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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APPEARANCES

Kathleen McCandless (by Teams)	)Board Counsel
Robert Watchman	)Board Counsel
Kara Moore (by Teams)	)Board Counsel
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Roger Cathcart (by Teams)	) PUB advisor
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Blair Manktelow (by Teams)	)
Anthony Guerra (by Teams)	)Manitoba Public
Steve Scarfone	)Insurance
Katrine Dilay	) CAC (Manitoba)
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Charlotte Meek (by Teams)	) CMMG
Doug Houghton (np)	)

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

THE PANEL CHAIRPERSON: Good morning, everyone. Mr. Watchman, I believe that there are a couple of questions that follow from the responses to undertakings. Perhaps you could take us through that.

MR. ROBERT WATCHMAN: Yes, Madam Chair. We received the further responses to undertakings yesterday evening, and two (2) of them related to Project NOVA. And I believe Ms. McCandless was going to ask questions with respect to that.

THE PANEL CHAIRPERSON: Thank you.

Ms. McCandless, are you -- there you are virtually. Okay. Thank you.

MR. STEVE SCARFONE: So we have available for that, Madam Chair -- Ms. Jatana obviously is here. As well, Sid Parti and Shayon Mitra are available.

And I also understand that a question is formulated for -- on the investments issue, so we have Mr. Bunston on the line as well. So that's who we have available for you, Ms. McCandless.

THE PANEL CHAIRPERSON: Okay. Thank you, Mr. Scarfone.

Ms. McCandless...?

MS. KATHLEEN MCCANDLESS (by Teams): Thank you, Madam Chair. I'm going to be asking the question of the NOVA panel. I believe Mr. Watchman is going to speak to the other issue.

THE PANEL CHAIRPERSON: Okay. That's fine. Please proceed with the questioning to the NOVA panel.

CONTINUED MPI NOVA PANEL:

SATVIR JATANA, Previously Sworn

SIDDHARTHA PARTI, Previously Affirmed

SHAYON MITRA, Previously Affirmed

GLENN BUNSTON, Previously Affirmed

CONTINUED CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS (by Teams): Thank you. So welcome back, members of the panel. I wanted to just ask one (1) question by way of follow-up to the response to Undertaking number 41.

Kristen, could you please pull up that response? It's MPI Exhibit 117 that was filed last night. So if we could just scroll to the top of the page, please, Kristen, the question was asked by way of undertaking for MPI to, essentially, set out what development would have to take place within NOVA to allow for the implementation of a primary driver safety rating system down the road.

And the response here at the first paragraph provided that Project NOVA involves more than IT development changes.

And then the third paragraph down:

> "The Corporation has advised that the Duck Creek system provides capabilities to support a primary driver model. MPI will be required to configure specific business rules in the system. MPI feels a high-level estimate would be nine (9) to twelve (12) months to implement the following technology changes."

Yes? Mr. Mitra, I'm not sure if you're best to respond here.

MR. SHAYON MITRA (by Teams): Good morning. Mr. Mitra here. The answer is yes.

MS. KATHLEEN MCCANDLESS (by Teams): And so by way of follow-up, my question is:

What steps is MPI taking to ensure that -- its ability to make a change later from registered owner to primary driver if it so chooses or is directed?

So, essentially, we understand that the system has the capability. What is MPI doing right now to ensure that that's going to be the case down the road?

MR. SHAYON MITRA (by Teams): Shayon here again. So I'll respond from a NOVA perspective, and -- and then I'll have to defer with regards to the business response.

So in Duck Creek, as duly noted, that functionality or configuration exists, whether we do is as part of Release 3A. So do the business due diligence and then roll it out, or after Release 3 happens, the time frame will be anywhere from nine (9) to twelve (12) months.

And if you recall in my testimony, I'd said we're using an Agile delivery approach. So the reason why it's nine (9) or twelve (12) is each program increment is three (3) months long.

So short answer is, if you're ready with regards to customer displacement, understanding the business rule, understanding the -- the new model, it'll be slotting it into our Agile delivery mechanism and then roll it out -- roll it out as a function of the program increment.

So we would do it right after 4B, short answer. So if we don't hit the deadline for 3A, we would do it after we finish releases 4A and 4B -- 4B, which would be a year from when Release 3A is implemented from a system's standpoint. I just want to confirm that.

MS. KATHLEEN MCCANDLESS (by Teams): Right. And is anyone else on the panel wishing to speak to that question?

MS. SATVIR JATANA (by Teams): Sure. Good morning. Yeah, I can speak from a business perspective.

As we spoke or we mentioned a few times the other day, there's a lot more work that's required on the business side versus the -- just the IT implementation.

So I would say, you know, kind of on the spot, if I was to answer that question, there's a number of things need to happen. One is, understand exactly what is the I'll say problem that we're trying to solve.

And -- and what we've heard the other day, it's about preventing grandma registering a vehicle, and grandma's registering for the grandson. In that example, that how do we ensure that there's no gaming of the system.

So today, the only data we have is that, at the time of the accident, 33 percent of the drivers are not the registered owner, and that seems to be the number that we're going by. We need to understand how big of that problem exists and for us to build a business case around as to what are potentially the solution that could address that issue.

What is Manitobans' appetite for such change, having a government buy in on that, of course; proper approval, due diligence, any legislation that would be required, along with, of course, extensive customer communication?

Provided that is all in a business case once we would have a business case, then we would pursue obviously the next steps.

We still are not confident that primary driver would solve the problems that we -- we've been discussing here. We were also again -- you know, these are -- like I said the other day, this is a priority for MPI, but we need to prioritize this with everything else that's going in the organization.

So one of the things we've considered and we need to -- you know, this is not something perhaps I would say we can commit to today, but something that we can take back, is: Is there a way for MPI to collect data in terms of, let's say, in -- in -- under the current model, I'm a primary driver or, sorry, the registered owner. Who else is using my vehicle?

And start collecting that data; have that data for at last twelve (12) months to do some analysis and then determine philosophically in -- in a MPI or in a public model how accurate -- is it accuracy and fairness, and -- and where do we go, you know, and what is the appetite overall of all the stakeholders involved?

So my recommendations, of course, and something that I need to take back to the organization and -- and discuss with the team at large: Do we start with analysis of -- of such before we land on a model that we're not confident will address the issue itself?

It's a long story, but what we do know, that it's -- it needs some time, it needs some planning, and -- and we need some time to even plan what that plan will be.

MS. KATHLEEN MCCANDLESS (by Teams): Thank you. Just going back to the system's question, Mr. Mitra, I appreciate that you've set out where you think that the changes would need to take place.

Just by way of follow-up, I would expect that once you get too far from the core of the system, it would get too difficult, too cumbersome to make the change to the business model from registered owner to primary driver.

And so what I'm trying to get at is: What does MPI have in place right now to ensure that it doesn't get too far down the road in terms of systems so that a change could be made down the road if MPI were to choose or was directed to do so?

MR. SHAYON MITRA (by Teams): Shayon here. I'll respond, and then, Mr. Parti, if you have anything to add, by all means jump in.

So, Duck Creek is the platform in which we would -- we would implement the primary driver model. That functionality or configuration exists in Duck Creek. They have done it in other parts or with other carriers.

So, short answer is it's not a net new customization function on the Cots (phonetic) platform. Duck Creek has that ability. The question is, when will MPI be ready, should we go down the primary driver model to implement that.

And so, it will be a configuration function with a bunch of due diligence. But the bigger effort will be around customer communication, displacement, the model, and bringing that in.

Now, from a timing, if you do it as -- as R 3A release, I think that would be when we would do it as we are configuring, but that doesn't stop us from configuring Duck Creek in the future.

And that's the whole reason why we are moving away from our Legacy systems to commercially off the -- off-the-shelf solutions.

So, short answer is it'll still be within the nine (9) to twelve (12) month window through our program increments irrespective of when we do it.

The -- the only caveat would be, if we don't do it as a function of 3A in Nova, then we would have to wait until the other configurations are completed, and then do it after 4B, and that would be a continuum going forward.

So, the system will not be the limiting factor with regards to delivering a primary driver model.

MS. KATHLEEN MCCANDLESS (by Teams): Thank you. I don't have any more questions for the panel. Thank you for coming back.

THE PANEL CHAIRPERSON: Thank you, Ms. McCandless. Mr. Gabor...? Mr. Watson...? Thank you. Mr. Watchman...?

CROSS-EXAMINATION BY MR. ROBERT WATCHMAN:

MR. ROBERT WATCHMAN: Thank you, Madam Chair. As Mr. Scarfone mentioned, we had -- we requested a clarification with respect to the determination of bond duration. And I -- oh, sorry.

We requested clarification with respect to the determination of bond duration. And I believe Mr. Dunstone was going to appear to respond to that.

MR. GLENN BUNSTON (by Teams): Yes. This is Glenn Bunston here. I can speak to -- to that issue.

So, the forecasted weighted average duration of ten point two nine (10.29) years includes MUSH or nonmarketable bonds which have a duration of approximately five (5) years, and this offsets the relatively high duration of corporate and government bonds.

And MPI included MUSH bonds in the calculation of the duration of the portfolio as this was a change implemented in June of 2021 due to the new Moment-Matching strategy that was implemented.

We did not include MUSH bonds in the calculation of the weighted average yield as we were expecting to purchase approximately $40 million of new MUSH bonds per year. And this is replacing maturing MUSH bonds and, therefore, is not purchased with new money from premiums.

And I -- so, I can confirm that we lengthened the duration of our provincial bond portfolio to reflect the fact that MUSH bonds have a duration of five (5) years and are included in our Moment-Matching strategy.

And we've also made revisions to our rebalancing rules where, in the past, we matched the marketable bond duration only to the Basic claims duration, and now we're including MUSH bonds in that duration calculation.

MR. ROBERT WATCHMAN: And just for the record, Mr. Bunston, the rebalancing rules, those would be found in INV 11.1?

MR. GLENN BUNSTON (by Teams):   Yes, that's correct.

MR. ROBERT WATCHMAN: Thank you, Mr. Bunston. Madam Chair, I have no further questions.

THE PANEL CHAIRPERSON: Mr. Gabor...?

THE CHAIRPERSON: Yeah. Sorry, Mr. Bunston, I'm going back to my memory, which is a dangerous thing.

I thought two (2) hearings ago the evidence was that MPI was not going to purchase more MUSH bonds.

Three (3) -- three (3) ago. Mr. Watson, who's younger and has a much better memory than me, says three (3) years ago.

Do you know if that was the evidence, or have we got it wrong, or is there a change in mind?

I -- I thought that MUSH bonds were just going to be phased out completely. And now -- now it sounds like you're purchasing more MUSH bonds?

MR. GLENN BUNSTON (by Teams): So, your understanding was correct and your memory is -- is good. I can confirm.

So, that understanding was based on direction we had received from the Province of Manitoba at the time, who issues MUSH bonds on behalf of largely municipalities.

And what they had indicated at that time was that, due to a change in funding of schools, they would not be issuing bonds going forward, and so the availability of MUSH bonds would be severely limited. And, at that time, we -- we weren't sure how many MUSH bonds would be available.

But subsequent to that, we have learned from the province that municipalities are continuing to issue MUSH bonds, and so we can purchase some MUSH bonds. And it appears initially, I believe, two (2) years ago, we had assumed we could purchase 20 million and this year we've forecasted $40 million of purchases of MUSH bonds.

So, it's approximately enough to replace the maturing MUSH bonds within our portfolio.

THE CHAIRPERSON: Okay. Just a follow-up. Is this a good investment, MUSH bonds, versus buying other bonds that might bring you a better rate of return?

MR. GLENN BUNSTON (by Teams): Well, they do offer a yield premium relative to Province of Manitoba bonds. They have a similar credit to Province of Manitoba bonds, and that yield premium is because they are a liquid, so they do offer an attractive yield.

And so, we believe that they are a good addition to our portfolio for that reason.

THE CHAIRPERSON: Thank you.

THE PANEL CHAIRPERSON: Thank you.

Thank you very much, Mr. Scarfone. Certainly, anyone who is on the Teams channel, Ms. Jatana, if they're no longer required for the CAC witnesses, they can leave the Hearing. Thank you.

MR. STEVE SCARFONE: Okay. Thank you.

THE PANEL CHAIRPERSON: And we'll -- we'll now move to MPI's cross-examination of Mr. Sahasrabuddhe.

CONTINUED CAC PANEL:

RAJESH SAHASRABUDDHE, Previously Affirmed

CROSS-EXAMINATION BY MR. STEVE SCARFONE:

MR. STEVE SCARFONE: Good morning again, sir.

