MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2023/2024 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, K.C.- Panel Chairperson

Robert Gabor, K.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

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Pages 322 to 617

Day 2

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Chris Klassen	)
Karen Wittman	) Taxi Coalition
Charlotte Meek	) CMMG
Jennifer Sokal	) IBAM
Michael Weinstein	)
Christian Monnin	) Bike Winnipeg
Charles Feaver (np)	)

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--- Upon commencing at 9:03 a.m.

THE PANEL CHAIRPERSON: Good morning, everyone. Welcome back to the hearing.

Mr. Scarfone, do you have some exhibits to enter?

MR. STEVE SCARFONE: I do, indeed.

THE PANEL CHAIRPERSON: Excellent.

MR. STEVE SCARFONE: And I apologize in advance for what you're about to hear, but there's about forty-five (45) of them that I'll read in.

So the first one will be MPI Exhibit number 7, which is the annual report, Appendix 2, Basic's unaudited notes for the annual financial statements.

Exhibit number 8 -- and I started at 7, Madam Chair, 'cause we had marked 1 through 6 at the pre-hearing conference.

Exhibit number 8 is the benchmarking report of Gartner at appendix 3 to the benchmarking chapter.

Exhibit number 9 is investments, appendix 12, an update to the ALM study PowerPoint presentation.

Exhibit number 10 is an amended part 3

of the benchmarking chapter, Figure BMK-7.

Exhibit number 11 is a letter regarding Bike Winnipeg's Intervener application.

Exhibit number 12 is amended part 6, driver safety rating chapter, table of contents.

Exhibit number 13 is investments, attachment 1, the Mercer inflation scenario analysis.

Exhibit number 14 is an amended part 6 of the Driver Safety Rating chapter, Figure DSR-1.

Exhibit 15 is the amended part 6, Ratemaking, Appendix 9, Table 6, blackline version.

Exhibit number 16, part 6, Driver Safety Rating, Appendix 2, compliance with PUB Order 134/'21, Directive 11.15.

MPI Exhibit number 17, part 8, Annual Report, Appendix 4, the Corporate Quarterly Financial Report First Quarter Results that was filed confidentially.

Exhibit number 18, MPI letter to the Public Utilities Board regarding Round I Information Request responses.

Exhibit number 19, additional MPI Information Request responses: PUB-181, -184, -190, -191, -194, and -199.

MPI Exhibit number 20, additional MPI

Information Request Round I responses: PUB 1-22, 1-47, 1-78, 1-82, 1-86, 1-87, 1-92, and 1-93, along with CAC 1-11, 1-29, 1-56, and lastly CMMG/MPI 1-25. That was Exhibit 20.

Exhibit number 21 is an amended part 3 benchmarking Figure BMK-7 and Appendix 4-1.

Exhibit number 22 is an amended part 4 information technology figure, Appendix 2-2.

MPI Exhibit number 23 is the claims incurred chapter, part 5 amended, Figure CI-39.

Exhibit number 24 is the amended part 5 expenses chapter, Figure Expenses-31 and Expenses-36.

MPI Exhibit number 25 is an amended part 7 investments chapter, Figure Investment-3 and INB-13.

MPI Exhibit number 26 is the amended PUB 1-45(a), Appendix 1. That would be an Information Request response.

MPI Exhibit number 27, amended PUB 1-125(a), (c), and (d), and Appendix 1 and Appendix 2.

MPI Exhibit number 28 is MPI letter response to the CMMG letter of August 23rd, 2022, regarding the LM study phases and stakeholder engagement.

MPI Exhibit number 29 is the amended

PUB 1-124 and attachment A.

Exhibit number 30 is MPI letter to the PUB regarding Round II Information Request responses.

Exhibit number 31 is amended part 5 expenses chapter, Figure Expense-42.

MPI Exhibit number 32 is claims incurred chapter figure CI-15.

Exhibit number 33 is amended part 6 rate making, appendix 9, table 2, accident benefit other indexed.

MPI Exhibit number 34 is part 7, external actuary review policy EAR attachment C with PwC actuarial support.

MPI Exhibit number 35 is amended CAC-1-1, figure 1, page 6, inclusion for impairments.

MPI Exhibit number 36, amended part 5 revenues, appendix 3, figure REV, appendix 3-1.

MPI Exhibit number 37 is amended PUB MPI-1-61(a) figure 1, NB, figure 2, blackline and clean version.

MPI Exhibit number 38 is amended part 6 rate making, appendix 9, table 2, collision, the blackline and clean version.

MPI Exhibit number 39 is amended part 5, expenses, appendix 8, figure EXP, appendix 8-1, blackline and clean version.

MPI Exhibit 44 (sic) is amended PUB-1-53(a), figure 1.

MPIC Exhibit number 41 is amended part 5 expenses, appendix 18, figure APP 18-1.

Exhibit number 42 is amended CAC-1-30, the blackline clean version.

MPI Exhibit number 43, the Taxi Coalition 1-10(p), attachment A, internal auditor of the MCT report.

MPI Exhibit number 44 is the amended IBAM 2-5, page 4, and figure 1, blackline clean version.

MPI Exhibit number 45 is Taxi Coalition CI2-1, previously filed confidentially.

MPI Exhibit number 46 is the amended CMMG 2-3, blackline clean version.

MPI Exhibit number 47 is amended part 5 expenses, appendix 19, figure APP 19-6.

MPIC Exhibit number 48 is PUB 1-61, figure 1(a), page 7.

MPI Exhibit number 49 is MPIC Information Request 1-9, Intervener evidence.

MPIC Exhibit 49-1 is MPI CAC-1, linear model.

Forty-nine -- Exhibit 49-2 -- 49-2, MPI CAC-2, weekly indemnity frequency model.

MPI Exhibit 49-3 is MPI CAC-3, loss frequency model -- total loss frequency model, sorry.

MPI Exhibit 49-4, MPI CAC-4, total loss severity model.

MPI Exhibit 49-5, MPI CAC-5, hail total loss frequency model.

MPI Exhibit 49-6, MPI-CAC 6, theft repair severity model.

MPI Exhibit 49-7, MPI-CAC-7, vandalism total loss frequency mode.

MPI Exhibit 48-8, MPI-CAC-8, property damage third-party deductible transfer severity model.

MPI 49-9, MPI-CAC-9, property damage third-party loss of use severity model. I'm almost there.

Exhibit number 50, MPI rate update, rate making pro formas and investments.

MPI Exhibit number 51 is part 8, the annual report, appendix 1, for Basic previously filed confidentially.

MPI Exhibit number 50, part 8, annual report, appendix 2. Note the Basic financial statements also previously filed confidentially.

MPI Exhibit number 53, part 7, the financial condition testing, the FCT chapter, with appendices 1 through 8.

Exhibit number 54 is the CAC preask 1 along with appendix 1, which -- which was filed confidentially.

And lastly, MPI Exhibit number 55, which is the presentation the Board will hear this morning on expenses and IFRS.

--- EXHIBIT NO. MPI-54: CAC preask 1 along with appendix 1, which was filed confidentially.

--- EXHIBIT NO. MPI-55: MPI presentation on expenses and IFRS.

THE PANEL CHAIRPERSON: Thank you, Mr. Scarfone.

MR. STEVE SCARFONE: Thank you.

THE PANEL CHAIRPERSON: So, this morning, yes, we have the panel from MPI here on MPI expenses, IFRS and benchmarking. If you would please introduce your witnesses. And then we'll have them sworn.

MR. STEVE SCARFONE: Yes, absolutely. So this morning, we will first have the expenses and IFRS. And beside me is Cara Low. Ms. Low is Vice-President, Chief Actuary, and Chief Risk Officer for the Corporation.

And to her right is Mr. Giesbrecht, Vice-President of Finance and Chief Financial Officer.

And beside him is Michael Gandhi. He is the Corporate Controller for the Corporation.

MPI EXPENSES/IFRS PANEL

CARA LOW, Sworn

MARK GIESBRECHT, Sworn

MICHAEL GANDHI, Sworn

EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE

MR. STEVE SCARFONE: And Mr. Giesbrecht, I'll -- I guess I'll start with you. I see that you've pulled the -- the presentations up.

We'll be dealing with both expenses and IFRS at the same time? Or will the presentation be delivered by two (2) separate people?

MR. MARK GIESBRECHT: Myself and Mr. Gandhi will deliver the presentation.

MR. STEVE SCARFONE: Okay. And, Mr.

Giesbrecht, the presentation will form part of your direct evidence in this proceeding?

MR. MARK GIESBRECHT: It will.

MR. STEVE SCARFONE: Okay. Thank you. Go ahead.

MR. MARK GIESBRECHT: Thank you very much and good morning. So we're happy today to be here in front of you to discuss the important matters of the expenses of MPI, as well as transition to IFRS 17 and 9.

And so, if we can pull up the presentation, please. And if you can advance one slide. Thank you very much.

So we've been going through a journey to adopt new standards within the insurance world. They've been in play for, really, a number of years as we've been preparing to adopt, which will affect our financial statements starting with our next fiscal year.

So Mr. Gandhi will take us through a number of important points, policy decisions.

There will be a number of technical components. And so, a couple of points that I think are important for the Panel to keep in mind.

Firstly is that there -- we do not

expect to have any material impact on rate setting as a result of these changes. The -- the cash flows and the economics do not change, even though there will be different valuation techniques and presentation will be dramatically different in the financial statements themselves. But that's an important point.

There will be a transition which will have an impact on our balance sheet on the -- on the date of adoption. And that will have an impact on our total equity position and resulting capital levels.

We are currently working through those models and running parallel tests with previous quarter runs to fully have those numbers flushed out. But nonetheless, there -- there will be impact upon the adoption.

And another thing to keep in mind as well, when we look at our -- our volatility of our income statement, as we introduce IFRS 9 and 10, and with IRFS 17, there will be changes to how we account in mark to market different securities in our portfolio.

Some of the -- the securities that previously flowed through other comprehensive income will now flow through net income. And as a result, unrealized gains and losses will flow more readily through the P&L, which will have some inherent volatility.

But that said, that doesn't change total equity in the sense that, whether it's an OCI or in our net income, it still forms part of total equity. So a lot of changes that we'll go through and we'll walk through some of those -- those impacts this morning.

After that, we will go into expenses and we'll speak to some of the challenges that we are facing as a Corporation.

We are in very difficult times. Inflation, obviously, has been running rampant. You know, we're coming out of the pandemic and having a lot of issues with our -- our service levels that we need to address, as well as addressing critical gaps in the Corporation. So we are looking to make investments in our staffing complement to address those issues.

If we can advance to the next slide. And I'll pass it over to Mr. Gandhi.

MR. MICHAEL GANDHI: Good morning, Panel, Interveners, and fellow members of the Panel. We appreciate being here with you guys to go over the IRFS 17 roadmap.

Overall, we're progressing well on our overall roadmap. The standards will change, as Mark has highlighted, for IRFS 17 will replace IRFS 4 and we'll have IRFS 9 replacing IAS-39.

We will be adopting both standards, March 31st, 2024. We're currently in what's known as our parallel run. That is simply a time where we have to look through our overall progression on the plan, to make sure we have all of the right assumptions and all of the right requirements to comply with the standards.

The challenges and opportunities that we have overall within the -- the IRFS 17 adoption -- so the major point of having the standards change, is to allow for comparability and transparency for making investment decisions and allowing assumptions to be relatively aligned throughout the insurance industry.

Overall we have significant system changes. We have changes within our modeling and we have changes within our people requirements for them to be technically up for that.

As Mark has highlighted, one of the challenges we are facing is finding the IRFS 17 overall skill set and requirements. And, overall, those are items that we're working through internally.

As Mark has talked about, one of the challenges we -- I'm sorry, one of the opportunities we will have is to finalize our financial modeling overall and our MCT as OSFI, our regulator -- sorry, the regulator for the financial institutions will be providing the MCT guidelines and finalizing those. Next slide please.

So here we're looking at --

DR. DARREN CHRISTLE: I'm sorry, could you move the microphone much closer to you.

MR. MICHAEL GANDHI: Is that better?

DR. DARREN CHRISTLE: A little closer.

MR. MICHAEL GANDHI: Is that better?

DR. DARREN CHRISTLE: Perfect. Thank you.

MR. MICHAEL GANDHI: Okay. So here we see kind of the key changes that we have overall. So our insurance contracts will have a different assumption base attached to them, that we'll get into.

The key changes that we will be looking at are presentations, closure changes. There will be a significant amount of presentation disclosure requirements for IRFS 17. We'll have a condensed income statement view, where we will replace our gross premiums written with insurance revenue and insurance expense line items.

So, there will be changes within the classification of a lot of our financial statement items.

Acquisition costs will be expensed as incurred, rather than deferred and amortized. We'll have new actuarial methodologies of determining our claims discount rate and risk adjustments. Those are new items that we'll walk through.

And we do see increased volatility as Mark has highlighted for IRFS 9 adoption, as most of our assets will be fair value. However, we will have our ALM matching program that will help protect against those aspects. Next slide please.

Along with the IRFS 17 adoption, we'll also be adopting IRFS 9 at the same time. IRFS 9 governs our overall financial instruments.

So, key changes here is -- our expected credit loss model. As part of the transparency of review -- the requirements of IRFS 17 and IRFS 9, we will be looking at losses within both our AR and our investment and looking to record those as we know losses are occurring.

Overall, we see increased volatility, in terms of the income statement, as we will no longer have our MUSH bonds, which will be the primary driver of the change, going from OCI to our P&L as fair value.

We will also have earlier recognition of impairment and losses. Next slide please.

So here we are walking through our overall policy decisions and what's changing. What we've been doing is working with our -- our auditors, our consultants in trying to figure out key aspects and changes. We've finalized the -- these position papers and provided those on April 4th, along with the technical conference with the PUB.

So, for a measurement model, that is now using a PAA approach and tracking and measurement of insurance contracts are accounted under more of a simplified approach. The other option is applying the GMM model. We're not a life co (phonetic), so for us having that model and a CSM calculator attached to that, reduces a lot of the complexities we have.

We qualify for the PAA approach, because our risk of our insurance contracts prices yearly. We have -- simplifications will be in revenue recognition, our treatment of acquisition costs and required disclosures.

Our level of aggregation and -- and, my

apologies, just to go back to the measurement model, we have all, basically, anyone that is allowed to go for the PAA approach is -- is using that approach overall.

We've also looked at the certainty within SGI and ICBC and they're using the same -- same approach also.

For our level of aggregation, this policy choice is how you group insurance contracts together. Key items within here -- within the IRFS 17 requirements are a group of contracts that are onerous at initial recognition need to be identified.

So, what we needed to do is to break out our insurance contracts and go through these assessments and if there is an onerous contract -- and an onerous contract just means if there is a loss in the year for that particular contract that you recognize it earlier.

For us, at MPI, we have a break-even mandate for our Basic line of business and going through our assessment, we've noted that we will not have a high likelihood of own verosity.

Overall, IRFS 17 also requires that there's measurement and recognition purposes. Insurance contracts are assessed both at the portfolio, the group and cohort level. So, those are new concepts overall. That also requires a significant amount of programming, a lot of help and support from our actuarial team to go through the modelling.

The level of aggregation for MPI is broken out into five (5) portfolios overall. So, the first portfolio is our Basic and Extension Line. Next is SRE and then our three (3) re-insurance programs overall and the way they are grouped together are based on risk and management. Those are the two (2) key criteria how we've provided them.

Acquisition costs overall for our de -- our DPAC or Deferred Policy Acquisition Costs on our balance sheet, that, and -- on our transition date, will be expensed into -- will be provided into equity. That will have a negative impact. That is something that is -- all companies throughout the world, if they have the option, they are looking to -- to -- to def -- to expense as incurred our acquisition costs. These are the acquisition costs that are needed to procure an insurance contract.

Overall, with SGI, ICBC, the certainty with them using the approach is sound also. Our financial instruments classifications will change.

Our goal is to make sure that we can protect against volatility, as Mr. Giesbrecht has highlighted. We will have more fair value treatment for our assets overall.

Also, one (1) of the key things that we see is insurance contracts and, with this election, our -- there is a big push to fair value treatment over all investments that we've seen. Next slide, please.

The next two (2) table points here talk about the transition methodology. So, this is, now, you're going from IRFS 4 to IRFS 17 and how are you going to treat -- treat your comparative period. For IRFS 17, we'll be using a full retrospective approach, meaning that we will have comparatives, as IRFS 17 has always occurred.

For IRFS 9, we will be using a prospective approach, where we will use fair value for our comparative period.

Our discount rate and risk adjustments, those are the significant actuarial changes overall. For us, we will be using a discount rate methodology, using the top-down approach. We've had significant discussions, internally, externally, with our peers, with our consultants and our auditors in this approach.

Overall, IRFS 17 allows two (2) different approaches for your discount rate, both a bottom-up and a top-down approach.

The top-down approach is more complicated. It does require more of a focus on your reference portfolio, more assessments on credit risk adjustments that you remove from there.

The reason we are using this approach is that we believe that it -- there is a closer link to our overall assets and, as such, we believe that it will provide and model in to come under that, as we believe that it will provide a -- a -- a more refined ALM approach overall.

And our risk adjustment, these replace our claims development or PfADs or Provisions for Adverse Deviations. Our methodology for the risk adjustment is using a quantile approach overall. In our position papers that have been filed overall, that would be one (1) change and we will file our revised position paper on our methodology.

And for our discount rate, a methodology, and a risk adjustment, there is differences within SGI and ICBC, as SGI has both a break-even and profit entity and, for our risk adjustment, that is something that is a lot of overall insurers are struggling with in terms of having the right risk adjustment aspects overall.

And I'll pass it on to Mr. Giesbrecht to start expenses. Thank you.

CONTINUED BY MR. STEVE SCARFONE:

MR. MARK GIESBRECHT: Thank you. Okay. So, we'll turn our attention now to our expenses. And I would characterize expenses in -- in this General Rate Application and -- and this in -- within this budget really as transformational and foundational.

And transformational in a sense that we are looking to enable Project Nova. We are looking to address service levels across the Corporation, and we are setting the foundation for adding capabilities that maybe we haven't invested in in the past.

And through the course of the pandemic, coming out of the pandemic, now with the current economic factors that we're facing with inflation, all the volatility, we are seeing some -- some cracks come through that -- are becoming more evident. And we need to address those risks across the Corporation.

On this slide we see some history in

terms of our operating expense ratio. And you can see this goes back a couple years to 2017/2018. And essentially, the trajectory and the curve is one of a decline in our operating expenses relative to premium.

And so, that's a good thing, that's a favourable trend. And if we were to go back even further, we would see that it was a higher ratio in earlier years. If we were to go back to say, eight (8), nine (9), ten (10) years ago.

And we've really done a good job in -- in the Corporation of watching our expenses and making sure that they do not grow at a rate that -- that is in line with our -- our revenue, but actually slower to that. And that's led to what we see here in terms of a positive trend line.

Now what we see for the -- the few years before us is a -- a rise in that expense ratio. And really, that is largely attributable to investment in the business and we have Program Nova costs come online. There's been subscription costs come online and -- and we're seeing that expense ratio start to rise.

And then over time, that'll tail back down as the cost of the program runoff, as we runoff the amortization of the program, and as we also begin to recognize the benefits of the program.

So, it is a bit of a -- you're seeing a life cycle there. And what I would say is that, you know, over the last ten (10) years we've really had a keen eye on that cost, as -- as we should, and as we always do.

But what that's led to is really little investment in many, many areas. As we go through the presentation and -- and through the discussion of expenses, you'll see that we are, in this budget, looking to shore up and make investments in -- in many different areas to address issues that we're facing across the Corporation.

On this slide we see for the last twenty (20) years what has been our historical rates -- rate increase, generally speaking. This is just a Stats Canada, but it gives a good comparison across other jurisdictions.

This is a -- an exhibit from our benchmarking chapter. And what we see is that Manitoba, for a rough -- this roughly twenty (20) year period has increased premiums by 27 percent or 1.22 percent per year, which we're happy to say is the lowest amongst the country.

As you can see the different

comparables in different jurisdictions that have -- you know, we're very proud of that across MPI. We've delivered value to -- to Manitobans. And -- and with that I would say -- well, we are seeing expenses rise right now.

We are still enabled to deliver a -- a flat or a slight decrease in our overall rate indication. So, we're continuing this trend line. As we do increase and shore up these different capabilities that we want to make sure that we have a -- a strong foundation moving forward. So, the next slide.

So, there's a couple of key themes that really we are addressing across the Corporation. So, firstly, inflation obviously is -- is top of mind. It's impacting many aspects of -- of the Corporation.

As we -- as it relates to expenses, we are seeing competition and pressures put on our compensation line. As we are trying to attract and -- and retain talent, the labour market is very, very competitive and it's becoming increasingly difficult to attract talent without having to, you know, see costs rise.

So, that is definitely reflected in -- in this budget as we look to make sure we have market competitive salaries.

We're also seeing rising transaction counts, firstly with the natural volume of -- of growth with -- with our vehicles and our customers across the province, but also as we come out of the pandemic and moving closer to pre-pandemic levels, definitely a lot of rising transaction counts.

And we are seeing, obviously, with the supply-chain issues, we are seeing long customer wait times, vehicle repair times have lengthened dramatically, and we're having customer impact, whether that be calling into the call centre and calls, you know, hitting a -- a busy signal, because there's not enough attendants to answer those calls. Whether it be coming into the service centre and having an hour or two (2) wait in some cases. We also have lengthy delays in terms of setting up driver examining and driver testing.

These are issues that are having direct impact on our customers that we have to address and resolve and resource accordingly to live up to our -- our mandate and to be a customer-centric organization.

We obviously are undertaking Project Nova which is a significant undertaking for the Corporation and will be a keen topic of -- through the course of these proceedings.

And with that, we are, you know, still in the earlier stages of the project but are working through releases 1 and 2 right now. And this requires significant input from the business.

A large component of the -- the work effort and the resourcing comes from our internal staff. About roughly a third of the effort is -- is not from external resourcing but from existing resourcing in the Corporation.

And that puts strain when we're trying to run business as usual, other projects, but that -- it is an important piece of that -- that piece of the puzzle within the NOVA resourcing.

And that is putting strain on the Corporation, so we have to ensure that we have the right resourcing in place to accommodate both running the operation, as well as successfully enabling Project Nova.

And as I mentioned after, you know, years of really holding the line on a number of expenses and really improving like the -- the ratio in terms of our expenses to -- to revenues, it is now time that we have to make some investment to make sure that we do not put ourselves at risk as we are seeing in terms of the current market conditions and all the complex issues that we will be going through the various panels through the course of the -- the coming weeks. Next slide, please.

So as I mentioned, we are investing in our core, so core to our business, core to what we do. And you'll see here again these key themes, so the first one being servicing Manitobans.

So within our operations group, we need to shore up how we service our customers, making sure that we address these customer wait times and -- and provide a really good customer experience as part of value proposition.

Secondly, NOVA enablement. Again, as I mentioned, within our -- our IT groups, our digital and transformation and our operations groups, we have to ensure that we have the right capacity to deliver. And so we have the -- the re-baseline that we can keep on track and we can deliver to -- to that budget.

That's obviously a -- a very important topic, and we have to make sure that we have the right level of resourcing across the Corporation; that there's a combination of consultants, it's a combination of internal resources, and what we call our -- our incremental or backfill positions. So it's a culmination of all those things that delivers to -- to the program.

And then our critical capabilities. As I mentioned, we have seen some things maybe come to light in terms of different risks that the Corporation faces. A number of our areas in terms of actuarial risk, finance, and -- and HR have not been invested in the past to the degree that you would expect of a corporation of our size.

And so we have taken steps to attract additional talent, and a great example of that is our actuarial team where we have a -- we had some turnover there, of course, in the last year or two (2), and we've done a fantastic job to recruit and -- and build up that competence and that -- that skill set.

But that requires additional resourcing to be able to do the things that is expected of us in terms of more sophisticated modelling, looking at our claims forecasting, all these kind of things that are expected in 2022 of -- of a large insurance company.

And all of this, working together to pave the way towards what we call MPI 2.0 and really becoming best in class using industry-leading practices and delivering value to all Manitobans.

So in order to achieve that, we are

investing in the business. And so what you see before you here is our -- our FTE by division, and this is an update from what was first put forward in our provisional filing.

We since that point in time have gone through our fulsome budget exercise. We've had our plan approved by our board, and these are updated figures in terms of our FTE counts for 2023/2024. And so you see before you our various divisions, and you will see that across all divisions.

Essentially, there is some level of increase, in some areas significant increase, with the largest being in information technology and operations. So this equates to a 14 percent increase in overall FTE.

And it should be noted that a number of these staff are either on a term basis or are based on the business case of NOVA and are what we call bubble staff or -- or temporary staff to enable the program. And over time, as the program rolls off, those roles would be released as they are meant for -- for a period of time.

So within IT, as an example, we have thirty (30) roles approximately that were based on the business case and were previously included as a consultant. However, we are actively looking to fill those roles in terms of FTE in order to bring it in at a -- at a lower cost. But from the 2022/2023 budget, an increase of two hundred and eighty-three (283) overall FTE to address these issues that we are facing.

