



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
2023/2024 GENERAL RATE APPLICATION
HEARING

Before Board Panel:

- Irene Hamilton, Q.C.- Panel Chairperson
- Robert Gabor, Q.C. - Board Chair
- Susan Nemec - Board Member
- George Bass - Board Member
- Susan Boulter - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 19, 2022

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Day 1

- 1 APPEARANCES
- 2
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- 5 Kara Moore (remote)) Board Counsel
- 6 Roger Cathcart) Board Advisor
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- 9 Steve Scarfone) Manitoba Public
- 10 Michael Triggs) Insurance
- 11 Anthony Guerra)
- 12 Jordan Lang (Student-at-law))
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- 14 Byron Williams) CAC (Manitoba)
- 15 Chris Klassen)
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- 17 Karen Wittman) Taxi Coalition
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- 19 Charlotte Meek) CMMG
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- 21 Jennifer Sokal) IBAM
- 22 Michael Weinstein)
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- 24 Christian Monnin) Bike Winnipeg
- 25 Charles Feaver (np))

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13		and analytics.	
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15	MPI-49-7	MPI-CAC Information requests (1-9) -	
16		October 11, 2022. Vandalism total loss	
17		frequency model.	
18	MPI-49-8	MPI-CAC Information requests (1-9) -	
19		October 11, 2022. Property damage third	
20		part deductible transfer severity	
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8	MPI-52	Part VIII - AR - Appendix 2 - notes to	
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12	MPI-53	Part VII - financial condition testing	
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15	BW-1	BW letter to PUB re: Intervener	
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11		road safety strategy 2025.	
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22	BW-3-8	BW-MPI Round II Information requests	
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11		Attachment C1 - budget estimate.	
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13		Attachment C2 - budget estimate.	
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18		Viola, Mr. Rajesh Sahasrabuddhe, Ms.	
19		Paulo Elliot, Mr. Chris Schneider, Mr.	
20		Jeff Crozier, Ms. Mavis Johnson.	
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9		flexible work plan and reduced	
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18	CAC-2-5	CAC-MPI Round I Information requests	
19		(1-84) - August 5, 2022. PF - impact	
20		of IFRS 17 and 9.	
21	CAC-2-6	CAC-MPI Round I Information requests	
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12		percent Basic rate change - with IFRS	
13		changes effective in 2023/24.	
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17	CAC-2-11	CAC-MPI Round I Information requests	
18		(1-84) - August 5, 2022. EXP -	
19		increases in FTE's to mitigate risk.	
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10	CAC-2-23	CAC-MPI Round I Information requests	
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7	CAC-2-53	CAC-MPI Round I Information requests	
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17		realized shadow portfolio returns and	
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20		rate calculation.	
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1 --- Upon commencing at 9:04 a.m.

2

3 THE PANEL CHAIRPERSON: Good morning,
4 everyone. I am Irene Hamilton, the Chair for this
5 Panel of the Public Utilities Board. I now call this
6 2023 Manitoba Public Insurance Corporation General
7 Rate Application Hearing to order.

8 The Board acknowledges that we are
9 gathered on Treaty 1 territory and the ancestral lands
10 of the Anishinaabe, Cree, Oji-Cree, Dakota, and Dene
11 people and the homeland of the Metis Nation.

12 We'd just like to take a moment to
13 point out that this year's General Rate Application
14 will be the first in about a quarter of a century
15 where we will not have the valuable participation of
16 Gloria Desorcy.

17 She was the executive director of the
18 Consumers' Association of Canada, Manitoba branch, and
19 was an Intervener. Our community has lost a tireless
20 champion of consumers' advocacy when Gloria died on
21 March 1st, 2022. May we please have a moment of
22 silence in recognition of Gloria.

23

24 (MOMENT OF SILENCE)

25

1 THE PANEL CHAIRPERSON: Thank you. I
2 am joined this morning by four (4) other Board members
3 in this hearing: Board Chair Robert Gabor and Board
4 members Susan Nemec, George Bass, and Susan Boulter.

5 Also with us today is Darren Christle,
6 secretary of the Board, and Kristen Schubert, Judicial
7 Hearing Assistant, who will manage our electronic
8 documents system.

9 Wendy Woodhouse (sic) will act as our
10 reporter. Transcripts of this hearing will be
11 recorded by Digi-Tran and made available on our
12 website. I would ask that everyone please state their
13 name before you speak for clarity and accuracy of the
14 transcript.

15 MPI has applied to the Public Utilities
16 Board for approval of its premiums to take effect on
17 April 1st, 2023. This hearing will be conducted in
18 accordance with the provisions of the Crown
19 Corporations Governance and Accountability Act, the
20 Public Utilities Board Act, and the Board's Rules of
21 Practice and Procedure. These rules are available for
22 review on the Board's website.

23 In its application, MPI provisionally
24 sought a 0.9 percent overall decrease in Basic vehicle
25 premium revenue for the 2023/'24 insurance year. This

1 overall decrease was calculated in accordance with
2 accepted actuarial practice and was based on the naive
3 interest rate forecast as at March 31st, 2022.

4 On October 12th, 2022, MPI filed an
5 updated rate indication with the Board. The updated
6 rate request is for an overall rate decrease of 0.1
7 percent calculated in accordance with accepted
8 actuarial practice and based on interest rates as at
9 August 31st, 2022.

10 MPI is not seeking any change to
11 miscellaneous permits and certificates, driver
12 premiums, Basic service and transaction fees, or fleet
13 rebates and surcharge.

14 MPI is also seeking changes to vehicle
15 discounts available through the Driver Safety Rating
16 System, primarily an increase to the -- excuse me --
17 discounts available to drivers at DSR levels 9 to 16
18 on the plus side, an increase in the maximum merit
19 level from plus sixteen (16) to plus seventeen (17)
20 under the DSR scale in the 2023/'24 policy year.

21 We will begin this hearing each day
22 that we're sitting at nine o'clock in the morning and
23 adjourn at approximately four o'clock in the
24 afternoon. Each day will include a mid-morning,
25 lunch, and a mid-afternoon break.

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

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

13 Following closing arguments, the Panel
14 will sequester itself and deliberate to make our final
15 determinations on the matters before us. In the end,
16 we may accept, deny, or vary MPI's application.

17 In reaching our decision, we will be
18 guided by the evidence, written and oral, and our
19 determination of what represents the public interest.

20 The Board takes its obligation and
21 mandate of protecting the public interest very
22 seriously. We are concerned not only with the short-
23 term economic impact of MPI's operations on both
24 ratepayers and MPI itself, but also the fairness of
25 that impact on MPI's long-term fiscal and operational

1 well-being.

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

6 In its Procedural Order 85/'22, issued
7 following the pre-hearing conference which took place
8 on July 27th, 2022, the Board approved a final issues
9 list for this hearing. In accordance with that Order,
10 the Board looks forward to hearing evidence and
11 submissions from the parties with respect to the
12 following issues which are before the Board, among
13 others.

14 The rates sought by MPI; the requested
15 changes to the Driver Safety Rating System; MPI's
16 financial position including its financial forecasting
17 accuracy and projected financial results; MPI's
18 Capital Management Plan; MPI's expenses and cost-
19 containment efforts; MPI's claims forecasting and
20 runoff of prior years' claims; benchmarking conducted
21 by MPI; MPI's investment portfolio and the recent
22 Asset-Liability Management Study; the Vehicles for
23 Hire class; MPI's IT expense -- expenses and project,
24 and in particular Project Nova, and the ongoing
25 operational and financial impact of COVID-19 on MPI's

1 financial results; ratemaking approach, and Capital
2 Management Plan for the 2022/'23 and 2023/'24 rating
3 years and beyond.

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

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

13 The Manitoba Ombudsman has issued
14 privacy guidelines for administrative tribunals. The
15 Public Utilities Board is mindful of its obligations
16 under those guidelines. Its decisions in respect of
17 the applications being considered will be sensitive to
18 them.

19 Personal information will not be
20 disclosed unless it is appropriate and necessary to do
21 so. However, the Board advises participants that
22 these proceedings are public and that, as a result,
23 personal information protections are reduced.

24 In addition, two (2) matters of
25 housekeeping. Please ensure that your cell phones are

1 off or on mute throughout the hearing; and secondly,
2 all parties and their representatives and consultants
3 should be aware that the Board hearings are live
4 streamed through a link accessible on the Board's
5 website.

6 As such, for the benefit of the public,
7 the use of acronyms is to be discouraged. You will
8 assist the public's understanding of the issues and
9 evidence if acronyms are avoided.

10 I will now call upon Ms. McCandless for
11 introductions, followed by introductions by MPI and
12 the Interveners. Ms. McCandless will then give her
13 introductory remarks, after which I will call upon MPI
14 and the Interveners to provide their opening remarks.
15 We will then proceed with the swearing in of the first
16 MPI panel and commence the evidentiary portion of the
17 hearing.

18 Ms. McCandless...?

19

20 INTRODUCTORY REMARKS:

21 MS. KATHLEEN MCCANDLESS: Thank you.
22 Good morning, Madam Chair and members of the Panel.
23 It's Kathleen McCandless, Board counsel. To my left
24 is my co-counsel Rob Watchman and the Board's
25 accounting advisor Roger Cathcart, the Board's

1 actuarial advisor Blair Manktelow is following along
2 the proceedings remotely, and as is our other co-
3 counsel Karen Moore today.

4 THE PANEL CHAIRPERSON: Thank you.

5 Mr. Scarfone...?

6 MR. STEVE SCARFONE: Good morning,
7 Madam Chair and Panel members. I'm Steve Scarfone,
8 counsel for Manitoba Public Insurance. And beside me
9 to my left is my co-counsel Anthony Guerra, and to my
10 right is Michael Triggs, vice-president, general
11 counsel, and board secretary for Manitoba Public
12 Insurance.

13 And behind us is a new face. That's
14 our articling student who's here to watch and observe
15 and maybe make a few comments at some point. Jordan
16 Lang (phonetic) is the gentleman's name.

17 THE PANEL CHAIRPERSON: Thank you.

18 Mr. Williams...?

19 DR. BYRON WILLIAMS: Good morning,
20 Madam Chair, and good morning to returning Panel
21 members, as well as new Panel -- Panel members as
22 well. So welcome.

23 Byron Williams, appearing on behalf of
24 the Consumers' Association of Manitoba -- of Canada,
25 the Manitoba branch, or CAC. To my right, is my

1 colleague Christopher Klassen who will be conducting
2 part of the hearing with me, and online are two (2)
3 CAC board members: Ms. Jackie (phonetic) Wasney, W-A-
4 S-N-E-Y, and Ms. Peggy Barker, B-A-R-K-E-R. Thank
5 you.

6 THE PANEL CHAIRPERSON: Thank you.

7 Ms. Meek...?

8 MS. CHARLOTTE MEEK: Good morning,
9 Madam Chair and Panel members. My name is Charlotte
10 Meek. I'm here representing the Coalition of Manitoba
11 Motorcycle Groups. With me today is Doug Houghton who
12 is past president and director of the Coalition.

13 THE PANEL CHAIRPERSON: Thank you.

14 Ms. Wittman...?

15

16 (BRIEF PAUSE)

17

18 MS. KAREN WITTMAN: Good morning,
19 Madam Chair and Panel members. My name is Karen
20 Wittman, and I am here representing the Taxi
21 Coalition.

22 THE PANEL CHAIRPERSON: Thank you.

23 Mr. Weinstein...?

24 MR. MICHAEL WEINSTEIN: Thank you,
25 Madam Chair, and good morning, members of the Panel.

1 My name's Michael Weinstein. I'm representing
2 Insurance Brokers Association of Manitoba, and to my
3 left is my colleague Jennifer Sokal. And following
4 along remotely today is Grant Wainikka, CEO of
5 Insurance Brokers Association of Manitoba.

6 THE PANEL CHAIRPERSON: Thank you.

7 Mr. Monnin...?

8 MR. CHRISTIAN MONNIN: Good morning,
9 Madam Chair, members of the Board. My name is
10 Christian Monnin. I am the legal counsel for Bike
11 Winnipeg, and I'm not joined here with Mr. Charles
12 Feaver. He's unable to make it here today, but he
13 will be here at the time when loss prevention and road
14 safety is being addressed. Thank you.

15 THE PANEL CHAIRPERSON: Ms.

16 McCandless...?

17

18 OPENING STATEMENT BY BOARD COUNSEL:

19 MS. KATHLEEN MCCANDLESS: Thank you.

20 Good morning. Manitoba Public Insurance is applying
21 to the Public Utilities Board for approval of premiums
22 to be charged with respect to compulsory vehicle
23 insurance for the insurance year 2023/'24. The rates
24 would take effect on April 1st, 2023 to March 31st,
25 2024.

1 As you mentioned, Madam Chair, in its
2 General Rate Application filed on July 12th of this
3 year, MPI provisionally sought an overall rate
4 decrease of .9 percent following an update to the rate
5 indication based on interest rates as at August 31,
6 2022.

7 On October 12th, MPI filed with the
8 Board an updated rate request for the decrease of .1
9 percent. MPI has also asked this Board to approve
10 changes to the Driver Safety Rating system mainly by
11 decrease -- increasing the discounts applied to DSR
12 levels plus 9 to plus 16 and increasing the maximum
13 merit level from plus 16 to plus 17.

14 With respect to the evidence filed in
15 this proceeding, I note that there were six (6) PUB
16 exhibits entered on the record at the pre-hearing
17 conference. Those were Exhibit PUB-1, the notice of
18 public hearing and pre-hearing conference dated June
19 30, 2022.

20 Exhibit 2 was the Board's Rules of
21 Practice and Procedure. Exhibit PUB-3, the proposed
22 hearing time table for this GRA. Exhibit PUB-4 was a
23 letter from Dr. Christle to MPI and all perspective
24 Interveners dated July 12, 2022, with attachments.

25 Exhibit PUB-5 was a letter from Dr.

1 Christle to MPI and all perspective Interveners also
2 dated July 12, 2022, regarding the pre-qualification
3 process for expert witnesses.

4 And lastly was Exhibit PUB-6, which was
5 the Board's interim procedural order dated June 2,
6 2022.

7 In addition, I would now ask to enter
8 the following Exhibits: Exhibit PUB-7, which was the
9 Board's Procedural Order 85/'22 dated July 29, 2022,
10 with appendices. And that Order approved the final
11 issues list for this GRA.

12 Then Exhibits PUB-8-1 through 8-138
13 were the Public Utilities Board First Round
14 Information Requests and MPI's responses to those
15 requests.

16 Exhibit PUB-9 was the Board's
17 Procedural Order, 94/'22, regarding the application
18 for Intervener status of Bike Winnipeg.

19 Exhibit PUB-10 is the Board's
20 Procedural Order 99/'22, which -- in respect of an
21 update to the GRA timetable.

22 Exhibits PUB-11-1 to PUB-11-59 were the
23 PUB Second Round Information Requests and MPI's
24 responses to those requests.

25 PUB-12 was Board Order 105/'22, and

1 that was in respect of a motion filed by Insurance
2 Brokers Association of Manitoba seeking access to
3 certain confidential information filed by MPI.

4 PUB-13 was the reminder notice of
5 Public Hearing.

6 PUB-14-1 to 14-7 were the PUB
7 Information Requests to Consumers' Association and the
8 CAC's responses to those requests.

9 Exhibit Pub-15 was Board Order 111/'22
10 regarding a motion filed by MPI for confidential
11 treatment of certain information filed in the GRA.

12 And lastly, Exhibit PUB-16 is the
13 report on the road safety technical conference which
14 was prepared by Dr. Jennifer Hall.

15 With respect to the cross-examination
16 to be conducted on behalf of the Board over the next
17 number of days, the following major issues will be
18 addressed: The background to the rate applied for;
19 MPI's financial position; MPI's capital management,
20 expenses, claims forecasting, benchmark --
21 benchmarking conducted by MPI; MPI's investment
22 portfolio performance, and the asset liability
23 management study; MPI's IT expenses and projects;
24 Vehicles For Hire; the Driver Safety Rating System;
25 and the affect of COVID-19 on MPI's financial results,

1 as well as other topics that may arise throughout the
2 Hearing.

3 I would now refer to the procedural
4 outline which was distributed this morning beginning
5 at the top of the second page, in particular, where
6 the order of matters to be heard is set out. And
7 you'll see that MPI is, again, putting forward issue-
8 specific witness panels as it has done in recent GRAs.

9 At item number 3, under the order of
10 matters to be heard, we can see that the first MPI
11 witness will be MPI's CEO, Eric Herbelin. We'll hear
12 from him today. We also have presenters from the
13 public appearing today at 1:15 p.m.

14 Then beginning tomorrow, we will move
15 to the expenses IFRS panel and the benchmarking panel.
16 On Friday of this week, we will hear from rate makings
17 -- rate-making claims incurred and the accepted
18 actuarial practice panel. That panel is scheduled to
19 continue into Monday of next week.

20 At item 7, later on Monday the 24th, we
21 will hear from the MPI investments and asset liability
22 management study panel; that panel is scheduled to
23 continue into Tuesday October 25th.

24 In the afternoon on Tuesday the 25th,
25 we will hear from the Vehicles For Hire and Driver

1 Safety Rating panel. And that panel is to continue
2 into the morning of the 26th. And then, that
3 afternoon, we will hear from the Road Safety and Loss
4 Prevention panel, as well as Dr. Jennifer Hall, who
5 will present on her report on the road safety
6 technical conference.

7 At item 10, in the afternoon of
8 Thursday the 27th, is the MPI Information Technology
9 Value Management Benchmarking panel. And that takes
10 us into the end of next week.

11 Then beginning the following week, on
12 Monday October 31st, will be the MPI Project Nova
13 panel, and we expect that to take a full day, and then
14 a half day on November 1st for the in camera session.

15 MPI evidence continues then with the
16 Capital Management Plan five (5) year forecast and
17 Revenue panel which will start in the afternoon of
18 November 1st and finish on November 2nd.

19 Once the MPI panels are complete, we
20 will hear from the Consumers' Association witnesses.
21 They are scheduled for Thursday November 3rd. And we
22 will not be sitting on November 4th.

23 Closing submissions are scheduled to
24 begin on November 7th. As the Hearing proceeds and as
25 the panel members are well aware, changes to the

1 schedule may be required from time to time, but we
2 will do our best to follow the anticipated schedule.

3 Those are my opening remarks, Madam
4 Chair, members of the panel. Thank you.

5 THE PANEL CHAIRPERSON: Thank you.
6 Mr. Scarfone...?

7

8 OPENING STATEMENT BY MPI:

9 MR. STEVE SCARFONE: Thank you, Madam
10 Chair. Madam Chair, I don't know if it's just me or
11 if the complexity of these GRAs is -- is increasing,
12 but -- particularly the last couple years, but, you
13 know, as testament to this, we have this year five (5)
14 registered Interveners for this Hearing and, I think
15 for the first time since I've been doing this, a five-
16 person panel.

17 And so, that I think is consistent with
18 what Madam Chair indicated in her opening comments
19 about all of the complex issues that are before this -
20 - this Board again this year.

21 Another indicator of that, I would
22 suggest, is -- is the commercially sensitive
23 information that -- that's before the Board. We have
24 a day to deal with that I think on November 1. But I
25 recall very recently dropping off a very big affidavit

1 to Ms. McCandless, five (5) volumes, that had a
2 hundred and sixty-five (165) exhibits attached to it.
3 So, there's a lot of evidence that's going to be
4 forming part of the commercially-sensitive information
5 module.

6 But it's important, having said all
7 that, to -- to keep perspective as this Hearing
8 unfolds and remember why we're all here.

9 So, Ms. Schubert, if you could, pull up
10 figure BMK-4, please. And this is a very familiar
11 figure that everybody has seen before, but it's a very
12 important figure, from our perspective.

13 You will hear from Mr. Herbelin. He's
14 very proud that MPIC, again, after updating this
15 figure, remains at the bottom of that graph, as was
16 Mr. Graham before him, as was Mr. Geman (phonetic)
17 before him, and as was Ms. McLaren before him.

18 So, these are the important matters
19 that this Board should keep in mind. And I'm sure the
20 Board, as well, is very proud of this track record of
21 MPI of having the lowest insurance rates in the
22 country.

23 And so that, again, remains the case in
24 this General Rate Application. Even in this
25 unprecedented inflationary period, MPIC is before this

1 Board offering the lowest rates in the country.

2 And that, of course, is a key component
3 of MPIC's mission statement, is to provide affordable
4 rates to Manitobans.

5 The rate indication, again, this year
6 is on the right side of zero (0). It's a negative
7 point-zero-one (.01). And I do believe this
8 represents the fourth consecutive year that rates will
9 not increase from the previous year.

10 Five (5) years ago, Madam Chair -- and
11 that was in the 2018 General Rate Application -- the
12 Corporation alluded to an ideal financial state. And
13 what we meant by that, you might recall, is that MPIC
14 might never again require a rate increase. Absent
15 exceptional circumstances, if two (2) criteria
16 existed, we would always be at or near zero (0).

17 And that was that we had to have
18 sufficient capital to ensure rate stability and that
19 our expenses had to always fall below 4 percent. Why
20 4 percent? Because that is what we said was the
21 natural revenue growth of the Corporation and that
22 occurs from the growth and the upgrade of the insured
23 fleet.

24 And so, with those two (2) criteria in
25 place, the rate indication will be at or near zero

1 (0), as it is this year.

2 So it would appear, Madam Chair, that
3 that ideal state, if the four (4) years are any
4 indication, has now arrived; that ideal financial
5 state.

6 And I would suggest here today that
7 being properly capitalized is the single biggest
8 factor for that result.

9 You will recall that, historically,
10 capital ranges were used. We had a lower threshold.
11 We had a higher threshold. The Dynamic Capital
12 Adequacy test was used to determine those thresholds.

13 That was followed by the reserves
14 regulation in 2019, which mandated 100 percent minimum
15 capital test. And excess capital was used to lower
16 the rate reduction.

17 The Capital Management Plan, you will
18 recall, had a 5 percent capital release just two (2)
19 years ago in the 2021 General Rate Application, for an
20 8.8 percent overall reduction.

21 However, the pandemic revealed a flaw
22 in the Capital Management Plan and a new iteration of
23 that Capital Management Plan is now before the Board
24 in this year's rate application.

25 It would recommend returning excess

1 capital only through rebates, and a rebate application
2 before this Board when the Rate Stabilization Reserve
3 exceeds 120 percent MCT.

4 Rebates would be based on actual total
5 equity. And you'll hear from our Chief Actuary, Ms.
6 Low, about why that's the case. And it wouldn't be
7 based on forecasted capital, as was the case during
8 the pandemic.

9 The capital build provision that you're
10 familiar with from the existing Capital Management
11 Plan is still in the newest iteration of the Capital
12 Management Plan. MPIC hasn't -- hasn't yet had to
13 make use of the capital build provision, but it's in
14 there as a surcharge in the event a rate increase is
15 indicated.

16 Ms. Schubert, if you could pull up Bill
17 45, please. And -- and still on the issue of capital,
18 Madam Chair, in the overview chapter, reference is
19 made to legislative amendments to assist with these
20 changes that the Corporation is proposing to this
21 Board in its Capital Management Plan.

22 And Bill 45, we -- we are happy to say,
23 accomplishes that, in our view. Bill 45 is the Budget
24 Implementation and Tax Statutes Amendment Act. And
25 would include, Madam Chair, a repeal of the reserves

1 regulation, which currently prohibits rebates under
2 Section 3.

3 And so, prior to the implementation of
4 this bill, that would have been a problem for the
5 Corporation with the new Capital Management Plan
6 asking that rebates occur for the release of capital,
7 but with the reserves regulation that seemingly
8 prohibits the Corporation from making those rebates.

9 You will recall, during the pandemic,
10 special circumstances were -- were made to allow for
11 those rebates; notwithstanding Section 3 of the
12 reserves regulation.

13 So excess funds will be returned to
14 ratepayers by way of rebate when the RSR-MCT exceeds
15 120 percent.

16 And the transfer of excess capital from
17 Extension to Basic will continue under the amended
18 Capital Management Plan.

19 You will recall having reviewed the
20 application, there is a direction from the Manitoba
21 government that, essentially, imposes a two (2) year
22 moratorium on moving capital from Extension to the
23 Driver and Vehicles Administration line of business.

24 So with the amendments to Section 18 of
25 the Act that you see before you, and with Royal Assent

1 expected on November 3rd, this Board should be free to
2 approve the new Capital Management Plan.

3 And so, that is our story on capital
4 and the Capital Management -- or, sorry, the CMP panel
5 will be heard from, actually, last in this heading, on
6 November 2nd. And they will give evidence about
7 Capital Management Plan, in conjunction with Ms. Low's
8 five (5) year financial forecast.

9 And if you're wondering, Madam Chair, I
10 don't intend to canvass or provide a glimpse into each
11 of the issues on the procedural order list. I'm going
12 to highlight what I think are the -- are the main
13 issues that interest this Board.

14 I think capital is one. The next one,
15 of course, being Project Nova. The Nova panel will
16 testify on October 31st. And that will extend into
17 November 1st, as I've said, with an in camera session
18 to deal with all the confidential documents that are
19 on the record.

20 I would make a note for everyone here,
21 particularly Ms. McCandless, the panel competition of
22 the Nova panel has recently changed with the addition
23 of Gary Dessler to the front row. He is the Director
24 in Nova Technical Solutions. And so, he will join Mr.
25 Mitra and Mr. Ramirez and Sid Parti on the front. So

1 it will be a four (4) person front row panel for Nova.

2 In addition, of course, we did receive
3 a request from this Board on Monday for a
4 representative of PricewaterhouseCoopers to attend to
5 give evidence. I can just update to -- the Board on
6 that front.

7 A request has been made of the PwC
8 representative in Toronto and we are waiting to hear
9 back concerning his or her availability.

10 THE PANEL CHAIRPERSON: I'm sorry to
11 interrupt you. We're experiencing some technical
12 difficulties at the moment. The streaming has gone
13 down, so.

14 MR. STEVE SCARFONE: Okay.

15 THE PANEL CHAIRPERSON: So if we could
16 just take a five (5) minute break so that we can get
17 that functioning again. My apologies.

18

19 --- Upon recessing at 9:33 a.m.

20 --- Upon resuming at 9:37 a.m.

21

22 THE PANEL CHAIRPERSON: Okay. My
23 apologies, everyone. Thank you. I think that, once
24 everybody is seated, we can continue.

25 Sorry, Mr. Scarfone, you were sort of

1 mid-sentence.

2 MR. STEVE SCARFONE: Yeah, I'm
3 assuming you don't want me to start over.

4 THE PANEL CHAIRPERSON: I don't think
5 we need you to start over, but thanks for the offer.

6 MR. STEVE SCARFONE: No, I was at -- I
7 was at the NOVA Panel and I'd made the Panel aware
8 that the composition of the Panel is changed. And, in
9 addition to that, as it concerns a request -- the
10 request that's been made from this Board for a
11 representative from PricewaterhouseCoopers, we have
12 made that request of -- of the gentleman in Toronto.

13 I will say that he is presumably
14 checking with PwC corporate on attending, because as
15 we learned, the engagement letter did not contain a
16 provision in the contract to -- that contemplates such
17 an appearance.

18 The Board may recall that the contract
19 was filed two (2) years ago in the 2021 GRA as part of
20 a response to CAC-158, which engagement was for a
21 three (3) year term and that was back in September of
22 2019. So, we will provide an update to this Board as
23 soon as we hear back from -- from PwC.

24 But, having said that, we recognize
25 that the Board has concerns about NOVA. MPI

1 understands that and we share those concerns, largely
2 because it's a critical project for MPI's future. And
3 it's not preceding this seamlessly as initially
4 contemplated.

5 While there was an IT in NOVA
6 presentation to Board Advisors in April of this year,
7 there have been significant developments since we last
8 appeared, one year ago.

9 A 2022 re-baseline, with a 50 percent
10 increase to the delivery time line, or about 20
11 months, was made to the program.

12 And this flattening, as -- as it's
13 called, which the panel -- which the NOVA Panel will
14 explain the reasons for has caused significant changes
15 to the budget and to the net present value of the
16 program.

17 As simply put, it's costing more and
18 it's taking longer. And, Ms. Schubert, if you could
19 pull up CAC-MPI-2-3 and Mr. Williams and his group, of
20 course, picked up on this almost immediately and
21 you'll see in the preamble there a quote that reads:

22 "The program objectives of Project
23 NOVA are critical and must be
24 completed irrespective of its net
25 present value."

1 Now, that is a bold statement from MPI:
2 "Irrespective of its net present value." I would
3 expect the people in value management would be upset
4 with such a statement but that, in fact, is what the
5 Corporation has indicated and MPI sees Chief
6 Transformation Officer and MPI sees Chief Information
7 and Technology Officer are prepared to defend this
8 statement when the NOVA Panel appears.

9 And, once again, perspective is
10 important, Madam Chair. The impact of the 2022 re-
11 baseline on premiums for this application is 0.12
12 percent.

13 While the basic budget, under the 2022
14 re-baseline increased 87 percent and that would be
15 from about 30 million to 55 million, Basic is bearing
16 just 17 percent of the variants under the re-baseline
17 budget and that would be that difference of 25 million
18 for Basic to the overall \$145 million increase that
19 the Board sees in the new budget.

20 Another NOVA development was the
21 engagement of the McKinsey group. And you have seen
22 that McKinsey conducted a program review of NOVA, in
23 addition to MPIC having conducted its own review. And
24 the NOVA Panel will explain both the purpose and the
25 outcomes of these reviews.

1 We expect there will be a lot of
2 questions for the NOVA Panel and these questions will
3 be answered fully and honestly.

4 Madam Chair, you mentioned the Asset
5 Liability Management Study and last year this Board
6 ordered that MPI file the new ALM Study in time for
7 this hearing. And that study, prepared by Mercer, was
8 filed with the General Rate Application on July 12th.

9 MPI, as part of its Investment Panel,
10 will present -- present the findings of that study.
11 You will know that a real liability benchmark was
12 used. Inflation protection will be part of the new
13 strategies. I expect real return bonds will be
14 considered as part of that inflation hedging and we're
15 all happy that Mr. Viola isn't here this year to say,
16 "we told ya."

17 But it's not, Madam Chair, a situation
18 where MPIC is closing the barn door after the horses
19 have left. There is some value still, obviously, in -
20 - in adding the -- some inflation protection to the --
21 to the investment fund.

22 Neil Lloyd is the witness from Mercer
23 that will be in attendance with Mr. Bunston to answer
24 any questions on the ALM Study and the advice that his
25 firm has provided to MPIC.

1 You will hear as well that the asset
2 mixes for each -- for each of the five (5) segregated
3 portfolios are still being worked out by the
4 Investment Committee Working Group, with
5 recommendations to the MPIC Board of Directors
6 scheduled for November 10, 2022.

7 A couple things on the investment side,
8 which Mr. Bunston will explain further. A decision
9 was made, not to include growth assets in the Basic
10 Claims Portfolio. And that is consistent, we say,
11 with MPI's goal of rate stability -- rate stability
12 for its customers.

13 Quite simply, a mandate of risk
14 management and rate stability cannot be reconciled
15 with including volatile equities to back liabilities.

16 And by way of example last fiscal year,
17 equities performed very well. Canadian Equity
18 Portfolio's were up 26 percent, you'll hear. Global
19 Equities were up 9 percent, but have now declined
20 sharply in 2022 with declines ranging from minus 15
21 percent to minus 25 percent.

22 And, so while Mercer and Mr. Bunston
23 will dazzle you with liability benchmarks and
24 efficient frontiers and maybe 'dazzle' is not the
25 right word, but quite simply, chasing returns does not

1 align with the Crown Corporation's Investment Policy
2 Statement.

3 Equities are inconsistent with the risk
4 profile of the Corporation as set out in its risk
5 appetite statement and, remember, that the Board of
6 Directors and the Investment Policy Statement are what
7 ultimately govern decision-making for the Corporation.

8 So, not surprisingly to those in this
9 room, the Corporation is buying more bonds for the
10 Basic liabilities and, on that point, the separate
11 portfolio for the motorcycles, that would include
12 growth assets to back their long-term PIPP liabilities
13 was rejected by MPIC, on the recommendation of Mercer.

