 created in the last ten (10) months since I arrived.
5 And with the benefit of the learning I received from
6 employees, customers and partners and how I expect
7 that we will achieve this together.

8 And, finally, I'll explain how our new
9 five (5) year ambition is directly connected to this
10 years' General Rate Application and all requests
11 within it.

12 As you can likely tell already, I'm new
13 to Manitoba. I'm originally from Switzerland, where I
14 grew up and completed my education. I earned my
15 executive MBA from the International Institute for
16 Management Development, along with a Masters Degree in
17 Human Systems Engineering and another Graduate
18 Bachelor in Business and Administration from the
19 University of Applied Sciences in Switzerland.

20 Aside from my formal education, I also
21 bring to MPI thirty (30) years of experience in the
22 insurance industry across many countries, lines of
23 business, and areas of responsibility.

24 Before joining MPI, my career took me
25 from small entrepreneurial organizations to some of

1 the largest global insurance groups.

2 From acquiring and serving customers,
3 to setting up new businesses, on different continents,
4 I had the pleasure to advise and manage strategic
5 directions of organizations and also design and lead
6 impactful transformation programs.

7 These wide ranging roles have well
8 prepared me for this role at MPI.

9 Before I joined the MPI team I worked
10 as the President and CEO of Elipse Life Insurance
11 Company and was based in Chicago, Illinois. This
12 period truly helped me to deepen my understanding of
13 the effort, the vision that are required to
14 effectively guide an organization through some of its
15 most complex in defining times.

16 I'm truly passionate about the
17 insurance industry and this passion has lead me to
18 this unique opportunity to lead and continue building
19 on the well established cornerstone that is MPI in
20 this province.

21 So, in my short time here, I have
22 become also a vocal advocate of the Public Insurance
23 model. As we well know, the mandate of MPI is to
24 provide value to Manitobans in all that we do.

25 I true -- I truly believe in everything

1 that makes this possible for a customer, including
2 accessible, predictable, and stable automobile
3 insurance rates, universal (AUDIO ISSUE) coverage, and
4 a comprehensive driver testing and licensing service,
5 in addition to the Personal Injury Protection Plan
6 that protects every resident of the province, whether
7 they are a driver or not, should they be injured in a
8 vehicle collision anywhere in Canada or the US.

9 I am aware of the trust and the
10 responsibility that has been put in and bestowed upon
11 our company to continually serve the people of this
12 province, serve them with integrity, and something I
13 can assure you that I'm not taking lightly.

14 As you may know, this year marks the
15 fiftieth year anniversary of MPI, and I couldn't be
16 more proud to have joined the organization in time to
17 celebrate this important milestone.

18 And while at this time we want to also
19 reflect on the past successes and recognize those who
20 have helped us get there, MPI's in the midst of a
21 transformation in many aspects of its core areas.

22 When I first arrived back in January, I
23 felt that it was important to simply listen. It was
24 crucial for me to hear from everyone who is part of
25 what makes MPI possible: our employees, our customers,

1 our stakeholders.

2 And through meeting with our industry
3 partners and regulatory bodies, some colleagues of the
4 Public Utilities Board, also connecting with staff,
5 reviewing customer feedback and taking a holistic look
6 at each of these perspective was very informative. It
7 helped me understand what is working well at MPI and
8 also where we may need to improve upon.

9 We can assure you from our board of
10 directors to our executive team, our employees in all
11 locations across the province, everyone's fundamental
12 commitment to serving our customers is genuine, and
13 this work that they do is evident.

14 Seeing first hand how our front-line
15 staff in particular have pulled together in the face
16 of COVID-19 is really impressive. The challenges it
17 has brought along with it for a business, not to
18 mention personally, has made me really proud of the
19 team.

20 And while our staff and our service
21 centres mainly have been at the forefront of these
22 challenging times, throughout the organization we have
23 worked together to effectively manage our entire
24 business through the pandemic with minimal impact to
25 our customers.

1 This meant nimbly working with our
2 broker partners, conducting more transactions over the
3 phone and probably suspending some of the interest
4 fees tied to financing agreements or financial penal -
5 - penalties for late payments, in addition to
6 dedicated services for Class 1 drivers to ensure that
7 we can maintain business continuity of our economy
8 while ensuring that Manitobans were able to receive
9 the essential services of automobile insurance and
10 driver licensing services.

11 We also supported and continue to
12 support the excellent work of shared health throughout
13 the province. We did this by our team needed to
14 perform critical tasks, but also assigning six (6)
15 physical locations throughout the pandemic periods.

16 To date, three (3) service centres
17 remain relocated and one (1) remains closed to
18 facilitate testing locations in key areas in Manitoba.
19 Despite these extraordinary times, MPI has remained
20 fiscally prudent, continued to achieve its financial
21 objectives including stretch targets.

22 As a result, we were able to deliver
23 customer rebates of 180 million to date. And as we
24 have heard already today, because of our continued
25 fiscal strength and healthy reserves, we plan to

1 deliver another 335 million in rebate for early 2022
2 in combination with the removal of the capital release
3 provision of 5 percent, and that in addition to a 1.2
4 percent rate reduction of the 2022/'23 rating year.

5 I've also engaged our business partners
6 to learn more about how we work together to best serve
7 Manitobans, including the insurance brokers, the
8 automotive repair industry, as well as other
9 stakeholders.

10 We share the desire of our partners to
11 work collaboratively with MPI to ensure Manitobans
12 gets the products and the services that they need, and
13 we know that having a strong relationship, one that is
14 based in mutual respect with all of our partners, is
15 absolutely crucial to delivering value to Manitobans.

16 Reality is MPI will never be able to
17 have a physical presence in all of our communities as,
18 for example, the broker network is. We rely on the
19 repair industry to bring people back on the road
20 safely, and we also rely on the medical service and
21 partners to support those who suffer from injuries.

22 These are only a few examples of the
23 many experts that we rely on to ensure our customers
24 are well served. Listening to what they believe
25 strengthens our ability to continue working together

1 to best serve Manitobans.

2 And another component is hearing from
3 customers themselves. Our data shows that customers
4 are overall satisfied with the services they receive
5 from MPI, whether they are renewing their registration
6 and insurance coverage, testing a new class of
7 licence, or being supported through an injury claim.

8 More than 90 percent of the customers
9 performing a licence and/or insurance transaction tell
10 us that they are satisfied with the service and they
11 will speak favourably about it to their friends and
12 family.

13 While I was impressed by these
14 findings, I have also heard that we have more work to
15 do to meet and continue to exceed expectations for
16 each of these key contributors to our organization.

17 In the past fifty (50) years, MPI has
18 created a legacy in this province of consistently
19 delivering value to Manitobans. In recent years, we
20 have further focussed on building the financial
21 strength of MPI through development of our Rate
22 Stabilization Reserve, as well as the introduction of
23 our Asset Liability Management Program and reinsurance
24 strategy.

25 We have, in other words, increased the

1 financial strengths of the Corporation with the
2 adoption of industry best practices and fiscal
3 prudence. That strong foundation gives us now an
4 opportunity to evolve public -- the public automobile
5 insurance model and create something just as
6 significant for the next fifty (50) years.

7 Can we move slides, please? Or maybe
8 you can go back. I was not anticipating this one.

9 So this is where our five (5) year
10 ambition come in, and this overall strategy --
11 strategy direction is all planned to build on the
12 foundation of transparency, customer service, and
13 fiscal prudence that has served us and Manitobans
14 well.

15 We transform our organization to become
16 more customer centric, data driven, and employee
17 empowered. With inputs from our teams throughout the
18 organization, the leadership team has created a
19 framework dedicated to building on what we already do
20 well, while focussing on what matters most: our
21 customers, our employees, and our stakeholders.

22 This is all about creating the kind of
23 MPI that meets customer needs, is a progressive and
24 rewarding place to work, and is considered a fair and
25 transparent partner to its stakeholders, a place where

1 employees can work effectively, they are empowered,
2 where data are driving decisions, and where customers
3 have the choice to interact with us in any way that
4 they need at any time.

5 And our five (5) year ambition is
6 designed to give us all a structured focus and the
7 skills to make this a reality. You can move the slide
8 now. Thank you.

9 So what does that mean? It means we're
10 on a journey and we are starting here today on the
11 left-hand side at what we called MPI 1.0 and with all
12 the successes and challenges that I have outlined.

13 This Board well knows that we are in
14 the midst of a large -- probably the largest
15 transformation in MPI's history with Project Nova.
16 The work we're doing on Nova is crucial for our
17 future, so we're focussing heavily on it, and I will
18 lay the foundation -- it will lay the foundation for
19 the continued success of MPI by introducing new
20 technology and some streamlined processes.

21 This version of our organization is
22 what we see in -- in the middle, the implementation of
23 Nova, what we also call here the MPI 1.5, is going to
24 be an absolute major -- major milestone and focus in -
25 - of our organization.

1 And you'll hear more about the progress
2 of Nova specifically later this week from the IT and
3 Value Management and Nova Panel. But what I will say
4 now is that Nova has my full attention and support and
5 is something that is a much needed step in our overall
6 transformation at MPI.

7 As has been made even clearer
8 throughout the COVID-19 pandemic, customers value
9 convenience, they expect choice, they expect choice in
10 how and when they interact with businesses. At MPI,
11 we have an obligation to best serve Manitobans. That
12 means providing them choice to meet their needs, their
13 expectations for us as they are trusted automobile
14 insurance and driver licensing services in this
15 province.

16 And we heard from customers directly
17 that they want more options. They want the options to
18 effectuate certain transactions online while still
19 having the ability to discuss some more important
20 matters with their brokers of their choice.

21 We must honour their requests. The --
22 the world is evolving into an increasingly connecting
23 and digital space. And that is why we are now
24 planning for beyond Nova. We are setting our sights
25 on MPI 2.0, what we also call here the Supernova

1 (phonetic).

2 And while Nova is a foundational
3 element on the journey over the next five (5) plus
4 years, we'll set our course for MPI 2.0. And that
5 will include more flexible products and online channel
6 options for Manitobans, data intelligence in
7 automation of routine processes, and also an increased
8 business agility to support a culture of continued
9 commit -- continuous improvement.

10 People will continue to be the most
11 important strength and the key to creating the kind of
12 customer experience we're striving to achieve.
13 Specifically from a customer's perspective, this means
14 that we will improve and evolve the customer
15 experience.

16 We will improve on the customer
17 experience to ensure that our products continue to
18 meet the evolving needs, offer a greater flexibility
19 in how they choose to interact with us, and to make
20 that happen, we will also focus on building the
21 capabilities of all staff and all our system and
22 technology in order to create the capacity to deliver
23 on these transformation -- transformational
24 initiatives. The next slide, please.

25 To better define this direction, we

1 started asking ourselves internally what do we want to
2 -- people to say about MPI in say five (5) years from
3 now? And we have developed these aspiration
4 statements which are designed to keep us consistent
5 with what we are looking to achieve across the
6 organization. These three (3) aspiration statements
7 will guide our decisions, our work, and define the
8 kind of company we're going to becoming for each of
9 the stakeholders' groups.

10 And so, customers will say that MPI
11 understand my needs; they make it easy and effortless.
12 Employees will say that MPI is a rewarding and
13 progressive place to work. And the larger
14 stakeholders' group will say that MPI is fair, it's
15 transparent, and does the things right.

16 We want these key players to say and
17 truly feel that these statements are true whenever
18 they engage and interact with us at MPI.

19 So, how will we ensure that we're all
20 working from the same play book? And we have defined
21 a couple of guiding principles.

22 First, customer -- the customer
23 experience is driving improvements, but those
24 improvements must make financial sense. Fiscal
25 prudence remains at the centre of what we do.

1 Creating a culture of continuous improvements through
2 empowerment and inta -- automation and, fourth, be a
3 fast follower of industry best practices and trends.

4 And I want to highlight here that that
5 does not -- you know, we -- it doesn't mean that we
6 want to be at the leading edge of technology and
7 trends. We don't need to do that. But it's important
8 that we need to keep pace with the changing world.

9 And finally, importantly, engaging
10 stakeholders actively along the way.

11 So, applying these principles with the
12 decision we make with and for our people, our
13 customers, our stakeholders will allow us to move
14 forward on our journey towards MPI 2.0 in a
15 productive, strategic, and effective way to reach our
16 organizational goals.

17 I've covered a lot of ground here, but
18 here is what I hope that you'll take away from this
19 five (5) year ambition presentation. Everything we are
20 doing is leading us to be more customer-centric,
21 remain fiscally prudent, and meeting the evolving
22 needs of Manitobans. With advancements in technology
23 and the impact of the pandemic, consumers are much
24 more tech-savy and their expectations have changed.
25 They simply expect more. We can stop the slide

1 presentation.

