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

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Pages 293 to 553

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--- Upon commencing at 9:01 a.m.

THE PANEL CHAIRPERSON: Good morning, everyone. Mr. Guerra...?

MR. ANTHONY GUERRA: Good morning, Madam Chair. This morning we have our first panel of witnesses, which is comprised of the revenue/ expenses, and rate update issues. Presented in the front row this morning, we have two (2) new witnesses for MPI, Mr. Dean Dunstone, who is the manager of Reinsurance and Forecasting, and also Michael Gandhi, who is our Corporate Controller.

I can also advise in the back row for support we have Ms. Amy Mohr, who is the manager of Accounting Services; Mr. Mark Russo, who is the financial forecasting specialist; Ms. Lindsay Jurkowski, who is the manager of Budgeting and Project Accounting; and Ms. Diane Hopkins, who is our manager of Financial Reporting.

So, Kristen, I believe there is a presentation you should be aware of to put on to the screen this morning, and what I'll do is I'll ask the witnesses to be sworn or affirmed.

MPI REVENUES/EXPENSES/RATE UPDATE PANEL:

DEAN DUNSTONE, Affirmed

MICHAEL GANDHI, Affirmed

EXAMINATION-IN-CHIEF BY MR. ANTHONY GUERRA:

MR. ANTHONY GUERRA: Thank you very much, and thank you, Messrs. Dunstone and Gandhi, for your appearance this morning.

Before we begin, I just want to clarify a couple of procedural things. So this morning we have a bit of a different schedule to accommodate Mr. Gandhi's schedule, and we'll certainly do our best to make sure that that schedule is accommodated.

I should also say that normally in this panel we would have another witness who would be our CFO or Chief Financial Officer, Mark Giesbrecht. And unfortunately, Mr. Giesbrecht is -- or fortunately for his family, he is not available to be here today because of their new baby, and we should expect Mr. Giesbrecht to present next week.

And so if there are any questions that Mr. Giesbrecht is probably best suited to answer, we will certainly advise if that's the case, and hopefully those questions can be posed to Mr. Giesbrecht next week.

And also, I can just advise that I've

been notified that Mr. Tai Phoa, our actuarial anas -- analyst, rather, has been added as a back-row support witness as well.

So with that, what I'd like to do is just ask you, Messrs. Dunstone and Gandhi, to confirm that what we're seeing on the screen before us, the Financial Forecast Update and the Revenue and Expenses Presentation, this is a presentation that you have prepared?

MR. DEAN DUNSTONE: Correct.

MR. ANTHONY GUERRA: Okay. And are you adopting this presentation that you will give this morning as your evidence?

MR. DEAN DUNSTONE: Yes.

MR. ANTHONY GUERRA: Okay. And before we begin this presentation, I'd like each of you, if you can, starting with Mr. Dunstone, to just introduce yourselves to the -- the Panel and to provide some of your background so they understand your qualifications and your -- your journey to MPI.

MR. DEAN DUNSTONE: Sure. As -- as I mentioned, my name is Dean Dunstone. I'm the manager of Reinsurance and Forecasting with Manitoba Public Insurance. I have been there for over twenty-seven (27) years now. Started in the mail room, basically worked my way up.

I've worked in the injury claims area with the PIPP Program and -- and more specifically the Income Replacement area, and then I transitioned into finance and worked in budgeting and forecasting for a few years, into management, and then -- and then took on forecasting and reinsurance for probably the last six (6) years.

MR. MICHAEL GANDHI: Good morning, Panel. My name is Michael Gandhi. I'm the Corporate Controller for MPI. I have been with the Company for one (1) year and two (2) months now.

I come from an industry background, varied industries, public practice, treasury management, and also in the transportation side.

What brought me to MPI was a focus on the insurance industry which has always been a significant interest of mine, and to provide both support to the Manitobans and --

MR. ANTHONY GUERRA: Thank you, gentlemen. So now if I can ask that you deliver your presentation.

MR. MICHAEL GANDHI: Sure. So if we can go to the next slide, please.

So the agenda for today is we'll walk

through our key forecast changes versus our '22 GRA submission. We'll walk through our impacts on our Rate and Rebate Application and our changes around those pieces.

For '22/'23, we'll also provide our Statement of Operations, both the update and the initial application, and the changes for those. Our revenue side, we'll review our components of our revenue premium and our growth trends, and we'll finish off the presentation by taking a look at our operating expenses and our financial updates around that.

COVID impacts do continue within our operations, and we would like to highlight those pieces. And then we'll walk through our expense forecast and our salaries. So I will pass this to Mr. Dunstone to start the presentation.

MR. DEAN DUNSTONE: Thanks, Michael. So as we do every year with the PUB, we always try to bring the latest and -- and greatest forecast before the Board here to update our rate indication and our rebate this year versus what we provided in the initial filing in -- in June.

So I'll just go through the forecast and -- and all the basically updated changes that we have done to this forecast. So next slide, please.

So these are the -- the key changes that we have done. So since our initial filing in June, we have obviously reviewed and updated our COVID-19 assumptions. Obviously these continue to change daily, so -- so we do have our finger on the pulse with these COVID-19 assumptions.

So certainly an update was worthy for this -- for this rate update which we -- which I'll get into in a little more detail. Of course, this projected into new net income projections for -- for 2021/'22, so this forecast is specifically for 2021/'22 and outward.

And we used the available -- so -- so for -- for this year, we used the available July 31st, 2021, results, so that's the first four (4) months actuals of the fiscal year '21/'22. So basically, we -- we generally don't expect much to change from these results from the -- from the GRA filing, but this four (4) months allows us to kind of check in on everything and make any updates that we -- that we see fit.

One of the largest change we did was the -- the Capital and Expense Forecast, so Michael will get into that a little further. But basically, we had to realign our -- our budgeting cycle to align more with government reporting, so we did a more comprehensive capital and expense budgets this year, so we did have some -- some larger changes in -- in those areas.

We updated our -- our claims forecast. We -- we did get finalized Repair Trade Negotiations come in after the -- the initial filing, so we have updated the -- the Claims Incurred Forecast with those -- with those updated numbers.

And as always, we -- we used August 31st interest rates for this filing, and of course all of this led to an updated projected rebate amount and -- and of course rate indication. Next slide.

So as you know, we've -- we've, you know, come to you and applied for -- for three (3) rebates now. A lot of it's due to COVID-19 and the favourable experience we -- we've been, you know, seeing on claims frequency and -- and collision counts so we continue to do this.

In our initial filing to the Board here on -- for the June filing, for '22 GRA, we -- we expected return to normal collision levels, collision frequency levels as at October 1st, 2021.

So, that obviously was not fully accurate, so we had to update those for the rate update.

So, we -- we've, you know, taken a look at various items which I'll get to in the next slide. But, basically, these are the updates that we're expecting now.

So, in this rate update, we've expected collision frequency to be down approximately 20 percent below normal levels that we would expect without COVID-19 for September and October.

And then, as you can see, it's going to be a gradual return back to normal. So, we go 15 percent, 10 percent, and then -- and then down to 5 percent in March. We expect -- for this rate update, we're expecting, you know, a return to normal commencing the 2022/'23 year.

How did we make these assumptions? Based on various factors, obviously. And -- and, you know, like I mentioned, this is very challenging to -- to predict, obviously. We -- we do have eighteen (18) months experience now with -- with the COVID-19 collision frequency levels, so we're -- we're -- I think we're getting better at it.

We have -- you know, for this update, we basically tied it to return-to-work plans. We know that there -- there's talk that MPI's rolling out a flexible work plan that's coming in -- in January.

We know the government's rolled out a flexible work plan. So, we're kind of try (sic) to tie our -- our, you know, expected return back to normal to -- to that, as well as a few other things.

We've reached out to ICBC and SGI. And we've talked to them and asked them how they are forecasting COVID collision frequency levels. And, basically, both of them are basically -- you know, there's no clear consensus on what's going -- what the future holds for that, but, obviously, they both indicate that in 2022/'23, that they -- they assume collision levels will return back to normal, so.

Of course, you know, the current state of case counts, we're always looking at the case counts and what's happening. And, of course, when we were -- when we were preparing this forecast for the rate update, this is when the fourth wave was starting to loom.

So, we kind of hit a dip. And then we're -- we're starting to go back up again. So, that's why we -- we basically took these claims frequency assumptions to the end of the year now.

We -- we know that, you know, waves last anywhere from two (2) to four (4) now, so hence why we, you know, are assuming a 20 percent below frequency level in September, October, and then a 15 percent. So, we know that that wave will probably last a few months.

And -- and lastly, the observed year-to-date experience. So, you -- you know, we've been tracking all of these collision counts, favourable collision counts, through -- throughout the last eighteen (18) months. And, you know, we've seen anywhere from 10 percent below normal to -- to up to 40 percent below normal.

And -- and in '21/'22, it's -- it's really actually tracking very similar to 2021 for the first five (5) months of -- of data that we're seeing, so -- so -- and that's, you know, over the last five (5) months, have been approximately 20 percent below normal collision count.

So, we feel this forecast is -- is appropriate and reasonable for this -- for this rate update. And we understand, you know, that this could change. We understand that, you know, in '22/'23, it's -- it's -- driving behaviour could change permanently. And -- and we'll be ready to do that in the -- in the '23 GRA if we need to update any -- any of that further, so.

So, all of these 2021/'22 updates that we have done to the forecast obviously impacted our -- our initial filing of -- of a 2.8 percent rate decrease and a 202 million rebate.

So, just to touch on the rebate now. We're now expecting, based on these updated COVID assumptions, based on, you know, favourable expenses that we're seeing, based on, you know, changes in our -- in our equity and -- and capital requirements, we're now seeing a rebate that's going to be around 335 million.

So, that'll, you know, basically reduce our MCT level to a hundred percent in '21/'22. And for that to happen, we'd need to release -- or rebate 335 million, so an increase of $133 million.

That is primarily due to net income. So, net income is -- is -- contributes approximately 122 million of that 133 million. And then -- and then there's just a remainder of 10 million that's due to AOCI, or equity movements and capital requirements, smaller movements. Next slide, please.

So, also, you know, we updated '21/'22 and the rebate. Well, we also updated 2022/'23 and beyond, okay, with -- with updated numbers that we've been seeing.

So, as you know, our rate update is now indicating 1.2 percent rate decrease. So, that's basically an increase of 1.6 percent versus what we filed for, so.

There's three (3) main contributors to that. And, obviously, the primary one, as you see in the middle there, is -- is a 1.2 percent increase due to expenses. Michael will get into that a little further.

But, again, that's just -- we -- we kind of did a comprehensive budget cycle a lot earlier than we normally do just to align to the government and government reporting.

So, that went up approximately 13 million for Basic for expenses. So, that -- that had an unfavourable impact of about 1.2 percent on the rate indication.

When we updated interest rates, as obviously that's part of our ratemaking component there, so -- so interest rates went down approximately 14 basis points, as you can see, with the new money yield, which -- which had an impact on our -- our -- on our discount of any of our claims.

So, that had an unfavourable change of .3 percent. And then we had a change of claims incurred. So, lastly, that was -- you know, we did update our -- our claims incurred forecast with the -- with the repair trade negotiation finalization.

So, that -- in -- in our initial filing, we -- we estimated -- we had a placeholder in there of approximately $7 million increase compared to -- for collision. That has now come in at approximately about 18 million, so -- so about 11 million higher.

That generally computes to more than .1 percent, but we had some offsetting changes in claims, too, as well, so we've -- we've, you know, had -- had another very good -- we call it the hail season.

So, obviously, our comprehensive hail claims are way down. We haven't been -- been hit by much hail at all, so that factors in. So, we updated our forecast for that, which had approximately a 4 to 5 million impact, favourable impact.

And then we also updated our total loss severity. So, we -- we had -- we rolled out a salvage management system last year, which is really just online salvage which, you know, kind of increases our exposure to not only Manitobans to purchase our salvage vehicles, but everywhere else, internationally, North America.

So, we've seen an uptick in our salvage sales there significantly. So, we now have a year of experience with that. So, we've -- we've been able to update our forecast to include that favourable component in there.

So, overall claims incurred changed about .1 percent. And the -- as you can see, the revised rate indication that we're bringing to you now is -- is minus 1.2 percent rate decrease.

So, here's the expenses that -- that I was alluding to. So -- so, this is corporate expenses. So -- so, as you can see, corporately we're -- we're 17 million higher than what we initially filed in the 2022 GRA in June.

So, Michael will get into the details on -- on that piece of it. Next slide, please.

And, again, there's the capital budget. So, we also updated the capital budget. Whenever we do the expense budget, we also do the capital budget. So, as you can see, there were some changes there. We -- we increased the capital budget by about $13 million, which -- which, again, Michael will have a little more further information if you need on this area.

So, this is our updated statement of

operations for the Basic line of business. As you can see in the bottom right, by doing the rate update, this had an unfavourable impact to our Basic statement of operations net income of about 13.8 million.

And, again, just -- just to reiterate, the key drivers in that were the increased expenses which, essentially, contributes about 12 million of that 13, and then the -- the claims incurred unfavourable impacts that I had talked to previously.

Okay, transitioning to revenues. And I'll just go over revenues and -- and give you just kind of, you know, maybe a better understanding of how we forecast for revenues in our -- in our filing.

So, here's just revenues at a glance. The composition of revenues is -- is fairly simple. We have three (3) main contributors to our revenues. Obviously, Basic motor vehicle premiums is -- is the primary one which, you know, we're -- we're running -- we have about $1.1 billion now in -- in Basic revenue, so motor vehicle premiums contribute the majority of that.

And then we have our drivers' premiums which contribute about -- they're about maybe $60 million a year, and then our service fees which contribute another 25 to $30 million here.

So, how do we -- what impacts our Basic premiums? Obviously, the rate indication. So, every year, we come to the rate indications. So -- so, that's either going to go up or down. But this year, we have a 1.2 percent rate decrease in '22/'23, so that's going to have a -- you know, an unfavourable or lower premiums that -- that we require by 1.2 percent.

We have volume growth, you know, just, basically, the -- the size of fleet in Manitoba, or the number of vehicles on the road. So, every year, that's, you know, 1 to 1 1/2 percent, we find. We have about nine hundred thousand (900,000) vehicles, I believe, and -- and it's -- it's always around 1 -- 1 to 1 1/2 percent.

And, again, our forecast isn't going to change too much. It's -- it's 1.13 percent in '22/'23. And we're predicting a 1.06 percent increase in volume for -- for '23/'24 and outward there.

Upgrade. That's -- that's another large premium impact. Upgrade, of course, is -- is, you know, just changes in insurance, changes in insurance use, you know, from all-purpose to pleasure, changes in insurance territories, moving from Winnipeg to up north; changes in vehicle types, body types; and also, there's a -- a small DSR component to -- with upgrade. So, overall, that's -- it's always around 2-and-a-half percent, you know, we find, a year.

And, again, there's really no big changes in this area. We're -- we're predicting a 2.54 percent to 2.59 percent from '22/'23 to '25/'26; kind of throughout there.

Another small adjustment we do is the anti-theft discounts. Of course, that is, you know -- it's approximately $1 million a year of discounts. That's a -- a program that we had in -- we started in 2006. It's a immobilizer program. When people put in after-market immobilizers, they'd get a forty dollar ($40) discount.

So we're just running down that program and it's getting smaller and smaller every year. And -- and we're down to about 1 million in discounts, we -- we predict for that.

And fleet rates, so any customers that have ten (10) vehicle registered -- ten (10) vehicle or more -- are, obviously, eligible for fleet rebates, which come in about $15 to $20 million a year as a discount. So we use those to offset the premiums that we have. And next slide, please.

So driver's premiums. Really, just two (2) -- two (2) components. The base forty-five dollar

($45) fee that we all pay for -- for our driver's license; it's about, you know, $24 million a year that we -- we bring in on that. And then, the DSR component of the driver's premiums, which is really just the -- you know, the surcharges we charge for drivers that -- depending on where they are on the DSR scale, they're paying, you know, forty-five (45) plus based on their -- their driving behaviour. So, generally, it's the higher risk drivers that are paying those surcharges.

Reinsurance premiums. This is -- this is an offset to premiums, really. So this is really just, you know, insurance for insurers, I guess, as -- as you call it. So we -- we go get insurance to protect ourselves against large losses due to, you know, catastrophic weather events, due to, you know, incidents that involved large PIPP claims and serious bodily injury claims. So we -- we do this annually. There's basically two (2) types; there's the catastrophic program and there's the -- the casualty or the bodily injury program.

Our catastrophic program is an aggregate-based program, meaning that we -- once we accumulate more than $40 million in -- in weather-related or catastrophic-related claim losses, then we will start recovering from our -- our reinsurers on that. So -- so we recover anywhere from 40 million to -- to up to -- 400 million would be our limit on that.

On the casualty-side, basically, we retain the first $10 million in any -- any single claim. But anything above 10 million or -- or up to 50 million, so the next 40 million, we would, you know -- would have the ability to recover from our insurer. So that would, you know, protect us against, you know, like, the Humboldt incident or something that -- that was significant, right, that we could protect ourselves against.

Lastly, a very small component of revenues is our service fees and other revenue. It's, you know -- interest revenues on our financing when we finance people's premiums, that's where we get the majority of these revenues. Again, it's about $25 million a year. And we have approximately about twenty-five (25) to thirty (30) service fees that we charge for.

I will now hand it over to Michael.

MR. MICHAEL GANDHI: I'll be going over the overall expenses. So one (1) of the key points we wanted to highlight is our budget realignment. We've realigned our budget time lines to coincide with the government.

So what we did is we met with the government, made sure all of our stakeholders were engaged in the process, and that will align our overall financial planning and management with our stakeholders. So that'll provide some long-term benefits, both on the capital management on the operating side.

COVID-19 impacts do continue within our operations. To support Manitobans in the year, we've taken measures within the company to waive interest and late fees, and we continue to do that. We had also waived NSF charges and arrear notices, which have been turned on because accounts receivable were growing significantly. We've continued to provide support to shared health, by providing King Edward, Main Street, Arborg, and Portage La Prairie Centres. And also -- staff also.

Overall, $180 million was returned in the rebate last year. We did accrue 155 million last year and we will also have $180 million filed today -- filed shortly, equalling 335 million that we'll return for the -- need to.

We continue to see a focus on prudent financial management, also, within our operating expenses. So that is a trend that I'll get into shortly.

Dean commented on the lean portfolio management pieces and that's what's increasing our expense base. What we are going through is a new agile methodology, and that gets us away from our waterfall approach, where we delivered projects in the past. Major drivers here are it aligns our value streams to best practices. Themes are organized around value streams, so they're providing value to customers as opposed to provide -- looking at it from one-off or from a departmental standpoint.

And we see the breakdowns -- benefit breakdowns here by providing a breakdown of silos, building internal capabilities, as teams follow these value streams over time. And it also provides best practices for lean approaches. So we do see an increase in our expenses for -- for that, and that is the major drivers there.

So getting into, kind of, what the -- what the overall projects that are causing this is -- cloud adoption is the major expense category here. And we're working with the government on that as part of an overall project. And, more and more, our overall Nova requirements require that we are on the

Cloud. So that investment is required to run our overall operation.

We will also see that more cloud adoption costs will come into our operating expenses as cloud adoption and -- is seen as a consumption model, where we don't have control over the servers in the cloud. So we'll see more costs in our operating line, as opposed to deferred. Overall, throughout time, those costs would -- would equal out.

We also see, in our lean portfolio management, data analytics and increasing our knowledge platforms, all meant to service our internal and external stakeholders better. The next slide.

Overall, for expenditure forecasts, as Dean has talked about, data processing costs have increased from the prior year. So we do see Nova costs in there for subscriptions for Celtic, which is our DVA line of -- which services our DVA line of business. We also see, as I've talked about, accounting guidelines, IAS 38, which do not allow for deferral of cloud-based costs.

In our FTEs, we do see an increase in our FTEs for our filing for '22. And we do go up to 1949, and these are mainly term positions to service Project Nova, and also to service our SRE business.

These are term positions on the SRE side, and do not impact the Basic line of business.

We do see these as a requirement to ensure that we're organizationally aligned and ready for Project Nova. But we also have a significant amount of growth within our SRE line of business, which these -- these positions are there to help out and make sure that we don't have backlogs and missed revenue opportunities.

So here we look at our expenditure management and our prudent expense growth. And we see, from 2017/'18 to 2021, for a four (4) year average, we see our costs growing at 0.3 percent, meaning our growth of our expenses is controlled. We do see data processing higher, and those are more in line with costs related to -- to Nova. We see special services higher and that is, basically -- as Dean has mentioned -- our salvage online. But we do see significant revenues from the salvage line of business as we're going to an online model.

Our compounded growth rate for expenses is negative .3 percent. But if we had looked at what CPI at 2 percent would be, we would expect these growth rates to be 6.1 percent higher. And that's just to present a case in point there.

Overall, we continue to monitor our expenses and track them very well. We have, internally within the company, a significant focus on lean management. We have a lot of green belts within our operations, and we do see those bearing fruit. We are nowhere where we are at Utopia, but we are making good headway and progress on that. Next slide, please.

So this looks at our expenditure forecast. And we do see -- and if we tracked even further back, we would see it gradually decrease. And what we look at here when we look at our overall costs here, we take our overall claims costs, operating costs, regulatory, road safety, all of our costs that aren't claims in nature, and look at it as based on our revenue.

So, we do see this starting at 24.1 percent and decreasing down to 20 percent for the last fiscal year. And we do see an uptick for -- as we have Nova costs come through our overall expense lines. And we do see that uptick growing to 22.6, and then we see, as the Nova benefit cases come on stream, we see this going down to 19.3 percent.

So the requirement to -- to have those additional expenses are also to make sure that we have an adaptable business that is servicing Manitobans. We are -- for the digital service offerings -- and the Nova panel will talk about more -- we are behind and -- and these costs are -- are required to -- to make sure that we can have MPI ready for both Mr. Herbelin's presentation for MPI 2.0, and also to make sure we can service Manitobans.

So, overall, this is just looking at our initial GRA filing, and basically we're at 257 million when we add in our claims, road safety, operating, and regulatory expenses. And this is three hundred and thirty-five (335). This is just showing the initial item here, and we are -- this would not include the additional commissions that are approximately 7 to $8 million higher. So, that is just for a note.

Overall, looking at our salary expenses, our largest contributor to our overall expenses is our compensation. So, we have a lot of fixed cost within our infrastructure such as merchant fees, which we pay, and those are relatively fixed by the card -- card brands. But it's really compensation that is the major driver of our overall expenses. And that we do see holding relatively steady with -- with increases for SRE.

And the majority of our staff are unionized, so we do have fixed increases that we need to provide within the compensation line. Overall, the last two (2) years we've had no salary adjustments, and that is something that we have looked at and that will be addressed in our future projections there. We also see compensation not holding steady against inflation overall, so. Next slide, please.