MR. RAJESH SAHASRABUDDHE (by Teams): Good morning.

(BRIEF PAUSE)

MR. STEVE SCARFONE: So, I will take you up on your offer, sir, and call you Raj, if that's okay --

MR. RAJESH SAHASRABUDDHE (by Teams): Okay. That's fine.

MR. STEVE SCARFONE: -- throughout the course of this questioning. What I normally do, and I appreciate it appearing in your report, sir, is I just want to confirm the independence assertion that's at page 2 of your report.

And, Kristen, I'll -- I'll probably be going through various pages of the report more so than the deck that we saw yesterday. And so, if you could have the -- the report that was prepared by the gentleman. That's it. Thank you.

And on page 2 of that report, sir, again, you spoke to this yesterday, but you'll confirm that the evidence that you're giving concerning the details of your report is objective and nonpartisan?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct.

MR. STEVE SCARFONE: And that your primary role, of course, would be to assist this Board in determining the issues before it to have fair and just and reasonable rates in place, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And that, of course, means that you have no particular -- no particular interest in whether a particular issue is decided in any particular way.

And what I mean by that is, we'll get to this later, but on -- for example, on the Capital Management Plan you have recommended a hybrid approach, meaning, both a rebate and a release, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct.

MR. STEVE SCARFONE: And you'll note that MPIC has asked that this Board replace its rebate provision with -- or its release provision with a rebate, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's my understanding.

MR. STEVE SCARFONE: And so, using that as an example, you have no particular interest in one versus the other?

MR. RAJESH SAHASRABUDDHE (by Teams): That's right. That -- that's correct, meaning -- meaning I have no -- I think you're asking me -- that question was specific to the Capital Management Plan --

MR. STEVE SCARFONE: Yeah.

MR. RAJESH SAHASRABUDDHE (by Teams): -- sorry, no interest in -- in the rebate versus the -

- versus the capital release provision, so.

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah.

MR. STEVE SCARFONE: Yeah.

MR. RAJESH SAHASRABUDDHE (by Teams): And that would be correct, yes.

MR. STEVE SCARFONE: And, sir, at page 1 of your report, I also wanted to make a note that you recognize there that the PUB, that is the Public Utilities Board, will consider both the impact to customers and the financial requirements of a utility in approving rates, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: We went through this briefly yesterday that, on your CV, it includes working with Canadian automobile insurance regulators?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And also the review of rate filings as -- as we've done here, submitted by insurers in Canada.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that -- automobile insurers only. So it's not -- not other lines of business. But, yes, that's correct.

MR. STEVE SCARFONE: Yes. And then, lastly, we heard yesterday that you had appeared as an expert for the New Brunswick Insurance Board, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: I'll suggest to you, sir, that in that instance, where you're appearing before the New Brunswick Insurance Board, there are two (2) principal players involved, that is, the insurance company and the regulator, is that fair?

MR. RAJESH SAHASRABUDDHE (by Teams): So our -- I -- in appearing before the New Brunswick Insurance Board, we're retained by the office of the Attorney General. So -- so the office of the Attorney General is an Intervener to a filing much as CAC is an Intervener to this filing.

There are other Interveners as well in the New Brunswick case, just as there are in the Manitoba case.

MR. STEVE SCARFONE: And so, aside from those Interveners though, I would suggest to you that those -- the two (2) principal players -- and, yes, we have Interveners at this particular hearing as well -- but the regulator and the insurance company, as I've described it, are the two (2) principal players in that proceeding.

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah. I'll accept that. I don't quite understand the terminology of principal player, but -- but, certainly, I can accept that.

MR. STEVE SCARFONE: Okay. And this, sir, is the first time -- I don't know why I'm getting that feedback. Let's see if...

Okay. We'll try that again. Oh.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Are you hearing that feedback?

MR. RAJESH SAHASRABUDDHE (by Teams): I'm sorry, was there a question to me there?

MR. STEVE SCARFONE: Yeah, I'm just wondering if you're hearing feedback on your end?

MR. RAJESH SAHASRABUDDHE (by Teams): I am not, no. It sounds -- sounds clear to me, but -- but perhaps I'm missing something.

MR. STEVE SCARFONE: And, yesterday, sir, we confirmed that this the first time that you've appeared before a Public Utility Board, is that correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: Also, the first time that you have provided advice concerning Manitoba Public Insurance, which is a Crown-owned insurance corporation?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And then, I would suggest to you, sir, that this particular proceeding operates under a different dynamic than what you've experienced.

In -- in fact, to the extent that it has an insurance company involved, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): I guess my -- again, my experience is sort of limited to what I saw yesterday. It doesn't feel all that different than -- than the proceeding in New Brunswick.

If there's a specific area of difference that you'd like to me to comment on, I certainly can. But -- but, at a high level, I have not noted any significant differences in the way that -- that this hearing has proceeded relative to New

Brunswick.

MR. STEVE SCARFONE: Okay. So let me just put that to you. So I would suggest there's a different dynamic at play to the extent that there's an insurance company involved, a regulator, the Public Utilities Board, and also, because it's a Crown-owned insurance company, that another player would be the Provincial Government. Would you agree with that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. I guess, again, we -- we work for the office of the Attorney General, which represents the Provincial Government of New Brunswick. So they're also involved in that hearing.

Again, perhaps I don't understand the term 'dynamic' in the question. But -- so maybe that's the area of confusion on my part.

MR. STEVE SCARFONE: Okay. So I'll just -- I'll help you out with an exhibit that was filed in this proceeding.

Kristen, at CAC 2-4, please. And if you could have attachment 'A' from that Board of Directors meeting pulled up, please.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Thank you. So on the screen before you, sir -- and one (1) of the issues that your paper or report addresses is the Capital Management Plan. Correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And you'll see there, sir, that that's a letter that was issued by the Government of Manitoba back in June of 2021 to Manitoba Public Insurance.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I see that.

MR. STEVE SCARFONE: And the two addressees would be Mr. Herbelin -- that's MPIC's President and Chief Financial Officer -- or Chief Executive Officer -- and the second addressee is a gentleman by the name of Mike Sullivan. He is the Board chair of the Manitoba Public Insurance Board of Directors.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I see their email addresses on the screen. I'll -- I'll trust that those are the names that are associated with those email addresses. That certainly seems logical.

MR. STEVE SCARFONE: There they are.

Thank you.

And so, in that first paragraph, you'll see that the Government is speaking to an unanticipated surplus as a result of the pandemic.

Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I do see that.

MR. STEVE SCARFONE: And also, in the second paragraph, directing MPIC to issue a rebate to its customers.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I do see that.

(BRIEF PAUSE)

MR. STEVE SCARFONE: And so, the -- the dynamic that I spoke of earlier, sir, was simply that there is another different -- I would suggest -- from your appearance before the New Brunswick Insurance Board, there is another player, as I called it -- perhaps you don't like that language -- but some other party that's a consideration in -- in the matter.

MR. RAJESH SAHASRABUDDHE (by Teams): I guess -- yes. And this is part of the hearing, this

-- this direction from the Provincial Government?

MR. STEVE SCARFONE: Yes, that's evidence before this -- this Board.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. And I would agree with your statement then.

MR. STEVE SCARFONE: I know that you dealt with it just briefly yesterday because we were somewhat rushed. But I want to start with the Capital Management Plan, sir, if I can, in your -- in your paper.

MR. RAJESH SAHASRABUDDHE (by Teams): Sure.

MR. STEVE SCARFONE: And so, you had an opportunity to review the Capital Management Plan that MPIC has before this Board in this Hearing?

MR. RAJESH SAHASRABUDDHE (by Teams): I did.

MR. STEVE SCARFONE: And I think, at page 7 of your report, you say it's detailed in the Rate Stabilization Reserve chapter, Part 7 of the Application.

MR. RAJESH SAHASRABUDDHE (by Teams): I'm going to that -- page 7 -- okay. I'm sorry, I looked at page 17 where we had the details. Okay. I see page 7 on the screen. Yes, I see that.

MR. STEVE SCARFONE: And underneath that particular paragraph, it reads that the Basic capital is consistently adjusted to 100 percent MCT target.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And that the rates may include a capital build or a capital release provision.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And that's from your review of the Capital Management Plan?

MR. RAJESH SAHASRABUDDHE (by Teams): It is.

MR. STEVE SCARFONE: And it says:

> "In cases where capital is significantly above target, MPIC may provide a capital rebate."

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And that, sir, as we know, is part of the relief sought in this application is to rebate amounts that were collected as a result of the pandemic.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. You're correct that the pandemic is certainly the primary driver. It may not be the 100 percent driver of -- of the value of the excess capital. But -- but it's certainly a primary driver.

MR. STEVE SCARFONE: Thank you. And we'll get to your trends issue momentarily.

I'm just wondering, sir, where it reads that "MPIC may provide a capital rebate," you didn't get that from the Capital Management Plan, did you?

MR. RAJESH SAHASRABUDDHE (by Teams): I'm -- I'm sure I got it from a document, but I -- I forget exactly which document.

MR. STEVE SCARFONE: Okay. But having reviewed the Capital Management Plan, you'll be aware that there's no provision in there for a rebate, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): I don't recall, but I'll certainly accept that. I understand that this is a Special Rebate Application and -- and, certainly, the word 'special' sort of implies that -- that it's an extraordinary circumstance; maybe not consistent with the Capital Management Plan.

MR. STEVE SCARFONE: Okay. Thank you.

Question, going back to that last screen, Kristen... Thank you.

(BRIEF PAUSE)

MR. STEVE SCARFONE: In the last paragraph there it reads that the approach provides -- and -- and so, I should read the entire thing:

"We concluded there's a benefit to maintaining the capital release provision, and the release provision would not preclude the rate described."

And then it goes on to read that:

"The approach provides for a more consistent governance approach as to the capital maintained by MPI."

Can you explain what it is that you mean by that -- by that "consistent governance approach"?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, our -- our view was that maintaining the Capital Management Plan sort of -- or would force the review of the adequacy of the capital of MPI on an annual basis, which we think is a -- a part of proper governance of the -- of -- of MPI.

MR. STEVE SCARFONE: I see. Okay. And Kristen, if you go -- could go to six-point-three (6.3) of the -- of the report, please. I can help you out with the page if need be. It would be page 17. You're on it. Thank you.

(BRIEF PAUSE)

MR. STEVE SCARFONE: So there, sir, is where you discuss, if I can paraphrase, the -- the difference between capital and ratemaking to the extend that the ratemaking is more of a perspective exercise looking into the future, and the capital is the accumulation of -- of money from the past.

Is that fair?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's fair.

MR. STEVE SCARFONE: And in your paper you suggest, I think as MPI has, that the mixing of capital returns and that perspective rate setting can lead to some consumer confusion?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, it -- it certainly has the -- the possibility for that to occur.

MR. STEVE SCARFONE: And the -- the mixing of that as well, I think you indicate is -- is slow to return excess capital, to the extent that it includes a release provision versus a full rebate.

Is that fair?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I would agree it's -- a -- a release is slower than a rebate.

MR. STEVE SCARFONE: And so, all else being equal, I think you're in agreement that if -- to the extent that you can, you should avoid mixing capital the ratesetting money?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I would agree with that.

MR. STEVE SCARFONE: And we've seen, sir, at least at MPI, perhaps it's different in your experience, but we have what's called a Rate Stabilization Reserve and it holds the capital for the Basic line of business.

You're aware of that?

MR. RAJESH SAHASRABUDDHE (by Teams): I am.

MR. STEVE SCARFONE: And MPIC typically does not apply the investment income from that reserve to rates.

Is that consistent with the advice in your paper?

MR. RAJESH SAHASRABUDDHE (by Teams): I don't think we addressed that issue in the paper, but I'll -- I'll certainly accept that.

(BRIEF PAUSE)

MR. STEVE SCARFONE: And the removal of the capital release provision and -- and replacing it with a rebate, would certainly help to address some of this confusion, this consumer confusion that you make reference to in your paper?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I -- I would agree.

MR. STEVE SCARFONE: Now, sir, did you -- and -- and Kristen, while I'm asking the question, and if you can pull up CAC-189A.

And did you happen to read in -- in the applications during your review of the materials, MPI's reference to the capital release provision causing what is called an 'Artificial Premium Deficiency'?

MR. RAJESH SAHASRABUDDHE (by Teams): I don't rec -- I don't recall -- I'm sorry, could you zoom out so I can just relook at this? All I -- if I could loo -- if I could see the -- okay. I guess I'm looking for the premium deficiency language here just so I can refresh my memory.

