



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

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

Before Board Panel:

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

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 21, 2021
Pages 1648 to 1934

1 APPEARANCES
2
3 Kathleen McCandless) Board Counsel
4 Robert Watchman) Board Counsel
5 Kara Moore (by Teams)) Board Counsel
6 Darren Christle)
7 Kristen Schubert)
8 Roger Cathcart (by Teams)) PUB advisor
9 Kevin Yang (by Teams)) PUB advisor
10 Blair Manktelow (by Teams))
11
12 Anthony Guerra) Manitoba Public
13 Steve Scarfone) Insurance
14
15 Katrine Dilay) CAC (Manitoba)
16 Chris Klassen (by Teams))
17
18 Antoine Hacault (by Teams)) Taxi Coalition
19
20 Charlotte Meek) CMMG
21 Doug Houghton (np))
22
23
24
25

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3	MPI-73	Amended Information Request Response	
4		to CAC-MPI-1-82(a), Appendix A,	
5		Revised as of October 20	1702
6	MPI-74	MPI's Response to Taxi Coalition MPI	
7		Pre-ask Number 1 with Appendices 1,	
8		2, and 3	1703
9	PUB-27	Canadian Institute of Actuaries	
10		Standards of Practice, 2620.09	1868
11	CAC-9	CAC Book of Documents.	1919

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1		LIST OF UNDERTAKINGS	
2	NO.	DESCRIPTION	PAGE NO.
3	41	MPI to determine what development has	
4		to take place within Project Nova to	
5		provide the functionality to conduct a	
6		pricing examination of a Primary Driver	
7		DSR system and what would be required	
8		to implement a Primary Driver Driver	
9		Safety Rating system; and to provide	
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1 --- Upon commencing at 9:02 a.m.

2

3 THE PANEL CHAIRPERSON: Good morning,
4 everyone. We will start this morning with cross-
5 examination by Ms. Meek, counsel for CMMG.

6 MS. CHARLOTTE MEEK: Thank you, Madam
7 Chair.

8

9 CONTINUED MPI INVESTMENTS PANEL:

10 MARK GIESBRECHT, Previously Affirmed

11 GLENN BUNSTON, Previously Affirmed

12

13 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

14 MS. CHARLOTTE MEEK: Good morning, Mr.
15 Bunston. My name is Charlotte Meek. I'm representing
16 -- sorry, and Mr. Giesbrecht. I'm representing the
17 Coalition of Manitoba Motorcycle Groups, and I've got
18 a couple of questions for you today.

19 I'd like to start off today looking at
20 a Board Order from the 2020 GRA. So this is Board
21 Order 176/19, page 14. And if we scroll down to the
22 second paragraph there, and you can see that reads:

23 "In addition, the Board is concerned
24 as to the disproportionate impact
25 interest rate changes appear to have

1 on the motorcycle class."

2 And you can see that the Board is
3 acknowledging our concerns about the effects of
4 interest rates on -- impacts on motorcycle vehicles.

5 MR. GLENN BUNSTON: Yes, I see that
6 says the Board is concerned about the impact of
7 interest rates on motorcycles, yes.

8 MS. CHARLOTTE MEEK: Thank you. And
9 then I'd like to jump to the transcript of proceedings
10 from last year. So this is the October 20th, 2020,
11 transcript at page 392. And this was my cross-
12 examination of Mr. Johnston in last year's hearing,
13 and starting at line 13, it reads as follows:

14 "Would you acknowledge, Mr.
15 Johnston, that the motorcycle class
16 is disproportionately impacted by
17 declining long-term interest rates,
18 more than -- more so than other
19 vehicle classes?"

20 And Mr. Johnston's response there is,
21 "Definitely." Do you see that?

22 MR. GLENN BUNSTON: I see that, yes.

23 MS. CHARLOTTE MEEK: So Mr. Johnston
24 here is also acknowledging the dispropor -- the
25 disproportionate impact on the motorcycle class?

1 MR. GLENN BUNSTON: He is, yes.

2 MS. CHARLOTTE MEEK: And would you
3 agree that motorcycles are disproportionately impacted
4 by declining long-term interest rates?

5 MR. GLENN BUNSTON: Based on the fact
6 that motorcyclists have more exposure to personal
7 injury which tend to have a longer duration, yes, I
8 would agree.

9 MS. CHARLOTTE MEEK: Thank you.

10 MR. MARK GIESBRECHT (by Teams): If I
11 could just add to that as well. So as Mr. Bunston
12 just noted, there is additional exposure to long-term
13 injuries which has, of course, a corresponding long-
14 term asset associated with that -- that risk.

15 And so there is more exposure to that,
16 but it's exactly proportionate to the risk that --
17 that that class bears. So I don't know if it's fair
18 to say it's disproportionate to -- relative to the
19 risk. It's -- it's exactly proportionate to the risk.
20 However, it's a greater exposure than it would be in a
21 different class such as a private passenger.

22 MS. CHARLOTTE MEEK: So what you're
23 alluding to is that the make-up of the motorcycle
24 Basic claims portfolio has higher long-term PIPP
25 claims.

1 But you would agree that, due to the
2 make-up of the class, the impact of long-term interest
3 rates disproportionately affects it as opposed to
4 other classes?

5 Other classes are not equally impacted
6 by the volatility of long-term interest rates. Would
7 you agree with that?

8 MR. MARK GIESBRECHT (by Teams): Yeah.
9 I would say that the motorcycle class is more
10 sensitive to changes in interest rates, and the reason
11 they're more sensitive is because they are more --
12 have more exposure to injury claims which have a
13 greater sensitivity to changes in interest rates.

14 So -- but actually, the risk is
15 proportionate because it's based on the nature of the
16 underlying risk.

17 MS. CHARLOTTE MEEK: Would you agree
18 that motorcycle premiums are more likely to change due
19 to volatility of long-term interest rates?

20 MR. MARK GIESBRECHT (by Teams): Yes.

21 MS. CHARLOTTE MEEK: Thank you. And
22 then I'd like to go to -- back to the same Board
23 Order, please, Kristen. Thank you. And I'd like to
24 look at Directive 13.12. This is on page 133, so
25 we're looking at Board Order 176/19. Thank you,

1 Kristen.

2 And you'll see a directive here that:

3 "The Corporation shall consider an
4 investment strategy or other
5 strategy to ameliorate the effect of
6 interest rate changes on the
7 motorcycle class, including the
8 inclusion of equities or other
9 growth assets in the reserves
10 supporting long-tail liabilities,
11 and report on the results of that
12 review in the 2021 GRA."

13 Do you see that there?

14 MR. GLENN BUNSTON: I see that, yes.

15 MS. CHARLOTTE MEEK: And would you
16 agree that MPI has not proposed any change in the
17 Corporation's investment strategy to achieve this
18 directive?

19 MR. GLENN BUNSTON: No, we have not
20 proposed any changes for the motorcycle class, no.

21 MS. CHARLOTTE MEEK: But there's been
22 no changes in the investment strategy to comply with
23 the directive that says that they will look at the
24 inclusion of growth equities or other growth assets.

25 Would you agree with that?

1 MR. GLENN BUNSTON: I would agree that
2 we have -- we have not included -- considered
3 including the growth assets in the motorcycle -- or
4 setting up a special investment portfolio for
5 motorcycles.

6 MS. CHARLOTTE MEEK: Maybe I can
7 rephrase it. The Corporation hasn't considered
8 including equities or other growth assets in the Basic
9 portfolio. Would you agree with that?

10 MR. GLENN BUNSTON: I would agree with
11 that, yes.

12 MS. CHARLOTTE MEEK: Thank you. And
13 would you agree that the Corporation's risk appetite
14 is determined by MPI's board of directors?

15 MR. GLENN BUNSTON: Yes, I would.

16 MS. CHARLOTTE MEEK: And MPI's board
17 of directors has indicated that it has a very
18 tolerance for risk in the Basic portfolio.

19 Is that correct?

20 MR. GLENN BUNSTON: That is correct,
21 yes.

22 MS. CHARLOTTE MEEK: Okay. And,
23 Kristen, I'm sorry. I'd like to go back to the
24 transcript of proceedings, the October 20th
25 transcript. I know I'm going a little out of order

1 here. If we could go to page 473 of this transcript,
2 looking at line 20 and onwards.

3 So, sorry, if we could scroll up a tiny
4 bit just so we can see. So this was my cross-
5 examination last year again, and at line 20, I was
6 referring an -- to an IR from CMMG.

7 And then if we scroll down to the next
8 page. So we're talking about MPI providing a
9 response, and we're talking about -- oh, scroll down a
10 little bit more -- about the asset liability
11 management study.

12 You're familiar with the asset
13 liability management study that was completed by
14 Mercer?

15 MR. GLENN BUNSTON: Yes, I am.

16 MS. CHARLOTTE MEEK: And one (1) of
17 MPI's responses was, quite simply:

18 "The asset liability management
19 study completed in the January 2018
20 by Mercer prohibits the inclusion of
21 growth assets or equities in the
22 Basic claims portfolio."

23 You can see that there?

24 MR. GLENN BUNSTON: I see that, yes.

25 MS. CHARLOTTE MEEK: And you'd agree

1 that it was the decision of MPI's board and not the
2 ALM study that precluded the inclusion of growth
3 assets?

4 MR. GLENN BUNSTON: Well, the ALM
5 study was informed by the MPI -- by the -- the risk
6 appetite of MPI's board, so that formed the basis for
7 the study, so yes.

8 MS. CHARLOTTE MEEK: Thank you. I'd
9 now like to move on and talk a little bit about the
10 shadow portfolios that were ordered by the Board after
11 the ALM study was completed.

12 You'd agree with me that there were
13 constraints on the Basic claims portfolio.

14 Is that correct?

15 MR. GLENN BUNSTON: Yes, that's true.

16 MS. CHARLOTTE MEEK: And the shadow
17 portfolios were created to provide a comparison
18 portfolio which would allow the Board to see what
19 returns may have been realized in the event that those
20 constraints were not placed on the Basic portfolio.

21 Is that correct?

22 MR. GLENN BUNSTON: Yes, that's
23 correct.

24 MS. CHARLOTTE MEEK: Okay. And you
25 discussed this a little bit with Ms. Dilay yesterday,

1 so I don't -- don't want to be repetitive, but you
2 confirmed with Ms. Dilay that shadow portfolio 1 was
3 similar to the Basic portfolio, but the constraint
4 prohibiting RRBs was removed. Is that correct?

5 MR. GLENN BUNSTON: Yes, that's right.

6 MS. CHARLOTTE MEEK: Okay. And then
7 shadow portfolio 2 was similar to the Basic portfolio,
8 but the constraints prohibiting equities or other
9 assets was removed. Is that correct?

10 MR. GLENN BUNSTON: Yes.

11 MS. CHARLOTTE MEEK: Okay. And so,
12 you'd agree that shadow portfolio 2 has private
13 equities of about 13 percent and RRBs of about 16
14 percent. Does that sound right, subject to check?

15

16 (BRIEF PAUSE)

17

18 MR. GLENN BUNSTON: Shadow portfolio
19 2?

20 MS. CHARLOTTE MEEK: Yes.

21 MR. GLENN BUNSTON: Could you repeat
22 the question?

23 MS. CHARLOTTE MEEK: So, you'd agree
24 that shadow portfolio 2 had private equities of about
25 13 percent and RRBs of 16 percent?

1

2

(BRIEF PAUSE)

3

4

MR. GLENN BUNSTON: According to our
5 response to CMMG 1-10, I believe private equity had an
6 allocation of 5 percent.

7

MS. CHARLOTTE MEEK: Oh, I apologize.
8 Thank you for that correction. So, you spoke to Ms.
9 Dilay about this concept yesterday.

10

But you'd agree that, similarly to
11 shadow portfolio 1, shadow portfolio 2 provides past
12 or realized returns but doesn't show past or realized
13 risk or surplus volatility.

14

Is that correct?

15

MR. GLENN BUNSTON: That's correct.

16

MS. CHARLOTTE MEEK: Okay. So, I'd
17 like to go to CMMG-MPI 2-14.

18

19

(BRIEF PAUSE)

20

21

MS. CHARLOTTE MEEK: This is appendix
22 1. And this provides a summary of returns over the
23 period from July 2020 to July 2021. Is that correct?

24

MR. GLENN BUNSTON: Yes, that's right.

25

MS. CHARLOTTE MEEK: And we can see

1 here that the results of the shadow portfolio 2 from
2 that period was returns of -- oh, pardon me. Just
3 give me one (1) moment.

4 Sorry, Kristen, could we go to page 7
5 of this? I apologize. Thank you very much. So,
6 again, sorry, just to repeat, this is a summary of the
7 returns from the period of July 2020 to July 2021?

8 MR. GLENN BUNSTON: Correct.

9 MS. CHARLOTTE MEEK: Okay. And so,
10 shadow portfolio 2, we can see the returns of the 5.01
11 percent. Is that correct?

12 MR. GLENN BUNSTON: That is correct.

13 MS. CHARLOTTE MEEK: Okay. And we can
14 also see a few lines down the passive return on the
15 Basic portfolio for the same period was negative 3.61.
16 Is that correct?

17 MR. GLENN BUNSTON: That's correct.

18 MS. CHARLOTTE MEEK: Okay. So, we can
19 see here that shadow portfolio 2 between this period
20 of July 2020 to July 2021 outperformed the policy
21 portfolio. Is that correct?

22 MR. GLENN BUNSTON: Shadow portfolio
23 P2 outperformed the passive return on the Basic
24 portfolio, yes.

25 MS. CHARLOTTE MEEK: Yes. And you can

1 see that it outperformed it by 8.62 percent.

2 Is that correct?

3 MR. GLENN BUNSTON: That's correct.

4 MS. CHARLOTTE MEEK: Thank you. And
5 we can see that the actual portfolio did outperform
6 the policy portfolio. Is that -- is that right?

7 MR. GLENN BUNSTON: Yes, it did.

8 MS. CHARLOTTE MEEK: And that's
9 because the actual portfolio's actively managed.

10 Is that correct?

11 MR. GLENN BUNSTON: That is correct.

12 MS. CHARLOTTE MEEK: Okay. And you
13 discussed this earlier -- or yesterday with Ms. Dilay
14 regarding shadow portfolio 1, but you agreed that
15 realized surplus volatility is not reported for shadow
16 portfolio 2 either. Is that correct?

17 MR. GLENN BUNSTON: Surplus volatility
18 is not reported for any of the portfolios here.

19 MS. CHARLOTTE MEEK: Thank you. Then
20 I'd like to look at the same information from the year
21 before, from the 2021 GRA, if we could. I'd like to
22 go to MPI Exhibit 50 from the 2021 GRA.

23

24 (BRIEF PAUSE)

25

1 MS. CHARLOTTE MEEK: We'll go to page
2 2. So, we're looking at figure 1. So, we can see
3 this figure provides us the returns for shadow
4 portfolio 2 from the period August 31st, 2019, to
5 August 31st, 2020. Is that correct?

6 MR. GLENN BUNSTON: That is correct.

7 MS. CHARLOTTE MEEK: Okay. And then
8 we can see the total returns on the bottom right-hand
9 corner. That shows returns of 7.10 percent over that
10 period. Is that correct?

11 MR. GLENN BUNSTON: Yes, that's
12 correct.

13 MS. CHARLOTTE MEEK: Thank you. And
14 then if we could go to Exhibit 51 from the 2021 GRA,
15 looking at figure 1. And this shows us the Basic
16 returns portfolio for that same period.

17 Is that correct?

18 MR. GLENN BUNSTON: Yes, it does.

19 MS. CHARLOTTE MEEK: Okay. And so, we
20 see total returns on the bottom right-hand corner of
21 6.46 percent. Is that correct?

22 MR. GLENN BUNSTON: Yes.

23 MS. CHARLOTTE MEEK: Okay. And this
24 is the actual returns for the Basic portfolio.

25 Is that correct?

1 MR. GLENN BUNSTON: That's right.

2 MS. CHARLOTTE MEEK: It's not the
3 policy portfolio. So, this is the active -- actively
4 managed portfolio?

5 MR. GLENN BUNSTON: Yes, that's right.

6 MS. CHARLOTTE MEEK: Okay. And,
7 unfortunately, the returns for the policy portfolio is
8 not the subject of an undertaking last year.

9 Is that correct?

10 MR. GLENN BUNSTON: I don't believe it
11 was, no.

12 MS. CHARLOTTE MEEK: Okay. So, we
13 don't have comparable data between the shadow
14 portfolio and the policy portfolio for that period?

15 MR. GLENN BUNSTON: We don't have that
16 in front of us, no.

17 MS. CHARLOTTE MEEK: Okay. So, while
18 we don't have the data, would you expect similarly to
19 the information filed by MPI in this year's GRA, that
20 the actual portfolio would outperform the policy
21 portfolio from the period of August 31st, 2019 to
22 2020?

23 MR. GLENN BUNSTON: It's possible, but
24 without the -- doing the calculations, I couldn't say
25 definitively.

1 MS. CHARLOTTE MEEK: Thank you. Okay.
2 And I'd like to go to the 2020 GRA, part 6,
3 investments. And we're going to go to attachment A,
4 page 12. Thank you, Kristen.

5 So, you reviewed part of this document
6 yesterday with Ms. Dilay. Is that correct?

7 MR. GLENN BUNSTON: Yes, I believe so.

8 MS. CHARLOTTE MEEK: Okay. So, I'm
9 going to go through some similar information but for
10 shadow portfolio 2.

11 We can see that shadow portfolio 2 here
12 is identified with the red dotted line as middle 'C'.
13 Is that correct?

14 MR. GLENN BUNSTON: Yes, I believe
15 that is shadow portfolio 2.

16 MS. CHARLOTTE MEEK: Thank you. And
17 if we could go to the next page, please, Kristen. And
18 you can see middle 'C' on this slide here?

19 MR. GLENN BUNSTON: I see the dot
20 labelled on the slide, yes.

21 MS. CHARLOTTE MEEK: Thank you. And
22 you confirmed with Ms. Dilay yesterday that Basic .3
23 represents the policy portfolio. Is that correct?

24 MR. GLENN BUNSTON: I believe that is
25 correct, yes.

1 MS. CHARLOTTE MEEK: Thank you. And
2 you'd agree that middle 'C' representing shadow
3 portfolio 2 shown on this chart has less surplus
4 volatility with approximately 3.1 percent volatility
5 than the policy portfolio with approximately 4.5
6 percent volatility?

7 MR. GLENN BUNSTON: Yes, the portfolio
8 labelled middle 'C' has less volatility than the
9 portfolio labelled Basic .3.

10 MS. CHARLOTTE MEEK: Thank you. And
11 you'd agree that middle 'C' representing shadow
12 portfolio 2 has higher expected returns than the
13 policy portfolio. Is that correct?

14 MR. GLENN BUNSTON: Yes, that's
15 correct.

16 MS. CHARLOTTE MEEK: And you would
17 agree that longer duration bonds have more volatility
18 that are better matched to long-term liabilities.
19 Would you agree with that statement?

20 MR. GLENN BUNSTON: Long-term bonds
21 are a good match to long-term liabilities, yes.

22 MS. CHARLOTTE MEEK: Okay. And is
23 that because more asset liability -- or sorry.

24 Is that because more asset volatility
25 doesn't necessarily translate into more surplus

1 volatility?

2 MR. GLENN BUNSTON: Depends on the
3 type of volatility. But if it's a volatility that is
4 correlated to the volatility experienced by the
5 liabilities, then, yes, that would be true.

6 MS. CHARLOTTE MEEK: And would you
7 agree that that may be true for other asset classes,
8 like, nominal bonds, RRBs, or equities?

9 MR. GLENN BUNSTON: I think it is more
10 true for fixed income. For equities, they have other
11 unique risks other than just interest rates, and they
12 are highly volatile.

13 And so, I don't think that they are
14 well correlated -- as well correlated with long-term
15 liabilities as fixed income assets are.

16 MS. CHARLOTTE MEEK: So, I guess my
17 question would be: Would you agree that more asset
18 volatility doesn't necessarily translate to more
19 surplus volatility, and that could be true for the
20 equity class?

21

22 (BRIEF PAUSE)

23

24 MR. GLENN BUNSTON: I don't think it
25 would be true for the equity class, no.

1 MS. CHARLOTTE MEEK: Okay. Thank you.
2 And I'd like to talk to you a little bit about
3 portfolio theory.

4 Would you agree that the relationship
5 between portfolio returns and risk can be represented
6 by the efficient frontier, which is the curve that is
7 part of modern portfolio theory?

8 MR. GLENN BUNSTON: Yes.

9 MS. CHARLOTTE MEEK: And would you
10 agree that it is necessary to determine the optimal
11 risk reward combination in order to invest
12 appropriately for a portfolio?

13 MR. GLENN BUNSTON: Sorry, could you
14 repeat that?

15 MS. CHARLOTTE MEEK: Sure. It's
16 necessary to determine the optimal risk reward
17 combination in order to invest appropriately for a
18 portfolio?

19 MR. GLENN BUNSTON: Yes. Part of the
20 process of investing is to identify the efficient
21 frontier and ideally select a portfolio that's on that
22 efficient frontier.

23 MS. CHARLOTTE MEEK: Thank you. So,
24 then if we could go to the 2019 GRA, part 6,
25 investments, appendix 17, attachment E, page 10. So,

1 here we have the example of the efficient frontier.

2 And you'd agree with me that the
3 efficient frontier shows the risk and return
4 tradeoffs. Is that correct?

5 MR. GLENN BUNSTON: Yes, that's right.

6 MS. CHARLOTTE MEEK: Okay. And when
7 we look at the axes on this chart, the goal is to be
8 as high up and as far left.

9 Would you agree with that?

10 MR. GLENN BUNSTON: It depends on the
11 risk appetite of the investor. And so your risk
12 appetite would determine the appropriate place to be
13 on the efficient frontier. So there isn't -- there
14 isn't a single appropriate place to -- to sit on the
15 efficient frontier.

16 MS. CHARLOTTE MEEK: So I guess, if --
17 I'm not looking at the efficient frontier just yet;
18 I'm just talking about the axes. So looking at in
19 terms of risk along the bottom, we want to be at
20 minimum risk, and we want to get the most reward for
21 that risk.

22 Would you agree with that?

23 MR. GLENN BUNSTON: No, I wouldn't
24 agree that you would necessarily want to minimize your
25 risk.

1 MS. CHARLOTTE MEEK: You wouldn't to
2 have a correlation between risk and reward?

3 MR. GLENN BUNSTON: There's -- there's
4 a correlation, but not all investors decide to
5 minimize their risk.

6 MS. CHARLOTTE MEEK: Okay. Some
7 investors want to maximize their risk?

8 MR. GLENN BUNSTON: Not necessarily.
9 They might select a point between the minimum risk and
10 the maximum risk.

11 MS. CHARLOTTE MEEK: Okay. So it's
12 depending on the preferences.

13 But would you say, in general terms,
14 most investment strategies are to minimize the risk in
15 order to -- and to maximize return? That would be the
16 ideal place to arrive on the axes?

17 MR. GLENN BUNSTON: What I would say
18 is that the investor, based on their risk appetite,
19 selects the appropriate level of risk for that --
20 their risk appetite, and then they seek to maximize
21 the return for that level of risk.

22 MS. CHARLOTTE MEEK: Okay. So what
23 you're saying is maybe they would focus on the bottom
24 axes first, on what their risk appetite is, and then
25 it would determine how much reward they can get within

1 that scope?

2 MR. GLENN BUNSTON: That's right.

3 MS. CHARLOTTE MEEK: I understand.

4 Thank you.

5 Okay. And so the efficient frontier on
6 this chart in front of us is the dark blue curved line
7 that we see.

8 Is that correct?

9 MR. GLENN BUNSTON: That's right.

10 MS. CHARLOTTE MEEK: Okay. And would
11 you agree that the location on the curve is measured
12 at the total portfolio level?

13 MR. GLENN BUNSTON: Yes.

14 MS. CHARLOTTE MEEK: Okay. And would
15 you agree that the total portfolio depends on two (2)
16 things; the first being the weights of each asset
17 class and the second being the returns of each asset
18 class?

19 MR. GLENN BUNSTON: That as well as
20 the correlation between the asset classes.

21 MS. CHARLOTTE MEEK: Okay. Thank you.
22 And would you agree that the total returns of a
23 portfolio are the weighted average of the returns of
24 the asset classes making up that portfolio?

25 MR. GLENN BUNSTON: That would be one

1 (1) way to calculate the return, yes.

2 MS. CHARLOTTE MEEK: Okay. Thank you.

3 And so we talked a little bit about the returns in a
4 portfolio, but I'd like to now talk -- well, we did
5 actually talk a little bit about the risk, but I'd
6 like to talk about the risk a little bit more.

7 So would you agree that risk is a
8 little bit more complex than return?

9 MR. GLENN BUNSTON: Risk is generally
10 less well understood, I think, than return. So, yes,
11 it has the potential to be more complicated.

12 MS. CHARLOTTE MEEK: Okay. And so the
13 challenges with risk might explain why the risk return
14 graph or the efficient frontier that we're looking at
15 bends rather than being in a straight line?

16 MR. GLENN BUNSTON: Could you rephrase
17 that question?

18 MS. CHARLOTTE MEEK: So the -- the
19 complexities that you've identified with risk, would
20 that be part of the reason to explain why the
21 efficient frontier curves rather than being in a
22 straight line?

23 MR. GLENN BUNSTON: Well, I think it
24 curves partly because of the correlations between the
25 asset classes. So it's not a straight 1:1

1 relationship in terms of adding additional higher
2 returning asset classes. They -- they reduce -- they
3 have -- if their correlation is less than one (1) with
4 the existing portfolio, they have the ability to
5 reduce the risk of the portfolio.

6 But that risk reduction benefit starts
7 to decline over time as you add more risky assets to
8 the portfolio, which is why you see the -- the risk
9 continues to increase, but the return levels off.

10 MS. CHARLOTTE MEEK: You're saying
11 when you add a small amount of asset classes that have
12 some risk, there's a -- a small amount of return
13 before it becomes very risky? Would you say that's --

14 MR. GLENN BUNSTON: Depends on the
15 correlation.

16 MS. CHARLOTTE MEEK: Okay.

17 MR. GLENN BUNSTON: But you can select
18 an asset class that has less than perfect correlation
19 to the existing portfolio, it can reduce the risk of
20 the portfolio or add return with minimal additional
21 risk.

22 MS. CHARLOTTE MEEK: Okay. And would
23 you agree that total risk depends on four (4)
24 different factors, those being volatilities of assets,
25 volatilities of liabilities, correlations, and

1 weights?

2 MR. GLENN BUNSTON: Yes, I would agree
3 with that.

4 MS. CHARLOTTE MEEK: Thank you. And
5 would you agree that the optimization process in the
6 asset liability study is to determine the optimal
7 weights of classes to get optimal return and risk
8 tradeoff at the total portfolio level?

9 MR. GLENN BUNSTON: Yes, I would agree
10 with that.

11 MS. CHARLOTTE MEEK: And would you
12 agree that, optimally, we want to be on the dark blue
13 curved line in the area that is labelled 'Efficient
14 Mixes'?

15 MR. GLENN BUNSTON: Ideally, yes.

16 MS. CHARLOTTE MEEK: And lower down
17 and to the left, you'd agree that's where the asset
18 mix is inefficient? So we see that square saying,
19 "inefficient, less reward, and more risk".

20 Would you agree with that there?

21 MR. GLENN BUNSTON: Yes, any
22 portfolios that are below the curve are not optimal.

23 MS. CHARLOTTE MEEK: Okay. So that
24 means there's less reward and more risk, if I'm not
25 optimal?

1 MR. GLENN BUNSTON: Correct.

2 MS. CHARLOTTE MEEK: Thank you. And
3 so, you'd agree that, looking at the efficient
4 frontier, as you move from the dot that is the matched
5 bonds dot toward the dot that is the equities dot, the
6 closer you get to the maximum equity weighting the
7 flatter the curve gets?

8 MR. GLENN BUNSTON: Yes, that's
9 right.

10 MS. CHARLOTTE MEEK: Okay. And that
11 means that the benefits of putting more equities into
12 the portfolio continue to increase, but the change in
13 risk starts to vary more.

14 Would you agree with that?

15 MR. GLENN BUNSTON: Well, the benefit
16 of adding more and more equities declines, which is
17 why the curve becomes more flat.

18 MS. CHARLOTTE MEEK: Apologize. Thank
19 you.

20 So the benefits of putting more
21 equities, it starts to increase and then it flattens
22 out, is what you're saying?

23 MR. GLENN BUNSTON: It plateaus, yeah.

24 MS. CHARLOTTE MEEK: And you get an
25 increased amount of risk as you go that direction.

1 (BRIEF PAUSE)

2

3 MS. CHARLOTTE MEEK: Okay. And then,
4 looking at the left part of the efficient frontier,
5 starting at matched bonds, as you move from matched
6 bonds towards more equities, the line is almost
7 vertical at the very beginning.

8 Would you agree with that?

9 MR. GLENN BUNSTON: It's quite -- it's
10 not vertical, but it's quite steep.

11 MS. CHARLOTTE MEEK: Thank you. So
12 would you agree then that you could add a very small
13 percentage or a small percentage of equities before
14 the curve begins to flatten out?

15 MR. GLENN BUNSTON: Well, it takes
16 some time for the curve to -- to flatten. The amount
17 of equities to reach that flat point, hard to say
18 without seeing the -- the numbers. I mean, this --
19 this is a -- an example provided by Mercer that's
20 meant to be illustrative, so I don't think we have any
21 hard data behind it. But adding a small amount of
22 equities, I think has the ability to --

23 MS. CHARLOTTE MEEK: Sure. We're --
24 we're just looking at a theoretical level. I agree
25 with you, we don't have any examples in front of us.

1 But, theoretically, you could have a
2 small amount of equities and there would be minimal
3 risk to that add?

4 MR. GLENN BUNSTON: Well, according to
5 this theoretical example in front of us, adding some
6 risky assets has the ability to increase return with a
7 small amount of additional risk.

8 MS. CHARLOTTE MEEK: Oh, with almost
9 no additional risk? Or very -- like, it's almost
10 vertical, as you indicated earlier, right?

11 MR. GLENN BUNSTON: Well, again, in
12 this theoretical example, it's what they're -- what
13 they've drawn here. But I think before making an
14 actual decision, one would need to study with the
15 actual data to determine how vertical the curve really
16 is in real life.

17 MS. CHARLOTTE MEEK: Sure. So would
18 you agree that a portfolio with less surplus
19 volatility will have higher risk adjusted returns than
20 a portfolio with more surplus volatility?

21 MR. GLENN BUNSTON: Yes, I would agree
22 with that.

23 MS. CHARLOTTE MEEK: Okay. And would
24 you agree that the Basic portfolio's asset mix is
25 closer to the matched bonds dot on this efficient

1 frontier chart that we have in front of us?

2 MR. GLENN BUNSTON: Yes, our portfolio
3 is a hundred percent fixed income and so, yes, it's
4 close to the -- similar to the matched bonds that's
5 described here.

6 MS. CHARLOTTE MEEK: Thank you.
7 Would you agree that, generally speaking, constraints
8 on a portfolio -- like, for example, prohibiting an
9 asset class -- have a cost and they tend to shift the
10 efficient frontier down?

11 MR. GLENN BUNSTON: Yes, constraints
12 have a cost, and excluding asset classes does have an
13 effect on the efficient frontier, yes.

14 MS. CHARLOTTE MEEK: And would you
15 agree that the shadow portfolios, which remove
16 constraints by allowing those asset classes to be
17 introduced, shift the curve up and left?

18 MR. GLENN BUNSTON: Yes, I would agree
19 with that.

20 MS. CHARLOTTE MEEK: And would you
21 agree that, conversely, by adding those constraints to
22 the policy portfolio, there is an expected cost there
23 that will be either lower returns for the same level
24 of risk or higher returns for the same level -- or
25 sorry, higher risk for the same level of return or a

1 combination of both?

2 MR. GLENN BUNSTON: Could you repeat
3 that?

4 MS. CHARLOTTE MEEK: Sure. So,
5 conversely, by adding those constraints to the policy
6 portfolio there is an expected cost.

7 And that cost will be either lower
8 returns for the same level of risk or higher risk for
9 the same level of return or a combination of both?

10 MR. GLENN BUNSTON: Yes, I'd agree
11 with that.

12 MS. CHARLOTTE MEEK: Thank you very
13 much. Those are my questions.

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

16 Ms. McCandless, I understand that Mr.
17 Hacault does not have questions for this panel. Is
18 that correct?

19 MS. KATHLEEN MCCANDLESS: That's what
20 he's advised.

21 MR. ANTOINE HACAULT (by Teams): Yes,
22 that's correct, Madam Chair.

23 THE PANEL CHAIRPERSON: Good morning,
24 Mr. Hacault. I didn't see you on the screen. Thank
25 you.

1 MR. ANTOINE HACAULT (by Teams): Yeah.

2 THE PANEL CHAIRPERSON: So, Mr. Gabor,
3 any questions? Mr. Watson, any questions?

4 BOARD MEMBER WATSON: Just a couple.
5 Just for clarity, the Asset Liability Study is being
6 engaged in December, I believe is -- is your answer?

7 MR. GLENN BUNSTON: Well, we are in
8 the process of drafting a -- a request for proposals
9 and plan to release that soon, in order to select the
10 consultant. And we'd like to have the consultant
11 selected by the end of December, yes.

12 BOARD MEMBER WATSON: Okay. And I
13 believe your answer yesterday was that it could be up
14 to six (6) months before you get the report back?

15 MR. GLENN BUNSTON: That's correct,
16 yeah.

17 BOARD MEMBER WATSON: Okay. Do you
18 anticipate any changes in the study to your current
19 portfolio, based on us coming out of COVID, rising
20 interest rates, rising inflation?

21 Do you anticipate that the report could
22 come back that the recommendations would be to change
23 the portfolio?

24 MR. GLENN BUNSTON: I mean, it depends
25 on the capital market assumptions that are used in the

1 study. In the past we've relied on the consultant to
2 provide those capital market assumptions.

3 They -- the capital market assumptions
4 are generally long-term in nature and so probably not
5 going to put a large amount of weight on the current
6 con -- market conditions, but certainly that'll be
7 considered in the study. You know, the study has a --
8 has an outlook over probably a five (5) to ten (10)
9 year period.

10 And so it's -- it's not a short-term
11 strategy that we're selecting, but it certainly will
12 be informed by the current environment and the levels
13 of inflation that we're seeing now.

14 And as I said, we will instruct the
15 consultant to look closely at the impact of inflation
16 on our assets and liabilities and use both the nominal
17 and real liability benchmark to do that.

18 BOARD MEMBER WATSON: So if the report
19 comes back that changes are recommended, what's the
20 internal procedures to execute that? I understand you
21 and your team would make some decisions.

22 There's an investment committee that is
23 part of either the Board or the Executive. And then
24 there's the Board of Directors that, I think your
25 answer today was has final say.

1 So you start executing the changes, how
2 long aft -- after that, excuse me, would you be able
3 to implement the changes internally.

4 MR. GLENN BUNSTON: So once the
5 recommendation is finalized, the study is finalized,
6 we would take it to our Investment Committee for their
7 review and discussion.

8 And then we would develop an
9 implementation plan, depending on, I guess, the extent
10 of the changes, that implementation plan, the -- you
11 know, the scope of that implementation plan may have
12 some influence on the amount of time it would take to
13 -- to ultimately implement the portfolio. We would
14 take that plan back to the Investment Committee and
15 get their approval, and then start to execute.

16 And so if that means new asset classes,
17 it means searches for new managers, that in itself is
18 -- is a process that takes some time, a number of
19 months, typically.

20 So, it really depends on the extent of
21 the changes. But, you know, the Investment Committee
22 needs to be consulted. They meet quarterly. So, we
23 have some constraints there in terms of bringing
24 recommendations to them.