14 So, I expect Ms. Meeks' client will not
15 be pleased but I am reminded of Mr. Johnston's
16 comments from two (2) years, when the equity market
17 turns, as we've recently seen in 2022, who would be
18 paying for those equity deficiencies if the
19 motorcyclists had their own investment portfolio
20 because if it was just the motorcyclists that are
21 paying, all of their bikes might be up on lay-up --
22 lay-up policies during the entire summer, meaning
23 their rates would go up tenfold.

24 Mercer has also recommended that MPI
25 consider alternative methodologies for interest rate

1 forecasting, one of which, you may have noticed,
2 called 'Forward Rates,' would have further lowered the
3 rate indication.

4 Mr. Bunston will explain why that
5 recommendation was rejected in this General Rate
6 Application and use was again made of the naive
7 methodology, which is, once again, shown to be the
8 best predictor of where interest rates will go.

9 In the rate update file, just last
10 week, the Corporation made use of a new methodology
11 for determining the new money yield. The update, as
12 we've heard, is minus point -- minus 0.1 percent,
13 using a new two (2) year new money yield duration.

14 And from the PUB pre-ask, you will hear
15 that it would have been minus 0.3, using the ten-year
16 new money yield, as was used in prior GRAs.

17 In hindsight, the Corporation would
18 have liked to have provided a better explanation for
19 this change, when the update was filed last week. It
20 was, however, only recently conceived, as you will
21 hear from Ms. Low.

22 MPIC apologizes for any disruption or
23 frustration this may have caused, extra work, and our
24 new chief actuary, and I say "new" in quotes, because,
25 of course, she's been on with the Corporation for over

1 a year, she will explain more fully, as I've said, the
2 change in this methodology, when the Rate-making and
3 Claims Incurred panel starts testifying on Friday.

4 But for the purpose of this opening,
5 Madam Chair, as I understand it, she will explain
6 further but, when the actuaries price premiums,
7 required for business not yet written, the vast
8 majority is for physical damage, about 85 percent, for
9 new business.

10 And physical damage claims, as we know,
11 are paid out in approximately six (6) months, so they
12 have a very quick run-off.

13 The PIPP claims, which make up about 15
14 percent of the new business, are paid out in
15 approximately nine (9) or ten (10) years. And, so, a
16 weighted average between those two (2) means it's not
17 nine (9) or ten (10) years but much closer to two (2)
18 years.

19 And, so, when writing new business, a
20 much shorter duration for the new money yield is
21 indicated and that's why the -- the duration before
22 you this year is two (2) years, and the update was
23 prepared to reflect that.

24 I will point out and, again, you will
25 hear this from Ms. Low, it's -- it's not a material

1 difference to the rate indication, just 2/10s of a
2 percentage point, but a difference nonetheless.

3 And, as I said, Madam Chair, I don't
4 intend to provide a glimpse into each of the panels,
5 but I don't want this Board to take that to mean that
6 they are not equally important because they are.

7 Road Safety and Loss Prevention --
8 there is a new road safety strategy that you'll hear
9 about -- Vehicle for Hire, Information Technology,
10 Benchmarking and Value Management, Expenses, Revenue,
11 and Forecasting, they all have very important
12 information to share with this Board and the witnesses
13 are eager to testify and answer any questions that may
14 arise.

15 In closing, references made in the
16 overview to people risks and identified by the
17 enterpri -- Enterprise Risk Management Group as a top
18 corporate risk for MPI. Recent turnover of staff,
19 loss of key employees means attracting and retaining
20 talent is now a priority for MPI and people leave not
21 because they don't enjoy working for the Corporation
22 but for better opportunities and it's somewhat
23 frustrating for management to see the opportunities
24 made available from the experience these people gain
25 at MPI. That's frustrating for the Corporation and

1 the materials before you show there is a lot going on
2 right now at MPI.

3 Nova is working to capacity, indeed,
4 over capacity, and that necessitated the scheduled
5 flattening to relieve the work that was piling up on
6 both staff and consultants and Nova, quite simply, has
7 meant an increase to MPI's use of consultants, full
8 stop. There is no question, there is more consultants
9 now retained because of Nova.

10 And Ms. Low will also speak to the
11 evolution of her division. It's called the Actuarial
12 Investments and Risk Division and new staff was
13 required there as well. This Board will certainly be
14 aware that, in -- in prior GRAs, it was the Luke
15 Johnston show. He was our guy. He was the Chief
16 Actuary and the only actuary; that's no longer the
17 case and Ms. Low will speak to that.

18 So, there is, as you might have
19 gleaned, a transition that's occurring at the
20 Corporation and with that comes change and with that
21 new people with new ideas. Mistakes will be made but
22 MPI does what it can, we think, to keep its regulator
23 updated between GRAs.

24 So, for example, there was a media
25 release earlier this year, announcing the transfer of

1 capital to DVA at fiscal year end, particularly, given
2 the concerns over that first transfer last year.

3 There was an IT and Nova presentation
4 on April 27th, which updated this Board or its
5 advisors, on where Nova was at. There was a road
6 safty -- road safety technical conference held on June
7 24th.

8 However, while occupied with
9 maintaining its steady course, there will be times
10 when developments occur that later raise questions
11 with this regulator, ones that MPI cannot either
12 discuss or simply unaware that it may be of a concern
13 to this Board and, either way, it may not immediately
14 be shared.

15 That should not be construed, Madam
16 Chair, to mean that MPI is keeping things from this
17 Board. As stated at the outset, the amount of
18 information and detail provided in this application is
19 unprecedented. MPI strives to be transparent. MPI
20 strives to be the trusted auto insurer delivering
21 affordable products and services to Manitobans and
22 rest assured that everybody at MPI is working together
23 in this vision and we are confident that will become
24 apparent to this Board when November 9 is upon us.

25 So, having said all that, I do have a

1 correction to share as it concerns the rate update
2 that was filed last week. Investment income in the
3 rate update was overstated by \$57 million due to an
4 ALM mismatch, as it's called and, what I mean by that,
5 Madam Chair, it's claims incurred reflected interest
6 rate impacts as of August 31.

7 The claims incurred, adjusted to August
8 31, whereas investment income reflected interest rate
9 impacts only to July 31 and, so, there was a mismatch
10 of one (1) month, and it resulted, as I've said, in an
11 overstatement of investment income by \$57 million, and
12 that underscores the importance of interest rate
13 forecasting. \$57 million in one (1) month, on
14 interest rates alone.

15 So, the investments were not updated in
16 the financial model to the end of August and, so, that
17 meant net income and MCT were incorrectly stated for
18 the 2022-'23 fiscal year. So, what does all that
19 mean? Well, it will have no impact on the rate
20 requirement, I'm told. It remains a negative 0.1
21 percent. But it may impact capital levels and the
22 timing of the first rebate under the Capital
23 Management Plan.

24 So in its Corporat -- in its
25 Application, the Corporation says customers might

1 expect a rebate every two (2) or three (3) years under
2 the new CMP, where the RSR exceeds the -- the new one
3 twenty (120) threshold.

4 The first such rebate was forecast in
5 2025/'26, you may recall from the pro formas. That
6 may change. And I'm told by the end of business
7 today, once MPIC has finalized the revised rated --
8 rate update, it will confirm when that potential
9 rebate may occur. But I certainly wanted to bring
10 that to -- to the Board's attention, and -- and we
11 will get that revised update to the Board, as I say,
12 by end of -- end of business today.

13 And so, subject to any questions that
14 the Board may have, that's MPIC's opening.

15 THE PANEL CHAIRPERSON: Thank you, Mr.
16 Scarfone.

17 Any questions? Thank you.

18 Mr. Williams...?

19

20 OPENING STATEMENT BY CAC (MANITOBA):

21 DR. BYRON WILLIAMS: Yes. I'll --
22 I'll just ask the amazing Ms. Schubert to pull up our
23 PowerPoint.

24

25 (BRIEF PAUSE)

1 DR. BYRON WILLIAMS: The -- the title
2 for our closing argument will be a little more
3 colourful than the title for our opening statement,
4 but there are some important words on this -- on this
5 first page. You could hear it in my learned friend
6 Mr. Scarfone's argument or opening statement, in the
7 sense that this is a corporation at a time of
8 fundamental change, and in our clients' respectful
9 perspective, off balance. And its relationship with
10 its ratepayers, its captive ratepayers, in our
11 clients' respectful submission, as we'll elaborate on
12 during this hearing, is off-balance as well.

13 And our clients certainly are concerned
14 that this -- Manitoba Public Insurance's approach,
15 including its management of costs, is -- is profoundly
16 out of touch with the lived realities of Manitoba
17 ratepayers in this -- in -- in these unprecedented
18 times.

19 We also just want to remind everyone,
20 we -- we know it, it's a statutory monopoly.
21 Ratepayers are captive; they do not have a choice in -
22 - when it comes to Basic compulsory insurance, and
23 that lack of freedom means that consumers depend on
24 this Public Utilities Board always, but now more than
25 ever. If we can move to slide 2.

1 There is ample evidence of this on the
2 record, the fact that consumers are under
3 extraordinary stress, including the response to CAC 1-
4 68. But the Board can also take judicial notice of
5 this based upon your experiences in a grocery store,
6 in your conversations over coffee with your friends.

7 Manitoba consumers are facing
8 extraordinary stresses: thirty (30) year highs in
9 inflation, rising interest rates and the accordant
10 stresses that gives to people who are trying to pay
11 the mortgage or looking at new purchases and,
12 certainly, both in the financial markets -- and my
13 learned friend spoke of that -- as well as the labour
14 markets and the never ending daily grind of belt
15 tightening for some of us, and for others struggling
16 to make ends meet.

17 And as I've stated right in my opening
18 comments right at the start, now more than ever our
19 clients rely on the PUB. And we acknowledge that the
20 PUB has an extraordinarily challenging job in the
21 public interest, that essentially balancing act,
22 protecting both the interests of captive ratepayers as
23 well as the financial health of the utility. And from
24 our clients' perspective in this hearing, we look to
25 the Public Utilities Board to help restore that

1 balance, to help send a powerful signal to Manitoba
2 Public Insurance about the need for prudence in terms
3 of its expenditures.

4 Page 4 of the slide talks about the
5 test that this Board must apply. And it's Manitoba
6 Public Insurance's onus, it is the monopoly's onus, to
7 satisfy this Board that its forecasts are reasonably
8 reliable; that its actual and projected costs and
9 behaviours are necessary and prudent; that its revenue
10 needs are reasonable in the context of the overall
11 general health of the monopoly; that there is an
12 appropriate allocation of costs between ratepayers
13 reflective of risks; and that ultimately the proposed
14 rates are just and reasonable and in accordance with
15 the statutory objectives. That's what the Public
16 Utilities Board has told us is the test dating back to
17 a decision from 2014. We've added an extra bullet;
18 this is the CAC extra bullet.

19 Underlying all of this are important
20 judgments about the Corporation's credibility which we
21 will ask this Board to make at the conclusion of this
22 hearing. The next slide, please.

23 In terms of reasonableness of
24 forecasts, the primary focus of our client in this
25 hearing will be Manitoba Public Insurance's modelling

1 of claims costs. And as our nationally recognized
2 independent experts have identified, an approach by
3 Manitoba Public Insurance to forecasting claims costs
4 that really is out of step with standard Canadian
5 practice and really displays limited statistical
6 modelling of claims costs. And obviously that will be
7 the focus of our independent expert's evidence when
8 they present it on or about November the 3rd, and that
9 is the -- an important issue in terms of the
10 reasonableness of forecasting. Slide 6, please.

11 In terms of the reasonableness and
12 prudence of expenditures, Project Nova is obviously
13 front of mind for all of us. Our clients haven't
14 reached a conclusion yet in terms of Project Nova, but
15 they are asking the question whether this is a project
16 that continues to be out of control.

17 As we've heard from our learned friend,
18 it's behind schedule, dramatically over budget, and
19 already has undertaken two (2) substantial resets, a
20 net present value is collapsing, negative development
21 of over \$200 million since the 2021 reset.

22 Our clients are also concerned, in
23 terms of the hiring of a new general contractor,
24 McKinsey, without tender, and that was a surprising
25 development to our clients.

1 And the fingerprints on this file by
2 top-tier consultants, whether it's Deloitte, Avascent,
3 PwC, McKinsey, warning signs, warning signs that this
4 is a project that is struggling. Cumulatively, this
5 is the very definition of a project in trouble.

6 And it's not just its impacts upon this
7 year's rates or next year's rates; it's the long-term
8 impact upon the health and well-being of the
9 Corporation in its entirety that is of concern for our
10 client. So we haven't reached a conclusion, or our
11 client hasn't, in terms of whether it is out of
12 control, but that is a very live question from our
13 clients' perspective.

14 Our client sees very -- again, in terms
15 of prudence and reasonableness of expenditures, our
16 clients see very worrying signs relating to prudence.
17 And again, these are -- when you see challenges with
18 cost control, these are impacts that are felt not just
19 in the current year, not in next year, but when you
20 see significant growth in -- in terms of full-time
21 equivalents, those are costs that endure into the
22 future.

23 So the top three (3) worrying signs
24 related to prudence our client will explore in this
25 hearing. One (2) is the surprising growth in

1 operating costs. The second is what our clients
2 consider to be a material step backwards in terms of
3 the growth of full-time equivalents. And if you look
4 at the pre-COVID-19 levels of staffing budgeted as
5 well as -- as actuals for normal operations, our
6 clients are definitely noting deterioration that is of
7 concern to them.

8 And in terms of investments, our client
9 isn't here to say we told you so, but our client is
10 here to flag how a flawed approach to investment has
11 led to excessive volatility and diminished returns in
12 times of high inflation. And I suspect we'll be
13 joined by our friends from CMMG in terms of that
14 dialogue.

15 And we kind of know inflation's a
16 thing, but if you look back to what choices Manitoba
17 Public Insurance made in 2017, it modelled its
18 liability portfolio assuming nominal rather than real
19 interest rates.

20 We see the investment portfolio
21 dialogue is a two (2) year dialogue. One is to
22 highlight the concerns in terms of the current design
23 of the portfolio that are -- that are acting against
24 the best interests of Manitoba ratepayers. And
25 secondly, as we -- as we move towards the new -- the

1 new portfolio next year, which has not yet been
2 approved, our clients will also be looking at the
3 reasonableness of that, and indeed whether there are
4 undue constraints on the -- on the investment
5 portfolios that are supposed to be there to protect
6 ratepayers and the cost to ratepayers of those undue
7 constraints.

8 So, while Mr. Viola is not here this
9 year to say I told you so, he may be here next year,
10 depending on where Manitoba Public Insurance goes with
11 this investment portfolio. And our clients certainly
12 appreciate the acknowledgement that inflation's a
13 thing and that real interest rates should -- should
14 drive the design of the model liability portfolio, but
15 our clients continue to have concerns about potential
16 future risk to the investment portfolio. The next
17 slide, please.

18

19 (BRIEF PAUSE)

20

21 DR. BYRON WILLIAMS: There's a lot of
22 moving parts in this Hearing. There's all sorts of
23 edits and revisions to the filing; we've heard --
24 heard of another material one this morning. But our
25 clients aren't so sure that it's that complex.

1 Two (2) pretty simple questions will
2 drive our clients' participation in this Hearing. One
3 (1) is a question: Why isn't this Corporation
4 tightening its belt? Why isn't it making the same
5 choices that everyday Manitobans are making every day
6 when they go to the grocery store or when they look at
7 important long-term financial decisions?

8 And with Project Nova -- my learned
9 friend adverted to this as well: Why isn't MPI taking
10 the opportunity for sober second thought? Is this an
11 appropriate time to just stop for a moment and -- and
12 contemplate whether there needs to a mere material
13 reconfiguration of that project? Slide 9, please.

14 We're all aware of BITSA, the budget
15 implementation legislation, including the provisions
16 that enshrine in stone the capital targets for
17 Manitoba Public Insurance Basic.

18 Our clients will still explore the
19 Capital Management Plan. They will -- will ask the
20 question whether the financial targets that are there
21 are out of step with the needs of a Crown monopoly and
22 the objectives of a rate stabilization reserve, which
23 is not some magic solvency protection but merely
24 intended to -- intended for -- for rate stability.

25 Our clients will highlight the loss of

1 balance in terms of the -- the management of Extension
2 earnings, the failure to use them the last two (2)
3 years for the benefit of Basic ratepayers, the use of
4 automobile insurance funds for a government purpose,
5 being DVA.

6 Our clients will also explore a concern
7 they have in terms of what's on the record of the --
8 the proceeding regarding directives of the executive
9 branch related to the management of the Crown
10 monopoly.

11 Underlying all this, this is not just a
12 theoretical discussion in -- recognizing the
13 legislative changes that are coming, but it is a
14 question that concerns our client in that our
15 excessive Basic reserves incenting imprudent
16 management actions. And that's something they'll --
17 they'll explore. The Board can't control what the
18 legislature does, obviously, but what it can do is be
19 aware of the need to be even more vigilant in terms of
20 day-to-day operating expenditures. The next slide,
21 please.

22 We didn't hear reference, unless I
23 missed it, surprisingly, to driver safety rating in
24 the -- in the commentary of my learned friend, Mr.
25 Scarfone. But our clients definitely will be paying

1 attention to the glacial pace of improvement and
2 reform in driver safety rating, despite longstanding
3 evidence of cross-subsidy. And, again, we'll will
4 work closely with our friends from CMMG and otherwise
5 to make sure that we don't step on each other's toes
6 as -- as we work through that conversation.

7 We often fail to do this -- turning to
8 slide 11 -- but my clients have certain asked and
9 reminded me of this today. And our clients do want to
10 acknowledge the hard work and sincere efforts of MPI
11 employees during what our clients assume to be a very
12 stressful time of transition. Obviously, there's been
13 a fundamental changing of the guard at the senior
14 management level of MPI and there's a hoard, a hoard
15 of consultants, many, many consultants, descending
16 upon the Corporation.

17 But our clients will ask a fundamental
18 question. Given its responsibilities, has this Crown
19 monopoly stuck to its knitting (sic), its statutory
20 mandate, and its core role, or are its actions out of
21 step with the responsibility of a statutory monopoly
22 offering a pretty homogeneous product to a captive
23 marketplace. Not that complex. The next slide,
24 please.

25 In closing, our clients will have

1 commentary on the credibility of Manitoba Public
2 Insurance's evidence in this proceeding. They will be
3 asking whether there's a disconnect between the words
4 and the jargon used by Manitoba Public Insurance and
5 the evidence. Is this really a lean, agile
6 corporation? They will be asking whether Manitoba
7 Public Insurance communications with the public are
8 clear, candid, and transparent. And they'll be making
9 recommendations about the GRA application itself
10 because it -- it's -- from our client's perspective,
11 it is clearly not consistent with the high standard
12 that this monopoly has set for itself in the past.

13 Again, our clients will be asking: Is
14 the MPI application truly responsible to the realities
15 of a Crown monopoly, offering a homogenous product in
16 times of great stress, or is it out of step and out of
17 tone with Manitoba realities?

18 At the end, our clients will be making
19 recommendations based on the evidence in terms of the
20 public interest, both findings of fact as well as
21 ultimate recommendations regarding rates that are just
22 and reasonable, and that, in our clients' views, will
23 incent prudence by this Corporation and better balance
24 the interest of captive ratepayers with the monopoly.
25 The next slide, please.

1 We do want to thank our extraordinary
2 team of experts, our independent actuaries who have a
3 amazing cross-Canada practice in regulatory rate
4 setting: Mr. Viola, who I'm sure will appreciate the
5 -- the compliments of MPI in their opening statement,
6 Mr. Scott Greenlay, who's offered tremendous insight
7 into Project Nova, and, of course, Mr. Peter Dyck, who
8 was with MPI in its formative years and is still
9 bringing significant insight to our clients. Slide
10 15.

11 And our clients do thank the Board for
12 their kind words about Mr. Desorcy at the start of the
13 Hearing. We'll simply acknowledge that she cannot be
14 replaced and will be terribly, terribly missed.

15 But the legal team and the expert team
16 remains very grateful for the ongoing guidance both of
17 our new MPI GRA Advisory Group, as well as the CAC
18 Board of Directors.

19 And subject to further questions, Madam
20 Chair, I'll only just call upon my friend, Mr. Klassen
21 to speak to exhibits.

22 MR. CHRIS KLASSEN: Thank you, Mr.
23 Williams, Madam Chair. This is Chris Klassen for CAC
24 (Manitoba).

25 Before I begin, if there are questions

1 for Mr. Williams, I -- I can make space for them now.

2 THE PANEL CHAIRPERSON: Why don't you
3 proceed, Mr. Klassen, and then we'll ask the questions
4 at the end.

5 MR. CHRIS KLASSEN: Thank you. With
6 respect to exhibits, at the pre-hearing conference,
7 CAC (Manitoba) entered the components of its
8 application to intervene as Exhibit 1. And we have a
9 few additional documents we'd like reflected on the
10 record.

11 Those would include CAC (Manitoba)'s
12 first round Information Requests numbers 1 through 84
13 as Exhibit CAC-2.

14 CAC (Manitoba)'s second round
15 Information Requests numbers 1 through 30, as Exhibit
16 CAC-3.

17 Exhibit CAC-4 is the Intervener
18 evidence filed -- prepared by the team of actuaries
19 from Oliver Wyman, titled Review of Rate Application,
20 submitted by Manitoba Public Insurance Actuarial
21 Evidence, that was filed October 7th. And we enter it
22 as Exhibit CAC-4.

23 And lastly, Mr. Williams' presentation
24 this morning we'll enter as Exhibit CAC-5. Thank you.

25

1 --- EXHIBIT NO. CAC-5: Presentation by Mr. B. Williams

2

3 THE PANEL CHAIRPERSON: Thank you, Mr.

4 Klassen. Thank you, Mr. Williams.

5 Any questions...? Thank you very much.

6 Ms. Meek...?

7

8 OPENING STATEMENT BY CMMG:

9 MS. CHARLOTTE MEEK: Thank you, Madam

10 Chair. Charlotte Meek here, on behalf of the

11 Coalition of Manitoba Motorcycle Groups, who I'll

12 refer to as CMMG throughout my opening statements this

13 morning.

14 So, good morning, again, to the panel,

15 to counsel, and to members of the public.

16 CMMG has been acting as an Intervener

17 in MPI General Rate Applications for thirty (30) years

18 now. Through its Intervention, CMMG aims to evaluate

19 MPI's overall application with a specific focus on the

20 implications for motorcyclists within the province.

21 CMMG is a non-profit volunteer-run

22 organization with a membership that includes

23 individuals, various motorcycle organizations, and

24 dealerships.

25 As well as its advocacy at the PUB

1 hearings each year, CMMG works to promote the safety
2 of motorcyclists within the province through public
3 education and advocacy.

4 To achieve this, CMMG collaborates with
5 other stakeholders in the province to examine road
6 safety measures and to promote public events to raise
7 awareness of issues specific to the motorcycling
8 community.

9 As well as advocating for motorcycle
10 awareness and safety at the provincial level, CMMG is
11 also active at the national levels with members
12 sitting on the board of the Motorcycling Confederation
13 of Canada.

14 CMMG is also involved in examining
15 legislative changes, which affect motorcycle
16 community, and promoting social events to encourage
17 and foster motorcycling within the province of
18 Manitoba.

19 Through MPI's General Rate Application,
20 CMMG intends to continue its examination of MPI's
21 methodology in establishing motorcycle rates, to
22 ensure that Manitobans have fair and equitable
23 motorcycle insurance.

24 CMMG represents the almost eighteen
25 thousand (18,000) motorcycle riders in the province.

1 And this year, as outlined in the rate
2 update filed by MPI on October 12th, 2022, MPI is
3 seeking an overall rate reduction of 0.1 percent.
4 Despite this overall rate decrease, MPI is requesting
5 that this Board approve an increase in the rate
6 indication for the motorcycle class by 3 percent.

7 CMMG intends, through cross-
8 examination, to examine the underlying assumptions
9 used by the Corporation with a particular focus on the
10 selected trends used in their calculations.

11 CMMG also intends to compare rates
12 provided with MPI -- by MPI with other public
13 insurers, such as SGI, to evaluate the competitiveness
14 of MPI's pricing.

15 Through our questioning, CMMG hopes to
16 identify opportunities for MPI to adjust their
17 calculations with a view to improving forecasting and,
18 concurrently, rates for motorcycle riders.

19 CMMG also intends to review the results
20 of the large vehicle study which was completed
21 following suggestions from Bike Winnipeg several years
22 ago.

23 CMMG intends to examine the impacts of
24 large vehicles on road users and, particularly,
25 vulnerable road users with a focus on determining

1 whether the current rating calculation sufficiently
2 accommodates for the disproportionate risk created by
3 large vehicles on our roads.

4 Intertwined with the rate-making
5 methodology used by MPI is the Driver Safety Rating
6 system, or DSR. As the Board is aware, CMMG has been
7 advocating for a transition away from the actuarially
8 inaccurate registered owner model for several years
9 now.

10 CMMG is advocating for a shift towards
11 the primary driver model.

12 CMMG was pleased to receive some
13 recognition from the Board for the merits of the
14 primary driver model and a directive in Board Order
15 134/'21 that MPI provide a transition plan towards the
16 primary driver model over a five (5) year period.

17 When MPI appealed this portion of the
18 Board Order to the Court of Appeal, CMMG, along with
19 our friends at CAC (Manitoba), were successful in
20 obtaining Intervener status in those proceedings.

21 CMMG and CAC (Manitoba) have provided
22 additional arguments to the court on the issue of
23 jurisdiction and the importance of this matter for
24 Manitoba ratepayers.

25 While we await the court's decision on

1 MPI's application, CMMG intends to review the plans
2 included in this year's application.

3 In particular, CMMG questions whether
4 the current proposal for adjustments to the existing
5 registered owner model do enough to address cross-
6 subsidization that has been ongoing for years.

7 CMMG submits that the proposed
8 transition plan, which adds additional levels to the
9 positive side of the DSR scale and incrementally
10 adjusts the discounts provided, is far too
11 conservative.

12 The proposal table by the Corporation
13 will continue to permit inaccurate pricing and cross-
14 subsidization at the expense of the safest drivers in
15 our province.

16 The Corporation has also provided some
17 preliminary stages for the transition to the primary
18 driver model, which CMMG intends to review those steps
19 while awaiting a decision from the court.

20 As discussed in the opening statements
21 from Mr. Scarfone this morning, the Corporation
22 completed another asset liability management study in
23 preparation for the 2023 GRA.

24 While the study has provided helpful
25 and informative information on possible investment

1 opportunities available to the Corporation, CMMG
2 submits that a key detail has been excluded.

3 The Corporation has yet to determine
4 the asset mixes it intends to proceed with.

5 It's respectfully submitted by CMMG
6 that the absence of this Information prevents a
7 fulsome and meaningful examination of the issue of
8 investments.

9 Without a decision from MPI on the
10 chosen asset mixes, investor -- Interveners cannot
11 examine or provide feedback on the issue.

12 As a result, in this application, the
13 Board cannot review or evaluate the reasonableness of
14 MPI's investment strategy going forward as no
15 investment strategy proposal exists.

16 The current study simply provides a
17 master class on investment theory. Again, while this
18 Information is informative, the purpose of the rate
19 application is to rigorously test the decisions made
20 by the Corporation to ensure that this Crown monopoly
21 is held to the highest standard that Manitobans
22 deserve.

23 While CMMG appreciates the
24 jurisdictional limitations of this process, we submit
25 that this study and the Corporation's time line for

1 selecting and implementing asset mixes detracts from
2 the efficiency of the Hearing and prevents a proper
3 examination of investments in this year's application.

4 Mr. Scarfone also discussed MPIC's
5 current investment portfolio briefly in his
6 submissions this morning. We heard a similar refrain
7 from MPI, as has been their position in previous
8 years, that equities are inconsistent with MPIC's
9 investment goals.

10 CMMG intends to challenge this
11 investment decision and this statement.

12 Investment decisions made about
13 specific asset classes in isolation is a poor
14 investment strategy. We must evaluate the benefit of
15 asset classes and their impact once included in the
16 entire portfolio.

17 A more diversified portfolio, which
18 includes equities, would be beneficial for all
19 ratepayers in Manitoba as has been demonstrated
20 repeatedly throughout the shadow portfolios ordered by
21 this Board.

22 Through cross-examination, CMMG will
23 illustrate the missed opportunities for investment
24 return due to the stubborn position taken by MPI in
25 refusing certain asset classes in the Basic portfolio.

1 The Capital Management Plan and capital
2 targets will also be a -- a major topic in this year's
3 Hearing.

4 This program appears to be an eternally
5 evolving project where Manitobans are expected to fund
6 an ever-increasing capital reserve.

7 While MPI's application describes their
8 proposed change to the MCT target as a range, the
9 truth is this is simply a 20 percent increase in the
10 MCT target.

11 Ratepayers will now have to fill the
12 pot by another 20 percent before receiving any relief.
13 This issue has further been elevated into the
14 political sphere with the tabling of Bill 45, which
15 will legislate the MCT ratio at a hundred and twenty
16 percent, without examination through this hearing.

17 Despite this development, CMMG intends
18 to challenge the evidence provided by the Corporation
19 to justify this increase in reserve revenue.

20 CMMG also intends to review the
21 proposal for issuing rebates to Manitobans. We will
22 repeat our concerns with the -- that the expense --
23 with the expense and inefficiency of the rebate
24 process, which were raised in last year's
25 applications, as well as throughout the special rebate

1 applications brought by the Corporation during the
2 COVID-19 pandemic.

3 As Mr. Scarfone and Mr. Williams
4 discussed in their opening statements, Project NOVA
5 will be a major focus in this year's application.

6 While CMMG echoes the concerns of CAC
7 Manitoba regarding this project, CMMG intends to leave
8 focus examination with this issue to our friends at
9 CAC Manitoba.

10 Finally, CMMG participated in the Road
11 Safety Technical Conference that was held in May of
12 this year. The importance of the work that stills
13 needs to be done on road safety, was highlighted
14 recently at the loss of Dennis Lora (phonetic) three
15 weeks ago.

16 Dennis was an avid motorcyclist and
17 friend of CMMG members, who was killed after losing
18 control on a stretch of highway due to muddy debris
19 left on the road from agricultural equipment.

20 These heartbreaking situations are
21 avoidable but require collaboration between MPI and
22 other stakeholders to ensure that our roads are safe
23 for all road users.

24 We appreciate receipt of the Road
25 Safety Report provided by Dr. Hall, and look forward

1 to discussing opportunities for improvement to the
2 road safety plan.

3 In conclusion, CMMG requests that the
4 following exhibits be filed today for the record:

5 CMMG-1 is our Intervener application.

6 CMMG-2 is the CV's of Mr. Wong, Mr.
7 Viola and Mr. Crozier.

8 CMMG-3 is CMMG Round 1 Information
9 Request, numbered 1 to 30.

10 CMMG-4 is CMMG Round 2 Information
11 Request, 1 to 8.

12 And CMMG-5 is a letter to Mr. Scarfone
13 and Mr. Guerra dated August 23rd, 2022, regarding the
14 ALM Study phases and stakeholder engagement.

15 And unless the Board have any
16 questions, those conclude the opening statements of
17 CMMG.

18 THE PANEL CHAIRPERSON: Thank you.
19 Any questions? Thank you, Ms. Meek.

20 Ms. Wittman...?

21

22 (BRIEF PAUSE)

23

24 THE PANEL CHAIRPERSON: Thank you.

25 Yes. Let's break right now and I just wondered if Ms.

1 Wittman, Mr. Monnin and Mr. Weinstein, if you could
2 give us an indication of how much time you may each
3 take, then that will provide MPI with some information
4 in terms of getting your witnesses here.

5 MS. KAREN WITTMAN: Certainly, thank
6 you, Madam Chair. I anticipate that I will need about
7 ten (10) minutes.

8 MR. CHRISTIAN MONNIN: Madam Chair,
9 five (5) minutes, maybe a couple minutes more than
10 that. That's all, thank you.