MR. STEVE SCARFONE: Right. So -- and it's not in the document before you, but Kristen, if you can scroll down to the answer to A, please?

MR. RAJESH SAHASRABUDDHE (by Teams): Okay.

MR. STEVE SCARFONE: And so another way that the Corporation has described -- it's not there, thank you.

Another way that the Corporation has described it is -- is really, that the -- that the 5 percent discount that -- that the capital release provision provides is imbedded into rates.

And so, the Corporation indicated in its overview that -- that they describe as an artificial premium deficiency. And so, I'm going to have you look at the explanation --

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: -- there in A and tell me if -- if that accords with your understanding. And if you start with -- "by the nature of excess capital." If you can read that part to -- to yourself, then I'll ask you a question on it.

MR. RAJESH SAHASRABUDDHE (by Teams): Okay.

(BRIEF PAUSE)

MR. RAJESH SAHASRABUDDHE (by Teams): Okay. I -- I've read this part. Thank you.

MR. STEVE SCARFONE: You have. So, that -- that is -- is what the Corporation has described as an 'artificial premium deficiency', meaning as it says there, that at some point in the future the capital release would deplete and have to be removed.

Do you agree with that?

MR. RAJESH SAHASRABUDDHE (by Teams): I agree with the latter concept. To me the word 'premium deficiency' means that the premium -- the premium is deficient, meaning that it's too low to cover the exposure.

So, I -- I sort of agree with the second part, that the terminology would -- appears -- is confusing to me, but -- but I agree with the principle that you're describing.

MR. STEVE SCARFONE: Yes, and so that -- that the -- the discount, if I can, is embedded into rates, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): The 5 percent discount would be embedded into rates. Is that what you're asking?

MR. STEVE SCARFONE: Yes.

MR. RAJESH SAHASRABUDDHE (by Teams): So, my understanding is that on the premium billing, the -- the -- essentially, the return of capital is a separate line item so that MPI sort of -- my understanding is that approach is taken in order to try to help the consumer understand the difference.

But, I accept the fact that -- that regardless of best efforts to avoid that confusion, that confusion could still occur.

MR. STEVE SCARFONE: And the Corporation, as -- as you're aware, sir, in it's -- in the relief sought in this Application is asking that that 5 percent discount be removed and instead, be subsumed into the rebate that's proposed, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And to the extent that -- that those rates or that discount is embedded into rates, sir, would you agree it's going to be less painful to have that removed which MPI says has to be the case in a year when there may be excess capital available to the customers?

MR. RAJESH SAHASRABUDDHE (by Teams): That was a long question, so let me try to parse it here. So, you're saying, had removing the excess capital provision is less painful?

MR. STEVE SCARFONE: Yes. So, in a -- in a year when there's excess available to the customers in the form of a rebate, that would be a better time to remove the embedded capital release than --

MR. RAJESH SAHASRABUDDHE (by Teams) I understand.

MR. STEVE SCARFONE: -- than in a year when there might be a rate increase.

MR. RAJESH SAHASRABUDDHE (by Teams): Okay. So, the less painful, the 'less' there is a -- is a reference to timing, that the current timing is less painful than other potential timing periods? And I would agree with that.

MR. STEVE SCARFONE: Yes, and indeed, if you go to 6-2 of your paper. You'll see there that you quote from MPI's evidence, And the either/or option that I believe your firm put to MPIC and the response from MPI there was, in fact, making reference to the timing issue.

So you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I -- I do those as two (2) separate timing issues. This -- this referenced it expeditiously, which again, I would take as a timing issue is how quickly it could be returned.

I -- I took your reference as to timing as being this year versus some other year, in the specific context of a year where the rate indication might have a -- a more significant increase.

MR. STEVE SCARFONE: And -- and so, you take a different interpretation of timing as it concerns the passage there before you?

MR. RAJESH SAHASRABUDDHE (by Teams): No, just -- I'm comparing this passage to your prior question.

MR. STEVE SCARFONE: Okay.

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah, and I -- I take those references to timing as being slightly different.

MR. STEVE SCARFONE: Okay. And so on that, we look there that MPI says it does not consider the capital release and the capital rebate to be an either/or option.

And so is your understanding of that that, from MPIC's perspective at least, you can't have the hybrid approach that you're recommending in your report?

MR. RAJESH SAHASRABUDDHE (by Teams): No. I take it as you can have the hybrid option. This is -- that it's not an either/or, meaning you have to do one or the other, but that you could do both.

So to the -- again, the -- MPI does not consider this to be an either/or, meaning you have to do one or the other, but rather you could do both is the way I interpreted the -- the response to the Information Request.

MR. STEVE SCARFONE: Okay. Thank you. And that's the clarification I was looking for because, as you say in your paper, it doesn't -- one doesn't preclude the other in your view.

Is that correct?

MR. RAJESH SAHASRABUDDHE (by Teams): That's my view, and that's my understanding of MPI's position as well.

MR. STEVE SCARFONE: And to the

extent, sir, that the release provision is embedded in rates, if the Corporation was to continue with its 5 percent discount and release the rest by way of rebate, then that 5 percent will be embedded in rates going forward, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): So it's embedded in the premium billing, not in the rates. The rates and -- and the premium billing are two (2) different items. There's no discount in the rate structure itself.

MR. STEVE SCARFONE: Right. So -- and perhaps it's just semantics, but the 5 percent discount on premiums would still exist if the 5 percent capital release provision is made use of in the next rating year, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that -- yes.

MR. STEVE SCARFONE: And at some point would still have to be undone going back to that artificial premium deficiency that we spoke of, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Again, I -- I take -- I object to the term 'premium deficiency', but -- but I -- I take the point that at some point it would have to be undone, which would appear as an increase to the ratepayer.

MR. STEVE SCARFONE: Going to your conclusions at six four on the Capital Management Plan. And just scroll a bit more, Kristen. Thank you. And there, sir -- oh, and now we've got feedback happening again.

MR. RAJESH SAHASRABUDDHE (by Teams): Okay. Again, I -- I don't hear anything on my side, but --

MR. STEVE SCARFONE: No, just one (1) -- just one (1) moment, sir.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Just bear with me, sir. We're -- we're going to try switching up the microphones.

(BRIEF PAUSE)

MR. STEVE SCARFONE: So, Raj, we're just looking at the -- the suggestion that your -- that seems to be working better -- the suggestion that your report makes concerning the Capital Management Plan. Do you see that there before you?

MR. RAJESH SAHASRABUDDHE (by Teams): I do.

MR. STEVE SCARFONE: And as we've discussed, what you're suggesting is that the Corporation maintain its CMP.

And you're aware, sir, that the Corporation has, in fact, asked that the two (2) year trial be extended in this Application?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I'm aware of that.

MR. STEVE SCARFONE: And also there at the second bullet, that MPI include the -- the 5 percent capital release in the 2022/'23 rate program.

Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I do.

MR. STEVE SCARFONE: And then, in line with that hybrid approach that you're recommending that it use a rebate to return what's left over to the customers, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And also, sir,

you'll -- you'll be aware, of course, that the 5 percent capital release is -- is triggered when the Basic RSR exceeds 100 percent to MCT?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's my understanding.

MR. STEVE SCARFONE: And that that MCT is driven by any excess capital that's transferred over from the Extension line of business, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. I'm a little bit less clear -- I don't -- I don't fully recall the details between the Basic and the Extension in the transfer, but -- but I'll -- I'll accept that. I do recall reading -- reading about transfers between the two (2) pools of money, essentially.

MR. STEVE SCARFONE: Yeah. So in the Capital Management Plan, the Corporation has an Extension line of business that has a different capital target than the Basic line of business. It's that 200 percent to MCT.

Do you recall reading about that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I do.

MR. STEVE SCARFONE: And so when that MCT target is -- is exceeded, then the -- any excess monies that might be in that reserve are transferred over into the Rate Stabilization Reserve. Is that -- is that --

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I recall reading that, yes.

MR. STEVE SCARFONE: And so were you aware that there is currently no excess monies forecast to be transferred into the Rate Stabilization Reserve for the 2022/'23 rate program?

MR. RAJESH SAHASRABUDDHE (by Teams): I don't specifically remember that, but -- but I'll certainly accept that.

MR. STEVE SCARFONE: Okay. And so you'll agree with me that -- that you can't use the 5 percent capital release if there's no monies forecast to be transferred into the RSR, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): From the Extension?

MR. KATRINE DILAY: Yeah. Mr. Scarfone, it's Ms. Dilay here. I just wanted to clarify, when you say, "transfer," you're talking about the transfers from Extension to Basic, correct? Just for -- just for Mr. Sahasrabuddhe's understanding.

MR. STEVE SCARFONE: Yes, and that's

why I wanted to bring him through the mechanics of the CMP just in case he hadn't --

MR. RAJESH SAHASRABUDDHE (by Teams): Right.

MR. STEVE SCARFONE: -- had it clear.

MR. RAJESH SAHASRABUDDHE (by Teams): So, yes. Our view was that the capital release occur first, the 5 percent, and then the excess capital be calculated after that, which should be in -- in essence 5 percent, which is in essence would be reduced by 5 percent of the -- of prospective premiums.

CONTINUED BY MR. STEVE SCARFONE:

MR. STEVE SCARFONE: Okay. I see. Okay. In fact, the -- the trans -- the -- the discount, the 5 percent discount, sir, is -- is the second step. It occurs after the transfer?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, but before the rebate.

MR. STEVE SCARFONE: No. We're just talking about now the 5 percent capital release in the Capital Management Plan because there's no rebate provision in the Capital Management Plan.

MR. RAJESH SAHASRABUDDHE (by Teams):

Okay. Understood. I thought you meant the mechanics of capital return, but -- so okay. Okay.

MR. STEVE SCARFONE: Yeah. And then on that point, too, just before we move on from the Capital Management Plan, Kristen, if you go to 6.2 of the gentleman's report, and we see there that, at the -- at the last sentence of that section, it says:

> "We note that, in the last year, MPIC has applied for special rebates as exceptions to its CMP."

Do you see that, sir?

MR. RAJESH SAHASRABUDDHE (by Teams): I do.

MR. STEVE SCARFONE: And were you aware, sir, that, because -- as we've canvassed, there's no rebate provision in the Capital Management Plan, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's my understanding.

MR. STEVE SCARFONE: And the two (2) prior rebates perhaps you weren't aware were -- were done retrospectively, if I might?

MR. RAJESH SAHASRABUDDHE (by Teams): I'm not aware of that.

MR. STEVE SCARFONE: Okay, and meaning

that there were amendments to past Orders to allow for the rebates to occur. Were you aware of that?

MR. RAJESH SAHASRABUDDHE (by Teams): I'm -- I'm not aware of that, but again I'll -- I'll certainly accept that.

MR. STEVE SCARFONE: Okay. Were you aware that that is also the case for the proposed rebate before the Board this year?

MR. RAJESH SAHASRABUDDHE (by Teams): Could you define the term 'retrospective' in -- in the context of your question?

MR. STEVE SCARFONE: Yeah. So the Orders, to the extent that they didn't provide for a rebate to the customers, had to be amended. So we brought applications before this Board to amend those Orders to allow for the rebate to occur.

MR. RAJESH SAHASRABUDDHE (by Teams): Okay. I -- I understand now. Okay. Yeah, so I would agree, in that context, it would be considered retro -- a retrospective change.

MR. STEVE SCARFONE: And that again, I -- I would suggest to you, is a reflection of the perspective ratemaking process versus the capital component of the business, correct?

MR. RAJESH SAHASRABUDDHE (by Teams):

Yes, I would agree with that.

MR. STEVE SCARFONE: So I want to turn now to the driver safety rating system that -- that you address in your -- in your paper.

And -- and before I do that, I meant to go through quickly with you the scope of your paper because there's a number of issues that you discuss, only some of which you have recommendations for the Corporation and this Board, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct.

MR. STEVE SCARFONE: So, on the Driver Safety Rating you do have some recommendations and -- and some discussion, as we'll get to, about the subsidization between the various levels on the scale?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: You have no concerns with the manner by which the Corporation has handled the COVID-19 pandemic?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct.

MR. STEVE SCARFONE: Similarly, no concerns regarding case reserves for accident benefits?

MR. RAJESH SAHASRABUDDHE (by Teams): That -- that's sort of very generally stated, but in sort of the specific aspect of the indexing of case reserves, we did not have concerns, that's correct.

