



“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
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Pages 2046 to 2361

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1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	2049
4		
5	MPI UNDERTAKING PANEL	
6	DEAN DUNSTONE, Previously Affirmed	
7	GLENN BUNSTON, Previously Affirmed	
8	TAI PHOA, Previously Sworn	
9		
10	Cross-examination by Ms. Kathleen McCandless	2058
11	Cross-examination by Ms. Katrine Dilay	2086
12	Cross-examination by Ms. Charlotte Meek	2087
13	Cross-examination by Mr. Antoine Hacault	2089
14		
15	TAXI COALITION PANEL:	
16	SYLVAIN DION, Affirmed	
17	JASON WONG, Affirmed	
18		
19	Examination-in-Chief by Mr. Antoine Hacault	2109
20	Cross-examination by Mr. Anthony Guerra	2163
21	Cross-examination by Mr. Robert Watchman	2254
22	Re-direct Examination by Mr. Antoine Hacault	2285
23		
24		
25		

1	TABLE OF CONTENTS	
2		Page No.
3	CAC PANEL:	
4	RAJESH SAHASRABUDDHE, Previously Affirmed	
5		
6	Examination-in-Chief by Ms. Katrine Dilay	
7	(Qualifications)	2296
8	Cross-Examination by Mr. Steve Scarfone	
9	(Qualifications)	2301
10	Examination-in-Chief Ms. Katrine Dilay	2303
11		
12		
13	Certificate of Transcript	2361
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

LIST OF EXHIBITS		
EXHIBIT NO.	DESCRIPTION	PAGE NO.
TC-8	Aid to Cross-Examination	2090
TC-9	TC PRESENTATION	2109
MPI-87	MPI's response to undertaking number 7	2156
MPI-88	MPI's response to undertaking number 27	2156
MPI-89	MPI's response to undertaking number 27.	2157
MPI-89	Driver safety rating Vehicle for Hire CERP product panel presentation, page 8 blacklined and cleaned.	2157
MPI-90	Motorcycle details in rate model response.	2157
MPI-91	MPI's response to undertaking number 21.	2157
MPI-92	MPI's response to undertaking number 22.	2157
MPI-93	MPI's response to undertaking number 23.	2157
MPI-94	MPI's response to undertaking number 24.	2157
MPI-95	MPI's response to undertaking number 25.	2157

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	MPI-96	DVA table project costs, which is	
4		filed confidentially.	2158
5	MPI-97	Response by MPI to the DVA fees	
6		question.	2158
7	MPI-98	MPI's response to undertaking	
8		number 30.	2158
9	MPI-99	MPI's response to undertaking number	
10		35.	2158
11	MPI-100	MPI's response to undertaking	
12		number 36.	2158
13	MPI-101	MPI's response to undertaking number	
14		43.	2158
15	MPI-101	MPI's response to undertaking	
16		number 44.	2158
17	MPI-102	MPI's response to undertaking number	
18		46.	2158
19	MPI-104	MPI's response to undertaking CAC-MPI	
20		Pre-ask number 1.	2159
21	MPI-105	MPI's response to undertaking PUB-MPI	
22		Pre-ask number 1.	2159
23	MPI-106	MPI's response to undertaking number	
24		42.	2159
25			

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	MPI-107	MPI's response to undertaking number	
4		37.	2159
5	MPI-108	MPI's response to undertaking 18.	2159
6	MPI-109	MPI's response to undertaking number	
7		19.	2159
8	MPI-110	MPI's response to the Board request	
9		regarding private insurers and	
10		certification of the DSR models.	2159
11	MPI-111	MPI's response to undertaking 38.	2160
12	MPI-112	MPI's response to undertaking 21,	
13		blacklined and cleaned.	2160
14	MPI-113	MPI's response to undertaking number	
15		32.	2160
16	CAC-10	Presentation by Mr. Rajesh	
17		Sahasrabuddhe	2306
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:00 a.m.

2

3 MR. ROBERT WATCHMAN: Hello, everyone.
4 It's Rob Watchman. Hopefully you can hear me. I just
5 wanted to do a quick roll call with respect to this
6 afternoon's portion of the hearing.

7 And, Katrine, can you tell us how long
8 you expect the CAC witnesses to be?

9

10 (BRIEF PAUSE)

11

12 MR. ROBERT WATCHMAN: Oh, no. Chris,
13 do you know?

14

15 (BRIEF PAUSE)

16

17 MS. KATHLEEN MCCANDLESS (by Teams):
18 Is Chris Klassen on?

19 MR. ROBERT WATCHMAN: Yeah. Okay.
20 Oh, no. Oh, hi. Oh, thanks.

21 THE PANEL CHAIRPERSON: Live and in
22 person.

23 MS. KATRINE DILAY: My apologies, Mr.
24 Watchman. So your question was: How long do we
25 expect the CAC witnesses to be? I would say

1 approximately forty-five (45) minutes for direct
2 evidence.

3 MR. ROBERT WATCHMAN: Anthony, how
4 long for your cross-examine of CAC witnesses?

5 MR. ANTHONY GUERRA: That cross-
6 examination will be conducted by Mr. Scarfone. I -- I
7 don't mean to speak for him. I'm going to estimate at
8 this point in time approximately an hour. I'll ask
9 him to confirm.

10 MR. ROBERT WATCHMAN: Okay. We
11 expect, on behalf of the PUB, to be about ten (10),
12 fifteen (15) minutes.

13 And then I guess the final question is
14 is whether any of the Interveners believe they are
15 adverse in interest in respect of the other
16 Interveners, and if so, whether they believe they
17 should be entitled to cross-examine, and if so,
18 declare the subject matter of the cross-exam.

19 MS. KATRINE DILAY: Thank you, Mr.
20 Watchman. Katrine Dilay here. I don't have any
21 cross-examination for the Taxi Coalition witness.

22 MR. ROBERT WATCHMAN: Thank you.
23 Charlotte...?

24 MS. CHARLOTTE MEEK (by Teams): Good
25 morning. Yeah, I can advise CMMG doesn't have any

1 cross-examination of either CAC or Taxi Coalition.

2 MR. ROBERT WATCHMAN: Thank you. And
3 finally, Antoine?

4 MR. ANTOINE HACAULT (by Teams): I
5 don't have any cross-examination of the CAC witnesses.

6 MR. ROBERT WATCHMAN: Okay. Thank
7 you.

8 THE PANEL CHAIRPERSON: Okay. Thank
9 you, Mr. Watchman. We'll get started now with this
10 morning's portion of the hearing, which is cross-
11 examination on the undertakings.

12 Ms. McCandless, on behalf of the
13 Board...?

14 MS. KATHLEEN MCCANDLESS (by Teams):
15 Thank you. Good morning, everyone.

16 MR. ROBERT WATCHMAN: Sorry. Before
17 Ms. McCandless begins, Madam Chair, the expectation
18 then is that we will complete the evidentiary portion
19 of the hearing today hopefully.

20 And the proposed timetable is that we
21 will begin with cross-examination on under --
22 responses to undertakings provided by MPI.
23 Collectively, that's expected to take us to about
24 10:15-10:30, at which time we'd ask for the morning
25 break.

1 The Consumers Association -- sorry, the
2 Taxi Coalition will then call their witness in-chief.
3 That evidence is expected to be completed in the time
4 frame of about 11:00 to 11:40, at which time we would
5 ask to take the lunch break. Then to cross-
6 examination of the Taxi Coalition witnesses, first by
7 MPI and then on behalf of the Board which is expected
8 to take us to about three o'clock -- 2:30, three
9 o'clock time frame.

10 We will then have the Consumer
11 Association witnesses which will take about forty-five
12 (45) minutes. MPI is expecting to be about an hour
13 with CAC witnesses, and on behalf of the Board, we
14 expect to be about ten (10) to fifteen (15) minutes.
15 So hopefully we will be able to pick up -- pick up a
16 little bit of time this afternoon and be able to
17 complete.

18 THE PANEL CHAIRPERSON: Thank you, Mr.
19 Watchman. I guess one (1) of the outstanding issues
20 is whether all of the responses to undertakings have
21 been received at this point, and whether that will
22 have an impact on the schedule.

23 MR. ANTHONY GUERRA: I can advise,
24 Madam Chair, that I believe we are still waiting for
25 one (1) further undertaking to be answered, one (1) or

1 two (2) perhaps, but I think the majority have been
2 answered.

3 And so I don't know how much that's
4 going to play on the -- the time required, but
5 certainly we can -- we can see where we're at after
6 the cross-examination has occurred and determine
7 whether or not there's additional need for -- for time
8 on that.

9 I can also indicate that we do have an
10 extensive undertaking panel, so perhaps what I can do
11 is I can just introduce who is in our -- our virtual
12 front row and also our virtual back row.

13 Mr. Mark Giesbrecht has also re-
14 attended, along with Mr. Tai Phoa, Dean Dunstone, and
15 Glenn Bunston. In the back row for support we have
16 Kyle Braudy (phonetic), Diane Hopkins (phonetic), Mark
17 Rousseau (phonetic), Nok Li (phonetic), Cara Low, Jing
18 Lang, and Tyler Clearwater.

19 THE PANEL CHAIRPERSON: Thank you, Mr.
20 Guerra.

21 Ms. McCandless...?

22

23 MPI UNDERTAKING PANEL:

24 DEAN DUNSTONE, Previously Affirmed

25 GLENN BUNSTON, Previously Affirmed

1 TAI PHOA, Previously Sworn

2 MARK GIESBRECHT, Previously Affirmed

3

4 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

5 MS. KATHLEEN MCCANDLESS (by Teams):

6 Thank you. Kristen, I had initially told you I was
7 going to refer to MPI Exhibit number 91 on the new
8 money yield, but we had a very recent correction to
9 that undertaking response. And so I'm going to ask
10 you to go to MPI Exhibit number 112.

11

12 (BRIEF PAUSE)

13

14 MS. KATHLEEN MCCANDLESS (by Teams):

15 Thank you, Kristen.

16 So the initial undertaking was for MPI
17 to advise as to the basis of the new money yield rate
18 of 2.17 percent provided in MPI Exhibit number 43.

19 And the initial response from the
20 Corporation was about the inclusion of -- the
21 explanation was the inclusion of MUSH bonds in the
22 2.34 percent calculation.

23 Mr. -- Mr. Phoa, is that correct?

24 MR. GLENN BUNSTON (by Teams):

25 Actually, I'll response to this. This is Glenn

1 Bunston, from MPI, and it was my team who put this
2 forecast together.

3 So essentially, there was -- yes, the
4 initial forecast was two (2) -- 2.17 percent for the
5 new money yield or the -- the weighted average yield
6 for marketable bonds. We realized that there was a
7 forecasting error and that that was incorrect, and so
8 we've restated the response.

9 The original response referenced the
10 inclusion of MUSH bonds, or non-marketable bonds, and
11 that was incorrect as well. And so MUSH bonds have
12 never been included in the new money yield.

13 MS. KATHLEEN MCCANDLESS (by Teams):
14 Thank you. What was the process that MPI followed
15 when initially providing the response to Undertaking
16 21?

17 MR. GLENN BUNSTON (by Teams): Well,
18 one (1) of my analysts used our financial model to
19 develop the new money yield forecast. And
20 unfortunately, he was referencing incorrect cells
21 within the model, and so he realized that, and that's
22 why we restated the response.

23 MS. KATHLEEN MCCANDLESS (by Teams):
24 And the weighting for provincial and corporate bonds,
25 is that reflected at Figure 1, or is there a different

1 weighting?

2 MR. GLENN BUNSTON (by Teams): No, I
3 believe the weighting is unchanged.

4 MS. KATHLEEN MCCANDLESS (by Teams):
5 For the provincial bond yield what was the yield
6 selected?

7 MR. GLENN BUNSTON (by Teams): I don't
8 have that at my fingertips. Maybe one of our back row
9 people can try to locate that.

10 MR. TAI PHOA (by Teams): Ms.
11 McCandless, maybe I can respond to that. The yield --
12 the Figure 1 where it shows 1.85 percent, I believe
13 the correct number is 2.09 percent.

14 MS. KATHLEEN MCCANDLESS (by Teams):
15 Thank you. What's the duration of the yield selected?

16 MR. TAI PHOA (by Teams): I believe
17 for provincial bonds that corresponds to a duration of
18 thirteen (13) years.

19 MS. KATHLEEN MCCANDLESS (by Teams):
20 And what is the yield at duration minus one (1) year
21 and at plus one (1) year?

22 MR. TAI PHOA (by Teams): I'll have to
23 check with the back row.

24

25 (BRIEF PAUSE)

1 MS. KATHLEEN MCCANDLESS (by Teams):
2 If it's going to take a while, perhaps we could just
3 jump ahead and while your back row has a look into
4 this.

5 MR. TAI PHOA (by Teams): That sounds
6 good, Ms. McCandless.

7 MS. KATHLEEN MCCANDLESS (by Teams):
8 With respect to the duration, I think you said it was
9 thirteen (13) years, can you explain why the
10 Corporation is using that duration?

11

12 (BRIEF PAUSE)

13

14 MR. TAI PHOA (by Teams): Let me --
15 let me confer with the back row on this one. I'm just
16 going to see whether it's more appropriate for me to
17 respond or for Glenn to respond.

18

19 (BRIEF PAUSE)

20

21 MR. GLENN BUNSTON (by Teams): I think
22 we need some time for our back row to check the
23 numbers from our financial model.

24 MS. KATHLEEN MCCANDLESS (by Teams):
25 Okay. I'll just keep going then. And perhaps once

1 you have that information, you can advise. I do have
2 a few -- a few more questions anyway, so we've got
3 some time.

4 What was the duration that the
5 Corporation used in the 2022 filing?

6

7 (BRIEF PAUSE)

8

9 MR. GLENN BUNSTON (by Teams): Again,
10 I think we're going to need some time to double-check
11 that number.

12 MS. KATHLEEN MCCANDLESS (by Teams):
13 Okay. Then I'll just ask about the corporation bond
14 yield. The -- which is -- what was the yield selected
15 for that?

16 MR. GLENN BUNSTON (by Teams): Sorry,
17 could you repeat that?

18 MS. KATHLEEN MCCANDLESS (by Teams):
19 What was the selected yield for corporate bonds?

20 MR. GLENN BUNSTON (by Teams): Again,
21 we're -- we're going to need to review the financial
22 model and -- and come back with -- with all of these
23 numbers for you.

24 MS. KATHLEEN MCCANDLESS (by Teams):
25 Okay. Then I'll just move ahead to another area for a

1 minute.

2 The next undertaking response I'd like
3 to ask about is MPI Exhibit number 93, which is the
4 response to Undertaking 23.

5

6 (BRIEF PAUSE)

7

8 MS. KATHLEEN MCCANDLESS (by Teams):
9 Thank you. In this undertaking, MPI was asked to
10 provide an explanation for the change in the projected
11 claim count for 2022 through to 2025?

12 MR. DEAN DUNSTONE (by Teams): Yes.

13 MS. KATHLEEN MCCANDLESS (by Teams):
14 Okay. And the response states that the increase in
15 claim counts is the result of higher than forecasted
16 HTA, so High -- Highway Traffic Act earned units?

17 MR. DEAN DUNSTONE (by Teams): Yes.

18 MS. KATHLEEN MCCANDLESS (by Teams):
19 The forecast has increased by .41 percent in 2021,
20 yes?

21 MR. DEAN DUNSTONE (by Teams): Yes.

22 MS. KATHLEEN MCCANDLESS (by Teams):
23 And I don't know that we need to go there unless you
24 need to see it, but in the filing, in the revenue
25 section, the forecast total Highway Traffic Act units

1 were to grow by 1.25 percent in 2021/'22?

2 MR. DEAN DUNSTONE (by Teams): I'd
3 have to check that --

4 MS. KATHLEEN MCCANDLESS (by Teams):
5 Okay.

6 MR. DEAN DUNSTONE (by Teams): --
7 subject to check; that seems a little bit high.

8 MS. KATHLEEN MCCANDLESS (by Teams):
9 Sure. We can go -- yeah, part 5 revenues, page 9 of
10 36, please.

11

12 (BRIEF PAUSE)

13

14 MS. KATHLEEN MCCANDLESS (by Teams):
15 And we're going to go down to line -- line 8. Just if
16 we could scroll a little -- down a little bit more,
17 please, Kristen. Thank you.

18 Do you see that, Mr. Dunstone?

19 MR. DEAN DUNSTONE: In 2021, growth
20 rate of 1.09 percent?

21 MR. GLENN BUNSTON (by Teams): No.
22 No.

23 MR. DEAN DUNSTONE (by Teams): Right.
24 Oh, sorry. Sorry, there -- yes, I see that, yes, so
25 the 1.25 percent in -- in 2021/'22, yes.

1 MS. KATHLEEN MCCANDLESS (by Teams):
2 Yes. So, now, if we add the .41 percent, they are now
3 forecast to grown by 1.66 percent, yes?

4 MR. DEAN DUNSTONE (by Teams): Yes.
5 There would be a slight increase, yes, from the 1.25,
6 would be my understanding, yes. I'm just going to
7 confirm that. Yes.

8 MS. KATHLEEN MCCANDLESS (by Teams):
9 Okay. And there was no change -- change in the
10 assumed growth rate in other years?

11 MR. DEAN DUNSTONE (by Teams): To
12 confirm.

13

14 (BRIEF PAUSE)

15

16 MR. DEAN DUNSTONE (by Teams):
17 Confirmed, yes, that's correct, no change.

18 MS. KATHLEEN MCCANDLESS (by Teams):
19 Was this -- this inclusion -- or the increase included
20 anywhere in the filing prior to the response to
21 Undertaking 23?

22 MR. DEAN DUNSTONE (by Teams): So,
23 yeah, there was a few things. Like, we didn't update
24 our -- our volume forecast or -- or anything like that
25 going outward.

1 The claims we -- we did focus on a
2 little more in terms of updating based on what we've
3 experienced in the first four (4) months, so the --
4 the first four (4) months of 2022.

5 But the revenue -- the volume, and the
6 upgrade forecast in the revenue portion did not get
7 upgraded in terms of HTA units, but the claims did
8 have some -- some, you know, negligible impacts that
9 we did to the '21/'22 year and going forward.

10 But other areas didn't get as much
11 attention because they didn't change as much based on
12 the experience that we saw in the first four (4)
13 months of '21/'22.

14 MS. KATHLEEN MCCANDLESS (by Teams):
15 Was there any change to any other revenue factor in
16 the October update that MPI has not already mentioned?

17 MR. DEAN DUNSTONE (by Teams): No, no
18 other. We didn't change much in the revenues besides
19 what we've already discussed was, you know, the -- the
20 capital release provision that we discussed
21 previously, but no change in upgrade or volume factor
22 or anything there, no.

23 MS. KATHLEEN MCCANDLESS (by Teams):
24 Did the change in forecast HTA units change the motor
25 -- the forecast motor vehicle premiums and driver

1 premiums?

2 MR. DEAN DUNSTONE (by Teams): No.

3 MS. KATHLEEN MCCANDLESS (by Teams):

4 Is the reinsurance based on the projected motor
5 vehicle premiums?

6 MR. DEAN DUNSTONE (by Teams): The
7 reinsurance based on the -- no.

8 MS. KATHLEEN MCCANDLESS (by Teams):

9 So, then I take it the change in the HTA wouldn't
10 affect the reinsurance premium forecast?

11 MR. DEAN DUNSTONE (by Teams): It
12 would not.

13 MS. KATHLEEN MCCANDLESS (by Teams):

14 And there was -- was there any other change to any
15 other revenue amounts?

16 MR. DEAN DUNSTONE (by Teams): Besides
17 the Basic premium adjustment that we did? No, there
18 would not be. The premiums were tracking pretty close
19 to what we were expecting.

20 MS. KATHLEEN MCCANDLESS (by Teams):

21 Did the change in forecast HTA earned units affect any
22 expense item?

23 MR. DEAN DUNSTONE (by Teams): No.

24 MS. KATHLEEN MCCANDLESS (by Teams):

25 And then with respect to claims incurred, beyond

1 changes to COVID-19 impacts, the HTA impact on claims
2 frequency, collision total loss severity trend, and
3 Comprehensive hail frequency and severity, I take it
4 there were no other changes made to claims incurred
5 forecast?

6 MR. DEAN DUNSTONE (by Teams): Yeah,
7 that's right. Those were the primary changes that we
8 saw that we made. Otherwise, everything pretty --
9 remained pretty similar. There would be -- you know,
10 they're very small movements due to our dynamic model,
11 but those were the primary changes. Nothing else
12 would have changes (sic).

13 MS. KATHLEEN MCCANDLESS (by Teams):
14 And can you confirm that the change in the projected
15 HTA earned units would not affect weekly indemnity,
16 accident benefits other indexed or non-indexed, PIPP
17 enhancements, or public liability bodily injury
18 coverages?

19 MR. DEAN DUNSTONE (by Teams): I --
20 I'm going to have to await confirmation on that.

21

22 (BRIEF PAUSE)

23

24 MR. DEAN DUNSTONE (by Teams): Yeah,
25 that's confirmed.

1 MS. KATHLEEN MCCANDLESS (by Teams):
2 Okay. And then with respect to collision coverages,
3 so repair total and -- and then Comprehensive
4 coverages, theft, vandalism, glass, rodents, and all
5 other -- and any property damage, deductible transfer,
6 loss of use or all other.

7 Can you confirm that the change in the
8 HTA earned units did not affect those coverages? I
9 appreciate that's a long question.

10 MR. DEAN DUNSTONE (by Teams): I'm
11 just seeking back row confirmation here.

12

13 (BRIEF PAUSE)

14

15 MS. KATHLEEN MCCANDLESS: Pardon me.
16 I should actually say that it would have, it did
17 change the coverages.

18 MR. DEAN DUNSTONE (by Teams): Yes,
19 and we can confirm that. Yes.

20 MS. KATHLEEN MCCANDLESS: Okay. And
21 have there been updates to figure CI-74 or CI-75?

22 MR. DEAN DUNSTONE (by Teams): I will
23 have to -- can we put those up, CI-74 and -5? Are we
24 able to see those documents? Oh, there we go.

25

1 (BRIEF PAUSE)

2

3 MR. DEAN DUNSTONE (by Teams): Those
4 would have changed as well, like, through changing of
5 the -- you know, the comprehensive and the total loss
6 forecast that we had talked about with severity.

7 So all of those would have changed
8 slightly from the, you know -- from the initial filing
9 in -- in '22 GRA. So that's -- I mean, that's the
10 rolled up full forecast of Basic. So, yeah, that
11 would have changed as well.

12 MS. KATHLEEN MCCANDLESS: And they
13 would have changed, but were new figures CI-74, 75
14 created at this point or -- no?

15 MR. DEAN DUNSTONE (by Teams): I'm
16 just going to confirm.

17 MS. KATHLEEN MCCANDLESS: Okay.

18 MR. DEAN DUNSTONE (by Teams): No,
19 they were not.

20 MS. KATHLEEN MCCANDLESS: Okay. Thank
21 you. What would the dollar impact be on the ULAE and
22 ILAE forecast of these changes?

23 MR. DEAN DUNSTONE (by Teams): I
24 thought we had an undertaking on ILAE here.

25

1 (BRIEF PAUSE)

2

3 MR. DEAN DUNSTONE (by Teams): I'm
4 just getting confirmation from our back row.

5

6 (BRIEF PAUSE)

7

8 MR. DEAN DUNSTONE (by Teams): Did you
9 say ILAE and ULAE?

10 MS. KATHLEEN MCCANDLESS: Yes.

11 MR. DEAN DUNSTONE (by Teams): I know
12 -- I know ULAE did not change. ILAE, I'm just going
13 to confirm.

14

15 (BRIEF PAUSE)

16

17 MR. DEAN DUNSTONE (by Teams): Yeah.
18 So ILAE did change. I know we had an undertaking
19 number 4 here that spoke to it.

20 So, basically, that there were changes,
21 you know, to our IVNR and unpaid claims forecast
22 slightly. So that would have changed the ILAE as it
23 would have changed, kind of, linear to the IVNR
24 changes.

25 MS. KATHLEEN MCCANDLESS: Thank you.

1 Now, with respect to ratemaking, if we could go to MPI
2 Exhibit 37, RM-13, which is on page 2, I believe.

3 Thank you. Yes.

4 So at RM-13, we see the 2022/2023 total
5 units are 1,232,900, yes?

6 MR. TAI PHOA (by Teams): Yes, that's
7 correct.

8 MS. KATHLEEN MCCANDLESS: And I take
9 it that the number of units is unchanged from the
10 filing. Is that right?

11 MR. TAI PHOA (by Teams): Yes, that is
12 correct.

13 MS. KATHLEEN MCCANDLESS: Was the
14 forecasted total number of insured units for the
15 2022/2023 rating year changed to reflect the updated
16 HTA forecast?

17 MR. TAI PHOA (by Teams): No, we did
18 not change the -- the forecast.

19 MS. KATHLEEN MCCANDLESS: Applying the
20 additional .41 percent HTA growth in 2021/2022, what
21 is the updated forecasted total number of insured
22 units in '22/'23?

23 MR. TAI PHOA (by Teams): Give me one
24 second, Ms. McCandless.

25

1 (BRIEF PAUSE)

2

3 MR. TAI PHOA (by Teams): Technology
4 is amazing when it works. And when it's really slow,
5 it takes forever.

6

7 (BRIEF PAUSE)

8

9 MR. TAI PHOA (by Teams): Sorry, Ms.
10 McCandless. So we are looking at about another four
11 thousand (4,000) or so units. So it goes up from
12 1,232,900 to about 1,236,900.

13 MS. KATHLEEN MCCANDLESS: And with
14 that forecasted total number of insured units in
15 2022/'23, what would be the change in the AAP rate
16 indication of minus 1.16 percent?

17 MR. TAI PHOA (by Teams): Ms.
18 McCandless, I don't have that handy right now. It
19 would take a while for me to -- to look at this.
20 Yeah. This is -- yeah.

21 So I will -- I will have to require
22 some time take a look at this.

23 MS. KATHLEEN MCCANDLESS: Perhaps just
24 -- you could say directionally for now.

25 MR. TAI PHOA (by Teams):

1 Directionally, I would say the -- rate decrease will
2 go down by roughly the same amount, about .41 percent.
3 So we are looking at -- currently, we are saying one-
4 point -- can we -- can we scroll down a little bit on
5 the line? Currently we're saying minus one-point-two
6 (1.2), so if we -- if we went down point-four (.4), so
7 it will be about minus 1.6 percent.

8 MS. KATHLEEN MCCANDLESS: So it would
9 increase the rate decrease? The rate decrease would
10 be greater?

11 MR. TAI PHOA (by Teams): Yeah. So
12 the rate decrease will be greater. Yes.

13 MS. KATHLEEN MCCANDLESS: Thank you.
14 Now, I'd like to ask about Exhibit 92. That's the
15 response to undertaking 22.

16 MR. GLENN BUNSTON (by Teams): Ms.
17 McCandless, could I interrupt? We do have a response
18 to your question about undertaking 21. And you were
19 asking questions about the figure 1 in the -- the
20 yields and weights used.

21 And so, I can tell you that the only
22 figure that changed in that table was the yield for
23 provincial bonds was revised to 2.09 percent. The
24 other weights and yields remained unchanged.

25 MS. KATHLEEN MCCANDLESS: Okay. Thank

1 you.

2

3

(BRIEF PAUSE)

4

5

MS. KATHLEEN MCCANDLESS: Now, if we

6 could go to Exhibit 92, the response to undertaking

7 22.

8

9

(BRIEF PAUSE)

10

11

MS. KATHLEEN MCCANDLESS: Thank you.

12 Here, the Corporation was asked to confirm the

13 calculations and reasons for the change in future

14 severity trend from 4.25 percent to 2.26 percent.

15

And MPI provided the response here.

16 And so, just confirm that the Corporation is

17 comfortable changing the collision total loss severity

18 trend from 4.25 percent to 2.26 percent based on the

19 removal of 2015 and the addition of the 2020 accident

20 year.

21

MR. DEAN DUNSTONE (by Teams): Yes,

22 that's --

23

MS. KATHLEEN MCCANDLESS: -- 2016 to

24 2020 accident years, pardon me.

25

MR. DEAN DUNSTONE (by Teams): Yeah.

1 That's -- that's relating to the -- the salvage
2 management system we spoke about a couple times.

3 That -- that was implemented in
4 September 2020 and -- so we've had a year of
5 experience here and we continue to see, you know, a
6 real positive claim in our salvage sales, so -- so our
7 values of salvage sale have -- have gone up
8 considerable.

9 So, we are comfortable changing that.
10 We -- we believe that is going to continue. We have
11 no reason to think otherwise. We've expanded our --
12 our exposure to -- you know, salvage customers
13 internationally from basically Manitoba.

14 So, we -- we can't see any change to
15 that going. So, we're -- we're comfortable modifying
16 that assumption.

17 MS. KATHLEEN MCCANDLESS (by Teams):
18 Okay. Although the change in total collision severity
19 trend was due solely to a change in the selection of
20 accident years used in the trending exercise, how much
21 has the Corporation decided to attribute the decrease
22 in the selected trend to the new total loss salvage
23 program?

24 MR. DEAN DUNSTONE (by Teams): I will
25 consult with my back row on that.

1 (BRIEF PAUSE)

2

3 MR. DEAN DUNSTONE (by Teams): I'm told
4 we don't have a specific number from that one. I -- I
5 would think it would be the majority of it, but I --
6 I'd have to confirm a number if that's what you're
7 looking for.

8 MS. KATHLEEN MCCANDLESS (by Teams):
9 Thank you. That's okay for now. When did the new
10 total loss salvage program become effective?

11 MR. DEAN DUNSTONE (by Teams):
12 September 2020.

13 MS. KATHLEEN MCCANDLESS (by Teams):
14 And just to jump back, Mr. Dunstone -- not Dunstone,
15 probably Mr. Bunston, I know that your back row had
16 provided some information that the only followup or
17 additional question that I think we're still waiting
18 an -- on an answer for is why the Corporation is using
19 a duration of thirteen (13) years?

20 MR. GLENN BUNSTON (by Teams): Yes,
21 we're still confirming the duration that was used, so
22 I'll come back to you once I have a -- a final answer
23 on that.

24 MS. KATHLEEN MCCANDLESS (by Teams):
25 Okay. Thank you. Next, if we could to MPI Exhibit

1 95, which is the response to Undertaking 25. This was
2 just a followup to provide detail as to the
3 methodological change that resulted in the \$1 million
4 unfavourable variance to PIPP. And the response from
5 the Corporation was that there was no methodology
6 change between the 2022 GRA and the rate update.

7 Mr. Dunstone, I recall that last week
8 you had stated that there was a change. So, I'm just
9 wondering if you could maybe clarify the Corporation's
10 evidence?

11 MR. DEAN DUNSTONE (by Teams): Yeah,
12 that unit -- that was -- that was -- that one's on me.
13 That was incorrect. I -- I did get a little confused
14 there. There was a change in the '21 GRA. So, I --
15 when we compare the '22 GRA to the '21 GRA, there was
16 a -- a variance related to the methodology change.

17 But when we're comparing the '22 GRA to
18 the '22 GRA rate update, this isn't due to a
19 methodology change, so my apologies for that. But
20 yeah, to clarify, it's just -- as -- as we indicated
21 here, there's been some, you know, I think it was a \$1
22 million variance. So, a negligible change just due to
23 that change in, you know, cashflows due to our dynamic
24 modelling.

25 MS. KATHLEEN MCCANDLESS (by Teams):

1 Thanks. Next, if we could go to the response to
2 Undertaking 35, which is MPI Exhibit 99. And here the
3 Corporation was asked for an update -- if we could
4 just scroll up a little bit, please, an update to PUB-
5 MPI 1-22.

6 And the first party undertaking request
7 was how much rebate could be offered in this
8 application and still retain the 5 percent CMP
9 provision as approved, not as implemented, and then
10 continue the assumption that the maximum allowable
11 rebate is subject to the requirement, whereby the
12 ending 2023/'24 MCT ratio would be equal to 100
13 percent.

14 And if we look at the response to part
15 2, which actually answered the first part of our
16 undertaking request, go to page 5, please.

17

18 (BRIEF PAUSE)

19

20 MS. KATHLEEN MCCANDLESS (by Teams):

21 It's a narrative, so it should be at the bottom of
22 page 5. Thank you. So, the Corporation stated here
23 that when including the capital release in 2022/'23,
24 and applying the 2021/'22 capital release as
25 implemented, the total rebate would be approximately

1 \$312 million, yes?

2 MR. TAI PHOA (by Teams): Ms.

3 McCandless, just to confirm, did you say the response
4 to part 2 is -- is for part -- is actually the
5 response to part 1?

6 MS. KATHLEEN MCCANDLESS (by Teams):

7 It appears to be so.

8 MR. TAI PHOA (by Teams): Yeah, Ms.

9 McCandless, I just want to -- before -- before you
10 continue, I just want to clarify. You are correct in
11 the assumption. I think, upon review, we -- we
12 recognized it -- we realized that the response to part
13 2 should be for part 1.

14 And yes, the total rebate amount, the
15 312 million is -- is in response to part 1, yes.

16 MS. KATHLEEN MCCANDLESS (by Teams):

17 Thank you. And so, that's approximately \$23 million
18 less than the amount proposed by the Corporation to be
19 rebated in the Special Rebate Application?

20 MR. TAI PHOA (by Teams): That sounds
21 right when compared to the 335 million.

22 MS. KATHLEEN MCCANDLESS (by Teams):

23 In this scenario, the release in 2021/'22 was based on
24 what was actually impl -- implemented and a release in
25 2022/'23 is based on what was supposed to be

1 implemented, yes?

2 MR. TAI PHOA (by Teams): That is
3 correct. So, one (1) -- the -- the first one -- the -
4 - as implemented was based on undiscounted rates and
5 as approved is based on discounted rates, yes.

6 MS. KATHLEEN MCCANDLESS (by Teams):
7 So, with \$23 million less rebated than currently
8 proposed, there is still room for a \$57 million
9 capital release provision in 2022/'23, with the MCT
10 remaining at roughly 100 percent for 2022/'23, and
11 2023/'24, yes?

12 MR. TAI PHOA (by Teams): Yes, that is
13 -- that is what this response is indicating.

14 MS. KATHLEEN MCCANDLESS (by Teams):
15 Thank you. Next, if we could go to MPI Exhibit 100,
16 which is the response to Undertaking 36.

17 And the Corporation here was asked to
18 provide updates to PUB-MPI 1-26, reflecting the
19 updated October financials?

20 MR. TAI PHOA (by Teams): Yes.

21 MS. KATHLEEN MCCANDLESS (by Teams):
22 And there were -- there's an A, B, and C here. I'd
23 just like to first look at the first scenario, which
24 was the capital release provision that would be
25 indicated if the extension retained earnings were

1 transferred to Basic instead of to DVA, and the
2 additional capital was used for purposes of the
3 capital release provision.

4 And if we go to figure 1 at page 2, I
5 think that provides the response here. So, under this
6 response, the MCT remains at about 120 percent, out to
7 2023/'24 as shown in figure 1?

8 MR. TAI PHOA (by Teams): Yes.

9 MS. KATHLEEN MCCANDLESS (by Teams):

10 And the next scenario was if the capital release
11 provision was not capped, but the rebate remains at
12 \$335 million, then the capital release revision was
13 9.81 percent, yes?

14 MR. TAI PHOA (by Teams): Yes, that is
15 correct.

16 MS. KATHLEEN MCCANDLESS (by Teams):

17 And if we go to page 10 of this response, please.
18 Thank you. And just scrolling towards the bottom,
19 line 22, the MCT climbs to 126.9 percent in 2021/'22,
20 yes?

21 MR. TAI PHOA (by Teams): Yes, that is
22 correct.

23 MS. KATHLEEN MCCANDLESS (by Teams):

24 And then decreases to 109 percent by 2023/'24?

25 MR. TAI PHOA (by Teams): Yes, based

1 on the target -- the target MCT ratio as -- as
2 described in the Capital Management Plan.

3 MS. KATHLEEN MCCANDLESS (by Teams):
4 And then the next scenario would have no capital
5 release provision, just the maximum capital rebate in
6 2021/'22, such as the MCT does not fall below 100
7 percent.

8 Is that right?

9 MR. TAI PHOA (by Teams): If you don't
10 mind, Kirsten, just scroll -- scrolling up. I just
11 want to make sure that I'm on the same page. No,
12 scrolling all the way up to the question. I just want
13 to make sure I'm on the same page.

14 Question B... Yes, that's correct.
15 Sorry.

16 MS. KATHLEEN MCCANDLESS (by Teams):
17 Okay. And in that case the rebate would be 155.4
18 million plus 297 million? I think for -- we could go
19 to figure 14. That might help.

20 MR. TAI PHOA (by Teams): Yeah, that
21 is -- that is correct. So -- so, the rebate will --
22 will go up by approximately the \$113 million not
23 transferred to DVA.

24 MS. KATHLEEN MCCANDLESS (by Teams):
25 And then we have another scenario that have no capital

1 release provision. The maximum capital rebate of 452
2 million -- point 4 million from the third scenario,
3 but assumed that Extension transfers to DVA still
4 occurred, yes? And we can look at Figure 19 for
5 assistance.

6 MR. TAI PHOA (by Teams): Sorry, Ms.
7 McCandless. Can you just repeat your question one (1)
8 more time?

9 MS. KATHLEEN MCCANDLESS (by Teams):
10 So this would have no capital release provision, a
11 maximum rebate of \$452.4 million from the previous
12 scenario we just discussed --

13 MR. TAI PHOA (by Teams): Yes.

14 MS. KATHLEEN MCCANDLESS (by Teams): -
15 - but then would assume that Extension transfers to
16 DVA also occurred, yes?

17 MR. TAI PHOA (by Teams): Yes. Yes.
18 And of course the MCT would drop below the 100 percent
19 that we are required to hold onto.

20 MS. KATHLEEN MCCANDLESS (by Teams):
21 Right, and that's where we see it dropping to 73
22 percent in 2021/'22?

23 MR. TAI PHOA (by Teams): Yes.

24 MS. KATHLEEN MCCANDLESS (by Teams):
25 Then it gradually climbs back up to a hundred and ten

1 (110) at the end of the outlook period, yes?

2 MR. TAI PHOA (by Teams): At the end
3 of the outlook period, yes.

4 MS. KATHLEEN MCCANDLESS (by Teams):
5 Thank you. Those are my questions.

6 Mr. Bunston, do you have any update
7 from your back row?

8 MR. GLENN BUNSTON (by Teams): Yes, I
9 do, and so the duration of the government bonds used
10 in our forecast was twelve point three four (12.34)
11 years, and the duration of the corporate bonds was ten
12 point four three (10.43) years.

13 MS. KATHLEEN MCCANDLESS (by Teams):
14 So can you explain why -- does that mean that MPI was
15 not using a duration of thirteen (13) years?

16 MR. GLENN BUNSTON (by Teams): No.
17 The thirteen (13) years was incorrect.

18 MS. KATHLEEN MCCANDLESS (by Teams):
19 Okay. So the difference is just because there was an
20 error in the response --

21 MR. GLENN BUNSTON (by Teams): That's
22 right.

23 MS. KATHLEEN MCCANDLESS (by Teams): -
24 - previously? Okay.

25 MR. GLENN BUNSTON (by Teams): Yeah.

1 MS. KATHLEEN MCCANDLESS (by Teams): I
2 think that's it then. Thank you very much.

3 MR. GLENN BUNSTON (by Teams): You're
4 welcome.

5 THE PANEL CHAIRPERSON: Thank you, Ms.
6 McCandless. Ms. Dilay...?

7

8 CROSS-EXAMINATION BY MS. KATRINE DILAY:

9 MS. KATRINE DILAY: Thank you, Madam
10 Chair. Good morning, MPI witnesses. Mr. Phoa, I
11 think my questions will be for you this morning.

12 Ms. Schubert, if we could pull up
13 Exhibit MPI-86, which is the response to Undertaking
14 28.

15

16 (BRIEF PAUSE)

17

18 MS. KATRINE DILAY: Thank you. And
19 just to confirm, Mr. Phoa -- just to confirm what we
20 are looking at, this undertaking asked MPI to
21 calculate a revised rate indication by applying the
22 pure premium trends proposed by Oliver Wyman for the
23 combined frequency and severity trends used by MPI to
24 determine the overall rate indication, correct?

25 MR. TAI PHOA (by Teams): Yes, that is

1 correct.

2 MS. KATRINE DILAY: And did you apply
3 the Oliver Wyman past and future trends to the
4 observed values to forecast claims incurred?

5 MR. TAI PHOA (by Teams): Yes, we did.
6 Sorry, no. We only needed to apply the -- again, we -
7 - we only applied the future trend, I believe, because
8 the -- the past trends don't -- yeah, we just applied
9 the future trends.

10 MS. KATRINE DILAY: Thank you. And so
11 to confirm, you didn't adjust anything in the past.
12 You -- you applied the trend going forward in the
13 future, correct?

14 MR. TAI PHOA (by Teams): I'm just
15 going to quickly check with my back row.

16
17 (BRIEF PAUSE)

18
19 MR. TAI PHOA (by Teams): Yes, that is
20 correct.