25 So, again, it -- it just depends on --

1 on the amount of changes to the portfolio. The last
2 ALM Study recommended significant changes, because we
3 segregated the portfolio from one (1) into five (5),
4 so that took a significant amount of time. I wouldn't
5 expect this study to have such significant changes to
6 the construction of the portfolio, but it could
7 involve new asset classes, which would require
8 searches for new managers.

9 BOARD MEMBER WATSON: Okay. So the
10 Investment Committee has sort of the final decision?
11 Like do you need approval outside of MPI, like the
12 Treasury Board, Department of Finance? Because I
13 understand from your questions yesterday that they do
14 manage the -- the portfolio or all of it.

15 Do they need to give permission? Like
16 what's the process to execute the plan?

17 MR. GLENN BUNSTON: So, the Min -- the
18 Minister of Finance is ultimately responsible for
19 MPI's investments. The Minister is represented on
20 what we call our working group, by the Assistant
21 Deputy Minister of Finance for Treasury.

22 And so the Minister has input into the
23 process through our working group. Members of the --
24 representatives of the Minister also attend our board
25 meetings and, again, provide perspective, I guess,

1 from the Province. And so, ultimately, any major
2 changes would need to be signed off by -- by the
3 Province, but we do work collaboratively with them and
4 involve them in the -- in the decision-making process,
5 so they're -- they're involved all the way throughout.

6 BOARD MEMBER WATSON: The last
7 question is, the shadow portfolios that's being
8 implemented, has that been able to assist you and your
9 team in making or changing decisions or making sure
10 that -- has that assisted you in any way?

11 MR. GLENN BUNSTON: It's given us some
12 insight into the returns for alternate asset mixes.
13 And so it's been insightful to see what -- how much
14 value those other port -- asset classes could add, but
15 we haven't used them to make any -- any management
16 decisions internally.

17 It's been another data point, but it --
18 it hasn't -- it hasn't changed our viewpoint on the --
19 well -- and, again, our decision for the Basic claims
20 portfolio is really informed by the -- the Investment
21 Committee and Board's risk appetite, and they have a
22 low-risk appetite for the Basic claims portfolio,
23 which has driven our decision to invest in fixed
24 income assets only within that portfolio.

25 Obviously, for this upcoming study

1 we'll need to discuss risk appetite with the Board and
2 Investment Committee and determine if that's changed
3 in any way. And so that'll be the beginning, this --
4 the first step for the next ALM Study.

5 BOARD MEMBER WATSON: Okay. Thank
6 you.

7 THE CHAIRPERSON: Sorry, just
8 following up on those questions.

9 In terms of the timing, do you
10 anticipate that by the next GRA you'll have completed
11 the process? You'll receive the study, it will go
12 through the different committees, go to the Board, and
13 you'll have approval so that we -- we will be able to
14 deal with it at the next GRA?

15 MR. GLENN BUNSTON: Well, we're going
16 to work toward having the study completed in time for
17 the GRA. I doubt that it would be approved by the
18 Investment Committee and the Board by that time, just
19 looking at the dates that the Committee meets. But
20 the study -- we're working towards having the study
21 completed by then.

22 THE CHAIRPERSON: Okay. Do you think
23 the study would be completed by the time of the filing
24 of the GRA?

25 MR. GLENN BUNSTON: That will depend

1 on the amount of time it takes to complete the study.
2 It's -- we're hopeful that it will be and we are
3 working toward that, and that's why we're trying to
4 get the request for proposals issued as soon as
5 possible, so we can start the work as soon as
6 possible.

7 THE CHAIRPERSON: Thank you.

8 THE PANEL CHAIRPERSON: Mr. Scarfone,
9 any -- sorry, any re-direct?

10 MR. STEVE SCARFONE: Yes, some re-
11 direct for Mr. Bunston.

12

13 RE-DIRECT-EXAMINATION BY MR. STEVE SCARFONE:

14 MR. STEVE SCARFONE: Mr. Bunston, let
15 me just begin with the question the Board put to you.

16 Would the -- the new study also include
17 revisiting the risk appetite of the Corporation?

18 MR. GLENN BUNSTON: Yes, that would be
19 -- the beginning point for the study would be to
20 determine the risk appetite of the Corporation.

21 MR. STEVE SCARFONE: And who is it,
22 ultimately, that determines the risk appetite for
23 Manitoba Public Insurance?

24 MR. GLENN BUNSTON: It would be the
25 Board of Directors.

1 MR. STEVE SCARFONE: And on the six
2 (6) month time frame for -- for a completion of the
3 study from beginning to end, that would include the
4 issuance of the RFP, and then, ultimately, the final
5 version of the study for consideration by MPI and its
6 Board of Directors?

7 MR. GLENN BUNSTON: No, that wouldn't
8 include the RFP process. That would be the actual
9 work with the consultant.

10 MR. STEVE SCARFONE: I see. You may
11 recall that the last ALM study that was done by
12 Mercer, the one that is currently in place, was
13 performed in what I'd say is an accelerated fashion.
14 Do you recall that?

15 MR. GLENN BUNSTON: Yes, I do recall
16 that.

17 MR. STEVE SCARFONE: And how -- do you
18 recall the time frame that that one took?

19 MR. GLENN BUNSTON: I believe it was
20 three (3) to four (4) months that that study took to
21 complete.

22 MR. STEVE SCARFONE: Okay, and -- is
23 that something that's normally done in your area, that
24 is having a study performed in -- in that manner?

25 MR. GLENN BUNSTON: No, the previous

1 two (2) studies took approximately six (6) months, so
2 they -- they were -- yeah, they took six (6) months to
3 complete.

4 MR. STEVE SCARFONE: The one that was
5 done by Aon?

6 MR. GLENN BUNSTON: Two (2) done by
7 Aon, in 2008 and 2014.

8 MR. STEVE SCARFONE: You'll recall
9 that Ms. Dilay yesterday was asking you about the --
10 the inflation and the consumer price index?

11 MR. GLENN BUNSTON: Yes, I recall
12 that.

13 MR. STEVE SCARFONE: And, Kristen, if
14 you could pull up for me please CAC-1-83.

15 And she brought to your attention this
16 particular response to an Information Request.

17 Do you recall that?

18 MR. GLENN BUNSTON: Yes, I do.

19 MR. STEVE SCARFONE: And, Kristen,
20 could you just go up to the questions, if you don't
21 mind, the -- the -- oh, that was the preamble. Sorry.
22 Okay. If you could -- you were scrolling in the right
23 direction, apologies.

24 It is a long preamble. And keep going
25 down to, I believe it is the -- there it is, thank

1 you.

2 And you'll see, sir, a question that
3 was put to MPI, "What is MPI's current risk tolerance
4 for inflation risk?"

5 MR. GLENN BUNSTON: Yes, I see that.

6 MR. STEVE SCARFONE: And -- and along
7 those same lines, current risk tolerance for inflation
8 risk and why compared to other types investment
9 related risk. Do you see that?

10 MR. GLENN BUNSTON: Yes, yes, I do.

11 MR. STEVE SCARFONE: And if you can
12 scroll down to the response please.

13 So this particular response is a first
14 round IR, so it would have been provided back in -- in
15 July. Do you agree with that?

16 MR. GLENN BUNSTON: Yes, that's right.

17 MR. STEVE SCARFONE: And, of course,
18 we've since seen that the consumer price index has
19 maintained, if not increased, since the summer time?

20 MR. GLENN BUNSTON: It has increased,
21 yes.

22 MR. STEVE SCARFONE: And if you go
23 down to the response to D and E, there it is, thank
24 you.

25 In July, at least, the Corporation

1 indicated that the -- its risk tolerance as it
2 concerned inflation was not -- if I can paraphrase
3 'worrisome' and that it was low, does the Corporation
4 maintained that position, in light of today's
5 inflationary climate?

6 MR. GLENN BUNSTON: Yes, we develop
7 our outlook for inflation from the Canadian chartered
8 banks and they continue to -- their -- their long-term
9 outlook for inflation is -- is not changed
10 significantly from their previous forecasts.

11 So, in the -- sort of low 2 percent
12 range.

13 MR. STEVE SCARFONE: Okay, and so
14 there in the second sentence it reads,

15 "MPI did not formally define a risk
16 tolerance for inflation due to the
17 low level of residual risk."

18 Can you just explain what that means?
19 What I mean by that, the residual risk.

20 MR. GLENN BUNSTON: Yeah, so I think
21 that's alluding to the fact that we have reserves set
22 aside specifically for inflation risk, and so once
23 those are considered, the remaining risk is considered
24 to be low.

25 MR. STEVE SCARFONE: And as I

1 understand it, the Corporation identifies its top
2 risks and is inflation one of those so identified?

3 MR. GLENN BUNSTON: No, it is not.

4 MR. STEVE SCARFONE: And lastly, on
5 the inflation issue, will the new study that's
6 anticipated, do you expect that the -- the
7 developments of the consumer price index will be
8 considered as part of that study and the
9 recommendations made to the Corporation?

10 MR. GLENN BUNSTON: Yes, they'll
11 certainly be considered, but again, the study has a
12 long term time frame, sort of medium to long term time
13 frame and outlook.

14 And so, current conditions will inform
15 the study, but they're not the only consideration.

16 MR. STEVE SCARFONE: One (1) of the
17 assets that can be purchased by the Corporation that
18 hedge against rising inflation are Real Return Bonds,
19 is that right?

20 MR. GLENN BUNSTON: That is one (1)
21 asset class that provides inflation protection, yes.

22 MR. STEVE SCARFONE: What type of
23 return do those bonds provide?

24 MR. GLENN BUNSTON: The -- the returns
25 on those are -- are very low. The real yields are --

1 are extremely low, which is why we remove them from
2 our portfolio and replace them with real estate and
3 infrastructure as a result of -- I believe it was the
4 Aon study in 2014.

5 MR. STEVE SCARFONE: And the other
6 part of that, I recall from a couple years ago, there
7 was some discussion about the availability of those
8 bonds in the market.

9 Do you know if there's an update with
10 respect to that? Are they readily available in
11 today's market?

12 MR. GLENN BUNSTON: My understanding
13 is that there is limited issuance of Real Return
14 Bonds, primarily by the federal government and that
15 there is high demand for those bonds, largely by life
16 insurance companies who have long-tail liabilities
17 that are inflation linked.

18 And, that the bonds don't trade very
19 often, and so they -- they are expensive for that
20 reason and -- and difficult to -- to purchase.

21 MR. STEVE SCARFONE: And would the
22 Corporation consider changing course and purchasing,
23 whether it is a real return bond or some other asset
24 class that might hedge against the rising inflation,
25 would the Corporation ever make such a change in the

1 absence of a new ALM study?

2 MR. GLENN BUNSTON: No, we wouldn't.
3 We would always seek to have the benefit of advice
4 from an external consultant to -- to advise us on the
5 risk and return of asset classes relative to
6 liabilities, and so we wouldn't make a decision on
7 changing our investment strategy without that advice.

8 MR. STEVE SCARFONE: Thank you.
9 Kristen, could you pull up Board Order 176/19 that was
10 put to Mr. Bunston earlier, Directive 13.12. There it
11 is.

12 Sir, Ms. Meek put to you that
13 particular directive that had the Corporation
14 considering the inclusion of growth assets in the
15 Basic claims portfolio to address the long-term
16 liabilities of that class. Do you recall that?

17 MR. GLENN BUNSTON: Yes, I do.

18 MR. STEVE SCARFONE: And, Kristen,
19 could you also pull up for me, please, the transcript
20 from last year's GRA at page 545 of line 14, October
21 20? Thank you.

22 And this last year was the evidence of
23 Mr. Johnston. I just want to go through it. You'll
24 see there at line 17, I asked, Mr. Johnston:

25 "What would the effect of having

1 equities inserted into the Basic
2 claims portfolio have on the capital
3 requirement to Basic in terms of
4 dollars."

5 And if you can scroll down and have,
6 Mr. Bunston, respond or -- read, Mr. Johnston's,
7 response to that.

8 MR. GLENN BUNSTON: So, Mr. Johnston,
9 said:

10 "Of course, it would depend on how
11 and what percentage, but the minimum
12 capital requirement would increase.
13 Obviously we're in a very low risk
14 position. You recall it was only a
15 few years ago that MPI was in the 25
16 to 50 percent MCT range.

17 A major contributor to how we got
18 back to 100 percent, was the de-
19 risking of Basic, reducing their
20 equity composition and moving to a
21 very low risk approach. If we were
22 to revert to more investments in
23 growth assets, we would have to put
24 the required capital -- put up the
25 required capital to get back to 100

1 percent MCT and that would take some
2 time.

3 We're not debating at all that
4 there's costs and benefits to either
5 approach, but as you're well aware,
6 ours is focused on minimizing risk
7 and ensuring rate stability for
8 customers in the long term."

9 MR. STEVE SCARFONE: So, just to
10 confirm, right now the Basic claims portfolio, and
11 this may change, I think you'd agree, with a new
12 study, but as it currently stands, the Basic claims
13 portfolio is comprised entirely of fixed income
14 assets.

15 MR. GLENN BUNSTON: Yes, that's right.

16 MR. STEVE SCARFONE: There's no growth
17 assets in the Basic claims portfolio?

18 MR. GLENN BUNSTON: No, there aren't.

19 MR. STEVE SCARFONE: And, one of those
20 reasons is as Mr. Johnston described last year?

21 MR. GLENN BUNSTON: Well, one (1) of
22 the impacts of adding growth assets would be to
23 increase our required capital.

24 MR. STEVE SCARFONE: And the
25 motorcycle class falls under the Basic claims

1 portfolio, their liabilities?

2 MR. GLENN BUNSTON: Yes, they do.

3 MR. STEVE SCARFONE: And secondly,
4 Kristen, if you could go to the transcript, same date,
5 October 20th, 2020, at page 501, line 12, please. And
6 this is a cross-examination of Mr. Johnston by Ms.
7 Meek on that same issue where she asks:

8 "Would it be possible to create a
9 special portfolio specifically for
10 the motorcycle class to reduce the
11 impacts of interest rate risk?"

12 Do you see that?

13 MR. GLENN BUNSTON: Yes, I do.

14 MR. STEVE SCARFONE: And Mr. Johnston
15 said, "No."

16 MR. GLENN BUNSTON: Yes, he did.

17 MR. STEVE SCARFONE: And if we can
18 scroll down just a little bit, please. Thank you.
19 And if you can read that response -- not out loud,
20 just read it and -- and let me know if you agree with
21 what he says there, please.

22

23 (BRIEF PAUSE)

24

25 MR. STEVE SCARFONE: And I want to

1 bring to your attention there, at four (4), he's
2 considering the suggestion that growth assets be
3 included to address the motorcycle rates.

4 Do you see that?

5 MR. GLENN BUNSTON: Yes, I do.

6 MR. STEVE SCARFONE: And -- and he
7 goes on to say:

8 "The question I would ask is: Who
9 pays the bill when that goes wrong?
10 Are motorcycles going to cover a 30
11 percent decline in the stock market
12 when that happens? What is the
13 process?"

14 Do you agree with that?

15 MR. GLENN BUNSTON: Yes. Equities are
16 -- are a volatile asset class, and -- and we saw 30
17 percent declines in -- in equity market as a result of
18 the pandemic in early 2020, so they are extremely
19 volatile.

20 MR. STEVE SCARFONE: Would you agree
21 with me, sir, that, based on what Mr. Johnston said in
22 last year's GRA, that the Corporation has, in fact,
23 considered the inclusion of growth assets to address
24 the motorcycle liabilities?

25 MR. GLENN BUNSTON: Yes, it has been

1 considered.

2 MR. STEVE SCARFONE: Thank you. Those
3 are all my questions on re-direct.

4 THE PANEL CHAIRPERSON: Thank you, Mr.
5 Scarfone. I believe that that concludes the MPI
6 Investments Panel, and so the next panel is Vehicles
7 for Hire/Driver Safety Rating.

8 Any idea how long it might take to get
9 that panel upstairs?

10 MR. STEVE SCARFONE: Not -- I know
11 they're downstairs anxious to -- to come up, so maybe
12 --

13 THE PANEL CHAIRPERSON: Well, let's
14 proceed, then.

15 MR. STEVE SCARFONE: Okay. Let's
16 proceed. And they're listening down there, so they're
17 probably on their way up the stairs right now.

18 THE PANEL CHAIRPERSON: Okay. Good.
19 Thank you.

20 MR. STEVE SCARFONE: I am going to
21 switch places with Mr. Guerra, Madam Chair, so maybe
22 just a two (2) minute shuffling.

23 THE PANEL CHAIRPERSON: Yes, if we can
24 do that, and then we'll try and aim for the morning
25 break at about 10:30.

1 MR. STEVE SCARFONE: Okay.

2

3 (BRIEF PAUSE)

4

5 THE PANEL CHAIRPERSON: Good morning,
6 Mr. Guerra. Would you introduce the next panel,
7 please.

8 MR. ANTHONY GUERRA: Yes. Good
9 morning, Madam Chair. We now have the Driver Safety
10 Rating, the Vehicle for Hire, and the CERP panels.
11 And I'm sorry, I'm just blanking right now in terms of
12 the acronym for -- no, I'm sorry. I don't
13 recall what the acronym for CERP is. Do you recall?
14 Anyone recall? No, no one recalls. Okay.

15 MR. CURTIS PRYSTUPA: I think you
16 could make it up and we wouldn't know, so.

17 MR. TAI PHOA: Compulsory Extension
18 Review Project, I believe.

19 MR. ANTHONY GUERRA: Okay.

20 THE PANEL CHAIRPERSON: Thank you.

21 MR. ANTHONY GUERRA: I'm glad someone
22 knows. Thank you. Those are the -- the panels for
23 this -- for the rest of the day.

24 And for the Driver Safety Rating, we
25 have Ms. Satvir Jatana, the Vice President and Chief

1 Customer Officer; as well as Ms. Jing Lang, the
2 Pricing and Portfolio Management Director; Mr. Tai
3 Phoa, who is our Actual Analyst and the Pricing and
4 Portfolio Analyst; and Mr. Curtis Prystupa, who is the
5 Product Development and Manager -- Manager.

6 We do also have some back row members,
7 but unfortunately I -- I do not have my -- my document
8 with me, so I'm not exactly sure who our back row is
9 now. It seems to be changing on a regular basis, so I
10 will do my best to introduce them as soon as that
11 information becomes available to me.

12 I should also indicate that I do have a
13 couple more exhibits to enter into the record, the
14 first being MPI Exhibit Number 73, which is the
15 amended Information Request response to CAC-MPI-1-
16 82(a), Appendix 1, revised as of October 20th, as well
17 as MPI Exhibit Number 74, MPI's response to Taxi
18 Coalition MPI Pre-ask Number 1 with appendices 1, 2,
19 and 3.

20

21 --- EXHIBIT NO. MPI-73: Amended Information
22 Request Response to CAC-
23 MPI-1-82(a), Appendix A,
24 Revised as of October 20

25

1 --- EXHIBIT NO. MPI-74: MPI's Response to Taxi
2 Coalition MPI Pre-ask
3 Number 1 with Appendices
4 1, 2, and 3
5

6 MR. ANTHONY GUERRA: And -- thank you.
7 I just have now information that our back row panel
8 for today is Ms. Nok Li (phonetic), Actuarial Analyst;
9 Simi Mann (phonetic), Product Specialist; Edward Yu
10 (phonetic), Product Specialist; Michelle Birds
11 (phonetic), Senior Product and Policy Analyst; Cara
12 Low, our Chief Actuary and VP of Insurance and Risk
13 Management; and Scott Patton, Manager of Customer
14 Insights and Analytics.

15 So with that, I will turn the matter
16 over to Ms. Jatana. I can just confirm -- sorry,
17 we'll have to swear in a couple of the witnesses.

18 THE PANEL CHAIRPERSON: Thank you.

19 MR. ANTHONY GUERRA: My apologies.
20

21 DRIVER SAFETY RATING/VEHICLES FOR HIRE/CERP PANEL:

22 SATVIR JATANA, Sworn

23 CURTIS PRYSTUPA, Sworn

24 JING LANG, Previously Affirmed

25 TAI PHO, Previously Sworn

1

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

3 MR. ANTHONY GUERRA: Yeah. I believe
4 the remaining witnesses have already been pre-sworn or
5 affirmed, and so with that, Ms. Jatana -- Ms. Jatana,
6 I can ask if this is the presentation that we see
7 before us for the Driver Safety Rating presentation?

8 MS. SATVIR JATANA: That is correct.

9 MR. ANTHONY GUERRA: And it is your
10 intention to adopt the evidence that you shall provide
11 with this presentation as your evidence today?

12 MS. SATVIR JATANA: Yes.

13 MR. ANTHONY GUERRA: Thank you. Okay.
14 I'll turn it over to yourself and your team to
15 present.

16 MS. SATVIR JATANA: Thank you. Good
17 morning. Thank you. Nice to be here again. I know I
18 was here a few years back, and since then my title has
19 changed. So as Anthony alluded to, I'm the VP and
20 Chief Customer Officer.

21 And what that division focusses on is
22 from product development to customer experience,
23 customer insight, customer research, our messaging
24 communications. So it has many of the elements within
25 this division.

1 So today I know we're going to be
2 speaking on a few of the topics. And thank you for
3 giving us the opportunity to speak on these important
4 topics.

5 Our -- our first topic is the DSR and
6 our current model. And myself and two (2) of my
7 colleagues will provide you a bit of a background
8 summary, along with where we are today and how we are
9 addressing some of the more pressing issues on this
10 topic.

11 So if we move from the agenda, we'll
12 start kind of first giving you a bit of a background
13 and just to bring everyone kind of to the same page
14 here.

15 So as -- as we all aware and as we have
16 been engaged on this topic now for a number years,
17 going back to 2018, in 2018, MPI was directed to begin
18 consultation, public consultation, regarding how our
19 driving record should be applied with vehicle
20 premiums.

21 In 2019, we identified potential models
22 that could be explored, along with our approach on
23 public consultation.

24 In the following year, I had the
25 opportunity to share those results here with the

1 Board. And at that time we were directed to file
2 which rating model MPI would intend to proceed with
3 along with the pricing examinations of that model.

4 Now we complied with those orders. And
5 in the following year, we -- MPI stated that we would
6 maintain our current model, and that we do have an
7 opportunity to improve the current model in regards to
8 its actuarial soundness, and that's where our focus
9 has been.

10 As we move on to the next slide, which
11 -- which brings us to the two (2) orders that we
12 received on this topic last year, the first one being
13 that the Corporation shall file proposed insurance
14 premium that are more statistically consistent with
15 the estimated claim cost for each level of the DSR.
16 And we have complied to that order in our filing.

17 And the second order speaks to that the
18 Corporation shall bring forward a plan for changes to
19 the DSR model. And, again, MPI maintains its position
20 to keep the current model. However, we recognize that
21 it may not meet PUB's expectation that MPI should move
22 to -- move away from the current model to the Primary
23 Driver Model.

24 So we would like to take this
25 opportunity to speak to you on that today. And before

1 we discuss why we strongly feel that the current model
2 serves us well today in our decision to maintain the
3 current model, I'd like to pass it over to my
4 colleagues to perhaps, you know, share a bit more
5 background as to all the models that were explored as
6 part of the public consultation, and then I'll share
7 some of those results with you.

8 MR. CURTIS PRYSTUPA: Good morning,
9 everybody. Just in order to do a level set and get us
10 all on the same page, I just wanted to take a few
11 minutes and lay out the DSR models we have defined and
12 discussed over the past few years.

13 The excerpt that we're showing on this
14 particular slide is taken from our -- our public
15 consultation which we filed in CMMG-MPI 1-11.

16 The first two (2) models shown here are
17 the Registered Owner and Primary Driver Model. These
18 are the models that have been primary discuss --
19 primarily discussed in this forum over the past few
20 years. These models, when compared with the third and
21 fourth model outlined here, are the most simple, least
22 complex models -- models on the list.

23 The Registered Owner Model is what we
24 have in place today where the target focussed to
25 determine DSR premiums is the registered owner of the

1 vehicle. In this model, DSR premiums are based solely
2 on the registered owner and does not consider others
3 that may drive the vehicle in -- in rating. This is
4 also the overarching model used by SGI in
5 Saskatchewan.

6 The Primary Driver Model carries many
7 similarities to the Registered Owner Model. In the
8 Primary Driver Model, DSR premiums are based solely on
9 one (1) individual and are in -- I should say, in both
10 of these models, DSR premiums are based solely on one
11 (1) individual and do not take into account others
12 that may drive the vehicle. The only difference is
13 that the target -- target focus to determine DSR
14 premium is the primary driver in this model, rather
15 than the registered owner.

16 The next two (2) models here are the
17 All Household Drivers Model and the Declared Drivers
18 Model. Unlike the Registered Owner and Primary Driver
19 Model, these models examine the driver safety rating
20 of multiple drivers to determine the overall DSR
21 premium. There is inherently more complexity in these
22 models compared to the Registered Owner and Primary
23 Driver Model.

24 The All Household Drivers Model
25 examines the DSR rating of all drivers in a household

1 to determine the DSR premiums. The Declared Drivers
2 Model examines the DSR rating of all declared drivers
3 of the vehicle to determine DSR premiums.

4 The last model here is a marked
5 departure from the others we have discussed. In the
6 Driver Premium Model, licensed drivers that do you not
7 register or insure a vehicle in their name would pay
8 an additional non-owner driver premium based on their
9 DSR. These premiums would be used to lower vehicle
10 premiums for the pool of insured vehicles.

11 We mentioned earlier that SGI uses the
12 Registered Owner Model.

13 The overarching model used by ICBC in
14 British Columbia is considered a Primary Driver Model.
15 But digging deeper and examining it more closely, it's
16 actually a hybrid model between the Primary Driver and
17 a Declared Driver Model.

18 MS. SATVIR JATANA: Thanks, Curtis.
19 So, those were the four (4) additional models that
20 were explored and used as part of the public
21 consultation. And on this slide, I'll just provide a
22 summary of that feedback and the consultation that was
23 shared a few years back.

24 So, again, almost half of Manitobans
25 that were surveyed prefer the current model, and we

1 can say that it is perhaps well understood. They had
2 been accustomed to this model. It's pretty simplistic
3 in -- in following that model. They enjoy the
4 flexibility under today's model to allow other drivers
5 to operate their vehicle without the need to take any
6 actions to maintain their coverage.

7 However, we also learned that if we
8 were to consider a other model, about 21 percent of
9 Manitobans that were surveyed prefer the Primary
10 Driver Model.

11 Now, Manitobans considered both of
12 these models to be fair. We also got the confirmation
13 that fair pricing is important to Manitobans and that
14 no single model was perfect.

15 However, there was little appetite from
16 a public perspective for adopting a model that is
17 complex. And one can assume that that could be the
18 reason the three (3) models that did not receive
19 positive response, they are a bit more complex in
20 nature and more actions required on behalf of the
21 policyholder.

22 Moving to the next slide. So, at that
23 point, we concluded that public -- from the public
24 consultation that Manitobans preferred and chose the
25 current model as their option, Manitobans value

1 simplicity over complexity, and that Manitobans do not
2 view any single model to be perfect.

3 Based on that, MPI concluded that it
4 was in the best interest of Manitobans to adopt a
5 solution that would be high cost that was -- pardon
6 me, let me rephrase that -- that it would not be in
7 the best interest of Manitobans to adopt, that would
8 be a high-cost, high-complexity, and not easily
9 understood.

10 We further looked at the Primary Driver
11 Model some more, and there is -- it's a very similar
12 model. And there would -- if we were to adopt that,
13 there would be additional work required. And I'll
14 speak to that perhaps a little bit later on.

15 And I'll pass it back to Curtis to talk
16 a little bit more about that.

17 MR. CURTIS PRYSTUPA: Thanks, Satvir.
18 So you know in this section here I'd like to get to
19 the root of the DSR issues. At the heart of the issue
20 that we're collectively trying to solve is really to
21 ensure that DSR premium discounts more accurately
22 reflect risk than they do today.

23 Really what this comes down to in -- in
24 today's world is a general concern of people gaming
25 the system. And what we mean specifically by that is

1 the practice of intentionally selecting an individual
2 to be the registered owner that has the best possible
3 DSR rating to result in the best premium discounts.

4 I think if we spent more time on this
5 as a group, we could debate how widespread this
6 practice is for the next few hours, but I submit it is
7 incredibly difficult to precisely measure how often
8 this happens.

9 We know that 33 percent of reported
10 collisions where driver information was available
11 involved a driver other than the registered owner. We
12 also know that 24 percent of registered owners have
13 more than one (1) vehicle registered to them. These
14 numbers might be considered indicators of how
15 widespread the practice is, but there are too many
16 assumptions at play to use these statistics to
17 accurately measure the prevalence of individuals
18 gaming the system.

19 One (1) area we can study more closely
20 is -- is motorcycles, where there's a unique licence
21 class for riders. We found that 9 percent of
22 motorcycle policyholders do not have a class 6 or
23 motorcycle licence.

24 Motorcycle policies do make up a very
25 small percentage of overall insurance policies, but I

1 believe that the 9 percent number is a reasonable
2 proxy when considering how often the system is being
3 gamed, so to speak.

4 We recognize that many of our
5 stakeholders have the view that we need to move away
6 from the Registered Owner Model and adopt a Primary
7 Driver Model. But by way of an example, I'll submit
8 that moving to the Primary Driver Model will not
9 address our goal of DSR premium discounts more
10 accurately reflecting risks than they do today.

11 So -- so for this example, I'm going to
12 pick on Satvir a little bit. And -- and let's pretend
13 that Satvir and I are qualified drivers and members of
14 the same household. The -- we'll say, in this
15 example, that Satvir has a DSR of plus fifteen (15)
16 and mine is plus five (5). We have a vehicle that we
17 share, but, in reality, I drive it more often. If we
18 are the type of individuals that would game the
19 system, to get the best rates, Satvir is going to be
20 the registered owner, owing to her -- her great DSR in
21 comparison to mine -- to mine, pardon me.

22 Now, if we -- if we pretended and we
23 skip forward and say that MPI is going to transition
24 to the Primary Driver Model, Satvir and I will receive
25 communication that explains the new model and will ask

1 MS. SATVIR JATANA: Apologies. Thank
2 you. Which brings us kind of to sum up this
3 conversation, that we -- we can agree that the
4 shortcomings exist in our current model. But, as we
5 have shared today, we don't believe moving to the
6 Primary Driver is the best solution, nor it addresses
7 all of the concerns that exist today.

8 We need to explore this further and
9 consider other models. This could be previously
10 considered models, as we spoke about the other three
11 (3) that were -- perhaps did not receive positive
12 feedback from the public, new models that perhaps have
13 not been considered, or a combination of models.

14 Along with the consideration of the
15 model, we also need to consider policy and
16 enforcement. What would be the consequences for
17 inaccurate reporting around DSR system? To increase
18 accuracy, no matter the DSR model, consequences need
19 to be considered. And this is definitely a marked
20 departure from our current landscape, as -- as Curtis
21 alluded to.

22 The bottom line is that there is --
23 there needs to be rigour applied here to make this
24 significant improvement to our DSR, and that will take
25 time and implementing this during Nova is simply not

1 viable.

2 There may be assumptions that we should
3 make this change while we're changing our systems on
4 DVA, on insurance-side, with Nova. However, what we
5 understand today, that making these changes with Nova
6 launch puts this sig -- put a significant risk to the
7 success of this project and the system change that
8 we're currently undergoing.

9 Making this change will require
10 significant engagement from all stakeholders,
11 customers, government, and regulatory bodies, and that
12 is not something that be done on the side of someone's
13 desk in the midst of the largest legacy system we're
14 facing and transformation that we're facing today.

15 MPI is committed to improving the DSR
16 system through consultation with our stakeholders, and
17 we believe that we can achieve that. So, perhaps, you
18 know, I like us to turn our attention to what does
19 that look like in making improvement to the DSR and
20 Making that more actuarial sound.

21 So I'll push it back to you -- or,
22 pardon me, to Tai. Thank you.

23 MR. TAI PHOA: Yeah. So
24 notwithstanding, we still have to act on -- on, you
25 know -- create a plan of action.

1 So in terms of the Driver Safety Rating
2 short-term strategy, the goals of the strategy are
3 three-fold, as you can see in this slide.

4 So the first goal would be, you know,
5 provide incentive for continued safe driving for
6 customers at or near the top of the DSR scale. So we
7 know right now that we have a maximum DSR Level of
8 Plus 15, we would like to expand the scale so that it
9 gives people more opportunities to move up the scale
10 and be better rewarded for having continued safe
11 driving -- safe driving behaviours.

12 The second point would be to make the
13 current model more accurately reflect risk and reduce
14 cross-subsidization. By that, what we are suggesting
15 -- and I will speak to it a little more in detail --
16 is to move the DSR discount closer to its actual
17 targets. And that's a piece which is sort of -- a
18 cross between -- would be the second one, as well --
19 is in -- in doing so, we also need to make sure that
20 we minimize rate dislocations for customers.

21 So our recommendation is scale the
22 expansion and movement to actuarially indicated
23 discounts over a longer period. In this case, we said
24 a five (5) year period.

25 So on a high level summary, here's what

1 we're doing for -- here's what we are bringing forward
2 to the PUB this year.

3 First, the introduction of a new DSR
4 Level Plus 16; higher vehicle premium discounts for
5 DSR Levels Plus 10 to Plus 16; with 4 percent for DSR
6 Levels 15 and 16, moving that from 33 percent to 37
7 percent; and then plus 2 percent for DSR Levels Plus
8 11 to Plus 14; and then 1 percent additional discount
9 for DSR Level Plus 10.

10 And -- and then no changes to the
11 driver premium surcharges. MPI will need to perform
12 further analysis to determine the actuarially
13 indicated surcharge at the driver level.

14 So that -- that particular piece, we
15 need to look -- MPI would have to look more into.

16 So focusing on the addition of DSR
17 Level Plus 16. So what we propose to do over the next
18 five (5) years is to add one (1) level per year. So
19 the reason for us adding more levels is one -- is the
20 feedback we received from Manitobans. So we want to
21 reward having a good driving record is -- because
22 that's their priority. So there -- there are
23 certainly a good number of people at DSR Level 15 who
24 could probably go higher if those -- is if they were
25 not limited at Plus 15.

1 The second one, of course, is to
2 increase the perceived fairness; higher DSR levels for
3 drivers with more incident-free years. It continues
4 to encourage and reward safe driving for more
5 experienced drivers. Again, it allows greater
6 distribution of drivers on the scale. Again, I talk
7 about the group at DSR-15 and wanted are drivers
8 already at DSR Level 15, and with no -- they can't go
9 higher.

10 So -- so this -- this gives them the
11 opportunity that, if they continue to perform well on
12 the road -- like, you know, no claims, no incidents --
13 then they can continue to move up the scale.

14 And, finally, of course, just to align
15 with other -- our other Crown insurers, SGI and ICBC.

16 So how does this look like for a
17 driver? So the transitioning would be on a go-forward
18 basis. What I mean by that is that DSR Level Plus 15
19 drivers will still require an incident-free year to
20 qualify for DSR Level 16.

21 And this is slightly different from --
22 so this -- this just helps us avoid the need to review
23 the claim history of all DSR Level Plus 15 drivers.
24 And this is -- just to be very clear, this is the same
25 process for drivers at all other DSR levels. And I'll

1 explain that a little bit as we move along.

2 So, from implementation perspective,
3 this is the easiest from -- sorry, from implementation
4 work, this is the easiest from system. It avoids the
5 cost of identifying and placing drivers at DSR Level
6 16, exactly on April 1st, 2022. So -- so, what we are
7 proposing is that drivers at DSR Level 15 move to DSR
8 Level 16 over the period from April 1st, 2022 to March
9 31st, 2023, and that will be dependent on -- at their
10 reassessment date.

11 So, this is -- this is no different
12 from what's happening to drive -- drivers at any DSR
13 level right now. So at your reassessment date, what
14 we would do is we would say: Let's look at past
15 experience over the year. You were claims free.
16 We'll move you up a DSR Level, if we can.