Here is a summary really if we were to -- to bucket again those main themes and how we are addressing them. And so you see a walk from our 2022/'23 budget of nineteen eighty-six (1,986). These are what we call normal operations FTE or full-time equivalents.

And the first bucket is our -- our service delivery and addressing those wait times, addressing the customer experience, and ensuring customers have access to our products and services. So that's about ninety-three (93) staffing count there.

We have NOVA delivery, so this will be within the IT group, but also within some of our other supporting groups as it is a -- it's a complete business transformation and requires input from many different groups across the Corporation, and that is fifty-two (52).

And then those critical capabilities

that I mentioned, and really this is around our IT when we look at things like cloud, data, cyber security, all these essential elements that are so crucial.

Actuarial, of course, we had significant increase in, as well as we're looking to increase in finance and the HR functions to shore up those critical capabilities to make sure that we address the risks that are -- that we are faced right now in these -- these complex times.

So to -- to try to paint a bit of a picture and summarize the -- the increase in the dollars and the expenses, as I -- and I'm speaking to our corporate level FTE thus far. We know that not all of that is related to Basic, and -- and we'll -- we'll look at the -- the impact in the rate update in a moment.

But there's really a couple of key components here, looking at our year-over-year expense growth. And so starting at the foundational layer, typically you would look at, you know, a 2 to 3 percent kind of increase if you had a normal kind of a year in terms of volume increases, vehicles on the road, customers, as well as that usual inflation or target inflationary state.

Then we factor in current inflation, which we know is much, much higher, and as well as the tightening of the -- the labour market, the available resources, and really the -- the rise in -- in costs for attracting staff, and especially in scarce roles.

Very technical roles such as IT and certain actuarial roles are two (2) prime examples where, you know, costs are -- are rising, and it's very, very competitive in terms of attracting talent.

So look at our -- our general wage increases, looking at our market, salary competitiveness, we are undertaking an exercise with some external help to benchmark our -- our roles and ensure that we are market competitive so we can continue to retain as well as attract the staff that we need with the skills that we need to deliver to our business plans.

But that really accounts for about 3 to 4 percent in terms of that inflationary factor and those market adjustments to these scarce roles.

Then on top of that, we have that -- the -- roughly the -- the last half of this about 11 percent overall increase, and that really is now this -- this investment we're making across the Corporation in our resourcing, the NOVA enablement, addressing our

-- our issues in terms of operations and customer impact and different tech deployment as we shore up our -- our systems and make sure that we are able to deliver solidly into the future.

So that -- that gives a picture of the different -- I mean, if you boil it down, essentially half of it is based on market conditions, and then half of it is to address the issues that we are currently facing in terms of those key risk areas.

In terms of the impact, so we filed just before these proceedings began our update, and this is a -- a schedule from that update. And what you will see within PFs Schedule 6 is our -- our significant variances.

This is looking at our allocated expenses in particular, and so all of these changes and increases since our initial filing has led to about $8.4 million of an increase for our salary line and our compensation line, in particular.

And so not all these expenses that I shared earlier are directly attributable to Basic. There are costs and there are FT resources that will align to our special risk Extension, our driver and vehicle administration line of business, as well as Extension. And then the remainder are allocated on a shared basis to Basic.

And so what we are seeing is an $8 million -- or $8.4 million increase to what we had filed back in the middle of July.

So to summarize our -- our expenses, firstly, inflation and a tight labour market are putting pressure on our compensation line. Customer service levels need to be addressed, and we are actively looking to -- to make sure that we have a good customer experience and those wait times and those different issues are actively being solved.

We do need temporary additional staffing in order to successfully enable NOVA and not see any additional cost overruns or delays in timing, and we have to invest in critical capabilities across the organization to ensure that we -- you know, we are bringing forth industry-best practices and we do not have risks that are not properly being mitigated.

So with all that, MPI is making investments in its core to address these issues and move towards its vision of being a customer-centric, data-driven, and employee-empowered organization.

That concludes our presentation.

MR. STEVE SCARFONE: Thank you, gentlemen, for that presentation on both the IFRS changes and -- and the expenses part of the application. I do have a couple of follow-up questions.

I think I'll start with Mr. Gandhi first, and -- and Ms. Low is not going to get off that easy 'cause it's a question about the actuarial changes that will be required with the implementation of IRFS 17.

Ms. Schubert, could you go to slide 5 of the presentation, please.

So, Mr. Gandhi, you indicated that there will be changes to the -- the manner in which the Corporation determines its discount rate with IRFS 17?

MR. MICHAEL GANDHI: That is correct.

MR. STEVE SCARFONE: And I expect that will be seen in next year's rate application?

MR. MICHAEL GANDHI: We will have modelling, and it will be in next year's rate application.

MR. STEVE SCARFONE: And so, just for my own edification and perhaps others in the room, let's just start with the basics.

What is the discount rate? What's the claims discount rate and what -- what's it used for?

What purpose does it serve?

MS. CARA LOW: The claims discount rate is to reflect the time value of money on the balance sheet.

MR. STEVE SCARFONE: Okay. And when it's an applied -- when the discount rate is applied, what does it do to the rate indication or the revenue requirement for the Corporation?

MS. CARA LOW: Claims discount rate is for financial reporting purposes, it's not for rate making.

MR. STEVE SCARFONE: Okay. And when the Corporation decided, as I understand from Gandhi's presentation, it could elect either a top-down approach under the -- under IRFS 17 or a bottom-up approach, correct?

MS. CARA LOW: Correct.

MR. STEVE SCARFONE: And the Corporation has decided, at least now, to implement the top-down approach?

MS. CARA LOW: Correct.

MR. STEVE SCARFONE: And Mr. Gandhi said the reasons for that, that it would provide, if I got this right, a closer link to the assets.

Can you explain what that means?

MS. CARA LOW: With a top-down approach, you are using a reference portfolio, so it is closer -- there is going to be a disconnect under IRFS 17 between the liability side, so the discounting of the liabilities, and the asset side of the balance sheet.

So, there is a closer link using the top down than the bottom up.

MR. STEVE SCARFONE: Now -- and so -- and I think I heard him say it's -- it's a more complicated approach but perhaps a more accurate approach in terms determining the correct discount rate.

Is that fair?

MS. CARA LOW: That would be correct, yes.

MR. STEVE SCARFONE: And he also indicated the other reason for adopting that approach, it would allow for a more refined ALM approach.

Can you explain what he meant by that? Is that also linked to the assets?

MS. CARA LOW: Because of a top-down approach, we start with a reference portfolio. Then we remove the market and credit risk. So, we are at least linking it closer to the asset side of the balance sheet.

So, there will be a tighter ALM match than using the bottom-up approach.

MR. STEVE SCARFONE: Okay. Thank you for that, Ms. Low. And I guess -- I guess the question would be, you know, because the -- the discount rate is an important factor in these rate indications --

MS. CARA LOW: Correction. It's not used in the rate making.

MR. STEVE SCARFONE: Oh, sorry.

MS. CARA LOW: It's for accounting presentation. It's on your balance sheet and then, therefore, the change is on your income statement.

MR. STEVE SCARFONE: Yes. Thank you for that. But are you of the view that these are -- are improvements to the manner in which the Corporation determines its discount rate?

MS. CARA LOW: I don't really have a lot of thoughts on that. I mean, it's international financial reporting. The idea is to be more consistent across companies for comparative purposes.

MR. STEVE SCARFONE: Okay. And as I understand it, the -- with the implementation of IRFS 17, there's no -- there's no choice for the

Corporation in that regard.

Is that -- is that correct?

MS. CARA LOW: That is my understanding, as well.

(BRIEF PAUSE)

MR. STEVE SCARFONE: And I wanted to ask Mr. Giesbrecht a question concerning if -- Ms. Schubert, could you please turn to slide 17, please.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Thank you. Oh, I think it was one -- one back, number 16. There it is. Thank you very much.

Mr. Giesbrecht, if I understand this, the -- the expenses, as the slide indicates, will be increasing by approximately 11 percent?

MR. MARK GIESBRECHT: That's right. That's on a corporate basis. And then there's the allocation process to flow down to -- to Basic, but on an overall basis, rough -- roughly 11 percent.

MR. STEVE SCARFONE: Okay. And so, if that's on a corporate basis, what -- what would the flow down be to the Basic part of the business? Do you know?

MR. MARK GIESBRECHT: It's roughly the same.

MR. STEVE SCARFONE: About 11 percent?

MR. MARK GIESBRECHT: It's between 10 and 11, I believe, yes.

MR. STEVE SCARFONE: Okay. So, this is a hard question for you then, sir. Given that it's approximately 11 percent, what factors in the application can the Corporation point to that allows for the negative .1 percent rate decrease if we have expenses increasing at approximately 11 percent?

MR. MARK GIESBRECHT: Yeah. I mean, I can maybe at a high-level answer that. It's probably better for rate making to discuss that. But there are many, many factors that go into the rate. Obviously, the -- the claims forecast is the -- the largest component of that.

But all -- all in, when we look at our -- our claims, our investments and all other aspects of the -- the rate indication, it allows for a minus .1 rate indication.

MR. STEVE SCARFONE: And you indicated that, as it concerns the FTE counts, that some of that staff that make up the two hundred and eighty-three (283) FTEs will be bubble staff, you -- as you described them?

MR. MARK GIESBRECHT: Yes.

MR. STEVE SCARFONE: And so, those staff will be engaged on a term contract with the Corporation. Is that your understanding?

MR. MARK GIESBRECHT: Not necessarily. Some of these are -- like, are long-term in a sense that they are multi-year employees, so they would not necessarily on term contracts.

However, the nature of their work would be such that over the course of the delivery of Program Nova, that -- that they would be there for a number of years, and those roles would have to transition to something else after the implementation of the program.

MR. STEVE SCARFONE: I see. Okay.

MR. MARK GIESBRECHT: So, it'll be a combination of term roles, as well as permanent roles. But knowing that the permanent roles are -- they're lengthy, but they're not forever permanent in the sense that they will be necessarily post-NOVA.

MR. STEVE SCARFONE: Thank you for that. The --

MR. MARK GIESBRECHT: Just to add to that. That's why, if you look at our -- the expense ratio in that trajectory, so we are seeing a blip up as we are incurring these costs as we're investing in the Corporation.

And then, as all these costs run off, we will then be in a better place in terms of having the technology, having these gaps and these -- these capability shored up, but then recognizing the benefits long-term to then bring back that ratio in terms of having more efficiencies that are reflected in our revenues as opposed to our expenses.

MR. STEVE SCARFONE: I see. So, the -- the Corporation expects to then settle back into its more traditional number as it concerns FTE counts?

MR. MARK GIESBRECHT: Yes. Yes. There are -- there are -- within the business case of NOVA, there are -- are some savings, obviously, it's not all costs. There are -- there are benefits. And we know that there is -- there's changes to the business case.

But nonetheless, there are benefits, there are efficiencies that will be gained through the -- through the program.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Thank you. I think those were the only questions that -- that I had from the presentation.

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

MS. KATHLEEN MCCANDLESS: Thank you.

CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Good morning to the members of the witness panel. Mr. Gandhi and Mr. Giesbrecht, you've been in the hearing room before. Ms. Low, nice to meet you. I'm Kathleen McCandless, and I'm Board counsel.

I'm going to start with the expenses portion of my cross-examination, and then get into IFRS later on.

In terms of who should be answering my questions, I -- I may direct some of my questions to a particular witness, but feel free to answer, if I do not do that, whoever would be most appropriate.

So, I'm first just going to run through the expenses as they were forecast last year compared to the filing this year. And could you please pull up, Kristen, expenses EXP 5.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And, Mr. Giesbrecht, this may be for you or Mr. Gandhi. So, this figure details the total corporate expenses for 2021/'22 actual through to 2026/'27, yes?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And looking down to line 29 -- thank you -- on the -- the far left column for 2021/'22 actuals, the total expenses were $327.3 million?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And as of the time of the filing, they were forecast to be $378.7 million?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And then, to increase to 411 million for 2023/'24?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And 429.9 million for 2024/'25?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Now,

Kristen, could we please pull up the same figure, but from last year's GRA. And, if possible, could we have them side by side. Thank you.

So I'm going to look again at line 29. But now on the right-hand side of the screen, which is the figure from last year's GRA. Right?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the forecast for last year, for 2021/'22, forecast budget at line 29 was $341.4 million, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Then compared to last year -- last year's forecast budget, we see the actuals came in substantially lower, at 327.3 million, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the following differences would be material -- so payroll -- and that's found at line 6 -- was $6.1 million lower than last year?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Okay. And that was 186 million forecasted last year compared to 180.5 million this year actuals?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Data processing, at line 8, we see last year it was forecast at $61.3 million for 2021/'22?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And it's come in at $58.5 million actuals for this year.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Was this due to a delay in Project Nova?

MR. MICHAEL GANDHI: Just going to consult. Bear with me one moment.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: So the primary difference is what we're looking at. And the primary difference is we have projects now where we are not capitalizing those projects. Those are the LPM projects we talked about previously. Those are the lean portfolio management projects.

Those projects are expense in nature. So we do see those increasing and providing increase in our data processing costs.

MS. KATHLEEN MCCANDLESS: Thank you. And then, when we're looking at road safety and driver education initiatives -- so lines 18 and line 11 -- there were material reductions in spending from last year's forecast to the actuals. Correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And is that overall lower spending due to COVID-19?

MR. MICHAEL GANDHI: The major decreases there are really in the safety programs. Overall, we have had savings within the impaired driving side of 468,000, speed management. Primary driver is mainly due to lower driver ed costs related to COVID.

MS. KATHLEEN MCCANDLESS: Now, if we're looking ahead, we've already -- we see the forecast budget for this year, total expenses of 378.7 million, but that's now been displaced by the update?

MR. MICHAEL GANDHI: Bear with me one moment.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: My apologies for That. Yes, that is correct.

MS. KATHLEEN MCCANDLESS: Thank you. And if we're looking at figure EXP-5 from last year, we see that, for 2023/'24, the forecast total expenses were $350.4 million. Correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Now that's increased to $411 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And last year, the Corporation was forecasting for 2024/'25, at line 29 on the right-hand side of your screen, $347.5 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And we've got an increase now of approximately $82.4 million. If we look to the left-hand side of the screen, it's now $429.9 million, total corporate, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And we see, for 2025/'26, last year the Corporation was forecasting total expenses of $354.1 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And now the forecast has increased to $416.9 million. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Subject to check, would you agree that driver and vehicle administration and special risk Extension represent over half of the four (4) year budgeted increase in operating expenses?

MR. MICHAEL GANDHI: Bear with me.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Subject to check, that is correct. Yes.

MS. KATHLEEN MCCANDLESS: Now, with respect to payroll, just to touch on it briefly, so compensation represents the largest expenditure of the Corporation. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And if we look at this year's forecast, on the left-hand side of the screen, at line 7, we see that the forecast payroll in this year's application is an increase of 10.5 percent from last year.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: But that would now be changing as a result of the updated staffing levels, correct?

MR. MICHAEL GANDHI: The updated staffing levels are projected for '23/'24 budget. For

'22/'23, the numbers that we have, at 199.4 million, subject to check, is -- is our...

MS. KATHLEEN MCCANDLESS: Okay. Thank you. So it's the 13.5 percent number then that's subject to change at this point, right?

MR. MICHAEL GANDHI: Subject to check, correct.

MR. MARK GIESBRECHT: Just to add to that, there -- there will be some update to -- to the '22/'23. But the -- the material change will be the '23/'24 is where you'll see more of -- of a -- of a variance compared to what was previously filed.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Another contribution to the increased expenses is the data processing costs at line 8?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And they are the second-most significant component of overall operating expenses?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: In 2021/'22, the data processing costs actual were $58.5 million.

Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And then, for the 2022/'23 forecast budget at line 8, we see that they've now increased to almost 25 percent of overall expenses and they're in the amount of $93.7 million?

MR. MICHAEL GANDHI: Subject to check, correct.

MS. KATHLEEN MCCANDLESS: And that forecast for 2022/'23, if we look then to the right side of the screen, last year MPI was fore -- was forecasting data processing expenses of $57.4 million. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So, that's an increase of, subject to check, $36.3 million in data processing expenses?

MR. MICHAEL GANDHI: That's excellent mathing, yeah. Pretty, very close.

MS. KATHLEEN MCCANDLESS: I wasn't doing it in my head.

Then last year, at line 8 on the right-hand side of the screen, the 2023/'24 forecast was $60.5 million in data processing expense.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And it's now increased to $96.7 million, yes?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: Last year for 2025 -- 2024/'25, the Corporation was forecasting data processing data expenses of $54.4 million.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And now, for EXP 5 from this application, we see that that's increased to be over $102 million. Correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So, again, this is my math, but it's subject to check, MPI is forecasting, at least at the time of the application, to spend $146.6 million more on data processing than what it presented at last year's GRA.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: What is behind the increase?

MR. MICHAEL GANDHI: The major rationale around the increase is NOVA subscription costs. Historically we would have seen these costs capitalized and deferred over five (5) years.

Now we see significant costs in terms

of Cloud and license fees to service DVA, PNC functions overall; that's the major driver. We also have capability increases that we need to have overall.

As you know, a lot of these system implementations that occur in -- occurrence -- in the -- in the market that we're in, they do have a significant cost attached to it. So, those are the primary drivers that are increasing the data processing as Mr. Giesbrecht has also highlighted.

We also see them flowing into normal operation expenses, as they're no longer capitalized. So, there's two (2) pressure fold on that expense line.

MS. KATHLEEN MCCANDLESS: And why is MPI not capitalizing the lien project management costs?

MR. MICHAEL GANDHI: The lien project management costs function in an AGILE environment and that is the best practices in doing overall projects.

Those costs and projects are -- a lot of those are SAS (phonetic) based, Cloud infrastructure. IAS 38 requires you to have control over an asset to capitalize it.

We do not have control, as those are

not on our servers, they sit in servers out across the world and IAS 38 specifically breaks those pieces out as saying, if you do not have control over that infrastructure, you cannot capitalize those costs.

MS. KATHLEEN MCCANDLESS: How much of the cost increase is related to changes in accounting treatment?

MR. MICHAEL GANDHI: Bear with me, one moment.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Subject to check, approximately $20 million relates to LPM projects that we have budgeted.

MS. KATHLEEN MCCANDLESS: Thank you. MPI has indicated that costs related to Project Nova have been deferred.

MR. MICHAEL GANDHI: Project Nova costs that relate to asset build-ups, have been deferred under the PNC and DVA and Extension line build-ups overall.

MS. KATHLEEN MCCANDLESS: If we're looking at line 26 of both figures, there is a reduction in the forecast -- what was forecast last year for amortization, deferred development.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And is that related to delays in the completion of NOVA?

MR. MICHAEL GANDHI: That would be one part of the flat-lined delivery of Project Nova, where it has been spread out. Another contributing factor on that, is that we cannot capitalize a lot of the costs for Project Nova, as we had initially thought in our GRA application. So, as we can't defer it, that depreciation cost goes down accordingly.

And then we see the pressure on our data processing line. Those two (2) need to be looked at together when we're looking through that.

MS. KATHLEEN MCCANDLESS: Thank you. Kristen, can you pull up figure EXP-2 from part 5 expenses?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. So, figure EXP-2 provides the total corporate expenditures just reviewed, on figure EXP-5, at line 2.

MR. MICHAEL GANDHI: That is correct,

yeah.

MS. KATHLEEN MCCANDLESS: And total corporate expenses are allocated to Basic, based on an integrated cost allocation methodology.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: There are no material changes to the cost allocation methodology, except for how MPI has now allocating NOVA related costs.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And if we look at line 8 of figure EXP-2, for 2022/'23, total expenditures allocated to Basic are forecast to be $258.3 million in the current year.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: At least at the time of filing. And then, they are forecast to increase to $275.9 million in 2023/'24.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: $278 million in 2024/'25.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And, you would agree that the vast majority of expenses are allocated to Basic.

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATHLEEN MCCANDLESS: So, we see for 2021 -- 2020/'21 actuals, 76.2 percent.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And then 72.4 and carrying on from there, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And then after 2021/'22, we see that the -- the share to Basic is forecast to decline, through the outlook period, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And is this due to an overall increase in corporate spending on NOVA in other areas of the Corporation?

MR. MICHAEL GANDHI: That would be a contributing factor. Correct.

MS. KATHLEEN MCCANDLESS: So that would include spending in -- in special risk Extension, driver and vehicle administration and Extension?

MR. MICHAEL GANDHI: Subject to check, it's the majority of the data processing side that is being split out for DVA, SRE, et cetera that are not exactly Basic related. So you will have those cost allocations increase for other lines of business.

MS. KATHLEEN MCCANDLESS: Is there anything else that's contributing to the decline in the allocation?

MR. MICHAEL GANDHI: Bear with me, I'm just going to consult.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: The other contributing factors would be a growth of other lines of business. Our special risk Extension which is our commercial line of business, that is growing significantly, as such, it will impact our overall allocation drivers and allocate more cost towards that if ...

MS. KATHLEEN MCCANDLESS: Thank you. Premium, taxes and commissions are directly allocated to Basic. Correct?

MR. MICHAEL GANDHI: If the commissions relate to Basic, that is correct. Yeah.

MS. KATHLEEN MCCANDLESS: And commissions are forecasted to increase throughout the forecast period at line 11, yes?

MR. MICHAEL GANDHI: That is correct. Yes.

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

MR. MICHAEL GANDHI: Subject to check. Correct.

MS. KATHLEEN MCCANDLESS: Premium taxes were lower in 2020/'21 actual and 2021/'22 actual than they were the previous two (2) years and is that because of the rebates paid?

MR. MICHAEL GANDHI: That's excellent. Correct.

MS. KATHLEEN MCCANDLESS: And that -- that's because it reduces the premium that's subject to tax?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Now, if we could please go to EXP Appendix 2, Kristen? That was very fast. Thank you.

So, this represents the detail of the Basic expenses that we just reviewed in the previous figure? Correct?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: MPI

separates its expenses by category and whether it is normal operations or related to improvement initiatives?

MR. MICHAEL GANDHI: In here, you're seeing the normal operations, only. So, you'll see the claims, operating, road safety initiatives are separated from the --

MS. KATHLEEN MCCANDLESS: Subsequent schedule, yes.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Now, if we could go to the second page of this schedule. Thank you.

And the -- the left-hand side of this table shows the totals? Correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: At line 33, we see Compensation subtotal?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And the -- there was an increase from 2021/'22 actual to the forecast for 2022/'23 from 134 -- 130.4 million to 139 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: At line 34,

reviewing the detail of the Basic data processing costs for normal operations, we see that they increased from $27.8 million in 2021/'22 to $35.2 million in 2022/'23?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Concerning improvement initiatives, that's at page 4. Thank you.

So, these costs would be considered either normal once IT projects are completed, or incremental one-time implementation costs?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And, based on this figure, compensation is forecast, at the time that this was provided, it was forecast to increase to $1.6 million in 2023/'24? Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And to $2.5 million in '24/'25?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And those would be costs related to NOVA Basic projects?

MR. MICHAEL GANDHI: Primarily.

MS. KATHLEEN MCCANDLESS: And what would the other contributing factors be?

MR. MICHAEL GANDHI: In the

improvement initiatives, we also have other initiatives that are ongoing, and those would be provided in the value management chapter.

MS. KATHLEEN MCCANDLESS: Data processing costs, at line 33, have almost doubled, from $10.8 million in 2021/'22 to $20.6 in 2022/'23 forecasts?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And, then, we see that they are forecast to increase, in 2023/'24, to $21.8 million? Correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And these implementation costs relate primarily to NOVA?

MR. MICHAEL GANDHI: Primarily.

MS. KATHLEEN MCCANDLESS: Now, Kristen, I didn't give you a head's up about this one but could you go to MPI Exhibit Number 55, which was just filed this morning? I think we're looking for -- in the Expenses section. I just have to have you stop when I see it. Here it is. Thank you.

So, for 2023/'24 now, the expenses that were previously filed at the time of the Application are changed, based on the October update? Correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And these are the material changes we see on the screen here.

MR. MICHAEL GANDHI: As Mr. Giesbrecht has highlighted. Correct.

MS. KATHLEEN MCCANDLESS: And we see that the most significant increase is $8.4 million related to compensation expense?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Can you explain the reason for the higher than expected Loss Prevention and Road Safety expense?

MR. MICHAEL GANDHI: Bear with me one moment.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: The costs for additional Road Safety expenses and Loss Preventions line, where we see a $1.9 million increase, those are for additional strategies we were trying to implement. Sorry. Can you guys hear me? My sincere apologies.

So, there is additional strategies we're employing on the Loss Prevention and Road Safety that are causing those increases.

MS. KATHLEEN MCCANDLESS: And we can

get the detail from that Road Safety Panel?

MR. MICHAEL GANDHI: Absolutely.

MS. KATHLEEN MCCANDLESS: Kristen, can you go to I think it's the pdf Slide 11? No. Pardon me. It'll be -- go back. Thank you.