21 MS. KATRINE DILAY: Thank you very
22 much. Those are all my questions for this panel.
23 Thank you.

24 THE PANEL CHAIRPERSON: Thank you, Ms.
25 Dilay. Ms. Meek...?

1 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

2 MS. CHARLOTTE MEEK (by Teams): Thank
3 you, Madam Chair.

4 I just have one (1) undertaking that I
5 wanted to review with the panel. I would like to look
6 at MPI Exhibit 85, which is response to Undertaking
7 number 29.

8

9 (BRIEF PAUSE)

10

11 MS. CHARLOTTE MEEK (by Teams): Thank
12 you, Kristen. So this undertaking had asked the
13 question about a \$14.3 million increase in data
14 processing expenses.

15 And what the question was asking was
16 how much applies to the new AIS (sic) standards, I
17 think they're called, that had prevented the
18 Corporation from capitalizing those costs.

19 And I was just wondering if someone
20 could review how this chart demonstrates that. What I
21 understand from this chart is it seems to just be
22 providing a breakdown of the fourteen point three
23 (14.3), but I can't identify from the chart below what
24 is relating to capitalization and what is not, which
25 was the basis of the question.

1 MR. DEAN DUNSTONE (by Teams): I had a
2 follow-up to that, Ms. Meek, yeah, and -- and it -- it
3 is all I believe -- fourteen point two (14.2) is all
4 related to the IAS change.

5 I -- I can confirm that with you as
6 this is not my primary area, but I believe I did -- I
7 did ask about that, and I was told it was -- it was
8 the whole -- the whole amount is basically due to IAS
9 38.

10 MS. CHARLOTTE MEEK (by Teams): Okay.
11 So the entire 14.3 million is due to the
12 capitalization changes.

13 MR. DEAN DUNSTONE: Yes.

14 MS. CHARLOTTE MEEK (by Teams):
15 Perfect. Okay. That was my question.

16 Thank you, Madam Chair. Those are my
17 questions.

18 THE PANEL CHAIRPERSON: Thank you.

19 Mr. Hacault...?

20

21 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

22 MR. ANTOINE HACAULT (by Teams): Yes.

23 Good -- good morning, members of the panel. I had
24 circulated yesterday, prior to lunch, a listing of
25 questions, and also, too, Ms. Schubert, taken from

1 that, an aid to cross-examination. If we can bring up
2 that aid to cross-examination, I don't know who on the
3 panel is going to be able to answer questions on that.

4 MR. TAI PHOA (by Teams): Yeah. Mr. -
5 - Mr. Hacault, I read -- I read through your
6 questions, and -- but I'll -- I'll let you lead --
7 lead along, and I'll respond as appropriate.

8 MR. ANTOINE HACAULT (by Teams): Okay.
9 Can we mark this aid to cross-examination at Taxi
10 Coalition 8 so we know what we're referring to,
11 please.

12

13 --- EXHIBIT NO. TC-8: Aid to Cross-Examination

14

15 CONTINUED BY MR. ANTOINE HACAULT:

16 MR. ANTOINE HACAULT (by Teams): So
17 firstly, I'll go through a couple of these statements,
18 Mr. Phoa. I understood under CAC-MPI-1-88 that a
19 capital release of 5 percent meant a return of about 5
20 -- \$55 million to policyholders. Is that correct?

21 MR. TAI PHOA (by Teams): Yes, that is
22 correct.

23 MR. ANTOINE HACAULT (by Teams): And
24 then, following from that, there was Taxi Coalition
25 Second Round Interrogatory or Information Request

1 which asked: With respect to that release, how much
2 would that mean for the taxi class themselves?

3 And the \$55 million resulted in two
4 hundred and seventy-three thousand two hundred and
5 ninety-three dollars (\$273,293). I know that's a
6 precise number, but that was an approximate number,
7 correct?

8 MR. TAI PHOA (by Teams): That's an
9 approximation, yes. That's correct.

10 MR. ANTOINE HACAULT (by Teams): Okay.
11 And then in that same Information Request at (d), as
12 per Donald, MPI responded to explain, if there was a
13 rebate of 202.8 million, how much would be refunded to
14 the taxis out of that rebate? And the response is set
15 out in front of us on the screen, correct?

16 MR. TAI PHOA (by Teams): Yeah, that
17 is correct. So we said it's about a million dollars,
18 yeah.

19 MR. ANTOINE HACAULT (by Teams): Okay.
20 And then here, I don't know if you have some more
21 precise calculations, but I've put some statements for
22 MPI to consider that, if the 2.28 million results in a
23 multiple of approximately three point seven (3.7), I
24 had multiplied that number of two hundred and seventy-
25 three thousand two hundred and ninety-three dollars

1 (\$273,293) to come out to a number that was slightly
2 over a million dollars. Was that calculation correct?

3 MR. TAI PHOA (by Teams): Yeah, that's
4 correct, yeah. That's -- that's exactly what we did
5 in the response to the -- to the -- I believe it was
6 TC-2-2. Yeah.

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

8 MR. TAI PHOA (by Teams): That's how
9 we came up with the -- with the million dollars, yes.

10 MR. ANTOINE HACAULT (by Teams): Okay.
11 So then, although it's not a precise calculation -- it
12 most certainly would be an approximate calculation --
13 if we wanted to know about how much would go back to
14 the taxis if the 113 million -- and I'll get how I got
15 to that number of surplus -- in the excess line went
16 to Basic instead of DVA, that was about 56 percent of
17 that number that we had looked at.

18 And then I perform a calculation in
19 item number 5, which would mean that, if 113 million
20 was -- instead of going to DVA went to Basic, there
21 would be a rebate to the taxis in the range of five
22 hundred and sixty-six thousand dollars (\$566,000).

23 Is that calculation performed
24 correctly?

25 MR. TAI PHOA (by Teams): Yeah. I

1 would agree with your calculation, and I would also
2 agree with item 6 that if -- so -- so, basically, what
3 you're suggesting here is that, if the 113 million did
4 not go to DVA and, instead, it was issued as a rebate,
5 that -- that -- I -- I agree with your calculation,
6 that taxis, on average, will see approximately a nine-
7 hundred-and-thirty-dollar (\$930) rebate per unit.

8 So, I agree with point 6 that you have
9 in your email.

10 MR. ANTOINE HACAULT (by Teams): Okay.
11 And if we can go to the next page of Exhibit 8. So,
12 I'd like to -- first, perhaps we can just read what's
13 at the bottom.

14 "Exhibit 97 provides the details of
15 the increased DVA fees to taxis."

16 There's three (3) scenarios. Am I
17 correct that each of the three (3) scenarios assumes
18 that the proposed \$53 million transfer to DVA would
19 not occur, and that would be in addition to the 60
20 million transfer not occurring?

21 MR. TAI PHOA (by Teams): I would have
22 to check on that one.

23 MR. ANTOINE HACAULT (by Teams): Okay.
24 Well, we'll look at -- look at Exhibit 97. And then
25 I'll ask the questions that are at 1, 2, and 3 at the

1 end of Exhibit 8.

2 MR. TAI PHOA (by Teams): Yeah.

3 MR. ANTOINE HACAULT (by Teams): The
4 response -- or -- or the question, if we look at the
5 very top, the very top, the question was:

6 Is MPI able to provide what DVA fees
7 taxis avoid or avoided as a result of the \$60 million
8 being put into the DVA pot?

9 So, what we were trying to contrast
10 here is if -- if the DVA fees to taxis were increased,
11 eliminating the requirement for \$60 million being put
12 into that pot, what would be the impact on taxis.

13 Does this response deal with that
14 concern?

15 MR. TAI PHOA (by Teams): Mr. Hacault,
16 just give me one (1) minute. I'm just quickly
17 confirming some things with the back row.

18 MR. ANTOINE HACAULT (by Teams): Okay.

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAULT (by Teams): I
23 think the answer is, yes, if we scroll down to number
24 3?

25 MR. TAI PHOA (by Teams): Yeah. Yes.

1 I will confirm that -- that the -- that's the
2 increase. That's sort of the suggested increase to --
3 to sort of recoup, I guess, the \$113 million.

4 MR. ANTOINE HACAULT (by Teams): Okay.
5 And in a different answer -- and I'm not going to get
6 into that. Your auditors explained how that could be
7 done, I'm going to say, to reverse the \$60 million so
8 that we have that on evidence.

9 But this scenario, as you say, explains
10 what would have to happen to the DVA fees should the
11 113 million transfer from excess not occurring go to
12 Basic instead, correct?

13 MR. TAI PHOA (by Teams): Yeah. So,
14 we -- we sort of -- I believe our response provided
15 three (3) potential scenarios, yes.

16 MR. ANTOINE HACAULT (by Teams): Yeah.
17 So, scenario 1, if we go down to the bottom of page 2,
18 there's some various assumptions which would indicate
19 that, over seven (7) years, taxicabs would pay on
20 average a hundred and nineteen dollars (\$119) more per
21 taxicab as compared to the approximately nine hundred
22 and thirty dollars (\$930) that they would receive if
23 it was -- if the refund was put to Basic, correct?

24 MR. TAI PHOA (by Teams): That is
25 correct.

1 MR. ANTOINE HACAULT (by Teams): Okay.
2 And then MPI created another scenario, scenario 2.
3 And that scenario would have suggested that if we look
4 at the very bottom of that number, that the taxis,
5 instead of getting a nine-hundred-and-thirty-dollar
6 (\$930) average refund per unit, would be paying about
7 a hundred and twenty-eight dollars (\$128), correct --
8 or sorry, a hundred and twenty-six (126)?

9 MR. TAI PHOA (by Teams): Yeah. That
10 a hundred and twenty-six (126) is the correct number,
11 yeah.

12 MR. ANTOINE HACAULT (by Teams): Yeah.
13 And -- and then, finally, scenario 3. If the taxis
14 fell under that scenario, they would be paying a
15 hundred and fifty-four dollars (\$154) in fees over
16 seven (7) years versus getting a refund of about nine
17 hundred and thirty dollars (\$930) a piece, correct?

18 MR. TAI PHOA (by Teams): That sounds
19 about right, yeah.

20 MR. ANTOINE HACAULT (by Teams): Yeah.
21 Now, the one (1) thing that resulted in me asking the
22 series of questions that I did, if we scroll back to
23 page 2 of 3 on Exhibit 97 to number 10.

24 There was a statement there that the
25 \$60 million transfer would result in an additional

1 rebate of forty-one dollars (\$41) per taxi, but that's
2 incorrect?

3 MR. TAI PHOA (by Teams): Yeah, we --
4 yeah, I was advised that that number is -- is
5 incorrect. It -- it was a misread of Undertaking
6 number 10, yes.

7 MR. ANTOINE HACAULT (by Teams): Okay.
8 So, perhaps just to make sure the record is clear
9 then, if we can go back to my aid to examination,
10 being Taxi Coalition 8, I mean, I could do my own.

11 So, the first question was, in -- this
12 was Taxi Coalition -- sorry, Exhibit 61. There was a
13 calculation under Exhibit 61, if we can go back to it.
14 And then we'll flip back to the -- yes. We could see
15 MPI had provided this additional calculation to
16 provide.

17 If we go to line 7, at the bottom, we
18 see that MPI was responding to our request to advise
19 how much of an additional capital rebate would result
20 if a \$60 million amount that was put to DVA was
21 reversed and put back into Basic, correct?

22 MR. TAI PHOA (by Teams): Yes, that is
23 correct.

24 MR. ANTOINE HACAULT (by Teams): So,
25 if we go on top of this line of headings, there's a

1 heading called, "Additional capital rebate," and then,
2 "[B as in Bob]."

3 There's a calculation by MPI indicating
4 how much additional money would go back to the taxis
5 as a result of this \$60 million capital rebate, and
6 it's a total of very close to three hundred thousand
7 dollars (\$300,000), correct?

8 MR. TAI PHOA (by Teams): Yes, so
9 close to three hundred thousand dollars (\$300,000).

10 MR. ANTOINE HACAULT (by Teams): Yes.
11 And then MPI performed an average rebate per territory
12 calculation which is in the extreme right-hand side so
13 that for taxis in the city of Winnipeg, which is
14 territory 1, they would be seeing rebates of about
15 five hundred and forty-five dollars (\$545), correct?

16 MR. TAI PHOA (by Teams): Correct.

17 MR. ANTOINE HACAULT (by Teams): And
18 then subsequently, in territory 2, three hundred and
19 eighteen dollars (\$318), territory 3, three hundred
20 and thirty-one dollars (\$331), and, finally, territory
21 4, three hundred and twenty-six dollars (\$326),
22 correct?

23 MR. TAI PHOA (by Teams): Correct.

24 MR. ANTOINE HACAULT (by Teams): Now,
25 given the previous inaccuracy that you indicated

1 existed in the response to Exhibit 97 at number 10,
2 would it be possible to put an additional row on this
3 table that we were just looking at so that we have the
4 total additional capital rebate for the two (2)
5 numbers put together, being the 60 million and the 53
6 million, so that we would have as an additional line,
7 additional capital rebate B would be based on assuming
8 a rebate of 113 million?

9 And then at the very last line to the
10 right, there -- that same scenario would be put but
11 showing the additional capital rebate per territory.
12 I assume it's all proportional and it would be an easy
13 calculation to do.

14 Can we have that, please?

15 MR. TAI PHOA (by Teams): So, Mr.
16 Hacault, just to clarify, are you -- are you asking
17 that we update TC-MPI 2-2 instead -- so, instead of
18 showing the four-hundred-and-ninety (490), we show the
19 nine-hundred-and-thirty (930) or so as we were
20 discussing earlier, to reflect the \$130 million
21 rebate.

22 And sounds to me like you're also
23 asking that we update the undertaking -- the other
24 undertaking related to the three (3) scenarios.
25 Instead of showing the forty-one dollars (\$41) to show

1 the nine-hundred-and-thirty (930) or -- did I capture
2 that correctly?

3 MR. ANTOINE HACAULT (by Teams): I
4 just want the record to be corrected and it to be
5 easy. I mean, I could do calculations. Presumably, I
6 would just do them proportionately, as I did in
7 exhibit -- or in my aid to examination, which is
8 Exhibit TC-8.

9 But it would be really appreciated if
10 we would have, as a new item 'C' -- you're right on
11 this table -- figure 2 on Exhibit 61. The additional
12 line which shows the additional capital rebate for the
13 two (2) amounts -- the 60 million and the 53 million -
14 - together.

15 So presumably, that'll come pretty
16 close to the calculation I put in TC-8. It'll be
17 somewhere around the \$566,000.

18 And then, on the extreme right, provide
19 the additional capital rebate per territory. And
20 presumably, the total average will come down to the
21 bottom somewhere around nine-hundred-and-thirty
22 dollars (\$930) per unit. But it will be allocated
23 correctly.

24 Would that be possible?

25 MR. TAI PHOA (by Teams): Yeah. We

1 can -- we can definitely put that on the record. Like
2 I said earlier, I mean, we can definitely put that on
3 the record.

4 MR. ANTOINE HACAULT (by Teams): Okay.
5 Thank you. The only --

6 MR. ANTHONY GUERRA: Mr. Hacault, are
7 you asking for an undertaking though because you
8 haven't asked for that.

9 MR. ANTOINE HACAULT (by Teams): Yes.
10 If -- if it can be done fairly quickly by the back
11 row, which I think they can do -- it's probably an
12 Excel spreadsheet -- I would like to have that,
13 please, so the record's clear and we have a nice table
14 that shows what those numbers are.

15 MR. ANTHONY GUERRA: So here's the
16 issue, Mr. Hacault.

17 You indicated that there -- there was
18 an error in MPI Exhibit number 97, which is the case
19 for the assumption number 10. That can be corrected
20 to reflect the proper number, which should be nine-
21 hundred-and-thirty (930) as -- if I understand
22 correctly -- the -- the extent of the cross-
23 examination this morning.

24 Your request for an undertaking to
25 update an existing undertaking, though, is not to

1 correct an error, if I understand the -- the questions
2 correctly. It's to add more information to this
3 table.

4 That information could have been sought
5 when this undertaking was first sought and confirmed
6 some days ago. It's not clear to me as to why that
7 information was not requested and -- and why it is
8 being requested at this stage.

9 So perhaps you can address those two
10 (2) concerns before we decide whether or not the
11 undertakings should be -- should be --

12 MR. ANTOINE HACAULT (by Teams): Okay.
13 Sure enough.

14 The reason why I'm asking this
15 additional information is because the scenario didn't
16 only deal with the 60 million, which was the start of
17 the premise. The scenario set out in -- at ninety-
18 seven (97) ended up dealing with both the 60 million
19 additional capital rebate and the \$53 million capital
20 rebate and went over seven (7) years. I couldn't have
21 anticipated that.

22 Now, that having been said, Mr. Guerra,
23 if you feel it's too late in the stage, I can just ask
24 the witness to confirm that if I just prorate the
25 amounts on figure 2, whether MPI will accept a

1 mathematical prorating to the numbers that are found
2 on this table. It would be a prorating. If we know
3 what 60 million additional capital rebate does, then
4 we would just do a prorating and know what a \$53
5 million capital rebate to each of the territories.

6 I just didn't want there to be a
7 dispute later that the calculation wasn't correctly
8 done.

9 MR. TAI PHOA (by Teams): Yeah. And
10 Mr. -- Mr. Hacaault, I believe, in my testimony just a
11 while ago, that I agree with you on your calculations.

12 The -- for the total line, if we
13 included both transfers of 60 million and 53 million,
14 the additional -- the rebate per unit will be about
15 nine-hundred-and-thirty -- sorry, nine-hundred-and-
16 thirty dollars (\$930) per unit. And then -- and then,
17 for the -- for territory 1, that would translate to
18 about a thousand-thirty dollars (\$1,030) per unit, so.

19

20 CONTINUED BY MR. ANTOINE HACAULT:

21 MR. ANTOINE HACAULT (by Teams): Okay.
22 And do you have the numbers for the other one? A
23 thousand-thirty dollars (\$1,030) for territory 1.
24 What about territory 2?

25 MR. TAI PHOA (by Teams): Territory 2

1 would be about six hundred dollars (\$600). Territory
2 -- territory 3 will be about six-hundred-and-twenty-
3 five (625).

4 MR. ANTOINE HACAULT (by Teams): Yes.

5 MR. TAI PHOA (by Teams): And
6 territory 4 will be about six-hundred-and-fifteen
7 (615).

8 MR. ANTOINE HACAULT (by Teams) : Six-
9 hundred-and-fifteen (615)?

10 MR. TAI PHOA (by Teams): Yeah. One-
11 five (15).

12 MR. ANTOINE HACAULT (by Teams): Okay.
13 Thank you, Mr. Guerra. That's sufficient. I think we
14 have, on the record, the numbers now. That's all I
15 was looking for.

16 MR. ANTHONY GUERRA: Thank you.

17 MR. TAI PHOA (by Teams): Mr. Hacault,
18 just to confirm, do we still -- are we still --

19 MR. ANTOINE HACAULT (by Teams): No.
20 No further calculations required because you just gave
21 them to me, sir.

22 MR. TAI PHOA (by Teams): Okay.

23 MR. ANTOINE HACAULT (by Teams):
24 Thank you very much. Those were all of my questions
25 with respect to the undertakings. Thank you.

1 THE PANEL CHAIRPERSON: Thank you, Mr.
2 Hacault. Mr. Gabor...? Mr. Watson...?

3 So it's five after 10:00. Mr. Watson,
4 at this point, should we take a break so that the Taxi
5 Coalition witnesses can get ready to go? Would that
6 be all right with you, Mr. Hacault?

7 MR. ANTOINE HACAULT (by Teams): Yes,
8 it is. We had circulated to Board counsel and to MPI
9 that, unfortunately, our witnesses were not able to
10 free themselves until -- was it 10:30 our time.
11 They're engaged elsewhere at this point. Initially,
12 the schedule had them going more in the afternoon and
13 that's what they had planned for.

14 So, unfortunately, we will -- as soon
15 as we're able to start, I'll let people know. But it
16 would be around 10:30 by the time they come back to
17 their offices and are able to start to testify.

18 THE PANEL CHAIRPERSON: Okay. That's
19 fine. Then we'll break until we hear from you that
20 your witnesses are ready to go.

21 MR. ANTOINE HACAULT (by Teams): Thank
22 you very much, Madam Chair.

23 THE PANEL CHAIRPERSON: Thank you.

24

25 --- Upon recessing at 10:07 a.m.

1 --- Upon resuming at 10:36 a.m.

2

3 THE PANEL CHAIRPERSON: Thank you very
4 much. Just a followup on some undertakings, Mr.
5 Watchman.

6 MR. ROBERT WATCHMAN: Thank you, Madam
7 Chair. I've just had a -- a discussion with Mr.
8 Guerra and although MPI would be effectively closing
9 its evidence at this point, perhaps that will be done
10 provisionally, because we have a couple of
11 undertakings.

12 I think right now, about five (5) that
13 we have not received responses to. Those are of
14 particular interest to -- I'm sorry, a couple of those
15 are of particular interest to Board Counsel.

16 And in -- in addition, we have a
17 question of the Corporation based upon the evidence
18 that was given this morning. So, there will have to
19 be some provision for some further questioning before
20 the Corporation's evidentiary portion is completely
21 closed off.

22 And in speaking with Mr. Guerra, it may
23 be that a couple of the responses to the undertakings
24 may require calling a new panel -- or sorry, recalling
25 one (1) of the panels from MPI, which may not be

1 possible until tomorrow morning.

2 THE PANEL CHAIRPERSON: Thank you.

3 That's fine, and certainly if that's what's required
4 then we will hear from MPI's witnesses more.

5 Mr. Guerra...?

6 MR. ANTHONY GUERRA: Yes, I -- I mean,
7 I'm still getting updates in real time on this and --
8 and we are looking to -- to have those undertakings
9 completed today. The question is whether or not
10 they'll be ready in time to circulate and to bring
11 back a panel later on this afternoon.

12 We'll -- we'll do our best. I just --
13 I can't guarantee it. So, I think we'll have to just
14 continue to check back in to see where things are at
15 and if it's feasible.

16 THE PANEL CHAIRPERSON: That's fine.
17 We'll do that and -- and we'll carry on without your
18 evidence being closed then until that's been
19 concluded.

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

22 MR. ANTOINE HACAULT (by Teams): Yes,
23 Madam Chair. Bonjour. On that specific point,
24 perhaps MPI could confirm though that with respect to
25 the issues, which Taxi Coalition is addressing, that

1 its evidence has been closed. We need to know the
2 case we are meeting.

3 I don't think there's anything else
4 that needs to be adduced, but perhaps Mr. Guerra can
5 confirm that at least as regards our evidence, MPI's
6 case is closed.

7 MR. ANTHONY GUERRA: Mr. Hacault, my
8 understanding is that the current outstanding
9 undertakings are number 31, 39, 40, 41, and 45. The
10 last two (2) pertain to the Nova questions, and I
11 don't believe, subject to check, that 31, 39, or 40
12 pertain to anything requested on behalf of the Taxi
13 Coalition.

14 MR. ANTOINE HACAULT (by Teams): Okay.
15 Well, I'll proceed on the basis that MPI case has been
16 closed on Taxi Coalition issues. And with that,
17 Bonjour members of the panel. The Taxi Coalition is
18 pleased to have the opportunity to present evidence at
19 this hearing.

20 I'll ask if the Board Secretary can
21 please affirm both Mr. Dion and Mr. Wong, please, and
22 then I'll proceed with some questions.

23 THE CHAIRPERSON: Sure. Mr. Dion,
24 would you like to swear or affirm?

25

1 TAXI COALITION PANEL

2 SYLVAIN DION, Affirmed

3 JASON WONG, Affirmed

4

5 EXAMINATION-IN-CHIEF BY MR. ANTOINE HACAULT:

6 MR. ANTOINE HACAULT (by Teams): I'll
7 firstly ask both of you to adopt the evidence, which
8 was filed, including the responses to Information
9 Requests, and including the presentation which will be
10 made this morning, and for the record should be marked
11 as Taxi Coalition Exhibit 9.

12 Could you please address my question on
13 whether you confirm that evidence?

14 MR. SYLVAIN DION (by Teams): Yes.

15 MR. ANTOINE HACAULT (by Teams): And,
16 Mr. Wong, could you also respond?

17 MR. JASON WONG: Yes.

18

19 --- EXHIBIT NO. TC-9: TC PRESENTATION

20

21 CONTINUED BY MR. ANTOINE HACAULT:

22 MR. ANTOINE HACAULT (by Teams): Okay.

23 Mr. Dion, could you be the first one (1) to address
24 your curriculum vitae and address two (2) questions
25 with respect to your experience and qualifications.

1 Firstly, could you explain to this
2 Board why they are relevant to ratemaking for vehicle
3 insurance, which is the subject of this hearing?

4 MR. JASON WONG (by Teams): Let -- let
5 me provide a little bit of background. So, first,
6 Dion Strategic is an independent consulting firm. And
7 we are different than other consulting firms in the
8 sense that we do not do a lot of compliance work or
9 reserving work.

10 The work that we do is almost
11 exclusively from a pricing perspective with different
12 types of insurance programs. And our clients are
13 large not-for-profit association, or group program
14 where breakeven and fairness issue are the centre of
15 the discussion and the negotiation that we have with
16 commercial for-profit insurer.

17 And many of these group are related to
18 automobile insurance, which is the subject matter and
19 are quite sizable. And that experience is going back
20 to 1982.

21 And I'll make the link with Jason and
22 his team who joined the firm in the last five (5)
23 years, and their experience, including Mani Setto
24 (phonetic) who was used as a peer reviewer for our
25 work -- work for a large for-profit insurer focussed

1 on the automobile and homeowners insurance pricing
2 consideration.

3 Jason...?

4 MR. JASON WONG (by Teams): Yeah. So,
5 in my past life before I joined here I worked at
6 Desjardan General Insurance Group. So, there I worked
7 a lot on the rate filings, rate indications, for
8 example, in Ontario, rate indications in Alberta.
9 I've also worked a lot on the GLM models, which we'll
10 talk about later today.

11 For example, we worked on GLM model
12 for, say, the Atlantic provinces. So, the Atlantics
13 have less data, so we kind of grouped a lot of
14 different Atlantic provinces together to build the GLM
15 model, so.

16 Here in Dion Strategic we're more on
17 the consumer's side. So, we fight on behalf of
18 consumers. We fight on behalf of the people
19 purchasing insurance. And as Sylvain said, a lot of
20 our clients are national employers and national
21 associations.

22 They have very big home and auto
23 programs. On the auto side, so I'm responsible for
24 managing the programs. We look at, say their
25 indications, and we collect and review a lot of the

1 data that we receive from insurers.

2 So, we negotiate on behalf of our
3 clients with their -- with different insurers.

4 MR. ANTOINE HACAULT (by Teams): Thank
5 you. So, you've used the word 'fight'. I would
6 imagine that means to explain the perspective of the
7 consumers. Is that --

8 MR. JASON WONG (by Teams): Yeah.

9 MR. ANTOINE HACAULT (by Teams): --
10 that fair? Okay. Now, with that, Ms. Schubert, if
11 you could bring up Taxi Coalition, Exhibit 9, which is
12 the presentation by Dion Strategic, both Mr. Dion and
13 Mr. Wong, as appropriate, could you go through the
14 slides.

15 And once you've finished with one (1)
16 slide you can let Ms. Schubert know that she can
17 scroll down to the next slide, please.

18 MR. JASON WONG (by Teams): Yes. So,
19 this is the table of contents. So, the presentation
20 deck is essentially a more condensed summary of the
21 evidence report with some additional topics.

22 So, topic 1, 3, 4, 5, and 6 are similar
23 to what we have in the evidence report. On topic 1,
24 serious loss loading, we have added a few additional
25 topics, 1 being the standards, and 2 being sort of an

1 alternative opinion to what MPI presented in their
2 ratemaking presentation.

3 We also added a number 2 which focusses
4 on Order 1/21, which is the rate increase ordered for
5 passenger Vehicle for Hire.

6 So, parts of topic 1 and topic 2 are --
7 are kind of, say, new compared to the initial evidence
8 filed.

9 We can go one (1) more slide. Okay.
10 So, the first topic, the big one, is the serious loss
11 loading. So, these are some of the notes that we've
12 put into our report, as well.

13 So, the way we define serious losses,
14 they are large losses that are volatile in nature.
15 These occurrences are random, they're infrequent, and
16 they're high severity.

17 So, using the taxis -- taxis Vehicle
18 for Hire as an example, in the last ten (10) years, we
19 noted that only five (5) of them had serious losses
20 and five (5) years did not have serious losses.

21 So, in the MPI methodology because
22 serious losses are kind of infrequent, MPI used the
23 ten (10) year average to smooth out the serious losses
24 by insurance use.

25 We note that passenger Vehicles for

1 Hire, they were introduced in 2018. And one (1) of
2 our main points that we note is that, in our opinion,
3 the absence of serious losses is not a good indicator
4 of an insurance use being free of the risk of serious
5 losses.

6 If an insurance use does not have a
7 serious loss, that does not mean we put a zero
8 loading. We believe you should put some loading to
9 it.

10 MR. SYLVAIN DION (by Teams): I think,
11 if I may add to this, this is quite an issue that is
12 common in many of the work that we do where clients
13 say I haven't had any claims above five hundred
14 thousand (500,000), so I'm risk free.

15 Not quite. There's always a need to
16 reflect a loading for the absence of data or lack of
17 data.

18 MR. JASON WONG (by Teams): Okay. So,
19 we are on slide 4. So, we added some actuarial
20 standards for reference. There are no specific
21 actuarial standards that will actually -- will make it
22 easy for us to talk about serious losses.

23 There are some that you can refer to;
24 they won't be exact, but we listed a few here that we
25 feel are applicable. The one on this page is on

1 2,620.09, which is about unusual events. It states
2 that:

3 "The actuary needs to consider that
4 the subject experience and related
5 experience may or may not have been
6 subject to catastrophes, large
7 losses, or unusual events."

8 So, the way we apply it in this
9 situation for serious losses, I would believe it's
10 most applicable to where they state the large losses.

11 The next slide is a guidance we found.
12 It's not identical to our situation, but we use it
13 kind of in reference of our situation right now
14 regarding large losses.

15 So, ASOP 39 talks about the treatment
16 of catastrophe losses and property and casualty
17 insurance ratemaking. So, that's --

18 MR. ANTOINE HACAULT (by Teams): Can I
19 stop you there?

20 MR. JASON WONG (by Teams): Sure.

21 MR. ANTOINE HACAULT (by Teams):
22 What's ASOP?

23 MR. JASON WONG (by Teams): Actuarial
24 Standards Of Practice.

25 MR. ANTOINE HACAULT (by Teams): Okay.

1 Thank you.

2 MR. JASON WONG (by Teams):

3 Catastrophes are usually referred to a natural
4 disaster, so usually say flood or earthquake. So,
5 it's a little different than our situation with
6 serious losses, but there are some similarities enough
7 -- they're similar enough that we can sort of refer to
8 it as a guideline.

9 So, here it talks about the use of
10 historical insurance data. And it suggests that there
11 might need to be adjustments to historical insurance
12 data to reflect future conditions.

13 So, the first sentence says:

14 "The actuary should consider making
15 adjustments to the historical
16 insurance data to reflect conditions
17 likely to prevail during the period
18 in which the rate will be in
19 effect."

20 So, the way we see how this applies to
21 our situation, so we have -- 2020 and 2021 are kind of
22 pandemic years. 2022, I think most insurers,
23 including MPI, are anticipating a return to normal.

24 We have a relatively new insurance use
25 in passenger Vehicle for Hires. We have noted that

1 they're growing. We've also noted that they haven't
2 had any serious losses yet; however, this data only
3 dates to 2018.

4 So, here it talks about what
5 adjustments you might want to make and what
6 adjustments you want to take into account. So, in our
7 situation, again, we're not talking about catastrophes
8 here. We're talking about serious losses, which are
9 more large losses.

10 However, if you look at the next slide,
11 it talks about using a provision for catastrophe
12 losses. So:

13 "In ratemaking, actuaries generally
14 use historical data or mortal --
15 modelled losses to form the basis
16 for determining future cost
17 estimates.

18 The presence or absence of
19 catastrophes in any historical data
20 used to form future cost estimates
21 can create biases that diminished
22 appropriateness of using that data
23 as the basis for future cost
24 estimates.

25 The actuary should address such

1 biases by adjusting the historical
2 data used to form future cost
3 estimates in determining a provision
4 for catastrophe losses."

5 So, once again, cats are not identical
6 to large losses, but if you use it in a similar
7 meaning, what it's saying is that, just because you
8 haven't seen a serious loss in your historical data
9 does not mean you don't load it.

10 So, usually, this is applied to, say,
11 flood. As an example, some locations may never have a
12 flood; it may be 1:500, could be 1:1000 years.

13 That does not mean that, if an insurer
14 was trying to add a sort of flood, we don't do a
15 loading. You may put a really small loading to the
16 places that don't have a flood. You may put a bigger
17 loading for people that, say, live close to a body of
18 water, for example.

19 So, we you kind of use this guidance in
20 general to think about how we would do the serious
21 loss loading.

22 If we go to the next page, so we
23 reviewed the MPI ratemaking presentation, which I just
24 wanted to provide, I guess, our opinion of it.

25 So, MPI stated that determination of a

1 serious loss loading for insurance uses with no
2 serious losses would be very subjective. We agreed
3 that it is subjective. Our stance is that, even
4 though it is subjective, it doesn't mean you should
5 ignore the loading.

6 A lot of the ratemaking methodology,
7 not just from MPI, even work we do normally, is
8 subjective. A lot of the actuarial work is
9 subjective. It's not about say right or wrong; it's a
10 lot about a range of reasonable outcomes.

11 As an example, we will talk about
12 credibility later. Credibility is a very subjective
13 topic, even say the definitions of major class, so it
14 is subjective.

15 Like, deciding to place passenger
16 Vehicle -- Vehicle for Hire to the private passenger
17 major class is subjective, just like grouping taxis,
18 buses, school buses, I think there's transit buses,
19 police vehicles, into the public major class is
20 subjective.

21 There's going to be a subjective aspect
22 to it, but we don't think subjective means you ignore
23 the loading. It's difficult to do, and we understand
24 that.

25 The second point is that MPI stated:

1 "The load would be very subjective.
2 Assumes similar operation to another
3 group and is not reflective of the
4 actual passenger Vehicle for Hire
5 experience."

6 So, similar to what I just said, like,
7 assuming similar operations to another subset is a
8 very standard actuarial methodology. We do it in the
9 classes, you know, defining the public major class,
10 what goes into public major class, what goes into
11 commercial, what goes into the private passenger
12 class. All of this is subjective.

13 Even if it's --

14 MR. ANTOINE HACAULT (by Teams): Okay.

15 MR. JASON WONG (by Teams): -- very
16 subjective, it doesn't mean, again, you ignore it and
17 leave a loading of say zero.

18 Our recommended loading, in our
19 opinion, is a range of either the average of all
20 Vehicles for Hire, which is our opinion that if you're
21 going to group classes into a similar class, you would
22 group all the Vehicles for Hire together, so that
23 should be your minimum loading.

24 Then if you need a less more
25 conservative loading and assume say the passenger

1 Vehicle for Hire operate like a taxi, so the taxi
2 serious loss would be the higher range of the loading.

3 MR. ANTOINE HACAULT (by Teams): Okay.
4 Thank you. I see, Mr. Dion, during slide 7 you've
5 been nodding affirmatively a lot of times. But the
6 record wouldn't show that you are nodding
7 affirmatively.

8 Can you, for the record, indicate
9 whether you agree or disagree with the presentation
10 made by Mr. Wong with respect to slide number 7?

11 MR. SYLVAIN DION (by Teams): Totally
12 agree with the presentation, that's why I was nodding,
13 on the principle that subjectivity does not mean you
14 just ignore the subject matter.

15 MR. ANTOINE HACAULT (by Teams): Okay.
16 Sorry for the interruption. Please continue.

17 MR. JASON WONG (by Teams): Okay. So,
18 we are on slide 8. There was a note that the use of
19 longer term averages and credibility so that rates do
20 not fluctuate from the occurrence, nonoccurrence,
21 especially for smaller groups like passenger Vehicle
22 for Hire.

23 So our position is that MPI
24 acknowledges that you need longer term averages. But
25 at the same time, with passenger Vehicles for Hire,

1 there's only been data since 2018. So we have 2018
2 and 2019, which are normal years, and you have a 2020
3 being a pandemic year. There's really not a lot of
4 data there and that's acknowledged by, what I believe,
5 all parties.

6 So if they had not had a serious loss
7 since only 2018 -- which is not a lot of time -- it's
8 really not a justification to apply no loading. The
9 challenge is, of course, applying appropriate loading,
10 which we will discuss.

11 And just wanted to note that the
12 passenger Vehicles for Hire are based off the all
13 purpose passenger vehicles, which have serious losses.
14 Similarly, taxis have serious losses, public major
15 class have serious losses. All of these have serious
16 losses.

17 So in our opinion, there needs to be
18 some sort of serious loss loading for passenger
19 Vehicle for Hire even if they haven't had one yet.

20 And note that the all purpose passenger
21 vehicle is actually assumed to be a better risk than
22 your passenger Vehicle for Hire. And we know all
23 purpose passenger vehicles have serious losses.

24 So slide 9 is our recommendation. So I
25 kind of already just said it, but our range of the

1 loading is a -- so our minimum is to take all Vehicles
2 for Hire and average that out and come up with a
3 serious loss loading. And that is two-hundred-and-
4 fifty-eight dollars (\$258) per unit.

5 On the high range, we use the taxi
6 Vehicles for Hire serious loss per unit, which is
7 four-twenty-eight (428). The logic being that
8 passengers Vehicle for Hire can drive twenty-four
9 (24), seven (7) and operate just like a taxi.

10 What is the real loading? I don't
11 know. But in terms of the range of reasonable
12 outcomes, that's what we would propose.

13 Now, there are some numbers that might
14 be lower, say, using public major class. But if you
15 think about public major class, that includes, say,
16 buses.

17 When we think theoretically in terms of
18 when a serious loss happens, you have to look at, kind
19 of, the vehicle type. You know, the bus is much
20 heavier. People might not be wearing seatbelts, but
21 that bus is going to plow into a smaller vehicle and
22 your odds of injury should be lower on a bus as
23 opposed to a regular sedan.

24 So that's why we think the range of
25 outcomes should be between two-fifty-eight (258) and

1 four-twenty-eight (428). But we also understand other
2 parties will come up with a different range.

3 I mean, if you were to put ourselves --
4 Oliver Wyman, Eckler and MPI -- together in a room,
5 I'm sure we would all have a different loading. And
6 we understand that. We want that.

7 MR. ANTOINE HACAULT (by Teams): Okay.
8 Could you address -- when I had cross-examined, I had
9 brought up an example of a farm passenger Vehicle for
10 Hire. It was a very small group, twenty-four (24)
11 vehicles. And the -- the loading was somewhere in the
12 range of two thousand dollars (\$2,000) per vehicle.

13 What's the appropriateness or not of
14 using a two thousand dollar (\$2,000) number instead?

15 MR. JASON WONG (by Teams): I would
16 say that would be a bit high.

17 MR. SYLVAIN DION (by Teams): Was that
18 a credibility issue as well as a methodology issue on
19 the serious loss loading?

20 MR. ANTOINE HACAULT (by Teams): Well,
21 it's based on actual experience. But so, does that
22 inform you or help us understand anything about the
23 randomness of just applying actual losses to small
24 groups, like a group of twenty-four (24) vehicles?

25

1 (BRIEF PAUSE)

2

3 MR. JASON WONG (by Teams): I think
4 large losses are random. If I think back to when I
5 started in the industry, one of my mentors said, Large
6 losses may be random, but some insurance uses might be
7 more prone to large losses than others.

8 I think, if we look at, say, taxis,
9 they would appear to have more serious losses than
10 others. And if you look at a regular private
11 passenger vehicle, they would probably have a lower
12 serious loss than others.

13 However, the situation changes when
14 you're looking at a passenger Vehicle for Hire because
15 you're driving other people. And a lot of these
16 drivers are driving on unfamiliar roads.

17 As far as the farm example, that is
18 quite a bit loading, but that is mostly due, I think,
19 to the methodology. So if there is a serious loss,
20 then there's a loading. And our understanding is if
21 there's no serious loss, then there's not a loading.

22 That's kind of counter-intuitive if
23 you're trying to price for the future.

24 It's like when you're trying to price
25 for the best expected cost, you don't want to wait for

1 the event to happen, then price for it. You want to
2 price for it in advance so that when an actual event
3 does happen, you have enough or adequate rates.

4 MR. ANTOINE HACAULT (by Teams): Okay.
5 Thank you.

6 Do you have any advice or opinion with
7 respect to MPI's concern that -- they had said --
8 well, I think the evidence was there's twenty (20)
9 some groups that don't have any actual loading, so
10 we'd have to look at how we do things all over again.
11 Because that would mean some of those groups would
12 start to have serious loss loading.

13 How do we deal with that concern?

14 MR. JASON WONG (by Teams): I think
15 that comes back to the subjectivity and it comes back
16 to, say, the flood example I brought up.