17 So, this is -- this is no different
18 from the process that we are currently doing. Any
19 driver at DSR Level 15, upon their reassessment date
20 in the 2022 rating year will -- we will look at their
21 one (1) year experience from their last reassessment
22 date and then move them up to Plus 16 if they were
23 eligible to be moved up to -- to Plus 16.

24 So there's no -- there's no difference
25 of -- in discount between DSR levels Plus 15 and Plus

1 16. This is, we believe, is a fair treatment for all
2 drivers currently at the DSR Level Plus 15. They are
3 in no better or worse position.

4

5 (BRIEF PAUSE)

6

7 MR. TAI PHOA: So moving along. So
8 for the 2022 GRA, as I said a while ago, DSR Level 15
9 and 16 would have the same vehicle premium discount of
10 37 percent. What -- we anticipate that this discount
11 will be different by the time the 2024 GRA rolls
12 around.

13 And I'll explain a little bit, 'cause
14 we're trying to determine actuarially indicated rates
15 -- sorry, actuarially indicated discounts, and we want
16 to continue to be driven by -- we want our -- our
17 proposals to continue to be driven by the data.

18 So what we need -- so -- so, we will
19 implement the new DSR Level 16 starting on April 1st,
20 2022, if approved. And so, we would have one (1) year
21 of data. By -- by the time April 1st, 2023 comes
22 around we -- we -- then it would enable us to -- to
23 look at the difference between Plus 15 and Plus 16,
24 and then applying for different DSR discounts in the
25 2024 GRA.

1 So that's what I mean by allowing that
2 one (1) year of data collection. So then the -- the
3 next question, of course, is that -- what benefit is
4 there for me to be at DSR Level 16 then?

5 Well, that -- one (1) benefit that we
6 identified is if you had an at-fault accident you
7 would move down to DSR Level Plus 11 instead of Plus
8 10, and the vehicle premium discount at DSR Level Plus
9 11 is 2 percent more than DSR Level Plus 10. So 2
10 percent more is -- it might seem like -- I'll leave it
11 at that. So, the next slide, please.

12 So, what's happening to Plus 10 to Plus
13 16? So, we are proposing higher vehicle premium
14 discounts for this group. The whole -- the idea here
15 is to move the current discounts to the actuarially
16 indicated discounts, based on the pricing review that
17 we -- we did, which I will discuss a bit later.

18 But, essentially, MPI is proposing this
19 year a modest move to the current discounts: 4
20 percent for DSR Levels Plus 15 and Plus 16 from 33
21 percent to 37 percent; an additional 2 percent
22 discount for DSR Levels Plus 11 to Plus 14; and an
23 additional 1 percent for DSR Level 10.

24 So, the -- the whole idea behind this
25 gradual move is so that we can avoid significant rate

1 dislocations. We -- to -- to move completely to the
2 actuarially indicated discounts would mean that the
3 average base rate, or the undiscounted rate, would
4 have to increase by 22 percent, and that would be
5 before any other -- any other rate requirements.

6 So -- so, that would assume that, you
7 know, once we determine the rate requirement -- so if
8 we determine the rate requirement is 5 percent -- plus
9 5 percent on average, then we -- you know, we will
10 have to move everybody by 27 percent. So, we believe
11 that this would be publically unacceptable, which is
12 why we -- we are proposing a gradual move towards the
13 actuarially indicated discounts.

14 So, in our -- in our June filing, in
15 our initial 2022 June filing, we -- we happen to be in
16 the -- in the favourable position of having a minus
17 2.8 percent decrease -- overall rate decrease at the
18 time. So, the proposed discounts that we proposed in
19 June took advantage of the minus 2.8 percent. So --
20 so what happened is that with the proposed discounts,
21 that will decrease our revenue by 2.6 percent and --
22 and then the rates overall will go down by 0.2
23 percent.

24 With the updated filing, of course, you
25 know, the rate change is a little bit -- the overall

1 rate change is a little bit less of a decrease; it
2 went from minus 2.8 percent to minus 1.2 percent. MPI
3 decided that there will be no changes to the proposed
4 higher vehicle premium discounts do -- such that we
5 are still taking a 2.6 percent revenue loss as a
6 result of changing the vehicle premium discounts. And
7 in -- to offset that to get to the 1.2 percent, on
8 average, the break-even overall rate change is a 1.5
9 percent premium increase.

10 I'd like to talk a little bit about the
11 pricing examination that we did. So, this is the --
12 this pricing examination is similar to what we did
13 last year. We did -- we did it on the registered
14 owner basis, and the discount percent -- the -- the
15 first point there -- the discount
16 percentages/surcharge dollars reflect the collective
17 loss experience of drivers of vehicles registered to
18 owners with the same DSR Level.

19 Just to elaborate on that a little bit,
20 what -- what that means is that -- let's say I
21 register a vehicle at DSR Level and -- and I'm at DSR
22 Level 15 because I just happen to be a great driver,
23 but the -- but I -- but there are other people who
24 would be driving my car at the same time.

25 So when we -- when -- when we are look

1 -- when we are looking at this, we are saying what is
2 the loss experience of all the drivers who drive my
3 car, but we -- we are looking all the -- the total
4 loss experience of all the drivers who drive my car
5 but -- and that's attributable to me at DSR Level 15.
6 So, it reflects -- so -- so while -- so the pricing
7 analysis is based on me registering the vehicle, but
8 it reflects the collective loss experience of
9 everybody who drives the car at the same time.

10 We use the minimum-bias procedure. So,
11 the -- that's a standard actuarially technique to sort
12 of isolate the DSR Level effects on loss costs by
13 adjusting for exposure correlations with other rating
14 variables.

15 So, what that means is that -- all that
16 means is that, you know, we want to separate the
17 effect of the DSR rating variable from other rating
18 variables like territory, insurance use, and rate
19 groups. And then we use data for very eligible
20 passenger vehicles and light trucks only, which
21 represent 95 percent of -- more than 95 percent of
22 very (sic) eligible vehicles. Some -- some groups are
23 not used, motorhomes, motorcycles, and there will be -
24 - we expect there to be minimal effect on the results.

25 So, when we looked at -- when we did

1 our pricing examination, as you can see, there's three
2 (3) columns in the table presented. The first one is
3 the indicated; that's what the pricing examination
4 showed, that -- that the indicated discounts for -- at
5 all levels should be higher than the current discount
6 -- the current discount that we are applying -- we are
7 applying. So, that ranges from anywhere between 1
8 percent to 23 percent. So -- Okay, next slide.

9 So, when we -- when we applied the
10 indicated discount percentages on the 2021/'22 rates,
11 what we see then is that -- so -- so -- so when -- if
12 -- if -- if we -- if we went from the current discount
13 to the indicated discount, what that would do, is it
14 would create a significant revenue loss for MPI.

15 That -- that's because when -- when --
16 when people are getting higher discounts, that means
17 we are collecting less premiums from -- from the
18 customers.

19 However, MPI operates on a breakeven
20 basis and, you know, we need to still collect that
21 revenue somehow from -- from our customers.

22 So, what that would mean, of course, is
23 that because of the revenue loss, as I said earlier,
24 we would have to increase the base rate, or the rates
25 for the undiscounted rate by 21.7 percent in order to

1 recoup that lost revenue as a result offering higher
2 discounts.

3 So, as you can see, the only one -- the
4 -- the -- the only group that's benefitting would be
5 the registered owners at DSR levels plus 10 to plus 15
6 will see lower average vehicle premiums -- average
7 vehicle premiums, and then all others will be
8 significantly higher as a result of this offset.

9 So, so we might give them a higher
10 discount but because we increased the base rate by
11 21.7 percent, they are in a worse-off situation.

12 And naturally 22 percent increase in
13 base rate, like I said before, other ratemaking
14 changes is not publicly acceptable, so we -- so our
15 proposal is to move the dis -- the discounts gradually
16 and -- and -- and so that the change in the base rate
17 is a little bit more acceptable.

18 So for this year we are proposing a
19 minimal change, as shown in the table here, 4 percent
20 for DSR level 15, 2 percent for DSR level 11 to 14,
21 and 1 percent change for DSR level 10.

22 So, I just want to talk a little about
23 the impact of surcharges. On surcharges, as you can
24 see, this -- this table here compares the indicated
25 surcharges based on our pricing analysis versus the

1 current surcharges.

2 It -- it -- it sort of gives us a -- a
3 ballpark as to -- first of all, I -- I just want to
4 say that it is not completely comparable.

5 The current surcharge is applied at the
6 driver level, whereas the indicated surcharge that we
7 are showing here is calculated based on the registered
8 owner at the vehicle level. So -- so -- so this is
9 really the indicated surcharge is -- is the surcharge
10 that we should apply on the vehicle based on the -- so
11 -- so -- so for example, we would apply two thousand
12 one hundred and twenty eight (2,128) on average
13 surcharge to vehicles at DSR level minus twenty (20).

14 So -- so, that's on the vehicle level.
15 The current surcharges apply at the driver level, so
16 they're not exactly comparable.

17 But it gives us a sense of -- of -- of,
18 you know, the -- the -- the surcharge level for DSR
19 level minus twenty (20). You can see there that's two
20 thousand one hundred and twenty eight (2,128), that's
21 the minimum surcharge that we would charge the driver.

22 Because, like I said, the -- the
23 pricing analysis look at it -- the collective loss
24 experience of -- of the driver -- the -- the -- sorry,
25 the DSR pricing analysis look at the collective loss

1 experience of the vehicles registered to a driver at
2 DSR minus twenty (20).

3 What that means is that more -- more --
4 for the most part, it is probably driven by the driver
5 at DSR minus twenty (20), but there's also other
6 drivers who are better risk.

7 So -- so -- so the loss experience
8 might be showing that it is better, just because of
9 all the other drivers who are better risk than the
10 minus twenty (20).

11 So -- so -- that's just to sort of give
12 an -- like a -- a -- sort of a comparison of, you
13 know, the indicated versus the current.

14

15 (BRIEF PAUSE)

16

17 MR. TAI PHOA: Yeah, sorry, so I got
18 one more. So the last part is -- just one to take a
19 moment to recognize that, you know, there is currently
20 cross-subsidization between drivers, sorry, registered
21 owners.

22 And -- and that's because historically
23 we have set it by policy. And because we are not
24 moving to actually indicated discounts, this cross-
25 subsidization will continue to exist. MPI is -- MPI

1 will open the -- but we are gradually moving.

2 And we have to take into account the
3 public acceptability of -- of -- of the rate changes
4 that would result as a -- as a result, just moving to
5 actuarially indicated discounts.

6 So, we're gradually moving to the
7 target and that will reduce cross-subsidization but,
8 again, there will be some continued cross-
9 subsidization to offset them.

10 So, the next steps would be -- MPI
11 intends to consult with stakeholders on the following.
12 So, first of all, we would like to see where -- where
13 -- where stakeholders feel about an appropriate time
14 line for moving towards actuarially indicated vehicle
15 premium discounts.

16 Of -- of course, like I said, the
17 faster we move, the higher the offset would be. We
18 want to take that into consideration.

19 The second part is, what would be an
20 acceptable cap on the overall premium increase
21 resulting from just higher vehicle premium discounts
22 and finally, an acceptable cap on overall premium
23 increase resulting from both higher vehicle premium
24 discounts and breakeven required rate change.

25 So -- so, points 2 and 3 is a little

1 bit different. One is just, perhaps we could say, we
2 -- perhaps we might agree on -- on a 5 percent cap for
3 the -- from -- from -- from the high vehicle premium
4 discount and then what -- and then the next question
5 would be: What would happen if we agree on the 5
6 percent cap, but there's also a 3 percent AAP
7 breakeven rate indication. Would we then say we are -
8 - we're going to be okay with the 8 percent, or should
9 we just put a cap there as well, to say no, we only
10 taking 5 percent.

11 So, kind of along that lines.

12 MR. ANTHONY GUERRA: Thank you very
13 much. I -- I just have a few further questions before
14 we move into the next slide presentation.

15 And, for the panel, I believe it was --
16 Mr. Prystupa, that you were -- you were speaking about
17 the models used by the other Crown corporations, and I
18 believe you had mentioned previously that SGI also
19 uses the registered owner model. Is that correct:

20 MR. CURTIS PRYSTUPA: Yes, that is
21 correct.

22 MR. ANTHONY GUERRA: And is it the
23 same registered owner model that is used by MPI or is
24 it there -- are there differences between the two?

25 MR. CURTIS PRYSTUPA: You know the

1 overarching model is the same. The names of the --
2 the plans are different, but the overarching construct
3 of the -- of the models are the same.

4 MR. ANTHONY GUERRA: And the model
5 used by ICBC, is that also registered owner?

6 MR. CURTIS PRYSTUPA: No, ICBC labels
7 their model as primary driver. The -- and what --
8 what we submitted into evidence today is that ICBC's
9 model is more accurately described as a hybrid model
10 between primary driver and declared drivers.

11 MR. ANTHONY GUERRA: And what do you -
12 - might add sir.

13 MR. CURTIS PRYSTUPA: So, in -- in --
14 in detail, at a -- at the highest level, what ICBC
15 does is they ask -- they ask their customers to
16 declare all drivers, including the primary driver.

17 Their DSR discounts are based -- or
18 their DSR equivalent discounts are based on 75 percent
19 weighting towards the primary driver, and 25 percent
20 weighting towards the worst of the listed drivers.

21 That's what the model looks like from a
22 rating perspective. The additional complexity to
23 that, and what I would consider would be a monumental
24 change for Manitobans, is through claims adjudication
25 if there is an event where there's a claim and a

1 driver, other than one of the listed drivers was
2 driving during that -- during that collision event,
3 ICBC assesses surcharges based on -- based on those
4 claims as a -- as a -- as a penalty so to speak, for
5 not declaring that driver.

6 MR. ANTHONY GUERRA: And, just to
7 confirm, that the primary driver model that was looked
8 at or has been discussed previously with -- with the
9 Board, is -- is not the same primary driver model that
10 was used, or is used by ICBC. Is that correct?

11 MR. CURTIS PRYSTUPA: That's correct.

12 MR. ANTHONY GUERRA: And, to confirm,
13 the primary driver model that MPI has been looking at,
14 discussing with the Board over the last number of
15 years, it is a more simplistic version. Correct?

16 MR. CURTIS PRYSTUPA: Yes.

17 MR. ANTHONY GUERRA: And it works in
18 the sense that the household would -- would decide who
19 would be the primary driver of a particular vehicle,
20 and -- and that's the only person who needs to be
21 identified in the discussions with MPI. Correct?

22 MR. CURTIS PRYSTUPA: Yes.

23 MR. ANTHONY GUERRA: And -- and --
24 what -- who -- what qualifies somebody to be a primary
25 driver? Is it 51 percent of the time that they're

1 controlling the vehicle, or operating a vehicle, or --
2 or how does that work?

3 MR. CURTIS PRYSTUPA: You know, if
4 that was defined in prior dialogue, I don't have the
5 background on that. I would say, logically, that
6 would be the differentiation; is the individual who --
7 who drives the vehicle more.

8 MR. ANTHONY GUERRA: And you mentioned
9 that there -- there might be an extra burden on
10 customers by -- by shifting to a Primary Driver Model,
11 as we spoke about. Can you explain that a little bit
12 more about how that might burden customers.

13 MR. CURTIS PRYSTUPA: You know, what I
14 would say is -- is, you know, even after the -- you
15 know, the first -- the first burden I would say is
16 that, as a primary driver program would be rolled out,
17 customers now have to take an action that they didn't
18 have to take before. They have to -- whether it's
19 going to visit a broker or using online capabilities
20 as they may be available.

21 But at their renewal or reassessment
22 period, the customer would have to go in and actually
23 declare who their primary driver is, which is a
24 departure from what's done today.

25 You know, secondly, I would submit

1 that, going forward, a customer would have to be
2 constantly thinking about their primary driver. And
3 if -- you know, say in the -- in the example that I
4 used with -- with Satvir and I having a vehicle, if
5 something changed and Satvir, you know, drove the
6 vehicle more often, MPI would be placing the burden on
7 the -- on the customer to -- to make that change on a
8 regular basis and -- and keep up with who the primary
9 driver is.

10 MR. ANTHONY GUERRA: And what about
11 the -- the example of the Primary Driver Model in a --
12 in a post-pandemic world, where you may have family
13 members or household -- heads of households that
14 partly work from home, partly work in the office, and
15 -- and their -- their weeks may shift?

16 Can that -- can that pose a problem for
17 the Primary Driver Model?

18 MR. CURTIS PRYSTUPA: I would say so.
19 I would say that, you know, the pandemic has likely --
20 you know, in pre-pandemic world, I think it would be
21 more of a clear delineation in the majority of
22 situations on who the primary driver are -- or primary
23 driver is, pardon me.

24 I would suggest that the pandemic has
25 caused situations where a household may be looking to,

1 you know, move to a single vehicle where there might
2 have been two (2) previously, and the vehicle is more
3 closely shared between two (2) -- two (2) individuals
4 with, you know, possible work-from-home arrangements
5 or -- or trying to -- trying to downsize and control
6 costs. I think there's -- there's likely several
7 scenarios we could -- we could discuss that could
8 cause, you know, a change in -- in how the primary
9 driver would be seen by Manitobans.

10 MR. ANTHONY GUERRA: Now, we've had
11 discussions with the Board for a number of years now
12 about an appropriate model, whether it continues to be
13 Registered Owner or some other type of model.

14 You recall, Mr. Prystupa, that a number
15 of years ago representations were made to the Board
16 that the only two (2) real models worth considering
17 were Registered Owner and Primary Driver, correct?

18 MR. CURTIS PRYSTUPA: Correct.

19 MR. ANTHONY GUERRA: And is it -- is
20 it your evidence today, or is it MPI's position today,
21 that it is prepared to now reconsider some of those
22 other options or is it still a discussion about
23 Registered Owner versus Primary Driver?

24 MR. CURTIS PRYSTUPA: I would -- I
25 would submit, with -- with all due respect, that, you

1 know, really the -- the practical thing and the right
2 thing to do is to -- essentially, what I would say is
3 -- is come at it with a fresh set of eyes where no --
4 no model or combination of models is off the table at
5 this point, and -- and everything really needs to be -
6 - needs to be recon -- reconsidered at this time.

7 MR. ANTHONY GUERRA: Even those models
8 that Manitobans may not prefer or may not see as -- as
9 particularly fair?

10 MR. CURTIS PRYSTUPA: Yeah, abs --
11 absolutely. And -- and I think that's -- that's owing
12 to -- you know, primarily the times have changed since
13 that -- since that survey. And, you know, there's
14 also -- you know, I would say that, you know, although
15 there is -- there is complexity, there might be --
16 might be benefits that perhaps customers don't
17 understand that -- that could be mitigated, so to
18 speak.

19 MR. ANTHONY GUERRA: And -- and what
20 do you say to the criticism that, you know, we've had
21 now three (3) or four (4) years of -- of ample time to
22 discuss these options, and we have had discussions of
23 these options, and the frustration that some might be
24 feeling that we're -- we're no further ahead than we
25 were back in 2018?

1 MR. CURTIS PRYSTUPA: You know, that's
2 -- that's a good question. I -- you know, I see it.
3 I -- I feel it. I understand it. You know, in -- in
4 reality, you know, I think that we narrowed --
5 narrowed in on the consideration on Registered Owner
6 and Primary Driver too soon, collectively. And I
7 appreciate the -- the concern and -- and acknowledge
8 the frustration, but I think that, moving forward with
9 a model that -- that we see as having little to no
10 improvements on the primary goals is -- is just not
11 the right thing to do at this time.

12 MR. ANTHONY GUERRA: And what do you
13 say to the criticism that -- that a decision needed to
14 be made or some concrete set of steps needed to be in
15 place prior to the implementation of Project Nova, and
16 that now that it appears that that hasn't taken place,
17 that this might pose a problem if Nova is implemented
18 and a decision has to be made to now switch models?

19 MR. CURTIS PRYSTUPA: I -- I think
20 that's -- that's also a good question. And -- and,
21 you know, what I would say is, in -- in consultation
22 with the -- with the team, with the capabilities that
23 are being brought to us by Nova, the capabilities to
24 consider any of these options will be available to us.

25 So -- so doing it at a later time does

1 not present any additional -- any additional risk or -
2 - or problem to -- to MPI.

3 MS. SATVIR JATANA: Just to add to
4 Curtis's thoughts here. MPI has been engaged in this
5 conversation, so it's not lost on us that this is a
6 topic that needs attention and needs addressing, and I
7 believe that we have started taking those steps with
8 Tai's presentation today on the DSR.

9 In terms of the models that were looked
10 at, perhaps we narrowed because that's what we
11 understood from customers, that their preferred model
12 would be the one that is today, and if we were
13 exploring that model, the second model could be the
14 Primary Driver.

15 We did not forecast pandemic three (3)
16 years ago that -- that would hit and our lives would
17 change, including the driving habits. We know that
18 during pandemic there was times that there was -- less
19 than half the vehicles were on the road, and we do
20 feel that some of those impacts will be long lasting;
21 more employers are offering flexibility and employees
22 to work from home.

23 So the Primary Driver, the Registered
24 Owner, all of those things need to be looked at with -
25 - as Curtis alluded to, with fresh eyes. And what --

1 what is the needs of the customer in the future? And
2 we shouldn't limit to what we may have explored in the
3 past or what might be the new solutions that we may
4 learn post-COVID.

5 What we know today, that our current
6 model is serving the needs of Manitobans, and it is
7 something that can stay for the next five (5) years.
8 And the reason why we are definitive about that, one
9 is, as I alluded to earlier, we cannot do this half-
10 assed and we cannot do this without understanding the
11 customers' needs, without understanding what solution
12 might come out post-COVID.

13 And doing this, in rushing with this
14 Legacy system change, is not the right thing for the
15 Corporation, although the system offers us the
16 capability to input the current model or potentially
17 another model from systems we know we have those
18 capability. That is one (1) of the reason why we're
19 investing in this Project Nova, so the systems would
20 allow these changes to occur more efficiently and more
21 effectively in the future.

22 However, those -- doing those changes
23 right now, it's more the capacity issue. Our
24 organization, as any organization going through this
25 major transformation, would only have so much capacity

1 from a resourcing perspective, from engaging
2 stakeholders, and from thorough analysis and the rigor
3 that it requires for us to make this change. And the
4 time simply isn't in the next five (5) years.

5 And that doesn't mean that this topic
6 gets the backseat. This -- there is still opportunity
7 to improve the current model as it stands today. And
8 you've heard that in our testimony, and -- and I would
9 hope that that is something that we can forward with.
10 Thank you.

11 MR. ANTHONY GUERRA: Thank you, Ms.
12 Jatana. I just have another question. This is now
13 moving to the -- the changes on the DSR scale.

14 And, Mr. Phoa, we -- we did hear you
15 testify. And I think we can pull up slide 18 of your
16 presentation if that might be of assistance. Thank
17 you very much, Ms. Schubert.

18 And so, what I understood from this
19 slide is what we're saying here is -- is that there's
20 a dislocation between the indicated rates for the DSR
21 levels and -- and the current rates.

22 Is that correct?

23 MR. TAI PHOA: Yes, that is correct.

24 MR. ANTHONY GUERRA: And I believe the
25 next slide over highlights how the -- the actual

1 dollar impact would be.

2 And if we continue to slide number 20,
3 we'll see how MPI proposes to -- to fill in that gap,
4 correct?

5 MR. TAI PHOA: Just to clarify, the
6 price slide is what it would look like if we -- if we
7 applied the -- if we went straight to the indicated
8 discounts and applied a 22 percent increase to the
9 base rates.

10 So, that would be a comparison of what
11 it would look like for the average rate from DSR
12 levels zero to 15.

13 And this slide here shows what we are
14 proposing, to not have the 22 percent increase in base
15 rates.

16 MR. ANTHONY GUERRA: Right. So -- so,
17 22 gets us back to the indicated rate -- or gets us to
18 the indicated rate from the current rate. We're not
19 proposing an immediate 22 percent increase for -- for
20 drivers at the DSR 15 level, we're proposing a 4
21 percent increase, correct?

22 MR. TAI PHOA: We are proposing a 4
23 percent decrease, (sic), correct.

24 MR. ANTHONY GUERRA: Yes. And -- and
25 the reason for that is --

1 MR. TAI PHOA: Sorry. My bad,
2 Counsel. We are proposing a 4 percent increase in the
3 current discount.

4 MR. ANTHONY GUERRA: Correct. And
5 that gets us from the 33 number to the 37 percent
6 number, correct?

7 MR. TAI PHOA: Yes, that is correct.

8 MR. ANTHONY GUERRA: And -- and so,
9 the reason why those rates aren't -- aren't going up
10 immediately to the 56 percent number is because your
11 evidence is that that wouldn't be publically
12 acceptable, correct?

13 MR. TAI PHOA: Yes. The increase that
14 we would have to do in the base rates would not be
15 publically acceptable, yes.

16 MR. ANTHONY GUERRA: Okay. And -- and
17 that is based on MPI's understanding that there needs
18 to be a cap on that type of increase?

19 MR. TAI PHOA: Yes.

20 MR. ANTHONY GUERRA: And is the cap
21 that you're using in this case the 4 percent cap? Is
22 that why it's 4 percent? It's artificially capped at
23 that point?

24

25 (BRIEF PAUSE)

1 MR. TAI PHOA: I -- I -- the -- I -- I
2 the -- the changes that we are proposing leads -- the
3 -- the changes that we are proposing leads to a 2.6
4 percent revenue decrease, which -- which if we were to
5 offset that 2.6 percent revenue decrease with all --
6 all things equal, would -- would really mean that, you
7 know, we would have to increase rates by 2.6 percent.

8 And we feel that that is -- that is --
9 but -- but we don't have to do that this year because
10 when -- when -- in our -- because we are in the -- we
11 are in sort of the favourable position to actually
12 implement that without a significant rate increase --
13 significant rate increase to the customers.

14 MR. ANTHONY GUERRA: Okay. So, just
15 to confirm what your evidence is, is that it's -- it's
16 not so much a cap as it is -- or sorry, a selected
17 cap, it's the -- it's the number that is necessary to
18 avoid significant increases for other drivers.

19 Is that correct?

20 MR. TAI PHOA: Yes, that is correct.

21 MR. ANTHONY GUERRA: Okay.

22

23 (BRIEF PAUSE)

24

25 MR. ANTHONY GUERRA: Okay. Thank you.

1 I have no further questions for this slide deck. So,
2 if we can now proceed over to the --

3 THE PANEL CHAIRPERSON: No. Mr.
4 Guerra, what we'll do is take our morning break --

5 MR. ANTHONY GUERRA: Okay. I'm sorry.
6 Yes.

7 THE PANEL CHAIRPERSON: -- right now,
8 please, and return at quarter after 11:00.

9 MR. ANTHONY GUERRA: Okay. Thank you.

10

11 --- Upon recessing at 10:59 a.m.

12 --- Upon resuming at 11:17 a.m.

13

14 THE PANEL CHAIRPERSON: Thank you.
15 Mr. Guerra, please proceed.

16

17 CONTINUED BY MR. ANTHONY GUERRA:

18 MR. ANTHONY GUERRA: Thank you, Madam
19 Chair. And I can indicate now that we have our
20 Vehicle for Hire presentation. And I'm going to turn
21 it over to Mr. Prystupa.

22 Just before I do, Mr. Prystupa, can you
23 just confirm that this is the -- the Vehicle for Hire
24 presentation that you intend to present for the
25 benefit of the Board this morning?

1 MR. CURTIS PRYSTUPA: Yes, it is.

2 MR. ANTHONY GUERRA: And that the
3 presentation that you shall give will also be adopted
4 as your evidence?

5 MR. CURTIS PRYSTUPA: Yes.

6 MR. ANTHONY GUERRA: Thank you. Then
7 you may continue, please.

8 MR. CURTIS PRYSTUPA: So, this morning
9 I'm going to go through a brief history of the VFH
10 model here in Manitoba since 2018. We're going to
11 talk a little bit about stakeholder engagement which,
12 you know, we can say there has been quite a bit of
13 over the -- over the last while.

14 And then we're going to talk a little
15 bit about refining our VFH model and talk a little bit
16 about what the next steps look like.

17 So, just in way of a couple of slides
18 of -- of history to -- to bring us all onto the same
19 page, March 1st, 2018, MPI introduces a new Vehicle
20 for Hire, or VFH insurance model.

21 At this time, MPI developed a time ban
22 model at a time where a few comparators existed and
23 the ride share industry was just beginning in Canada
24 to create an environment with flexible choices for
25 customers.

1 The time ban model was approved prior
2 to launch by the PUB. MPI would submit that the model
3 has performed reasonably well with the exception of
4 three (3) main concerns.

5 The passenger VFH initial rating was
6 held to be too low, and this has been addressed
7 through the PUB Order for 20 percent annual increases.
8 In addition, stakeholders are telling us and we have
9 seen through our data that time bans are being use --
10 used --

11

12 (TEAMS DISCONNECTED FOR ONE MINUTE)

13

14 MR. CURTIS PRYSTUPA: -- model to
15 better meet the needs of VFH customers and, in doing
16 so, we have been reviewing the three (3) year history
17 of the existing model, examining ride sharing products
18 introduced in other Canadian jurisdictions,
19 considering the future --

20 THE PANEL CHAIRPERSON: Can you just
21 check with her find it? Sorry, Mr. Prystupa, if you
22 could just wait.

23 MR. CURTIS PRYSTUPA: No -- no
24 problem.

25

1 (BRIEF PAUSE)

2

3 THE PANEL CHAIRPERSON: Mr. Prystupa,
4 could you go back one (1) slide, please, and just
5 start your presentation from there. Thank you.

6 MR. CURTIS PRYSTUPA: I'm happy to.
7 In March 1st, 2018, MPI introduces a new Vehicle for
8 Hire, or VFH insurance model. MPI developed this time
9 ban model at a time where few comparators existed and
10 the ride share industry was just beginning in Canada
11 to create an environment with flexible choices for
12 customers.

13 The time ban model was approved prior
14 to launch by the PUB. MPI would submit that the model
15 has performed reasonably well with the exception of
16 three (3) main concerns.

17 The passenger VFH initial rating has
18 been held too low. PUB has ordered 20 percent annual
19 increases as a solution to this particular issue.
20 Time bans have also been used in an ineffective
21 manner. And what we mean by that is the vast majority
22 of VFH stakeholders have been selecting all four (4)
23 time bans.

24 The blanket policy has become an
25 industry standard and has been established in other

1 provinces for transportation network companies, or
2 TNCs.

3 When we think about the last three (3)
4 years since this has been introduced, MPI has been
5 considering the framework and/or pricing structure
6 enhancements to the VFH model to better meet the needs
7 of VFH customers and, in doing so, we have reviewed
8 the three (3) year history of the existing model; we
9 have examined ride sharing products introduced in
10 other Canadian jurisdictions; considered the future
11 system capabilities that Project Nova will bring; and,
12 very importantly, we have engaged with various Vehicle
13 for Hire stakeholders.

14 In means of a very high-level summary
15 of our -- of our engagement to take -- take us back to
16 December of 2020, MPI conducted a Vehicle for Hire
17 dispatcher survey.

18 I will caution that the sample size was
19 very low with a relatively low response rate on this
20 particular survey. Around half of the customers
21 surveyed there say that the current model meets
22 business needs. The remaining half that said that the
23 model didn't meet their business needs were looking
24 for a blanket policy.

25 In April of this past year, PUB held

1 the VFH technical conference as -- as ordered last
2 year, and this was a -- what I would suggest was a
3 meaningful collaborative approach with our -- our
4 stakeholders, including CAC, the TNCs, as well as the
5 Taxi Coalition.

6 At this -- at this technical
7 conference, we reviewed some of the -- the issues we
8 had uncovered and had a meaningful collaborative
9 discussion about the potential changes to our current
10 model.

11 In the summer of 2021, MPI issued a
12 registered owner survey where we surveyed the
13 registered owners of Vehicle for -- Vehicle for Hire
14 segments.

15 Repeating what we saw from dispatchers
16 is less than -- less than 50 percent say that the
17 current model meets their needs. The majority of
18 those that say that the model does not meet their
19 needs are looking for fewer time bans or flat-rate
20 pricing.

21 The second part of -- of the
22 stakeholder engagement has been, you know, starting in
23 the spring of this year and going through the summer,
24 and even -- even into our lovely autumn that we're
25 having here in Manitoba, is detailed conversations

1 with the stakeholders as groups.

2 We've spoken with the limo and
3 accessible VFH groups kind of as a -- kind of as a
4 group together. They stated that they prefer the flat
5 rated model. And they state that time bans are
6 ineffective for their -- for their operations.

7 The TNCs are in support of a -- the
8 development of a basic blanket policy. And with Taxi
9 Coalition, they -- they primarily desire premium and
10 communication fairness across VFH groups.

11 And while time bans do not currently
12 meet their operating needs, they still value the
13 flexibility. In conversations with the Taxi
14 Coalition, they have said that approximately 20
15 percent of taxis would take fewer time bans or reduce
16 hours if the options aligned with their -- their
17 business operations.

18 Now, to talk about -- a little bit more
19 about next steps, MPI is continuing consultations to
20 refine the VFH framework future states in
21 collaboration with our key stakeholders, also working
22 with SGI and ICBC, as well as the city of Winnipeg.

23 And MPI intends to provide -- present a
24 revised Vehicle for Hire model or framework to
25 interested stakeholders in advance of the 2023 GRA for

1 -- for feedback in advance of our application.

2 In 2022, MPI intends to present the
3 revised Vehicle for Hire framework to PUB as part of
4 our 2023 GRA application. Also, we will have the
5 necessary legislative changes going through the
6 approval process with government.

7 And our current date for implementation
8 from an expected perspective is April 1st, 2023.

9 MR. ANTHONY GUERRA: Thank you very
10 much. I don't have any further questions for this
11 presentation. So, if we can then move into the next
12 presentation, which was the compulsory Extension
13 review project. Is that correct?

14 MR. CURTIS PRYSTUPA: Yes.

15 MR. ANTHONY GUERRA: Oh, perfect.
16 And, again, I believe this is going to be presented by
17 you, Mr. Prystupa?

18 MR. CURTIS PRYSTUPA: That's correct,
19 Mr. Guerra.

20 MR. ANTHONY GUERRA: And this is going
21 to be adopted as your evidence. Is that correct?

22 MR. CURTIS PRYSTUPA: Yes.

23 MR. ANTHONY GUERRA: Please proceed.

24 MR. CURTIS PRYSTUPA: We just wanted
25 to come and -- and provide a little bit of an overall

1 summary of -- of this project when we -- when we've
2 looked at the -- the impacts to the -- the CERP
3 project and wanted to share some key -- key findings
4 with our audience here.

5 Now, with this study, the study period
6 that we're looking at here is for the first quarter or
7 the first three (3) months after the changes were
8 launched, from April 1st to June 30th.

9 When we look at the customer sentiment,
10 customers were overall pleased with the new products
11 and with communication and service received regarding
12 the changes.

13 The majority received enough
14 information and advice to make an informed purchase
15 decision. Only 25 percent of customers read the
16 renewal or reassessment notice that were explaining
17 the changes. And the education of customers was
18 largely handled by our broker channel.

19 When we look at the CERP changes by the
20 numbers, what I would say is that, with third-party
21 liability and maximum -- maximum insured value, or
22 MIV, the changes that we saw were -- were very close
23 and comparable with the forecast that MPI had -- had
24 expected for the changes to those products.

25 All perils is a slight variation where

1 MPI had predicted that -- or had forecasted that 11
2 percent of customers would choose the seven hundred
3 and fifty dollar (\$750) deductible.

4 And in the first three (3) months of
5 the CERP changes going live, just over 3 percent chose
6 the seven hundred and fifty dollar (\$750) deductible.