And our overall trend. So in 2021 we were at $128 million. And so that was the first year of COVID, so we had a lot of disruptions in service. Our drivers side of the business, we couldn't service that and that was put on hold for COVID.

In '21/'22, we do see relatively in line and in twenty-two '22/'23 we expect to be -- have the COVID impacts dissipate and back to normal business. So, we do see that increasing to 135 million, and that is also to service a lot of the Nova requirements. And once we see -- if this could be trended out further, we would see overall expenses and benefits case based on our combined ratio getting back in line.

So, that's it for our presentation for Revenue and Expenses.

THE CHAIRPERSON: Thank you. Mr.

Guerra...?

(BRIEF PAUSE)

CONTINUED BY MR. ANTHONY GUERRA:

MR. ANTHONY GUERRA: Thank you, Madam Chair. I just have a couple of re-exam -- or direct-examination questions for you. And thank you very much for your -- your evidence so far.

Mr. Dunstone, you -- you spoke earlier about MPI projecting a "return to normal", in quotations I should probably say, for normal by April 1st of 2022.

Is that correct?

MR. DEAN DUNSTONE: That's correct.

MR. ANTHONY GUERRA: And -- and when we say return to normal, what specifically does normal look like for MPI?

MR. DEAN DUNSTONE: Normal, I mean, it's -- it's just alluding to normal collision frequency levels. So, basically had, you know, like the pandemic not occur, what would our forecast have been for -- for collision frequency at this point? So, really, it's just removing the impact of COVID and taking the historical trends prior to the pandemic and trending them to today.

So -- so, that's what we expect normal would be. It's basically without the pandemic impacts.

MR. ANTHONY GUERRA: And prior to the rate update, my understanding is that there was a different projected return to normal date.

Is that correct?

MR. DEAN DUNSTONE: That's correct.

MR. ANTHONY GUERRA: And what was that date?

MR. DEAN DUNSTONE: In our initial filing in -- in the '22 GRA we -- we predicted the return to normal to be October 1st, 2021.

MR. ANTHONY GUERRA: And so, what changed between the date of the original filing and the updated filing to suggest to MPI that its initial return to normal projection was -- was not accurate?

MR. DEAN DUNSTONE: Well, as you know, the pandemic is -- it's been very difficult to forecast. Obviously, timing of when we prepared assumptions and prepared the forecasts come into play. I can't recall exactly what our initial filing was, but I know it was, you know, due to vaccination rates.

And I know initially, we -- we had

assumed, you know, the majority of people would be vaccinated in the first quarter, by the end of the first quarter of 2021. And then we kind of made the discretional assumption after that just to -- to say, you know, people would start returning to work at that point and -- and maybe in -- at the end of the second quarter or -- or three (3) months down there that people would return to work, hence why we determined that. So, obviously, everything changed after that.

MR. ANTHONY GUERRA: You also mentioned when speaking about costs that have been incurred this year by the Corporation, that there -- there wasn't anything incurred to respond to major weather events, like -- like hail storms.

Is that correct?

MR. DEAN DUNSTONE: That's correct. We've had a very favourable hail season once again this year. Very few claims.

MR. ANTHONY GUERRA: And -- and you say "this year;" this has been a couple of years now, correct, that we've -- MPI has not experienced the effects of a major weather event like a hailstorm?

MR. DEAN DUNSTONE: Correct. The last one we had was, I believe, June of 2018.

MR. ANTHONY GUERRA: And so perhaps

you can explain again for the benefit of the panel, why MPI believes that its Reinsurance Program is appropriate, considering it hasn't had a hailstorm to deal with since 2018?

MR. DEAN DUNSTONE: I think, you know, it's appropriate, it's reasonable, it's responsible. We need to protect ourselves, and MPI, and Manitobans against the potential for a large claim loss event due to -- due to a catastrophic weather event, whether it be hail, flood, tornado, whatever kind of perils we're exposed to here. I don't think it would be responsible for us to -- to rely on our RSR to -- to pay for any large loss event and then have a depleted RSR and have to work on -- on rebuilding that RSR.

So, I think the protection that we purchase from our reinsurers is -- is something we believe we need to do to, you know, maintain rate stability and -- and rate...

MR. ANTHONY GUERRA: Does MPI forecast in the future that it will experience a catastrophic weather event like a large hailstorm?

MR. DEAN DUNSTONE: We don't forecast anything that we -- we feel we'd recover on, make any recoveries on, but we do, you know, probably have a $30 million budget in there for -- for expected hail losses, yes.

(BRIEF PAUSE)

MR. ANTHONY GUERRA: And this is a question for Mr. Gandhi. You explained earlier that there were costs incurred by MPI over the last -- last year in relation to providing the service rebates, correct?

MR. MICHAEL GANDHI: (NO AUDIBLE RESPONSE)

MR. ANTHONY GUERRA: And do you know approximately how much MPI has spent to date on providing these rebates to customers?

MR. MICHAEL GANDHI: Approximately 1.9 million over two (2) rebates. And we project that it was -- for our third rebate to come, it will be approximately around the same amount, at around $1 million to provide those rebates.

THE CHAIRPERSON: Sorry, Mr. Guerra, to interrupt. Mr. Gandhi, can you move the microphone a little closer? I'm just having a little trouble. Thanks.

MR. MICHAEL GANDHI: Thank you. Is that better?

THE CHAIRPERSON: Thank you.

CONTINUED BY MR. ANTHONY GUERRA:

MR. ANTHONY GUERRA: So, there is -- there is a cost, certainly, to providing rebates to customers, and it's not an insignificant cost.

Do you agree with that?

MR. MICHAEL GANDHI: That is correct. Yeah.

MR. ANTHONY GUERRA: Has MPI considered any other options to return the value of the rebates to its customers aside from mailing them out rebate cheques?

MR. MICHAEL GANDHI: Currently due to system limitations, we do not have the correct infrastructure in place. With Project Nova, we will provide a credit on account and that credit on account can act as a rebate mechanism.

We are also looking at internally with e-transfer capability which would be direct bank to bank capabilities that would allow us to negate these costs, however, that is something that's future oriented.

MR. ANTHONY GUERRA: So as of right now, this is the only option MPI sees as being viable to return rebates to customers?

MR. MICHAEL GANDHI: That is correct. The most efficient based on -- the service mandates that we have.

MR. ANTHONY GUERRA: Thank you, sir. I have no further questions.

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

CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. Good morning, Mr. Gandhi and Mr. Dunstone.

I will not be directing questions necessarily to one of you, whoever is the most appropriate to answer the question, please feel free to proceed. On occasion I may direct a particular question to you.

And per the discussion we had before we started this morning because Mr. Giesbrecht can't be here today, I will direct all of the questions I had intended for the panel, including Mr. Giesbrecht to you this morning, but if there are some that are better answered by him, I will make a note of that and we will ask him when he is able to return. Thank you.

First, I'd just like to confirm some

things about the original provisional rate indication and so, Kristen, could we please go to figure RM1 on the ratemaking section of the filing. Page 5. Thank you.

So we see here at Figure RM-1 this was the indicated rate change at the time of the filing?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And the overall indicated rate changed before the Driver Safety Rating Scale Movement was a decrease of 2.5 percent at line 7?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: The Driver Safety Rating Scale Movement was a decrease of .3 percent?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And so that amounted to an overall, including the DSR Scale Movement rate decrease of 2.8 percent. Yes?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: And that was comprised of a decrease for private passenger of 2.6 percent?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: For

commercial class decrease of .8 percent?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: For the public class an increase of 3.2 percent?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: For motorcycles a decrease of 1.7 percent?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: For trailers a decrease of 6.6 percent?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And off road vehicles would see a decrease of 14.3 percent?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: Now switching to the October update, Exhibit 39, which I understand is a correction of the initial rate change that was provided with Exhibit 37 and you can see the correction there at Line 2.

MR. DEAN DUNSTONE: Yes, I do.

MS. KATHLEEN MCCANDLESS: And so now with the rate update we see the overall indicated rate change before the DSR Scale Movement was a decrease of .9 percent. Yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: So that's a -- an increase of 1.6 percent from the provisional rate indication?

MR. DEAN DUNSTONE: That's right.

MS. KATHLEEN MCCANDLESS: There's no change to the Driver Safety Rating Scale Movement so it's again, a decrease of .3 percent?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And with the overall indicated rate change including the DSR Scale Movement, with the increase from the provisional, we now have an overall indicated rate change of a decrease of 1.2 percent?

MR. DEAN DUNSTONE: That is correct.

MS. KATHLEEN MCCANDLESS: We see the decrease for private passenger as -- well, it's less of a decrease now, now it's a 1 percent decrease?

MR. DEAN DUNSTONE: Yeah.

MS. KATHLEEN MCCANDLESS: And commercial will now be .9 percent decrease, so a change from the provisional as well?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Public is now an increase of 4.8 percent, so a 1.6 percent increase from a provisional?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: Motorcycles see a rate increase of .5 percent, so an increase of 2.2 percent from the provisional?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Trailers are a decrease of 8.9 percent, so a 2.3 percent decrease from the provisional?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And off-road vehicles now see no change, so a 14.3 percent increase from the provisional?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: Now on the impact of the removal of the capital release provision, are you able to confirm that the impact of that proposed removal is to increase ratepayers' rates by 5 percent above where they would have been if the provision had remained in place?

MR. DEAN DUNSTONE: Yes, it's -- it's -- it's just a -- you know -- during the 2021 GRA when we -- we filed a rate application for the 5 percent capital release. We had that throughout the forecast that the release remained in there just to kind of show our MCT coming down to the 100 percent.

So, this year we kind of had to hit the re-set button and -- and basically remove that release that was in -- in there to commence, so yes.

MS. KATHLEEN MCCANDLESS: Thank you. So if we include the removal --

MR. MICHAEL GANDHI: I -- I'm sorry, just hearing some computer noises. I just want to make sure that that's not going to be distracting for everyone.

MS. KATHLEEN MCCANDLESS: Thank you. So if we include the removal of the Capital Release Provision the average rate change the customers would see then would be a 3.8 percent rate increase. Correct?

MR. DEAN DUNSTONE: I know we have the CMP panel coming up next week. I can certainly provide a high level response to that.

I -- you know, overall, the way MPI sees it, we could, you know, we could have included a -- a capital release again this year, but we wanted to get the -- the rebate dollars out to Manitobans as quick as possible, so overall we -- we see it as more of a 26 percent, or so, rate increase when we include the rebate attached to it.

So, it's, you know, like a -- a 1.2

percent rate decrease is the way we see it. But there is a 5 percent that's -- that's imbedded in there that we had to remove out of there, so overall, including the rebate that we're paying out, we -- we see it as more like a, almost like a 26 percent decrease in rates overall for Manitobans.

MS. KATHLEEN MCCANDLESS: I understand that's overall, but the impact, so the average rate change that customers would see would be a 3.8 percent increase?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Okay. Thank you. And more customers will see an increase in their renewal premium than will see a decrease? If this is better asked to the Ratemaking Panel I can certainly defer that question to next week?

MR. DEAN DUNSTONE: I would prefer to -- to defer it to next week. I believe I can answer it now, but I'd rather --

MS. KATHLEEN MCCANDLESS: Please go ahead.

MR. DEAN DUNSTONE: -- I'd rather -- I'd rather defer.

MS. KATHLEEN MCCANDLESS: Well, if you're able to answer then please answer.

MR. DEAN DUNSTONE: Can you repeat the question please?

MS. KATHLEEN MCCANDLESS: Yes. So, bearing in mind that the effect is essentially a 3.8 percent rate increase, then more customers will see an increase in their renewal premium then will see a decrease.

MR. DEAN DUNSTONE: For '22/'23 yes.

MS. KATHLEEN MCCANDLESS: Thank you. Now if we could go to the legal application, section 2.1 on the Provisional Rate Request.

And, in its filing MPI indicated that prior to the hearing, so prior to this week, MPI would update its expense, revenue, investment and claims forecasts and determine the need for any amendment thereafter and on or about October 1, 2021, MPI would file a number of schedules there.

And then, if we follow down to line 21, MPI will update these schedules based on current interest rates and include narratives of the material impacts of same in its performance statements and in its -- in its responses to Information Requests.

Were there changes to the -- the forecasts, if we could just -- so were there changes to any of -- or the revenue forecast that would affect the indicated rate change?

MR. DEAN DUNSTONE: The revenue forecast, I believe there was very small. I would have to look at the Pro Form Statement quickly, but very small impacts to '22/'23. But nothing of -- of relevance.

MS. KATHLEEN MCCANDLESS: Okay. And I will be going through the Pro Forms a little bit later.

MR. DEAN DUNSTONE: Okay.

MS. KATHLEEN MCCANDLESS: Expenses, in your presentation, you did mention some changes to expenses.

MR. DEAN DUNSTONE: Yeah, that was the largest component of the change due to the change in budget cycle that -- that I had mentioned. Yes.

MS. KATHLEEN MCCANDLESS: Interest rate changes, what was the impact on that?

MR. DEAN DUNSTONE: The interest rates reduced about approximately 14 basis points, so that that had an unfavourable impact on the claims discount.

MS. KATHLEEN MCCANDLESS: Were there other investment impacts?

MR. DEAN DUNSTONE: On '22/'23, there

was very little. There was interest rate impacts -- very little, actually. They were almost very identical from -- from the filing to the update.

MS. KATHLEEN MCCANDLESS: And on claims, you did speak about that somewhat.

MR. DEAN DUNSTONE: Claims, there were changes, yes, and that was due to the updated -- the repair trade negotiations were -- were finalized, so -- so we included those figures. And -- and we also updated some small changes in -- in the comprehensive hail forecast and the total loss severity collision forecast.

MS. KATHLEEN MCCANDLESS: Okay. Thank you. And you did speak about some of these changes already today, but in the update, those narratives were not provided. There were pro formas, but not an explanation.

MR. DEAN DUNSTONE: There should be explanations I believe in PF-5 and 6. There should be two (2) pages to that. And I believe we -- we provide the explanations on the secondary page for '21/'22 and '22/'23. There should be an explanation.

MS. KATHLEEN MCCANDLESS: Maybe I'll just follow up with some questions then about what you did speak about in -- this morning in your presentation, as we do have some follow-up questions about that.

So if we go to slide 8 from Exhibit 41 -- thank you, Kristen -- so we see here the rate update forecast. And the increased impact on rates of 1.2 percent, is that primarily data processing costs that have increased expenses?

MR. MICHAEL GANDHI: Those would be the lean portfolio management costs that now flow into our operating expenses as they can no longer be capitalized. So that is the major driver there.

MS. KATHLEEN MCCANDLESS: Okay. And that's found at slide 20, your description of the lean portfolio management? Okay.

And cloud adoption is increasing costs for the test years?

MR. MICHAEL GANDHI: It is increasing costs as -- into our operating lines. It was the cost they no longer...

MS. KATHLEEN MCCANDLESS: And that affects both claims handling costs and overhead?

MR. MICHAEL GANDHI: That would impact our operating lines of business in the data processing line.

MS. KATHLEEN MCCANDLESS: Does that

affect both 2022/'23 and 2023/'24 equally?

MR. MICHAEL GANDHI: We would see approximately $16 million impact in '22/'23, and for our forward projections, roughly around the same inputs there, yeah.

MS. KATHLEEN MCCANDLESS: Thank you. With respect to the change in claims incurred, the increase of about .1 percent -- and that's noted at slide 8 -- the increase there, is that primarily the autobody agreement costs now being worked into the forecast?

MR. DEAN DUNSTONE: Yes, yes. It's the three (3) components. So the autobody or the new repair trade agreement had approximately about a $12 million unfavourable impact on claims. So we increased our claims incurred forecast about 12 million due to this. But it had two (2) partially offsetting other adjustments that we did for our comprehensive hail and our total loss severity.

So, yeah, it -- it could be stated as primarily the repair trade.

MS. KATHLEEN MCCANDLESS: Does that affect both 2022/'23 and 2023/'24 equally?

MR. DEAN DUNSTONE: It's incremental, so, yeah, it -- it -- it'll be a large -- slightly larger difference because we -- we had assumed a $7 million placeholder in -- in the -- in the actual filing, the '22 GRA filing, for '22/'23 and outward to '25/'26. So, yeah, it's -- it's a little -- slightly -- it'll get slightly bigger as we go in '23/'24 and '24/'25.

MS. KATHLEEN MCCANDLESS: The agreement with the trades, when -- when was that finalized?

MR. DEAN DUNSTONE: I don't have the details for that.

MS. KATHLEEN MCCANDLESS: Could we by way of undertaking have information as to -- well, I suppose a copy of the agreement to the extent that it's available right now.

MR. DEAN DUNSTONE: Yes. We'll -- we'll give an undertaking to -- sorry, one (1) second.

(BRIEF PAUSE)

MR. DEAN DUNSTONE: I just want to be mindful that we haven't completely vetted the document for confidentiality status. So what I would say at this point is we can take the undertaking under advisement. If MPI would object on the basis of confidentiality, we'll -- we will advise.

MS. KATHLEEN MCCANDLESS: Great.

MR. DEAN DUNSTONE: Otherwise, we will produce the document, and that should answer your question as to when it was entered into.

MS. KATHLEEN MCCANDLESS: Okay. If there is a concern about confidentiality, could MPI not file it with the Board with a request that it be filed in confidence?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: So perhaps, by way of undertaking then, I would ask that MPI provide a copy of the agreement -- new agreement reached with the trades on the public record unless MPI has a claim for confidentiality.

If there's a claim for confidentiality of the agreement, then -- if -- if not confidential, could MPI please provide the date of the agreement and the -- the rates that have been agreed to?

MR. DEAN DUNSTONE: Yes. I suspect that'll be detailed in the document itself, but it -- to the extent that it's not, we will certainly add that information as well.

MS. KATHLEEN MCCANDLESS: Yes. To the extent that there's anything in the document that's confidential, if the rates to be paid can be taken out and placed on the public record, that's sort of what I'm getting at.

MR. DEAN DUNSTONE: I see.

MS. KATHLEEN MCCANDLESS: Yeah.

MR. DEAN DUNSTONE: Yes. Thank you.

MS. KATHLEEN MCCANDLESS: Thank you.

--- UNDERTAKING NO. 1: MPI to provide a copy of the new agreement reached with the trades on the public record, unless MPI has a claim for confidentiality.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Now, if we could go to slide 5 -- thank you, Kristen -- with respect to the new assumptions on Basic collision claim decreases in September through March, how much does this decrease the Extension claim forecast?

MR. DEAN DUNSTONE: I could only comment on the magnitude. I know -- I know it would be quite -- quite small due to Extension claims being significantly lower than Basic, but I would have to confirm. If you're looking for a number, I -- I would have to confirm that, but I know it would be quite small --

MS. KATHLEEN MCCANDLESS: Is it possible to provide that information?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: So by way of undertaking, could MPI please provide the impact of a decrease in claim frequency on Extension claims?

MR. ANTHONY GUERRA: Yes --

MS. KATHLEEN MCCANDLESS: Thank you.

MR. ANTHONY GUERRA: -- we can do that.

--- UNDERTAKING NO. 2: MPI to provide the impact of a decrease in claim frequency on Extension claims

MS. KATHLEEN MCCANDLESS: Madam Chair, I know we're going to be breaking in an hour for lunch. I'm just wondering if I could have about three (3) minutes right now and then resume?

THE PANEL CHAIRPERSON: Sure. Let's make it five (5) minutes, and we'll be back at one (1) minute after 10:00.

MS. KATHLEEN MCCANDLESS: Thank you.

--- Upon recessing at 9:57 a.m.
--- Upon resuming at 10:03 a.m.

THE PANEL CHAIRPERSON: Ms. McCandless...?

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. If we could just jump back to slide 8 from Exhibit 41, please, Kristen, on the -- the claims incurred impact.

So, Mr. Dunstone, you mentioned that the trades would have about a $12 million impact?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: So, what are the other aspects of the claims incurred impact then? What else makes up the .1 percent?

MR. DEAN DUNSTONE: So, yeah, the -- the increase in the repair trade negotiation impacts was about probably 1.2 percent unfavourable. And then we also updated forecasts for the comprehensive hail forecast. So -- so, we -- because we've had a favourable hail season, we -- we -- that had a favourable impact of about 4 million, so that reduced that -- that change.

And then we also had a favourable approximate 6 million update to our -- our total loss severity year or collision severity, which was due to that salvage management system that I was talking about, because we're getting much higher pricing on our salvage vehicles. That's an offset to -- to our total loss collision.

So, overall, you know, it ended up being a .1 percent unfavourable change.

MS. KATHLEEN MCCANDLESS: So, if I'm to understand correctly there, you have -- MPI's decreased its hail and total loss collision forecasts by about $11 million?

MR. DEAN DUNSTONE: Yeah. About, yeah, 10 to 11, yeah.

MS. KATHLEEN MCCANDLESS: And do you have details on the forecast assumption changes?

MR. DEAN DUNSTONE: For the claims area? I don't have them here. I -- but I certainly could -- we could get the details for you.

MS. KATHLEEN MCCANDLESS: By way of undertaking, if MPI could provide detail on the hail and collision forecast assumption changes in respect of the decrease of $11 million.

MR. ANTHONY GUERRA: Yes, counsel would provide that.

--- UNDERTAKING NO. 3: MPI to provide detail on the hail and collision forecast assumption changes in respect of the decrease of $11 million

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. I'm now going to ask some questions about the pro formas, and first from the filing, pro forma 4.

And this is the comparative, so essentially this pro forma provide -- or provides the Corporation's actual results for Basic for 2021 -- 2020/'21 compared to the forecast at last year's General Rate Application?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And the actual is found on the second column. So, we see 2022 GRA A; actual?

MR. DEAN DUNSTONE: That's correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And if we scroll down to line 12, we see total earned revenues were $1.1 billion for 2021?

MR. DEAN DUNSTONE: Line 13? Yes.

MS. KATHLEEN MCCANDLESS: And then after claims incurred, claims processing costs, and other operating expenses, MPI recorded an underwriting income of -- or 202. -- or $201.2 million compared to an underwriting forecast -- underwriting loss of $5.7 million forecast last year?

MR. DEAN DUNSTONE: Yes, I believe so. It's just -- if we can just move the screen a little up, I'll confirm that. The other way. And a little more. Yeah, there.

Yeah, 201.2 million. Yes.

MS. KATHLEEN MCCANDLESS: Okay. At line 14, we see that net claims incurred were almost $200 million less than what was forecast for the year, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And MPI's position is that this is due to the COVID-19 pandemic environment that saw a reduction in both driving claims?

MR. DEAN DUNSTONE: Collision counts were --

MS. KATHLEEN MCCANDLESS: Collision counts, yes.