So, this is the graph of expenses over time and does this represent or does it include the increases in -- that are reflected in the October rate update?

MR. MICHAEL GANDHI: Bear with me one moment. This is from our initial filing.

MS. KATHLEEN MCCANDLESS: So, are you able to say right now how that 2023/'24 forecast would change, as a result of the October update?

MR. MICHAEL GANDHI: Yeah. Just in a simplified base, we would see this -- we would still see the same trend down, once we get through Project Nova and we realize the benefits cases. It'll just move up. What we can do is we can provide the -- this based on the revised application.

MS. KATHLEEN MCCANDLESS: Thank you. So, then, if we could have an undertaking to provide an update to Slide 11 of MPI Exhibit Number 55, based on the October rate update?

MR. STEVE SCARFONE: Yes. Counsel,

we'll make that undertaking.

MS. KATHLEEN MCCANDLESS: Pardon me. 10.

MR. STEVE SCARFONE: Yes.

MS. KATHLEEN MCCANDLESS: Thank you.

--- UNDERTAKING NO. 2: To provide an update to slide 10 of MPI Exhibit Number 55, based on the October rate update.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Now, we don't need to go back to figure EXP 5 but we did review the forecasted increase in compensation for 2022/'23 and then 2023/'24, which, of course, has now changed as a result of the October rate update. I would like to go to Appendix 12, EXP Appendix 12, Figure App12-1.

This is a compensation analysis of corporate operations, including the improvement initiatives?

MR. MICHAEL GANDHI: Correct. Corporate and...

MS. KATHLEEN MCCANDLESS: And at line

2, we see that salaries -- gross salaries are forecast to increase by $10.1 million in 2022/'23?

MR. MICHAEL GANDHI: Which line are you looking at?

MS. KATHLEEN MCCANDLESS: Line 2.

MR. MICHAEL GANDHI: Oh, line 2. My apologies. That's correct.

MS. KATHLEEN MCCANDLESS: And then as at the time of the filing, 2023/'24 was scheduled to increase by $17.9 million?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And are you able to, right now, advise how much that $17.9 million would change as a result of the October update?

MR. MICHAEL GANDHI: The vast majority of that change would be related to that, but bear me, I'm just going to confirm that with Mr. Giesbrecht.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Mr. Giesbrecht will provide a response.

MR. MARK GIESBRECHT: The -- the final updated compensation line for '23/'24 would be $231.97 million.

MS. KATHLEEN MCCANDLESS: So, just to confirm, Mr. Giesbrecht, which line on this table would you be referring to?

MR. MARK GIESBRECHT: That would be the -- the all in total compensation of --

MS. KATHLEEN MCCANDLESS: 9?

MR. MARK GIESBRECHT: Line 9, yes.

MS. KATHLEEN MCCANDLESS: So, from 226.4?

MR. MARK GIESBRECHT: That's right.

MS. KATHLEEN MCCANDLESS: Okay.

DR. BYRON WILLIAMS: Madam Chair, could we ask the witness just to repeat the number? And I apologize for not catching it the first time.

THE PANEL CHAIRPERSON: Certainly. Thank you. Yes, please.

MR. MARK GIESBRECHT: Yes, the -- the total compensation for the '23/'24 budget would be 231.97 million.

(BRIEF PAUSE)

CONTINUED BY MS. KATHLEEN MCCANDLESS

MS. KATHLEEN MCCANDLESS: Would it be possible for the Corporation to file an update to EXP

AVP 12-1, reflecting the October update?

(BRIEF PAUSE)

MR. STEVE SCARFONE: Yeah, we can make that undertaking as well, Ms. McCandless.

MS. KATHLEEN MCCANDLESS: Thank you.

--- UNDERTAKING NO. 3: MPI to file an update to EXP AVP 12-1 reflecting the October update.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Now, the vacancy allowances are reflected at line 3 of this document, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And that is a recognition that there will be open positions at any given time?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So, the vacancy allowance lowers the forecast compensation expense?

MR. MICHAEL GANDHI: The vacancy

allowance would go against your salary, so it would decrease your overall, correct.

MS. KATHLEEN MCCANDLESS: And for last year's actuals, the vacancy allowance was $10.7 million at line 3?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: MPI has adjusted its forecast, and that reduced the vacancy allowance from last year to now $6 million, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And so, effectively what we see at line 3 under the change column is that that increases the compensation expense by 4.7 million, yes?

MR. MICHAEL GANDHI: When you're looking at those reference points, correct, yeah.

MS. KATHLEEN MCCANDLESS: Total net salaries for normal operations then are forecast to increase by 11.23 percent for -- from last year to this year's forecast budget, correct?

MR. MICHAEL GANDHI: That is correct, based on this schedule.

MS. KATHLEEN MCCANDLESS: Thank you.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Now, I'd like to take you to this same figure, but from last year's GRA.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And so, I just took you through the numbers that were forecasted at the time of filing. If we look from -- look to last year's GRA, we see that -- and Kristen, could we just scroll up a little bit? Thank you.

For total net salaries for normal operations for the 2022/'23 forecast filed in last year's GRA, the increase was forecasted at 2.85 percent, yes?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And then for the 2023,'24 forecast the increase was forecasted at 1.99 percent, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And then if we could jump back to the previous figure, so the same document, but from this years GRA.

We see the line 9, total compensation increase from 2021/'22 actual to 2022/'23 forecast budget is 10.49 percent?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And from last year's filing -- sorry, Kristen, I'm making you jump around a fair bit.

The forecast at line 9 under 2022/'23 was an increase of 2.32 percent, correct?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: So, it would be fair to state that the forecast has been revised materially from last year's application?

MR. MICHAEL GANDHI: There has been changes, correct.

MS. KATHLEEN MCCANDLESS: Thank you. Madam Chair, would this be an opportune time for the morning break?

THE CHAIRPERSON: Yes, thank you. It's 10:28 right now. Could we come back, please, at 10 to 11:00. Thank you.

MS. KATHLEEN MCCANDLESS: Thank you.

--- Upon recessing at 10:28 a.m.

--- Upon resuming at 10:54 a.m.

THE PANEL CHAIRPERSON: Ms.

McCandless...?

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Okay. Thank you. Kristen, can you please pull up figure EXP-10 from the filing?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. So this figure represents the forecast of economic increases for in-scope employees?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: That is correct.

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

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And addi -- in addition to the changes in the vacancy assumption, MPI has changed its forecast of the level of compensation increases from what was forecast last year? And we can pull up EXP-10 from the 2022 GRA, if that would be helpful.

MR. MICHAEL GANDHI: That would be helpful.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. So on the right-hand side of the screen, we see EXP-10 from the 2022 GRA?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And on the left-hand side of the screen is from this GRA, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So at line 8 on the left-hand side of the screen, we see, at September 24, 2022, forecasted wage settlements of 5 percent?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And if we look to the same period from last year's forecast at line 8 on the right-hand side of your screen, the increase was forecasted at .75 percent, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the impact, the fiscal year impact we see on the left-hand side of the screen, as forecast in this GRA will be 2.5 percent, correct?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And that is because of the timing of the increase?

MR. MICHAEL GANDHI: That is because it is a half-year incremental increase based on the union contracts.

MS. KATHLEEN MCCANDLESS: At line 9 on the left-hand side of the screen, there's an additional wage increase of 1.9 percent at September 24, 2023?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Is this an estimate?

MR. MICHAEL GANDHI: I'll just consult. Bear with me.

(BRIEF PAUSE)

MR. MARK GIESBRECHT: Yes, this is an estimate, and subject to both government direction and union negotiation.

MS. KATHLEEN MCCANDLESS: And that has increased from the estimate last year on the right-hand side of the page at -- or screen at line 9. Last year, the forecast was 1 percent, correct?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: And looking back to the left-hand side of the screen, the fiscal year impact for the September 2023 increase is 3.45 percent?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: How did MPI determine this impact from a 1.9 percent wage increase?

MR. MARK GIESBRECHT: Sorry. Is your question about the 5 percent or the 1.9?

MS. KATHLEEN MCCANDLESS: The one point nine (1.9).

MR. MARK GIESBRECHT: That's a -- a best estimate of what we think that it could be. Again, it's subject to a lot of variables and negotiations, so it is -- it is an estimate.

MS. KATHLEEN MCCANDLESS: So the -- the fiscal year impact of 3.45 percent, though, is that a continuation of the prior year's impact?

MR. MARK GIESBRECHT: That's a combination of the 5 percent rolling in overtime plus then the -- the partial year at the one point nine

(1.9).

MS. KATHLEEN MCCANDLESS: Thank you. Now if we could go to EXP APP 12, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And we can scroll down the page a little bit. Now we're looking at the wage increases here?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And so line 16 shows the budgeted and forecasted wage increase for in-scope employees?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And so that's where we see the 3.45 percent and the 1.9 percent that we just looked at on the previous screen?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And for out-of-scope employees, we see -- for 2023/'24 forecast, the economic increase is 5 percent?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Out-of-scope employees are not subject to a collective bargaining agreement?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: How did the Corporation determine the 5 percent economic increase?

MR. MARK GIESBRECHT: Generally speaking, the -- the GWI for out-of-scope will typically mirror the in-scope. So that's -- that's a general approach that we take.

MS. KATHLEEN MCCANDLESS: And did that increase come into effect in September 2022 as it did for in-scope employees?

MR. MARK GIESBRECHT: The timing is -- it is different based on when they are applied to in-scope versus in -- out-of-scope.

MS. KATHLEEN MCCANDLESS: Are you -- would they have all come into effect at the same time within the category of out-of-scope, or do they -- are they...

MR. MARK GIESBRECHT: I just received some information. The out-of-scope would typically come the spring after, so there's a bit of a lag.

MS. KATHLEEN MCCANDLESS: And if we could go to figure EXP-10, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Oh, pardon me. We've already gone there. Could we go to PUB/MPI 2-23, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And page 2. So here we see that MPI has advised that in-scope employees are eligible for a one (1) step increment each year, and one (1) step is approximately 3.5 percent?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And at (b), MPI confirms its assumption is that approximately 50 percent of in-scope employees are subject to the change in-step scale increases?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So then the -- at (c), we see that there's a forecast increase in the payroll of 1.75 percent for in-scope staff?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: The comment here, the average increase of 2.63 percent, is this a step-in-scale adjustment or a blend of incremental increases given to in-scope and out-of-scope employees?

MR. MICHAEL GANDHI: This would be a blend.

MS. KATHLEEN MCCANDLESS: So out-of-scope staff don't get the incremental increase, or an incremental increase, necessarily?

MR. MICHAEL GANDHI: In-scope staff have six (6) -- six (6) steps in their pay range. Out-of-scope staff are paid by performance, so it's a pay-for-performance rating system.

MS. KATHLEEN MCCANDLESS: Thank you. And the 3.5 percent total increase for out-of-scope staff, does that include all out-of-scope staff?

MR. MICHAEL GANDHI: There are staff that are already at top of range, so it would be basically -- three point five (3.5) would be the step increase.

MS. KATHLEEN MCCANDLESS: And then at (d), MPI indicates that in-scope staff were one thousand six hundred and eighteen point two (1,618.2) FTEs in 2022/'23?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And one thousand seven hundred and eighty-three point six (1,783.6) in-scope forecast for 2023/'24?

MR. MICHAEL GANDHI: Correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Kristen, could we please go to PUB-MPI-2-22.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And this schedule indicates the average annual regular salary by classification and excludes overtime, bank vacation, accrued vacation, and retirement allowance?

MR. MICHAEL GANDHI: Bear with me one moment.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Subject to check, correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: At line 13, the corporate average increase and regular annual salary between 2017/'18 through to '21/'22 tracked inflation?

MR. MICHAEL GANDHI: My apologies. I -- I do not have the inflation targets for '17 onwards. But if you're using the bank inflation long-term 2 percent, those do track close to that up until '19/'20.

MS. KATHLEEN MCCANDLESS: Okay. Thank you. And the overall compound annual growth rates are found at the far right of the figure, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the overall compound annual growth rate at line 6 for those years was 1.8 percent, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: For the Application years, so 2023/'24 and 2024/'25, the overall compounded annual growth rate is 4.72 percent?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And then 4.96 percent if you look at the five (5) years?

MR. MICHAEL GANDHI: That is correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Now, if we look at the increases for average -- in average salary for the current year, 2022/'23, without management.

So lines 9, 10, and 11, those classifications have increased average compensation by 6.75 percent?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Can you provide some explanation for this increase?

MR. MICHAEL GANDHI: Bear with me one moment.

(BRIEF PAUSE)

MR. MARK GIESBRECHT: Yeah, the increases that we are seeing are -- really line up to what we talked about earlier in terms of the assumed merit and -- and step-in scale adjustments, as well as -- so, that increase that we're seeing is higher than it has been in the past.

We -- we also are applying -- I mentioned earlier in the presentation how we are doing a market survey in terms of benchmarking our -- our salaries across various job types. And there is an assumption that certain rules may need to increase, and that is reflected also in -- generally in these -- the -- the percentage increase that you're seeing here.

MS. KATHLEEN MCCANDLESS: At line 12 for management, under 2023/'24 forecast, there's an increase of 8.5 percent.

Can you explain the reason for that increase in management salary?

MR. MARK GIESBRECHT: Yes. That one in particular is where we would see more of these market adjustments in these difficult to attract and scarce roles.

MS. KATHLEEN MCCANDLESS: So, in other words, the increase in salaries are targeted to deal with retention and recruitment?

MR. MARK GIESBRECHT: Both for sure.

MS. KATHLEEN MCCANDLESS: MPI has commissioned a compensation study?

MR. MARK GIESBRECHT: That's correct.

MS. KATHLEEN MCCANDLESS: Who is undertaking the study?

MR. MARK GIESBRECHT: Mercer.

MS. KATHLEEN MCCANDLESS: And at what stage is that study right now?

MR. MARK GIESBRECHT: It's in the

early stages. I'll see if I can get a bit more clarity. My understanding is that that will take place over the course of -- of between now and December. So, it's in the early stages but will take place over the coming weeks and the next couple months.

MS. KATHLEEN MCCANDLESS: Will the Corporation be able to provide a copy of the engagement letter with Mercer?

MR. STEVE SCARFONE: Yes, we can take that as -- as an undertaking, Ms. McCandless.

MS. KATHLEEN MCCANDLESS: Thank you. So, the undertaking is for the Corporation to produce a copy of its engagement letter with Mercer for the compensation study.

--- UNDERTAKING NO. 4: For the Corporation to produce a copy of its engagement letter with Mercer for the compensation study

MR. MARK GIESBRECHT: Yes. And I just -- I -- I understand now that we have just finalized the contract, so we're in early stages right now.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. So, before the study is complete, what is informing MPI's forecast if compensation increases?

MR. MARK GIESBRECHT: This is based on management -- management's best estimate of the cost as they're in collaboration with the recruitment team and our -- our HR resources in terms of what we feel and what we're seeing in the marketplace.

So, it is an estimate subject to finalization with the actual market benchmarking study.

MS. KATHLEEN MCCANDLESS: And was that compensation study sent out for tender?

(BRIEF PAUSE)

MR. MARK GIESBRECHT: We have an ongoing relationship with Mercer, and that's part of their scope of work.

MS. KATHLEEN MCCANDLESS: Thank you. So, this morning the Corporation provided updated numbers on staffing, and it somewhat changed how we're going to approach the cross-examination on staffing levels because of the recency of the information.

So, I will ask some general questions. But then perhaps at a break I will discuss with Mr. Scarfone the parameters for an undertaking that the Board would like to see in terms of updated staffing numbers and comparisons to prior year forecasts.

So, if we could go to figure EXP-11 from part 5 of the application.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. Oh, you had it there a second ago. Perfect. Thank you.

So, at the time of filing for 2023/'24, the Corporation was forecasting a budget of two thousand and thirty-seven point seven (2,037.7) full-time equivalents?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And then could we go to MPI Exhibit number 55. And it's -- I believe it's slide 14.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: So, now when we look at the middle column for the 2023/'24 budget, total normal operations FTEs are forecasted two thousand two hundred and sixty-nine (2,269)?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the increase is 283 FTEs, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: So, are you able to reconcile what we just saw on EXP-11 with the numbers here, as well, the 2022/'23 budget?

MR. MARK GIESBRECHT: Yes. So, would you like to see an added column? And it would show the two thousand thirty-seven (2,037) breakdown?

MS. KATHLEEN MCCANDLESS: Yes. And I think that we'll just get into the detail of the -- the undertaking that we'll --

MR. MARK GIESBRECHT: Yes.

MS. KATHLEEN MCCANDLESS: -- ask for once we've worked out the details.

MR. MARK GIESBRECHT: There -- there -- in some of the appendices to the expense chapter, that should be there by division. I think it's appendix 11 or 12, so -- but we can reproduce it and include it here.

MS. KATHLEEN MCCANDLESS: Thank you. So, the change, the increase of two hundred and eighty-three (283) positions, what does that translate to in terms of dollars?

(BRIEF PAUSE)

MR. MARK GIESBRECHT: From the budget '22/'23 relative to the '23/'24, that's an increase of $36 million.

MS. KATHLEEN MCCANDLESS: And what average salary is MPI using for that calculation?

MR. MARK GIESBRECHT: It would be the same average salaries that we looked at in the -- the provisional filing.

MS. KATHLEEN MCCANDLESS: Can we go to MPI Exhibit number 39, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: So here, at figure -- pardon me -- EXP APP-1, this is the average annual regular salary by classification. Correct?

MR. MARK GIESBRECHT: Correct.

MS. KATHLEEN MCCANDLESS: And that

doesn't include overtime, banked vacation, accrued vacation, or retirement allowance, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Okay. So we see for 2022/'23, the forecast budget. Corporate average, at line 6, would be seventy-six thousand one hundred and one (76,101) annually?

MR. MICHAEL GANDHI: That's right.

MS. KATHLEEN MCCANDLESS: Okay. And then, it increases from there on in 2023/'24, throughout the outlook period, correct?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: Okay. So then, Mr. Giesbrecht, are -- were you relying on these numbers in calculating that increase of $36 million?

MR. MARK GIESBRECHT: Yes. Subject to check, there -- there would be an assumption of the different types of roles, whether they'd be management, clerical, supervisor; those kind of things. And that would then drive -- so there would be a different mix in those additions.

But generally speaking, it would be consistent with these -- these different averages.

MS. KATHLEEN MCCANDLESS: Thank you. If we go back then to the slide from MPI Exhibit number 55. Thank you.

Which employees are considered to be bubble employees?

MR. MARK GIESBRECHT: For the most part, bubble employees would be within the IT division, as we have to ramp up that work on that side. There would be a few within operations, as, you know, we are having staff that have to look at processes and be subject matter experts that assist in the project. But primarily, within IT.

MS. KATHLEEN MCCANDLESS: Are the bubble employees under term contracts generally?

MR. MARK GIESBRECHT: It would depend on the nature of the work and what they're doing, how long we expected them to be necessary for.

So I don't have the exact breakdown, but it would be a combination of both. Again, depending on -- because some of these roles could be for three (3), four (4), five (5) years as the program is very lengthy in nature. So they're not all term roles. If we were expected to need them for the duration of the -- the program.

We do see a breakdown of the total '23/'24 budget. Eighty-one (81) are interim positions.

MS. KATHLEEN MCCANDLESS: Has MPI completed a Gap analysis for headcount?

MR. MARK GIESBRECHT: How do you -- how do you mean? Versus a -- a benchmark or a Gap -- what type of Gap analysis?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: So an analysis in terms of the Corporation's priorities, where the vacancies are, where it needs to hire.

So I don't know if that's the same as benchmarks. But has MPI undertaken that type of an analysis?

MR. MARK GIESBRECHT: Well, as I understand your question, through the course of our budget process, we -- you know, we looked at firstly what are our priorities, what is the corporate direction, what are the expectations and deliverables across every division, and different cross-functional groups.

And the -- the budget was built based upon achieving those objectives and servicing customers, you know, at our established service level expectations.

MS. KATHLEEN MCCANDLESS: Does MPI know what a steady state staffing level is for running the enterprise?

MR. MARK GIESBRECHT: Yes.

MS. KATHLEEN MCCANDLESS: And what is that staffing level?

MR. MARK GIESBRECHT: Well, if we were -- we would have to take out the -- essentially, the -- the NOVA and the other improvement initiatives, and that would be your -- your normal ops.

So kind of going off -- off the cuff here -- you know what, I should actually take that as an undertaking. I believe that -- I would be too generic right now to give you a proper answer.

MS. KATHLEEN MCCANDLESS: So then, the undertaking would be to provide what MPI considers its steady state staffing level for 2022/'23 through the outlook period?

MR. STEVE SCARFONE: I see Mr. Giesbrecht nodding his head. So we'll make that undertaking.

MS. KATHLEEN MCCANDLESS: Thank you.

MR. STEVE SCARFONE: Notwithstanding we've asked our witnesses to offer up undertakings.

--- UNDERTAKING NO. 5: MPI to provide what it considers its steady state staffing level for 2022/'23 through the outlook period.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: MPI completed a compensation analysis recently?

MR. MARK GIESBRECHT: We -- we have had various compensation analysis over the past number of years. I'm just trying to think, the last one was, I believe, a couple of years ago.

So the -- the recent one with Mercer is the one that's the most fresh or -- that's to be still completed, of course.

MS. KATHLEEN MCCANDLESS: Thank you. Now, I'm just going to touch briefly on consultants. So in addition to the increased budget for internal staff, MPI is forecasting an increased need for external consultants to deliver on NOVA?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And could we go to figure EXP APP-19-7 from this GRA. Thank you.

So this figure provides the number of

consultants supporting IT operation activities and consultants used on projects?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the corresponding costs to Basic, correct?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And so, this is from this year's GRA. And then, Kristen, could we also pull up MPI Exhibit number 18 from the 2022 GRA?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. Is it possible to put them either side by side or one on the top of the screen and one in the bottom?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. So on the right side of the screen is the same information from last year's GRA, correct?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: MPI plans to use staff to deliver NOVA and consultants to backfill operational positions?

MR. MICHAEL GANDHI: Consultants would be helping out; both from the improvement initiatives and in NOVA. Key rationale being it is hard to retain and attract IT positions. And the longer these projects remain outstanding, there is a cost related to that also.

Similar to most other industries and -- we do rely on our consultants to provide execution of our initiatives.

MS. KATHLEEN MCCANDLESS: Thank you. So we see a significant increase in consultants when we compare last year's figure to this year's figure. You would accept that as a general premise?

MR. MICHAEL GANDHI: That is correct. You see, over '22/'23 onwards, where we start to see NOVA build up.

Into the future, you will start to see these consultants come down and -- overall in the improvement initiatives.

So that would be -- at line 3, we see totals. Just as an example, the 2022/'23 forecast in the 2022 GRA was eighty-one (81) and now we see it, in this year's forecast, as a hundred-and-seventy-two (172). Correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Has the -- the figure for this year's GRA been updated since the filing?

MR. MICHAEL GANDHI: Subject to check, I believe the '23/'24 is the -- you do have the correct figures, but let me just consult just to confirm.

Just to confirm with Mr. Giesbrecht, there's no changes.

BOARD CHAIR GABOR: Ms. McCandless -- I -- I'm -- I'm trying to reconcile this. I -- I thought in one year you used -- did you say that it was one fifty-seven (157) or one seventy-two (172)?

MS. KATHLEEN MCCANDLESS: We have eighty-two (82) in 2023/'24 forecast.

BOARD CHAIR GABOR: Right, okay, so you're using ---

MS. KATHLEEN MCCANDLESS: Pardon me, for using -- I -- I probably got --

BOARD CHAIR GABOR: Okay. Sorry, I -- I thought --

MS. KATHLEEN MCCANDLESS: -- a number switched, yeah.

BOARD CHAIR GABOR: -- you'd used a different year, so. Okay.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Does MPI have a forecast for the number of consultants it will need when it is at a steady state, in terms of NOVA.

MR. MICHAEL GANDHI: In -- in terms of steady state, we did not have that defined within these figures. We -- as we look through the steady state review, that is something that I will consult with our legal counsel in terms of the undertaking additions for that.

MR. MARK GIESBRECHT: That might be best put to the IT Panel.

MS. KATHLEEN MCCANDLESS: Yes, we'll flag that to ask that panel, thank you.

Now, just briefly on broker commissions, the current broker commission five (5) year agreement came into effect April 1st, 2021.

MR. MICHAEL GANDHI: Is correct.

MS. KATHLEEN MCCANDLESS: It expires March 31, 2026?

MR. MICHAEL GANDHI: Subject to check, correct.

MS. KATHLEEN MCCANDLESS: In that agreement that was entered into -- in April of 2021, there was a differentiation in terms of commissions paid when a transaction was conducted online versus in-person.

MR. MICHAEL GANDHI: That is correct, that is a 50 basis point differential there.