7 Looking at a couple of -- of
8 enhancements on what we've learned in -- in early
9 stages, the renewals and reassessments and -- and --
10 so, what we're saying is the actual documents that
11 were sent to customers, they did not differentiate the
12 -- the two hundred dollar (\$200) deductible between
13 two hundred (200) standard and two hundred (200) plus.
14 This was realized relatively early. And this was
15 corrected by July 18th, 2021.

16 And less than 9 percent of customers
17 had unanswered questions about rationale for changes,
18 which, we would suggest, is a fairly good result. But
19 what we're doing to -- to help lower that number even
20 further is using some enhanced social -- social-media
21 messaging and -- enhanced social-media messaging to
22 try to increase the -- the awareness of the changes.

23

24 (BRIEF PAUSE)

25

1 MR. ANTHONY GUERRA: Thank you very
2 much. And I understand this is the last slide in your
3 presentation, is that correct?

4 MR. CURTIS PRYSTUPA: That is correct.

5 MR. ANTHONY GUERRA: Okay. I have no
6 further questions. Thank you.

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

9

10 CROSS-EXAMINATION BY MR. ROBERT WATCHMAN:

11 MR. ROBERT WATCHMAN: Thank you, Madam
12 Chair. Good morning, panel. My name is Robert
13 Watchman and I am one of the Board counsel.

14 And my questions today, I'll start with
15 the Driver Safety Rating system and then I will move
16 onto Vehicles for Hire.

17 I just wanted to start with a couple of
18 general questions with respect to the Driver Safety
19 Rating Model.

20 And can you confirm that, at the time
21 of last year's GRA hearing, consideration was still
22 being given to possibly adopting a Primary Driver
23 Model for DSR?

24 MS. SATVIR JATANA: It is my
25 understanding that MPI's position was that we would

1 remain with the current model.

2 MR. ROBERT WATCHMAN: Yes. But was
3 consideration still being given to a Primary Driver
4 Model for DSR?

5 MS. SATVIR JATANA: Not to my
6 understanding.

7 MR. ROBERT WATCHMAN: Kristen, could
8 we turn to the transcripts from last year, 2021 GRA,
9 October 27th, 2020, at page 1,483.

10

11 (BRIEF PAUSE)

12

13 MR. ROBERT WATCHMAN: And so, this is
14 Mr. Luke Johnston giving evidence. And he's
15 explaining that, to change the model, as he says,
16 there are a lot of moving parts. If we could scroll
17 down to the next paragraph. Sorry.

18 So beginning at line 7, Mr. Johnston
19 says:

20 "So a lot of moving parts here.
21 There is going to be a lot of
22 pressure to use the existing model
23 from the X --"

24 And he catches himself, and he says:

25 "-- from the sense that we know it

1 and government doesn't have to prove
2 it, PUB is familiar with it, et
3 cetera. But again, I don't think
4 that should preclude us from at
5 least assessing the other options or
6 at least giving them a fair
7 assessment relevant to the current
8 registered model -- sorry,
9 Registered Owner Model."

10 Do you see that there?

11 MS. SATVIR JATANA: I do.

12 MR. ROBERT WATCHMAN: So is it fair to
13 say then that the Registered Owner Model was still
14 under consideration at the time Mr. Johnston gave his
15 evidence?

16 MS. SATVIR JATANA: I don't have the
17 full context before and after this, obviously. But as
18 you can -- I can understand the sentiment behind some
19 of the -- even his, I'll say, sentence here, it's
20 evident that, at that point, he makes it that this is
21 a large undertaking, something that requires
22 engagement of many stakeholders, and that is, again,
23 you know, the position that I -- I stated earlier.

24 Lots has changed even since last
25 October. We were just kind of in the early stages of

1 pandemic, and now we have eighteen (18) months of --
2 of the impact that pandemic has and we're still
3 learning. And I think we still need to understand
4 some more, whether -- nobody is necessarily
5 disagreeing that the current model does not -- has its
6 gap. Nobody's arguing that point. But the question
7 is, adopting a Primary Driver, does it address the
8 current concerns or shall MPI be considering customer
9 feedback -- customer understanding of what other
10 products may come out that we need to explore.

11 And given where we are in our
12 transformation and Project Nova, the timing just isn't
13 the right -- for us to be taking that undertaking
14 right now.

15 MR. ROBERT WATCHMAN: So to clarify
16 then, it's my understanding that the Corporation has
17 decided that it is not going to -- it's going to
18 continue with the current Registered Owner Model with
19 refinements into the future but, at this time and into
20 the near future, it's not giving consideration to any
21 other models, including the Primary Driver Model?

22 MS. SATVIR JATANA: What I can say --
23 that MPI would maintain the current model for the next
24 five (5) years while we're in -- in this
25 transformation and Project Nova. That does not

1 preclude that we don't keep our eyes open to what's
2 out there and what we may learn from new products or
3 other models that could be explored.

4 However, there is a -- from a product -
5 - you know, that's what our -- we do, as a product
6 team. We continuously look to understand customers'
7 need, look to understand what products out -- are out
8 there. But the timing to implement those products
9 need to be considered in -- in a larger context with
10 what's -- everything else that's going on in the
11 organization.

12 MR. ROBERT WATCHMAN: Kristen, if I
13 could ask you to turn to Information Request CMMG-MPI-
14 2-10.

15

16 (BRIEF PAUSE)

17

18 MR. ROBERT WATCHMAN: And the inquiry
19 here relates to MPI requiring customers to declare
20 primary driver.

21 And if we could go to the response and
22 see the response:

23 "There are no plans to ask customers
24 to declare the primary drivers of
25 the vehicles being insured, nor

1 plans to conduct a pricing
2 examination of the Primary Driver
3 Model."

4 Do you see that?

5 MS. SATVIR JATANA: I do.

6 MR. ROBERT WATCHMAN: So if we could
7 refer to -- it refers also to Information Request CAC-
8 MPI-1-54. If we could turn to that information
9 request.

10

11 (BRIEF PAUSE)

12

13 MR. ROBERT WATCHMAN: And I think we
14 can scroll right to the response because I think it's
15 self-explanatory. And again:

16 "MPI has no plans to move to a
17 Driver -- Primary Driver Model, as
18 stated in the preamble. Using the
19 current Registered Owner Model, MPI
20 is focusing on addressing the gap
21 between the current discount/premium
22 charge and the indicated
23 discount/premium charge to remedy
24 the cross-subsidization of drivers
25 with low DSR ratings by those with

1 high DSR ratings. MPI believes that
2 addressing the gap is directionally
3 consistent with any potential moves
4 towards a Primary Driver Model at a
5 later date. At present, the only
6 plan in place is best described as
7 near term, approximately five (5)
8 years.

9 Further, based on the DSR public
10 consultation report presented to the
11 PUB in the 2020 GRA, customers
12 expressed indifference when it comes
13 to the fairness of the Primary
14 Driver versus the Registered Owner
15 Models with almost half, 44 percent,
16 preferring the Registered Owner
17 Model and only 21 percent preferring
18 the Primary Driver Model."

19 Do you see that response?

20 MS. SATVIR JATANA: I do.

21 MR. ROBERT WATCHMAN: So, again, for
22 clarification, I take it there's no plans to consider
23 a Primary Driver Model for at least five (5) years.
24 Is that the --

25 MS. SATVIR JATANA: That would be --

1 that would be correct.

2 MR. ROBERT WATCHMAN: Thank you. Now,
3 this decision made by the Corporation to continue with
4 the Registered Owner Model and no longer consider the
5 Primary Driver Model, at least for five (5) years, can
6 you tell us when that decision was made by the
7 Corporation?

8 MS. SATVIR JATANA: I can't point to
9 the exact date, but, like I said, this topic hasn't -
10 - it's not lost on us. It's a -- part of our regular
11 conversations at the executive table, and we've had a
12 number of conversations over the years. And I can't
13 pinpoint to a date that decision was made offhand
14 right now.

15 MR. ROBERT WATCHMAN: But given Mr.
16 Johnston's response at the last GRA hearing, is it
17 fair to say that that decision was made sometime after
18 the -- the last year's hearing and prior to the filing
19 of this year's application?

20 MS. SATVIR JATANA: I don't have all
21 of Mr. Luke Johnston's, necessarily, response to last
22 year's GRA, but that conversation was prior to that
23 GRA. As part of the executive, I do recall having
24 those conversations, and that decision was to maintain
25 the current model prior to last year's GRA.

1 MR. ROBERT WATCHMAN: Yes, but I'm --
2 what I'm focussing on though is the decision to no
3 longer consider the Primary Model -- Driver Model
4 until five (5) years?

5 MS. SATVIR JATANA: I think it's
6 important to say that we need to differentiate that
7 decision to implement Primary Driver for the next five
8 (5) years is -- is clear in our mind. We're not
9 stating that that model could never be considered. As
10 a matter of fact, what we said today, that that model
11 along with current model and other models need to be
12 explored in the future.

13 MR. ROBERT WATCHMAN: The future being
14 at least five (5) years from now?

15 MS. SATVIR JATANA: That would be
16 correct.

17 MR. ROBERT WATCHMAN: Now, prior to
18 making this decision to no longer consider the Primary
19 Driver Model for at least five (5) years, can you
20 confirm that the Corporation did not advise the PUB of
21 that decision prior to the filing of the -- the
22 current application?

23 MS. SATVIR JATANA: I would have to
24 confirm that with my legal, but -- team -- my
25 understanding that it has been shared at this table.

1 MR. ROBERT WATCHMAN: Oh, you mean in
2 this rate application?

3 MS. SATVIR JATANA: I can confirm if
4 you allow me a minute.

5

6 (BRIEF PAUSE)

7

8 MS. SATVIR JATANA: My apologies for
9 that. And I do believe and understand that our
10 position to remain with the current model was declared
11 last year.

12 MR. ROBERT WATCHMAN: Okay. And
13 again, perhaps it's a misunderstanding. What I'm
14 specifically referring to is the Corporation's
15 decision not to consider a Primary Driver Model for at
16 least five (5) years.

17 When was that decision made and when
18 was it first communicated to the PUB.

19 MS. SATVIR JATANA: Fair enough. I
20 think last year definitely it was -- it was made clear
21 that we would remain with the current model. Perhaps
22 in the -- you know, the last year as we got more into
23 the transformation, it has become very clear to us
24 that making that change would not be the right thing
25 for the Corporation nor the Manitobans in the next

1 five (5) years.

2 MR. ROBERT WATCHMAN: And, again, so
3 just -- so I understand, as a part of the concern
4 here, or part of that decision-making is the
5 complexity of the Nova Project.

6 Is that correct?

7 MS. SATVIR JATANA: So, when we -- I
8 want to make sure it's clear. So from a Nova Project,
9 from a technical, from an IT capability, the new
10 system affords us the capability, absolutely. When I
11 was mentioning that, it's to the capacity of the
12 organization.

13 As you know, it takes, you know, our
14 entire organization to implement this Nova and the
15 transformation. It's not just the legacy system
16 changes, it's looking at all of our processes on --
17 our entire business, and we're transforming MPI over
18 the next five (5) years.

19 So -- so from a capacity, from an
20 organization capacity, it poses a concern for us to be
21 taking on another major project. And -- and I wasn't
22 here when first DSR was implemented, but my
23 understanding was that it was a multi-year in making
24 to bring that model to life. And I don't think that
25 it would be any less undertaking to change a model on

1 Manitobans.

2 MR. ROBERT WATCHMAN: Thank you.

3 Kristen, could we turn to the slide deck that was
4 provided this morning. I believe that's MPI Exhibit
5 75. And I just would like to go to slide 22.

6

7 (BRIEF PAUSE)

8

9 MR. ROBERT WATCHMAN: Twenty-two.

10 Sorry, 22.

11 Now, Mr. Prystupa, I'm looking at the
12 last bullet point then talking about MPI intends to
13 consult with stakeholders, and you list various topics
14 that would be under consult -- consultation.

15 But can you -- can you confirm for us
16 that all of those topics are intended to address
17 refining the current Registered Owner Model?

18

19 (BRIEF PAUSE)

20

21 MR. CURTIS PRYSTUPA: Yes, we can
22 confirm.

23 MR. ROBERT WATCHMAN: And can the
24 panel confirm that the changes that are proposed in
25 this GRA are not driven by a revenue -- revenue need

1 for the Corporation in the '22/'23 insurance year?

2

3

(BRIEF PAUSE)

4

5

MR. TAI PHOA: Sorry, Mr. -- Mr.

6 Watchman. I'm just trying to understand what you mean

7 by "not driven by a revenue need"?

8

MR. ROBERT WATCHMAN: So, in other

9 words, that the Corporation didn't find itself in a

10 circumstance where it had to generate more revenue and

11 that's why it's proposing the change to the system

12 now.

13

So, for example, by contrast, in the

14 2018 GRA there was a revenue need and that's why the

15 scale for surcharges on the negative side -- that's

16 what drove that request.

17

MR. TAI PHOA: Yeah, so I see where

18 you're coming from. Yeah, definitely, you know, like

19 I said in my slide, in the initial application in June

20 there was a minus 2.8 percent overall rate decrease

21 that was -- that was the indication.

22

And -- and we took that in

23 consideration of the range of movements for the -- in

24 terms of our proposal as to how we're going to move

25 the discounts to actuarially indicated rates. So,

1 yes.

2 MR. ROBERT WATCHMAN: So, yes, it's
3 not driven by a need for revenue?

4 MR. TAI PHOA: Sorry, repeat it?

5 MR. ROBERT WATCHMAN: So, the current
6 proposal to change the DSR is not driven by a revenue
7 need? So -- so the Corporation isn't looking for
8 extra revenue, it's just trying to refine the system?

9 MR. TAI PHOA: The -- the Corporation
10 is certainly not getting any extra revenue from this,
11 because the discount rates are -- the -- the changes
12 to the discount -- we -- we are -- the Corporation is
13 suggesting higher discounts. So, I'm -- I'm sort of -
14 - maybe I'm not fully understanding the question, but
15 there is -- this -- this particular change results in
16 less revenue for the Corporation and -- yeah.

17 MR. ROBERT WATCHMAN: Okay. And --

18 MS. JING LAN: This is Jing. It's not
19 revenue driven.

20 MR. ROBERT WATCHMAN: Okay. Thank
21 you.

22 And can you confirm that under the
23 Registered Owner Model, the primary rating factor is
24 the collective claims experience at each DSR level?

25 MR. TAI PHOA: Yes, it is the

1 collective claims experience at each DSR level of
2 vehicles registered to -- of the Registered Owner,
3 yeah.

4 MR. ROBERT WATCHMAN: And -- and so
5 you would agree that the Registered Owner Model driver
6 risk is not a primary rating factor?

7 MR. TAI PHOA: Yes, it does not just
8 reflect the -- the driving risk of the -- of the
9 registered owner himself or herself.

10 MR. ROBERT WATCHMAN: But a Primary
11 Driver Model, the primary rating factor would be
12 driver risk.

13 Is that correct?

14 MR. TAI PHOA: Again, based on how we
15 defined the primary driver this morning, all that does
16 is it changes the focus from the registered owner to
17 the primary driver. But if there's only one (1)
18 primary driver being declared, it would still reflect
19 the collective loss experience of the vehicles insured
20 by the prime -- by the primary drivers.

21 MR. ROBERT WATCHMAN: Okay. So -- so
22 which model, the Registered Owner Model or the Primary
23 Driver Model, would best reflect driver risk?

24

25

(BRIEF PAUSE)

1

2 MR. CURTIS PRYSTUPA: Thank you for
3 the moment there. MPI would say that with the caveat
4 that includes accurate customer reporting, that the
5 primary driver model would be a more accurate way to
6 assess driver risk.

7 MR. ROBERT WATCHMAN: Okay, thank you.
8 And now I'm going to go to review the recent history
9 of the PUB'S liberations concerning DSR.

10 And I'm going to use as my home base
11 Board Order 1/21 from last year, so if we could go
12 there, Kristen, please.

13 And you have to bear with me, as this
14 is going to be the -- the basis for my review, but
15 from time to time I'm going to have to jump to a --
16 another document.

17 If we could turn to page 61 please,
18 Kristen.

19 And it -- so the history begins in
20 Order 130/17, following the 2018 GRA, the Board
21 directed that a technical conference take place on the
22 availability and -- and practicality of other
23 analytical tools and ratemaking methodologies to
24 better determine DSR rates and vehicle premium
25 discounts based on principle driver rating, rather

1 than registered driver rating.

2 The Board also directed the Corporation
3 to file proposed driver premium rates more
4 statistically consistent with the estimated average
5 claims cost per driver for each level on the demerit
6 side of the DSR scale in the 2020 GRA.

7 And in this Application, while proposed
8 vehicle premium discounts that were actuarially based
9 on principle driver performance evaluation.

10 Do you see that?

11 MR. CURTIS PRYSTUPA: Yes.

12 MR. ROBERT WATCHMAN: Now, and --
13 before we go down -- Kristen, could we just go to
14 Board Order 130 of 17. And if we could go to the end,
15 to the directives at page 95. And I want to go down
16 to 11-9 and 11-10.

17 So, these -- sorry, 11-8 and 11-9, and
18 so these are the specific directives that the Board
19 issued in the 2019 GRA.

20 The Corporation shall file proposed
21 driver premium rates that are more statistically
22 consistent with the estimated average costs -- sorry -
23 - claims cost per driver for each level on the demerit
24 side of the DSR scale.

25 In the 2021 GRA, the Corporation shall

1 file proposed vehicle premium discounts that are
2 actuarially indicated, based on principle driver
3 performance evaluation. Do you see that?

4 MR. CURTIS PRYSTUPA: Yes.

5 MR. ROBERT WATCHMAN: And so, if we
6 could just go back, Kristen, to the Board Order 121.

7 So the next paragraph begins, the
8 Corporation applied for a review and variants of those
9 aspects of Order 130/17, and by Order 29/18, the Board
10 varied Order 130/17 as follows.

11 Now, before we get there, Kristen, if
12 we could go to Board Order 29 of '18. Page 5 please.
13 And just scrolling down to MPI's position on the
14 Directives, if we just scroll that down -- that --
15 sorry, thank you.

16 So it just -- and this just addresses
17 the -- the rationale given by MPI. So with respect to
18 Directives 1 -- 11.7 to 11.9, MPI raised a concern
19 that the issues related to the future DSR rating
20 scale, being actuarially based, and based on principle
21 driver rating, rather than registered owner rating,
22 were not fully considered in the 2018 GRA.

23 In particular, MPI stated that the
24 foundational structure and purpose of the DSR program,
25 as well as the vehicle premium discounts, were only

1 given a cursory review, and there was insufficient
2 evidence or consideration given to justify changes to
3 the structure and implementation of the DSR program.

4 Do you see that? The rationale there
5 was -- is that there wasn't sufficient study of it in
6 the GRA.

7 So if we can go back then to Board
8 Order 1 of '21.

9 And so the Board accepted the
10 Corporation's request and -- and altered the
11 directives in respect of the technical conference.

12 And then the second part there:

13 "The Board held in abeyance the
14 requirements that 1) in the 2019
15 GRA, the Corporation filed proposed
16 driver premium rates more
17 statistically consistent with the
18 estimated average costs claim --
19 sorry -- average claims cost per
20 driver for each level on the demerit
21 side of the scale, and 2) in this
22 application --"

23 So this is -- "this application,"
24 referring to the 2021 GRA.

25 "-- the Corporation filed proposed

1 vehicle premium discounts that are
2 actuarially indicated based on
3 principal driver performance
4 evaluation.

5 These directives were varied and
6 held in abeyance until such time as
7 the issues of driver premiums more
8 statistically consistent with the
9 average claims cost per driver for
10 each level on the demerit side of
11 the DSR scale and vehicle premium
12 discounts fully supported by
13 actuarially indications based on
14 principal driver performance
15 evaluation were reviewed and
16 considered in the 2019 GRA."

17 And then the Board Order goes on.

18 MR. ANTHONY GUERRA: Sorry, counsel.

19 Did you want the witnesses to confirm that that --

20 MR. ROBERT WATCHMAN: So you confirm
21 that that's --

22 MR. ANTHONY GUERRA: Okay. Thank you.
23 Sorry, just 'cause there's a lot of -- you know, a lot
24 of regurgitation there, and I just want to make sure
25 we're all on the page.

1 MR. ROBERT WATCHMAN: Thank you --

2 MR. ANTHONY GUERRA: Thank you.

3 MR. ROBERT WATCHMAN: -- Mr Guerra.

4 Quite right.

5

6 CONTINUED BY MR. ROBERT WATCHMAN:

7 MR. ROBERT WATCHMAN: So now, in the
8 2019 GRA, the Corporation reported on certain models
9 for driver premiums and vehicle premium discounts that
10 might be considered in determining what changes should
11 be made to the DSR system.

12 The Corporation advised in that
13 application that it was in the process of researching
14 models, and the next steps towards the implementation
15 of more actuarially sound DSR premiums and vehicle
16 premium discounts would involve public consultation
17 efforts, along with further investigation and analysis
18 of those rating models having limited or no additional
19 IT costs.

20 Do you see that?

21 MR. CURTIS PRYSTUPA: Yes.

22 MR. ROBERT WATCHMAN: And then if we
23 could move down to the next paragraph:

24 "In the 2020 GRA, the Corporation
25 provided a report on the findings of

1 its public consultation process on
2 the DSR system. MPI -- MPI advised
3 that it would be providing a pricing
4 examination of the Registered Owner
5 Model, the current model used by
6 MPI, Primary Driver, and Driver
7 Premium models in this application -
8 -"

9 Meaning again the 2021 GRA.

10 "-- at which time it would also
11 provide its recommendation to the
12 Board as to whether it intended to
13 continue with the Registered Owner
14 Model or move to one of the
15 alternative models."

16 Next. So you see that?

17 MR. CURTIS PRYSTUPA: Yes.

18 MR. ROBERT WATCHMAN: In Order

19 176/'19, following the 2020 GRA, the Board commented
20 that with two (2) years having passed since Order
21 130/17, MPI should be in a position by this
22 application, the 2021 GRA, to advise the Board of the
23 direction it intends to take with respect to DSR.

24 And, Kristen, if we could just now go
25 to Board Order 176/'19.

1 (BRIEF PAUSE)

2

3 MR. ROBERT WATCHMAN: And it starts at
4 -- the Driver Safety Rating section starts at page 63,
5 and this is where the discussion -- and again, there's
6 a discussion of the history.

7 And if you could scroll to page 65, and
8 just a little bit more. Right about there.

9 And so this was the consultation report
10 that was filed by MPI. And now in the application and
11 in the present today -- presentation this morning,
12 there was reference to the customer preference of
13 Registered Owner Model over Primary Driver Model.

14 Do you recall that?

15 MR. CURTIS PRYSTUPA: Yes.

16 MR. ROBERT WATCHMAN: And, first of
17 all, and -- 'cause I don't recall, do you know if,
18 when con -- conducting that survey, when a registered
19 owner -- sorry, when a respondent selected a
20 preference for Registered Owner, was there a further
21 question to determine whether or not that respondent
22 was adopting this practice of having the higher
23 registered driver -- registered vehicles known to be
24 driven by lower -- sorry, lower DSR drivers?

25 MR. CURTIS PRYSTUPA: If you give me a

1 moment, I'll check with your back row on that.

2 MR. ROBERT WATCHMAN: Okay. Thank
3 you.

4

5 (BRIEF PAUSE)

6

7 MR. CURTIS PRYSTUPA: I can confirm at
8 this time that MPI did not -- did not ask a follow-up
9 questions to your -- to what you alluded to, Mr.
10 Watchman.

11 MR. ROBERT WATCHMAN: So do you have
12 any concern that that -- that that survey may have
13 been skewed by people who, as you described it, were
14 gaming the system?

15

16 (BRIEF PAUSE)

17

18 MR. CURTIS PRYSTUPA: I think it -- I
19 think it's hard to say. I would -- I would say no.
20 And I'm trying to think through -- you know, when we
21 consider that -- that a random sample of -- of
22 customers was used, you know, I -- I can't see, you
23 know, how the -- how it could potentially be -- be
24 skewed based on -- based on that -- that perception.

25 MR. ROBERT WATCHMAN: Thank you. So

1 now in this application and this morning's
2 presentation, you referred to the importance of
3 fairness in the models, correct?

4 MR. CURTIS PRYSTUPA: Correct.

5 MR. ROBERT WATCHMAN: And the
6 indication was that that was pretty much, you know, a
7 non-factor because it was pretty much equal?

8 MR. CURTIS PRYSTUPA: Correct.

9 MR. ROBERT WATCHMAN: But when we look
10 here and we see perceived fairness in terms of
11 complete fairness, that Primary Driver certainly
12 outranks Registered Owner Model, correct?

13 MR. CURTIS PRYSTUPA: In the
14 'Complete' column, yes.

15 MR. ROBERT WATCHMAN: And so then when
16 that's married to somewhat perceived fairness, we then
17 get a total result that is close --

18 MR. CURTIS PRYSTUPA: Correct.

19 MR. ROBERT WATCHMAN: -- correct? But
20 the complete fairness indicated by -- by the
21 respondents was that clearly the Primary Driver was
22 perceived to be more fair.

23 MR. CURTIS PRYSTUPA: Yeah. I would -
24 - I would say it was perceived to be more -- more
25 fair. I wouldn't say it was by a -- by a landslide by

1 -- by any stretch. But, yes, you know, using the
2 'complete' marker, yes.

3 MR. ROBERT WATCHMAN: So -- so in a
4 sense here, you're balancing sort of customer
5 preference over perceived fairness --

6 MR. CURTIS PRYSTUPA: Yes.

7 MR. ROBERT WATCHMAN: -- in
8 determining which model to select?

9 MR. CURTIS PRYSTUPA: Yes.

10

11 (BRIEF PAUSE)

12

13 MR. ROBERT WATCHMAN: Kristen, if we
14 could scroll down to page 67.

15

16 (BRIEF PAUSE)

17

18 MR. ROBERT WATCHMAN: Sorry, page 67.
19 Oh, sorry.

20

21 (BRIEF PAUSE)

22

23 MR. ROBERT WATCHMAN: Thank you. If
24 we could scroll down a little bit on the page to the
25 Board findings.

1 So now the Board expressed in Order
2 130/'17 that it would like to see the Corporation:
3 "-- strengthen its analytical tools
4 in the determination of driver
5 premiums, ultimately with a view to
6 filing proposed DSR rates that are
7 more statistically consistent with
8 the estimated average cost per
9 driver -- sorry, claims cost per
10 driver for each level on the demerit
11 side of the DSR scale.
12 The Board recognizes the
13 Corporation's efforts to enhance its
14 analytical tools as well as to
15 assess public support for certain
16 rating models. However, with two
17 (2) years having passed since the
18 Order -- since Order 130/'17, the
19 Board finds that MPI should be in a
20 position by the 2021 GRA to advise
21 the Board of the direction it
22 intends to take with respect to DSR
23 premiums.
24 The Board. therefore. directs that,
25 in the 2021 GRA, the Corporation

1 file --"

2 First:

3 "-- information as to which rating
4 model it intends to proceed with --"

5 The second point:

6 "-- a pricing examination including
7 the financial impact on premium
8 revenue and the cost of modifying
9 the system of the Registered Owner
10 and Primary Driver Models, and
11 information as to whether it has
12 collected data to recalibrate the
13 amounts of driver premium and
14 vehicle premium discounts to be
15 charged under the DSR system to be
16 more statistically sound, based on
17 experience."

18 Do you see that?

19 MR. CURTIS PRYSTUPA: Yes.

20 MR. ROBERT WATCHMAN: Continuing on:

21 "The Board has directed the pricing
22 examination be limited to the
23 Registered Owner and Primary Driver
24 Models only, given that these two
25 (2) models have the greatest amount

1 of public support and perceived
2 fairness."

3 Do you see that?

4 MR. CURTIS PRYSTUPA: Yes.

5 MR. ROBERT WATCHMAN: Thank you. And
6 perhaps, Madam Chair, that would be a good place to
7 break for lunch.

8 THE PANEL CHAIRPERSON: Thank you, Mr.
9 Watchman.

10 Yes, let's break for lunch. We'll
11 reconvene at five (5) minutes after 1:00. Thank you.

12

13 --- Upon recessing at 12:07 p.m.

14 --- Upon reconvening at 1:06 p.m.

15

16 THE PANEL CHAIRPERSON: Good
17 afternoon, everyone.

18 Mr. Watchman...?

19 MR. ROBERT WATCHMAN: Thank you, Madam
20 Chair.

21

22 CONTINUED BY MR. ROBERT WATCHMAN:

23 MR. ROBERT WATCHMAN: Good afternoon,
24 panel.

25 Now, when we left off this morning, we

1 were looking at Board Order 1/21. If we could go to
2 page 62 of that order, Kirsten. And the last
3 paragraph on page 62. So, this is just the recap of
4 the order we just went through.

5 In Order 176/'19, following the 2020
6 GRA, the Board commented that with two (2) years
7 having passed since the Order 130/'17, MPI should be
8 in a position by this application to advise the Board
9 of the direction it intends to take with respect to
10 DSR.

11 Accordingly, the Board directed that in
12 this application, again, meaning the 2021 GRA:

13 "The Corporation file information as
14 to which rating model it intended to
15 proceed with, a pricing examination
16 of alternative models, and
17 information as to whether it had
18 collected data to recalibrate the
19 amounts of driver premium and
20 vehicle premium discounts to be
21 charged under the DSR system to be
22 more statistically sound, based on
23 experience.

24 The Board directed that the pricing
25 examination be limited to the

1 Registered Owner and Primary Driver
2 Models only, given that those two
3 (2) models had the greatest amount
4 of -- of public support and
5 perceived fairness."

6 A fair summary of the order we just
7 went through?

8 MR. CURTIS PRYSTUPA: Yes, it is.

9 MR. ROBERT WATCHMAN: If we turn to
10 the top of the next page, we find on December 31,
11 2019, MPI made application to the Board for a review
12 and variance of one (1) directive, Order 176/'19,
13 related to the DSR system.

14 In particular, MPI asked that the Board
15 vary the directive, requiring it to file information
16 in this application as which rating model it intends
17 to proceed with.

18 As part of the request for a variance,
19 MPI advised the Board that:

20 "Changes to the DSR might have an
21 impact on one (1) or more of the
22 Automobile Insurance Plan
23 regulation, Driver Safety Rating
24 System regulation under the Manitoba
25 Public Insurance Act, and the

1 charges for licences, registrations,
2 permits, and other services regu --
3 regulation under the Highway Traffic
4 Act.

5 MPI also stated that it must
6 coordinate the impact of DSR changes
7 on its major IT initiative, Project
8 Nova.

9 According to MPI, its Board of
10 Directors would not be in a position
11 to decide on a direction for the DSR
12 any earlier than mid-2020. And
13 following that decision, the process
14 for any regularly -- sorry,
15 regulatory amendments would take
16 approximately twelve (12) months."

17 See that?

18 MR. CURTIS PRYSTUPA: Yes.

19 MR. ROBERT WATCHMAN: Now, can you
20 confirm that the Corporation has not initiated any
21 process to have the Lieutenant Governor in Council
22 consider adopting a Primary Driver Model for DSR?

23 MR. CURTIS PRYSTUPA: That is correct.

24 MR. ROBERT WATCHMAN: And can you
25 confirm that your current proposal does not require

1 governmental approval or regulatory change?

2 MR. CURTIS PRYSTUPA: Let me double-
3 check with the back row. I just want to be accurate
4 on that, Mr. Watchman.

5

6 (BRIEF PAUSE)

7

8 MR. CURTIS PRYSTUPA: Thank you for
9 the time. We will actually require government changes
10 -- or government approval for the proposed changes.

11 MR. ROBERT WATCHMAN: Okay. But you
12 won't require any regulatory change?

13 MR. CURTIS PRYSTUPA: Yeah. Yeah,
14 that -- it will require regulatory change.

15 MR. ROBERT WATCHMAN: So are you
16 telling us it will take approximately twelve (12)
17 months before you can effect the changes that you've
18 proposed?

19 MR. CURTIS PRYSTUPA: So I -- I
20 believe -- and subject to confirmation, I believe that
21 we require regulation changes rather than Act changes,
22 which has a slightly shorter window for approval in
23 the changes that we need -- we need to make.

24 Let me just -- let me consult with the
25 back row just to -- in case you have any follow-up --

1 follow-up questions. You can ask any follow-up
2 questions you have, but I'm just going to check with
3 the back row.

4

5 (BRIEF PAUSE)

6

7 MR. CURTIS PRYSTUPA: Thank you. Just
8 to confirm, yes, there are regulation changes required
9 specific to the recommendation that we've put forth.

10 MR. ROBERT WATCHMAN: And -- and just
11 to be clear, those aren't of the same nature that MPI
12 has advised the Board would take approximately twelve
13 (12) months to effect?

14 MR. CURTIS PRYSTUPA: That is correct.
15 What we require for the proposed changes is only
16 regulation changes. There are no changes to any
17 relevant acts required as part of the proposed
18 changes.

19 MR. ROBERT WATCHMAN: Thank you. Now,
20 I just -- this is a bit -- a little bit off topic, but
21 it is about governmental approval. And I can give you
22 the reference, but it's just one (1) sentence, so
23 hopefully we don't have to go there.

24 In last year's GRA, there was
25 discussion and IRs relating to governmental approval.

1 And the Corporation in CAC -- or sorry, Information
2 Request CAC-MPI-130, I'll just read the one (1) line
3 for you, stated:

4 "If at the end of the PUB review of
5 the DSR model, either MPI, the PUB,
6 or both recommend changing the
7 model, MPI will initiate the process
8 to have the Lieutenant Governor in
9 Council consider changing the
10 model."

11 Do you recall that from last year's
12 GRA?

13 MR. CURTIS PRYSTUPA: I don't. Could
14 we -- could we please have the reference? I know it's
15 a small piece, but I'd like to -- I'd like to see it
16 visually, if I may, please.

17 MR. ROBERT WATCHMAN: Kristen, it's
18 CAC-MPI-130. And if you could just scroll down a bit
19 to the next page, to the response. It's a long
20 question, a lot of parts. Keep scrolling, please.

21

22 (BRIEF PAUSE)

23

24 MR. ROBERT WATCHMAN: Right there.
25 It's -- it's contained -- sorry. Towards -- the last

1 paragraph:

2 "There was significant potential to
3 bring potential regulatory changes
4 for consideration by the Lieutenant
5 Governor In Council. If, at the
6 end of the PUB review of the DSR
7 model, either MPI, the PUB, or both
8 recommend changing the model, MPI
9 will initiate the process to have
10 the Lieutenant Governor In Council
11 consider changing --

12 Next page.

13 -- the model."

14 And it goes on:

15 "If both PUB and MPI do not
16 recommend the changes, then the
17 process will not be commenced."

18 And my question for the Corporation
19 today is: Does that still hold true today? That if
20 the PUB recommends changing the model, MPI will
21 initiate the process to have the Lieutenant Governor
22 In Council consider changing the model?

23 MR. CURTIS PRYSTUPA: One moment,
24 please, to consult.

25

1 (BRIEF PAUSE)

2

3 MS. SATVIR JATANA: Thank you for the
4 time. And I can respond to that question.

5 The statement is -- is true that if PUB
6 recommends, and MPI supports that decision, MPI would
7 take it forward through the proper channel to get that
8 approval.

9 MR. ROBERT WATCHMAN: Okay. So I
10 didn't read into that response that -- that part where
11 you said 'if (sic) MPI supports it'.

12 MS. SATVIR JATANA: Perhaps if we can
13 just scroll back up.

14

15 (BRIEF PAUSE)

16

17 MS. SATVIR JATANA: You're right. It
18 -- it -- I'm reading the sentence:

19 If, at the end of PUB review of the
20 DSR model, either MPI, the PUB, or
21 both recommends changing the model,
22 MPI will initiate the process to
23 have the..."

24 Yeah. It carries on.

25 I'm also reading the last sentence of

1 that as well.

2 MR. ROBERT WATCHMAN: That would
3 require both MPI and PUB not recommending changes.

4 So the -- so the question is: If the
5 PUB recommends changing the model, regardless of MPI's
6 feelings on that, MPI will initiate the process to
7 have the Lieutenant Governor In Council consider
8 changing the model.