MR. STEVE SCARFONE: We do -- we did hear yesterday, and it's at three four, that the actuarial assumptions made by MPIC you take some issue with?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And that's with respect to trends, which we'll get to, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And we've just dealt with the Capital Management Plan. We have your -- your recommendations there.

And as it concerns the IFRS 17 impact, no concerns there with respect to how MPIC is adopting that reporting standard?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

(BRIEF PAUSE)

MR. STEVE SCARFONE: So, on the Driver Safety Rating system at page 5 of your report.

(BRIEF PAUSE)

MR. STEVE SCARFONE: I think you've --

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I -- I see that.

MR. STEVE SCARFONE: You've got that before you. Thank you. I think you've indicated that MPIC's proposal does not, in -- in your view, fully adopt the actuarial indicated discount levels?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, it's my view. I think it's also stated in the -- in -- in the General Rate Application.

MR. STEVE SCARFONE: And that the subsidization of the lower DSR levels by the higher DSR levels will continue beyond the next rating year?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And the other criticism that I noted that the -- the effect of that, I think you're saying, is that there would be a lessening of the incentive for improved driving behaviour?

MR. RAJESH SAHASRABUDDHE (by Teams): The -- the comment is really that the -- that comment about incentive is -- there's sort of two (2) aspects to that. One (1) relates to the primary driver model and the other relates -- so, it's not -- it's not directly related to the adoption of the fully actuarial indicated rates.

And then there is a second aspect on incentives that gets to the potential --

MR. STEVE SCARFONE: The -- sorry, the potential?

MR. RAJESH SAHASRABUDDHE (by Teams): -- potential changes to driving behaviour by DSR level. So, there's -- there's sort of two (2) aspects of -- of that issue.

MR. STEVE SCARFONE: I understand. Okay. Sir, I -- I'm going to bring you to figure 1 on the subsidization issue at the DSR. Figure 1 of your report at page 9, please, Kristen.

(BRIEF PAUSE)

MR. STEVE SCARFONE: You'll recall going through these -- these panels yesterday, sir?

MR. RAJESH SAHASRABUDDHE (by Teams):

Yes.

MR. STEVE SCARFONE: And, as I understand it, these particular numbers were taken from a response to an undertaking at CAC 2-32?

MR. RAJESH SAHASRABUDDHE (by Teams): I'll accept that being the number, but, yes, they were taken from a response to an Information Request.

MR. STEVE SCARFONE: And, Kristen, if you're able to pull up figure 1 from 2-32, please. And are you able to put it beside the gentleman's panels?

(BRIEF PAUSE)

MR. STEVE SCARFONE: It's fairly small. But what we see here --

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah.

MR. STEVE SCARFONE: -- is, if we start in the panel on the upper left --

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: -- you're indicating there, sir, the indicated and the proposed, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And you'll see --

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, indicated and proposed; that's correct.

MR. STEVE SCARFONE: Right. And you'll see from figure 1 that MPIC has an indicated and a proposed, but also a current, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And -- and that current isn't reflected on your panel. Is that -- is that fair?

MR. RAJESH SAHASRABUDDHE (by Teams): That's -- that's fair, yes.

MR. STEVE SCARFONE: And so, if we use DSR level 15 -- and you'll see that on the top left-hand panel?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And we have an arrow that's going up?

MR. RAJESH SAHASRABUDDHE (by Teams): Correct.

MR. STEVE SCARFONE: And the

indicated, as we see, is seven hundred and seventy dollars ($770), right?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And it's going up to your proposed of nine hundred and six (906), correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: The current that isn't reflected would fall above that at nine sixty-three (963)?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And so, by factoring into the current, that's a reflection of what MPIC's proposal, if I can, has. It's moving us towards actuarial targets.

Is that your understanding?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, it is.

MR. STEVE SCARFONE: And similarly, sir, on the bottom right-hand panel we see the average subsidy there for the DSR drivers, correct?

MR. RAJESH SAHASRABUDDHE (by Teams):

Yes.

MR. STEVE SCARFONE: And the big square and the little square -- the little square, or the little rectangle, is DSR levels 10 to 15?

MR. RAJESH SAHASRABUDDHE (by Teams): The -- yes, the average -- average value across those DSR levels; that's correct.

MR. STEVE SCARFONE: And, yeah, 10 to 15 specifically, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Let me just confirm that. Yes, that's correct.

MR. STEVE SCARFONE: And we see there that you have the average dollar difference indicated for -- again, for proposed versus indicated?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And that amounts to an average of ninety-six dollars ($96), correct?

MR. RAJESH SAHASRABUDDHE (by Teams): I haven't -- it looks to be about ninety-six dollars ($96). I -- I don't have the underlined calculation in front of me, but -- but I would agree that that seems reasonable.

MR. STEVE SCARFONE: And if we look to the -- the figure that's beside it, as I understand it, you arrived at that ninety-six dollars ($96) by weighting the various levels of the DSR.

So, what I mean by that is you would have taken the units at three hundred and thirty thousand (330,000)?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And you would have multiplied that by the indicated versus current, which is one ninety-three (193)?

MR. RAJESH SAHASRABUDDHE (by Teams): No, indicated versus proposed. That would be the subsidization, so the one thirty-six (136) approximately.

MR. STEVE SCARFONE: Oh, yes. Apologies --

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah.

MR. STEVE SCARFONE: -- yeah. So --

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah.

MR. STEVE SCARFONE: -- what -- again, what's missing from your graph is the indicated versus current, correct?

MR. RAJESH SAHASRABUDDHE (by Teams):

Right. This is not a -- our -- our charts do not -- we don't address the issue of where the current discount is at. So, the -- the current is not just in our report.

MR. STEVE SCARFONE: It's not in your report. So, to calculate that ninety-six dollars ($96), you would have multiplied the number of units by the one thirty-six (136), proposed versus indicated?

MR. RAJESH SAHASRABUDDHE (by Teams): Right. And so, it would be the weighted average extending that calculation for 10 through 15, and then dividing by the total units, yes.

MR. STEVE SCARFONE: Yes. So, you sum up the -- the two (2) numbers and divide, and that gets you your ninety-six dollars ($96)?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that was -- that was the -- the way we approached that calculation.

MR. STEVE SCARFONE: And if you were to do the same things, sir, but this time, include the current, and you would make that same calculation weighting the units, but you would use the indicated versus current column there, correct?

MR. RAJESH SAHASRABUDDHE (by Teams):

Yes. Yes, we could. Well, no, only in the sense that -- I think that's difficult because the indicated is for a future period, the current is for the current period.

So, I don't know that -- that those would be directly comparable as subsidies or in -- in either direction, bit I would have to think about that a little bit more.

MR. STEVE SCARFONE: Okay. Would you have any reason to dispute if that same calculation was done that led you to your ninety-six dollar ($96) subsidization figure for -- for the current versus indicated, you would have a hundred-and-forty-four dollar ($144) subsidization, factoring in the current?

MR. RAJESH SAHASRABUDDHE (by Teams): I have no reason to dispute that. I can see the differences are larger and it would be, you know -- and I can see the magnitude on DSR-15, which is the -- the principal class. So, again, while I haven't done the calculation, I'll -- I'll certainly accept that.

MR. STEVE SCARFONE: And so, having accepted that hundred-and-forty-four dollar ($144) subsidization using current numbers, you'll agree that moving down to ninety-six dollars ($96) is an improvement?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And that improvement that the Corporation is proposing is not reflected in your report?

MR. RAJESH SAHASRABUDDHE (by Teams): Correct. We only comment on the proposed versus the indicated, not the proposed versus the prior.

MR. STEVE SCARFONE: So I would suggest to you, sir, that the panels there before the -- the Board don't tell the full picture. Because MPIC's proposal is showing a movement toward the actuarial indicated rates that's not reflected in your panels.

MR. RAJESH SAHASRABUDDHE (by Teams): It's not in the panels. I believe it's in the discussion that we have that -- that -- that points out that, you know, we recognize that the -- the rate redundancy is being allocated to DSR-15 in order to move in that direction.

But you're correct, the purpose of these panels is not to show current versus prior. It's to -- it's to show the subsidization that would occur under the proposed program, which, in our view, as we talked about, the -- our primary role is to advise the PUB on the current filing. And where the current filing sits relative to actuarial indications, not where the current filing sits relative to the prior filing.

MR. STEVE SCARFONE: But you'll be aware, certainly, sir, that MPI's proposal is -- is to have some of the rate indication applied to the upper levels of the DSR to move the drivers towards more actuarial sound rates.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And the other part of that, as I understand it, when evaluating the Driver Safety Rating system, is -- is you've indicated that there's a lessening, in your words, of the incentive that is one (1) of the goals of the program.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. So the idea there being that if -- if the -- the full effect of the actuarial indications -- be they a benefit or a surcharge -- if that was, sort of, fully reflected, then the -- the better drivers would get more of a benefit and it would increase their incentive for continuing to drive well. And the poorer drivers would get more of a penalty and it would, ideally, improve their incentive to drive better.

MR. STEVE SCARFONE: And we've seen, in that figure that's before you, figure 1, that the large majority of the units -- that is the registered vehicles -- are at DSR level 15, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And, Kristen, if you could pull up CAC-160, please.

(BRIEF PAUSE)

MR. STEVE SCARFONE: And figure -- revenue -- right there. Thank you. Oh, sorry, in the response, figure 1.

And similar to the number of registered vehicles at DSR level 15, we also see there that the large majority of drivers -- 34 percent, in fact, in 2021 -- are at DSR level 15, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. I see that on this chart.

MR. STEVE SCARFONE: And so, to the extent that we have a number of registered owners and drivers -- over approximately one-third -- at least as it concerns those customers, there's no further incentive available to them at this time, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): No further financial incentive, is that what you're asking?

MR. STEVE SCARFONE: Yes. No -- no further discounts available to them, having attained the highest level on the DSR scale.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's -- that's my understanding.

MR. STEVE SCARFONE: And so, unless there was another level to jump up to, there's no incentive to those customers -- no lessening of incentive as -- as stated in your report.

MR. RAJESH SAHASRABUDDHE (by Teams): So they -- to the extent that they received the full amount of discount, they would be incented to continue their good driving behaviour, understanding that if they -- they didn't, they would have more to lose is maybe the way -- maybe the way that I would describe the incentive.

MR. STEVE SCARFONE: But moving up, there's no incentive. Do you agree with that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I would agree with that.

MR. STEVE SCARFONE: Unless, of

course, another DSR level was made available to them.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And you're aware that that forms part of MPIC's proposal as well, correct? To add a different level?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And, in fact, to add five (5) levels over the next five (5) years.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I'm aware of that.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Just go back to the gentleman's paper, please, Kristen. At section 4.4.

(BRIEF PAUSE)

MR. STEVE SCARFONE: We'll see here your conclusion as it concerns the Driver Safety Rating system. In the last paragraph, it reads:

"Given the stated goals of the

program and the fairness issues with the subsidization, we recommend that this Board adopt actuarially indicated DSR credits."

Do you see that, sir?

MR. RAJESH SAHASRABUDDHE (by Teams): That's part of the sentence. I don't think you can -- I do see that part, yes.

MR. STEVE SCARFONE: I'm breaking -- I'm breaking it up on purpose, so it's not too much for you to digest.

But, yes, of course, it goes on.

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah.

MR. STEVE SCARFONE:

"Due consideration to the acceptability of year-over-year rate changes and the use of capping to address acceptability."

MR. RAJESH SAHASRABUDDHE (by Teams): Right. Again, I didn't want it broken up because it's not an independent recommendation. It's a -- it's a -- you have to take the recommendation as -- in total.

MR. STEVE SCARFONE: Yes, but as we saw at the introduction to this Driver Safety Rating commentary, you indicate there that by not fully crediting policyholders with better experience, there's a lessening.

So my understanding of that is that one option, at least, would be to adopt immediately all of the actuarial accepted -- or indicated rates.

Is that not what you're suggesting?

MR. RAJESH SAHASRABUDDHE (by Teams): So, I guess, as we talked about in terms of our -- the scope of our review and our -- our role here, it's to comment on areas within our -- our area of expertise, which is actuarial indications.

There are certainly other considerations in developing and improving rates. And so, from an actuarial perspective, your -- your statement is correct. But we recognize that there's other considerations as well.

MR. STEVE SCARFONE: Yes. And, indeed, we've -- we've canvassed this at the outset that one (1) of the factors that the -- this Board has to take into consideration is the impact to customers, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I would assume so. I'm not familiar with -- with all of the regulations and bylaws governing the Board, but I would assume that that's the case.