2 So I would continue on simply saying
3 that one of our most recent strides towards MPI 2.0 is
4 this year's General Rate Application. A 1.2 percent
5 requested rate reduction coupled with an unprecedented
6 335 million rebate, combined with the removal of the
7 Capital Release provision, if approved, will again
8 mean more value for Manitobans

9 I also would like to take this
10 opportunity to address the decision we made earlier
11 this year to transfer money from the Extension line of
12 business to the Driver and Vehicles Administration, or
13 DVA, line of business, as well as a decision to
14 propose another transfer before the end of this
15 current fiscal year.

16 To be clear, the transfers where and
17 are needed to ensure that MPI can cover the cost
18 associated with our duty as administrator of the
19 Driver and Vehicles Act. The MPIC Act also grants MPI
20 the responsibility to perform these DVA duties, and
21 states that moneys provided to MPI can only be used
22 for the purposes of carrying out its duties.

23 I'm aware of and I value the commitment
24 that MPI made to this Board to be transparent with all
25 decisions, and including any decisions to transfer

1 surplus funds from Extension to other lines of
2 business. I also recognize that the Capital
3 Management Plan designed by MPI and approved for a
4 trial period by this Board address transfer from
5 Extension of surplus capital at fiscal year-end.

6 While the Capital Management can --
7 sorry, the Capital Management Plan does not prohibit
8 MPI from using surplus Extension funds for purposes
9 other than to support the Basic rate stabilization
10 reserve, I appreciate that we have presently
11 represented to this Board that we -- we would be fully
12 transparent with these transfers. I regret that MPI
13 was not in a position to forecast the transfer of
14 surplus funds from the Extension line of business to
15 the DVA line of business that was made in March of
16 2021.

17 While our executive was aware of the
18 anticipated operational deficits in the DVA line of
19 business, the solution to cover that deficit by
20 transferring excess funds from Extension was not
21 considered until after I joined MPI in January. This
22 is why MPI did not share that information with the
23 Board in last year's hearing.

24 When I joined MPI, the fiscal year was
25 coming to an end. I discussed the ongoing deficit

1 with -- the deficit of the DVA line of business,
2 obviously, including the current and ongoing funding
3 need for Project Nova, with the executive team. And
4 after much discussion and consideration, we concluded
5 that a transfer of excess capital from the Extension
6 line of business to DVA was not only possible, but it
7 was also the most fiscally prudent solution.

8 After our Board of Directors approved
9 the transfer of these funds in March, we transparently
10 communicated this information at an appropriate time
11 and in an appropriate way, that is after annual
12 financial statements were approved and as part of our
13 General Rate Application, the Public Utilities Board
14 for this year as should be.

15 And as this Board is aware, we have
16 outlined the decision in the overview chapter of our
17 General Rate Application, filed in June. And we also
18 outline our forecasted plan to move 53.5 million from
19 Extension to DVA in March of 2022, and answered
20 numerous Information Requests to PUB advisors and
21 Interveners on this topic.

22 Together, the movement of these funds
23 not only covered the operational deficits for the DVA
24 administration, but also assists us in planning for
25 the upcoming expenditures related to Project Nova

1 which, as I've outlined today, is crucial to our
2 ability to continue to meet the needs of Manitobans.

3 Though I lament the fact that we were
4 unable to forecast the first transfer to DVA, I want
5 to assure you that these transfers are the most
6 prudent option available and this decision was made in
7 the best interests of the Corporation. Our investment
8 strategy and asset liability management precluded
9 other solutions, left us with no other viable options
10 to address current and short-term deficits of the
11 administration of the DVA line of business.

12 To be clear, we see this decision as
13 one that had to be favoured absent of other sources of
14 funding available to MPI at that time.

15 I also would like to re-assert or --
16 or emphasize the evidence that was shared as part of
17 the application, that we have actively engaged with
18 the Government of Manitoba, and more specifically with
19 the Department of Crown Services, to find more
20 sustainable options for this line of business going
21 forward. And we plan to continue to share with you
22 any updates regarding our efforts to find an alternate
23 solution. But we could not come to any viable
24 solution at this point.

25 Although, I invite questions and

1 further discussion on this topic, I would like to say
2 that my exec -- executive team and I are responsible
3 for service delivery and the financial health of the
4 overall corporation, and we have to take that in
5 consideration when we make decisions.

6 We did not make this decision lightly;
7 appreciate that you are not apprised of it ahead of
8 time. And I also would like to assure you that all of
9 choices, including this one, are in the best interests
10 of Manitobans, with Manitobans in mind, certainly.

11 So this year's General Rate Application
12 is centred on our responsibilities and the vision that
13 I have outlined this afternoon. Over the coming
14 weeks, members of all panels will have more details to
15 share with you other specific elements of our
16 application. They will also try to demonstrate how we
17 are already living our five (5) year ambition, guiding
18 principles, and striving in the direction of our
19 aspirational statements on the road to MPI 2.0.

20 In closing, I'm -- I'm really
21 incredibly proud of the effort that went into this
22 year's application. I want to recognize the team
23 across MPI for the comprehensive work it takes to put
24 together such a -- a document, a document of this size
25 and this scope. It is no small feat and I thank you

1 all.

2 And also, I would like to take this
3 opportunity to speak to you this morn -- to thank you
4 for the opportunity to speak to you this morning and
5 this afternoon, and I look forward to the remainder of
6 this Hearing.

7 THE PANEL CHAIRPERSON: Thank you.
8 Mr. Scarfone...?

9

10 CONTINUED BY MR. STEVE SCARFONE:

11 MR. STEVE SCARFONE: Thank you, Madam
12 Chair. Just a couple follow-up questions for Mr.
13 Herbelin, primarily dealing with the Project Nova, and
14 then, the -- the transfer of money to the DVA line of
15 business that he spoke to.

16 Sir, let me begin, first -- I made
17 notes while you were speaking, and I heard that part
18 of your experience was designing and leading impactful
19 transformational programs.

20 Do you recall saying that?

21 MR. ERIC HERBELIN: Yes.

22 MR. STEVE SCARFONE: And I'm Just
23 curious, Mr. Herbelin, based on what we have going on
24 at MPI with Project Nova, would that have included a
25 transformational project the size and scope of Project

1 Nova? Have you seen that before in your experience?

2 MR. ERIC HERBELIN: I have seen that
3 before, but I was not directly involved in having the
4 responsibility to leading and delivering such large
5 programs. I've been involved in similar projects of
6 smaller size, but with relative similar degree of
7 complexity, though.

8 MR. STEVE SCARFONE: And those, I'm
9 assuming, would have had an information-technology
10 component to them?

11 MR. ERIC HERBELIN: Yes.

12 MR. STEVE SCARFONE: And we know, sir,
13 that Project Nova was underway by the time you arrived
14 at MPI in January of 2021.

15 MR. ERIC HERBELIN: That's right.

16 MR. STEVE SCARFONE: And I heard you
17 say that it had -- or it does have your full attention
18 and support.

19 MR. ERIC HERBELIN: It does.

20 MR. STEVE SCARFONE: So when you
21 indicated, sir, that it's crucial to Manitoba's future
22 in your five (5) year ambition, was there anything
23 that was done or any decisions made by your
24 predecessor as it concerns Nova that concerned you?
25 Or are you fully behind it in terms of how those

1 decisions were made?

2 MR. ERIC HERBELIN: I look -- when you
3 take a job, you -- you take what comes with it, so I
4 support Nova. I think it's the right thing to do in
5 terms of transforming the organization and remaining
6 relevant for Manitobans today and into the future. If
7 we don't do anything, at some point, the events of MPI
8 will be put in question. So -- so that is an
9 absolutely strategic project.

10 But what I will say though is Project
11 Nova is not about replacing systems only. You don't
12 replace the house on a land that does not have modern
13 plumbing. So a number of other things need to happen
14 in order for Nova to be effective within the
15 Corporation, and that's part of our broader MPI 2.0
16 transformation. But I would say so, if I had to
17 design program Nova today, I would start by doing
18 those other works before starting the progra -- Nova
19 program.

20 So we have a little bit of complexity
21 added to the large program that Nova already is. And,
22 as I can tell today, which is new information that
23 this Board does not necessarily have evidence on just
24 yet, but I want to be upfront and transparent so we
25 don't have a discussion in a year from now, we will

1 most likely experience delay in delivering Nova, and
2 with that, probably some deviations in terms of its
3 overall costs.

4 I'm just not able to answer precisely
5 today in terms of the extent of that because this is
6 information that is happening as we speak.

7 MR. STEVE SCARFONE: Thank you for
8 that candid response.

9 Mr. Herbelin, I also heard you say that
10 now, as it concerns the transfer of money from
11 Extension surplus to the DVA line of business, sir,
12 that decision was first made in January of 2021, or
13 after your arrival in January 2021?

14 MR. ERIC HERBELIN: That is correct.

15 MR. STEVE SCARFONE: And I also heard
16 you say that -- I made a note here -- that it was the
17 most fiscally prudent solution. You also said it was
18 the most prudent option available.

19 Do you remember that -- saying that?

20 MR. ERIC HERBELIN: Yes.

21 MR. STEVE SCARFONE: Are you able to
22 say, sir -- and, you know, I don't know -- but are you
23 able to say what other solutions or what other options
24 might have been available, aside from the transfer
25 that you spoke of?

1 MR. ERIC HERBELIN: Well, I mean, in
2 simple terms, MPI has two (2) sources of funding. One
3 is insurance premiums from the Basic or the Extension
4 of the Special Risk Extension lines of business. And
5 the other source of funding we have available is the
6 fees that the Government of Manitoba pays to MPI to
7 cover for the administration of the DVA on their
8 behalf. If the fees provided by government cannot
9 increase, you are basically left with the first
10 option.

11 And I think there was always an
12 understanding from our executive that government would
13 actually support the costs endured by the DVA line of
14 business, and that there would not be any, sort of,
15 cross-subsidization. But, as a matter of fact, when I
16 arrived, we had a couple of months ahead of closing
17 the fiscal year, and there was no indication that
18 other source of funding would be available at that
19 time.

20 MR. STEVE SCARFONE: Thank you. And
21 if I understood you currently, notwithstanding that,
22 there are ongoing discussions with the government to
23 try and remedy that funding problem?

24 MR. ERIC HERBELIN: That -- that is
25 correct. And there is numerous evidence that has been

1 provided through our application, the overview, and
2 the Information Request that further elaborates on
3 that.

4 MR. STEVE SCARFONE: Thank you. And
5 is it fair to say, sir, that the DVA line of business,
6 when that transfer was made, was in financial need?

7 MR. ERIC HERBELIN: This is correct.
8 The DVA line of business has been a loss-making line
9 of business for several years, so nothing new, sorry
10 to say. But the new information, though, is the start
11 of Program Nova. Investments that needed to be made
12 this year already that we continue into the next
13 couple of years.

14 And so the projections that the
15 Corporation put together did indicate that there would
16 be a significant deficit going forward that needed to
17 be addressed. And, again, in terms of fiscal
18 prudence, we believe that it was the most fiscally
19 prudent step to take to address that proactively.

20 MR. STEVE SCARFONE: So you kind of
21 answered my -- my last question -- or one of my last
22 questions. I was going to ask you how great that need
23 was? How great was that financial need in the DVA
24 line of business?

25 And I think I heard you say it was --

1 it was, in fact, great. Would you describe it as a
2 dire need?

3 MR. ERIC HERBELIN: I would simply
4 refer to the Information Request from PUB-MPI-2-2 and
5 the attachment -- the appendix to that, including
6 notes to the Board of Directors of MPI with all the
7 detailed financials in there. That's as far as I can
8 recall that note. We are talking of roughly 100
9 million funding needs over the next five (5) plus
10 years.

11 MR. STEVE SCARFONE: Thank you. And,
12 lastly, sir, would you -- would you say that the
13 financial need of the DVA line of business, if not
14 remedied in the manner that it was, would have put
15 Project Nova at risk in its progress forward?

16 MR. ERIC HERBELIN: I think the
17 question is, at the end of the day, how we fund that
18 program. There's two (2) parts in Nova, if I
19 simplified; there's an entrance component and there's
20 a DVA component. And we feel that it is adequate that
21 those costs allocated in the right lines of business
22 as per the practice that we have in place. But
23 leaving a deficit in the line of business DVA is
24 certainly not adequate. It is adequate maybe when you
25 talk about 1 or 2 -- 2 or 5 or 7 million.

1 But seeing that deficit grow over a
2 hundred million in a number of years when we can
3 project that today, and we have the excess capital
4 available in the Extension line of business, we felt
5 like this would be the most adequate and fiscally
6 prudent approach to take, as we have a responsibility
7 to manage financial strength of the Corporation
8 overall.