9 Is that the Corporation's position
10 today?

11 MS. SATVIR JATANA: The Corporation's
12 position would be that PUB absolutely may recommend,
13 but the Company would have to support that decision
14 for it to move forward.

15 MR. ROBERT WATCHMAN: Thank you.

16 Kristen, could we go to the transcript
17 from last year's proceedings, October 27th, 2020, at
18 page 1572.

19 And scrolling down towards the bottom
20 of the page, Mr. Johnston is asked by Ms. Meek:

21 "Okay. And I think Ms. McCandless
22 pressed you on this point a little
23 bit this morning and had referred
24 you to the transcript of -- and
25 MPI's response regarding who has

1 jurisdiction to determine the DSR
2 model. Do you recall that line of
3 questioning?

4 MR. JOHNSTON: I do.

5 MS. MEEK: And if we go to -- if we
6 could go back to CAC-MPI-130,
7 please, Kristen. And I think -- if
8 we go to page 3, please, right at
9 the bottom, the last paragraph. So
10 -- and then -- oh, probably go on
11 to the next page, Kristen. If we
12 can scroll down a little bit.

13 Thanks. That's perfect.

14 And you see here, that MPI's
15 response says that, If, at the end
16 of the PUB review of the DSR model,
17 either MPI, the PUB, or both
18 recommend changing the model, MPI
19 will initiate the process to have
20 the Lieutenant Governor In Council
21 consider changing the model. Do
22 you agree with that statement, Mr.
23 Johnston?"

24 Mr. Johnston's response, "Yes."

25 "MS. MEEK: So where the Board

1 recommends -- makes a
2 recommendation, you would agree
3 that MPI would initiate the
4 process. Is that correct?
5 MR. JOHNSTON: Sorry. Just -- my
6 concern was that there's -- there's
7 been recommendations and such in
8 Orders before and it didn't
9 necessarily mean that MPI ran over
10 to the government immediately and
11 said, Hey, we should do this.
12 And so, here, if -- if we got a DSR
13 recommendation that wasn't in line
14 with all of the kinds of plans or
15 the information we brought to the
16 PUB and said -- let's say, it said,
17 you know, to go with some model
18 that we've never even talked about,
19 I would obviously struggle with
20 such a recommendation.
21 But to the extent that it's in line
22 with -- with the discussions we
23 have had -- we've had, the -- it
24 would seem reasonable for MPI to do
25 this."

1 Do you see that?

2 MS. SATVIR JATANA: I do.

3 MR. ROBERT WATCHMAN: And are you
4 telling us that the Corporation's position has changed
5 since Mr. Johnston gave that evidence?

6 MS. SATVIR JATANA: What I'm saying
7 that if the PUB recommended direction to go that
8 route, we could absolutely take those decisions
9 forward. However, we would also make it apparent
10 MPI's position on it, for all of the reasons I've
11 stated earlier.

12 MR. ROBERT WATCHMAN: Thank you. And,
13 Kristen, if we could go back to Board Order 1/21. And
14 we were near the bottom of page 63. So just the last
15 paragraph there. Just going back to the Board Order
16 from last year:

17 "MPI, therefore, asked for a
18 variance so that it would not be
19 required to advise in this
20 application -- the 2021 GRA -- as
21 which DSR rating model it intended
22 to proceed with. But instead, that
23 it would file information in this
24 GRA as to the time line and major
25 milestones for such a decision.

1 The Board granted MPI's request in
2 Order 6/20, dated January 21, 2020.
3 The Board pointed out, in Order
4 6/20, however, that the need for
5 progress towards the new DSR model
6 was raised by it following the 2018
7 GRA. And that, given the history
8 of this matter, it expected that
9 MPI would set its time line and
10 milestones with a view to
11 progressing on a new DSR model in a
12 timely manner.

13 Do you see that?

14 MS. SATVIR JATANA: I do.

15 MR. ROBERT WATCHMAN: And if we could
16 turn then, Kristen, to page 67.

17

18 (BRIEF PAUSE)

19

20 MR. ROBERT WATCHMAN: So picking up at
21 page 67, under Board Findings:

22 The Board outlined the recent
23 history of the DSR in past GRAs
24 above. Since the 2018 GRA, the
25 Board has expressed concern with

1 the evidence that the current DSR
2 scale does not accurately reflect
3 risk.

4 In Order 130/17, the Board approved
5 an increase to rates on the demerit
6 side of the DSR scale, but made
7 clear that MPI should strengthen
8 its analytic tools in the
9 determination of driver premiums."

10 See that?

11 MS. SATVIR JATANA: I do.

12 MR. ROBERT WATCHMAN: Thank you.

13 "The pricing examination in this
14 application confirms that further
15 refinement is required in order for
16 rates to accurately reflect risk.

17 In addition, using the registered
18 owner model, rather than the
19 primary driver model, means that
20 good drivers, who are registered
21 owners of vehicle, are subsidizing
22 bad drivers who are not.

23 By way of example, there are
24 approximately seventy thousand
25 (70,000) motorcycle licences -- or

1 seventeen thousand (17,000)
2 registered motorcycles, which makes
3 clear the need for a rating system
4 based on primary driver."

5 Do you see that?

6 MS. SATVIR JATANA: I do.

7 MR. ROBERT WATCHMAN:

8 "Given the history outlined above,
9 the Board finds that more than
10 sufficient time and examination has
11 taken place in order for MPI to
12 move towards a more actuarially
13 sound driver premiums and vehicle
14 premium discount by the 2022 GRA.

15 Do you see that?

16 MS. SATVIR JATANA: I do.

17 MR. ROBERT WATCHMAN: So the next

18 paragraph:

19 "Further, given the evidence that
20 the Primary Driver Model would more
21 accurately reflect risk in the 2020
22 GRA, the Corporation must bring
23 forward a plan, including time
24 lines, major milestones, and
25 implementation date for any changes

1 to the DSR model including a day by
2 which MPI file an application for
3 such changes with the Board. The
4 timeline for MPI's major information
5 technology initiative, Project Nova,
6 requires that MPI move forward on
7 DSR changes without delay."

8 THE CHAIRPERSON: Mr. Watchman, sorry
9 to interrupt. I believe it's 2022. You said 2020 --

10 MR. ROBERT WATCHMAN: Oh.

11 THE CHAIRPERSON: -- and I just want
12 to make sure the record's correct.

13

14 CONTINUED BY MR. ROBERT WATCHMAN:

15 MR. ROBERT WATCHMAN: Sorry. My
16 apologies. So, the 2022 GRA, the Corporation must
17 bring forward this plan.

18 And can you confirm for us that the
19 Corporation has not brought forward, in the 2022 GRA,
20 a plan including timelines, major milestones, and an
21 implementation date with respect to a Primary Driver
22 Model?

23 MS. SATVIR JATANA: That is correct.

24

25 (BRIEF PAUSE)

1 MR. ROBERT WATCHMAN: Now, continuing
2 on in the order, the next paragraph reads:

3 "The need for government approval
4 for changes to the DSR rating model
5 should not be a deterrent to
6 initiating such -- any such change.
7 Further, Project Nova provides MPI
8 with an opportunity to coordinate
9 changes to the rating model with new
10 -- with new IT systems. The Board
11 is concerned that if MPI does not
12 take proactive steps to move to the
13 Primary Driver Model now, such a
14 change will be more difficult to
15 implement after completion of
16 Project Nova."

17 Do you see that?

18 MS. SATVIR JATANA: I do.

19 MR. ROBERT WATCHMAN: Sorry. And,
20 Kristen, if we could go to the transcript from the
21 2021 GRA, October 22nd, 2020, page 983.

22

23 (BRIEF PAUSE)

24

25 MR. ROBERT WATCHMAN: And scroll down

1 to the page where -- where the -- the Board -- the
2 Board Chairperson is -- is speaking. And the
3 indication there, I'll just read it. The Board
4 Chairperson:

5 "Okay. And I don't know who in the
6 panel wants to answer this, but one
7 (1) of the issues before the Board
8 and before MPI at this hearing is
9 the Driver Safety Rating System and
10 whether there is a change to move it
11 from registered owner to something
12 else?"

13 And then I think we can skip. So then
14 he -- then he reads that:

15 "MPI must also assess and coordinate
16 the system resource requirements of
17 any changes to the DSR system with
18 Project Nova. In particular,
19 substantial changes to the DSR
20 should be planned to coincide with
21 the installation of the new system
22 to avoid having to modify the
23 existing system just prior to its
24 decommissioning."

25 Going down.

1 "If a substantial change to the
2 existing DSR system were to be
3 implemented prior to the
4 implementation of Project Nova, the
5 implementation costs will be
6 significant."

7 So, the Board Chair continues.

8 "So, I guess the question is, what
9 are you doing about it now, in terms
10 of if there is a decision to change
11 DSR to something other than
12 Registered Owner, how long the
13 process would take and what the
14 timing would be."

15 So, do you see that?

16 MS. SATVIR JATANA: I do.

17 MR. ROBERT WATCHMAN: If we scroll
18 down, and -- and it's Mr. Dressler, who begins to --
19 to answer, and he's -- and he's talking about, you
20 know, that they're looking at the DSR model underway
21 with changes in technology.

22 And if we could scroll to the next
23 question by the Chairperson. And the Board
24 Chairperson says:

25 "Well, what -- so, give me the

1 timeframe. I'll be very frank. The
2 concern we have is that we have had
3 constant push back from MPI. One
4 (1) of the things we've been told is
5 we're focussing on Project Nova.
6 And the concern I have is if there's
7 a decision down the road we're going
8 to face an argument of, well, we
9 can't do it now -- now because we've
10 already put in place Project Nova.
11 I mean, I think what we need to do
12 is have an idea of exactly what the
13 timeframe is when the decision has
14 to be made so that can be made -- so
15 it can be implemented in the most
16 cost-effective manner and not miss
17 that window."

18 And then Mr. Remillard responded on
19 behalf of the Corporation.

20 And so -- so, I recited the
21 Chairperson's question directly. Can you confirm that
22 for the record? Now, I'm just going to skip down now
23 to Mr. Remillard's answer.

24 Sorry, if we could just go back up a
25 little bit, Kirsten. So the -- sorry, page 986 then.

1 The Board Chair's comments end at line 7: "so what's
2 the window?"

3 Do you see that?

4 MR. CURTIS PRYSTUPA: Yeah, we see
5 that.

6 MR. ROBERT WATCHMAN: Okay. And if
7 you scroll down -- I don't have to go through the
8 entire response by Mr. Remillard, but you will see
9 there at lines 20 and 21 where he says:

10 "We would have to know by April of
11 2022 with some certainty as to the
12 direction we are going, or some
13 pretty strong assumptions so that we
14 could start building that out as
15 part of our build on Duck Creek."

16 Do you see that?

17 MS. SATVIR JATANA: Yes.

18 MR. ROBERT WATCHMAN: And so if I
19 understand evidence today, is that the Corporation is
20 now not undertaking any particular direction, in terms
21 of Project Nova, to deal with the ability of the
22 Corporation to do a pricing examination or to change
23 over to a Primary Driver Model.

24 Is that correct?

25 MS. SATVIR JATANA: That is correct.

1 MR. ROBERT WATCHMAN: Well, I will
2 come back -- I'm going to come back to that topic.
3 But if we could go back to Board Order 1/21.

4

5 (BRIEF PAUSE)

6

7 MR. ROBERT WATCHMAN: Okay. And there
8 appears to be something missing on the screen. Ah, so
9 in the las -- the Board Order concludes -- or the
10 Board Order -- the findings concludes with:

11 "Lastly, the Board directs that in
12 the 2020 GRA, the Corporation shall
13 incorporate DSR into its minimum-
14 bias analysis used to set rating
15 relatives -- sorry, relativities.

16 Do you see that?

17 MS. SATVIR JATANA: Yes, I do. Sorry.
18 Sorry.

19 MR. ROBERT WATCHMAN: Okay. Thank
20 you. And you'll be happy to know that I'm moving away
21 now from Order 1/21.

22 So, Kristen, if we could go to the
23 application, Part 6, Driver Safety Rating, on page 9.
24 Right. And so it starts with Figure DSR-1, and
25 immediately -- and -- and this is a current verses

1 indicated rates that's in the current application.

2 Is that correct?

3

4 (BRIEF PAUSE)

5

6 MR. TAI PHOA: Well -- yes, the
7 current is a -- the -- the current rates are -- are
8 based on 2021 rates from our rate model. The
9 indicated is just to give an example of what would
10 happen if we changed all the current rates -- sorry,
11 the current discounts to the indicated discounts based
12 on the pricing analysis and applied the 22 percent
13 rate offset -- sorry, revenue offset.

14 MR. ROBERT WATCHMAN: Now -- and --
15 and we're going to come to the proposal, and you
16 outlined it this morning in your slide presentation,
17 but can you tell me, does your proposal attempt to
18 address or reduce what's been referred to as 'gaming
19 the system'?

20 MR. TAI PHOA: No, it does not.

21 MR. ROBERT WATCHMAN: So, I'd just
22 like to run through a scenario in the context of
23 gaming the system, where you have a driver with a high
24 DSR merit rating registering vehicles -- and I'm
25 assuming that's typically within a family setting, but

1 it doesn't have to be a family setting; it could be
2 any group of people.

3 Is that correct?

4 MR. TAI PHOA: Yeah, that sounds fair.

5 MR. ROBERT WATCHMAN: And so the
6 higher rated driver knowingly registers vehicles --
7 sorry, knowing that those vehicles will be primarily
8 driven by drivers who have lower DSR merit points.
9 Okay.

10 And that's -- that's the scenario. And
11 I think as we've discussed, the -- the reason for that
12 is to obtain maximum vehicle premium discounts,
13 correct?

14 MR. TAI PHOA: Yeah, generally where
15 there's a -- a mom and dad in the house, you know,
16 they are more likely to have a higher DSR than their
17 teenage children. They will probably be the one also
18 responsible for the finances, and they would probably
19 be the one insuring the registered vehicle under their
20 name.

21 MR. ROBERT WATCHMAN: And, would you
22 agree that when people do adopt that practice, it
23 presents more risk to the Corporation? Having lower
24 rated drivers being the primary driver of registered
25 vehicles?

1 MR. CURTIS PRYSTUPA: I would agree,
2 yes.

3 MR. ROBERT WATCHMAN: And -- and you -
4 - you addressed elsewhere in the application and --
5 and this morning, and I'll come to this a little bit -
6 - a little bit down the line, but initially in last
7 year's application and in this year's application, you
8 indicated that 41 percent of reported losses are
9 attributable to claims where the driver is not the
10 registered owner? All that?

11 MR. TAI PHOA: Yeah, I think we
12 corrected that on the record to say it is 33 percent,
13 but yeah.

14 MR. ROBERT WATCHMAN: And -- and --
15 and in the presentation this -- this morning, you used
16 the 30 -- 33 percent and we'll come back to that, but
17 that's a figure that is in respect of all DSR levels,
18 it's not a particular DSR level. Is that correct?

19 MR. TAI PHOA: Yeah, that is the
20 overall figure, yes.

21 MR. ROBERT WATCHMAN: Okay, so now,
22 but within a DSR level, so if we're looking at level
23 15 here and you've got the current rate versus the
24 indicated rate and the variants both in terms of
25 actual dollars and -- and percentage.

1 Now, but within a DSR level, if you
2 separated the registered owners who were gaming the
3 system, from those who weren't, you would come up with
4 two (2) different indicated rates, would you not?

5

6 (BRIEF PAUSE)

7

8 MS. SATVIR JATANA: Thank you for the
9 time and -- let me kind of step back. The gaming, the
10 system, kind of phrase that's been used, our
11 assumption is based on the 33 percent at the time of
12 the accident, it's not the owner that's driving, it's
13 someone else.

14 If we consider that to be true, then we
15 can say, potentially, but that is not a reliable data.
16 We don't collect such data to -- come to that
17 conclusion, that that would be the case.

18 MR. ROBERT WATCHMAN: Okay, if I could
19 refer you then, perhaps, as a better explanation in
20 last year's transcript.

21 Kristen, if we could go to the
22 transcript of October 27, 2020, page 1488.

23 And, just down to about line 11, and
24 this is a question that was put to Mr. Johnston, and
25 perhaps he describes it better.

1 He says,
2 "Since this is a collective
3 experience of everybody that drives
4 in vehicles registered by that
5 owner, the discount is not as big as
6 it would have been if we'd just said
7 only plus 15 people can drive it, no
8 one else can drive on the policy et
9 cetera."

10 So, the -- this again, it is -- it is
11 really -- if this was done in isolation, just for plus
12 15 drivers, the discount rate would be even larger.
13 Do you agree with that?

14 MS. SATVIR JATANA: I do.

15 MR. ROBERT WATCHMAN: So, to the
16 extent that someone is registering -- a high rated
17 driver is registering vehicles known to be driven by
18 lower rater -- lower rated drivers, you end up with
19 subsidization within the DSR level. Correct?

20 MS. SATVIR JATANA: That would be
21 correct.

22 MR. ROBERT WATCHMAN: And your
23 proposals don't intend to address that issue.

24 Is that correct?

25 MS. SATVIR JATANA: The gaming issue

1 is not all together dealt with this change,
2 absolutely.

3 MR. ROBERT WATCHMAN: So -- so the
4 proposal doesn't attempt to address subsidization
5 within DSR levels, but it does attempt to address
6 subsidization between DSR levels.

7 Is that fair to say?

8 MR. TAI PHOA: Yeah, that's fair to
9 say.

10 MR. ROBERT WATCHMAN: Now, the vehicle
11 premium discounts are in a sense the reward -- reward
12 for good driving behaviour. Is that fair to say?

13 MR. TAI PHOA: Yes, that's fair to
14 say, yes.

15 MR. ROBERT WATCHMAN: So if I can ask
16 you to consider example of a -- a four person family,
17 the highest rated driver registers four (4) vehicles
18 know -- knowing that three (3) are going to be
19 primarily driven by lower rated drivers.

20 And in one insurance year, perhaps,
21 those other three (3), the three (3) lower rated
22 drivers are involved in at-fault collisions, what
23 would be the consequence to the registered owner?

24 MR. TAI PHOA: Those losses would get
25 attached to the registered -- the -- the group where

1 the -- the group where those, the -- the registered --
2 sorry, those losses will fall into the -- the group
3 representing the DSR level of that registered owner.

4 MR. ROBERT WATCHMAN: So, but the
5 registered owner continues to get the discounts of --
6 of vehicle premiums? Is that correct?

7 MR. CURTIS PRYSTUPA: That -- that is
8 correct. I would -- I would submit that the
9 registered owner would, you know, as a consequence
10 then would be that their vehicles would be going
11 through a claims process for one.

12 That's something that I believe that
13 most people want to avoid, issue aside from the actual
14 premium determination.

15 MR. ROBERT WATCHMAN: So -- so now,
16 but under your -- in that scenario, under what's
17 proposed by the Corporation in this GRA, if that
18 registered driver had a claims free year his discounts
19 would be increased even though three (3) vehicles that
20 are registered in his name had an accident in the
21 insurance year. Is that correct?

22 MR. CURTIS PRYSTUPA: In that -- in that
23 scenario when it comes to the DSR discount,
24 absolutely. Yes.

25 MR. ROBERT WATCHMAN: And so if I

1 understand Mr. Phoa's answer, that loss is basically
2 shared, is -- is a collective loss experience for the
3 entire DSR level. Is that correct?

4 MR. TAI PHOA: Yes, it is.

5 MR. ROBERT WATCHMAN: So, and so it's
6 being shared by everybody in that level, so if they're
7 at -- if the registered owner is at DSR 15, it's being
8 shared amongst all drivers who have registered
9 vehicles in DSR 15.

10 MR. TAI PHOA: Yes, it is and -- and
11 that's kind of why Mr. -- Mr. Johnston's comment, that
12 you quoted earlier.

13 MR. ROBERT WATCHMAN: Now the other
14 way in which a driver receives demerits is through
15 conviction, correct?

16 The conviction of certain offences
17 under the Criminal Code or Highway Traffic Act, is
18 that correct?

19 MR. TAI PHOA: Yes, that is correct.

20 MR. ROBERT WATCHMAN: So, and drivers
21 who are receiving convictions and demerits represent a
22 higher risk to the Corporation. Is that correct?

23 MR. CURTIS PRYSTUPA: Yes, in general.

24 MR. ROBERT WATCHMAN: So, it -- if we
25 went through that same example that I just went

1 through, where the -- the high rated driver registered
2 those vehicles and then the three (3) load -- lesser
3 rated drivers each had convictions in an insurance
4 year, there wouldn't be any consequence to the
5 registered owner receiving discounts on all vehicles
6 in the next insurance year. Is that correct?

7 MR. CURTIS PRYSTUPA: Relevant to
8 their -- to their insurance rating, no.

9 MR. ROBERT WATCHMAN: And again, under
10 the proposal, the registered owner would actually
11 receive an increase in discounts as long as the
12 registered owner was incident free for the year.

13 Is that correct?

14 MR. CURTIS PRYSTUPA: Correct.

15 MR. TAI PHOA: Sorry. Just to -- just
16 to add one (1) thing, the other three (3) driver --
17 the other three (3) drivers, to the extent that they -
18 - depending on where their position is on the DSR
19 scale, if those convictions were to lead them to
20 having lower DSR -- sorry.

21 Those three (3) -- those three (3)
22 convictions will -- will definitely result in them
23 having lower -- being placed lower on the DSR scale,
24 so they -- when they -- when they come in to renew
25 their driver's licence, there is -- obviously they are

1 paying a higher surcharge on their driver licence
2 premiums.

3 MR. ROBERT WATCHMAN: Well, they're
4 paying a higher surcharge if they go below zero -- the
5 demerits they receive go below zero. Is that correct?

6 MR. TAI PHOA: Yeah, that -- that's
7 the caveat of course, yes.

8 MR. ROBERT WATCHMAN: Thank you. Now,
9 does the Corporation have any concern that the
10 increases they're proposing to the merit scale and
11 then the corresponding increase in vehicle premium
12 discounts will incentivize this practice whereby the
13 higher rated driver registers vehicle -- vehicles that
14 they know will be driven by lower-rated drivers?

15

16 (BRIEF PAUSE)

17

18 MR. CURTIS PRYSTUPA: We'd just like
19 to take a quick moment just to --

20 MR. ROBERT WATCHMAN: Sure.

21 MR. CURTIS PRYSTUPA: -- just to
22 check on our answer here, please.

23

24 (BRIEF PAUSE)

25

1 MR. TAI PHOA: Just give us a minute
2 'cause I -- I -- I'm remembering an IR that we filed
3 on a similar question.

4 MR. ROBERT WATCHMAN: Okay. Thank
5 you.

6
7 (BRIEF PAUSE)

8
9 MR. TAI PHOA: I can't remember the
10 IR, but I believe I -- I -- it somehow is vivid in my
11 -- is -- it is in my head. I think we -- I think that
12 IR, if I -- we -- we sort of said the change in the
13 driver discount is minimal -- is going to have a
14 minimal effect on this so-called gaming the system
15 that is already in place.

16 And the reason is, you know, if you are
17 truly gaming the system, you're already registering at
18 the -- the driver with the highest placement on the
19 DSR scale. So that's not going to change. It just
20 means that, you know, you're getting a higher
21 discount.

22 So -- so this -- in terms of who's
23 gaming the system, that proportion is probably not
24 going to change.

25

1 (BRIEF PAUSE)

2

3 MR. ROBERT WATCHMAN: Okay. Kristen,
4 if we could go back to part 4 -- sorry, part 6 rather
5 of the driver rating. Safety rating in the
6 application, we were at page 9. If we just scroll
7 down to the bottom of the page where it has
8 'Proposed', and the Corporation provides:

9 "In order to align with PUB and MPI
10 expectations that Basic rates be
11 actuarially sound or move toward
12 actuarial soundness, and that any
13 rating variable used in the
14 calculation of rates should be
15 supported by a strong statistical
16 framework, MPI proposes the
17 following for the 2022/'23 policy
18 year."

19 Now -- but in terms of saying this is a
20 proposal to move toward actuarial soundness, you're --
21 you're talking about actuarial soundness with respect
22 to collective collision experience at each DSR level.

23 Is that correct?

24 MR. TAI PHOA: Collective loss
25 experience at each DSR -- DSR level.

1 MR. ROBERT WATCHMAN: So it's not
2 moving toward more actuarial -- actuarially sound
3 determinations with respect to driver risk?

4 MR. TAI PHOA: That is correct.

5 MR. ROBERT WATCHMAN: And I -- I think
6 Mr. Phoa went through this very good this morning so
7 I'm not going to just repeat. But if we could scroll
8 down the page here, so specifically, the increases in
9 the discounts being recommended for the next insurance
10 year are set out there at lines 14 to 16. Is that
11 correct?

12 MR. TAI PHOA: Yes, that is correct.

13 MR. ROBERT WATCHMAN: Now, I want to
14 then turn to MPI Exhibit 2.

15

16 (BRIEF PAUSE)

17

18 MR. ROBERT WATCHMAN: And if we could
19 go -- this is the driver safety rating pricing review
20 that was filed as Exhibit 2 in the current GRA. Do
21 you recognize that?

22 MR. TAI PHOA: Yes, I do.

23 MR. ROBERT WATCHMAN: And if we could
24 go to page 14, please, Kristen, and towards the bottom
25 of the page, so here we have subject number 5, primary

1 driver basis.

2 And my review indicated that the --
3 this section of this review was -- was cut and paste
4 out of the 2021 GRA. Is that your understanding as
5 well?

6 MR. TAI PHOA: Yes. Our opinion has
7 not changed between the 2021 and 2022 GRA, yes.

8 MR. ROBERT WATCHMAN: And you'll
9 recall that the Board's directive to provide such an
10 examination was held in abeyance at the request of the
11 Corporation in prior GRAs. Do you recall that?

12 MR. TAI PHOA: Sorry, can you repeat
13 that question, please?

14 MR. ROBERT WATCHMAN: That the
15 provision of a -- a pricing examination for primary
16 driver basis was held in abeyance by the -- by the
17 Board in prior GRAs?

18 MR. CURTIS PRYSTUPA: Yes, that is
19 correct.

20 MR. ROBERT WATCHMAN: And if we could
21 turn to the top of page 15 -- okay. And this is the -
22 - starting at line 1, this is the same response that
23 was provided in the 2021 GRA:

24 "MPI did not conduct a price --
25 pricing examination using the pri --

1 primary driver model mainly because
2 it does not have the information on
3 the primary drivers of its insured
4 vehicles."

5 Do you see that?

6 MR. CURTIS PRYSTUPA: Yes.

7 MR. ROBERT WATCHMAN: And can you
8 advise the Board what information MPI would require in
9 order to conduct a pricing examination using the
10 primary driver model?

11 MR. TAI PHOA: Yeah. So we would
12 definitely require the -- that we have the -- when --
13 when the person coming to insure their vehicle, at
14 least for -- we -- we would definitely need the person
15 to declare who the primary driver is. We need to be
16 able to collect that data in order to -- to do the
17 pricing examination.

18 MR. ROBERT WATCHMAN: Okay. So if I'm
19 understanding, so -- so what you need to know in order
20 to conduct this examination is you have to identify an
21 individual both who -- as a registered owner of a
22 vehicle and as a driver?

23 MR. TAI PHOA: Have to identify for
24 every vehicle who the primary driver of the vehicle
25 is.

1 MR. ROBERT WATCHMAN: Right. And then
2 you would have to link that information to that
3 driver's driving history or collision -- claims
4 history?

5 MR. TAI PHOA: And then the rate
6 charge would be based on the DSR level of the primary
7 driver.

8 MR. ROBERT WATCHMAN: So -- so what
9 you need is you have -- you have to have a system that
10 will connect driver to vehicle to driving history.

11 Is that fair to say, in order to price
12 the -- or to determine the indicated rate?

13 MR. TAI PHOA: Yeah. Then we would
14 follow some of the similar model as what -- pricing
15 model as what we did for the registered owner, but
16 instead of looking at it from a Registered Owner
17 perspective, we would have data to look at it from a
18 Primary Driver perspective, yes.

19 MS. SATVIR JATANA: Just to add to
20 that, I think what's not coming across is that first
21 we would need to declare a model that we would be
22 exploring. And the Primary Driver Model does not
23 address the gaming system that we have discussed here.
24 If -- the way that model was discussed and -- and
25 considered a few years ago, it would be no different

1 than today. We have a registered owner in future.

2 So today I'm a registered owner on my
3 vehicle, the example that Curtis gave us earlier. In
4 future, I would simply -- if I would say I am the
5 primary driver, that does not change the -- the gaming
6 issue necessarily; it does not address that issue at
7 all.

8 MR. ROBERT WATCHMAN: Now, you will
9 recall, Mr. Phoa, that on Tuesday, the Board Chair
10 reviewed with you MPI Exhibit number 69. If we could
11 bring that up, please, Kristen.

12 And this is the annual statement of
13 account?

14 MR. TAI PHOA: Yes, that is correct.

15

16 (BRIEF PAUSE)

17

18 MR. ROBERT WATCHMAN: There we go.
19 And -- and this is just a representative sample that
20 the Corporation uses, correct, for renewal of -- of
21 accounts?

22 MR. TAI PHOA: Yes, it is.

23 MR. ROBERT WATCHMAN: And if we could
24 scroll to page 5 of that exhibit, please.

25 And you will see there in the middle of

1 the page the -- the party registering the vehicle is
2 requested to declare the usual drivers?

3 MR. TAI PHOA: For ORV policies, yes.

4 MR. ROBERT WATCHMAN: For RV, okay.

5 And so, as I understand your evidence,
6 and correct me if I'm wrong, so the Corporation does
7 collect -- does in fact collect driver information to
8 determine premiums for some Extension products.

9 Is that correct?

10 MR. CURTIS PRYSTUPA: That is correct.

11 MR. ROBERT WATCHMAN: And so what the
12 Corporation does is collects driver information,
13 relates it to a vehicle registration, and relates that
14 information to the claims history of the driver in
15 order to determine premiums based upon the correlation
16 of that information.

17 Is that correct?

18 MR. CURTIS PRYSTUPA: Yes.

19 MR. ROBERT WATCHMAN: And I see in
20 this case it's not just primary driver, but it's usual
21 drivers. And there's space there to declare more than
22 one (1) usual driver.

23 Is that right?

24 MR. CURTIS PRYSTUPA: That is correct.

25 MR. ROBERT WATCHMAN: And this is all

1 done within the current capabilities of your
2 information technology structure.

3 Is that correct?

4 MR. CURTIS PRYSTUPA: Yes, very
5 specifically built for these particular Extension
6 products.

7 MR. ROBERT WATCHMAN: Now, let's --
8 what I find interesting is that usual driver
9 declaration is probably closer to the Household Driver
10 method that we talked about this morning?

11 MR. CURTIS PRYSTUPA: I would -- in
12 general, I would agree. What I would suggest though
13 is the rating aspect would probably be different than
14 we would -- the -- the rating -- the rating aspect
15 that's used here with these particular Extension
16 products is probably different than how it would look
17 in a Listed Driver Model.

18 MR. ROBERT WATCHMAN: And -- and so
19 does this -- do you have a process in place for this -
20 - for these Extension products to avoid this practice
21 of gaming the system?

22

23 (BRIEF PAUSE)

24

25 MS. SATVIR JATANA: Sorry, can you

1 repeat that question?

2 MR. ROBERT WATCHMAN: Well -- well,
3 your response earlier was that the Primary Driver
4 Model doesn't necessarily cure gaming the system so
5 I'm just wondering -- but in your Extension product
6 determination have you put in place anything to
7 prevent gaming the system?

8 MR. CURTIS PRYSTUPA: I would say it's
9 debatable. There definitely is -- on these particular
10 Extension products; there is a Usual Driver Model.

11 MR. ROBERT WATCHMAN: Now, is this not
12 essentially the same information the Corporation would
13 require to conduct a pricing examination of a Primary
14 Driver Model or basing a DSR system on Primary Driver?

15 MR. CURTIS PRYSTUPA: No. This is the
16 information that would be required to do an assessment
17 on the Listed Driver Model.

18 MR. ROBERT WATCHMAN: But I'm saying -
19 - I understand that. But, essentially, it's the same
20 information; you collect driver information, you
21 relate it to a vehicle, you relate it to driver
22 history and you price a product.

23 Is that --

24 MR. CURTIS PRYSTUPA: Yeah.

25 MR. ROBERT WATCHMAN: -- what's going

1 on here?

2 MR. CURTIS PRYSTUPA: Yeah,
3 absolutely.

4 MR. ROBERT WATCHMAN: Then how -- and
5 -- and just in -- in terms of essence, how is that
6 different than what the Corporation would require in
7 order to conduct a pricing model -- sorry, pricing
8 examination for a Primary Driver Model, if the
9 Corporation required renewals and registrants to --
10 new -- new registrants to declare a primary driver?

11 MS. SATVIR JATANA: So let me take
12 this one. The example you're giving here is not what
13 we have discussed from a Primary Driver Model. As --
14 as Curtis alluded to, this is an example of Declared
15 Driver Model.

16 MR. ROBERT WATCHMAN: I understand
17 that. But I'm saying isn't essentially the process
18 you go through the same process you would go through
19 in order to do pricing examination for a Primary
20 Driver Model for DSR?

21 MR. CURTIS PRYSTUPA: In general, I
22 think that the process would be the same. If we
23 wanted to say -- like, let's say tomorrow,
24 theoretically, we were going to start -- you know,
25 start to collect this information necessary for a

1 pricing.

2 I would start with day 1 and pretend we
3 were going to try to do a completely full study,
4 studying all Manitobans. We need to now go for every
5 single Basic policy. And we have the registered owner
6 information already. We have to now go and collect
7 from every single registered owner, or for every
8 single vehicle.

9 To -- to Mr. Phoa's point, we need to
10 get the primary driver for every single one of those.
11 That -- that would be the work that would be -- that
12 would be required, or the undertaking that we would
13 need to do, and collect that data over a period of,
14 you know, say -- say, you know, a year if we did it,
15 for example, on the renewal date.

16 MR. ROBERT WATCHMAN: Yes. So you
17 need a twelve (12) month cycle to collect all of that
18 information on renewals and new registrations in the -
19 - in the year, in the twelve (12) month period, right?

20 MR. CURTIS PRYSTUPA: Right. Yeah.

21 MR. ROBERT WATCHMAN: And do you know
22 how long the Corporation has been collecting driver
23 information to determine premiums for these Extension
24 products?

25 MR. CURTIS PRYSTUPA: I believe it is

1 since 2001. Subject to confirmation, 2001.

2 MR. ROBERT WATCHMAN: And now, it
3 stands to reason, but correct me if I'm wrong, that
4 the Project Nova, as currently planned, will have to
5 provide this very same functionality in order for the
6 Corporation to continue to price certain Extension
7 products.

8 Is that correct?

9 MR. CURTIS PRYSTUPA: I'm sorry, can
10 you repeat the question?

11 MR. ROBERT WATCHMAN: Project Nova, as
12 currently planned, will have to provide this very same
13 functionality in order to permit the Corporation to
14 continue to price certain Extension products?

15 MR. CURTIS PRYSTUPA: That's correct,
16 yes.

17 MR. ROBERT WATCHMAN: So can you
18 advise, or can you take an undertaking to consult with
19 those responsible for Project Nova, as to what would
20 be required to establish a data collection system in
21 order for the Corporation to conduct pricing
22 examination for Primary Driver method and to implement
23 Primary Driver method for Driver Safety Rating?

24 And we're asking in terms of what steps
25 would be required in order to permit the system to

1 collect that data, what timeline would be necessary in
2 order to produce that system, and what would be the
3 cost of that system.