MR. STEVE SCARFONE: Well, indeed, that -- that's what you put in your paper, that -- and we went through --

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: Right? The PUB considers both the impact to customers and the financial requirements of the Utility.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And so, there, while adopting the full actuarially indicated DSR credits, you do have to have consideration to the customer, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I would agree with you with that.

MR. STEVE SCARFONE: And, as you say there, to the capping rules that may be in place?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that should be a consideration as to the adoption of the full -- again, taken in total, adopt the actuarially indicated DSR credits, but with these two (2) -- but also consider these two (2) aspects of the overall premium that ratepayers will have to pay.

MR. STEVE SCARFONE: Yes. And the year-over-year rate changes.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And so, I think you'd agree with me, sir, that that is, in fact, what MPI's proposal does. It -- it adopts the DSR actuarially indicated credits, but with due consideration to the year-over-year changes and the use of the capping that's in place.

Do you have any reason to disagree with that?

MR. RAJESH SAHASRABUDDHE (by Teams): No, I don't. I think that's MPI's view of acceptability as opposed to the PUB's view of acceptability. But I -- I don't disagree with that.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Sir, you've indicated that you've done a lot of work in -- in various jurisdictions, including Saskatchewan?

MR. RAJESH SAHASRABUDDHE (by Teams): No, so -- so Saskatchewan hasn't had a filing in several years. I believe it's six (6) or seven (7) years. This is the first year since I've come on to this part of our practice that we -- that Saskatchewan has made a filing.

And because it was coincident with the Manitoba filing, we had to split up the work between Ms. Elliott and myself. And while we both were sort of involved, and helping each other, and have a, you know, a general sense of what's going on in both filings, Ms. Elliot was the lead on the Saskatchewan filing.

MR. STEVE SCARFONE: I see. May -- perhaps this will help you with -- Kristen, if you could pull up benchmark 2, please.

(BRIEF PAUSE)

MR. STEVE SCARFONE: And there's a graph before you, sir. I'll -- I'll have you digest it, but it sets out the -- the rates of customers and what they pay in various jurisdictions.

Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): I -- yes, I do see that.

MR. STEVE SCARFONE: And you'll see there that at the bottom of that graph is Brandon in

Winnipeg and right beside it is Regina in our Province to the west.

MR. RAJESH SAHASRABUDDHE (by Teams): I do see that, yes.

MR. STEVE SCARFONE: And you'll be aware, sir, that Manitoba currently uses a registered owner model?

MR. RAJESH SAHASRABUDDHE (by Teams): I am aware of that, yes.

MR. STEVE SCARFONE: And are you also aware that Saskatchewan is the only other province to use the registered owner model?

MR. RAJESH SAHASRABUDDHE (by Teams): I'm not specifically aware of that, but I'll -- I'll certainly accept that.

MR. STEVE SCARFONE: Okay. And then, Kristen, to benchmarking 4, please. And there it is depicted in another way, sir.

You'll see that Manitoba and Saskatchewan are the two (2) lowest lines on that graph in terms of premiums?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I'll accept that. At the very end I can't quite tell if British Columbia is -- on the very right side whether British Columbia is sort of slightly below or slightly below Saskatchewan.

But -- but I'll accept that in general it's Manitoba the lowest, and, you know, Saskatchewan and British Columbia being relatively close and tied for second.

MR. STEVE SCARFONE: And -- and does that -- does that graph accord with your understanding based on your experience in the industry, that Saskatchewan and Manitoba offer the lowest rates across the country?

MR. RAJESH SAHASRABUDDHE (by Teams): I have not looked at that issue. It -- it wouldn't surprise me just, again, knowing some of the -- the demographic and some of the other issues in -- throughout the country, but it wouldn't surprise me.

MR. STEVE SCARFONE: And in your experience, sir, do you have any insight into the correlation between Saskatchewan and Manitoba, and those two (2) jurisdictions using the registered owner model?

MR. RAJESH SAHASRABUDDHE (by Teams): No, I do not have any specific knowledge of that. Specific knowledge of the correlation. Sorry, to -- to be clear of -- of the correlation in the -- both -- both provinces using the registered owner model and the result in the rate.

(BRIEF PAUSE)

MR. STEVE SCARFONE: At page 8 of your report. Still dealing with the Driver Safety Rating system at page 8, under 4.2, under the conclusion. It indicates there, sir, that:

> "A primary driver model would better support the goals of the DSR program and the collection of information does not appear to be too onerous."

Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And I did make a note of this in fairness to you, that you naively said yesterday that that data is not too difficult to collect?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's a naive opinion. I -- I would agree with that. We would -- that would be our naive view of that -- or my naive view of that.

MR. STEVE SCARFONE: And -- and you weren't privy to much of the discussion in this hearing about the difficulties that switching models might present to the Corporation?

MR. RAJESH SAHASRABUDDHE (by Teams): I -- I did not -- I am not privy to that discussion. That's correct.

MR. STEVE SCARFONE: But you'd agree that that data collection, that is declaring the primary driver model on an insurance policy, is something that would be an extra step for the customer that's not currently done on the -- under the existing model?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, it would be an extra step. I -- I would agree with that.

MR. STEVE SCARFONE: And that incremental step would also be expected at the broker level for those customers that deal with the brokers?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I would assume that's the case.

MR. STEVE SCARFONE: And then just generally, sir, I know this isn't in your area of exper -- expertise, but there might be concerns over the gathering of that information, privacy concerns, what the data is used for, et cetera, correct?

MR. RAJESH SAHASRABUDDHE (by Teams):

I'll -- I'll accept that as being a concern from the -- by the customer.

MR. STEVE SCARFONE: And in the adoption of a new model for Manitobans, you would agree with me that there would also be needed a communication and an education campaign?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I would agree with that.

MR. STEVE SCARFONE: And there would be system changes required for collecting the primary driver information?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, to -- to capture that information would presumably require a systems change. I would agree with that.

MR. STEVE SCARFONE: And additional resources would be required in terms of both time and money?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I would -- I would agree that there would be additional resources. I can't comment on if they were significant or not, but yes, I would agree with that.

And then lastly, again, appreciating your comments in this regard, because it's not in your exper -- expertise, but any such declaration might trigger some coverage issues concerning who was driving the vehicle at the time?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, there could be a dispute as to whether the policyholder reported truthfully and that could create a coverage issue. Is that what your implying?

MR. STEVE SCARFONE: Yes.

MR. RAJESH SAHASRABUDDHE (by Teams): I -- I would accept that that's a -- that's a potential issue, yes.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Now, I want to move on, if I can, sir, to the actuarial commentary in your paper at page 12, and the loss trends that you made reference to yesterday.

(BRIEF PAUSE)

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, I see that.

MR. STEVE SCARFONE: At -- it's 13. Statistical significance. The second paragraph there it reads:

"The P value indicates the
probability that the coefficient
would have occurred by chance if the
true value of the coefficient was
zero."

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: I just wanted to read that. I have no idea what it means.

But, I do want to go back to page 12, because this is what I do understand, sir, is that MPIC selected different growth rates than the Oliver Wyman projections, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. Again, as I've mentioned in -- in the my -- in the presentation I gave yesterday, that these trend rates -- unfortunately, we used the trend rates that were in the ratemaking section and that's the comparison here.

MR. STEVE SCARFONE: Yeah.

MR. RAJESH SAHASRABUDDHE (by Teams): The actual trend rates that underlie the development of the premium or in the claims incurred section, they're generally similar, but they're not exactly the same.

And as -- as we show here for -- for MPI and -- and yes, on -- looking at the same body of evidence, we would arrive at the trend rates that are in the last two (2) columns, perhaps the comparative to the MPI side would be slightly different if -- would be slightly different and we would -- we would show the -- the trend rates from the claims incurred section.

MR. STEVE SCARFONE: Right. And my -- my question really is just to get a basic understanding of it.

So, where you indicate there under future pure premium trend, if it's zero, I take that to mean that there's no discernable trend?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct.

MR. STEVE SCARFONE: And a zero pure premium would, essentially, mean no revenue requirement.

MR. RAJESH SAHASRABUDDHE (by Teams): No, no additional revenue requirement. Perhaps you could say it that way. It doesn't mean --

MR. STEVE SCARFONE: Yes.

MR. RAJESH SAHASRABUDDHE (by Teams): -- yeah, it doesn't mean that the rate is zero. It just means that the rate of loss per vehicle in aggregate is not growing.

MR. STEVE SCARFONE: Yes, yes. Sorry. Of course.

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah.

MR. STEVE SCARFONE: No additional rev -- revenue requirement, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Per vehicle, yes.

MR. STEVE SCARFONE: Yes, because as you indicate there, that the pure premium trends are a critical assumption in determining rates.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And so I take that to mean that a positive pure premium would, in fact, mean additional revenue requirement?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: Okay. So that -- with that basic understanding, zeros are good for the customer, anything above that, they're paying extra premium?

MR. RAJESH SAHASRABUDDHE (by Teams):

Yes. I guess if you characterize 'good' as -- as temporarily paying less premium, yes, that -- that would be correct.

MR. STEVE SCARFONE: And so the Corporation did some number crunching with the future pure premium trends that -- that you've indicated there in your report. Are you aware of that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. Future and future only is my understanding, yes.

MR. STEVE SCARFONE: And as I understand it, sir, the -- the future pure premium trend used, essentially, just one (1) trend for each of the coverages there we see.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. In -- with the data that we analyzed, that's correct, yes.

MR. STEVE SCARFONE: Right. So for comprehensive, for example, the future pure -- pure premium trend is zero, and that -- that trend was used for all of comprehensive, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct, yes.

MR. STEVE SCARFONE: And not unlike in other jurisdictions, comprehensive coverage would include hail?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And it would include theft?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And it would include vandalism?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And it would include glass?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And you'd agree with me, sir, that each of these different sub-coverages, if I can, differ in both frequency and severity?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. We use the term 'peril', but -- but that's fine, yes.

MR. STEVE SCARFONE: Right. So each of those perils would differ in frequency and severity?

MR. RAJESH SAHASRABUDDHE (by Teams):

Yes. They -- they would -- yeah. Certainly they would potentially differ. It's possible, when you looked at the data, there were certain -- certain perils that exhibited sort of the same -- remember on the severity side, it's potentially that the -- that the values are about the same. The trend rates are about the same. Frequency side, certainly, yes, you'd expect some differences in -- in the -- in the trend rates.

MR. STEVE SCARFONE: And for each of those perils, as you described them, there could be underlying trends within each?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: Which wouldn't be reflected in the one (1) trend that's identified there under the future pure premium?

MR. RAJESH SAHASRABUDDHE (by Teams): So they wouldn't be separately reflected, but they are reflected in the aggregate. All those pieces just combine up into the total, so we're just analyzing the total as opposed to analyzing the pieces. But they're just -- it's just a -- it should -- it should balance out.

MR. STEVE SCARFONE: Yes, but to the

extent that you're dealing with the totality, then there wouldn't be different weights assigned to any variances in the trend, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Well, no. There are weights because there's weights in the underlying experience. So the underlying data has a mix of all of those perils, and it enters into the data at those respective weights.

So -- so they are -- you know, the -- the -- it's essentially a database weight, so it's whatever weight is in the data. You're correct in that we might not be able to capture changes in weights, but -- but it is weighted in -- because the underlying data is essentially a weighted average of -- of all the perils.

MR. STEVE SCARFONE: Okay. And so to the extent that the -- the one (1) trend that you've used doesn't address those underlying trends for each of the sub-coverages, I would suggest to you, sir, that that future pure premium trend is -- is somewhat simplistic compared to the -- the other analysis. And that -- when I say, "other analysis," that --

MR. RAJESH SAHASRABUDDHE (by Teams): No, I under -- no, I understand what you mean, the bi-peril analysis. It is a simpler way to -- to look at it.

I wouldn't -- I -- I wouldn't suggest that -- it's a simpler way -- there's no inherent reason to -- to have the view that you're necessarily going to get a statistically significantly different result unless for some reason -- and this has happened in other provinces, so I -- I acknowledge this -- that, for example, if theft claims were -- were growing at -- at a much different degree than other claims and they had a different cost level than -- than the average mix.

So -- but that would also, again, come out in the data because the -- the grow -- the theft -- theft claims would be in the data as well.

MR. STEVE SCARFONE: And so if there were some underlying trends, and if for example theft claims were growing or -- or vandalism here in Winnipeg was increasing, that wouldn't be directly reflected in your future pure premium trend, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): No, but we are providing a pure premium trend for the coverage as a whole. We're not providing trends by peril.

MR. STEVE SCARFONE: Yes. Thank you. And similarly, sir, for property damage -- you'll see it there -- you have a zero future pure premium trend, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct.