17 There's, obviously, going to be some
18 subjectivity into choosing an appropriate loading.
19 But you have to think of it in terms of, say, overall
20 ratemaking. You're trying to group similar risks
21 together.

22 So if you notice that some risks have a
23 higher odds of a serious loss, they should get a
24 higher loading than one that has less risk of a
25 serious loss.

1 I don't believe that passenger Vehicles
2 for Hire will never have a serious loss. If, say, a
3 private passenger vehicle, which has serious losses
4 and it's supposed to be a better risk than passenger
5 Vehicles for Hire, I do not see why a passenger
6 Vehicle for Hire will never have a serious loss.

7 So it's important to address that now.

8 And, similarly, for the twenty (20)
9 other classes that don't have it, it's important to
10 come up with a, I guess, reasonable number. But it
11 depends on how you want to group those risks together.

12 You know, you will have to find ways to
13 group it so that it's fair for everybody. And if I
14 relate it back to the flood example, it needs to
15 reflect the risk.

16 MR. ANTOINE HACAULT (by Teams): Okay.
17 Thank you for that additional information. Please
18 proceed with your presentation.

19 MR. JASON WONG (by Teams): Yeah, page
20 10.

21 So Order 1/21, direction 10.3, says:

22 "There shall be consecutive rate
23 increases of 20 percent for the
24 passenger Vehicle for Hire major
25 class in the 2022/2023 and the

1 2023/2024 GRAs, the General Rate
2 Applications. Unless MPI can
3 demonstrate that the passenger
4 Vehicle for Hire major class is no
5 longer being subsidized."

6 Now, we looked at the MPI slides and we
7 understand where they're coming from with the 13 to 15
8 percent adjustment.

9 Our opinion is to look at a range of
10 indications. There's the indications using, say,
11 Vehicles for Hire itself. There's the indications in
12 the original 2020 GRA. And in this slide, first, we
13 look at the historical data.

14 So if we look at just the historical
15 data for 2018 and 2019, we know that if you add two
16 (2) 20 percent rate increases, then the 2018 and '19
17 loss ratios are 89.5 percent, which is not breakeven.

18 So this is the -- we're talking about
19 '18 and '19 because this is pre-pandemic.

20 If you add a third 20 percent rate
21 increase, then the 2018 and 2019 loss ratios become
22 74.6, which is breakeven. Breakeven being between 70
23 to 80 percent, as MPI has stated. And, again, this
24 assumes no serious losses because none of have
25 happened yet.

1 And if we look at, say, 2020, 2020 data
2 is accepted as an exception year. There are parts in
3 the MPI ratemaking in the 2022 GRA application where
4 2020 is excluded from some calculations. However,
5 2020 still contributes to the relativities.

6 In our opinion, I don't think 2020 is
7 very representative of passenger Vehicle for Hire
8 differentials. All the classes benefited. And if we
9 observe, from TC-MPI-118, the loss ratios -- so I've
10 presented a chart there -- if you look at '18, '19,
11 and '20, while the loss ratios have improved, if you
12 compare, say, passenger Vehicle for Hire relative to
13 taxis, there hasn't been much change between '18, '19,
14 and '20. Next slide, so --

15 MR. ANTOINE HACAULT (by Teams): Can
16 you go back -- sorry, can you go back to slide 11?
17 I'm not so sure I understand the table and when you
18 say it really hasn't changed.

19 What were you trying to do here and how
20 do I understand this table?

21 MR. JASON WONG (by Teams): Okay. So
22 the column 1 is the loss ratios for taxis for each of
23 '18, '19, and '20. Column 2 is the loss ratios for
24 passenger Vehicle for Hire, each of '18, '19, and '20.

25 So we see loss ratios improved quite a

1 bit in 2020. But it's all relative. If you compare,
2 say, passenger Vehicles for Hire loss ratios relative
3 to taxis is around one-point-five (1.5) higher.

4 MR. SYLVAIN DION (by Teams): Yeah.
5 Still the same relativity with the loss ratio coming
6 down. So the differential is still there.

7 The -- if I may add also -- I think
8 this is our opinion -- the -- the Vehicle for Hire,
9 the passenger Vehicle for Hire, will be in a catch-up
10 mode with the taxi Vehicle for Hire for a while. And
11 it has to do with the starting point of the whole
12 exercise.

13 In our opinion, it would have been
14 better to start both group with the same consideration
15 initially with -- with the absence of data for the
16 passenger Vehicle for Hire, identify risk differential
17 to justify any difference in rate. But at this stage,
18 it's really a big catch-up in our opinion over the
19 next number of years.

20 MR. ANTOINE HACAULT (by Teams):
21 Please continue.

22 MR. JASON WONG (by Teams): Okay. We
23 go to slide 12. So if we look at the differentials
24 with the loading, TC-MPI-2-9 presented two (2)
25 different numbers. So those are in dollars amounts,

1 so they show the balance indicated adjustments.

2 One uses a serious loss loading of two
3 hundred fifty-eight dollars (\$258), one uses a serious
4 loss loading of four hundred twenty-eight dollars
5 (\$428). In both those instances, it justifies you
6 need that second 20 percent rate increase, and you
7 need the third one just to keep pace.

8 So our recommendation is to continue
9 with the Order. We don't see a reason to stop with
10 the twenty (20), twenty (20), and the twenty (20).
11 The historical data pre-pandemic suggests you need
12 three (3) plus 20 percent rate increases.

13 Even if you look at eighteen (18) to
14 twenty (20), if you compare passenger Vehicle for Hire
15 loss ratios relative to taxi Vehicle for Hire loss
16 ratios, they've -- they've been similar, around one
17 and a half times higher.

18 And the indications for serious loss
19 loading does suggest that passenger Vehicle for Hire
20 needs those three (3) plus twenty (20) rate increases
21 just to keep pace.

22 So similar to what Sylvain just said,
23 because the starting point was low, it's in a bit of a
24 catch-up mode right now. And we know that the class
25 is growing, and in our opinion again, with serious

1 losses, it's not a matter of it if will happen, it's a
2 matter of when it will happen.

3 Is it going to happen this year, next
4 year? I don't know. In five (5) years? I don't
5 know. But it's important to have a reasonable loading
6 in there so that when it does occur, you're not trying
7 to shoot rates up even more. It's already underpriced
8 right now, but it's very important to reflect what the
9 real risk is.

10 Next page is rate increases and
11 capping, so these are --

12 MR. ANTOINE HACAULT (by Teams): We're
13 on slide 13 now?

14 MR. JASON WONG (by Teams): Yes.

15 MR. ANTOINE HACAULT (by Teams): It's
16 be useful for the record to indicate what slide we're
17 on.

18 MR. JASON WONG (by Teams): We're on
19 slide 13, yes. These are some notes we had in our
20 report which we replicated in the slides. The initial
21 passenger Vehicle for Hire rate was judgmentally
22 selected to be 20 percent higher than the all-purpose
23 passenger vehicle.

24 The Corporation acknowledged this
25 amount was too low. Order 146/20 mandated three (3)

1 plus 20 percent consecutive rate increases for each
2 GRA starting in 2021 and '22.

3 Order 148/04, subjects current raise to
4 a plus or minus 20 percent cap. Special adjustments
5 are applied after applying the plus or minus 20
6 percent cap, and in that same Order, exceptions to the
7 plus or minus 20 percent cap we're allowed.

8 In our opinion, the rate increases
9 applicable to passenger Vehicles for Hire -- sorry,
10 I'm on slide 14. In our opinion, the rate increases
11 applicable to passenger Vehicles for Hire should not
12 be capped at 20 percent, and we under -- we -- we do
13 understand this is a subjective matter. If we were
14 doing it, we would cap it at a higher percentage or
15 not cap it at all.

16 Now, we understand that the cap
17 prevents rates from excessive fluctuation, but when
18 applied to passenger Vehicles for Hire, there's quite
19 a few drawbacks. This is a relatively new class, so
20 by capping it, you're extending the underpricing of
21 the class to more years down the road.

22 I think it's been noted that it does
23 send the wrong message to the market. We reasoned
24 that the low current rates could attract taxi drivers
25 with poor loss experience, and the problem with that

1 is that that will cause adverse selection and market
2 distortion.

3 If you have taxi drivers that are
4 paying four (4) or five (5) times the premium and
5 they're bad drivers, we reason that they would
6 probably be tempted to switch to a passenger Vehicles
7 for Hire, pay much lower premiums, and still have the
8 ability to drive twenty-four seven (24/7).

9 And this could be happening with the
10 growth of the passenger Vehicles for Hire class. I
11 think it's doubled in size between 2018 and 2020.
12 It's bigger than the taxis which lost some insureds
13 during I think 2018, the year that passenger Vehicles
14 for Hire started.

15 So if we were doing it, we would apply
16 both 20 percent for next year. But again, we -- we do
17 acknowledge this is a subjective matter.

18 MR. ANTOINE HACAULT (by Teams): Okay.
19 Thank you. Could you proceed to your next area?

20 MR. JASON WONG (by Teams): So we are
21 on page 16, credibility. So this is a difficult
22 technical and subjective topic. The MPI methodology
23 uses the following credibility formula. For each raw
24 relativity, a credibility of 'N' over 'N' plus 'K' is
25 assigned.

1 'N' is the five (5) year earned units
2 used to determine the raw relativity, and 'K' is a
3 constant. So we note that the constant 'K' equal to
4 sixty thousand (60,000) was judgmentally selected so
5 that the largest insurance use, which is all-purpose
6 passenger vehicle, was at least 95 percent credible.

7 So MPI is aware of other credibility
8 approaches. We were asked to also investigate it, so
9 we have. There's other credibility approaches that
10 can -- that are tied to stats that you can use to
11 determine the standard.

12 One (1) of the ones we described is the
13 classical approach which uses claim counts. So this
14 assumes a normal distribution with plus on claims
15 frequency, so usually this ten eighty-two (1,082) is a
16 very commonly used number.

17 So if you have one thousand and eight-
18 two (1,082) claims, in many situations you can assume
19 full credibility. In most cases, this is used for
20 short-tailed lines such as say collision.

21 If we were to apply the ten eighty-two
22 (1,082) to taxis, they would be 100 percent credible
23 for collision and property damage which is over 75
24 percent of their losses.

25 If we were to use the ten eighty-two

1 (1,082) again and using the private passenger
2 collision frequency, which is 12 1/2 percent, so that
3 implies a 'K' equal to eight thousand six hundred
4 fifty-six (8,656).

5 Again, that is only for collision. I
6 have seen different companies use different numbers.
7 It's not always ten eighty-two (1,082). It's usually
8 ten eighty-two (1,082), but for longer-tail coverages,
9 it could be say two thousand (2,000) or more.

10 MR. ANTOINE HACAULT (by Teams): Okay.

11 MR. SYLVAIN DION (by Teams): I think
12 we're --

13 MR. ANTOINE HACAULT (by Teams): When
14 you say, "a number of companies," Mr. Wong -- and
15 sorry to have interrupted Mr. Dion -- can you give
16 this Board any idea whether or not that's only in one
17 (1) province or one (1) company?

18 Or what's -- when you say, "commonly
19 used," can you help me understand what you'd be
20 referring to? Is it more than one (1) company that
21 does this perhaps?

22 MR. JASON WONG (by Teams): Yeah. I
23 have seen it in more than one (1), and even within a
24 company, they sometimes change the standard over time.
25 Ten eighty-two (1,082) is very common for collision,

1 comprehensive, property damage. A higher number is
2 usually chosen for say accident benefits.

3 Different companies do choose different
4 numbers. Some of it is more statistical based, but
5 the honest answer is sometimes they choose what gets
6 them the rate that they want.

7 MR. SYLVAIN DION (by Teams): But I
8 think, generally speaking, from a business point of
9 view, the outcome of the current methodology which
10 results in the minimum credibility to be applicable to
11 many of the smaller classes was not yielding a
12 reasonable result.

13 There should be more credibility to
14 part of the experience as opposed to the minimum
15 credibility, or maybe increase the minimum
16 credibility. But we think the alternative approach
17 would provide value if implemented.

18 MR. JASON WONG (by Teams): Of course,
19 it's difficult to implement. What we're used to
20 seeing is using claim counts 'cause it's simple. At
21 the same time, the way -- when we first looked at
22 this, the way we thought about it is: What would a
23 company do if they only had taxi data? What if they
24 did not have a big database like MPI has?

25 They would probably look at, say, the

1 number of claim counts that taxis have and go, okay,
2 taxis are actually pretty credible in terms of claim
3 counts if you have nothing else to refer to.

4 So of course choosing 'K' is
5 subjective. If we choose a high 'K', which is --
6 we're not saying is not reasonable, it's just by
7 design when you're choosing a really high 'K' for your
8 all purpose passenger vehicles, all the other classes
9 will not really progress beyond their minimum
10 credibility.

11 MR. ANTOINE HACAULT (by Teams): At
12 the last hearing there was some thought that when we
13 assigned a credibility of 10 percent as a minimum
14 credibility, that in ten (10) years that if you had a
15 raw relativity of, say, 5.1 that in ten (10) years you
16 would evolve and actually hit that raw relativity in
17 five (5) -- five (5) years.

18 Is that mathematically sound?

19 MR. JASON WONG (by Teams): So in our
20 report we have an appendix 5.2 in the report evidence.
21 So, it takes forty-three (43) years to reach the exact
22 1.5.

23 If you think of it and say reaching
24 halfway, so in six (6) years, you might reach -- you
25 will reach 1.26, which is half of the 1.5, so --

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

2 MR. JASON WONG (by Teams): -- so,
3 it's pretty slow.

4 MR. ANTOINE HACAULT (by Teams): Okay.
5 Thank you. Please continue.

6 MR. JASON WONG (by Teams): We are on
7 slide --

8 MR. SYLVAIN DION (by Teams):
9 Seventeen.

10 MR. JASON WONG (by Teams): -- 17.
11 Okay. So, our recommendation is that there needs to
12 be some finetuning. It's not going to be an easy
13 switch if there even is a switch. However, we're
14 trying to present different, say, approaches or
15 numbers.

16 So, you can understand that, yes, it is
17 a subjective matter. You understand that, yes, by
18 choosing that all-purpose passenger vehicles is fully
19 credible, everybody else will not be that credible.

20 So -- so, what we're saying is too
21 little credibility is applied to smaller classes like
22 taxis. Under alternative approach, if you use claim
23 counts, they would probably be more credible.

24 So, the problem with that is, if
25 they're not that credible, is that the rates for these

1 small classes are very slow to react. So, it's slow
2 to react if the loss ratios are poor; it's slow to
3 react if the loss ratios are improving.

4 So, if we look at passengers Vehicle
5 for Hire, so that one is kind of a bad loss experience
6 scenario. If they were only doing the regular minimum
7 credibility of ten (10), it will take a long time for
8 the rates to go up.

9 However, of course, the Public
10 Utilities Board have stepped in to mandate say the
11 plus twenty (20), plus twenty (20), plus twenty (20).
12 Now, ignoring that, it means that it takes a long time
13 for that rate to catch up.

14 Similarly, if a class is actually
15 improving a lot, it will take a long time for that
16 experience to be recognized.

17 Now, we understand there's more because
18 this is a government insurer. You know, it's -- it's
19 a -- it's not a competitive market, so rate stability
20 is important.

21 Now, in a private market, you probably
22 would not react that slow because the slower you
23 react, you're getting all the bad business, and other
24 companies will jump on you over that.

25 So, by selecting your 'K', again, to be

1 your 95 percent credible for your biggest class, which
2 is the all-purpose passenger vehicles, it just means
3 your other insurance uses, the smaller ones, will
4 never reach full credibility and, in many cases,
5 they're never going to be more than 10 percent
6 credible.

7 I -- I don't see taxis having six
8 thousand (6,000) vehicles any time soon, along with a
9 lot of other classes. They're always going to be at
10 the 10 percent, which is, again, yes, it will keep
11 rates more stable; it just makes it slower to react.

12 And it's important to note that this
13 part is the segmentation aspect. You know, this does
14 not change say the overall rate required. It's
15 changing the projected rates within each class. You
16 know, all of that will get off balance.

17 So, you do want to, I guess, reflect
18 newer experience as best as you can. Of course, in
19 private markets, most people -- most companies would
20 probably not care too much for data ten (10) years
21 ago; it's just a different market. They would
22 probably look at five (5). They might weight the five
23 (5) years say 10 percent, 15, 20, 25, 30.

24 So, there's usually, in most cases,
25 more weight placed to more recent years. I've seen

1 companies say for collision and physical damage, so
2 more the short tailed lines, take only two (2) of
3 data, and I see that with some of our clients' data,
4 too.

5 MR. SYLVAIN DION (by Teams): Well,
6 certainly, forty-three (43) years to reflect the full
7 impact is -- is unreasonable.

8 MR. JASON WONG (by Teams): So, we
9 presented a few options. Switching to the classical
10 credibility approach, which uses claim counts, it's
11 simple; however, it is a big change, and we understand
12 that. Considering to choose a different 'K', instead
13 of sixty thousand (60,000), there could be a lower
14 number.

15 The last one would be changing the
16 minimum credibility. The -- the 10 percent was
17 selected judgmentally. Perhaps 15, 20, 30 different
18 percentages are also valid depending on how responsive
19 to more recent experience the Public Utility Board
20 wants to be.

21 MR. ANTOINE HACAULT (by Teams): Okay.
22 And this question's addressed to both you, Mr. Wong
23 and Mr. Dion.

24 You were instructed and advised that,
25 in presenting your evidence, you were to be advisors

1 to the Board, and not advocates for any particular
2 position or party.

3 Is that my understanding?

4 MR. SYLVAIN DION (by Teams): Correct.

5 MR. JASON WONG (by Teams): That's
6 correct.

7 MR. ANTOINE HACAULT (by Teams): And
8 that's why you're coming up with different options as
9 opposed to advocating one (1) particular item, in
10 part? I mean, there may be other reasons?

11 MR. JASON WONG (by Teams): Correct.

12 MR. SYLVAIN DION (by Teams): Correct.

13 MR. ANTOINE HACAULT (by Teams):
14 Please continue.

15 MS. JASON WONG (by Teams): So, in
16 slide 18, okay, so we were asked to look into the
17 territory differentials.

18 So, our first observation is we feel
19 the current methodology doesn't really segment that
20 well between smaller subsets of risks. We see from
21 the loss ratios that territory 1 is a bit underpriced
22 and territories 2 to 4 seemed overpriced. So, to our
23 understanding, that is the urban area in Manitoba
24 versus more rural area.

25 And our second observation is it -- it

1 feels like, based on some of the responses we
2 received, that the rating methodology is simplistic in
3 nature. I don't believe there are too many rating
4 variables used in the rating.

5 So, in our opinion, there's always a
6 tradeoff between say a more simple rating and more
7 complexity. So, if you're more complex, you may be
8 able to better segment. However, you need to be able
9 to identify what is a real signal versus what is
10 noise.

11 Contrary to that, if you're doing a
12 more simple one, like, it might be fine overall, but
13 you may find some pockets subsidizing other pockets.

14 In our recommendation --

15 MR. SYLVAIN DION (by Teams): Which
16 page?

17 MR. JASON WONG (by Teams): The next
18 page, page 19. So, it's hard for us to tell, is it
19 truly underpriced and overpriced? We feel it is based
20 on the data. Based on the historical experience, you
21 may want to consider raising the rates in territory 1
22 and lowering it a bit in territories 2 to 4.

23 But we also understand it's a bit of a
24 circular argument. Territories 2 and 4 don't have
25 much data. There's not that many earned units, so

1 it's going to be -- it's an issue of, okay, there's
2 not a lot of credibility and not a lot of data. But
3 if you look at it historically, it does look like the
4 urban area needs more rate and the rural area needs
5 less.

6 So, in our opinion, it's more about
7 investigating this, like, is there an improvement in a
8 rating algorithm, can we make it more complex, are
9 there more -- are there more interactions to think
10 about.

11 So, one (1) of the questions we asked
12 was: Is there an interaction that can be considered?
13 For example, maybe you can make an interaction between
14 territories and insurance use. So, maybe that
15 relativity is different depending on the insurance
16 use.

17 And, of course, that leads to the GLM
18 discussion. We are on page 21.

19 MR. ANTOINE HACAULT (by Teams): And
20 that nearly completes your presentations, Mr. Dion and
21 Mr. Wong? This is the last subject matter --

22 MR. JASON WONG (by Teams): M-hm.

23 MR. ANTOINE HACAULT (by Teams): -- as
24 I understand it?

25 MR. JASON WONG (by Teams): Yes. So,

1 we were asked to look into the minimis -- minimum bias
2 procedure.

3 So, the minimum bias procedure, while
4 being an accepted actuarial practice, was developed in
5 the 1960s, so it's where the computational powers are
6 much lower than today.

7 Generalized linear models, which are
8 GLMs, are widely recognized as the industry standard
9 method for pricing private passenger auto. It
10 honestly surprised me that minimums bias is used. I
11 have actually never done it.

12 Even when I was starting my career,
13 this is fifteen (15) years ago, companies here were
14 doing GLMs. So, to me, it -- it seemed a bit outdated
15 to not be doing GLMs.

16 In terms of why the GLM is superior --
17 so, two (2) points there. So, the minimum bias
18 procedure does not provide a systematic way of testing
19 whether a particular variable influences the result
20 with statistical significance.

21 So, what this means is, when you build
22 your GLM model, you could put in, say, two hundred
23 (200) rating variables, and you'll be able to tell
24 which of, say, the two hundred (200) rating variables
25 are significant to your rating; it might be ten (10)

1 variables, it might be twenty (20).

2 What say -- whatever say MPI is using
3 right now, there's a possibility that GLM tells you
4 that, hey, you don't need say -- I'm just going to
5 make up an example -- yes, you need a territory
6 variable. Maybe it tells you you don't need an
7 insurance use variable. It's very different.

8 It will tell you exactly how important
9 each rating variable you use is and how much it
10 contributes to right risk. And that leads to the next
11 point, which is minimum bias procedure doesn't provide
12 a credible range for the parameter estimates.

13 So, in GLMs, there's -- also, it's --
14 there -- it's a bit of an art, too. You don't want to
15 overfit your model to the data, where you kind of --
16 every point just fits exactly to it, but it might not
17 be a true signal.

18 When you have these confidence
19 intervals, you can see each variable, how predictable
20 it is, does it make sense. So, let's say you have a
21 age variable.

22 So, you have an age variable of people
23 from age 16 to 100. When you fit that to a GLM, 1) it
24 will likely tell you that it's an important variable,
25 it's commonly used; and, 2) it will give you kind of

1 like a confidence interval.

2 So, you will expect to see your
3 downward sloping line. So, the younger drivers have
4 worse experience; it goes down. Then maybe when
5 people cross the age of say 80, you know, they lose a
6 bit of reflexes and the curve goes back a bit up. And
7 then there will usually be a confidence interval.

8 And you'll see that, say, between say
9 age 25 and 70 you have a very tight confidence
10 interval because it's very predictable. But when you
11 look at the tails, say, the very young drivers and the
12 older drivers, it might spread out a bit.

13 So the GLM is much more powerful and it
14 gives you that statistical background to determine how
15 good your model is, which variables to include, which
16 variables you might want to add in the future, and how
17 credible it is.

18 MR. ANTOINE HACAULT (by Teams): So,
19 sorry, just to interject here. At the outset, you had
20 said you'd done work for various not-for-profits, as I
21 understood it. And one (1) of the objectives was
22 fairness of rates.

23 How does GLM help produce fair rates or
24 would it help produce fair rates for Manitobans?

25 MR. JASON WONG (by Teams): GLM is

1 more of a segmentation tool. So you're trying to
2 allocate the right charge to the right risk.

3 So we're not talking about whether to
4 charge five thousand dollars (\$5,000) in total, we're
5 talking about how to allocate that five thousand
6 dollars (\$5,000) to different individuals.

7 So the GLM will help you better segment
8 your book of business. So if we were to apply it,
9 say, to some of our clients, maybe we identify
10 something like, say, Well, they're over charging our
11 older drivers and under charging the younger drivers.
12 We actually caught that once with one (1) of our
13 clients.

14 There was a change the insurer did. It
15 didn't seem logical to us. And we kind of caught
16 that.

17 And if you run, say, a GLM, you kind of
18 see it that, you know, logically, you probably
19 shouldn't under charge the younger drivers. You
20 probably should charge them a bit more. And not over
21 charge our older ones.

22 But, of course, there's always some
23 sort of subsidization happening.

24 MR. ANTOINE HACAULT (by Teams): Okay.
25 And how do you see that fitting into a process where

1 you have a corporation like MPI developing new
2 software and new interface platforms?

3 Can you provide any advice to this
4 Board on whether it would be appropriate to start
5 looking at that while you're going into an IT re-
6 think? Or should it only be, Let's convert the old
7 data analysis into the IT and then take it as a second
8 step? What's the consequence of not implementing GLMs
9 at an earlier stage?

10 MR. JASON WONG (by Teams): I think
11 it's something -- well, you have to think about it in
12 terms of it's 2021 right now. The faster you put a
13 plan in place to do this, the better your rating will
14 get.

15 And one of the PUB -- or one of the CAC
16 questions asked us about this. It's going to take
17 time. It's not instantaneous. Even the companies
18 I've worked for took a lot of time to switch from
19 traditional rate filings to GLMs. But regulators had
20 to adapt. You know, they had all -- rate filings
21 became much more massive because every rating variable
22 of the GLM was included in the rate filing and
23 regulators had to analysis to make sure, you know,
24 this makes sense.

25 I would say the good part is MPI has a

1 lot of data. They have an amazing amount of data. It
2 goes very far back. And, in my opinion, it's very
3 clean.

4 So I think the advantage there is that
5 you're going to have to transition between minimum
6 bias and GLMs. There's going to be massive
7 dislocation possibly.

8 There needs to be a plan -- you know,
9 you might have to cap everybody plus or minus ten (10)
10 because the GLM might make rates go plus 100 percent;
11 some minus 100 percent. It really depends on how well
12 the model is.

13 Maybe the GLM starts correcting for the
14 territories. But the GLM it's -- Mani (phonetic)
15 actually had a good point, saying that minimum bias is
16 kind of an introduction to GLMs.

17 I mean, here, in Ontario, every company
18 is using GLMs. It's been -- it's pretty -- actually,
19 I -- I think it's old now because companies are going
20 to machine learning and even more difficult black
21 boxes.

22 But GLMs are still a standard that's
23 been used for the last fifteen (15) years, as far as I
24 know.

25 MR. ANTOINE HACAULT (by Teams): Okay.

1 Thank you. Could you go -- I believe -- now to your
2 last slide?

3 MR. JASON WONG (by Teams): Yeah.
4 Page 22, so our recommendation is a plan to be put in
5 place for MPI to switch to GLMs.

6 GLMs are superior to the minimum bias
7 procedure and it provides that systematic method. You
8 know, including numbers, to determine your rating
9 variables or significance in your confidence measures.

10 And if you do it properly, it should
11 reduce the cross-subsidization amongst the subsets of
12 risk. And the benefit of that to the Public Utilities
13 Board is if people are priced more correctly, there's
14 going to be less need of these interventions.

15 MR. ANTOINE HACAULT (by Teams): Thank
16 you. Mr. Dion, from your perspective, having the
17 lengthy experience you have as an actuary, what was
18 your reaction to seeing that our Public Insurance
19 Corporation for automobile here in Manitoba was using
20 minimum bias procedure as opposed to generalized
21 linear models?

22 MR. SYLVAIN DION (by Teams): I'll
23 just say it was surprising given what Jason mentioned,
24 that these models -- the GLM have been in use for
25 fifteen (15) years.

1 MR. JASON WONG (by Teams): More in
2 Europe even actually. I think in -- in the UK, it's
3 more open competition. So these were done in, I
4 think, the early 2000s.

5 The article I referred to was actually
6 written in 2007. So a long time ago. And all of
7 Europe was using it.

8 And, at that time, I guess -- even when
9 I was a co-op student, everyone wanted to work on GLMs
10 because that was the new software, the in thing there
11 so.

12 MR. SYLVAIN DION (by Teams): I think
13 also given the importance of fairness in the rating as
14 it applies to MPI, that would seem like a high
15 priority improvement that should be done.

16 MR. ANTOINE HACAULT (by Teams): Okay.
17 Thank you very much, gentlemen, for your presentation.

18 Members of the panel, this completes
19 our evidence this morning. I understand that we will
20 now take a break.

21 And, Mr. Dion, perhaps you can advise,
22 when you expect to be back from your other duties?

23 MR. SYLVAIN DION (by Teams): I would
24 say around 12:40, 12:45 Central time.

25 MR. ANTOINE HACAULT (by Teams): Okay.

1 MR. SYLVAIN DION (by Teams): It's now
2 11:30 Central time.

3 THE PANEL CHAIRPERSON: Thank you very
4 much. And, Mr. Hacault, could we ask that you, once
5 again, just inform us when your witnesses are back and
6 we will start with cross-examination by MPI.

7 MR. ANTOINE HACAULT (by Teams): Yes,
8 I will do, Madam Chair.

9 THE PANEL CHAIRPERSON: Thank you.

10 MR. ANTHONY GUERRA: Madam Chair,
11 while I -- while we do have some time and Mr. Hacault
12 can excuse his witnesses, I do have a number of
13 exhibits to read into the record. Perhaps we could
14 just make the most of our time.

15 THE PANEL CHAIRPERSON: Thank you.

16 MR. ANTHONY GUERRA: We last left off
17 on MPI Exhibit number 86.

18 So MPI Exhibit number 87 is its
19 response to undertaking number 7.

20 MPI Exhibit number 88 is its response
21 to undertaking number 27.

22 MPI Exhibit number 89 is the driver
23 safety rating Vehicle for Hire CERP product panel
24 presentation, page 8 blacklined and cleaned.

25 MPI Exhibit number 90 is the motorcycle

1 details in rate model response.

2 MPI Exhibit number 91 is its response

3 to undertaking number 21.

4 MPI Exhibit number 92 is its response

5 to undertaking number 22.

6 MPI Exhibit number 93 is its response

7 to undertaking number 23.

8 MPI Exhibit number 94 is its response

9 to undertaking number 24.

10 MPI Exhibit number 95 is its response

11 to undertaking number 25.

12 MPI Exhibit number 96 is the DVA table

13 project costs, which is filed confidentially.

14 MPI Exhibit number 97 is the response

15 by MPI to the DVA fees question.

16 MPI Exhibit number 98 is its response

17 to undertaking number 30.

18 MPI Exhibit number 99 is its response

19 to undertaking number 35.

20 MPI Exhibit number 100 is its response

21 to undertaking number 36.

22 MPI Exhibit number 101 is its response

23 to undertaking number 43.

24 MPI Exhibit number 102 is its response

25 to undertaking number 44.

1 MPI Exhibit number 103 is its response
2 to undertaking number 46.

3 MPI Exhibit number 104 is its response
4 to undertaking CAC-MPI Pre-ask number 1.

5 MPI Exhibit number 105 is its response
6 to undertaking PUB-MPI Pre-ask number 1.

7 MPI Exhibit number 106 is its response
8 to undertaking number 42.

9 MPI Exhibit number 107 is its response
10 to undertaking number 37.

11 MPI Exhibit number 108 is its response
12 to undertaking 18.

13 MPI Exhibit number 109 is its response
14 to undertaking number 19.

15 MPI Exhibit number 110 is its response
16 to the Board request regarding private insurers and
17 certification of the DSR models.

18 MPI Exhibit number 111 is its response
19 to undertaking 38.

20 MPI Exhibit number 112 is its response,
21 rather, to undertaking 21, blacklined and cleaned.

22 And MPI Exhibit number 113 is its
23 response to undertaking number 32.

24 Thank you.

25

1 --- EXHIBIT NO. MPI-87: MPI's response to
2 undertaking number 7
3
4 --- EXHIBIT NO. MPI-88: MPI's response to
5 undertaking number 27
6
7 --- EXHIBIT NO. MPI-89: MPI's response to
8 undertaking number 27.
9
10 --- EXHIBIT NO. MPI-89: Driver safety rating
11 Vehicle for Hire CERP
12 product panel presentation,
13 page 8 blacklined and
14 cleaned.
15
16 --- EXHIBIT NO. MPI-90: Motorcycle details in rate
17 model response.
18
19 --- EXHIBIT NO. MPI-91: MPI's response to
20 undertaking number 21.
21
22 --- EXHIBIT NO. MPI-92: MPI's response to
23 undertaking number 22.
24
25 --- EXHIBIT NO. MPI-93: MPI's response to

1 undertaking number 23.
2
3 --- EXHIBIT NO. MPI-94: MPI's response to
4 undertaking number 24.
5
6 --- EXHIBIT NO. MPI-95: MPI's response to
7 undertaking number 25.
8
9
10 --- EXHIBIT NO. MPI-96: DVA table project costs,
11 which is filed
12 confidentially.
13
14 --- EXHIBIT NO. MPI-97: Response by MPI to the DVA
15 fees question.
16
17 --- EXHIBIT NO. MPI-98: MPI's response to
18 undertaking number 30.
19
20 --- EXHIBIT NO. MPI-99: MPI's response to
21 undertaking number 35.
22
23 --- EXHIBIT NO. MPI-100: MPI's response to
24 undertaking number 36.
25

1 --- EXHIBIT NO. MPI-101: MPI's response to
2 undertaking number 43.
3
4 --- EXHIBIT NO. MPI-101: MPI's response to
5 undertaking number 44.
6
7 --- EXHIBIT NO. MPI-102: MPI's response to
8 undertaking number 46.
9
10
11 --- EXHIBIT NO. MPI-104: MPI's response to
12 undertaking CAC-MPI Pre-
13 ask number 1.
14
15 --- EXHIBIT NO. MPI-105: MPI's response to
16 undertaking PUB-MPI Pre-
17 ask number 1.
18
19 --- EXHIBIT NO. MPI-106: MPI's response to
20 undertaking number 42.
21
22 --- EXHIBIT NO. MPI-107: MPI's response to
23 undertaking number 37.
24
25 --- EXHIBIT NO. MPI-108: MPI's response to

1 undertaking 18.

2

3 --- EXHIBIT NO. MPI-109: MPI's response to

4 undertaking number 19.

5

6 --- EXHIBIT NO. MPI-110: MPI's response to the

7 Board request regarding

8 private insurers and

9 certification of the DSR

10 models.

11

12 --- EXHIBIT NO. MPI-111: MPI's response to

13 undertaking 38.

14

15 --- EXHIBIT NO. MPI-112: MPI's response to

16 undertaking 21, blacklined

17 and cleaned.

18

19 --- EXHIBIT NO. MPI-113: MPI's response to

20 undertaking number 32.

21

22 THE CHAIRPERSON: Mr. Guerra, I have a

23 little concern with Exhibit 96, if it's a CSI exhibit.

24 Is that correct that it's a CSI

25 exhibit?

1 MR. ANTHONY GUERRA: That's what I
2 have identified.

3 THE CHAIRPERSON: Yeah. I'm -- you
4 know, I'm sort of looking to Ms. Schubert. I think
5 what we might want to do over the break is -- is check
6 that. We may want to put it as an exhibit on the CSI
7 record, rather than have it as an exhibit on the
8 general record.

9 Because I'm -- I'm concerned that there
10 -- there might be an accident and it might go on to
11 our website with all the other exhibits.

12 MR. ANTHONY GUERRA: Right. I --
13 subject to check, I believe what would be filed would
14 be a placeholder, just identifying that there's been a
15 filing on the confidential record.

16 I'll just --

17 THE CHAIRPERSON: Okay. That's fine.
18 Then -- then I'm fine with that. That's -- sorry?

19 MR. ANTHONY GUERRA: There you go.

20 THE CHAIRPERSON: Right. Okay.

21 Thank you.

22 THE PANEL CHAIRPERSON: Thank you very
23 much, Mr. Guerra. And can you tell, from the list
24 that you've received, whether that includes some of
25 the outstanding responses to undertakings that we were

1 advised of this morning? Or are those still yet to
2 come?

3 MR. ANTHONY GUERRA: That does not
4 include those ones identified this morning. Those are
5 still yet to come.

6 THE PANEL CHAIRPERSON: Thank you very
7 much. We'll break now until around 12:45 or whenever
8 the Taxi Coalition witnesses are able to return to the
9 Hearing. Thank you.

10

11 --- Upon recessing at 11:36 a.m.

12 --- Upon resuming at 12:45 p.m.

13

14 MR. ANTOINE HACAULT (by Teams): As we
15 can see, Messrs. Wong and Dion are on the Teams for --
16 format, so we can start at the Board's convenience.

17 THE PANEL CHAIRPERSON: Thank you very
18 much, Mr. Hacault. We can see them now, and, Mr.
19 Guerra...?

20

21 (BRIEF PAUSE)

22

23 MR. ANTHONY GUERRA: Is there -- is
24 there -- sorry. Was there a specific question, Mr.
25 Gabor?

1 THE PANEL CHAIRPERSON: No. We were
2 just wondering whether you're -- you're doing the
3 cross for this -- for these witnesses, correct?

4 MR. ANTHONY GUERRA: Yes. Yes, I am.

5 THE PANEL CHAIRPERSON: Thank you.

6 MR. ANTHONY GUERRA: Yeah, yeah. Mr.
7 Scarfone will be cross-examining the CAC expert
8 witnesses, yeah.

9 THE PANEL CHAIRPERSON: Thank you.
10 Please proceed.

11 MR. ANTHONY GUERRA: And just before I
12 begin, just as a housekeeping matter, I can just give
13 you an update as to the status of the undertakings. I
14 do expect them to be filed before the end of today.

15 And in terms of a panel presenting on
16 the Nova-specific questions, I can advise that we do
17 have a panel lined up who would be able to present as
18 -- and would be preferring to present at nine o'clock
19 tomorrow.

20 THE PANEL CHAIRPERSON: Thank you very
21 much, Mr. Guerra. What we'll do is we'll review the
22 response to the undertaking --

23 MR. ANTHONY GUERRA: Okay.

24 THE PANEL CHAIRPERSON: -- and then,
25 before we leave for the day, let you know whether that

1 panel will be necessary or not, okay?

2 MR. ANTHONY GUERRA: Sure.

3 THE PANEL CHAIRPERSON: Thank you.

4 MR. ANTHONY GUERRA: They're --
5 they're ready to go, and we are assuming that they
6 will be going unless they're told not to.

7 THE PANEL CHAIRPERSON: Okay. Thank
8 you.

9

10 CROSS-EXAMINATION BY MR. ANTHONY GUERRA:

11 MR. ANTHONY GUERRA: Good afternoon
12 and thank you very much, Messrs. Dion and -- and Wong,
13 for presenting yourself this afternoon in the General
14 Rate Application. Good afternoon to you both.

15 MR. JASON WONG (by Teams): Good
16 afternoon.

17 MR. SYLVAIN DION (by Teams): Good
18 afternoon.

19 MR. ANTHONY GUERRA: Can you hear me
20 okay?

21 MR. JASON WONG (by Teams): Yes.

22 MR. SYLVAIN DION (by Teams): Yes.

23 MR. ANTHONY GUERRA: Okay.

24 MR. JASON WONG (by Teams): Are -- are
25 we coming in good?

1 MR. ANTHONY GUERRA: Yes, thank you.
2 Just want to make sure we're all -- we're all good.
3 My name is Anthony Guerra. I'm not sure if you have
4 seen me before, but I'm one (1) of the lawyers for
5 Manitoba Public Insurance, and had a chance to take a
6 look at the material that you've presented to the
7 Board today, and I do have a few questions to ask you.

8 I will begin with -- with you, Mr.
9 Dion. And -- and again, unless I put a specific
10 question to -- to a member of your panel, please feel
11 free to -- to answer as -- as best seen fit, and that
12 includes answers from -- from the both of you, if
13 that's okay.

14 MR. SYLVAIN DION (by Teams): Okay.

15 MR. ANTHONY GUERRA: Thank you.
16 Having reviewed your curriculum vitae, Mr. Dion, I
17 understand that you graduated with your bachelor of
18 actuarial science in 1976. Is that correct?

19 MR. SYLVAIN DION (by Teams): It is
20 correct.

21 MR. ANTHONY GUERRA: And -- and then
22 after you graduated, you began working with a company
23 known as the Wyatt Company (phonetic)?

24 MR. SYLVAIN DION (by Teams): That's
25 correct.

1 MR. ANTHONY GUERRA: And can you
2 advise us to what type of company the Wyatt Company is
3 or was?

4 MR. SYLVAIN DION (by Teams): The
5 Wyatt Company was a consulting firm based around the
6 world, but I was working in the Montreal office. It's
7 known today after many amalgamation as Willis Watson
8 Wyatt -- no, Willis Watson -- well, Willis Towers
9 Watson, which is a very large firm.

10 MR. ANTHONY GUERRA: Thank you very
11 much. And I understand you had -- you had various
12 leadership capacities within that company, including
13 being the chair of the risk management practice
14 committee. Is that correct?

15 MR. SYLVAIN DION (by Teams): This is
16 correct.

17 MR. ANTHONY GUERRA: And just to
18 confirm, you had mentioned that the company is a
19 consulting company. Is that correct?