4

5

(BRIEF PAUSE)

6

7 MS. SATVIR JATANA: Thank you for the
8 time there.

9

10 MR. ANTHONY GUERRA: Counsel, so we
11 will give the undertaking. Maybe we'll just put it on
12 the record again formally so we understand exactly
13 what our team needs to go back to. My only concern is
14 they may not be able to answer all those questions.
15 We'll do our best to make the inquiries, and whatever
16 information can be provided back will be provided in
17 the undertaking.

18

19 MR. ROBERT WATCHMAN: Thank you. So
20 the under -- the undertaking would be to determine
21 what development has to take place within Project Nova
22 to provide the functionality to conduct a pricing
23 examination of a Primary Driver DSR system, what would
24 be required to implement a Primary Driver Driver
25 Safety Rating system.

26

27 And we were specifically requesting the
28 steps that had -- would have to be carried out in

1 terms of IT development, a timeline for those steps to
2 be carried out and, finally, the cost to carry out
3 that project.

4 MR. ANTHONY GUERRA: Yes, counsel. We
5 will give the undertaking and I also understand Ms.
6 Jatana has an addition she'd like to make to that.

7 MS. SATVIR JATANA: Thank you. Yeah,
8 in addition to understanding some of the more detail
9 cost and -- and timeline, at high-level this is a
10 change -- this is a departure from what we collect and
11 what we ask our customers, so there's a need to inform
12 Manitobans the change; why we would be collecting this
13 information.

14 And given that, you know, this is a
15 twelve (12) months data, we would have to consider a
16 timeframe outside of that, in terms of communication
17 and -- and that informing Manitobans as to why we're -
18 - we would collecting that information.

19 MR. ROBERT WATCHMAN: Thank you.

20

21 --- UNDERTAKING NO. 41: MPI to determine what
22 development has to take
23 place within Project Nova
24 to provide the
25 functionality to conduct a

1 pricing examination of a
2 Primary Driver DSR system
3 and what would be required
4 to implement a Primary
5 Driver Driver Safety
6 Rating system; and to
7 provide the steps that
8 would have to be carried
9 out in terms of IT
10 development, a timeline
11 for those steps to be
12 carried out, and the cost
13 to carry out that project

14
15 THE CHAIRPERSON: Sorry, Mr. Watchman.
16 Are you going to -- I just have a question on this
17 page. I don't want to leave it. So I don't know if
18 you're --

19 MR. ROBERT WATCHMAN: I was going to --
20 - I was going to another exhibit, so --

21 THE CHAIRPERSON: Okay. Sorry. I
22 guess it's probably Mr. Prystupa, but I'm not --
23 anybody can answer.

24 So you've got this form, which is -- I
25 appreciate is a template form you put together. Mr.

1 John Doe has his registered off-road vehicles and he's
2 giving you information of the usual drivers. What
3 happens if he lied? What happens if there's somebody
4 else, gets into accident, and it -- it is determined
5 in investigation that they'd been using the vehicle on
6 a regular basis?

7 MR. CURTIS PRYSTUPA: I -- I don't
8 have an answer for that. We can certainly take that
9 back and get -- get an answer for you. Let me check
10 with the back panel and --

11 THE CHAIRPERSON: Okay. Sure.

12 MR. CURTIS PRYSTUPA: -- Mr. Gabor.

13

14 (BRIEF PAUSE)

15

16 MR. CURTIS PRYSTUPA: Thank you, Mr.
17 Gabor. Yes, you know, in -- in a situation where, you
18 know, using an example where there was an additional
19 person that happened to be operating the off-road
20 vehicle, MPI does have the right to -- to deny the
21 claim in that situation.

22 THE CHAIRPERSON: Okay. Thank you.
23 Thank you.

24

25 CONTINUED BY MR. ROBERT WATCHMAN:

1 MR. ROBERT WATCHMAN: I have another -
2 - another question, following up on that.

3 What do you do if one of the declared
4 usual drivers doesn't have a driver's licence?

5

6 (BRIEF PAUSE)

7

8 PANEL MEMBER WATSON: So that was my
9 question. As a person that had a quad, my kids were
10 under the age of sixteen (16), they did not have a
11 licence, and I had to declare them as a driver because
12 people under the age of sixteen (16) is legally
13 allowed to drive a quad.

14 So your interchange, for the last
15 little while, is talking about driver vehicle
16 licensing and licence. The usual drivers may not have
17 a licence. So just to bring everybody up to speed, as
18 a person that had a quad and have kids under the age
19 of sixteen (16), that doesn't have a driver's licence.

20 I'm not too sure that'll -- if that'll
21 change any of your questions on both sides.

22 MR. CURTIS PRYSTUPA: Point taken, Mr.
23 Watson. And I would also confirm that there isn't any
24 indication on this sample that we're aware of any
25 driver's licence information being ascribed to these

1 individuals.

2 PANEL MEMBER WATSON: Correct. You
3 can declare -- and you can also declare people that
4 aren't residents of Manitoba. For example, if the
5 quad is being driven in Ontario and the person has
6 driven, so it's not a Manitoba licence; they don't
7 even need a licence to be declared.

8 THE CHAIRPERSON: Sorry, if I could
9 add just one (1) more question in relation to this.

10 When you have to -- when Mr. Doe files
11 the statement and lists the names of the usual
12 drivers, am I correct that the form they're signing
13 certifies that it's true and accurate, the information
14 they're providing?

15 You can check with -- you can check
16 with legal counsel or back row and get back. But, you
17 know, I -- I always thought that when I'm filling out
18 my annual form before there's -- in -- in small print
19 that you can't really read, it says, "Certified -- the
20 statements are certified to be true and accurate."

21 MR. CURTIS PRYSTUPA: Specific to
22 these particular off-road policies, I don't know if we
23 have the expertise today on our back row to give the
24 level of details that you -- that you expect.

25 I just want to talk to counsel for one

1 (1) moment, Mr. Gabor.

2 THE CHAIRPERSON: Yeah, that's fine.

3 Thank you.

4

5 (BRIEF PAUSE)

6

7 MR. CURTIS PRYSTUPA: Thank you, Mr. -

8 - Mr. Gabor. We'll have to take that question away.

9 We're going to try to get a copy of the form that the
10 customers would actually sign to -- to confirm if
11 there's actually a declaration --

12 THE CHAIRPERSON: Okay. Thank you.

13 MR. CURTIS PRYSTUPA: -- based on what
14 you requested.

15 THE CHAIRPERSON: Thanks.

16 MR. ANTHONY GUERRA: Per -- perhaps,
17 just to make sure we're not missing out on these,
18 we'll just take it as a format undertaking, if that's
19 okay?

20 And so what we'll do is will just -- a
21 formal undertaking so that we will look for a copy of
22 the declaration form in the case of off-road vehicles
23 to determine whether or not there is a declaration
24 there and produce the form accordingly.

25 THE CHAIRPERSON: Thank you.

1 --- UNDERTAKING NO. 42: MPI to provide a copy of
2 the declaration form in
3 the case of off-road
4 vehicles to determine

5

6 CONTINUED BY MR. ROBERT WATCHMAN:

7 MR. ROBERT WATCHMAN: Thank you.

8 Kristen, if we could back to MPI Exhibit 2. And I'm
9 just now going down the next paragraph, starting at
10 line 7:

11 "One (1) other limitation in
12 conducting pricing examination
13 relates to how a subset of collision
14 losses would be handled under a
15 Primary Driver Model."

16 And it's this next sentence that we
17 talked about earlier:

18 "For collision losses, where a
19 driver can be identified --"

20 And we'll go to the footnotes:

21 "-- 41 percent of the reported
22 losses are attributable to claims
23 where the driver is not the
24 registered owner."

25 Do you see that?

1 MR. TAI PHOA: Yes, I do.

2 MR. ROBERT WATCHMAN: And so that was
3 -- again, that was the same statement that was made in
4 the 2021 GRA, correct?

5 MR. TAI PHOA: Yes, that is.

6 MR. ROBERT WATCHMAN: So, subject to
7 check --

8 MR. TAI PHOA: Yeah.

9 MR. ROBERT WATCHMAN: Okay. And if we
10 could just scroll down to the footnotes, Kristen. So
11 indicating:

12 "Losses where a driver cannot be
13 identified are commonly the result
14 of hit and run accidents."

15 That was the first note. Now, the
16 fourth footnote though is that:

17 "For insurance years 2016 to 2020,
18 as of February 28, 2021."

19 So if we go back up where that footnote
20 is indicated -- oops -- and that's the reference to
21 the 41 percent of reported losses.

22 Do you see that?

23 MR. TAI PHOA: Yeah, that's how we
24 calculated the 41 percent, which we have since
25 corrected to 33 percent. Yes.

1 MR. ROBERT WATCHMAN: Thank you.

2 Kristen, could we turn to Exhibit 17 -- MPI Exhibit
3 17, please.

4 And this is what you're referring to,
5 Mr. Phoa, the change to 33 percent?

6 MR. TAI PHOA: Yes, that is.

7 MR. ROBERT WATCHMAN: And we can
8 check, but the footnote, as far as I can understand,
9 doesn't change. It's for insurance years 2016 to 2020
10 as of February 28, 2021, which I believe is the same
11 as the previous footnote.

12 So, can you explain why the number was
13 changed from 41 percent to 33 percent?

14 MR. TAI PHOA: Yeah, when -- when we --
15 - when we look at this and when we were -- because --
16 because the IR requested for a little bit more
17 details. We looked at it and we realized there was an
18 error in our calculation and we have since corrected
19 it.

20 MR. ROBERT WATCHMAN: Okay. And --
21 and so again, this 33 percent is in respect of all DSR
22 levels, correct?

23 MR. TAI PHOA: Yes, it is.

24 MR. ROBERT WATCHMAN: Now, Kirsten, if
25 we could turn to Information Request CMMG-MPI 2-11.

1 And I'm going to figure appendix 1-2 on the -- it
2 might be the last page of this.

3

4 (BRIEF PAUSE)

5

6 MR. ROBERT WATCHMAN: It's 2-11.

7

8 (BRIEF PAUSE)

9

10 MR. ROBERT WATCHMAN: Oh, here we go.
11 Okay. This is a big graph, so we're going to have to
12 look at it, I think in chunks. And so, what this is
13 is the 2018 to '20 collision claim counts -- collision
14 claim counts by DSR in respect of passenger vehicle
15 and light trucks.

16 Is that correct?

17 MR. TAI PHOA: Yes, that is correct.

18 MR. ROBERT WATCHMAN: Okay. And this
19 is a graph that provides a breakdown of claim counts
20 by registered owner, DSR verses driver DSR, correct?

21 MR. TAI PHOA: Yes, that is correct.

22 MR. ROBERT WATCHMAN: And so, in other
23 words, the -- the first column indicates the driver
24 DSR? Sorry. Yeah, sorry, the heading of the first
25 column indicates that the rows are driver DSR ratings?

1 MR. TAI PHOA: Yes, that is correct.

2 MR. ROBERT WATCHMAN: And it goes from
3 minus twenty (20) to fifteen (15)?

4 MR. TAI PHOA: Yes, that is correct.

5 MR. ROBERT WATCHMAN: Okay. And I
6 just -- I just notice, if you go down to DSR level 1
7 and you look at that, and 2, you'll see that the line
8 number jumps from twenty-two (22) to forty-five (45)?

9 MR. TAI PHOA: That looks like a
10 numbering issue, yes.

11 MR. ROBERT WATCHMAN: Is it -- is it
12 just a numbering issue or are we missing some content?

13 MR. TAI PHOA: I believe that might
14 just be a numbering issue.

15 MR. ROBERT WATCHMAN: Okay. Thank
16 you, Mr. Phoa. So, now if I go right across to the
17 far right column, this is -- this identifies where the
18 registered owner has a DSR rating of fifteen (15),
19 correct?

20 MR. TAI PHOA: Yes, that is right.

21 MR. ROBERT WATCHMAN: And as we go
22 down that column, these are collision counts for that
23 reg -- for such registered vehicles based upon the
24 driver DSR, correct?

25 MR. TAI PHOA: Yes, that is correct.

1 MR. ROBERT WATCHMAN: Okay. And so,
2 if we go to the very bottom corner, that would be --
3 that would be an indication of where the registered
4 owner has a DSR of 15 and the driver has a DSR of 15,
5 correct?

6 MR. TAI PHOA: Yes, that is the point
7 where the (INDISCERNIBLE), yes.

8 MR. ROBERT WATCHMAN: And the
9 collision count there is thirty-seven thousand four
10 hundred sixty-six (37,466)?

11 MR. TAI PHOA: Yeah, that's the
12 number.

13 MR. ROBERT WATCHMAN: Now, if we were
14 to add up all of the numbers above the thirty-seven
15 thousand four hundred sixty-six (37,466), that would
16 be collision counts where the driver of that regis --
17 of registered vehicles in that category had a DSR
18 level lower than the registered owner, correct?

19 MR. TAI PHOA: Yes, that is correct.

20 MR. ROBERT WATCHMAN: And subject to
21 check, if you add up those numbers, it comes to
22 twenty-three thousand nine hundred and eight (23,908)?

23 MR. TAI PHOA: Yes, that is correct.

24 MR. ROBERT WATCHMAN: And so, in other
25 words, there's a total of sixty-one thousand three

1 hundred seventy-four (61,374) collision claims, of
2 which only thirty-seven thousand four hundred and
3 sixty-six (37,466) were drivers with as good a DSR as
4 the registered owner, correct?

5 MR. TAI PHOA: That's a fair
6 assessment, yes.

7 MR. ROBERT WATCHMAN: And so, that's
8 61 percent of the time the driver at the time of the
9 accident had the same DSR of 15?

10 MR. TAI PHOA: Yeah, that sounds about
11 right.

12 MR. ROBERT WATCHMAN: Now -- so then
13 the -- the corollary to that is that -- that would
14 mean that 39 percent of the time for vehicles
15 registered to owners with a DSR 15, the driver at the
16 time of the accident had a worse DSR.

17 Is that correct?

18 MR. TAI PHOA: That would be fair,
19 yes.

20 MR. ROBERT WATCHMAN: And, Kirsten, if
21 we could move a page ahead on that IR. And
22 essentially, this is the very same information, but
23 you'll -- whoops.

24

25 (BRIEF PAUSE)

1 MR. ROBERT WATCHMAN: Now it's getting
2 difficult, at least for me to read. So, this is
3 essentially the same information except that it's
4 based on collision amounts by DSR, passenger vehicles
5 and light trucks, correct?

6 MR. TAI PHOA: Yeah, it's essentially
7 the same table as the other one except this is the
8 loss amounts, yes.

9 MR. ROBERT WATCHMAN: Okay. And if we
10 go then to the far right column we can see that where
11 the DSR of the registered owner and the driver at the
12 time of the collision -- or the claim, was also 15 --
13 this is the last column at the bottom.

14 The total claims loss where they
15 matched was \$147,932,323 million, correct?

16 MR. TAI PHOA: Yes, that is correct.

17 MR. ROBERT WATCHMAN: And so if we go
18 through that exercise and add up all of the numbers
19 before that, it comes to one hundred and two thousand
20 five hundred eighty-eight thousand nine hundred forty-
21 eight dollars (\$102,588,948), subject to check.

22 MR. TAI PHOA: Subject to check. I
23 wish we had put a total line at the bottom, yes.

24 MR. ROBERT WATCHMAN: Okay. It might
25 have helped. So, of a total amount of collision

1 losses in the DS -- DSR 15 registered owner category,
2 the total amount in this survey is \$250,521,271
3 million, subject to check?

4 MR. TAI PHOA: Subject to check, yeah.

5 MR. ROBERT WATCHMAN: Okay. I know we
6 know though of that, the 147,932,323 were for drivers
7 with as good a DSR as the registered owner?

8 MR. TAI PHOA: Yes.

9 MR. ROBERT WATCHMAN: And so, this
10 time that would be that approximately 59 percent of
11 the time -- the driver at the time of the accident has
12 the same DSR of 15, correct?

13 MR. TAI PHOA: 347 out of 250, yeah,
14 sounds about right.

15 MR. ROBERT WATCHMAN: Okay. Subject
16 to check again. I won't -- I won't hold you to it.
17 But again, the corollary means that 41 percent of the
18 time the vehicle is registered to DSR owners with DSR
19 15. The driver at the time of the accident had a
20 worse DSR.

21 Is that correct?

22 MR. TAI PHOA: The -- that is correct.

23 MR. ROBERT WATCHMAN: Okay. And so
24 interestingly enough, that's 41 percent, which was the
25 very same figure that was used in last years GRA in

1 the original filing of this GRA.

2 And I'm just wondering if maybe that's
3 the reason why it was -- previously it was 41 percent?

4 MR. TAI PHOA: No, by coincidence this
5 --

6 MR. ROBERT WATCHMAN: It was by
7 coincidence?

8 MR. TAI PHOA: Yeah.

9 MR. ROBERT WATCHMAN: Okay.

10 MR. TAI PHOA: I -- I can assure you
11 that we -- when -- when I was told that the 41 percent
12 is incorrect and we made a -- we -- we miss a point, I
13 was -- I went back and double check everything to make
14 sure that the next number that we present is correct.

15 So the -- so it's not -- it's by
16 coincidence.

17 MR. ROBERT WATCHMAN: Okay. Thank
18 you. And so -- but the 33 percent relates to all --
19 considering all DSR levels. The 41 percent is
20 isolating only DSR 15 level claims, correct?

21 MR. TAI PHOA: Yes. Based on our
22 conversation so far, yes.

23 MR. ROBERT WATCHMAN: So, to me that
24 sounds like a significant proportion of the claim.
25 So, given this proportion, is the registered owner DSR

1 a good predictor of the risk for any individual
2 vehicle?

3

4 (BRIEF PAUSE)

5

6 MR. TAI PHOA: Sorry, could you just
7 repeat that question again?

8

9 MR. ROBERT WATCHMAN: The question is,
10 is that given this proportion, 41 percent, is the
11 registered owner DSR a good predictor of the risk for
12 any individual vehicle?

13

14

15 (BRIEF PAUSE)

16

17 MR. TAI PHOA: Yeah, so -- so the, do
18 -- as I say, the -- it reflects the collective
19 experience of all drivers at -- or who drive a vehicle
20 registered to an owner who has DSR plus 15.

21

22 So you are right, that it's not a --
23 the best predictor, but just to be mindful, we would
24 have the same problem with the primary driver model
25 because we would have 1 percent declares the primary
26 driver and -- and then who they allow to drive their
27 vehicle, again, unless we are -- as -- Ms.-- Ms.

1 Jatana, I usually don't -- I usually call Satvir, and
2 - and it's kind of funny for me, right now.

3 But as Ms. Jatana has indicated this
4 morning, you know, we -- we will, unless we are ready
5 to, you know, restrict coverage or deny claims, you
6 know, we're going to have the same -- the -- we're
7 going to have the same problems.

8 MR. ROBERT WATCHMAN: Okay, and you --
9 and I think you may have anticipated my -- my next
10 question, but what I was going to ask is if MPI was to
11 collect primary driver information, would it be
12 possible to then determine what proportion of the time
13 the driver had a DSR level that was significantly
14 different from the primary driver DSR and, hence,
15 whether that would be a better predictor of risk.

16 MR. TAI PHOA: Yeah, we definitely say
17 that we -- we have to seen in evidence many times that
18 -- from a -- actuarials -- actuarially sound rates,
19 actuarial soundness perspective, definitely the
20 primary driver model is preferable.

21 MR. ROBERT WATCHMAN: And would it be
22 possible to a make a determination for a
23 representative sample of say 10 percent of the
24 vehicles?

25 MR. TAI PHOA: Sorry, I -- I -- I

1 didn't get your question. Could you repeat that?

2 MR. ROBERT WATCHMAN: The question is
3 -- anyway -- you know, we had asked if MPI was to
4 collect primary driver information, and the question
5 now is, well, would it be possible to do so for a
6 representative sample of say 10 percent of the
7 vehicles?

8 MR. TAI PHOA: Yeah -- so -- yeah, I -
9 - I -- I think it that -- that's possible to -- to --
10 to look at 10 percent of the -- the group. Yeah.

11 MR. ROBERT WATCHMAN: Thank you and
12 would this sample size be sufficiently credible to be
13 able to draw statistically valid conclusions from?

14 MR. CURTIS PRYSTUPA: We'll -- we'll
15 check with our back row for an opinion on that.

16 MR. ROBERT WATCHMAN: Thank you.

17

18 (BRIEF PAUSE)

19

20 MR. TAI PHOA: Sorry, Mr. Watchman.
21 Just before I answer the question, I would just like
22 you to repeat it so that I'm -- make sure I'm
23 answering the correct question.

24 I know I've asked you to repeat twice
25 so.

1 MR. ROBERT WATCHMAN: No problem, I've
2 got them written down.

3 So, if we used a sample size, of say 10
4 percent of the vehicles, would this sample size be
5 sufficiently credible to be able to draw statistically
6 valid conclusions from?

7 MR. TAI PHOA: I would say yes.
8 There's a -- it -- it sort of helps us to predict, you
9 know, the movements and it's -- it's -- it is fairly
10 representative of the rest of the group.

11 MR. ROBERT WATCHMAN: Thank you.

12 Now, Madam Chair, I probably have
13 fifteen (15), twenty (20) minutes further, so I'm not
14 sure if you want to take a break now or finish?

15 THE PANEL CHAIRPERSON: I think you
16 should proceed, Mr. Watchman.

17

18 CONTINUED BY MR. ROBERT WATCHMAN:

19 MR. ROBERT WATCHMAN: Thank you. So,
20 I'm now going to ask a -- a few questions about the
21 discount level and, Kristen, if we could turn to PUB-
22 MPI-2-40.

23

24 (BRIEF PAUSE)

25

1 MR. ROBERT WATCHMAN: Yeah, now -- and
2 yes, I'd like to go to the second page of that figure
3 1 there.

4 And now you -- you -- you talked this
5 morning about the fact that if discounts are increased
6 in -- in order to avoid losing revenue, there has to
7 be some offsetting increase, someplace else.

8 Is that correct?

9 MR. TAI PHOA: Yeah, we would
10 generally have to offset that by -- what we call the
11 base rate increase, yes.

12 MR. ROBERT WATCHMAN: And so, and --
13 and is that what's referred to as re-balancing?

14 MR. TAI PHOA: Yes, that -- that's for
15 re-balancing is an appropriate word.

16 MR. ROBERT WATCHMAN: And, if we look
17 at that figure 1 there, this is the increase in base -
18 - base rates that would be required to offset the
19 revenue losses that you are predicting if the Board
20 approves these gradual increases in vehicle premium
21 discounts over the next five (5) years.

22 Is that what that represents?

23 MR. TAI PHOA: This one actually stems
24 from a -- a prior question from the Board, and I just
25 apprised a member from the Board, and just to be sure

1 we are talking about the same scenario, I would refer
2 to PUB-MPI-1-85 if you can go there.

3 So in question B can I just go up --
4 can you -- we just slide up a little bit first, just
5 to look at the question.

6 So in question B the -- the Public
7 Utilities Board has other -- has asked us, you know,
8 to provide an illustrative skill demonstrating the
9 expected organic DSR skill over the next five (5)
10 years on a purely actuarial basis, with no capping.

11 So, when I -- so -- we can go to
12 respond, so this is based on to -- to -- to meet that
13 request, this is our response.

14 Figure 1 below presents the changes to
15 the vehicle premium discounts over the next five (5)
16 years based on the following assumptions.

17 The indicated vehicle premium discounts
18 based on the current pricing review will not change
19 materially in subsequent reviews.

20 MPI will move one-fifth of the
21 difference between current and indicated vehicle
22 premium discounts each year, rounding the discount
23 percentage to the nearest whole number.

24 Let's keep moving down.

25 Changes to the base rate are not kept

1 and do not take into consideration the overall rate
2 change in each year, and the indicated vehicle premium
3 discount for DSR level 15 is applicable to DSR levels
4 fifteen (15) to twenty (20).

5 So, and -- and the point I want to
6 highlight, most importantly, is the second bullet
7 point where it says, MPI will move one-fifth of the
8 difference between current and indicated vehicle
9 premium discounts each year, rounding the discount
10 percentage to the nearest whole number.

11 So, I just want to say that this is
12 just assuming, sort of, you know, no -- no -- nothing
13 judgmental here, we just -- if -- if the difference
14 was 20 percent we would move 4 percent a year. And if
15 the difference was 10 percent we would move 2 percent
16 a year over the next five (5) years.

17 So this is -- this is not really what
18 MPI is proposing. This is sort of just an illustrated
19 thing.

20 And then, going back to PUB-2-40, if
21 that was the scenario that we ran, then figure 1 shows
22 the, sort of the re-balancing that needs to take place
23 in order to -- to be able to -- to have those discount
24 levels.

25 MR. ROBERT WATCHMAN: So is -- is it

1 fair to me -- for me to say that then these increases
2 would have to be built into the -- the rate
3 applications for these rating years?

4 MR. TAI PHOA: Yeah. So in -- in the
5 event that we decided that -- in the event that we
6 decided to go with this uniform increase over the next
7 five (5) years, then for -- for example, for 2022/'23,
8 instead of the 2.6 percent loss in revenue, we would
9 have 4.2 percent loss in revenue that we have to sort
10 of make back, I guess.

11 MR. ROBERT WATCHMAN: Okay. Now, when
12 I add those numbers up -- and this really has to be
13 subject to check -- but it comes to 21.2 percent over
14 the five (5) years?

15 MR. TAI PHOA: Yeah, subject to check,
16 sure.

17 MR. ROBERT WATCHMAN: Now, Kristen, if
18 you could turn to Exhibit 75, the slide presentation
19 from this morning, slide 19.

20

21 (BRIEF PAUSE)

22

23 MR. ROBERT WATCHMAN: And, Mr. Phoa,
24 there -- the second bullet point beside the charts
25 says:

1 "Impact on average rate by DSR level
2 based upon applying higher indicated
3 discounts offset by 21.7 percent
4 increase in base rate required to
5 achieve revenue neutrality."

6 I'm just -- I just want to make sure
7 we've got the right number.

8

9 (BRIEF PAUSE)

10

11 MR. TAI PHOA: Yes. So, Mr. Watchman

12 --

13 MR. ROBERT WATCHMAN: Yes.

14 MR. TAI PHOA: -- the 21.2 percent
15 that you quoted just a while ago, that's checked.
16 That's -- that's just based on a simple addition of
17 all five (5) of the factors.

18 In -- in true fact, we will actually be
19 multiplying those increases.

20 MR. ROBERT WATCHMAN: Yes --

21 MR. TAI PHOA: So that comes up to
22 about 22.07 percent, and the number you -- you see
23 here is if we -- if we did it, you know, all in one
24 (1) year, the 21.7 percent.

25 It's a little bit different of course

1 because drivers are going to move and like -- like
2 there's going to be movement on the DSR scale, and
3 that's -- and -- and that movement is going to affect
4 the rebalancing that needs to take place year over
5 year.

6 MR. ROBERT WATCHMAN: Okay. Thank
7 you. Now, if we go back to IR 2-40. Now, so the --
8 and if we can go to the next page, Kristen, and -- and
9 there we see at line 16, towards the right-hand side
10 of the page, this is where those numbers came from in
11 that table. Is that correct?

12 MR. TAI PHOA: Yeah. This just breaks
13 down by DSR level, yes.

14 MR. ROBERT WATCHMAN: And we see that
15 the trends tend to be for -- for all DSR -- or
16 positive DSR levels between minus 5 and plus 5
17 percent, generally speaking? I think there's one (1)
18 up at the top that's six point one (6.1).

19 MR. TAI PHOA: Sorry. Are -- are you
20 referring to the last five (5) columns on the -- on
21 the table? Yeah, generally speaking.

22 MR. ROBERT WATCHMAN: Yeah. And can
23 you tell why MPI believes that the DSR should move in
24 a gradual fashion whereas other rates are typically
25 capped at a plus or minus 20 percent?

1 MR. TAI PHOA: Like -- so I think we
2 say that, you know, a 21.7 percent base rate increase
3 is -- is probably not publicly acceptable. Again,
4 this -- this 21.7 percent is -- and this is just
5 solely from the -- just the discount change.

6 So once we apply all the other changes,
7 you know, we -- every -- every rate in there would be
8 capped at 20 percent because of the capping rules.

9 Again, I think -- I think we brought to
10 the Board -- MPI does not believe that -- you know,
11 that it's acceptable to have everybody's rates
12 increase overall by 22 percent. And -- and we brought
13 this for consider -- we brought this gradual move to
14 the Board for consideration by the Board and the
15 Interveners as well.

16 And like -- like we said throughout the
17 GRA that, you know, this is -- this is our planned
18 approach, and we would definitely like to hear from --
19 from the Board and from Interveners how they think we
20 should get to the indicated rate, certainly taking
21 into consideration public acceptability.

22 MR. ROBERT WATCHMAN: Okay. Now, does
23 MPI see any issues in offering these lower rates to
24 vehicles registered to DSR 15 when, by count, 39
25 percent and by collision losses 41 percent of the

1 drivers in accidents for these vehicles have a lower
2 DSR level?

3 MR. TAI PHOA: Mr. Watchman, could you
4 just repeat that question?

5 MR. ROBERT WATCHMAN: So what issues
6 does MPI foresee in offering such lower discount rates
7 to vehicles registered to DSR 15 for whom 39 percent
8 by collision and 41 percent by collision loss are
9 accidents for which vehicles have -- the drivers of
10 the vehicles have a lower DSR?

11

12 (BRIEF PAUSE)

13

14 MR. TAI PHOA: Mr. Watchman, I'll take
15 a crack at these, and some of my more knowledgeable
16 colleagues might -- can -- can chime in.

17 So when we did the pricing analysis, we
18 took all these factors into consideration of, you
19 know, like -- like I said, we -- we did the pricing
20 analysis based on the registered owner. It reflects
21 the collective loss experience of the registered
22 owner.

23 And even in doing so with the other
24 people driving the vehicle, the indication is still
25 that the discount that is applicable to that

1 particular DSR level should be 56 percent.

2 So I think what we're doing here is
3 that -- and -- and I think I -- we see the evidence
4 this morning that that is the minimum amount. And,
5 you know, if -- if you took away -- if you just look
6 at DSR 15 and DSR 15 -- so registered owner DSR 15,
7 primary driver DSR 15 -- then, you know, the discount
8 is probably greater than the 56 percent.

9 So what we've done here is we did a
10 pricing review. We saw that even with these issues
11 that we have, you know, the registered owner at DSR
12 level 15 should be getting a 56 percent discount based
13 on their loss experience relative to the rest of the
14 population.

15 So all we're doing here is saying that
16 we are -- we are gradually moving to -- to something
17 that -- that -- that's based on the indicated actual
18 rate, so.

19 MR. ROBERT WATCHMAN: And thank you
20 for that, Mr. Phoa. Now, one (1) of the reasons MPI
21 states for not wanting to change to a primary driver
22 model is that it would create large indicated rate
23 dislocation. Is that true? Is that the -- MPI's
24 position?

25

1 (BRIEF PAUSE)

2

3 MR. TAI PHOA: Mr. Watchman, do you --
4 do you have a reference for that, sorry?

5 MR. ROBERT WATCHMAN: Okay. Sorry.
6 And -- and I may have thrown you off by making it
7 specific to primary driver model.

8 Kristen, if we could go to, in the
9 application, part 4, DSR, page 4.

10

11 (BRIEF PAUSE)

12

13 MR. ROBERT WATCHMAN: Thank you. And
14 down to -- to line 17. And again, MPI noted that any
15 significant change to the DSR model would create large
16 indicated rate -- rate dislocation, and then other
17 consequences.

18 So, rate dislocation is a concern for
19 the Corporation in terms of changing the DSR model.
20 Is that fair to say?

21 MR. TAI PHOA: Yeah, that would be
22 fair to say. And -- and just to provide an example,
23 like -- like, let's say, you know, you're currently
24 registering, you know -- if you had to -- if -- if all
25 your vehicles -- again, like, we -- that would be the

1 caveat that, you know, people are going to register --
2 are going to declare appropriately, you know, if -- if
3 you're now all registered to -- let's say there's two
4 (2) cars in the house and you register it both to the
5 one with the highest DSR in the future.

6 You said, okay, well, the husband
7 drives, you know, one (1) and the wife drives one (1)
8 more often, that's going to -- and -- and suppose one
9 (1) of those two (2) have a lower DSR, then you're
10 kind of saying that that is a significant rate
11 dislocation for at least one (1) vehicle, yes.

12 MR. ROBERT WATCHMAN: Now, if MPI
13 implements the increases to the DSR discount scale
14 over the next five (5) years, how much more
15 dislocation will exist if it then moves to a different
16 model, such as primary driver model?

17

18 (BRIEF PAUSE)

19

20 MR. TAI PHOA: I -- I don't believe I
21 have the -- the -- enough information right now to
22 determine that. Sorry about that.

23 MR. ROBERT WATCHMAN: So -- but do you
24 understand the issue here for the -- for the Public
25 Utilities Board?

1 MR. TAI PHOA: Yeah, certainly.
2 Certainly, yeah. So -- so, certainly, the --
3 certainly, the problem of, you know, that I -- the
4 example that I stated a while ago would still exist
5 even when we move to -- to the indicated discounts,
6 and then we -- and then we decide to switch to the
7 primary driver model.

8 Again, it would be the caveat that
9 people are -- are going to declare appropriately,
10 then, yeah, the -- the -- in the example that a cited
11 a while ago, that would still be that issue between
12 the -- both the husband and the wife.

13 MR. ROBERT WATCHMAN: Yeah. And so --
14 again, so what we're just trying to pin down here is,
15 if the Board were to approve these changes, and then
16 in five (5) years indicates that the Corporation
17 should change to a primary driver model, the argument
18 isn't going to be made at that time, well, the
19 dislocation has really grown exponentially because of
20 these changes.

21 And so, the dislocation issue becomes
22 larger over time if the current proposal is approved
23 by the Board?

24 MR. CURTIS PRYSTUPA: I would suggest
25 we're not in a position to be able to comment on what

1 the potential dislocation could be by the primary
2 driver or other models.

3 MR. ROBERT WATCHMAN: Okay. Well, and
4 perhaps we could just leave that on the record for
5 potential future reference.

6 Now, are the discount levels as
7 indicated based on current differentials for use in
8 territory or based on minimum bias indicated
9 differentials for use in the territory?

10

11 (BRIEF PAUSE)

12

13 MR. TAI PHOA: I -- I know I do this
14 often. I'm sorry. Can you just repeat the question?
15 I just want to make sure that I -- the -- the question
16 was fairly -- fairly lengthy, so, yeah.

17 MR. ROBERT WATCHMAN: Perhaps I'm
18 going too fast. Are the discount levels as indicated
19 based on current differentials for use in territory or
20 based on minimum bias indicated differentials for use
21 in territory?.

22 MR. TAI PHOA: Okay. Yeah. So, when
23 we determine the -- the current relativities, we did a
24 minimum bias using all the following rating variables:
25 use, territory, DSR, and rate groups.

1 So, yeah, I'll leave it there for now.

2 MR. ROBERT WATCHMAN: So, in last
3 year's -- last year, MPI's DSR minimum bias analysis
4 also reflected indicated differentials for use in
5 territory for classes included. Is that right?

6 MR. TAI PHOA: Yeah, I would say
7 that's correct.

8 MR. ROBERT WATCHMAN: So, how much
9 would the DSR differentials differ if they were based
10 on the file differentials for use in territory?

11

12 (BRIEF PAUSE)

13

14 MR. TAI PHOA: Mr. Watchman, I'm not
15 just trying to jump ahead of you. And I'm trying my
16 best to -- to understand the question.

17 My understanding is -- and this
18 probably relates to the fact that we do two (2)
19 different minimum bias calculations, and one (1) of
20 them we use -- we -- we stated in the GRA where we
21 used to -- it to determine the rate line and the DSR
22 level relativities.

23 And then there's another minimum bias
24 calculation that we do insurance use and -- and
25 territory. And I believe there was an IR from the PUB

1 on that particular matter, as well.