MR. DEAN DUNSTONE: -- significantly down, yes.

MS. KATHLEEN MCCANDLESS: Thank you. So, we go to the detail of PF-4 on the next page -- thank you -- we see the explanation of the variation in the net claims incurred.

So, at line 10, decrease collision claims of $103 million from the forecast last year?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Bodily injury claims, so decreased PIPP and liability of 54.9 million?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And both property damage and comprehensive claims were down, as well?

MR. DEAN DUNSTONE: That's correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Now, just to ask again, I know you -- you spoke about reinsurance earlier, but how many hail claims were experienced in 2021, just to be clear?

MR. DEAN DUNSTONE: I don't have those numbers. From a dollar perspective, I recall approximately 6 to $8 million in claims overall. I don't have the actual counts though, but it -- but it was approximately -- it was fairly low in 2021.

MS. KATHLEEN MCCANDLESS: And that did not trigger the reinsurance?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: If we flip back to the pro forma -- thank you -- at line 30, we see the investment income?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And the total investment income was $89.5 million, compared to last year's forecast of 84.3 million?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: So, an increase of approximately $5.2 million in investment income?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And then at

line 32 we see that net income forecast last year was $78.6 million?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And the actual net income was $290.8 million, for a variance of 212.2 million, yes?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: Thank you. And then if we go to pro forma 5. And so this, again, is a comparative from the forecast from last year, but it's for the 2021 -- 2021/'22 forecast in last year's GRA compared to what's now being forecast this year?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: And the application last year would have dealt with 2021/'22 forecast budget and, to some extent, 2022/'23?

MR. DEAN DUNSTONE: Sorry, can you say that again?

MS. KATHLEEN MCCANDLESS: Last year's GRA would have been looking at 2021/'22 forecast and, to some extent, 2022/'23?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And in last year's application, the Corporation initially requested a 10.5 percent rate decrease, provisionally?

MR. DEAN DUNSTONE: That's correct.
MS. KATHLEEN MCCANDLESS: And that was updated to an 8.8 rate decrease --
MR. DEAN DUNSTONE: That's --
MS. KATHLEEN MCCANDLESS: -- in October?
MR. DEAN DUNSTONE: That's correct.
MS. KATHLEEN MCCANDLESS: And, ultimately, that was the rate decrease that the Board approved --
MR. DEAN DUNSTONE: That's correct.
MS. KATHLEEN MCCANDLESS: At line 32 of pro forma 5, we see that last year the Corporation was forecasting a net loss from manual operations of approximately $1.2 million?
MR. DEAN DUNSTONE: Yes.
MS. KATHLEEN MCCANDLESS: And now this year, the Corporation has updated its forecast for 2022, indicating a higher level of net income, so $67.3 million, yes?
MR. DEAN DUNSTONE: Yes.
MS. KATHLEEN MCCANDLESS: And the higher net income forecast is primarily attributable to -- pardon me -- line 11. If we could scroll up somewhat. Thank you.

We see an increase in premium earned revenue --

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: -- of approximately $22.9 million?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: At line 8, we see an increase to the forecast in motor vehicle premiums by $28.7 million?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: At line 9, we see a variance in the driver premiums. Now, MPI's forecasting lower driver premiums by about 4.2 million?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: Four point one million, pardon me.

And MPI adjusted it volume factor for 2021/'22 to 1.25 percent, subject to check?

MR. DEAN DUNSTONE: Subject to check, yes.

MS. KATHLEEN MCCANDLESS: And last year, are you aware that the volume factor was 1.79 percent?

MR. DEAN DUNSTONE: That -- I recall

that, yes.

MS. KATHLEEN MCCANDLESS: So, is the adjustment made as a result of COVID-19?

MR. DEAN DUNSTONE: Yeah, the -- the 1.79 adjustment was made as a result of COVID-19 because we -- we -- from recollection, I -- we -- you know, we were experiencing a lower volume growth in the first two (2) months of 2020/'21. And then, after that, we didn't really -- so -- so we lowered our -- our assumption to, like, .14 percent, and then we -- we had a following increase of 1.79.

So we -- we didn't really end up seeing what we thought we'd see with COVID. The volume growth actually did get -- go higher than we anticipated it to at the time.

MS. KATHLEEN MCCANDLESS: Thank you. At line 20, we see a significant decrease in total claims costs forecast, now a decrease of $46.9 million, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Now, if we turn to the detail on the next page of the pro forma, at line 12, we see that there is a COVID-19 adjustment of $42.6 million, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: So, that's a lower claim impact of -- of that amount?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And that's as of what date?

MR. DEAN DUNSTONE: That would be as of -- I -- I kind of lost track of what year we're on. I believe we're looking at 2021/'22 pro formas. I just -- can we just go to the -- oh, yeah, 2021/'22.

That's correct. So that would be, you know, as of what we expect at year end. So, this is our -- our year end forecast, so it would be as of March 31st, 2022.

MS. KATHLEEN MCCANDLESS: In addition to the COVID-19 adjustment, MPI is also forecasting lower collision claims by $8.2 million?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: Lower forecast for bodily injury claims, at line 14, of $3.2 million?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: A lower forecasted unallocated loss adjustment expense of $3.1 million, at line 15?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: Lower forecasted property damage claims at line 17, $1.5 million?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And that's offset at line 18 by the increased forecasted interest rate impact of $5.3 million approximately, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And claims expenses, if we flip back to pro forma 5 at line 18, are now forecasted to be approximately $6.3 million higher.

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: Thank you. Operating expenses, at line 22, are now forecasted to be roughly $4.1 million higher?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And these appear to be higher due to a higher than forecast data processing cost for IT initiatives?

MR. DEAN DUNSTONE: Subject to check, I -- I would accept that, yeah.

MS. KATHLEEN MCCANDLESS: Since Mr. Gandhi has had to step out for a minute, perhaps we should just wait a moment.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. Road safety expenses, found at line 19, there's very little forecast change there. Yes?
MR. DEAN DUNSTONE: Yes.
MS. KATHLEEN MCCANDLESS: MPI has assumed, essentially, a return to normal level of activity for -- for road safety operations, then?
MR. DEAN DUNSTONE: I believe so, yes. Based on the numbers that I'm looking at, it would -- it would -- it would appear that that's -- yes, we're assuming normal operations.
MS. KATHLEEN MCCANDLESS: And line 26 is now forecasting increased total expenses by about $5.6 million?
MR. DEAN DUNSTONE: Correct.
MS. KATHLEEN MCCANDLESS: Investment income, at line 30, is also forecast to be $11.1 million higher than what was forecast last year?
MR. DEAN DUNSTONE: Correct.
MS. KATHLEEN MCCANDLESS: Now, if we could look at pro forma 3 -- and this is with respect to changes in equity, yes?
MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: And so, this provides the forecast for the Corporation's Basic retained earnings and total equity and provides the calculated MCT score as well?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: This schedule, at line 9, shows no transfers from the Extension line of business retained earnings to Basic for 2021 or 2022, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: There is a forecast that transfers will return in 2023 -- 2022/'23 fiscal?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: And, at 2021 actual, at line 7, we see the premium rebate from Basic of $127.2 million that was paid in 2020/'21?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: At line 8, we see an accrued $155.4 million rebate in 2020/'21 to be paid in 2021/'22?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: And that wasn't a rebate that was contemplated by MPI last year?

MR. DEAN DUNSTONE: No. No, it was not.

MS. KATHLEEN MCCANDLESS: And was that a decision that was made by MPI or was that a government decision?

MR. DEAN DUNSTONE: No, that was an MPI decision. I mean, it was really just earnings. So I think we had two (2) rebate applications last year. I believe the first one was 58 million, and then we came back to the Board with another 69 million. All primarily due to the savings from the -- the favourable collision frequency that we are experiencing.

So during the second rebate application, we did, you know, assume at that point we kind of wanted to -- to maintain our -- our rate application of 8.8 percent rate change. So in order to do that, we had to leave our MCT at 117 percent. And we didn't expect to -- you know, again, COVID collision frequency to continue like it has. So we just continued to accumulate excess capital based on this and -- and didn't foresee that we would have another 155 million by year end '21/'22.

MS. KATHLEEN MCCANDLESS: And maybe just to follow up on that then. In your direct examination or your presentation this morning, you mentioned that it looks as though MPI, in consultation with SGI and ICBC, is forecasting ultimately a return to pre-COVID normal collision claims at some point?

MR. DEAN DUNSTONE: Yeah. 2022/'23, yeah, is our...

MS. KATHLEEN MCCANDLESS: And are there not any driving behaviours that MPI's forecasting might be permanently changed as a result of COVID-19?

MR. DEAN DUNSTONE: We believe there are. There will be. We'd be naive probably not to think that some permanent change is going to come from COVID-19. We don't know, at this point, what that looks like.

You know, we're -- we're tracking items like traffic congestion data to -- to see how traffic congestion levels are. Will they return back to normal? We don't know at this point for sure.

You know, we -- we know less people are -- are taking transit, riding the bus. Will that -- will that equate to more people on the roads now and offset that? You know, we're not sure about that.

So there's a lot of uncertainties there. So at this time, yeah, assuming return to work. Yeah.

MS. KATHLEEN MCCANDLESS: Thank you. Now, for 2021, for total equity, retained earnings after reporting a net income, at line 6, of $290.8 million Basic retained earnings were $448.7 million, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Total accumulated other comprehensive income was at a $14.7 million deficit, at line 15?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And that was after line 13, other comprehensive income on available for sale assets at $53.9 million in 2021?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: Last year, the Corporation wrote down the value of available for sale investments by $67.7 million and 42.7 million of that related to Basic? Are you aware of that?

MR. DEAN DUNSTONE: Subject to check on that one, I know we did write down something. But, yes, subject to check.

MS. KATHLEEN MCCANDLESS: And, again, this may not be a question for this panel, but I'm just -- are you aware that the majority of the available for sale assets were equity investments?

MR. DEAN DUNSTONE: I would have to confirm that.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Now, we see at line 16 of -- at this pro forma, the total equity balance for 2021 actual for Basic was 433.9 million dollars, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And the minimum capital test requirement of a hundred percent MCT, at line 22, is met in 2021 after the $155.5 million -- or $4 million rebate accrued for the year?

MR. DEAN DUNSTONE: In 2021, yes. Yeah. I'm sorry, '21/'22, you're right, because we're going to be paying the 155 in '21/'22. So, yeah, as well as the 47 million, yes.

MS. KATHLEEN MCCANDLESS: Right. Okay. Now, at the forecast of retained earnings, we see that MPI was forecasting $67.3 million in net income for the current fiscal year? Line 6.

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And plus the

additional rebate of $47.3 million that you just mentioned at line 7?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Okay. And so that then brings the retained earnings to $468.7 million?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Okay. And total equity balance at line 16 of $454.8 million?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And that's what gets the MCT -- MCT ratio at line 22 to 100 percent?

MR. DEAN DUNSTONE: Yes. There's a small adjustment that we have to do for MCT on line 19, but -- but yeah, once you take the -- those are just deferred development costs that we have to remove from the minimum capital test calculation. But yes, close.

MS. KATHLEEN MCCANDLESS: And then at the end of 2023, the Corporation is forecasting to have total equity of $501.6 million?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And then the following year, $562.7 million?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And in 2025, $624.7 million, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And so, based on these projections, then the Corporation's Basic MCT ratio will exceed a hundred percent in 2024 at 109.2 percent, yes?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: Now, I'd like to review some forecast changes in the -- for the Extension Line from the last GRA. If we could go to EPF-1, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. And included within the filing, MPI has provided forecasts for Extension operations?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: These forecasts are from the same financial model used for Basic?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS:

Historically, we see that Extension has always been profitable and that there were successive increases in profitability in 2017 through 2019. We can look at line 29 of EPF-1.

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: For 2020, the profit -- profitability appeared to have declined. So, we see $37.9 million for 2020 actual?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: And I understand that's due in part to the investment impairment charge that was taken in the year?

MR. DEAN DUNSTONE: Sorry, can you say that again?

MS. KATHLEEN MCCANDLESS: Was that due in part to the investment impairment charge that was taken in that year?

MR. DEAN DUNSTONE: I don't believe so. I -- I think when looking at this statement, I haven't looked at this in a while, but the premiums are -- are lowered on this, for sure, which is contributing to that. The investment impairment and charge, yes.

Sorry. I see where you're looking, at line 27. Yes. Yes, that would be it.

MS. KATHLEEN MCCANDLESS: For the 2020/'21 year, profitability then returned to prior year levels, so we see $50.6 million?

MR. DEAN DUNSTONE: Fifty-five --

MS. KATHLEEN MCCANDLESS: Pardon me. Pardon me, 55.6 at line 29?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Thank you. And for 2022 forecast, MPI has at line 11 total earned revenue of 179.8 million?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: After total claims costs of $91.9 million at line 17?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: Total expenses at line 23 of $46.9 million?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And MPI is expected to realize an underwriting income of $41.1 million?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: Add in investment income at line 27 of $16.2 million?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And so

ultimately to realize a net income from Extension of $57.2 million, yes?

MR. DEAN DUNSTONE: Yes.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: At line 7, we see for last actual fiscal year, motor vehicle premium earned was $156.7 million, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And it's forecast to be $169.3 million in the current year?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: The -- you would agree that the level of motor vehicle premiums is relatively stable historically and through to 2021?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And are you aware that last year MPI was forecasting an increase because of the -- the CERP, the change in the --

MR. DEAN DUNSTONE: The product changes, yes. Correct.

MS. KATHLEEN MCCANDLESS: Would you agree, subject to check, that the levels of increased premium forecast have now decreased slightly from last year?

MR. DEAN DUNSTONE: I would have to look at that. I haven't looked at this for a while, but, subject to check, I could agree to that.

MS. KATHLEEN MCCANDLESS: Are you aware that there's been a higher take-up in what was forecast last year for drivers opting to remain at the five hundred dollar ($500) deductible?

MR. DEAN DUNSTONE: Yeah, I haven't -- I -- I would suggest maybe waiting for another panel on -- on this one to confirm those.

MS. KATHLEEN MCCANDLESS: Would it assist if I showed you an IR response?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Okay. If we could go to PUB-MPI-1-9.

That was 'C'. The response at 'C'. Thank you.

So, figure 3 compared the forecasted customer distribution in last year's GRA for the reduced deductible product and the actual customer adoption after the first three (3) months of implementing the product changes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Okay. And

so if we scroll down to figure 3.
Would you agree that, according to figure 3, there has been higher take-up than what MPI was forecasting last year for the driver's opting to remain at the five hundred dollars ($500) deductible?
MR. DEAN DUNSTONE: I would agree.
MS. KATHLEEN MCCANDLESS: And so, you would see that the forecast was, at line 2, of 4 percent, but the actuals were at 11 percent?
MR. DEAN DUNSTONE: Yes.
MS. KATHLEEN MCCANDLESS: Thank you. And then if we could jump back to EPF-1, please, Kristen.
At line 12, we see the level of net claims incurred. And here you would agree that the level of net claims incurred is relatively stable from 2016 through to 2021, although there may be a bit of a COVID-19 impact in 2021.
MR. DEAN DUNSTONE: Yes, I see.
MS. KATHLEEN MCCANDLESS: And then there is an increase following 2021 from 70 -- to 78.3 million in 2022, and then it goes up from there?
MR. DEAN DUNSTONE: Yes, I see. Yeah.
MS. KATHLEEN MCCANDLESS: And those are increases that are forecast due to the product

changes as well?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: Now, just briefly on the level of commissions. Kristen, could we pull up EPF-1 from the 2021 GRA? Thank you.

Now, are you aware that last year MPI was forecasting broker commissions to be 5 to $6 million higher than 2020 levels due to the product changes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And MPI had indicated last year that it would be absorbing the additional costs by lowering the targeted profit margin for Extension.

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: We can -- we can jump to it if -- if need be, but the net income for -- in the October rate update for Extension, does not appear to have changed materially from what -- the original filing.

MR. DEAN DUNSTONE: I would accept that, yeah, I haven't had a chance to look at it, but yes.

MS. KATHLEEN MCCANDLESS: Okay. And there was a major adjustment for Basic in the October update, but no revisions to the claims forecast for Extension?

MR. DEAN DUNSTONE: I think we have an undertaking, maybe on that -- that we'll confirm for you on that.

MS. KATHLEEN MCCANDLESS: Yes. And we'll get that information. Thank you.

Now with respect to the new commission arrangement negotiated with the Insurance Brokers Association of Manitoba, if we could go to PUB-MPI 2-9.

The question that was asked of MPI at (b) was reviewing last year's figures -- or pardon me, not last year's figures, but the majority of the change in net income for Extension appeared to be due to lower commissions.

Premiums charged did not appear to have been reduced for the decrease in commissions. MPI was asked to confirm and explain.

And so, we see the response here was that commissions are the primary driver in the change in net income and that was due to the updated rates negotiated with IBAM.

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And so we

see the Extension Commission Rate on Premiums changed from 21.6 percent in last year -- last year's GRA to 17.5 percent this year, right.

MR. DEAN DUNSTONE: That's right.

MS. KATHLEEN MCCANDLESS: And so that change has resulted in a reduction in Extension commission expenses?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: So if we could, if it's possible to have EPF-1 from last year's GRA, side by side with the current EPF-1. I'm not sure if the documents are too wide to do that. Thank you, Kristen.

So, first if we're looking at on the right side of the screen, and it may not be possible to do it, Kristen, because I think it's just too small. So perhaps, Kristen, we could just put EPF-1 from last year's GRA on the full screen and have to do a bit of jumping back and forth and I apologize for that.

So, last year for 2021 at line 20, MPI was forecasting commission expense to be $35.1 million.

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And the

actual, or in this GRA, if we go now back to line 20, we see the actual for 2021 was $34.1 million.

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And perhaps to avoid jumping back and forth, you would agree with me, subject to check, that generally the -- the -- Extension commission expenses are now lower than they were forecast last year.

MR. DEAN DUNSTONE: Yes, I'd agree.

MS. KATHLEEN MCCANDLESS: And the result of this then had -- is an increase in the profitability of Extension operations.

MR. DEAN DUNSTONE: It would definitely impact that. Yes. Be positive.

MS. KATHLEEN MCCANDLESS: So we have last year...

You can see actually on -- on the screen at the bottom here, so last year at line 29 net income was forecast to be $51.8 million.

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And for line 29 at this year for Extension, I think that's, I will only do this once.

Sorry, Kristen. If we could see line 29 from this year. Yes. Thank you.

We now have $55.7 million in net income, so an increase.

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Almost $4 million from last year, 5 million.

MR. DEAN DUNSTONE: Correct. Yeah.

MS. KATHLEEN MCCANDLESS: And we see that there's a general increase in profitability forecast for Extension going forward.

MR. DEAN DUNSTONE: Yes. I see that. Yeah.

MS. KATHLEEN MCCANDLESS: And MPI has not revised its pricing to take into account lower broker commissions?

MR. DEAN DUNSTONE: Not yet. No.

MS. KATHLEEN MCCANDLESS: Essentially, MPI is not, at this time, passing on these savings in premiums charged for Extension coverage.

MR. DEAN DUNSTONE: I'm just checking in with my back row here.

(BRIEF PAUSE)

MR. DEAN DUNSTONE: I am told by my back row to refer to PUB 2-9, so maybe we could bring that up. And that is the same one you had up previously.

MS. KATHLEEN MCCANDLESS: It is. Yeah.

MR. DEAN DUNSTONE: Sorry. Could -- can you repeat the question.

MS. KATHLEEN MCCANDLESS: Just to summarize what we looked at here and you've acknowledged, Mr. Dunstone, that MPI has not revised its pricing to take into account lower broker commissions on Extension.

So, essentially, what the effect of that is that MPI is not passing along savings in premiums charged for Extension coverage.

MR. DEAN DUNSTONE: Can we look at part A of this question.

MS. KATHLEEN MCCANDLESS: Yes.

MR. DEAN DUNSTONE: Does that assist with your answer.

MS. KATHLEEN MCCANDLESS: It doesn't exactly answer it. Does that mean that the Board of Directors is considering what to do about this at this time?

MR. DEAN DUNSTONE: Yeah. I think the profit margins for Extension are -- are going to -

- are getting reviewed. And they -- they do get reviewed annually by the Board of Directors. So, they will get -- continue to get reviewed for this.

So, I mean commissions will be taken in consideration when we -- when we do have the profit margins that we -- that we are -- are going with so, it would be a part of that.

MS. KATHLEEN MCCANDLESS: Thank you. And I think maybe I'll just follow up with Mr. Giesbrecht next week about that.

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Now, I'd like to have a look at the information provided in the rate update from October 5th. And that's MPI Exhibit number 37. And, in particular, the comparative Pro Forma that's found at page 19.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. So this is the update provided with respect to the 2021/'22?

MR. DEAN DUNSTONE: Yes, that's correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And if we scroll to line 31.

So MPI originally forecast net income of $67.3 million?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And has now updated the forecast net income to $189.7 million, for a variance of 122.4 million?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: Net premiums written at line 6 were $13.1 million less than forecast?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: And if we turn to the next page, we see some detail on that.

So at line 2 we see a decrease of 13.1 million due to higher than expected capital release provision and other?

MR. DEAN DUNSTONE: Correct.

MS. KATHLEEN MCCANDLESS: How did the capital release provision change? It's still at a 5 percent reversal, correct?

MR. DEAN DUNSTONE: That's correct.

So here in our initial forecast and for the 2022 GRA, we -- we forecasted -- and in the '21 GRA, we forecasted the capital release to be post-DSR discount, so after -- after policy-holders received their DSR discount. So of course the, you know, lower-risk drivers would -- would receive a -- you know, a lower premium or a higher DSR discount.

So we had calculated the -- the capital release at that point to be calculated by percent on -- on your post-DSR discount premium levels, if that makes any sense. So we -- when we put it into the system, it was put in to a pre-discount levels, so -- so before any DSR discounts were applied, if -- if that helps.

So when we did our forecast in -- in July 31st -- and this is where doing these updated forecasts really assist -- we obviously detected that -- we -- we saw that premiums written were tracking lower than what we expected. So we investigated that, and that was the issue there.

So we've adjusted now so that will continue throughout the year. So we've adjusted our premiums written down approximately 13 million now.

So, you know, basically, policy-holders will be receiving a little more capital release than -

- than expected, and it'll go back to policy-holders.

MS. KATHLEEN MCCANDLESS: Okay. So essentially just an oversight in the input in --

MR. DEAN DUNSTONE: Yeah, just when we were forecasting. I think, you know, the capital release is a relatively a new -- new mechanism, so it was used. So it was just a, yeah, slight oversight.

MS. KATHLEEN MCCANDLESS: Thank you. What is the 'other' at line 2?