9 MR. STEVE SCARFONE: Thank you, Mr.
10 Herbelin. Those are all my questions, Madam Chair.

11 THE PANEL CHAIRPERSON: Thank you.
12 Ms. McCandless...?

13

14 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

15 MS. KATHLEEN MCCANDLESS: Thank you,
16 Madam Chair. Good afternoon. Welcome, Mr. Herbelin.
17 My name's Kathleen McCandless, and I'm counsel to the
18 Board. I have a few questions for you this afternoon.

19 And I'll start out with just a bit of
20 background. You accept that the Corporation bears the
21 onus of proof to substantiate its General Rate
22 Application?

23 MR. ERIC HERBELIN: Yeah.

24 MS. KATHLEEN MCCANDLESS: And that the
25 Corporation bears the onus of establishing that the

1 proposed fees and rates are just and reasonable?

2 MR. ERIC HERBELIN: Yes.

3 MS. KATHLEEN MCCANDLESS: Another way
4 of stating the test is that the rates are to be
5 actuarially sound and statistically drive? Would you
6 agree?

7 MR. ERIC HERBELIN: I agree.

8 MS. KATHLEEN MCCANDLESS: Thank you.
9 Now, your counsel obviously mentioned in his opening
10 today, but I just wanted to concern -- confirm some
11 things on the record.

12 Kristen, could we pull up the legal
13 application? Thank you. This is page 3 of the GRA.

14 And, as seen here, initially, the
15 Corporation provisionally was seeking an overall 2.8
16 percent rate decrease, yes?

17 MR. ERIC HERBELIN: Yes.

18 MS. KATHLEEN MCCANDLESS: And now,
19 that's been revised to a rate decrease of 1.2 percent?

20 MR. ERIC HERBELIN: That is correct.

21 MS. KATHLEEN MCCANDLESS: And there --
22 at lines 20 to 24, we see here that MPI is applying
23 for leave for continued use of the Capital Management
24 Plan which was approved by the Board in Order 176/'19.
25 And that's -- the extension requested is largely

1 because the Capital Management Plan and its release
2 provisions will not be made use of in this General
3 Rate Application owing to another special rebate
4 application, correct?

5 MR. ERIC HERBELIN: That is correct.

6 MS. KATHLEEN MCCANDLESS: And I
7 appreciate it's -- this is before your tenure at MPI,
8 but you're no doubt aware that MPI had filed a special
9 rebate application before the Board on April 27, 2020,
10 at the beginning of the pandemic?

11 MR. ERIC HERBELIN: Yes.

12 MS. KATHLEEN MCCANDLESS: And then
13 another special rebate application on November 30th,
14 2020, just less than a month after the close of last
15 year's General Rate Application?

16 MR. ERIC HERBELIN: Yes.

17 MS. KATHLEEN MCCANDLESS: And you'd be
18 aware that in both of those special rebate
19 applications, MPI asked the Board for a variance of
20 Board Order 176/'19 to the extent that it did not
21 allow for rebates?

22 MR. ERIC HERBELIN: Yes.

23 MS. KATHLEEN MCCANDLESS: And, as we
24 see here, 176/'19 was the order pursuant to which the
25 current Capital Management Plan was approved, yes?

1 MR. ERIC HERBELIN: Yes.

2 MS. KATHLEEN MCCANDLESS: And, as you
3 have mentioned, MPI is now applying for a further
4 rebate of \$335 million?

5 MR. ERIC HERBELIN: Yes.

6 MS. KATHLEEN MCCANDLESS: And so the
7 current special rebate application before the Board
8 also requires a variance of 176/'19, the extent that
9 it does not allow for rebates?

10 MR. ERIC HERBELIN: Yes.

11 MS. KATHLEEN MCCANDLESS: And in this
12 General Rate Application, MPI is asking for removal of
13 the 5 percent capital release provision in the Capital
14 Management Plan, as well, yes?

15 MR. ERIC HERBELIN: That is correct.

16 MS. KATHLEEN MCCANDLESS: So, with all
17 of that taken together, perhaps then you could explain
18 the rationale for MPI's requested continued use of its
19 Capital Management Plan, considering the number of
20 deviations that MPI has requested since its approval
21 two (2) years ago?

22

23 (BRIEF PAUSE)

24

25 MR. ERIC HERBELIN: So, in our

1 opinion, the Capital Management Plan works fine. It
2 is designed to operate a normal business usual times.

3 And I think with the pandemic,
4 something that was not anticipated at the time of the
5 design of the Capital Management Plan, we discover now
6 that there are circumstances that make possible the
7 fact that we can accurately access capital
8 substantially to a point where we need to adjust the
9 Capital Management Plan accordingly, or at least ask
10 for those exceptions to rebate capital in order to
11 return those excess funds as quickly as possible.

12 So, the -- the one (1) aspect of the
13 Capital Plan that we see not performing as intended
14 today is the Capital Release Provision capped at 5
15 percent.

16 MS. KATHLEEN MCCANDLESS: Thank you.
17 Kristen, could we just pull up Order 176/'19 from the
18 2020 GRA and page 54, just following on some questions
19 about the Capital Management Plan.

20 At the very bottom of page 54 of that
21 order. In the 2020 GRA, the Corporation sought
22 approval of the proposed Capital Management Plan. And
23 then if we scroll down to page 55. These were the
24 elements that were requested by MPI two (2) years ago
25 and ultimately approved by the Board.

1 And so you're familiar with this?

2 MR. ERIC HERBELIN: I am.

3 MS. KATHLEEN MCCANDLESS: And what I
4 understand now is, from MPI's persp -- perspective,
5 what specifically does not work with the Capital
6 Management Plan, which you discovered as a result of
7 COVID-19, was the Capital Release Provision, so the
8 very last bullet?

9 MR. ERIC HERBELIN: Correct.

10 MS. KATHLEEN MCCANDLESS: Does MPI
11 have a plan to ultimately request a change to the
12 Capital Management Plan down the road?

13 MR. ERIC HERBELIN: Yeah. We -- we
14 made mention in our application that we would foresee
15 that to happen in next year's rate application, the
16 GRA 2023.

17

18 (BRIEF PAUSE)

19

20 MS. KATHLEEN MCCANDLESS: Thank you.
21 And then if we could scroll to page 56. Thank you,
22 Kristen.

23 The second paragraph from the top of
24 the page here, this was what the Corporation reported
25 in the 2020 GRA. The Corporation committed to

1 transferring excess retained in earnings over 200
2 percent MCT from Extension to Basic, regardless of the
3 Basic MCT ratio at the time, yes?

4 And I appreciate that you have provided
5 the rationale today for why that did not happen in the
6 past fiscal year. I will have some more questions
7 about that.

8 For now, could we please just mark this
9 excerpt from Board Order 176/'19 as PUB Exhibit number
10 16, for the record?

11

12 --- EXHIBIT NO. PUB-16: Excerpt From Board Order
13 176/'19

14

15 CONTINUED BY MS. KATHLEEN MCCANDLESS:

16 MS. KATHLEEN MCCANDLESS: Thank you.
17 Now, Kristen, could we please go to Board Order 1/'21?

18 And, Mr. Herbelin, this was the Board's
19 order following the 2021 General Rate Application.

20 Are you familiar with this order?

21 MR. ERIC HERBELIN: I am.

22 MS. KATHLEEN MCCANDLESS: Thank you.
23 And this is just an excerpt of a couple of pages from
24 the order. And so we see -- you're aware, obviously,
25 that -- and this is at page 40 of Order 1/'21, that

1 last year, MPI reported it did not transfer any funds
2 from Extension to Basic in 2019/'20?

3 MR. ERIC HERBELIN: Yes.

4 MS. KATHLEEN MCCANDLESS: Instead, it
5 chose to directly rebate ratepayers from the Extension
6 line of business, yes?

7 MR. ERIC HERBELIN: Yeah. And that is
8 mainly related to the timing of that well-needed
9 rebate. So the answer is yes, but I think there's a
10 reason for that.

11 MS. KATHLEEN MCCANDLESS: Thank you.
12 And then, if we just scroll down a couple of
13 paragraphs.

14 You did touch on this just a few
15 moments ago. Last year, MPI had advised the Board
16 that it had no plans to do anything with the Extension
17 excess capital other than transferring it to Basic.

18 Do you see that here, that --

19 MR. ERIC HERBELIN: Yes.

20 MS. KATHLEEN MCCANDLESS: -- Order
21 1/'21?

22 And I believe you said in your direct
23 testimony that MPI was not able to forecast the
24 transfer as at the time of last year's General Rate
25 Application?

1 MR. ERIC HERBELIN: That is correct.

2 MS. KATHLEEN MCCANDLESS: Are you able
3 to -- I appreciate again this was before your tenure,
4 so -- but to the extent possible, are you able to
5 explain why MPI was not able to forecast?

6 MR. ERIC HERBELIN: Yeah. It -- it's
7 relatively simple. There was always that
8 understanding that government and the agreement
9 between Government of Manitoba and MPI would
10 eventually cover for those funding requirements.

11 And, only after I arrived, we realized
12 that, well, we have to -- a -- capital expenditures
13 over the next couple of years that is an amount that
14 is significant and I also, with my team engaged pro-
15 actively, with the Government of Manitoba to address
16 that very problem.

17 We hadn't received any positive answer
18 to our proposed solutions and we had to make a
19 decision. So, that is basically how events unfolded.

20 MS. KATHLEEN MCCANDLESS: Thank you.
21 Kristen, could we please enter the excerpts from Order
22 1/21 here as PUB Exhibit Number 17. Thank you.

23

24 --- EXHIBIT NO. PUB-17: Excerpts from Order 1/21.

25

1 CONTINUED BY MS. KATHLEEN MCCANDLESS:

2 MS. KATHLEEN MCCANDLESS: And Mr.
3 Herbelin, no doubt you recall that you were asked
4 questions before the Legislative Standing Committee on
5 Crown Corporations about the potential to transfer
6 excess Extension Retained Earnings to DVA, earlier
7 this year?

8 MR. ERIC HERBELIN: Yes.

9 MS. KATHLEEN MCCANDLESS: Thank you.
10 And Kristen, I believe, I provided you with a copy of
11 the Hansard from that committee meeting.

12 And Mr. Herbelin, I also provided your
13 counsel with it yesterday, so I expect --

14 MR. ERIC HERBELIN: Yes.

15 MS. KATHLEEN MCCANDLESS: -- that you
16 -- you're aware. Thank you.

17 You had a discussion with the leader of
18 the opposition at the Standing Committee on Crown
19 corporations meet -- meeting, Thursday, June 10, 2021.
20 Yes?

21 MR. ERIC HERBELIN: That is correct.

22 MS. KATHLEEN MCCANDLESS: And that was
23 Mr. Canoe (phonetic)?

24 MR. ERIC HERBELIN: Yes.

25 MS. KATHLEEN MCCANDLESS: Who had a

1 few questions for you about this?

2 MR. ERIC HERBELIN: Yes.

3 MS. KATHLEEN MCCANDLESS: If we could
4 turn to you, I think you've probably already got it
5 up, it's page 9. Yes. Thank you.

6 At the bottom of the document here,
7 this is the excerpt for Hansard, on the left-hand side
8 of the page, the very last -- last question that Mr.
9 Canoe asks you here, is about the Drivers and Vehicle
10 Administration funding. Yes?

11 MR. ERIC HERBELIN: Yes.

12 MS. KATHLEEN MCCANDLESS: Generally.
13 And he asks you if there is a specific plan within MPI
14 for how to cover that operating loss on the DVA
15 program, yes?

16 MR. ERIC HERBELIN: Yes.

17 MS. KATHLEEN MCCANDLESS: And then if
18 we scroll to the top of the page here, the next
19 column, you provide a response to I think -- just the
20 top of the same page, Kristen. Thank you here.

21 I'm not going to read your entire
22 response in to the record but I do note here that you
23 mentioned that a transfer to cover a DVA deficit would
24 be a sort of a stopgap situation; that's your
25 expression you used there, correct?

1 MR. ERIC HERBELIN: That is correct.

2 MS. KATHLEEN MCCANDLESS: And then you
3 mentioned in your direct testimony that MPI has been
4 engaged with Crown services to try and find a solution
5 for the DVA line of business?

6 MR. ERIC HERBELIN: That is correct.

7 MS. KATHLEEN MCCANDLESS: And to date,
8 what's the status of those discussions?

9 MR. ERIC HERBELIN: The status of the
10 discussions to date are work in progress. Crown
11 services and MPI discussed possible options. MPI was
12 asked to formulate those options and provide them for
13 consideration to Crown services. And we received
14 indications that government of Manitoba would not be
15 compelled to entertaining an increase in fee or to
16 forego any revenues in the short time but in the long
17 term sustainable solution to the funding issue of the
18 DVA program and also the timeframe of -- of the
19 deficit or accumulative deficit as not let -- or not
20 concluded. The discussion is not closed. We have not
21 come to an understanding of what solution will or may
22 look like.