20 MR. SYLVAIN DION (by Teams): This is
21 -- yeah, it is a consulting company.

22 MR. ANTHONY GUERRA: And -- and so in
23 -- conversely, it -- it would not be a company that
24 provided automobile insurance products. Is that
25 correct?

1 MR. SYLVAIN DION (by Teams): Not
2 selling automobile product, but within the company we
3 had people consulting on automobile insurance.

4 MR. ANTHONY GUERRA: And -- and would
5 you have been one (1) of those individuals, Mr. Dion?

6 MR. SYLVAIN DION (by Teams): No.

7 MR. ANTHONY GUERRA: Okay. And
8 following your tenure at Wyatt Company, I understand,
9 Mr. Dion, that you moved to a consulting firm known as
10 Durrell -- Dion, Durrell & Associates, correct?

11 MR. SYLVAIN DION (by Teams): Correct.

12 MR. ANTHONY GUERRA: And I would
13 assume -- and correct me if I'm wrong -- that the Dion
14 in the Dion, Durrell & Associates refers to yourself?

15 MR. SYLVAIN DION (by Teams): That's
16 correct.

17 MR. ANTHONY GUERRA: And much like
18 Wyatt Company, Dion, Durrell was also a consulting
19 firm, correct?

20 MR. SYLVAIN DION (by Teams): Correct.

21 MR. ANTHONY GUERRA: And your role
22 within the firm was to be a strategic advisor and a
23 consulting actuary, correct?

24 MR. SYLVAIN DION (by Teams): Correct.
25 Strategic advisor to clients and consulting actuary.

1 MR. ANTHONY GUERRA: Okay. Your work
2 with Dion, Durrell & Associates, did it include
3 advising clients on matters pertaining to government-
4 owned automobile insurance companies?

5 MR. SYLVAIN DION (by Teams): It
6 included advising clients on matters related to
7 automobile insurance.

8 MR. ANTHONY GUERRA: Okay. So not
9 government specifically owned insurance companies,
10 though?

11 MR. SYLVAIN DION (by Teams): No.

12 MR. ANTHONY GUERRA: And you began
13 working with Dion Strategic Consulting Group Inc. in
14 2011, correct?

15 MR. SYLVAIN DION (by Teams): This is
16 correct.

17 MR. ANTHONY GUERRA: And again, this
18 is another consulting firm?

19 MR. SYLVAIN DION (by Teams): Yeah,
20 another consulting firm similar to the two (2)
21 previous ones.

22 MR. ANTHONY GUERRA: And again, the
23 same role with Dion Strategic as a strategic advisor
24 and consulting actuary?

25 MR. SYLVAIN DION (by Teams): In -- in

1 addition to management responsibility for the firm as
2 a whole, correct.

3 MR. ANTHONY GUERRA: Okay. And other
4 than this year's General Rate Application, did your
5 work with Dion Strategic involve advising clients on
6 matters pertaining to government-owned automobile
7 insurance companies?

8 MR. SYLVAIN DION (by Teams): Not --
9 not advising clients on government-owned automobile.

10 MR. ANTHONY GUERRA: So just
11 automobile insurance, but not specifically government
12 owned?

13 MR. SYLVAIN DION (by Teams): That's
14 correct.

15 MR. ANTHONY GUERRA: Okay. And I
16 believe we heard from Mr. Wong this morning that part
17 of the -- for lack of a better word, part of the --
18 the goal of -- of Dion Strategic is to fight on behalf
19 of consumers. Is that fair to say?

20 MR. JASON WONG (by Teams): We -- we
21 represent more the consumer side and advocate on the
22 consumer in a lot of the work we do at Dion Strategic.
23 But in this case here, it's more trying to present
24 evidence and being impartial. So while we're retained
25 by the Taxi Coalition, we're here to advise the PUB --

1 or Public Utilities Board.

2 MR. ANTHONY GUERRA: And
3 traditionally, I understand your evidence that Dion
4 Strategic typically advises large, not-for-profit
5 organizations. Is that correct?

6 MR. SYLVAIN DION (by Teams): This is
7 correct. I have a group program including group
8 automobile program.

9 MR. ANTHONY GUERRA: And this year,
10 Dion Strategic is -- was retained on behalf of the
11 Taxi Coalition. Is that correct?

12 MR. SYLVAIN DION (by Teams): Yes.

13 MR. ANTHONY GUERRA: And is Dion
14 Strategic Consulting aware that the Taxi Coalition is
15 comprised of two (2) for-profit corporations?

16 MR. SYLVAIN DION (by Teams): Yes.

17 MR. ANTHONY GUERRA: And in terms of
18 its -- its fighting on behalf of consumers, you'd
19 agree that, in this particular case, although the Taxi
20 Coalition is comprised of consumers of MPI products,
21 it -- it does represent a specific subset of
22 consumers, not all consumers, correct?

23 MR. JASON WONG (by Teams): Correct.

24 MR. ANTHONY GUERRA: I understand that
25 this is the second year that Strategic -- Dion

1 Strategic has been involved in rate applications
2 before the Manitoba Public Utilities Board.

3 Is that correct?

4 MR. JASON WONG (by Teams): Yes.

5 MR. SYLVAIN DION (by Teams): This is
6 correct.

7 MR. ANTHONY GUERRA: And its first
8 involvement was in last year's rate application, the
9 2021 GRA?

10 MR. JASON WONG (by Teams): Yeah.

11 MR. SYLVAIN DION (by Teams): Yes.

12 MR. ANTHONY GUERRA: Mr. Dion, is it
13 fair to say that you -- you personally weren't
14 involved in that rate application, that it was just
15 Mr. Wong?

16 MR. SYLVAIN DION (by Teams): I was
17 involved strictly from an overall review perspective,
18 but I was not involved in the details.

19 MR. ANTHONY GUERRA: Okay. And you
20 didn't claim any costs involved in -- in your
21 participation. Is that correct, sir?

22 MR. SYLVAIN DION (by Teams): I think
23 that's correct.

24 MR. JASON WONG (by Teams): Yeah. All
25 the costs were for myself at CMMG last year.

1 MR. ANTHONY GUERRA: And I think
2 you've beaten me to the punch here. Your -- my next
3 question was that your organization was -- was
4 retained by the motorcycle coalition, the -- the
5 Coalition of Manitoba Motorcycles Group, or CMMG,
6 correct?

7 MR. JASON WONG (by Teams): Yes.

8 MR. ANTHONY GUERRA: And just to
9 confirm, my understanding is that, Mr. Wong, you did
10 not provide any specific expert evidence in the 2021
11 GRA, correct?

12 MR. JASON WONG (by Teams): Correct.

13 MR. ANTHONY GUERRA: You weren't
14 qualified as an expert in that application. You were
15 simply providing advice to the CMMG?

16 MR. JASON WONG (by Teams): Correct.

17 MR. ANTHONY GUERRA: And both of you
18 were aware that, as a result of the 2021 GRA hearings,
19 the PUB issued Order number 1-21 regarding the
20 approval of the 2021/2022 driver and vehicle insurance
21 premiums?

22 MR. JASON WONG (by Teams): Can you
23 repeat the Order number?

24 MR. ANTHONY GUERRA: Order number 1-
25 21.

1 (BRIEF PAUSE)

2

3 MR. JASON WONG (by Teams): I need to
4 pull this one up.

5 MR. ANTHONY GUERRA: Sure.

6

7 (BRIEF PAUSE)

8

9 MR. ANTHONY GUERRA: I'm not sure if
10 you see that on the screen, but Ms. Schubert has
11 kindly posted a copy of the cover page.

12

13 (BRIEF PAUSE)

14

15 MR. JASON WONG (by Teams): Yes, I
16 have that up now.

17 MR. ANTHONY GUERRA: Thank you. And
18 just to my question, you'll agree that that's the
19 result of the hearings from the 2021 GRA in terms of
20 the approval of the driver and vehicle insurance
21 premiums?

22 MR. JASON WONG (by Teams): Correct.

23 MR. ANTHONY GUERRA: And is it fair to
24 say that you reviewed that Order in preparation for
25 your evidence today?

1 MR. JASON WONG (by Teams): Yes.

2 MR. ANTHONY GUERRA: And would it also
3 be fair to say that you reviewed that Order in
4 preparation for -- of rather your September 24th,
5 2021, report?

6 MR. JASON WONG (by Teams): Correct.

7 MR. ANTHONY GUERRA: And, Mr. Wong,
8 just in terms of your curriculum vitae, my
9 understanding is that you graduated with a bachelor of
10 mathematics and honours in actuarial science in 2007?

11 MR. JASON WONG (by Teams): Correct.

12 MR. ANTHONY GUERRA: And that you have
13 extensive experience with rate filings for the
14 Ontario, Alberta, and Atlantic Canada markets?

15 MR. JASON WONG (by Teams): Correct.

16 MR. ANTHONY GUERRA: And would you
17 agree with me, sir, that in Ontario, Alberta, and
18 Atlantic Canada, they have private for profit
19 automobile insurance schemes?

20 MR. JASON WONG (by Teams): Correct.

21 MR. ANTHONY GUERRA: These schemes
22 would be regulated. Is that correct?

23 MR. JASON WONG (by Teams): Correct.

24 MR. ANTHONY GUERRA: And would it be
25 fair to say that your experience in a jurisdiction

1 with government not for profit automobile insurance
2 schemes is limited to Manitoba, and specifically to
3 your involvement with the 2021 GRA, and then this
4 year's GRA?

5 MR. JASON WONG (by Teams): Correct.

6

7 (BRIEF PAUSE)

8

9 MR. ANTHONY GUERRA: And to confirm,
10 Dion Strategic prepared a report dated September 24th,
11 2021, which it filed with the PUB for use in this
12 Hearing and which the Taxi Coalition has filed as
13 Exhibit 4.

14 Would you agree with that, sir?

15 MR. JASON WONG (by Teams): Correct.

16

17 (BRIEF PAUSE)

18

19 MR. ANTHONY GUERRA: And this report
20 was prepared by specifically the Dion Strategic
21 Consulting Group, correct?

22 MR. JASON WONG (by Teams): Correct.

23 MR. ANTHONY GUERRA: And that company
24 is based in Toronto, Ontario. Is that correct?

25 MR. SYLVAIN DION (by Teams): This

1 company has offices in Toronto, in Calgary, and in
2 Chicago. But if you want, head office would be in
3 Toronto.

4 MR. ANTHONY GUERRA: And is that where
5 you're speaking to us from this -- this afternoon?

6 MR. SYLVAIN DION (by Teams): Yes.

7 MR. JASON WONG (by Teams): Correct.

8 MR. ANTHONY GUERRA: And I understand
9 that your report dated September 24th, 2021, was peer
10 reviewed by a Ms. Setto. Do you recall that?

11 MR. JASON WONG (by Teams): Correct.

12 MR. ANTHONY GUERRA: And, in fact,
13 that report by Ms. Setto also dated September 24th,
14 2021 is an appendices, or an attachment, to your
15 report, correct?

16 MR. JASON WONG (by Teams): Correct.

17 MR. ANTHONY GUERRA: And is it fair to
18 say that Dion Strategic engaged Ms. Setto for the
19 purposes of conducting an external actuarial review of
20 -- of your testimony?

21 MR. JASON WONG (by Teams): Correct.

22 MR. ANTHONY GUERRA: And, in fact, if
23 we look at the report, which will be Exhibit 4 of the
24 Taxi Coalition, and I believe it's page 20 of the PDF,
25 Ms. Schubert.

1 (BRIEF PAUSE)

2

3 MR. ANTHONY GUERRA: Maybe just --
4 just need to go -- keep going. It may be 21 of the
5 PDF.

6

7 (BRIEF PAUSE)

8

9 MR. JASON WONG (by Teams): Yeah.

10 MR. ANTHONY GUERRA: All right. And
11 we'll see there that, actually, it's reviewed by Ms.
12 Setto but, also, this Palm Canada company, correct?

13 MR. JASON WONG (by Teams): Correct.
14 She works for Palm Canada.

15 MR. ANTHONY GUERRA: And if I
16 understand correctly, what happened is that Dion
17 Strategic provided a draft of their testimony to Ms.
18 Setto on September 22nd, 2021?

19 MR. JASON WONG (by Teams): Correct.

20 MR. ANTHONY GUERRA: And subject to
21 check, would it be fair to say that the draft provided
22 to Ms. Setto contained the same substantive
23 conclusions as set out in their final report?

24 MR. JASON WONG (by Teams): Correct.

25 MR. ANTHONY GUERRA: In other words,

1 the content did not materially change between the
2 September 22nd, 2021, and the September 24th, 2021,
3 dates?

4 MR. JASON WONG (by Teams): Correct.

5 MR. ANTHONY GUERRA: And are you aware
6 that Palm Canada is an insurance company that provides
7 insurance products for the oil and gas exploration and
8 production companies?

9 MR. JASON WONG (by Teams): Correct.

10 MR. ANTHONY GUERRA: And you're aware
11 that Palm Canada's not a provider of automobile
12 insurance products?

13

14 (BRIEF PAUSE)

15

16 MR. SYLVAIN DION (by Teams): Yeah,
17 just a clarification, Mr. Guerra, Palm Insurance, as a
18 different division, they do not -- they -- they are --
19 they act, I think, as a broker or consultant, not an
20 insurance company.

21 MR. JASON WONG (by Teams): I -- I
22 believe they are officially a managing general agent,
23 so an MGA.

24 MR. ANTHONY GUERRA: Okay. And they
25 are based in Calgary, Alberta. Is that your

1 understanding?

2 MR. JASON WONG (by Teams): Correct.

3 MR. ANTHONY GUERRA: And in particular
4 to Ms. Setto, my understanding, based on her report,
5 is that she has twenty (20) years of experience in the
6 property and casualty insurance company, including ten
7 (10) plus years in the automobile industry?

8 MR. JASON WONG (by Teams): Yes.

9 MR. ANTHONY GUERRA: And that this
10 mostly pertains to the Alberta and Ontario
11 jurisdictions, correct?

12 MR. JASON WONG (by Teams): I believe
13 so, yes.

14 MR. ANTHONY GUERRA: Would it be fair
15 to say that Dion Strategic chose Ms. Setto to provide
16 its review of its testimony because of her involvement
17 in the automobile insurance industry?

18 MR. JASON WONG (by Teams): Yes, I
19 think that's fair to say.

20 MR. ANTHONY GUERRA: And you would
21 agree with me that the Alberta/Ontario jurisdictions
22 are, again, those that are -- contain private for
23 profit insurance companies but also a regulated
24 market, correct?

25 MR. JASON WONG (by Teams): Correct.

1 MR. ANTHONY GUERRA: And in terms of
2 the work experience provided by Ms. Setto, you would
3 agree with me that she does not provide any work
4 experience for a government run public automobile
5 insurance company?

6 MR. JASON WONG (by Teams): Correct.

7 MR. ANTHONY GUERRA: Getting to the
8 topics covered by your expert report, on the issue of
9 serious loss loading, just to confirm again, I believe
10 your evidence from this morning is that we can define
11 a serious loss as a loss that is random, infrequent,
12 and is a loss that has -- is severe in nature,
13 correct?

14 MR. JASON WONG (by Teams): Correct.

15 MR. ANTHONY GUERRA: And would you
16 agree with me that whether a loss qualifies as being a
17 serious loss can be different from company to company?

18 MR. JASON WONG (by Teams): I would
19 agree so.

20 MR. ANTHONY GUERRA: For example, MPI
21 defines an incident in which the total accident
22 benefits or -- or personal injury protection plan,
23 PIPP, claim costs exceed five hundred thousand dollars
24 (\$500,000) as being a serious loss.

25 Were you aware of that?

1 MR. JASON WONG (by Teams): Yes. It
2 is on the -- specifically, PIPP claims costs greater
3 than five hundred thousand (500,000), correct.

4 MR. ANTHONY GUERRA: Thank you. And
5 would you agree that there are no commonly recognized
6 parameters for defining what -- what is a serious loss
7 in terms of, for example, amount and frequency?

8 MR. JASON WONG (by Teams): I would
9 agree. Sylvain...?

10 MR. SYLVAIN DION (by Teams): Yeah, I
11 -- I would agree other than serious losses are always
12 recognized in the ratemaking.

13 MR. ANTHONY GUERRA: And you would
14 agree with me, gentlemen, that serious losses are --
15 are random, which means they are difficult to predict?

16

17 (BRIEF PAUSE)

18

19 MR. SYLVAIN DION (by Teams): Yeah, I
20 was going to say about randomness -- randomness, but,
21 also, they are infrequent, and they are not even
22 across the board.

23 MR. ANTHONY GUERRA: Thank you. And -
24 - and just to confirm as well, you would agree that
25 they are difficult or -- or not easy to predict?

1 MR. JASON WONG (by Teams): I would
2 agree, sir.

3 MR. ANTHONY GUERRA: And in terms of
4 their frequency, I believe you said infrequent. So
5 would you agree then that they may not occur within a
6 given year?

7 MR. JASON WONG (by Teams): Correct.

8 MR. ANTHONY GUERRA: And they may not
9 -- they may not occur within consecutive years?

10 MR. JASON WONG (by Teams): Correct.

11 MR. ANTHONY GUERRA: And they may not
12 occur with -- over a decade, a period of a decade?

13 MR. JASON WONG (by Teams): I would
14 say correct because it's -- I believe there are -- is
15 it twenty (20) classes that don't have serious losses
16 in the last ten (10).

17 MR. SYLVAIN DION (by Teams): But
18 still have an exposure.

19 MR. ANTHONY GUERRA: Right. And they
20 may not ever occur?

21 MR. SYLVAIN DION (by Teams): Yeah.

22 MR. JASON WONG (by Teams): Correct.

23 MR. SYLVAIN DION (by Teams): That's
24 correct. They may never occur. But the risk is
25 there.

1 MR. ANTHONY GUERRA: Okay. And in
2 terms of being severe, you would agree that that means
3 that the -- the loss is larger than the previous
4 experience would have predicted?

5 MR. JASON WONG (by Teams): Can you
6 repeat that question?

7 MR. ANTHONY GUERRA: In terms of what
8 -- what I -- what we mean by 'severity' or 'being
9 severe' -- the loss being severe, it's larger than
10 what the previous experience would have predicted the
11 loss should have been. Would you agree with that?

12 MR. SYLVAIN DION (by Teams): Not sure
13 we understand the question. But what was the question
14 again? You were saying that --

15 MR. ANTHONY GUERRA: Sorry. Continue.

16 MR. SYLVAIN DION (by Teams): No,
17 preheat the question again. Because you could have --
18 what I would say, you could have some serious losses,
19 but the experience of the rest of the portfolio could
20 be doing well. Or you could have a serious losses and
21 the experience -- the normal experience of the
22 portfolio will not be favourable.

23 So I don't know if that's what you were
24 getting at conceptually.

25 MR. ANTHONY GUERRA: I think maybe I

1 didn't ask the question as eloquently as I should
2 have. But I think our answer definitely makes up for
3 that, so I appreciate your answer. Thank you, sir.

4 MR. SYLVAIN DION (by Teams): Okay.

5 MR. ANTHONY GUERRA: And would you
6 agree with me that when one or more serious losses
7 occurs in a given insurance year, the result may be
8 that the insurer collects less in premiums than --
9 from the insurer, than it would have paid out -- or
10 sorry, or what it had paid out to them or on their
11 behalf? Would you like me to repeat that?

12 MR. JASON WONG (by Teams): Yes, can
13 you repeat that one more time?

14 MR. ANTHONY GUERRA: Sure. When one
15 or more serious losses occurs in a -- in a given
16 insurance year, the result may be that the insurer
17 collects less premiums from the insured than what it
18 had paid out to them or out on their behalf.

19

20 (BRIEF PAUSE)

21

22 MR. SYLVAIN DION (by Teams): I -- I
23 think 'may', like you said. That's a possibility.
24 But you may end up -- even with serious losses --
25 having collected enough premium in total to cover

1 those. Or even if there's no serious losses, you may
2 have collected, you know, not enough money.

3 So it's all 'may' and conjectural.
4 We've seen it, in our experience, both ways.

5 MR. ANTHONY GUERRA: When the
6 insurance company, the insurer, has a serious loss on
7 its hands in a given year, what that might mean is
8 that it's collecting less premiums from a specific
9 group of insureds than what it paid out to or on
10 behalf of that group.

11

12 (BRIEF PAUSE)

13

14 MR. SYLVAIN DION (by Teams): Again,
15 it -- it may. But the -- like I said, the other
16 scenarios are possible. It -- it may.

17 MR. ANTHONY GUERRA: And what may also
18 happen is that, in that scenario, where there's a
19 serious loss, that insurer may sustain a loss for that
20 particular customer or group of customers, right? It
21 hasn't priced that risk properly, correct?

22 MR. SYLVAIN DION (by Teams): You
23 mean, if there's no large loss loading, you're under
24 estimating the pricing for that customer. That, I
25 would agree with.

1 MR. ANTHONY GUERRA: And, in that
2 case, the loss that is incurred by the insurance
3 company is then absorbed by premiums paid by other
4 customers or group of customers?

5

6 (BRIEF PAUSE)

7

8 MR. SYLVAIN DION (by Teams): Again,
9 it depends. What we would say is that a rating
10 mechanism that does not include the serious loss
11 loading would be -- and I'll use the word 'flawed' --
12 from the beginning by not taking into account that
13 risk.

14 Now, what may happen, when you look at
15 the result by class of risk, over one (1) year or many
16 years, is that that provision for serious losses may
17 exceed the actual losses during that period or may not
18 be sufficient. And it should be, obviously, a
19 proactive process to adjust the provision for serious
20 losses with the fullness of time.

21 MR. ANTHONY GUERRA: Right. And so,
22 when the insurer incurs a serious loss, what it needs
23 to do going forward is to make sure that its pricing
24 for that group of customers now reflects the fact that
25 it has a loss in its history, correct?

1

2

(BRIEF PAUSE)

3

4

MR. ANTHONY GUERRA: In other words,
5 it must reconsider its pricing because history now
6 suggests that maybe that group of customers or that
7 customer itself is particularly more risky.

8

MR. SYLVAIN DION (by Teams): Well,
9 first thing we would say on this is that the classes
10 of risk have to be appropriate and large enough. I
11 think Mr. Hacault was using the example of the twenty-
12 four (24) farmers. That's clearly way too small, even
13 if they have a large loss.

14

The -- the second concept that would be
15 important is the credibility that is allocated to that
16 segment. But, yes, if there is a large losses -- and
17 also with consideration for a long period of time --
18 maybe a period of ten (10) years -- that large would
19 be considered in the -- in the rating of that group.

20

MR. JASON WONG (by Teams): And in my
21 opinion, I would say ideally you want to have a -- you
22 want to price it before it happens. Because if you
23 factor it in after it happens, you're -- you're kind
24 of playing catch up.

25

Versus if you price it before it

1 happens so that when it happens, your funds are more
2 adequate for it.

3 MR. ANTHONY GUERRA: Right. But when
4 the serious loss does occur, you're looking at --
5 you're looking at it in terms of future pricing,
6 correct?

7 MR. SYLVAIN DION (by Teams): Future -
8 - yeah.

9 MR. JASON WONG (by Teams): Yeah.

10 MR. SYLVAIN DION (by Teams): Future
11 pricing. And, again -- I don't know if you were
12 leading to that -- but it's not -- you don't have a
13 large loss and, suddenly, your premiums are tripling.
14 It -- it has to be a process over time that considers
15 a period of years.

16 MR. ANTHONY GUERRA: And so, when a
17 particular customer or customer group has a serious --
18 has a loss experience that includes a serious loss,
19 making a determination about what their future might
20 be based on their past, would consider the possibility
21 of another serious loss in the future. And the
22 insurer would then have to decide how much credence to
23 give that prior loss experience.

24 Would you agree with that statement?

25 MR. SYLVAIN DION (by Teams): Yeah.

1 The projecting the future would take into
2 consideration what has happened in the last ten (10)
3 years, including the most recent year, to project the
4 future.

5

6 (BRIEF PAUSE)

7

8 MR. ANTHONY GUERRA: The likelihood or
9 the prediction on the part of the insurance company
10 would be that that customer or customer group will
11 experience another serious loss in the future.

12 But the insurance company doesn't
13 necessarily know when that would take place, correct?

14 MR. SYLVAIN DION (by Teams): Correct.

15 MR. ANTHONY GUERRA: So when a serious
16 loss occurs, unless the insurer specifically excludes
17 it -- that claim or those claims -- from its
18 modelling, the effect will be to assume that another
19 serious loss will occur in the future.

20

21 (BRIEF PAUSE)

22

23 MR. SYLVAIN DION (by Teams): What we
24 would say -- I think I would repeat my answer to the
25 previous question.

1 The serious loss becomes part of the
2 track record for that credible smaller group and will
3 be reflected in the future rating.

4 In a similar manner that a group that
5 doesn't have serious large losses still has an
6 exposure to risk and should have serious loss loading
7 as well.

8 MR. ANTHONY GUERRA: Thank you. And
9 when less than full weight is given to that serious
10 loss year, would you agree that only a portion of the
11 additional cost to the insurer of insuring that group
12 is added to future rates to be paid by members of that
13 customer group?

14

15 (BRIEF PAUSE)

16

17 MR. SYLVAIN DION (by Teams): I think
18 what we would say if there is a serious loss in a
19 given year, the group, the rating group, will not be
20 fully charged for it the next year. It's a process
21 that will be reflected over a number of years.

22 So, if your question was, not all will
23 be recovered in the next year, the answer from our
24 perspective would be, you're correct.

25 MR. ANTHONY GUERRA: Thank you. And

1 that would be appropriate from an actuarial
2 perspective. You would agree with that?

3 MR. SYLVAIN DION (by Teams): What
4 would be appropriate?

5 MR. ANTHONY GUERRA: The -- the
6 process that we just talked about, the process from
7 predicting future rates based on past experience and
8 by weighting the experience perhaps less than fully in
9 order to determine future rates.

10 MR. SYLVAIN DION (by Teams): Yes, I
11 think, just to repeat what we said, the concept of
12 serious losses loading is important, whether you add
13 any losses or you just have an exposure to losses.

14 The concept of credibility is -- is
15 equally important, and the concept of stability and
16 recovery, where appropriate, those serious losses over
17 a period of time is also appropriate.

18 MR. ANTHONY GUERRA: Okay. Thank you.
19 And my understanding is that Dion's evidence is that
20 serious losses will occur eventually. It's just a
21 matter of when, and not if.

22 Is that fair to say?

23 MR. JASON WONG (by Teams): Yes.

24 MR. SYLVAIN DION (by Teams): In -- in
25 general, or -- yes, I think in general we would agree

1 with that statement.

2 MR. ANTHONY GUERRA: And is it also
3 Dion's evidence that a customer group is underpriced
4 when the insurer does not collect enough in premiums
5 from them to cover the cost of insuring that customer
6 -- that customer group?

7 MR. SYLVAIN DION (by Teams): Yes, I
8 would say so, or if an insurer associates that group
9 to a group with another similar risk component.

10 MR. ANTHONY GUERRA: But I want you to
11 assume, for this particular question, that a
12 particular group, a customer group, never did sustain
13 a serious loss. However unlikely that you think that
14 it would be, because I know that your evidence is
15 that's just a matter of when, not if.

16 But assume that they -- that they don't
17 ever sustain a serious loss, or at least not within a
18 ten (10) year period or a rating period. In that
19 scenario, if the insurer charged a rate to its
20 customers that assumed a serious loss would occur in
21 the future, that insurer would have, in fact, charged
22 their customers more than the cost -- its cost to
23 insure them.

24 Would you agree with that?

25 MR. SYLVAIN DION (by Teams): So,

1 yeah, if you -- you're saying -- let's say we charge
2 to that subgroup a serious loss loading and now we're
3 ten (10) years down the road and there's not been any
4 serious large losses, then for at least for that
5 portion of the risk, the money would sit with the
6 insurer, that we -- we would agree, for that portion
7 of the risk.

8 But it could be that the -- the
9 experience below the serious loss would have been such
10 to generate a deficit.

11 MR. JASON WONG (by Teams): And I
12 think the concept of serious loss is not to set it
13 once and be done with it. It needs to be constantly
14 updated every year with more information.

15 MR. SYLVAIN DION (by Teams): Yeah,
16 and what you said also is critical, the ten (10) year
17 period -- the ten (10) year evidence of no serious
18 losses as an impact on what the serious loading would
19 be, as opposed to if the track record is two (2) years
20 only, with a -- especially with a growing group of
21 risk.

22 MR. ANTHONY GUERRA: Okay. Thank you.
23 Ms. Schubert, if you can pull up the Information
24 Request MPI-TC 1. Then can you scroll down to the
25 question B, please. Yeah, just right there, thanks.

1 And so, in this Information Request MPI
2 asked what would the consequence be in the long-term
3 for passenger vehicle for higher rates should MPI
4 maintain the recommended approach of applying a
5 discretionary serious loss loading in the following
6 rating years, assuming this class will remain with no
7 actual serious losses throughout the same period.

8 Do you see that, sir -- or sirs?

9 MR. JASON WONG (by Teams): Yes.

10 MR. ANTHONY GUERRA: And if we can
11 scroll down to the answer, please, Ms. Schubert.

12 And the answer was:

13 "Serious loss loadings are
14 discretionary. The consequence of
15 applying the recommended loading
16 could mean a predicted pure premium
17 that is higher than its true cost.
18 The consequence is also present for
19 classes which currently have a
20 loading applied. For example, it is
21 possible that taxicab Vehicle for
22 Hires could experience no serious
23 losses in the following rating
24 years, but the risk is still
25 present.

1 Similarly, not applying a loading
2 could me a predicted pure premium
3 that is lower than its true costs."

4 Do you see that answers, sirs?

5 MR. JASON WONG (by Teams): Yes, we
6 do.

7 MR. ANTHONY GUERRA: And -- and you
8 would agree that that's the correct answer to that
9 question?

10 MR. JASON WONG (by Teams): Yes, we
11 would agree.

12 MR. ANTHONY GUERRA: So, if a
13 particular customer group is undercharged in one (1)
14 years, you would agree that they may be overcharged in
15 one (1) or more future years, correct?

16 I -- I guess I should just preface that
17 they'd be undercharged, because their -- their losses
18 have been greater than what was predicted.

19

20 (BRIEF PAUSE)

21

22 MR. JASON WONG (by Teams): So, I
23 would say for that particular year, yes. But usually
24 a longer term, I guess -- or rising makes sense,
25 because it's about the exposure to the risk. It's

1 similar to say -- some drivers may never make a claim.
2 If they've never made a claim, then technically you're
3 overcharging them. But it's more about the exposure
4 to the claim.

5 MR. ANTHONY GUERRA: Right. And in
6 that scenario where the customer group is
7 undercharged, in one (1) year, within future years
8 their experience is better than predicted.

9 You would agree that future premiums
10 collected may offset the losses that were previously
11 incurred, providing that -- that group performs
12 equally or -- or better than what had been expected,
13 correct?

14 MR. JASON WONG (by Teams): I think
15 so.

16 MR. ANTHONY GUERRA: And so regardless
17 of what we just discussed, my understanding is that
18 it's Dion's evidence that insurers should minimize the
19 impact of a possible future serious loss sustained by
20 -- by basically pretending that a customer or customer
21 group sustained a serious loss in a particular period
22 of their history, even if that was not the case.

23 Is that a fair paraphrase?

24 MR. SYLVAIN DION (by Teams): Yes, you
25 need to reflect the exposure to the risk. My

1 colleague alluded, if you take a thousand (1,000)
2 drivers that had not experienced a claim in the last
3 ten (10) years, are you going to charge them zero, no.
4 Because there is a risk there.

5 The same thing is true for serious loss
6 loading. That there is an exposure should -- so there
7 should be a charge. How that plays out of the future
8 for different group with different credibility is a
9 different question.

10 MR. ANTHONY GUERRA: And so the
11 practice of -- of serious loss loading, that would be
12 something that would be keeping within -- within
13 actuarial practice, or AAP.

14 Is that correct?

15 MR. SYLVAIN DION (by Teams): That's
16 correct.

17 MR. ANTHONY GUERRA: And conversely,
18 would Dion accept that not including serious losses or
19 not engaging the practice of serious loss loading
20 would be in keeping with accepted arial -- actuarial
21 practice, or AAAP?

22

23 (BRIEF PAUSE)

24

25 MR. SYLVAIN DION (by Teams): We're --

1 we're not away that actuarial practice forces the use,
2 of serious large loading, but it's certainly a good
3 actuarial practice.

4 MR. ANTHONY GUERRA: Thank you. And I
5 believe you have confirmed this already, but just to
6 make sure we're on the same page.

7 Gentlemen, you would agree that if one
8 were to artificially include one (1) or more serious
9 losses in the history of a particular customer group,
10 that that exercise would involve making a lot of
11 judgment calls and would be very subjective.

12

13 (BRIEF PAUSE)

14

15 MR. SYLVAIN DION (by Teams): I mean,
16 you are correct. Some of that is subjective, but
17 we're not talking -- at least our opinion does not
18 rely on adding losses at random in the portfolio that
19 have not been there.

20 It's more a question, when you look at
21 the risk, you can put a high degree of credibility on
22 smaller claim. Maybe up to two hundred and fifty
23 thousand (250,000), maybe five hundred thousand
24 (500,000), you need to extend the curve of risk to
25 consider your exposure to large claim. So that just

1 would seem to make sense from a business point of
2 view.

3 MR. ANTHONY GUERRA: Did you want to
4 add something else, or are you okay with that answer?

5 MR. SYLVAIN DION (by Teams): No, no.
6 I was -- I was just going to -- we -- we see that all
7 the time. Like I don't know if I'm repeating myself,
8 but we have a group of client, and they -- they offer
9 to -- to be insured \$3 million per year limits of
10 coverage.

11 They -- they haven't had a claim above
12 a million dollar, so we get into those discussions:
13 Well, you should not charge anything as a serious loss
14 loading for a million to 3 million. And we say, no,
15 we cannot do that. You have an exposure. If you
16 don't believe you have an exposure, offer yourself a
17 million dollar policy.

18 The same thing -- I don't think that's
19 feasible in the context of government automobile
20 insurance, but if there's no serious large loading --
21 loading above five hundred thousand (500,000), just
22 cap your policies at five hundred thousand (500,000).

23 But you're not doing that. You have a
24 higher exposure, so you should reflect serious loss
25 loading.

1 MR. JASON WONG (by Teams): It's the
2 concept of the exposure to the risk, and the exposure
3 to the risk is different by insurance use. Based on
4 the data, one would think that taxis probably have
5 more exposure to serious losses. I mean, we see that
6 five (5) of their ten (10) years they've had one.

7 What do we do about passenger Vehicle
8 for Hire right now? It's just that there's much less
9 data, and the class that they are based off of, which
10 is private passenger, they do have an exposure to
11 serious losses.

12 So it's trying to find a way, the right
13 way, reasonable way. Of course it is subjective. In
14 the earlier presentation, we agreed that it's
15 subjective. Like a lot of the actuarial -- the
16 ratemaking, there is subjectivity and opinion in
17 there.

18 It's trying to determine a reasonable
19 loading to factor that it might occur. We do believe
20 that a serious loss will occur in the future, so we
21 don't believe that having a zero dollar loading
22 reflects the real risk in the future.

23 MR. ANTHONY GUERRA: Thank you. So in
24 terms of -- of the recommendations from Dion
25 Strategic, one (1) would be that MPI treat private

1 passenger Vehicle for Hire like -- like it does
2 taxicab Vehicle for Hire in terms of serious losses
3 and their pricing. Would that be fair to say?

4 MR. JASON WONG (by Teams): Yes,
5 'cause our --

6 MR. ANTHONY GUERRA: And that would be
7 --

8 MR. JASON WONG (by Teams): Sorry. Go
9 ahead. Yes.

10 MR. ANTHONY GUERRA: My apologies.
11 Don't mean to talk over you, but that would be the
12 four hundred twenty dollar (\$420) -- twenty-eight
13 dollar (\$28) loss loading per unit that is being
14 recommended. Is that correct?

15 MR. JASON WONG (by Teams): Sorry, can
16 you repeat that one (1) more time?

17 MR. ANTHONY GUERRA: That treatment of
18 private passenger Vehicle for Hire, like a taxicab for
19 the purposes of serious loss loading, that would
20 result in the four hundred and twenty-eight dollar
21 (\$428) per units recommendation, correct?

22 MR. JASON WONG (by Teams): Correct.

23 MR. ANTHONY GUERRA: And this
24 recommendation to -- to treat private passenger
25 Vehicle for Hire like taxicabs would remain despite

1 the fact that private passenger Vehicle for Hire does
2 not have a history of any serious losses.

3 Would you agree with that?

4 MR. SYLVAIN DION (by Teams): We would
5 agree with this, but there's a track record of, what,
6 two (2) years of experience plus one (1) year of
7 pandemic in a growing volume situation.

8 MR. ANTHONY GUERRA: And this
9 recommendation to treat private passenger Vehicle for
10 Hire like taxicabs would -- would remain despite the
11 fact that taxicab Vehicle for Hire has five (5)
12 serious losses within the last ten (10) years,
13 correct?

14 MR. JASON WONG (by Teams): Correct.
15 So that's -- we tried to present a range. To us, that
16 would be the high range, and then we tried to present
17 a lower range as well.

18 MR. ANTHONY GUERRA: And in terms of
19 the similarities between private passenger Vehicle for
20 Hire and taxicab Vehicle for Hire, one (1) of the
21 things that Dion Strategic points to is the fact that
22 they both transport customers for -- for fees.

23 Is that correct?

24 MR. JASON WONG (by Teams): Correct.

25 MR. ANTHONY GUERRA: But there is a

1 recognition that private passenger Vehicle for Hire
2 does not typically transport more passengers daily
3 than do taxis?

4 MR. JASON WONG (by Teams): I believe
5 that is the assumption, but I -- I believe the way we
6 consider this is to think that the majority of the
7 passenger Vehicle for Hires (sic) purchase all four
8 (4) time bands. So they can operate like a taxi if
9 they choose to.

10

11 (BRIEF PAUSE)

12

13 MR. ANTHONY GUERRA: In your expert
14 report, you counter the -- the statement that taxis
15 may pose a greater risk than private passenger vehicle
16 by virtue of the fact that they're on the road longer,
17 with the statement that a private passenger Vehicle
18 for Hire may be less familiar with the route that
19 they're travelling on.

20 Do you -- do you recall that statement?

21 MR. JASON WONG (by Teams): Yes.

22 MR. ANTHONY GUERRA: And so if I can
23 just confirm or clarify, what is being said there is
24 that a private passenger Vehicle for Hire may pose
25 greater risk than taxis by virtue of being unfamiliar

1 with their surroundings.

2 MR. JASON WONG (by Teams): It could
3 be. That's how we I thought of this intuitively.

4 MR. ANTHONY GUERRA: And that's
5 because they -- they wouldn't drive those routes as
6 much as let's say taxis would.

7 MR. JASON WONG (by Teams): That would
8 be the assumption, yes.

9 MR. ANTHONY GUERRA: And that's --
10 that's correct. So that would be an assumption. That
11 -- that's not something that you've done any
12 particular research on?

13 MR. JASON WONG (by Teams): I do not
14 have the statistics in front of me, no.

15 MR. ANTHONY GUERRA: And you may
16 recall that MPI further asked the Taxi Coalition to
17 indicate the ways in which private passenger Vehicle
18 for Hire and taxis differed.

19 And there was a response that a
20 particular Information Request, which is MPI-TC number
21 4 -- and, Ms. Schubert, if I can ask you to pull that
22 up onto the screen, please.

23

24 (BRIEF PAUSE)

25

1 MR. ANTHONY GUERRA: So if we can go
2 to question (a), please, the question read:

3 "Please explain the various ways in
4 which taxi Vehicle for Hire and
5 passenger Vehicle for Hire differ,
6 including but not necessarily
7 limited to vehicle ownership and the
8 volume of passengers transported on
9 a daily basis, and how same affects
10 the -- the risk that each use
11 presents."

12 Do you see that?

13 MR. JASON WONG (by Teams): Yes.

14 MR. ANTHONY GUERRA: And if we can
15 scroll down to the answer to question (a), please, I
16 think we just need to -- if we can scroll up just a
17 little bit, please, answer to question (a).

18

19 (BRIEF PAUSE)

20

21 MR. ANTHONY GUERRA: Is this the same?
22 Is this number 4, TC-4? There we go.

23 So there was provision of the -- the
24 different -- the differences between the two (2), and
25 one would be that private passenger -- sorry, taxis do

1 not -- typically do not own their own vehicles, so
2 passenger Vehicle for Hire may care more about their
3 personal vehicle. Do you see that?

4 MR. JASON WONG (by Teams): Yes, we do
5 see it.

6 MR. ANTHONY GUERRA: And you'll agree
7 that that -- that might be a difference between
8 passenger Vehicle for Hire and taxi Vehicle for Hire?

9 MR. JASON WONG (by Teams): Correct.

10 MR. ANTHONY GUERRA: And might another
11 difference be the types of vehicles that are being
12 driven in the case of taxis versus passenger Vehicle
13 for Hire?

14 MR. JASON WONG (by Teams): Yes.

15 MR. ANTHONY GUERRA: For example, a
16 taxicab is typically seen as -- as being a Toyota
17 Prius or a -- a variant of a Toyota Prius, but perhaps
18 a passenger Vehicle for Hire might be something
19 completely different altogether, an SUV or -- or a van
20 or something like that?