MR. DEAN DUNSTONE: Line 2. There -- there would be some movement. Sometimes we capture -- you know, based on the actuals that we're seeing -- I'd have to investigate. I know -- I know the majority of it is the capital release provision. I could check with my back row if you can give me a minute.

(BRIEF PAUSE)

MR. DEAN DUNSTONE: So I got a response from our back row.

So, yeah, the majority of it, it's primarily all due to the capital provision release. The other portion of it is just due to changes in the volume and the upgrade calculations that we did by --

by increasing or -- or modifying this release. It also impacted the volume and the upgrade projections slightly on that, so -- so they moved approximately 1 to 2 million.

MS. KATHLEEN MCCANDLESS: So does this mean that the reversal of the capital release provision would mean the effective rate change is actually $13 million higher or about 1.2 to 1.3 percent greater increase than the 5 percent?

MR. DEAN DUNSTONE: Sorry, can you say that again?

MS. KATHLEEN MCCANDLESS: The reversal of the cap -- so this adjustment here on the capital release provision, does that mean that now the effective rate change is actually $13 million higher?

MR. DEAN DUNSTONE: Yeah, it -- this will have no impact on our rating at all. This is just going to be -- we're just going to be giving out more capital release discounts in '21/'22. A little more.

You know, we had initially expected approximately 55 million or 5 percent for the release. Now we're looking at probably closer to -- to 70 million is what we expect to give out in '21/'22, but it'll have no impact on '22/'23 rate-setting at all.

MS. KATHLEEN MCCANDLESS: Thank you. Now, if we look at -- we can jump back to the first page of the comparative pro forma -- thank you -- we see claims incurred were lower than forecast by about $66.8 million?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And the detail of that is on the next page. Thank you.

So starting at line 5, we see the explanation for the change in net claims incurred. There's an increased COVID-19 adjustment of $71.5 million.

MR. DEAN DUNSTONE: Yeah.

MS. KATHLEEN MCCANDLESS: Can you please explain what that is?

MR. DEAN DUNSTONE: That's -- that's the -- what I was speaking about this morning. So basically when we updated our assumptions for COVID, we -- we initially predicted that, you know, a return to pre-pandemic levels would occur October 1st, 2021. That didn't materialize.

So then we've -- we've updated our -- our collision frequency count assumptions from October to the end of the year, and that was that 20 percent in September and October, 15 percent in

December/January. So we've -- you know, that's a favourable adjustment that will show up on -- on claims incurred from that.

So basically that's just simply to our -- those COVID assumptions that we did and -- and the favourable impacts of that.

MS. KATHLEEN MCCANDLESS: So is the only information that's feeding into that adjustment then the decreased claims frequency projections that you presented this morning?

MR. DEAN DUNSTONE: That's right. And -- and it'll affect -- so -- so, you know, it's primarily collision, but we do, you know, assume that with lower collision counts PIPP will also be -- have a favourable result with less PIPP claims due to that. So it -- it'll hit the other coverages as well: property damage and collision and PIPP.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: A $21.6 million lower forecasted comprehensive claims at line 7, does that reflect that there were no significant hail claims in the period?

MR. DEAN DUNSTONE: That's exactly --

that's exactly what that is, yeah.

MS. KATHLEEN MCCANDLESS: Can you explain why there's a lower-than-forecast internal loss adjustment expense of $2.2 million?

MR. DEAN DUNSTONE: I would have to get that information for you. If -- if you would like, I could take it as an undertaking.

MS. KATHLEEN MCCANDLESS: Yes, please. If the Corporation could undertake to provide the explanation for the lower-than-forecast internal loss adjustment expenses found at line 9 on page 20 of MPI Exhibit Number 37.

MR. ANTHONY GUERRA: Yes, we'll give the undertaking.

MS. KATHLEEN MCCANDLESS: Thank you.

--- UNDERTAKING NO. 4: MPI to provide the explanation for the lower-than-forecast internal loss adjustment expenses found at line 9 on page 20 of MPI Exhibit Number 37

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: There's an

increase at line 12 in the collision forecast for claims of $7.9 million.

MR. DEAN DUNSTONE: Yes, I see that.

MS. KATHLEEN MCCANDLESS: And is this a reflection of the updated agreement with the Trades Association?

MR. DEAN DUNSTONE: That wouldn't be because that comes into effect -- it might -- '21/'22. I might be getting my dates wrong. Yeah, the Repair Trade Agreement is obviously in effect this year, so it could be. I would have to confirm what that increase is from.

MS. KATHLEEN MCCANDLESS: Okay. So perhaps just by way of undertaking then, we could have the explanation -- or detail for the increase in the forecast for collision claims at line 12 of page 20 of MPI Exhibit number 37?

MR. ANTHONY GUERRA: Yes, counsel will get the undertaking.

MS. KATHLEEN MCCANDLESS: Thank you.

--- UNDERTAKING NO. 5: MPI to provide detail for the increase in the forecast for collision claims at line 12 of page

20 of MPI Exhibit number
37

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: The increase on the forecasted interest rate impact at line 11, can you provide the explanation for this amount?

MR. DEAN DUNSTONE: It would just be simply the reduced interest rates. So, when interest rates lower, our -- it has a -- you know, it -- it has the impact of increasing our claims so -- and then the opposite side, you know, that would be offset full by our investment income. So that would be part of our ALM Program.

So, basically, when interest rates lower, the -- the investment income increases. So, that would be fully offset by the investment income piece.

MS. KATHLEEN MCCANDLESS: Is there a backup calculation for this amount that could be provided?

MR. DEAN DUNSTONE: I believe we could get you something that would support, yeah --

MS. KATHLEEN MCCANDLESS: So, that would be -- I'm requesting an undertaking that MPI provide the backup calculation for the increased forecasted interest rate impact noted at line 11 of page 20 of MPI Exhibit number 37.

MR. ANTHONY GUERRA: Yes, counsel will get that undertaking.

--- UNDERTAKING NO. 6: MPI to provide the backup calculation for the increased forecasted interest rate impact noted at line 11 of page 20 of MPI Exhibit number 37

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: And do you know what the claims discount rate was used to make this adjustment and how it has changed since the filing?

MR. DEAN DUNSTONE: I do have that information if you'd just give me one (1) second.

(BRIEF PAUSE)

MR. DEAN DUNSTONE: Yeah, the claims discount rate went down eleven (11) basis points, from

2.83 percent to 2.72 percent.

MS. KATHLEEN MCCANDLESS: Thank you. Now, if we just flip back quickly to page 19, at line 18.

We see claims expenses. They are now $5.2 million lower than originally forecast?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Road safety expenses are now $1.7 million lower than forecast?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And operating expenses at line 22 are $2.7 million less than forecast, yes?

MR. DEAN DUNSTONE: Yes.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: If we go to line 25 on page 20. Thank you.

There's a decrease in allocated corporate expenses, and particularly $5 million lower than expected salaries, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Does that affect operating expenses as well as road safety expenses?

MR. DEAN DUNSTONE: There -- there will be some road safety impacts within that 5. There'll be a small amount of road safety impacts in there, yes.

MS. KATHLEEN MCCANDLESS: And then we see on the lower allocated corporate expenses there's a reduction of five hundred and sixty thousand dollars ($560,000) related to loss prevention and road safety programs at line 26?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: Lower than expected advertising expenses of five hundred and ninety-five thousand (595,000)?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: So, that reflects almost $1.2 million of the reduction in road safety expenses?

MR. DEAN DUNSTONE: Agreed. I'm not sure if the advertising expense would wind up in the road safety line item. I'd have to confirm that, but...

MR. MICHAEL GANDHI: It -- it does not.

MS. KATHLEEN MCCANDLESS: Okay. So,

then the total road safety expenses were down by roughly 1.7 million that we saw on the pro forma. And is it -- is it possible then -- we don't see all of it being made up here in the detail. so is it possible that there are lower salaries on the road safety expense side of things that would...

MR. DEAN DUNSTONE: There would be a small portion of it, the salaries. Yes, it would be -- it would be in there, but it would be a very small portion of it. It would be more probably due to the delay of some programs, road safety programs, that we had done during the year so far.

MS. KATHLEEN MCCANDLESS: Okay. Thank you.

Madam Chair, I -- I know we're going to break at 11:00. I might go five (5) minutes over, but I will finish this area of questioning if I do that, so.

THE PANEL CHAIRPERSON: That's just fine. Thank you.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. At page 19 of the exhibit, so back to the pro forma, line 30, investment income.

The total investment income is $48.7 million higher than forecast earlier this year, yes?

MR. DEAN DUNSTONE: 57.8 million, yes.

MS. KATHLEEN MCCANDLESS: And --

MR. DEAN DUNSTONE: I'm sorry, you're right.

MS. KATHLEEN MCCANDLESS: Yes, 48.7.

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And the majority of the pop -- positive impact relates to interest rate changes of 57.2 million at line 29?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And the years affected by this application are 2022/'23 and 2023/'24 due to staggered renewals, yes?

MR. DEAN DUNSTONE: That's correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And based on the initial forecast which indicated the 2.8 percent break-even and removal of the 5 percent CMP, MPI was forecasting $4.6 million in net income in 2022/'23. And that would be at pro -- the next pro forma, so page 21, line 31.

Is that right?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: And the rate indication is set for break-even rates?

MR. DEAN DUNSTONE: That's right.

MS. KATHLEEN MCCANDLESS: The indicated rate decrease, as we discussed earlier, is offset by the removal of the 5 percent capital release provision?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: And the update now reflects a reduction in claims experience related to COVID-19 in 2021/'22?

MR. DEAN DUNSTONE: Is this -- can you just scroll up to the top, Kristen? I just want to make sure I'm looking at the right -- so, this is the '22/'23 comparative, right?

MS. KATHLEEN MCCANDLESS: Yes.

MR. DEAN DUNSTONE: Oh, can you repeat your question, please?

MS. KATHLEEN MCCANDLESS: The rate update for -- for this year reflects a reduction in claims experience related to COVID-19 in 2021/'22?

MR. DEAN DUNSTONE: The rate update, yes. Yeah. And '22/'23 but, yes.

MS. KATHLEEN MCCANDLESS: Okay.
MR. DEAN DUNSTONE: I'm sorry, no. You're right, just '21/'22. Yeah.
MS. KATHLEEN MCCANDLESS: MPI's net income for 2022/'23 has been revised from the -- the GRA forecast -- pardon me -- of 4.6 percent -- 4.26 million -- pardon me -- net income to a net loss of $9.2 million, yes?
MR. DEAN DUNSTONE: Yes.
MS. KATHLEEN MCCANDLESS: And so that's a reduction of $13.8 million we see at line 31, yes?
MR. DEAN DUNSTONE: Yes.
MS. KATHLEEN MCCANDLESS: Okay. And the detail on the next page, at line 4, we see net premiums written are now forecast to be $19.2 million higher due to the higher rate increase cited in this application, correct?
MR. DEAN DUNSTONE: That's correct.
MS. KATHLEEN MCCANDLESS: So, initially, the break-even rate indication was a 2.82 percent rate decrease with the reversal of a 5 percent CMP; the rating increase would have ben 2.2 percent?
MR. DEAN DUNSTONE: Can you repeat that, please?

MS. KATHLEEN MCCANDLESS: So, initially, with the break-even rate indication of a decrease of 2.8 percent with a reversal of a CMP, the effective rate increase would have been 2.2 percent?

MR. DEAN DUNSTONE: Yeah. The break-even rate increase is 2.8 percent, right, and then the -- the capital components of that, which is the 5 percent, and the -- the rebate is also a part of that, too. The $335 million rebate would factor in there, too.

MS. KATHLEEN MCCANDLESS: And -- and we already discussed this earlier.

Now, jumping back to the first page of this pro forma. At line 17, we see net claims incurred are now forecast to be $6.2 million higher than in the filing, yes?

MR. DEAN DUNSTONE: Yes.

MS. KATHLEEN MCCANDLESS: The majority of this relates to line 16, Claims Incurred Interest Rate Impacts?

MR. DEAN DUNSTONE: That's correct.

MS. KATHLEEN MCCANDLESS: And MPI has also forecast an increase in the forecast for collision claims?

MR. DEAN DUNSTONE: Yeah. There's a

slight increase due to what we discussed earlier with the repair trade negotiation updates that are in there. So there is a slight increase to the collision, yes.

MS. KATHLEEN MCCANDLESS: Thank you. This is a good time to break. So, I believe we're going to take about a half an hour for lunch so we can maximize the time before 2:30 today.

THE PANEL CHAIRPERSON: Yes. One (1) moment, please.

(BRIEF PAUSE)

THE PANEL CHAIRPERSON: Thank you, Ms. McCandless.

Yes, we'll break now and come back at twenty-five (25) to 12:00. And given that you're new to these proceedings, I just remind you that you're under oath, so you shouldn't discuss your testimony over the lunchbreak. Thanks very much.

--- Upon recessing at 11:06 a.m.
--- Upon resuming at 11:40 a.m.

THE PANEL CHAIRPERSON: Ms.

McCandless...?

MR. STEVE SCARFONE: Madam Chair, just before Ms. McCandless begins -- sorry, I forgot to mention this morning, in reviewing the transcripts last night, I noticed there was an error. I thought maybe I should bring it to the Board's attention.

If you recall, yesterday, Mr. Watson asked Mr. Herbalin a bunch of questions and, in the transcript, they have those questions being asked by Robert Watchman. So that might -- that probably should be corrected.

THE PANEL CHAIRPERSON: It should be. Thank you very much for bringing that to our attention, Mr. Scarfone.

Ms. McCandless...?

MS. KATHLEEN MCCANDLESS: Thank you. Before we resume, I just wanted to ask that we mark the next PUB exhibit. I did ask the panel some questions about EPF-1 from the 2021 GRA. And so, I'd ask that that be marked at PUB Exhibit number 19.

--- EXHIBIT NO. PUB-19: EFP-1 from 2021 GRA.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you.

I'm now going to move on to a review of expenses. And so, Kristen, could you please pull up Figure EXP-5 from Part 5 of the Application?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. Thank you. So this provides the detail of the total corporate expenses for 2021 through to 2025/'26?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And at line 29, we see that total corporate expenses -- if we just scroll down a bit, please, Kristen -- thank you -- 29. Thanks.

Total corporate expenses for 2021 were $293.9 million?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And our forecast to be $341.4 million in 2021'/22?

MR. MICHAEL GANDHI: Subject to check, correct. Yeah.

MS. KATHLEEN MCCANDLESS: It should be just at line 29 there.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And then, in

2022/'23, 336.9 million?

MR. MICHAEL GANDHI: Twenty -- that is a -- the previous GRA filing, I believe. And we do have that at approximately 315 million.

MS. KATHLEEN MCCANDLESS: This -- I believe we're looking at EXP-5 from this GRA. We are going to look at EXP-4 from the previous filing.

If we want to scroll to the top here.

MR. MICHAEL GANDHI: Yeah. That's our 2022 GRA filing, yes. That is correct. Not the rate update.

MS. KATHLEEN MCCANDLESS: Right. Yes.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Then if we go to EXP-4 from the 2021 GRA.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Corporate expenses, at line 29 again, were forecast to be $306.1 million for 2021?

MR. MICHAEL GANDHI: Correct. Yeah.

MS. KATHLEEN MCCANDLESS: So they have

come in somewhat lower than in the actuals?

MR. MICHAEL GANDHI: That is correct. Yeah. That is correct.

MS. KATHLEEN MCCANDLESS: If we could possibly put these side by side, Kristen, and see if it's still possible to read them on the screen, that would be helpful.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: If we look -- we're going to have to scroll to the top. Sorry, Kristen. And we're looking at payroll expenses.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: That would be at the top, under Compensation?

MS. KATHLEEN MCCANDLESS: Yes.

MR. MICHAEL GANDHI: So if you scroll to the top, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you.

So last year -- right now, we're looking at Figure EXP-4 from last year's filing. The Corporation had forecast spending $180.8 million in compensation for 2021?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And looking to the bottom of the screen, we see the actuals for 2020/'21 came in at $174.8 million. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Then scrolling down to line 11 on both the documents. Thank you. We see a lower than forecast road safety and loss prevention expenses?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So last year, the Corporation was forecasting, on the bottom of the screen, $2.2 million. And the actuals -- pardon me, forecasting 3.5 million and came in at 2.2 actual?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Driver education spending was lower than forecast as well, if we look at line 18?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: That is correct. Yeah.

MS. KATHLEEN MCCANDLESS: So we see the forecast for last year, at the top of the screen, was $3.9 million on driver education. And the 2020/'21 actuals -- yes, '20/'21 actuals were $1.6 million, yes?

MR. MICHAEL GANDHI: That is correct. The major driver for these was mainly the programs being -- having not as much spend. So on the driver education program, we had lower driving school costs and other programs that cost the -- the -- are better than forecast or budgeted.

So those are -- the majority of the savings are in not having enough of the programs implemented, mainly due to COVID constraints.

MS. KATHLEEN MCCANDLESS: So you answered my next question. Thank you.

Now, overall, MPI's forecasting Corporate expenses, at EXP-5, from this year, for 2021/'22 -- at least as of the filing -- to be $341.4 million. Yes?

We can -- we can scroll to the bottom of the page, line 29.

MR. MICHAEL GANDHI: That is correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And then, we see a general increase in the following years, from the -- from last year's forecast through to this year's forecast. Yes?

MR. MICHAEL GANDHI: That is correct. And as Mr. Dunstone has talked about, we expect Corona impacts and COVID impacts based on the best knowledge that we have at this time, that they will dissipate, and we will be able to start a lot of these programs and -- back on track. Talking on the '22/'23 forecast.

MS. KATHLEEN MCCANDLESS: Is -- my understanding is that a significant amount of the increase relates to higher data processing costs?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And so, for -- at EXP-5, at line 8, for 2021/'22, we see that, at the bottom of the screen there, MPI was forecasting to spend $61.3 million on data processing, compared to last year.

And if we go to EXP-4, and the third column there, last year the forecast was for an expensive $37.2 million at line 8 in the third column in, yes?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: Yeah.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And so, that's an increase of roughly $24 million on data processing from what was forecast last year?

MR. MICHAEL GANDHI: That is correct. That's being driven by our increase costs related to Nova. The major driver there is our licensing -- licensing fees for our DVA component, and that is $12 million increase. And we'll see that no longer as -- based on my initial presentation, that will be expense, so we'll see it in the data processing line. So, that's 12 million.

We also have external labour costs for -- shared costs for projects for 3 million and additional licensing fees that make up the majority of the increases in the data processing side. And we see that continuing on in our run rates as we implement Nova. And Nova is in phases, so we will see these costs increase. That will be offset with Nova benefit's streams that will come into play later on in

'24 or '24.

MS. KATHLEEN MCCANDLESS: Thank you. The increase in the forecast to the amortization of deferred development -- and we see that at line 26 of both of the schedules. So, at the top -- on the top screen, we see the expenses for amortization and deferred development for -- that were forecast last year in the GRA at line 26?

MR. MICHAEL GANDHI: Yeah.

MS. KATHLEEN MCCANDLESS: And if we compare them to the bottom screen at line 26, that's this year's figure, EXP-5, there's a significant increase.

You would agree?

MR. MICHAEL GANDHI: There is an increase in later years, a drop off in more of the current fiscal year and the subsequent year after that.

The rationale there is when we had looked at our project costs, initially when we filed our filings there -- so that would be the top figure that we're looking at. So we see 24 million and 19 million respectively. Those are due to more costs that we thought would be capitalized and then subsequently flowing into the amortization for deferred development.

As we've progressed, we note now that a lot of these licensing fees will be expensed as incurred, so they'll flow into the data processing line and not into deferred development.

In subsequent years -- so the last three (3) columns on -- on the bottom slide -- we do see those increase, as that is the capital cost for Project Nova starting to come into deferred development. That does tail off over -- in later years where we fully amortized the -- the cost of -- of Project Nova.

MS. KATHLEEN MCCANDLESS: Thank you. Now, with respect to payroll -- and I think we're finished with EXP-4 from the 2021 GRA, Kristen.

So for now I'd ask that it be marked as PUB Exhibit number 20.

--- EXHIBIT NO. PUB-20: EXP-4 from the 2021 GRA

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: And we can keep EXP-5 on the screen, please. I just wanted to touch briefly on the payroll increase. Thank you.

So, we see that compensation represents

the largest expenditure of the Corporation, yes?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: It's almost 60 percent of actual total expenses in 2020/'21?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And at the time of filing, MPI was forecasting an increase by 6.8 percent in compensation from last year?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And at line 6, it's forecasting payroll to be $186.7 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Does the Corporation believe that it will achieve this level of forecast payroll?

MR. MICHAEL GANDHI: Historically, we have come under our overall compensation lines, as we've highlighted in our presentation.

When we compare to 2021, we see compensation being lower. Now, in 2021 that was a very -- a year that was basically pandemic driven, so we do not see in '21/'22 the same impact on our compensation line, and that's why we see the slight increase, and...

MS. KATHLEEN MCCANDLESS: Okay. Thank

you. And we -- we're going to discuss staffing changes a little later, but is part of the increase also related to a budget increase in full-time equivalent staff in the current fiscal year?

MR. MICHAEL GANDHI: In the current year, and I will defer this to Mr. Giesbrecht for his discussion. Just on my analysis here, we had a requirement for increasing the IT capabilities in '21/'22, so we did have to increase our FTE component.

MS. KATHLEEN MCCANDLESS: And the forecast that was provided at the time of the filing, that reflects the expected completion of Project Nova?

MR. MICHAEL GANDHI: Sorry, can you, please, repeat that?

MS. KATHLEEN MCCANDLESS: The forecast that was provided here, does that incorporate the Corporation expecting to complete Project Nova and having --

MR. MICHAEL GANDHI: Based on what we know today, that is our forecast, yeah.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Now, if we could have a look at Figure EXP-2. Thank you, Kristen.

So, this schedule provides total corporate expenses that were just reviewed on Figure EXP-5 at line 2. We see them there on EXP-2?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And then this shows the allocation from Corporate to Basic?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And were there any changes in the methodology of the integrated cost allocation?

MR. MICHAEL GANDHI: The cost methodology for allocations for the Basic line has not changed for normal operations. We use a 2011 PUB approved rate allocation and that that is carried forward for this year with no changes, no significant items that I know of, subject to check on that.

MS. KATHLEEN MCCANDLESS: Thank you. We see at line 8 under the 2021/'22 forecast, the total expenses allocated to Basic are $243.7 million in the current year?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And for next year, 241.5 million, for 2022/'23?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: We see that MPI allocated 76 -- approximately 76 percent of overall Corporate expenses to Basic in 2021/'22 -- or '2020/'21?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the majority of those expenses are claims processing expenses and operating --

MR. MICHAEL GANDHI: That's --

MS. KATHLEEN MCCANDLESS: -- expenses?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Then Basic's overall share of Corporate costs declines to 71.4 percent in 2021/'22?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And why is there a reduction?