23 MS. KATHLEEN MCCANDLESS: Thank you.
24 I appreciate that MPI has advised in its Application
25 that -- it's not looking at pursuing any debt

1 financing for 2021/22 or 2223; is that correct?

2 MR. ERIC HERBELIN: That is correct.

3 MS. KATHLEEN MCCANDLESS: Going
4 forward, would there be any consideration of funding
5 Project Nova with debt to meet the funding shortfall?

6 MR. ERIC HERBELIN: I have asked
7 myself that question so far. I think I would have to
8 think a little bit more amount it. In general, I
9 don't think it is the intention for MPI to contract
10 that as long as we are in a position to finance
11 operations, we will look for those options.

12

13 MS. KATHLEEN MCCANDLESS: Thank you.
14 Kristen, we could just scroll down from the Hansard
15 document. It's page 11 of the hard copy. I'm not
16 sure if it's the same page as -- no, next page. Thank
17 you. Okay.

18 Here later on in the meeting, you'll
19 see Mr. Canoe on the left-hand side of the screen asks
20 you, and so does the Public Utilities Board have
21 oversight onto the money that's going in and out of
22 the DVA Program and your answer is "not to my
23 knowledge". Yes?

24 MR. ERIC HERBELIN: Yes.

25 MS. KATHLEEN MCCANDLESS: And then Mr.

1 Canoe asks you how that funding would be reported.

2 MR. ERIC HERBELIN: He asked me that.

3 Yes.

4 MS. KATHLEEN MCCANDLESS: And you
5 advised that you were publishing annual financial
6 statements for the year ending '21 and would provide
7 transparency in terms of the total financial
8 statements for the Corporation, as well as summarized
9 statements for each of the lines of business,
10 including DVA. Yes?

11 MR. ERIC HERBELIN: Yes.

12 MS. KATHLEEN MCCANDLESS: Thank you.

13 And so if we could have -- before we do that --
14 Kristen, could we enter the Hansard document as PUB
15 Exhibit Number 18 please. Thank you.

16 Going to MPI's Annual Report for 2020,
17 and that's MPI's Exhibit Number 35. You're familiar
18 with this document, Mr. Herbelin?

19 MR. ERIC HERBELIN: I am.

20 MS. KATHLEEN MCCANDLESS: Could it --
21 is it possible for you to point to the Board where, in
22 the Annual Report, the transfer of the access
23 Extension retained earnings to the DVA Line of
24 Business is highlighted?

25 MR. ERIC HERBELIN: I couldn't do that

1 without going through the report myself.

2 MS. KATHLEEN MCCANDLESS: Thank you.

3 Okay. Then perhaps we could go to the Note to

4 Financial Statement Number 24.

5 So -- and if you'll bear with me for a
6 second, I'll get you the page number. So Note Number
7 24 is found at page 66 of the hard copy. I believe
8 it's page 68 of 80. Scroll up -- ahead of -- a couple
9 of -- yes -- thank you -- keep going. Thank you.

10 Perfect.

11 So this Note to Financial Statements,
12 refers to the Drivers and Vehicles Act Operations
13 Recovery. Are you familiar with this part of the
14 Annual Report?

15 MR. ERIC HERBELIN: Its' a big document
16 and I don't know the -- I don't -- report by hearts,
17 but I can recognize that this is a page out of our
18 Annual Report.

19 MS. KATHLEEN MCCANDLESS: Okay. Thank
20 you.

21 MR. ERIC HERBELIN: Yes.

22 MS. KATHLEEN MCCANDLESS: I'll give
23 you a minute to review it, but once you've done so,
24 would you agree with me that the transfer from excess
25 retained earnings to the Drivers and Vehicles Act,

1 Line of Business, is not reflected in this note?

2 MR. ERIC HERBELIN: I don't see it on
3 that note. No.

4 MS. KATHLEEN MCCANDLESS: Thank you.
5 And then could we go forward, I think it's two (2)
6 pages and it might be helpful if you could rotate
7 this. Thank you, Kristen.

8 Thank you. So this is Note 26
9 Statement of Financial Positions by Line of Business.
10 Yes?

11 And could you point out how the
12 transfer from excess Extension retained earnings to
13 DVA is reflected in this note? Are you able to point
14 it out here?

15 MR. ERIC HERBELIN: Honestly, I would
16 ask my CFO to educate me on how this is reflected.

17 MS. KATHLEEN MCCANDLESS: Thank you.
18 So, we'll have some questions for Mr. Giesbrecht then
19 to explain where that can be found here.

20

21 (BRIEF PAUSE)

22

23 MS. KATHLEEN MCCANDLESS: Now, moving
24 on to some brief questions about brokers, I understand
25 that MPI has started engaging with members of the

1 Insurance Brokers Association of Manitoba for an
2 operational committee?

3 MR. ERIC HERBELIN: That is correct.

4 MS. KATHLEEN MCCANDLESS: Can you,
5 please, explain for the Board what the role of the
6 operational committee is?

7 MR. ERIC HERBELIN: The role of the
8 operational committee is to discuss how the brokers
9 and MPI work together, how we can help, you know,
10 refine our processes and services to Manitobans, for
11 us to be aware of issues and concerns from MPI or from
12 the broker-side. So it's a platform for discussion
13 essentially.

14 MS. KATHLEEN MCCANDLESS: And have
15 there been any requests from brokers that might result
16 in changes to Project Nova or increases to the budget?

17 MR. ERIC HERBELIN: No.

18 MS. KATHLEEN MCCANDLESS: You did
19 mention in your direct-evidence that Project Nova, as
20 originally conceived, may have perhaps lacked some of
21 the foundational pieces that you would have liked to
22 see.

23 Is that a fair statement?

24 MR. ERIC HERBELIN: Yes.

25 MS. KATHLEEN MCCANDLESS: Okay. And

1 you mentioned that there would likely be some delay in
2 cost associated with doing that additional work.

3 MR. ERIC HERBELIN: Not exclusively to
4 doing that work. We see simply in the execution of
5 the scope under program Nova that the undertaking in
6 front of us is just massive. The pace at which we
7 should progress, based on the plans that were
8 developed at the time, were meant to, you know, I
9 guess have an optimal result, assuming that we would
10 not have any unforeseen issues and the team would be
11 totally fit to execute on that.

12 Reality is, learning as we go, we
13 realize that MPI never did that before, that some of
14 the components needed and some of the pace to execute
15 some of the developments are more onerous in actuality
16 than they were in the plan.

17 MS. KATHLEEN MCCANDLESS: And I know
18 that you mentioned in your direct-examination that you
19 don't have a lot of specifics in terms of potential
20 delays or costs.

21 But do you have a sense of the
22 magnitude of any increased cost at this point?

23 MR. ERIC HERBELIN: Not -- not at the
24 time, and that is an absolutely honest answer, is we
25 have just identified that issue. We informed our

1 board of directors through our technology committee of
2 that issue on September 28th and 29th, so that's two
3 (2) weeks ago. And from here on, we are working on
4 trying to quantify the potential impacts, in terms of
5 the timing, in terms of the cost.

6 And there's so much things that we know
7 ourselves. There's a number of things where we
8 believe we might have blind spots. And we are honest
9 with ourselves and say we want also to have the help
10 of an external consultant reviewing program Nova from
11 a different angle, consultants that have advised large
12 corporations in Canada and North America and have
13 global experience, that can help us identify potential
14 areas that we may not have foreseen to date, and also
15 help us come to the conclusion of what shall we do
16 from where we're at.

17 We identify an issue, yes. We have
18 some hypotheses in terms of how we may deal with the
19 program and ensure the delivery, the successful
20 delivery, of Nova. Are our assumptions are our
21 hypotheses the best possible or are there maybe
22 different approaches?

23 And we want to make sure that, at this
24 early stage of implementation, we take all the advice
25 possible to avoid taking a wrong corner, taking a

1 wrong turn and ending up in a direction that we did
2 not intend to.

3 So to be more specific about your
4 questions, I believe, to the best of my knowledge
5 today, that we will be in a position to understand the
6 impact on program Nova in terms of the scope, the
7 budget, and the timing of delivery by the first
8 quarter of the calendar year of 2022.

9 MS. KATHLEEN MCCANDLESS: Thank you.
10 I have a couple of questions about your slide
11 presentation which is MPI Exhibit 40. If we could
12 jump to the first slide -- sorry, the -- the first
13 slide that's not the overview or agenda. Thank you.

14 The second graphic there, MPI 1.5, the
15 Customer 360 View, can you elaborate on what that
16 means?

17 MR. ERIC HERBELIN: Yeah, that is --
18 this is the following. We are operating insurance
19 business and driver and vehicle administration
20 business. There are no technology solutions or IT
21 systems available in the marketplace that can provide
22 solutions or that can provide the support needed for
23 those line of business in one (1) solution, in one (1)
24 IT system. So as a result, we had to procure two (2)
25 different systems, one (1) for the insurance side of

1 the house and one (1) for the DVA side of the house.

2 Now, individual customers are customers
3 -- yourself, myself, everyone in this room -- are
4 customers of MPI. We both have a relationship with
5 MPI in terms -- well, most of the people I would
6 expect have a car, and we have a relationship on the
7 insurance side of the house and the DVA side of the
8 house.

9 So we are adding one (1) layer on top
10 of those core system that is called a 'Digital
11 Solution' which is based on Microsoft technology, and
12 that is what is providing the one (1) view of the
13 customer including the insurance and the driver and
14 vehicle information. So that -- that is what is meant
15 with the 360 View.

16 MS. KATHLEEN MCCANDLESS: Thank you.
17 The next graphic under MPI 2.0, Supernova, can you
18 just explain more what omnichannel options are?

19 MR. ERIC HERBELIN: Yeah. What we
20 mean by omnichannel here is, as a customer, I will
21 have hopefully the choice to interacting with MPI in
22 different ways: visiting a broker; maybe visiting that
23 broker and then visiting another broker; going to a
24 service centre; picking up the phone; chatting;
25 sending emails.

1 And with an online channel
2 functionality, my information will always be up to
3 date no matter which channel I decide to use, and
4 there will be a full coordination of the interactions
5 I have with the different ways to engaging with MPI.

6 MS. KATHLEEN MCCANDLESS: And mass
7 automation, what does that look like for MPI?

8 MR. ERIC HERBELIN: What that looks
9 like? Well, we are not there yet so I cannot
10 pronounce myself on that, but there's a lot of
11 processes, you know, that are working relatively fine
12 but are not very efficient because they are manual.

13 The first example, and that will be
14 addressed to a large extent -- not a complete extent,
15 but to a large extent -- will be addressed through
16 Nova, is that -- or -- Special Risk Extension business
17 is entirely paper based, and we cannot work without
18 the paper. We still use an information technology
19 system to record some important data, including data
20 that will eventually be used for billing purposes and
21 so on.

22 But the entire end-to-end process is
23 pretty much paper based, and there are ways for us to
24 be more efficient in automizing this routine work.

25 What the word 'mass' mean is to address

1 the processes where we have a high volume of
2 transaction and with that create the efficiencies.

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

5 MR. ERIC HERBELIN: Thank you.

6 MS. KATHLEEN MCCANDLESS: Thank you,
7 Mr. Herbelin.

8 THE PANEL CHAIRPERSON: Thank you. My
9 understanding is Ms. Dilay is coming in person. Is
10 that correct?

11 MS. KATHLEEN MCCANDLESS: That was my
12 understanding, as of the lunch break.

13 THE PANEL CHAIRPERSON: Okay. Thank
14 you.

15 Do you want to take a five (5) minute
16 break -- two (2) minute break so that she can get into
17 the hearing room? Okay. Thank you.

18

19 (BRIEF PAUSE)

20

21 THE PANEL CHAIRPERSON: Thank you,
22 everyone. Ms. Dilay...?

23

24 CROSS-EXAMINATION BY MS. DILAY:

25 MS. KATRINE DILAY: Thank you, Madam

1 Chair. Good afternoon, Mr. Herbelin. It's nice to
2 meet you. My name is Katrine Dilay, and I represent
3 the Manitoba branch of the Consumers' Association of
4 Canada in these proceedings.

5 I have some questions for you this
6 afternoon. I expect I'll cover three (3) kind of
7 broad topics. And my first few questions have to do
8 with the executive team at MPI.

9 You'll agree that since September of
10 last year, 2020, there have been a number of changes
11 at the executive level at Manitoba Public Insurance?

12 MR. ERIC HERBELIN: I am aware of the
13 changes in the composition of the executive team since
14 my arrival in January of 2021.