MS. KATHLEEN MCCANDLESS: Kristen, could we please go to figure EXP-45 from the filing and from the 2022 GRA.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. So, on the left hand side of the screen is figure EXP-45 from this GRA, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And, on the right side is EXP-45 from last year's filing, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And, so what we see before us is the ten (10) -- ten (10) year summary of commissions and fees paid to brokers for Basic and Extension. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Last year, MPI was forecasting that NOVA would become operational

-- or originally forecasted anyway, that NOVA would become operational in 2022/'23.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And we've heard that MPI has revised its forecast due to the delay in delivering NOVA and the change in the scope of what transactions could be done online?

MR. MICHAEL GANDHI: That is correct. Another thing to add also, is the adoption rate of online transactions; that is not known. It's based on a best estimate right now.

MS. KATHLEEN MCCANDLESS: So, now when we look at the forecasted commission expense, on the right-hand side of the screen is the forecast from the filing last year, and I'm looking at 2023/'24 forecast budget.

Line 7 total commission written was $90.3 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And then jumping to the left-hand side of the screen, for this year's filing, under the same column, we see that's now increased to $95.9 million.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: For

2024/'25, in last year's filing on the right-hand side, of the screen, the forecast was $87.7 million in commissions.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And, comparing to this year now, it's increased to $98.1 million, correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And we see a similar trend last year for 2025/'26, the forecast was $87.8 million.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And it's now increased to $93.3 million in this year's filing.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Thank you. I'd now like to take you to PUB-MPI-2-28 and figure 1, please.

This schedule shows the summary of the change in commissions and fees paid to brokers. The 2023 GRA base and then taking into account online service delay.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: At line 7 we see, first for 2023/'24 forecast, the schedule shows that there's a difference now between the base and pre-delay of $2.9 million.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And then for 2024/'25, line 7, $7.4 million.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And 2025/'26, $2.2 million.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So, we already covered the change in broker commissions forecast last year when I had the two (2) EXP-45 side by side. And so the overall difference, for example, in 2023/'24, in those two (2) comparisons was $5.6 million in forecasted commission expense.

Would you accept that, subject to check?

MR. MICHAEL GANDHI: Subject to check, yeah. Correct.

MS. KATHLEEN MCCANDLESS: And to what does MPI attribute the overall difference in commissions?

MR. MICHAEL GANDHI: The overall change is really -- the primary driver there is the adoption rate of online transactions.

MS. KATHLEEN MCCANDLESS: So the NOVA delay, leading to the --

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: --- on -- the delay and adoption of online.

MR. MICHAEL GANDHI: Yeah, correct.

MS. KATHLEEN MCCANDLESS: Okay.

MR. MICHAEL GANDHI: My apologies, yeah.

MS. KATHLEEN MCCANDLESS: That's fine.

MR. MICHAEL GANDHI: Yeah.

MS. KATHLEEN MCCANDLESS: Is there anything else to which the Corporation attributes that difference in commissions forecasted?

MR. MICHAEL GANDHI: Bear with me one moment just to consult.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: There's no -- nothing significant to add, except that it is a function of our overall premium base also. So, as our premiums increase, we do see our commissions impacted.

MS. KATHLEEN MCCANDLESS: Thank you. Still on PUB-MPI-2-28, if we could go to page 4.

Here MPI was asked about why certain transactions were moved from the initial deployment and MPI stated at 3 that:

"Complexity removed some of the transactions from the initial deployment."

Given the change in on-line transactions and the delay in NOVA becoming active, can the Corporation report on its efforts to revise the current broker agreement?

MR. MARK GIESBRECHT: At this point, all we can say is that negotiations are ongoing and both parties are actively in discussions.

MS. KATHLEEN MCCANDLESS: Thank you. Briefly, on driver and vehicle administration operations, can we please go to PUB-MPI-2-9(b), Appendix 2. Thank you.

So, this schedule provides an update of the driver and vehicle administration operations actual financial results from 2017/'18 through to 2026 -- the forecast to 2026/'27?

MR. MICHAEL GANDHI: This is correct.

MS. KATHLEEN MCCANDLESS: This schedule includes Project Nova costs?

MR. MICHAEL GANDHI: We would see

Project Nova costs amortized in future years, showing up in the tail end.

MS. KATHLEEN MCCANDLESS: And that would be included in compensation and data processing?

MR. MICHAEL GANDHI: Mainly within data processing.

MS. KATHLEEN MCCANDLESS: And we see, at the column under 2021/'21 actual, data processing costs were 2.4 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And, then, they increased significantly, for 2021/'22 actuals, to $14.2 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: 2022/'23 forecast budget is $17.8 million?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the data processing costs remain elevated for 2024/'25?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Thank you. I am going to be moving in to IFRS now. I just need one minute.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Just one more question. It's tied in to expenses but I believe it's for Ms. Low.

So, earlier, I had asked about the capitalization of NOVA costs and Mr. Gandhi had provided a response on that.

Is it not the case that the -- that standards would provide that the actuary would determine the provision for expense costs that are appropriate for the period during which the rates are expected to be in effect and that one-time expense costs may need to be amortized?

MS. CARA LOW: No. That would be up to the Accounting Department to do that. The actuary would be rely on the finance team.

MS. KATHLEEN MCCANDLESS: So, I take it that that's not something that you, yourself, have considered?

MS. CARA LOW: No.

MS. KATHLEEN MCCANDLESS: Thank you. Now, with respect to IFRS, MPI has prepared position papers on IFRS 9 and IFRS 17?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And we can find some in EF Appendix 1?

MR. MICHAEL GANDHI: Subject to check. Yeah.

MS. KATHLEEN MCCANDLESS: And I understand the position papers -- I'm not going to walk you through the document here but would relate to the measurement model for insurance contracts; one?

MR. MICHAEL GANDHI: That would be one. Yeah.

MS. KATHLEEN MCCANDLESS: Another would be discount rate determination?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: There is one with respect to risk adjustment?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And one for re-insurance contract held?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Has MPI completed its -- its internal-external review of each position paper?

MR. MICHAEL GANDHI: Our position papers have been reviewed by our auditors and externally from our consultant, internally from our management, and at our -- at our Board level.

MS. KATHLEEN MCCANDLESS: Have they

received approval from the Board of Directors?

MR. MICHAEL GANDHI: They have. The risk adjustment paper is going -- is going to PwC within the next week. The methodology, though, has been confirmed with them.

MS. KATHLEEN MCCANDLESS: Thank you. Kristen, could we please go to PUB-MPI-1-12? Thank you.

And, first, with respect to A, MPI advises that it revised the risk adjustment aspect of its IFRS 17 policy paper? Correct?

MR. MICHAEL GANDHI: That is correct. We did remo -- review a few methodologies overall and we did change our methodology from our initial filing.

MS. KATHLEEN MCCANDLESS: At the time of the response, MPI was still updating the paper. What's the status?

MR. MICHAEL GANDHI: Our methodology is finalized. We'll be using a quantile approach and we'll finalize and provide the revised paper.

MS. KATHLEEN MCCANDLESS: To the Board?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: So, yes. The Public Utilities Board?

MR. MICHAEL GANDHI: Bear with me. Let me just confirm that. I just received some head nods. So, it should not be a problem.

MS. KATHLEEN MCCANDLESS: Thank you. In addition, at C, it's noted that MPI was currently finalizing MCT calculations in recognition of IFRS 17 methodology changes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Does the Corporation have an update on the status of this analysis?

MR. MICHAEL GANDHI: We continue to go through our MCT review. The regulator that we use, ob -- obviously, OSFI, they do provide guidance and updates, just to ensure MCT calculation, as it forms a pretty important base of key decisioning. We will be working on that. In terms of providing a time-line, I can provide that at a later date or the next filing.

MS. KATHLEEN MCCANDLESS: Has the Corporation received any input or comments from its external auditor?

MR. MICHAEL GANDHI: We have. In terms of our position papers, they would have questions in terms of, you know, for instance, our acquisition paper, have you reviewed through the attributability for different expense line items?

So, we've received comments back from them. We've cleared those comments and that's -- for the MCT, we haven't received any specific guidance from our auditor, save that we use a P&C 1 form overall to complete our MCT and we'll be working with them in the months to come to finalize that.

MS. KATHLEEN MCCANDLESS: Thank you. Now, if we could go to PUB-MPI-2-10 and, in this Information Request, MPI was asked to provide -- list and summary of its accounting policy choices, decisions that remain outstanding --

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: -- received from its internal analysis and external consultant?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And, if we look at the first key policy choice. That's measurement policy choice?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: MPI has determined that it can apply a simplified premium allocation approach?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: This is an

approach that's widely used and employed by both SGI, Saskatchewan General Insurance and ICBC?

MR. MICHAEL GANDHI: That is correct. It takes a lot of the burden away from the accounting disclosure. So, most companies that have that option, it's a -- it's a -- a pretty firm decision that they would go through the premium allocation approach.

MS. KATHLEEN MCCANDLESS: And there are no financial impacts of taking this approach?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: There are disclosure requirements, simplification items and changes in terms of the financial aspects. You would have to look at it in totality.

MS. KATHLEEN MCCANDLESS: MPI, if we scroll to the next page, at the top there, notes that this approach provides simplification to -- related to revenue recognition and also, the treatment of acquisition costs and required disclosures?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Subject to check,

correct. You know, my apologies. Are you asking for the level of aggregation? Is that the question? I just see that come on -- my apologies.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: So, simplification in terms of -- including other categories of costs that would not have been included previously.

MR. MICHAEL GANDHI: So, I think what we're asking about is the acquisition costs, right. So, IFRS 17, it tells you to evaluate your entire P&L and look through, are there any additional costs that are insurance related in securing an insurance contract.

And these are similar to the deferred acquisition costs. So, there are additional aspects where we've reviewed, where we've seen additional line items that should be acquisition related overall that are part of the insurance contract procurement.

But that is a reclassification as opposed to having a material change within our overall P&L. So, the economics of our business stays the same. The disclosure is the way that we categorize costs. Those will change overall.

MS. KATHLEEN MCCANDLESS: Does adopting this approach reduce the need for systems or process changes?

MR. MICHAEL GANDHI: There'll be a significant amount of system changes and requirements that we're working with -- internally with our IT teams and collectively with our financial reporting team. And I think through great guidance of -- of Ms. Low, and Mr. Giesbrecht.

MS. KATHLEEN MCCANDLESS: Now, in terms of level of aggregation, which we see here on the screen, MPI notes at the second bullet here that portfolio level decisions will impact financial statement presentation and options available to reduce financial statement volatility?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: How -- can you explain how it reduces financial statement volatility?

MR. MICHAEL GANDHI: In terms of groupings of our overall portfolios, those are basically akin to our line of business. So, for a level of aggregation to reduce our overall financial statement volatility, those groupings will help to coordinate -- you know, not have loss making contracts, even though we're a break even entity, flow through into different -- different portfolios.

So, the portfolios that we have are Basic and Extension and SRE, and we don't have loss making going on between those two (2) portfolios. For the lines of business, is that is really what (INDISCERNIBLE) should say as opposed to financial statement. It should say managerial statements volatility.

MS. KATHLEEN MCCANDLESS: The last bullet notes that MPI finalized two (2) portfolios for direct insurance contracts and three (3) for re-insurance?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Can you just provide some detail on those portfolios?

MR. MICHAEL GANDHI: Sure. So, there are five (5) portfolios we've established, one being the AutoPac line. And the way that you group these insurance contracts, the standard provides a -- a significant amount of -- of guidance on that.

But we really looked at, are they managed together, are there risks together? And we've come to the conclusion that -- and our auditors have confirmed this, our external auditors, and external consultants internally, that AutoPac -- sorry, Basic and Extension line would be one portfolio.

Our Special Risk Extension would be the other portfolio, and then we would have three (3) re-insurance contracts, as they have differentiating risks and they capture differ -- and they're managed -- even though there might be a small team that manages, they -- they basically cover different risk aspects. One being the re-insurance of the catastrophic side, re-insurance facultative, and reinsurance casuality.

MS. KATHLEEN MCCANDLESS: Thank you. Continuing down the list here, with respect to acquisition costs, currently MPI defers policy acquisition costs and recognizes as a policy is earned?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Under the existing IFRS standard 4, deferred policy acquisition costs are premium taxes and commissions to brokers that are recoverable from unearned premiums?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And MPI has made the policy decision to expense policy acquisition costs as incurred?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So, then the Corporation could continue to defer policy acquisition costs while still using the -- the PAA approach?

MR. MICHAEL GANDHI: That is an option available, correct. Most insurers are not using that option overall. We did confirm this in our April 4th review on the technical conference that it would not make a -- apart from the transitional adjustment that we have from day zero.

Day zero simply means that what we do when we switch over. We don't see that having significant impacts on a go-forward basis.

MS. KATHLEEN MCCANDLESS: And I apologize, PAA approach is premium allocation approach?

MR. MICHAEL GANDHI: Yeah. Correct.

MS. KATHLEEN MCCANDLESS: So, if we scroll down to the next page then. So, the implications of this policy choice is that the current balance of deferred policy acquisition cost needs to be written off against retained earnings?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And that has

an impact of 68. -- $64.8 million to equity?

MR. MICHAEL GANDHI: Based on the year end, March 31st, 2021. Yes, that is correct.

MS. KATHLEEN MCCANDLESS: And under IFRS 17, the definition of policy acquisition costs changes, yes?

MR. MICHAEL GANDHI: It -- it lets you look at -- at your acquisition costs more closer. The -- the -- and there are inclusions such as regulatory appeal costs, right.

So, you would look through those costs and see, are those costs related to you in procuring the insurance contracts. So, there are more guidelines and -- and more acquisition costs that would flow in -- into that change in the financial statements.

MS. KATHLEEN MCCANDLESS: Commissions paid to brokers would still be considered policy acquisition costs?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: But under the new standard, you would exclude commissions related to administ -- driver and vehicle administration transactions?

MR. MICHAEL GANDHI: You would exclude

those, as those are not insurance related, correct.

MS. KATHLEEN MCCANDLESS: And premium taxes would be continue to be considered in acquisition costs?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Regulatory costs for proceedings before the Public Utilities Board would be considered an acquisition cost?

MR. MICHAEL GANDHI: Yes, they would. Yeah.

MS. KATHLEEN MCCANDLESS: If acquisition costs continue to be deferred, would there be a positive adjustment to retained earnings based on the transition because of the expanded definition of acquisition costs under the new standard?

MR. MICHAEL GANDHI: You would have additional acquisition costs flowing through there, but you would basically just have the 64. So, taking the -- the March example, you would have the $64.8 million.

That would get classified as a liability for remaining coverage and then that would be earned over time. Effectively, this policy decision isn't going to have a significant impact overall.

Most insurers are going through this process of -- of expensing your acquisition costs also.

MS. KATHLEEN MCCANDLESS: Did the Corporation undertake an analysis to determine the quantum of acquisition costs under the new definition and the impact -- what would have been the impact on retained earnings if the current accounting policy was continued?

MR. MICHAEL GANDHI: We would have. Basically, we would have just left -- we would have reclassified the current deferred acquisition costs into a liability account, and that liability account would have been earned over time as the insurance contract earned over the months.

MS. KATHLEEN MCCANDLESS: And at a high level, are you able to explain what the impact would have been on retained earnings?

MR. MICHAEL GANDHI: The impact on retained earnings using the March 31st example would be $64.8 million then flowing through into your liability account overall.

MS. KATHLEEN MCCANDLESS: Can the Corporation elaborate on how continuing the existing practice of deferring policy acquisition costs increases the complexity of the disclosure?

MR. MICHAEL GANDHI: Great questions. Bear with me and let me just consult on that, please.

(BRIEF PAUSE)

MR. MARK GIESBRECHT: Yeah. So the -- the difference would be, if we were to continue to carry that amount while -- where it resides in the balance sheet would change. We would still need to calculate it, disclose it, include it in -- in those liability amounts. And so there would be additional effort that goes into all that continued calculation to carry that on in perpetuity.

MS. KATHLEEN MCCANDLESS: Are the calculations complex or more time consuming?

MR. MARK GIESBRECHT: They're not overly complex. However, it is additional computations, additional work, and it is additional, you know, components that would have to be contemplated and worked on.

MS. KATHLEEN MCCANDLESS: Last year, MPI indicated in this hearing that it was assessing the systems that were needed to track acquisition costs. Accept that, subject to check?

MR. MICHAEL GANDHI: Subject to check, correct.

MS. KATHLEEN MCCANDLESS: Has the Corporation completed this assessment?

MR. MICHAEL GANDHI: The assessment of the acquisition costs -- really, our overall system buildups for NOVA will allow for that. We've been working with the NOVA team to ensure acquisition costs are provided and -- and allow us to do our financial accounting.

MS. KATHLEEN MCCANDLESS: So that's for deferred policy acquisition costs?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And with respect to disclosure requirements?

MR. MICHAEL GANDHI: For our disclosure requirements, we've gone through the assessments at a high level. We know what the requirements are for our overall disclosures.

MS. KATHLEEN MCCANDLESS: And then would that hold true also for insurance contract liabilities and onerous contract assessments?

MR. MICHAEL GANDHI: We -- for our insurance liabilities, we are -- we basically have those defined. For our onerous contracts -- so when we have a loss-making contract at inception -- we do have a loss component calculation built up.

But a lot of those items aren't done within the system. They're done through Ms. Low's team on the actuarial side, on the modelling side, outside of this system. And for us, we need to make sure that we have the right data variables which we've confirmed at a high level that we have those aspects.

MS. KATHLEEN MCCANDLESS: Can the Corporation -- or does the Corporation have confidence that the decision to expense policy acquisition costs as incurred will not result in fluctuations in net income?

MR. MICHAEL GANDHI: So we did go through that assessment with our external consultants, and we did come to the conclusion that it would not provide significant volatility.

MR. MARK GIESBRECHT: And just to add to that, the -- the only instances where you would have any real impact would be in times of -- of high, high growth, if you were in a growth industry or growth line of business where you have your earning versus written had a -- had a big change, you know, thinking about Basic, in terms of fairly steady, not major growth, there's -- there's -- it's really an immaterial difference in terms of that -- that impact.

MR. MICHAEL GANDHI: Also, just one (1) very important thing to add in here, also, is, if we can expense these acquisition costs, it gets us away from onerous situations and contracts overall that reduces significantly the -- the burden on our accounting team.

That is the major driver that corporations around the world are using and expensing, your acquisition costs overall.

MS. KATHLEEN MCCANDLESS: And why does MPI hold the view that there is a need to make that election?

MR. MICHAEL GANDHI: For the decreased complexity and the fact that there isn't a strong likelihood of onerous situations where we would then need to calculate loss components and increase our actuarial requirements and burden.

MS. KATHLEEN MCCANDLESS: Has the Corporation had discussions with ICBC and SGI on IFRS 17?

MR. MICHAEL GANDHI: We -- we have a working group with them. And we do consult and attain guidance and provide our guidance, also.

MS. KATHLEEN MCCANDLESS: And --

MR. MICHAEL GANDHI: And they are expensing their acquisition costs, also.

MS. KATHLEEN MCCANDLESS: Thank you.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Now, with respect to IFRS, which is financial instrument classification, MPI is changing its approach to the valuation of certain of its investments, yes?

MR. MICHAEL GANDHI: We are looking to use a fair value approach, correct.

MS. KATHLEEN MCCANDLESS: So, changing the classification of MUSH bonds which are currently classified as held to maturity and accounted for based on an amortized cost basis?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And you're changing it to a fair value basis?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: The implication of this is that there -- any changes in value flow net income instead of accumulated other comprehensive income?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And there would be a one-time recognition of the fair value of the bonds in retained earnings?

MR. MICHAEL GANDHI: That is a point in time as a '21 audited financial statements, and that is the financial impact.

MS. KATHLEEN MCCANDLESS: This would increase the level of equity?

MR. MICHAEL GANDHI: This would not increase the total equity. Basically, it would -- as you have your accumulation of the unrealized changes within MUSH bonds sitting in accumulated other comprehensive income which adds in from your -- your P&L as it's closed off to your balance sheet, so not total equity.

MS. KATHLEEN MCCANDLESS: MPI has designated in its --

MR. MICHAEL GANDHI: Bear with me one moment.

(BRIEF PAUSE)

MR. MARK GIESBRECHT: Just to -- to add to Mr. Gandhi's response, there -- there's two (2) components. Because the MUSH bonds are held to maturity and they're -- they're not fair value in the balance sheets, that gain -- or as it stands today, that gain would increase total equity.

Any of the assets that are currently classified as available for sale and are in AOCI, those amounts are already in total equity, so those amounts would have no change.

MS. KATHLEEN MCCANDLESS: MPI is designating its Rate Stabilization Reserve and employee future benefit portfolios currently available for sale as fair value through profit and loss?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Previously changes in fair value that would have been captured in other comprehensive income will now be reflected in net income?

MR. MICHAEL GANDHI: That is correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: The new accounting standard prescribes that pooled corporate bonds and private debt are to be recorded at fair value and classified as fair value through profit and loss?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So, to allow for the continuation of recognizing fair market changes and other comprehensive income, MPI would have to change how it invests in these asset classes and hold segregated investments instead of pooled funds?

MR. MICHAEL GANDHI: I'll have to defer this question to the Investments Panel.

MS. KATHLEEN MCCANDLESS: MPI has made the working assumption that it will classify all investments as fair value through profit and loss?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Thank you. It is noon. I am three-quarters or more of my way through my entire cross-examination for this panel, so I think I won't need more than twenty (20) minutes upon return from the lunchbreak.

THE PANEL CHAIRPERSON: Thank you. We'll adjourn now then for lunch. And be back at one o'clock, please.

--- Upon recessing at 12:05 p.m.

--- Upon resuming at 1:02 p.m.

THE PANEL CHAIRPERSON: Good

afternoon. Ms. McCandless...?

MS. KATHLEEN MCCANDLESS: Thank you.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Mr. Gandhi, just a couple of follow-up questions based on our discussions before the break.

First, with respect to the onerous contract determination, do -- would you agree that it's determined at inception and includes all acquisition costs?

MR. MICHAEL GANDHI: Onerosity is at inception date.

MS. KATHLEEN MCCANDLESS: And, as such, expensing would make no difference?

MR. MARK GIESBRECHT: Expensing our acquisition costs -- bear with me just in a quick consult.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: So just getting some guidance from the team here, acquisition costs, if they're expensed, are excluded from the onerosity calculation. And that is the primary driver where a lot of insurance companies are looking to expense acquisition costs.

MS. KATHLEEN MCCANDLESS: Thank you. And before the break, I asked you some questions about that impact of $64.8 million to equity based on MPI's change in policy choice. Do you recall that?

MR. MICHAEL GANDHI: Yes, I do.

MS. KATHLEEN MCCANDLESS: And you had advised that the Corporation had undertaken an analysis to determine the quantum of acquisition costs under the new definition and what the impact would have been on retained earnings if the current accounting policy was continued?

MR. MICHAEL GANDHI: Yeah.

MS. KATHLEEN MCCANDLESS: Mr. Giesbrecht provided some information on that. So that analysis, is that something that's available to provide to the Board?

MR. MICHAEL GANDHI: You know, I believe it's provided in our acquisition cost paper that's been provided, but if not, I can double-check also. And that wouldn't be something that would be significantly hard to provide.

MS. KATHLEEN MCCANDLESS: So perhaps then the undertaking would just be to advise -- or provide a copy of the analysis if not already provided for in the --

MR. MICHAEL GANDHI: Let me just --

MS. KATHLEEN MCCANDLESS: -- policy position papers?

MR. MICHAEL GANDHI: -- confirm that with our counsel.

MR. STEVE SCARFONE: Yes, that's fine. If it's not already provided, we'll make that undertaking.

--- UNDERTAKING NO. 6: If not already provided, MPI to provide copy of analysis provided for in the policy position papers.

MS. KATHLEEN MCCANDLESS: Thank you. Kristen, could we now please go to MPI Exhibit number 52?

(BRIEF PAUSE)

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: This was

previously filed confidentially, but it's now been made public, and these are the notes to the Basic financial statements for the year ended March 31, 2022?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: So if we're looking at the schedule here of cash, cash equivalents, and investments, the reclassification of, at the bottom here, $770.9 million in available-for-sale assets to fair value through profit -- profit and loss and the $467.9 million in bonds classified as held to maturity, they would also be moved to fair value -- fair value through profit and loss?

MR. MICHAEL GANDHI: Our financial instruments would be classified as fair value, that is correct.

MS. KATHLEEN MCCANDLESS: So regarding the current classification of investments, given -- or upon implementation of IFRS 9, how would this classification schedule change?

MR. MICHAEL GANDHI: The table from a disclosure standpoint would stay relatively the same. Our classification for our held to maturity for our MUSH bonds would now be fair value through P&L would be the classification, similar to classified as fair value through P&L with the column just one over from that.

MS. KATHLEEN MCCANDLESS: Will the changes in classification lead to some volatility in that income?

MR. MICHAEL GANDHI: There will be increased volatility. Now, one (1) thing to also combine with that is we have our ALM match that would then allow mitigation of those interest-rate movements overall. So that would, in -- in theory and practice, help against the volatility pieces.

MR. MARK GIESBRECHT: Yes, and just to add to that response, essentially, the volatility would be from the surplus assets that do not have a direct hedge on the liability side. So that's where there'd be some additional volatility within the net income.