21 MR. SYLVAIN DION (by Teams): We don't
22 -- we don't have any data on that.

23 MR. JASON WONG (by Teams): But I -- I
24 haven't seen the data. I would assume MPI may have
25 the data that can share exactly which vehicle types

1 they're driving.

2 MR. ANTHONY GUERRA: Okay. And in
3 response to question (b), if we can just scroll up to
4 the top and just read that question out again, it asks
5 to:

6 "Please explain how the knowledge of
7 the routes would offset the higher
8 volume of passengers transported
9 daily by taxi Vehicle for Hire."

10 Do you see that, sirs?

11 MR. JASON WONG (by Teams): Yes.

12 MR. ANTHONY GUERRA: And the response
13 to that question was:

14 "The offset would come from greater
15 experience and awareness of the
16 risks posed for the different
17 routes. In our opinion, driving on
18 unfamiliar routes while following a
19 GPS increase the risk of an
20 accident, under -- understanding the
21 passenger Vehicle for Hire have the
22 option to transport passengers and
23 drive them -- and drive as much as a
24 taxi."

25 Do you see that?

1 MR. JASON WONG (by Teams): Correct.

2 MR. ANTHONY GUERRA: Is it your
3 evidence, sir, that taxis -- taxi Vehicle for Hire
4 typically do not use GPS to -- to navigate their
5 routes?

6 MR. JASON WONG (by Teams): Can you
7 repeat the question one (1) more time?

8 MR. ANTHONY GUERRA: In answer to
9 question 'B', it states:

10 "In our opinion, driving on
11 unfamiliar routes while following a
12 GPS increases the risk of an
13 accident."

14 Is it your evidence, or your
15 understanding, that taxi Vehicle for Hire are not
16 using GPS to follow routes or to explore unfamiliar
17 routes?

18 MR. JASON WONG (by Teams): I would
19 say they both use it. Intuitively, I don't have the
20 data to say this. Just from thinking about my
21 personal travel with Uber vehicles, they do have that
22 GPS there when they're driving you.

23

24 (BRIEF PAUSE)

25

1 MR. ANTHONY GUERRA: And so, let's
2 talk about the options that were developed. And we
3 did talk briefly about the -- the option of loading a
4 four-hundred-and-twenty-eight-dollar (\$428) serious
5 loss per private passenger Vehicle for Hire.

6 Do you recall that?

7 MR. JASON WONG (by Teams): Yes.

8 MR. ANTHONY GUERRA: And that option
9 involves considering the average serious loss per
10 taxicabs over the past ten (10) years.

11 Is that correct?

12 MR. JASON WONG (by Teams): Can you
13 repeat one (1) more time?

14 MR. ANTHONY GUERRA: So, calculating
15 that figure of four hundred and twenty-eight dollars
16 (\$428) would involve the -- looking at the average
17 serious loss per taxicab over the last ten (10) years,
18 correct?

19 MR. JASON WONG (by Teams): Correct,
20 only taxis.

21 MR. ANTHONY GUERRA: Only taxis,
22 right. And this would mean, in effect, for -- for
23 passenger Vehicle for Hire, loading or predicting
24 multiple serious losses in their future, not just one
25 (1), correct?

1 MR. JASON WONG (by Teams): That I
2 don't know. It depends on the severity of the
3 accident. But that is the average serious loss in the
4 MPI exhibit for taxis over the last ten (10) years.

5 MR. ANTHONY GUERRA: Right. But if we
6 were using taxicabs as the standard of measure, you'd
7 agree that, to get there, we have to look at multiple
8 serious losses, in this case, five (5), correct?

9 MR. SYLVAIN DION (by Teams): Yeah,
10 there -- there were -- yeah, there were five (5) --

11 MR. JASON WONG (by Teams): So,
12 there's five (5) years, yes.

13 MR. ANTHONY GUERRA: And option number
14 2, which I understand involves loading a serious loss
15 of \$258 per private passenger Vehicle for Hire, you'd
16 -- you would agree that's the second option?

17 MR. JASON WONG (by Teams): Yes.

18 MR. ANTHONY GUERRA: And that involves
19 looking at the average serious loss for all Vehicle
20 for Hire, which includes the private and public major
21 classes over the last ten (10) years, correct?

22 MR. SYLVAIN DION (by Teams): Private
23 passenger.

24 MR. JASON WONG (by Teams): Can you
25 repeat that?

1 MR. ANTHONY GUERRA: Yes, I can. So -
2 - so, that option, the two hundred and fifty-eight
3 dollar (\$258) option, involves looking at the average
4 serious loss for all Vehicle for Hire, private and
5 public major classes, over the past ten (10) years?

6 MR. JASON WONG (by Teams): It is
7 looking at all Vehicle for Hire types over the last
8 ten (10) years, which is all the serious losses come
9 from the taxis.

10 I know there is accessible included.
11 And I believe there is limousine included, plus the
12 passenger Vehicle for Hire, so it's anything
13 categorized as Vehicle for Hire.

14 MR. ANTHONY GUERRA: Thank you. And I
15 think you've confirmed my next question, but just --
16 just so we're all on the same page here.

17 What we'd essentially be doing in that
18 exercise would be watering down the taxi serious
19 losses because they're the only group that has had
20 those losses in the Vehicle for Hire category,
21 correct?

22 MR. JASON WONG (by Teams): Not
23 necessarily because we're not suggesting to lower the
24 loading for taxis. We're suggesting to use the
25 average of it for the loading for the passenger

1 Vehicle for Hire loading.

2 MR. ANTHONY GUERRA: That would
3 eventually -- excuse me, that -- that would
4 essentially involve taking the five (5) serious losses
5 incurred by the taxi Vehicle for Hire use and
6 averaging over a greater higher category, correct?

7 MR. JASON WONG (by Teams): Yes. But
8 this is to be used just to calculate the loading for
9 the passenger Vehicle for Hire portion, not the part
10 that applies to the taxi Vehicle for Hire portion.

11 It -- it's about the exposure to risk.
12 We are not saying you use the same loading for all of
13 them. We are saying to use the data to calculate an
14 average that can be applied to the passenger Vehicle
15 for Hire insurance use.

16 MR. ANTHONY GUERRA: Okay. And to
17 confirm Dion's recommendations, it would see option
18 number 2 as -- as being as reasonable as option number
19 1, more reasonable, less reasonable?

20

21 (BRIEF PAUSE)

22

23 MR. SYLVAIN DION (by Teams): We would
24 say it's a range of possibility. We've offered you
25 two (2) options. Again, we say there needs to be a

1 serious loss loading, here's a range of possibility
2 for private passenger for private --

3 MR. JASON WONG (by Teams): Passenger
4 Vehicle for Hire.

5 MR. SYLVAIN DION (by Teams): --
6 passenger Vehicle for Hire, yes.

7 MR. JASON WONG (by Teams): I would
8 also add, it's difficult to know actually what's going
9 to happen. If I could -- if we could predict the
10 future, it would make our jobs much easier.

11 MR. ANTHONY GUERRA: Right. And
12 another option might be to go somewhere between
13 options 1 and 2, and I believe that's the
14 recommendation that we see from Ms. Setto.

15 Is that correct?

16

17 (BRIEF PAUSE)

18

19 MR. JASON WONG (by Teams): I believe
20 that is reasonable, yes.

21 MR. ANTHONY GUERRA: And were you able
22 to -- to view the presentation provided by the
23 ratemaking panel last week, the MPI ratemaking panel?

24 MR. JASON WONG (by Teams): Yes.

25 MR. ANTHONY GUERRA: And so, you're

1 aware, sirs, that one (1) other option that -- that
2 might be looked at or proposed in this case would be
3 serious loss loading of a hundred and fifty-seven
4 dollars (\$157) per private passenger Vehicle for Hire,
5 which amounts to the average serious loss in the
6 public major class?

7 MR. JASON WONG (by Teams): Yes, I'm
8 aware of it.

9 MR. ANTHONY GUERRA: And is it Dion's
10 evidence today that that's another option that the PUB
11 could explore if it were -- was inclined to accept
12 serious loss loading?

13 MR. JASON WONG (by Teams): I would
14 say, if we were tasked to doing it, we would not use
15 the hundred-and-fifty-seven-dollar (\$157) loading
16 because of the types of vehicles included in the
17 public major class.

18 It includes vehicles, such as buses,
19 transit buses, school buses, police vehicles.
20 Intuitively, you think the bigger vehicles should be
21 more safe, and you have a less likelihood of getting
22 into a serious loss as opposed to if you were driving
23 a regular sedan.

24 So, our -- our take has always been we
25 believe to use a range somewhere between two fifty-

1 eight (258) and four twenty-eight (428).

2 MR. ANTHONY GUERRA: You would agree
3 with me, sir, though that if your goal was to provide
4 some protection or cushioning against a potential
5 future loss, that loss loading, that hundred and
6 fifty-seven dollars (\$157) per -- per unit, would --
7 would also satisfy that -- that goal, correct?

8

9 (BRIEF PAUSE)

10

11 MR. SYLVAIN DION (by Teams): We would
12 say it's a move in the right direction but not a
13 number that we would recommend.

14 MR. ANTHONY GUERRA: And I think you
15 would agree with me, sirs, that some serious loss
16 loading would be better than none, correct?

17 MR. JASON WONG (by Teams): Yes. We
18 believe it's not zero. We believe in a loading, but
19 our range is still the two fifty-eight (258) to the
20 four twenty-eight (428).

21 MR. ANTHONY GUERRA: Right. But any
22 amount above zero would be better than nothing,
23 correct?

24 MR. SYLVAIN DION (by Teams): It's a
25 move in the right direction.

1 MR. ANTHONY GUERRA: And another
2 option that has been proposed or -- or potentially
3 thrown out there is -- is a serious loss loading of
4 sixty-two dollars (\$62) per private passenger Vehicle
5 for Hire unit, which would be the average serious loss
6 per the private major class.

7 Do you recall seeing that -- that
8 suggestion?

9 MR. JASON WONG (by Teams): I recall
10 seeing the number, sixty-two (62).

11 MR. ANTHONY GUERRA: And do you agree,
12 sir, that that -- that averaging the serious losses
13 per private major class would be to average the
14 serious losses for a class in which the private
15 passenger Vehicle for Hire use is currently situated?

16 MR. JASON WONG (by Teams): Can you
17 repeat that one (1) more time?

18 MR. ANTHONY GUERRA: In other words,
19 looking at it from the perspective of averaging the
20 serious losses in the private major class, that that's
21 the class that we actually see the private passenger
22 Vehicle for Hire use currently situated in?

23

24 (BRIEF PAUSE)

25

1 MR. JASON WONG (by Teams): So we know
2 the sixty-two (62) is the average serious loss for the
3 private passenger major class and the passenger
4 Vehicles for Hire insurance use is based off the all
5 purpose passenger vehicle insurance use.

6 MR. ANTHONY GUERRA: And private
7 passenger Vehicle for Hire is included within the
8 private passenger major class. You agree with that?

9 MR. JASON WONG (by Teams): Yes.

10 MR. SYLVAIN DION (by Teams):
11 Currently. And as we said before, we think this is
12 part of the problem because we have a risk profile
13 that is more aligned to the taxi.

14 MR. ANTHONY GUERRA: Now, MPI has said
15 that serious loss loading is not required because it
16 has fully recognized that private passenger Vehicle
17 for Hire actual loss experience in the 2022 GRA.

18 Do you recall that?

19 MR. JASON WONG (by Teams): I do not
20 recall fully, but I believe that is true.

21 MR. ANTHONY GUERRA: Would you like me
22 to bring you to a reference or are you okay to accept
23 that -- that answer, subject to check?

24 MR. JASON WONG (by Teams): We're okay
25 to accept.

1 MR. ANTHONY GUERRA: Okay. And would
2 it be fair to say that Dion does not see this solution
3 as being the correct solution?

4 MR. JASON WONG (by Teams): Correct.
5 Because I believe that under estimates the loading
6 required for the passenger Vehicle for Hire class.

7 MR. ANTHONY GUERRA: Okay. Fair
8 enough. So if the PUB were to agree with Dion's
9 recommendations to -- to incorporate serious loss
10 loading for private passenger Vehicle for Hire, should
11 it then also find that MPI should not fully recognize
12 the actual loss experience as it is done?

13

14 (BRIEF PAUSE)

15

16 MR. SYLVAIN DION (by Teams): We did
17 not quite understand the question. Maybe if you
18 repeat it, it will help with our understanding.

19 MR. ANTHONY GUERRA: Okay. Let's go
20 to the reference. It's -- it's MPI Exhibit number 31,
21 please, Ms. Schubert.

22

23 (BRIEF PAUSE)

24

25 MR. ANTHONY GUERRA: I believe you'll

1 find it on page number 31.

2

3 (BRIEF PAUSE)

4

5 MR. ANTHONY GUERRA: Hang on a second
6 here. Maybe I have it -- is it on a different PDF
7 perhaps? One moment here.

8

9 (BRIEF PAUSE)

10

11 MR. ANTHONY GUERRA: I'm sorry, I'm
12 just not seeing that reference. So perhaps we'll just
13 -- just to confirm again, so MPI's position was that
14 it doesn't require serious loss loading in this GRA
15 because it has already fully recognized the private
16 passenger Vehicle for Hire actual loss experience.

17 Now, if -- if serious loss loading were
18 to be recommended and directed by the PUB this year,
19 would -- would Dion find or recommend that MPI should
20 still fully recognize the actual loss experience for
21 private passenger Vehicle for Hire in this -- in this
22 application?

23

24 (BRIEF PAUSE)

25

1 MR. JASON WONG (by Teams): Okay. I
2 -- I think we understand the question more.

3 While it's recognized for the private
4 passenger major class, it doesn't recognize that the
5 passenger Vehicle for Hire may have a serious loading.
6 So from that aspect, it affects the differential that
7 goes into calculating the passenger Vehicle for Hire
8 differentials.

9 Plus, right now, we're dealing with,
10 say -- we call it segmentation. We're trying to
11 project the rates for different insurance uses.

12 When you're finished with the
13 projection of all these rates for all the different
14 insurance uses, it's balanced back to the overall
15 required rate.

16 So you're not, say, charging extra
17 money as a whole. You're trying to reallocate
18 whatever premium that's been determined for the
19 following years into the different insurance uses
20 based on both their historical experience and, in some
21 cases, you may need to add a serious loss loading.

22 MR. ANTHONY GUERRA: Okay. Let's move
23 on to the issue of rate increases and capping. So
24 just to confirm, the evidence from Dion is that
25 increases in the rates for private passenger vehicles

1 should not be capped at 20 percent.

2 I believe that's a paraphrase from this
3 morning's evidence?

4 MR. SYLVAIN DION (by Teams): Correct.

5 MR. ANTHONY GUERRA: And this
6 recommendation stands, despite Dion's recognition that
7 the PUB has considered this issue in the 2021 GRA,
8 and, specifically, in PUB Order 146-20.

9 And notwithstanding that Order,
10 consecutive increases for the following three (3)
11 years that specifically cap those increased at 20
12 percent as established in PUB Order 148-04.

13 Is that correct?

14 MR. SYLVAIN DION (by Teams): Yes,
15 that's correct. There's a lot of catchup to be done
16 by this group of risk in our opinion. Hence, our
17 comments.

18 And I think, was -- there also was a
19 consideration for MPI to actually reduce the -- what
20 PUB has put in place of the 20 percent for three (3)
21 years.

22 MR. ANTHONY GUERRA: Okay. And so,
23 Dion Strategic points to the fact that PUB Order 148-4
24 permits an exception to the 20 percent rate cap when
25 rates are severely deficient.

1 Do you recall that -- that indication
2 in the expert report?

3 MR. JASON WONG (by Teams): Yes.

4 MR. ANTHONY GUERRA: And is it fair to
5 say that Dion's position is that private passenger
6 Vehicle for Hire rates are severely deficient?

7

8 (BRIEF PAUSE)

9

10 MR. JASON WONG (by Teams): I would
11 say, in our opinion, it's severely deficient. But we
12 are aware that there are different definitions of what
13 is 'severely deficient'.

14 MR. ANTHONY GUERRA: Fair enough.

15 MR. SYLVAIN DION (by Teams): Yeah, I
16 think you can see it -- you showed earlier the
17 relationship -- we showed earlier the relationship of
18 the loss ratio. And although the pandemic has
19 improved the loss ratio for everybody, the
20 relationship is still one-point-five (1.5) or -- or
21 about between taxi and private Vehicle for Hire.

22 MR. ANTHONY GUERRA: Would you agree
23 that private passenger Vehicle for Hire is more
24 appropriately priced today than it was in the 2021
25 GRA?

1

2

(BRIEF PAUSE)

3

4

MR. JASON WONG (by Teams): I would
after the first 20 percent, that, yes, it's a step in
the right direction.

7

MR. ANTHONY GUERRA: In other words,
the private passenger Vehicle for Hire rate deficiency
is less severe than it was in last year's rate
application, correct?

11

MR. JASON WONG (by Teams): Yes.

12

MR. ANTHONY GUERRA: And there's a
note at opinion number 5, which is at page 7 of the
your expert's report, that says:

15

"Competitive markets would not cap
private passenger Vehicle for Hire
increases."

16

17

18

Do you recall that?

19

MR. JASON WONG (by Teams): Yes.

20

MR. ANTHONY GUERRA: And you agree
with me, sirs, that MPI is not in a private
competitive market?

23

MR. JASON WONG (by Teams): Correct.

24

MR. ANTHONY GUERRA: And uncapping
does not occur in a competitive, but regulated,

25

1 market. You would agree with that statement?

2 MR. JASON WONG (by Teams): Can you
3 repeat that?

4 MR. ANTHONY GUERRA: The idea or the
5 concept of uncapping or not using caps, that doesn't
6 occur in a regulated competitive market.

7 MR. JASON WONG (by Teams): We don't
8 know. There's -- in a regulated competitive market,
9 there's both capping and not capping.

10 MR. SYLVAIN DION (by Teams): Yeah,
11 we've seen capping and uncapping. It depends on the
12 circumstances. If a segment is severely underpriced,
13 it's not a question of adjusting over time. It's --
14 it's a question of repricing.

15 MR. ANTHONY GUERRA: That -- that
16 occurs in a regulated automobile insurance market?

17 MR. SYLVAIN DION (by Teams): Well, I
18 don't know. We -- we don't have, obviously, the
19 experience of working in a regulated market. We're
20 just making the statement that we've seen both capping
21 and uncapping, and when the pricing is incorrect,
22 that's where the uncapping would be considered to make
23 a one-time adjustment to move forward on the sound
24 basics.

25 MR. ANTHONY GUERRA: And in the

1 example that you provide in -- in opinion number 5 is
2 the example of the cyber insurance product, correct?

3 MR. JASON WONG (by Teams): Correct.

4 MR. ANTHONY GUERRA: And you agree
5 with me, sirs, that that product, that specific
6 product, cyber insurance, is not a regulated insurance
7 product like automobile insurance products?

8 MR. JASON WONG (by Teams): Correct.

9 MR. SYLVAIN DION (by Teams): Correct.

10 MR. ANTHONY GUERRA: And you agree
11 with me, sirs, that you -- you've not been able to
12 provide a comparative example of a situation where
13 there were no capping involved in rate increases in a
14 regulated automobile insurance market?

15 MR. JASON WONG (by Teams): Correct.

16 MR. SYLVAIN DION (by Teams): Correct.

17 MR. ANTHONY GUERRA: As to your
18 opinion number 6, that the current low rates could
19 result in adverse selection and market distortion, do
20 you see that on the screen, sirs?

21 MR. JASON WONG (by Teams): Yes.

22 MR. ANTHONY GUERRA: How do you define
23 the term 'adverse selection'?

24 MR. JASON WONG (by Teams): In the
25 situation of adverse selection, you're losing your

1 good risk, so the ones that have less losses, and
2 attracting more people who are more prone to losses?

3 MR. ANTHONY GUERRA: And you agree
4 with me, sir, that that -- that process of adverse
5 selection, that occurs in competitive markets,
6 correct?

7 MR. JASON WONG (by Teams): Correct.

8 MR. ANTHONY GUERRA: And that that
9 cannot occur in a monopoly?

10 MR. SYLVAIN DION (by Teams): No,
11 we're -- we're not saying that. I suppose if you have
12 in the regulated public market an opportunity to
13 reduce your insurance premium by seven thousand
14 (7,000) per year, I would say adverse selection could
15 occur. In fact, that would be an incentive for it to
16 occur.

17 MR. ANTHONY GUERRA: And there's a
18 statement that taxi drivers who face high insurance
19 rates with poor loss experience, could make the shift
20 towards driving private passenger Vehicle for Hire.

21 Do you say that, sir -- or sirs?

22 MR. JASON WONG (by Teams): Yes.

23 MR. ANTHONY GUERRA: And would you
24 agree that if that were to occur, that that would mean
25 that the pool of -- of taxis, the taxi Vehicle for

1 Hire pool would be comprised of vehicles driven by
2 better drivers?

3 MR. JASON WONG (by Teams): Yes, if it
4 were to happen.

5 MR. ANTHONY GUERRA: And that that
6 would probably mean less accidents for taxi Vehicle
7 for Hire, the group, and therefore lower premiums in
8 the future for them?

9 MR. JASON WONG (by Teams): Yes, if
10 that were to happen.

11 MR. ANTHONY GUERRA: And it would also
12 probably mean -- mean more acur -- excuse me, more
13 accidents on the private passenger Vehicle for Hire
14 group and higher premiums for them in the future?

15 MR. SYLVAIN DION (by Teams):
16 Eventually, based on all these assumption and over the
17 long term, that would be the translation.

18 MR. ANTHONY GUERRA: And would it be
19 fair to say that the example of taxi drivers moving
20 over to the private passenger Vehicle for Hire because
21 they have poor loss experience, that assumes that the
22 bad taxi driver is also the registered owner of their
23 taxicab?

24

25 (BRIEF PAUSE)

1 MR. JASON WONG (by Teams): Could you
2 repeat it one (1) more time?

3 MR. ANTHONY GUERRA: Maybe I'll ask it
4 a different way. What would the insurance premium
5 incentive be for a taxi driver to switch from taxi to
6 passenger Vehicle for Hire if they don't own their
7 cab?

8 Wouldn't they be paying the same?

9

10 (BRIEF PAUSE)

11

12 MR. JASON WONG (by Teams): It depends
13 on how the premiums are allocated or paid within the
14 drivers. I don't have the understanding of that, so I
15 don't know.

16 MR. ANTHONY GUERRA: And we know that
17 compared to a passenger Vehicle for Hire most -- or
18 many more taxi Vehicle for Hire drivers do not own
19 their own taxi?

20 MR. JASON WONG (by Teams): Yes, I
21 believe that's a correct assumption.

22 MR. ANTHONY GUERRA: And would you
23 agree with me, sir, that if there was an incentive for
24 bad drivers to -- to leave the taxi Vehicle for Hire
25 use and move over to private passenger Vehicle for

1 Hire, that there would also be an equal incentive for
2 good taxicab drivers to shift from driving taxis to
3 driving passenger Vehicle for Hire if the cost was --
4 was lower to do so?

5 MR. JASON WONG (by Teams): I think
6 that's reasonable.

7 MR. ANTHONY GUERRA: And you'd also
8 agree, that even if MPI were to fully increase rates
9 for private passenger vehicle for hire to the extent
10 that some may like, that it may remain -- it still may
11 remain at the end of the day cheaper to insure private
12 passenger Vehicle for Hire over a taxicab, correct?

13 MR. JASON WONG (by Teams): Can you
14 repeat one more time?

15 MR. ANTHONY GUERRA: You would agree
16 that even if MPI were to fully increase the rates for
17 a private vehicle, to the extent that some would like,
18 but it still may remain cheaper in the future to
19 insure a private passenger Vehicle for Hire than it
20 would be a taxicab?

21 MR. JASON WONG (by Teams): Yes, I
22 would expect so.

23 MR. ANTHONY GUERRA: And so, the
24 recommendation that rates not be capped at 20 percent,
25 my understanding is that -- that would be replaced by

1 a recommendation that they either not be capped or
2 that they be capped at 44 percent.

3 Is that correct?

4 MR. JASON WONG (by Teams): Oh, it
5 could be a higher cap. We're inferring it could be
6 twenty-five (25) or thirty (30). The forty-four (44)
7 is meaning the no cap, because it's a twenty (20) plus
8 a twenty (20).

9 MR. ANTHONY GUERRA: In response to an
10 Information Request, and it's Exhibit number 31, page
11 14, I believe. Scroll down here.

12 I believe the question was asked and
13 the response that was provided was that -- the
14 recommendation, yeah. At C, was that a 44 percent
15 would be required to get the rate based on the Order
16 1-21 faster.

17 Do you see that?

18 MR. JASON WONG (by Teams): Yes.

19 MR. ANTHONY GUERRA: And so increasing
20 the rates by 44 percent would get us to the end of
21 that Order faster than would otherwise be the case?

22 MR. SYLVAIN DION (by Teams): Correct.

23 MR. JASON WONG (by Teams): Correct.

24 MR. SYLVAIN DION (by Teams): Yeah,
25 correct.

1 MR. ANTHONY GUERRA: Okay. Let's
2 switch over to taxi Vehicle for Hire. Before I do, I
3 just want to make sure, are we okay still with the
4 timeline?

5 THE PANEL CHAIRPERSON: Yes, carry on,
6 please.

7

8 CONTINUED BY MR. ANTHONY GUERRA:

9 MR. ANTHONY GUERRA: Thank you. And
10 on the issue of credibility weighting on relatives.
11 And one (1) of the statements was that MPI should
12 change the minimum -- or one of the options available
13 should -- would be that MPI should change the minimum
14 credibility of 10 percent to the current relativity
15 for taxis to a higher number.

16 Do you recall that?

17 MR. JASON WONG (by Teams): Yes.

18 MR. ANTHONY GUERRA: And so, the tur -
19 - the current, rather, 10 percent weighting can be
20 slow to react to changes in recent experience.

21 Would you agree with that?

22 MR. JASON WONG (by Teams): Yes.

23 MR. ANTHONY GUERRA: And a slow
24 reaction is bad for -- for a customer, or a group of
25 customers if their recent experience is good.

1 Would you agree with that?

2

3 (BRIEF PAUSE)

4

5 MR. SYLVAIN DION (by Teams): It goes
6 both ways.

7 MR. JASON WONG (by Teams): But, yes.

8 MR. SYLVAIN DION (by Teams): I think
9 the comments we're making is that there should be
10 credibility over a reasonable period of time, not
11 forty-three (43) years to see the full impact.

12 And it plays both way that for those
13 with better experience it will trend in one (1)
14 direction. Those with worst experience, well, it's a
15 balance approach.

16 MR. ANTHONY GUERRA: M-hm. Right.

17 MR. JASON WONG (by Teams): And we
18 mean this not just for taxis, but in general for any
19 of the smaller subsets.

20 MR. ANTHONY GUERRA: Fair enough. And
21 can we bring up Exhibit number 4, please, the taxi --
22 sorry, your -- your report from September 24th, and in
23 particular, if we can go to page 3 of that report.

24

25 (BRIEF PAUSE)

1 MR. ANTHONY GUERRA: The one with --
2 yeah, that's right. Perfect. So, if we can stop
3 there at that appendices.

4 So, in the case of taxicabs, if -- if
5 one (1) is using the 10 percent weighting for the 2020
6 year, that's a bad deal for taxis, because their
7 experience was significantly better in that year due
8 to the pandemic.

9 It that correct?

10 MR. JASON WONG (by Teams): It depends
11 on how all the rates are balanced in the end and their
12 relativities. So, we cannot -- I cannot answer that.
13 Only -- it -- it depends on what the other classes
14 have done, including what the public major class has
15 done.

16 MR. ANTHONY GUERRA: Right. But what
17 I'm saying to you is that keeping the weighting at 10
18 percent for this particular year, does a disservice to
19 taxis because they had a particularly decent year this
20 year, correct?

21 You've talked about the great
22 responsiveness versus stability and you would say that
23 it -- it wouldn't respond very well to a year like
24 this year because it's only getting 10 percent
25 credibility to that year?

1 MR. JASON WONG (by Teams): Not
2 necessary, because I believe in that rebalance back to
3 the public major class. I believe the public major
4 class loss ratio may be -- is it 50 percent for 2020?
5 I will -- I will look up this number right now.

6 MR. ANTHONY GUERRA: Okay.

7

8 (BRIEF PAUSE)

9

10 MR. JASON WONG (by Teams): Yeah. So
11 looking at the TC-1-18, the public major class loss
12 ratio for 2020 is 50 percent. And I believe, because
13 taxi Vehicle for Hire belonged to the public major
14 class, and I believe the public major class is getting
15 a rate increase, if I recall correctly, so all of this
16 gets rebalanced back into MPI's methodology.

17 MR. ANTHONY GUERRA: Right, but you're
18 not saying, sir, that increasing the weighting above
19 10 percent would -- would result in a higher increase
20 in rates for taxis, are you?

21 MR. JASON WONG (by Teams): I would
22 say we don't know because private passenger major
23 class has a 40 percent loss ratio in 2020. I -- I
24 cannot answer. I don't know how the whole rebalance
25 will work after all of this is done.

1 MR. SYLVAIN DION (by Teams): Plus
2 we're talking about the credibility. It's not only on
3 2020, it's on the full experience record of the class
4 of business.

5 MR. ANTHONY GUERRA: No, and I
6 appreciate that, sir. I mean, in fairness, though, my
7 question wasn't in regards to that specific year.

8 If we were looking at that year in
9 isolation and we're -- we're saying that 10 percent is
10 too slow to respond, we're saying that that would be
11 to the detriment of taxis in that particular year.

12

13 (BRIEF PAUSE)

14

15 MR. SYLVAIN DION (by Teams): Yeah,
16 we're not sure -- we're not sure how to answer this.
17 It's -- it seems speculative. There is rebalancing
18 happening, and our comment was not directed at the
19 short-term gain for the taxi, if that was the
20 question.

21 It was just the overall concept for
22 many of the class group, not -- not only the taxis,
23 that this concept of credibility needed to be improved
24 to give more response over -- over time as you build a
25 track record.

1 MR. ANTHONY GUERRA: More response.
2 Right. So responding to more recent experience
3 sooner, correct?

4 MR. JASON WONG (by Teams): Yes.

5 MR. SYLVAIN DION (by Teams): More
6 recent experience with more weight over time.

7 MR. ANTHONY GUERRA: Okay. And just
8 to confirm, Dion Strategic is not recommending that
9 credibility be -- weighting be adjusted each year.
10 Is that correct?

11 MR. JASON WONG (by Teams): No, we're
12 not recommending that. Our recommendation was more
13 suggestions on ways to provide more credibility to
14 smaller insurance uses in general, not specific to
15 taxis.

16 MR. SYLVAIN DION (by Teams): Right,
17 but -- but I think the credibility methodology that we
18 suggested to the extent that you add -- you add more
19 claims count it would increase the credibility.

20 MR. JASON WONG (by Teams): Yes.

21 MR. SYLVAIN DION (by Teams): So we're
22 not advocating for a fixed credibility percentage
23 every year.

24 MR. ANTHONY GUERRA: Right, but the --
25 the 10 percent number, that is -- that the

1 recommendation is to increase from that amount --
2 that's not something that we should expect to -- to
3 have Dion come back next year and say, well, it was
4 increased to 20 percent, but this year we think it
5 should go back to 10 percent. It's not a yearly
6 analysis, correct?

7

8 (BRIEF PAUSE)

9

10 MR. SYLVAIN DION (by Teams): We're --
11 we're suggesting it's a dynamic process, but it has to
12 be a consistent process. And -- and I guess I'll use
13 the word 'conservative'. The methodology used by MPI
14 with the sixty thousand (60,000) is I'll use the term
15 'conservative'.

16 Whatever new methodology and new
17 approach is used consistency (sic) is important with
18 credibility, and there's also serious large loads.
19 It's not -- it has to be a consistent approach to the
20 issue.

21 MR. ANTHONY GUERRA: Right. And you'd
22 agree, sir, that if the balance of this year in 2021
23 there were to be another serious loss for taxis -- we
24 all hope that that's not the case, but let's say for
25 our purposes that that were to be the case -- if we

1 were to adjust the weighting up from 10 percent, that
2 that would be to the detriment of taxis. That would
3 not be to -- to their benefit.

4 MR. SYLVAIN DION (by Teams): It
5 depends on the rest of the experience. We should not
6 be focussing on the serious loss only, and also the
7 serious losses would be part of a process over a ten
8 (10) year period. So I don't know. Maybe 2011 would
9 disappear from the map, and was there serious losses
10 in '11? There was one in '12.

11 MR. JASON WONG (by Teams): Yes.

12 MR. SYLVAIN DION (by Teams): So it's
13 a dynamic process. It's not -- certainly our comments
14 are not focussed on let's try to get a reduction for
15 the taxis. It's the methodology. And so if there was
16 large losses in 2021, it would be part of the next
17 year re -- re-evaluation of what the serious loss
18 loading is for the -- the taxi category.

19 MR. JASON WONG (by Teams): I would
20 say that number, whether it's two fifty-eight (258) or
21 twenty-eight (28), that's a number that will change
22 when that analysis is done, say every year, for
23 example.

24 You know, it might be four twenty-eight
25 (428) now, but if you have data to the end of 2021

1 when this next exercise is done, that number could go
2 down, it could go up. It's -- it's a process.

3 And in terms of that credibility
4 weight, the goal is not to target or help a specific
5 group. The goal is to give -- to be more responsive
6 and to give that incentive to improve your loss
7 experience because if people see the rates going up
8 faster, it will likely -- in theory, I suppose, if you
9 see your rates going higher, you probably want to
10 drive better.

11 And if they see that they're driving
12 better and their rates are going down, they want to
13 continue to drive better. It's giving that incentive
14 to people to improve their driving.

15 MR. ANTHONY GUERRA: And -- and
16 changing the minimum credibility from something higher
17 than 10 percent, my understanding is that that also
18 would be a judgmental selection too, correct?

19 MR. JASON WONG (by Teams): Yes, and
20 our understanding was the 10 percent was also
21 judgmentally selected.

22 MR. ANTHONY GUERRA: Okay. And some
23 recommendations that are in your report are to
24 increase it from 10 percent to 20 percent, 30 percent,
25 or -- or to 40 percent.

1 Would you agree that those are options?

2 MR. JASON WONG (by Teams): Yes.

3 MR. ANTHONY GUERRA: And is there any
4 advice that -- that your -- your organization can
5 provide in terms of which of those numbers is most
6 appropriate for MPI going forward?

7 MR. JASON WONG (by Teams): It would
8 depend -- well, this isn't our opinion. It would
9 depend on the Public Utility Board's I guess tolerance
10 for responsiveness.

11 We understand that, yes, we're talking
12 about long-term stability, but we're also saying that,
13 because it's at 10 percent, not just taxis, all the
14 small insurance uses will have -- will most likely
15 never reach past the 10 percent. And it would be very
16 slow to respond to any improvement or deterioration in
17 loss ratio.

18 So that number is judgmental, just like
19 the ten (10) was selected. So if you select twenty
20 (20), it will be slightly more reactive. So it
21 depends how much more reactive you want to be. That
22 is subjective.

23 We would say that it's better to be
24 more reactive and look more at the recent year data as
25 opposed to data ten (10) years ago.

1 MR. SYLVAIN DION (by Teams): So maybe
2 this is not actuarial advice. This is more business
3 to increase the current standard of ten (10) to twenty
4 (20) as a first step would be a step in the right
5 direction. Re-evaluate maybe two (2) to three (3)
6 years if more responsiveness should be included.

7 MR. ANTHONY GUERRA: And when -- when
8 you are more responsive, the -- the downside perhaps
9 is that your rates are a little more volatile.

10 Would you agree with that?

11 MR. JASON WONG (by Teams): I think
12 that's fair. It depends on responsiveness and pure
13 stability. So --

14 MR. SYLVAIN DION (by Teams): Yeah.

15 MR. JASON WONG (by Teams): -- yeah.
16 So rates will shift a bit. It's the same as, if
17 someone has a loss and then the rates don't shift that
18 much, that lessens the incentive for them to improve
19 their driving experience.

20 MR. SYLVAIN DION (by Teams): Right,
21 and the less responsive means that you're less paying
22 your fair share of the deal. Maybe it's stable, but
23 it doesn't -- it doesn't -- it's not as responsive to
24 your experience. So you're being subsidized or you
25 subsidize other group.

1 MR. JASON WONG (by Teams): There's --
2 the answer we provided in TC -- MPI-TC-8 is the --
3 there's a tradeoff between stability and
4 responsiveness. That is a judgment call. That is
5 subjective. Anything higher than ten (10) would be a
6 step in the right direction in our opinion. Twenty
7 (20) seems very reasonable. Even at 20 percent, it
8 does take a lot of time for rates to reach their true
9 relativity, if nothing else changes.

10 MR. ANTHONY GUERRA: Okay. Option
11 number 2 that you've -- you've put forward in your
12 material is to change the 'K' value from sixty
13 thousand dollars (\$60,000) -- sixty thousand (60,000)
14 rather -- to a lower number. Do you recall that?

15 MR. JASON WONG (by Teams): Yes.

16 MR. ANTHONY GUERRA: And just to
17 confirm again, doing so, it -- it's also a situation
18 of rate responsiveness versus rate stability.

19 And by that, I mean reducing sixty
20 thousand (60,000) to a lower number makes the rates
21 more responsive but less stable, correct?

22 MR. JASON WONG (by Teams): I would
23 say that's correct, yes.

24 MR. ANTHONY GUERRA: And that wouldn't
25 apply just to taxicabs but to all uses?

1 MR. JASON WONG (by Teams): Yes,
2 because the way the 'K' is designed right now, only
3 the largest insurance use gets 95 percent credibility.
4 So, if you lower that a bit, each insurance use should
5 get a bit more credibility.

6 However, there's still a lot of small
7 classes that, even if you lower the 'K', they might
8 still be at the minimum 10 percent.

9 MR. ANTHONY GUERRA: And the final
10 option, to switch to the classical credibility
11 approach, you would agree with me, sirs, that this is
12 a private industry approach?

13 MR. JASON WONG (by Teams): I would
14 say it's the approach we see most commonly.

15 MR. ANTHONY GUERRA: Right. And your
16 evidence earlier today was that you don't have
17 experience with -- with -- other than in this -- these
18 two (2) applications, with government owned automobile
19 insurance companies?

20 MR. JASON WONG (by Teams): Correct.

21 MR. ANTHONY GUERRA: And the approach
22 compares the experience of a private company to other
23 companies in its market?

24 MR. JASON WONG (by Teams): Can you
25 repeat the question?

1 MR. ANTHONY GUERRA: The -- the
2 classical credibility approach compares the experience
3 of a company to the companies -- other companies in
4 its market?

5 MR. JASON WONG (by Teams): The
6 classical approach is using the claim count instead of
7 using the exposures.

8

9 (BRIEF PAUSE)

10

11 MR. ANTHONY GUERRA: Okay. I'm going
12 to move to the issue of territory differentials. I
13 don't have much longer, probably about ten (10)
14 minutes, just for everyone's benefit.

15 Your concern, sirs, is that the current
16 methodology results in an overpricing of the rural
17 taxi Vehicle for Hire and an underpricing of the urban
18 taxi Vehicle for Hire.

19 Is that correct?

20 MR. JASON WONG (by Teams): Yes, those
21 are the observations from the loss ratios provided in
22 TC-1-18 between 2016 and 2020.

23 MR. ANTHONY GUERRA: And the criticism
24 is that the rate methodology is too simplistic in
25 nature and includes too few rating variables.

1 Is that fair to say?

2 MR. JASON WONG (by Teams): That is
3 our assumption and our understanding based on some of
4 the replies.

5 MR. ANTHONY GUERRA: Would Dion agree
6 that the cross-subsidization problem identified
7 between rural and -- and urban taxis could be solved
8 by reducing taxi Vehicle for Hire to only two (2)
9 uses, the first use being, all taxis in territory 1
10 and the second use being, all taxis in the remaining
11 territories?

12

13 (BRIEF PAUSE)

14

15 MR. JASON WONG (by Teams): Can you
16 repeat this question one (1) more time?

17 MR. ANTHONY GUERRA: Of course. And
18 perhaps what I can do is I can ask Ms. Schubert to
19 bring up Exhibit number 4, the September 24th, 2021,
20 report and go to page 11, please.

21 So, the -- the issue that we see here
22 in the table, might that not be resolved by reducing
23 taxi Vehicle for Hire to only two (2) uses, the first
24 being all taxis in territory 1, and then grouping the
25 rest as a use for all remaining territories?

1 MR. JASON WONG (by Teams): I would
2 say, in my opinion, not necessarily. This is assuming
3 that territories 1, 2, 3, and 4 are very distinct and
4 predictable, which I believe is MPI's assumption and
5 would make sense to us. It's been used.

6 I would say territory or location is a
7 commonly used rating variable. I would even say
8 probably even more territory numbers might be more
9 useful than less, so you could actually drill down in
10 to say, even in territory 1, any bad areas depending
11 if the rules allow.