15 MS. KATRINE DILAY: Thank you. And,
16 of course, you'll agree, so one (1) change is yourself
17 as the new President and CEO, correct --

18 MR. ERIC HERBELIN: Obviously.

19 MS. KATRINE DILAY: -- after the
20 departure of the former President and CEO, Benjamin
21 Graham?

22 MR. ERIC HERBELIN: Right.

23 MS. KATRINE DILAY: And you're aware
24 that another change is that Ms. Cara Low is now the
25 new VP and chief actuary, correct --

1 MR. ERIC HERBELIN: That is correct.

2 MS. KATRINE DILAY: -- in replacement
3 of Mr. Luke Johnston?

4 MR. ERIC HERBELIN: That's correct.

5 MS. KATRINE DILAY: And is it your
6 understanding that Mr. Luke Johnston had been with MPI
7 for over twenty (20) years?

8 MR. ERIC HERBELIN: Yes.

9 MS. KATRINE DILAY: And you'll agree
10 that Mr. Johnston was a key leader in terms of the
11 investment portfolio?

12 MR. ERIC HERBELIN: Yes.

13 MS. KATRINE DILAY: And is it your
14 understanding that Mr. Johnston and Mr. Graham were
15 key architects of the Capital Management Plan?

16 MR. ERIC HERBELIN: Yes.

17 MS. KATRINE DILAY: And -- and I
18 apologize if I pronounce their name wrong, but is it
19 your understanding that Marnie Kacher is the new VP
20 and Chief Operations Officer?

21 MR. ERIC HERBELIN: That is correct.

22 MS. KATRINE DILAY: And this position
23 was formally held by Mr. Curtis Wennberg?

24 MR. ERIC HERBELIN: Yes.

25 MS. KATRINE DILAY: And you'll agree

1 that Mr. Wennberg played a leadership role in
2 relationships with stakeholders, such as the repair
3 industry, as well as brokers?

4 MR. ERIC HERBELIN: Yes.

5 MS. KATRINE DILAY: And Mr. Wennberg
6 also played a key role in terms of road safety?

7 MR. ERIC HERBELIN: In terms of...?

8 MS. KATRINE DILAY: Road safety.

9 MR. ERIC HERBELIN: Probably. Maybe
10 in the past. I'm not sure of that. As I took the
11 helm as CEO of MPI, we basically changed that
12 responsibility, and Mr. Triggs is in charge of road
13 safety.

14 MS. KATRINE DILAY: Thank you for that
15 clarification. And generally speaking, Mr. Herbelin,
16 you'll agree that the executive of a corporation can
17 influence the culture and operations of that
18 organization?

19 MR. ERIC HERBELIN: Yes.

20 MS. KATRINE DILAY: And this will be
21 true for MPI, too?

22 MR. ERIC HERBELIN: This is true for
23 MPI, as well.

24 MS. KATRINE DILAY: And you'll agree
25 that it is important for the executive to gain the

1 trust and support of the almost two thousand (2,000)
2 staff members at MPI?

3 MR. ERIC HERBELIN: Yes.

4 MS. KATRINE DILAY: Because, at a high
5 level, this trust and support can impact the ability
6 of MPI to achieve the objectives it sets for itself,
7 correct --

8 MR. ERIC HERBELIN: Correct.

9 MS. KATRINE DILAY: -- including it's
10 day-to-day operations?

11 MR. ERIC HERBELIN: Yes.

12 MS. KATRINE DILAY: And the trust and
13 support from staff can impact the ability of MPI to
14 achieve objectives within anticipated time lines, as
15 well?

16 MR. ERIC HERBELIN: Yes.

17 MS. KATRINE DILAY: And is this
18 because, if employees do not trust and support their
19 leadership, they may be less productive --

20 MR. ERIC HERBELIN: Yes.

21 MS. KATRINE DILAY: -- or they may
22 seek employment elsewhere?

23 MR. ERIC HERBELIN: Yes.

24 MS. KATRINE DILAY: And the trust and
25 support of staff can, as a result, also impact the

1 ability of MPI to achieve objectives within budget,
2 correct?

3 MR. ERIC HERBELIN: Correct.

4 MS. KATRINE DILAY: And, Mr. Herbelin,
5 you'll agree that MPI is a Crown monopoly, and so its
6 customers have no choice but to purchase auto
7 insurance from it, correct?

8 MR. ERIC HERBELIN: To the extent that
9 you relate to the Basic insurance, yes.

10 MS. KATRINE DILAY: Thank you very
11 much for that -- that clarification.

12 And so you'll agree that it is
13 incumbent on MPI to be transparent and clear in all
14 interactions with ratepayers?

15 MR. ERIC HERBELIN: Yes.

16 MS. KATRINE DILAY: And you'll agree
17 that it is particularly important for a Crown monopoly
18 to keep its word to ratepayers?

19 MR. ERIC HERBELIN: Absolutely.

20 MS. KATRINE DILAY: Thank you. So,
21 moving on to a few questions about the Capital
22 Management Plan, recognizing that you did have some
23 questions with Ms. McCandless about this. So, I'll
24 try to avoid any duplication as much as I can.

25 Generally, and without going into

1 detail at this point, you'll confirm that you are
2 familiar with this plan?

3 MR. ERIC HERBELIN: I am.

4 MS. KATRINE DILAY: And it is your
5 understanding that the Capital Management Plan was
6 presented by MPI and approved by the PUB during the
7 2020 GRA?

8 MR. ERIC HERBELIN: Yes.

9 MS. KATRINE DILAY: So, this was
10 before you joined MPI as CEO and President, correct?

11 MR. ERIC HERBELIN: Correct.

12 MS. KATRINE DILAY: Have you reviewed
13 MPI's written evidence regarding the Capital
14 Management Plan from the 2020 GRA, including in the
15 General Rate Application itself and in Information
16 Requests?

17 MR. ERIC HERBELIN: I have.

18 MS. KATRINE DILAY: Have you reviewed
19 MPI's testimony regarding the Capital Management Plan
20 from the 2020 GRA, including testimony by Mr. Benjamin
21 Graham, Mr. Luke Johnston, and Mr. Mark Giesbrecht?

22 MR. ERIC HERBELIN: I have.

23 MS. KATRINE DILAY: And have you
24 reviewed the PUB decision which resulted from the 2020
25 GRA, which is PUB Order 176/'19?

1 MR. ERIC HERBELIN: I have.

2 MS. KATRINE DILAY: Thank you. And
3 you'll agree that MPI's Basic line of business is a
4 monopoly? I believe we just spoke about that.

5 MR. ERIC HERBELIN: I agree.

6 MS. KATRINE DILAY: And you'll agree
7 that the Extension line of business holds the vast
8 majority of the market at around 95 percent?

9 MR. ERIC HERBELIN: The vast majority
10 of the market for sure, yes.

11 MS. KATRINE DILAY: And do you know?
12 Is it approximately 95 percent?

13 MR. ERIC HERBELIN: I don't know that
14 for sure. I don't know what others are doing.

15 MS. KATRINE DILAY: And by others?

16 MR. ERIC HERBELIN: Other insurance
17 companies.

18 MS. KATRINE DILAY: Thank you. And is
19 it your understanding that approximately 85 percent of
20 Basic customers choose to add Extension products to
21 their coverage?

22 MR. ERIC HERBELIN: I don't know the
23 answer to that question just out of my mind.

24 MR. ANTHONY GUERRA: Perhaps, Ms.
25 Dilay, if you have the source of the 95 and the 80, it

1 would help.

2

3 CONTINUED BY MS. DILAY:

4 MS. KATRINE DILAY: You know what? I
5 think that -- I think that's fine. I will go into
6 probably more detail with another panel, as well, so I
7 think -- I think it's fine for now.

8 MR. ERIC HERBELIN: Thank you. I
9 would have had to consult some documents to confirm.

10 MS. KATRINE DILAY: Thank you. But I
11 believe you agreed that it was -- that Extension holds
12 the vast majority of the market?

13 MR. ERIC HERBELIN: I agree.

14 MS. KATRINE DILAY: Thank you. And
15 you'll agree, Mr. Herbelin, as a Crown monopoly tasked
16 with an important public service, MPI aims to have a
17 relationship with its customers based on trust,
18 accountability, integrity, and transparency?

19 MR. ERIC HERBELIN: I agree.

20 MS. KATRINE DILAY: And you'll agree
21 that the Public Utilities Board play an important role
22 in safeguarding the interests of ratepayers, correct?

23 MR. ERIC HERBELIN: I agree.

24 MS. KATRINE DILAY: This is going to
25 be my last general topic of questions which relates to

1 information technology and MPI.

2 And you talked about this a little bit
3 with Ms. McCandless. But you're aware that MPI is in
4 the process of undertaking Project Nova, correct?

5 MR. ERIC HERBELIN: Yes.

6 MS. KATRINE DILAY: And you'll agree
7 that MPI is transforming the business of MPI through
8 new technology and processes, and by giving customers
9 more choice and a better experience through Project
10 Nova?

11 MR. ERIC HERBELIN: Correct.

12 MS. KATRINE DILAY: And, in fact, you
13 called it the largest transformation in MPI's history
14 this afternoon in your -- in your presentation,
15 correct?

16 MR. ERIC HERBELIN: That is correct.

17 MS. KATRINE DILAY: And you'll agree
18 that one (1) objective of Project Nova is to make life
19 more convenient for customers, both by improving
20 existing avenues of interaction and offering them new
21 ones?

22 MR. ERIC HERBELIN: Correct.

23 MS. KATRINE DILAY: And Project Nova,
24 at this point, is a \$128.5 million project, including
25 the contingency, correct?

1 MR. ERIC HERBELIN: That is correct.

2 MS. KATRINE DILAY: And, Mr. Herbelin,
3 you'll confirm that you dedicated your first six (6)
4 months with MPI to developing a strategy that will
5 enable MPI to meet its vision and mission statements?

6 MR. ERIC HERBELIN: Correct.

7 MS. KATRINE DILAY: And if we turn,
8 Ms. Schubert, to CAC-MPI-1-2, Appendix 1. Thank you.

9 Mr. Herbelin, you'll agree that this is
10 the updated business strategy with MPI -- which MPI
11 refers to as the 'Five Year Ambition', correct?

12 MR. ERIC HERBELIN: Can you briefly
13 flip through the slides, so I can confirm.

14 MS. KATRINE DILAY: We could and -- we
15 could. And we can also go to the question and the
16 response to the actual IR, which may assist you as
17 well.

18 Kristen, if we can turn to the IR
19 response. It might be Part B.

20

21 (BRIEF PAUSE)

22

23 MS. KATRINE DILAY: So as you can see,
24 Mr. Herbelin -- I'll just refer you to Part B where --
25 which says, "Please see Appendix 1 and then Part A."

1 Do you agree that that is referring to
2 the 'Five Year Ambition'?

3 MR. ERIC HERBELIN: Yes. Thank you.

4 MS. KATRINE DILAY: Thank you. And
5 so, going back to the appendix, you'll confirm that
6 you are familiar with this document?

7 MR. ERIC HERBELIN: I am.

8 MS. KATRINE DILAY: And if we look at
9 page 11 of this document, these could be described as
10 the steps of the 'Five Year Ambition', leading towards
11 MPI 2.0, correct?

12 MR. ERIC HERBELIN: In general and
13 broad terms, yes, we can see these as strategic steps
14 towards MPI 2.0. The years mentioned, in terms of
15 three (3) and five (5) plus years, are more indicative
16 than precise.

17 And I would also say so that it's not
18 necessarily the full conclusion of MPI 1.5 before MPI
19 2.0 starts, but it's more of an additional component
20 or perspective. And some of the work that relates
21 more towards the MPI 2.0 needs to start in parallel to
22 the Nova reference that is made here.

23 MS. KATRINE DILAY: Thank you for
24 those clarifications. And, of course, you'll agree
25 this slide was included in your presentation this

1 afternoon, correct?

2 MR. ERIC HERBELIN: Yes.

3 MS. KATRINE DILAY: So just for -- for
4 a minute, if we focus on MPI 1.5, you'll agree this
5 refers to Project Nova?

6 MR. ERIC HERBELIN: Yes.

7 MS. KATRINE DILAY: And we see there
8 it includes modernized core systems with customer 360
9 degree view, as well as online self-service options.

10 MR. ERIC HERBELIN: Correct.

11 MS. KATRINE DILAY: Then, if we move
12 onto MPI 2.0, which is referred to as Supernova, it
13 includes flexible products and omnichannel options,
14 data intelligence, and mass-automation, and business
15 agility, and knowledge workers, correct?

16 MR. ERIC HERBELIN: Correct.

17 MS. KATRINE DILAY: So generally, and
18 without going into detail, you'll agree that at this
19 point MPI is already looking beyond Project Nova,
20 correct?

21 MR. ERIC HERBELIN: This is correct.
22 And I provided additional context to that earlier.
23 There are some elements that we have positioned as MPI
24 2.0, you know, on data analytics and on the Cloud
25 platform adoption, that we will be able to enable in

1 2.0. But that we need to build foundations for today
2 already. And that goes above and beyond the pure
3 scope of project -- program Nova.