11 MR. MICHAEL WEINSTEIN: Likewise for
12 me, Madam Chair, about five (5) to ten (10) minutes.

13 THE PANEL CHAIRPERSON: Thank you very
14 much. We'll break now until 20 to 11:00, please.

15

16 --- Upon recessing at 10:29 a.m.

17 --- Upon resuming at 10:44 a.m.

18

19 THE PANEL CHAIRPERSON: Thank you,
20 everyone. We will now proceed with Ms. Wittman.

21

22 OPENING COMMENTS BY TAXI COALITION:

23 MS. KAREN WITTMAN: Good morning.
24 Thank you, Madam Chair. My name is Karen Wittman, and
25 I appear on behalf of the Taxi Coalition.

1 I would like to begin my remarks this
2 morning by thanking the Board for allowing the Taxi
3 Coalition to participate again in this year's hearing.

4 As a little bit of background to the
5 Taxi Coalition, it is a coalition representing two (2)
6 independently operated taxi dispatch companies,
7 namely, Duffy's Taxi and Unicity Taxi.

8 Both provide service in the Winnipeg
9 area and surrounding areas, and have been doing so for
10 approximately sixty (60) years and together they have
11 a combined fleet of approximately five hundred (500)
12 vehicles.

13 They represent about 80 percent of all
14 of the taxis operating in Manitoba, and they aim to
15 represent the interests of a broad cross-section of
16 taxi Vehicle for Hire. To that end, the Taxi
17 Coalition has sought input with small taxi dispatch
18 companies operating throughout Manitoba, including
19 both Brandon and Thompson.

20 The objective for the Taxi Coalition in
21 this year's hearing is fairly straightforward. It's
22 to assist the Board in determining whether the pro --
23 proposed rates to be applied to Vehicle for Hire
24 generally are just and reasonable.

25 As part of this, we will be seeking to

1 ensure that the rates fully and fairly reflect the
2 cost of coverage.

3 We also seek to ensure accountability
4 and transparency, and in this regard we have been
5 working towards this objective with other
6 collaborators -- or, sorry, other Interveners, and we
7 thank them for working with us and collaborating with
8 us.

9 As far as the Taxi Coalition is
10 concerned, its focus this year on the issues will be
11 on four (4) areas. The first is ratemaking, and this
12 will include a focus both on rates and, in particular,
13 an examination of the requested increase in insurance
14 premiums for Manitoba taxis and the increase in the
15 public major class rates generally, and also an
16 assessment of those increases against the rates
17 proposed for the passenger Vehicle for Hire insurance
18 use which offers substantially similar services in the
19 personal transportation services market.

20 We also intend to examine the
21 ratemaking methodology that MPI uses, and intend to
22 examine and make recommendations to this Board about a
23 couple of issues in particular.

24 One is the appropriateness of
25 forecasting serious losses in the Vehicle for Hire

1 experience to ensure that the rates reflect an
2 appropriate expectation of future costs. This was
3 raised at last year's hearing, but it continues to be
4 an issue of particular importance to the Taxi
5 Coalition.

6 The second is the implications not only
7 for the taxi Vehicle for Hire, but for all Vehicle for
8 Hires generally, of the alternative rate indication
9 and the potential for credibility-weighting changes.
10 This was also an issue that was raised at last year's
11 hearing but continues.

12 If taxis work to improve their loss
13 experience, the credibility-weighting approach, as it
14 currently exists, will not recognize these
15 improvements for some time, with the result that, even
16 if taxis improve their loss experience, they will
17 continue to be overpaying for insurance for years to
18 come.

19 This is an issue that applies not just
20 for taxi Vehicle for Hire, but to all small insurance
21 uses, and we submit it is not a just and reasonable
22 approach to pricing insurance, and it does not send
23 the appropriate signals about risk.

24 The second issue we wish to address is
25 the Vehicle for Hire framework and the new framework

1 that was supposed to be introduced. Unfortunately,
2 that has been delayed until next year's hearing.

3 And although dis -- disappointing, the
4 Taxi Coalition nevertheless wants to take advantage of
5 this opportunity to examine the approach being taken
6 by MPI to date to the development of the new Vehicle
7 for Hire framework and to ensure that the pricing of
8 insurance products are fair and reasonable and will
9 not involve cross-subsidization.

10 To this end, we intend to examine and
11 explore, among other things, the expected approaches
12 to pricing of products proposed to be included in the
13 new framework, including blanket policies for
14 transportation network companies, or TNCs, and the
15 reasonableness of some of the pricing assumptions
16 given the approach used in the initial Vehicle for
17 Hire framework and the loss experience during the
18 pandemic.

19 From the Taxi Coalition's perspective,
20 guidance from the Board on what an appropriately
21 priced produce would be will constitute an important
22 contribution towards ensuring that the new framework
23 is correct from the start.

24 On a side note, though, the Taxi
25 Coalition is pleased to report that there have been

1 consultations between the Taxi Coalition and MPI on
2 the new framework.

3 And the Taxi Coalition and MPI have
4 also been working collaboratively on the imple --
5 implementation of a new telematics pilot program. And
6 the information from that, it is hoped, will be --
7 will help inform the new framework.

8 So the Taxi Coalition wishes to
9 acknowledge that and -- and express their -- their
10 gratitude for the opportunity, you know, to
11 participate with MPI on this program. That said,
12 there are certain approaches proposed in the -- this
13 Application that warrant examination in light of the
14 consultation process.

15 The third issue is the Driver Safety
16 Rating, or DSR, and the Taxi Coalition is unlikely to
17 take the lead on this issue, but we do intend, along
18 with the other Interveners, to address the proposed
19 changes to the system, and in particular, the
20 implications of those changes as they relate to taxis,
21 the extent to which MPI's proposed changes will
22 alleviate or address the current issues with cross-
23 subsidization, and whether different options might be
24 available to accelerate the reduction in the cross-
25 subsidy.

1 We also intend to examine the proposed
2 changes to the system, with a focus on the
3 implications for future revisions to the new Vehicle
4 for Hire framework.

5 Finally, the fourth issue that the Taxi
6 Coalition intends to focus on is the Capital
7 Management Plan. Again, we do not expect to be taking
8 a lead role on this issue, and we are cognizant of the
9 pending budget implementation bill.

10 But we would nevertheless like the
11 opportunity to address the proposed changes to the
12 Plan, and in particular the elimination of the capital
13 release provision, the establishment of an RSR range
14 between 100 percent and 120 percent MCT, and the
15 implication for taxis of MPI holding excess capital
16 within a range that is above the Public Utility
17 Board's approved capital target.

18 And in closing, we would like to thank
19 the Board, again, for the opportunity to participate
20 in this hearing, and as well the opportunity to assist
21 the Board in its determination of just and reasonable
22 rates.

23 At this point, we would like to mark as
24 exhibits -- I believe the -- a number of exhibits were
25 marked on behalf of the Taxi Coalition at the pre-

1 hearing. Those include TC 1-1, which was the Taxi
2 Coalition letter dated July 22nd, 2022.

3 We would also like to mark as Exhibit
4 TC 1-2, which was the Taxi Coalition Intervener
5 Application. Then there is TC 1-3, which is the CV of
6 Jeff Crozier; TC 1-4, which is the CV of Jason Wong;
7 and TC 1-5, which is the CV of Sylvain Dion.

8 In addition, we would like to add TC-2,
9 which is the Taxi -- TC-MPI Round I Information
10 Requests 1 through 22, and TC-3, which is the TC --
11 Taxi Coalition-MPI Round II Information Requests 1
12 through 10.

13 Subject to any questions the -- the
14 Board may have, that concludes my submission.

15 THE PANEL CHAIRPERSON: Thank you.
16 Any questions? Any questions? No. Thank you, Ms.
17 Wittman.

18 Mr. Weinstein...?

19

20 OPENING STATEMENT BY IBAM:

21 MR. MICHAEL WEINSTEIN: Thank you,
22 Madam Chair, members of the Board. Again, Michael
23 Weinstein, on behalf of Insurance Brokers Association
24 of Manitoba, or IBAM as we refer to them.

25 I'm going to begin by dealing with some

1 -- the entering of -- of at least one (1) exhibit that
2 has not yet been entered. So at the pre-hearing
3 conference, IBAM entered Exhibit IBAM-1, which was the
4 IBAM letter July 22nd, 2022; IBAM 2-0, which was the
5 IBAM Intervener Application of July 22nd, 2022; and
6 IBAM 2-1, which was the Intervener Application,
7 Appendix A.

8 I'd like to now enter the IBAM-MPI
9 Round II Information Requests 1 to 6 and their
10 responses dated September 14th, 2022, as Exhibit IBAM-
11 3.

12 I'd like to begin just by way of some
13 background to IBAM. And IBAM is pleased to be
14 returning to the GRA as an Intervener.

15 IBAM is a not-for-profit organization
16 which represents the interests of brokers and
17 consumers of property and casualty insurance in
18 Manitoba. Ninety-five (95) percent of property and
19 casualty brokerages in Manitoba are members of IBAM,
20 and this is the highest parti -- participation rate in
21 the country.

22 IBAM has over two thousand (2,000)
23 members represented in over three hundred (300)
24 storefronts in approximately a hundred and twenty
25 (120) communities across Manitoba. Collectively,

1 those brokerages employ roughly two thousand six
2 hundred (2,600) people throughout the province,
3 offering services in thirty-one (31) languages.

4 The services carried out by brokers
5 contribute roughly \$238 million to Manitoba's GDP, and
6 brokers are the primary interface for consumers of
7 Manitoba Public Insurance and drivers' vehicle
8 licensing services in Manitoba.

9 The vast majority of MPI and DVL
10 (phonetic) transactions are conducted with the
11 guidance and consultation of a broker. Brokers are
12 specialized trained professionals licensed under the
13 Insurance Act and the Insurance Council of Manitoba,
14 and they're responsible for ensuring that Manitobans
15 are knowledgeable are informed about their choices,
16 exposures, and risks when purchasing auto, property,
17 and commercial insurance. The role of brokers is to
18 serve the customer and to find those customers the
19 best available insurance appropriate for that
20 customer's specific needs.

21 IBAM works with MPI and the Insurance
22 Council of Manitoba to advance the interests of the
23 consumer and the broker: small business. IBAM exists
24 to protect, serve, and offer choice to Manitobans
25 through developing and supporting brokerages. IBAM is

1 focussed on the ensuring the consumer is knowledgeable
2 and informed about all of their choices, exposures and
3 risks, when purchasing auto, property, and commercial
4 insurance.

5 IBAM has worked with MPI on the launch
6 of new products or changes in service delivery which
7 impact consumers or brokers. IBAM is suitably
8 positioned for this role because brokers are the face
9 of MPI to the consumer, and brokers have unique
10 insight into the consumer experience when purchasing
11 insurance.

12 IBAM and its membership also work with
13 MPI through committees, including with respect to
14 Project Nova, and in working to improve internal and
15 external processes which impact consumers and
16 brokerages alike. IBAM also represents brokers in
17 discussions with MPI regarding compensation for
18 services provided by brokers to Manitobans.

19 Brokers have been the customer-facing
20 part of MPI since 1971. This fifty-one (51) year
21 relationship has benefited the consumers of Manitoba
22 in the form of consumer protection and high quality
23 services. Moreover, this fifty-one (51) year
24 relationship has resulted in Manitobans currently
25 enjoying a stable vehicle insurance environment, the

1 hallmark of which is a province-wide and low-cost
2 access to a local insurance professional. MPI, as it
3 has today, has been regularly able to claim Manitoba's
4 rates as amongst the lowest in the country, in part
5 because of their low cost of distribution.

6 With respect to participation at this
7 Hearing, IBAM's aim through its limited intervention
8 is to ensure that the Board has a full and proper
9 understanding of the issues relating to broker
10 commissions and broker agreements entered into with
11 MPI. To date, other than bringing a procedural
12 motion, IBAM's involvement has been limited to
13 submitting only six (6) Information Requests. In
14 accordance with the scope of its intervention, IBAM
15 will be participating in the Hearing on those days
16 when issues relating to broker commissions and the
17 broker agreement are to be discussed or reviewed.

18 IBAM will be in attendance at relevant
19 periods of the Hearing and will monitor the Hearing
20 throughout and will only intervene to test the
21 evidence and/or to provide information where
22 necessary. To that end, on certain days, you may see
23 only Ms. Sokal, only myself, neither of us or both of
24 us, as appropriate.

25 IBAM may cross-examine witnesses in a

1 limited manner and respecting those issues impacting
2 on or relating to brokers and broker commissions so as
3 not to duplicate submissions. Possible areas for that
4 cross-examination includes the expenses and
5 benchmarking presentation and Project Nova.

6 In keeping with the scope of its
7 Intervener status, with regard to the broker
8 agreement, the Board is aware that the broker
9 agreement was entered into between IBAM and MPI in
10 2020 to be effective from April 1, 2021, to March 31,
11 2026. As part of the broker agreement, brokers agreed
12 to reduce their rates for Extension commissions. The
13 broker agreement also created different commission
14 rates depending on whether a transaction is performed
15 online or in person, with a reduction to commission
16 rates for online transactions. At that time, online
17 was expected to launch in 2023. However, there have
18 been delays to Project Nova which have resulted in
19 online being launched more than a year later from --
20 than anticipated.

21 Because of this, IBAM and MPI are
22 currently in discussions regarding the delay of the
23 implementation of the two (2) commission rates until
24 the time that online actually launches. Brokers have
25 been open to this from the start. IBAM will

1 ultimately need to bring any new terms to its
2 membership for ratification but takes a pragmatic
3 approach and is hopeful that it can be part of the
4 solution.

5 IBAM expects that the Board will hear
6 that brokers had no part to play in the Project Nova
7 delays but, despite this, have been a part of the
8 solution as they are engaged in discussions over a
9 possible agreement to delay the different rates. This
10 evidence will assist the Board in assessing whether
11 costs are necessary and prudent and that assessing the
12 reasonable revenue needs of MPI in order to determine
13 -- in order to determine if the rate decrease sought
14 by MPI is just and reasonable.

15 IBAM is grateful that the PUB saw the
16 value of IBAM's participation in the GRA this year as
17 a limited Intervener and looks forward to its
18 involvement, and will endeavour to collaborate as much
19 as possible with other parties with common interests
20 in the spirit of that limited intervention.

21 Subject to any questions that you have,
22 Madam Chair, or the Board has, those are my opening...

23 THE PANEL CHAIRPERSON: Thank you.

24 Any questions? Questions?

25 Thank you, Mr. Weinstein. Mr.

1 Monnin...?

2

3 OPENING STATEMENT BY BIKE WINNIPEG:

4 MR. CHRISTIAN MONNIN: Thank you,
5 Madam Chair, members of the Board. Bike Winnipeg is
6 pleased to have given the -- been given the
7 opportunity again to participate as an Intervener in
8 the 2023 Manitoba Public Insurance General Rate
9 Application. This is certainly the case for two (2)
10 reasons.

11 First, admittedly, we were a little
12 late to the dance this year. In that regard, we
13 appreciate the flexibility and courtesy provided to
14 our request for Intervener status.

15 The second, what -- Bike Winnipeg has
16 not had the privilege to participate as an Intervener
17 in a public insurance general rate application for
18 quite some time. The reason for this is due to the
19 fact that this Board has directed, most recently in
20 Board Order 176/'19, that issues related to loss
21 prevention and road safety are to be addressed by way
22 of a technical conference, which Board Order 176/'19
23 directed, shall be wide ranging, covering MPI's road
24 safety priorities and programming, budget, and
25 continued progress of its efforts to address road

1 safety through engagement with the stakeholders.

2 As noted at the last General Rate
3 Application in which Bike Winnipeg participated, Bike
4 Winnipeg maintains the view that the road safety
5 technical conference is a very useful avenue and tool
6 to address loss prevention and road safety issues. At
7 this point in the process it remains but a tool in a
8 toolbox and should not be viewed as the skeleton or
9 master key with regards to road safety or loss
10 prevention issues.

11 Bike Winnipeg is not wavering from its
12 support of the technical conference process nor is it
13 wavering from its commitment to continue to work
14 collaboratively with Manitoba Public Insurance and
15 other stakeholders on the issues of loss prevention
16 and road safety. However, at this particular point in
17 this process, Bike Winnipeg is of the view that it's
18 imperative that these issues do remain part of the
19 General Rate Application in order to ensure that this
20 important aspect remains part of the former regulatory
21 process to establish, monitor, and to enforce that
22 which is in the public interest and that of which only
23 this Board can deal with in the context of a general
24 rate application. It is important, we submit, these
25 issues remain part of the discussions before this

1 Board in this form.

2 Bike Winnipeg recognizes that there
3 have and remain disparate views regarding the
4 appropriateness to combine discussions about road
5 safety issues and budgeting when it comes to the issue
6 of rate-setting. For a host of reasons, these have
7 not always coexisted comfortably. But it remains
8 important and it remains necessary that these
9 discussions are ultimately pursued here and that
10 directions from this Board are provided.

11 On the one hand, Bike Winnipeg submits
12 that this is the case because road -- road safety is a
13 part of Manitoba Public Insurance's mandate. But on
14 the other hand, in a more tangible way, Bike Winnipeg
15 submits that this must remain the case for the simple
16 reason that this work saves lives.

17 And here I pause to note a recent
18 Winnipeg Free Press article, dated October 17th, 2022,
19 by Erik Pindera underscoring the fact that there have
20 been nearly double the number of pedestrians who have
21 been killed this year on Winnipeg streets compared to
22 this time last year. In 2022, to date, ten (10)
23 pedestrians have been killed in collisions, compared
24 to six (6) for the total of last year. And
25 tragically, we heard from last night there was another

1 collision on St. Mary's where a seventeen (17) year
2 old male has deceased and an eighteen (18) year old
3 male is now in hospital in an induced coma.

4 Bike Winnipeg recognizes that road
5 safety and loss prevention are indeed multifaceted
6 issues that involve multiple stakeholders with
7 challenging and emerging issues that ultimately impact
8 both direct and societal costs. However, while it may
9 be easier or even preferable to suggest that we should
10 only focus on line items in a budget or a balance
11 sheet as they relate to the rate-setting process, it's
12 important not to lose sight of the fact that there is
13 also another aspect of these hearings that can and
14 should lead to the collective goal of saving lives.

15 In brief compass (sic), Bike Winnipeg's
16 introduction -- intervention will touch upon four (4)
17 common themes:

18 The optimum size of MPI's road safety
19 and/or loss prevention budget and whether it's
20 sufficient to enable a significant reduction in the
21 cost to MPI of injuries to vulnerable road users in
22 the short and long-term. Here, it's submitted that
23 for the last five (5) plus years we've seen a flat
24 budget with regards to road safety. The Board ought
25 to be satisfied that -- going forward, that that

1 budget is indeed optimized.

2 Another part of the theme that we will
3 be inter -- intervening upon is the adequacy of MPI's
4 road safety and loss prevention programs with respect
5 to fatal and severe injury of vulnerable road users,
6 the quality and clarity of MPI's data collection
7 analysis and accessibility regarding collisions, in
8 particular involving vulnerable road users.

9 This is even more important at this
10 juncture, given that Manitoba Public Insurance embarks
11 upon another road safety strategy for 2022 to 2025
12 with Phase 1 taking place during 2022 and being
13 centering (sic) on furthering the understanding by
14 Manitoba Public Insurance of the road safety situation
15 in Manitoba through observational research of driving
16 in the province, analysis of collisions, and driver
17 data, and continuous improvement of existing road
18 safety initiatives.

19 And finally, to assist the Public
20 Utilities Board in understanding and considering the
21 issues and matters flowing and addressed within the
22 technical conference and MPI's filing in that regard.
23 In broad strokes, this means that we intend to delve
24 into the report that was produced, as well as the
25 process itself, to ensure that the road safety

1 technical conference can improve with collaboration
2 and improve with the results to ultimately be brought
3 forward towards this Board for further directives.

4 As was done in the past, Bike Winnipeg,
5 intends to participate in these proceedings in a
6 reasonable and cooperative and proportionate manner
7 with the other Interveners and, in particular, those
8 with similar objectives. Bike Winnipeg will ensure to
9 make every effort that its participation is not unduly
10 repetitive and does not overlap with other
11 Interveners.

12 And on that point, while I'm personally
13 pleased to be back here today and back in this hearing
14 room before this Board and with all known and new
15 colleagues, keeping in mind the limited scope of our
16 Intervention, similar to my friend Mr. Weinstein and
17 my friend Ms. Sokal, you may not see me -- likely see
18 me for most of the Hearing. I will only be here on
19 behalf of Bike Winnipeg when the issue of loss
20 prevention and road safety is addressed.

21 With regards to exhibits, there are
22 three (3) that we would bring to the attention of the
23 Board. Bike Winn -- BW-1 is the Bike Winnipeg letter
24 to the PUB re: Intervener Application of August 4th,
25 2022.

1 BW-2, the Bike Winnipeg letter to PUB,
2 regarding the reply to the Intervener application,
3 dated August 9th, 2022.

4 And BW-3, Bike Winnipeg Round 2
5 Information Requests 1 through 8 and responses.

6 Subject to any questions from the
7 Board, this would include Bike Winnipeg's submissions.

8 THE PANEL CHAIRPERSON: Thank you.
9 Any questions...? Thank you, Mr. Monnin.

10 Mr. Scarfone, would you like to have
11 your CEO --

12 MR. STEVE SCARFONE: Yes --

13 THE PANEL CHAIRPERSON: -- carry on?

14 MR. STEVE SCARFONE: Just give us a
15 couple minutes. I'll go down and fetch Mr. Herbelin.

16 And I neglected to read into the record
17 -- not purposely -- I just note that there's a -- a
18 host of exhibits that MPIC has not yet read into the
19 record that Ms. Schubert provided. So what I propose,
20 if it pleases the Board, is to just defer that for the
21 moment. We'll let Mr. Herbelin testify and maybe some
22 time this afternoon we'll get those exhibits on the
23 record.

24 THE PANEL CHAIRPERSON: Okay, that
25 sounds fine. Thank you.

1 MR. STEVE SCARFONE: Thank you.

2

3

(BRIEF PAUSE)

4

5 THE PANEL CHAIRPERSON: Good morning,
6 Mr. Scarfone. Would you make introductions, please.

7

8 MR. STEVE SCARFONE: Yes. Thank you,
9 Madam Chair. And in accordance with the schedule that
10 Ms. McCandless spoke to earlier, MPIC is introducing
11 its first witness of this Hearing, and it's welcoming
12 back Eric Herbelin, Chief Executive Officer and
13 President of Manitoba Public Insurance.

14

15 THE PANEL CHAIRPERSON: Thank you.
16 Swear in the witness.

17

18

ERIC HERBELIN, Affirmed

19

20 EXAMINATION-IN-CHIEF BY MR. SCARFONE:

21

22 MR. STEVE SCARFONE: Mr. Herbelin,
23 welcome back again this year. And so -- everybody
24 here in the room, I think, is familiar with you in
25 this GRA.

26

27 I understand, sir, that you have some
28 evidence that you'd like to present in much the same
29 way that you did last year at the General Rate

1 Application, correct?

2 MR. ERIC HERBELIN: Correct.

3 MR. STEVE SCARFONE: Okay. And so, I
4 may have some questions following the evidence that
5 you're about to provide. But with that, why don't we
6 begin with your -- your direct evidence.

7 MR. ERIC HERBELIN: Thank you very
8 much. Members of the panel, presenters, and those
9 joining us by live stream, good morning and thank you
10 for having me.

11 My name is Eric Herbelin. I'm the
12 President and CEO of Manitoba Public Insurance, and
13 I'm proud to be here today as we begin the Hearing by
14 the Public Utilities Board of the 2023/'24 General
15 Rate Application of MPI.

16 I would like to first acknowledge that
17 MPI operates throughout Manitoba and is located on the
18 traditional lands of the Anishinaabe, Cree, Oji-Cree,
19 Dakota, Dene, and Metis people. Our primary office is
20 located on Treaty 1 territory and the homeland of the
21 Metis Nation. Our work extends throughout Treaties 2,
22 3, 4, and 5, and we acknowledge that Winnipeg's water
23 is sourced from Shoal Lake 40 First Nation.

24 I'd like to take some time this morning
25 to provide an overview of MPI's performance over the

1 past year, including the ongoing impacts of the COVID-
2 19 pandemic, highlights of our successes and
3 challenges, as well as our progress on major
4 initiatives, in particular Project Nova.

5 For the past -- past -- sorry, for the
6 past fifty (50) years, MPI has been entrusted as
7 Manitoba's exclusive provider of Basic compulsory
8 auto-insurance.

9 During the pandemic, we saw the
10 inherent -- inherent strength of the public model and
11 how it serves Manitobans when it truly counts. I was
12 also extremely proud of the agility and the
13 flexibility that our organization and our people
14 demonstrated in safely and effectively managing
15 customer service in such unpredictable times.

16 As Manitobans were encouraged to stay
17 home, we witnessed a decline in frequency of claims as
18 many changed their daily work practice in order to
19 keep themselves and others safe. Due to the lower
20 than expected claims costs and our continued strong
21 financial performance, we were able to return to
22 Manitobans a portion of their premiums through special
23 rebates.

24 Overall, MPI returned nearly \$500
25 million to policy holders through three (3) rebates.

1 These were \$110 million in May of 2020, \$69 million in
2 December of 2020, and, most recently, \$312 million in
3 February of this year.

4 Over the past few months, as we
5 collectively have returned to more regular patterns of
6 socializing and gathering, we've also seen traffic
7 volumes, including claim counts, do the same. Beyond
8 the effects of COVID-19, we experienced a severe
9 winter followed by abnormally high number of pothole
10 related claims, as well as catalytic converter thefts,
11 and the disruption in global supply chains leading to
12 longer to lead times to repair vehicles.

13 As a result, our claim inventories have
14 increased notably over this past year. As well,
15 across Manitoba, we saw a marked increase in demand
16 for services like driver testing which we are actively
17 working to address to the satisfaction of our
18 customers.

19 With this combination of factors at the
20 forefront, MPI continues to strive towards its mandate
21 to ensuring low and stable rates and providing value
22 to Manitobans. And with -- and this General Rate
23 Application, we believe, we -- with this General
24 Application, we have, again, achieved this mandate.

25 Throughout these challenging times, we

1 have remained focused on serving Manitobans and
2 transforming our organization to become more customer
3 centric, data driven and employee empowered.

4 As I shared with you last year, our
5 five-year ambition is or over strategy direction that
6 builds on the foundation of transparency, customer
7 service and fiscal prudence that has served us well
8 and Manitobans in the past years.

9 With inputs from our divisions
10 throughout the organization, MPI's leadership team has
11 created a framework dedicated to building on what we
12 already do well, while focusing on what matters most,
13 our people, our customers and our stakeholders.

14 This is all about creating the kind of
15 MPI that meets customer needs, is a progressive and
16 rewarding place to work and is considered fair and
17 transparent to what it -- to all its partners.

18 A place where employees can work
19 efficiently and are empowered when data drive our
20 decisions and customers have the ability to interact
21 with us when and how they want.

22 The work we are doing on NOVA is a
23 crucial part of your future. We're focusing heavily
24 on it as it will lay the foundation for larger
25 transformation by introducing new technology and

1 streamline processes. The implementation of NOVA
2 remains a major focus of our organization.

3 While you will hear through our
4 dedicated panels more about the progress and
5 adjustments made to NOVA to ensure its success, it is
6 important for me to share that we have completed a
7 number of works and we have undertaken a number of
8 aspects and our learnings have increased since the
9 last application.

10 As you will recall, Project NOVA was
11 initially conceived as a legacy system organization
12 project. However, as the initiative progressed, we
13 uncovered significant and numerous capability gaps and
14 complexities both in terms of the readiness of our
15 business to support the program, as well as ensuring
16 that critical technology enables are in place.

17 Through both internal and external
18 analysis, it became evident that we would be unable to
19 deliver the project within the previously set timeline
20 and budget and that we would need to de-risk it by
21 flattening and extending its delivery by an additional
22 two years.

23 Specifically, delivery of release 1,
24 which focuses on modernizing our Special Risk
25 Extension Lines business, will now occur in the first

1 quarter of 2023. And, with that, we will have a first
2 milestone to celebrate.

3 But, subsequent releases will, as a
4 result, be delayed. For instance, we are currently
5 reviewing the initial scope and schedule for the
6 delivery of release 2. Release 2, that is a system
7 supporting our international registration plans.

8 The releases 3 and 4 are the releases
9 that will provide the most value and impact for the
10 majority of Manitobans, as these will enable MPI to
11 introduce online services.

12 As we have yet to start the pre-
13 discovery and the discovery stages for these two (2)s
14 releases, we cannot affirm, today, our roll-out
15 approach and timeline. However, we expect this
16 discovery work to conclude by summer of 2023.

17 To address this extended timeline,
18 provide the required staffing and tackle the uncovered
19 gaps in capability, the overall budget needed to
20 increase.

21 Our re-baseline budget and updated
22 timeline highlight now how complex this project is and
23 the importance of using a AGILE delivery model that
24 permits us a continuous examination of all aspects of
25 the project to ensure that it ultimately succeeds.

1 In alignment with our five-year
2 ambition and our desire to be a valued partner,
3 including to this Board, our goal is to continue to be
4 transparent, to be open to all stakeholders about
5 NOVA, its costs, the risks and timeline through
6 regular updates.

7 NOVA is a one (INDISCERNIBLE) or maybe
8 two project and MPI's ability to transition to modern
9 technology is absolutely critical to ensure the
10 continued success of the public insurance model for
11 the decades to come.

12 While we essentially are focused on
13 delivering NOVA of a transformation standpoint, the
14 arrival of new leaders and subject matters experts at
15 MPI have shed light on some critical issues and gaps
16 that the Corporation is facing and mainly due to a
17 number of years with limited investments in many areas
18 of our business and support areas.

19 Some of these issues need to be
20 addressed. They need to be addressed now in order to
21 mitigate potentially critical business disruptions and
22 to make sure that MPI continues to transition and
23 adopt industry best practices.

24 We hear the concerns of CAC. It means
25 that today we need to invest additional resources to

1 add capacity and build critical capabilities before we
2 generate operational efficiencies and can streamline
3 our operations.

4 (INDISCERNIBLE) we need to add people
5 to address the increase service demands from our
6 customers. We must also create new roles to define
7 our business requirements and address the changes that
8 NOVA and other continuous improvement initiatives will
9 induce.

10 Furthermore, we need to build and make
11 sure critical capabilities to address and mitigate
12 risks in the areas of actuarial, risk management,
13 finance and human resources to name the most pressing
14 ones.

15 These areas also require new tools.
16 For example, in actuarial, in order to evolve
17 evaluation of capital management or ratemaking and
18 business inside capabilities.

19 A new set of tools also required in the
20 areas of risk management and investments. And our
21 finance and HR systems are nearing their end of life
22 and so, we will need to replace them in the short to
23 medium term.

24 And while we would prefer to delay some
25 of these investments, they seem to need to be made now

1 as the level of risk is too high for the organization.

2 We also need to significantly
3 strengthen our capabilities across a number of areas,
4 including digital transformation, business
5 architecture, and various technology (INDISCERNIBLE),
6 which includes data management, platform engineering
7 and Cloud computing, cyber security, warranty
8 assurance and testing, integrations, and more.

9 This means not only adding new roles
10 and positions across the organization, but also
11 attracting new and retaining our existing talents.

12 The current climate with rising
13 inflation and a highly competitive job market, that
14 has emerged in the wake of the pandemic, has caused
15 additional cost pressures on the Corporation.

16 However, despite these challenges we
17 have had some great successes over the past year in
18 our -- in our efforts to evolve the organization
19 towards MPI 2.0 and equip our teams to deliver the
20 level of transformation that our customers, our
21 stakeholders and employees require.

22 And so we will hear about -- from our
23 Vice President, Chief Actuary and Chief Risk Officer,
24 Ms. Low. We have, specifically, focused on enhancing
25 our contingent of actual expertise at MPI. This has

1 enabled us to start adapting best practices in the
2 area of pricing and valuation. But there is more to
3 do. We have more to do in the areas of modeling and
4 forecasting, as an example.

5 Another area where we have dedicated
6 our efforts, has been in developing our customers'
7 experience capabilities. This is an important pillar
8 of our five-year ambition.