12 And if you're grouping 2, 3, and 4 just
13 for the taxis together, that -- that doesn't solve the
14 issue for all the other major classes because there's
15 five (5) different territories.

16 I don't think it makes sense to just
17 have two (2) separate territories just for one (1)
18 insurance use as opposed to everybody else.

19 MR. ANTHONY GUERRA: Okay. I'll get
20 back to that in a second. In the meantime, let's move
21 over to the discussion about minimum bias procedure.

22 THE CHAIRPERSON: Sorry, Mr. Guerra,
23 can I just interrupt? Can you move your mic just a
24 little closer?

25 MR. ANTHONY GUERRA: Sorry, am I not

1 being picked up?

2 THE CHAIRPERSON: Well, you're
3 drifting a little. You're going up and down.

4 MR. ANTHONY GUERRA: Okay. Yeah, my
5 apologies.

6 THE CHAIRPERSON: And you're -- you're
7 at that point of I'm having trouble, straining just a
8 little.

9 MR. ANTHONY GUERRA: Okay. I -- I
10 appreciate that. Thanks.

11

12 CONTINUED BY MR. ANTHONY GUERRA:

13 MR. ANTHONY GUERRA: Discussion about
14 the minimum bias procedure and the opinion number 1 on
15 page 14 of the report is the possibility of using 'R'
16 which is free open-sourced software.

17 Do you recall that, sir?

18 MR. JASON WONG (by Teams): Correct.

19 MR. ANTHONY GUERRA: And you agree
20 with me that using 'R' would require specific coding
21 and training on how to use its functionality if it
22 were to be used by MPI and, I guess, customized for
23 its own purposes?

24 MR. JASON WONG (by Teams): Yes.

25 MR. ANTHONY GUERRA: And using 'R'

1 would not offer any -- any specific vendor support or
2 training because it's open sourced?

3

4 (BRIEF PAUSE)

5

6 MR. JASON WONG (by Teams): Yes. But
7 there -- I guess there's material you can read. If I
8 can answer some of the history. The popular software
9 back in the day was Emblem which was produced by
10 Willis Towers Watson. We have seen in the private
11 market a shift towards 'R'. It's actually worldwide
12 this is happening.

13 And there are a lot of, I guess, not
14 just actuaries, this is more even -- more the
15 statistical side, the data science side. A lot of
16 people are actually using 'R', developing different
17 modules, different packages, and there's a lot of, I
18 guess, yeah, forum support.

19 There's no formal training, but maybe
20 there's -- maybe there are other consultants that do
21 training.

22 MR. SYLVAIN DION (by Teams): But we
23 would say, if 'R' is a tool that would make a
24 contribution to improving --

25 MR. JASON WONG (by Teams): M-hm.

1 MR. SYLVAIN DION (by Teams): -- I'm
2 sure the support can be found because lots of -- lots
3 of people use 'R' and they've survived, obviously, and
4 they try it. And, no, we're not salesmen for 'R', by
5 the way. We --

6 MR. ANTHONY GUERRA: I appreciate
7 that. And it also being a free software, I would
8 imagine you wouldn't make very much money off of that.

9 In -- in any event, you would agree
10 with me, sirs, though that, if MPI were to -- to use
11 'R' and customize it for its own purposes, that --
12 that whoever -- whoever did that, whoever did that
13 initial coding, if they were to now -- if they were to
14 subsequently leave the Corporation, that that might
15 pose a problem if those who remained don't have that
16 same knowledge about the coding and don't have that
17 specific training, and -- and there may be a situation
18 where MPI might have to start from scratch?

19 MR. JASON WONG (by Teams): Well,
20 yeah.

21 MR. SYLVAIN DION (by Teams): Similar
22 to any other employer. I can say the same thing of
23 what we do here with -- for example, with Jason. But
24 I think, you know, not -- not to be inappropriate
25 here, but we feel that MPI with 'R' and with the GLM

1 is something that they should move in that direction
2 and, obviously, address any succession planning,
3 learning that was to be done.

4 This is for the good of the
5 Corporation, we believe.

6 MR. ANTHONY GUERRA: And so, it's not
7 necessarily just the use of 'R', but it's -- it's the
8 use of GLM in general.

9 And how MPI gets to that solution is
10 probably more important than what -- what it actually
11 uses, correct?

12 MR. SYLVAIN DION (by Teams): Yeah.

13 MR. JASON WONG (by Teams): Yes.

14 MR. ANTHONY GUERRA: Okay. And one
15 (1) -- and I think I heard you testify earlier this
16 morning, but if you can just confirm that one (1) of
17 the important variables that would be -- need to be
18 known is whether or not something like a GLM system
19 like 'R' would be compatible with other software
20 solutions that are being implemented through Project
21 Nova, correct?

22 MR. JASON WONG (by Teams): I -- I
23 think it would actually be distinct because your --
24 'R' is just used to model and determine your
25 differentials, or your rating.

1 Whatever you come up with will still be
2 from your existing systems.

3 MR. SYLVAIN DION (by Teams): Or
4 improved system.

5 MR. JASON WONG (by Teams): Yeah.
6 Like, I don't believe you would need to link your 'R'
7 or any other GLM software to your existing system. It
8 can be done separately. This is the analysis. You
9 know, you come up with, hey, these are the rating
10 variables, this is what you want to charge for each
11 type, and then program that in using your current
12 existing way.

13 MR. SYLVAIN DION (by Teams):
14 Segmentation, basically. It's of the total amount.

15 MR. ANTHONY GUERRA: Okay. And in --
16 in as much as we've heard evidence from MPI that it is
17 committed to investigating the use of -- of GLM in the
18 future, generalized linear modelling, for the record,
19 you would agree, sirs, that -- that Dion would support
20 that commitment?

21 MR. JASON WONG (by Teams): Yes,
22 totally.

23 MR. SYLVAIN DION (by Teams): Yeah.

24 MR. ANTHONY GUERRA: Okay. I just
25 want to go back to this issue on the -- the

1 territories so I have the -- the correct phrase I'd
2 like to ask you.

3 So, what I'm being told is -- is what
4 if MPI were to split the taxicab insurance use into
5 taxicab Vehicle for Hire territory 1 and taxicab
6 Vehicle for Hire all other territories so that these
7 two (2) insurance uses will have different relatives
8 and the taxicab Vehicle for Hire all other territories
9 will not bear the higher risk of taxicab Vehicle for
10 Hire territory 1?

11 Do you understand the question?

12 MR. JASON WONG (by Teams): Not necess
13 -- not totally.

14 MR. ANTHONY GUERRA: Not totally?

15 MR. JASON WONG (by Teams): My
16 understanding is that it's -- you're talking about
17 combining two two four together?

18 MR. ANTHONY GUERRA: It reflects the
19 difference in operating models for taxicabs in
20 territory 1 versus territories 2, 3, and 4.

21 MR. SYLVAIN DION (by Teams): But the
22 -- the relatively between 2, 3, and 4 is different --

23 MR. JASON WONG (by Teams): Yeah.

24 MR. SYLVAIN DION (by Teams): --
25 certainly 4 is different.

1 MR. JASON WONG (by Teams): Yeah. I
2 think they're all different. And even you combine it,
3 again, I don't have MPI's rating model, I would reckon
4 to say that your 1 might still be underpriced, but
5 your 2 to 4 together might still be overpriced.

6 MR. ANTHONY GUERRA: It's not clear
7 whether or not that's a solution. It's -- it might be
8 a solution, but you're not able to say at this point?

9 MR. SYLVAIN DION (by Teams): No.

10 MR. JASON WONG (by Teams): I -- I
11 wouldn't be able to answer. I don't have the -- I
12 would need to see -- I guess you have to run the MPI
13 model and see how it gets rebalanced.

14 MR. ANTHONY GUERRA: No, fair enough.
15 I appreciate that. Thanks. Those are my questions.

16 THE PANEL CHAIRPERSON: Thank you, Mr.
17 -- Mr. Guerra. We'll take a break now until twenty
18 (20) to 3:00, and then start with PUB's counsel's
19 cross-examination. Thank you.

20

21 --- Upon recessing at 2:26 p.m.

22 --- Upon resuming at 2:44 p.m.

23

24 THE PANEL CHAIRPERSON: Good
25 afternoon, everyone. Just in terms of procedure,

1 we've talking about time frame. And it looks like we
2 may be able to complete the CAC witnesses this
3 afternoon with cross-examination if we sit until
4 around 5:00. Is everybody available to do that?

5

6

(BRIEF PAUSE)

7

8

MR. STEVE SCARFONE: Madam Chair, I'm
9 going to try and expedite my cross, so that I can
10 depart by about ten to 5:00 because I've got to pick
11 up kids by 5:30 in two (2) separate locations in River
12 Heights. So I don't want to push it until 5:00 but --

13

THE PANEL CHAIRPERSON: Okay. That's
14 fine then.

15

MR. STEVE SCARFONE: There may be some
16 important questions that I just decide not to ask.

17

THE PANEL CHAIRPERSON: Thank you, Mr.
18 Scarfone.

19

We'll continue with cross-examination
20 by Board counsel. Mr. Watchman...?

21

22 CROSS-EXAMINATION BY MR. ROBERT WATCHMAN:

23

MR. ROBERT WATCHMAN: Thank you, Madam
24 Chair. Good afternoon, gentlemen. My name is Robert
25 Watchman and I am one (1) of the counsel for the

1 Public Utilities Board.

2 And I will have a few questions for you
3 and, of course, either of you should feel free to
4 respond.

5 I'm going to start with questions
6 relating to serious loss loading. And my first
7 question is -- is a general question for
8 clarification.

9 And I just want to confirm what it is
10 that Dion Strategic is recommending. And I have two
11 (2) descriptions for you and you can tell me which of
12 these descriptions better matches your recommendation.

13 So the first recommendation -- or
14 description of the recommendation is that serious loss
15 loadings be estimated for all use and territories,
16 potentially based on other than the last ten (10)
17 years of actual serious loss.

18 Or the other description that serious
19 loss loadings be estimated for new uses, such as
20 passenger VFH that have not yet had ten (10) years of
21 experience on which to estimate serious loss loading,
22 and, hence, a best estimate of the expected serious
23 loss -- expected serious losses should be based on
24 something other than their historical loss experience.

25 MR. JASON WONG (by Teams): I would

1 say it's a combination of the two (2). It's not just
2 applying it to passenger Vehicles for Hire because
3 they're new. It's more making sure that all insurance
4 uses that have the exposure to this risk have a
5 loading applied to it. And that loading will be
6 different, depending on the insurance use.

7 MR. ROBERT WATCHMAN: And I think we -
8 - we've established, in the evidence, that Dion
9 Strategic's recommendation is either option 1, that
10 serious loss loads should be four-hundred-and-twenty-
11 eight dollars (\$428), which is based upon the serious
12 loss per taxi VFH. Correct?

13 MR. JASON WONG (by Teams): Correct.

14 MR. ROBERT WATCHMAN: Or two-hundred-
15 and-fifty-eight dollars(\$258), which represents the
16 average serious loss per VFH unit. Is that correct?

17 MR. JASON WONG (by Teams): Correct.

18 MR. ROBERT WATCHMAN: And with that,
19 Kristen, could we turn to, in the Application, Part 6
20 Ratemaking RM Appendix 9. And this is the appendix --
21 it's the appendix that determines average pure
22 premiums based upon class use, insurance year, and
23 territory.

24 And if we turn to the second page
25 there, it's page 135, towards the bottom, where we --

1 yeah.

2 So the -- you'll see there, the group
3 of -- sorry, is that page 137? So are we on table 12?

4

5 (BRIEF PAUSE)

6

7 MR. ROBERT WATCHMAN: There we go.
8 Towards the bottom. You see the group there for
9 passenger Vehicle for Hire group?

10 MR. JASON WONG (by Teams): Yes.

11 MR. ROBERT WATCHMAN: Yes. And so,
12 across the bottom, the line in bold, it's 'Passenger
13 Vehicle for Hire totals'. And if we go to the fifth
14 column, this represents the average pure premium for
15 the class.

16 The nineteen-hundred-and-forty-nine
17 dollars (\$1,949)?

18 MR. JASON WONG (by Teams): Yes, we
19 see that.

20 MR. ROBERT WATCHMAN: Okay. So now,
21 if we were to add a serious loss load of four-hundred-
22 -and-twenty-eight (\$428) to that pure premium, it
23 would total two hundred -- sorry, two-thousand-three-
24 hundred-seventy-seven dollars (\$2,377). Correct?

25 MR. JASON WONG (by Teams): I -- it

1 depends on which loading. So is it a -- are you
2 saying a nineteen-forty-nine (1,949) plus the amount?

3 MR. ROBERT WATCHMAN: Correct. Four-
4 twenty -- correct.

5 And so, that four-hundred-and-twenty-
6 eight dollars (\$428) would represent 18 percent of the
7 overall total?

8 MR. SYLVAIN DION (by Teams): That
9 sounds about right. Yeah.

10 MR. JASON WONG (by Teams): Yeah.

11 MR. SYLVAIN DION (by Teams): Four-
12 twenty-eight (428) out of nineteen-forty-nine (1,949).

13 MR. ROBERT WATCHMAN: No, two-
14 thousand-three-hundred-seventy-seven (2,377).

15 MR. SYLVAIN DION (by Teams): Oh,
16 okay. Okay, yes. So four-twenty-eight (428) out of
17 the twenty-three-forty-seven (2,347), you're saying is
18 about 18 percent?

19 MR. ROBERT WATCHMAN: Correct.

20 MR. SYLVAIN DION (by Teams): Yeah.

21 MR. ROBERT WATCHMAN: Okay. And, yes,
22 and we can take your responses as subject to check
23 because you won't have time to do the calculations.

24 So, again, staying with the pure
25 premium of nineteen-forty-nine (1,949), if we were to

1 add the two-hundred-and-fifty-eight dollars (\$258) of
2 serious loss load, the total would be a premium of
3 two-thousand-two-hundred-seven (2,207)?

4 MR. SYLVAIN DION (by Teams): That's
5 correct.

6 MR. ROBERT WATCHMAN: All right. And
7 so, then the two-hundred-and-fifty-eight dollars
8 (\$258) would represent eleven-point -- 11.7 percent of
9 the total premium?

10 MR. SYLVAIN DION (by Teams): Yeah.

11 MR. JASON WONG (by Teams): That looks
12 correct.

13 MR. SYLVAIN DION (by Teams): Yeah.

14 MR. ROBERT WATCHMAN: Thank you.

15 Now, if we could turn, Kristen, to
16 Information Request PUB-TC-1-1.

17

18 (BRIEF PAUSE)

19

20 MR. ROBERT WATCHMAN: And I'm going to
21 go to page 5 of that, towards the bottom. Response
22 under item 'E'. And it -- there we go.

23 And so, Dion Strategic notes that with
24 respect to public major class, the average serious
25 loss per unit is a hundred-and-fifty-seven-point-three

1 dollars (\$157.3). Do you see that?

2 MR. JASON WONG (by Teams): Yes.

3 MR. ROBERT WATCHMAN: Turning to the
4 top of the next page, the average serious loss per
5 unit of taxicab is four-hundred-twenty-seven-point-
6 nine dollars (\$427.9)?

7 MR. JASON WONG (by Teams): Yes.

8 MR. SYLVAIN DION (by Teams): Yes.

9 MR. ROBERT WATCHMAN: And so, the --
10 the next point there that the collision costs loss --
11 sorry, the collision loss costs of public major class
12 versus taxi is about 21 percent, but the serious loss
13 per unit of public major class versus taxi VFH is 36.8
14 percent. Do you see that?

15 MR. JASON WONG (by Teams): Yes.

16 MR. ROBERT WATCHMAN: So now, Kristen,
17 if we could go back to the Application, Part 6
18 Ratemaking. And this time we're going to go to
19 appendix 9, table 9.

20 Okay. And so, what this table
21 represents is reported serious loss and ALAE, or
22 Allocated Loss Adjustment Expenses. Is that correct?

23 MR. JASON WONG (by Teams): Yes.

24 MR. SYLVAIN DION (by Teams): Correct.

25 MR. ROBERT WATCHMAN: And you'll see

1 that it's -- the uses are -- sorry, uses that have no
2 serious loss are not listed. But what's represented
3 here is the last ten (10) years of experience with
4 respect to serious loss as of March 31, 2021.

5 Correct?

6 MR. JASON WONG (by Teams): Yes,
7 that's my understanding.

8 MR. ROBERT WATCHMAN: And so, we're
9 looking at -- we're looking at here major class 3,
10 which is the public vehicle major class.

11 And so, if we start with common carrier
12 bus within Winnipeg -- sorry, within Manitoba, so we
13 look across the bottom line, in bold.

14 So the total serious loss over that ten
15 (10) year experience was about \$.6 million. Correct?

16 MR. SYLVAIN DION: Five hundred and --

17 MR. JASON WONG (by Teams): Correct.

18 MR. ROBERT WATCHMAN: And the next
19 category, if we scroll down, Kristen, to the last
20 line, 'Police emergency passenger vehicle',
21 approximately \$2 million?

22 MR. JASON WONG (by Teams): Yes.

23 MR. ROBERT WATCHMAN: So I should --
24 so -- so again, it sets out the total for the last ten
25 (10) years. So the -- starting with the common

1 carrier bus within Manitoba, the annual average would
2 be sixty -- approximately sixty thousand dollars
3 (\$60,000)?

4 MR. SYLVAIN DION (by Teams): Yeah.
5 Five-eighty-five (585) divided by ten (10). Yes.

6 MR. ROBERT WATCHMAN: And so, for the
7 police emergency vehicle, it would be approximately
8 two hundred thousand dollars (\$200,000)?

9 MR. SYLVAIN DION (by Teams): No, more
10 like -- well, let me see. Yes, you're right. A
11 million-nine-ninety-two (1,992,000) divided -- so
12 about two hundred thousand (200,000).

13 MR. JASON WONG (by Teams): Yeah.
14 Yes.

15 MR. ROBERT WATCHMAN: And then, the
16 next class is school bus local. And we see that the
17 total is approximately \$3 million?

18 MR. JASON WONG (by Teams): Yes.

19 MR. ROBERT WATCHMAN: So the annual
20 average about three hundred thousand dollars
21 (\$300,000)?

22 MR. JASON WONG (by Teams): Yes.

23 MR. ROBERT WATCHMAN: All right. And
24 top of the next page, for taxicab Vehicle for Hire, we
25 see that the total is approximately \$3 million?

1 MR. JASON WONG (by Teams): Yes.

2 MR. SYLVAIN DION (by Teams): So about
3 three hundred thousand (300,000) per year.

4 MR. ROBERT WATCHMAN: Thank you. Next
5 class being transit, bus local. We have approximately
6 \$4 million, correct?

7 MR. JASON WONG (by Teams): Yes.

8 MR. SYLVAIN DION (by Teams): Four (4)
9 years, no large losses.

10 MR. ROBERT WATCHMAN: Yeah. So but
11 the -- but -- so the ten (10) year total is --

12 MR. JASON WONG (by Teams): Thirty
13 years.

14 MR. ROBERT WATCHMAN: -- 4 million.
15 The average -- the annual average would be about four
16 hundred thousand (400,000)?

17 MR. JASON WONG (by Teams): Yes.

18 MR. SYLVAIN DION (by Teams): Yeah.

19 MR. ROBERT WATCHMAN: So then now down
20 to UDrive passenger vehicle, we have approximately 5.5
21 million?

22 MR. SYLVAIN DION (by Teams): Yeah.

23 MR. ROBERT WATCHMAN: Correct?

24 MR. JASON WONG (by Teams): Yes.

25 MR. SYLVAIN DION (by Teams): Correct.

1 MR. ROBERT WATCHMAN: And so about .55
2 million per year -- average per year, correct?

3 MR. SYLVAIN DION (by Teams): Correct.

4 MR. JASON WONG (by Teams): Yes.

5 MR. ROBERT WATCHMAN: And then over to
6 the top of the next page, we have UDrive truck, and we
7 see a ten (10) year total of just over \$8 million --
8 sorry, eight hundred thousand dollars (\$800,000).

9 MR. JASON WONG (by Teams): Yeah.

10 MR. ROBERT WATCHMAN: Yeah.

11 MR. JASON WONG (by Teams): Correct.

12 MR. ROBERT WATCHMAN: And so an annual
13 average of approximately eighty thousand dollars
14 (\$80,000) --

15 MR. JASON WONG (by Teams): Yes.

16 MR. ROBERT WATCHMAN: -- correct?

17 MR. JASON WONG (by Teams): Yes.

18 MR. ROBERT WATCHMAN: Now -- and just
19 if we go back to the bottom of the prior page,
20 Kristen, just -- so just looking at that, you -- the
21 UDrive passenger, so we have an annual average of
22 about \$.55 million. And I'm going to ask you,
23 Kristen, to turn to Table 10 of Appendix 9, and --
24 okay.

25 So now this -- Table 10 represents

1 reported loss and ALAE without hail but with the ten
2 (10) year average expected serious loss.

3 Do you see that?

4 MR. JASON WONG (by Teams): Yes.

5 MR. ROBERT WATCHMAN: And so for sake
6 of convenience, I'm going to refer to that as total
7 loss, even though we know that hail claims have been
8 removed, okay?

9 MR. JASON WONG (by Teams): Okay.

10 MR. ROBERT WATCHMAN: Okay. And then
11 you see -- and so then the -- the totals there are
12 based upon five (5) years of experience, correct?

13 MR. JASON WONG (by Teams): Yes.

14 MR. ROBERT WATCHMAN: For each class?

15 MR. JASON WONG (by Teams): Right.

16 MR. ROBERT WATCHMAN: Okay. If we
17 could turn to page 112, Kristen, and right -- right
18 there. So if we're looking -- so -- so for the UDrive
19 passenger serious loss, we had an annual average of
20 about .55 million.

21 For UDrive vehicles there, the -- going
22 across the bold lines, we have 38.84 -- 85 million for
23 five (5) years, which translates to an annual average
24 of about \$7.8 million?

25 MR. JASON WONG (by Teams): Sounds

1 correct.

2 MR. ROBERT WATCHMAN: Okay. And so
3 when we compare then serious loss to total loss, in
4 other words, compare .55 million to 7.8 million, we
5 get a ratio of about 7 percent.

6 Would you agree with that?

7 MR. JASON WONG (by Teams): I'm going
8 to confirm the calculation right now.

9 MR. ROBERT WATCHMAN: Okay. Thank
10 you.

11

12 (BRIEF PAUSE)

13

14 MR. JASON WONG (by Teams): Can you
15 repeat the number you calculated?

16 MR. SYLVAIN DION (by Teams): So it's
17 -- it's five hundred and fifty thousand (550,000) you
18 said, divided by 38 million, right?

19 MR. ROBERT WATCHMAN: No. No, no, no.
20 The 38 million is divided by five (5) to get the
21 annual --

22 MR. SYLVAIN DION (by Teams): That's
23 correct.

24 MR. ROBERT WATCHMAN: -- average,
25 which I got to be 7.8 million approximately.

1 MR. SYLVAIN DION (by Teams): So --

2 MR. JASON WONG (by Teams): Okay.

3 Yes.

4 MR. ROBERT WATCHMAN: Oh. So if we
5 divide point -- the .55 million by the 7.8 million, we
6 see that it represents about 7 percent?

7 MR. JASON WONG (by Teams): Yes.

8 MR. ROBERT WATCHMAN: Okay. Okay. So
9 now I've done that calculation for -- for the other
10 classes -- classes with serious loss. So if we can go
11 back to Table 9 then, Kristen, starting at page 97,
12 it's -- and these are -- so for all of the...

13

14 (BRIEF PAUSE)

15

16 MR. ROBERT WATCHMAN: So common
17 carrier bus -- oh, sorry. I'll start with -- I'll
18 just go through the non-bus categories because -- and,
19 Mr. Wong, you gave evidence this morning that busses
20 might be different.

21 So if I'm starting with -- so I started
22 with UDrive passenger vehicle, and we got 7 percent.
23 If I go to -- whoop, a little too far. If we go to
24 police emergency vehicle, it's 12.3 percent. If we
25 look at UDrive -- UDrive truck, it's 5.1 percent, and

1 if it's taxicabs, it's 8.4 percent.

2 Subject to check, would you understand
3 that to be a reasonable calculation?

4 MR. SYLVAIN DION (by Teams): Yeah.
5 We -- we haven't done the calculation, but we -- based
6 on the principle you've mentioned, we -- we trust what
7 -- what you're saying.

8 MR. ROBERT WATCHMAN: Okay. So now if
9 we go to school bus local, and we see there it's about
10 point -- the annual average for serious loss is about
11 .31 million, and the average total loss, average
12 annual total loss, is .89 million, so the ratio is
13 35.4 percent?

14 MR. SYLVAIN DION (by Teams): For the
15 school bus?

16 MR. JASON WONG (by Teams): For the
17 school bus?

18 MR. ROBERT WATCHMAN: Yes, school bus,
19 local. If we do that same calculation for transit
20 bus, local, we get 31.9 percent?

21 MR. SYLVAIN DION (by Teams): Okay.

22 MR. ROBERT WATCHMAN: And if we do it
23 for common carrier bus within Manitoba, it's 68.8
24 percent.

25 MR. SYLVAIN DION (by Teams): Okay.

1 MR. ROBERT WATCHMAN: Okay. And --
2 and I think, Mr. Wong, as you indicated this morning,
3 you would expect busses to be different, but
4 intuitively you would have expected the serious loss,
5 the total loss ratio, to be lower.

6 But would you agree that the bus
7 categories actually seem to be significantly higher
8 than the other categories of public vehicle?

9 MR. JASON WONG (by Teams): I believe
10 it could be based on the numbers you've calculated.

11 MR. ROBERT WATCHMAN: Okay. So -- so
12 what I've done is that, if we take all of the bus
13 numbers -- so we take the serious bus numbers, the
14 serious loss bus numbers, and the total loss bus
15 numbers including busses that did not have a serious
16 loss, I get -- the calculation I get is that the
17 serious loss -- the average annual serious loss is .78
18 million versus a total -- sorry, versus an average
19 annual total loss of 2.13 million, which comes out to
20 a ratio of 33.9 percent.

21 So would you accept that, subject to
22 check?

23 MR. JASON WONG (by Teams): I -- I
24 trust your calculations.

25 MR. ROBERT WATCHMAN: Thank you. And

1 I did that same calculation adding up all the non-
2 busses in the public vehicle category, and it came out
3 to have an annual serious loss of 1.1 million versus
4 an average annual total loss of 15 million such that
5 the ratio of serious loss to total loss is 7.4
6 percent. Do you accept that as being accurate?

7 MR. JASON WONG (by Teams): We -- we
8 trust your numbers.

9 MR. ROBERT WATCHMAN: Okay.

10 MR. SYLVAIN DION (by Teams): Yeah.

11 MR. ROBERT WATCHMAN: Thank you very
12 much.

13 MR. SYLVAIN DION (by Teams): Yeah.

14 MR. ROBERT WATCHMAN: I warn you, I am
15 a lawyer, though. I'm not an -- not an actuary, but -
16 - so subject --

17 MR. SYLVAIN DION (by Teams): Yeah.

18 Well, I think we would say subject to verification.

19 So we're following your logic.

20 MR. ROBERT WATCHMAN: Yes, and -- and
21 I think that's what's most important is just to follow
22 the logic. So now I'm going to turn in that Table 9,
23 Kristen, back to page 91.

24 And if we look at -- now, so the last
25 group there is the calculation for the private major

1 class. And you will see there that the total serious
2 loss over the ten (10) year period comes to four
3 hundred and eighty-seven thousand (487,000) --

4 MR. SYLVAIN DION (by Teams): Okay.

5 MR. ROBERT WATCHMAN: -- sorry, 487
6 million.

7 MR. JASON WONG (by Teams): Million,
8 yeah.

9 MR. ROBERT WATCHMAN: I'm having
10 trouble with numbers, they're so big. So 487 million,
11 so that the yearly average would be approximately 49
12 million?

13 MR. JASON WONG (by Teams): Yeah.

14 MS. ROBERT WATCHMAN (by Teams): Do --
15 do you see that?

16 MR. SYLVAIN DION (by Teams): Correct.

17 MR. JASON WONG (by Teams): Yes.

18 MR. SYLVAIN DION (by Teams): Yeah, we
19 got that.

20 MR. ROBERT WATCHMAN: And so, if we
21 could turn back, Kristen, to table 10, which is the
22 total loss calculation table. And if we could go to
23 page 105, down to the bottom of the page. And there
24 you see the very last entry for the entire major
25 class.

1 The total of the -- the total, total
2 loss is two billion seven hundred and sixty-one
3 million (2,761,000,000) approximately?

4 MR. JASON WONG (by Teams): Okay.

5 MR. ROBERT WATCHMAN: Yeah. And so,
6 when we do that comparison of serious loss to total
7 loss, the ratio is about 8.8 percent for private
8 vehicles, okay?

9 MR. SYLVAIN DION (by Teams): 8.8?

10 MR. ROBERT WATCHMAN: Yes.

11 MR. SYLVAIN DION (by Teams): But you
12 have four hundred and eight-seven (487), I think you
13 mentioned, million compared to 2.761. That looks more
14 like 18 percent if that's the calculation. Oh, that's
15 in years. We have to take five (5) years, right?

16 MR. ROBERT WATCHMAN: Right. Right,
17 correct. So --

18 MR. SYLVAIN DION (by Teams): Forty-
19 nine million times five (5), okay.

20 MR. ROBERT WATCHMAN: Yes. First, is
21 one fifth of that number, which is 552 million
22 approximately --

23 MR. SYLVAIN DION (by Teams): Yeah.

24 MR. ROBERT WATCHMAN: -- forty-nine
25 (49) divided by five fifty-two (552). Then we get

1 about 8.8 percent.

2 MR. SYLVAIN DION (by Teams): 8.8
3 percent, okay.

4 MR. ROBERT WATCHMAN: So, there -- so,
5 we see that -- so, that the private passenger --
6 sorry, the -- the private major class is very similar
7 to the tax rate; it's 8.8 versus 8.4, and a touch
8 higher than the public major class, which came out at
9 7.4 percent?

10 MR. SYLVAIN DION (by Teams): Okay.

11 MR. ROBERT WATCHMAN: Would you agree?
12 Okay. And so now --

13 MR. SYLVAIN DION (by Teams): M-hm.

14 MR. ROBERT WATCHMAN: So, you'll
15 recall that when we looked at the numbers that Dion
16 Strategic is recommending, the two hundred and fifty-
17 eight dollars (\$258) came out at 11.7 percent and the
18 four hundred and twenty-eight dollars (\$428) per
19 vehicle came out at 18 percent of the --

20 MR. SYLVAIN DION (by Teams): Compared
21 to, yeah, the -- the private passenger for hire,
22 right, vehicle?

23 MR. ROBERT WATCHMAN: No, I'm -- I'm
24 sorry, the -- we talked about -- you needed, yeah, two
25 hundred and fifty-eight dollars (\$258) serious load,

1 serious loss load, which relative to the pure premium
2 with loading was 11.7 percent or, alternatively, the
3 four hundred and twenty-eight (428) serious loss load,
4 which relative to pure premium after loading would be
5 18 percent, recall that?

6 MR. JASON WONG (by Teams): Okay. I
7 think it sounds reasonable.

8 MR. ROBERT WATCHMAN: So, can you --
9 can -- can you just provide us with a comment as to
10 why you believe that that level of serious loading
11 would be more appropriate given the exercise we've
12 just gone through relative to other private and public
13 vehicles?

14

15 (BRIEF PAUSE)

16

17 MR. SYLVAIN DION (by Teams): Boy,
18 this was a lot of permutation. But I would say we
19 agree with the calculation. Your question was, why is
20 it that I obtain 8 percent, or 8.8 percent, and you're
21 suggesting 11 or 18 percent.

22 But I think we're talking specifically
23 about the -- what's the expression for that, the --
24 the car for hire, the --

25 MR. JASON WONG (by Teams): The

1 passenger Vehicle for Hire.

2 MR. SYLVAIN DION (by Teams):

3 Passenger Vehicle for Hire, that the twenty-three
4 hundred dollars (\$2,300) that I think comes from that
5 calculation is a depressed number. It's not high
6 enough.

7 MR. JASON WONG (by Teams): Yes.

8 MR. SYLVAIN DION (by Teams): It's a
9 subsidized number. That's why you get 11 to 18
10 percent.

11 MR. JASON WONG (by Teams): Partially,
12 yes. I think there's different ways to look at. When
13 we tried to respond to this question is -- give me one
14 (1) second. This question is PUB-TC-1-1 on part 'E'.

15 So, what we are trying to illustrate,
16 that there's different aspects. There's -- there's
17 the different frequency and relative frequency of your
18 lower losses. And then there's differences in the
19 severity. There's different ways to come up with a
20 different number.

21 There's also ways to come up with a
22 number different than two fifty-eight (258) if you
23 look at, I guess, relative ratios of other items.

24 In part -- part 'I', I presented a -- I
25 guess a similar reason of using relative loss cost,

1 and then came up with a loading of two hundred and
2 seventeen dollars (\$217). So, this was assuming that
3 --

4 MR. SYLVAIN DION (by Teams): So, page
5 8, right, page -- bottom of page 7?

6 MR. JASON WONG (by Teams): Page 8.

7 MR. SYLVAIN DION (by Teams): Okay.

8 MR. JASON WONG (by Teams): At the top
9 of page 8. So, that was looking at, say, comparing
10 passenger Vehicle for Hire versus the private
11 passenger major class. And that is relating say the
12 cost of passenger Vehicle for Hire versus private
13 passenger major class is about 350 percent worse.

14 So, if you multiply the sixty-two
15 dollars (\$62) of serious loss per unit from private
16 passenger times that ratio, you get two seventeen
17 (217).

18 There's different ways to do this range
19 of reasonableness. What we presented is, I guess, a
20 simple, intuitive. We're trying to group all Vehicles
21 for Hire together and coming up with a serious loss
22 unit.

23 I think there's going to be a range of
24 different outcomes if you ask different actuaries.

25 MR. SYLVAIN DION (by Teams): Well,

1 but I -- I still think the differential is you're
2 relating that to -- to the base rate --

3 MR. JASON WONG (by Teams): Yes.

4 MR. SYLVAIN DION (by Teams): -- which
5 it might be depressed. I don't know if that makes
6 sense. Did that answer your question?

7 MR. ROBERT WATCHMAN: Yeah. You know
8 -- yes. Thank you.

9 MR. SYLVAIN DION (by Teams): Okay.

10 MR. ROBERT WATCHMAN: And just -- and
11 just for the record, I'm just going to go through a
12 confirmation as to what the serious loss load would be
13 if we used these other numbers.

14 So, you'll recall that for all public
15 vehicles, excluding buses, the ratio was 7.4 percent
16 so that the pure premium based -- sorry, so the
17 serious loss load based upon a pure premium of
18 nineteen forty-nine (1,949) would come to one hundred
19 and fifty-six dollars (\$156).

20 Does that sound about right?

21 MR. SYLVAIN DION (by Teams): It'd be
22 8.8 percent?

23 MR. ROBERT WATCHMAN: No, 7.4 percent.

24 MR. SYLVAIN DION (by Teams): Okay.

25 MR. JASON WONG (by Teams): I -- I

1 think so.

2 MR. ROBERT WATCHMAN: Yeah.

3 MR. JASON WONG (by Teams): It sounds
4 reasonable.

5 MR. ROBERT WATCHMAN: And if we use
6 the -- the taxicab ratio of 8.4 percent, the loss load
7 would be a hundred and seventy-nine dollars (\$179).

8 Does that sound about right?

9 MR. SYLVAIN DION (by Teams): Of the
10 nineteen forty-nine (1,949)?

11 MR. ROBERT WATCHMAN: Well, yes, but
12 you have to calculate it after loading.

13 MR. SYLVAIN DION (by Teams): And
14 remind me, the -- the nineteen forty-nine (1,949) is
15 what exactly? Is this --

16 MR. ROBERT WATCHMAN: Yes, the average
17 pure premium for passenger vehicles -- sorry,
18 passenger VFH vehicles.

19 MR. SYLVAIN DION (by Teams): So, this
20 is the non-taxi because these are the...

21 MR. ROBERT WATCHMAN: No, the taxi
22 rate -- the taxi ratio we calculated was 8.4 percent.
23 So, my calculation is, is that the loss load using
24 that number would be a hundred and seventy-nine
25 dollars (\$179)?

1 MR. JASON WONG (by Teams): Okay.

2 MR. ROBERT WATCHMAN: Does that sound
3 about right? And then, if we used private passenger,
4 the 8.8 percent, the serious loss load would be a
5 hundred and eighty-eight dollars (\$188).

6 That seems about right?

7 MR. SYLVAIN DION (by Teams): That
8 seems about right. But if you would allow us when we
9 go back to passenger vehicle -- passenger Vehicle for
10 Hire, your nineteen forty-nine (1,949), you will
11 notice it -- it's only three (3) years of experience,
12 including a pandemic and probably in a very much of a
13 changing environment in terms of growth of vehicle.

14 So, we -- we believe that the nineteen
15 forty-nine (1,949) is a depressed number. It might be
16 the calculated number, but it's a depressed number
17 because of the reason we mentioned.

18 So, that's why you're getting -- if the
19 real number, instead of being nineteen forty-nine
20 (1,949), was twenty-five forty-nine (2,549), if you
21 add five (5) years of experience non-pandemic, the
22 percentage would be less, obviously, of the two fifty-
23 eight (258).

24 MR. ROBERT WATCHMAN: Thank you. And
25 I'm -- I'm changing now to the topic of credibility.

1 MR. SYLVAIN DION (by Teams): Yeah.

2 MR. ROBERT WATCHMAN: And I believe in
3 response to Information Request PUB-TC-1-7, and we
4 don't -- we don't necessarily have to go there unless
5 the panel wants to see it.

6 Does Dion Strategic believe that the
7 taxi VFH should have a hundred percent credibility,
8 which is what we believe is indicated in that IR
9 response, by using the classical credibility approach
10 -- by using the classical credibility approach?

11 MR. JASON WONG (by Teams): I don't
12 think we're saying they deserve one hundred (100).
13 We're saying the classical method implies it for the
14 collision aspect of it, which represents 70 percent of
15 their losses.

16 So if we think about the initial
17 presentation, we thought of it like if you're -- if we
18 were analyzing the taxis without any other data, what
19 would we do? Well, we would first look at the number
20 of claim counts and try to relate that to a
21 credibility measure, just to see what type of
22 credibility they might have. They are still a
23 relatively small class but using, I guess, different
24 measures are going to have a different amount of
25 credibility given to an insurance use.

1 MR. ROBERT WATCHMAN: Thank you.
2 Kirsten, if we could go to MPI Exhibit 21. And this
3 is an IR response to TC-MPI-1-18. And if we could go
4 to the last two pages of the response, the Figure
5 Appendix 2-2, for -- and hold there.

6 You see that this figure represents
7 taxi and VFH and major class claims counts.

8 Do you see that?

9 MR. JASON WONG (by Teams): Yes.

10 MR. ROBERT WATCHMAN: And if we could
11 scroll down to the bottom of the page. We have for --
12 just for the taxicab group there. I'm going along
13 line 55. If we add across the total count over this
14 ten (10) year period was ten thousand twenty-two
15 (10,022), subject to check?

16 MR. JASON WONG (by Teams): Yes.

17 MR. ROBERT WATCHMAN: So, does Dion
18 Strategic recommend that a ten thousand (10,000) claim
19 count would be a reasonable standard for full
20 credibility or would it be a different number or would
21 it be based on some subset of claim counts such as
22 collision counts?

23 MR. JASON WONG (by Teams): It depends
24 on the coverage and how you weights the different
25 coverages together. Ten eighty-two (1,082) is

1 commonly used for collision, property damage, and
2 comprehensive. A different number is usually used for
3 say accident benefits, which is a liability and longer
4 tailed --

5 MR. ROBERT WATCHMAN: Sorry, I -- was
6 just going to say for -- for the benefit of the
7 record, along line 55, the total ten (10) year count,
8 the first number two (2) represents bodily injury; the
9 second count, six four nine six (6,496) represents
10 collision; the third count, one thousand thirteen
11 (1,013) is comprehensive; and the final count of two
12 thousand five-hundred and thirty-eight (2,538)
13 represents property damage?

14 MR. JASON WONG (by Teams): Correct.
15 So, there are different ways to tackle this. Some
16 companies do it by coverage, some combine it all
17 together, so that is a, I guess, judgmental decision
18 to be made.

19 With this -- with the ten eighty-two
20 (1,082), what is showing is taxis do have enough
21 claims. Unfortunately, they do have a lot of claims,
22 and based on the classical method which looks at claim
23 counts, they would be fairly credible under that
24 approach for collision, comprehensive, and property
25 damage.

1 MR. ROBERT WATCHMAN: Thank you.
2 Kirsten, if we could turn to the report by Dion
3 Strategic, which I believe is Exhibit TC-7 or perhaps
4 TC-4. Sorry. If we could go to -- toward the bottom
5 of page 3, and there's a graph -- a chart set out
6 there, and this represents the -- sorry, VFH taxi
7 major class loss experience.