4 So there's a certain number of things
5 that are seen as enablers for Project Nova. So I just
6 want to provide that clarity.

7 MS. KATRINE DILAY: Thank you. I
8 appreciate that. Mr. Herbelin, because MPI is a Crown
9 monopoly, its customers cannot shop around when it
10 comes to Basic insurance, correct?

11 MR. ERIC HERBELIN: That is correct.

12 MS. KATRINE DILAY: And, generally
13 speaking, you'll agree that if we were in a
14 competitive environment, customers would have the
15 opportunity to shop around, compare prices, products,
16 and level of customer service before making a decision
17 on where to purchase a product or service?

18 MR. ERIC HERBELIN: That is correct.

19 MS. KATRINE DILAY: And when it comes
20 to MPI's Extension line of business -- and I believe
21 you made reference to this earlier -- you'll confirm
22 it is a competitive line of business?

23 MR. ERIC HERBELIN: It is.

24 MS. KATRINE DILAY: And when customers
25 attend a broker institution, they can seamlessly

1 choose to add Extension products to their Basic
2 coverage, is that your understanding?

3 MR. ERIC HERBELIN: That is my
4 understanding.

5 MS. KATRINE DILAY: And, indeed, as
6 you referred to, this is what the vast majority of MPI
7 ratepayers do and that they ask MPI staff or the
8 broker to which they attend to make one (1) or two (2)
9 more clicks, and they can get Extension as well as
10 Basic, correct?

11 MR. ERIC HERBELIN: Correct.

12 MS. KATRINE DILAY: Thank you, Mr.
13 Herbelin. Those are all my questions for this
14 afternoon.

15 MR. ERIC HERBELIN: Thank you very
16 much.

17 MS. KATRINE DILAY: Thanks very much.

18 THE PANEL CHAIRPERSON: Thank you, Ms.
19 Dilay.

20 Do we have Ms. Meek on the line?

21 MS. CHARLOTTE MEEK (by Teams): Yes,
22 Madam Chair.

23 THE PANEL CHAIRPERSON: Thank you.
24 Ms. Meek...?

25

1 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

2 MS. CHARLOTTE MEEK (by Teams): Thank
3 you. I just have a few short questions.

4 Good afternoon, Mr. Herbelin. My name
5 is Charlotte Meek. I appear on behalf of the
6 Coalition of Manitoba Motorcycle Groups. I just have
7 a couple of questions for you today relating to some
8 of the comments you made in your presentation.

9 Mr. Herbelin, would you agree that it's
10 true that the excess funds in Extension and Basic have
11 both accrued predominantly for the same reason, that
12 being reduced collision frequencies and, thereby,
13 reduced collision costs as a result of the pandemic?

14 MR. ERIC HERBELIN: I would agree to
15 that.

16 MS. CHARLOTTE MEEK (by Teams): And,
17 Mr. Herbelin, you provided some reasoning as to why
18 MPI has approved the transfer of excess funds from
19 Extension to DVA. And you indicated that that was --
20 at the time, it was the most fiscally prudent option.
21 And then you also said it was because the DVA was in
22 dire need of funding.

23 Is that correct?

24 MR. ERIC HERBELIN: I did not
25 understand the last part of the question, if you could

1 kindly repeat?

2 MS. CHARLOTTE MEEK (by Teams): Sure.

3 So during your presentation, you had mentioned a
4 couple of reasons as to why MPI deemed it appropriate
5 to make the transfer from Extension to DVA. And some
6 of those reasons were -- one (1) of which, you said it
7 was the most fiscally prudent option. And then, you
8 also said it was because the DVA was in dire need of
9 funding.

10 Would you agree with those statements?

11 MR. ERIC HERBELIN: Yes.

12 MS. CHARLOTTE MEEK (by Teams): Thank
13 you. And I'm just wondering, Mr. Herbelin, could you
14 provide us with some examples of under what
15 circumstance MPI would deem it inappropriate to make a
16 transfer from Extension to any other line of business?

17 MR. ERIC HERBELIN: You are calling
18 (sic) me off guard, so I don't have a spontaneous
19 answer to offer at this point.

20 MS. CHARLOTTE MEEK (by Teams): Okay.
21 Thank you, Mr. Herbelin. Those are my questions.

22 MR. ERIC HERBELIN: Thank you.

23 THE PANEL CHAIRPERSON: Thank you, Ms.
24 Meek.

25 Mr. Hacault...?

1 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

2 MR. ANTOINE HACAULT (by Teams): Yes.

3 Good afternoon, Mr. Herbelin. My name is Antoine
4 Hacault, and I act on behalf of the Taxi Coalition. I
5 also will try and avoid covering parts which Board
6 counsel and Ms. Dilay and Ms. Meek have covered.

7 But I intend to briefly cover three (3)
8 aspects: the issue of using the surplus on the
9 Extension line; secondly, whether certain things --
10 when certain things will happen with the Vehicle for
11 Hire framework; and also another area on generalized
12 linear models, which you may or may not be able to
13 answer.

14 Firstly, dealing with the surplus.
15 Would you agree with me that MPI basically has four
16 (4) lines of business, being Basic coverage, Extension
17 lines, Driver Vehicle Administration, and Special
18 Extension?

19 MR. ERIC HERBELIN: I agree.

20 MR. ANTOINE HACAULT (by Teams): Okay.
21 And with respect to the options to deal with the
22 surplus on Extension lines, you mentioned that there
23 were various options being considered and presented.

24 I'm not so much interested in
25 confidential information that might have been provided

1 to the government. But I do want you to identify all
2 options which were identified to deal with the DVA
3 financial issue.

4 MR. ERIC HERBELIN: Sure. So I
5 understand your question being for me to speak about
6 the options that have been essentially discussed with
7 the Government of Manitoba, as to how we could
8 possibly compensate for the operational deficits of
9 the DVA of business and the current and ongoing
10 investment costs related to program Nova.

11 Is that correct?

12 MR. ANTOINE HACAULT: Well, I didn't
13 want you to necessarily discuss exactly what you
14 discussed with the government. There must have been
15 options considered; one (1) of them was obviously
16 funding from the government; the other one was
17 transfers from other lines of business, which could
18 have -- and I don't know what those options which were
19 identified were.

20 If you could list them. If there were
21 more than the two (2) that you mentioned on the record
22 -- so far, you mentioned transfer from the Extension
23 surplus and increase in fees from the government.

24 What additional options are available
25 or were identified?

1 MR. ERIC HERBELIN: Thank you. I -- I
2 think I understand your question now. It is about
3 what is the range of pos -- the art of possible, what
4 is the range of options in order to solve that problem
5 of making the DVA line of business sustainably the
6 break-even line -- or not a deficiary (sic) or a loss-
7 making line, right?

8 MR. ANTOINE HACAULT: Correct.

9 MR. ERIC HERBELIN: Look, we have
10 certainly had some brainstorming discussion in terms
11 of what is the art of the possible. I would say that
12 the main options explored were increasing driver and
13 vehicle licensing fees, whether they are related to
14 aspects of driver testing. But that potentially could
15 also improve the -- the road safety, and MPI thought
16 that -- that it would be beneficial to address those
17 points.

18 Or in order to more profoundly and
19 effectively address the funding issue, one (1) of them
20 was the driver -- oh, I don't recall the -- the name
21 exactly, but one (1) of the driver -- annual driver
22 fee that each and every driver in this province has to
23 pay.

24 This would have represented between 70
25 and 80 percent of the funding requirement we have and

1 -- and would have potentially solved the problem. But
2 I think from the timing perspective, it is not a time
3 that is proper to ask Manitobans to pay additional, so
4 this option has not been validated, at least for the
5 time being.

6 Some are -- other options were the
7 ability of government to simply forego some of their
8 revenues that are generated through the driver and
9 licensing -- driver and vehicle licensing activities.
10 That again, based on where the government's budget is,
11 is not something that is necessarily realistic, and I
12 don't want to speak for government, but I -- I don't
13 think that is going to help much.

14 So, what are out other options? Well,
15 one (1) option that we were asked to think about, and
16 that is more in the spirit of let's look at all
17 possible options, is one where possibly the insurance
18 line of business could fund the DVA line of business.

19 And again these are just ideas.
20 There's no decision or direction pushing us to go down
21 that direction. But MPI has a duty to look at those
22 various options and also -- documented the aspects
23 that would be affected by such an option.

24 MR. ANTOINE HACAULT: Okay. Thank you
25 very much. You started by giving options, which would

1 be to increase fees and increase the annual driver's
2 fee.

3 When you were talking about that, those
4 increases, were you implicitly thinking that these
5 would be increases paid directly by the insured
6 person, as opposed to an amount being refunded by the
7 government?

8 MR. ERIC HERBELIN: MPI's source of
9 funding for the DVA line of business comes from the
10 fees paid by government. And for government to
11 possibly increase these contributions, these fees to
12 MPI, an option that was explored was for government to
13 increase the fees from the drivers, such that the
14 funding directed towards government is higher on a
15 gross basis. And that with that government has an
16 ability to redirect some of his increases to MPI to
17 compensate for the deficits.

18 MR. ANTOINE HACAULT: Okay. And under
19 that system, if the fees had been increased to
20 individuals, would you agree with my suggestion that
21 there would be a link between the fee and the person
22 who causes the fee to be generated?

23 MR. ERIC HERBELIN: I'm not sure that
24 I fully understand --

25 MR. ANTOINE HACAULT: Okay.

1 MR. ERIC HERBELIN: -- what you --

2 MR. ANTOINE HACAULT: So, if I come in
3 and if it's for drivers licence, I as an individual
4 come in the office of a broker or wherever, and I pay
5 that fee because I get the service, so there's a link
6 between the fee and the service.

7 And that link, every time somebody
8 comes in he causes that service to be provided and
9 pays a fee for that service. So, there's a link
10 between the fee that's paid and the service that's
11 provided.

12 MR. ERIC HERBELIN: I don't
13 necessarily -- this way, in that the fees are set by
14 government, and that is a decision that is indicative
15 of the actual service provided by the MPI Service
16 Centre or the broker outlets.

17 MR. ANTOINE HACAULT: Okay. I'd like
18 to contrast that with Basic insurance fees or rates.
19 For example -- and I'm not holding you to the precise
20 number -- but the taxi industry in Winnipeg is paying
21 somewhere in the range of nine thousand dollars
22 (\$9,000) plus for insurance, and when there's a rebate
23 there's a proportionate amount that gets paid based on
24 the fee for insurance that's paid by the client.

25 So, that -- one (1) of the discussions

1 were having in this Hearing is that the private
2 vehicles for hire pay about a third of the insurance
3 fee that the taxis do, and when they get a rebate they
4 also get only a third of the rebate the tax -- the
5 taxis get.

6 Are you following me so far?

7 MR. ERIC HERBELIN: I am following
8 you.

9 MR. ANTOINE HACAULT: Okay. So, I
10 want to have it go to the next step, because if the
11 surplus from Extension lines were put into Basic, as
12 was indicated in some of the transcripts and Board
13 orders, the amounts that would be refunded to the
14 clients would not be uniform; they would be based on a
15 proportion of the fees that they paid.

16 Do you follow me so far?

17 MR. ERIC HERBELIN: I follow you.

18 MR. ANTOINE HACAULT: Okay. So do you
19 agree then that if the surplus was paid back into
20 Basic, as was initially represented, that the
21 distribution of those funds would be different than
22 the impact of distribution by applying it to driver-
23 vehicle administration.

24 MR. ERIC HERBELIN: I would formulate
25 my response in the following way, not speaking about a

1 distribution, but the -- the total amount of rebate
2 capital available to the Basic ratepayers would be
3 superior of higher if the excesses from the Extension
4 lines would have been diverted to the Basic line of
5 business as it goes to the DVA line of business.

6 MR. ANTOINE HACAULT: Okay. I think -
7 - I'll ask more detailed questions of other people. I
8 just wanted to ask you at a high level, whether you
9 agreed that there would be a difference, depending on
10 how it gets distributed back to Manitobans, and I
11 think I have your answer on that. Thank you.

12 Are you aware that MPI is using a
13 minimum-bias procedure for risk assessment?

14 MR. ERIC HERBELIN: I must
15 respectfully admit that I am not. It's maybe
16 something that I should learn about and that is --

17 MR. ANTOINE HACAULT: Okay --

18 MR. ERIC HERBELIN: -- for the short
19 time that I have been with the Corporation.

20 MR. ANTOINE HACAULT: Okay. So you
21 wouldn't be familiar what's called 'generalized linear
22 models', which are now standard methodologies used in
23 private industry, and that it's not being used by MPI?

24 You wouldn't have any knowledge of that
25 area?

1 MR. ERIC HERBELIN: No, I'm afraid --

2 MR. ANTOINE HACAULT (By Teams): Okay.

3 The reason I was asking is that on page 5 of 5, so the
4 last slide on your deck, it indicated that guiding
5 principle number 4 would be that MBI -- MPI would be a
6 fast follower of industry best practices and trends.