2 And if I'm -- if I'm correct in
3 understanding your question, what you are asking is
4 whether the DSR level relativities will be different
5 if we took the use -- use and territory relativities
6 from the other analysis and put it into the first
7 analysis -- or the second and first analysis -- to the
8 second analysis and put it into the first analysis.

9 Am I -- am I understanding the question
10 or --

11 MR. ROBERT WATCHMAN: Yes.

12 MR. TAI PHOA: So, my take on this is
13 that it will be different. But when it comes to the -
14 - whether -- whether that will be materially
15 different, the -- the -- so -- so, when we -- when we
16 look at the -- when we look at the line, it will still
17 be the same.

18 So it will -- it will show that, you
19 know, the increasing line, when you look at DSR-15 to
20 DSR Minus 20.

21 The indicated discounts, based on
22 the relativity, might be different but I would only
23 expect it to be marginally different when -- if we did
24 that.

25 MR. ROBERT WATCHMAN: Thank you. I am

1 now turning to Vehicles for Hire.

2 I apologize, Madam Chair, that it's
3 taken this long, but I'm -- I'm hopefully -- this
4 section, hopefully, will be less than...

5 Now -- okay, so now we're on the topic
6 of Vehicles for Hire, you'll be glad to know.

7 Now, MPI indicated in PUB-MPI-2.4 -- I
8 don't think we have to go there, Diana (phonetic) --
9 but MPI indicated that it plans to implement the
10 revised VH -- VFH program on April the 1st, 2023.

11 Is that correct?

12 MR. CURTIS PRYSTUPA: Yes, that is
13 correct.

14 MR. ROBERT WATCHMAN: And could MPI
15 provide a timeline showing what steps it intends to
16 follow with anticipated dates?

17 MR. CURTIS PRYSTUPA: Could you repeat
18 that, please?

19 MR. ROBERT WATCHMAN: Could MPI
20 provide a timeline for implementation, showing what
21 steps it intends to follow, with anticipated dates?

22 MR. CURTIS PRYSTUPA: Just give me
23 one (1) moment, please.

24

25 (BRIEF PAUSE)

1 MR. CURTIS PRYSTUPA: If I may ask
2 a qualifying -- qualifying question? When we're
3 referring to dates, dates on -- dates on what,
4 specifically?

5 MR. ROBERT WATCHMAN: Well, I suppose
6 that depends on what the time -- what the -- the steps
7 are that the Corporation will take to implement the
8 revised VFH scale framework.

9 MR. CURTIS PRYSTUPA: Okay. For --
10 for reference, from this morning's presentation, slide
11 29, we highlighted, at a -- at a very high level --
12 what MPI considers the next steps around our Vehicle
13 for Hire framework. If -- if you can elaborate on
14 what you would want to see in addition to that, I'd be
15 happy to help.

16

17 (BRIEF PAUSE)

18

19 MR. ROBERT WATCHMAN: Thank you, Mr.
20 Prystupa. And I'll just -- I'll come back to that
21 question.

22 My next question is that in the
23 Canadian Institute of Actuary (sic) Standards of
24 Practice, 2620.09 -- Kristen, if you could bring that
25 up, please.

1

2

(BRIEF PAUSE)

3

4

MR. ROBERT WATCHMAN: And we're going

5

.09. And it provides:

6

"Unusual events. The actuary would

7

consider that subject experience and

8

related experience, may or may not

9

have been subject to catastrophes,

10

large losses, or other unusual

11

events.

12

Do you see that?

13

MR. TAI PHOA: Yes, I do.

14

MR. ROBERT WATCHMAN: And does MPI

15

believe that use of no serious loss loading for uses

16

or territories that have not had any serious losses in

17

the last ten (10) years meets the intent of this

18

standard?

19

20

(BRIEF PAUSE)

21

22

MS. JING LANG: Mr. Watchman, can you

23

repeat the question to me?

24

MR. ROBERT WATCHMAN: Does MPI believe

25

that the use of no serious losses loading for uses or

1 territories that have -- that have not had any serious
2 losses in the last ten (10) years meets the intent of
3 this standard?

4 MS. JING LANG: We don't believe that
5 is an unusual event. So based on our experience, if
6 we -- our best estimate is there's no serious loading,
7 then that is our current best est -- estimate. That's
8 our current assumption.

9 MR. ROBERT WATCHMAN: Thank you. And,
10 Kristen, can we have that marked as the next exhibit?
11 PUB Exhibit 27. Thank you.

12

13 --- EXHIBIT NO. PUB-27: Canadian Institute of
14 Actuaries Standards of
15 Practice, 2620.09

16

17 CONTINUED BY MR. ROBERT WATCHMAN:

18 MR. ROBERT WATCHMAN: Now, would MPI
19 consider reviewing the relationship of vehicle type
20 and territory on the historical frequency of
21 historical losses, relative to the frequency of non-
22 serious losses, and if a relationship is observed,
23 would it consider incorporating the learnings into its
24 ratemaking methodology?

25 MR. TAI PHOA: That one is definitely

1 a long line. It sounds to me like -- and if I -- if I
2 could -- you know what, at the risk of butchering that
3 one, I'm going to let you read that one more time.

4 MR. ROBERT WATCHMAN: Okay. And
5 again, I am going pretty fast.

6 But would MPI consider reviewing the
7 relationship of vehicle type and territory on the
8 historical frequency of serious losses, relative to
9 the frequency of non-serious losses, and if a
10 relationship is observed, would it consider
11 incorporating the learnings into its ratemaking
12 methodology?

13 MR. TAI PHOA: We could -- we could
14 consider that. But, like I said, on -- when I was
15 presenting on -- on this matter, we are -- serious
16 losses are, like -- reflect 1 percent of -- of all
17 PIPP incidents, you know?

18 So -- so it's a very small group. You
19 know, we have -- we're talking about a hundred
20 incidents or less a year. Sorry -- and I believe it's
21 somewhere -- actually, I shouldn't say a hundred
22 incidents or less because the range is somewhere
23 between, you know, seventy (70) and ninety (90) plus.

24 So -- so we are looking at a very small
25 group. We could -- we could potentially examine the

1 relationship, but we're talking about 1 percent -- the
2 relationship of this 1 percent to 99 percent, not the
3 rest of it.

4 So -- yeah, we could, I guess.

5 MR. ROBERT WATCHMAN: Thank you.

6 Now, could we turn to, in the application, Part 6
7 Ratemaking, RM, Appendix 4.

8

9 (BRIEF PAUSE)

10

11 MR. ROBERT WATCHMAN: Again, I'm going
12 to start squinting.

13 Okay. So -- and I'm particularly
14 interested in the columns that are labelled under 'C',
15 Balance Indicated Adjustment.

16 MR. TAI PHOA: Yes.

17 MR. ROBERT WATCHMAN: That's, sort of,
18 in the middle. And next to it is the Capped Indicated
19 Adjustment column -- or group 'D' there.

20 MR. TAI PHOA: Yes.

21 MR. ROBERT WATCHMAN: And if we go to
22 the -- to the right, the group of columns under 'E',
23 the Balance Capped Indicated Adjustment.

24 MR. TAI PHOA: Yes.

25 MR. ROBERT WATCHMAN: And finally, the

1 group of columns under 'F', Applied For Adjustment.

2 MR. TAI PHOA: Yes.

3 MR. ROBERT WATCHMAN: And so that's --
4 and what's set out in the -- in the table there is in
5 respect of each use and territory, correct?

6 MR. TAI PHOA: Use and terri --
7 territory combinations, yes.

8 MR. ROBERT WATCHMAN: So if we could
9 just move back to the left-hand side, Kristen. Thank
10 you.

11 And if we go down the page there
12 towards the bottom, we get to the passenger Vehicle
13 for Hire, passenger vehicle entries.

14 MR. TAI PHOA: Yes.

15 MR. ROBERT WATCHMAN: Okay. Right.
16 And we see there for each of five (5) territories?

17 MR. TAI PHOA: Yes.

18 MR. ROBERT WATCHMAN: And if we go to
19 the balance indicated adjustment by territory, that's
20 columns -- the group of columns that are labelled 'C'
21 at the top?

22 MR. TAI PHOA: Yes. The numbers
23 ranging from twenty-two (22) point -- sorry, 22.91
24 percent to 35.56 percent for the passenger Vehicle for
25 Hire, passenger vehicle group.

1 MR. ROBERT WATCHMAN: Yes. I have
2 slightly different numbers, though. It goes from
3 twenty-two point nine one (22.91) to -- down to
4 twenty-four (24) point --

5 MR. TAI PHOA: One four --

6 MR. ROBERT WATCHMAN: -- one four.

7 MR. TAI PHOA: -- for territory 5,
8 yes.

9 MR. ROBERT WATCHMAN: Okay. And
10 that's for territories 1 to 5, respectively?

11 MR. TAI PHOA: Yes.

12 MR. ROBERT WATCHMAN: And all of these
13 are greater than plus 20 percent, correct?

14 MR. TAI PHOA: That is correct.

15 MR. ROBERT WATCHMAN: Now, if we could
16 go to, Kristen, RM Appendix 9, Table 14. And this
17 should be at page 157 at the bottom. Okay. Thank
18 you. If we could go back up to 150 -- are we at 157?
19 Sorry, at the bottom of the page, 157.

20 Okay. So if we could go back three (3)
21 pages, please. Ah, there we go. And we can see this
22 time, not so far down the page in the left-hand
23 column, we have the passenger Vehicle for Hire,
24 passenger vehicles --

25 MR. TAI PHOA: Yes.

1 MR. ROBERT WATCHMAN: -- those five
2 (5) entries? And if we go right across the page to
3 the last column, which is the 'Balance Indicated
4 Change' --

5 MR. TAI PHOA: Yes.

6 MR. ROBERT WATCHMAN: -- and we see
7 there that the columns indicate between 18.25 percent
8 down to the twenty-one point three six (21.36)?

9 MR. TAI PHOA: Yes, it does.

10 MR. ROBERT WATCHMAN: Okay. And --
11 sorry. If we could go back to RM Appendix 4, the
12 previous exhibit we were looking at, and this time if
13 we look at the group of columns under 'D', the 'Cap
14 Indicated Adjustment'.

15 MR. TAI PHOA: Yes.

16 MR. ROBERT WATCHMAN: Then going
17 across, those are the numbers from 17.19 percent
18 through 18.48 percent?

19 MR. TAI PHOA: To 16.39 percent, yes.

20 MR. ROBERT WATCHMAN: Right, right.
21 Thanks. Your eyes are better than mine. And all of
22 these are less than plus 20 percent, correct?

23 MR. TAI PHOA: That is correct.

24 MR. ROBERT WATCHMAN: Now, if we can
25 go over to the last group in 'F' there, the 'Applied

1 for' -- the 'Applied for Adjustment'. And again,
2 starting at 17.02 percent through to -- down to 16.21
3 percent?

4 MR. TAI PHOA: Yes, that is correct.

5 MR. ROBERT WATCHMAN: And again, all
6 of these are less than plus 20 percent that is the
7 Board mandate -- Board mandated rates until the rates
8 are adequate?

9 MR. TAI PHOA: On average, yes. On
10 average, they are less than 20 percent, yes.

11 MR. ROBERT WATCHMAN: And -- and so
12 can you advise us, what rate change is actually being
13 applied for -- sorry, is being applied to passenger
14 VFH by territory?

15 MR. TAI PHOA: So -- so, on average,
16 this is what the rate change would be from -- like --
17 but -- but when you look at it at a more detailed
18 level, when you look at the rate group level, I
19 believe the -- the rate changes are anywhere between
20 14 percent to 20 percent.

21 MR. ROBERT WATCHMAN: Now, in the
22 Corporation's opening statements in these proceedings,
23 it was indicated that the VFS -- VFH rates are now at
24 target following application of this year's 20 percent
25 increase, and that there is no further increase

1 required at this time. Is that correct?

2 MR. TAI PHOA: That is our position,
3 yes.

4 MR. ROBERT WATCHMAN: And could you
5 explain how the balance indications in both RM
6 Appendix 4 and RM Appendix 9, Table 20 are over 20
7 percent, but there is no further increase required
8 beyond this year's increase?

9 MR. TAI PHOA: Yes, I -- yeah. Give
10 me one (1) minute.

11

12 (BRIEF PAUSE)

13

14 MR. TAI PHOA: Can you open part 6
15 ratemaking.

16

17 (BRIEF PAUSE)

18

19 MR. TAI PHOA: And I can't remember
20 what page it is, but if you could keep scrolling down
21 maybe to -- sorry. Just go back up one (1). I'll
22 look at the table of contents.

23 Perhaps go to -- keep going down a
24 little bit, yeah, and then go to 'Experience
25 Adjustments', and then just scroll up a little bit.

1 Let's see whether I can find it. Keep scrolling up.

2 Yeah, just keep going. I'll find it somewhere. Okay.

3 Can we stop there?

4 So -- so I'm just going to sort of read
5 this into the record. You know what, never mind.

6 So -- so what we've done here is we --
7 we -- when -- when we were looking at this particular
8 group, what we've done here was -- I'm going to read
9 this part to -- to the response into the record:

10 "In response to the PUB Order, given
11 that the raw relativity which is two
12 point eight one eight one (2.8181)
13 is 19.6 percent higher than the
14 current relativity two point three
15 five five eight (2.3558), MPI
16 applied the full 100 percent
17 credibility to the raw relativity
18 and zero percent to the current
19 relativity."

20 So essentially, what we've done here is
21 we said let's fully recognize the loss experience for
22 the passenger VFH group in -- in this part of the
23 response.

24 Thereafter, it is our -- it is our
25 opinion that we should just -- to -- to fairly treat

1 this particular group and all other -- the -- the same
2 as all other groups, we applied the experience
3 adjustment rules as applicable to all other insurance
4 uses, which -- which led to the rate changes that you
5 mentioned a while ago.

6 So -- so, no, MPI did not apply the
7 full -- the -- the 20 percent, but MPI was -- position
8 was that we should treat this group fairly, like all
9 other groups, but we -- but this one (1) -- but with
10 this one (1) particular adjustment to their relativity
11 basically to just say, we recognize your current
12 losses as your new level, and we'll -- we'll take
13 that.

14 MR. ROBERT WATCHMAN: Can you explain
15 why the raw relativity is only 19.6 percent there,
16 given that the balance indications are all over 20
17 percent?

18 MR. TAI PHOA: Yeah. So that's a
19 combination of a few things. So, first of all,
20 there's of course -- this -- this 19.6 percent only
21 relates to insurance use relativities. That's the
22 first thing.

23 The second thing of -- of -- sorry. So
24 this -- this particular one only refers to the
25 insurance use relativity. There's the territory

1 relativity that should be considered as well and how
2 that changes. So that affects differences in
3 requirements by -- by territory.

4 The second part of it is that the --
5 the second part of it also has to -- sorry. The
6 second part of it also has to do with what is the --
7 the rate change for the major class itself, which is
8 the private passenger major class. And then of course
9 the third part of it is just what is the starting
10 rate.

11 So, so this -- this -- these packages
12 deal specifically with the applicable relativity for
13 the passenger VFH.

14 And then -- and then, of course, it has
15 to flow through the model and we -- we -- take all the
16 other things into consideration.

17 MR. ROBERT WATCHMAN: Thank you. Can
18 you tell me, is there any change to RM appendix 4 as a
19 result of the October update?

20 MR. TAI PHOA: Yes, there were --
21 there was -- there's -- there's definitely changes to
22 RM appendix 4 as a result of the update.

23 MR. ROBERT WATCHMAN: And could the
24 Corporation undertake to provide us that update?

25 MR. TAI PHOA: Sorry, let me just

1 check the reference. I -- I believe we provide the RM
2 appendix 4.

3

4 (BRIEF PAUSE)

5

6 MR. TAI PHOA: Mr. Watchman, you know,
7 I -- I will check with the back row probably at break
8 and if we haven't provided it, we will provide it and
9 -- otherwise I'll -- I'll -- I'll try and direct it to
10 where it was.

11 MR. ROBERT WATCHMAN: Okay. Thank
12 you. And -- and -- and the same with respect to
13 appendix -- RM appendix 9, table 14.

14 MR. TAI PHOA: Yeah, that one -- that
15 one I don't believe we -- we -- we provided, but we
16 will -- we will look into that as well.

17 MR. ROBERT WATCHMAN: Okay. And then
18 you can let us know after the break.

19 Now, before I conclude, I just wanted
20 to go back to slide 29 of this morning's slide
21 presentation.

22 And, Mr. Prystupa, I'm -- I'm believing
23 -- well would be the person who would answer these.

24 Can you provide us with the expected
25 time line for the further consultations with

1 stakeholders?

2 MR. CURTIS PRYSTUPA: Sorry, can you
3 rate -- can you repeat that, I had trouble hearing
4 you.

5 MR. ROBERT WATCHMAN: Okay, oh, sorry,
6 can you provide us with the expected time frame for
7 the further consultations with stake -- stakeholders?

8 MR. CURTIS PRYSTUPA: Are -- are you
9 talking about the consultation where MPI intends to
10 reply -- to present the revised VFH model?

11 Because what I would submit is -- when
12 we look at consultation with Taxi Coalition, with
13 TNC's, SGI, and ICBC it's on-going and regular, so I -
14 - it -- I just -- perhaps ask you to re -- re --
15 rephrase your question.

16 MR. ROBERT WATCHMAN: Well, I -- I --
17 I suppose the question is: When can we expect
18 information in terms of feedback from the
19 stakeholders?

20 Is it not until the 2023 GRA?

21 MR. CURTIS PRYSTUPA: Oh, for -- in --
22 in terms of providing PUB and stakeholders the ability
23 to provide feedback? Is that your question?

24 MR. ROBERT WATCHMAN: Yes.

25 MR. CURTIS PRYSTUPA: You know, I -- I

1 -- I don't want to commit to a specific date but I
2 would estimate within the next few months.

3 MR. ROBERT WATCHMAN: Thank you. And
4 do you have a time line for the expected completion of
5 the analysis for each product?

6 MR. CURTIS PRYSTUPA: No.

7 MR. ROBERT WATCHMAN: And do you have
8 a time line for pro -- proposed product approval by
9 MPI Board or management team?

10

11 (BRIEF PAUSE)

12

13 MR. CURTIS PRYSTUPA: No specific
14 date, Mr. Watchman, but it would be in advance of
15 bringing the revised VFH framework to PUB and
16 stakeholders for feedback.

17 MR. ROBERT WATCHMAN: Okay. Thank
18 you.

19 And-- and, Madam Chair, I believe that
20 concludes my examination, perhaps we could take the
21 break and I can just take my notes -- or check my
22 notes and -- and indicate whether or not there are any
23 further questions when we return.

24 THE PANEL CHAIRPERSON: Okay. Thank
25 you. Given the hour, let's return at 3:30 please.

1 --- Upon recessing at 3:20 p.m.

2 --- Upon resuming at 3:37 p.m.

3

4 THE PANEL CHAIRPERSON: Thank you. Am
5 I correct, I understand, that there's a response that
6 the panel can give to a question that was earlier
7 asked as an undertaking?

8 Is that correct?

9 MR. ANTHONY GUERRA: Yes, that's
10 correct. Before we even begin to that point, there
11 was a comment about our Appendices 4 and 9, Table 13
12 for Appendices 9.

13 So I -- I believe Mr. Phoa wants to
14 speak to that personally and talk about the two
15 undertakings.

16 THE PANEL CHAIRPERSON: Thank you.
17 Mr. Phoa...?

18 MR. TAI PHOA: Okay. This was my
19 conversation with Mr. Watchman just a little while
20 ago. So just to be clear, we'll just pull up my
21 table.

22

23 (BRIEF PAUSE)

24

25 MR. TAI PHOA: So, Mr. Watchman, I

1 believe you asked for two (2) things from the rate
2 update. The first piece is the rate update of
3 Appendix 4, which is the indicated to apply for rate
4 adjustment. We'll accept that as an under -- sorry,
5 I'll -- I'll let counsel accept that as an
6 undertaking.

7 MR. ANTHONY GUERRA: Yes, that's
8 correct. We can give that as an undertaking. Thank
9 you.

10

11 --- UNDERTAKING NO. 43: MPI to provide the rate
12 update of Appendix 4

13

14 MR. TAI PHOA: And in regards to the
15 second request, which I believe is Appendix 9, Table
16 13 --

17 MR. ROBERT WATCHMAN: Table 14.

18 MR. TAI PHOA: Oh, Table 14.

19 MR. ROBERT WATCHMAN: Yes.

20 MR. TAI PHOA: Oh, okay. Yeah, then
21 we will have to -- I -- I misheard just now Table 13,
22 but Table 14, yeah. Then I'll let counsel accept
23 that, as well.

24

25 (BRIEF PAUSE)

1 MR. ANTHONY GUERRA: Sorry, my
2 apologies. My -- my attention was distracted. What's
3 the question?

4

5 (BRIEF PAUSE)

6

7 MR. ANTHONY GUERRA: Yes, that's
8 correct. We'll undertake to provide the Table 13 --
9 or Table 13? Table 14?

10 MR. TAI PHOA: Table 14.

11 MR. ANTHONY GUERRA: Table 14. Thank
12 you.

13 MR. ROBERT WATCHMAN: Thank you.

14

15 --- UNDERTAKING NO. 44: MPI to provide Table 14 of
16 Appendix 9

17

18 CONTINUED BY MR. ROBERT WATCHMAN:

19 MR. ROBERT WATCHMAN: Madam Chair, I
20 just have one (1) follow-up question for Mr. Phoa.

21 THE PANEL CHAIRPERSON: Okay. Thank
22 you.

23 MR. ROBERT WATCHMAN: Okay. And, Mr.
24 Phoa, this is two (2) calculations that we would have
25 requested. And the first calculation is what an

1 individual with a base premium of a thousand dollars
2 at the DR -- DSR level of Plus 15, with the capital
3 release provision in place, what they are currently
4 paying in the 2021/'22 year.

5 And the second calculation, for
6 comparison, is what the -- that individual would pay
7 in 2022/'23 with the proposed 1.5 percent increase in
8 base premiums, the increase in the DSR Plus 15
9 discount at 37 percent, and the removal of the Capital
10 Release Provision.

11 MR. TAI PHOA: Okay. Yeah, so -- so
12 let's start with the -- the first question. I believe
13 you said an individual base rate of a thousand
14 dollars, at DSR Level 15, which means 33 percent
15 discount, and based on the -- how the capital release
16 was implemented, his rate for 2021/'22 will be six
17 hundred and eighteen dollars (\$618).

18 In '22/'23, subject to him actually inc
19 -- his rate actually increasing by 1.5 percent,
20 because that's always the average, his base rate would
21 now be one thousand fifteen (1,015), and assuming a 37
22 percent discount, his rate would be six hundred and
23 thirty-nine dollars (\$639).

24

25

(BRIEF PAUSE)

1 MR. ROBERT WATCHMAN: Okay. Thank you
2 very much, Mr. Phoa.

3 Madam Chair, those are all my
4 questions.

5 THE PANEL CHAIRPERSON: Thank you, Mr.
6 Watchman. Ms. Meek...?

7 MS. CHARLOTTE MEEK: I believe, Madam
8 Chair, were we going to deal with the issue of the
9 undertaking?

10 THE PANEL CHAIRPERSON: I'm sorry, I
11 thought that --

12 MR. ANTHONY GUERRA: Different
13 undertaking.

14 MS. CHARLOTTE MEEK: Oh, I apologize.

15 THE PANEL CHAIRPERSON: Okay. Yes,
16 Mr. Guerra.

17 MR. ANTHONY GUERRA: Yes, thank you,
18 Madam Chair and Ms. Meek. So, there -- there was an
19 undertaking given under advisement yesterday by my --
20 my colleague, Mr. Scarfone, and in particular, the
21 description of the undertaking, which was marked as
22 Undertaking Number 40 was:

23 "MPI to provide surplus volatility
24 statistics for the shadow
25 portfolios, as compared to the

1 policy portfolios, from inception
2 until the most current date
3 available on a monthly basis,
4 including both the calculation and
5 underlying data for the
6 calculations. This data would
7 include the monthly time series of
8 returns of shadow policy and
9 liability benchmark portfolios."

10 So, what I can advise is that we have
11 reviewed this with our team and the issue is that
12 their investment's team has another matter. There's
13 an investment committee meeting that is coming up that
14 they have to prepare documents for, and so their
15 attention would be divided until at least Tuesday at
16 the earliest. And so the idea is they would not be
17 able to produce this material in time for the closing
18 of the -- the oral hearing.

19 And so on that basis MPI would say that
20 we would not be able to -- to comply if we had given
21 the undertaking.

22 Now, I understand my friends have
23 indicated that they are in agreement if we were to
24 provide the information following the closing of the
25 oral hearing so long as it's before the Board to -- to

1 consider in advance of its final decision.

2 And -- and I would just maybe ask that
3 the -- the PUB confirm that it would be something they
4 would even entertain before we -- we undertake to
5 provide that, because we certainly don't want to make
6 the process more difficult or complicated than it has
7 to be.

8 THE PANEL CHAIRPERSON: And that's
9 acceptable to you, Ms. Meek? Or Ms. Dilay. I can't
10 remember whose undertaking it was.

11 MS. KATRINE DILAY: Madam Chair, thank
12 you.

13 Mr. Guerra did indicate to us the
14 timing constraints. And so my understanding is the
15 issue is not relevance but rather the timing or the
16 logistical issues.

17 So, as Mr. Guerra, it is -- it would be
18 our client's position that this information would
19 still be relevant for the Board's deliberation, even
20 if it was provided following the close of the
21 evidentiary portion of the hearing.

22 So, if it was something the Board was
23 willing to entertain, we would -- yeah, we would ask
24 that that information be provided to the Board. Thank
25 you.

1 THE PANEL CHAIRPERSON: Thank you.
2 One (1) moment, please.

3

4 (BRIEF PAUSE)

5

6 THE PANEL CHAIRPERSON: Thank you, Mr.
7 Guerra. That would be acceptable as proposed.

8 MR. ANTHONY GUERRA: Okay. And the
9 only thing I would also just mention is that there
10 wouldn't be any further examinations or cross-
11 examinations on the material, it would simply be
12 provided.

13 And, again, I just would be remiss if I
14 didn't just note the fact that we could avoid these
15 types of scenarios in the future if we -- we tried our
16 -- our best to make sure that these types of requests
17 were coming down as -- as soon as they could possibly
18 do so because we, obviously, have a resource issue
19 that prevents us from maybe answering some of these
20 questions in a timelier fashion.

21 THE PANEL CHAIRPERSON: We'll now
22 proceed with the CMMG cross-examination of this panel.
23 Is that correct? Ms. Meek...?

24 MS. CHARLOTTE MEEK: That's correct.
25 Thank you, Madam Chair.

1 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

2 MS. CHARLOTTE MEEK: So I think I'll
3 just start off -- first of all, I'm Charlotte Meek,
4 I'm counsel for the Coalition of Manageable Motorcycle
5 Groups. Mr. Watchman did a very thorough cross today,
6 so I can advise my cross has been cut down
7 dramatically, so I'm expecting it to -- to move fairly
8 quickly, but I might jump around a little bit as a
9 result.

10 I won't direct my questions to anybody
11 specific on the panel. Whoever is best able to
12 respond, please feel free to jump in. So, I would
13 like to start off just by talking about the premiss of
14 the DSR system.

15 You'd agree with me that the driver
16 safety rating system is a system which recognizes safe
17 driving behaviour through a discount system on
18 customer licences. Is that correct?

19 MS. SATVIR JATANA: That would be
20 correct.

21 MS. CHARLOTTE MEEK: And this offers a
22 financial incentive for customers to drive safely,
23 correct?

24 MS. SATVIR JATANA: That would be
25 correct.

1 MS. CHARLOTTE MEEK: And the system is
2 a scale wherein customers starting at the base level,
3 or zero level, will move up one (1) level on the scale
4 for each year of driving without vehicle claims,
5 convictions, or suspensions. Is that correct?

6 MS. SATVIR JATANA: Yes.

7 MS. CHARLOTTE MEEK: And high-risk
8 driving, which may include driving traffic
9 convictions, at-fault claims, or administrative
10 suspensions, will move a driver down the scale?

11 MS. SATVIR JATANA: Yes.

12 MS. CHARLOTTE MEEK: And customers who
13 are in the negative on the scale or who've had a
14 history of poor driving, they can move up the scale
15 rather quickly, where they demonstrate good driving
16 behaviour.

17 So, for example, a driver with a
18 licence at minus 20 can move up the scale by seven (7)
19 levels after one (1) year of good driving. Is that
20 correct?

21 MS. SATVIR JATANA: I can't answer
22 that offhand, but I can confirm that with the back
23 row.

24 MS. CHARLOTTE MEEK: And maybe you
25 could agree just subject to check.

1 MR. TAI PHOA: Sorry, Ms. Meeks (sic),
2 my mind wants to be distracted there. Could you
3 repeat the question?

4 MS. CHARLOTTE MEEK: Sure. Customers
5 who are negative on the driver rating scale who have
6 had a history of poor driving, they can move up the
7 scale rather quickly if they demonstrate good driving
8 behaviour.

9 So, for example, a driver with a
10 licence at minus 20 can move up the scale by seven (7)
11 levels after one (1) year of safe driving?

12 MR. TAI PHOA: Yes, I would agree with
13 that.

14 MS. CHARLOTTE MEEK: Thank you. And
15 would you agree that the DSR system is a key driver of
16 collisions frequencies within the range of loss
17 prevention interventions employed by MPI?

18 MS. SATVIR JATANA: I would agree that
19 it is an incentive to promote good driving behaviour
20 behind the wheel.

21 MS. CHARLOTTE MEEK: And so, as it
22 promotes good driving behaviour, it is key in reducing
23 collision frequencies within MPI?

24 MS. SATVIR JATANA: Yes.

25 MS. CHARLOTTE MEEK: Thank you. And

1 the driver sister -- driver safety rating system,
2 sorry, was introduced in 2010. Is that correct?

3 MS. SATVIR JATANA: I believe so.

4 MS. CHARLOTTE MEEK: And the DSR has
5 been an important topic for PUB for several years now.
6 Is that correct?

7 MS. SATVIR JATANA: That's my
8 understanding.

9 MS. CHARLOTTE MEEK: Thank you. And
10 now I'd like to draw your attention to a Board Order,
11 Order 162/'16, and this is flowing from 2017 GRA. And
12 we'll just go to page 77, please.

13 So, if we scroll down a little bit...

14

15 (BRIEF PAUSE)

16

17 MS. CHARLOTTE MEEK: Yeah, I think
18 just right there is perfect. Thank you, Kristen. So,
19 you'll note kind of partway through this paragraph
20 here it says:

21 "The Corporation estimates that
22 since its introduction, there has
23 been a reduction of approximately
24 thirty-nine thousand (39,000)
25 collision claims related to the DSR

1 and for an estimated reduction in
2 losses in the approximate total of
3 about \$124.5 million."

4 Do you see that there?

5 MS. SATVIR JATANA: I do.

6 MS. CHARLOTTE MEEK: And would you
7 agree that those improvements in collision claims and
8 losses were due to the DSR system working? And so, by
9 that, I mean encouraging good driving behaviour and
10 discouraging poor driving behaviour.

11 MS. SATVIR JATANA: I would agree with
12 that.

13 MS. CHARLOTTE MEEK: And would you
14 agree that any improvements to the actuarial soundness
15 of the DSR system would also lead to further
16 improvements in collision claims and a reduction in
17 losses?

18 MS. SATVIR JATANA: That's what we
19 would believe.

20 MS. CHARLOTTE MEEK: Thank you. And
21 now I'd like to go to the 2021 GRA, please, part 6,
22 DSR.

23

24 (BRIEF PAUSE)

25

1 MS. CHARLOTTE MEEK: And I'll just go
2 to page 3 to 4, please, so starting right at -- I
3 think it's at the bottom of page 3. And we'll just
4 start there, please, Kristen.

5 So -- and if you could scroll up a tiny
6 bit, please. So, this is showing that there was a
7 Public Utilities Board Order. And then if we scroll
8 down a little bit, we can see in the paragraph below,
9 the lettered paragraphs there, that the Board -- or
10 MPI requested some variations to the Board Order. You
11 can see that at line 11.

12 And the Board agreed to variate some of
13 the directives?

14 MS. SATVIR JATANA: Yes.

15 MS. CHARLOTTE MEEK: So, specifically,
16 the Board agreed to vary Directive 13.7A. Is that
17 correct?

18 MS. SATVIR JATANA: That's correct.

19 MS. CHARLOTTE MEEK: Okay. And if we
20 could scroll up a little bit, Kristen. I just want to
21 look at 'B'.

22 So, you'll see that Directive B from
23 the Order was that MPI would file a pricing
24 examination in the 2021 GRA, including the financial
25 impact on premium revenue of the cost of modifying the

1 system of the registered owner and primary driver
2 models.

3 Is that correct?

4 MS. SATVIR JATANA: That is correct.

5 MS. CHARLOTTE MEEK: Sorry, just give
6 me one (1) moment.

7

8 (BRIEF PAUSE)

9

10 MS. CHARLOTTE MEEK: Could we scroll
11 up a little bit, Kristen, please? Thank you.

12

13 (BRIEF PAUSE)

14

15 MS. CHARLOTTE MEEK: And could we
16 scroll down one (1) to the next page, please, Kristen?

17

18 (BRIEF PAUSE)

19

20 MS. CHARLOTTE MEEK: Okay. Thank you.
21 I'd like to shift gears a little bit now. If we could
22 please go to the 2022 GRA.

23

24 (BRIEF PAUSE)

25

1 MS. CHARLOTTE MEEK: And we'll go to
2 part 6, driver classification system. Go to page 4.
3 And so, here -- we can scroll down a little bit,
4 please.

5

6 (BRIEF PAUSE)

7

8 MS. CHARLOTTE MEEK: I apologize. I
9 think I have a wrong page here. Oh, no, here we are.
10 Thank you. Sorry.

11 You can see at line 5 here the goals of
12 the DSR system are listed here. Is that correct?

13 MS. SATVIR JATANA: That is correct.

14 MS. CHARLOTTE MEEK: Okay. And the
15 three (3) goals of the DSR system are to strengthen
16 the ability to reward the safety drivers, is that
17 correct?

18 MS. SATVIR JATANA: That's correct.

19 MS. CHARLOTTE MEEK: And encourage
20 poor drivers to improve their driving behaviour?

21 MS. SATVIR JATANA: Yes.

22 MS. CHARLOTTE MEEK: And enhance
23 driver's overall understanding of how their driving
24 behaviour can affect how much they pay for auto
25 insurance. Is that correct?

1 MS. SATVIR JATANA: Yes.

2 MS. CHARLOTTE MEEK: Okay. And I'd
3 like to now go to CMMG-MPI 2-13 IR from this year and
4 the response to 'B'.

5 So, the first paragraph there indicates
6 that:

7 "MPI submits that it is not in the
8 best interest of customers for MPI
9 to adopt the primary driver model at
10 this time. The primary driver model
11 is less consistent with one (1) of
12 the three (3) main goals of the DSR
13 system, namely, to be simple and
14 easy to understand."

15

16 And you would agree with me that the
17 DSR system being simple and easy to understand is not
18 one (1) of the goals of the DSR system as stated by
19 MPI in the application?

20 MS. SATVIR JATANA: Yes, that would be
21 true.

22 MS. CHARLOTTE MEEK: Thank you. And
23 then if we could go to page 5 -- or sorry, we're going
24 to go back to the 2022 GRA now, please, part 6, DSR.
25 Go to page 5. Thank you, Kristen.

1 So, here MPI was providing a summary of
2 some of the feedback that was received by MPI from the
3 participants, is that correct, of the public
4 consultation report regarding the DSR system?

5 MS. SATVIR JATANA: Yes, that is
6 correct.

7 MS. CHARLOTTE MEEK: Okay. And at
8 line 12 we can see it says:

9 "By way of the review, the DSR
10 public consultation asked
11 Manitobans, among other things, to
12 prioritize a list of values or
13 concepts as they relate to auto
14 insurance."