9 As part of our overall customer focus,
10 we are building a customer experience maturity road
11 map to improve the customer experience across all
12 channels. And understanding customer needs, defining
13 customer journeys and addressing their pin points is a
14 critical enabler and starting points by auto
15 configurating our new NOVA systems.

16 Additionally, through our City Place
17 Space Plan, the initial phase of the much needed
18 renovation of our office space has completed.

19 We now have a wonderfully, welcoming
20 location from which many of our employees can work
21 from. This allows MPI to provide the flexibility and
22 collaboration space they need to perform.

23 The new work space allows us to reduce
24 our overall footprint at City Place and be more cost
25 efficient.

1 While this is only a snapshot of some
2 of our milestones over the past year, members of our
3 panels over the ne -- the coming days and weeks, will
4 have more to share with you about other specific
5 elements in our Application that will demonstrate how
6 MPI as a whole is moving towards a five-year ambition
7 and continues to provide value to all Manitobans.

8 For the fourth consecutive year, we are
9 pleased to be in a position to request -- to request a
10 rate decrease for Manitobans as a result of the
11 Corporation's ongoing prudent fiscal management.

12 This 0.1 percent decrease request
13 reflects the strength of the public insurance model,
14 providing value to ratepayers during this time of
15 widespread volatility in financial markets, as well as
16 increasing inflation and also it points where MPI is
17 indeed in need for renewal and transformation of all
18 utility to ensure its success.

19 In closing, I am very grateful for the
20 effort that went into this Application and I want to
21 recognize the team across MPI for the comprehensive
22 work that it takes to put together such a large and
23 detailed document and the commitment to complete this
24 entire process.

25 I also thank the Board for the

1 opportunity to speak to you this morning and I look
2 forward to the remainder of this hearing.

3 MR. STEVE SCARFONE: Thank you, Mr.
4 Herbelin, for that comprehensive and informative
5 evidence that you just provided, you know, because of
6 that, I don't have a lot of questions for you but I --
7 I note that your evidence focussed largely on Project
8 Nova, as one might expect. I think you indicated it
9 remains a major focus of the Corporation.

10 So, with that, I am wondering, and you
11 touched upon it, but my only question would be and
12 perhaps you could speak further to the -- to the
13 successes and the challenges that the Corporation has
14 faced with NOVA over the past year.

15 MR. ERIC HERBELIN: Certainly. I
16 think it's -- it's a complex question that there are
17 many multiple -- there's multiple moving parts. I
18 need to go back to a point where MPI made investments
19 in technology decades ago and this technology
20 served, and continues to serve, MPI well but it is
21 outdated. It's -- it's no longer supported. The
22 people who understand the language in which those
23 systems were programmed are retired. There is no
24 longer a training offering in classes, in -- in IT
25 programs to -- to provide the ongoing supports needed

1 from a -- a -- a marketplace perspective.

2 So, basically, we have to move to a new
3 set of -- of systems and new technology. It's like
4 you have an old house sitting on -- on your land and
5 you need to basically renovate but completely renovate
6 to the point where the land is no longer supporting
7 the new structure and the plumbing needs to be
8 changed. So, MPI recognized that.

9 It also recognized the fact that the
10 Corporation did not have the expertise, the experience
11 in going through such programs and -- and, with that,
12 required the help of consultants and consultants, I
13 guess, were helpful in helping identifying the
14 potential solutions that would be suited for the needs
15 of the Corporation, the journey it takes, in order to
16 configure and implement those solutions, but I think
17 the way things have been looked at, maybe a bit
18 naively, is really looking only at the system and not
19 the echo system, that is the environment on which the
20 systems have to be hosted.

21 So, it looked only at the new frame of
22 the house, without looking at the structure of the
23 land and the plumbing and, so, what we had, and we are
24 transforming that, is an IT Department that was not
25 set up in terms of its infrastructure, its experience,

1 its people to host a new environment and, especially,
2 to help provide the necessary support and expertise
3 during the transition and -- and -- and the
4 configuration of -- of those systems.

5 So, the first thing, we had it to
6 start, about eighteen (18) months ago, is to basically
7 rebuild and transform the IT Department because we
8 could not necessarily believe the assumptions that
9 were made in the initial business case that someone --
10 some form of consultants would -- will -- will
11 configure NOVA and come in on a Monday morning a
12 couple of years later and the system will install for
13 you, without IT even touching it.

14 So, that was the paradigm in which we
15 were and, you know, now, I have the benefit of
16 hindsight to say that, but I think this -- this has
17 been a tremendous journey of learning. So, for the
18 last eighteen (18) plus months, or twenty (20) months,
19 the Corporation has really focussed on managing what
20 was started, which is release 1, release 2 of the
21 Program, which involves a number of core systems for
22 Basic, for Extension, for special risk Extension, as
23 well as for the driver (INDISCERNIBLE) registration
24 and the international registration, but there's a lot
25 of foundational work that was done already that will

1 be helpful for the future releases, as well as new
2 digital capabilities and integration capabilities that
3 we -- we didn't know how to get them, to go around
4 that.

5 So -- so, we've sort of kept the
6 project working and -- and -- and going, not without
7 troubles and -- and concerns, and I think we will
8 probably, you know, go into further details, either
9 today or certainly at the NOVA panel, in terms of the
10 help that the Corporation needed at some point from
11 the McKinsey Group, in order to help us understand
12 what did we do wrong, what did we miss, how to get
13 back on track, and this is what we are basically
14 managing with the delivery of release 1 now set for
15 the first quarter of '23, with a review and -- and --
16 and sanity check in terms of what can we realistically
17 deliver in terms of release 2 on time and within the
18 budget that we have for that.

19 And starting what we should have done
20 before we started the program but start rediscovery
21 and discovery exercise as to what does it mean to
22 implement release 3 and release 4. Naively, again, I
23 believe the Corporation trusted consultants that
24 provided their insights and -- and -- and planned an
25 entire time line and forward plan and set costs, not

1 knowing exactly what the work was going to be about.

2 So, before we are able to go through
3 the discovery -- the pre-discovery and discovery of
4 release 3 and release 4, we only have an idea that the
5 reset budget is going to be at the high level, in the
6 ballpark, about what we need, but we won't be able to
7 affirm that in all details, before the details are
8 understood.

9 So -- so, Mr. Scarfone, there was a --
10 this was I think a loaded question and I don't know if
11 I have addressed all the points you wanted me to cover
12 but I will be happy to follow up on any specifics.

13 MR. STEVE SCARFONE: No, I -- I think
14 that was a very, again, comprehensive response, and,
15 yes, it may have been a loaded question. It certainly
16 wasn't a scripted question. I don't know if he was
17 expecting that and, when I said I had only one
18 question, I'll say that it's only one question related
19 to NOVA, because I do have one other question,
20 switching gears.

21 When you were here last year, Mr.
22 Herbelin, you spoke to the arrangements in place, or
23 hoping to get in place, with the Government of
24 Manitoba, for DVA funding.

25 Is there any update that you could

1 provide the Board on those discussions with the
2 government?

3 MR. ERIC HERBELIN: Certainly. I
4 think there was a number of discussions as well. We
5 have taken away the feedback on -- on transparency
6 and, Mr. Scarfone, you addressed that in your opening
7 this morning. So, we have certainly executed on that.

8 Now is the question about the
9 sustainability of the DVA line of business and -- and
10 the funding going forward? MPI engaged with
11 governments. Government confirmed their willingness
12 to find a solution. We have provided all the details
13 the government asked us to provide them, in order for
14 them to understand the problem wholfulso -- wholeful
15 -- sorry, wholesomely and -- and come back with a
16 proposal.

17 In the meantime, they issued a letter
18 to us, asking to not direct any of the Extension
19 monies to the DVA line of business for the next
20 fiscals, in order for them to have sufficient time to
21 come back with a proper solution, in due time, which I
22 expect will be before the end of that period and,
23 also, they committed a \$10 million funding to the line
24 of business for the period that we are going through.
25 So -- so, that is a bit of a relief.

1 So I would say we are in a -- in a
2 position where we have engaged with governments. They
3 have received all the information they needed from us,
4 and we are waiting to hear back.

5 MR. STEVE SCARFONE: Okay. Thank you.

6 Madam Chair, those are all my questions
7 for Mr. Herbelin.

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

10 Ms. McCandless...?

11 MS. KATHLEEN MCCANDLESS: Thank you.

12

13 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

14 MS. KATHLEEN MCCANDLESS: Good
15 morning, Mr. Herbelin. Welcome back. I just have
16 some preliminary questions for you before I get into
17 some of the details about what you spoke just now.

18 You accept that the Corporation bears
19 the onus of proof to substantiate the General Rate
20 Application?

21 MR. ERIC HERBELIN: I'm sorry, Ms.
22 McCandless. I did not freely understand your
23 question.

24 MR. STEVE SCARFONE: We -- we accept
25 that onus.

1 MR. ERIC HERBELIN: About the onus?

2

3 CONTINUED BY MS. KATHLEEN MCCANDLESS:

4 MS. KATHLEEN MCCANDLESS: Yes.

5 MR. ERIC HERBELIN: Oh.

6 MS. KATHLEEN MCCANDLESS: And so that
7 means that the Corporation bears the onus of
8 establishing that the proposed rates and fees are just
9 and reasonable?

10 MR. ERIC HERBELIN: Yes.

11 MS. KATHLEEN MCCANDLESS: Another way
12 of stating that is that the test is that the rates are
13 to be actuarially sound and statistically driven?

14 MR. ERIC HERBELIN: Yes.

15 MS. KATHLEEN MCCANDLESS: And just to
16 confirm some things for the record, Kristen, could you
17 pull up the legal application, page 3? It's page 7 of
18 the PDF. Thank you.

19 So, Mr. Herbelin, initially, the
20 Corporation applied for a .9 percent rate decrease?

21 MR. ERIC HERBELIN: Yes.

22 MS. KATHLEEN MCCANDLESS: That's now
23 been revised as of October 12th to a rate decrease of
24 .1 percent?

25 MR. ERIC HERBELIN: Yes.

1 MS. KATHLEEN MCCANDLESS: And then
2 further down on a legal application, we see no changes
3 to miscellaneous permits and certificates, driver
4 premiums, Basic service and transaction fees, and
5 fleet rebates and surcharges?

6 MR. ERIC HERBELIN: Correct.

7 MS. KATHLEEN MCCANDLESS: With respect
8 to the Capital Management Plan, if we could just
9 scroll down a little bit. Keep going.

10 So at the top of the page here, we see
11 that MPI proposed in this GRA the approval of a new
12 CMP for future use, and that MPI would require the
13 Government of Manitoba to amend legislation to
14 accommodate the new CMP to allow for rebates?

15 MR. ERIC HERBELIN: Correct.

16 MS. KATHLEEN MCCANDLESS: And we have
17 seen that there is new legislation that has already
18 had first reading?

19 MR. ERIC HERBELIN: That's right.

20 MS. KATHLEEN MCCANDLESS: And that,
21 essentially, mirrors what MPI would like to see in its
22 Capital Management Plan --

23 MR. ERIC HERBELIN: Yes.

24 MS. KATHLEEN MCCANDLESS: -- moving
25 forward. And I understand that MPI accepts -- expects

1 that that legislation will receive royal assent on
2 November 3rd?

3 MR. ERIC HERBELIN: Yeah, I suppose
4 so.

5 MS. KATHLEEN MCCANDLESS: Now, in the
6 last GRA when you testified, you introduced the
7 concepts of Project Nova 1.5 and 2.0.

8 Do you recall that?

9 MR. ERIC HERBELIN: Yeah, I recall
10 that. The 1.5 was really to demonstrate that NOVA is
11 a critical milestone in our broader transformation
12 efforts.

13 MS. KATHLEEN MCCANDLESS: You referred
14 to 1.5 then as a major milestone and focus in the
15 organization. Do you recall that?

16 MR. ERIC HERBELIN: yes.

17 MS. KATHLEEN MCCANDLESS: And then
18 that MPI was setting its sights on NOVA 2.0.

19 MR. ERIC HERBELIN: Yes.

20 MS. KATHLEEN MCCANDLESS: And at this
21 point, you would acknowledge that the move towards
22 NOVA 2.0 has caused many changes to the Project Nova
23 time line.

24 MR. ERIC HERBELIN: We -- we have not
25 moved to NOVA 2.0, so my apologies if there's a

1 misunderstanding here. We are fully implementing
2 NOVA, period.

3 MS. KATHLEEN MCCANDLESS: But the plan
4 to move towards 2.0.

5 MR. ERIC HERBELIN: 2.0 is in
6 reference to broader transformation for the
7 Corporation to generate efficiencies going forward.
8 NOVA is seen as a critical step in order to enable
9 that level of efficiencies to be meaningful going
10 forward.

11 So there are elements of the
12 transformation 2.0 that we have prioritized such as
13 providing a flexible work environment for employees or
14 making sure that we have the data that we require as
15 we move into a more robust and analytical perspective
16 on a number of fronts.

17 But effectively, they are plans that
18 are for the future that have not been necessarily
19 elaborated just yet that depicts that picture of NOVA
20 -- of, not NOVA, but MPI 2.0 in the five (5) year
21 ambition level.

22 MS. KATHLEEN MCCANDLESS: In terms of
23 the budget then, the -- the recent -- more recent re-
24 baseline increases the Project Nova budget to \$221.6
25 million plus a 20 to 40 percent contingency?

1 MR. ERIC HERBELIN: That is right.

2 MS. KATHLEEN MCCANDLESS: And does
3 that not take into account expenditure for NOVA 2.0?

4 MR. ERIC HERBELIN: No. There's no
5 such things as NOVA 2.0. Let me just be very clear on
6 that. There's just a NOVA program.

7 Initially, the budget and time line for
8 Nova, as I described earlier, was maybe understated
9 and underestimated by not necessarily having a fuller
10 and more fulsome understanding of the implications
11 that it meant in terms of business resources,
12 requirements, capabilities, and technology enablers.

13 For us, the program NOVA is composed of
14 a release 1, release 2, release 3, and release 4, and
15 new release budget and time line are referring to the
16 same description and definition of Program Nova.

17 MS. KATHLEEN MCCANDLESS: So then just
18 to clarify, what is the functionality or technology
19 that you had in mind when you introduced the concept
20 of NOVA 2.0 last year.

21 MR. ERIC HERBELIN: There's no such
22 thing as NOVA 2.0. There's just NOVA, and if you
23 refer to 2.0, it's MPI 2.0. That is not related to
24 technology specifically, but a more broad environment
25 of making sure that we continue and provide better

1 service to Manitobans, that we are fair
2 (INDISCERNIBLE) to our stakeholders, and empower and
3 enable our employees.

4 MS. KATHLEEN MCCANDLESS: So what is
5 the end state then of MPI 2.0?

6 MR. ERIC HERBELIN: MPI 2.0 is
7 aspirational in nature. It's a strategic direction.
8 We have not defined all the elements of it. We are
9 going through an annual strategic process, strategic
10 planning process, and the focus right now for the
11 Corporation is mainly revolving around NOVA.

12 MS. KATHLEEN MCCANDLESS: So then if I
13 just refer to it as NOVA generally, what can MPI
14 ratepayers expect to benefit from the new
15 functionality that might come through NOVA?

16 MR. ERIC HERBELIN: Certainly. So
17 four (4) releases, release 1 is directed to the
18 Special Risk Extension line of business. Ratepayers
19 are not necessarily impacted by that. It's more of
20 all commercial customers and brokers that will benefit
21 from those functionalities.

22 The reason why this was chosen as the
23 first one is this is a smaller, more contained piece
24 of work, and I think it was the right call to start
25 with something smaller, especially as we've seen the

1 difficulties that we had in going through that first
2 sort of smaller piece of work.

3 Release 2 relates to international
4 registration plans and again will not directly benefit
5 Manitobans, but is a -- a needed investment to provide
6 the technology that is currently outdated and -- and
7 will need to be replaced.

8 So again, a relatively small scope
9 moving from -- from the first one to a different one
10 on a different platform.

11 Where Manitobans will really see a
12 difference is when we decide to start and implement
13 release 3 and release 4. Release 3 being related to
14 entrance driver, vehicle registration, and insurance
15 registration aspects. So, in other words, being able
16 to be insured and pay a premium and renew premium and
17 manage the -- the policy. And release 4 related to
18 claims management, physical claims, physical damage
19 claims.

20 MS. KATHLEEN MCCANDLESS: And last
21 year when you testified -- and I think you alluded to
22 that again this year, and I'm paraphrasing, that there
23 were foundational aspects of Project Nova that you
24 found were lacking when you began your term as CEO.

25 MR. ERIC HERBELIN: That is correct,

1 and that is what I alluded to in response to Mr.
2 Scarfone's question, essentially, around the maturity
3 levels of business capabilities, ability to define our
4 business requirements, the lack of defined and
5 commonly described or -- or documented processes, as
6 well as all the technology enablers which I referred
7 to as an analogy as the plum being in -- in the
8 foundation of the land related to data management.

9 As an example, bringing in new systems,
10 and you don't even understand how you manage data.
11 You don't have a data model and not data architecture,
12 not even a data architect in the Corporation. It's a
13 big challenge.

14 Same goes when you purchase platforms
15 that are operating in clouds and that the Corporation
16 doesn't even have a cloud architect or a cloud expert
17 in-house. It becomes a little bit difficult to have
18 conversation as to how this technology's going to
19 integrate in the broader ecosystem.

20 MS. KATHLEEN MCCANDLESS: What
21 specifically was lacking in order for MPI to progress
22 towards NOVA 1.5?

23 MR. ERIC HERBELIN: These are the main
24 elements that I mentioned. I think, if you want more
25 specific details, I would defer that to the panel.

1 MS. KATHLEEN MCCANDLESS: So, with
2 respect to online claims management and other online
3 services, that's part of releases 3 and 4?

4 MR. ERIC HERBELIN: Correct. Well,
5 yeah, claims specifically release 4.

6 MS. KATHLEEN MCCANDLESS: And that --
7 just to understand then, is that contained within NOVA
8 1.5 or is that MPI 2.0?

9 MR. ERIC HERBELIN: Yeah. So, again,
10 I -- I don't want to talk about NOVA 1.5 or -- or not.
11 It's contained within NOVA. There's never been
12 something described as NOVA 1.5 or 2.0. I think the
13 1.5 was just illustration to say it is on the way
14 towards 2.0, but Project Nova is a project and a
15 program that's done in itself and does not add any
16 additional numeration.

17 MS. KATHLEEN MCCANDLESS: You
18 mentioned in your direct testimony that Project Nova
19 started out as MPI modernizing its legacy systems?

20 MR. ERIC HERBELIN: That was the
21 initial start or the -- the realization of the
22 Corporation I think -- I believe around the year's
23 2018, that the technology was outdated, needed to be
24 replaced, in order to sustain in the future and remove
25 significant technology risks and security risks.

1 That thinking evolved. And, again,
2 this was before my time, so I believe around the year
3 '19/'20 -- 2019/2020, that a business transformation
4 would also need to occur in order for those systems --
5 or these new systems to make sense and somewhat
6 provide added value and not be simply providing the
7 same old with new technology.

8 MS. KATHLEEN MCCANDLESS: So, given
9 that MPI has a captive customer base when it comes to
10 Basic and is not competing for ratepayers, can you
11 explain why there's a need for additional projects and
12 effort that go beyond modernizing legacy systems?

13 MR. ERIC HERBELIN: Sure. And, you
14 know, the answer comes from Manitobans directly. We
15 ask Manitobans what they need. Before the pandemic,
16 you know, 25, 30 percent of Manitobans said they
17 wanted to be able to transact online with us.

18 We've done the survey post-pandemic.
19 It's above 50 percent of Manitobans who expect online
20 services. These days, no matter what you do, you will
21 always have online options, whether that is ordering
22 food or, you know, purchasing goods online,
23 interacting with your bank.

24 So, it's not limited to the fun stuff,
25 but also the utilities provide these online options.

1 Whether it's Hydro or others, they have these -- these
2 options. And -- and these are not really options that
3 I see as features. Today, these are table stakes.

4 MS. KATHLEEN MCCANDLESS: So, you
5 mentioned having done some -- was it surveys or focus
6 groups?

7 MR. ERIC HERBELIN: Yeah, exactly.
8 So, I -- I think if you want further details, we can
9 provide those, but these refer to focus groups and
10 surveys of Manitobans.

11 MS. KATHLEEN MCCANDLESS: And do you
12 know that -- whether within those surveys and focus
13 groups the costs associated with modernizing systems
14 to go online were explained to the -- the
15 participants?

16 MR. ERIC HERBELIN: There -- there are
17 two (2) aspects related to costs really. One (1) is
18 the technology modernization as such. The second one
19 is providing online capabilities and -- and additional
20 services that Manitobans want.

21 On the first point, it -- it has to
22 happen if we want to maintain MPI as an independent
23 Crown corporation providing that utility because we
24 are out of -- end of life -- sorry -- end of life and
25 running significant risk that we will not -- no longer

1 be able to operate in the future if we don't do that.

2 So, I think we are very mindful of the
3 costs and try to be as cautious as possible in terms
4 of how we spend the funds of our ratepayers, but these
5 investments are -- are absolutely needed.

6 On the aspects of providing online
7 services, while this is table stakes and there is
8 expectations from many Manitobans to have those
9 options available, I think there is an approach that
10 we are putting in place that is mitigating the -- the
11 risk of overspending, and -- and that is defined as
12 value assurance.

13 And we look service for service, what
14 is the desired use of the service and -- and the need
15 expressed by all customers versus the costs. And so,
16 there's no -- there's not an established formula in
17 terms of how it works.

18 But we realize that some services just
19 might be too onerous in terms of building them and not
20 provide sufficient value, for example, a service that
21 will touch on the minority of the population and can
22 be serviced otherwise as opposed to services that are
23 broader in nature and -- and will benefit all of
24 Manitobans today and in the future.

25 Don't forget that we are moving

1 generations. And the majority of all customers will
2 soon be individuals who were born with technology in
3 their hands, and -- and so society is -- is shifting.

4 And if we're not -- we're already late.
5 I don't think that we have made our move into the 21st
6 century. And if we further delay that, it will
7 further, you know, I think beg the question at some
8 point, maybe also from CAC at some point that, why is
9 MPI not providing those services, everyone else is,
10 and we are clearly late in the game.

11 MS. KATHLEEN MCCANDLESS: Thank you
12 for that. This year's application shows a significant
13 increase in staffing levels and spending in
14 compensation and data processing areas.

15 Would you accept that?

16 MR. ERIC HERBELIN: Yes.

17 MS. KATHLEEN MCCANDLESS: What actions
18 is MPI taking to control these costs to ensure
19 prudence?

20 MR. ERIC HERBELIN: So, I mean, we go
21 through a -- a robust process of -- of reviewing our
22 needs and -- and budgets. This is a process that we
23 do internally. And we go through our Audit and
24 Finance Committee of the boards and we go through the
25 Board of Director's approval.

1 And -- and we are being always
2 challenged by the board in terms of is our approach
3 the right one, is our approach the most fiscally
4 prudent one, and -- and we believe it is.

5 The -- the fact is that, at present,
6 while I wish we could simply operate the utility, we
7 have four (4) consequent -- for concurrently aspects
8 that are challenging us from a budgeting perspective.
9 The first one is coming out of the pandemic where we
10 could maintain most of our staff. But we have a
11 natural attrition to -- to retirement and people just
12 leaving the Corporation as anyone would leave a job.

13 I -- I was reading a study from Aon
14 that, in North America, 25 percent of people left
15 their job in the past twelve (12) months. And this is
16 just part of -- as -- as normal attrition maybe a
17 little bit higher than -- than normal times.

18 We -- we found ourselves in a position
19 where we did not have sufficient capacity in people to
20 serve Manitobans who started to make greater use of
21 our services and having more accidents.

22 So, we've been struggling for the past
23 month in terms of being able to pick up the phone and
24 answer and address needs of Manitobans. We have
25 significant delays in providing service for estimating

1 for simple claims. Addressing is not necessarily
2 staffed to the levels we would want to, and -- and so
3 there's a number of factors.

4 So, we have to address that. And this
5 is part of the increase that is on our budget for next
6 year. But, in fact, we have not waited the -- the
7 next fiscal to start. We needed to already start
8 hiring more on that front to making sure that we can
9 provide the -- the services that Manitobans need and
10 want and deserve.

11 Second, with all the points that
12 related to in terms of NOVA, we needed and continue to
13 need to add people to our staff in terms of increasing
14 both the sheer number, the capacity, but also the
15 capability levels.

16 We work with a number of consultants.
17 And this is what you would expect in such programs.
18 So, there's a vendor for each of the system. And
19 there's a number of new systems that we implement.

20 We have a general contractor that
21 provides now the assurance of -- of delivery of the
22 program and -- and making sure that we stay on track.
23 But we realize that we cannot let consultants do all
24 the work and then, one day, they leave and we have no
25 clue how to operate those systems.

1 So as we implement NOVA, we need also
2 to become self-sufficient and build our own skill sets
3 in the areas of software development and operations.
4 An expression that is used is dov se ops (phonetic).
5 In the area of data management and cloud computing
6 that I mentioned before, in the areas of quality
7 assurance and testing. That we were not in -- we were
8 not geared up for that and we are getting slowly on
9 track for it.

10 Integrations, massive area of concerns
11 and highly complex. And digital capabilities. So
12 that's the number 2.

13 Number 3, while I wish that those areas
14 would be performing well with the arrival of new
15 leaders and subject matters experts as MPI, we
16 uncovered a number of issues and challenges in a
17 number of business support areas.

18 Some presenting critical business risks
19 that need to be addressed. I mentioned that in my
20 opening, around the areas of actuarial, risk
21 management, finance, human resources and -- while
22 investment is on good track, we -- we need to continue
23 to strengthen that area as well.

24 All these areas require new tools and -
25 - and tool sets. We -- we don't have the resources to

1 bring those in and -- and necessarily operate them.

2 I think -- I'm very grateful for the
3 fantastic work that our former Chief Actuary did, but
4 I don't know how a single qualified actuary in the
5 company -- an insurance company of MPI's size can
6 tackle all those challenges.

7 So -- so this is part of the additional
8 investments we need to make on the critical business
9 report areas.

10 And fourth, inflation and the dynamic
11 job markets are adding pressures to it. We are lucky
12 and unlucky to be in Manitoba. Unlucky because we
13 don't have the talent pool that we need for certain
14 difficult or hard-to-source jobs. But lucky enough in
15 that we can delay some of the wage increases and deal
16 with the complexities that are related to a unionized
17 environment.

18 Hearing some of my colleagues and
19 peers, maybe in the Toronto market, you know, they
20 already made significant wage increases in order to
21 keep their people because the market is so dynamic and
22 so competitive.

23 So all these elements -- number 1,
24 number 2, number 3, unfortunately, all need to happen
25 now and be executed concurrently. And number 4 is

1 just adding pressure on the costs.

2 MS. KATHLEEN MCCANDLESS: Thank you.
3 I'm just going to take you back then to staffing and,
4 in particular, IT.

5 Can you explain why MPI has a higher
6 proportion of IT staff, compared to its peers?

7 MR. ERIC HERBELIN: I'm not sure how
8 you qualify that higher proportion at MPI versus
9 others.

10 MS. KATHLEEN MCCANDLESS: Well, we can
11 look at the Gartner benchmarking report if that would
12 provide assistance.

13 MR. ERIC HERBELIN: And look at that.

14 MR. STEVE SCARFONE: And not
15 forgetting, Ms. McCandless -- I know you haven't --
16 but we do have an operational benchmarking panel that
17 can probably speak to that more fully.

18 And -- and in terms of peers, you mean
19 the Crown corporation peers?

20

21 CONTINUED BY MS. KATHLEEN MCCANDLESS:

22 MS. KATHLEEN MCCANDLESS: The Gartner
23 peers.

24 MR. ERIC HERBELIN: So we can look at
25 it or defer to the panel. But I would argue that we

1 might be comparing apple with oranges because we need
2 to look at the details of it.

3 As a general comment, I would say we
4 have a large contingent of staff that are still
5 looking after the legacy world -- the legacy
6 environment of MPI that we'll be able to transition to
7 the new world at some point.

8 But if we add the legacy and the new
9 investments we need to make into the technologies of
10 the future, it would not surprise me if we had maybe
11 more resources that we eventually need at some point
12 in the future.

13 MS. KATHLEEN MCCANDLESS: Thank you.
14 Kristen, could you pull up MPI Exhibit number 8? I'm
15 actually going to ask you a different question now
16 about this. At page 7, please.

17 So this -- this is from Gartner's
18 benchmarking report from July of this year. Are you
19 familiar with this report?

20 MR. ERIC HERBELIN: I am not. I know
21 it's been filed. I have not reviewed it before this
22 line of questioning.

23 MS. KATHLEEN MCCANDLESS: So if -- if
24 you're not able to answer this, then you can advise
25 me.

1 But I had a question about the concept
2 of business composability at the second bullet there.

3 MR. ERIC HERBELIN: I wouldn't know
4 what that means, honestly.

5 MS. KATHLEEN MCCANDLESS: Well then,
6 we'll take that as it is. But if we look at the -- at
7 the bottom bullet here, it says:

8 "Insurers are not investing in the
9 technical underpinning needed for
10 business composability with their IT
11 budget lagging in many regards.

12 While they are increasing their
13 investments in many technologies,
14 some, such as AI and distributed
15 cloud, are lagging."

16 So AI would be artificial intelligence?

17 MR. ERIC HERBELIN: I suppose so. I -
18 - I'm not familiar with some of the words used in --
19 on that page, especially the notion of businesses
20 composability. I don't know what that relates to.

21 MS. KATHLEEN MCCANDLESS: So just to
22 understand then, NOVA is -- is laying the foundation
23 for things such as AI and cloud systems.

24 Is that right?

25 MR. ERIC HERBELIN: Not necessarily.

1 So I would not exclude it, but I would not affirm it.

2 NOVA is aiming at replacing core
3 systems, supporting our lines of business. That is
4 the Basic, the Extension, Autopac. That is the
5 Special Risk Extension, the driver and vehicle
6 registration, the international registration plan.

7 Also providing a digital platform to
8 enable online services. And also technology that
9 relates to the integration of these different systems
10 among each other, as well as the broader IT landscape
11 at MPI.

12 MS. KATHLEEN MCCANDLESS: I understand
13 your evidence from this morning that it may be that
14 the NOVA budget is not quite fixed at this time.

15 Is that fair?

16 MR. ERIC HERBELIN: Well, you know,
17 this is the -- the challenge you have going into such
18 a large program. This is a program with a ton of
19 complexity and unknowns. The expectation from
20 stakeholders and -- and also, I think, it's just a
21 good management practice -- is to say, How long is it
22 going to take? How much is it going to cost? And was
23 is it delivering? What is the value?

24 And you have to do that not knowing
25 really what you're going through. So you go on -- on

1 a hike, want to summit a mountain, and some people did
2 it on -- or did similar summits before but you never
3 done it. How much time is it going to take me and I'm
4 going to run out of energy before I go up and -- so
5 how much food and energy drinks do I need to take with
6 me? That's a little bit the situation we're in.

7 I can fairly say that whatever budget
8 was set initially was informed by some of the
9 consulting work performed on -- on behalf of -- of MPI
10 but severely underestimated or completely lacked (sic)
11 to include some of the critical elements that needed
12 to be happening in order to make NOVA a success.

13 The later reviewed budgets, you know,
14 from 80-something million to 100-something million,
15 only provided a fresher perspective on the initial
16 starting blocks and just with the benefit of a few
17 months of -- of visibility.

18 Now that we've gone almost two (2)
19 years through implementation, we realize that it's way
20 more complex. So a year ago already, we were in a
21 position where we had to review our position. Where
22 we felt like, you know, going up that -- to the
23 summit, we are -- we are off track. We'd realize
24 we're off track.

25 How do we get back on track and what's

1 the best path for us to summit and be as quick and as
2 fit as possible once we get there?

3 Well, we had to take a bet and the bet
4 was based on new information based on consultants who
5 have a lot of expertise and experience in that. But
6 it's still a bet; not knowing what's release 3 and
7 release 4, what it will entail, not having conducted
8 pre-discovery and discovery.