7 And we had submitted evidence that this
8 was a best practice and trend, but given your lack of
9 knowledge I'll ask others the questions.

10 MR. ERIC HERBELIN: Thank you.

11 MR. ANTOINE HACAULT (By Teams): Now,
12 hopefully, you can provide some general information on
13 -- on this area. There has been a vehicle for
14 framework review. Are you aware of that?

15 MR. ERIC HERBELIN: I am.

16 MR. ANTOINE HACAULT (By Teams): Okay.
17 And, going back to some of your testimony on how you
18 build Nova and having to have background information
19 as a starting point, there has been consultation,
20 thank you. You're aware of that?

21 MR. ERIC HERBELIN: I am.

22 MR. ANTOINE HACAULT (By Teams): And
23 my question is whether MPI int -- intends to produce
24 the outline of that framework for comments, prior to
25 finalizing the framework? Do you know?

1 MR. ERIC HERBELIN: I don't know.

2 MR. ANTOINE HACAULT (By Teams): Okay.

3 Do you have a view on whether or not it would be
4 useful to get feedback on the framework prior to
5 taking steps to implement the framework through
6 regulatory changes and other changes?

7 MR. ERIC HERBELIN: I've not been
8 involved at this level of discussion, so I'm not
9 qualified to answer that question. And I -- I just
10 cannot provide a qualified opinion on that question.

11 MR. ANTOINE HACAULT (By Teams): Okay.
12 Let me try and ask the question at a different way.

13 From a process perspective, as the CEO,
14 do you think it would be beneficial to get feedback on
15 a framework prior to implementing the framework and
16 then, if you haven't consulted, get feedback and
17 criticism after; which one would you prefer?

18 MR. ERIC HERBELIN: I -- I wish I was
19 more prepared on -- on that subject and could have
20 done some research and discussions with my colleagues,
21 who are in charge of -- of that, so I'm -- I'm afraid,
22 but I cannot provide a substant -- substantiated and
23 intelligent answer to your very important question.

24 MR. ANTOINE HACAULT (By Teams): Okay,
25 well thank you very much for having attempted to do so

1 sir. Those are all my questions. Have a great
2 afternoon.

3 MR. ERIC HERBELIN: Thank you. And
4 you.

5 THE PANEL CHAIRPERSON: Thank you, Mr.
6 Hacault. Any questions, Mr. Gabor?

7 THE CHAIRPERSON: Sorry, Mr.
8 Herbelin, you talked about Project Nova and I believe
9 you said the committee met September 28th and 29th and
10 it appears there's a need for changes in scope, budget
11 and timing of delivery. Is that correct?

12 MR. ERIC HERBELIN: Thank you for --
13 for the question. I -- I may, maybe a rephrase just
14 to -- make sure we have the -- the right description
15 of what I intended to say or what I said, hopefully,
16 rightly so.

17 We have discovered aviation stores or
18 project plan that are more concerning than some other
19 deviations we've seen previously. And in the
20 Technology Committee of the 28th of September, it
21 reported to the Board of Directors of MPI on September
22 the 29th.

23 Management in the project initially for
24 Nova suggested that it might be necessary to review
25 the project plan for the degree -- the successful

1 degree of Program Nova, which could include a
2 combination of either scope, time-line and/or budgets
3 and that more work would be required now in order to
4 better understand what the recommendation could look
5 like.

6 THE CHAIRPERSON: Okay. Thank you for
7 clarifying that. I believe you said that right now
8 there's no idea of the magnitude of the changes or the
9 costs?

10 MR. ERIC HERBELIN: Correct.

11 THE CHAIRPERSON: Is there a potential
12 that the costs and changes are going to be
13 significant?

14 MR. ERIC HERBELIN: Well, I wish not
15 but I don't know. I don't know because we have not
16 done the work that is necessary to understand yet an
17 answer to that question.

18 What I could say though, is if we have
19 to extend the timing to deliver Program Nova compared
20 to the plan, we -- we'll have also to understand the
21 pace at which we deliver each of the work streams and
22 the so-called burn rate of how much cash we spend
23 during that time.

24 Because we don't want to necessarily
25 increase the time at the same proportional costs that

1 we have currently in place. So there will all be a
2 number of variables to review in order to come with an
3 intelligent answer to that question.

4 And I mentioned before that I
5 anticipate that MPI will be in a position to provide a
6 more fulsome answer to that -- some time in the first
7 quarter of the calendar year of 2022.

8 THE CHAIRPERSON: Okay. I assume
9 that, depending on the results, that has an
10 implication in a number of different areas, because a
11 number of different programs rely on Project Nova and
12 -- and the implementation of those programs depend on
13 the status of Project Nova. Is that correct?

14 MR. ERIC HERBELIN: I think we would
15 have to qualify what we understand by 'other
16 programs'. I think Project Nova in itself, as defined
17 a sequence of release dates, so if you look at these
18 as being the different programs or -- or stats in the
19 delivery of Nova, wishing one time line will have most
20 likely an impact on others. Yes?

21 But other than that, I don't think it
22 has -- that Nova has significant inter -- interpret --
23 dependencies on other operational aspects.

24 I would say on the contrary, to my
25 point earlier on, that we need to do some additional

1 work on foundational elements around or IT
2 infrastructure and data, management infrastructure, as
3 well as some other components of Nova that are
4 required for Nova to work.

5 So, I think it works more the other way
6 around.

7 THE CHAIRPERSON: Do changes to DSR
8 depend on Nova?

9 MR. ERIC HERBELIN: It's a good
10 question and I cannot answer that question just now,
11 so I'm sure that my colleagues, in the panels, would
12 be able to answer that and we can prepare for that
13 question if it ask again, but -- set out --

14 THE CHAIRPERSON: Okay. I want to ask
15 you, and I don't remember the -- the document, but
16 there was the -- the issue of the transfer for the fin
17 -- on the financial statement and the fact that the
18 transfer to deviate did not appear on the financial
19 statement -- on the last financial statement.

20 Is it -- okay. Thank you. Yeah. Is
21 it going to appear on the next financial statement?

22 MR. ANTHONY GUERRA: Well, Mr. Gabor,
23 I don't know that Mr. Herbelin said it didn't appear.
24 I think he said he'd be more comfortable if Mr.
25 Giesbrecht took a look at that.

1 THE CHAIRPERSON: Okay.

2 MR. ANTHONY GUERRA: And provided an
3 analysis of whether, in fact, it does appear in that
4 report somewhere.

5 MR. ROBERT GABOR: Okay. Well, we'll
6 ask Mr. Giesbrecht. Thank you.

7

8 (BRIEF PAUSE)

9

10 THE CHAIRPERSON: Earlier on, Mr.
11 Herbelin, I believe Ms. McCandless showed you the
12 order from 2020 where the -- MPI proposed to the CMP
13 and the terms of the CMP and the Board accepted those
14 terms in the -- in its Order.

15 Yeah. Right there. The -- this was
16 the proposal of MPI. Was it not?

17 MR. ERIC HERBELIN: It was.

18 THE CHAIRPERSON: Okay. There's no --
19 when you -- can you scroll down a little bit, Kristen?
20 I'm looking for the transfer from -- from Extension to
21 Basic. There's a proposal -- yeah, commitment to
22 transfer excess retained earnings from Extension line
23 is at 200 percent MCT.

24 There's no indication in this Order or
25 in the proposal of MPI that it would have the

1 discretion to make decisions that would reduce the
2 expansion capital level as long as it did so before
3 the end of March, is there?

4 MR. ERIC HERBELIN: My understanding
5 was -- what's wrong?

6 MR. ANTHONY GUERRA: Oh no -- I don't
7 want to jump in, but it's in the Capital Management
8 Plan, Mr. Gabor.

9 THE CHAIRPERSON: The -- the --
10 there's -- the Capital Management Plan refers to the
11 transfer from Extension at two hundred (200) percent.

12 MR. ANTHONY GUERRA: The analysis that
13 performed under the Capital Management Plan is at - at
14 fiscal year end.

15 THE CHAIRPERSON: -- at fiscal --
16 correct.

17 MR. ANTHONY GUERRA: Yes. Yes.

18 THE CHAIRPERSON: Correct.

19 MR. ANTHONY GUERRA: So it -- if -- if
20 there's excess monies in the Extension Reserve at
21 fiscal year end, there's an automatic transfer.

22 THE CHAIRPERSON: Right. No, I
23 appreciate that but the question for Mr. Herbelin is,
24 there's nothing specific in the Capital Management
25 Plan that says, and by the way, the Board can transfer

1 out to something other, as long as it -- does so
2 before March 30th.

3 MR. ANTHONY GUERRA: That is correct.
4 Then there's nothing that precludes them from doing
5 that as well.

6 THE CHAIRPERSON: Well, that's my --
7 let me ask the witness the question. Okay?

8 Last year Mr. Giesbrecht took that
9 position that now the position of MPI is, it has the
10 discretion to transfer from the Extension reserve,
11 about two hundred (200) percent, so long as it does so
12 before March 30th.

13 As I understand it -- is that the
14 position of MPI right now?

15 MR. ERIC HERBELIN: The position has
16 not changed.

17 THE CHAIRPERSON: You're saying that
18 was always the position of MPI?

19 MR. ERIC HERBELIN: I was not part of
20 those discussions before my arrival, but I can only
21 confirm my understanding is that MPI's position on the
22 use of Extension funds has not changed compared to
23 what has been discussed in prior hearings. And that
24 has been also put forward as evidence for this
25 Application.

1 THE CHAIRPERSON: Okay. So what other
2 items can MPI use those funds for so long as it does
3 it before March -- the end of March?

4 MR. ERIC HERBELIN: All right. I
5 think those points have been discussed and documented
6 and I don't have anything to add to that.

7 THE CHAIRPERSON: No, but is it your
8 view that MPI has the ability to use those funds for
9 anything and that the issue is not what it's used for,
10 the issue is when are they used?

11 MR. ERIC HERBELIN: I would maintain
12 that the intention is, to the extent that it is
13 possible, and we have gone through eighteen (18)
14 months of really unprecedented times, so it's very --
15 it's an unfortunate timing, but intention definitely
16 is, whenever we can, and there are no other unforeseen
17 circumstances, the excess capital from the Extension
18 line of business would benefit the Basic ratepayer and
19 be transferred to the RSR.

20 And this is also reflected in the
21 financial projections. So I -- I -- I can only
22 reiterate, you know, that we regret these two (2)
23 unfortunate events that led MPI to make decisions to
24 direct funds to other purposes.

25 But that is also during a period of

1 unprecedented times where I believe no one of us ever
2 expected that MPI would be generating so much capital
3 excess in such a short period -- amount of time and
4 we'll have to make those decisions.

5 THE CHAIRPERSON: Yeah. Thank you.
6 Just sort of a general question, Mr. Herbelin, one of
7 the principles of insurance is risk assessment.

8 Is that correct?

9 MR. ERIC HERBELIN: Sure.

10 THE CHAIRPERSON: And determining the
11 -- you determine the premiums by assessing the risk
12 and how much you need to cover that risk?

13 MR. ERIC HERBELIN: Correct.

14 THE CHAIRPERSON: Okay. I -- I'm just
15 intrigued by -- by one point that came out from
16 previous hearings, and I still don't understand it.
17 Maybe you can enlighten me.

18 In Manitoba, and your counsel can
19 correct me if I'm wrong, but we've had evidence in
20 previous hearings, that you have more registered
21 owners of motorcycles than people who are licensed to
22 drive motorcycles. Do you know that to be a fact?

23 MR. ERIC HERBELIN: I don't know that
24 to be a fact myself.

25 THE CHAIRPERSON: Okay.

1 MR. ERIC HERBELIN: I'm not denying.
2 It could be true. I just don't have the knowledge.

3 THE CHAIRPERSON: Okay. That --
4 that's fine. If you don't know it I'll -- I'll ask
5 the question of somebody else.

6 Those are my questions. Thank you, Mr.
7 -- very much, Mr. Herbelin.

8 THE PANEL CHAIRPERSON: Mr. Watson...?

9 MR. MICHAEL WATSON: Thank you, Mr.
10 Herbelin. I think we heard earlier today that the
11 Project Nova cost has risen from a one hundred and six
12 (106) million to one hundred and twenty eight (128)
13 million. Would that be accurate?

14 MR. ERIC HERBELIN: That's right.

15 MR. MICHAEL WATSON: Okay. And how
16 much of that Project Nova of the one hundred and
17 twenty eight (128) million is being charged to the DVA
18 line of business?