MR. STEVE SCARFONE: So you would project no additional revenue requirement for property damage. Is that how I understand that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, and to be clear, just for the PUB's benefit, these are a combination of frequency and severity. And -- and really the -- the primary driver -- shouldn't use that term, 'primary driver' -- but the -- the main reason that -- that trends are somewhat flatter is because cars are becoming safer and frequency is going down.

So it's not meant to imply that -- that there's no growth in average costs, but that, taken together, frequency and severity get to zero percent.

MR. STEVE SCARFONE: Yes. And again, not unlike comprehensive, the property damage coverage, you can have differences in both frequency and severity, as I think you've just acknowledged.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. I acknowledged that you -- you would have underlying components. Essentially, this is the combination of frequency and severity, so -- so you could get to zero in a variety of ways. You could be, you know, plus six (6) for severity, minus six (6) for frequency. You still get to zero.

So -- but this is a combination of -- of both factors, and again we believe that it's a reasonable way to provide a high-level assessment as to the reasonableness of the -- of -- of the MPI trends, that, if you look at the total, it should -- it should reasonably well align with -- with where the components would add up to be.

MR. STEVE SCARFONE: And then so for collision -- and it's there before -- you use a rather small trend of .62 percent, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct.

MR. STEVE SCARFONE: Compared to MPIC's forecast of 3.75 percent?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And with collision, you'll agree with me, sir, that that particular peril would be -- would consider both repairs to a vehicle, but also, of course, the actual cash value of a vehicle if it's written off, correct?

MR. RAJESH SAHASRABUDDHE (by Teams):
Yes, that's correct.

MR. STEVE SCARFONE: And that changes in the growth of repair claims are different than the changes for total loss claims.

Would you agree with that?

MR. RAJESH SAHASRABUDDHE (by Teams):
I haven't -- I haven't looked at that issue, but I'll accept that it certainly could be true.

MR. STEVE SCARFONE: And so your future pure premium trend doesn't account for the differences between a repair to a vehicle and its replacement, correct?

MR. RAJESH SAHASRABUDDHE (by Teams):
No, I think it does because, again, it's based on data that includes both perils. So we -- we project using the total and -- and again, it should balance to the sum of the components. And -- and if -- if it doesn't for some reason, then -- then there should be an understanding as to why.

MR. STEVE SCARFONE: Right, and I think you answered my question there. So that .62 percent reflects the -- the total of those two (2) factors?

MR. RAJESH SAHASRABUDDHE (by Teams):

Yes, that's correct.

MR. STEVE SCARFONE: And to the extent that there is an underlying trend for one that's different than the other, your future pure premium trend wouldn't reflect that?

MR. RAJESH SAHASRABUDDHE (by Teams): Now, again, it still would because both -- both pieces of the -- both components, both perils are in our data, so that would be coming through in the underlying data that we're analyzing. It's just a matter of how it's separated and -- and analyzed and under the way the -- under the way that MPI looks at it.

MR. STEVE SCARFONE: Okay. So, do I take that to mean, sir, that -- that your advice here is that there's no need to look at underlying trends for each of the sub-coverages under those coverages?

MR. RAJESH SAHASRABUDDHE (by Teams): No, I did not imply that. I think that was in my direct presentation yesterday, that we think it's reasonable to look at the underlying -- at the -- look at the underlying perils, but that, ultimately, then they should be reconciled to what the -- what the total -- what the -- what the sum of the data, the aggregate data, indicates.

MR. STEVE SCARFONE: Yes. So, your preference is the sum of the data rather than looking at it broken down into each sub-coverage and those --

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah, no, I don't think that would be my -- again, we -- we stated we're -- we're indifferent on that. We -- we think that you should do -- that, if you look at the pieces, you should then reconcile to the total.

MR. STEVE SCARFONE: On the collision front yesterday you, in your slide presentation, I think it was -- if you have that available, Kristen. That's slide 11.

(BRIEF PAUSE)

MR. STEVE SCARFONE: No, that's not the slide. It's the -- the slide, sir, where you looked at -- remember where you showed the lines were flattening --

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: -- for the trending?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. I'll -- I have it here. I can give you the slide number. Seventeen. I'm sorry, 18 or 19.

MR. STEVE SCARFONE: Nineteen. Thank you.

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah.

MR. STEVE SCARFONE: I've got it. And, Kristen, I didn't give you this one in advance, but I'm wondering if you could pull up MPI Exhibit number 62, which is a presentation on claims, and it would be slide 6.

So, there, sir, while we're...

(BRIEF PAUSE)

MR. STEVE SCARFONE: Okay. So, if you could put them beside each other, please.

(BRIEF PAUSE)

MR. STEVE SCARFONE: So, when looking at your trends on the left there, sir, and MPIC's data for Basic losses.

(BRIEF PAUSE)

MR. STEVE SCARFONE: And then if you can move Raj's over a bit so we can see the -- the axis on the left. Thank you.

So, I just want to understand. There's a lot happening in -- in yours, sir. Those data points that we see on the circles, those are -- those are the points that you used to come up with the -- the lines. Is that correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, it is, but there's an important distinction between the two (2). So, a couple things. One, the slide that you show for -- for me is -- is the pure premium slide as opposed to the total loss slide.

So, I think the same message is true, so -- but it's one (1) slide up if you'd like to go back to slide 18 --

MR. STEVE SCARFONE: Sure.

MR. RAJESH SAHASRABUDDHE (by Teams): -- on my side. I -- I don't mind if you keep it on this slide because the message --

MR. STEVE SCARFONE: No.

MR. RAJESH SAHASRABUDDHE (by Teams): -- is essentially the same.

MR. STEVE SCARFONE: If it's the same.

MR. RAJESH SAHASRABUDDHE (by Teams):

Yeah. The -- the other issue is that we use a log scale. And we think that's important in terms of how you look at the data. And the reason for that is that, if you look at the percentage differences -- so, when you're talking about -- so, just -- just consider the left side of this chart, where the values are four fiftyish and going up to, you know, let's say the high five hundreds (500s).

MR. STEVE SCARFONE: Yeah.

MR. RAJESH SAHASRABUDDHE (by Teams): So, what -- so, what's happening there, that movement is 25 percent, right, whereas once you get to the right side of the chart, when the -- the values are closer to seven hundred (700), and then 25 percent there becomes -- it would have to go up to eight seventy-five (875).

So, on a log scale, the percentage movements are -- are consistent in width. On a -- on a non-transform scale, for -- for lack of better words, the percentage movements are not constant. The higher -- the percentage movements on the left side are larger than the percentage movements on the right side.

So -- so, there's -- there's that little bit of nuance. That's why you see more of a --

of -- of the growth on the left side of our chart, because the percentage movements are -- are bigger.

And then, on the right side, again, I think the message is -- is relatively consistent, that -- that GRA 20 -- any of the GRAs that you look at, it looks like they're generally flattening around.

In our slide 16, 17, so I assume that's labelled 16 on the slide to the right, but, again, that flattening would -- would look flatter if you looked at it on a log scale because the percentage movements are smaller because now you're up to a base of in the high seven hundreds (700s).

So, that movement that you see once you get up to seven hundred (700) is -- is much smaller on a percentage basis than that same -- that -- that same movement that you would see if it was pegged to a base of four hundred and fifty (450), let's say.

MR. STEVE SCARFONE: I see. So, the -- the log scale that you made reference to accounts for some of the differences on the -- on the left-hand side there, on the axis, right.

So, you'll see that MPIC's growth is somewhere between 400 million back in 2005 and increasing to almost 900 million in 2024.

Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): In 2024? I'm sorry, which side? You're referring to the right side, right, that 2024 --

MR. STEVE SCARFONE: Just -- just --

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah.

MR. STEVE SCARFONE: -- generally -- sorry to cut you off. Generally, you'll see that MPIC's data would suggest that Basic losses are increasing from just over $400 million and projected into 2024 to be just under one thousand million dollars.

Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): I do. So, the right side is not limited to collision, right, just to be clear, and where our --

MR. STEVE SCARFONE: Yeah.

MR. RAJESH SAHASRABUDDHE (by Teams): -- our data is limited to collision on the left side. Is that -- is that -- am I -- I'm understanding that correct -- correctly, right?

MR. STEVE SCARFONE: That's correct. And -- and what I asked you to help me with was on -- on your scale, you made reference to a log scale.

So, those -- that accounts for the

percentages that you -- you spoke of. Is that my understanding?

MR. RAJESH SAHASRABUDDHE (by Teams): No. I -- I think -- so, what I have on the left is collision only, so I apologize if that wasn't clear. But we looked at collision; that's the largest premium component. And we wanted to bring out the -- the sensitivity of the collision estimates. And on the right side, it's more than just collision.

So, that's -- that's really the fundamental difference in -- in the values.

MR. STEVE SCARFONE: And that collision is -- is your .62 percent, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Correct.

MR. STEVE SCARFONE: And that .62 percent pure premium trend, sir -- sir, was that a statistically significant trend?

MR. RAJESH SAHASRABUDDHE (by Teams): No. I think we addressed that in our report where we say it's not statistically significant. But we wanted just to provide a comparative to how MPI would have looked at it. We included it.

MR. STEVE SCARFONE: Okay. Because of it's 'P' value, it -- it can't be a statistically significant trend?

MR. RAJESH SAHASRABUDDHE (by Teams): Right. The -- I think we -- we addressed that in -- let's see.

(BRIEF PAUSE)

MR. RAJESH SAHASRABUDDHE (by Teams): So, at the bottom of page 15 of our report, section 5.3 --

MR. STEVE SCARFONE: Yes.

MR. RAJESH SAHASRABUDDHE (by Teams): -- where -- where we say that -- right there, that last paragraph:

> "We believe it would be appropriate that a model... support data points, it would have produced a statistically insignificant trend of .62 percent.
>
> We would suggest zero; however, as MPI doesn't consider 'P' values as a sensitivity test, we are providing the indicated pure premiums assuming the .62 percent trend."

MR. STEVE SCARFONE: Okay. Thank you.

And -- and on that point, insufficient evidence to show that there's statistical significance does not mean that the trend is necessarily zero.

Is that -- is that my understanding?

MR. RAJESH SAHASRABUDDHE (by Teams): It means there's no statistical support for a trend other than zero is -- is what it means.

MR. STEVE SCARFONE: Does it also mean that the zero falls within the possible range of trends that -- that could produce that data?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's what it -- yes, that's correct.

MR. STEVE SCARFONE: Okay. And with your flattening that we see for -- again, it was for collision, right, using your --

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: -- your trend of .62, that, as I heard you yesterday, was over the last four (4) periods, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And MPIC's trend of 3.75 percent was taken from 2011 to 2019 data?

MR. RAJESH SAHASRABUDDHE (by Teams):

I'll accept that. I don't recall exactly. But I think that should be on my -- that should be on my slide, but I don't think we need to go there. I'll accept that.

MR. STEVE SCARFONE: Okay. And the flattening, sir, because it occurred over the past four (4) years, might account for perhaps some milder winters in the last two (2) or (3) years?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. There certainly could be a -- a weather-related affect to collision claims.

MR. STEVE SCARFONE: And you, sir, are in Pennsylvania, as I understand it, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): That is correct.

MR. STEVE SCARFONE: Have you ever been to Winnipeg?

MR. RAJESH SAHASRABUDDHE (by Teams): I have not. Hopefully next year.

MR. STEVE SCARFONE: And if you come during a particularly bad winter, sir, that certainly would affect the flattening that you have there in your four (4) year time frame, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): So are you asking me if the winter was particularly bad, would the data still -- would the data be as flat? Is that the question?

MR. STEVE SCARFONE: Yes. If -- if we have a bad winter this winter and collisions are up, that would certainly impact that flattening that you're saying should be relied upon.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. And then, the future trend would be different. So, yes, I acknowledge that.

(BRIEF PAUSE)

MR. STEVE SCARFONE: And the other point, of course, I think both the Oliver Wyman model and MPI's accounts for the lower frequency trends as a result of the pandemic.

MR. RAJESH SAHASRABUDDHE (by Teams): I think they both exclude the COVID affected data. Maybe that's -- that's what you mean to say. But -- by 'account for'.

So it if that's what you mean to say, then I would agree.

MR. STEVE SCARFONE: Yes. And -- and I did mean to say that. So by adjusting, we see that MPIC estimated those impacts to be $10 to $20 million during the -- the pandemic time period?

MR. RAJESH SAHASRABUDDHE (by Teams): I don't recall those estimates. That -- that seems a little bit light to me, but -- but I don't know for a fact what -- what the estimate was.