9 So what I would say today is that, as
10 of today, based on what we spent and what we know is
11 coming on us, at this point in time, we feel
12 relatively comfortable with the budget set, the time
13 line, as well -- as long as does not -- possible --
14 not a potential, but a possible break in between. You
15 know, we have to make sure that we will be ready with
16 the level of maturity needed and that includes our
17 people, that includes our data readiness, that
18 includes our cyber security readiness, and many, many
19 other aspects.

20 As long as we are at a stage where all
21 those points can be checked and -- and we can start
22 release 3 without interruptions in -- in between
23 (INDISCERNIBLE) bit as well, but this is for sure, you
24 know, an -- an informed -- it's -- it's an informed
25 sort of, point in time. It's not a -- a point in time

1 where we have all the certainty. It is not possible
2 to predict as well as predicting the number of
3 accident claims that will happen in the province next
4 year. That is easier to do.

5 MS. KATHLEEN MCCANDLESS: Do release 1
6 or release 2 have anything to do with Basic? Or are
7 they --

8 MR. ERIC HERBELIN: They have in some
9 ways. Release 1, again, will provide the support to
10 our special risk Extension line of business, but a lot
11 of the foundational work, from a system perspective,
12 has been carried out.

13 So, Release 1 is leveraging the system
14 Duck Creek, which is the entrance suite that will
15 support both the SRA line of business, as well as --
16 as the Basic line of business.

17 So, as we go into the release 3, the
18 scope will be broader. It will be different, but some
19 of the technical foundations will be elements that are
20 ready from what we have carried over already.

21 MS. KATHLEEN MCCANDLESS: Your
22 counsel, this morning, showed an answer to an
23 Information Request with the revised net present value
24 for NOVA at, roughly, negative 188 million.

25 MR. ERIC HERBELIN: I -- I mentioned

1 before that there are two (2) elements to look, in
2 terms of cost, and -- and benefits as far as NOVA
3 goes.

4 One is the replacement of the
5 technology, for which NPV is absolutely the wrong
6 metric. The question at stake here is: Do we want to
7 have an independent crown corporation called MPI
8 Operating and Servicing Manitobans going forward, or
9 do we don't?

10 That is a question of survival. If we
11 are failing at replacing the technology, the current
12 technology is not going to be able to sustain the
13 business. So that, in itself, is not an NPV
14 discussion, is more of, let's make sure we do that in
15 the most fiscally prudent and effective way.

16 We realize that programs of this nature
17 and others have done that before, are costly and are
18 more of the order of magnitude that is currently in
19 discussion, than the initial numbers.

20 As far as the -- the provision of
21 online services, I -- I mentioned that we are taking a
22 value assurance perspective. We want to be very
23 mindful of what is the value add of the services that
24 we are going to provide versus the investments that
25 are needed. So, it's not going to be necessarily an

1 NPV calculation by service, because that would be
2 impossible to do, but it will be -- is this service
3 going to help a large proportion of Manitobans versus
4 maybe only a small proportion of them.

5 MS. KATHLEEN MCCANDLESS: So, with
6 respect to that negative net present value, our -- our
7 understanding is that the MPI's view is the project
8 needs to be carried out regardless of the NPV.

9 And, I don't need a lengthy -- is -- is
10 that correct? Okay.

11 Can you explain then how the investment
12 in NOVA, bearing in mind that net present value is a
13 prudent use of ratepayers premiums?

14 MR. ERIC HERBELIN: For sure. So, we
15 are taking an AGILE approach to every project and --
16 and this has been also a shift from the moment that
17 NOVA was conceived and eventually started.

18 The approach that was suggested was a
19 so-called hybrid approach and that we would work with
20 AGILE methods but we would still follow a sort of big-
21 bang schedule, that is, releasing all the
22 functionalities at once. The only sort of divide that
23 was taken is to divide that in four (4) releases, but
24 release 3, for example, would be delivered as the big-
25 bang release with all features. Hundred percent of

1 MPI services delivered on one (1) specific day.

2 This is the way that projects of this
3 size fail and don't provide the value. So, this is
4 something that we want to revisit and no longer follow
5 a big-bang approach, but have a series of a multitude
6 of smaller, controlled releases, focusing on so-called
7 minimal viable products, in order to (a) minimize
8 risk, to making sure that we deliver smaller, more
9 contained focused release codes and that we can adjust
10 our learnings and adjust the direction of the program
11 on the fly.

12 So, it is important to have that
13 flexibility in order to making sure that we are
14 spending our dollars in the most prudent way.

15 MS. KATHLEEN MCCANDLESS: I -- I
16 recall when you testified last year, you -- in
17 response to your question by your counsel, you
18 mentioned that this was the largest IT type project
19 that you had overseen in your career.

20 MR. ERIC HERBELIN: That is correct.

21 MS. KATHLEEN MCCANDLESS: And, looking
22 back now, is the size of the project the same as you
23 envisioned it to be when you testified last year or
24 has it changed?

25 MR. ERIC HERBELIN: I think it's a

1 good question. Was it -- is it different? I don't
2 know that it is different, but I have a better
3 understanding, in terms of what it entails of the
4 complexity of -- of it, of the gaps that we have as a
5 corporation.

6 In all honesty, I think if we knew
7 everything that we know today, at the time, we would
8 have decided not to start NOVA. We would have decided
9 to first build some of our critical capabilities in
10 the business and in the technology area, before
11 embarking on the program.

12 Now, at some point the program was
13 started and commitments were made to go through the
14 implementation of release 1 and 2 and that is what we
15 are making sure that we keep on track, is delivering
16 release 1, which we have good line of sight, so
17 delivering Q1 of next year and getting release 2 in
18 place, such that we can deliver a viable product at,
19 you know, a -- a reasonable time in the -- in the
20 future.

21 As far as release 3 and 4, taking the
22 learnings from the past, I think we want to make sure
23 that we have a good degree of comfort and -- and --
24 and maturity in place for a number of elements, before
25 we rush into delivering that phase.

1 MS. KATHLEEN MCCANDLESS: Thank you.
2 Madam Chair, I have a few more questions, but I don't
3 expect to take more than another ten (10) to fifteen
4 (15) minutes.

5 THE PANEL CHAIRPERSON: Thank you.
6 Yes. Please proceed.

7

8 CONTINUED BY MS. KATHLEEN MCCANDLESS:

9 MS. KATHLEEN MCCANDLESS: Thank you.
10 Now moving on to driver and vehicle administration.
11 And your counsel anticipated some of my questions, in
12 his examination, so I don't have a lot to ask of you
13 on that.

14 Ms. Schubert, could you pull PUB-MPI 2-
15 9B, Appendix 2. Thank you.

16 So, in response to some questions from
17 your counsel, you mentioned that there had been an
18 increase in some of the funding coming from the
19 government for the DVA line.

20 MR. ERIC HERBELIN: That's right.

21 MS. KATHLEEN MCCANDLESS: Okay. And
22 if we -- we'll have to scroll down to -- there aren't
23 any line numbers here, but you'll see "government
24 funding received," on the left-hand side of -- of this
25 table.

1 MR. ERIC HERBELIN: I do.

2 MS. KATHLEEN MCCANDLESS: And then,
3 maybe we could just shrink it down a little bit so we
4 can see the years at the top of the table. Thank you.
5 Perfect.

6 So, for -- for 2021/2022 Actual, the
7 government funding level was 30.25 million.

8 MR. ERIC HERBELIN: Yeah.

9 MS. KATHLEEN MCCANDLESS: And then we
10 see for the forecast budget for '22/'23, an increase
11 of \$10 million and, again, into '23/'24?

12 MR. ERIC HERBELIN: So, for '22/'23 we
13 are expecting 10 million contribution from government
14 and I -- I think that's a done deal.

15 For the following year, I would have to
16 refer to our CFO for the degree of confidence we have
17 in that, but I think it's definitely an expectation
18 that we would receive 10 million from the government.

19 MS. KATHLEEN MCCANDLESS: And is -- is
20 that -- does that form part of the government's
21 directive or -- to not -- to not have the Board of
22 Directors approve any further transfers? Is this sort
23 of a result of that?

24 MR. ERIC HERBELIN: Yeah, I mean
25 that's -- those -- those discussions have happened at

1 the same point in time and are related to -- to the --
2 the very point of government providing supports to
3 review the funding means of the driver and vehicle
4 administration line of business and hopefully, you
5 know, provide a solution to that, given the
6 information and materials that we -- they requested
7 and shared with them.

8 MS. KATHLEEN MCCANDLESS: If MPI is
9 not able to ultimately receive increased funding for
10 driver and vehicle administration from the government,
11 then how would it propose to meet its DVA cost
12 commitments?

13 MR. ERIC HERBELIN: Well, I -- I don't
14 know that I can answer that question now. That's at
15 some point in the future.

16 I think, for now, we're good. What
17 happens then, we first have to see how governments
18 would want us to deal with the situation and what
19 their support will be. I think there's a range of
20 options and these are outside of our control.

21 MS KATHLEEN MCCANDLESS: With respect
22 to brokers, there has been some indication, in this
23 GRA, that the delay, and potential further delay, in
24 Project Nova may result in a desire to renegotiate the
25 Broker Services Agreement.

1 MR. ERIC HERBELIN: That is right.

2 MS. KATHLEEN MCCANDLESS: And can you
3 provide an update on the status of those discussions
4 at this time?

5 MR. ERIC HERBELIN: Yeah. Very much
6 along the line of the representative from IBAM -- we --
7 -- we have -- we have engaged in constructive
8 discussions and we, on both sides of the equation,
9 want to be good partners in making sure that we do the
10 right things for Manitobans and that is extending, or
11 it's respectively shifting the moment at which the
12 change in commissions would occur between in-person
13 versus on-line transactions, to the point in time when
14 the core on-line transaction that re -- relates to
15 renewals -- on-line renewals would be effective.

16 That date is not known yet. So, we
17 will probably approach the agreement review in a way
18 that it will be phrased along the lines of by the time
19 these types of transactions are made available on
20 line, this is the point in time where the effect --
21 the commissions will start to differ between in person
22 and on line and, so, that will give us the flexibility
23 to make -- ensure that we are delivering NOVA in the
24 best approach possible, that we are not rushed, and
25 that Manitobans are not paying excessive amounts

1 related to commissions that should not be paid before
2 these options are made available to them.

3 MS. KATHLEEN MCCANDLESS: Thank you.
4 With respect to MPI's investments, for the first time
5 in a while, inflation risk is -- is at the forefront.

6 MR. ERIC HERBELIN: Inflation is
7 definitely present in our minds and, you know, the --
8 the undertakings, I think it has taken a number of
9 people by surprise but this is definitely affecting us
10 for sure.

11 MS. KATHLEEN MCCANDLESS: And are you
12 able to advise on the status of MPI making any
13 potential changes to its investment portfolio to meet
14 inflation risk?

15 MR. ERIC HERBELIN: Well, I can only
16 say that we are having discussions around that topic.
17 For the specifics, I think I would just defer to the
18 Panel because I think our leaders have a lot more
19 details and expertise that they will be able to share
20 with you.

21 MS. KATHLEEN MCCANDLESS: And, with
22 respect to International Financial Reporting
23 Standards, we understand that significant changes in
24 financial reporting are imminent.

25 Are you able to comment at a high

1 level?

2 MR. ERIC HERBELIN: Yeah. I mean the
3 entire insurance industry, yeah, needs to transition,
4 and adopt IFRS 17 standards and, with that, IFRS 9
5 standards.

6 The Corporation has been aware of that
7 for quite some time. It has been working on defining
8 the policies and the transition to that new
9 environment. So, I'm aware, and the Corporation is
10 ready for that.

11 MS. KATHLEEN MCCANDLESS: Have -- has
12 MPI finalized its Financial Reporting Standards
13 changes?

14 MR. ERIC HERBELIN: I don't know if
15 you want to go in details now or leave that for the
16 panel because I think it can go in -- in quite some
17 details.

18 I think, at the high level, I can say
19 that we understand what needs to happen, that we have
20 defined our policies, and that we are ready for the
21 transition.

22 MS. KATHLEEN MCCANDLESS: Thank you,
23 and then, again, at a high level, do you have any
24 indication of the financial impact on the
25 Corporation's capital related to implementing changes

1 to IFRS 9 and 17?

2 MR. ERIC HERBELIN: I don't. As a
3 matter of fact, some moving parts are not yet known
4 from us -- to us and -- and -- and I refer
5 specifically to the -- some -- some decisions that
6 need to be made by OSFI in relation to how MCT will be
7 affected by IFRS 17. So, I don't have the precise
8 view on that yet.

9 MS. KATHLEEN MCCANDLESS: Thank you.
10 I have no further questions for you, Mr. Herbelin.
11 We're back at 1:15 with presenters.

12 THE PANEL CHAIRPERSON: Yes. Thank
13 you. We'll adjourn now until 1:15. We'll have the
14 presenters at that time and, then, we'll continue
15 following the presenters with cross -- cross-
16 examinations. Mr. Herbelin.

17 MR. ERIC HERBELIN: Thank you.

18 MS. KATHLEEN MCCANDLESS: Thank you.

19

20 (WITNESS RETIRES)

21

22 --- Upon recessing at 12:01 p.m.

23 --- Upon resuming at 1:17 p.m.

24

25 THE PANEL CHAIRPERSON: Good

1 afternoon, everyone. It looks like everyone's here,
2 so we're a couple of minutes ahead of time, but I
3 think we'll commence anyway with the public
4 presentations.

5 Would you please introduce yourselves
6 and proceed.

7

8 PRESENTATION BY MS. ALISEN KOTYK:

9 MS. ALISEN KOTYK: It looks like it's
10 working. Good afternoon, everyone. My name is Alisen
11 Kotyk. A-L-I-S-E-N K-O-T-Y-K. And this is my
12 colleague, Nicholas Warsza. We are both third year
13 law students in the University of Manitoba in the
14 Faculty of Law, and we're presenting today on behalf
15 of the Rights Clinic at Robson Hall.

16 The Rights Clinic was founded in July
17 of 2022 to expand the clinic offerings at the
18 University of Manitoba Faculty of Law, and to advocate
19 for the protection and advancement of rights. It has
20 a specific focus on assisting Manitobans with rights-
21 advancing issues in cases in the areas of
22 environmental rights, Charter rights, Indigenous
23 rights, disability rights, and privacy rights, amongst
24 others.

25 Thank you for giving us the opportunity

1 to speak to this today and argue against MPI's rate
2 application.

3 After reviewing their 2023 General Rate
4 Application, or the GRA, there are a few points that
5 we take issue with, and we will address those in our
6 time here. But certainly, with a document almost four
7 thousand (4,000) pages long, we could be all -- we
8 could all be here for much longer were we to pick
9 apart every issue. There are three (3) that we'll
10 focus our attention on today:

11 Discrimination in the Driver Safety
12 Rating, or the DSR scale;

13 The current Registered Owner Model and
14 its issues with reflecting risk accurately;

15 And MPI's misleading cross-Canada
16 premium comparisons.

17 So with that, I will get right into my
18 first point, and that is age discrimination. In the
19 2023 GRA, MPI is proposing that two (2) new levels be
20 added to the DSR scale. If approved, there would be
21 thirty-eight (38) levels on the scale in total, with
22 plus 16 and plus 17 as the newest additions -- and
23 this part is so shocking to me -- with plans to allow
24 the scale to expand organically to at least DSR plus
25 20 in future years.

1 In part 2 of the 2023 GRA, Basic
2 Autopac coverage, MPI states that:

3 "As a public auto-insurer, MPI is
4 accountable to all Manitobans to
5 deliver Basic compulsory insurance
6 that provides value through
7 guaranteed or non-discriminatory
8 rating not based on age, gender, or
9 other personal factors, but based
10 solely on the vehicle risk, the type
11 of vehicle, use, or territory, and
12 the driver's record, the driver
13 safety rating."

14 However, this statement is not in line
15 with the effects of their proposal. The DSR scale
16 means that younger drivers will pay higher rates for
17 longer than most people. Newly licensed drivers will
18 start at the base level of the scale, and each year of
19 safe driving without any vehicle claims, driving
20 convictions, or suspensions will move them one (1)
21 level up the scale. Increasing the number of levels
22 before reaching the maximum merit level
23 disproportionately harms younger drivers. This
24 presents a potential legal issue.

25 Canada's Constitution is comp --

1 comprised of multiple parts, with part 1 being the
2 Canadian Charter of Rights and Freedoms. The Charter
3 binds the actions of governments and not private
4 actors, and it can apply in two (2) ways.

5 The first depends on the nature of the
6 actor. If an entity is part of government, either by
7 its very nature or due to extensive government
8 control, then the Charter generally applies to all of
9 its actions.

10 The second way the Charter applies
11 depends on the nature of the action. Even if an
12 entity is not part of the government, the Charter
13 nonetheless might apply to certain actions of that
14 entity.

15 Persons or entities that are not
16 government but that implement a specific government
17 policy or program must generally comply with the
18 Charter in performing the relevant governmental
19 activity.

20 As a Crown corporation, MPI is bound by
21 Charter requirements. Section 15(1) of the Charter
22 sets out the following guarantee:

23 "Every individual is equal before
24 and under the law and has the right
25 to the equal protection of the law

1 without discrimination, and in
2 particular without discrimination
3 based on race, national or ethnic
4 origin, colour, religion, sex, age,
5 or mental or physical disability."

6 So here I'd like to mention -- I'm
7 going to try to keep this brief -- a recent SCC
8 decision concerning discrimination came out in 2020.

9 So Ms. Fraser, Ms. Pilgrim, and Ms. Fox
10 were RCMP officers. They all had children in the
11 1990s. When they went back to work, they found it
12 hard to juggle work with their childcare
13 responsibilities. The RCMP wouldn't let them work
14 part-time. Ms. Fox retired. Ms. Fraser and Ms.
15 Pilgrim took more unpaid leave.

16 In December of 1997, the RCMP began to
17 allow job sharing as an option instead of unpaid
18 leave. This way, two (2) or three (3) people could
19 split the duties of one (1) full-time position. It
20 was for the benefit of both the employees and the
21 RCMP.

22 The three (3) women joined the program
23 and came back to work. Most people who joined the
24 program were women with children, and most did so to
25 balance work with their childcare responsibilities.

1 Members of the RCMP pay into a pension
2 plan and get a pension when they retire. Their
3 pension gets bigger the longer they work and the more
4 money they earn. Full-time members could buy back
5 pension credit if they were suspended from duty or
6 took unpaid leave. This would make their pension
7 bigger. But if they job-shared, they weren't allowed
8 to buy back any pension credit. Job-sharers said that
9 the situation was unfair.

10 An expert said the RCMP could change
11 the pension plan to let the job-sharers buy back
12 pension credit. An RCMP committee agreed that job-
13 sharers should be allowed to buy it back. The RCMP
14 still didn't let them.

15 Ms. Fraser, Ms. Fox, and Ms. Pilgrim
16 said they should be allowed to buy back the pension
17 credit. They said the pension plan treated job-
18 sharers, who were mostly women with children, worse
19 than other members. They said this breached section
20 15(1) of the Charter.

21 Both the trial court and the Appellate
22 court disagreed with the women. However, the majority
23 of judges at the Supreme Court of Canada agreed --
24 disagreed with the lower courts. They said that the
25 pension plan discriminated against the job-sharers

1 because they were women.

2 The Charter protects certain groups
3 that -- that share specific characteristics, for
4 example, their race or religion. The law isn't
5 allowed to discriminate against people based on these
6 protected characteristics.

7 To decide if equality rights have been
8 breached under section 15(1), courts first look at
9 whether a protected group is singled out by the law
10 somehow. Laws that may seem neutral -- that seem
11 neutral may still discriminate against people based on
12 these protected characteristics -- may still
13 discriminate -- sorry, excuse me -- laws that seem
14 neutral may still discriminate against members of
15 protected groups by affecting them differently.

16 Members of the group don't have to show
17 that the protected characteristic somehow caused the
18 group to be more affected. It also doesn't matter if
19 all members of the group are affected in the same way.

20 Next, the courts will look at whether
21 the law maintains any kind of disadvantage to the
22 group or makes it worse.

23 In this case, the majority said that
24 the pension plan breached the job sharer's right to
25 equality, and this was because it disadvantaged woman

1 more than men.

2 It didn't matter that the plan didn't
3 set out to hurt women in particular. What mattered
4 was it's effect. Women were in this situation because
5 they had to job share to take care of their kids.

6 Ultimately, the SCC found that the
7 pension plan was discriminatory. Similarly, young
8 drivers are in this situation with MPI because
9 Manitoba has no alternative insurance scheme.

10 Age, like gender, is a protected
11 characteristic. That the DSR does not intentionally
12 discriminate is irrelevant; it is discriminatory in
13 effect.

14 My next point concerns MPI's registered
15 owner model and the issue with how it does not
16 accurately reflect risk. There have been a few models
17 proposed over time, but the two (2) that I will focus
18 on here are MPI's current model, the registered owner
19 model, and the preferred model that we are hoping they
20 will move toward, the primary driver model.

21 As you're aware, under the registered
22 owner model, a vehicle's premium discount is
23 calculated by the registered owner's DSR level
24 irrespective of other drivers -- irrespective of other
25 drivers who drive the vehicle or their driving

1 records. A vehicle could be insured by a driver as
2 DSR plus 15 but driven by a driver at DRS minus 5.
3 Risk may not be as accurately priced as it could be
4 under other models such as the primary driver model.

5 Under the primary driver model, a
6 vehicle's premium discount is based on the DSR level
7 of the primary driver of the vehicle rather than that
8 of the registered owner. The owner of the vehicle
9 would pay vehicle premiums based on the risk presented
10 by the primary driver of the vehicle rather than the
11 owner of the vehicle. Accordingly, this model
12 represents risk more accurately than under the
13 registered owner model.

14 Last year, PUB issued Directive 11.13
15 which stated:

16 "In the 2023 GRA, the Corporation
17 shall bring forward a five (5) year
18 plan for the implementation of the
19 primary driver rating model."

20 MPI has sought leave to appeal this
21 directive on the basis that the PUB does not have the
22 requisite jurisdiction to compel MPI to implement a
23 different DSR model, and the Court of Appeal has not
24 yet issued a decision in this matter.

25 In the meantime, MPI did put forward a

1 five (5) year plan for the implementation of the
2 primary driver model in the 2023 GRA, pursuant to the
3 directive. A report, titled 'Compliance with PUB
4 Order 134/'21', was to be filed by MPI in August of
5 2022; However, at the time of writing, it is yet to
6 be published.

7 So, that's it for my portion of the
8 presentation. Thank you very much. I'm now going to
9 pass things off to my counterpart, Nicholas. Thank
10 you.

11 THE PANEL CHAIRPERSON: Thank you.
12 Mr. Warsza...?

13 MR. NICHOLAS WARSZA: Good afternoon.
14 And thank you, Alisen, for your work on this
15 presentation. My name is Nicholas Warsza, spelt W-A-
16 R-S-Z-A, a student at Robson Hall and a member of the
17 Rights Clinic.

18 I will be focussing my portion of the
19 presentation on the cross-country rate comparisons
20 provided by MPI in the 2023 initial General Rate
21 Application. For reference, this data is found in
22 part 3, benchmark section 2.

23 What is striking at first to see is the
24 niche categories and jurisdictions which MPI utilizes
25 to argue that Manitobans pay among the lowest rates

1 for auto insurance in Canada. This data is provided
2 by MPI, includes the 2018 Ford F-150 XLT crew cab,
3 motorcycles, and taxicabs. While the 2018 Ford F-150
4 is the most registered vehicle in Manitoba,
5 motorcycles consisted of only 1.6 percent of
6 noncommercial vehicles on the road, and taxicabs only
7 3.1 percent of commercial vehicles.

8 The Ford F-150 is presented in a visual
9 graph, not a table like other examples, and exhibits
10 prices from Vancouver, Calgary, Regina, Brandon,
11 Winnipeg, and Toronto, but no small towns or rural
12 areas. I will touch more on this point later.

13 Most Manitobans are neither driving nor
14 insuring motorcycles or taxicabs. For reference to
15 this panel who may not have the data in front of them,
16 the motorcycle comparison provided forty (40)
17 different scenarios of different motorcycles and the
18 auto-insurance rates paid by eight (8) fictitious
19 drivers across the country, in Winnipeg, Brandon,
20 Regina, Calgary, and Vancouver.

21 The taxicab comparison features four
22 (4) different models of vehicles registered as taxis
23 in Winnipeg, Brandon, Portage la Prairie, The Pas,
24 Saskatoon, Regina, Prince Albert, and Vancouver.

25 MPI claims that Manitobans pay among

1 the lowest rates across the country; however, the data
2 is so niche and non-representative of the majority of
3 drivers that it is difficult to draw conclusions.
4 While it may be true that taxicabs, motorcycles, and
5 the F-150 rates are low compared to other
6 jurisdictions, this does not mean the majority of
7 Manitoba drivers pay (sic) lower -- lower than
8 average rates. Allow me to elaborate further.

9 Of the forty (40) possible scenarios of
10 motorcycle insurance in Manitoba -- of motorcycle
11 insurance, Manitoba held the cheapest rate for six (6)
12 of forty (40) scenarios, these all being in Brandon at
13 the seven hundred dollar (\$700) deductible level.

14 Manitoba holds the most expensive rates
15 of motorcycles for four (4) of the forty (40)
16 categories, all being in Winnipeg at the five hundred
17 dollar (\$500) deductible level. Saskatchewan holds
18 the cheapest rates for thirty-four (34) of the forty
19 (40) categories, all being in Regina, at the five
20 hundred dollar (\$500) deductible level. And Vancouver
21 holds the spot for most expensive overall with twenty-
22 five (25) of forty (40) scenarios.

23 In terms of taxicabs, Manitoba's base
24 rates are all higher than those of Saskatchewan's.
25 And at the maximum discounted level, Manitoba rates

1 are only slightly lower in eight (8) scenarios.

2 Regarding the F-150, it should be noted
3 that, for this example, some rate scenarios in
4 Saskatchewan are slightly lower than rates in
5 Manitoba.

6 As exhibited by the price graph of the
7 Ford F-150, MPI asserts that Manitobans pay less than
8 insurance customers in most major Canadian cities.
9 And while this may be true of the example provided, I
10 take issue with the way MPI frames the comparison,
11 focussing on major cities.

12 What is noticeable in the rate
13 comparison is that MPI presents data for smaller towns
14 inside Manitoba, while only providing data for large
15 urban centres in other provinces. To be truly
16 comprehensive, it seems logical that prices should be
17 broken down into urban centres such as Winnipeg, small
18 cities such as Brandon, towns such as The Pas and
19 rural areas.

20 To compare insurance prices in Brandon,
21 Manitoba or Manitoba as a whole to that of Toronto is
22 comparing apples and oranges. The population, road
23 network, accident risk, weather conditions, and
24 geography surrounding Toronto are vastly different
25 than that of any city in Manitoba.

1 There did not seem to be an attempt by
2 MPI to accurately present data from similarly sized
3 cities, towns, or municipalities with similar risks.
4 Further, in no data presented by MPI in the 2023 GRA
5 is there mention of any Atlantic Provinces, Northern
6 Territories, or Quebec.

7 In the initial GRA, MPI stated that
8 cross-country rate comparisons would be available from
9 an EY (phonetic) study in the summer. In the Round 2
10 of Information Requests, MPI stated that the report
11 from EY would available in October; however, this
12 report does not appear to be available online for
13 public viewing.

14 I want to make the clear position, at
15 times of record inflation, a rate decrease for auto
16 insurance is a win for Manitobans; however, MPI needs
17 to be more clear about the national rate comparisons
18 to demonstrate and to prove that Manitobans are
19 actually paying rates that are competitive. A rate
20 decrease is wonderful, but if rates in Manitoba are
21 higher than in other provinces, is a .9 percent
22 reduction significant for ratepayers?

23 I would urge the panel to press MPI for
24 the study from EY, and I would implore MPI to provide
25 more comprehensive data sets in rate applications in

1 following years.

2 I would now like to bring up several
3 issues regarding the way the GRA is presented for
4 public access. The Public Utilities Board website
5 states that it welcomes and encourages participation
6 in its hearings and that public participation ensures
7 that all public issues and perspectives come to the
8 Board's attention in a public process.

9 While the GRA is posted online and is
10 free to download, I argue that the application is
11 neither accessible nor transparent for members of the
12 general public. The GRA being nearly four thousand
13 (4,000) pages, I found it difficult to find
14 information that is relevant to the public due to its
15 length. Reading the document is also hindered by the
16 fact that there is no master table of contents to be
17 able to quickly find relevant sections to which a
18 member of the public may wish to make a comment on.

19 To be a truly accessible and
20 transparent process, I ask that the panel consider
21 making several requests to MPI regarding future GRAs.

22 Firstly, it seems common sense that a
23 master table of contents be inserted at the beginning
24 of future rate applications.

25 Secondly, the size of the document

1 makes it very difficult for any member of the public
2 to read and understand in its entirety. I recognize
3 that with complex -- complex business, like public
4 auto insurance, it is necessary that the rate
5 application be nearly four thousand (4,000) pages.
6 However, I do not believe that a member of the public,
7 who works full-time, maybe with children or a spouse,
8 has the time or the energy to read through four
9 thousand (4,000) pages.

10 I would ask the Panel to consider
11 requesting from MPI, in future rate applications, to
12 produce a document specifically for the general
13 public. Organized in a way that makes sense to the
14 average person and at a length at which any concerned
15 citizen could read, become knowledgeable about rate
16 changes, and prepare well-informed comments for this
17 Panel.

18 I would like to thank the Panel for
19 their time today. In summary, the Robson Hall Rights
20 Clinic takes the position that the 2023 General Rate
21 Application proposals are discriminatory in effect.
22 That MPI needs to continue to expeditiously work to
23 move towards a primary driver model. And that cross-
24 country rate comparisons contained in the GRA are non-
25 comprehensive.

1 This concludes our remarks. Thank you.

2 THE PANEL CHAIRPERSON: Thank you very
3 much, Mr. Warsza. And thank you, Ms. Kotyk.

4 Any questions from the Panel...?

5 BOARD CHAIR GABOR: I've got a couple.

6 When you practice law, sometimes it's a
7 question of timing. So I just indicate to you that
8 the Court of Appeal issued its decision this morning.

9 So I'll give you my copy of it. So
10 it's -- and everybody's been waiting. It just so
11 happens that the timing affects you more than -- than
12 others.

13 So I just want to understand one (1)
14 thing. So your proposal is dump DSR and go to primary
15 model? Or is it to adjust DSR to remove, what you
16 consider to be, the unfairness of it?

17 MS. ALISEN KOTYK: I don't know -- you
18 know, I neglected to add some kind of recommendations
19 to -- to my spoken portion there.

20 And I don't know if I'm prepared to
21 speak to that in this moment. But, yeah, like,
22 something needs to be done with respect to the age
23 discrimination that's kind of inherent in -- in how
24 that's structured, I would think.

25 BOARD CHAIR GABOR: Okay. The -- the

1 reason I -- I say that is that when groups or
2 organizations come to us and say, We don't like this,
3 we don't like that, it's important to have a
4 recommendation in terms of, Here's what we would
5 prefer to do.

6 Because, you know, as your colleague
7 said, this is really complicated stuff.

8 MS. ALISEN KOTYK: Right.

9 BOARD CHAIR GABOR: And making any --
10 making any changes has a waterfall effect and that.

11 I'd just like to ask, if I could, Mr.
12 Warsza a question. You want a simplified application.
13 Sorry, a summary of the application.

14 MR. NICHOLAS WARSZA: Correct.

15 BOARD CHAIR GABOR: So it's shorter.
16 Except that you did a -- a review of the data across
17 the country doing the comparisons.

18 So if that's important information, how
19 does that go into a short application?

20 MR. NICHOLAS WARSZA: Sorry, I don't
21 think I necessarily understand the question --

22 BOARD CHAIR GABOR: Well, so you went
23 -- you did comparisons.

24 MR. NICHOLAS WARSZA: So I relied on
25 the comparisons provided by MPI in the GRA.

1 BOARD CHAIR GABOR: Right. Right
2 which is a -- a considerable amount of data, okay.
3 And you came to, if I can suggest, different
4 conclusions than MPI proposed.