8 Do you see that?

9 MR. JASON WONG (by Teams): Yes.

10 MR. ROBERT WATCHMAN: And I believe
11 that this was discussed this morning, but we see only
12 five (5) serious losses during the past ten (10)
13 years?

14 MR. JASON WONG (by Teams): Yes.

15 MR. ROBERT WATCHMAN: So with only
16 five (5) serious losses versus ten thousand twenty-two
17 (10,022) total claims over the last ten (10) years,
18 does Dion Strategic believe that it is sufficient for
19 a fully credible indication?

20 MR. JASON WONG (by Teams): Can you
21 repeat that question one (1) more time?

22 MR. ROBERT WATCHMAN: With only five
23 (5) serious losses during the last ten (10) years
24 versus ten thousand twenty-two (10,022) claims --
25 overall claims in the last ten (10) years, does Dion

1 Strategic believe that the five (5) serious losses is
2 sufficient for a fully credible indication?

3 MR. JASON WONG (by Teams): No, I
4 don't think serious losses would be credible for even
5 any of the other insurance uses.

6 MR. ROBERT WATCHMAN: Now, I just have
7 one (1) last question, and we don't need to go there,
8 but in your presentation this morning you referred to
9 Actuarial Standard of Practice 39 or ASOP-39.

10 Do you recall that?

11 MR. JASON WONG (by Teams): Yes. Yes.

12 MR. ROBERT WATCHMAN: And -- and you
13 indicated that it's not identical and it's used as
14 reference. Is that because the ASOP-39 is a US
15 standard that is not required to be filed in Canada --
16 sorry, followed in Canada?

17

18 (BRIEF PAUSE)

19

20 MR. SYLVAIN DION (by Teams): I don't
21 think -- there's no general guidance for large losses.

22 MR. JASON WONG (by Teams): If there's
23 a lot of different material that can be used as
24 reference, a lot of that is up to the actuaries
25 judgment.

1 MR. ROBERT WATCHMAN: Yes, but I just
2 -- sorry, specifically, ASOP-39, is that a US standard
3 or a Canadian standard?

4 MR. JASON WONG (by Teams): US.

5 MR. ROBERT WATCHMAN: And are Canadian
6 actuaries required to follow it?

7 MR. JASON WONG (by Teams): No.

8 MR. ROBERT WATCHMAN: Thank you --
9 thank you, panel. Madam Chair, those are all my
10 questions.

11 THE PANEL CHAIRPERSON: And I
12 understand that CAC and CMMG do not have any cross-
13 examination for these witnesses.

14 So, Mr. Hacault, do you have any re-
15 direct?

16 MR. ANTOINE HACAULT (by Teams):
17 Sorry?

18 MR. ROBERT WATCHMAN: I'm done.

19

20 RE-DIRECT EXAMINATION BY MR. ANTOINE HACAULT:

21 MR. ANTOINE HACAULT (by Teams): Yes,
22 I do. Sorry, it took me a while to get back on.

23 Perhaps, we can deal firstly with the
24 example that Mr. Watchman was providing to you.

25 Messrs. Wong and Dion, if I refer to

1 your presentation slide deck, and in particular slide
2 12, just to have it before you.

3 Mr. Dion, in response to Mr. Watchman's
4 questions, you had indicated that perhaps his
5 illustrations, using as a starting point the one-
6 thousand nine-hundred, and forty-nine dollar (\$1,949)
7 pure premium, when he compared that, you thought it
8 might be artificially low.

9 My question to you is if you use the
10 base premium which was put here -- and we did the
11 percentages -- would that lead to different answers,
12 and why might it be inappropriate to use these
13 premiums, as opposed to the artificially low premiums?

14 MR. SYLVAIN DION (by Teams): Well,
15 I'll answer the first part.

16 So, if you look at the two fifty-eight
17 (258) part of the three-thousand six sixty-nine
18 (3,669), that's about equivalent to a 7 percent, which
19 would be more aligned to -- to the numbers mentioned.
20 And the four twenty-eight (428) as part of the three
21 nine forty-three (3,943), again, it's around 11
22 percent. So that seems to align with the numbers that
23 were quoted. And let me see...

24 MR. ANTOINE HACAULT (by Teams): You
25 might want to redo your math on that other one. Yeah.

1 Oh, that's right. Okay. Did --

2 MR. SYLVAIN DION (by Teams): The
3 three nine --

4 MR. ANTOINE HACAULT (by Teams): Why
5 would it be --

6 MR. SYLVAIN DION (by Teams): Excuse
7 me. Go ahead.

8 MR. ANTOINE HACAULT (by Teams): Why
9 would it be more appropriate to use these to do the
10 percentages?

11

12 (BRIEF PAUSE)

13

14 MR. SYLVAIN DION (by Teams): I think
15 we're basing what you see -- where are we? It's page
16 12 of the report, right? Page 12 of our --

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

18 MR. SYLVAIN DION (by Teams): --
19 report. So these numbers are from MPI, right? The
20 premium they would charge --

21 MR. JASON WONG (by Teams): If there
22 was a loading.

23 MR. SYLVAIN DION (by Teams): If there
24 was a loading.

25 So we're not too sure where the other

1 numbers came from and are relevant. But based on
2 these numbers, and again are MPI, it seems to line up
3 in terms of loading between 7 and 11 percent.

4 MR. ANTOINE HACAULT (by Teams): Okay.
5 I'll move on to -- going back to some questions Mr.
6 Guerra had asked. He asked a number of questions
7 contrasting the publically regulated monopoly versus
8 private industry.

9 Are you able to share any thoughts on
10 whether there's any similarity in the objectives
11 between a publically regulated monopoly versus private
12 sector on the issue of trying to achieve fair rates?

13 MR. SYLVAIN DION (by Teams): I think
14 -- I think the objective of fairness are fairly
15 similar: getting the right rate for the right insured.
16 The difference is, obviously, in terms of making money
17 and having a profit provision.

18 But I think from a fairness point of
19 view, getting the -- based on what we know, that would
20 be fairly similar. And that would include --
21 obviously, stability is important, but when there is a
22 mis-categorization or something like that, to take the
23 step to correct that as quickly as possible.

24 MR. ANTOINE HACAULT (by Teams): Okay.
25 And if one of the goals of public regulation would be

1 for it to be a proxy for competition when there's a
2 monopoly and no competition, would there be
3 similarities in what needs to be achieved, except for
4 the profit area?

5

6 (BRIEF PAUSE)

7

8 MR. SYLVAIN DION (by Teams): I think
9 I would agree with that, that the objective would be
10 similar, except for the profit motive.

11 MR. ANTOINE HACAULT (by Teams): Okay.
12 Mr. Guerra asked a series of questions that, from my
13 understanding, appeared to be on the basis that you
14 start from an underpriced serious loss and then you
15 can increase rate as needed, based on actual
16 experience.

17 Could you comment on that approach of
18 starting at an underpriced model, and then increase,
19 based on actual losses?

20

21 (BRIEF PAUSE)

22

23 MR. SYLVAIN DION (by Teams): Not too
24 sure how to answer that. There was a lot of
25 speculation in the question being asked, and there's,

1 obviously, different scenarios. But, obviously, if
2 you're in an underprice situation, the reality will
3 show need for significant increases in the past.

4 And I know nobody has a perfect crystal
5 ball, but to the extent that you're aware of an
6 underpricing or a situation where you cannot assess
7 the difference because of risk consideration, you
8 should start from there and avoid the surprises in the
9 future.

10 I'm not sure if that answers your
11 question, but...

12 MR. ANTOINE HACAULT (by Teams): So
13 are you able to comment on whether the goal is,
14 firstly, to get the premium right and then move it up
15 or down as required?

16 MR. JASON WONG (by Teams): Yes.

17 MR. SYLVAIN DION (by Teams): Yes.
18 Yes. Absolutely.

19 MR. ANTOINE HACAULT (by Teams): And
20 why is that so?

21 MR. SYLVAIN DION (by Teams): It's a
22 question of fairness with the other insureds in the
23 pool and it's a question of stability for the future,
24 including that group that may deserve a significant
25 correction.

1 MR. ANTOINE HACAULT (by Teams): Okay.
2 I'll move to another area. And this was touched on
3 both by Mr. Watchman and Mr. Guerra in asking you
4 questions on credibility.

5 And in answering some of Mr. Watchman's
6 questions, there appeared to be perhaps a different
7 approach taken to collision numbers and serious loss.

8 Could you expand on that and why, if
9 so, if there isn't a difference? Please clarify.

10

11 (BRIEF PAUSE)

12

13 MR. JASON WONG (by Teams): I would say
14 both are different matters but they also, I guess,
15 intersect. If you have a serious loss, it will be --
16 it will most likely be a shock to all the loss ratios,
17 so you will need a lower minimum credibility to
18 balance that out.

19 So if there was a big, say, serious
20 loss, if your minimum credibility is ten (10), that
21 will stabilize your rate. At the same time, even if
22 the credibility -- minimum credibility were to go up
23 from ten (10) to maybe fifteen (15) or twenty (20), as
24 long as that number is, I guess, reasonably lower, it
25 will help to reduce the impact of that serious loss as

1 well.

2 So when you're working on a serious
3 loading, and you -- you do have to choose a reasonable
4 loading, and it's going to be a different loading,
5 depending on your insurance use. When you're looking
6 at credibility, you're trying to balance how much of
7 that experience to count and how much of the more
8 recent experience to count. And lowering that
9 credibility will balance off some of that shock from
10 the serious loss.

11 MR. SYLVAIN DION (by Teams): Maybe
12 just to add to that in what Mr. Watchman was saying.
13 When we were looking at the credibility by line of
14 business, the point that collision comprehensive
15 deserve a higher percentage of credibility was based
16 on the activity level that was there. But you saw
17 bodily injury and I didn't see accident benefits there
18 --

19 MR. JASON WONG (by Teams): They're
20 always small.

21 MR. SYLVAIN DION (by Teams): Very
22 small. Two (2) claims over five (5) years. So that's
23 when we see less credibility.

24 Quite possible that these same claims
25 might be responsible for the serious losses. And so

1 low credibility to bodily injury accident benefit type
2 of thing, when you look at the large losses, you know,
3 lower credibility -- when you see five (5) large
4 losses in ten (10) years, that's not a significant
5 number of -- of claim. As opposed to claims from
6 first dollar that receive a lot of credibility.

7 MR. ANTOINE HACAULT (by Teams): Okay.
8 Arising from those questions that Mr. Watchman and Mr.
9 Guerra were asking, can you comment on the approaches
10 taken in the private sector with respect to whether,
11 for example, they would rate a group of twenty-four
12 (24) farm vehicles based on actual experience in
13 twenty-four (24) vehicles for serious losses? Quite
14 apart from the credibility.

15 Would they only spread the loss over
16 twenty-four (24) vehicles?

17 MR. JASON WONG (by Teams): I will
18 speak in general.

19 Usually, first, they would try to
20 remove, kind of, the impact of the serious losses.
21 You may set all your claims and cap it at, say, five
22 hundred thousand (500,000) and focus on that part.
23 Then you would decide on, okay, this is the amount of
24 claims above five hundred (500) K, how do I allocate
25 it, and what loading do we put into the different

1 uses?

2 So in this case, if it's, like, a --
3 let's say the farm example, you would probably cap
4 other losses at five hundred (500K) K, then you would
5 apply a loading on top of that. That is not what
6 they're actual -- because they randomly got hit with
7 that one (1) big claim. You would maybe balance it
8 out with other farm vehicles or balance it out with
9 other insurance uses from that class.

10 So the loading is going to be different
11 by the different insurance uses and how you estimate
12 that. You could use historical or say in our case
13 here, with passenger Vehicles for Hire, we're using a
14 proxy based on other Vehicles for Hire.

15 MR. SYLVAIN DION (by Teams):
16 Currently, if I understand the example correctly, to
17 surcharge a group of twenty-four (24) insured because
18 of one (1) large loss and recognize that completely,
19 that would not seem to be appropriate as an approach.

20 MR. JASON WONG (by Teams): Like, I
21 would say the farm vehicles need to be grouped with
22 some other similar uses to have enough size. And then
23 that other group should have a similar loading
24 applied.

25 MR. ANTOINE HACAULT: Okay. Checking

1 my notes, I believe those are all my questions on re-
2 examination. Thank you.

3 THE PANEL CHAIRPERSON: Thank you, Mr.
4 Hacault.

5 MR. JASON WONG (by Teams): Thank you.

6 THE PANEL CHAIRPERSON: And thank you
7 very much to the witnesses.

8 We will now move to the Consumers
9 Association of Canada witnesses, and I see Ms. Desorcy
10 is here this afternoon. Welcome. Ms. Dilay...?

11 MR. SYLVAIN DION (by Teams): So we
12 can -- we can leave?

13 THE PANEL CHAIRPERSON: I'm sorry.
14 Yes, you can. Thank you very much.

15 MR. SYLVAIN DION (by Teams): Okay.
16 Thank you.

17

18 (PANEL STANDS DOWN)

19

20 MS. KATRINE DILAY: Thank you, Madam
21 Chair. Katrine Dilay here speaking, legal counsel to
22 CAC (Manitoba). And indeed my first order of business
23 was to introduce two (2) additional people in the room
24 today: my co-counsel, Mr. Chris Klassen, is currently
25 distributing an exhibit, and Ms. Gloria Desorcy, the

1 executive director of CAC (Manitoba) is sitting behind
2 us.

3 Madam Chair, before we start, it's my
4 understanding that Mr. Rajesh Sahasrabuddhe, from
5 Oliver Wyman, has not yet been qualified. We did not
6 request to pre-qualify him, so I believe the first
7 order of business would be to qualify him, and I
8 expect we can do that relatively quickly.

9 THE PANEL CHAIRPERSON: Yes. Thank
10 you. Please proceed.

11 MS. KATRINE DILAY: Thank you. And
12 before we start -- I guess this would be a process
13 question -- I'm not sure if Mr. Sahasrabuddhe should
14 be affirmed or sworn prior to these questions or prior
15 to his testimony.

16 THE PANEL CHAIRPERSON: Prior to his
17 testimony, please.

18 MS. KATRINE DILAY: Thank you.

19

20 EXAMINATION-IN-CHIEF BY MS. KATRINE DILAY

21 (QUALIFICATIONS):

22 MS. KATRINE DILAY: Kristen, if we
23 could pull up Exhibit CAC-1-5, which is on page 2.
24 Thank you. And we -- we had Mr. Sahasrabuddhe on --
25 on the screen. Thank you for joining us this

1 afternoon.

2 MR. RAJESH SAHASRABUDDHE (by Teams):

3 Sure. No problem.

4 MS. KATRINE DILAY: So I'll begin by
5 asking you some questions regarding your
6 qualifications, and then I will propose an area that
7 you will be qualified in for the Board to approve --
8 or to consider rather.

9 Mr. Sahasrabuddhe, you are a partner
10 and Philadelphia office leader with Oliver Wyman
11 actuarial consulting, correct?

12 MR. RAJESH SAHASRABUDDHE (by Teams):

13 Yes, that's correct.

14 MS. KATRINE DILAY: And Oliver Wyman
15 is an international consulting firm which provides a
16 variety of services including actuarial consulting,
17 correct?

18 MR. RAJESH SAHASRABUDDHE (by Teams):

19 Yes, that's correct.

20 MS. KATRINE DILAY: And your primary
21 responsibilities in your role are to provide actuarial
22 consulting services to a variety of insurance, re-
23 insurance, and self-insured organizations?

24 MR. RAJESH SAHASRABUDDHE (by Teams):

25 Yes, that's correct.

1 MS. KATRINE DILAY: And you serve as
2 lead consultant and provide risk financing guidance on
3 actuarial assignments, correct?

4 MR. RAJESH SAHASRABUDDHE (by Teams):
5 Yes, that's correct.

6 MS. KATRINE DILAY: And can you
7 confirm that you are a Fellow of the Casualty
8 Actuarial Society, an associate of the Canadian
9 Institute of Actuaries, and a member of the American
10 Academy of Actuaries?

11 MR. RAJESH SAHASRABUDDHE (by Teams):
12 I am, yes. I can confirm that.

13 MS. KATRINE DILAY: And in terms of
14 your prior experience, you've provided actuarial
15 consulting services for over nineteen (19) years,
16 correct?

17 MR. RAJESH SAHASRABUDDHE (by Teams):
18 Yes, over nineteen (19) years, that's correct.

19 MS. KATRINE DILAY: And prior to
20 joining Oliver Wyman, you provided actuarial
21 consulting services to self -- to self-insured clients
22 at a national brokerage company?

23 MR. RAJESH SAHASRABUDDHE (by Teams):
24 Yes, that's correct.

25 MS. KATRINE DILAY: You've also

1 provided financial advisory and litigation support
2 services at an independent consulting firm?

3 MR. RAJESH SAHASRABUDDHE (by Teams):

4 Yes, that's correct.

5 MS. KATRINE DILAY: And you've also
6 worked at Ernst & Young which gave you experience with
7 insurance accounting issues, correct?

8 MR. RAJESH SAHASRABUDDHE (by Teams):

9 Yes, that's correct.

10 MS. KATRINE DILAY: And just thinking
11 about your experience in Canada, you and Ms. Paula
12 Elliott, which is your colleague, provide actuarial
13 consulting services related to automobile insurance
14 throughout Canada?

15 MR. RAJESH SAHASRABUDDHE (by Teams):

16 Yes, that's correct.

17 MS. KATRINE DILAY: And this would
18 include in New Brunswick, Newfoundland, Nova Scotia,
19 Ontario, Saskatchewan, Alberta, British Columbia, and
20 now in Manitoba, correct?

21 MR. RAJESH SAHASRABUDDHE (by Teams):

22 Yes, that's correct.

23 MS. KATRINE DILAY: And one (1) of
24 your specialties in terms of actuarial services in
25 automobile insurance regulation is reviewing actuarial

1 assumptions included in rate filings that are
2 submitted by automobile insurers in Canada?

3 MR. RAJESH SAHASRABUDDHE (by Teams):

4 Yes, that's correct.

5 MS. KATRINE DILAY: And as part of
6 that role, this has included giving ex -- expert
7 testimony?

8 MR. RAJESH SAHASRABUDDHE (by Teams):

9 Yes, that's correct.

10 MS. KATRINE DILAY: And also working
11 with Canadian automobile insurance regulators, you
12 have reviewed generalized linear models and machine
13 learning algorithms submitted by insurers to support
14 classification plans and rate applications?

15 MR. RAJESH SAHASRABUDDHE (by Teams):

16 Yes, that's correct.

17 MS. KATRINE DILAY: You have also
18 provided -- sorry, supported a provincial regulator in
19 the development of a model governance framework?

20 MR. RAJESH SAHASRABUDDHE (by Teams):

21 Yes, that's correct.

22 MS. KATRINE DILAY: And you are also
23 currently working on an educational note for the
24 Canadian Institute of Actuaries regarding trends.

25 Is that right?

1 MR. RAJESH SAHASRABUDDHE (by Teams):

2 Yes, that's correct.

3 MS. KATRINE DILAY: Thank you. And
4 so, given this review of Mr. Sahasrabuddhe's
5 experience, we would propose that he be qualified as
6 an expert in actuarial analysis, with a particular
7 focus on pricing, ratemaking, and risk related to
8 automobile insurers generally.

9 THE PANEL CHAIRPERSON: Thank you, Ms.
10 Dilay. Mr. Scarfone...?

11 MR. STEVE SCARFONE: Thank you, Madam
12 Chair. Just a couple of questions. We don't take any
13 particular objection to that qualification. We just
14 had a couple of questions for the gentleman.

15

16 CROSS-EXAMINATION BY MR. STEVE SCARFONE

17 (QUALIFICATIONS):

18 MR. STEVE SCARFONE: Firstly, sir, the
19 first order of business I think we resolved was that
20 your last name is hard to pronounce. I'm --

21 MR. RAJESH SAHASRABUDDHE (by Teams):
22 There's a lot of vowels in there, so you have to break
23 it up into the syllables. And I'm actually fine if
24 you want to call me Raj, if that's easier for you.

25 MR. STEVE SCARFONE: Okay. I was

1 going to ask you that. We don't go way back, but I'll
2 call you Raj.

3 MR. RAJESH SAHASRABUDDHE (by Teams):

4 Yes.

5 MR. STEVE SCARFONE: Sir, this is your
6 first time appearing before this Public Utilities
7 Board?

8 MR. RAJESH SAHASRABUDDHE (by Teams):

9 Yes, that's correct.

10 MR. STEVE SCARFONE: And your only
11 other evidence was before the Board out in New
12 Brunswick. Is that correct?

13 MR. RAJESH SAHASRABUDDHE (by Teams):

14 Yes, that's correct.

15 MR. STEVE SCARFONE: And that
16 particular Board would regulate the private insurance
17 industry out in New Brunswick?

18 MR. RAJESH SAHASRABUDDHE (by Teams):

19 Yes, that's correct.

20 MR. STEVE SCARFONE: Thank you. Those
21 are all my questions, and, as we've indicated, Madam
22 Chair, we're -- we're fine with that particular
23 qualification.

24 THE PANEL CHAIRPERSON: Thank --

25 MR. RAJESH SAHASRABUDDHE (by Teams):

1 Just -- just a point of clarification. While I
2 haven't appeared before the Newfoundland regulators or
3 some of the other provinces, we do submit expert
4 reports or review of rate filings in other provinces.
5 It's just we haven't been in a Board -- or I
6 personally haven't been in a Board hearing on -- on
7 those -- on those filings.

8 THE PANEL CHAIRPERSON: Thank you very
9 much for that clarification.

10 Would you please swear the witness?
11

12 CAC PANEL:

13 RAJESH SAHASRABUDDHE, Affirmed
14

15 THE PANEL CHAIRPERSON: Thank you.

16 Ms. Dilay...?

17 MS. KATRINE DILAY: Thank you, Madam
18 Chair.

19

20 EXAMINATION-IN-CHIEF BY MS. KATRINE DILAY:

21 MS. KATRINE DILAY: And just in terms
22 of confirming the evidence prepared by Mr.
23 Sahasrabuddhe, you'll confirm that you prepared the
24 report which was filed as Exhibit CAC-4, which is
25 entitled 'Review of Rate Application Submitted by

1 Manitoba Public Insurance Actuarial Evidence'?

2 THE PANEL CHAIRPERSON: Just one (1)
3 moment. Sorry, Ms. Dilay, to interrupt you. Are you
4 going to qualify Ms. Elliott as well?

5 MS. KATRINE DILAY: Thank you for the
6 question. We were not going to propose to qualify Ms.
7 Elliott. We would propose to qualify Mr.
8 Sahasrabuddhe given that he will be giving the
9 testimony today. And in these questions, I will
10 confirm that Ms. Paula Elliott was -- prepared the
11 report jointly.

12 And I'll -- I'll ask Mr. Sahasrabuddhe
13 to confirm that everything was -- was prepared under
14 his care and control.

15 THE PANEL CHAIRPERSON: Oh, thank you
16 very much. Sorry for the interruption.

17 MS. KATRINE DILAY: Thank you for the
18 question. I should have clarified that.

19

20 CONTINUED BY MS. KATRINE DILAY:

21 MS. KATRINE DILAY: And so, Mr.
22 Sahasrabuddhe, you'll confirm you prepared the report
23 which was filed as Exhibit CAC-4 and which is titled
24 'Review of Rate Application Submitted by Manitoba
25 Public Insurance Actuarial Evidence'?

1 MR. RAJESH SAHASRABUDDHE (by Teams):

2 Yes, I confirm that.

3 MS. KATRINE DILAY: And you prepared
4 this report jointly with Ms. Paula Elliott, also of
5 Oliver Wyman, correct?

6 MR. RAJESH SAHASRABUDDHE (by Teams):

7 Yes, that's correct.

8 MS. KATRINE DILAY: You also prepared
9 the Information Request responses to the Public
10 Utilities Board and to the Coalition of Manitoba
11 Motorcycle Groups?

12 MR. RAJESH SAHASRABUDDHE (by Teams):

13 Yes, that's correct.

14 MS. KATRINE DILAY: And you also
15 prepared Exhibit CAC-7, which was a revision and
16 appendix to the IR PUB-CAC-1-3?

17 MR. RAJESH SAHASRABUDDHE (by Teams):

18 Yes, that's correct.

19 MS. KATRINE DILAY: And you can
20 confirm that this material was prepared under your
21 care and control?

22 MR. RAJESH SAHASRABUDDHE (by Teams):

23 Yes, I can confirm that.

24 MS. KATRINE DILAY: In collaboration
25 with Ms. Elliott?

1 MR. RAJESH SAHASRABUDDHE (by Teams):

2 Yes.

3 MS. KATRINE DILAY: Thank you. And
4 finally, we'd like to file officially on the record of
5 the proceeding the presentation that Mr. Sahasrabuddhe
6 will be given -- giving today, and we'd like to file
7 this as Exhibit CAC-10.

8 And, Mr. Sahasrabuddhe, you'll confirm
9 this presentation was also prepared under your care
10 and control?

11 MR. RAJESH SAHASRABUDDHE (by Teams):

12 Yes.

13

14 --- EXHIBIT CAC-10: Presentation by Mr. Rajesh
15 Sahasrabuddhe

16

17 CONTINUED BY MS. DILAY:

18 MS. KATRINE DILAY: And you adopt this
19 evidence?

20 MR. RAJESH SAHASRABUDDHE (by Teams):

21 Yes, I do.

22 MS. KATRINE DILAY: Thank you. I will
23 not pass it along to Mr. Sahasrabuddhe to give his
24 presentation. And I'll just interrupt if I have any
25 questions along the way. Thank you.

1 MR. RAJESH SAHASRABUDDHE (by Teams):

2 Okay. Thank you, Ms. Dilay.

3 So, I have a presentation today to
4 review with you at a high level our evidence. And
5 then I'm -- I'm certain that you'll have some
6 questions on -- on our evidence.

7 I dated it today and tomorrow. I guess
8 let's see if we can finish it today or tomorrow. I --
9 I think I heard that the plan was to try to finish
10 today.

11 So, the -- the presentation is divided
12 into -- into five (5) sections. And I'll start with
13 an introduction to our firm. Next slide, please.

14 So, again, much of this we went over
15 during the -- the section on -- on our qualifications,
16 but Oliver Wyman, as you know, is an actuarial
17 consulting firm. And we do I think every -- I think
18 now we do every border province where we do automobile
19 rate regulation for public stakeholders in every
20 border province with the exception of PEI and Quebec.

21 One day I'll learn how to speak French,
22 and maybe we'll do Quebec. But we've been retained by
23 the Public Interest Law Centre to -- to review the
24 rate application submitted by Manitoba Public --
25 Public Insurance, but our duty is to provide

1 assistance and give evidence to the Public Utilities
2 Board.

3 And that overrides any obligation that
4 we have to CAC (Manitoba), and that's the -- that's
5 the basis on which we reviewed the rate application
6 and -- and that I'll be submitting testimony today.
7 Next section, please.

8 Again, here are our short (bios) of --
9 for Paul and I think longer bios were -- were on the
10 screen earlier. We also have -- we have a total team
11 of five (5) in our Canadian automobile regulatory
12 practice, so there's several more of us that -- that
13 serviced all these clients, and that team of five (5)
14 includes two (2) other Canadian Institute of Actuary
15 members. Next slide, please.

16 Okay, so with that introduction I'm
17 going to summarize really the -- the six (6) areas
18 that we were asked to look at, what we saw, and --
19 and, again, summarize our findings. There's three (3)
20 areas in which we'll provide additional details.

21 So, the first area was around driver
22 safety ratings. And, again, the -- the MPI rate
23 application is proposing an increase to the -- to the
24 maximum merit level. It's essentially what we'll call
25 scale expansion from plus fifteen (15) to plus sixteen

1 (16).

2 And they're allocating -- and the --
3 I'm sorry, the General Rate Application allocates much
4 of the indicated reduction of breakeven premiums to
5 the plus fifteen (15) level. And there's no -- no
6 changes in the DSR premium surcharge is what that
7 should say.

8 In our view, on the proposal for the
9 Driver Safety Rating Program is that it does not adopt
10 the -- fully adopt the actuarial indicated discount
11 levels, and that creates a subsidization from the
12 higher DSR levels to the lower DSR levels.

13 And -- and by higher and lower, I --
14 I'm really referring to the numbers, so fifteen (15)
15 down to -- as the higher level, and let's call it 2,
16 3, 4 as -- as the lower level even though the higher
17 levels pay lower premiums, as -- as I'm sure you
18 recognize.

19 The second issue that we were asked to
20 look at is the COVID-19 issue. And, again, the MPI
21 rate application on the effective COVID-19 considers
22 the effects of -- of the pandemic on the claims
23 experience that underlies the -- the loss indications,
24 and it assumes no effect on the border rate programs
25 after March 30th, 2022.

1 And -- and our view on COVID-19 is that
2 the new normal may actually include fewer miles driven
3 per vehicle; however, we appreciate that there's
4 significant uncertainty, especially with -- with this
5 potential phase into the new normal and any -- and any
6 potential reduction in miles driven.

7 And so, while the lasting effects may
8 include lower frequency, those effects aren't
9 reasonably estimable, and, for that reason, we're not
10 going to offer any additional comments on -- on how
11 COVID-19 should be considered in the rate filing,
12 though, I'll be obviously be happy to answer any
13 questions that the -- that the panel may have.

14 The third and fourth issues are on this
15 slide. The -- the first relates to the indexing of
16 accident benefits weekly indemnity case reserves.
17 And, essentially, that's a process by which the case
18 reserves were -- were strengthen to account for -- for
19 potential future increases.

20 And whenever you have a change in the
21 underlying process to develop case reserves, there's a
22 potential that that -- that that change could be
23 misinterpreted. For example, strengthening case
24 reserves or making them more -- more adequate could
25 inadvertently be interpreted as -- as deterioration in

1 loss experience as opposed to just acceleration of the
2 recognition of -- of the full value of the claim.

3 And, similarly, if you were to weaken
4 case reserves, that could potentially be viewed as a
5 situation in which a loss experience was improving
6 when, in reality, all it was doing was -- all that was
7 happening was there was a delay in the recognition of
8 the claims experience.

9 So, we've reviewed this issue, as well.
10 We did not identify bias from the misinterpretation of
11 -- of the indexation of case reserves, so, again, we
12 have no further comment on this.

13 So, as -- as noted in the earlier
14 issue, other -- I'm sorry, earlier item, and I'll be
15 happy to take questions from the panel on this.

16 The fourth item that we looked at was -
17 - were -- we were retained to do a high-level review
18 of actuarial assumptions and, again, any rate
19 application involving numerous actuarial assumptions
20 in the calculation of the required rate.

21 And, in our review, we identified two
22 (2) issues related to the trend models that are used
23 by MPI in developing the overall rate. And we'll have
24 a more thorough discussion of this point in -- in a
25 later section.

1 The final two (2) points, final two (2)
2 scope items within -- within our review were the
3 Capital Management Plan, and, again, that's -- the
4 Capital Management Plan, as you know, it's -- it's an
5 approach to achieve the capital target of 100 percent
6 of the MCT value for the Basic Rate Stabilization
7 Reserve.

8 And the 2022 GRA, they proposed the
9 elimination of the 5 percent capital release provision
10 that was approved in the 2021 GRA and, in its place,
11 they would seek approval for a larger capital rebate.

12 And our view on this is that there's a
13 benefit to maintaining the approved 5 percent capital
14 release, which -- which, again, we'll discuss when we
15 get into that section of the report, but that to the
16 extent that there were excess capital after that
17 release, that could be returned through a rebate.

18 The final item that we -- that we
19 looked at within the scope of our review related to
20 IFRS 17, which is a new accounting standard that will
21 affect insurance companies, both life and property
22 casualty insurance companies, effective on April 1st,
23 2023, and with a required comparative report starting
24 April 1st, 2022.

25 And our view of MPI's readiness and its

1 general evaluation is -- is that it's consistent with
2 where we see other automobile insurers. We don't see
3 them as being further behind or further ahead the --
4 the rest of the industry in -- in recognizing and
5 planning for the changeover to IFRS 17.

6 So, those are the six (6) areas of our
7 review three (3) areas that we're going to discuss
8 further, three (3) areas where we don't really -- we
9 found -- our findings were that MPI was sort of within
10 reasonable expectations of -- of where we would -- of
11 where they should be given -- given the issue at hand.

12 Okay. So, now we're going to talk
13 about Driver Safety Rating. Again, as I mentioned,
14 this was one (1) of the issues that -- that we do have
15 some comments on.

16 And, again, to summarize, the -- the
17 goal of the Driver Safety Rating program that was
18 outlined in the 2019 PUB order was to effectively
19 motivate improved driving behaviour.

20 I believe in the MPI -- in the -- in
21 the GRA, or the -- the DSR section of the GRA, MPI
22 cited three (3) additional goals which are effectively
23 consistent with -- with that single goal from -- from
24 the Order 89/'09.

25 They were strengthen -- strengthen the

1 ability to reward the safest drivers, again, I think
2 that ties into motivation, encourage poor driving to -
3 - poor drivers to improve their driving behaviour so
4 that -- I think those -- many of those words are
5 repeated there, and -- and, hence, the overall
6 understanding by drivers as to how driving behaviour
7 affects how they pay for auto insurance, so.

8 And, again, I think that's part of what
9 effective motivation would be.

10 There are two (2) issues that we
11 identified with the Drivers Safety Rating Program.
12 The first relates to the registered owner model. And
13 again, I think, as you're aware in this model, the
14 credits are assigned to the registered owner of the
15 vehicle rather the primary driver of the vehicle.

16 So, as a result, the discounts and
17 surcharges don't reflect the risk of drivers with
18 different DSR levels, so they reflect the risk of the
19 registered owner and of -- of that -- of that vehicle
20 rather than the driver. So it doesn't -- again,
21 getting at the -- the actual goal about improving
22 driving behaviour, I think really what you've done is
23 -- I guess you've improved owning behaviour, if
24 nothing else.

25 The pri -- we -- it's our view...

1 Okay. Thank you. So, the -- it's our
2 view that the primary -- a primary driver model would
3 better support the goals of the DSR Program, and that
4 the collection of information to us would not appear
5 to be onerous. Again, this is a little bit outside
6 our -- our scope of actuarial expertise, but -- but we
7 recognize that information is correct -- collected in
8 a rate application and this additional information
9 would -- naively wouldn't appear to be onerous to
10 collect.

11 And our suggestion is that MPI, at a
12 minimum, begin to collect the data with the '22/'23
13 program you're to implement of a primary driver model
14 in the near future.

15 The second issue that we identified
16 related to the goal is -- that MPI does not adopt the
17 actuarial indicated DSR rate levels, as they view the
18 required emp -- requited increase in the base rate as
19 being publically unacceptable. And as a result
20 drivers at DSR levels 10 and above subsidize the
21 premium for drivers at DSR levels 9 and below.

22 So, we'll -- we'll talk about both of
23 these issues -- principally, the second issue at this
24 point, the subsidization issue -- in the next several
25 slides.

1 Okay. I -- there's -- many of my
2 slides are -- are just text and there's some that are
3 sort of figure heavy and dense, so I'm going to try to
4 go through these in -- in -- a little bit more slowly.
5 As an aside, I'll mention that I -- I think in the
6 last -- with the prior witness there's this discussion
7 about using 'R' to do modelling, and that's the same
8 software that we use to create these slides. So -- so
9 we're pretty familiar with that software.

10 Again, I'm -- I'm going to start and
11 just sort of review what we can see in the -- in -- in
12 the four (4) panels of -- of the data that are
13 presented here.

14 So I'm going to start with the panel on
15 the top left. And again, what this shows is the --
16 the top line, looking at the left side, the -- the
17 line that's on top where the arrow starts, not where
18 it ends, is the -- is where the actuarially indicated
19 rates would be. And the arrow sort of points to where
20 the proposed rates are.

21 So what's happening is, essentially, if
22 the arrow points downwards, that means you're a risk
23 of being subsidized, and if the arrow points upward it
24 means that you are a risk that is doing the
25 subsidizing.

1 You'll see there are several points
2 that are sort of on the -- on the closer right side,
3 which the two (2) points are relatively close
4 together. But you may wonder why we have so many
5 down-arrows versus just a single up-arrow on -- on the
6 right side.

7 And the reason for that is what we can
8 see in the panel that's in the bottom left, that the
9 majority of drivers are at DSR level 15, so they can
10 individually, you know -- they -- they -- their total
11 subsidy -- or the average subsidy is multiplied by a
12 larger number to create a -- a bigger dollar amount
13 that gets -- then gets essentially spread particularly
14 to the risk classes that are on the left side. Again,
15 there's a couple in the middle where the indication
16 and the proposed rate are -- are relatively close to
17 each other.

18 The -- I'm going to now turn to the
19 panel that's on the top right. And again this is a
20 comparison of the number of units that are doing --
21 that are being subsidized and that are subsidizers.
22 And I think what's -- what's important to note here is
23 that there is actually more risks that are subsidizing
24 than there is subsidized. Meaning, there are more
25 risks that are -- that are essentially paying a -- an

1 undue penalty because the actuarial indicated rates
2 aren't being adopted.

3 And then what we see in the bottom
4 right panel, the final panel, is -- is the average
5 amount of the subsidy. So the -- on average the
6 subsidizers are paying one hundred dollars (\$100) more
7 than they should be and, on average, the insureds that
8 are being subsidized are paying two hundred dollars
9 (\$200) less than they should.

10 And again our view is that -- that this
11 really is counter to the goals of the Driver Safety
12 Rating Program where you would want to incent drivers
13 to move closer -- move to higher DSR levels and -- and
14 -- in order to -- to receive the savings on their
15 insurance program that would be warranted by -- by
16 their improved driving.

17 If we could move to the next slide,
18 please.

19 MS. KATRINE DILAY: And Mr. Rajesh
20 Sahasrabuddhe, it's Katrine here.

21 I just wanted to -- I have two (2) --
22 two (2) follow-up questions on this slide, just to
23 clarify our understanding.

24 So if we look at the top left panel,
25 that you talked about, with the arrows pointing down

1 and up, I know you mentioned the arrows towards the
2 middle can be a little bit harder to see.

3 So am I right in understanding that the
4 arrows are pointing up for levels -- levels 10 to 15,
5 and then pointing down for levels 9 and -- and under?

6 MR. RAJESH SAHASRABUDDHE (by Teams):

7 Yes, that's correct.

8 MS. KATRINE DILAY: Thank you. And
9 then just clarifying the -- what you -- when you
10 talked about the top-right panel, a comparison of
11 subsidized risks and subsidizing risk, by risks --
12 what do you mean by risks?

13 MR. RAJESH SAHASRABUDDHE (by Teams):

14 Yes, I'm sorry, I should have -- I should have
15 realized that. When we use risks -- we use the term
16 'risks' and 'policyholders' and 'insured' somewhat
17 interchangeably. I'll try to -- I'll try not to do
18 that and I'll try to use policyholders or ratepayers
19 going forward.

20 MS. KATRINE DILAY: Thank you very
21 much for that.

22 MR. RAJESH SAHASRABUDDHE (by Teams):

23 So here we have -- what we've requested in one (1) of
24 our information requests was ten (10) years of -- of
25 experience at the different DSR levels.

1 And what -- what each of these charts
2 shows is the relationship to the average for different
3 DSR levels -- and that's the X-axis -- and the average
4 is the -- by definition in this -- in both of these
5 constructs, the averages is at one (1), that's where
6 the blue line is on -- on both charts.

7 And the -- the values that you see on
8 the y-axis are the -- are related to the average, the
9 rate of loss per unit of -- per policyholder or per
10 ratepayer. And so it -- it does not consider the prem
11 -- the premium of the policyholder or ratepayer, it
12 just are the losses, for example, at DSR level minus
13 6, per ratepayer greater than the loss is for
14 ratepayers or policyholders at DSR levels plus 15.

15 So I think the -- what this data shows
16 us is that -- number 1, the DSR Program is actually
17 doing quite a good job of -- of separating out poor
18 experience from -- from bad experience, in that the --
19 the insured at the -- at -- at DSR levels, you know,
20 minus 20 through, on the left side, are actually --
21 generate more in losses per ratepayer than the
22 insureds that are at the highest -- higher DSR levels,
23 which are on the right side of the chart. So that's
24 actually quite a good feature, that -- of -- of the
25 program, that it is identifying -- it is identifying

1 better risks.

2 But one (1) of the items that we do see
3 is that there -- that there is this little cap between
4 DSR level 14 and DSR level 15. Again, I think that is
5 -- is -- it shows that the -- the drivers at DSR level
6 15 are -- are demonstratively better than -- than the
7 other DSR levels, up to and including DSR-14. You
8 don't see that gap as you go left. There's sort of a
9 -- a gradual improvement, but then you get to fifteen
10 (15) and there's a more significant improvement.

11 The -- the differences are -- on the
12 left-side are for the non-PIPP coverages and on the
13 right side they're -- they're for the PIPP coverages.
14 The relationship is not quite as strong on the right
15 side, but I think it's still pretty apparent that, in
16 general, the -- the ratepayers and the policyholders
17 on the right side of the chart have better experience
18 than the ratepayers or policyholders that are on the
19 left side of the chart.