Because -- and let me just tell you why they -- I think it seems a little bit light. If the aggregate claims incurred value is -- is, let's call it -- let me just go back to my slide -- it's in the, you know, $400 or $500 million range. Ten (10) to twenty (20) is, sort of, 2-and-a-half to 5 percent for the COVID effect.

And if I look up there, the -- the pure premium indications that drop looks like more than -- more than that.

But perhaps you're referring to all coverages combined and -- and then maybe it's true. But, on collision, I would certainly expect that it would be more than 10 to 20 million.

So I guess, in an absolute sense, I would expect it to be more than 10 to 20 million.

MR. STEVE SCARFONE: Okay. And then -- so on that point, if we go to your slide 18 again.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: Where you show the trends and -- and the flattening of -- of the curve, if you were to adjust the 2019/'20 data to increase the adjustment -- so whether it's 20 million or 30 million -- that would impact upon the flatness of your line. Is that not fair?

MR. RAJESH SAHASRABUDDHE (by Teams): Well, again, I think 10 to 20 million, to me, just doesn't seem like a reasonable estimate. You see where that data point is for -- for 2021, it's at -- you know, let's call it, 310 or 320 million. If you increased it 10 to 20 million, you're just going to get to 350 million-ish, let's call it, which is still way below the -- the trend line of the prior year.

So to me, it seems like the adjustment would have to be in the neighbourhood of seventy (70) -- 70 to 80 million. And, again, I'm ball parking it. But let's call it, 70 million.

So to the extent that you add a data point, that will affect the estimate of trend. So I'll sort of acknowledge that.

But 10 to 20 million just doesn't feel right to me, based on -- on what I see in this data.

MR. STEVE SCARFONE: Okay. And I won't quarrel with you over the number. I -- I'm simply trying to suggest to you that if you were to adjust that -- that outlier year, it will impact upon the trajectory that your -- your line is taking, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. And in either direction. Potentially flatter or steeper.

MR. STEVE SCARFONE: Yes.

MR. RAJESH SAHASRABUDDHE (by Teams): Right. Okay.

MR. STEVE SCARFONE: Just give me one moment, sir.

MR. RAJESH SAHASRABUDDHE (by Teams): Sure.

(BRIEF PAUSE)

MR. STEVE SCARFONE: So, Kristen, just before we leave the trending, if you could pull up figure ratemaking 14, which is from MPI Exhibit 37.

(BRIEF PAUSE)

MR. STEVE SCARFONE: And it would be page 14 of Exhibit 37. Thank you.

And also, figure 4 from undertaking number 86.

(BRIEF PAUSE)

MR. STEVE SCARFONE: So there, sir, on the right, are the figures that reflect your one trending factor in your chart.

So what I mean by that is the .62 percent for collision, the 1 percent for bodily injury, and the -- the balance of them are zeroes. Correct?

MR. RAJESH SAHASRABUDDHE (by Teams): No, that's not correct. Not the way we suggested it.

I think, if you -- again, our -- in our view and our suggestion is you can't separate the future and the past; that -- that they are two (2) components of -- of the same.

And I think, as the MPI witness described yesterday and as I went through in my presentation, what you have on the right side only reflects a change to the future. It does not include the changes to the past.

MR. STEVE SCARFONE: Right side. Sorry, what -- what --

MR. RAJESH SAHASRABUDDHE (by Teams): The right side of what's up, which I assume is undertaking 28. But maybe I'm...

MR. STEVE SCARFONE: Oh, yes. So those -- the undertaking was for MPIC to calculate a revised rate indication by substituting a pure premium trends proposed by Oliver Wyman for the combined frequency and severity trends used by MPI to determine the overall rate indications.

Do you recall that undertaking?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. I don't have the specific language in front of me, but -- but that -- I'm just wondering whether the specific language included reference to past and future.

And to the extent that -- our intent was to incorporate both past and future because those are the pure premium trends that we have in our rates. I'm sorry, in our report.

We have two (2) columns of trends; not just one.

MR. STEVE SCARFONE: Yes.

MR. RAJESH SAHASRABUDDHE (by Teams): To the extent that -- but as I had mentioned yesterday, I -- I sort of -- I can appreciate the difficulty of incorporating the past trend into the MPI model the way it's set up. The future trend is a little bit easier and -- particularly, given the time constraints.

Yeah, I can sort of understand why only the future was incorporated. But that was not the intent of what were asking for. We wanted both past and future to be incorporated into the analysis.

MR. STEVE SCARFONE: I see. So, in fact, the response to undertaking number 28 and the revised indications there use only the future pure premium trends from your report?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct. I think, again, that was presented on my slides. I'd be happy to go through that again, if you'd like.

MR. STEVE SCARFONE: Not at all.

So using that future pure premium trend, the Corporation did respond to this undertaking and -- and, on the right-hand side there, you'll see the affect of that on line 29 for each of the various classes. Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): I do, yes.

MR. STEVE SCARFONE: And then, compare

it to figure RM-14 on the left, line 29. And there, set out, are the implications that MPIC has presented to this Board. Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And so, you'll see, just going through them quickly, that the private passenger class using the Oliver Wyman has a .1 percent, whereas MPIC's is 1.5 percent.

Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah. Just for the record I would say using Oliver Wyman future trend only, but yes, that -- that would be correct if you -- if you state it that way, because again, as I stated, our trend recommendation has two (2) components to it, not just one (1).

MR. STEVE SCARFONE: Yes, but the -- the undertaking before us was to substitute the pure premium trend presented by Oliver Wyman.

So -- and as you've indicated -- and perhaps you can explain why using the past year premium trend would be a difficult exercise?

MR. RAJESH SAHASRABUDDHE (by Teams): Sure. So, I -- I guess let me, again, just sort of reiterate, that our intent, our pure premium trend in our report is -- has both past and future components. They're not separate.

It's not adopt one (1) and not the other. It's -- it -- what we were asking was for both to be adopted.

MR. STEVE SCARFONE: I see.

MR. RAJESH SAHASRABUDDHE (by Teams): The -- the reason -- and again, acknowledging that -- that maybe we didn't use the words 'past' and 'future' in -- in the undertaking. And -- and I apologize for not being specific -- more specific with that.

The -- the reason why it's difficult for MPI to -- to adopt or sort of adjust the model to consider a different past trend is because of the way the claims incurred section works where the -- the frequency and severity components are -- are forecast to -- to current levels.

It's just a little bit wieldy. I'm -- I'm sure it requires some -- I'll call it for lack of better words, manual intervention. It's not something that you could do with just changing one (1) cell on a spreadsheet, which you could probably do with the future trend.

So, I acknowledge that it's more difficult and -- and that it would be more difficult to -- to change the past. It doesn't mean that we think that the past trend is -- that the -- that the way the past trending was performed to arrive at -- at sort of that inflection point between past and future, in response to Undertaking 28 is -- is correct.

So, again, hopefully that -- that answers your question.

MR. STEVE SCARFONE: It does. So, having said that, we can acknowledge that the undertaking makes use of your future pure premium trend, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, and future pure premium trend only, so you just add the word 'only' in there and yes, I'll accept that.

MR. STEVE SCARFONE: And so, we see that for each of the various classes, making use of only that one (1) trend, as the rate indications would be going up for each, is that -- or decreasing for each, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: So, for example, the private passenger where under MPI's at the 1.5 percent increase, using the Oliver Wyman approach, it's .1 percent.

Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: I'll use one (1) other example. For the motorcycles, MPIC has a rate increase of 3.4 percent. Do you see that?

MR. RAJESH SAHASRABUDDHE (by Teams): I do.

MR. STEVE SCARFONE: For the Oliver Wyman, it would be 2.2 percent?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct.

MR. STEVE SCARFONE: Okay. So, again, not surprisingly given that the future pure premium trend was at or near zero for most of these coverages, we would expect less additional premium was required, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct, yes.

MR. STEVE SCARFONE: And, sir -- and again, I -- I want to be fair to you. We don't have your past pure premium trend factored into this, but if those trendings are off, you'll agree with me, sir, that the Corporation will have insufficient premiums to pay for its claims, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): No, in -- so premium sufficiency is -- relates to whether you've collected enough premium to pay claims. And I think if -- again, our view is that our pure -- pure premium trends are appropriate.

And I think if you -- if you look at what they imply for the total dollars collected to pay claims, they look pretty reasonable. I think that's the point of slide -- if we could go to slide 17 of --

MR. STEVE SCARFONE: But, sir, that wasn't -- that wasn't my question.

My question wasn't whether they're reasonable, my question to you was: If they're off, which would make them unreasonable.

If they're off, then the Corporation will have collected insufficient premiums from its customers, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): They could be off and being too high. So, I don't understand the point. If -- if they're --

MR. STEVE SCARFONE: If they're off and the premiums that you're forecasting are insufficient.

So, to the extent that they're off,

meaning that you've indicated there, as we've just indicated, that 1.5 percent for private passengers is now .1 percent.

That's a significant difference, you'll agree?

MR. RAJESH SAHASRABUDDHE (by Teams): So, that's -- that's one point on -- on roughly the -- one (1) point on a thousand dollars $1,000) -- or twelve hundred dollars. I -- I don't know -- again, I'm not in a position to judge significance, but one (1) point doesn't seem terribly significant to me in the context of an estimation exercise.

And I -- I think you're essentially correct that actuarial indications are based on a series of assumptions to the -- to the extent that any assumption is -- is too optimistic, the premium is going to be low. To the extent that any assumption is too pessimistic, the premium is going to be high.

And what we are doing is we're trying to identify what the most appropriate assumption is, but we do recognize that they're assumptions and that there is the potential that we are either too high or too low.

MR. STEVE SCARFONE: Yes. And so, I'll -- I'll put this to you, one (1) point, a general rule of thumb at least before this Board is one (1) point is about $10 million in premium.

Do you have any reason to disagree with that?

MR. RAJESH SAHASRABUDDHE (by Teams): No, I don't.

MR. STEVE SCARFONE: Okay. So, to the extend that the Oliver Wyman projections have the private passenger class paint a point, 1 percent increase, versus MPI at 1.5 percent.

You'll agree with me that that's a difference than more than $10 million?

MR. RAJESH SAHASRABUDDHE (by Teams): I would agree with that, yes.

MR. STEVE SCARFONE: And so, that represents, as we've canvassed the additional premium required for that class, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Could you help me with "additional premium required." So re -- required by -- required to do what?

MR. STEVE SCARFONE: To pay the forecasted claims.

MR. RAJESH SAHASRABUDDHE (by Teams): To pay the MPI forecasted claims, not to pay the claims that we would think -- not to pay a claim's forecast that we think is more appropriate.

MR. STEVE SCARFONE: Correct.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. STEVE SCARFONE: And similarly, for the other class that we looked at, which was the motorcycle class, and again, I want to be fair to you, we've only factored into this equation the future of pure premium trends.

But again, the motorcycle class, the additional revenue requirement, in your calculations, would be 2.2 percent?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct. Again, Oliver wrote "future trend only," but yes, that's correct.

MR. STEVE SCARFONE: Whereas MPIC's is 3.4 percent?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. STEVE SCARFONE: And again, that's the difference of about 1 percent and so another $10 million?

MR. RAJESH SAHASRABUDDHE (by Teams): Again, I assume the one (1) point is on the total premium basis. I would assume that the motorcycle premium basis is much smaller so that one (1) point on the motorcycle premium basis, I would assume, is much less than --

MR. STEVE SCARFONE: Yes, yes.

MR. RAJESH SAHASRABUDDHE (by Teams): -- than $10 million, but I don't -- certainly don't have the exact number to provide to you.

MR. STEVE SCARFONE: And -- and would those numbers that we see on the right here, how would you expect those to change if you can -- had the past pure premium trend had been factored in or would that serve to reduce them further or would they essentially be the same?

MR. RAJESH SAHASRABUDDHE (by Teams): No, it would serve to reduce them further. Again, we didn't look at every single coverage, but our focus was on collision because we have the -- we have the difference in the -- the focus was on collision because number 1, it's the largest coverage and that's probably where we have the more significant differences in the trend rate.

So, I -- I don't have the total value, but -- but it certainly would be greater.

MR. STEVE SCARFONE: Okay. And again, that is the same -- the same percentages was used for the future pure premium trend, correct, point-six-two?

MR. RAJESH SAHASRABUDDHE (by Teams): You mean past --

MR. STEVE SCARFONE: Yeah, the past is the same as the future?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. The past trend is the same as a future trend.