MR. MICHAEL GANDHI: The major drivers behind that reduction are due to data processing costs being higher. So, our overall allocated amount that we provide to Basic is lower because of that, because more of those costs are DVA specific and align with our allocation methodology to have the licensing fees be directly allocated to DVA, so we do see those -- those drop off overall.

MS. KATHLEEN MCCANDLESS: And ultimately, the -- these numbers have been supplanted by the October update. Expenses. There's been updates to those, obviously.

We see here that commissions and premium taxes are directly assigned to Basic, at lines 11 and 12.

MR. MICHAEL GANDHI: Yeah. Correct.

MS. KATHLEEN MCCANDLESS: And there's a forecast increase for commissions throughout the forecast from 2020/21 through the outlook period?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And that's based on the level of premium which is forecast to grow.

MR. MICHAEL GANDHI: There -- there's a few factors to that. Premium is one driver and I will defer this to Dean for additional comment, but we also have a new compensation agreement with IBAM which also causes a level of -- so overall.

On -- on the Extension side as that goes down at approximately 16 percent, but we do see an uptake within (AUDIO ISSUES) which increases to 3.5 percent overall.

So, that differential is the majority

of the -- of the difference at -- of -- 50 basis points.

MR. DEAN DUNSTONE: And just to add to that, yeah, I mean Michael's right, the primary driver is obviously premiums, so as premiums go up, the commissions go up.

But also it's the rate factor that -- that -- the recent agreement negotiated, which -- whereby the Basic premium rate for commissions did increase, so that's going to cause the increase as well.

MS. KATHLEEN MCCANDLESS: Premium taxes were forecast lower in 2021, 2020/'21, and a slight decline as well in 2021/'22 and is that due to rebates?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: Now if we could go to Expenses Appendix 2, please.

This schedule represents the detail of Basic expenses that we just reviewed in Figure EXP-2?

MR. MICHAEL GANDHI: Yes, this is the normal operations view of Basic expenses, where EXP-2 it's like the -- the total Basic, including improvement initiatives view.

MS. KATHLEEN MCCANDLESS: Right. And

so just to clarify, MPI separates its expenses by category whether its normal operations are related to improvement initiatives?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And with respect to improvement initiatives, those costs are considered normal once the IT project is completed?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Now reviewing the detail of Basic Claims Expenses, as we already reviewed there -- we did speak about data processing costs.

We see at line 7 there was -- there's an increase from 2019/'20 of $13.4 million to $19.6 million in 2020/'21. So --

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And is that increase due in part to a reclassification of automated estimating cost, was previously classified as claims incurred expenses?

MR. MICHAEL GANDHI: That occurred, I believe in last years' GRA where we transferred over those expenses, so this view is showing -- my recollection is -- a portion of it went into Special Services and I can't recall where the other portion was but we could certainly find that out.

MR. DEAN DUNSTONE: That is correct, though the -- now that you're talking through, yeah, that was in the prior year, the...

MS. KATHLEEN MCCANDLESS: Okay. Thank you. Now, we already looked at the expected increase in compensation at EXP-5, the in -- the expected increase of 6.8 percent from -- in 2021/'22.

I -- I'm just -- just to refresh your memory, and my understanding is that the -- the increase -- part of the increase to compensation would include initiative spending, which is approximately 10 percent of total corporate costs?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Now, if we could go to Figure EXP-9. Thank you, Kristen.

And Figure EXP-9 shows the corporate normal operating expenses, excluding special initiatives.

MR. MICHAEL GANDHI: Yeah. Excluding improvement initiatives. Yes.

MS. KATHLEEN MCCANDLESS: Yes. Pardon me. Improvement initiatives.

And at line 7 we see a forecasted increase to compensation of -- 5.9 percent for

2021/'22.

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And then 2.25 percent in 2022/'23.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: 1.6 percent in 2023/24.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And 3.34 percent in 2025.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: The largest increase is to salaries.

MR. MICHAEL GANDHI: That is correct. Yeah.

MS. KATHLEEN MCCANDLESS: And then, if we scroll down to EXP-10. Thank you. Kristen.

This represents the forecast of -- of economic increases for in-scope employees. Yes.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And 'in-scope' means 'unionized employees'?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Roughly, what percentage of the staff are in-scope?

MR. MICHAEL GANDHI: Subject to check, I believe it's approximately 1300 staff that are unionized.

MS. KATHLEEN MCCANDLESS: And do you know what that is as an overall percentage of the staff complement?

MR. MICHAEL GANDHI: I -- I'll just refer back to my -- to the group there, bear with me.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Based current -- based on current numbers, it's 83 percent of the organization that is unionized.

MS. KATHLEEN MCCANDLESS: Thank you. I would ask if you maybe just speak up a little bit. It's getting a little harder to hear you as the day goes on.

MR. MICHAEL GANDHI: Yeah.

MS. KATHLEEN MCCANDLESS: Thank you. So, although there is a negotiated zero percent increase for economic increases for in-scope staff for 2020, or 2021/'20 -- 2020/'21, MPI is still forecasting increases in compensation.

Can you explain?

MR. MICHAEL GANDHI: The increases in compensation overall, are also -- cover off our out-of-scope employees. We still have a merit program, where we do have rate escalations for that. Our MGU contract is currently being negotiated, so our forecast also built in rate drivers for in -- possible increases for those aspects also.

We also have merit increases for our in-scope team members also, so that's what causing those compensation increases.

MS. KATHLEEN MCCANDLESS: Okay, and if we go to expenses Appendix 12, Compensation Analysis. This provides detail of changes in the compensation expense category. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the increase, this increase -- the -- we were speaking about with respect to the in-scope, that's -- that's not negotiated economic increases but terms within the collective -- collective bargaining agreement; steps in a scale type of increases?

MR. MICHAEL GANDHI: Correct, based on my understanding.

MS. KATHLEEN MCCANDLESS: That's with respect to the in-scope, not the obviously out-of-scope.

MR. MICHAEL GANDHI: Well, one (1) thing that also causes increases, we have increased our FTE counts also, based on our reorganization, so that will also cause an incremental increase also.

MS. KATHLEEN MCCANDLESS: MPI continues to assume that 50 percent of in-scope staff will move up a scale, and the scale provides a 3.5 percent incremental increase?

MR. MICHAEL GANDHI: I'm going to have to refer back to my --

MR. DEAN DUNSTONE: That's correct. And that's below I believe EXP-9, if you -- there -- there's a description of the steps and scale right in the document there.

MS. KATHLEEN MCCANDLESS: So that would amount to a forecast increase in payroll of 1.75 percent under that calculation.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Can you explain why, if we scroll down in the compensation analysis for steps in scale at line 18, the Corporation is using 2 percent?

MR. MICHAEL GANDHI: It's -- 2 percent I would believe would incorporate the out-of-scope impacts, too. I believe out-of-scope may -- I think that's the combination of the two (2). It's in-scope and out-of-scope. I can -- I can verify that for you, but I believe that's -- that's the -- the increase from the one point seven-five (1.75) to the two (2).

MS. KATHLEEN MCCANDLESS: Okay. Perhaps by way of undertaking, MPI could provide the detail or the calculation of a 2 percent increase allocated to steps in -- in scale at line 18 of EXP Appendix 12-1.

MR. DEAN DUNSTONE: I actually just got confirmation from our back row that it is 2 percent. It incorporates the in-scope and the out-of-scope increases. Out-of-scope get 4.5 percent and the in-scope get 3.5 percent, with a combination of those two (2). That -- that's the best estimate that's used, but it's the -- it's the combination of in-scope and out-of-scope's stepping scales.

MS. KATHLEEN MCCANDLESS: Other changes to -- or other increases to the rates would be a change in the vacancy -- vacancy allowance?

MR. MICHAEL GANDHI: That is correct, yeah. It's gone from 6 million all the way to 8.3 million over, approximately.

MS. KATHLEEN MCCANDLESS: So we see in

2020/'21 at line 3 the actual vacancy allowance was $11.2 million.

MR. MICHAEL GANDHI: Sorry, can you --

MS. KATHLEEN MCCANDLESS: Line 3 of --

MR. MICHAEL GANDHI: Line 3?

MS. KATHLEEN MCCANDLESS: -- of the figure shows the vacancy allowance --

MR. MICHAEL GANDHI: Yes, yeah.

MS. KATHLEEN MCCANDLESS: -- for 2020/'21 --

MR. MICHAEL GANDHI: Yeah.

MS. KATHLEEN MCCANDLESS: -- at 11.2 million?

MR. MICHAEL GANDHI: That's correct. Now, that's a very unusual year also. That is COVID impacts throughout that year which caused a lot of vacancies overall.

MS. KATHLEEN MCCANDLESS: We see that MPI is now adjusting the forecast, reducing the vacancy down to 8.3 million for this year?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And we'll get into that in a little more detail later. If we could go to Expenses, Appendix 10-1, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. And this figure shows the total corporate staffing levels by categories, yes?

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATHLEEN MCCANDLESS: And we have normal operation speciality programs --

MR. MICHAEL GANDHI: Yeah.

MS. KATHLEEN MCCANDLESS: -- and improvement initiatives, yes?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: The first figure for normal operation staffing levels at line 9 on the far right-hand side, we see total overall for 2020/'21 at full-time equivalents was one thousand seven hundred and six-two dollars ($1,762) -- one thousand seven hundred and sixty-two point four (1,762.4), yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And then to the very bottom of the screen on the right-hand side for specialty programs, four point three (4.3) full-time equivalents?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Then to improvement initiatives which is just below or on the next page -- thank you -- thirty-four point six (34.6) full-time equivalents at line 29?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: At line 51, for total corporate staffing budget -- thank you -- for 2020/'21, last year MPI had forecast to have one thousand nine hundred and fifty-three point five (1,953.5) full-time equivalents?

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATHLEEN MCCANDLESS: And based on the staffing level forecast last year, MPI was a hundred and fifty-two point two (152.2) full-time equivalents under budget for the year, and we see that at line 61.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Was there -- or was the Corporation able to meet its service requirements based on its complement of full-time equivalents?

MR. MICHAEL GANDHI: I'm not at liberty to provide that answer. I can give you, based on my being in -- in the company during that year, what was causing -- the majority of the vacancies was having difficulty filling roles on the technical side or IT-related roles, and mainly due to a lot of COVID-19 impacts where we halted driver programs, sent staff to shared health.

So it was basically a lot of pandemic-related impacts that we saw at that time.

MS. KATHLEEN MCCANDLESS: Just to clarify, so on one (1) -- are you saying on the one (1) hand there was difficulty in filling IT positions, and in addition to that there were staffing challenges due to the pandemic?

MR. MICHAEL GANDHI: Yes, we did see that, yeah.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Kristen, could we please go to EXP Appendix 11-1, please.

And this schedule shows total corporate staffing levels by category for the 2021/'22 budget?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: At the very bottom of the page at line 38 -- thank you, Kristen --

we see the total corporate budget for 2021/'22 is set at two thousand and seventeen point four (2,017.4) full-time equivalents?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: The Corporation has undergone a reorgan -- reorganization of sorts, and to be -- to meet the Organization's structure, MPI is of the view that it needs two thousand and seventeen point four (2,017.4) full-time equivalents now?

MR. MICHAEL GANDHI: Based on our review, correct, yeah.

MS. KATHLEEN MCCANDLESS: So on that basis, is MPI looking at increasing its full-time equivalent count by roughly two hundred and sixteen (216) from the current level?

MR. MICHAEL GANDHI: Sorry, can you repeat that question?

MS. KATHLEEN MCCANDLESS: I'll rephrase it. Are you able to provide an approximation of the number of full-time equivalents that MPI is looking to add to its staff complement in this -- this fiscal year?

MR. MICHAEL GANDHI: In this fiscal year, we had an IT reorganization that has been commented in a few of the IRs where we added an additional thirty (30) FTE equivalent to service the mandates for the Cloud adoption for all of our IT infrastructure for our cyber-security aspects. So those were the primary adds in -- in '21 -- I'm sorry, in '21.

MR. DEAN DUNSTONE: If I could just add to that. 2017 won't include any -- you know, that -- that assumes that every position is filled, you know, fifty-two (52) weeks throughout the year, which isn't a reality, so that won't have the vacancy provision built into it.

So we had about an $8.1 million vacancy provision which assumes that those jobs aren't going to be filled full time throughout the year. So, you know, in actuality, the budget would be probably a hundred and ten (110) less than that FTE count probably, when you add the vacancy allowance.

We don't -- we don't present it that way, but that's just...

MS. KATHLEEN MCCANDLESS: And perhaps just to assist the panel, if we could pull up Figure 1 from PUB-MPI-1-47. And I apologize not for having this in front of you earlier, but it may assist you. Thank you.

Thank you. So this is a -- a comparison of total corporate staffing for 2020/'21, with a forecast for 2021/'22.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And so does -- having a look at this, does this confirm the testimony you just gave?

MR. MICHAEL GANDHI: I believe so, yeah.

MS. KATHLEEN MCCANDLESS: In terms of an increase of forecasted here roughly over two hundred and ten (210) full-time equivalents, what will that mean in terms of annual payroll?

Are you able to provide a round number of what that increase would be?

MR. DEAN DUNSTONE: I just wanted to comment on -- you know, this isn't probably a fair compare. The 1801.3 is the action. Like, that -- that has the vacancy built into there.

It's the -- the actual FT that worked, you know, fifty-two (52) weeks per year kind of thing, right. So, the 2017, again, will be really probably reflected at the end of it, more -- more, like, a hundred and ten (110) less than 2017 if you include the vacancy allowance.

So, the comparatives won't be quite as -- as farfetched as it looks here.

MR. MICHAEL GANDHI: And the comparative also has COVID impacts. I'm sorry. My apologies, that is 2021.

But we still see impacts with -- with a lot of our programs, and, as Dean has mentioned, also, with having a higher vacancy, also.

MS. KATHLEEN MCCANDLESS: Thank you. So, just to go back to my question then: Is the Corporation able to provide even a round number in terms of the gross compensation that it's looking to add through -- by virtue of this updated budget for corporate staffing?

MR. MICHAEL GANDHI: We can take that away as an undertaking, if that's okay. We can come back and provide -- provide those aspects. Fair?

MR. DEAN DUNSTONE: That would be fair. I was just going to say, like, generally, we -- I know in past GRAs, we provided kind of a proxy for -- for average salary, which is about seventy-five thousand (75,000).

So, if we took, you know, the eighteen-o-one (1,801) actual, and then -- and then the 2017 less say hundred, hundred and ten (110), we could do kind of a quick calculation.

So, it would be, you know -- let's go with, you know, a hundred and fifteen (115) times seventy-five thousand (75,000) would be -- you know, so probably 8 to 8 1/2 million, I -- I'm going to say it would be.

MS. KATHLEEN MCCANDLESS: I think that's fine for the purposes of my question. I don't think we need an undertaking in that regard. Thank you.

If we could go to PUB-MPI 1-48, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Pardon me, PUB-MPI-2-23.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And this IR, the Corporation was asked to indicate a difference in the budget versus actual dollar impact of the vacancy allowance for 2020/'21, yes?

MR. MICHAEL GANDHI: Correct. Yeah.

MS. KATHLEEN MCCANDLESS: And in the

response, we see that MPI had a budgeted vacancy provision for the 2020/'21 fiscal year of $6.2 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And that was based on seventy-eight (78) full-time equivalents?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: I'll just check through those numbers, but I believe it would be a little bit -- pretty much in line with that aspect. I just received confirmation. Yes, that is correct.

MS. KATHLEEN MCCANDLESS: Thank you. Then we see at the second paragraph in the response the Corporation indicated that in 2020/'21 actual there was a one hundred a forty point three (140.3) difference between budget and filled positions, which is an average fill for the year as compared to budget full-time equivalents; therefore, actual dollar value can only be estimated at $11.2 million, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Then if we could please go to PUB-MPI 1-49.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And if we go to page 2, please, at figure 2 -- thank you -- we see the Corporation's 2021/'22 estimated vacancy provision comparative?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And for the 2021/'22 year, MPI has forecast a hundred and ten (110) full-time equivalent vacant positions with a provision of $8.3 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: This vacancy provision reduces the forecast compensation expense for the year?

MR. MICHAEL GANDHI: It does, yeah.

MS. KATHLEEN MCCANDLESS: And, Kristen, if we could please go to PUB-MPI 2-24.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. And this figure here, figure 1, reflects the vacant positions as at July 31, 2021?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And at line 2, we see that the -- the vacant positions were a hundred and eighty-one point five (181.5) full-time equivalents?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: This equates to a vacancy allowance just to the left of that column of $13.7 million?

MR. MICHAEL GANDHI: That is correct, yeah, based on the FTE estimate, correct.

MS. KATHLEEN MCCANDLESS: And so, the change in the budget then, the -- there's actually a variance of $5.4 million to the -- the vacancy allowance?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: The vacancy of a hundred and eighty-one point five (181.5) at line 2, does that represent vacancies for normal operations only or does that include improvement initiatives?

MR. MICHAEL GANDHI: That would be, I believe, the full compliment of FTE that we have overall. We also have within that number for the $13 million estimation our -- our IT transformation where we are still hiring up the team members as difficult to procure a lot of these skill sets within Manitoba.

MS. KATHLEEN MCCANDLESS: Kirsten, could we please go to PUB-MPI 1-48, figure 2?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. And, as I understand it, just if we look to the narrative right above the figure here, MPI provided the actual full-time equivalent count for -- as at June 30th, 2021?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Thank you. Staff count as at June 30, 2021, at line 6, was one thousand eight hundred and forty-two point nine (1,842.9) full-time equivalents.

So, that was under budget at a hundred and seventy-four point five (174.5) full-time equivalents, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And, at that point, MPI would have been halfway -- at this point, MPI's roughly halfway through its year, fiscal year?

MR. MICHAEL GANDHI: The chart that you have here would be three (3) months into the year.

MS. KATHLEEN MCCANDLESS: And now we

are roughly halfway through. Is there an update to the level of full-time equivalents?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Overall for our FTE count as at August, so five (5) months into the year, we're at eighteen hundred thirty-nine (1,839), so it would be pretty close to that number overall.

MS. KATHLEEN MCCANDLESS: So, roughly the same as halfway through -- or three (3) months through your -- into your fiscal year.

Does the Corporation believe that it's going to meet its budgeted full-time equivalents for this fiscal year?

MR. MICHAEL GANDHI: Once again, mainly related to -- one (1) of the things that -- within these numbers that doesn't come through is, you know, as staff leave, there is this impact to unionized staff who are moving within positions internally within the Company.

These also -- when we have a budget of 2017, it's on the premise that everyone will be in place at that particular time. So, we do see this level of -- of vacancy that's intrinsic in our business as movements happen.

However, our vacancy is higher than normal and COVID impacts and a lot of the procuring of the IT impacts are really driving those factors.

But it's -- it is, to your point, consistent with -- with the table here, with actuals as at end of August.

MS. KATHLEEN MCCANDLESS: The -- the budgeted number of full-time equivalents is used to budget the compensation for the 2022/'23 and '23/'24 application years?

MR. DEAN DUNSTONE: Correct. It'll be just for the one (1) year. We'll -- we'll re-budget every year, basically, for those. So, yeah, it's the -- the -- 2,017 is just for '21/'22 only. And then, '22/'23 we'll have another budget for that.

MS. KATHLEEN MCCANDLESS: And to this the higher gross number, the Corporation offsets it budgeted gross compensation with the vacancy allowance of 110 full-time equivalents?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Would it be fair to say then that the current forecast budget for wages and benefits is overstated, given the current vacancy level?

MR. MICHAEL GANDHI: Can you repeat that question, please?

MS. KATHLEEN MCCANDLESS: The current forecast budget for compensation, would that be overstated, given the level of vacancies that the Corporation has at this time?

MR. MICHAEL GANDHI: That would be a fair comment.

MS. KATHLEEN MCCANDLESS: And are you able to provide, just in order of magnitude, what the overstatement might be?

MR. MICHAEL GANDHI: I will have to take that away to look through.

MR. DEAN DUNSTONE: Our back row just also provided actuals as at September 30th. So another month forward. So half the year. And it's at 1,864 now. So we are creeping up to the levels that we expect to.

MS. KATHLEEN MCCANDLESS: Thank you. So perhaps, just by way of undertaking, the Corporation could advise as to the amount by which the current forecast budget for compensation is overstated, given the Corporation's current vacancy level.

MR. ANTHONY GUERRA: Counsel, yes,

we'll give the undertaking.

MS. KATHLEEN MCCANDLESS: Thank you.

--- UNDERTAKING NO. 7: Corporation to advise as to the amount by which the current forecast budget for compensation is overstated, given the Corporation's current vacancy level.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: I'm now going to move on to broker commissions in a little more detail. And then, that will be it for me from the revenues and expenses panel.

Just a matter of housekeeping, I know Ms. Dilay is likely on deck, waiting in the library. So we can bring her in once I conclude. But we may need a couple minutes just to get set up.

So as you mentioned earlier today, MPI negotiated a new broker agreement with the Insurance Brokers' Association of Manitoba.

And if we go to CAC-MPI 1-27.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: The Broker Services Agreement is found at attachment 'A'. Can we scroll down to attachment 'A', please?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. And panel, you're familiar with this agreement in general terms?

MR. MICHAEL GANDHI: In general terms, yes. I have not had a chance to look at it through any detail though.

MS. KATHLEEN MCCANDLESS: If we jump ahead to -- it's page 6 of the -- the actual document. It might be different on the PDF. But I'm looking for Section 3.2. Yes, thank you.

You see here that this agreement is for a five (5) year renewal model.

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: And it came into effect April 1st of this year?

MR. MICHAEL GANDHI: Correct. Yeah.

MS. KATHLEEN MCCANDLESS: I'm not sure if you're able to provide detail on this, but if you are able, do you know how the annual renewal process is going to work under this agreement?

MR. MICHAEL GANDHI: I am not familiar with --

MR. DEAN DUNSTONE: I do not.

MS. KATHLEEN MCCANDLESS: In terms of expenses, is the annual renewal process expected to increase administrative costs for MPI?

MR. MICHAEL GANDHI: I cannot comment on that.

MS. KATHLEEN MCCANDLESS: Perhaps we could find out by way of undertaking, what, if any, increase in administrative costs may flow to the Corporation as a result of the annual renewal process.

MR. ANTHONY GUERRA: Yes, Counsel. We'll give the undertaking.

MS. KATHLEEN MCCANDLESS: Thank you.