However, aside from the MUSH assets, there would be no impact on total equity as these amounts all already are fair valued and flow through total equity through the AOCI component.

MS. KATHLEEN MCCANDLESS: And this classific -- classification change would result in MUSH bonds being revalued at each balance sheet date to fair market value versus held to maturity and amortized cost-base value?

MR. MICHAEL GANDHI: So we do value our MUSH bonds today, and the -- you are correct in -- in your assessment, yeah.

MS. KATHLEEN MCCANDLESS: MPI has determined that it will record an increase in the fair value related to the MUSH bonds on transition?

MR. MICHAEL GANDHI: There would be, as we know it today, a positive impact on transition, correct.

MR. MARK GIESBRECHT: And -- and just also to clarify on that, that is subject to where interest rates go between now and date of adoption, and that -- that could change materially depending if rates were to continue to rise.

MS. KATHLEEN MCCANDLESS: Subject to check, based on the March 31, 2021 valuation, retained earnings related to the revaluation of MUSH bonds would be -- would have an impact of $82.4 million?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Subject to check, correct. That is -- I have about 80 million here, but it's in the ballpark.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Kristen, could we please go to PUB-MPI-1-44, and in particular, the response to question C. And while Kristen's pulling it up, I'll just read the question, which was: For MPI to provide the detailed methodology they would be using to report MUSH bonds at market value and the indicated change in value based on the methodology to comply with IFRS 9.

And this is MPI's response here at 'C'?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: MPI advised that it will apply the current methodology to calculate MUSH at market value to comply with IFRS 9 and that the current methodology calculates the market value of each MUSH security based on the projected cashflows of the initial individual assets discounted using a yield curve that is derived from the yield on newly issued MUSH bonds as published by the treasury division --

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: -- at the most recent month end?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Can MPI provide the calculation that details the determination of the 80 million approximate adjustment that you've just referred to earlier, Mr. Gandhi?

MR. MICHAEL GANDHI: That would be in our IFRS 9 position paper provided, but I can follow that up.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. So, we'll -- you'll provide that by way of undertaking?

MR. MICHAEL GANDHI: Let me check with --

MS. KATHLEEN MCCANDLESS: Okay.

MR. MICHAEL GANDHI: -- legal counsel.

MR. STEVE SCARFONE: Yes, we'll provide that undertaking.

MS. KATHLEEN MCCANDLESS: Thank you.

--- UNDERTAKING NO. 7: For MPI to provide the calculation that details the determination of the 80 million approximate adjustment.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Now, could we go to part 5 PF, appendix 1, page 23, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And this contained within the policy papers?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And this diagram that we see is, essentially, an overview for two (2) approaches, the top-down approach and the bottom-up approach?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: Under IFRS 17, MPI must either use the top-down or bottom-up approach to determine the claims discount rate?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And the standard requires that the discount rate used in calculating the insurance contract liability must be based on the characteristics of the insurance liability, such as currency, duration, and liquidity?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: The curve required to be consistent with financial instruments with similar cashflows and liquidity characteristics has a liability?

MR. MICHAEL GANDHI: One moment. May I ask to repeat the question?

MS. KATHLEEN MCCANDLESS: So, the curve required in order to be consistent with financial instruments with similar cashflows and liquidity characteristics has a liability?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: So, I think -- I think, as -- as Ms. Low pointed out, the discount rate using the top-down approach uses a reference portfolio. The reference portfolio has characteristics of the asset.

IFRS 17 requires that your liability cashflows are forming the characteristics of your discount rate. For us, we use reference curve and make these adjustments that you see on the left here, one taking on expected loss adjustments and removing credit impacts overall to take away those characteristics.

However, because you're starting off with a reference portfolio as opposed to in the bottom -up approach just using a risk-free rate, there in theory is still that link even though it is not as strong. And we want a strong link so we can ensure that our discount rate helps us protect against volatility and a stronger more robust ALM match.

I hope that answers the question.

MS. KATHLEEN MCCANDLESS: And we can see from the graphic on the screen that the curve can be determined one (1) of two (2) ways. So, the bottom-up approach calculates the rate based on adding a liquidity premium to a risk-free rate?

MR. MICHAEL GANDHI: That is correct, yeah.

MS. KATHLEEN MCCANDLESS: And the top-down approach uses a reference portfolio we see on the left-hand side of that part of the graphic and removes items that are not aligned with the characteristics of the insurance liability, for example, credit risk?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: If we go back to PUB-MPI-2-10 to which we referred before the lunchbreak.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Oh, pardon me. I'm sorry. Kristen, we're actually going to page 24 of -- of what you were just at, the following page.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. So, here MPI provided its commentary or analysis of the attributes of the approaches, bottom-up, top-down?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And so, with the first attribute, ease of computation, both approaches have some degree of subjectivity?

MR. MICHAEL GANDHI: Can you broaden the definition of 'subjectivity'?

MS. KATHLEEN MCCANDLESS: You see just the first two (2) bullets, for example, under top-down and bottom-up mention degrees of subjectivity regarding the identification of a reference portfolio --

MR. MICHAEL GANDHI: Yes. That is correct, yeah.

MS. KATHLEEN MCCANDLESS: So, with

respect to the bottom-up approach, there's a degree of subjectivity in the selection of a risk-free rate?

MR. MICHAEL GANDHI: That is my understanding. But I am going to consult, just to make sure now, with Ms. Low.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Just in terms of subjectivity, there would be judgments applied overall.

MS. KATHLEEN MCCANDLESS: Are there conventions on what would be considered a risk-free rate, such as a Government of Canada ten (10) year or thirty (30) year bond yield?

MR. MICHAEL GANDHI: There are guidance overall. There is CIA guidance also that's published on a monthly basis. But I will pass this on to Ms. Low for a much better additional comment on that.

MS. CARA LOW: Yes, the Canadian Institute of Actuaries is publishing on a monthly basis a pair of curves; that's a bottom-up approach.

MS. KATHLEEN MCCANDLESS: And so, the question was whether there were conventions on what would be considered a risk-free rate. For example, would there be -- would it be a ten (10) year or thirty (30) year Government of Canada bond yield?

MS. CARA LOW: Yeah, Government of Canada bonds.

MS. KATHLEEN MCCANDLESS: The next row in this comparison is ease of communication with stakeholders. I'm not going to take you through it.

But just at a high level, is there any concern from MPI that the new standard will provide challenges in the asset liability matching strategy?

MR. MICHAEL GANDHI: I'll defer that question to the -- to the correct panel, the Investments and ALM Panel.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: With respect to relation to assets, and perhaps this is better for the -- the Investments Panel, but can you explain how the top-down approach has a better relationship with the assets?

MR. MICHAEL GANDHI: Yeah. So, if you scroll back up, just it'll give you a nice visual. Because we start with a reference portfolio, it takes characteristics of the assets. And that's how the initial calculations are started when -- so, we believe that's how we'll provide a better relation to our assets overall than the bottom-up approach because you're starting with a simple rate.

Using a reference portfolio, in theory, it's supposed to match your overall investments, so it allows you just overall to have a better starting base, a foundation to build your discount rate.

MS. KATHLEEN MCCANDLESS: Thank you. Scrolling down to industry practice, MPI indicates that the top-down approach is not going to be as widely used as the bottom-up approach among peers and other P&C insurers.

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: What is the Corporation's understanding of why SGI and ICBC are using the bottom-up approach?

MR. MICHAEL GANDHI: It just comes down to simplicity of the calculation. For us, we have a third-party consultant, Andenda (phonetic), that would be providing the reference portfolio for us. So it allows us to -- to use an approach that we think will work better for our ALM match.

MS. KATHLEEN MCCANDLESS: Has MPI

modelled the difference between using the top-down and the bottom-up approach?

MR. MICHAEL GANDHI: We have. And at a very high level and a point in time, as per Mr. Giesbrecht's comments, those can change very significantly.

And we went through that on our April 4th technical conference with -- with the PUB.

MS. KATHLEEN MCCANDLESS: Thank you. Now, Kristen, if we could back to 2-10. Thank you.

With respect to the claims discount -- oh, I think you were just there. So page 5. Yes. Thank you.

So just using this as a reference point, MPI selected the top-down approach as it is unique in that it has a relatively long duration, interest rate sensitive policy liabilities, and robust existing ALM processes.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Can you elaborate on how this requirement makes it more challenging to manage the Asset Liability Management Program?

MR. MICHAEL GANDHI: We'll have to defer that question to the ALM panel.

MS. KATHLEEN MCCANDLESS: Thank you.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: The top-down approach does require MPI to engage a third party to provide the information on the linkage to the assets?

MR. MICHAEL GANDHI: Yes. Correct.

MS. KATHLEEN MCCANDLESS: At the bottom of the screen, we note that MPI chose the top-down approach, based on its defendability. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Can you elaborate on what is meant by choosing that approach, based on its defendability?

MR. MICHAEL GANDHI: So in brackets, where we have defendability, that is more from the audit background.

Because we would start with a reference portfolio that would have a stronger tie-in with the investment base that we have currently in our portfolios. Hence, a stronger defendability because it has a -- a better link -- a better link to our assets overall.

MS. KATHLEEN MCCANDLESS: Thank you.

Next, Kristen, can we please go to PUB-MPI-1-13A?

In this Information Request response, MPI acknowledges that the top-down approach is a difficult discount rate methodology. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And it's more complex than the bottom-up approach. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: MPI consulted with SGI and ICBC in terms of the discount rate methodologies?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: At a high level, what did MPI learn from its consultation with ICBC and SGI?

MR. MICHAEL GANDHI: With SGI, ICBC -- SGI, on the Auto Fund, they are using the bottom-up approach.

What we learned is simply that they did not have the right infrastructure to allow to have a right reference portfolio.

And -- you know, for us, being an insurance company, if we had a asset wing overall or a asset management section or department, that would allow quite a bit of ease in doing that. And if SGI, ICBC had it, that would take away the limiting factors that they would have in doing those calculations overall.

For us, as we've discussed previously, the top-down approach, bottom-up approach, in theory, leads you to the -- relatively the same outcomes over time.

We continue to do that top-down approach even though it's more complicated. Even though it requires additional inputs. Because it allows a stronger ALM match and more of a -- more of the asset side characteristics.

MS. KATHLEEN MCCANDLESS: Is the overriding reason for MPI selecting the top-down approach the better linkage to the asset liability matching?

MR. MICHAEL GANDHI: That is a key decisioning point, yeah.

MS. KATHLEEN MCCANDLESS: Now, could we please go to PUB-MPI-1-122? And the question at 'A'.

This was with respect to the discount rate determination. MPI was asked to comment on the benefits of the suggested approach mentioned by Mercer for the determination of the discount rate. Yes?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And did MPI consult with Mercer on the selection of a discount-rate approach?

MR. MICHAEL GANDHI: Bear with me on consultation.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: I'd like to defer that question to the investments panel. Thank you.

MS. KATHLEEN MCCANDLESS: Thank you.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: MPI has selected the quantile approach for the risk adjustment used in actuarial valuation?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And are you able, at a high level, just to explain what the quantile approach is?

MS. CARA LOW: If you think of a simple bell curve and if you're unpaid liabilities are booked to your fiftieth (50th) percentile, it's picking what you want to book to for your unpaid liabilities for the probability of exceeding your expectations.

MS. KATHLEEN MCCANDLESS: Would it be accurate to say that, under this approach, a range of claims development scenarios are simulated and the future claims payments of each of the scenarios are discounted to the measurement date?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: MPI then determines risk adjustments for non-financial risks -- risk as the difference between the discounted unpaid claims and the selected percentile and the best estimate of the unpaid claims liability averaged across all of the scenarios?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: Has MPI finalized the selected percentile?

MS. CARA LOW: Yes, we have.

MS. KATHLEEN MCCANDLESS: And what is that?

MS. CARA LOW: Ninetieth (90th) percentile.

MS. KATHLEEN MCCANDLESS: What considerations went into the selection?

MS. CARA LOW: We run various scenarios. We compared it to our current claims PfAD and the ninetieth (90th) percentile came out very close to our current claims PfAD.

MS. KATHLEEN MCCANDLESS: And PfAD is Provision for Adversary Deviation?

MS. CARA LOW: Provision for Adverse Deviation. Correct.

MS. KATHLEEN MCCANDLESS: Has MPI run the analysis using the approach and determined an indicated risk adjustment?

MS. CARA LOW: We know the impact of -- at March 31st, '22. The ninetieth (90th) percentile.

MS. KATHLEEN MCCANDLESS: And is that readily available?

MS. CARA LOW: We do have that information, yes.

MS. KATHLEEN MCCANDLESS: So if MPI could please undertake to provide the -- the analysis of the financial impact of the risk adjustment policy choice?

MR. STEVE SCARFONE: Yes. She's nodding. I have no idea what that means. But I will -- we will make that undertaking.

--- UNDERTAKING NO. 8: MPI to provide the
analysis of the financial
impact of the risk
adjustment policy choice.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. If we go to PF Appendix 1, page 39.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Again, so these are risk adjustment methodologies. And if we scroll to the bullet points under the table here, there's a selection of approach explained. Yes?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And MPI has selected the cost-of-capital method and it outlines its reasons for doing so here?

MS. CARA LOW: Yes. Originally, we had selected the cost-of-capital method, and then decided to switch over to the quantile method.

MS. KATHLEEN MCCANDLESS: So could you explain why the Corporation changed its recommended approach from the cost-of-capital method, as we see here, to the quantile approach?

MS. CARA LOW: There were a number of reasons. The cost of capital requires a selective return on equity and we didn't have a targeted return on equity. So we were struggling with that.

We also thought the quantile approach was easier to understand than the cost of capital, and a little bit more transparent.

MS. KATHLEEN MCCANDLESS: Does the Corporation have a revised position paper from what was filed here?

MS. CARA LOW: We are just working on that. Yes.

MS. KATHLEEN MCCANDLESS: And when --

MS. CARA LOW: Oh, and one additional thing too is that, in the end for note disclosure, you have to disclose your percentile or quantile you're booking to anyways, so you have to do that work. So then it decides -- we decide that we might as well select that approach. That was another decision point.

MS. KATHLEEN MCCANDLESS: And when MPI did its preliminary work on the financial impact of the risk adjustment policy choice, did that include a financial impact of using the cost-of-capital approach?

MS. CARA LOW: We did do some various quantification, but again it was -- we were really struggling with what return on equity to use in there.

MS. KATHLEEN MCCANDLESS: So, would that information be contained within the analysis that we've already asked for?

MS. CARA LOW: That would be in the current position paper, yes.

MS. KATHLEEN MCCANDLESS: Oh, okay. Thank you. Kristen, could we please go to PF 14.

And, I understand that this schedule shows a statement of changes in equity, based on the filing, so the .9 percent rate decrease. And then with IFRS changes effective in 2023/'24 set out.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And if we -- MPI is still evaluating the overall financial impact of transitional adjustments related to these accounting changes. Correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Mr. Gandhi, at a high level, could you just explain what we see here under the retained earnings?

MR. MICHAEL GANDHI: Yeah. Absolutely. So, just at a very high level, this shows the overall IFRS 9 impacts. This does not show -- and my apologies, does not show the IFRS 17 impacts overall. So this would show you the impacts in going from a -- going into fair value for our investments.

So, we have identified IFRS impacts to come and we're working through our financial modeling for IFRS 17. We have that -- that work slotted in for end of November to December, overall.

MS. KATHLEEN MCCANDLESS: Thank you. Now, if we go to CAC-MPI-1-69 from last year's GRA, your -- the Corporation was asked about, among other things, its readiness to implement IFRS 17 effective for annual reporting periods on or after January 1, 2023.

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And MPI's response at A -- third paragraph down -- MPI stated it was currently reviewing mockup of data requirements for financial statements and note disclosures. Yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And MPI was going to meet with representatives of SGI and ICBC.

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: Can you please describe the nature of the collaboration with SGI and ICBC on IFRS 9 and 17?

MR. MICHAEL GANDHI: Just at a very high level, we get together and we share thought leadership, in terms of policy decisions, impacts as -- as -- as they come through. It's one of the important things to consult with -- with industry, peers that are going through the same transitions.

MS. KATHLEEN MCCANDLESS: And so with MPI being required to implement IFRS 17 for reporting periods commencing on or after January 1, 2023, this will have an impact on 2023/'24 then when implemented?

MR. MICHAEL GANDHI: Year ended '23/'24.

MS. KATHLEEN MCCANDLESS: Thank you. And if we scroll down to page 6 of this same Information Request response, under figure 1, the Corporation notes that the transitional adjustments will have an impact on retained earnings in the capital of MPI?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: MPI at the time of preparing this IR response, held the view that there would be a positive financial impact as a result of adopting IFRS 17.

And, can you explain or elaborate on what that impact would be?

MR. MICHAEL GANDHI: These -- these impacts are a point in time, overall. So you can see in here we have June 2021 impacts, August 2020 impacts and overall, these impacts changed significantly, especially for the claims discount rate.

So, overall, we see DPAC, which is your deferred policy acquisition costs. Those would be written off into retained earnings on -- on transition. We have MUSH fair value adjustments which was previously in our accumulated comprehensive income, having a beneficial impact.

Risk adjustment at this time was still being finalized.

MS. KATHLEEN MCCANDLESS: Thank you. And so this was the result of MPI's quantitative -- high level quantitative modeling?

MR. MICHAEL GANDHI: Correct. Very high level. And one -- one thing to remember, as we've gone through, we've learned a lot. There's a certain amount of humility in taking time to learn. Right? And we're no different from anyone around the world.

On the very first slide what we presented in IFRS 17, when we consult with SGI, ICBC, and friends and peers in industry, they're basically going through the same assessments now. So these are provided as a very high level review overall.

MS. KATHLEEN MCCANDLESS: Has MPI updated this modeling for this year?

MR. MICHAEL GANDHI: That is the process that we're going through, right now.

MS. KATHLEEN MCCANDLESS: Last year, Mr. Giesbrecht, had mentioned that this was a point in time and that the estimate could change materially, with changes in prevailing interest rates.

Mr. Giesbrecht, I was just referring to your evidence from last year. So, you had advised that this quantitative modeling could be subject to change, could change materially based on changes in prevailing interest rates.

MR. MARK GIESBRECHT: Yes, certainly, at this point in time the risk adjustment was not quantified as well, which is a major component of that overall analysis.

MS. KATHLEEN MCCANDLESS: And so, the work that's being done right now, is what Mr. Gandhi had mentioned.

MR. MARK GIESBRECHT: Yes. So, all the positions are now finalized and agreed upon. There's some final modeling to be completed and -- and to run parallel runs to -- to run with live data, to get the -- the final concrete numbers. And that work is scheduled over the remainder of this calendar year.

MS. KATHLEEN MCCANDLESS: And, just as an example, looking at last year then, so the deferred policy acquisition cost writeoff would reduce assets by $63.8 million in retained earnings.

MR. MARK GIESBRECHT: As -- as of that point in time, yes. And that would -- I would say would be -- remain similar going forward.

MS. KATHLEEN MCCANDLESS: And the impact of that is that it -- it reduces capital available for rebates.

MR. MARK GIESBRECHT: That -- that is true.

MS. KATHLEEN MCCANDLESS: MUSH fair value at $70.8 million in assets, that would increase then capital available for rebates.

MR. MARK GIESBRECHT: That is true, and that one is more a variable based on market conditions at various points in time.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Line 3 shows a negative $150 million impact on liabilities.

MR. MARK GIESBRECHT: Yes.

MS. KATHLEEN MCCANDLESS: Was this based on the proposed top-down approach?

MR. MARK GIESBRECHT: Yes.

MS. KATHLEEN MCCANDLESS: Does this have an impact on actuary -- actuary ADP ratemaking, pardon me, as the yield rate used for financials will change?

MS. CARA LOW: No, it will not. This is just for financial reporting purposes.

MS. KATHLEEN MCCANDLESS: All right. Just bear with me for one moment, I'm going to check my notes.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Just a couple last questions. At what date will MPI be valuing the MUSH?

MR. MICHAEL GANDHI: Is the question at what date will we use to transition or on what frequency, moving forward?

MS. KATHLEEN MCCANDLESS: Transition date.

MR. MICHAEL GANDHI: Right. So -- so, the opening balance sheet will be restated, as of April 1st of 2023 and, moving forward, on that basis, with all corresponding prior periods restated as well.

MS. KATHLEEN MCCANDLESS: Does MPI know the fair value of the MUSH bonds and the transitional -- transitional amount, based on the interest rates, as at that date?

MR. MICHAEL GANDHI: No. That will change, based on that -- at that point in time. We know the implied values, as of today, and prior period ends, but that is subject to change.

MS. KATHLEEN MCCANDLESS: If IFRS 9 was applied retrospectively, would that -- would that change the adjustment date?

MR. MICHAEL GANDHI: Can you repeat that? So, just a -- a -- a quick clar -- clarification. My apologies.

IFRS 9 is applied perspectively. We know the valuation of our MUSH bonds on a monthly basis. Obviously, it's driven by interest rate impacts, et cetera, market factors. We would know when due course comes. Our processes are aligned to build out the valuations overall.

MS. KATHLEEN MCCANDLESS: So, if -- if IFRS 9 then was applied retrospectively, would that -- would the adjustment date change?

MR. MICHAEL GANDHI: If it was applied retrospectively, then, what we would do is we would show opening comparative periods, showing as if IFRS 9 had always treated our -- all of our investments, fair value through P&L.

MS. KATHLEEN MCCANDLESS: So, there would be an adjustment to opening capital?

MR. MICHAEL GANDHI: Bear with me. Let me just consult on that.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Just to clarify. So, if we were treating perspectively, what that means is, on a go-forward basis, you would leave your opening balances. You usually have two (2) balances on your balance sheet. You'll have three (3) figures, right?

For IFRS 9, you would treat it perspectively, meaning your opening balance would be still as valuing MUSH at -- held for maturity and you would treat it on the go-ahead balance perspectively, using fair value.

The reason we made this approach in our consultation with our consultants is simply it doesn't provide a significant amount of value to our -- our readers of our financial statements to restate prior periods on the IFRS 9s, like IFRS 17, most definitely. So, I hope that clarifies the question.

MR. MARK GIESBRECHT: Maybe, just to simplify, we will, essentially, restate, as of the -- the start of that fiscal year and -- and, correcting what I previous said, there will be no restatement to April 1st of 2022, as it's only applied on a perspective basis for IFRS 9.

MS. KATHLEEN MCCANDLESS: Okay. One (1) last question for Ms. Low about risk adjustment.

Does the percentile selected affect the amount of capital that a company needs to carry to protect against reserve misestimation?

MS. CARA LOW: Could you repeat that?

MS. KATHLEEN MCCANDLESS: Does the percentile selected under Risk Adjustment affect the amount of capital that a company needs to carry, in order to protect against reserve misestimation?

MS. CARA LOW: So, the risk adjustment, yeah, it's -- there for the uncertainty in the claims and it's really, now, as we move from provision for adverse deviation over to risk adjustment, it's really the amount that the entity feels like they need in order to -- for the non-financial risk of their holding, right?

When you're looking at the RSR or the retained earnings, there's not just uncertainty in claims, there's also uncertainty in the markets. There's operational risk. There's catastrophe risk. There's future pricing risks. So, there's a lot of uncertainty, besides claims. So, the RSR is there for much more than just claims uncertainty.

MS. KATHLEEN MCCANDLESS: Thank you for that. I'm trying to get at sort of a just a 'yes' or 'no', whether or not the percentile that's selected would have an impact on the amount of capital that the company would need to carry, in order to protect against reserve misestimation.

MS. CARA LOW: No.

MS. KATHLEEN MCCANDLESS: Thank you. Those are all my questions for this panel. Thank you.

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

CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

DR. BYRON WILLIAMS: Yes, and good afternoon, Madam Chair, on this sleepy and kind of warm Thursday afternoon. We certainly do wish to thank our learned friends, in terms of Board Counsel. They've eliminated a number of questions.

To the extent that we do travel along the same area, it will be for a different purpose and -- and, hopefully, quite a conscious choice.

Good afternoon, MPI Panel. I -- I'll just say that Ms. Low, I don't think we've had the pleasure of meeting, so it's -- it's great to meet you, and Mr. Gandhi, like you, I'm a very humble person and I -- I'm humbly very pleased to meet you as -- as well.

I don't want either of you to be offended. Many of my questions will go to Mr. Giesbrecht but, if you feel left out or -- or if you feel that he's not doing a very good job, I -- I invite you to just jump right in and help him out. Okay.

And I wonder if Ms. Schubert can take us to the October 12 update, MPI Exhibit PF-1, page 13, please.

Mr. Giesbrecht, you recognize this document?

MR. MARK GIESBRECHT: I do.

DR. BYRON WILLIAMS: And I'm going to be directing your attention, in a second, to line 24, but, this, you'll understand, is the update provided by Manitoba Public Insurance, on or about October the 12th? Correct?

MR. MARK GIESBRECHT: Correct.