5 If you have a short simple application,
6 does that data go into it?

7 MR. NICHOLAS WARSZA: The data
8 provided for the rate comparisons only comprised of
9 about four (4) or five (5) pages.

10 BOARD CHAIR GABOR: Okay.

11 MR. NICHOLAS WARSZA: So I think more
12 comprehensive data could still be put into a shorter
13 application for the public to read.

14 BOARD CHAIR GABOR: Okay. So you
15 could provide more information, but still have a short
16 application.

17 MR. NICHOLAS WARSZA: That -- that's
18 what I'm saying, yes.

19 BOARD CHAIR GABOR: Okay.

20 THE PANEL CHAIRPERSON: I have a
21 question for you, Ms. Kotyk. And really what it is,
22 is I'd like you to comment on this.

23 With regard to the Driver Safety Rating
24 System, what would your response be to the fact that
25 it is based on the newness of driver, as opposed to

1 the age of driver. So that someone that's fifty (50),
2 for example, or sixty-eight (68), might get licensed
3 for the first time and still be treated in the same
4 way.

5 MS. ALISEN KOTYK: Right. And
6 certainly, that's true.

7 You know, new -- new Canadians are
8 going to fall into this -- like, they're going to
9 experience the same kind of issues with that. So I
10 understand there are definitely other ways that people
11 can -- can run into the same trouble with it.

12 I think my position is just that --
13 like, those people that are also coming into that are
14 not being discriminated against on protected grounds.
15 And that's's really what the issue is. That age is a
16 protected characteristic.

17 THE PANEL CHAIRPERSON: Okay. Thank
18 you, both, very much for your presentations. We
19 appreciate you being here this afternoon.

20 MR. NICHOLAS WARSZA: Thank you.

21

22 (BRIEF PAUSE)

23

24 THE PANEL CHAIRPERSON: Mr. Scarfone,
25 how much time will you need for your CEO to return?

1 MR. STEVE SCARFONE: I will get him.
2 If -- I expect he's probably on his way up. I -- I
3 was just thinking of maybe collecting the resumes from
4 those two (2) young persons, bringing them on over to
5 the good side.

6

7 ERIC HERBELIN, Resumed

8

9 THE PANEL CHAIRPERSON: Good
10 afternoon, Mr. Herbelin.

11 MR. ERIC HERBELIN: Good afternoon.

12

13 (BRIEF PAUSE)

14

15 THE PANEL CHAIRPERSON: Ready to go,
16 Mr. Scarfone?

17 MR. STEVE SCARFONE: Yes, Madam Chair.
18 We're ready to go.

19 THE PANEL CHAIRPERSON: Thank you.

20 Mr. Williams...?

21

22 CROSS-EXAMINATION BY CAC (MANITOBA):

23 DR. BYRON WILLIAMS: Thank you. And
24 good afternoon, members of the panel.

25 Mr. Herbelin, we're going to start out

1 with some parenthood or motherhood kind of questions,
2 just high level ones to start with.

3 You'd agree that Manitoba Public
4 Insurance enjoys a statutory monopoly in Basic auto
5 insurance, sir?

6 MR. ERIC HERBELIN: I do.

7 DR. BYRON WILLIAMS: Okay. And you
8 also offer Extension auto insurance, correct?

9 MR. ERIC HERBELIN: Correct.

10 DR. BYRON WILLIAMS: And it is fair to
11 say that the Basic and Extension lines of business are
12 intimately connected, would that be fair?

13 MR. ERIC HERBELIN: I'm not sure I
14 would use that description. I think MPI, by having
15 the opportunity to provide Extension optional products
16 to Manitobans, it provides an opportunity for
17 Manitobans to consider their choice, whether they want
18 to buy any optional products or not.

19 DR. BYRON WILLIAMS: Okay. Well,
20 let's try to -- another way.

21 Customers who choose to purchase
22 Extension products do so to enhance their compulsory
23 Basic product, agreed?

24 MR. ERIC HERBELIN: It appears so,
25 yes.

1 DR. BYRON WILLIAMS: And it would be
2 fair to say, in the realm of private passenger, that
3 all Extension customers are also Basic customers.
4 Agreed?

5 MR. ERIC HERBELIN: I wouldn't make
6 that statement. I think -- no, sorry, I need to take
7 that back. I was trying to think what you -- you
8 meant by that.

9 I think I understood every --

10 DR. BYRON WILLIAMS: Every single
11 Extension customer in private passenger is also a
12 Basic customer, agreed?

13 MR. ERIC HERBELIN: I think that
14 statement holds true.

15 DR. BYRON WILLIAMS: Yes. And it
16 would be fair to say that over 70 percent of Basic
17 customers purchase an extension product. Agreed?

18 MR. ERIC HERBELIN: I don't have --

19 DR. BYRON WILLIAMS: You're not
20 familiar with that factor?

21 MR. ERIC HERBELIN: -- so, I would --
22 I would want to see how you -- what basis you used to
23 make that assertion.

24 DR. BYRON WILLIAMS: Sir, we don't --
25 I -- I really don't think we need to go there, but if

1 you need a source, it's CAC-1-58. Could you accept
2 that subject to check?

3 MR. ERIC HERBELIN: Subject to check.
4 I can accept that.

5 DR. BYRON WILLIAMS: And assuming that
6 70 percent of Basic customers purchase an Extension
7 product, that would mean that a large majority of
8 Basic customers are also Extension customers. Agreed?

9 MR. ERIC HERBELIN: I think that would
10 -- agree -- I would agree to that. Yes.

11 DR. BYRON WILLIAMS: And, indeed,
12 you'd agree, sir, that the business (sic) and
13 Extension lines of business are very intimately
14 connected.

15 MR. ERIC HERBELIN: I think you asked
16 that question before and I answered it.

17 DR. BYRON WILLIAMS: Sir, in terms of
18 the extension market place and recognizing the
19 relationship between Extension and business -- and
20 Basic through the Capital Management Plan, it would be
21 fair to say that -- that Manitoba Public Insurance
22 enjoys a dominant market position in Extension, sir?

23 MR. ERIC HERBELIN: I think we would
24 probably have to qualify what 'dominant' means, but if
25 the meaning is that we have maturity market share in

1 the Extension space, I -- I would say that is right.

2 DR. BYRON WILLIAMS: And I'll go a
3 little farther than that, sir, and suggest to you that
4 Manitoba Public Insurance is maintained well over 95
5 percent of the market in Extension for many years.

6 Is that your understanding, sir?

7 MR. ERIC HERBELIN: That may well be
8 true.

9 DR. BYRON WILLIAMS: And that would
10 fit your definition of 'dominant', sir?

11 MR. ERIC HERBELIN: I mean I -- it's
12 not my definition but I -- I think by --

13 DR. BYRON WILLIAMS: It fits your
14 understanding of 'dominant', sir?

15 MR. ERIC HERBELIN: I think that is
16 definitely a -- a -- an understanding that I would
17 share.

18 DR. BYRON WILLIAMS: And would it be
19 your understanding, as well, that today Manitoba
20 Public Insurance continues to enjoy well over 95
21 percent of the market in Extension, sir?

22 MR. ERIC HERBELIN: I don't have the
23 numbers but I can definitely appreciate that MPI has
24 the majority share of the Extension market, yes.

25 DR. BYRON WILLIAMS: And, sir, would

1 it be accurate to -- I can give you a reference if you
2 require, but would it be accurate to suggest that your
3 net income and underwriting profit margins from
4 Extension have been very healthy over the last five
5 (5) years, sir?

6 MR. ERIC HERBELIN: Yes, it is a
7 profitable line of business.

8 DR. BYRON WILLIAMS: And when you look
9 into the future, sir, into the 2022, like the current
10 year, out to the '24/'25 year, you also continue to
11 project that line of business to be healthy. Agreed?

12 MR. ERIC HERBELIN: This is a
13 projection, as far as we can, you know, assess the --
14 the current fiscal year. I would say we are having a
15 good degree of -- of predictability about the profit
16 in the Extension line of business.

17 Going into the future, there's always a
18 risk that these products in, you know, operating in a
19 competitive market environment, could be put under
20 pressure.

21 DR. BYRON WILLIAMS: But, of course,
22 you'll take solace from your dominant position over
23 many years in the Extension market place. Agreed,
24 sir?

25 MR. ERIC HERBELIN: Can you just

1 repeat -- I missed the first part.

2 DR. BYRON WILLIAMS: You'll take solace

3 --

4 MR. ERIC HERBELIN: Solace --

5 DR. BYRON WILLIAMS: -- in -- in

6 looking at the risk from your dominant position for

7 many years, in the Extension market --

8 MR. STEVE SCARFONE: Just before --

9 just before he responds to that --

10 MR. ERIC HERBELIN: I think we got a

11 language issue, but I -- I'm not sure what --

12 MR. STEVE SCARFONE: No, no --

13 MR. ERIC HERBELIN: -- what 'solace' -

14 - 'solace' means in your --

15 MR. STEVE SCARFONE: But I don't know

16 that he talked about the historical dominance. I think

17 he just acknowledged that there's dominance.

18 DR. BYRON WILLIAMS: My question was

19 specifically over the last five (5) years.

20 MR. STEVE SCARFONE: Over -- okay,

21 that's what you mean by historic five (5). Okay. So,

22 do you want to put the question to him, one more time,

23 cause I don't think --

24

25 CONTINUED BY DR. BYRON WILLIAMS:

1 DR. BYRON WILLIAMS: I think -- I
2 think my point has been made.

3 Sir, in the case of the Basic monopoly,
4 MPI ratepayers who are unhappy with your service have
5 no competitive alternative. Agreed?

6 MR. ERIC HERBELIN: This is the
7 principle of monopolistic compulsory offering -- and -
8 - you know, this is how Basic (INDISCERNIBLE)
9 insurance is being offered in -- in Manitoba.

10 DR. BYRON WILLIAMS: Yeah, okay. In
11 the event that they're unhappy with your service or
12 the -- or your rates, they have nowhere else to go,
13 Basic consumers. Agreed?

14 MR. ERIC HERBELIN: That is the law.

15 DR. BYRON WILLIAMS: And, of course,
16 sir, the sole shareholder of Manitoba Public Insurance
17 is the government of Manitoba. Agreed?

18 MR. ERIC HERBELIN: Yes.

19 DR. BYRON WILLIAMS: And to the extent
20 the Government of Manitoba has concerns about broader
21 developments in the insurance market place that might
22 post some risk to MPI, it can always seek to amend the
23 nature of the product you offer via -- via legislation
24 or regulation. Agreed?

25 MR. ERIC HERBELIN: I cannot speak for

1 the government.

2 DR. BYRON WILLIAMS: Okay. In a
3 pinch, sir, if you've got concerns about what's going
4 on in the insurance marketplace, you can always
5 approach government and ask them to make legislative
6 changes, can't you?

7 MR. ERIC HERBELIN: Okay, we are
8 accountable towards Manitobans. We run the
9 Corporation from a -- on -- on its own merits, so on a
10 self-funded basis, and for the time that I have been
11 with the -- the Corporation, we focus on making sure
12 that we are -- we use fiscal prudence and we can
13 maintain stable rates. So, that is what I can answer
14 to that question.

15 DR. BYRON WILLIAMS: Perhaps my
16 question was unclear, sir. Your sole shareholder is
17 the government of Manitoba. Agreed?

18 MR. ERIC HERBELIN: Yes.

19 DR. BYRON WILLIAMS: And to the extent
20 that Manitoba Public Insurance has concerns about
21 developments in the insurance marketplace, it can
22 always go to its sole shareholder and seek legislative
23 change. Agreed?

24 MR. ERIC HERBELIN: I don't know that
25 we can seek legislative -- changes --

1 DR. BYRON WILLIAMS: Recommend?

2 MR. ERIC HERBELIN: We -- we can
3 share experiences in terms of operating and market
4 developments and it is governments and its own -- and
5 its own -- its own merits to think and evolve and
6 justify any potential changes they would like to
7 suggest and eventually make, following the legislative
8 process.

9 DR. BYRON WILLIAMS: Okay. Thank you.

10 Sir, I -- I want to keep my focus on
11 Basic and Extension, leave aside special risk
12 Extension, okay? We're not talking about that.

13 Focusing on Basic and Extension, your
14 auto insurance product is pretty simple. Agreed?

15 MR. ERIC HERBELIN: Do you mean simple
16 -- I mean -- maybe, if you can help me understand what
17 you mean by 'simple'. I think there are different
18 ways to look at it.

19 DR. BYRON WILLIAMS: Okay. First of
20 all, the compulsory product, the terms of your product
21 are set out in the Act in legislation. Agreed?

22 MR. ERIC HERBELIN: Agreed.

23 DR. BYRON WILLIAMS: Similarly, the
24 Extension product is set out in the Act in regulation.
25 Agreed?

1 MR. ERIC HERBELIN: Agreed.

2 DR. BYRON WILLIAMS: So, you're not
3 out there, in a competitive marketplace, trying to
4 fine-tune the products that you're offering. That's
5 set out in the Act in regulation. Agreed?

6 MR. ERIC HERBELIN: Broadly speaking,
7 agree.

8 DR. BYRON WILLIAMS: And going to our
9 friends, the brokers, for a purchaser of Basic or
10 Extension insurance, it's really just a few simple
11 questions and just a click of the keyboard or mouse to
12 renew one's insurance. Agreed, sir?

13 MR. ERIC HERBELIN: Well, when I go to
14 the broker myself, the simple case that you seem to be
15 defining, actually take a -- quite a -- quite some
16 time. So, it may appear as simple, but it -- it is
17 taking time, because there is a lot of information
18 that needs to be fed into a system.

19 DR. BYRON WILLIAMS: So, you think
20 this is a complex process of renewal, is that what
21 you're suggesting, sir?

22 MR. ERIC HERBELIN: I -- I have not
23 suggested this is a complex process, but it is the
24 more you look at the process and the details, the more
25 complicated and cumbersome it becomes. So, what may

1 appear as a simple product, is actually composed of
2 many different moving parts.

3 DR. BYRON WILLIAMS: And -- and you'll
4 agree with me from the ratepayer perspective, it
5 appears as if it's a simple product. Agreed?

6 MR. ERIC HERBELIN: It should appear
7 as a simple product.

8 DR. BYRON WILLIAMS: And the choices
9 are fairly simple, all purpose versus pleasure; that's
10 one choice consumers might -- might make. Agreed?

11 MR. ERIC HERBELIN: I would agree, for
12 the most part, yeah.

13 DR. BYRON WILLIAMS: Another simple
14 choice is the level of deductible. Agreed?

15 MR. ERIC HERBELIN: Agree.

16 DR. BYRON WILLIAMS: And another
17 simple choice is the level of third party liability.

18 MR. ERIC HERBELIN: I agree. Even
19 though, you know, customers often times don't really
20 understand the choices that they shall make in terms
21 of deductibles or third party liability, just because
22 they are not being exposed to these choices on a
23 regular basis.

24 DR. BYRON WILLIAMS: So, sir, at a
25 high level, you offer a monopoly product that's been

1 in existence for roughly 50 years. Agreed?

2 MR. ERIC HERBELIN: Agreed.

3 DR. BYRON WILLIAMS: And, it's changed
4 relatively little over that period -- point -- period
5 of time, fair enough?

6 MR. ERIC HERBELIN: The -- yeah,
7 there's been a -- a couple of important changes, such
8 as the introduction of -- yeah, PIPP coverage, but
9 other than that, broadly speaking, I would agree.

10 DR. BYRON WILLIAMS: Thank you for
11 that helpful answer -- that -- and a fair answer and,
12 sir, just PIPP is one of those examples of which we
13 were speaking of previously, where there was an -- a
14 risk in the marketplace, and the government responded
15 to that risk by introducing the Personal Injury
16 Protection Plan, agreed?

17 MR. ERIC HERBELIN: Agreed.

18 DR. BYRON WILLIAMS: I don't think you
19 need this, sir, but out of an abundance of caution,
20 I'm going to ask Ms. Schubert to pull up PUB 1-28 and
21 response A is fine.

22 Mr. Herbelin, and -- and, if I do
23 mispronounce your name, you're going to correct me, of
24 course. You are familiar, or MPI is familiar, with
25 the CI (sic) index score developed by Forrester

1 Research?

2 MR. ERIC HERBELIN: Yes.

3 DR. BYRON WILLIAMS: And it's your
4 understanding that it provides an indication of
5 overall customer experience? Agreed?

6 MR. ERIC HERBELIN: Agreed.

7 DR. BYRON WILLIAMS: And MPI uses this
8 CX index score to provide an indication of overall
9 customer experience? Correct? And, if we can just
10 turn to -- to the third paragraph on the second page.

11 Mr. Herbelin, third and fourth
12 paragraphs I guess. First of all, under the Forrester
13 index, good is a score of 70 or -- or greater?
14 Agreed?

15 MR. ERIC HERBELIN: Agreed.

16 DR. BYRON WILLIAMS: And your most
17 recent score under this index was 76.8? Correct?

18 MR. ERIC HERBELIN: Correct.

19 DR. BYRON WILLIAMS: And, over the
20 last four years, MPI's score has ranged from 76.8 to
21 80.5? Would that be fair, sir?

22 MR. ERIC HERBELIN: Yes.

23 DR. BYRON WILLIAMS: So, you've been
24 scoring in the -- in the good range and, sometimes,
25 right on the margin -- margin of the excellent range?

1 Would that be fair, sir?

2 MR. ERIC HERBELIN: Yes.

3 DR. BYRON WILLIAMS: And, sir, would
4 it be fair to say that, in comparison, the overall
5 home and auto industry score is in the ok -- okay
6 range, being a -- and being a couple of points below
7 70, sir?

8 MR. ERIC HERBELIN: I don't know that.

9 DR. BYRON WILLIAMS: Sir, just, if --
10 if you look at the last sec -- paragraph on the second
11 full -- second full paragraph, on page 2. Ms.
12 Schubert, yeah. In comp, no, if you could go up the
13 page a little bit.

14 In comparison, the overall home and
15 auto industry score is in -- in the okay range. Do
16 you see that, sir?

17 MR. ERIC HERBELIN: I suppose so.
18 Yeah.

19 DR. BYRON WILLIAMS: You accept this
20 answer, prepared by your corporation, sir?

21 MR. ERIC HERBELIN: Absolutely.

22 DR. BYRON WILLIAMS: Sir, if - if --
23 if I recall correctly, from your evidence of last
24 year, among your many academic credentials is an MBA
25 from the Int -- International Institute for Management

1 Development? Is that correct, sir?

2 MR. ERIC HERBELIN: That is correct.

3 DR. BYRON WILLIAMS: And, sir, by
4 virtue of your leadership role at MPI, it is incumbent
5 upon you to have a general sense of developments in
6 the Manitoba, Canadian, and global marketplace.

7 Would that be fair?

8 MR. ERIC HERBELIN: Yes.

9 DR. BYRON WILLIAMS: And, certainly,
10 with regard to developments, such as inflation,
11 interest rates, and financial markets, you have to be
12 generally on top of what's going on in the world?
13 Agreed, sir?

14 MR. ERIC HERBELIN: Agreed.

15 DR. BYRON WILLIAMS: And, sir, you --
16 you would agree that the COVID-19 pandemic impacted
17 the economy, locally and globally, in many ways.
18 Agreed?

19 MR. ERIC HERBELIN: Agreed.

20 DR. BYRON WILLIAMS: And one of those
21 ways was unprecedented disruptions in supply chains?
22 Correct?

23 MR. ERIC HERBELIN: Correct.

24 DR. BYRON WILLIAMS: And you're also
25 aware, at a high level, sir, that many nations,

1 including Canada, responded to the COVID-19 crisis
2 with significant fiscal and monetary stimulus?
3 Agreed?

4 MR. ERIC HERBELIN: Agreed.

5 DR. BYRON WILLIAMS: And, of course,
6 sir, in February of 2022, we saw an -- another
7 significant disruption in the -- in the world order,
8 with the invasion of Ukraine? Correct?

9 MR. ERIC HERBELIN: It is correct and,
10 in that same months, we also returned \$312 million to
11 Manitobans.

12 DR. BYRON WILLIAMS: Yes. Thank you
13 for that. And in terms of the disruption from the --
14 from the war in Ukraine, that has had negative impacts
15 on global commodity, food and energy markets. Agreed,
16 sir?

17 MR. ERIC HERBELIN: Agreed.

18 DR. BYRON WILLIAMS: And, so, sir,
19 when we look at where we are today, with ongoing
20 supply chain problems, fiscal and monetary stimulus,
21 and what's been going on in Ukraine, it's fair to say
22 that inflation has really started to surge in -- in
23 Manitoba, Canada, and worldwide?

24 MR. ERIC HERBELIN: That is absolutely
25 true. We see that from the Canada Statistics numbers

1 that are published on a monthly basis.

2 DR. BYRON WILLIAMS: And, as we sit
3 here today, inflation is an ever-present business risk
4 for Manitoba Public Insurance? Correct?

5 MR. ERIC HERBELIN: Inflation has an
6 impact on a number of aspects of the Corporation, one
7 being our operating expenses and our wages; one being
8 on the cost of physical damage claims that are short-
9 tail, you know, rather shor -- immediate in nature.
10 More importantly, inflation really has an impact on
11 those PIPP benefits that are being subject to
12 indexation.

13 DR. BYRON WILLIAMS: And, of course,
14 that's why, going forward, when you're looking at the
15 design of your investment portfolio, you want to be
16 alive to -- to the real risks of inflation. Agreed?

17 MR. ERIC HERBELIN: Yeah. We -- we
18 have been alive and we want to continue on that for
19 sure.

20 DR. BYRON WILLIAMS: Taking off your
21 CEO hat, your Chief Executive Officer hat, for a
22 second and putting on your person hat, as a resident
23 of Manitoba, you're also aware that inflation is
24 hitting Manitobans hard in terms of stresses on their
25 ability to purchase important goods and services?

1 MR. ERIC HERBELIN: It affects me
2 personally as well.

3 DR. BYRON WILLIAMS: And you're aware
4 that it's affecting Manitobans as well, sir?

5 MR. ERIC HERBELIN: Absolutely.

6 DR. BYRON WILLIAMS: And you're also
7 aware that interest rates have been rising. Agreed?

8 MR. ERIC HERBELIN: I am.

9 DR. BYRON WILLIAMS: And, of course,
10 putting on your person hat, you can understand how
11 that would have adverse and significant impacts on
12 Manitobans dealing with mortgages or looking at big
13 purchases?

14 MR. ERIC HERBELIN: I can tell you my
15 mortgage payments have increased as well. So, I know
16 and I understand very well. We're all in the same
17 boat here.

18 DR. BYRON WILLIAMS: Okay, and you
19 already spoke this morning of significant volatility
20 in the financial markets. Do you recall that, sir?

21 MR. ERIC HERBELIN: We -- I recall and
22 we have observed that over the last couple of weeks
23 and months for sure.

24 DR. BYRON WILLIAMS: And you recognize
25 that, for other Manitobans, it will be difficult and

1 stressful upon those Manitobans who rely upon
2 investments for income. Agreed, sir?

3 MR. ERIC HERBELIN: We can all agree
4 to that. I think it's probably true but that is --
5 these are unusual circumstances.

6 DR. BYRON WILLIAMS: Okay. Sir, thank
7 -- and thank you for that careful answer. It would be
8 fair to say that the intersecting and intertwined
9 impacts of inflation, rising interest rates, and
10 volatile financial markets are putting significant
11 stresses on many Manitobans. Agreed?

12 MR. ERIC HERBELIN: We have these
13 stresses on -- on all Manitobans during the
14 pandemic. Certainly before, it is a -- a financial
15 stress for sure. Again, I think this is something
16 that is very unfortunate and affecting us all.

17 DR. BYRON WILLIAMS: And you'd agree
18 these are extraordinary times?

19 MR. ERIC HERBELIN: I was not -- I was
20 -- I was already born but I -- I did not experience,
21 you know, the stresses that happened in the mid '70s.
22 This is -- we live in a -- in a dynamic world with a
23 lot of different moving parts. For sure, there's a
24 lot going on right now and this may cause concern to a
25 number of --

1 DR. BYRON WILLIAMS: Thank you for
2 that. I wonder if we can turn up the Corporation's
3 response to PUB-MPI 1-4 and, in -- in particular, if
4 you can just stay on this page for a minute. Sir --
5 actually, Ms. Schubert, I wonder if you can turn to
6 page 1 of 5 of the Appendix, please?

7 Mr. Herbelin, at a high level, in terms
8 of the impact of this rate application on Manitobans,
9 you'll agree that there -- there are impacts of a --
10 on average, the proposed rate decrease of 0.1 percent,
11 sir? That's one (1) of the things that will be
12 affecting all Manitobans?

13 MR. ERIC HERBELIN: Yes.

14 DR. BYRON WILLIAMS: And, sir, you
15 also understand that there is the removal of the 5
16 percent capital release provision, agreed?

17 MR. ERIC HERBELIN: Which we requested
18 to be removed in the previous year, so I'm -- I'm
19 aware of that, but I'm also aware of the fact that,
20 from a timing perspective, we would have preferred
21 this to happen earlier on.

22 DR. BYRON WILLIAMS: Okay. And, sir -
23 - so to the extent on one hand Manitobans will be
24 experiencing a very modest overall average rate
25 decrease, on the other side they're seeing the

1 disappearance of the 5 percent capital release from
2 their rates, right?

3 MR. ERIC HERBELIN: And again, to --
4 to that point, our request was that this would be
5 removed in -- in the previous rate decision. As a
6 matter of fact, also, it is important to note that
7 capital release as such is just another form of
8 returning capital. An alternative to that are
9 rebates.

10 When we look at the rate-setting
11 mechanism using accepted actuarial practices, really
12 the -- the rating and the pricing is done on an AAP,
13 Actual -- Actuarially Accepted Practice, basis. The
14 release provision has nothing to do with it.

15 DR. BYRON WILLIAMS: Except for
16 ultimately we want to understand what will be
17 happening to Manitobans in terms of the rates they
18 pay, agreed, sir?

19 MR. ERIC HERBELIN: I agree, and the
20 way Manitobans should feel their financial -- of
21 impact means of paying premium should really be as if
22 the 5 percent capital release provision was removed a
23 year ago already, and we would not have that
24 discussion today.

25 DR. BYRON WILLIAMS: That -- you're

1 telling Manitobans how they should feel, is that what
2 you're saying, sir?

3 MR. ERIC HERBELIN: I'm just trying to
4 distinguish the effects of a request of reducing rates
5 on average by 0.1 percent versus a mechanism that is
6 aimed at returning capital that has been continued for
7 another year. And on -- you know, I think we provided
8 certainly the indication that this capital release
9 provision is not sustainable because it's not built in
10 the rate; it's simply returning capital. It would
11 have to be removed at some point in time, and that may
12 be the timing of which was a good timing last year.

13 The effects will be felt differently if
14 this capital release provision is removed this year,
15 but eventually it will have to be removed at some
16 point as it is basically eating capital and it is not
17 building a sustainable rate.

18 DR. BYRON WILLIAMS: And you're asking
19 for it to be released for -- in the context of this
20 General Rate Application?

21 MR. ERIC HERBELIN: We are asking for
22 it not to be maintained.

23 DR. BYRON WILLIAMS: Yes. And you
24 understand, sir, that what Figure 1 and Figure 2 are
25 trying to show is the effects of two (2) different

1 things, namely the -- the modest proposed rate
2 decrease as well as the removal of the capital release
3 provision? You understand that, sir?

4 MR. ERIC HERBELIN: I do.

5 DR. BYRON WILLIAMS: And, sir, when we
6 look at PUB-MPI 1-4, of course this was be -- this was
7 prepared, you'll understand, at the time when the
8 Corporation was seeking a 0.9 percent rate decrease
9 rather than a 0.1 percent rate decrease, agreed?

10 MR. ERIC HERBELIN: Agreed.

11 DR. BYRON WILLIAMS: So this will tend
12 to understate the adverse combined effects of the rate
13 decrease and the loss of the capital release
14 provision, agreed?

15 MR. ERIC HERBELIN: Agreed.

16 DR. BYRON WILLIAMS: So, sir, if we
17 look at Figure 2, and directing your attention to
18 lines 8 through 11, what that is telling us, if we sum
19 the 25.5 percent from line 8, the 18.4 percent from
20 line 9, and the 1.5 percent from line 10, that is
21 telling us that around 45 percent of Manitobans will
22 be paying more than 5 percent more as a result of this
23 rate application.

24 Would that be how you'd interpret this,
25 sir?

1 MR. ERIC HERBELIN: Looking at those
2 lines, certainly. I'm also seeing a number of
3 Manitobans in that proportion that will experience a
4 rate decrease. So I think, you know, we are here to
5 request an overall average rate decrease of zero point
6 one (0.1).

7 Obviously, as we distribute that --
8 distribute that through the portfolio, there's always
9 a number of individuals or policies that will be
10 affected positively or negatively, and it has to be
11 distributed across the book.

12 DR. BYRON WILLIAMS: And just so I'm
13 clear, focussing on lines 8 through 10, you'll agree
14 that 45 percent of vehicles will increase --
15 experience an increase of 5 percent or more, agreed?

16 MR. ERIC HERBELIN: This is what the
17 table seems to be saying.

18 DR. BYRON WILLIAMS: And if we go just
19 to line 7, we see that there's another 18.3 percent,
20 or two hundred and twenty-five thousand (225,000)
21 vehicles, that will be experiencing an increase in
22 rates of less than 5 percent, agreed?

23 MR. ERIC HERBELIN: Agreed.

24 DR. BYRON WILLIAMS: And, sir, you
25 spoke of those who would be experiencing a percent --

1 or a rate decrease, and that would be looking at lines
2 5, 4, and -- and up on -- on Figure 2, around 22 to 23
3 percent. Would that be right, sir?

4 Though as we learned from Figure 2,
5 there'll be a lot more Manitobans experiencing a rate
6 increase than a -- than a decrease ultimately, sir.

7 MR. ERIC HERBELIN: I wouldn't put it
8 that way. Okay. You have to qualify what 'rate'
9 means, and --

10 DR. BYRON WILLIAMS: When we look at -
11 - let me try it again, and thank you for correcting
12 the imprecision of my question.

13 When we look at the combined effect of
14 the -- in this case, the 0.9 percent rate decrease and
15 the loss of the 5 percent capital release, many
16 Manitobans will be paying more this year than less.

17 MR. ERIC HERBELIN: And I would
18 restate the fact that MPI specifically requested for
19 the capital release provision to be abandoned last
20 year such that we don't have this discussion this
21 year.

22 DR. BYRON WILLIAMS: Sir, if you can
23 go up to Figure 1 just for a second, and focussing on
24 those who will experience increases of fifty dollars
25 (\$50) or more, so directing your attention to lines 11

1 through 15 of Figure 1, would you accept, subject to
2 the check of my math, that over four hundred and forty
3 thousand (440,000) vehicles will experience rate
4 increases of fifty (\$50) or more if we're looking at
5 the combined effects of the rate decrease and the loss
6 of the capital release?

7 MR. ERIC HERBELIN: I wouldn't --
8 wouldn't put that in -- in this way. I think what it
9 will do eventually is that a number of Manitobans will
10 no longer benefit from a release on their premium, but
11 they will basically go back to a level of actuarially
12 accepted rating mechanism.

13 So rather than an increase, it's the
14 removal of a discount or a decrease that was temporary
15 in nature.

16 DR. BYRON WILLIAMS: Sir, when every -
17 - everyday Manitobans go to look at their vehicle
18 insurance, over four hundred and forty thousand
19 (440,000) of them will be looking at vehicle increases
20 of more than fifty dollars (\$50) as a result of this
21 application, agreed?

22 MR. ERIC HERBELIN: No, I don't --
23 well, you should look at it in a different way, from
24 my perspective. What happened two (2) years ago is
25 that a number of Manitobans -- and we'll have to come

1 back to the number to be precise -- actually realized
2 and experienced a decrease on -- on their renewal
3 assessments. This was temporary in nature. It's not
4 built in the rate. It's a separate line -- line item
5 on the invoice.