--- UNDERTAKING NO. 8: MPI to advise what, if any, increase in administrative costs may flow to the Corporation as a result of the annual renewal process.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Now, if we could go -- we're going to jump back to the new agreement in a little bit. But can we pull up Figure 2 from the 2021 GRA at PUB-MPI 1-56?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And we see here, this was a schedule of the commissions and fees paid and forecast to be paid to brokers in the last year's GRA. Are you at all familiar with Figure 2?

MR. MICHAEL GANDHI: I am familiar, yes.

MS. KATHLEEN MCCANDLESS: Thank you. And the rate that was in effect at the time that this document was created last year, for writing an Extension policy, the commission rate was 19.75 percent?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And it was 3 percent on Basic transactions?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: At line 7 of Figure 2, we see that, last year, for 2021/'22, the Corporation was forecasting broker commissions of $83.6 million?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: $86.4 million in 2022/'23?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And eight-four -- $89.4 million in 2023/'24?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: $92.5 million in 2024/'25?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And then, when it comes to Basic commissions, specifically last year, the Corporation was forecasting, at line 2, $34.6 million in 2021/'22?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: To increased to $35.8 million in 2022/'23?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Extension commissions were forecast at line 3 to be $38.9 million in 2021/'22?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: And $40.2 million in 2022/'23?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: And for the

record, perhaps we could enter PUB-MPI 1-56 from the 2021 GRA as the next PUB exhibit, please. Thank you.

--- EXHIBIT NO. PUB-21: PUB-MPI 1-56 from 2021 GRA.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Now, instead of a 3 percent commission rate on Basic premiums, the new agreement will pay brokers a commission on Basic policies of 3.49 percent in 2021/'22 and '22/'23?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And increased to 4.01 percent in 2023/'24?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: And 4.19 percent in 2024/'25 and 2025/'26?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Thank you. And with respect to online transactions, under the agreement, they're to decline from 3.49 percent in 2021/'22 to 2.25 percent in 2023/'24 and thereafter?

MR. MICHAEL GANDHI: Yes. Online transactions will -- yeah -- take in 2.25 percent.

MS. KATHLEEN MCCANDLESS: Now, if we

compare the forecast of commissions in this year's GRA -- and that's found at EXP-45.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. And, Kristen, could it -- could you possibly pull up Figure 2 that we were just looking at, and maybe put it at the bottom of the screen.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you very much. So at the top of the screen, we have Figure EXP-45 from this year's GRA. At the bottom of the screen, we have Figure 2 from PUB-MPI 1-56 of the 2021 GRA.

And I'm looking at this so we can compare the budgeted commissions to be paid as a result of the new agreement compared with last year.

MR. MICHAEL GANDHI: Okay.

MS. KATHLEEN MCCANDLESS: So if we look at the top of the page for 2021/'22, the Corporation is now forecasting or budgeting Basic commissions payable of $40.7 million compared to last year, which was $34.6 million?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And then, for 2022/'23, we see $43.2 million forecast compared to last year $35.8 million were forecast, yes?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: Then for 2023/'24, the forecast is $49.1 million payable on Basic?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: And last year, that was forecast at $37.1 million payable on Basic transactions, yes?

MR. MICHAEL GANDHI: Sorry, '24/'25?

MS. KATHLEEN MCCANDLESS: '23/'24.

MR. MICHAEL GANDHI: Oh, '24. Yes, that's right.

MS. KATHLEEN MCCANDLESS: And then, lastly, for '24/'25, we have this year the forecast pay of 49 million payable in Basic commissions, compared to $38.4 million last year, yes?

MR. MICHAEL GANDHI: That's right.

MS. KATHLEEN MCCANDLESS: And Extension is going to see a decrease in commissions payable under the new agreement?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: And so, just by way of example, we see, for 2021/'22, last year the forecast was that Extension commissions payable would be 38.9 million.

And now, they are forecast at 30.9 million, yes?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And then, those decreases are -- there are consistent decreases for Extension throughout the forecast commission payable?

MR. MICHAEL GANDHI: Yes. Yes.

MS. KATHLEEN MCCANDLESS: And the shift in cost responsibility away from Extension to Basic is a result of the new broker agreement?

MR. MICHAEL GANDHI: Largely a part of that too, I believe, like, the CERB impacts on the premiums would be in here too -- would flow through here. So -- because the product changes occurred in '21/'22 and that increased Extension's premium, that would flow through too as well.

MS. KATHLEEN MCCANDLESS: Ultimately, the agreement with the brokers does create some of this shift though?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: You would accept that.

And so, based on that agreement, Extension operations are -- will be more profitable at the expense of Basic?

MR. MICHAEL GANDHI: Yes, Extension commissions are expected to be lower due to the lower rate that's been negotiated, yes.

MS. KATHLEEN MCCANDLESS: How does Basic benefit from this new arrangement?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: I would prefer to defer that to Mr. Giesbrecht when he's on the stand next week.

MS. KATHLEEN MCCANDLESS: We will make a note to ask that of him next week then.

Thank you. Those are my questions for this panel. So we will need to take a quick break to have Ms. Dilay take over.

MS. CHARLOTTE MEEK (by Teams): Ms. McCandless, could I interrupt for one moment?

MS. KATHLEEN MCCANDLESS: Yes, please.

MS. CHARLOTTE MEEK (by Teams): I have Just spoken to Ms. Dilay and she and I had -- was going to suggest to the Board that I would do my questions now. I only have a few. And then, we could swap. Rather than us swapping back and forth several times.

THE PANEL CHAIRPERSON: That's fine. Thanks, Ms. Meek. Please proceed.

CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

MS. CHARLOTTE MEEK (by Teams): Thank you. If I could just start with Exhibit 41 -- MPI Exhibit 41, which is your presentation from this morning. Start with slide 9.

(BRIEF PAUSE)

MS. CHARLOTTE MEEK (by Teams): So I just wanted to get some clarification on the information you provided us this morning.

I believe you confirmed that the operating expenses in your presentation, it shows there an increase of $12.7 million. Is that correct?

MR. MICHAEL GANDHI: That is correct on the operating expenses, yes.

MS. CHARLOTTE MEEK (by Teams): And I believe you indicated that that was a result of the factors that are set out on the bottom of the slide there. Those factors being the budget cycle timing changes, aligning with government, the lean portfolio management initiatives, and increased data processing costs. Is that correct?

MR. MICHAEL GANDHI: The final two (2) bullets will be the major drivers there. The first bullet will be, kind of, the subset of what has caused us to look through and re-evaluate our budget.

MS. CHARLOTTE MEEK (by Teams): Okay. But all totalling that 12.7 million increase?

MR. MICHAEL GANDHI: That is correct.

MS. CHARLOTTE MEEK (by Teams): Thank you. So if we could also go to MPI Exhibit 37, the rate update, page 22.

(BRIEF PAUSE)

MS. CHARLOTTE MEEK (by Teams): So if we look at line 37 -- or, I apologize, line 32 -- so that indicates there an increase of 14.3 million in higher than expected data processing expenses.

Is that correct?

MR. MICHAEL GANDHI: That is correct.

MS. CHARLOTTE MEEK (by Teams): And, at line 37, that notes a decrease of 1.6 million of lower than expected data processing expenses.

Is that correct?

MR. MICHAEL GANDHI: That is correct.

MS. CHARLOTTE MEEK (by Teams): Okay. And that would equal a net increase of approximately 12.7 million. Is that correct?

MR. MICHAEL GANDHI: That is correct.

MS. CHARLOTTE MEEK (by Teams): Okay. And is that 12.7 million amount where the 12.7 in your presentation was pulled from?

MR. MICHAEL GANDHI: I didn't pull it out these slides.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: But -- sorry, Dean?

MR. DEAN DUNSTONE: Yeah. I think there might be just a little confusion here. Just so the expenses overall -- so the corporate -- that first on the slide you showed there -- the 17 million -- that's the corporate operating expenses overall. And then, we allocate them into those four (4) cost categories; the claims, operating, road safety...

But the Basic component of that is probably 12 million -- around 12 million out of that 17 million corporately.

So that would be overall corporate operating expenses.

And then, we just have a line item in our statement of ops that has operating expenses. That's just a portion of our corporate operating expenses. I know it's confusing.

MS. CHARLOTTE MEEK (by Teams): I see. Okay. Thank you for that clarification.

And then, if we could go to page 21, please.

(BRIEF PAUSE)

MS. CHARLOTTE MEEK (by Teams): And if we look at line 3, look at net premiums written for motor vehicles. You'll agree that that line item increased by 22.7 million between the twenty-two -- 2022 GRA and the rate update. Is that correct?

MR. MICHAEL GANDHI: Correct.

MS. CHARLOTTE MEEK (by Teams): And if

we look at the net premiums earned for motor vehicles at line 8, that line only increased by 5.3 million between the 2022 GRA and the rate update.

Is that correct?

MR. MICHAEL GANDHI: That's correct.

MS. CHARLOTTE MEEK (by Teams): Okay. Are you able to provide the premium earning formula or calculation resulting in the 5.3 million premiums being earned from the 22.7 million additional premiums written in '22/'23?

MR. MICHAEL GANDHI: Yes, we could provide that.

MS. CHARLOTTE MEEK (by Teams): Would you provide that by way of undertaking?

MR. ANTHONY GUERRA: Yes, Counsel. We'll provide the undertaking.

MS. CHARLOTTE MEEK (by Teams): Thank you.

--- UNDERTAKING NO. 9: MPI to provide the premium earning formula or calculation resulting in the 5.3 million premiums being earned from the 22.7 million additional premiums written in '22/'23.

CONTINUED BY MS. CHARLOTTE MEEK:

MS. CHARLOTTE MEEK (by Teams): And now, if we could look at line 18, claims expenses. You'll agree that they increase by just over 5 million?

MR. MICHAEL GANDHI: Yes.

MS. CHARLOTTE MEEK (by Teams): And similarly, if we look at operating expenses, at line 22, they increase by 7.7 million?

MR. MICHAEL GANDHI: That's right.

MS. CHARLOTTE MEEK (by Teams): Could you provide a detailed analysis and explanation of the increased claims expenses of 5 million and operating expenses of 7.7 million?

MR. MICHAEL GANDHI: So, yeah. That's kind of what we were just talking about. So that -- that was the -- so the 17 million on the -- on the slide presentation was corporate. And now, we're looking at the Basic -- Basic portions of that.

So the -- the 12 million that you showed in the operating expenses, as you can see, that converts to about 7.6 million in Basic.

So that's -- those corporate expenses

will run through our allocation process, right? And -- and then, they'll -- they'll distribute those corporate expenses to the four (4) lines of business that we have; Basic, Extension, our commercial line, and DVA.

So this is the result, after the allocation process is completed, Basic -- this is the Basic component of that so.

MS. CHARLOTTE MEEK (by Teams): I see.

MR. MICHAEL GANDHI: Yeah.

MS. CHARLOTTE MEEK (by Teams): Okay. Thank you very much. Those are my questions.

THE PANEL CHAIRPERSON: Thank you, Ms. Meek. We'll take a brief break to allow Ms. Dilay to get into the room and get set up. Thank you.

--- Upon recessing at 12:49 p.m.

--- Upon resuming at 12:54 p.m.

THE PANEL CHAIRPERSON: Thank you. Ms. Dilay...?

MS. KATRINE DILAY: Thank you, Madam Chair. And just for the panel's information, I have approximately I think five (5) kind of general areas of questioning. I expect to be approximately forty-five (45) minutes, just for information, so I believe we should be done in time.

THE PANEL CHAIRPERSON: Thank you.

CROSS-EXAMINATION BY MS. KATRINE DILAY:

MS. KATRINE DILAY: Good afternoon. It's very nice to meet in the -- in the hearing room.

Similarly to Ms. McCandless, I will pose my questions to the panel in general, and if the appropriate person could respond, I'd appreciate it. And if you -- if Mr. Giesbrecht would be the witness to answer the questions, please let me know, and I'm happy to defer those questions till next week when he's there.

The first topic I'd like to discuss with you this afternoon is debt financing. At a high level, you'll agree that debt financing for capital projects would involve borrowing money in order to fund capital projects?

MR. DEAN DUNSTONE: That is correct.

MS. KATRINE DILAY: And in order to borrow that money there's a cost to it, in the sense that one would have to pay a certain level of interest, correct?

MR. DEAN DUNSTONE: That is correct.

MS. KATRINE DILAY: And the level of interest would be based upon prevailing interest rates at the time the funds are borrowed?

MR. DEAN DUNSTONE: Correct.

MS. KATRINE DILAY: And you'll agree that MPI does not currently employ debt financing in its capital structure?

MR. DEAN DUNSTONE: We do not.

MS. KATRINE DILAY: And, in fact, MPI funds all capital projects with cash from operations, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And you'll agree that that cash from operations would otherwise be held in a cash account or be transferred to the investment portfolio. Would that be fair?

MR. MICHAEL GANDHI: That is -- that is correct, yeah.

MS. KATRINE DILAY: And you would agree that under the Public Utilities Board approved Capital Management Plan, funds from Basic that are not needed in order to support the 100 percent MCT target are to be rebated to consumers over a three (3) year time frame, correct?

MR. MICHAEL GANDHI: Do...

(BRIEF PAUSE)

MR. MICHAEL GANDHI: No, I would not agree with that. Yeah, there's no rebate kind of program within the CMP at the moment, so we don't have...

MS. KATRINE DILAY: Thank you very much for clarifying that. Can I -- let me rephrase the question.

Under the Public Utilities Board approved Capital Management Plan, funds from Basic that are not needed to support capital adequacy at 100 percent MCT would be released to consumers over a three (3) year time frame?

MR. MICHAEL GANDHI: Yeah, that was the Capital Management Plan that was accordance with it in 2020. But, of course, this year we're applying for the suspension of that program this year.

MS. KATRINE DILAY: Thank you. And cash from operations, whether held in a cash account or invested in MPI's portfolio, contribute to the capital position and MPI's capital adequacy, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And MPI's capital adequacy could be a surplus or a deficiency, depending on the situation?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And you would agree that if MPI were to borrow funds to fund capital projects and that capital was then freed up to be released back to consumers, the relevant comparison in the cost benefit is then against prevailing interest rates that impact consumers?

MR. MICHAEL GANDHI: I would say that is definitely a way of looking at -- currently, we do not -- have not explored the use of debt financing. We do have an initiative that we will be doing to look at debt financing and how it fits into our risk appetite, and also within our corporate mandates. And that is something that we can come back with as a proposal for the subsequence GRA filings.

MS. KATRINE DILAY: Thank you. And, indeed, we can go to that reference if you'd like. But MPI has indicated in response to two (2) IRs that it is currently reviewing the utilization of debt financing, correct?

MR. MICHAEL GANDHI: We have talked that -- at high level but formalizing a approach, the amount of debt financing managed against our capital required is something that we're willing to take away and look at, gain Board approval and management alignment, and -- and bring forth, because that is a long-term impact and has many different impacts throughout the organization.

MS. KATRINE DILAY: So, based on that response, you'd agree that MPI has not finished its review of the debt-financing option?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: And MPI anticipates completion and sharing of a management review as part of a future GRA filing.

Is that right?

MR. MICHAEL GANDHI: That is something we will align toward, yes.

MS. KATRINE DILAY: But at this point you'd agree that borrowing money to finance capital projects is not a priority of MPI?

MR. MICHAEL GANDHI: Currently, we have funded our capital projects from internal. And we have, during the last two (2) years, we have had claim volumes being lower, so we've been able to fund these projects well.

But that is something that we will be exploring in the subsequent year. And that is something that is on -- on mind to look at.

MS. KATRINE DILAY: Thank you. And just to -- to go back to the question I had asked about the cost benefit to consumers, you'd agree that if -- if MPI customers have access to additional funds, they could use those funds to save, or invest, repay debt themselves, or to spend.

Would that be fair?

MR. MICHAEL GANDHI: Can you re-ask that question?

MS. KATRINE DILAY: Absolutely. You would agree that if MPI consumers have additional funds in their pockets, they could use those funds to themselves, save, invest, repay debt, or spend?

MR. MICHAEL GANDHI: That would be at the discretion of the customer, but that does sound like fair options.

MS. KATRINE DILAY: And you'd agree that customers -- MPI customers, with additional funds in their pocket, that we just talked about, are impacted by prevailing interest rates ranging from credit card interest rates, prime lending -- prime retail lending rates, and risk free GIC saving rates, and other prevailing interest rates.

Would that be fair?

MR. MICHAEL GANDHI: Based on the

financial items that they are looking at, that would be fair.

MS. KATRINE DILAY: And impacts on customers would be different across various segments of the population, depending on their -- their income levels, et cetera, correct?

MR. MICHAEL GANDHI: I would agree with that.

(BRIEF PAUSE)

MS. KATRINE DILAY: I -- I have a few more questions still on this topic, but could we -- and I did share with your counsel a list of a few reso -- a few references from last year in the 2020 GRA.

Could you advise whether you were -- you were informed of that?

MR. MICHAEL GANDHI: We were informed of that, correct.

MS. KATRINE DILAY: Great. Thank you. Kristen, recognizing that I sent you a lengthy list of references, would you be able to pull up from the 2021 GRA, CAC-MPI 2-20?

(BRIEF PAUSE)

MS. KATRINE DILAY: Thank you. And if we look at attachment A to this Information Request, can you confirm that we are looking here at the debt rates that MPI were -- was quoted last year from the provincial government?

MR. MICHAEL GANDHI: That is correct?

MS. KATRINE DILAY: And I just -- I don't want to go through all the lines, but if we just look at two (2) examples, the ten (10) year and the twenty (20) year periods.

So, you'll agree that these were -- so, I think you just agreed to that, but just to clarify, these were quoted last year, September 1st, 2020, correct?

MR. MICHAEL GANDHI: I believe this is the term sheet from last year, September 2020, correct, yeah.

MS. KATRINE DILAY: So, last year for a ten (10) year period, and if we look at the column "principal to be repaid at end of term", so that middle column.

You'll agree that the interest rate was 1.875 percent?

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATRINE DILAY: And similarly, the same column, but for the twenty (20) year period, you'll agree that that was 2.625 percent?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: Thank you. And if we now turn back to the current '20/'22 GRA, if we turn to part 4, the value management section, appendix 11, and footnote 4.

(BRIEF PAUSE)

MS. KATRINE DILAY: Thank you, Kristen. And so, you'd agree here footnote 4 is indicating the updated rates based on May 3rd, 2021, correct?

MR. MICHAEL GANDHI: As per reference here, that is correct, yeah.

MS. KATRINE DILAY: And generally, you'd agree -- and we'll go in more detail, but you'd agree that the rates have increased since 2020, correct?

MR. MICHAEL GANDHI: Yes, they have.

MS. KATRINE DILAY: So, based on the May 3rd, 2021 rates, the ten (10) year rate for financing with principal repaid at the end of term would be two point seven five zero (2.750), correct?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: And the twenty (20) year rate would be 3.375 percent, correct?

MR. MICHAEL GANDHI: Correct.

(BRIEF PAUSE)

MS. KATRINE DILAY (by Teams): And just a few last questions on this topic. If we turn to CAC-MPI 1-82 Appendix 1, and I'd like to go to the last table in this document. Perfect. Thank you, Kristen. She's ahead of me as always.

So, if we look at the last table here on this page, you'll agree that the first -- well, I guess the -- the first column that has percentages summarizes MPI's average performance of its investment asset classes since 2013/'14?

And if you'd like -- if you were looking to confirm the dates, we could go to the pre -- one (1) page before.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: If you go back to

page 2, the average rate of returns at -- on the far left column there on the bottom, if those are the average rate of returns over the period, then that is correct from my view.

MS. KATRINE DILAY: Sorry, but just to clarify. So, are you -- you're not sure if those are the average returns?

MR. MICHAEL GANDHI: I had not looked at -- my apologies, I had not looked at this particular filing.

MS. KATRINE DILAY: Would this be a better resource to -- to put to the investment panel?

MR. MICHAEL GANDHI: It would, to confirm that these amounts are the average rate of returns from 2013 to 2021. One thing I will say, that these rates of returns are based on specific investment portfolios that have a specific mandate, such as insuring Basic claim and payments.

And they're relatively invested in different investment policy statement aspects. So, it -- it -- I would definitely say to bring that to the investments panel for further elaboration.

MS. KATRINE DILAY: Okay. Thank you very much. My next kind of broad topic of questions is regarding the Fleet Program.

So, generally speaking and without elaborating at this point, you're familiar with the principle of cost/causality in utility regulation?

MR. MICHAEL GANDHI: I would say very vaguely.

MS. KATRINE DILAY: And by cost -- cost/causality at a high level, we mean that the expenses of a utility are to be allocated to those customers who most directly caused the expense?

MR. MICHAEL GANDHI: Understood, yeah.

MS. KATRINE DILAY: So, you'd agree that that's your understanding?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: Thank you. And so as a result, in addition to looking at the overall revenue requirement of the Corporation, one (1) of the elements that the Public Utilities Board looks at when it sets just and reasonable rates in determining -- is determining an appropriate allocation of costs between classes, correct?

MR. MICHAEL GANDHI: I -- I think we should probably defer this to the rate-making panel, this line of questioning.

MS. KATRINE DILAY: Sure. And that's -- that's kind of my quest -- my only questions on that particular line of questioning.

So, moving on to the Fleet Program, you'd agree that MPI's Fleet Program operates by pricing commercial fleets on an after-the-fact basis, providing discounts or surcharges based on the loss ratio of the fleet in the prior year?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: And fleets -- by 'fleets' we mean ten (10) vehicles or more that are registered to a single registered owner?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And year over year Fleet Program rebates exceed surcharges, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And I can bring you to a reference, if you like, but for the test year, 2022/'23, net fleet rebates are forecast at just under 18.2 million

MR. MICHAEL GANDHI: That sounds reasonable. Yes.

MS. KATRINE DILAY: Would you like the -- the reference, or -- or comfortable with accepting that number as being reasonable?

MR. MICHAEL GANDHI: I would accept that as -- yeah -- close, yeah.

MS. KATRINE DILAY: Thank you. And you'll agree that the costs of the rebates that are associated with the fleet program are recovered from the private passenger, the commercial and the public major classes?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: And Kristen, if we could turn to Part 4 -- part -- Part 6, pardon me, of the application ratemaking, page 44.

And, if we look to the fleet rebates, which is line 13 here, so you'll agree that if we look at line 13 and then we look at the private passenger, commercial and public classes, those classes pay $20.05 cents per policy on average to pay this program -- or to fund this program, pardon me?

MR. MICHAEL GANDHI: Yes. I believe so. Yes.

MS. KATRINE DILAY: And I can take you to our reference if you'd like, but you'll agree that this amount is derived as the fleet rebate -- fleet rebate for the rating year, divided by the total units for these three (3) major classes. Correct?

MR. MICHAEL GANDHI: I -- I would not want to confirm that. I think we should leave that probably to the Ratemaking Panel too.