DR. BYRON WILLIAMS: And my learned friend, Mr. Scarfone, talked about some errors in this -- in this document relating to investments but, in terms of operating expenses, Mr. Giesbrecht, we can rely on the information set out in this document? Is that --

MR. MARK GIESBRECHT: There are no changes to the expenses.

DR. BYRON WILLIAMS: Thank you. And I do want to direct your attention to -- Ms. Schubert, if you can put Operating Expenses, line 24 just a little bit more in the centre of the page.

And, Mr. Giesbrecht, if we start on the -- the first numerical column, the 75.945 million, that is the actual amount of operating expenses for '21/'22 year. Agreed?

MR. MARK GIESBRECHT: I believe so. I can't see the column heading but I -- I believe so.

DR. BYRON WILLIAMS: Do you want to check, Mr. Giesbrecht --

MR. MARK GIESBRECHT: I will --

DR. BYRON WILLIAMS: -- or do I have an honest face and you'll take --

MR. MARK GIESBRECHT: Well, you look pretty honest to me.

DR. BYRON WILLIAMS: Okay. Thank you for that. Okay. So, moving to the right, Mr. Giesbrecht, we see a -- a growth in the '22/'23 year, in terms of the forecast to $89.578 million. Agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And, sir, you can always check my math, but that's about a $13.6 million increase, subject to check, sir?

MR. MARK GIESBRECHT: It sounds about right.

DR. BYRON WILLIAMS: And, if we were going to do percentage wise, that would be about 18 percent, sir?

MR. MARK GIESBRECHT: It seems reasonable.

DR. BYRON WILLIAMS: And correct?

MR. MARK GIESBRECHT: Subject to check. Yes.

DR. BYRON WILLIAMS: And moving to the right once more, we're looking at the forecast for the '23/'24 year. Agreed, sir?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And again, we see that growth out to 107.488 million, sir?

MR. MARK GIESBRECHT: That is correct.

DR. BYRON WILLIAMS: And that would be a $17.9 million increase from the '22/'23 year, agreed?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: Subject to check, not quite 20 percent?

MR. MARK GIESBRECHT: Subject to check, yes.

DR. BYRON WILLIAMS: And so, percentage wise, Mr. Giesbrecht, in terms of operating costs, we're seeing a -- a growth of over 38 percent in just two (2) years, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And mathematically, over those two (2) years that's a growth in the range of $31 million, correct?

MR. MARK GIESBRECHT: Correct.

DR. BYRON WILLIAMS: And, Mr. -- Mr. Giesbrecht, if you -- you've probably got it memorized, but that number of 107.488 million, if you want to just keep that at mind or write it down, because I am going to be referring to it when we go to -- to the next Information Request, which is PUB 2-30.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: And, Mr. Giesbrecht, if we can go to figure 1. Now, this was asked at a -- a different point in time and you'll recognize that this is a response from September 27th, 2022. Agreed, sir?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: Yeah, just a few weeks before the October 12th update, right?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: And what, at a high level, figure 1 is trying to do, is look at the forecast that was provided in last year's General Rate Application for the '21/'22 through 2026/'27 years and compare it to the forecast that was filed in support of this General Rate Application, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: Yeah, so if we look at lines 1 through 8, that's the information from last year's General Rate Application forecast, correct?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: And if we look at the lines 9 through 16, that's the information that was current at the time that the General Rate Application was filed in -- in this year, for the '23/'24 year, agreed?

MR. MARK GIESBRECHT: Yes, the starting point was the prior year forecast and then the lines in between 9 and 17 are -- are various changes with the current year forecast being the end result of that.

DR. BYRON WILLIAMS: Okay. And we'll just keep in mind, sir, that the number for the '23/'24 year has -- has changed. So, we'll come -- we'll come to that in a moment though, okay.

So, Mr. Giesbrecht, in terms of the '21/'22 year, the forecast for operating expenses, as you'll see on line 10, was about $76.1 million from last year's General Rate Application, right?

MR. MARK GIESBRECHT: Correct.

DR. BYRON WILLIAMS: And if we go down to line 17 we'll see the -- the actuals as presented in this year's forecast. They're pretty close, 75.945 million, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: Moving over one (1) column to the right, to the 2022/'23 year, line 10 again, what that is telling us is that in last year's General Rate Application Manitoba Public Insurance was expecting operating costs to be about $76.1 million. Agreed, sir?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And if we go down to line 17 again, to the second numerical column, you'll see that now MPI is telling us that it's in the range of 89.477 million, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: That would be about a $13.4 million difference from what you were telling us last year as compared to what you're telling us this year. Agreed, sir?

MR. MARK GIESBRECHT: That -- yes, agreed.

DR. BYRON WILLIAMS: About 17.5 percent, subject to check?

MR. MARK GIESBRECHT: Yeah.

DR. BYRON WILLIAMS: Now, if we move over to '23/'24, line 10, we see the forecast from last year's General Rate Application for normal operations plus initiatives was $78.14 million, sir?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: And going down to line 17, the third numerical column, we know that at the time the General Rate Application was filed, you were telling us it would be about 95.966 million, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: So, just in terms of comparing the GRA forecast to the GRA forecast for that year, MPI was telling us in this year's General Rate Application that it was -- it was expecting operating expenses to be about $17.8 million higher than what it told te Board last year, in terms of the '23/'24 year, agreed?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: And again, that's about almost 23 percent higher than the prior year's forecast, correct?

MR. MARK GIESBRECHT: Subject to check, yes.

DR. BYRON WILLIAMS: So, Mr. Giesbrecht, if we take that 95.966 million, which -- on line 17, based upon your October 12th forecast, we should be striking that out and replacing it with 107 million 488 million (sic), agreed?

MR. MARK GIESBRECHT: That is the most current forecast, yeah.

DR. BYRON WILLIAMS: Right. And that would be about $29 million higher than the previous year's forecast, sir?

MR. MARK GIESBRECHT: Than the --

DR. BYRON WILLIAMS: Than the forecast found at -- than the $78 million forecast for '23/'24?

MR. MARK GIESBRECHT: Yes. Yes. That would have been in the '22 GRA --

DR. BYRON WILLIAMS: Yes.

MR. MARK GIESBRECHT: -- for the '23/'24 year, yes.

DR. BYRON WILLIAMS: Exactly. Subject to check, a 37 percent increase, sir, in operating expenses forecast?

MR. MARK GIESBRECHT: Subject to check, yes.

DR. BYRON WILLIAMS: And, sir, the General Rate Application, my memory is a little foggy on this, I can't remember if it was filed in late June or early July. Do -- but it was filed around that point in time, right, sir?

MR. MARK GIESBRECHT: Yes, it was.

DR. BYRON WILLIAMS: Okay. And so, in terms of the projected operating expenses for the '23/'24 year, between late June/early July to October 12th, there's been $11 million -- $11.5 million growth in projected operating expenses for the '23/'24 year, agreed?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: Mr. Giesbrecht, on the right-hand side of figure 1, the same document we've been looking at, you'll see a comparison of the compound annual growth rate forecast in the twenty (20) -- in last year's GRA versus this year's GRA, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And what they were trying to do was look at the change in the growth forecast for operating expenses for a four (4) year period running from 2022/'23 to the '25/'26 year, agreed?

MR. MARK GIESBRECHT: (NO AUDIBLE RESPONSE).

DR. BYRON WILLIAMS: And what that comparison is showing us, sir, is that at this time last year MPI was saying expenses are going to go -- compoundly grow by about 1.5 percent, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And the current year forecast at the time this response was prepared was showing that the more recent forecast, it would be 5.6 percent, agreed?

MR. MARK GIESBRECHT: That's right.

DR. BYRON WILLIAMS: And I'm not going to ask for an undertaking, because I know My Learned friend Mr. Scarfone doesn't like them, but if we were going to add in that -- the $11.5 million for the increase in the projected operating costs for '23/'24, that compound annual growth rate of 5.6 percent would be too low.

It would be higher than that, sir?

MR. MARK GIESBRECHT: It would be higher, yes.

DR. BYRON WILLIAMS: Okay. Thank you. Mr. Giesbrecht, am I right -- it doesn't matter actually if I'm right, but would it be correct to suggest, Mr. Giesbrecht, that MPI tracks normal operating expenses as compared to changes in the

Consumer Price Index?

MR. MARK GIESBRECHT: We do look at it and compare. And through the course of proceedings, I think it's a historical practice.

DR. BYRON WILLIAMS: And in terms, Mr. Giesbrecht, of normal operating expenses, has there been a change in your expectation of normal operating expenses for the '23/'24 year as a result of the October 12th update?

MR. MARK GIESBRECHT: Sorry, could you repeat that?

DR. BYRON WILLIAMS: I'm not sure if I can repeat it, but I'll -- I'll wing it and see how I do.

Mr. Giesbrecht, we know that the Corporation's forecast for operating costs grew -- grew by about 11.5 million from the GRA application to the October 12th update, right?

MR. MARK GIESBRECHT: Right.

DR. BYRON WILLIAMS: And what I'm asking is in terms of what you're expecting for normal operating expenses for the '23/'24 year, has it also grown as compared to the -- what -- what you were expecting at the time of your initial GRA forecast in June or July of 2023?

MR. MARK GIESBRECHT: Yes. The -- the total costs have grown. I don't have the split between normal operations and initiatives at my disposal, but they -- overall, the total has grown, including what we would call normal operation.

DR. BYRON WILLIAMS: And, sir, you would be -- as a normal course of business, you would be able to identify and -- and look at the change in normal operating expenses as compared to changes in CPI, agreed, Consumer Price Index?

MR. MARK GIESBRECHT: Certainly.

DR. BYRON WILLIAMS: And so I'm wondering if, by way of undertaking, you can look at the changes in normal operating expenses in the two (2) year period '21/'22 through '22/'23 through '23/'24 and compare it to changes in Consumer Price -- in -- in the Consumer Price Index, consistent with what MPI normally does?

You're -- you're able to do that, Mr. Giesbrecht?

MR. STEVE SCARFONE: Yes, we can do that, Mr. Williams, especially since you didn't ask about the compound annual growth rate adjustment.

DR. BYRON WILLIAMS: That was my quid pro quo, Mr. Scarfone, and I thank you for that.

--- UNDERTAKING NO. 9: MPI to provide changes in normal operating expenses in the two (2) year period '21/'22 through '22/'23 through '23/'24 and compare it to changes in the Consumer Price Index, consistent with what MPI normally does.

CONTINUED BY DR. BYRON WILLIAMS:

DR. BYRON WILLIAMS: Mr. Giesbrecht, did you have -- were you observing the hearing yesterday?

MR. MARK GIESBRECHT: Parts of it, yes.

DR. BYRON WILLIAMS: And you'll -- if you don't, I'll -- I'll ask you to -- to just -- well, I'll put it a different way.

But do you recall that in the course of yesterday's cross-examination, your chief executive officer, Mr. Herbelin, talked about the interplay between top-down budgeting and bottom-up budgeting? Do you recall that, sir?

MR. MARK GIESBRECHT: I did see or

hear a bit of that dialogue, yes.

DR. BYRON WILLIAMS: Okay. And, Mr. Giesbrecht, you're aware that many corporations outline specific budgeting directions intended -- from the top down intended to communicate expectations of cost containment to departmental management.

You're aware that that's a -- a practice, agreed?

MR. MARK GIESBRECHT: Certainly. There are multiple methods of taking approaches to budgeting, and -- and that certainly is one.

DR. BYRON WILLIAMS: Yeah, and in essence, one would take an upfront -- from the top down, from the executive level, and send upfront budget guidelines before the detailed bottom-up budgeting takes place.

That -- that's something you're familiar with in terms of industry practices?

MR. MARK GIESBRECHT: That is a common methodology or a plausible, for sure.

DR. BYRON WILLIAMS: And you're aware as well, sir, that in the -- in terms of the industry just generally, often from the top down there are what we might call stretch targets in order to actively promote cost containment.

You're familiar with that at a general level, sir?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: Now, Mr. Giesbrecht, I'm -- you don't have to comment on this. I know I'm not looking that great today, and -- and I've been around these hearings for a long time, almost as long as Mr. Cathcart.

But we -- I'll ask you to accept, subject to check, that MPI in the old days used to issue budget guidelines to guide the development of departmental budgets.

I'm not sure if you're familiar with that or not, sir.

MR. MARK GIESBRECHT: I can't comment on what took place prior to my tenure. It's possible, but I -- I really can't comment on that.

DR. BYRON WILLIAMS: What I'm asking, sir, recognizing you've been here since, what, 2017?

MR. MARK GIESBRECHT: End of '17, yes.

DR. BYRON WILLIAMS: Yeah. Is it a general practice now for the Corporation from the executive level to issue top-down budget guidelines to -- to its departments?

MR. MARK GIESBRECHT: I would say that

depends on the year. Every year is a little bit different, and the approach it would take would be depending on the circumstances of that year.

DR. BYRON WILLIAMS: Would the approach of the Corporation in any particular -- let me try that again.

So in the '21/'22 year, for example, would the Corporation have given top-down budget guidelines?

MR. MARK GIESBRECHT: Trying to think back.

DR. BYRON WILLIAMS: Mr. Giesbrecht, that's not the key year, so let -- let me make it easier.

'22/'23, did the Corporation issue top-down budget guidelines in terms of the conduct of the budget and its expectations in terms of cost containment?

MR. MARK GIESBRECHT: We took an approach to look at what are the strategic objectives of the organization and had our teams come back with what would it take and what is necessary to achieve on all those objectives.

So things like our -- our (INDISCERNIBLE) initiatives, our customer service levels, our projects and build a bottom-up budget to derive to those outcomes.

DR. BYRON WILLIAMS: And so that approach, sir, would be in writing?

MR. MARK GIESBRECHT: In various forms. I'd have to look back on exactly what that would look like.

DR. BYRON WILLIAMS: So what I'm asking you, first of all, sir, in terms of guidance for the '22/'23 budget, the guidance that was given for -- at the executive level to the -- the departments in terms of -- in terms of budget -- budgeting, could you inquire into that and provide a response, sir?

MR. MARK GIESBRECHT: I guess we could.

DR. BYRON WILLIAMS: Okay. And I'm going to add the '23/'24 year to that, sir.

So what I'm looking for is, to the extent that there are expectations or indicators that you expected to guide the budget deliberations, we -- we would like you to share that for the '22/'23 and '23/'24 years, agreed?

MR. STEVE SCARFONE: So I guess, Mr. Williams, is there something that you're wanting tomorrow that you can't get today from Mr. Giesbrecht right now?

DR. BYRON WILLIAMS: Absolutely. I'd like those -- I'd like those guidelines in writing.

MR. STEVE SCARFONE: Oh. So it's a document that you're looking to --

DR. BYRON WILLIAMS: Yeah, and if he has to consolidate it. And for the panel, just this is -- certainly in the past, this request for budget guidelines has been a fairly standard practice which has kind of fallen out of use, but that's what we're looking for.

(BRIEF PAUSE)

MR. STEVE SCARFONE: Okay. So, Mr. Williams, to the extent -- I think I heard you say you're looking for some form of consolidated document because some of these directives or the information that you might be seeking might be in the form of an email and other things.

It would -- you would be asking that the Corporation compile a new document?

DR. BYRON WILLIAMS: Yes, and -- and just to be clear, Mr. Scarfone, your witnesses today have been talking about a $36 million jump in full-time equivalents for the '23/'24 year, and they're -- they've indicated that it's to meet certain service levels, to meet certain productivity targets. Let's see that. Let's see that kind of documentation of -- of how this was developed.

MR. STEVE SCARFONE: Yeah, and at the --

DR. BYRON WILLIAMS: And to --

MR. STEVE SCARFONE: -- to canvass that with Mr. --

DR. BYRON WILLIAMS: -- (INDISCERNIBLE) Mr. Clack (phonetic), you know --

MR. STEVE SCARFONE: Yes, and I've canvassed that with our chief financial officer, so we'll make that undertaking.

DR. BYRON WILLIAMS: Thank you. And just to be clear, Mr. Scarfone, I'm looking for the two (2) years, '22/'23 and '23/'24.

MR. STEVE SCARFONE: Yes.

--- UNDERTAKING NO. 10: To the extent that there are expectations or indicators that Mr. Giesbrecht expected to

guide the budget
deliberations for the
'22/'23 and '23/'24 years,
to provide same.

DR. BYRON WILLIAMS: And we thank the Corporation for its courtesy.

CONTINUED BY DR. BYRON WILLIAMS:

DR. BYRON WILLIAMS: Mr. Giesbrecht, I'm not looking to get into an extended debate about the drivers of operating expenses. I think you've had a good conversation with my learned friend Ms. McCandless.

But we can agree that one (1) of the drivers of growth in operating expense is -- expenses is the growth of full-time equivalents?

MR. MARK GIESBRECHT: Certainly.

DR. BYRON WILLIAMS: And we're not coming to slide 14 from Exhibit 55 yet, but we are going to get there in a couple of minutes.

I wonder if, Ms. Schubert, if you could pull up from this year's Application part 5, Appendix 11, page 2.

Mr. Giesbrecht, you -- you might need

your photographic memory for this one. There's -- this is -- at a high level, this is just looking at the corporate staffing levels for the '20 -- excuse me -- for the 2022/'23 year, agreed?

MR. MARK GIESBRECHT: Yes, as in the 2023 GRA.

DR. BYRON WILLIAMS: Thank you. And I just want you to -- this is a small point, but I just want you to keep your -- the total as set out in this Appendix 11, part 5 is two thousand forty-eight point five (2,048.5), okay, sir?

MR. MARK GIESBRECHT: Okay.

DR. BYRON WILLIAMS: And we're going to turn to PUB-1-52, page -- page 2 of 2.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: And down to figure 2, if you might, Ms. Schubert.

And, again, a small point, Mr. Giesbrecht, but on line 6 you'll see an estimate of the -- well, the budgeted full-time equivalents for the 2022 year -- '22/'23 year being two thousand and fifty-eight point three (2,058.3), agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And just for my clients' purposes, you're trying to reconcile the response to -- that we just saw previously, which was two thousand and forty-eight point five (2,048.5) versus the two thousand and fifty-eight point three (2,058.3). Which one should we be relying on, sir?

MR. MARK GIESBRECHT: Subject to check, there's a couple components depending on what kind of schedule you're looking at. Really, there's the normal operations. There's -- which is by far the largest amount.

We then have what we have specialty programs. There's internships and things like that which is typically less than ten (10). And then we would have improvement initiatives on top of that.

So, depending on which of those three (3) components, that would derive your end value that we're looking at. So, this is total --

DR. BYRON WILLIAMS: Yeah.

MR. MARK GIESBRECHT: -- corporate staffing --

DR. BYRON WILLIAMS: As we -- is the other one, sir. So, we're actually looking -- so, what I'm just trying to figure out -- and if you -- it's -- what's nine (9) or ten (10) FTAs between friends, but from a total corporate staffing level, which number is the right number, is what I'm trying to understand?

MR. MARK GIESBRECHT: You want to include all three (3) categories if you wanted the all-in complete number.

DR. BYRON WILLIAMS: I'm being unclear. From a total corporate staffing level from PUB-1-52, the answer we're given is two thousand and fifty-eight point three (2,058.3).

If we flip back to part 5, expenditure, appendix 11, again, this is at a corporate staffing level, we're getting two thousand forty-eight point five (2,048.5).

And I'm just trying to ask, sir, do you know which is the right number? These are exactly the same estimates.

MR. STEVE SCARFONE: We'll reconcile those two (2) numbers --

DR. BYRON WILLIAMS: Yeah.

MR. MARK GIESBRECHT: -- by way of undertaking.

DR. BYRON WILLIAMS: And I don't need -- well, if you want to do an undertaking.

MR. STEVE SCARFONE: Yeah, we -- we'll

do that because I think it's a valid point. And it may just be those numbers in that column have to be totalled again, and there may just be a calculating error.

--- UNDERTAKING NO. 11: From a total corporate staffing level from PUB-1-52, the answer given is two thousand and fifty-eight point three (2,058.3). Flip back to part 5, expenditure, appendix 11, again, this is at a corporate staffing level, we're getting two thousand forty-eight point five (2,048.5). MPI to advise which is the right number.

CONTINUED BY DR. BYRON WILLIAMS:

DR. BYRON WILLIAMS: If we can go back, Mr. Giesbrecht, to PUB MPI-1-52. And I want to focus on the budget numbers. If I were to compare -- so, the budget numbers are in the third -- third column.

If I wanted to compare the growth and budgeted full -- full FTEs from the corporate level from 2018/'19 to 2019/'20, that would be about twenty-five (25) more FTEs.

That's the growth in that time period, sir?

MR. MARK GIESBRECHT: Are -- are you saying from 2018 --

DR. BYRON WILLIAMS: Yeah.

MR. MARK GIESBRECHT: -- '19 to 2019/'20?

DR. BYRON WILLIAMS: Yes. I'm taking --

MR. MARK GIESBRECHT: Yeah. Yes.

DR. BYRON WILLIAMS: Yeah. And we're focussing on the budget column.

MR. MARK GIESBRECHT: Okay.

DR. BYRON WILLIAMS: And if I -- if I go now to the difference between 2019/'20 in terms of budget versus 2020/'21, then, sir, that again will be 25, 26 FTEs, agreed?

MR. MARK GIESBRECHT: Approximately, yes.

DR. BYRON WILLIAMS: Yes. And if we

go from the 2020/2021 budget to the '21/'22, we're looking at about 63 more FTEs?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: Okay. And if we go from the '21/'22 to '22/'23, we're looking at another 40 FTEs, agreed?

MR. MARK GIESBRECHT: That's -- that's correct.

DR. BYRON WILLIAMS: Forty, forty-one. So, sir, after your -- what I'm wondering is, at a corporate level, is the budgeted corporate FTE amount for '23/'24 on the record somewhere after the -- you know, reflecting the October 12th update?

MR. MARK GIESBRECHT: It's on the record as of what was applied in today's exhibits.

DR. BYRON WILLIAMS: Okay, it's on -- that's the -- okay.

MR. MARK GIESBRECHT: Yeah. So, the -- the schedules that were supplied with the rate update are the historical schedules that are -- we've -- we supplied. And today's presentation was -- was the first time on the record with the FTE counts.

DR. BYRON WILLIAMS: Okay. Sir, perhaps we can go to -- to Exhibit 55, slide 14, please. And I know Ms. McCandless was there, so I'll do my best not to -- to trespass upon where she was.

If -- and, sir, if we look at this column, we're looking at operating expenses FTE by division, agreed? Like, this is what this table is showing us?

MR. MARK GIESBRECHT: Yes. Yeah. And these are what we call -- these are the normal operations.

DR. BYRON WILLIAMS: Right.

MR. MARK GIESBRECHT: The improvement initiatives are -- are not in this table. These are the normal ops.

DR. BYRON WILLIAMS: Okay. So, we'll come to -- to the improvement initiatives in -- in a second, sir.

And so, if I look under total normal ops FTEs in the 2022/'23 budget, you're budgeting for one thousand nine hundred and eighty-six (1,986), agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And if I turn over to the 2023/'24 budget, you're looking at two thousand two hundred and sixty-nine (2,269) FTEs, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And that would be about two hundred and thirty-two (232) more, a growth of two hundred and thirty-two (232) between the two (2) years, sir?

MR. MARK GIESBRECHT: Two hundred and eighty-three (283).

DR. BYRON WILLIAMS: Two hundred and eighty-three (283). Excuse me. Of course, it's right there. And that's roughly 14 percent in a single year?

MR. MARK GIESBRECHT: That's right.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: And I think your evidence from this morning, sir, was that the incremental increase of normal operations full-time equivalents is -- is around $36 million from '22/'23 to '23/'24. Is that correct, sir?

MR. MARK GIESBRECHT: That's correct. That would be an all -- all-in figure, including initiatives, all-in total compensation.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: Just so I'm clear on that answer, sir, you and I had been talking about normal operation FTEs.

But the figure of $36 million, what you're telling us is that it's reflective of both normal operation growth in FTEs, as well as improvement initiatives growth in FTEs, agreed?

MR. MARK GIESBRECHT: Yes. Correct.

DR. BYRON WILLIAMS: Okay. Thank you. And it was a bad question. It was a great answer, so thank you for that.

In terms of that incremental growth of $36 million, sir, is it tied to specific improvements in service levels?

MR. MARK GIESBRECHT: Yes. So, an area that we have, for example, within operations, so you see the -- the amount of the change for that division? There are numerous different metrics, numerous different services that would have led to -- to this.

And so, a couple examples that we talked about earlier were around, you know, driver test examples. It was a very topical one that's -- that's been an issue of late, so that -- that's an example of adjusting those issues.

DR. BYRON WILLIAMS: So, what I'm asking, sir, is in -- in developing this $36 incremental expenditure, did you set out specific performance expectations that you will measure the investment against?

MR. MARK GIESBRECHT: Yes. The operations group have -- have those measures and expectations that drove these requirements of staffing.

DR. BYRON WILLIAMS: And -- and that's what you're going to provide me in the budget guidelines?

MR. MARK GIESBRECHT: If that's what you're asking for. That's not what I heard from your initial request.

DR. BYRON WILLIAMS: Okay. Well, let -- no, let -- no, I think the initial request is great.