15 And the following list summarizes their
16 responses. You'll see the third point there indicates
17 ease of understanding was important to respondents?

18 MS. SATVIR JATANA: From a public
19 consultation, yes.

20 MS. CHARLOTTE MEEK: Yeah. So I'll
21 put it to you that that concept of the system being
22 easy to understand was actually a phrase pulled out of
23 the public consultation report.

24 Would you agree with that?

25 MS. SATVIR JATANA: I do.

1 MS. CHARLOTTE MEEK: Thank you.

2 And if we could go back to CMMG-MPI-2-
3 13. Thank you, Kristen. So we're at page 3, at the
4 top.

5 You'll see this says:

6 "Further based on the DSR public
7 consultation report presented to PUB
8 in the 2020 GRA, re-filed as to this
9 Information Request as Appendix 1,
10 customers express indifference when
11 it comes to the fairness of the
12 Primary Driver versus the Registered
13 Owner Models, with almost half, or
14 44 percent, preferring the
15 Registered Owner Model and only 21
16 percent preferring the Primary
17 Driver Model.

18 Is that correct?

19 MS. SATVIR JATANA: Yes, from a
20 fairness perspective.

21 MS. CHARLOTTE MEEK: Thank you. So
22 I'd like to talk a little bit about the public
23 consultation report now.

24 So if we go to the Appendix 1 of this
25 IR. Thank you, Kristen. So this is the public

1 consultation report that was presented to PUB.

2 Can you confirm that?

3 MS. SATVIR JATANA: Yes.

4 MS. CHARLOTTE MEEK: Thank you. And
5 then, if we could go to page 47, please. Thank you,
6 Kristen. And maybe, Kristen, if I could get you to
7 zoom out a little bit, so we can maybe see more of the
8 page. That's a little bit helpful. Thank you.

9 So MPI on this page is -- is providing
10 a summary of some of the responses received by
11 customers regarding the Registered Owner Model.

12 Is that correct?

13 MS. SATVIR JATANA: Yes.

14 MS. CHARLOTTE MEEK: Okay. And I'd
15 like to start by looking at the second paragraph. If
16 we could scroll down a little bit. Thank you.
17 That's perfect.

18 So in that second paragraph on this
19 page, MPI is noting that the second most common
20 response from participants was that the Registered
21 Owner Model seems to work and so why change it. And
22 then MPI provides a selection of examples from the
23 consultation.

24 Is that correct?

25 MS. SATVIR JATANA: Yes.

1 MS. CHARLOTTE MEEK: Thank you. And
2 the last paragraph, where it starts with "notably":

3 "MPI notes that many customers
4 indicated that the current model is
5 fair."

6 And then MPI again provides several
7 quotes below from the consultation report. Is that
8 correct?

9 MS. SATVIR JATANA: That is correct.

10 MS. CHARLOTTE MEEK: Okay. And if we
11 go to page 6 of 129. Thank you.

12 This page provides a brief description
13 of the models. Is that correct? Of all the proposed
14 models that were suggested to participants of the
15 report?

16 MS. SATVIR JATANA: All the models
17 that were used for public consultation.

18 MS. CHARLOTTE MEEK: Thank you. And
19 MPI didn't provide a further detailed breakdown
20 regarding the rules for each system; they just
21 provided this explanation of each model.

22 Is that correct?

23 MS. SATVIR JATANA: I don't have the
24 actual -- when -- how the survey or how the phone
25 survey was done, the actual language so, subject to

1 check, I would -- I would say this is the models that
2 were used.

3 MS. CHARLOTTE MEEK: Okay. So you
4 think, subject to check, that there wasn't additional
5 explanation regarding each model, other than this --
6 this kind of sentence for each model?

7 MS. SATVIR JATANA: I could confirm,
8 but I can't answer that without knowing whether there
9 was more context given to each of the models.

10 MS. CHARLOTTE MEEK: Right. Okay. I
11 would take that answer subject to tec -- check, and
12 then you could let me know.

13 MS. SATVIR JATANA: Okay.

14 MS. CHARLOTTE MEEK: Thank you. So
15 then I'd like to go back to the CMMG-MPI-2-13, please.

16 So the answer to 'C' here is:

17 "MPI agrees that the Primary Driver
18 Model is more actuarially sound than
19 the Registered Owner Model, with the
20 caveat that this assumes accurate
21 reporting by customers of the
22 primary driver for each vehicle they
23 insure."

24 Do you see that there?

25 MS. SATVIR JATANA: I do.

1 MS. CHARLOTTE MEEK: And then I -- if
2 we could go to the 2022 Application, Part 6, DSR, page
3 7.

4

5 (BRIEF PAUSE)

6

7 MS. CHARLOTTE MEEK: If we go down to
8 line 16, please, Kristen. Oh, sorry.

9

And we can see there that it says:

10

"The pricing examination confirmed

11

that the current vehicle premium

12

discounts and surcharges do not

13

reflect the relative risks of the

14

registered vehicle -- sorry, the

15

registered owners at different DSR

16

levels."

17

Do you see that there?

18

MS. SATVIR JATANA: I do.

19

MS. CHARLOTTE MEEK: Okay. And so my
20 question to you is: Were the individuals
21 participating in the public consultation who indicated
22 that they thought the current model was fair and
23 worked, were they informed that it is MPI's view that
24 the current Registered Owner Model does not accurately
25 price risk, and that the Primary Driver Model would be

1 more actuarially sound?

2 MS. SATVIR JATANA: I would have to
3 check that.

4 MS. CHARLOTTE MEEK: Could you do that
5 now or maybe make that an undertaking?

6 MS. SATVIR JATANA: We'll definitely
7 check with the back row.

8 MS. CHARLOTTE MEEK: Thank you.

9

10 (BRIEF PAUSE)

11

12 MS. SATVIR JATANA: So while we're
13 checking that, I can answer your first question,
14 whether we gave a more in depth description of each of
15 the model when we did the public consultation, and the
16 answer was yes. We provided more context to what each
17 of the model would be.

18 MS. CHARLOTTE MEEK: Okay. And maybe
19 MPI would be able to provide what that context was so
20 that we can see what information was provided to
21 people participating in the report?

22 MS. SATVIR JATANA: I will check with
23 my team.

24 MS. CHARLOTTE MEEK: Sure.

25

1 (BRIEF PAUSE)

2

3 MS. CHARLOTTE MEEK: Would it be
4 helpful -- I could ask a couple of other questions and
5 we could come back to that? Would that be helpful?
6 Okay.

7 Perhaps we could then go to page -- oh,
8 sorry, we're going to have to go back to the public
9 consultation report. So this is CMMG-MPI-2-13,
10 Appendix 1, page 7, please.

11 Okay. And here you'll see this chart
12 provides participant's response to the question in
13 blue above the chart, which reads:

14 "If you were to choose one (1) of
15 the -- one (1) of these models to
16 use for setting vehicle and driver
17 premiums in Manitoba, which would
18 you choose?"

19 Do you see that there?

20 MS. SATVIR JATANA: I do.

21 MS. CHARLOTTE MEEK: Okay. And you'll
22 agree that this demonstrates that over half the
23 participants, or 56 percent of participants, indicated
24 they would prefer a different model from the
25 Registered Owner system or that they were unsure?

1 Would you agree with that?

2 MS. SATVIR JATANA: What this report
3 indicates, preference of each of the model, but not --
4 if it -- there's no single model that would be
5 favoured necessarily outside of the current model that
6 we have.

7 MS. CHARLOTTE MEEK: But you would
8 agree that 56 percent did not choose the Registered
9 Owner Model as their preference --

10 MS. SATVIR JATANA: Yes.

11 MS. CHARLOTTE MEEK: -- if they had to
12 choose one?

13 MS. SATVIR JATANA: When we gave them
14 other four (4) options, that would be true.

15 MS. CHARLOTTE MEEK: Yes. Thank you.
16 And then if we couldn't go to page 41 of this report.

17 You'll see here the report suggests a
18 common suggestion among participants is the concept of
19 an accident forgiveness policy.

20 Do you see that?

21 MS. SATVIR JATANA: I do.

22 MS. CHARLOTTE MEEK: And several
23 participants suggested in -- that in the circumstance
24 where an individual has a lengthy period with no
25 claims, they should not be penalized for a single

1 incident.

2 Do you see that?

3 MS. SATVIR JATANA: Yes.

4 MS. CHARLOTTE MEEK: Is this something
5 that MPI has considered to be included in the DSR
6 methodology?

7

8 (BRIEF PAUSE)

9

10 MS. SATVIR JATANA: I'm not aware of
11 that.

12 MS. CHARLOTTE MEEK: Is that something
13 that MPI would consider?

14

15 (BRIEF PAUSE)

16

17 MS. SATVIR JATANA: I'm not able to
18 answer that question. Obviously DSR is a very complex
19 question. It tied into the model. It's an incentive
20 program. So for me to commit to something kind of
21 just ad hoc without a thorough understanding, the
22 implications of that decision, it wouldn't be
23 reasonable.

24 MS. CHARLOTTE MEEK: Would MPI be
25 willing to provide an undertaking giving their

1 response to considerations of the suggestion of an
2 accident forgiveness policy and their position on that
3 as an option?

4

5 (BRIEF PAUSE)

6

7 MR. ANTHONY GUERRA: Coun -- counsel,
8 MPI would not be amenable to giving the undertaking.
9 And this is, first of all, a report that's many years
10 old now and has been canvassed in more than one (1)
11 rate application.

12 It also is not particularly relevant to
13 the issues that are -- that are before the -- the PUB
14 in -- in this particular GRA, so this -- this is (a)
15 too late in the game, and -- and (b) not particularly
16 relevant.

17 MS. CHARLOTTE MEEK: I would suggest
18 to the Board that it is relevant. Despite the fact
19 that this consultation report is several years old,
20 MPI is still using this report to support the current
21 models that they're working on.

22 And I'm not looking for an in-depth
23 response but just a general response from MPI as to
24 whether or not this has been considered as an option
25 given the fact that it's demonstrated by the report to

1 be of interest to customers.

2 THE PANEL CHAIRPERSON: Ms. Meek, I
3 think that that question was actually answered with
4 regard to whether they had given it consideration. I
5 agree with Mr. Guerra with regard to a request for an
6 undertaking on this.

7 MS. CHARLOTTE MEEK: Thank you. I'll
8 move on.

9

10 CONTINUED BY MS. CHARLOTTE MEEK:

11 MS. CHARLOTTE MEEK: Okay. So I
12 wanted to talk a little bit about some of the
13 information that you provided during your presentation
14 this morning.

15 So I think someone -- and, sorry, I
16 wasn't in the room, so I'm not totally sure who was
17 speaking -- gave an example of them and Satvir driving
18 a vehicle. And I believe that the gist of the idea
19 was that the lower DSR driver level would drive the
20 vehicle more. Is that correct in that example?

21 MR. CURTIS PRYSTUPA: Yeah, that's
22 correct.

23 MS. CHARLOTTE MEEK: Okay. And I
24 think you indicated that the person with the better
25 driving record would have been the registered owner to

1 get the best premium discount. Is that correct?

2 MR. CURTIS PRYSTUPA: That's how we
3 described it, yes.

4 MS. CHARLOTTE MEEK: Okay. And did
5 you say that the primary driver model -- with the
6 primary driver model, the lower DSR level would still
7 be listed as the primary driver?

8 MR. CURTIS PRYSTUPA: I don't believe
9 that's -- that's how it was presented. To my -- my
10 recollection, what we said is, if we move to the
11 primary driver and Satvir and I still wanted to game
12 the system, so to speak, the person with the best DSR
13 rating -- so the plus fifteen (15) in that example --
14 would be the individual that would declare themselves
15 as the primary drive -- driver in the example we
16 talked about.

17 MS. CHARLOTTE MEEK: Okay. And you
18 would agree that in a circumstance where a primary
19 driver is defined as the person who drives the car
20 most often, that the lower DSR level in this scenario
21 would not be the primary driver.

22 MR. CURTIS PRYSTUPA: No, I would not
23 agree with that because the way we define the model,
24 in the situation with Satvir and myself, I was the
25 lower rated DSR individual.

1 I was DSR plus 5 in the example, so I
2 was the lower rated DSR individual, and I -- we had
3 still said that, in -- in moving to the primary
4 driver, I was the individual in the example that was
5 the -- the true primary driver. I drove the vehicle
6 the most.

7 MS. CHARLOTTE MEEK: Oh, I see. So
8 you're saying -- yes. You were saying the person who
9 was the lower DSR owner -- or the lowest -- lower DSR
10 driver was the person who drove the car the most. Yet
11 it was being registered with the higher DSR driver.
12 That's correct, right?

13 MR. CURTIS PRYSTUPA: Yes.

14 MS. CHARLOTTE MEEK: Okay. But you'd
15 agree with me, in a circumstance where the primary
16 driver is defined as the person who drives the car the
17 most often, then the lower DSR driver should be the
18 primary driver where that is the definition of a
19 primary driver.

20 MR. CURTIS PRYSTUPA: Yes.

21 MS. CHARLOTTE MEEK: Okay.

22 MR. CURTIS PRYSTUPA: Well, no. I
23 would not agree that the lower -- the lower rated DSR
24 person should be the primary driver. The person who
25 drives the vehicle the most should be the primary

1 driver.

2 If -- if you want to pick -- if you
3 want to decide relevance on the -- the specific
4 example that we gave --

5 MS. CHARLOTTE MEEK: Right.

6 MR. CURTIS PRYSTUPA: -- then
7 absolutely. Then, you know, Curtis, the lower rated
8 DSR driver who drives the vehicle the most, they
9 should be the primary driver.

10 MS. CHARLOTTE MEEK: Right. Thank
11 you.

12 MR. CURTIS PRYSTUPA: Yeah.

13 MS. CHARLOTTE MEEK: That's what I was
14 getting at. Thank you.

15 MR. CURTIS PRYSTUPA: No problem. I
16 knew we -- I knew we would get there.

17 MS. CHARLOTTE MEEK: Right. So if
18 that person who is the lower driver who drives the car
19 the most --

20 MR. CURTIS PRYSTUPA: Yeah.

21 MS. CHARLOTTE MEEK: -- is not listed
22 as the primary driver, you would agree that would be a
23 misrepresentation?

24 MR. CURTIS PRYSTUPA: Correct.

25 MS. CHARLOTTE MEEK: Thank you. And

1 you would agree that MPI has parameters in place and
2 consequences for people who inaccurately report
3 information, like for example, if a listed as pleasure
4 for use versus all purpose.

5 MR. CURTIS PRYSTUPA: It's a good
6 question. Can I confer with --

7 MS. CHARLOTTE MEEK: Sure.

8 MR. CURTIS PRYSTUPA: -- my back row
9 on that, please?

10

11 (BRIEF PAUSE)

12

13 MR. CURTIS PRYSTUPA: Thank you for
14 the couple of moments you gave me.

15 MS. CHARLOTTE MEEK: Yeah, of course.

16 MR. CURTIS PRYSTUPA: What we would
17 say is, you know, the consequences or, you know,
18 repercussions would really be -- would really come up
19 in the event of a claim.

20 And each claim has to be discussed and
21 reviewed on its own individual merits, you know, but
22 agreed that there -- there could be potential
23 consequences available for misrepresentation.

24 MS. CHARLOTTE MEEK: Thank you. And I
25 know there's been some discussion today, and you kind

1 of referenced it just recently, about customers gaming
2 the system.

3 MR. CURTIS PRYSTUPA: Yeah.

4 MS. CHARLOTTE MEEK: So with the
5 current model, the registered owner model, you would
6 agree that customers, by registering a vehicle with an
7 individual who does not drive that vehicle, it's not
8 currently prohibited under the registered owner model.

9 MR. CURTIS PRYSTUPA: I'd like to
10 check with the back row because I can't think
11 specifically of any ways that we prohibit it in
12 actuality. I want to see if we have any -- any ways
13 to prohibit it through policy currently. So just --
14 just bear with me --

15 MS. CHARLOTTE MEEK: Sure.

16 MR. CURTIS PRYSTUPA: -- for a moment.

17

18 (BRIEF PAUSE)

19

20 MR. CURTIS PRYSTUPA: Thanks for --
21 for another -- another moment. No, we do not pro --
22 prohibit -- prohibit that today.

23 MS. CHARLOTTE MEEK: Thank you. And
24 so I think also during the presentation this morning,
25 you discussed concerns with a bigger burden on

1 customers having to notify MPI in the case of a change
2 in the primary driver if we were to switch to that --
3 that model. Is that correct?

4 MR. CURTIS PRYSTUPA: Correct.

5 MS. CHARLOTTE MEEK: Okay. And we
6 know that MPI is currently moving forward with Project
7 Nova at the moment. Is that correct?

8 MR. CURTIS PRYSTUPA: Yes.

9 MS. CHARLOTTE MEEK: And would you
10 agree that part of the intention of Project Nova is to
11 allow customers the ability to renew or purchase plans
12 with online means? Is that correct?

13 MR. CURTIS PRYSTUPA: Yes.

14 MS. CHARLOTTE MEEK: Okay. And
15 something else that was noted today during the
16 presentation was an indication that there's been some
17 change since this public policy -- or, sorry, public
18 survey occurred.

19 So you noted some issues relating to
20 COVID implications on the DSR model that should be
21 used at this time. Do you recall our conversation
22 about that?

23 MR. CURTIS PRYSTUPA: I don't believe
24 that we indicated that there was some considerations
25 that should be used or put into effect at this time.

1 There are certainly further considerations that need
2 to be made in the future.

3 MS. CHARLOTTE MEEK: So considerations
4 in relation to which model of DSR that we use and how
5 the effects of COVID have changed people's driving
6 behaviours. I think that was kind of the -- the
7 wording that was being used.

8 MS. SATVIR JATANA: I think what I was
9 mentioning there, that when we looked at the models
10 three (3), four (4) years ago, and then we even
11 narrowed down to the two (2) models that were
12 favoured.

13 But what we know, that the driving
14 behaviours has changed, and what -- we don't know what
15 it will be post -- post-pandemic. And the example
16 was, you know, I used to come to the office every day
17 forty-eight (48) weeks out of the year. Now I'm
18 coming to the office, you know, once or twice a week,
19 so I am not driving as much as I was.

20 So, how do we account for the changing
21 behaviour from a product and what products will serve
22 customers well in the future.

23 And so, we need to understand and learn
24 what that would be to better suit the needs of
25 Manitoban.

1 MS. CHARLOTTE MEEK: Okay, so you were
2 talking about the effects on COVID and driving
3 behaviour and linking that to the concept of, you
4 know, which model would be the best given the change
5 in driving behaviour as a result of the pandemic.

6 MS. SATVIR JATANA: Yeah, potentially
7 that we should explore other options and not limit
8 ourselves to what we know today.

9 MS. CHARLOTTE MEEK: Sure. Thank you.
10 You would agree with me though that MPI
11 is projecting a return to normal, in terms of COVID
12 projections in the 2022 year. Is that correct?

13 MR. TAI PHOA: That was what Mr.
14 Dunstone testified a few days ago, yes.

15 MS. CHARLOTTE MEEK: Thank you. Those
16 are my questions. Thank you, Madam Chair, and thank
17 you panel members.

18 THE PANEL CHAIRPERSON: Thank you, Ms.
19 Meek.

20 Mr. Guerra, I would ask you to confirm
21 that your panel would be available for tomorrow
22 morning at 9:00?

23 MR. ANTHONY GUERRA: Madam Chair, I
24 can advise that most of our members are,
25 unfortunately, Ms. Ling has to depart us and won't --

1 won't be participating. But we will have our -- our
2 front row, other members as well available.

3 THE PANEL CHAIRPERSON: Okay. Thank
4 you very much that. And I see Ms. Dilay coming into
5 the room.

6 We've -- we have about fifteen (15)
7 minutes before we have to adjourn and can you indicate
8 how long you expect your cross to be?

9 MS. KATRINE DILAY: Approximately
10 fifteen (15) minutes, was my guess.

11 THE PANEL CHAIRPERSON: Okay.
12 Excellent.

13 MS. KATRINE DILAY: That is why I ran
14 over here.

15 Thank you, Madam Chair. We did prepare
16 a book of documents and I expect my colleague, Mr.
17 Klassen, will be entering the room.

18 We did file it earlier electronically
19 and so we're presenting paper copies and we'd like to
20 file it as Exhibit CAC-9.

21

22 --- EXHIBIT NO. CAC-9: CAC Book of Documents.

23

24 MS. KATRINE DILEY: Giving how
25 thorough Mr. Watchman and Ms. Meek were, I will only

1 be referring once to this book of documents, but it
2 will be on the record of the proceeding.

3

4 CROSS-EXAMINATION BY MS. KATRINE DILAY:

5 MS. KATRINE DILAY: Good afternoon,
6 MPI witnesses. My name is Katrine Dilay. I am the
7 legal counsel for the Consumers Association of Canada,
8 Manitoba Branch.

9 I'll pose my questions generally to the
10 panel this afternoon and whoever is best suited can
11 respond if that would be acceptable.

12 And you'll recall that you, just very
13 recently, confirmed with Ms. Meek that there is
14 nothing currently stopping or prohibiting drivers from
15 registering vehicles in the name of the driver with
16 the best DSR rating in their household. Correct?

17 MS. SATVIR JATANA: That would be
18 correct.

19 MS. KATRINE DILAY: And drivers are
20 likely going to continue with this practice because
21 they get to save money that way, by getting a higher
22 discount on their vehicle insurance. Correct?

23 MS. SATVIR JATANA: That would be
24 correct.

25 MS. KATRINE DILAY: So, for drivers

1 who may be lower on the DSR scale, they are not
2 actually paying more for their vehicle insurance, if
3 it is registered under someone else's name, who is
4 higher on the DSR scale. Correct?

5 MS. SATVIR JATANA: In that example,
6 if someone with lower DSR does not have a vehicle
7 registered under their name, yes.

8 MS. KATRINE DILAY: So, that
9 individual who is lower on the DSR scale, but who is
10 registering their vehicle with someone who is higher
11 on the DSR scale, doesn't have that incentive to -- to
12 drive better in order to pay less on their vehicle
13 insurance. Correct?

14 MS. SATVIR JATANA: On the vehicle
15 insurance, no, but I would say every driver in
16 Manitoba is incentivized to drive safely so that,
17 obviously I -- if -- if I don't have a vehicle and
18 just hold a driver's license, any convictions, any
19 infractions do count against my driver's license, so
20 therefore my fees would be larger and we know that
21 some of the, quote "poor drivers" or with a lot of
22 convictions could pay upward of thousands of dollars
23 for their driver's license.

24 MS. KATRINE DILAY: Thank you for
25 that, but you agreed in terms of the vehicle insurance

1 portion, correct?

2 MS. SATVIR JATANA: Of the vehicle
3 insurance would be true.

4 MS. KATRINE DILAY: Thank you. I'd
5 like to turn just I have a few questions on the
6 primary driver model recognizing it has been discussed
7 already this afternoon.

8 I can bring you to a reference if you'd
9 like, but you'll confirm that the Public Utilities
10 Board has accepted evidence previously that the
11 primary driver model would more accurately reflect
12 risk?

13 MR. CURTIS PRYSTUPA: That is correct.

14 MS. KATRINE DILAY: And we can go to a
15 reference, if you'd like, you'll agree that in the
16 2021 GRA, so last year, Mr. Johnston, who was MPI's
17 Chief Actuary at the time, recognized that in
18 principle, a primary driver model would encourage
19 better driving behaviour?

20 MR. CURTIS PRYSTUPA: With -- with the
21 caveat of accurate customer reporting. Yes.

22 MS. KATRINE DILAY: Thank you. And
23 I'll have it -- one more follow-up question in a
24 moment on that.

25 But just to clarify my understanding,

1 so under a primary driver model, am I right in saying
2 that when a vehicle is registered the primary driver
3 of -- of the vehicle would have to be identified?

4 MR. CURTIS PRYSTUPA: Yes.

5 MS. KATRINE DILAY: And the vehicle
6 insurance premium, including the associated discount,
7 would be based on that individual's DSR level?

8 MS. SATVIR JATANA: Correct. Just as
9 it would be under the registered owner model.

10 MS. KATRINE DILAY: And so the cost of
11 the insurance for that vehicle would be directly
12 linked to the person doing most of the driving for
13 that car, that is the primary driver. Correct?

14 MS. SATVIR JATANA: Whoever declares
15 the primary driver, absolutely.

16 MS. KATRINE DILAY: And, with the
17 caveat of the accurate reporting by being directly
18 linked to the person doing most of the driving, this
19 would better reflect the risk that person is bringing
20 to the system as a whole. Correct?

21 MS. SATVIR JATANA: Yes, and even in
22 that model, same example, we have a vehicle. I'm the
23 primary driver, it does not prevent Curtis to drive
24 that vehicle who may have lower DSR and different
25 driving record than mine.

1 MS. KATRINE DILAY: Thank you. Could
2 we turn to CMMG-MPI-2-13 Part C.

3 And looking at this response here to
4 part C, so essentially MPI is agreeing that the
5 primary driver model is more actuarially sound than
6 the registered owner model. Correct?

7 MS. SATVIR JATANA: With the caveat
8 that this assumes accurate reporting by customers of
9 the primary driver for each vehicle they insure.

10 MS. KATRINE DILAY: Thank you. And
11 you'll agree that currently there is absolutely no
12 requirement to report who is the primary driver for
13 each vehicle they insure. Correct?

14 MS. SATVIR JATANA: Today the model is
15 registered owner.

16 MS. KATRINE DILAY: So there is no
17 requirement to declare a primary driver for the
18 vehicle. Correct?

19 MS. SATVIR JATANA: That would be
20 correct.

21 MS. KATRINE DILAY: And if we could
22 turn to CAC-MPI-2-32 please, Ms. Schubert.

23 And it should be on page 2, I'd like to
24 turn your attention to figure 1 in this IR. Thank you
25 very much, Ms. Schubert.

1 And so if we look here at the last
2 column, in this table, you'll agree that this is the
3 proposed rate that MPI is proposing this year, as
4 compared to the indicated rate for the various DSR
5 levels. Is that right? The -- the variance between
6 those two (2).

7 MR. TAI PHOA: Yes, it is.

8 MS. KATRINE DILAY: And based on these
9 numbers and I believe you alluded to this earlier in
10 questions from Mr. Watchman, but you'll confirm that
11 there will remain cross-subsidization between the DSR
12 level, even after the changes that MPI is proposing
13 for this year. Correct?

14 MR. TAI PHOA: Yes.

15 MS. KATRINE DILAY: And, this is
16 illustrated in this table when we look at specifically
17 levels 10 to 15, where the difference is positive.
18 Correct?

19 MR. TAI PHOA: Yes.

20 MS. KATRINE DILAY: And that means
21 that they are -- those levels are continuing to pay
22 more than their indicated rate. Correct?

23 MR. TAI PHOA: Sorry, repeat -- can
24 you just -- I heard you but -- I just want to be very
25 sure -- can you -- can you just jump back one

1 question:

2 MS. KATRINE DILAY: So looking at DSR
3 levels 10 to 15.

4 MR. TAI PHOA: Yes.

5 MS. KATRINE DILAY: Is it correct that
6 they are continuing -- that they will continue to
7 overpay because the -- the numbers there are positive?

8 MR. TAI PHOA: Yes, I just wanted to
9 check the DSR level numbers that you were referring
10 to.

11 MS. KATRINE DILAY: And I might have
12 referred to the wrong one, so I do appreciate you
13 confirming.

14 And in contrast, the lower levels, so
15 starting at level 9 are paying less than their
16 indicated rate. Correct?

17 MR. TAI PHOA: Yes.

18 MS. KATRINE DILAY: And just kind of
19 looking at those numbers starting at level 9 and
20 below, you'll agree that the majority of those levels
21 are going to be paying less than their indicated rate,
22 by over a hundred (100) dollars. Correct?

23 MR. TAI PHOA: Yes. The amount is
24 significant yes.

25 MS. KATRINE DILAY: And, even more

1 significant, you'll agree for levels one zero and the
2 negative levels where its over three hundred (300)
3 dollars less. Correct?

4 MR. TAI PHOA: Yes.

5 MS. KATRINE DILAY: And you'll agree
6 that every year that the cross-subsidization remains
7 the higher DSR levels are continuing to pay more than
8 the indicated rate for their level?

9 MR. TAI PHOA: I would agree with
10 that, yes.

11 MS. KATRINE DILAY: And every year
12 that higher DSR levels pay too much, this adds to the
13 cumulative amount that those higher DSR levels have
14 paid and are continuing to pay that is higher than
15 their indicated rate, correct?

16 MR. TAI PHOA: Yes.

17 MS. KATRINE DILAY: And you discussed
18 this with Mr. Watchman earlier this afternoon, but
19 you'll agree that MPI is not moving to actuarially
20 sound rates under the Registered Owner Model in one
21 (1) year because of public acceptability?

22 MR. TAI PHOA: Yes. We are concerned
23 with the revenue offset that would be required if we
24 just moved directly to actuarially indicated rates.

25 MS. KATRINE DILAY: And specifically,

1 that the average base rate would have to be increased
2 by 22 percent to offset the -- the revenue lost from
3 seeing lower average premiums for DSR levels 10 to 15?

4 MR. TAI PHOA: Yes, that is correct.

5 MS. KATRINE DILAY: And, briefly, how
6 does MPI assess public acceptability?

7 MR. TAI PHOA: I think that is a
8 question that we said we would like to consult. And
9 this -- this one is not just what is MPI's response.
10 MPI certainly has a viewpoint on this, but we would
11 also like to, you know, gather, you know, the
12 viewpoint of other stakeholders to PUB, to CAC, CMMG,
13 and also, you know, just -- just our own customers.

14 It's -- public acceptability is a very
15 subjective questions of course. You know, is --
16 everybody has a different opinion as to what an
17 appropriate rate increase would be. For some people,
18 it's ten dollars (\$10), for others, a thousand dollars
19 doesn't bother them.

20 So -- so, this is something that we
21 would like -- we -- we have stated that we would like
22 to garner the -- the opinion of all stakeholders.

23 MS. KATRINE DILAY: Thank you. So,
24 while MPI has cited public acceptability as a reason
25 for their gradual proposal, they are also wanting to

1 consult regarding public acceptability in general
2 regarding their proposal.

3 Is that fair?

4 MR. TAI PHOA: Yeah. And certainly,
5 just based on our -- on our -- the materials that we
6 filed, obviously we -- obviously, you can see that MPI
7 is -- does not find it publically acceptable to
8 increase base rates by 22 percent. So that is at
9 least one (1) point that we -- we have said it not
10 publically acceptable.

11 MS. KATRINE DILAY: Thank you. I now
12 just have a few questions regarding Vehicles for Hire.

13 You'll agree that MPI implemented its
14 Vehicles for Hire Model in 2018?

15 MR. CURTIS PRYSTUPA: The Time Band
16 Model, specifically, yes.

17 MS. KATRINE DILAY: And that the model
18 has performed reasonably well with the exception of a
19 few issues?

20 MR. CURTIS PRYSTUPA: Yes.

21 MS. KATRINE DILAY: And one (1) of
22 those issues is that it offered initial passenger
23 Vehicles for Hire rates that were too low, correct?

24 MR. CURTIS PRYSTUPA: Yes.

25 MS. KATRINE DILAY: And if the rates

1 were too low, you'll agree this meant that the lost
2 revenue needed to be made up somewhere else for MPI to
3 -- to maintain its revenue requirement?

4 MS. SATVIR JATANA: I think -- sorry,
5 if I may just go back to the last questions. You
6 know, one (1) is a question of Time Band and now we're
7 talking about pricing.

8 From a Time Band, you know, although it
9 served customers' need, it was not a perfect solution
10 in the sense that we had four (4) different Time
11 Bands, but yet the majority of the customer accepted
12 all of the Time Bands. Matter of fact, that higher
13 was higher than 90 percent. So if the question is
14 regards to the Time band, you know, we would say it
15 served well but had -- had opportunities.

16 I don't think the reasonable or whole
17 effect of the Time Band can be linked to the pricing.

18 Now, the question is whether the
19 pricing was accurately reflected for each of the Time
20 Band. Perhaps, that would be best answered by the
21 actuary expects here.

22 MS. KATRINE DILAY: Thank you. And so
23 I -- I think my last question was, one (1) of the
24 issues was that it offered initial passenger Vehicles
25 for Hire rates that were too low.

1 And unless I'm wrong, I believe the
2 answer was yes to that, correct?

3 MR. TAI PHOA: Yes. To the extent
4 that our rates were inaccurate in the first place,
5 somebody else would be paying for it, yes.

6 MS. KATRINE DILAY: Thank you. And by
7 somebody else, that would mean other customer classes,
8 correct?

9 MR. TAI PHOA: Yes.

10 MS. KATRINE DILAY: So, in effect,
11 other customer classes have been subsidizing the
12 Private Passenger Vehicles for Hire class, correct?

13 MR. TAI PHOA: Yes.

14 MS. KATRINE DILAY: And you'll agree
15 that the Private Passenger class is MPI's biggest
16 class of customers?

17 MR. TAI PHOA: that is MPI's biggest
18 class of customers, yes.

19 MS. KATRINE DILAY: And so because of
20 the sheer number of policyholders, the Private
21 Passenger class would have paid the largest part of
22 the lost revenue from Private Passenger Vehicles for
23 Hire?

24 MR. TAI PHOA: As a whole, yes. From
25 an individual -- once -- once you get -- you just

1 mentioned that is one (1) of the largest groups. Once
2 you divide that to every member of the group, then
3 it's a very small portion, yes.

4 MS. KATRINE DILAY: But as a whole, it
5 would have been the -- the --

6 MR. TAI PHOA: As -- as a whole,
7 generally, it would -- yeah, it would be -- it would
8 have the lightest chunk of whatever cross-
9 subsidization might have occurred.

10 MS. KATRINE DILAY: And you'll agree
11 that low Passenger Vehicles for Hire rates by
12 comparison make taxi Vehicle for Hire rates appear
13 inflated?

14 MR. TAI PHOA: Perhaps -- can you --
15 can you like rephrase the questions or clarify the
16 question? I -- I'm trying to understand what you mean
17 by make taxi rates look inflated.

18 MR. CURTIS PRYSTUPA: I -- I would --
19 I would submit that MPI will agree that taxi rates are
20 higher than Passenger Vehicle for Hire rates.

21 MS. KATRINE DILAY: Thank you. And I
22 think that -- that's sufficient.

23 And you'll agree that Passenger Vehicle
24 for Hire -- Vehicles for Hire, pardon me, and taxis
25 will often compete for the same customers?

1 MR. CURTIS PRYSTUPA: Yeah, I would
2 agree.

3 MS. KATRINE DILAY: So, if insurance
4 rates are higher for one (1) competitor than the
5 other, this may lead to an uneven playing field in
6 terms of competition?

7 MR. CURTIS PRYSTUPA: I don't believe
8 MPI is in a position to comment on competition.

9 MS. KATRINE DILAY: And the PUB
10 addressed the issue of the Private Passenger Vehicles
11 for Hire rates being too low through mandated 20
12 percent annual increases in rates in the 2022/'23 and
13 2023/'24 General Rate Application, correct?

14 MR. CURTIS PRYSTUPA: That's correct.

15 MS. KATRINE DILAY: Thank you, Madam
16 Chair. Those are my questions for the panel. Thank
17 you very much.

18 THE PANEL CHAIRPERSON: Thank you, Ms.
19 Dilay. Mr. Hacault, if you are listening in, we will
20 start tomorrow morning with your cross-examination of
21 this panel.

22 MR. ANTOINE HACAULT (by Teams): Thank
23 you, Madam Chair.

24 THE PANEL CHAIRPERSON: Thank you.
25 And we'll now adjourn and see everybody, with the

1 exception of Ms. Lang, back tomorrow at nine o'clock.

2 Thank you.

3

4 --- Upon adjourning at 4:32 p.m.

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7 Certified Correct,

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10 _____

11 Wendy Woodworth, Ms.

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