MS. KATRINE DILAY: I -- I can take you to an -- an Information Request where MPI did -- did indicate that this is the case. I did -- would that help or would you rather I -- I wait for the Ratemaking Panel?

MR. MICHAEL GANDHI: We can try. I'm getting -- I'm getting reference from my back row, who -- one -- one of them is an actuary and he's saying go to CAC 2-26. So I'm not sure.

MS. KATRINE DILAY: Okay. There's also 1-47. Maybe let's start with 1-47 and we can go to 2-26 if -- if and when needed.

And so, you would agree here that the $20 -- 20.05, for the three (3) major classes was derived from the fleet rebates divided by the total units? Is that your understanding here?

MR. MICHAEL GANDHI: Yes. That's our response, yes.

MS. KATRINE DILAY: Thank you. And MPI allocates the fleet rebates to these major classes because only vehicles in these three (3) major classes are eligible for the fleet program. Correct?

MR. MICHAEL GANDHI: That is my understanding. Yes.

MS. KATRINE DILAY: And now we can go

to the -- the IR that your back row helpfully pointed to, CAC-MPI 2-26.

I just want to look at the numbers a little bit more. So on page 2 here, if we look at the response to part A, you will agree that there's a total of 59,124 fleet vehicles?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: And those are the fleet vehicles insured by MPI. Correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And for the private passenger class, there's a total of 30,508 vehicles?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And that represents only 3.7 percent of that major class. Correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And for the commercial class, it is a total of 19,510 vehicles?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: Representing under half of that major class, at 41.55 percent?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: And finally, for

the public class it's 9,106 vehicles?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: And it represents the majority of that major class at 82.83 percent?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And you'll agree that the net rebates of the fleet program are distributed among some proportion of those 59 thousand vehicles that are eligible for a rebate, on an after-the-fact basis?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: So based on the numbers, we just reviewed, you'll agree that in the private passenger class, 94.3 percent of the vehicles in that class, are not fleet vehicles? And sorry that should be 96 -- 96.3 percent of the vehicles in that class are not fleet vehicles?

MR. MICHAEL GANDHI: I would agree with that.

MS. KATRINE DILAY: You caught me doing some lawyer math there. But those -- that 96.3 percent of the vehicles are still paying $20.05 per policy on average to fund the fleet program rebates. Correct?

MR. MICHAEL GANDHI: I -- I -- I'm

pretty sure it's correct, I just would -- but -- you could probably confirm that with the Ratemaking Panel.

(BRIEF PAUSE)

MS. KATRINE DILAY: And you -- you can let me know if the next question would be more appropriate for the Ratemaking Panel, as well, but you'd agree that the costs of the fleet program rebates are caused by the fleets themselves?

MR. MICHAEL GANDHI: That is my understanding, but I -- I think, yeah, we should have -- we should probably defer this to the Ratemaking Panel.

MS. KATRINE DILAY: Thank you. I appreciate you bearing with me there. So, I'll keep the rest of my -- I have a few more questions, but I will keep them for the Ratemaking Panel.

I would like to discuss now the topic of re-insurance. First I'd like to just confirm some general points about what is re-insurance.

You'll agree that re-insurance is insurance that MPI purchases from another insurance company to insulate it -- itself from the risk of a major claims event?

MR. MICHAEL GANDHI: I would agree with that.

MS. KATRINE DILAY: And these other insurance companies are often referred to as re-insurers?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And you'll agree that with re-insurance MPI is passing on some part of its own insurance liabilities to that other insurance company?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: And, we can go to a reference, if -- if you'd like, but you'll agree generally that MPI's Basic Re-insurance Program, and we can go to a reference if -- if you'd like, but you'll agree generally that MPI's Basic Re-insurance Program is comprised of two (2) main components, the first one being, the catastrophe program, which protects MPI against major weather related, physical damage events, such as hail and flood?

MR. MICHAEL GANDHI: I would agree.

MS. KATRINE DILAY: And these major weather-related physical damage events, would be some of the claim events that we just discussed a -- a couple seconds ago, against which MPI is trying to insulate itself?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: And, could major claims events be described as events and losses arising from non-recurring events, or factors?

MR. MICHAEL GANDHI: It could -- may -- yeah, in terms of, you know, re-insurance, it's -- it's -- we're always talking, you know, a large claim loss event due to a catastrophe, usually a weather-related catastrophe event which could be flood, hail, various different perils that Manitoba is exposed to.

MS. KATRINE DILAY: And these events can result in unexpected variances from forecasted results. Correct?

MR. MICHAEL GANDHI: They could if we don't have re-insurance. Yes.

MS. KATRINE DILAY: Thank you. And then, there's the -- also the casualty excess of loss program, which protects MPI against the cost of serious bodily injury claims under the personal injury protection plan and third party liability legal actions and jurisdictions outside Manitoba. Correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: That's the second

portion of the re-insurance program.

MR. MICHAEL GANDHI: That's -- yeah. That's right. Yeah.

MS. KATRINE DILAY: And just to confirm some of the -- the costs for the re-insurance program, Kristen, if we could go to page 28 of the revenues section, which is in figure REV-30.

And so, you'll agree here that this is the premium that MPI is paying for its Basic Re-insurance Program?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: And so, if we look at the year 2020/'21, you can confirm that the catastrophe program cost MPI just under $12.5 million in 2020/21?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: And the Casualty Program cost MPI almost $1.3 million?

MR. MICHAEL GANDHI: Yes. That's correct.

MS. KATRINE DILAY: So before going to what is happening this year, I'd like to just go through a little bit of history in terms of MPI's Reinsurance Program with you.

You'll agree that MPI revised its

Reinsurance Program in fiscal year 2019/2020?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: And that was to provide better coverage of multiple smaller catastrophic -- catastrophic events?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: My apologies. I apparently don't know how to pronounce that word.

And you would agree this was a known issue with MPI's former reinsurance coverage prior to 2019/'20?

MR. MICHAEL GANDHI: Yeah. We decided to -- you know, we were trying to manage our financial volatility rate volatility. And we went through a period in 2015/2016 where we had, you know, large accumulations of hail losses, you know, in excess of 50 million during the year, and we were getting no reinsurance coverage. We weren't recovering any of those losses.

That was due to our -- at that time, we had an event-based program which -- which really only covered losses in excess of $15 million. So if there was a large catastrophic event that occurred that was over $15 million, we could cover -- we'd recover in excess of fifteen (15) from our reinsurers.

In that -- in those particular years, we had, you know, many 9 million, 10 million, all these kind of cumulative smaller, you know, pretty large events that occurred that we -- we sought no recoveries on. So that's why, in 1920 (sic), we -- we looked to pursue the aggregate program.

MS. KATRINE DILAY: Thank you. So to kind of summarize what you -- and you anticipated my next question.

So you'll agree that MPI -- the program change could be described as transitioning from an event-based excessive loss cover to a stand-alone aggregate program?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And that protects MPI from financial volatility due to single and multiple weather-related catastrophic events?

MR. MICHAEL GANDHI: That's right.

MS. KATRINE DILAY: Thanks. Thank you. And I can bring you to a reference for this if you'd like, but you'd agree that under the new stand-alone aggregate program, costs were higher than under the old approach?

MR. MICHAEL GANDHI: They did increase for the catastrophic portion of the program, yes due to -- to purchase the aggregate, they did increase a little bit, yes.

MS. KATRINE DILAY: And we can go to a reference, but is it your recollection that it cost approximately 2.5 million more per year?

MR. MICHAEL GANDHI: Subject to check, that's probably pretty close.

MS. KATRINE DILAY: And we can -- we can just bring it up. It's from the 2020 GRA, the revenue section, page 27. I guess I should have made sure with Ms. Schubert that she was ready.

(BRIEF PAUSE)

MS. KATRINE DILAY: And so does this reference assist with the $2.5 million more looking at the 2019/'20 year?

MR. MICHAEL GANDHI: Yes, for the catastrophic portion. Yes, you're right -- correct.

MS. KATRINE DILAY: Thank you. But you'd agree that coverage was improved, allowing MPI to recover losses that occur under multiple small hail storms which mean less than $15 million?

MR. MICHAEL GANDHI: That's right, and I think we also increased our limit. I think our limit in the '18/'19 year and prior was -- was around 2 -- 265 -- 265 million. And when we -- when we transitioned to the aggregate program, we -- our limit was 300 million, so we did increase the limit.

MS. KATRINE DILAY: Thank you. And you've eliminated my next question which was exactly that. So now that we've gone through a little bit of that history, I'd like to go to the changes in 2021/'22.

So you'd agree for -- for the fiscal year 2021/'22, MPI has broadened the current Reinsurance Program?

MR. MICHAEL GANDHI: Yes. We -- we basically went with the same program in 2021, but we increased our limit by a hundred million. We went from a $300 million limit on our catastrophic cumulative losses, from 300 to 400 million.

And then we -- we did offset that cost a little bit. We increased our -- our retain -- or -- or retainment or -- or deductible. We -- we -- MPI kind of -- we -- we took ownership of the first 35 million in the -- in 2021, but in '21/'22, we increased that to 40 million to try to offset some costs.

MS. KATRINE DILAY: So I think you

just referred to that, but just to confirm my understanding, under the prior program, before the year 2021/'22, MPI was at risk for the first 35 million in catastrophic losses and was covered up to 300 million?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: And under the current program, the new program, MPI is now at risk for the first 40 million in losses and covered up to 400 million, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And the cost of this change for MPI is $1.7 million?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: So you'd agree -- you'll agree that since 2019, there have been two (2) increases in costs for reinsurance, totalling approximately $4.2 million?

MR. MICHAEL GANDHI: Yeah. And that's -- I mean, we did improve coverage along with that, of course.

MS. KATRINE DILAY: Exactly. So MPI's reinsurance coverage has also been broadened twice in that time frame?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: For my next few questions, I would like to turn to a PUB Information Request. And I -- I don't believe Ms. McCandless has asked these questions, but if I'm being repetitive, please let me know.

I'd like to turn to PUB-MPI-1-81 and Figure 1 of this IR.

So we can go back to the -- the question if you'd like, but you'll agree that MPI was asked here to demonstrate historical experience where catastrophic losses would have exceeded the current coverage levels in place?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: And so if we look at the far right column, you'll agree that this figure shows MPI had six (6) instances in twenty-seven (27) years where catastrophic losses would have exceeded the current coverage levels in place?

MR. MICHAEL GANDHI: Correct, yeah. There were six (6) -- six (6) years where we would have sought recoveries from reinsurers from large loss claims, yes.

MS. KATRINE DILAY: And in only two (2) of those instances, would MPI's coverage had paid more -- paid out more, sorry -- than MPI is selfinsured for?

MR. MICHAEL GANDHI: Yeah. I think you're looking at the years 1996/'97 and 2007 and '08, yes, where we would have recovered more than we had paid -- premiums paid, yes.

MS. KATRINE DILAY: Exactly. Thank you very much for pointing out those years.

And just to confirm the number, so the highest payout would have been 80 million -- $80.1 million in 1996/'97, correct?

MR. MICHAEL GANDHI: That's correct.

MS. KATRINE DILAY: And if we could now turn to the -- the Information Request CAC-MPI-1-61 at page 2.

And you'll agree here MPI was asked -- or MPI is providing here its justification for the increase in catastrophe insurance?

MR. MICHAEL GANDHI: That's right.

MS. KATRINE DILAY: And so first -- and I'll kind of summarize it -- MPI indicates that its modelling shows a one (1) in one hundred (100) year catastrophe loss scenario would total $350 million in claims costs, correct?

MR. MICHAEL GANDHI: Yeah, approximately. And -- and that was also -- we had external modelling provide kind of similar numbers, too.

MS. KATRINE DILAY: And I -- I will have a few more questions about this, but we'll come back to it.

But before -- before that, you'll agree that of course $340 million is $60 million less than the 400 million upper limit MPI now has in place through its reinsurance program, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And we'll come back to this, but if we go to the second paragraph here, MPI then references the Calgary hail storm of June 13th, 2020, which resulted in automobile losses of 390 million, correct?

MR. MICHAEL GANDHI: That's right.

MS. KATRINE DILAY: And without going into details, are you generally aware that this region of the country is particularly vulnerable to hail storms and has been dubbed hail storm alley?

MR. MICHAEL GANDHI: I actually did not know that. I -- I'm -- yeah. No, I did not know that.

MS. KATRINE DILAY: And are you aware that this particular area of Canada has such frequent hail storms that cloud seeding has been used to reduce the incidents of hail storms?

MR. MICHAEL GANDHI: I have heard that, yes. Yes.

MS. KATRINE DILAY: Then if we go to the last paragraph here, there MPI states that climate change is real and now occurring as the third justification for the increase in catastrophe reinsurance, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And you'll agree that the impacts of climate change on various parts of Canada may be different?

MR. MICHAEL GANDHI: I would agree.

MS. KATRINE DILAY: So I'd like to dig a little bit more into the -- that first justification that we went through, the 1:100 event.

So if we could turn to part 7, the Risk Management Framework, Appendix 3.

(BRIEF PAUSE)

MS. KATRINE DILAY: Thank you, Kristen. And so you'd agree that these are MPI's top corporate risks, as of April 2021, correct?

MR. MICHAEL GANDHI: Yes, that's -- yeah. Yes, I would.

MS. KATRINE DILAY: And if we could turn to page 3.

You'd agree here, if we look at the second kind of substantive row, not the title, we have -- you'd agree that 'massive catastrophic weather' event is listed there as a top corporate risk?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: But it's your understanding that no risk scorecard has been filed for this particular risk in the 2022 GRA, correct?

MR. MICHAEL GANDHI: I don't know. I -- this is the first time I'm looking at this document, so --

MS. KATRINE DILAY: Okay.

MR. MICHAEL GANDHI: -- but I don't know if we've filed anything like that, no.

MS. KATRINE DILAY: So, if I have -- I do have some questions about this, as well as some risk scorecards from previous years. Would these be better placed to another panel?

MR. MICHAEL GANDHI: Just a second.

(BRIEF PAUSE)

MR. ANTHONY GUERRA: So, counsel, as you know, in previous GRAs, this might be a question that Mr. Johnston, as the chief actuary, would have easily responded to no matter what panel he was on. However, in this year, we have a bit of a different situation and Ms. Low is not being presented as a witness. And so we do have a bit of a situation where we don't actually have a panel with a witness who might be best asked that question.

One (1) way we can handle it would be by way of an undertaking. Or what we could do is we could see if there would be another witness on a different panel who might feel more comfortable answering it and leave that question to that person. It is your call.

(BRIEF PAUSE)

MS. KATRINE DILAY: I guess, from my perspective, either one would work. So, I'm not sure if MPI wants -- would like to maybe -- I think it might be easier to do in cross-examination.

So, perhaps if MPI wants to -- is able to check if there is another witness who would be comfortable answering those questions. And if not, then perhaps I could even file it as a -- as a pre-ask for -- for the Corporation. Would that be acceptable?

MR. MICHAEL GANDHI: Yes, that would be probably a better way to deal with it, to be honest with you.

MS. KATRINE DILAY: Thank you. So, I think what we've come -- we've come to an agreement that I'm going to check internally and advise whether someone would be prepared to answer the questions. And if not, then we will undertake to file something in writing as a question.

MR. MICHAEL GANDHI: That would be great. Thank you.

MS. KATRINE DILAY: Thank you. I'm just going to take just a couple of seconds to make sure I'm not missing any questions.

(BRIEF PAUSE)

CONTINUED BY MS. KATRINE DILAY:

MS. KATRINE DILAY: Okay. So, I think for on the topic of reinsurance, the rest of my questions I will wait for MPI's advisement. And we may file something in writing.

I have two (2) more topics to cover,

and the next one is regarding staffing and vacancy allowance. I was listening to Ms. McCandless's cross, so I will attempt to reduce any -- or to eliminate any duplication, but there may be some similar questions just to make sure we're on the same page.

So, at a high level, you'll agree that MPI forecasts a certain number of full-time equivalents, or FTEs, in its budget?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And this forecast impacts the overall revenue requirement that MPI needs because those are salaries that MPI has to pay, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And the total revenue requirement informs the rate request that MPI then puts to the PUB, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And you'll agree that MPI includes a vacancy allowance in its forecast?

MR. MICHAEL GANDHI: We do include a vacancy allowance.

MS. KATRINE DILAY: And would it be fair to say that the vacancy allowance is essentially a deduction from the total FTE forecast cost for positions that MPI anticipates will be vacant and for which it will not have to pay a salary?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And so, you'll agree that MPI's financial forecast is impacted by under-budget FTEs to the extent that MPI's vacancy allowance does not fully capture the cost of unfilled positions?

MR. MICHAEL GANDHI: The vacancy allowance, for the most part, does cover off for our expectations of -- of not having all of the FTEs filled.

(BRIEF PAUSE)

MS. KATRINE DILAY: I may come -- come back to that in just a minute. If we can now turn to part 5, which is the expenses sections of the General Rate Application, on page 20, and Figure EXP-11.

So, you'll agree that this table shows us the comparison of actual full-time equivalents to the budget?

MR. MICHAEL GANDHI: That is correct for normal operations, yeah.

MS. KATRINE DILAY: And the last

column in this table here shows us the variance, whether under or over-budget?

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATRINE DILAY: And, again, looking at that last column, you'll agree that since fiscal year 2016/'17, MPI has been under-budget for FTEs every year?

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATRINE DILAY: And with the exception of 2019/'20, the other years have seen increases in the vacancy -- or sorry, in the -- in the under-budget FTEs, correct?

MR. MICHAEL GANDHI: So, we do see a trend up within vacancy.

MS. KATRINE DILAY: And you'll agree that MPI has been operating for the past three (3) years at over one hundred (100) vacancies?

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATRINE DILAY: And I'm going to -- to go through quite a few numbers, so I hope you'll bear with me.

So, if we look at EXP Appendix 10,

Figure 1, from this year's GRA...

(BRIEF PAUSE)

MS. KATRINE DILAY: And if we look at page 2, the last table on this page, you'll agree that this table is giving us details of the comparison between actual staffing and budget staffing for the year 20 -- sorry.

MR. DEAN DUNSTONE: I think this might be from the '21 GRA.

MS. KATRINE DILAY: Thank you. Kristen, could we -- I will come back to this, but could we look at the -- this figure but from the 2022? Thank you. And thank you, Mr. Dunston -- Dunstone.

Let me just restart my question. So, you'll agree that this table on page 2 of the last table is giving us details of the comparison between actual staffing and budget staffing for the year 2020/'21?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: So, if we were to look at the totals for the columns, we would get those totals at the very bottom of the table, correct?

MR. MICHAEL GANDHI: That is correct,

yeah. They do some at -- from top to down the total line, correct.

MS. KATRINE DILAY: And so, you'll agree that the biggest number at the bottom is for customer service at ninety point two (90.2) under budget?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And that would be followed by IT and BT at thirty-six point five (36.5) under budget?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And just to confirm, just to clarify, these are FTEs that we are talking about, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And you'll agree that IT stands for information technology?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And I'm very proud of myself for getting that right, but, unfortunately, I need some help with BT. Could you please clarify whether BT refers to business technology or business transformation or something else?

MR. MICHAEL GANDHI: The latter.

MS. KATRINE DILAY: Business

transformation, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: Thank you. And, again, looking at the bottom, the third biggest number is under Employee and Community Engagement at seventeen point eight (17.8) under budget, correct?

MR. MICHAEL GANDHI: Yeah.

MS. KATRINE DILAY: And if we want to look at the totals for the rows, we would look at the far right column, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And the biggest number there would be for the Technical Professional category at a hundred and twenty-seven point eight (127.8) --

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: -- followed by Clerical at fifty-four point three (54.3)?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: So, now, Ms. Schubert, if we could turn to that equivalent table from the 2021 GRA. And that's at Part 5, Expenses, Appendix 10.

And so you'll agree that this is the equivalent table that we just looked at which shows the comparison between actual staffing and budget staffing but for the year 2019/'20?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And I won't go through the numbers in detail, but I'll just ask you to take a look and confirm for us that the biggest numbers at the bottom are in customer service and information technology and business transformation?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And, again, the totals on the right are highest for technical, professional, and clerical, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And I just want to go through one (1) last equivalent table from the 2020 GRA, which is again located at Part 5, Expenses, Appendix 10, page 2.

And so, you'll agree this is the equivalent table for the year 2018/'19?

MR. MICHAEL GANDHI: It appears so, correct.

MS. KATRINE DILAY: And similarly, on the bottom, the biggest numbers are in customer service and information technology and business transformation --

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: -- then followed by human resources and corporate services?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And on the right-hand side, the biggest numbers are for technical professional, and clerical, correct?

MR. MICHAEL GANDHI: Technical professional, correct, followed by clerical.

MS. KATRINE DILAY: Thank you.

(BRIEF PAUSE)

MS. KATRINE DILAY: And I just -- I want to turn to Part 3, Benchmarking, just to confirm a few -- a few numbers. And I'll have a few questions, as well. So, if these questions are better suited for the benchmarking panel, please, let me know.

So, if we look at page 13 of this document, you'll agree that this shows MPI's scores based on survey data gathered in February 2021 and analyzed by Forrester Research Inc.?

MR. MICHAEL GANDHI: I have not seen this -- sorry. Yeah, that is correct.

MS. KATRINE DILAY: Oh. Thank you. And you'll agree that this is one (1) way of measuring how MPI is doing in terms of customer service?

MR. MICHAEL GANDHI: That is one (1) way, correct.

MS. KATRINE DILAY: And you'll agree that MPI scored eighty point five (80.5), or excellent, on the CX index?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And if we go a bit lower on this page -- thank you, Kristen; right there is great.

You'll agree that, with the exception of injury claims, MPI scored between 86 percent and 94 percent?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And injury claims would be 71 percent, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And you'll agree that MPI has not seen significant declines in customer service in the past three (3) years?

MR. MICHAEL GANDHI: I do not have that information, but we can look -- look at that.

MS. KATRINE DILAY: Maybe I'll take

you to...

(BRIEF PAUSE)

MS. KATRINE DILAY: Sure. So, is that something that you would be willing to take as an undertaking?

MR. MICHAEL GANDHI: Sure. My apologies.

(BRIEF PAUSE)

MR. ANTHONY GUERRA: Sorry, Counsel. I don't mean to be difficult, but I just know that this line of questioning does relate to a benchmarking exercise, and that Mr. Gandhi is going to be presented tomorrow on the benchmarking panel.

So I can certainly -- he knows the question. He's going to do some research between today and tomorrow, and he's certainly prepared to ask (sic) that question if you want to pose it to him tomorrow. Would that be okay?

MS. KATRINE DILAY: I -- I believe that would be okay. I do have a few, sort of, follow-up questions. I'm just trying to determine...