What I'm trying to get a sense of, sir, is how you're going to measure that you got value for money for this investment? How -- and is there a document that captures that? Is there a business case for a $36 million incremental growth in full-time equivalence?

MR. MARK GIESBRECHT: Yes. What we

have is, through the course of our budgeting process, we have the -- our -- our divisions led by their respective VPs and senior leadership teams. And -- and they would put forward their -- their case for their request of what their -- what their budget ask is, and in that document would be the rationale and the service levels and the different rationale for why it is that they require the staffing levels in their budget request.

DR. BYRON WILLIAMS: And does the Corporation have a process to measure whether they're achieving that, sir? Like, how are you going to measure whether they're doing what they're -- they're promising?

MR. MARK GIESBRECHT: Yes, our different divisions and departments have different operating metrics, different service levels, and -- and they measure to those constantly.

DR. BYRON WILLIAMS: And so, there's a document that will articulate the expectations of the value that will be delivered by this $36 million investment in -- sir?

MR. MARK GIESBRECHT: Yes, there will be numerous documents by different areas. Yes.

DR. BYRON WILLIAMS: Okay. Thank you

for that. I wonder if we can turn to CAC-10-13, please. And if we can go to the second page, page 2 of 2.

Mr. Giesbrecht, you see here a discussion of Project Nova and requiring an increase in the number of consultants of approximately twenty-eight (28) FTEs?

MR. MARK GIESBRECHT: I see that here, yes.

DR. BYRON WILLIAMS: And so my question to you, sir, is: When we're looking at the growth in normal operations FTEs, that twenty-eight (28) FTEs associated with Project Nova would not be reflected in that. Agreed?

(BRIEF PAUSE)

MR. MARK GIESBRECHT: No. So one distinction. We -- we do have within -- within the NOVA business case, there are specific requirements for the project that are -- that are to be part of the program costs and capitalized. That forms part of the -- the $273 million program costs, using a 30 percent contingency.

There's also, within the business case,

a certain amount of -- of staffing complement that -- that are required to -- a big component of the staffing and the resourcing of NOVA is on our incremental -- for non-incremental staff.

So basically, it's staff that are -- side of desk or a portion of their time.

And there are components for '23/'24, there is about thirty (30) that were included in the business case that would be captured in normal operations and not part of the project costs for NOVA specifically.

DR. BYRON WILLIAMS: And that's referenced on slide 14 of your --

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: -- document.

MR. MARK GIESBRECHT: That's right.

DR. BYRON WILLIAMS: So -- and I'm just trying to make -- for our clients' purposes, when we see the reference to this twenty-eight (28) FTEs as being consultants, are we looking for those FTEs on the consultant side of the equation, or on the normal FTE side of the equation, sir? That's what I'm asking.

(BRIEF PAUSE)

MR. MARK GIESBRECHT: Would you mind scrolling, just so I can see the entire context to this particular IR?

(BRIEF PAUSE)

MR. MARK GIESBRECHT: Okay. Thank you. If you could scroll back down.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: Mr. Gandhi, you have the answer, don't you?

MR. MICHAEL GANDHI: You know, collectively, I think we all have some -- some data points to provide. And that's why I just was talking with Mark.

In terms of the twenty-eight (28) FTE, those are bubble staff. The name doesn't do it justice. What those -- I guess, the intent of those staff are to ensure we have legacy systems.

DR. BYRON WILLIAMS: I understand the point, sir. You've got to keep both systems up and running.

MR. MICHAEL GANDHI: Bang on. So

twenty-eight (28) folks are there to sustain, prevent against any type of cyber attack, make sure the systems are built in correctly. We have data inputs coming in from IFRS 17. We run items through parallel to advance these benefits for Manitobans.

Overall, the twenty-eight (28) staff, we're looking to -- we -- we -- we had a certain allotment. Either we could go consultants or -- or we can look at hiring FTE internally. And we're looking to hire FTE internally to provide some fiscal management around that piece as FTEs are -- are a -- less of a financial impact.

So these twenty-eight (28) FTEs, we're in the process of hiring as we advance the NOVA business case overall.

DR. BYRON WILLIAMS: And will they show up -- so they won't be tracked as consultants. They'll show up --

MR. MICHAEL GANDHI: Right now -- and this would be a good information aspect to also confirm with our IT panel. But they are hiring as FTE equivalents overall.

These have also been approved in our NOVA business case prior.

DR. BYRON WILLIAMS: Okay. Thank you.

MR. MARK GIESBRECHT: These were considered in the previous year's budget as consultants. And in this year's budget, they are being flipped into FTE.

DR. BYRON WILLIAMS: Thank you.

MR. MARK GIESBRECHT: So they're -- FTE goes up, consultant cost goes down, and with -- in relation to these specific resources, the idea is to have cost savings as the internal resource would cost less than an external. But it just flipped from one lien to another.

DR. BYRON WILLIAMS: Thank you for that. I wonder if we can turn to CAC-1-19, and, specifically, figure 2.

And Mr. Giesbrecht, it would be fair to say that MPI added eight (8) new departments during 2021/'22 and '22/'23, agreed?

MR. MARK GIESBRECHT: Agreed. Yeah. New or -- or configured differently. Yes.

DR. BYRON WILLIAMS: And what figure 2 tries to do is capture, for the purposes of the 2022/'23 budget, the incremental additional FTEs and costs associated with those eight (8) departments, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And what we -- in terms of the 2022/'23 budget, out of those eight (8) new departments, there were sixty-six (66) FTEs added new, agreed?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: With a cost of about $7 million, agreed?

MR. MARK GIESBRECHT: Right.

DR. BYRON WILLIAMS: We're at the short snapper part of our conversation, I -- I hope.

Ms. Low, I have sadly neglected you, so I just want to ask a couple questions. And I wonder if we can turn to CAC-2-30, please. And just let's go to the question on page 1 of 2.

Ms. Low, what we're just trying to do here is -- is take two (2) points in time, January 1st, 2020 versus the current component of actuarial staff.

You understand that was the intent of the question?

MS. CARA LOW: Yes, I do.

DR. BYRON WILLIAMS: Okay. And, obviously, if you need to refresh your memory, you -- you can go -- go through this.

But as -- as we understand it and as of

January 1st, 2020, there was one actuary and about fourteen (14) positions associated with that actuarial function. Is that right?

MS. CARA LOW: That is my understanding, yes.

DR. BYRON WILLIAMS: And as of the response to this Information Request, there are now four (4) actuaries, agreed?

MS. CARA LOW: Correct.

DR. BYRON WILLIAMS: And twenty-four (24) positions associated with the actuarial position?

MS. CARA LOW: Correct.

DR. BYRON WILLIAMS: Okay. In terms of the four (4) actuaries, were they all in place prior to the preparation of the '23/'24 General Rate Application, Ms. Low?

MS. CARA LOW: No, they were not.

DR. BYRON WILLIAMS: How many were in place?

MS. CARA LOW: Myself and one other. So, two (2) out of four (4).

DR. BYRON WILLIAMS: So there's's a couple of new hires?

MS. CARA LOW: Correct.

DR. BYRON WILLIAMS: And apart from

the four (4) actuaries in house at MPI, you'll also have the external actuary?

MS. CARA LOW: We do, yes.

DR. BYRON WILLIAMS: Yeah. And I'm not sure if it's Mr. Chang (phonetic) anymore. I'm not -- but -- okay.

And -- and there's also -- I'm not sure if it's the right word -- but an attestation actuary or the audit actuary?

MS. CARA LOW: The appointed actuary. Mr. Chang was an appointed actuary. His contract -- or his team was. Their contract is just running out October 31st. We do have a new appointed actuary starting November 1st.

DR. BYRON WILLIAMS: Okay. So there's will be a new appointed actuary. And is there's another actuarial role played externally, I think, by PwC?

MS. CARA LOW: They would be on the audit team.

DR. BYRON WILLIAMS: On the audit team. Okay.

So there's the four (4) in-house actuaries, the appointed actuary, and then there's an audit team which includes among -- an actuary, is that right?

MS. CARA LOW: Yes.

DR. BYRON WILLIAMS: Mr. Giesbrecht, coming back to you, you've -- I think we confirmed this, but you've been with the organization since about 2017?

MR. MARK GIESBRECHT: That's correct.

DR. BYRON WILLIAMS: And you're currently Chief Financial Officer, as well as VP Financial?

MR. MARK GIESBRECHT: That's right.

DR. BYRON WILLIAMS: And, Mr. Giesbrecht, I haven't been here for a -- a year, so I just -- when -- in terms of -- I want to talk about the re-organization of -- of -- of the finance department, but historically you would have overseen three (3) directors. One being the Director of Corporate Services, another being the Manager of Subrogation and the third being the Corporate Controller? Is that right, sir?

MR. MARK GIESBRECHT: That's right. Yeah. And -- as well as the -- the lead for the Regulatory Affairs Team.

DR. BYRON WILLIAMS: Thank you. And, am I correct in suggesting that you've added a -- a new director level position, the Director of Financial Planning and Analysis?

MR. MARK GIESBRECHT: That's -- an area we've recently done and are in the process of -- of recruiting for.

DR. BYRON WILLIAMS: Okay, and under the new Director of Financial Planning and Analysis, there will also be a Manager of Financial Planning and Analysis. Agreed?

MR. MARK GIESBRECHT: Yes, the team is to be built out but -- but, yes.

DR. BYRON WILLIAMS: And that'll be a new position as well?

MR. MARK GIESBRECHT: It is.

DR. BYRON WILLIAMS: And there'll also be a -- a new director level position for financial transformation, agreed?

MR. MARK GIESBRECHT: Agreed.

DR. BYRON WILLIAMS: And, under that new director, there will be a new financial analyst specialist as well, sir?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: And I'm not -- I don't think we can call this new, but you're also re-instituting the position of Director of Regulatory

Affairs?

MR. MARK GIESBRECHT: That is correct, we are.

DR. BYRON WILLIAMS: Okay.

MR. STEVE SCARFONE: Just to clarify that last point, Mr. Williams, there never was a Director of Regulatory Affairs.

Are you speaking of Mr. Crozier?

So, what I -- I think it is a -- if -- correct me if I'm wrong Mike --

DR. BYRON WILLIAMS: If Mr. Giesbrecht wants to call that a new position, I'm not sure it's fair to do so though.

MR. STEVE SCARFONE: Oh, sorry, yeah. He has a clarification on that.

MR. MARK GIESBRECHT: No, it -- it was a role that existed and then -- over, during the course of the pandemic it -- there was a vacancy that was not filled. And now we have plans to re-institute that role, yes.

CONTINUED BY DR. BYRON WILLIAMS:

DR. BYRON WILLIAMS: I wonder if we can turn to CAC-1-17 for a moment. And, Mr. Giesbrecht, if you need a reference from the transcript, I'll -- I'll give it to you, but did you hear the CEO of MPI talking about MPI 2.0 yesterday in -- in the course of his conversations with PUB legal counsel.

MR. MARK GIESBRECHT: I believe I heard some of the that. I can't say I heard everything, but yeah, I do recall some of that discussion, yes.

DR. BYRON WILLIAMS: And, sir, if you do need a reference, it's transcript page 184, line 7 to 11. But, if we need to go there, you'll let me know.

But, our understanding of Mr. Herbelin's evidence is that the MPI 2.0 is aspirational in nature, that you haven't defined all elements of it and that the focus, right now, for the Corporation is on Project Nova.

Would -- is that your understanding of the -- where the Corporation is today, sir?

MR. MARK GIESBRECHT: I think, generally speaking, yes, of course.

DR. BYRON WILLIAMS: So, in Special Services, I understand that there's a $5 million space hold -- space hold -- placeholder, excuse me, for the anticipated costs of supporting transformational activities associated with MPI 2.0.

MR. MARK GIESBRECHT: That's correct.

DR. BYRON WILLIAMS: And do you now have a budget for these transformational activities?

MR. MARK GIESBRECHT: We do have this amount to -- in -- in the budget, yes.

DR. BYRON WILLIAMS: So, my question, though to be -- you have a placeholder budget there right now, sir.

MR. MARK GIESBRECHT: Yes, we do.

DR. BYRON WILLIAMS: And it's -- it's not detailed. You haven't worked it out in terms of what you'll be spending it on?

MR. MARK GIESBRECHT: I think it would vary depending on -- on the area, different points in their -- their transformation planning. But generally speaking I would say -- I would call it more of -- a placeholder still.

DR. BYRON WILLIAMS: I wonder if we can, just for -- I think my last couple of questions for this panel and, Mr. Giesbrecht if you can't answer these ones, I'll understand.

I wonder if we can go to the Corporation's response to PUB-MPI-1-51, figures 1 and 2. Sorry, Ms. Schubert, PUB-MPI-1-51. And if you can go to page 2 of 3.

And, Mr. Giesbrecht, I'll give you a -- a second just to look at figure 1 and figure 2. Let me know when you've had a chance to get a sense of them.

(BRIEF PAUSE)

MR. MARK GIESBRECHT: Okay. Thank you.

DR. BYRON WILLIAMS: Okay. And, sir, in terms of direct repair, you'll correct me if I'm wrong, but that's an outgrowth of the physical damage re-engineering project. And, in certain cases a -- Manitoban vehicle owners can go directly to the repair shop, rather than having to go through an MPI adjuster, is that right, sir?

MR. MARK GIESBRECHT: Yeah, it was simply put. I think that's fair.

DR. BYRON WILLIAMS: Thank you. And simple is really my -- my -- the essence of my being, sir, so.

If we look at figure 1 for a second, the blue line shows the DR eligible claims for the time period -- the previous twelve -- twelve (12) months, and the orange shows it for the current twelve (12) months, is that right sir?

MR. MARK GIESBRECHT: That's right.

DR. BYRON WILLIAMS: And, we were wondering if we were misinterpreting this chart, sir, but does it suggest that if we look at, for example, the blue line in April and May of the previous year, 60 percent of claims were eligible and -- and now that number is down around 40 percent.

Is that what this is telling us?

MR. MARK GIESBRECHT: Yes, it -- it appears to have spiked a bit in the early months and then drop down to that 40 percent level.

DR. BYRON WILLIAMS: And I -- in terms of customers choosing direct repair, again, we have these -- the same analysis with the orange line representing the current twelve (12) months and the blue line representing the previous twelve (12) months, sir, is that your understanding?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: And, again, do we see customers choosing direct repair at higher levels in the April and May period, around 60 percent?

MR. MARK GIESBRECHT: Yes.

DR. BYRON WILLIAMS: And, sir, if you

can't answer this I understand, but is something going on with direct repair in the sense that it -- it looks like the numbers, if we're looking at 40 percent, in terms of eligible claims or 40 percent in terms of customers choosing direct repair versus 60 at different times, is there something going on in the marketplace that you're aware of?

MR. MARK GIESBRECHT: I would have to confirm with my operational colleagues but I -- I suspect that this was during the height and the initial lock-down of the -- when the pandemic began where there was a real push to limit activity that was not necessary. And -- and physical distancing, of course, so I -- I believe it's pandemic related, but that is subject to being confirmed.

DR. BYRON WILLIAMS: Yeah, and I don't need an undertaking for that. I appreciate just you assisting with us -- us with that.

Madam Chair, we do have a few benchmarking questions, I guess which we'll -- we'll share later, but subject to the undertakings, those are our questions and we thank the MPI team and -- and the Board for your time.

THE PANEL CHAIRPERSON: Thank you, Mr. Williams. We'll take the afternoon break now and come back at quarter -- ten (10) to 3:00, please.

MS. KATHLEEN MCCANDLESS: Madam Chair, this panel is not the benchmarking panel, so if there are you -- you would like to come back for questions from the panel, and then get benchmarking here?

THE PANEL CHAIRPERSON: Yes, I think we've got cross from the -- the IBAM and --

MS. KATHLEEN MCCANDLESS: Pardon me.

THE PANEL CHAIRPERSON: -- questions from the panel and potentially some re-direct from Mr. Scarfone.

MR. STEVE SCARFONE: And the composition of the panel, so if Mr. Gandhi will remain and then we have one (1) person to replace Ms. Low and Mr. Giesbrecht for operational benchmarking.

THE PANEL CHAIRPERSON: Good. Thank you. Back at ten (10) to 3:00, please.

--- Upon recessing at 2:40 p.m.

--- Upon resuming at 3:03 p.m.

MR. STEVE SCARFONE: Apologies, Madam Chair. We -- Ms. McCandless made us aware of a slide in the next panel's presentation that needed to be corrected, so of course she was right. She's on top of these things, and it will be corrected.

THE PANEL CHAIRPERSON: Thank you for taking the time to do that, Mr. Scarfone.

Mr. Weinstein...?

MR. MICHAEL WEINSTEIN: Thank you, Madam Chair.

CROSS-EXAMINATION BY MR. MICHAEL WEINSTEIN:

MR. MICHAEL WEINSTEIN: Members of the MPI panel, my name is Michael Weinstein. I'm counsel to IBAM, and my colleague, Jennifer Sokal, is beside me. Nice to meet all of you.

Fortunately, Ms. McCandless covered much of the ground that we were planning to cover in some of our areas for cross-examination, so we just have a few questions for you today.

And I believe that most of these questions are probably for Mr. Giesbrecht to answer, but again, as Mr. Williams said, if -- if you deem that someone else on the panel might be more suited to answer it, please, by all means, have them go ahead.

Mr. Giesbrecht, earlier today, you testified that MPI has experienced the lowest rate of premium growth in Western Canada for the past twenty (20) years, right?

MR. MARK GIESBRECHT: Yes. That was a schedule in our benchmarking chapter of our Application, yes.

MR. MICHAEL WEINSTEIN: Thank you. Ms. Schubert, could you bring up IBAM -- it's Exhibit 3 for IBAM. It's IBAM-MPI 2-2, the Information Request and response. And if you could scroll down to Figure 1. Thank you.

This is a schedule demonstrating the commissions forecasted to be paid to brokers for the next ten (10) years as compared to the commissions that would have been paid to brokers for the next ten (10) years if the current existing broker agreement was not in effect. Is that correct?

MR. MARK GIESBRECHT: Correct.

MR. MICHAEL WEINSTEIN: And this was prepared by MPI in response to an Information Request from IBAM, correct?

MR. MARK GIESBRECHT: Correct.

MR. MICHAEL WEINSTEIN: And even with the delays that we're aware of to NOVA, according to this schedule, MPI will realize a savings in commissions of approximately $81 million under the existing MPI broker agreement compared with the former agreement, right?

MR. MARK GIESBRECHT: Yes. Maybe scroll up. And I'm not familiar if this reflects the re-baseline or if that's prior to the re-baseline.

MR. MICHAEL WEINSTEIN: That's the Information Request there.

MR. MARK GIESBRECHT: Okay. Given that it was conducted as of this year, I would assume it's based on the re-baseline, so thanks for that clarification.

But -- but, yes, it's to show the difference between what the status quo would have been with no adjustment to the commission arrangement vis-a-vis the -- the new arrangement that includes a differentiation between online and in-person commission rates.

MR. MICHAEL WEINSTEIN: Right, and -- and you'd agree with me, just for the record, that that -- that $81 million in savings is identified there on this --

MR. MARK GIESBRECHT: It is.

MR. MICHAEL WEINSTEIN: -- figure? Thank you. And you've also mentioned that IBAM and MPI are in talks -- or you understand that MPI and IBAM are in talks to push back the start of any changes to commissions that were supposed to begin on

April -- April 1 of 2023 to the actual date of the launch of online services, right?

MR. MARK GIESBRECHT: Yes, that's my understanding.

MR. MICHAEL WEINSTEIN: And you'd agree that 2023/2024 is the first year that the different commission rates for in-person and online transactions is included in this figure, right?

MR. MARK GIESBRECHT: Correct.

MR. MICHAEL WEINSTEIN: And would you also agree that the benefits of these two (2) different commission rates are expected to be realized over time?

MR. MARK GIESBRECHT: Yes. They -- they evolve over time.

MR. MICHAEL WEINSTEIN: And so the increases in commissions that we see in 2023 because of the NOVA delays, those don't contemplate any negotiated revision to commission rates, right?

MR. MARK GIESBRECHT: This assumes that the -- the scheme in place today remains in place.

MR. MICHAEL WEINSTEIN: Right. Thank you. And so, in other words, the numbers that we have before us on commissions aren't really set in stone because they may be subject to a further change, correct?

MR. MARK GIESBRECHT: Yes. I mean, this is a -- a forecast. This would be, you know, dependent on many factors, firstly being, the actual premiums that -- that do generate through Autopac and the Basic line of business; subject to the take-up rates of -- once the online actually goes online, and subject to any further revision that -- that may occur.

MR. MICHAEL WEINSTEIN: Right. In fact, forecasted broker commissions might ultimately be reduced, depending on where things land, right?

MR. MARK GIESBRECHT: They -- they could.

MR. MICHAEL WEINSTEIN: Yes. And although we've heard evidence that there's no forecasted launch date for release 3 -- and release 3 includes online services, right?

MR. MARK GIESBRECHT: Yes.

MR. MICHAEL WEINSTEIN: The Application itself forecasted that it would be launched around July of 2024, correct?

MR. MARK GIESBRECHT: Subject to check, that sounds about right. I would need to defer to the NOVA panel, but --

MR. MICHAEL WEINSTEIN: Okay.

MR. MARK GIESBRECHT: -- that sounds about right. And then it was now re-baselined to be roughly two (2) years later.

MR. MICHAEL WEINSTEIN: Sure. Yeah. And I -- I can take you there if you want, but it is in -- it's in part 4 of NOVA Appendix 1 in the business case update from April 27th of 2022. So -- well, here. Let's bring it up on the screen.

So you can see there under R-3B, we see July 2024. So would you agree with now? Is that confirmed that it was anticipated for July of 2024?

MR. MARK GIESBRECHT: Yes.

MR. MICHAEL WEINSTEIN: Okay. Thank you. So what I'd like to ask is: Right now, we have the -- the figure that MPI helpfully prepared for us in response to the Information Request. But as we know, that's not really based on data that's reflective of, you know, the actual situation with when online services are going to launch.

Now, I appreciate that we don't actually know the specific date, but -- but so that we have, you know, a better picture of what those numbers might look like, would MPI provide an undertaking to perform the analysis in Figure 1 that we -- that we showed from IBAM-MPI 2-2 with a forecasted release date of July 2024?

MR. STEVE SCARFONE: Yeah, Mr. Weinstein, can you just go back to that figure that you'd want with respect to that undertaking just to -- so we're clear on what the -- what your client is requesting?

MR. MICHAEL WEINSTEIN: Essentially, what we'd be using is we're still using the rates that are in effect today because we know that we don't have any more details on the status of the negotiations other than they're ongoing and the parties are making good efforts to find new rates.

But just so that -- that the Board and -- and everyone here has what I would say is better information, if this figure could be recalculated, carrying forward the rates that are in effect today but with an assumed launch date of July 2024.

MR. STEVE SCARFONE: Right, with the existing commission schedule under the accord.

MR. MICHAEL WEINSTEIN: That's right.

MR. MARK GIESBRECHT: Yeah. I -- I could confer with the group that put this together, but looking at it, I -- I believe that's -- that's what it's displaying right now in -- in the fact that, because the -- the new rates on -- you know, the -- there -- there's no commission payable -- yeah.

Well, we can undertake to -- to confirm the -- the assumptions that are in this. That might be the best way to go about it. Right, 'cause what it's showing right now is that the -- the new rates are higher, right?

MR. MICHAEL WEINSTEIN: Right.

MR. MARK GIESBRECHT: Which is because there is no online transactions available yet.

MR. MICHAEL WEINSTEIN: Right.

MR. MARK GIESBRECHT: So that's why I was thinking the assumptions behind this -- this schedule actually reflect the go-live date in 2024, with a take-up after that point in time.

MR. MICHAEL WEINSTEIN: Right. Well, if you can -- if you can confirm that and -- and provide a different table because what we want is the rates pre-online transactions carried forward up until the launch date and then the on -- the -- the new rates carried forward at that time. Is that clear?

MR. STEVE SCARFONE: Well, it's not clear, but I'll read the transcript tonight and make that undertaking, yeah.

--- UNDERTAKING NO. 12: MPI to confirm that and provide a different table because what IBAM want is the rates pre-online transactions carried forward up until the launch date and then the new rates carried forward at that time.

MR. MARK GIESBRECHT: And maybe just to clarify, we -- we do see on this schedule the assumption of the take-up of online transactions, which in '24/'25 is 10 percent.

Now, I would have to assume that would begin in around that July of 20 -- of 2024, so I -- I do believe this -- this hits what you're asking for.

CONTINUED BY MR. MICHAEL WEINSTEIN:

MR. MICHAEL WEINSTEIN: Right. Our understanding is that this table here, the -- the new rates for online transactions are picked up 2023/'24 on this table.

BOARD CHAIR GABOR: No, there's no --

sorry to interrupt, but when I looked at this, I assumed it was '23/'24 because the assumption for online transactions the first year is 10 percent in '23/'24 which I had understood was the starting point of it.