20 Okay. If we could go to the next
21 slide, please.

22 So our conclusions on the driver's
23 safety rating program is that the -- the current --
24 the current scheme results in policyholders with
25 better experience, which represent the majority of

1 policyholders, subsidizing the policyholders poorer
2 experience.

3 Our suggestion is that the Board would
4 review the proposed rating program with consideration
5 to the acceptability of year-over-year changes and
6 potentially consider capping to address acceptability
7 issues, consider the program in light of its stated
8 goals, and then, most importantly, consider the
9 fairness to the subsidization.

10 Because the subsidization works both
11 ways that -- while it may be -- while it's a benefit
12 to the poorer drivers, it's actually a -- you know,
13 it's a penalty to the -- to the -- to the better
14 drivers. So from a fairness perspective, what's --
15 what's more important?

16 It feels as if the non-adoption is --
17 that the non-adoption of the actuarially indicated
18 rates would point us to a view that -- that -- that
19 it's more important not to upset the poorer drivers
20 than to -- than to pass on the -- the benefits of
21 better driving experience to the better drivers.

22 Our final point on this -- on this
23 issue about subsidization is that -- again, we
24 recognize and we -- we view ratemaking as a
25 perspective exercise. But the point is that the

1 longer you take to get to the actuarial rates, that
2 becomes sort of a cumulative determine to Manitoba
3 policyholders with better experience.

4 So for example, to the extent that non-
5 adoption has dragged on for five (5) years, if we were
6 to go back two (2) slides, just very quickly, the --
7 one more, please. Yes. Thank you.

8 That average subsidy that's in the
9 bottom right panel, that gets multiplied by five (5).
10 So to the extent that someone's been at a DSR level 15
11 and has been a subsidizer for -- for five (5) years,
12 they are already had paid five hundred dollars (\$500)
13 more in premium than they should have. So why -- why
14 delay this even longer is our -- is our view on this.

15 Okay. The next section is on loss
16 trends and I think this is probably the most -- the
17 most complicated section of my presentation today.
18 So, again, please feel free to -- to let me know if
19 you have a question as I review it. I'll try to
20 review it slowly, just to -- just to make sure that --
21 that I hit on all the -- on all the important points.

22 So first, what is trend? Trend is --
23 and why is it important? So because trend compounds -
24 - and we'll talk about, you know, how it compounds --
25 it's varied material assumption in an actuarial rate

1 indication. The scope of our review is really a high
2 level review of actuarial indications and we reviewed
3 the pure premium trends that were in the ratemaking
4 section of the GRA, the RN -- also referred to as the
5 RN section, at times. And that analysis is really
6 used to allocate the overall required rate level to
7 major class of business.

8 The -- the frequency and severity
9 trends that are in the CI, the Claims Incurred,
10 section are generally similar to the trends that are
11 in the ratemaking section of the GRA.

12 So initially, we acknowledge that we
13 were probably not focused on exactly the right trends.
14 But the trends that we reviewed are similar to the
15 trends that were in the correct section and -- and
16 that's as you would expect. Because they're both --
17 at the end of the day, they're both based on the same
18 body of claims experience.

19 So -- so it's really not unexpected
20 that we would have the same -- same view of the trends
21 that are in the claims incurred section.

22 There are two (2) specific items that
23 we believe should be considered in -- in the analysis
24 of trends. The first is a topic called statistical
25 significance. And, again, consideration of

1 statistical significance, of the indication of trend
2 models as established practice, and we'll review what
3 that means in a little bit more detail shortly.

4 And then, the second idea is the idea
5 of -- or not considering inappropriate trend models or
6 -- or considering inappropriate trend models.

7 And what does that mean? So there's
8 two (2) aspects that would render a trend model, in
9 our view, inappropriate. One is if -- if a residual
10 analysis indicates that it's inappropriate -- and I'll
11 talk a little bit about how you would reach that
12 conclusion through the analysis of residuals.

13 And then, secondly, there is, in the
14 Canadian Institute of Actuary Standards of Practice,
15 the section that you see referenced there, that trend
16 is actually a two (2) step process, looking at both
17 past and future trends separately. Or, at least -- it
18 doesn't mean you have to have a different rate in the
19 past and the future, but that you should understand
20 that there could be different rates in the past and
21 the future and you should make -- you should have an
22 affirmative view of -- of those trend rates.

23 I was -- I was watching while the MPI
24 witness this morning talked about how, in response to
25 undertaking 28, that the trend rates we had suggested

1 were only applied on a future basis. And I'll, sort
2 of, bring that out and show you exactly what that
3 means in -- in my presentation.

4 The importance of trends. So, you
5 know, why is trend so important? Why -- why does it -
6 - why is it so material? So, again, partially the
7 effect -- it's -- it's because it has this compounding
8 effect and sometimes small -- and as a result, small
9 differences are magnified.

10 If you're not aware, many regulators in
11 Canada consider benchmark trend rates that they --
12 that they promulgate in order to -- to advise,
13 essentially, the private insurance community as to
14 what they consider reasonable. Private insurers are
15 still allowed to submit support for alternative trends
16 but the -- but they need to -- they need -- trends
17 need to be supported.

18 I think that's really because they're a
19 material assumption, it requires a fairly statistical
20 support; that's the view of -- of many regulators and
21 I would say maybe all regulators in -- in Canada.

22 It's the subject of a current
23 educational study note that -- that, again, as -- as
24 Ms. Dilay pointed out -- that I'm one of the committee
25 members that's drafting it. And I will mention, sort

1 of, two really -- one important point about that --
2 that committee is the drafting is led by the
3 regulatory subcommittee of this larger committee
4 that's known as the P&C Insurance pricing committee.

5 And so, I think that's, again, an
6 indication of how important this issue is to the
7 regulatory community and how important it is in
8 evaluating rate filings.

9 And then, again, just to mention that -
10 - that trend was the -- was the subject of many court
11 cases in the early days of insurance regulation in --
12 in the United States. So it's always been, sort of, a
13 very important issue in -- in evaluating rate filings.

14 And -- and, again, part of the reason
15 is that it's a single assumption that -- that has a
16 compounding effect to it and, unlike ultimate losses
17 where we might use a five (5) year or longer term
18 average, it's not as if an error in one estimate can
19 be offset by an error in another estimate.

20 So again, it does become a very
21 important assumption from that perspective.

22 Just to give you a sense of materiality
23 or -- or how trends works, we're sort of going to give
24 you an example that might be a little bit easier to
25 relate to, which is really a banking example.

1 If you had invested a hundred dollars
2 (\$100) and earned a 3.75 percent interest rate, after
3 five (5) years, you would have a hundred-and-twenty
4 dollars (\$120), just slightly over a hundred-and-
5 twenty dollars (\$120).

6 If you had invested it at a .62 percent
7 interest rate, you would only have a little over three
8 dollars (\$3).

9 And this five (5) year period is
10 important because, if we think about the rate
11 application, it's going to be based on -- we're trying
12 to estimate -- and particularly, in the claims
13 incurred section, right -- the claims incurred for the
14 '22/'23 program year are based on accident periods
15 '22/'23 and '23/'24. And those projections are based
16 on claims experience for 2021 and prior.

17 So just to get from the end of the
18 period, the 2021 period, to the beginning of the next
19 period -- the beginning of the projection period --
20 you have a -- you have two (2) years. And the fact is
21 you have to go one (1) year further out to the right -
22 - and I'll, sort of, demonstrate this in -- in charts
23 that we have coming up.

24 And you certainly have to go a little
25 bit further to the left because you're going to

1 consider more than just your most recent point.

2 And you can see that even just over a
3 five (5) year period, the compounded value of the
4 difference is -- it's 16 percent difference in rate.

5 And, again, if we think about collision, the collision
6 loss costs, I believe, is -- is just slightly --
7 slightly under five hundred dollars (\$500), I believe,
8 as part of the average rate. So 16.6 percent
9 difference is, you know, well over fifty dollars (\$50)
10 for -- as an average loss provision in -- in an
11 average rate.

12 Go to the next slide.

13 MS. KATRINE DILAY: I'm just going to
14 interrupt you for one second.

15 MR. RAJESH SAHASRABUDDHE (by Teams):
16 Sure.

17 MS. KATRINE DILAY: In your example
18 here, can you just clarify for me -- so the -- the
19 trend in your example here would be the interest rate,
20 correct?

21 MR. RAJESH SAHASRABUDDHE (by Teams):
22 Yes, that's correct. And I should have mentioned that
23 I picked 3.75 percent and .62 percent, because those
24 are the comparative rates in the -- the -- comparing
25 one (1) what we suggested, that's why it's in the

1 Oliver Wyman column. And the 3.75 is the pure premium
2 trend rate that's in the -- in -- in the MPI analysis
3 of pure premium transfer the collision coverage, so I
4 -- I purposefully selected those two (2) interest
5 rates.

6 And -- and you're right. The -- in --
7 in this analogy the interest rate is an analogy to the
8 trend rate in -- in the loss example.

9 MS. KATRINE DILAY: Thank you.

10 MR. RAJESH SAHASRABUDDHE (by Teams):
11 So, we have another one of these four (4) panel charts
12 and I'll -- again, I'll try to go through this
13 somewhat slowly just -- just to make sure the -- the
14 concepts that are illustrated in each of the charts
15 are clear.

16 So, I'll -- so, I'll start off by the -
17 - the two (2) panels to -- on the left side. So, the
18 MPI model and the Oliver Wyman model, so this is
19 again, the -- the top left and the lower left. One of
20 the -- what -- what you'll notice about those two (2)
21 panels is that they end in 2020.

22 On the right they go out to 2022. And
23 I'll explain why that's important in -- in a second.
24 The -- the MPI pure premium model is -- is again,
25 that's the top left -- that's the top left panel, and

1 the line is effectively the -- the model that they fit
2 to support their 3.75 percent interest rate on --
3 admittedly in the rate-making section, so it's not --
4 not on the claims incurred section. And I'll talk
5 about how those are -- are -- how those are reasonably
6 similar in a moment.

7 In the -- in the bottom left what we
8 see is that the pure premiums are actually flattening
9 out over the last four (4) years. And again, this is
10 collision coverage, and while it's only four (4)
11 years, we had a discussion earlier about credibility,
12 there's a lot of claims underlining each of those four
13 (4) data points. So, they're -- you know, they're
14 quite robust estimates of -- of where the true value
15 might be.

16 So, we're looking at those four (4)
17 years, you'll notice we put an X over the 2020 year,
18 for obvious reasons, it's pandemic effect and
19 experience that -- that we don't think -- that we
20 don't think should be considered and MPI did not
21 consider it as -- either.

22 So -- so, what happens with -- with
23 trend? That's what we see on the -- on the right
24 side. And this, again, gets at the -- the compounding
25 effect. So, you'll note that on the right side we

1 extended the panels out to 2022. So, if you could
2 imagine I'll start with the MPI model.

3 So what happens is that -- that line
4 that you see on the -- on the left panel extends -- if
5 you were to extend that line out to 2022, you would
6 get to the level of the red line on the right side.
7 So, again, that line extended would get to the level I
8 think it's -- my eyes aren't the greatest but it's
9 roughly five hundred and -- I think \$570.

10 And -- but what you'll see is that the
11 trend is overstated and how do we know that or what's
12 one (1) indication that the line is -- the trend is
13 overstated -- the indications are coming down
14 overtime. So, the periods that trended less, for
15 example, the very last point with the blue arrow is
16 lower than the periods that are trended more which
17 means if the trend were perfect, what you would see is
18 a generally flat line there. That the trend measures
19 cost level differences and you get, you know, general
20 flatness in -- in the indications.

21 But you're not seeing that, you're
22 actually seeing this downward slope which tells you
23 what's referred to as the -- that the -- that you have
24 a problem with residuals. That the residuals are
25 indicating that you have over estimated your trend at

1 least for the more recent periods.

2 There are other issues with the model
3 too, but I won't get into details on those. But I
4 think ultimately I guess what I would like you to keep
5 in mind as -- as we go through this section on trends,
6 is that the data is in sort of the mid-four hundred
7 (400) range, but yet we're projecting losses up into
8 the mid-five hundreds (500)s.

9 And how do you get from here to there
10 is -- is really something that I'll -- that I'll go
11 through and try to -- and my goal will be to help you
12 understand why our view of the -- of the
13 reasonableness or not so reasonableness of that
14 extrapolation procedure.

15 In contrast, in the lower right panel I
16 show you our -- our estimation. And you can see that,
17 you know, while we do have some residuals, it's --
18 it's very, very slight. Our green and red lines are
19 really quite close to each other. And you -- you can
20 see sort of those four (4) data points. When we apply
21 trend, it takes them all up to a relatively similar
22 level, that there's no residual trend left in -- in
23 the data points.

24 And that's, again, where the term
25 residual comes in. In theory there's -- there's no

1 trend at all. If -- if you see at the bottom -- or
2 there's no statistically significant trend, because we
3 will be talking about statistical significance soon.

4 The 'P' value down there, again, my
5 eyes aren't the greatest, but I think it's -- it's
6 certainly well above 5 percent. I think it's at about
7 70 percent. Let me see, I have it separately here.
8 The point-six-nine-four (.694), that's -- that is --
9 is just below -- yeah, it's point-six-nine-four
10 (.694), sorry. That's -- that's below the bottom
11 right panel.

12 So, again, we recognize that -- what I
13 really wanted to bring out in -- in this slide is the
14 materiality of the trend assumption. But we recognize
15 that these aren't the trends that were used for the
16 claims incurred section, which actually underlies the
17 actual rate that's being submitted.

18 So, if we could go to the last slide,
19 please. Please. So, this slide actually does get at
20 the claims incurred forecast. And we're going to --
21 going to have two (2) slides in a row. The first
22 slide is -- is on the total dollars. So, again, these
23 are in -- in thousands, I didn't label then, but the -
24 - the scale on the -- on the Y-axis is 250 million to
25 550 million.

1 The -- the next slide we'll talk about
2 pure premiums, which essentially just normalizes these
3 values for the number of exposures that are in each --
4 that -- that underlie each data point.

5 So -- again, so I'll start off by -- by
6 first drawing your attention to the green lines and
7 then I'll go through the data. And again, I'll try --
8 I'll try to go through this somewhat slowly. Please
9 interrupt me if you have any questions.

10 So, from the left to the right we have
11 three (3) green lines. The first is to delineate
12 what's data versus what are estimates. So -- and I --
13 I sort of drew it in the middle of two (2) data
14 points, but the first data point that's a -- that's an
15 estimate is the '21/'22 year.

16 Aga -- again, the -- the rate
17 application is prepared using data through 2021, so
18 the 2020 -- I'm sorry, the '21 -- 2021 and 2022 year
19 is an estimate even though it's -- it's currently
20 ongoing. And -- and we certainly collected experience
21 on that year subsequent to the -- sub -- subsequent to
22 the submission of the -- the GRA.

23 And then on the right side, again,
24 everything is -- is an estimate. So, now I'll go
25 through what -- what each of the data points means.

1 And I'm going to go in order of the legend that
2 appears on the top left, just to -- just to sort of
3 simplify it and -- and hopefully allow you to follow
4 along most easily.

5 The -- the first legend entry is -- is
6 a series of black circles which are -- which I
7 labelled as observed/data. So, you'll see that each
8 of these is on the left side of the -- of the data
9 green line.

10 There -- there is a point that sort of
11 looks like a circle in '21/'22, that's on that blue
12 line, but that's a diamond. You'll have to trust me
13 on that. And I'll -- I'll get to what that is and --
14 in a moment.

15 Then we have -- I -- I used the red --
16 the colour red to signify two (2) -- two (2) different
17 values that MPI submitted. So, the -- the initial --
18 the red circles are the ones that -- that start for
19 '22/'23, '23/'24, '24/'25, and '25/'26.

20 And I'm -- I'm going to apologize, I'm
21 going to go back, because I think I talked about the
22 first green line but not the second two (2). The
23 second two (2) green lines indicate the -- the two (2)
24 -- the two (2) accident periods that are -- that are
25 the basis of the rate indication for the '22/'23

1 program. So, those are essentially the two (2) most
2 important points to get to the rate level.

3 And, again, as I -- as I mentioned sort
4 of earlier when we talked about the -- the ratemaking
5 trend example, we think that the -- the primary item
6 that -- the primary important item to understand when
7 we're viewing these charts or trying to under --
8 assess the reasonableness is this idea of how do we
9 get there from here.

10 And, again, if you look at the data on
11 the left side of the chart, we have our most recent
12 four (4) non-COVID affected points are -- and I'll
13 give you the values just -- just so you have them --
14 are -- okay, so the most recent non four (4) COVID
15 affected points, so this is 16, 17, which is the --
16 the first point that overlaps with that blue line is
17 387 million. The next one is 408 million. The next
18 one is 409 million. And the next one is 407 million.

19 So, again, that's actual data. It's a
20 collision coverage, so it settles relatively quickly,
21 and -- and there's not so much uncertainty in -- in
22 those values.

23 The next data point, again, we -- we
24 recognize is not indicative, it's COVID affected.
25 Just for the record, it's 320 million, but -- but we

1 recognize that the predicted value of those points --
2 of that point is -- is, as far as -- in terms of
3 '22/'23 and subsequent is -- is essentially zero.

4 But the -- the points before that
5 aren't zero. The predicted value is not zero. And
6 MPI is proposing that somehow costs that average in
7 the -- you know, if you include the first data point,
8 it's -- it's in the very low 400s, but at a minimum,
9 it's -- it's under 410 million.

10 All of those data points are under 410
11 million. And I think -- and their initial rate
12 application is asking you to accept estimates of 491
13 million and 512 million as reasonable estimates for
14 '22/'23 and '23/'24.

15 Again, data is at -- in the low 400s,
16 and very low 400s. And they're asking you to accept
17 estimates that would be on average for those two (2)
18 periods above 500 million.

19 So, again -- so, the question goes,
20 well, how did we get there from here? And the answer
21 to that is trend. But what we're trying to convey to
22 you is whether the trend adjustment is reasonable and
23 -- and results in a reasonable estimate.

24 The model that we fit -- and, again,
25 you'll remember from the -- the prior four (4) panel

1 chart, we fit the model to those last four (4)
2 periods. And that's the -- the dotted green line.

3 So, again, I'm try -- trying to go in
4 order. I'm sorry, I skipped -- I skipped one (1)
5 legend in -- in -- one (1) legend item in -- in my
6 presentation. We talked about data. We talked about
7 the initial MPI GRA.

8 The next data item in the legend are
9 the red triangles that are labelled MPI U28 for the
10 Undertaking 28 value. And -- and what we see there is
11 that all they did -- and, again, this was in the -- in
12 the testimony this morning. They just applied the
13 trend to the future.

14 So, they flattened out the values going
15 forward, but they didn't really consider that the --
16 the line that they used to get to those higher values
17 should also be flatter. That's sort of the past
18 trend. And, as the witness indicated this morning,
19 you know, they did not include that in the past trend
20 estimate.

21 If we could just go back one (1) slide
22 so I can sort of illustrate this point a little bit
23 more clearly. I'm sorry, I'll illustrate this point
24 in the -- in the following slide when I talk about
25 pure premiums, about how it should be flatter, so. I

1 think it's a little bit easier to see there.

2 Okay. So, again, following along with
3 the legend, the -- the next set of points is the
4 Oliver Wyman model. So, it's a model that's fit to
5 those last four (4) data points, and then extrapolated
6 out.

7 So, we're not arguing that the
8 estimates should be in the low 400s. We think a more
9 reasonable expectation of where the values should be
10 at are -- those two (2) values that intersect with the
11 green lines are 445 million and 450 million.

12 So, you know, we're arguing -- or we're
13 suggesting that the claim amounts will increase.
14 We're not suggesting that they're not going to
15 increase or go down or -- or anything that would be
16 counter to your expectations.

17 We just don't think they're going to
18 increase from 400 million up to 500 million over this
19 period of time. We just don't believe that that's --
20 if you look at the data, again, you know, how do you
21 get from -- from there -- from here to there?

22 We believe that the model that we're
23 suggesting is -- is a better representation as to
24 where the claims experience would be.

25 The -- again -- just, again, following

1 along the legends, I've already talked about critical
2 dates, so we'll -- we'll skip over that one. I've
3 talked about the first 'X', the COVID-19 observation,
4 so, again, we'll -- we'll skip over that one.

5 The last one is the diamond that I
6 asked you to trust me on; it is a diamond. It's the -
7 - the -- it's the diamond that appears above '21/'22.
8 And that's an MPI estimate of where COVID-19 would be.
9 And, again, bear in mind that they prepared this
10 estimate using experience through March 30th, 2021.

11 If -- if we could all tell how exactly
12 this pandemic was going to unfold, we probably would
13 be doing something different other than automobile
14 insurance, but...

15 So, it is just an estimate. It just
16 coincidentally happens to fall on our -- on our trend
17 line. And, again, you should just accept that as --
18 as just that; it's only a coincidence.

19 And I'll also mention that, if you
20 recall, in the initial rate application, their
21 assumption was that there would be no COVID effect
22 after September of 2021, which now they've pushed
23 forward to March of 2022.

24 But this data point was essentially
25 assuming that only half the year would be COVID

1 affected, would probably -- you know, to get to that
2 point, you have to assume that the pandemic unwinds
3 over the course of those six (6) months, and then, you
4 know, no affect after that.

5 So, it's likely, you know, a point that
6 we would use being, you know, likely too high, but --
7 but, in fairness, it was -- it's probably an estimate
8 that -- that they thought that was reasonable at the
9 time.

10 And -- and, as I said, you know,
11 predicting the unfolding of COVID-19 is difficult.
12 Predicting the unfolding of COVID-19 on automobile
13 claims experience is far more difficult.

14 So -- so, again, this is on the claims
15 incurred forecast, the aggregate amounts. The next
16 slide that I'm going to review with you, essentially,
17 normalizes those amounts for -- for the number of
18 exposed -- for the number of policyholders in each of
19 those data points.

20 And the -- the -- here we sort of have
21 the same -- and I'm sorry, those metrics are referred
22 to as pure premiums. Sometimes they're referred to as
23 loss cost, but I'm going to use the term 'pure
24 premium' today.

25 So -- so, I'm going to -- first, I'm

1 going to -- again, I'll reiterate the -- what the
2 green lines are, again, the separation between the
3 data and the estimates, reading from left to right,
4 the two (2) data points that are the most critical.
5 And -- and now I'll go through each of the data points
6 again.

7 So, you'll -- you'll see that -- that
8 the -- the scale on the left-hand side has now
9 changed. It's actually the pure premium, so, again,
10 it's the average -- average loss per -- per
11 policyholder or per ratepayer.

12 And you see the same effect in this
13 data as you saw before, that the -- that the average
14 amounts are -- are levelling out over those last four
15 (4) periods.

16 And so, our view is, at a minimum, the
17 future trend should have considered this -- this
18 flattening out; that, okay, maybe even if you think
19 that over the long-term the trend has been higher,
20 that at least you should be able to acknowledge that
21 potentially it's starting to flatten out, and -- and
22 that should have been considered in the past/future
23 trend two (2) step process.

24 So, again, I'm going to follow an order
25 of the legend entries. And, again, feel free to

1 interrupt me if -- if there's anything that's not
2 clear.

3 The red line is the -- is the -- the
4 GRA model, so it gets at the four (4) pure premiums
5 that underlie the estimates that are in the initially
6 filed GRA.

7 And what you sort of see here is that
8 you have this -- this line that extends all the way
9 back to 2011, 2012. And if they had flattened -- if
10 they had changed the -- the -- again, our request was
11 to incorporate our -- our pure premium trend in both
12 past and future trend.

13 I acknowledge that that's difficult to
14 do based on the way the MPI model is -- is set up.
15 And I'll -- I'll talk to you about that in a second.

16 But what this shows you is that,
17 essentially, what they did was they kept -- in -- in
18 order to calculate the values in the undertaking, the
19 undertaking 28 values that are the -- the sort of the
20 dash line that you see below -- the dash red line.

21 Is they continued the old pass trend
22 rate and all they did was flatten it out at the end.
23 You'll see that the -- that the slope of the redline
24 and the slope of the blue dotted line are relatively
25 similar. I'll explain why they're slightly different

1 in a second.

2 But they did not -- they didn't adopt
3 the past trend as we had indicated where -- as was
4 requested in undertaking 28. Again, there's a reason
5 for that that I can -- in hindsight I better
6 understand why, because it's -- it's hard to put it
7 into the context of the model that MPI uses.

8 It's not impossible, but it is
9 difficult and -- and certainly difficult to do within
10 the day or two (2) days that they prepared the
11 undertaking 28.

12 So, you know, I -- I acknowledge that.
13 It's not -- when I -- when I say that they didn't use
14 it, there -- there's a reason why we're not alleging
15 that they are -- that they are intentionally trying to
16 mislead either us or -- or the Public Utility Board.

17 So, again, I'll -- I'll keep following
18 down the legend. The -- the next is the Oliver Wyman
19 model. And we actually don't have any -- I left the
20 circle in on the -- on the blue line in the legend,
21 but there's no circles on that line.

22 But that blue line is meant to present
23 where -- where we see pure premium trends going. And
24 again, we see an increase. We're not suggesting that
25 they're decreasing or -- but we think that they're

1 increasing and the predicted value for '21 -- for the
2 two (2) periods that underlie the claims forecast is
3 far lower than where -- where MPI -- than where MPI
4 included it in their GRA and it certainly continues to
5 be lower where -- where they presented Undertaking 28.

6 And again, the reason why the
7 Undertaking 28, in our estimates aren't the same, is
8 because they didn't apply the trend to, in the past,
9 whereas we did.

10 We're thinking in terms of past and
11 future trend. As you see it on the blue line,
12 something that's increasing, something that predicts
13 the last four (4) values with -- with reasonably good
14 accuracy as you'll notice.

15 Whereas if you look at the redline,
16 their redline actually doesn't even predict those data
17 points all that well. You see, there's a lot of
18 spread around the data points.

19 You'll also notice that the more recent
20 data points, the -- the data is above the red line.
21 Right, so you see those three (3) points -- three (3)
22 out of the four (4) that are in our -- or over the red
23 line.

24 And if you think about how that redline
25 is created, it's essentially -- I like to -- in other

1 rate hearings I've given the seesaw analogy. So, if
2 you were to put sort of the centre or the fulcrum of
3 the seesaw about in the middle of the line, that if
4 you pull the left side up the right side comes down.

5 And if you were to pull the left side
6 up, the data will be more consistent with the
7 experience, you know, really, going all the way back
8 to thirteen (13), fourteen (14). Even the 13, 14 year
9 is sort of pulling that left side up. And you just
10 have that one (1) data point in one unusually good
11 year in -- in 14, 15 that's pulling it down. And then
12 you have a point at the very end, in 11/12, that
13 really pulls it down. But that point is ten (10)
14 years old now.

15 We don't think that it's representative
16 of where the claims experience will be for this rate
17 application. And again, what we feel is that if you
18 think about -- again, the seesaw analogy, the left
19 side should be higher and, you know, when the left
20 side of the seesaw goes up the right side must down.
21 And what will happen is that that red line will come
22 down, again, to a level that's closer to our blue line
23 and certainly a level that we would find...

24 Again, we think the blue line is the
25 best estimate but certainly an estimate that we would

1 find to be far more reasonable than -- than the
2 estimates that are in red. And, you know, just sort
3 of keep coming back to this point. How do you get
4 from low 400 millions to high -- to low 500 million.

5 There's a 25 percent increase over this
6 period. And you do it by drawing this red line. But
7 the red line doesn't really show the direction of --
8 it doesn't really -- it isn't really consistent with
9 the trends and the data.

10 There's certain -- there's certain
11 issues with -- or -- or there are certain data points
12 that are sort of pushing and pulling it in one (1)
13 direction. It sort of creates this data point and --
14 and I understand that their current methodology isn't
15 just looking a pure premiums. They look at frequency
16 and severity.

17 But sometimes when that happens, and
18 frequency and severity, and again in this case for
19 collision, separately for total loss and repara --
20 repair values, sometimes when that happens is when you
21 have four (4) separate assumptions and you're slightly
22 conservative in each of the four (4), you get a number
23 that's -- that's overly conservative when you take the
24 combination of the four (4).

25 There's also other issues when you

1 subdivide the data in that it potentially has, for
2 example, I think everyone's aware that it's harder to
3 buy a used car or any car these days. So -- so the --
4 the market value of used cars goes up, right. That
5 means that insurers are less likely to total cars.
6 They'll -- they'll repair them, or at least the
7 insured is certainly more likely to push for a repair
8 because they may not -- or, you know -- because it's
9 harder to find a car to replace it with. So, that's
10 another complicating factor in -- in -- when you
11 subdivide the data.

12 I think there's -- that's a less of an
13 issue than we see in I think one (1) other coverage
14 where they segment it by size of loss, where claims
15 can move from one size to another.

16 But ultimately, I think when you're
17 subdividing data and you're looking at this -- at the
18 granular level, it would really help if you would come
19 back to the end and say, well, does -- does the result
20 looking reasonable?

21 And our view is -- in our case, for
22 collision it doesn't. And yeah, I think there's the
23 old saying of -- of missing the forest for the trees.
24 And I think that's really, you know, potentially what
25 happened. I -- certainly I wasn't involved in the

1 discussions around developing these estimates, but --
2 but effectively, it's our view that to get from low
3 400 millions to low 500 millions, you know, that --
4 that the analysis missed the forest for the trees.

5 And there were all these little details
6 that sort of added up and then you put them together
7 and you get to this number that, you know, in our view
8 just, you know, doesn't look reasonable and it's --
9 it's materially unreasonable.

10 Right. It's -- it's not -- it's not a
11 5 percent difference, it's a -- you know, it's a
12 significant difference in the coverage that represents
13 the majority of the premium. So, it's not -- it's not
14 a 5 percent difference in just the -- in just the
15 collision. This is -- and sort of well out of the
16 range that we would consider reasonable, given where
17 the data is at.

18 So, I'm going to stop there just for a
19 second just to make sure there are no questions before
20 I move on to the next slide.

21 MS. KATRINE DILAY: Thank you. There
22 are no questions. But I -- I am noting the time and
23 that Mr. Scarfone, I think, has to -- to leave in less
24 than ten (10) minutes.

25 MR. RAJESH SAHASRABUDDHE (by Teams):

1 Okay. I think I can wrap it up. I'm sorry, I didn't
2 mean to interrupt you. But -- but those were the
3 densest slides. I think I can get through the other
4 slides pretty quickly.

5 THE PANEL CHAIRPERSON: Ms. Dilay, I
6 don't think there's a need to rush, because we can
7 adjourn and I -- you'll be rejoining us tomorrow
8 morning, I believe.

9 MR. RAJESH SAHASRABUDDHE (by Teams):
10 Yes.

11 THE CHAIRPERSON: So, Ms. Dilay, it's
12 up to you how you wish to proceed?

13 MS. KATRINE DILAY: Maybe, Mr.
14 Sahasrabuddhe, if you think you can finish the
15 presentation today, I think that's great, recognizing
16 that we will be reconvening tomorrow morning for
17 cross-examination.

18 MR. RAJESH SAHASRABUDDHE (by Teams):
19 Yes. Thank you for that. Yes, I actually think I
20 can. I really only have two (2) slides left and I
21 know I've talked for a long time, but I think I can do
22 them in less than five (5) minutes.

23 There's two (2) other slides, but
24 they're just fillers. One's a table, again, referring
25 back to the contents and one's a slide at the end, so

1 I'll -- I'll just try to pick up the pace and go
2 through here, because I'm sure we'll get -- get to
3 these items again.

4 So again, the estimation of trends.
5 So, a point that we want to talk about is coverage
6 level of pure premium trends verses frequency and
7 severity trends by Parrel (phonetic). Again, this is
8 frequency and severity. And in the collision example,
9 Parrel is total loss versus a repair.

10 And we actually think it's a reasonable
11 approach to review trends by Parol. We're not
12 objecting to that. That -- the approach that's taken
13 is -- is -- we don't -- we don't have a problem with
14 that.

15 We do think there's some issues doing
16 it by size category, but the -- the principle error
17 where we have the objection is in collision and that's
18 a Parrel based issue.

19 We think it's a reasonable approach to
20 review frequency and severity separately. And so --
21 so -- again, up to here we don't -- we don't find that
22 anything that they've done is -- is unreasonable in
23 terms of the way the analysis is structured.

24 We note that the resulting trend rates
25 in the GRA are similar. So, for example, the implied

1 -- and I have my commas in slightly the wrong place
2 here, so -- but we note that the implied total and
3 repair trends for collision are 4 1/2 and 3 percent
4 respectively.

5 I should have a comma at the end there.
6 And that compares to this 3.75 percent on the pure
7 premium basis. So, that was the comparison that we
8 gave you in -- in our evidence. And again, we
9 acknowledge that -- that that wasn't the right trend
10 to look at, but it's a trend that's based on the same
11 body of experience, and in the -- in the trends that
12 were the current trends to look at the conclusion in
13 the MPI filing is essentially the same, that the --
14 that the average trend per collision is in the high
15 threes (3s).

16 And, generally, we -- we reviewed this
17 for each of the coverages and -- and the conclusion
18 was, essentially, that -- that the trends were
19 consistent between the pure premium section and the
20 frequency severity trends that are in the claims
21 incurred section. So -- so we believe that our --
22 that our view is still valid, that we needed to
23 present it differently, which we're -- we're happy to
24 have the opportunity to -- to do that today.

25 Again, I'll -- I'll try to pick up the

1 pace. But the consideration of statistical
2 significance is an established practice. And I think
3 you heard the -- the witnesses that preceded me also
4 refer to the signal and noise component and what -- so
5 every data point is a combination of signal and noise.
6 And regression analysis and statistical analysis
7 identifies whether we're actually measuring signal or
8 measuring noise.

9 And, again, remember, trend is a
10 material assumption. So we want to make sure that
11 we're measuring signal, not measuring noise. And we
12 want to do that statistically, not -- not based on
13 opinion.

14 So 'P' values greater than 5 percent
15 indicates that there's efficient signal in the data
16 and that the model is unable to determine a trend rate
17 that's different than zero. You can believe that it's
18 different than zero, but a -- but a value different
19 than zero isn't statistically supported with a -- with
20 a 'P' value that's greater than -- than 5 percent.

21 So, again, material assumptions, higher
22 -- there should be a higher standard on accepting
23 those assumptions, and we believe that a standard
24 should be related to -- should be based on statistical
25 analysis, not based on belief.

1 Residual analysis is something that's -
2 - that's appropriate when you fit a trend model. Again
3 that's -- neither 'P' values nor residual analyses are
4 -- are measured -- are -- are documented in the -- in
5 the GRA. I think I reviewed some testimony from last
6 -- maybe it was two (2) weeks ago at this point, where
7 there was a discussion how -- about how that might be
8 documented going forward, but they're not in the
9 current GRA.

10 Final point on trend. Two (2) step
11 process. It needs to consider both past and future,
12 not only future; which was in undertaking 28.

13 Okay. The next slide, please. And,
14 again, the agenda slide, so we'll just flip forward.

15 The last meaningful slide. I think I
16 can do it in three (3) minutes.

17 Again, there was a capital release
18 provision that the -- MPI is proposing to -- to pull
19 back. And that -- so we asked them, in -- in one (1)
20 of our information requests: You -- do you view this
21 as an either/or provision, that you have to do one or
22 the other? And they -- and the response was: No,
23 it's not an either/or provision, but that they're just
24 two (2) different methodologies to return capital and
25 the two (2) methodologies differ in timing and

1 execution.

2 And our view is do them both. We think
3 that -- we agree, a rebate would allow for a more
4 expedient return of capital to policyholders. But the
5 current source of excess capital is a pandemic. It's
6 a once in a lifetime, non-recurring event, and we
7 don't think that you should change an established
8 practice on a once in a lifetime non-recurring event.

9 Rather, we think you should stay with
10 the practice of reviewing capital management, that
11 it's actually more important in the case of a Crown
12 corporation because that capital is the capital of --
13 of your ratepayers, of your policyholders, of your
14 citizens; it's not the capital of a private
15 corporation. And that -- so therefore, it -- it
16 should be reviewed regularly to -- to determine
17 whether some amount of that should be returned to
18 those stakeholders.

19 And the quicker you return it, the more
20 likely it is that you're going to get it back to the
21 ratepayers that generated the capital, just because
22 you'll have fewer movement in and out -- less movement
23 in and out of the province from last year, as opposed
24 to, you know, if you go back three (3), four (4), five
25 (5) years, you're now going back to -- to ratepayers

1 that were -- may no longer live in the province and --
2 and future ratepayers may not have lived in the
3 province when those excess returns were diff -- excess
4 capital was up.

5 So we're suggesting that they continue
6 to do the 5 percent release. And then, after that 5
7 percent release, if there's still additional excess
8 capital, return it by a rebate and then specify it as
9 being as a result of the extraordinary circumstances
10 of the pandemic.

11 So I think I made it. I have 5:49
12 Eastern/4:49 Central, so hopefully that allows
13 everyone to get to their children and pick them up on
14 time.

15 MS. KATRINE DILAY (by Teams): Thank
16 you, Mr. Sahasrabuddhe. I don't believe I have any
17 questions, so that would complete the direct evidence
18 portion.

19 THE PANEL CHAIRPERSON: Thank you very
20 much for your presentation. And we will be back
21 tomorrow at 9:00, starting with the cross-examination
22 by MPI.

23 MR. STEVE SCARFONE: Madam Chair, just
24 before we break, I do believe Mr. Guerra made some
25 arrangements for another panel, so we should perhaps

1 sort that out 'cause there may be a conflict.

2 THE PANEL CHAIRPERSON: Do you have
3 the information -- response to the undertaking?

4 MR. ANTHONY GUERRA: Yes, my
5 understanding is that it's being filed as we speak.

6 The -- the issue is that we have lined
7 up the Nova panel to -- to speak tomorrow at 9:00 a.m.
8 and they've had to move some things around, including
9 their presentation to the executive committee, which
10 is -- which is tomorrow as well.

11 So if -- if they are required to speak
12 to the undertakings given, 9:00 a.m. is -- is the time
13 that we could get them tomorrow morning, otherwise, we
14 are -- we are not going to be able to do it tomorrow
15 morning.

16 THE PANEL CHAIRPERSON: That's fine.
17 Ms. Dilay, does that work insofar as your witness is
18 concerned?

19 MS. KATRINE DILAY: My understanding
20 is he is -- he has booked some time tomorrow morning.

21 Raj, is that okay with you?

22 MR. RAJESH SAHASRABUDDHE (by Teams):
23 Yeah. I'm sorry. So when would you like to start? I
24 guess I'm misunder -- it sounds like there's a panel -
25 - another panel that's at 9:00. So then I would go on

1 after that? Is that what the suggestion is?

2 THE PANEL CHAIRPERSON: At this point
3 we're not sure whether that panel is going ahead
4 tomorrow morning or not.

5 MR. RAJESH SAHASRABUDDHE (by Teams):
6 I see.

7 THE PANEL CHAIRPERSON: Our advisors
8 need to review the response that they received. And
9 based on the review, we'll have a discussion with
10 regard to whether the panel is going to be required,
11 and we'll communicate that sometime this evening.
12 Yeah.

13 MR. RAJESH SAHASRABUDDHE (by Teams):
14 Okay. Yeah. I am available from -- I'm essentially
15 available up to 1:00 p.m. -- 1:00 p.m. Eastern. Or
16 even -- even potentially a little bit later than that.
17 So up to noon -- noon Central time.

18 I have things on my calendar, but
19 they're all things I can move around, so.

20 THE PANEL CHAIRPERSON: Okay. Thank
21 you very much. That -- that is great, if you can
22 accommodate that.

23 We will also advise Ms. Dilay and the
24 other counsel with regard to whether we're going to
25 ask for that panel to be present tomorrow at 9:00.

1 We'll make that decision tonight as quickly as
2 possible, depending on where that information is at
3 the moment, communicate that to everyone.

4 And so it may be that you're on at 9:00
5 tomorrow morning or somewhat delayed. But, certainly,
6 Ms. Dilay will be in touch with you later this evening
7 to let you know. Sorry for the inconvenience.

8 MR. RAJESH SAHASRABUDDHE (by Teams):

9 No, thank you. I'm used to it. I'll -- I'll tell you
10 a quick story.

11 I was once doing some expert witness
12 testimony and we -- I started much later and it ended
13 up I had to stay overnight, and I -- I didn't have a
14 change of clothes, so that -- that created a real
15 problem. 'Cause I was supposed to go on at 1:00 and I
16 don't think I went on until 5:00 and, like I said, we
17 couldn't finish, so -- so I had to come back in the
18 same clothes the next day. So this is a little bit
19 easier.

20 THE PANEL CHAIRPERSON: Well, that's
21 good. Thank you very much.

22 And, Mr. Scarfone, I think that you
23 need to depart.

24 MR. STEVE SCARFONE: Yes. Thank you,
25 Madam Chair. I do indeed.

1 THE PANEL CHAIRPERSON: Okay. And we
2 will see everyone tomorrow morning at 9:00 and we'll
3 advise what we'll be starting with at that time.
4 Thanks.

5

6 --- Upon adjourning at 4:53 p.m.

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10 Certified Correct,

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14 Wendy Woodworth, Ms.

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