I think -- yes, so I can definitely ask that specific question tomorrow. I might ask a few of the follow-up questions that may be better suited for this panel and we'll see -- we'll see how it goes. And I can always defer to tomorrow if --

MR. ANTHONY GUERRA: Yeah. And the other thing to keep in mind is that there's a different back row for the benchmarking panel, which should help in terms of some of those corporate memory questions.

MS. KATRINE DILAY: Thank you. And I do have -- yes, I will have a few additional questions on this topic tomorrow.

CONTINUED BY MS. KATRINE DILAY:

MS. KATRINE DILAY: Would you agree -- or you'll agree that MPI has not seen significant declines in other key performance indicators that -- that it reports on?

MR. MICHAEL GANDHI: Not that I know of, no.

MS. KATRINE DILAY: So you'll agree, generally, that MPI's business has been running as it should?

MR. MICHAEL GANDHI: I would believe

that is the case, yeah.

MS. KATRINE DILAY: And so you'll agree that MPI has been running, as it should, with more than 100 fewer FTEs than MPI's management has budgeted?

MR. MICHAEL GANDHI: I believe the -- in terms of operating within this vacancy period, vacancy period is also caused by COVID. We have been doing a great job of adjusting and making sure that we can meet our service mandates, but that isn't a sustainable aspect that we see within the operations to operate at that level of FTE.

MS. KATRINE DILAY: Sorry, I just had a little bit of trouble hearing there. Did you say that it is sustainable or is not sustainable?

MR. MICHAEL GANDHI: Yeah, I believe that it would not be sustainable to operate in that fashion because over a long period of time you do have dedicated FTEs for a defined purpose, and we will need to -- last year-and-a-half, we have had COVID pandemics which have caused a lot of FTE vacancies. And so we don't see that being a long-term solution.

MS. KATRINE DILAY: But you'll agree that it has been three (3) years that MPI has been operating at over hundred percent under-budget FTE --

a hundred FTE under-budget?

MR. MICHAEL GANDHI: We have been operating under FTE -- one (1) of the aspects of that also is, as our unionized team members change positions, there is this natural bumping. So you'll have one (1) position that's open, you'll have a lot of movement up or lateral, and that'll create position openings in other areas.

The FTEs that we budget are for a full-year equivalent, right? So it doesn't tell the true story by just looking at vacancy by itself. It's a much broader item overall, from my opinion.

MS. KATRINE DILAY: So keeping in mind your response -- and I appreciate those clarifications -- given that MPI's business has been running as it should with a hundred percent -- hundred fewer FTEs, you'll agree that one (1) conclusion that could be reached is that MPI department supervisors and managers are identifying ways to either improve productivity or eliminate unnecessary tasks when they are operating under-budget staffing?

MR. MICHAEL GANDHI: I cannot comment on that...

I think it's a fair assumption to -- to keep in mind that we are operating at a lean basis and looking for continuous improvement aspects. That is a fair assessment.

MS. KATRINE DILAY: And I believe Ms. McCandless touched upon this, and I may have missed the -- the, kind of, ultimate answer. But you'll agree that MPI has recently increased its staff budget by 216 FTEs?

MR. MICHAEL GANDHI: From what period?

MS. KATRINE DILAY: In the 2021/'22. And I can take you to CAC-MPI-1-29.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATRINE DILAY: Thank you. So now I just have -- I have a few more questions on staffing, specifically on vacancy allowance. And I was -- I was listening to the questioning by Ms. McCandless as well, but I think my questions are a little bit different.

So just to give us a little bit of background. So if we turn to EXP Figure -- EXP-12.

So you'll agree, this shows us the corporate salary analysis, which includes the gross salaries and the vacancy allowance?

MR. MICHAEL GANDHI: Yes, at the top it does. Correct.

MS. KATRINE DILAY: Thank you. So in 2020/'21, the vacancy allowance was 11.19 million, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And this is actual, as we can see from the top?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And in 2021/'22, it is forecast to be -- the vacancy allowance is forecast to be 8.3 million?

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATRINE DILAY: And in 2022/'23, the vacancy allowance is forecast to be 6.2 million, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And '22/'23 is the test year in this GRA, correct?

MR. MICHAEL GANDHI: That is the year that we are filing our revised filings for, correct.

MS. KATRINE DILAY: And if we look at 2023/'24, again the vacancy allowance is forecast to be 6.2 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And you'll agree that the average salary that MPI uses for budgeting is seventy-five thousand dollars ($75,000)?

MR. MICHAEL GANDHI: Approximately, yeah.

MS. KATRINE DILAY: So I'm going to try to do a little bit of math.

And we can take this subject to check, but for the year 2022/'23, if we calculate $6.2 million, divided by the annual salary of seventy-five thousand (75,000), would we get the forecasted approximate number of FTE positions that are forecast to be vacant for the test year?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: It would be very close, yeah. Yes, we would.

MS. KATRINE DILAY: And subject to check, we would get approximately 82.67 FTEs?

MR. MICHAEL GANDHI: Approximately, yeah.

MS. KATRINE DILAY: And you'll agree

that this is lower than the number of under staff -- under-budget staffing for the last fiscal year, the actual number for 2020/'21, which was just over one-hundred-and-forty (140), correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: So if I'm understanding correct -- if I'm understanding this correctly, you'll agree this would predict that MPI's vacancy rate will decrease from one-hundred-and-forty (140) in 202/'21, to eighty-two-point-six-seven (82.67) in 2022/'23?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And you'll confirm that a few minutes ago we saw on another table that from the year 2016/'17 to the year 2020/'21, MPI's vacancy rate had increased from just under thirty (30) to a hundred-and-forty (140), correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATRINE DILAY: And I just want to look at -- I believe it's just one (1) last reference on this topic.

Could we turn, Ms. Schubert, to the 2020 GRA and Figure EXP-APP-12-1. So I believe that would be from Appendix 12 to the Expenses section.

(BRIEF PAUSE)

MS. KATRINE DILAY: Thank you, Ms. Schubert.

And so, you'll agree that the test year in this GRA would have been the year 2020/'21?

MR. MICHAEL GANDHI: Correct. Yeah.

MS. KATRINE DILAY: And you'll agree, if we look at the forecasted vacancy allowance figure for 2021, at that time it was 1.5 million?

MR. MICHAEL GANDHI: Yeah. That is correct.

MS. KATRINE DILAY: And as we said earlier, and we can go back to that reference, but the actual vacancy allowance for 2020/'21 was 11.19 million, correct?

MR. MICHAEL GANDHI: For '20/'21, yes. That is correct.

MS. KATRINE DILAY: So, almost 10 million more than the forecast in the 2020 GRA?

MR. MICHAEL GANDHI: Right.

MS. KATRINE DILAY: Before changing topics, I just want to turn back to one (1) question that I -- I posed earlier, because I -- I think I might have ineloquently posed it.

(BRIEF PAUSE)

MS. KATRINE DILAY: You'll agree that to the extent that MPI's vacancy allowance does not fully capture the cost of those unfilled positions, MPI's financial forecast would be impacted by the actual under budget FTE's?

MR. MICHAEL GANDHI: I think you're saying, basically if we -- you know, if our forecast wasn't accurate at what we thought, the 1.5 when we came in, say the 11.1, we're going to have an impact going forward on that with the forecaster.

We'll -- we'll miss our forecast for that. That's -- yeah, that goes without saying. It'll -- it'll modify it a bit, for sure, but we always provide our best estimates on whatever we do at the time we're preparing the assumptions.

So, you know, this 1.5 would have been a -- a few years ago, and -- and I'm not sure of the rationale, how we came up with that, but yeah, it's -- it's obviously different today and -- and things have changed. So yeah, the -- the little forecasting changes will have small impacts, yeah.

MS. KATRINE DILAY: Thank you. I very much appreciate you jumping in there and clarifying what I was asking.

So, I'm now moving to my last topic, which is relatively short, Madam Chair. I have a few questions about broker expenses and the broker agreement.

So, you'll agree that during the 2020/'21 fiscal year, MPI and the Insurance Broker's Association of Manitoba negotiated a future commission free agreement?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: And this is for the period of April 1st, 2021 through to March 31st, 2026?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: And this agreement outlines the future regulated and effective rates which include the impacts for online services that will be an option for Manitobans in the near future?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And you'll agree that these online services will be a result of Project Nova?

MR. MICHAEL GANDHI: Yes.

MS. KATRINE DILAY: So if we turn to the Information Request CAC-MPI 1-27. So you'll agree that this Information Request asked MPI to file a copy of the new broker agreement, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And it was filed as Attachment A?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: And if we turn to page 8 of Attachment A, you'll agree that this table shows the commission rates that brokers are to be paid based on various transactions, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY And this is for both Basic and Extension?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: So, looking at the table as a whole, you'll agree that brokers receive a commission for online transactions for both Basic and Extension, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATRINE DILAY: In every year until 2025/'26, correct?

MR. MICHAEL GANDHI: And starting in '23/'24 is what we expect, I believe for online.

Oh, I see where you're -- yeah, there -- there are numbers there. We might have to confirm this at some point, but my understanding with this is that online trans -- we don't expect them to commence until '23/24 so I don't know how we can -- you know, maybe this table needs to be modified. I'm not sure but my understanding is the online transactions -- we don't expect take-up of online, you know, until '23/'24 really so I don't think there'll be anything to pay.

MS. KATRINE DILAY: Thank you. And you'll agree that someone who may be characterized as a sophisticated customer who will renew on line will lucky never need to go see a broker?

MR. MICHAEL GANDHI: Sorry, can you repeat that.

MS. KATRINE DILAY: You'll agree that someone who may be characterized as a sophisticated customer and who will renew on line will likely never need to go see a broker?

MR. MICHAEL GANDHI: That's a possibility, yeah.

MS. KATRINE DILAY: And we can go to a reference if needed but you may know these numbers off the top of your head. Through the Project Nova business case MPI has forecast the online adoption rates to be approximately 10 percent in 2023/'24?

MR. MICHAEL GANDHI: Yes.
MS. KATRINE DILAY: And increasing to 40 percent in 2027/'28 and beyond?
MR. MICHAEL GANDHI: Subject to check, yes.
MS. KATRINE DILAY: We can just turn to the IR and then it will save you checking. Kristen, could we turn to PUB-MPI 1-69(d).

(BRIEF PAUSE)

MS. KATRINE DILAY: And part (d) of the response here -- and if we look at this response are you able to confirm that MPI is forecasting the online adoption rate to increase to 40 percent in 2027/'28?
MR. MICHAEL GANDHI: Confirmed.
MS. KATRINE DILAY: And in 2025/'26 the forecasted adoption rate is 35 percent -- or 30 percent, my apologies, correct?
MR. MICHAEL GANDHI: Correct.
MS. KATRINE DILAY: And 2025/'26 was the year under which the current broker agreement is in place, as we just saw in the previous table, correct?

MR. MICHAEL GANDHI: Yes, that's my understanding, yep.

MS. KATRINE DILAY: And MPI has confirmed that it is confident its estimates for online adoption rates are reasonable, correct?

And I can take you to an IR if that would be of assistance.

MR. MICHAEL GANDHI: I would accept that, yep.

MS. KATRINE DILAY: So you'll confirm then that based on the new agreement with brokers, and the online adoption rates that we've seen, MPI believes there is value in paying brokers for transactions where customers are transacting online directly with MPI and in which brokers pay no role, correct?

MR. MICHAEL GANDHI: I apologize, I'm going to have to get you to re-ask that.

MS. KATRINE DILAY: Thank you. It's -- it's a long question. So when -- you'll confirm that based on the new agreement we just looked at with brokers, combined with these online adoption rates that are forecasted by MPI, MPI believes that there is value in paying brokers for transactions where customers are transacting online directly with MPI where brokers are not going to be paying a role, correct?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Yeah, I -- I wasn't -- I'm not that comfortable, actually, going any further with this line of questioning, just because I wasn't a part of the actual negotiations.

So, I would prefer to defer that to Mr. Giesbrecht or another member on the panel.

MS. KATRINE DILAY: Thank you. I appreciate that. If I could just have one (1) minute just to quickly review my notes? Thank you, Madam Chair.

(BRIEF PAUSE)

MS. KATRINE DILAY: Madam Chair, those are all my questions for this panel. Thank you.

THE PANEL CHAIRPERSON: Thank you very much.

Ms. Schubert, could you please get Mr. Hacault on the screen so we can find out how long he expects he will take.

MR. ANTOINE HACAULT (by Teams): I was listening. I think I can complete one (1) line of questioning during the time that remains and allow the witness to leave either by about 2:25 or 2:30.

THE PANEL CHAIRPERSON: Okay. That's great. Thank you. Please proceed.

CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

MR. ANTOINE HACAULT (by Teams): Good morning members of the panel. My name is Antoine Hacault. I act on behalf of the Taxi Coalition.

And in this line of questioning, if you can answer -- again, it doesn't matter who answers -- I will try to explore the effect on taxis of choosing to allocate the net income from Extension to DVA, instead of Basic.

So, I'll start firstly, I assume that both of you were there on-line or otherwise, listening to your CEO Mr. Herbelin, when he addressed options available to MPI with respect to the allocation of surplus income for the Extension line.

Am I correct?

MR. MICHAEL GANDHI: Yes. I -- yeah.

MR. ANTOINE HACAULT (by Teams): And

it's my understanding that the evidence is as follows on the record. There was a $60 million dollar transfer from Extension to DVA for expenses, thus far.

Is that correct?

MR. MICHAEL GANDHI: Yes. In 2020/'21 there was $60 million, yes.

MR. ANTOINE HACAULT (by Teams): And its my understanding for the next fiscal year that there's a plan to use about $53 million -- being transferred from Extension net income to DVA, instead of Basic.

Is that correct?

MR. MICHAEL GANDHI: Yes, that's right. $53 million.

MR. ANTOINE HACAULT (by Teams): Okay. I couldn't find it on the record, so if you're unable to provide an answer, I'd like an undertaking, if that's possible.

Is MPI able to provide what DVA fees taxis avoid or avoided as a result of the $60 million dollars being put in the DVA pot?

(BRIEF PAUSE)

MR. ANTHONY GUERRA: Counsel, I'm

sorry, we're going to actually have to object to that question. And the reason why is because it assumes that, had the transfer from Extension to DVA not occurred, that the -- the natural, the only other choice, would have been to recover those amounts through increased DVA fees to taxis. And that's not been established in evidence that that would have been the only option considered by -- by MPI.

MR. ANTOINE HACAULT (by Teams): So I'll explain how -- where I'm going with the question and why I think the information is relevant to put on the record.

Is -- I -- as a result of the subsequent questions that I'm going to ask, it looks like if the option of putting those excess funds of $60 million dollars into the Basic line would have -- that would have resulted in refunds of close to $600 dollars per taxi.

And we don't have the data, but I would suspect that the Driver Vehicle Administration fees, that it would have been increased, 'cause that's one of the options that Mr. Herbelin said might have been possible, that those increases would have been substantially less, so there's an unfair result by choosing not to honor what I see on the public record of transferring the funds to Basic, but instead choosing it to transfer the funds to DVA.

I appreciate there may be other options and it isn't the only option, but I think it's important for this Board to understand the consequences of MPI's choice to not transfer the funds to Basic.

(BRIEF PAUSE)

MR. ANTHONY GUERRA: So -- so again, a couple of things from MPI's perspective.

So, first of all, the requirement to transfer from Extension to Basic doesn't arise until fiscal year-end and as we know the decision to transfer it from Extension to DVA was made prior to that date.

The other problem that we have with the premise of the question is the fact that it -- it presupposes a decision that was made by -- by government. And what we've heard from Mr. Herbelin yesterday, was that options were floated by government and every option that was floated was -- was not accepted, including different amounts by which DVA fees could be increased to cover these amounts.

So, we're really talking about a hypothetical situation that -- that never came to be and is not something that is in evidence that the government would ever consider. So while MPI may have put those options available, there isn't any credible evidence that any of those options are -- are things that could -- could ever come into being because it -- they would need government approval.

MR. ANTOINE HACAULT (by Teams): Okay. Members of the panel, perhaps what I can do, is I'll put the line of questioning as to what the impact, or the positive impact, would have been as far the refunds, so at least we get the numbers on the refunds on the record.

And I see with those objections that I would have a line of questioning on options, because I think that hasn't been fully explored with this panel or -- or with the CEO yet. And I believe there are questions on options which would be relevant to this line of questioning, which I obviously won't be able to do in the next fifteen (15) minutes.

Or I can just defer everything to tomorrow morning and then we can get a ruling on which questions need to be answered.

THE PANEL CHAIRPERSON: Thank you, Mr.

Hacault. I think that you're correct that if you were to break it down and ask the questions as two (2) separate questions, perhaps ask them again at this point, and then we can decide what we're going to do in terms of the balance of the time we have left this afternoon.

CONTINUED BY MR. ANTOINE HACAULT:

MR. ANTOINE HACAULT (by Teams): Okay. Thank you.

So, I have your objection Mr. Guerra to not provide either what the DVA fees would have been, as avoided fees, as a result of the $60 million dollars being put into that pot. So that question stands.

Reformulated perhaps -- in a different way, is MBI -- MPI able to isolate what types of increased DVA fees are avoided for taxis because of the decision to allocate to DVA?

I gather you're objecting to that, so I'll just put the question on the record.

Next, if we could go to CAC-MPI 1-88, Ms. Schubert, please.

(BRIEF PAUSE)

MR. ANTOINE HACAULT (by Teams): So the reason I'm bringing this panel to this IR is that it sets out that a capital release would mean the return of about $55 million to policyholders.

Do you see that?

MR. MICHAEL GANDHI: Yes.

MR. ANTOINE HACAULT (by Teams): Okay. So keep that number in -- in mind, because I'd like to know whether my lawyer math would be useful in the sense of determining what a 60 million return, not a 55 million, would mean to -- to taxis.

The next IR, which would be relevant I believe in that calculation, would be TC, so Taxi Coalition, MPI-2-2 at Question D, as in Donald. And if we can have the answer to Question C also shown on the screen, Ms. Schubert. Thank you.

So that here the question was asked on what would be the effect of a 5 percent capital release, and also what would be the effect of the initial $2.28 million, as far as a refund to the taxicab vehicle for hire.

Am I understanding this information correctly?

(BRIEF PAUSE)

MR. ANTOINE HACAULT (by Teams): Sorry, I'm unable to see. Are the witnesses still reviewing this information?

THE PANEL CHAIRPERSON: Yes, Mr. Hacault. They're having a discussion with their lawyers at the moment.

MR. ANTOINE HACAULT (by Teams): Okay.

(BRIEF PAUSE)

MR. ANTHONY GUERRA: Counsel, it's Mr. Guerra again. Just for -- for your benefit, we do have a capital management plan RSR and rebate panel that is scheduled to appear on the 19th and the 20th. And on that panel will be Mr. Giesbrecht, Mr. Dunstone, who is here as well, and Mr. Tai Phao, along with some back row support, who we believe are actually better suited to answer that specific question.

I appreciate Mr. Dunstone's here, but he's only one (1) piece of that puzzle. And we think that's -- that line of questioning is better suited for the -- that -- that particular panel.

So if it's okay with you, I would appreciate that we -- we defer that line of questioning to that panel.

CONTINUED BY MR. ANTOINE HACAULT:

MR. ANTOINE HACAULT (by Teams): Okay. I'll put my questions on the record. I think they can be dealt with, either by your back row or -- fairly quickly.

What I'm trying to determine is, with respect to the taxi cab's vehicle for hire, if we know what a rebate of $2.28 million will be, can I use that same mathematical formula, or can I be provided by way of undertaking, to provide the refund which would provided to taxi cabs for 60 million dollar number. That's what I'm looking for? Do I have that undertaking? I think we can deal with it and then get it on the record --

MR. DEAN DUNSTONE: Counsel, just -- just checking with -- with our back row. One (1) second. Thank you.

(BRIEF PAUSE)

MR. DEAN DUNSTONE: Hi. I just heard from our back row on your question, and one of our actuaries was -- was -- is in our back row, and he says it's three hundred (300) -- approximately three hundred thousand (300,000).

MR. ANTOINE HACAULT (by Teams): Okay. It came out to two hundred and ninety-eight thousand one hundred and thirty-seven dollars and eighty-one cents ($298,137.81). That may have been to precise.

And then, mathematically, if I wanted to know the average impact on each taxi, I would just take the total number of taxis and the total territory area, 1, 2, 3, and 4, and that mathematical calculation would give me the average rebate for taxis.

Is that the proper calculation? In other words, could that calculation be done, the average rebate to all taxis in Manitoba, if there was $60 million rebate? If we could have that on the record as a calculation, then we could have a document, not the lawyer's attempt to do calculations. And if we could have that, that would end my questioning for today.

MR. MICHAEL GANDHI: One (1) moment, please.

(BRIEF PAUSE)

MR. ANTOINE HACAULT (by Teams): While you're discussing it, an easy way to do it would just to be -- to add an extra line to Figure number 2, which we have on the screen, which is Figure 2 to TC-MPI-2.2, which would be estimate amount available for release, based on $60 million release. And then we could have the number for Territory 1, Territory 2, Territory 3, Territory 4.

So it would just be using this table which is based on $55 million, and add an extra for the $60 million amount.

MR. ANTHONY GUERRA: Yes, counsel. I can advise that we have reviewed that request and are able to comply, so I will give the undertaking.

--- UNDERTAKING NO. 10: MPI to provide the calculation for the average impact to each taxi

MR. ANTOINE HACAULT (by Teams): Okay. Thank you very much. I don't expect I'll have very many more questions tomorrow for this panel, subject to the rulings of the PUB. Thank you very much to the panel, and let the witness off. It's 2:23, and I know he needs to be out by 2:30.

THE PANEL CHAIRPERSON: Thank you very much, Mr. Hacault. I would ask for some clarification with regard to the first question that M. Hacault asked, which is: What is the appropriate panel to which the question should be posed with regard to the impact of a $60 million calculation in fees for taxi vehicle for hire?

MR. ANTHONY GUERRA: So the question is: If the objected-to question were allowed by the PUB, to what panel should that question be posed? Is that correct?

THE PANEL CHAIRPERSON: Yes.

(BRIEF PAUSE)

MR. ANTHONY GUERRA: Madam Chair, that question is probably also best posed to the capital management RSR panel that will be appearing on the 19th as well -- again, obviously subject to the objection that we have.

THE PANEL CHAIRPERSON: Thank you, Mr. Guerra. So we'll adjourn for the afternoon and start tomorrow morning at 9:00, continuing Mr. Hacault's cross-examination of this panel. Thanks very much. Good afternoon.

--- Upon adjourning at 2:25 p.m.

Certified Correct,

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Wendy Woodworth, Ms.