6 And that is a way for us to rebate in -
7 - in a different format in using a -- a release of the
8 capital on -- on the -- on the invoice of Manitobans
9 that are beneficiary of this capital release
10 provision.

11 DR. BYRON WILLIAMS: Thank you for
12 your answer.

13 Ms. Schubert, I'm not going to call it
14 up yet, but the next -- next item up will be part 5
15 expenses, page 21 of 70, Figure 11.

16 Mr. Herbelin, in terms of the timing of
17 COVID-19, the pandemic emergency was declared on or
18 about March of 2020, agreed?

19 MR. ERIC HERBELIN: Yes.

20 DR. BYRON WILLIAMS: So it came in at
21 the tail end of Manitoba Public Insurance's 2019/'20
22 year, right?

23 MR. ERIC HERBELIN: That's correct.

24 DR. BYRON WILLIAMS: And you would
25 agree that in part driven by COVID-19 impacts and

1 people driving less, the Corporation experienced
2 significantly lower claims in the 2020 to '21 year.
3 Agreed?

4 MR. ERIC HERBELIN: Agreed.

5 DR. BYRON WILLIAMS: And similarly,
6 the Corporation experienced significantly lower claims
7 in the '21 to '22 year in -- in significant part, due
8 to COVID impacts, agreed?

9 MR. ERIC HERBELIN: Agreed.

10 DR. BYRON WILLIAMS: And when we look
11 -- and when the Corporation looks to 2023/'24, it is
12 still projecting a lower claims volume than it might
13 otherwise have expected because of the phenomena of
14 more people working at home, agreed?

15 MR. ERIC HERBELIN: I think I get your
16 idea; but not quite. I think it's not the amount, but
17 we expect a lower claims frequency on certain aspects
18 of the coverage, including collisions.

19 DR. BYRON WILLIAMS: In effect, going
20 into the future, you're still expecting a lower claims
21 frequency, all other things being equal, due to more
22 people working at home, agreed?

23 MR. ERIC HERBELIN: I agree.

24 DR. BYRON WILLIAMS: And you're
25 experiencing that, of course, with your own work force

1 where as many as fifteen hundred (1,500) of your full-
2 time equivalents are -- are experiencing some sort of
3 work environment where they do some of their work from
4 home, agreed?

5 MR. ERIC HERBELIN: Can you --

6 DR. BYRON WILLIAMS: That's okay, sir.
7 That wasn't a very well asked question. And it wasn't
8 that helpful, so we'll...

9 Sir, you recognize this figure which
10 will be normal operation staffing or full-time
11 equivalent? Do -- do you recognize this table, sir?

12 MR. ERIC HERBELIN: I'm looking at it.

13

14 (BRIEF PAUSE)

15

16 MR. ERIC HERBELIN: Yeah.

17 DR. BYRON WILLIAMS: And, sir, I'll
18 suggest what this Figure 11 attempts to do is look at
19 the various fiscal years and look at the actual full-
20 time equivalents as well as the budget full-time
21 equivalents for those particular years, agreed?

22 MR. ERIC HERBELIN: Agreed.

23 DR. BYRON WILLIAMS: And the years are
24 from 2017/'18 out to 2026/'27, correct?

25 MR. ERIC HERBELIN: Correct.

1 DR. BYRON WILLIAMS: And, sir, if --
2 for the 2022/'23 year we only have your budget
3 figures, agreed?

4 MR. ERIC HERBELIN: Agreed.

5 DR. BYRON WILLIAMS: And if we took
6 that budget figure for 2022/'23 of 1,995.2 full-time
7 equivalents, you'll agree, sir, that that would be
8 about fifty-six (56) more than the results in '21/'22,
9 agreed?

10 MR. ERIC HERBELIN: Yeah, agreed.

11 DR. BYRON WILLIAMS: And, sir, if we
12 took that one thousand nine hundred and fifty (1,950)
13 -- excuse me, let me try that again.

14 If we took that budget figure for
15 '22/'23 of nineteen ninety-five point two (1,995.2)
16 and compared it to the pre-COVID year of 2019/'20 of
17 one thousand nine hundred and eleven (1,911), you'll
18 have about eighty-four (84) more full-time equivalents
19 budgeted in '22/'23 than in '19/'20.

20 Would that be correct, sir?

21 MR. ERIC HERBELIN: That would be
22 correct, but you would have to put that in
23 perspectives with changes in the business; increased
24 insured vehicles, but also all the work that we
25 described that is going on in terms of concerning the

1 Corporation.

2 DR. BYRON WILLIAMS: And we'll
3 certainly put that into perspective tomorrow, sir.
4 But you're -- you're agreeing with my math?

5 MR. ERIC HERBELIN: Well, I'm just
6 looking at the evidence so it's not difficult to
7 disagree, but I think it's important to add context.

8 DR. BYRON WILLIAMS: And, sir, if we
9 looked at the budgeted figures for the test -- for the
10 2023/'24 year, you'll agree that's two thousand and
11 thirty-seven point seven (2,037.7), correct, sir?

12 MR. ERIC HERBELIN: That's what I'm
13 seeing here, yes.

14 DR. BYRON WILLIAMS: And subject to
15 check, you'll agree that that is ninety-eight point
16 seven (98.7) more full-time equivalents than budgeted
17 in the '21/'22 year?

18 MR. ERIC HERBELIN: Maybe a little bit
19 more, a little bit less. I don't know. Yeah, you're
20 -- subject to check. I don't do the math right away.

21 DR. BYRON WILLIAMS: And, sir,
22 similarly, if I took that -- the budget figure for the
23 '23/'24 year of two thousand thirty-seven point seven
24 (2,037.7) and compared it to the budget year for
25 2019/'20 of one thousand nine hundred and eleven

1 (1,911), you'd agree that you're budgeting one hundred
2 and twenty-six point six (126.6) more full-time
3 equivalents than the pre-COVID year, agreed, sir?

4 MR. ERIC HERBELIN: That's what the
5 numbers are telling us, but, again, we need to put
6 context here. And there are reasons for that that are
7 absolutely justified in our opinion in maintaining
8 fiscal prudence.

9 We are in -- as I explained this
10 morning, in a -- in a time at MPI where we can't
11 simply just operate the business as was done in the
12 years 2019 and -- and before that. We are in a time
13 of renewal where a lot of things need to be fixed at
14 MPI for MPI to continue to operate successfully in the
15 decades to come.

16 DR. BYRON WILLIAMS: Thank you, Mr.
17 Herbelin. And for the purposes of assisting my
18 clients, in determining your staff levels and normal
19 operation budgets for Manitoba Public Insurance, does
20 your monopoly operate on annual budgets or multi-year
21 budgets?

22 MR. ERIC HERBELIN: I'm not sure to
23 exactly understand the point you want to make here.

24 MR. STEVE SCARFONE: I -- I think what
25 Mr. -- it might be a better question for the corporate

1 controller.

2 DR. BYRON WILLIAMS: No, I don't. No,
3 I don't because I think this is just fine for...

4

5 CONTINUED BY DR. BYRON WILLIAMS:

6 DR. BYRON WILLIAMS: Sir, you have an
7 MBA, right?

8 MR. ERIC HERBELIN: Yes.

9 DR. BYRON WILLIAMS: Okay. When
10 you're planning in terms of equivalent full-times and
11 your normal operating budgets for Manitoba Public
12 Insurance, are you working on an annual budget or a
13 multi-year budget?

14 MR. STEVE SCARFONE: The same
15 objection. We'll have the Board decide whether it's
16 an appropriate question for this witness because we
17 have a corporate controller who does all of the
18 budgetary work for the Corporation. I think better
19 suited to have that person answer the question than
20 Mr. Herbelin. But we'll have the Board decide on
21 that.

22 DR. BYRON WILLIAMS: In -- in terms of
23 the ability of this witness to answer this question,
24 this is a basic, high-level, top-down budgeting
25 function, Madam Chair. It's not highly technical.

1 It's pretty much the most basic of budgeting
2 questions: Do you work on an annual budget or an --
3 or a multi-year budget.

4 MR. STEVE SCARFONE: And that -- that
5 --

6 DR. BYRON WILLIAMS: Let me try -- Mr.
7 Herbelin, you're unable to answer that question?

8 MR. ERIC HERBELIN: No. It's just --

9 MR. STEVE SCARFONE: But we've
10 objected to that question.

11 DR. BYRON WILLIAMS: Okay.

12 MR. STEVE SCARFONE: And we want to --
13 we'd like the Board to decide because what you think
14 might be a basic question, Mr. Williams, may not be.

15 THE CHAIRPERSON: Thank you. I think
16 that, to the extent that he can, Mr. Herbelin should
17 answer that question.

18 MR. ERIC HERBELIN: So, my hesitancy
19 is that we do both, Mr. Williams. It all depends what
20 question you try to answer. This is why I asked you
21 what is the point you want to make.

22

23 CONTINUED BY DR. BYRON WILLIAMS:

24 DR. BYRON WILLIAMS: Sir, do you
25 develop budgetary guidelines from the top down for the

1 purposes of staffing and normal operation budgets at
2 Manitoba Public Insurance?

3 MR. ERIC HERBELIN: We have a process
4 that goes through a series of steps -- and I think the
5 panel will be more appropriate to provide you the
6 details -- where we first look at what is it that we
7 need to achieve as a corporation, what are the
8 strategy initiatives that we need to tackle, what are
9 the means from a broad perspective. This is a top-
10 down process, Mr. Williams.

11 Then, from there, we have a bottom-up
12 processing that each of the departments are planning
13 their resources, and the two (2) are being compared,
14 discussed, challenged, in order to come to what is the
15 selection of FTE and budgets and investment that we
16 are making. So it's a lengthy process.

17 DR. BYRON WILLIAMS: Thank you. And,
18 sir, in terms of the top-down element of that process,
19 would you have issued budget operation guidelines for
20 the 2022 and '23 fiscal year?

21 MR. ERIC HERBELIN: I think the panel
22 would be in a better position to answer those details,
23 Mr. Williams.

24 DR. BYRON WILLIAMS: Okay. And so,
25 you're not familiar whether at the executive level you

1 issued budget operation guidelines, just so I
2 understand, sir.

3 MR. ERIC HERBELIN: Mr. Williams, we
4 have a very detailed process with all sorts of
5 guidelines and policies as to how budgeting process
6 work. I just don't want to comment that in detail
7 here.

8 I think the --

9 MR. BYRON WILLIAMS: I'll defer that
10 to --

11 MR. ERIC HERBELIN: -- experts on the
12 panel will be --

13 MR. BYRON WILLIAMS: But, sir, let me
14 try this in a different way. We agreed previously
15 that these are extraordinary times.

16 As the Chief Executive Officer of the
17 Corporation, did you issue any extraordinary
18 directives looking at the '22/'23 year or the '23/'24
19 year? Did you, for example, say, Keep your EFT level
20 -- your full-time equivalent level -- excuse me -- at
21 pre-COVID levels? Did you issue any such
22 extraordinary directives?

23 MR. ERIC HERBELIN: Mr. Williams, in
24 terms of managing the Corporation, we look at a number
25 of factors.

1 First of all, the pure day-to-day
2 operational work. Where are we and what environment,
3 what is changing, are we entering a pandemic, are we
4 getting out of a pandemic, what are challenges ahead
5 of us?

6 Second, we look at, from a
7 transformation perspective, what is it that we need to
8 achieve, what is it that we want to achieve in the
9 next fiscal and the following fiscal?

10 Based on all this information, the
11 executive team and the broader leadership team are
12 basically issuing their plans and requesting resources
13 to address those gaps and fix those gaps.

14 Those are eventually challenged. They
15 are synthesized and, at the end of the day, they are
16 being brought forward to our audit and finance Board
17 committee and our Board of Directors for approval.

18 Eventually, also, we are presenting
19 those numbers to treasury boards, and treasury board
20 is giving us the go ahead at the end of the day.

21 DR. BYRON WILLIAMS: And, sir, my last
22 question on this point, just because I'm not sure I
23 got an answer to my previous question.

24 Did you issue any guidelines with
25 regard to the '22/'23 year or the '23/'24 year

1 seeking, for example, to limit full-time equivalents
2 to pre -- pre-COVID-19 levels?

3 MR. ERIC HERBELIN: As I just
4 described, Mr. Williams --

5 DR. BYRON WILLIAMS: That's --

6 MR. ERIC HERBELIN: -- we have a
7 process. And this is not just the way -- the way you
8 describe it is just not the way it works.

9 DR. BYRON WILLIAMS: Thank you. Mr.
10 Herbelin, you recall your discussion with my learned
11 friend, Ms. McCandless, about Project Nova?

12 MR. ERIC HERBELIN: Yes.

13 DR. BYRON WILLIAMS: And in the course
14 of that conversation, you referenced focus groups,
15 pre-COVID and post-COVID, that tested the perspectives
16 on participants in terms of their desire to do online
17 -- online transactions.

18 Do you recall that conversation, sir?

19 MR. ERIC HERBELIN: Yes.

20 DR. BYRON WILLIAMS: And, sir, I
21 thought you were on the verge of offering to share the
22 results of those focus groups.

23 And I -- I -- I wonder if, by way of
24 undertaking, you would be prepared to share the survey
25 questions and responses with regard to testing the

1 attitudes of Manitobans towards online transactions
2 that MPI has undertaken within the context of Project
3 Nova?

4 MR. STEVE SCARFONE: And so, you're
5 right, Mr. Williams. I thought that that undertaking
6 was forthcoming from Board counsel, but it wasn't.

7 I think -- I would have thought that
8 may have been -- already been the application, but I
9 expect, by your question, it was not. So let the --
10 let the Corporation, if you can, take that under
11 advisement. I want to speak to the business unit to
12 see if there's anything in that particular survey
13 that's of concern to them.

14 But subject to that, we would make that
15 undertaking.

16

17 --- UNDERTAKING NO. 1: MPI to share the survey
18 questions and responses
19 with regard to testing the
20 attitudes of Manitobans
21 towards online
22 transactions. (TAKEN UNDER
23 ADVISEMENT)

24

25

1 CONTINUED BY DR. BYRON WILLIAMS:

2 DR. BYRON WILLIAMS: Okay. And -- and
3 I thank you. And I think it's a very fair response.

4 And I do recall seeing material like
5 that in -- in prior years. I -- I'm not familiar with
6 it in this Application, but I trust your people far
7 more than I trust my person.

8 Mr. Herbelin, in preparing to make
9 these important decisions you're making on Project
10 Nova, would you have examined the experiences of
11 Manitoba Public Insurance with the Physical Damage Re-
12 engineering Project?

13 MR. ERIC HERBELIN: I -- I think my
14 team has. Personally, I -- I haven't because I -- I
15 joined after the NOVA decisions and start of the
16 program were made. But I believe that members of the
17 MPI crew would have that and done that.

18 DR. BYRON WILLIAMS: So you're not
19 familiar whether or not -- I just wonder -- we've got
20 a bit of background noise here. It's not me. Okay.

21 My apologies, Mr. Herbelin, for the --
22 for my interrupting.

23 You're not familiar with whether or not
24 the Physical Damage Re-engineering Project was also
25 described as a once-in-a-lifetime or once-in-a-

1 generation project?

2 MR. ERIC HERBELIN: I am personally
3 not aware of that. I'm not saying that it might not
4 be the case, but I just don't know.

5 DR. BYRON WILLIAMS: And, sir, in
6 preparing for these important decisions about Project
7 Nova, would you have taken any opportunity to examine
8 the experience of Canada's banks with, for example,
9 programming languages, such as COBOL, C-O-B-O-L?

10 Is that anything you would have
11 familiarized yourself with, sir?

12 MR. ERIC HERBELIN: I mean, in -- in
13 terms of Project Nova, I'm very familiar with the --
14 some elements of -- of NOVA. So -- so let me just
15 open just a bracket here.

16 NOVA is replacing, of course, for the
17 insurance business, as well as the driver and vehicle
18 administration business.

19 And so, I have worked for over thirty
20 (30) years in the insurance industry. I've been part
21 of transformation programs -- maybe not of the same
22 size and complexity of NOVA, but I've also interacted
23 with a lot of former colleagues and peers in the
24 industry who have done so. And so I'm quite familiar
25 with the implementations of softwares like GuideWire

1 or Duck Creek and what they entail.

2 And so, those are -- also can be
3 experiences and -- and learnings that have flowed into
4 reflections in terms of how we go about NOVA, knowing
5 that NOVA is a bit more complex as we also have a DVA
6 component to that.

7 DR. BYRON WILLIAMS: My question was
8 probably poorly worded. So let's -- I'm just asking,
9 would you have explored -- in -- in preparing to look
10 at Project Nova and all these important decisions,
11 would you have explored the experience of the Canadian
12 banking industry with the legacy programming language
13 of COBOL, C-O-B-O-L? If not, that's fine, sir. I
14 just want to understand.

15 MR. ERIC HERBELIN: I was not involved
16 in the preparatory work for -- for NOVA. It happened
17 all before I arrived.

18 DR. BYRON WILLIAMS: And, sir, we're
19 going to leave the details of Project Nova to the
20 technological -- your CTO and CIO.

21 But it is fair to say that there has
22 been a significant deterioration in the business case
23 between the 2021 re-baseline and the 2022 re-baseline,
24 agreed?

25 MR. STEVE SCARFONE: In terms of net

1 present value?

2 DR. BYRON WILLIAMS: I said "business
3 case." I -- if you want to go NPV, that's fine too.

4 MR. ERIC HERBELIN: Yeah, I think this
5 is a fair -- fair description.

6 Having said that -- and, again, if --
7 if MPI had known a bit better earlier, in terms of
8 what it would be and what it should be, I think we --
9 we would probably have a bit of a -- a different
10 perspective on things.

11 If -- if MPI would have come up right
12 away and say it's going to cost 300 million and take
13 five (5) plus years, we just don't have more details,
14 but this is what we need to do and it makes sense, we
15 would be where we are today.

16 So based on just the history and the
17 learning, I agree that the business case has
18 deteriorated. But as I said this morning, for the
19 most part of -- of NOVA is really about replacing the
20 -- the core technology, the backing systems, that are
21 core and key to the success and the continued success
22 and survival of MPI. NPV is not the right measure.
23 Business case is not the right way to look at it.

24

25 CONTINUED BY DR. BYRON WILLIAMS:

1 MR. BYRON WILLIAMS: Okay. And we
2 have your -- that point from this morning, sir.

3 But just in terms of NPV -- net present
4 value -- it would be accurate to say that there was a
5 \$206 million deterioration in the net present value
6 from the expectations at the time of the 2021 re-
7 baseline?

8 MR. ERIC HERBELIN: I would argue that
9 the initial business -- and, again, it's -- it's no --
10 no critic to -- to the process or the people involved
11 -- but the -- the business case in itself was naively
12 conceived and did not anticipate or foresee all of the
13 complexity and requirements needed.

14 So in and itself, the NPV is irrelevant
15 and -- and not adding any value to the discussion
16 here.

17 DR. BYRON WILLIAMS: Well, that may be
18 your perspective, sir, but mathematically, there's
19 been a -- a more than \$200 million deterioration in
20 net present value between the 2021 baseline and 2022
21 re-baseline. Agreed?

22 MR. ERIC HERBELIN: I would simply
23 argue that there has been a -- a --

24 DR. BYRON WILLIAMS: Do you agree with
25 that, sir, or not?

1 MR. ERIC HERBELIN: No, I don't agree,
2 because this is not the way to look at it. The -- the
3 --

4 DR. BYRON WILLIAMS: You don't agree
5 with my math?

6 MR. ERIC HERBELIN: It's not about
7 your math.

8 DR. BYRON WILLIAMS (by Teams): Well,
9 I'm asking you to answer, sir, with respect on my
10 math. Can you answer my math question?

11 MR. STEVE SCARFONE: And -- and, so
12 the answer to your question, Mr. Williams, is you --
13 you have that number before you. If you'd like to put
14 it up to him and we can check your math and say, yup,
15 your math is correct, Mr. Williams, but we under -- we
16 appreciate there's been a swing in the NPV.

17

18 CONTINUED BY DR. BYRON WILLIAMS:

19 DR. BYRON WILLIAMS: Okay. And, sir,
20 recognizing that there's been a \$200 million swing, in
21 the net present value, would you consider that a
22 fundamental change to the business case, as compared
23 to when the project was originally green lighted?

24 MR. ERIC HERBELIN: So, at the risk of
25 repeating myself and not directly answering your

1 question, Mr. Williams, the point is, from the very
2 beginning MPI should have come forward and say it's
3 going to take five (5) plus years and cost 300 million
4 plus. And this is what it is. It's shocking but it --
5 we need to do it.

6 Again, nothing can -- in such complex
7 programs where we don't have the experience, things
8 that happen once in -- in a generation or maybe two
9 (2) generation, you don't have the foresight before
10 you go through the process.

11 So, I'm speaking now with the benefit
12 of hindsight and I'm certainly not criticizing any of
13 the past reflections and -- and actions. Those were
14 all well intended. Reality is programs of this size,
15 are complex, cost more, and take quite some time to be
16 accomplished.

17 DR. BYRON WILLIAMS: And I appreciate
18 that, sir. Would you consider a \$200 million
19 deterioration in net past -- present value to be a
20 fundamental change in the business case?

21 MR. ERIC HERBELIN: Again, the
22 business case here is whether we want to have a Crown
23 Corporation, a utility providing basic lower insurance
24 to Manitobans and maybe do a few other things, beside
25 that.

1 That is the question and, to me, in
2 that respect, the business case is the same. It's
3 about making sure the technology is being replaced,
4 that the approach to the program and the -- the
5 funding of the program and the use of the funds is
6 done using adequate methodologies, industry-best
7 practices, that includes AGILE methodology, that
8 includes making sure that we have expertise from known
9 external consultants and vendors, who know better than
10 we do, in the configuration of the system and this is
11 exactly what we are doing in trying to keep the -- the
12 program on track from that perspective.

13 DR. BYRON WILLIAMS: Sir, is it
14 conceivable that when you dig deeper into releases 3 A
15 and B and 4 A and B, that there will be further
16 adverse development in the net present value, sir?

17 MR. ERIC HERBELIN: So, I -- I -- I
18 think I answered that -- that question this morning.
19 At this point, MPI has not conducted a so-called re-
20 discovery and discovery process for -- for what
21 release 3 and release 4 will be.

22 And, that means we don't fully
23 appreciate and understand the details of what those
24 two (2) releases, or the scope of those two (2)
25 releases, will be. And, as a result, we don't exactly

1 know the costs, or the timing, but also how we -- we
2 may interplay, you know, the scope and the timing and
3 -- and the costs.

4 So, as I mentioned, it's -- it's
5 difficult to not come with timing and a budget in --
6 in such a large endeavour, so we had to sort of make a
7 number of assumptions, rely on the expertise of
8 external consultants who have seen these many times
9 before and come back with a revised budget.

10 As it stands, the revised budget is
11 giving us sufficient dollars to pay for release 1. We
12 have line of sight and we review some of our
13 schedules, in terms of release 2. Once we have
14 release 3 and release 4, re-discovery and discovery
15 behind us, it will be a, you know, roughly in two --
16 10 (ten) months time, I think we will have a -- a much
17 better perspective and ability to answer that
18 question.

19 DR. BYRON WILLIAMS: Last question on
20 this point, sir. If there are further adverse
21 developments with release 3 and release 4, are you
22 saying that, no matter what, you will proceed with
23 them?

24 MR. ERIC HERBELIN: I think we have to
25 really appreciate and understand the -- the scope of

1 what release 3 and 4 will be. Those need to be
2 considerate to the organization that we are and the
3 mission that we have.

4 If there are, you know, I say marginal
5 discrepancies to the current assumptions that were
6 made and where we see that we -- we project or spent,
7 I think these will be -- likely to be defensible and -
8 - and understood and we will -- certainly involve
9 various stakeholders in -- in the process of approving
10 that.

11 If there were whereby random chance,
12 which I don't foresee at present, to be completely
13 off, we would seriously, you know, rethink our
14 approach. But I don't think that is -- this is now
15 purely the -- the realm of possibilities and not
16 likelihoods. So -- so, with that said, again, nothing
17 on the replacement of our technologies, we just need
18 to make it happen. We need to make it happen in the
19 best way possible and -- and smartest approach.

20 And important will be, not to start as
21 we did start release 1, being not really matured on
22 our core capabilities, making sure that all the
23 technology enablers are in place, or to the degree of
24 maturity that is needed.

25 So, we understand much better today

1 what needs to be in place for us to increase this --
2 to increase the chances of success, compared to the
3 past.

4 So, I -- I have a -- a reasonably, you
5 know, good comfort in terms of how we approach things
6 and also, importantly, with the approach of releasing
7 not just one big-bang product, but having multiple
8 smaller products released at a -- a higher frequency.
9 We will have better chances to keep control over our
10 spend and to determine when is that we reach
11 sufficient of a -- of a scope to say that is what we
12 need.

13 And -- and -- and make sure that we
14 don't -- includes a hundred percent of all the minimum
15 -- the -- all the details, that -- that can be maybe
16 covered differently.

17 DR. BYRON WILLIAMS: Thank you for
18 that. Just a few more questions.

19 And I don't want to revisit the
20 confusion around Project Nova 2.0 from this morning,
21 but without asking you to elaborate, I would ask you
22 to confirm that MPI aspires to something called MPI-
23 2.0 of -- of a -- a five (5) year ambition? That's
24 something you shared with the Public Utilities Board
25 last year, sir.

1 MR. ERIC HERBELIN: That -- that is --

2 DR. BYRON WILLIAMS: Without asking
3 you to elaborate, just -- you've got a MPI-2.0, right?

4 MR. ERIC HERBELIN: That is right.
5 I'll just add some context. Any business, any
6 corporation would have a mission and a vision and we
7 have that. It also would have a strategy direction
8 and the five (5) year ambition really is our strategy
9 direction, that is aspirational in nature, and the
10 purpose of that is to provide our stakeholders,
11 starting with our employees, but also our
12 stakeholders, a general sense of direction for where
13 MPI is headed.

14 DR. BYRON WILLIAMS: And, you also
15 aspire to be a in quotation marks "a fast follower of
16 industry best practices and trends, including
17 technological trends." Agreed?

18 MR. ERIC HERBELIN: I agree, and there
19 are different ways to look at -- so the world is
20 changing and we continuously need to evolve. What we
21 see, is that, in recent pasts, MPI did not make
22 certain investments that are becoming now life
23 threatening and -- and -- and difficult to handle all
24 at once.

25 So, how do we go about change going

1 forward? There are innovation leaders. We don't need
2 to be that. We are, as you very well described, just
3 this utility providing a simple product to Manitobans,
4 and this is our core.

5 So, what we need to make sure is that
6 this utility remains relevant and adopt industry best
7 practices as industry adopt those best practices and
8 maybe make some of the mistakes before -- before us
9 and they are tested.

10 At this point in time, the reality is
11 there's -- we're not even able to adopt -- or to fast
12 forward the industry. At this point, we are just
13 catching up and we need to first catch up, NOVA being
14 one of the main point, but, also, describe some areas
15 of the business that need catch up, such as actuarial,
16 risk management, and others.

17 And once we have caught up on those,
18 it's a matter of keeping abreast of developments and
19 adopting, in a fast forward way, those developments,
20 as opposed to being a leading innovator in itself.
21 That's certainly not our approach.

22 DR. BYRON WILLIAMS: In the event the
23 Corporation falls short in its aspirations for MPI 2.0
24 or being a fast follower, is it fair to say that your
25 statutory monopoly will not disappear?

1 MR. ERIC HERBELIN: You know, the
2 statutory monopoly is -- is legislated. So -- so --
3 so, that is a right and a responsibility that needs to
4 be managed.

5 The reality is if -- let's just assume
6 MPI says we are just going to focus on day-to-day
7 operations and not evolve our processes, not evolve
8 our insurance best practices, not change our
9 technology, at some point, we will just no longer be
10 relevant and no longer be able to operate.

11 So, whether we are legislated or not,
12 we need to make sure that the machine that operates
13 that mandate is remaining fit and up-to-date.

14 DR. BYRON WILLIAMS: Thank you for
15 that. Just -- I want to just finally turn to part 7
16 of the Application, RSR Appendix 3, a letter from
17 Minister Goertzen to the Chair of the MPI Board, in
18 the last paragraph there.

19 Mr. Herbelin, without asking you to
20 elaborate, I will just ask you to confirm that the
21 Minister has asked the MPI -- advised the MPI Board of
22 Directors not to approve further transfers to the DVA
23 line of business for the next two (2) years? Agreed?

24 MR. ERIC HERBELIN: Agreed.

25 DR. BYRON WILLIAMS: And, with your

1 legal counsel present, I just want to be clear. I'm
2 not asking for a legal opinion, which I know is beyond
3 your role and expertise, but, as a man -- matter of
4 management practice, would MPI expect to follow the
5 Minister's direction?

6 MR. ERIC HERBELIN: It would.

7 DR. BYRON WILLIAMS: So, sir, if the
8 Minister gave the opposite direction, advising your
9 Board to make further transfers to the DVA line of
10 business, as a man -- matter of management practice,
11 would MPI expect to follow the Minister's directive?

12 MR. ERIC HERBELIN: I cannot
13 anticipate what government will direct MPI to do. So,
14 that is up to them.

15 DR. BYRON WILLIAMS: So, as a matter
16 of management practice, when you receive a directive
17 from the in -- from the Minister, does Manitoba Public
18 Insurance require or request the Order in Council
19 authorizing the Minister to make that directive?

20

21 (BRIEF PAUSE)

22

23 MR. ERIC HERBELIN: I -- I'm not sure
24 I have the -- the whole question in mind but what I
25 can say is that MPI has received that letter from the

1 Minister and we take the Minister's word as being an
2 Order, directing us to apply whatever is contained in
3 this letter.

4 DR. BYRON WILLIAMS: So, you don't
5 seek the underlying authorization from the Cabinet?

6 MR. STEVE SCARFONE: No, but I thought
7 -- I don't know that he said there is one. We don't
8 know that there is one that exists in relation to this
9 particular directive.

10 MR. BYRON WILLIAMS: Yes. That's very
11 helpful. Thank you. Mr. Chair, I have no further
12 questions. Madam Chair, excuse me.

13 THE PANEL CHAIRPERSON: Fine, Mr.
14 Williams. Thank you. Thank you very much. It is
15 quarter to 3:00 right now. Could we just adjourn for
16 the afternoon break. Come back at three o'clock with
17 the balance of cross-examination from the other
18 Interveners. Thank you.

19

20 --- Upon recessing at 2:50 p.m.

21 --- Upon resuming at 3:06 p.m.

22

23 THE PANEL CHAIRPERSON: Thank you.

24 Ms. Meek...?

25 MS. CHARLOTTE MEEK: Thank you, Madam

1 Chair. I only have a few brief questions, so I won't
2 -- won't be long.

3

4 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

5 MS. CHARLOTTE MEEK: Good afternoon,
6 Mr. Herbelin. My name is Charlotte Meek. I represent
7 the Coalition of Manitoba Motorcycle Groups.

8 I just have a couple of questions
9 regarding investments and MPI's process for selecting
10 asset mixes.

11 You're aware that the investment
12 committee working group met on October 13th, 2022,
13 this year, correct?

14 MR. ERIC HERBELIN: Correct.

15 MS. CHARLOTTE MEEK: And are you aware
16 of what information was provided to that committee for
17 the purpose of preparing for that meeting?

18 MR. ERIC HERBELIN: So can you say
19 that again?

20 MS. CHARLOTTE MEEK: Sure. So the
21 investment committee working group met just kind of
22 last week, and I'm just wondering if you're aware of
23 what information was provided to that committee for
24 the purpose of their preparation for that meeting.

25 Were there recommendations made to that

1 committee or information provided to them?

2 MR. ERIC HERBELIN: Give me just a
3 moment.

4

5 (BRIEF PAUSE)

6

7 MR. ERIC HERBELIN: Thank you for your
8 patience.

9

10 So as far as I understand, materials
11 circulated at the investment working group were
12 related to recommendations to be put forward to the
13 investment committee of the board of directors of MPI,
14 and this has not occurred just yet.