MR. STEVE SCARFONE: But that would still, in -- in your estimation, serve to -- to decrease them further? Notwithstanding --

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah, if you adopted -- again, we didn't do a direct comparison to the claims incurred section. So, leaving that aside and understanding that the -- the ratemaking section trends and the claims incurred section trends are similar, and our trends are -- are generally lower.

That would require -- that would indicate a less of a need for -- that would imply that less premium needs to be collected. So, I would acknowledge that.

And it will certainly be less than what -- what was provided in undertaking 28 because that only reflected -- only partially reflected our view of how that -- how that -- this claim forecast should be determined.

MR. STEVE SCARFONE: Just give me a one (1) moment. I think that may be all my questions for you, sir.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Thank you. Those are my questions for you, Raj.

MR. RAJESH SAHASRABUDDHE (by Teams): Okay. Thank you.

THE PANEL CHAIRPERSON: Thank you, Mr. Scarfone. We'll take a break now until 11:15, please.

--- Upon recessing at 11:01 a.m.
--- Upon resuming at 11:21 a.m.

THE PANEL CHAIRPERSON: Thank you, everyone. Now we'll go to cross-examination by counsel for the Board, Mr. Watchman.

MR. ROBERT WATCHMAN: Thank you, Madam Chair.

CROSS-EXAMINATION BY MR. ROBERT WATCHMAN:

MR. ROBERT WATCHMAN: Good morning,

Mr. Sahasrabuddhe. I am -- my name is Robert Watchman. I am one (1) of the Board counsel, and --

MR. RAJESH SAHASRABUDDHE (by Teams): Good morning.

MR. ROBERT WATCHMAN: -- good morning. My questions are largely directed to filling in some of the responses that were provided through Information Requests filed by the Coalition -- sorry, the Consumers' Association of Canada, although I will have at the end a question that is more technical in nature.

So I would ask if we could turn then first to Information Request PUB-CAC-1-1. And this Information Request relates to, essentially, a comparison of the primary driver model to the registered owner model for driver safety rating.

So do you see that there, sir?

MR. RAJESH SAHASRABUDDHE (by Teams): I -- I do.

MR. ROBERT WATCHMAN: And I'm going to turn to the second page, the response to (b), referring to the goal of the DSR model. You indicate that the -- the goal in section 4.1 refers -- references improved driving behaviour:

"We would expect that a primary

driver model would directly influence driving behaviour."

And then it continues on:

"The registered owner model indirectly influences driving behaviour when a registered owner has multiple vehicles."

Is that correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. ROBERT WATCHMAN: And can you provide any insight as to how much more influence a primary driver model might have on driving behaviour versus the registered owner model?

MR. RAJESH SAHASRABUDDHE (by Teams): Sure. So again, while this isn't sort of strictly speaking an actuarial area to the extent that the -- the driver -- or the financial implications of his or her driving behaviour, we would expect that it would have a stronger influence.

So in that sense, that -- in an indirect approach where -- in an indirect approach where, you know, potentially the registered owner can convey that financial implication down to the primary driver, the -- the influence would be indirect and would be less strong.

That's sort of the point that we were trying to make in the response.

MR. ROBERT WATCHMAN: Is Oliver Wyman aware of any registered owner models in use in the competitive markets in Canada?

MR. RAJESH SAHASRABUDDHE (by Teams): I don't know one -- one way or the other, so in the -- in the competitive market, no, that's not an issue that we typically look at. So I'm sorry, I don't know that.

MR. ROBERT WATCHMAN: Are you aware of any use of a registered owner model in the competitive markets in the United States?

MR. RAJESH SAHASRABUDDHE (by Teams): No. I know that my -- my personal automobile policy is not a registered owner model, that it's a -- it's -- it's a primary driver model, but that's the extent of my knowledge.

MR. ROBERT WATCHMAN: Now, if MPI was to remain with the registered owner model for five (5) years, and following the -- the examples, increased the DSR scale to twenty (20) with a maximum discount of about 57 percent, would you expect there to be greater dislocation or less dislocation if MPI switched to a primary driver model later -- latter -- later rather than sooner?

MR. RAJESH SAHASRABUDDHE (by Teams): Okay. So, expand scale and switch in, let's say, five (5) years as opposed to now.

So, if you expand the scale and you switch in five (5) years, I would expect that there -- and if we define 'dislocation' as sort of movement in premiums because -- because you're switching models, I don't know that I have a view on that.

I would -- I would expect that there would be more dislocation, but I'm having trouble articulating exactly why.

MR. ROBERT WATCHMAN: Okay. Thank you. I'm going to turn now to Information Request PUB-CAC 1-6. And if we go down to the bottom -- toward the bottom of the page, the response indicates:

> "Oliver Wyman response. We recommend calculation of the rebate after consideration of the 5 percent release provision."

Do you see that there?

MR. RAJESH SAHASRABUDDHE (by Teams): I do.

MR. ROBERT WATCHMAN: And are you

recommending a 5 percent capital release for only the '22/'23 rating year or would you continue to recommend the same for the '23/'24 rating year?

MR. RAJESH SAHASRABUDDHE (by Teams): No. Our recommendation is, essentially, the capital be reviewed every year. So, this is only for the '22/'23 rating year.

And then whatever the capital review would indicate for '23/'24, that that's the -- whether it's a release or build provision, that's -- we -- we believe that's the appropriate way, review capital every year and -- and adjust as necessary.

MR. ROBERT WATCHMAN: Can you indicate what level of MCT Oliver Wyman would recommend for the '21/'22 insurance year, and then following, the '22/'23 and the '23/'24?

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah, I'm -- yeah, I'm sorry, that's not an issue that we looked at as to the MCT target. I think we -- in our initial review, we assumed that that was a policy decision.

And as -- as I stated early on, that we're here -- again, we -- we tried to focus on areas within our area of expertise and -- and certainly, policy decisions. While we understand some of the underlying factors, we didn't consider that as -- as an item for our review.

MR. ROBERT WATCHMAN: Thank you. Kristen, if we could now turn to CAC Exhibit 4. This is the Oliver Wyman report. And I'm turning to the section on page 13, the section on statistical significance.

And you were asked some questions about that by Mr. Scarfone, and some questions relating to the 'P' value used in the model.

And in that second paragraph, I'm going to the last two (2) sentences. You indicate that:

"Coefficients are statistically significant if there is less than 5 percent chance that we would observe by chance.

When the 'P' value exceeds 0.05 --

And I translate that into 5 percent. Is that...?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MR. ROBERT WATCHMAN: So:

"When the 'P' value exceeds 5 percent, we conclude that the model could not discern a statistically significant trend."

Correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. ROBERT WATCHMAN: And so, another way of phrasing that might be that the model is unable to confirm what the underlying trend might be?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MR. ROBERT WATCHMAN: Yeah. Okay.

MR. RAJESH SAHASRABUDDHE (by Teams): Yeah, that -- that's fair.

MR. ROBERT WATCHMAN: So -- but -- but, clearly, it doesn't confirm that the underlying trend is zero?

MR. RAJESH SAHASRABUDDHE (by Teams): No. It just says that a trend other than zero is not supported.

MR. ROBERT WATCHMAN: Okay. So, in other words, the model is unable to prove that the zero trend is wrong but, at the same time, it is not proving that the zero trend is correct?

MR. RAJESH SAHASRABUDDHE (by Teams): That's correct, yes.

MR. ROBERT WATCHMAN: And thank you,

sir. Madam Chair, those are all the questions on behalf of Board counsel.

THE PANEL CHAIRPERSON: Thank you. Ms. Meek...? Ms. Dilay, do you know whether Ms. Meek is cross-examining?

MS. KATRINE DILAY: Ms. Meek has indicated to me that -- I don't believe she has any questions. And my understanding from yesterday was that Mr. Hacault also had no questions, but that's my understanding.

THE PANEL CHAIRPERSON: Okay. Thank you very much. Redirect...?

MS. KATRINE DILAY: I do have a few questions, Madam Chair.

RE-DIRECT EXAMINATION-IN-CHIEF BY MS. KATRINE DILAY:

MS. KATRINE DILAY: Good morning, Mr. Sahasrabuddhe. I just have a few questions on redirect.

You'll recall your discussion with Mr. Scarfone regarding the capital release and the rebate?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MS. KATRINE DILAY: And is it your understanding that if the capital -- the 5 percent capital release provision were kept in for the year 2022/'23, this would not preclude also issuing a rebate if the PUB approved it?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's my understanding.

MS. KATRINE DILAY: And is that because the 5 percent release would not fully release all the excess capital in the year of 2022/'23?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's my understanding.

MS. KATRINE DILAY: Thank you. Regarding the Driver Safety Rating model, do you recall your discussion with Mr. Scarfone regarding privacy concerns in the primary driver model?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MS. KATRINE DILAY: And is it your understanding that -- and I think you referred to this -- the primary driver model is used in other jurisdictions, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's -- that's -- I expect it's used in most other jurisdictions. Yes.

MS. KATRINE DILAY: So in those jurisdictions, the primary driver information would be collected, is that your understanding?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MS. KATRINE DILAY: So MPI would not be unique amongst automobile insurers, in terms of collecting this information from its customers, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MS. KATRINE DILAY: And do you recall, generally, the discussion about customers having to declare driver information truthfully?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MS. KATRINE DILAY: And would it be your understanding that customers may have incentives to declare their information about who drives the vehicles truthfully?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes. I think, as we -- we outlined in that discussion, I think Mr. Scarfone brought up the possibility of coverage issues. So they would certainly be incented to declare truthfully to avoid potential coverage issues later on if they were to have a claim.

MS. KATRINE DILAY: And by "coverage issues," do you mean that their claim could potentially be denied?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MS. KATRINE DILAY: And is it your understanding that -- or would you expect customers would have to sign some kind of declaration indicating that the information they provide is truthful?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's my understanding of what happens in Manitoba. And, certainly, on -- on every other insurance policy that I've reviewed.

And it would not only be limited to the primary driver, but other aspects of the risk as well, including territory garage, for example. For -- for an insured that owned two (2) homes, for example.

MS. KATRINE DILAY: Thank you. And just a few questions on the trends issue.

You'll recall the discussion with Mr. Scarfone about different frequency and severity trends by peril.

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MS. KATRINE DILAY: And is it your

understanding that frequency and severity trends are based on the same aggregated data as pure premium trends?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MS. KATRINE DILAY: And are you familiar with the testimony by MPI's witness, Mr. Phoa, that pure premium trends essentially equal severity multiplied by frequency trends?

MR. RAJESH SAHASRABUDDHE (by Teams): I recall reading that and I certainly agree with that statement, yes.

MS. KATRINE DILAY: So are they, essentially, two (2) sides of the equation?

MR. RAJESH SAHASRABUDDHE (by Teams): Two (2) components of the -- of the same equation, but -- but, yes. I guess, if you put pure premium on one side and frequency and severity on the other side, it would be two (2) sides. Yes.

MS. KATRINE DILAY: That would equal to each other?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MS. KATRINE DILAY: And just regarding your discussion regarding the underlying perils, would it be fair to summarize your response as it's reasonable to look at underlying perils, but they should ultimately be reconciled to what the sum of the data indicates?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MS. KATRINE DILAY: And you'll recall your discussion regarding past and future trends?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MS. KATRINE DILAY: And is it your understanding -- and I believe you referred to this in your evidence yesterday -- but in the Canadian Actuarial Standards, the application of trends is a two (2) step process, correct?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes, that's correct.

MS. KATRINE DILAY: Which considers both the past experience, as well as expectations for the future?

MR. RAJESH SAHASRABUDDHE (by Teams): Yes.

MS. KATRINE DILAY: Thank you, Madam Chair. Those are my questions for redirect.

THE PANEL CHAIRPERSON: Thank you, Ms.

Dilay. And thank you very much, Mr. Sahasrabuddhe, for your testimony today and yesterday.

That concludes the Hearing for today.

Just to review, tomorrow, we will start at 9:00 with the MPI closing arguments, followed by PUB closing remarks, and CAC.

MS. KATHLEEN MCCANDLESS (by Teams): Madam Chair, it's Ms. McCandless. If I could just pop in.

THE PANEL CHAIRPERSON: Sure.

MS. KATHLEEN MCCANDLESS (by Teams): Typically, Board counsel starts with the closing submissions, so I expect that's the order of proceedings tomorrow.

THE PANEL CHAIRPERSON: Okay. Thank you.

MS. KATHLEEN MCCANDLESS (by Teams): Thank you.

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

Certified Correct,

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Wendy Woodworth, Ms.