19 MR. ERIC HERBELIN: There is -- all
20 the details -- available in the evidence that was
21 submitted to this Board, but in terms of the general
22 high level description of that, it is roughly 45
23 percent of the costs on the re-base line budgets, so
24 the one hundred and twenty eight point 5 (128.5)
25 million that you refer to, roughly, 45 percent of that

1 would be attributed to DVA as opposed to insurance.

2 MR. MICHAEL WATSON: Thanks. So we're
3 probably at -- or just over fifty (50) million of the
4 --

5 MR. ERIC HERBELIN: Probably shy of
6 sixty (60), you know, fifty eight (58) to sixty (60)
7 million.

8 MR. MICHAEL WATSON: Kristen if you
9 can just pull up that last -- yeah, thank you.

10 If you can just look at the screen in
11 front of you, the retained earnings for March 31st,
12 2020 under DVA is almost \$8 million as a negative. Do
13 you agree?

14 MR. ERIC HERBELIN: I agree.

15 MR. MICHAEL WATSON: And then there
16 was a \$60 million transfer, which I assume, would be
17 in the account receivable pre-paid expenses on the
18 March 31st, 2021. The number is now sixty one million
19 six hundred thousand (61,600,000).

20 Do we agree that's the possibility of
21 where that -- number could be?

22 MR. ERIC HERBELIN: I agree.

23 MR. MICHAEL WATSON: Okay. And then
24 at the bottom the retained earnings now is at forty
25 nine million, four hundred and eight six thousand

1 (49,486,000). Right?

2 MR. ERIC HERBELIN: Right.

3 MR. MICHAEL WATSON: How did yourself
4 and the MPI Executive determine the sixty (60) million
5 dollar transfer? Why couldn't it have been eight (8)
6 million, or ten (10) million?

7 How did they -- you come to the sixty
8 (60) million dollar value and how can you forecast
9 already for next year fifty three point three (53.3)
10 million, which is a hundred and thirteen (113) million
11 dollars, when the retained earnings was at -- just
12 under eight (8) million?

13 MR. ERIC HERBELIN: I understand your
14 question. I would defer it to the Information Request
15 PUB-MPI 2-2 and Appendix Board's material, that
16 details all those numbers you are referring to that
17 basically provide the context for the scale and the
18 scope of the projected DVA deficit over the next
19 number of years, which I indicated before, I believe
20 is in the order of ninety-two to a hundred million
21 over the next five (5) plus years.

22 You see, it's composed of the Nova
23 Project costs attributable to the DVA line of
24 business, as well as the accumulated DVA operational
25 expenses deficits.

1 And investing in a program like Nova,
2 consists of expenses that are expensed from an
3 accounting standpoint, but also expenses that are
4 capitalized and that are depreciated over time.

5 So, from a pure accounting standpoint,
6 we see that the deficit of the DVA line of business
7 would take a little bit longer to be seen or be shown
8 as problematic, but when we look at the funding
9 requirement, the actual cash that needs to be spent,
10 that is without activating or capital -- capitalizing
11 those costs on the balance sheets, we see that the
12 sixty (60) million that were transferred would only
13 suffice for covering the costs in this current fiscal
14 year and that we would already in the next year have a
15 deficit or reposition.

16 But this is -- the 60 million is the
17 maximum amount that we were able to transfer from the
18 Extension line of business to the DVA line of business
19 without reaching the rule of the 200 percent minimal
20 capital test.

21 And the 53.5 million are the full cost
22 number that we expect we might be able to transfer
23 before the end of March 2022 to cover for the scale
24 and scope of the deficit I mentioned just before.

25 MR. ROBERT WATCHMAN: So, with regards

1 to your comment earlier about being dire, it's the
2 future dire, not the past dire situation?

3 MR. ERIC HERBELIN: I -- I did not
4 hear, I'm sorry.

5 MR. ROBERT WATCHMAN: In regards to
6 the -- the comment that you made earlier today about
7 being dire, it's future. You're -- you actually did
8 the transfer prior to requiring the funds.

9 Is that correct?

10 MR. ERIC HERBELIN: Yeah. Okay. So,
11 there is a question in terms of how to cover for the
12 deficits. And I think there are two (2) schools of
13 thought. Do we cover for the deficits on the year-by-
14 year basis based on the actual amount that is visible
15 in the financial statements, which is what MPI has
16 done over the last number of years?

17 And that was possible because the
18 amount was not overly significant. So, we're talking
19 about, you know, millions in -- one (1) -- one (1)
20 digit million numbers. And I think that is, from a
21 fiscal prudence perspective something acceptable when
22 you consider the size of the balance sheet of MPI.

23 But when you look at the known
24 projections as of today, we felt like it is more
25 appropriate and more fiscally prudent knowing that

1 excess capital was available in the Extension line of
2 business to make a one (1) time transfer at the end of
3 the -- or just before the end of the fiscal year 2021.

4 And we believe that it would be
5 appropriate and fiscally prudent to do the same before
6 the end of the fiscal year 2022.

7 With that, we should buy ourself time.
8 We should buy ourselves approximately five (5) years
9 finding hopefully a long-term sustainable solution
10 with the government of Manitoba.

11 MR. ROBERT WATCHMAN: In that answer,
12 you partially answered my next question, which, since
13 the DVA was transferred in 2004 to MPI, the amount
14 that the government is actually transferring to MPI
15 was very close. And I believe you said it's plus or
16 minus a million or 2 million.

17 You just answered that question,
18 correct?

19 MR. ERIC HERBELIN: I don't have the
20 entire history known. But I can say that in -- in the
21 current -- in -- in these days, we are spending 36, 37
22 million in costs on an annualized basis, whereby the
23 amounts that we receive from government are 30.2
24 million and that this amount has not been escalated
25 for inflation and increasing costs over recent years.

1 MR. ROBERT WATCHMAN: So,
2 historically, there has been a small difference?

3 MR. ERIC HERBELIN: There's always
4 been a difference. I cannot quantify exactly the
5 scale of it. But what I can say though is, I think
6 the point was made before, reminding my statement
7 about the fact that MPI looks to adopt industry best
8 practices and trends.

9 MPI, in recent years, decided to adopt
10 best practices in terms of how it managed and matches
11 assets and liabilities and to segregate investment
12 portfolios between Basic liabilities that are
13 basically reserved for future payments of claims, the
14 Extension, as well as the SRE, as well as the pension,
15 as well as the RSR assets and form with that separated
16 and distinct strategies of investment that would help
17 reduce volatility.

18 But the implementation of that
19 strategy, the tool that MPI previously used to
20 compensate for the DVA deficit which was basically
21 allocating part of the investment returns to the DVA
22 line of business simply disappeared.

23 And so, now the problem is more visible
24 and is more present than it ever was in the past.

25 MR. ROBERT WATCHMAN: So, the 113.3

1 million for the next five (5) years is taking into
2 account Project Nova and some accounting changes and
3 allocations that you've reallocated to other parts of
4 the financial statements?

5 MR. ERIC HERBELIN: Correct.

6 MR. ROBERT WATCHMAN: Okay. Thank
7 you.

8 THE PANEL CHAIRPERSON: Mr. Scarfone,
9 any redirect?

10

11 RE-DIRECT EXAMINATION BY MR. STEVE SCARFONE:

12 MR. STEVE SCARFONE: Thank you, Madam
13 Chair. Just a couple questions for Mr. Herbelin on
14 redirect.

15 Sir, it seems there's a lot of interest
16 in -- in -- from all of the questions, or the people
17 asking questions, about the other options that were
18 explored by MPI, and Mr. Watson (sic) touched upon
19 this.

20 I'm wondering, firstly, is there
21 something that prevents the Corporation as it concerns
22 the DVA line of business from setting off moneys that
23 they collect and remit to the government?

24 And -- and what I mean by that, a
25 setoff meaning, okay, we've collected 200 million from

1 you, but it cost us 37, so we're keeping that, here's
2 the rest.

3 Is there something that prevents the
4 Corporation from doing that?

5 MR. ERIC HERBELIN: MPI does not have
6 that ability. MPI acts -- operates in relationship of
7 an agency towards the government of Manitoba in that
8 respect. And the arrangements in place, contractual
9 arrangements in place, are not providing that option.

10 MR. STEVE SCARFONE: Okay. Thank you.
11 You did mention as another option an increase to the
12 DVA fees.

13 And, as I understand it, and -- and
14 maybe given your time with MPI, you can't speak to
15 this, but have those fees risen at all since MPI
16 started the administration of this program for the
17 government?

18 MR. ERIC HERBELIN: It is my
19 understanding that the majority of those fees have not
20 changed in many, many years.

21 MR. STEVE SCARFONE: And did one (1)
22 proposal that was advanced by the Corporation include
23 indexation of those fees to catch them up to 2021?

24 MR. ERIC HERBELIN: That is correct.
25 But, also, we compare those fees with those of other

1 provinces. And we saw that there could be
2 opportunities to increase fees in Manitoba to a level
3 that would not be necessarily unfavourable to
4 Manitobans as compared to residents of other provinces
5 in Canada.

6 MR. STEVE SCARFONE: Okay. And was a
7 proposal advanced that would see the fees increased
8 only to the extent that the shortfall was taken care
9 of?

10 So, rather than indexing them up to
11 2021, just increasing them enough to allow for the
12 shortfall to be addressed.

13 MR. ERIC HERBELIN: Correct.

14 MR. STEVE SCARFONE: That was an
15 option that was explored, as well?

16 MR. ERIC HERBELIN: That -- that is an
17 option that was explored, as well.

18 MR. STEVE SCARFONE: You'll recall Ms.
19 McCandless asked you about your appearance before the
20 standing committee?

21 MR. ERIC HERBELIN: Yes.

22 MR. STEVE SCARFONE: And that was in
23 June of this year?

24 MR. ERIC HERBELIN: On June 10th of
25 this year.

1 MR. STEVE SCARFONE: Do you know if
2 those meetings are -- are publically available?

3 MR. ERIC HERBELIN: What do you mean
4 by "those meetings are publically available"?

5 MR. STEVE SCARFONE: Can people watch
6 them, members of the public?

7 MR. ERIC HERBELIN: Yes.

8 MR. STEVE SCARFONE: And was there any
9 information at that meeting that you weren't wanting
10 to share on the public record?

11 MR. ERIC HERBELIN: Absolutely. I
12 mean, as far as the fiscal year 2020/2021 was
13 concerned, and that was out of scope for the review of
14 the standing committee, I was not prepared to share
15 any number of the fiscal ended results or the Q4 ended
16 results with the public because simply the financial
17 statements were not audited, were not approved by our
18 board of directors.

19 And we had the clear plan to providing
20 transparency on material aspects and numbers of those
21 financial statements exactly eighteen (18) days after
22 that standing committee through the filing of the 2022
23 GRA to the Public Utilities Board.

24 MR. STEVE SCARFONE: And so, would
25 that prohibition include the \$60 million that had been

1 transferred?

2 MR. ERIC HERBELIN: That was the way
3 definitely I was looking at it. It was important for
4 me not to disclose material facts and information on
5 those accounts that were not made public previously.

6 I did mention, though, numbers relating
7 to the third quarter on the line of questioning from
8 the leader of the opposition, and I did so because the
9 results for the third quarter were published and --
10 and available to the public.

11 However, anything that happened during
12 the fourth quarter was not for public consumption at
13 that time.

14

15 (BRIEF PAUSE)

16

17 MR. STEVE SCARFONE: And lastly, just
18 back to the options that the Corporation's explored
19 with government. Another one you mentioned was the
20 government foregoing its revenues.

21 I would expect, sir, that that wasn't
22 an option that was agreeable to the government of
23 Manitoba?

24 MR. ERIC HERBELIN: We have not
25 received a favourable answer on that option, nor on

1 any other option for -- for transparency. So, as I
2 mentioned earlier, discussions are still ongoing.

3 But if you ask my personal opinion, I
4 don't necessarily believe that this is a viable
5 option.

6 MR. STEVE SCARFONE: Thank you. Those
7 are all my questions on redirect, Madam Chair.

8 THE PANEL CHAIRPERSON: Thank you, Mr.
9 Scarfone. And thank you very much, Mr. Herbelin. And
10 welcome to Manitoba and to the General Rate
11 Application for 2022.

12 MR. ERIC HERBELIN: Thank you very
13 much.

14 THE PANEL CHAIRPERSON: It's now 4:06.
15 We'll adjourn for the day and reconvene tomorrow at
16 nine o'clock.

17 Just a reminder for anybody who may be
18 listening who didn't hear the earlier discussion.
19 Tomorrow we will start at 9:00. We will go until
20 2:30. We'll take a lunchbreak of thirty (30) minutes
21 at 11:00 and any other quick breaks that are required
22 during the course of the day.

23 So, we'll see everyone tomorrow. Thank
24 you.

25

1 --- Upon adjourning at 4:07 p.m.

2

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4 Certified Correct,

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7 _____

8 Wendy Woodworth, Ms.

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