15 MS. CHARLOTTE MEEK: Sorry, I missed
16 the last part of that. It was not...?

17 MR. ERIC HERBELIN: The -- the
18 recommendations have not been made to the investment
19 committee of the board of directors of MPI just yet.

20 MS. CHARLOTTE MEEK: Right. So
21 there's recommendations that's been made to the
22 investment committee working group, and you're saying
23 recommendations haven't been made to the investment
24 committee yet --

25 MR. ERIC HERBELIN: Right.

MS. CHARLOTTE MEEK: -- which is a

1 subsequent meeting? Thank you.

2 Can you advise whether or not the
3 information -- so those recommendations that the
4 investment committee working group has received, will
5 that information be filed in this year's GRA before
6 the end of the hearing?

7 MR. STEVE SCARFONE: Sorry, Ms. Meek.

8 Just to -- to be clear, you want to know if the
9 information that's going to be forwarded to the
10 investment committee from the working group will be --

11 MS. CHARLOTTE MEEK: A stage back from
12 that. So what I'm understanding from Mr. Herbelin is
13 that there's recommendations that have been made to
14 the investment committee working group who already
15 met. And I'm wondering if those recommendations or
16 that information that was provided to that working
17 committee will be filed within this year's --

18 MR. STEVE SCARFONE: Oh.

19 MS. CHARLOTTE MEEK: -- application.

20 MR. STEVE SCARFONE: So they already
21 have -- those recommendations that the working group
22 has are from the Mercer Group.

23 MS. CHARLOTTE MEEK: Okay. So the --
24 the only recommendations are just the recommendations
25 from the Mercer report?

1 MR. STEVE SCARFONE: As far as we
2 know. But of course Mr. Bunston is on that working
3 group, so he'll -- he'll be able to like fully answer
4 what they have and what will be going to the
5 investment committee in November.

6 MS. CHARLOTTE MEEK: Okay. So as far
7 as you're aware then, there's no other information
8 other than the Mercer report, subject to Mr. Bunston
9 maybe some further information on that?

10 MR. STEVE SCARFONE: Yes, as far as --
11 that's all I'm aware of is the -- is the Mercer
12 report.

13 MS. CHARLOTTE MEEK: Thank you.

14

15 CONTINUED BY MS. CHARLOTTE MEEK:

16 MS. CHARLOTTE MEEK: And then, Mr.
17 Herbelin, the investment committee is then scheduled
18 to meet on November 10th, 2022, after the conclusion
19 of this hearing. Is that correct?

20 MR. ERIC HERBELIN: Just -- I want to
21 check if I have that in my schedule on that date. I
22 believe this is correct.

23 MS. CHARLOTTE MEEK: Okay. And as you
24 just alluded to, the investment committee will then
25 receive a report from the investment committee working

1 group about recommendations regarding the asset mixes

2 --

3 MR. ERIC HERBELIN: That is --

4 MS. CHARLOTTE MEEK: -- for

5 investments for MPI?

6 MR. ERIC HERBELIN: That is my

7 understanding, yes.

8 MS. CHARLOTTE MEEK: Okay. And would

9 you agree then that the recommendations made to the

10 investment committee would not be able to be filed in

11 the course of this Hearing as that meeting is going to

12 occur after the close of the proceedings?

13 MR. ERIC HERBELIN: That is my

14 understanding.

15 MS. CHARLOTTE MEEK: Okay. So in the

16 course of this Hearing then, you'd agree that MPI's

17 chosen asset mixes will not be able to make up part of

18 the evidence of this Hearing?

19

20 (BRIEF PAUSE)

21

22 MR. ERIC HERBELIN: So as far as I

23 understand, we will -- we will not be able to -- to

24 disclose further information before they are approved

25 by the board of directors of MPI.

1 MS. CHARLOTTE MEEK: Right. So that
2 information then could not possibly be filed in this
3 hearing for this year's GRA, is that correct?

4 MR. ERIC HERBELIN: That is correct.

5 MS. CHARLOTTE MEEK: Okay. Thank you.
6 Those are my questions.

7 THE PANEL CHAIRPERSON: Thank you, Ms.
8 Meek. Ms. Wittman...?

9 MS. KAREN WITTMAN: Thank you, Madam
10 Chair. Our questions have largely been answered, so
11 we have no further questions.

12 MR. MICHAEL WEINSTEIN: Thank you,
13 Madam Chair. IBAM has no questions for this witness.

14 MR. CHRISTIAN MONNIN: Thank you,
15 Madam Chair. No questions. (FOREIGN LANGUAGE
16 SPOKEN). Thank you.

17 BOARD CHAIR GABOR: Kristen, can you
18 pull up that sheet. The baseline. Okay.

19 So, Mr. Herbelin, this is out of MPI's
20 application, and I'd just like to go through it with
21 you.

22 Last year at this hearing, you
23 testified -- we were at the point of -- the \$128.5
24 million was the estimated cost, isn't that correct?
25 We're dealing with the 2021 baseline.

1 MR. ERIC HERBELIN: That is correct.
2 And I also provided a heads up to this Board that we
3 were reviewing Program Nova as things were not going
4 the way we wanted.

5 BOARD CHAIR GABOR: Right. And at
6 what point did you join MPI in relation to the 2021
7 baseline?

8 MR. ERIC HERBELIN: I joined the
9 Corporation on January 4th of 2021, and so the work on
10 the initial budget and the review of the budget was
11 already ongoing.

12 BOARD CHAIR GABOR: Okay. Were you
13 surprised that you were being handled (sic) a project
14 that was different than what you thought it would be
15 at the time you started with the Company?

16 MR. ERIC HERBELIN: Well, in all
17 honesty, Mr. Gabor, when I joined I had a lot of
18 different pieces to -- to deal with and -- and
19 understanding first what MPI is, how it works, making
20 sure that I can meet with our leadership, all people,
21 and all the stakeholders. I could certainly not
22 devote my full attention to Program Nova in the
23 initial months of my joining.

24 And so it's been a bit of a learning
25 curve and -- and, for me, a catching up with what the

1 program was and -- and what it was intended to do and
2 how it's been -- or it was scoped and planned.

3 BOARD CHAIR GABOR: Okay. So using
4 your words, I want to go up the summit with you a
5 little ways. You have contingencies on these
6 projects, correct?

7 MR. ERIC HERBELIN: Correct.

8 BOARD CHAIR GABOR: Okay. The
9 original contingency was 25 percent, then it lowered
10 to 15 percent. Would I be correct that normally when
11 a contingency is lowered, you feel comfortable that
12 there's better knowledge of the project and there's a
13 better understanding about the costs and time frame
14 for the project?

15 MR. ERIC HERBELIN: I agree. And it's
16 probably also the way that the team was feeling, like
17 having gone through discovery phase for release 1,
18 they had a better sort of sense of what they would
19 need to do compared to the initial budget, but
20 probably also lacking to see and understand a number
21 of missing parts that only would be uncovered later.

22 BOARD CHAIR GABOR: Okay. Now you've
23 gone to a budget which is double, with a contingency
24 that's moved from 15 percent to 20 to 40 percent,
25 correct?

1 MR. ERIC HERBELIN: Correct.

2 BOARD CHAIR GABOR: Which would make
3 it seem that there is less certainty about the project
4 now than ever before, is that correct?

5 MR. ERIC HERBELIN: So, that was --
6 the timing of this was about a year ago or a bit less
7 than that, which was roughly already a year after the
8 prior re-budgeting exercise.

9 And so, I guess -- and now I'm actually
10 sure, is that during this time there's been a lot of
11 discoveries and -- and awareness of the missing
12 capabilities or lack of maturity on -- on a number of
13 aspects, business aspects and tech -- technology
14 enablers.

15 So, it was a degree probably of either
16 and or naivety and over-confidence in the budget --
17 the initial budget and the revised budget of 128.5
18 million and little bit more maybe reality checks and -
19 - and humility flowing into the -- the process of
20 defining the -- the new re-baseline 2022 with a
21 caution that there's a number of assumptions and
22 unknowns still in those numbers which hopefully are
23 covered in the contingency.

24 But certainly, there's been -- as you
25 go through implementation, a lot of realizations that

1 hopes, well, maybe not as easy as we thought.

2 BOARD CHAIR GABOR: This is at a
3 pretty early stage though under this budget. You're
4 just looking at release 1 and 2. You're not really --
5 you're not really going to know the success of those
6 until next year at the earliest, correct?

7 MR. ERIC HERBELIN: For the -- the
8 release 1, we will know that by Q1 of next year. For
9 release 2, it's too early to say, but, yeah, we will
10 know that in about a year from now.

11 BOARD CHAIR GABOR: Okay. In your
12 testimony, you said, as of today I'm relatively
13 comfortable with the budget and timing at one point.
14 And then later on, you said, when there was discussion
15 with Mr. Williams about NPV, you -- you made the
16 comment that it's -- as far as you knew, it was five
17 (5) years plus and 300 million plus.

18 How much plus? I mean, are we looking
19 at potentially a \$400 million project or a 500 million
20 project, or is it just, right now, we don't -- sorry,
21 you don't know? MPI doesn't know?

22 MR. ERIC HERBELIN: Yeah, we -- we
23 don't know for sure. I think we have a degree of
24 confidence, not a hundred percent, but a degree of
25 confidence in the re-baseline 2022 budgets.

1 I look at different degrees of
2 confidence, looking at the different releases. For
3 release 1, we know quite precisely what this piece is
4 going to cost by now.

5 For release 2, there's -- there's a
6 number of -- of works going on to try and -- and
7 better assess and -- and confirm, but we contingencies
8 to cover for that uncertainty. So relatively and
9 relatively speaking, but relatively confident.

10 For release 3 and 4, lots of
11 assumptions have to be made. Pre-discovery, discovery
12 have not been carried through, so we don't know all
13 the details. But we have still contingency available
14 for release 3 and release 4, based on our
15 understanding of where we're at currently on release 1
16 and 2. And that is what gives me the relative comfort
17 that, at this stage, you know, I could not make
18 another prediction.

19 BOARD CHAIR GABOR: Okay. When you
20 say "relative comfort," do you know the -- the concept
21 of P50 and P90?

22 MR. ERIC HERBELIN: No, sir.

23 BOARD CHAIR GABOR: Oh, okay. Well, I
24 -- I won't -- I won't try and -- it's an engineering
25 term for projects, that P50 is there's a 50 percent

1 change it'll be that number or lower and a 50 percent
2 chance it'll be higher. P90 is it's a 90 percent
3 change it'll be at that number or lower.

4 When -- when you're saying you're
5 relatively comfortable and you've got a 20 to 40
6 percent contingency, are you saying you're relatively
7 comfortable because you've got a 20 to 40 percent
8 contingency?

9 MR. ERIC HERBELIN: I think I feel
10 relatively confident in that we have...

11 So let me rephrase that. I don't know
12 precisely what release 3 and release 4 will cost if --
13 if we implement the scope that has been envisioned so
14 far. We need to go through these 3 and 4 pre-
15 discovery and discovery to refine the scope and then
16 the understanding of the effort. But I see that we
17 have still room in the overall budget to cover for a
18 lot of work and that lot of work is not necessarily
19 attached to it.

20 We define and agree, then finalize
21 scope and understanding of the effort to raise that
22 scope. But there is -- there is a decent amount of
23 money to be spent to achieve a decent amount of scope,
24 in my opinion, at this point in time in the process.
25 And we have on top of that contingency available.

1 So, that is what -- what gives me a
2 degree of confidence; certainly not a 90 percent
3 degree of confidence. I don't even know if that is
4 getting us to a 50 percent degree of confidence.

5 But it is also more than basically
6 saying that we won't be able to achieve that within
7 this re-baseline budget. I think there is a scope for
8 us to deliver a meaningful and -- and relevant product
9 for MPI to succeed in the future within what we have
10 available as of today.

11 BOARD CHAIR GABOR: Okay. I'm not
12 trying to do anything funny, Mr. Herbelin. Would it
13 be appropriate to say that the number, the range of
14 two fifty-seven (257) to two ninety (290), is your
15 best estimate right now, based on what you know, but
16 in fact the number could be higher next year, possibly
17 considerably higher depending on what you -- what
18 occurs between now and then?

19 MR. ERIC HERBELIN: This is possible.

20 BOARD CHAIR GABOR: Okay. Mr.
21 Herbelin, can you tell me -- I -- I'm trying to
22 understand. You know, Mr. Williams talked about the -
23 - the letter with Justice. And I'm trying to figure
24 out the relationship with government.

25 Would your budget for Nova have been

1 reviewed by Treasury Board?

2 MR. ERIC HERBELIN: Yes.

3 BOARD CHAIR GABOR: And your -- the
4 final budget, the re-baseline 2022, was approved by
5 the Treasury Board?

6 MR. ERIC HERBELIN: Yes.

7 BOARD CHAIR GABOR: Okay. Thank you.
8 One (1) area I wanted to ask you is, you were talking
9 about the Extension as a competitive line of service.
10 You have a service centre in -- City Place? Is it
11 City Place?

12 MR. ERIC HERBELIN: Right.

13 BOARD CHAIR GABOR: Yeah. If I go to
14 City Place and I want to get insurance and I speak to
15 an agent at the counter, they pull me up on their
16 screen, correct, and they ask me a series of
17 questions: What kind of insurance do you want? Is it
18 private? Is it passenger? Or whatever.

19 Then they ask me about deductible and -
20 - and how much liability I want and whether I want
21 glass replacement. That's on an integrated screen,
22 isn't it?

23 MR. ERIC HERBELIN: It is on -- I
24 missed the last word. "Integrated," you said?

25 BOARD CHAIR GABOR: It's one (1)

1 screen?

2 MR. ERIC HERBELIN: One (1) screen.

3 BOARD CHAIR GABOR: There isn't a
4 screen for Basic and a screen for Extension? There's
5 categories, and they've got boxes, and they tick the
6 boxes, then they tell me, "Here's your policy. Here's
7 how much it's going to cost."

8 MR. ERIC HERBELIN: No, that is
9 correct. It's -- whether it's Basic or Extension or
10 both together, it's in the same process and same
11 technology.

12 BOARD CHAIR GABOR: Okay. So, if I'm
13 going there for insurance, does one (1) of your staff
14 say to you -- to me, "By the way, you can buy
15 Extension from somebody else"?

16 MR. ERIC HERBELIN: I don't think so.
17 If you enter an MPI service centre, I think the basic
18 assumption is that you would come to procure or to use
19 an MPI service.

20 But we also provide the option for
21 Manitobans. And actually, most of them do choose the
22 option of going to -- through a broker that has the
23 ability to also sell other services.

24 MPI is not selling or recommending any
25 other products. We are not a broker, so we can't do

1 that.

2 BOARD CHAIR GABOR: Can you provide
3 any evidence that brokers tell people they can buy
4 Extension insurance from somebody other than MPI when
5 people go in to buy insurance?

6 MR. ERIC HERBELIN: Well, that is the
7 function of a broker. So that -- if they don't do
8 that, that is their choice. But they have not only
9 the -- the possibility, they have, I think, to a
10 degree, also the obligation to advise their customers
11 about options.

12 BOARD CHAIR GABOR: Okay. Thank you.
13 Those are my questions.

14 THE PANEL CHAIRPERSON: Ms. Nemeč...?

15 BOARD MEMBER NEMEČ: Mr. Herbelin, I
16 just wanted to clarify a little bit about scope.

17 One of the things you mentioned is that
18 finance and HR systems are nearing the end of their
19 life. So I just wondered, are those incorporated in
20 NOVA and, if so, in -- in which -- which -- one (1),
21 two (2), three (3), four (4) -- is it included in one
22 of those?

23 MR. ERIC HERBELIN: They are not
24 included in NOVA. Nova really focuses only on the
25 core insurance and driver and vehicle registration

1 aspects.

2 The platform in which we currently
3 supports both the finance and HR processes is -- is a
4 non-premised platform. It's an end-of-life product.
5 We know we have to make a change. Operating human
6 resources and our finance general ledger is not an
7 option.

8 And so, we have not, at this point,
9 made a decision that we will invest or, you know, fund
10 a specific program -- project for HR and for finance
11 technology replacement. But we know we will have to.

12 We are currently reviewing the time
13 line that is available to us, such that we don't have
14 too much other important work potentially conflict
15 with NOVA.

16 It doesn't really conflict in that
17 these are separate teams, separate processes. It's
18 not consuming any of the NOVA resources. But it's
19 just adding load and work and -- and cost.

20 So we are in the process of defining
21 our needs or requirements, understanding what the
22 marketplace offers, and we will make those
23 determinations within the -- the short -- in short
24 order. I don't have the specific time line because we
25 -- we have not finalized that.

1 BOARD MEMBER NEMEC: Thank you. And
2 -- and maybe just as a follow-up to that, are there
3 any other major systems that could be a significant
4 investment in the future that might not be included in
5 the finance and HR or NOVA?

6 MR. ERIC HERBELIN: Absolutely. And
7 the -- some smaller investments around a number of
8 actual tools and investment management reporting tool
9 and risk management, those are relatively small in
10 nature and they are not disruptive to our ecosystem or
11 implementation.

12 The -- the other big investments and
13 construction sites or to say that are related to
14 technology that includes our entire data -- data
15 management ecosystem.

16 We have data that are basically sitting
17 in -- in various operating systems. We have a form of
18 a data warehouse, but that is not really satisfactory
19 in terms of what it provides and not sustainable.

20 So we need to create an entire data
21 ecosystem that will allow us to have one (1) central
22 repository that will allow us to report on the various
23 data points. So that is a major endeavour.

24 Another aspect that is not the system,
25 but it is critically important, is our efforts around

1 information and cyber security. We know that we have
2 a relative low level of maturity in terms of cyber
3 security that is not acceptable. It's way below the
4 level that we want to be and aspire to be.

5 All these works, in terms of
6 understanding what needs to be fixed and how it's
7 going to be fixed, have been defined, planned, and we
8 are executing on that. But this is a -- a three (3) to
9 five (5) year time horizon.

10 So those are examples. I think the
11 adoption of cloud computing -- we're not building any
12 cloud ourselves, but simply building the knowledge and
13 the processes around that is -- is a bit of an
14 endeavour as well.

15 And related to connecting different
16 systems into one ecosystem or one operating
17 environment, the whole world of quality assurance
18 testing and integrations is equally important and at
19 an emerging level of -- of maturity. And so is --
20 also our -- our digital capabilities.

21 BOARD MEMBER NEMEC: And are all those
22 exclusive of the Project Nova costs to date? Or are
23 they in another capital budget somewhere? Or --

24 MR. ERIC HERBELIN: Yeah. In terms of
25 funding, they are separate. We are funding them,

1 essentially, out of our operating budgets. We are
2 making small -- it's not like we are going through a -
3 - a major monster project like NOVA for -- for these
4 aspects. We're making annual and quarterly and
5 monthly steps. So we plan that as part of our annual
6 operating budget.

7 And -- and so they are covered in this
8 application and they are separate from NOVA.

9

10 (BRIEF PAUSE)

11

12 BOARD CHAIR GABOR: Sorry, I just --
13 it's one of those things. I always remember what I
14 wanted to argue with my wife the next day. But -- but
15 I don't bother because I'm -- anyways. Never mind.

16 MR. GEORGE BASS: There's no win in
17 that fight.

18 BOARD CHAIR GABOR: No, there's no
19 win. Well, that's -- that's very wise. You're
20 absolutely right. And she's a far better person than
21 me.

22 I -- I'm going to put you in a tough
23 spot. This is a -- this is a critical piece of
24 architecture for MPI. And from your testimony, it
25 sounds like this must be built. You're too far down

1 the road to do anything else.

2 I -- I guess the question is -- NPV has
3 become irrelevant. You're saying it's not the right
4 way to look at it.

5 It sounds like -- I wouldn't say cost
6 will be irrelevant. But cost will be less relevant.
7 It is more important to build this, even if it goes
8 over \$300 million. Am I right in that?

9 MR. ERIC HERBELIN: I would agree.
10 And I would also say that we have a duty of making
11 sure that we take considerate approaches in terms of
12 how we execute and make sure that we are constantly
13 learning and reflect on the steps, that we ask for
14 help when we need help. That's what we did when we
15 hired McKensey.

16 And that we fully pivot to our full
17 AGILE delivery. That's not the case today. We're
18 still in a hybrid AGILE. Full AGILE delivery such
19 that we can mark pauses or stop if need be when need
20 be.

21 BOARD CHAIR GABOR: Okay. But is
22 there -- it sounds like there -- you know, looking at
23 the summit, it looks like you have to go for it no
24 matter what. There isn't pulling back from this.

25 MR. ERIC HERBELIN: Yeah, I mean, if

1 you take the analogy of the summit, we are entering
2 the dead zone and we have to go through.

3 BOARD CHAIR GABOR: Yeah.

4 MR. ERIC HERBELIN: Yeah.

5 BOARD CHAIR GABOR: Thank you.

6 THE PANEL CHAIRPERSON: Ms.

7 Boulter...?

8 BOARD MEMBER BOULTER: Thank you.

9 Before -- long before you came to MPI, DVL was
10 transferred to MPI on two (2) expectations. First was
11 to introduce a new computer system; secondly, it was
12 cost savings.

13 Some time has elapsed since then and
14 all those events took place. Has there been a post-
15 implementation review? And have those cost savings
16 been realized?

17 And if you don't know that, if you
18 could look into that for us, that would be very
19 helpful.

20 MR. ERIC HERBELIN: I don't know that
21 and I will ask my counsel to advise me on how we
22 handle that.

23 MR. STEVE SCARFONE: Well, we can
24 certainly take that away for consideration, Ms.
25 Boulter.

1 I -- I do know that there has been some
2 evidence given in past proceedings -- just recently,
3 in fact -- where MPIC is, in fact, the agent of the
4 government administering those DVA services on behalf
5 of the government. And, of course, we're paid to do
6 that and there's this -- you know, we got into all of
7 that last year.

8 As far as the post-implementation
9 review of the success of that 2004 transition, that's
10 what I can take away and see if there's been a study
11 done to see how successfully my client has
12 administered that program.

13 BOARD MEMBER BOULTER: Thank you very
14 much.

15 THE PANEL CHAIRPERSON: Thank you.
16 Mr. Scarfone, re-direct...?

17

18 RE-DIRECT EXAMINATION BY MR. STEVE SCARFONE:

19 MR. STEVE SCARFONE: Yes. So thank
20 you for those questions, Board members. I only have a
21 couple re-direct questions. I kind of like to work
22 backwards, so I'll just leave that figure that's up on
23 the screen before Mr. Herbelin, and ask you this, sir.

24 So, with the uncertainty that's --
25 surrounds release 3 and release 4, does the

1 contingency that we see there, in the red, of \$33 to
2 \$65 million, does that contingency reflect the R3 and
3 R4 releases?

4 MR. ERIC HERBELIN: This -- the -- the
5 number we have in front of us are not the finally set
6 numbers. So the contingency here has a range and we
7 have basically agreed to a -- a fixed number.

8 So, and -- and -- and there's a
9 breakdown between the releases and the lines of
10 business, so, Mr. Scarfone, I'm not able to answer
11 that question based on -- on -- on how the question
12 was phrased or what we have in front of us, but we
13 have contingency available for release 3 and release 4
14 that --

15 MR. STEVE SCARFONE: Okay, thank you.
16 So I'm going to take my own advice and put that
17 question to our Value Management NOVA people, but
18 thank you for that response.

19 And then, we see there as well the numb
20 -- that Ms. McCandless put to you this morning, the
21 \$224.1 million budget.

22 You've confirmed already that that's
23 the current number, correct?

24 MR. ERIC HERBELIN: That is correct.

25 MR. STEVE SCARFONE: And, sir, that

1 represents the overall cost of the project.

2 MR. ERIC HERBELIN: That represent the
3 overall projected costs at the time of a re-baseline,
4 yes.

5 MR. STEVE SCARFONE: And MPIC, of
6 course, has the Basic line of business?

7 MR. ERIC HERBELIN: Yes.

8 MR. STEVE SCARFONE: And it has the
9 SRE line of business?

10 MR. ERIC HERBELIN: Yes.

11 MR. STEVE SCARFONE: And it has the
12 DVA line of business?

13 MR. ERIC HERBELIN: Yes.

14 MR. STEVE SCARFONE: And it has the
15 Extension line of business?

16 MR. ERIC HERBELIN: As well as the
17 International Registration Plan line of business.

18 MR. STEVE SCARFONE: And so all of
19 those lines of business would have costs from that two
20 twenty-four (224) allocated to them?

21 MR. ERIC HERBELIN: Correct.

22 MR. STEVE SCARFONE: And are you
23 aware, here today, I don't want an actual number, but
24 just generally, the amount that would be allocated to
25 the Basic line of business for the purposes of this

1 rate application.

2 MR. ERIC HERBELIN: Yes, it is about a
3 -- a fifth of that, roughly 20 percent of that total
4 budget.

5 MR. STEVE SCARFONE: Okay, thank you.
6 And Kristen, could you pull up ratemaking from the
7 Ratemaking Chapter RM-16, Mr. Williams had it before
8 Mr. Herbelin before the break.

9

10 (BRIEF PAUSE)

11

12 MR. STEVE SCARFONE: My apologies, it
13 left the screen before I noted the page number. So, I
14 -- but I did note the figure number as RM-16.

15

16 (BRIEF PAUSE)

17

18 MR. STEVE SCARFONE: It's wanting me
19 to ask questions about this letter, but I have none.
20 No, ratemaking figure -- there it is. Thank you so
21 much. That's the -- that's the table that you were
22 asking Mr. Herbelin about, Mr. Williams.

23 Mr. Herbelin, you recall the questions
24 before the break about this particular table?

25 MR. ERIC HERBELIN: Yes.

1 MR. STEVE SCARFONE: And, sir, did you
2 prepare this table?

3 MR. ERIC HERBELIN: No.

4 MR. STEVE SCARFONE: And are you
5 aware, sir, if the figures in this table are before
6 application of the DSR discounts for the good drivers?

7 MR. ERIC HERBELIN: I don't know that.

8 MR. STEVE SCARFONE: And, are you
9 aware, sir, if this table reflects the discounts that
10 would be associated with moving the DSR scale to more
11 actuarial sound numbers?

12 MR. ERIC HERBELIN: No, sir.

13 DR. BYRON WILLIAMS: Mr. Scarfone,
14 just -- I'm sorry, I might have been asking about PUB-
15 1-4, which -- which I believe that was the table that
16 I was referring to the witness, so, I apologize for
17 that, but that was --

18 MR. STEVE SCARFONE: I think it was
19 both, though, wasn't -- was it not?

20 MR. ERIC HERBELIN: It was two --
21 there were two (2) tables, so which -- whichever the
22 two (2) tables were --

23 DR. BYRON WILLIAMS: 1-4.

24 MR. ERIC HERBELIN: Yeah, I have no --
25 not prepared those tables. I don't know if they

1 include any of the --

2 MR. STEVE SCARFONE: Oh, yes, so
3 that's it, updating the ratemaking -- the one that --
4 the --

5 DR. BYRON WILLIAMS: It's updated -- I
6 think PUB-1-4 and my apologies, Madam Chair, for
7 interrupting, I just wanted --

8

9 CONTINUED BY MR. STEVE SCARFONE:

10 MR. STEVE SCARFONE: No, that's fine.
11 And -- and so the same questions would apply then, Mr.
12 Herbelin.

13 Are -- are you aware of whether this
14 table reflects the application of the DSR discounts to
15 the -- to the good drivers of the province?

16 MR. ERIC HERBELIN: No, I don't.

17 MR. STEVE SCARFONE: Okay. And again,
18 whether it considers any movement on the amounts paid
19 in conjunction with moving the DSR scales to more
20 actuarial sound rates?

21 MR. ERIC HERBELIN: I don't.

22 MR. STEVE SCARFONE: And this, of
23 course, this table as well was prepared by the
24 actuarial team?

25 MR. ERIC HERBELIN: This is my

1 understanding.

2 MR. STEVE SCARFONE: And the last
3 question for you, on redirect, sir, Ms. McCandless
4 this morning made reference to the survey that the
5 Corporation conducted post-pandemic.

6 Do you recall that?

7 MR. ERIC HERBELIN: Yes.

8 MR. STEVE SCARFONE: And she was
9 asking questions about whether the Corporation
10 elicited the opinions of the customers on the costs of
11 NOVA. Do you remember that?

12 MR. ERIC HERBELIN: Sorry, Mr.
13 Scarfone. Can I ask you to reformulate the questions.

14 MR. STEVE SCARFONE: Sure. It's -- do
15 you -- you recall the survey that Ms. McCandless
16 raised with you?

17 MR. ERIC HERBELIN: Yes.

18 MR. STEVE SCARFONE: Yes, and -- and
19 the -- the question that she put to you was whether
20 the customers were asked their opinion on how they
21 felt about the cost of Project NOVA.

22 Do you recall that?

23 MR. ERIC HERBELIN: Yes.

24 MR. STEVE SCARFONE: And it -- were
25 you -- are you aware of any such questions that may

1 have been put to the customers in that respect?

2 MR. ERIC HERBELIN: No, I don't.

3 MR. STEVE SCARFONE: Okay, and -- and
4 do you know -- and, perhaps, it's better suited once
5 we have the survey, but she also asked you about the
6 security concerns that -- sorry, in response to that,
7 you made reference to the security concerns that the
8 customers will get the benefit of with Project Nova.
9 Correct?

10 MR. ERIC HERBELIN: Correct.

11 MR. STEVE SCARFONE: And do you re --
12 do you know if the Corporation made the customers
13 aware of those security considerations?

14 MR. ERIC HERBELIN: No, Mr. Scar --
15 Scarfone.

16 MR. STEVE SCARFONE: Okay, thank you
17 for that. And just one second, Madam Chair, I think
18 that might be all my questions on redirect.

19 Thank you, Madam Chair. Those are my
20 questions for Mr. Herbelin.

21 THE PANEL CHAIRPERSON: Okay. Thank
22 you very much Mr. Herbelin.

23 And, Mr. Scarfone, we will start
24 tomorrow with your panel presenting on MPI expenses,
25 IFRS and Benchmarking?

1 MR. STEVE SCARFONE: Yes, there is one
2 important matter that I should bring to the Board's
3 attention before we adjourn for the day.

4 THE PANEL CHAIRPERSON: Oh, are you
5 going to put some exhibits in?

6 MR. STEVE SCARFONE: No, I'm not even
7 doing that. That's not important.

8 THE PANEL CHAIRPERSON: Oh, well,
9 we'll leave that till tomorrow then.

10 MR. STEVE SCARFONE: So,
11 unfortunately, and I've discussed this with Board
12 Counsel. We've heard back from the PWC representative
13 and they're declining a visit to -- to Winnipeg to
14 give evidence in this proceeding.

15 Primarily, as I understand it, on the
16 basis that they can't be compelled to do so on the
17 advice of their legal counsel and not without a
18 subpoena having been issued.

19 THE PANEL CHAIRPERSON: And is that
20 something that PwC is prepared to put in writing to
21 you?

22 MR. STEVE SCARFONE: I think it is in
23 writing. It was to our general counsel, so I will
24 canvass with Mr. Triggs whether that can be shared but
25 I -- I don't expect it'll be a problem, if that's what

1 the Board requires.

2 THE PANEL CHAIRPERSON: Please. Thank
3 you. And if you could forward that to our counsel,
4 we'd appreciate it.

5 MR. STEVE SCARFONE: Yes.

6 THE PANEL CHAIRPERSON: And, exhibits
7 tomorrow?

8 MR. STEVE SCARFONE: Yes, exhibits
9 tomorrow, absolutely.

10 THE PANEL CHAIRPERSON: And, other
11 than that, we'll start at 9:00 tomorrow morning with
12 the MPI expenses, IFRS, and the Benchmarking Panel.
13 Correct?

14 MR. STEVE SCARFONE: Correct.

15 THE PANEL CHAIRPERSON: Okay. Thank
16 you very much. See you tomorrow at nine o'clock.

17

18 (WITNESS STANDS DOWN)

19

20 --- Upon adjourning at 3:45 p.m.

21

22 Certified Correct,

23

24 _____

25 Wendy Woodworth, Ms.