MR. MARK GIESBRECHT: So it was previously 2023. Now it's 2024, right? And so for '23/'24, that's why the assumption is zero take-up because there is no take-up because it's been deferred and delayed.

And then in 2024, that'll take --

BOARD CHAIR GABOR: Sorry, I misspoke. I meant '24/'25 because that's where the -- that's where the first percentage is.

MR. MARK GIESBRECHT: Yes, exactly.

BOARD CHAIR GABOR: Before then, there is nothing because there's no online.

MR. MARK GIESBRECHT: Yes.

(BRIEF PAUSE)

CONTINUED BY MR. MICHAEL WEINSTEIN:

MR. MICHAEL WEINSTEIN: And so what we're saying is that, for example, that the -- the rate at -- at 3 percent for Basic in-person transactions should be carried forward to '23/'24 in this table.

MR. MARK GIESBRECHT: Well, the status quo would be the standard old commission rate carried throughout the entire ten (10) year period, and then you have now the -- I'll call it a -- a blended rate for new rates, which would be a blend of them both. Depending on the take-up of online transaction, that's line number 3 in this table, and then the -- the difference is the delta between the two (2) of them.

MR. MICHAEL WEINSTEIN: Right, but -- but under the old agreement, that -- that rate increase is at '22/'23, right? And so we're saying that that should be carried forward. The three (3) should be carried forward to twenty (20) -- another year.

MR. MARK GIESBRECHT: Well, maybe -- we can take it back to confirm, but my understanding would be that the status quo prior agreement is that Basic 3 percent, and that's carried forward through the entirety of these ten (10) years because the -- the status quo prior agreement is what it is. There's no change to it.

MR. STEVE SCARFONE: So can we perhaps, Jen and Michael, take it offline and -- and then we can maybe better understand the nuance that you're trying to extract from the -- from the --

MR. MICHAEL WEINSTEIN: Sure. I'm going -- I'm going to allow just Ms. Sokal to see if she can explain it better than I can.

MR. STEVE SCARFONE: Sure.

MS. JENNIFER SOKAL: So what we're looking for is we're looking to see what this number, the total difference from the status quo, would be if we assume that a revision will be agreed to between MPI and IBAM.

MR. MARK GIESBRECHT: Oh, okay.

MS. JENNIFER SOKAL: That's what we're looking for.

MR. MARK GIESBRECHT: So, if you could just also provide what is the assumption of that revision, what --

MS. JENNIFER SOKAL: So, the assumption of the revision would be that the current rate today would be carried forward to the forecasted launch date of July 2024.

MR. MARK GIESBRECHT: Thank you.

MS. JENNIFER SOKAL: And then on that date would be the date that we would have two (2) different commission rates as negotiated in the agreement.

So, we're looking for, if IBAM and MPI are able to come to an agreement on delaying the change in the rates, what will be the total difference from status quo as if the old IBAM agreement had been in existence.

MR. MARK GIESBRECHT: Yes. Okay, that makes sense.

MR. STEVE SCARFONE: So, the -- the cost of the delay to your client?

MS. JENNIFER SOKAL: Yes.

MR. MICHAEL WEINSTEIN: Thank you, Ms. Sokal. And consistent with what I said at the start of my questions, we were going to be brief, so those are all of our questions for this panel. Thank you.

THE PANEL CHAIRPERSON: Thank you, Mr. Weinstein, panel members. Mr. Gabor...?

BOARD CHAIR GABOR: Yeah, I've just a couple questions.

Mr. Giesbrecht, I'm not sure if you were at MPI at the time, but at one point, MPI was given a directive by the Government of Manitoba in relation to reduce -- reducing its operating expenses. Is that correct?

MR. MARK GIESBRECHT: So, yes, there -

- there is a directive to over time bring our operating expense ratio to approximately 7 percent.

BOARD CHAIR GABOR: Okay. And what -- do you know when that directive was first issued?

MR. MARK GIESBRECHT: I would say roughly in the last twenty-four (24) months, rough -- roughly two (2) years ago.

BOARD CHAIR GABOR: Okay. Before then, I believe, I'm going by memory, which is always dangerous, that the -- the government directed the Crowns to reduce their expenses, or perhaps it was their staffing levels, by 15 percent?

MR. STEVE SCARFONE: Yes, it was the number of employees.

BOARD CHAIR GABOR: By -- employees by 15 percent. And do you remember -- does anybody remember when that was; about 2017/'18?

MR. MARK GIESBRECHT: It was in 2016/2017 with maybe execution over 2017/2018. It was -- I joined in the fall of 2017, and it had just really occurred prior to that point in time, so somewhere around 2017.

BOARD CHAIR GABOR: Okay. So, are you still subject to government directive to reduce operating expenses?

MR. MARK GIESBRECHT: Well, the only directive that we are under right now is to achieve a long-term operating expense ratio. That's -- that's the only directive that I am aware of --

BOARD CHAIR GABOR: And -- and --

MR. MARK GIESBRECHT: -- in terms operating expenses.

BOARD CHAIR GABOR: And 'long-term' is -- how's that understood?

MR. MARK GIESBRECHT: Well, basically, post-NOVA, we would call it. So, after the -- we -- we recognize that there are costs coming in. And it's -- it's based on the costs that we have in the current forecast.

It's -- it's not possible to achieve 20 -- 7 percent in the near term. And so, as we roll off the program, as the -- the capital costs are amortized, at that point in time. So, we're talking at the -- the conclusion of the amortization run-off, which would be five (5) years post implementation of NOVA.

BOARD CHAIR GABOR: And when was -- when was this entered into with the government, or when was this directive agreed to between the government and MPI?

MR. MARK GIESBRECHT: Roughly two (2) years ago.

BOARD CHAIR GABOR: Two (2) years ago, okay. Kristen, can you -- can you go to Exhibit 55, page 14. Wrong page. Ten. Sorry. No, I -- in fact, I don't think it's part of this.

Kristen, it's the page that we had yesterday when we were looking at the expenses for NOVA. I gave you the sheet.

(BRIEF PAUSE)

BOARD CHAIR GABOR: It's in this one. Maybe it's not. Sorry. Yeah, yesterday's presentation. It was the program budget revision. It's 2023 General Rate Application part 4 NOVA project. Yeah, NOVA 5. I don't know. It's their presentation? No, that was our briefing.

Yeah, that was from the briefing. That's why I couldn't do it. That one. Very good.

Okay. So, it was two (2) years ago -- two (2) years ago the budget of NOVA with contingency was $106 million. So, when -- when you were given this directive, it was based on that budget, correct?

MR. MARK GIESBRECHT: It was given

prior to the -- the re-baseline. And then with the re-baseline, basically, it was extended, noting that we added an additional twenty (20) months to the program.

BOARD CHAIR GABOR: So, was it revisited after the budget went from 106 million to 224 million?

MR. MARK GIESBRECHT: Yes. Yes. And I should note that it's a Treasury Board directive.

BOARD CHAIR GABOR: Okay. So, then this -- this -- the budget for NOVA and taking them through it and that has all been approved by the Treasury Board?

MR. MARK GIESBRECHT: Yes.

BOARD CHAIR GABOR: Okay. Those are my questions. Thank you.

THE PANEL CHAIRPERSON: Ms. Nemec...?

BOARD MEMBER NEMEC: Okay, I have a number -- number of questions, a few clarifications. And maybe I'll start with Mr. Giesbrecht.

I'm just curious as to the choice of retrospective treatment for IFRS 17 versus perspective treatment for IFRS 9. And I'm curious as to the reason one is perspective, one is retrospective.

And, also, does that have an impact at

the end of one year that it might not have if it was -- both were done retrospectively?

(BRIEF PAUSE)

MR. MARK GIESBRECHT: So, the -- the primary reason for that decision was around the -- the burden and the amount of work effort that goes into that in terms of revaluing all of the -- all of the assets and in terms of we're -- we are going through an upgrade of our investment accounting system.

And there's not much value to be gained in terms of changing the -- the presentation of those assets as they already are, for the most part, already marked to market and shown through the total equity position.

So, it really was trying to get through the transition with -- with the least amount of burden on the Corporation.

BOARD MEMBER NEMEC: And part B of that question was: Do you know what that impact would be from doing one prospectively?

MR. MARK GIESBRECHT: Yes. The -- essentially, you have the -- the MUSH bonds which we are going to mark to market. So, those are currently held to maturity. So, that would be, as of the most recent information, about $80 million. That may have changed now with interest rates changing quite dramatically in the last number of months.

So, that would be -- that would probably be the biggest difference, whereas anything that's considered available for sale and currently through OCI is already recognized as fair value. It would just now, you know, flip into retained earnings.

So, the MUSH bonds really is that -- that distinguishing factor there.

MR. MICHAEL GANDHI: One (1) -- one (1) quick thing to add there, also, is IFRS 9 doesn't require retrospective treatment. So, the standard doesn't say, you know, you have to go retrospective, to Mr. Giesbrecht's point. Also, it's a lot of infrastructure changes with not a lot of significant value to our readers.

IFRS 17, however, provides a significant amount of guidance on retrospective treatment, unless there's impediments such as system items that you can't do. That's why we're doing that change.

BOARD MEMBER NEMEC: They required it unless you couldn't find the information in 17?

MR. MICHAEL GANDHI: Unless you can't do that, Ms. Nemec, yeah.

BOARD MEMBER NEMEC: Thank you. Did -- so, the issue of MUSH bonds, does that impact the MCT?

MR. MARK GIESBRECHT: It's one (1) component that will impact the MCT because that is one (1) element that's --

BOARD MEMBER NEMEC: It's MCT?

MR. MARK GIESBRECHT: That element would increase MCT, yes, as it stands today depending on at what point in time we're talking about, but as of right now, yes.

BOARD MEMBER NEMEC: I've got a few more questions.

One of the things -- and just maybe a little clarification -- and I'm not sure if it was you, Mr. Giesbrecht, that mentioned this -- and Mr. Gandhi, you can always answer if it was you.

OSFI, you mentioned that you'd be waiting for OSFI guidance regarding the MCT. And I just wondered, is there new directions that you expect coming out of OSFI?

MR. MICHAEL GANDHI: The level of guidance is out there. It's changed so many times, right? So we go through assessments. We go through it and then we have significant changes.

Now we know directionally where we need to go. That's the items that we'll be working on in the next few months as to lock down the MCT requirements, getting Ms. Low's team guidance on those pieces, and putting the final MCT calculation together under the new approach.

BOARD MEMBER NEMEC: Thank you. Question on the FTEs and just maybe to clarify a bit the numbers. I think we talked -- Mr. Williams talked about 2,269 FTEs that were reported in the revised October 12th document. And that was for normal operations.

And I just wondered -- I'm not sure I heard that -- whether the October 12 document came with an increase or a change or revision to the improvement initiatives.

So I was just curious as to: Was that also a change? Should that have been, you know, seen in a -- should I have seen that in a report somewhere?

MR. MARK GIESBRECHT: I'll confirm with our back row. There wouldn't be any material change. But if there is, you know, some ones and twos, I'll -- I'll ask my back row to provide that --

that information.

BOARD MEMBER NEMEC: Okay. Another question. Allocation of NOVA costs. And I was just curious as to -- I know it was showing a few graphs that show the percentage allocated to Basic is declining over the next number of years, as compared to all lines of business.

So my question was just on the allocation of the NOVA costs. Did that go through the same methodology of allocating costs as it always has? Are there any differences?

And just one of the things that I noticed is, looking at that -- the Basic declining, was that due to premium revenues perhaps going up in the extended lines of business? Was that due to saying stage one (1) and two (2) of NOVA had more to do with maybe other lines of business than Basic?

So curious as to how that allocation is working.

MR. MARK GIESBRECHT: Yeah, there's a couple different components to that. So the -- the first one is that, generally speaking, we have other lines of business that are growing faster than Basic. Basic, being, you know, either declining in revenue with the capital release that's currently in our -- in our premiums. Whereas SRE, as an example, has been growing rapidly, both in premium and in claims. So a number of our allocation factors are claims and revenue based.

And so, as they're other lines have a higher proportion, there's a -- there's a bit of a downward trend that's affecting Basic.

As it pertains to the -- to the NOVA project and the re-baseline, in conjunction with the re-baseline, we also updated and finalized the allocation methodology. And so, in that update, even though the -- the costs for the program are increasing at a large rate, the amount that Basic was taking proportionally was much less so because of the change in allocation.

And the allocation was primarily based on the -- the story points and feature points of the releases. So really, what the -- the different software would provide to the business and to customers; that -- that was the basis for the allocation.

There are direct costs, of course, that are directly attributable to the -- the line of business. And then, there are shared costs. And the shared costs are -- are based on, what we call, feature and story points.

And so, there -- I know we're working on an exhibit that will be part of the -- the NOVA panel to put that in specifics. But what that's doing is it's -- it's mitigating for Basic the amount of the costs that its bearing as a result of the re-baseline.

BOARD MEMBER NEMEC: So it sounds like you directly allocate as you could through these -- and I forget the name of the points you just said -- the --

MR. MARK GIESBRECHT: Story points.

BOARD MEMBER NEMEC: Story points. And if they were general, then you did an allocation --

MR. MARK GIESBRECHT: For -- for example, you have insurance and non-insurance. So insurance being the Duck Creek application. So that would support all of our insurance lines. Then -- then it's applied based on those story points.

You then have anything supporting the DVA line of business. So a system called Celtic (phonetic). So that would be 100 percent to the DVA.

And then, we have, obviously, some -- some shared costs from a leadership perspective and different streams of work that are shared across the different applications. And those are allocated on those features.

BOARD MEMBER NEMEC: Thank you. Question about the budget process. And I -- and I think Mr. Williams talked a lot about the top-down bottom-up budget process. He talked about -- and I think requested some additional information on '22/'23 budget and '23/'24 budget.

And I was just thinking one step further as -- as to what -- I think we had the filing in July for the original GRA. And then, we have a filing on October 12th.

So I'm wondering what -- what happened in that budget process between your original budget, which I think is -- precipitates the filing of a GRA and then, just seeing a lot of changes that came through and it must have went through some kind of a process, some kind of approval.

I'm just wondering, you know, is that something unique to this GRA? Is that something that's happened before? Or just trying to understand that process.

MR. MARK GIESBRECHT: Yeah, certainly. So the -- the timing of the GRA, typically, has taken place prior to the -- the formal complete budget where we have our -- our Board approval.

Last year was the first year we changed the cadence of that approval to align to the Government of Manitoba, and -- and the time lines for submitting to our shareholders.

And so, our -- our -- the formal budget is submitted to government in and around October, after our Board approves in September. So that -- that cadence changed last year.

Prior to that, typically, the -- our budgets were approved in -- in February, prior to a March fiscal start. Now it's -- we changed our fiscal a couple of years ago and that was shifted by a month.

So during the course of the summer months -- July really was the kick-off to our formal complete wholesome budget process. And over the summer months of July, August, September, we went through the -- the valuation, the build up of all the departmental, divisional, directorate budgets.

We go through, what we call, a -- a budget review panel with the budgeting team, myself, the CEO, where the budgets are defended by the divisions and their senior leadership team. And we look at what are the needs, what are the reasons for their budgets, where can we find efficiencies, where can we find savings.

And -- and again, how -- what is the buildup and the necessity for -- it is what -- what they required to achieve their business goals.

And then, that goes through, then, our -- our Board approval process.

BOARD MEMBER NEMEC: So it sounds like that approval process has changed. So this is something that would be expected in future GRAs, additional change from the original filing until now?

MR. MARK GIESBRECHT: Yeah. I mean, this -- this has been typical that there is some level of change. I would say that the -- the quantum or the delta, generally speaking, has been much less. But given the amount of transformation that we're undergoing, given the amount of the market volatility, the impact of inflation, it has been, you know, a very unique type of environment that we're in.

But it's not unusual that we would have a difference from the initial filing to the final budget that we operate within.

BOARD MEMBER NEMEC: Okay. Thank you. And my last question, I think -- and I can't remember who asked this question and -- it might have been Mr. Williams.

But asked the question about 10 percent to 11 -- there's been a 10 percent to 11 percent increase in costs, yet an overall 1 percent decline in -- in the rates.

And trying to understand that -- that high level analysis of how do you get to such increases, such challenges out there; yet we still have -- you're still requesting a -- a rate decrease.

So I just wondered is there a high level summary you prepared to the Board or -- that kind of says, These are the major items that get me from here to there.

MR. MARK GIESBRECHT: Yeah. Yeah, that is a great rate-making question. And, really, the bigger assumptions are -- are around the claims forecast. And I see my colleague, Ms. Low, would like to add to that.

MS. CARA LOW: We do have the rate making panel tomorrow. We do have a slide on that, that exact graph.

Two (2) of the biggest drivers for the decrease would be the work-from-home adjustment. Collision frequency continues to be down from pre-pandemic levels. And we also have a higher investment yield as well.

So if you're going to get more money from investment income, you can charge less for insurance.

BOARD MEMBER NEMEC: And would you be showing the extent that relates to the collision tomorrow, like --

MS. CARA LOW: Yes.

BOARD MEMBER NEMEC: Okay. Great.

MS. CARA LOW: We have all of that tomorrow.

BOARD MEMBER NEMEC: Beautiful. Thank you very much.

THE PANEL CHAIRPERSON: Thank you. Mr. Bass...?

BOARD MEMBER BASS: Thank you, Madam Chair. At MPI, which department, for example, as between actuarial and finance, is responsible for signing off on the minimum capital test?

MR. MARK GIESBRECHT: It is a collaboration. The -- the function rests with the -- the financial reporting team within finance.

BOARD MEMBER BASS: Okay. So you're probably the lucky winner of the rest of my questions.

MR. MARK GIESBRECHT: Well, I think, like I said, it -- it is a collaboration. There are actual inputs that are very important.

MR. GEORGE BASS: Okay. Happy to hear from Ms. Low, if you want to -- Ms. Low if you want to pass on to that.

Some -- my next question is: With MPI's implementation of IFRS 17 and 9, how will that change the MCT number?

MR. MARK GIESBRECHT: Well, that's exactly what we're still working through the final adjustments. There -- there is a transitional impact. That will be the -- the primary impact, in terms of what happens to our -- our capital.

And, so as we finalize, you know, the -- the discount rate adjustment, the -- the risk adjustment. We talked about the MUSH adjustment, so there -- there are puts and takes, so that's going to impact our total capital position to available capital, as one of the inputs to the MCT.

And, we're also now working through what are the actual changes in the guideline. Because it's such a massive overhaul to the industry, there are -- there are some changes to the actual guideline and the calculations which we are working through to -- to fully understand.

But I would say that -- that I expect a

large impact will be on the transition and how that affects our available capital on day 1.

MR. GEORGE BASS: Ms. Low, you had something to add?

MS. CARA LOW: Oh, I was just going to say that the claims discount rate does have a big play in the MCT and just the financial reporting in general.

And we're going to see much more volatility in that, going forward. So, it's hard to say for the MCT impact, it's going to really vary depending on where we're at with the -- the yields at that point in time.

MR. GEORGE BASS: And when is it that you expect that you'll have that completed?

MS. CARA LOW: As soon as we get through the GRA, this is going to be the primary focus, is doing -- working on the MCT.

MR. GEORGE BASS: M-hm.

MS. CARA LOW: So, end of November, maybe early December.

MR. GEORGE BASS: Thank you. And with respect to capitalizing expenses, like capitalizing items rather than expensing them, how does that impact the MCT number?

MR. MARK GIESBRECHT: So, deferred development costs are excluded from available capital. So, it would be indifferent to -- to that. It -- it -- essentially it's not a core or tier 1 capital asset and so it is excluded from available capital.

So, there would be no difference if it's expensed to -- or capitalized, given that it's not a component of available capital.

MR. GEORGE BASS: Okay. Thank you.

THE PANEL CHAIRPERSON: Thank you. Ms. Boulter...?

MS. SUSAN BOULTER: No.

THE PANEL CHAIRPERSON: I have one question, and it relates to a chart that you showed us with regard to DVA expenses.

And after the two (2) year period, during which I understand you've been directed not to transfer extension profits into DVA. It's showing a $40 million shortfall, roughly.

Where do you anticipate the shortfall being funded from?

MR. MARK GIESBRECHT: We are hopeful that we'll find a solution with government to shore up that shortfall.

So, we do -- with the two (2) transfers

that have taken place, there has been a bit of an accumulation that could absorb a -- a couple years of additional losses should they occur.

If there is, you know, no solution and no additional revenue provided from government, that would dry up within a number of years.

But what -- our expect -- our hope and expectation is that we will receive the funding to allow DVA to break even, as we administer that on the -- behalf of the government.

THE PANEL CHAIRPERSON: Okay. Thank you. And thanks very much to this panel. Oh, I'm sorry, Mr. Scarfone.

MR. STEVE SCARFONE: Oh, thank you, Madam Chair, I won't have too many questions, cause I know the benchmarking folks are anxiously awaiting.

Oh, and if it pleases the Board, Mr. Giesbrecht has asked if he can join the benchmarking panel after this.

THE PANEL CHAIRPERSON: Of course, he can, thank you.

RE-DIRECT EXAMINATION BY MR. STEVE SCARFONE:

MR. STEVE SCARFONE: Okay. Very good. So, just to -- Ms. Schubert, could you pull up the --

from MPI Exhibit Number 55, slide 14 please. That was the presentation, of course, that the -- was -- yes, thank you.

Questions -- two (2) questions for Mr. Giesbrecht. Sir, Ms. McCandless asked you to assign a dollar value to the two hundred and eighty-three (283) FTE positions, you'll recall that? $36 million I believe you said.

MR. MARK GIESBRECHT: That's correct, yes.

MR. STEVE SCARFONE: And then you confirmed, I believe, with my friend Mr. Williams, that that $36 million included improvement initiatives. Is that right?

MR. MARK GIESBRECHT: It does, yes.

MR. STEVE SCARFONE: So I -- do I take that to mean that the two eighty-three (283) would fall somewhere below 36 million?

MR. MARK GIESBRECHT: Yes. It would be the -- the -- the dominant component, but -- but yes.

MR. STEVE SCARFONE: And you -- do we have that particular number?

MR. MARK GIESBRECHT: Yeah, that's what I had requested from the back row. Let me just check my inbox here.

MR. STEVE SCARFONE: And while you're checking that, if you can multitask to move things along, we see that that two eighty-three (283) is divided up amongst various divisions of the Corporation, correct?

MR. MARK GIESBRECHT: Sorry, could you repeat that question?

MR. STEVE SCARFONE: Yes, we see that that two eighty-three (283) is divided up amongst various divisions of the Corporation?

MR. MARK GIESBRECHT: Yes.

MR. STEVE SCARFONE: And so, I'll ask you, of course, to speak to the finance division, but Mr. Williams brought to your attention some new management roles in -- in your division.

MR. MARK GIESBRECHT: That's right.

MR. STEVE SCARFONE: Can you just briefly explain what gave rise to those new positions?

MR. MARK GIESBRECHT: Yes. Certainly. You know, if I look at the -- the Director of Financial Planning and Analysis, it -- if we look at the historical function of -- of finance at MPI, we have been very transactional based. We historically haven't added much staff to the area and -- and so, the -- the focus has been very much on the -- the daily transactional activities.

But, not providing enough time and resource to our staff to -- to provide wholesome analysis, value-added activities that allows us to plan for the future to -- to steer the, you know, the outcomes that we're driving towards and having early warning indicators.

So, all -- all those things around planning, strategy, you know, better performance monitoring. So those -- that kind of analysis that this area would provide.

There was a mention of the finance transformation. That is -- has a couple components to it. Finance is a big contributor to Project Nova in terms of -- of billing, how systems interact, how they flow into our reporting and our general ledger. So, that's an aspect of that.

We also are on the cusp of end of life of our finance system. And so, we only have, you know, a -- a short runway to do a proper assessment and then go through that assessment and -- and procurement of potentially a new system or -- or migrating the current one to -- to a Cloud base offering. But that's a -- a serious significant piece of work. That would be led by this directorate, right.

MR. STEVE SCARFONE: Okay, thank you for that explanation. Those are my questions, Madam Chair.

THE PANEL CHAIRPERSON: Thank you, Mr. Scarfone. And, thank you very much to this panel.

MR. STEVE SCARFONE: Oh, Mr. Williams reminded me that Mr. Giesbrecht was trying to dig up a number, I don't know if he found it.

THE PANEL CHAIRPERSON: Okay. Mr. Giesbrecht...?

MR. MARK GIESBRECHT: I -- I do not see that but I do not believe it would be hard to obtain, so I -- I think we can maybe take an undertaking to provide.

MR. STEVE SCARFONE: Yeah. We can provide that, that number. So, and just, to be clear, it's what the two eighty-three (283) represents in dollar numbers 'cause we don't yet have that on the record.

MR. MARK GIESBRECHT: It -- oh, okay, is that what it is? Okay. I thought when -- in our exchange with Ms. McCandless that it was the -- the number of improvement initiatives FTE. But if it's the dollar amount, then that's --

MR. STEVE SCARFONE: Just the dollar amount, because we've confirmed that the 36 million includes the improvement initiatives.

MR. MARK GIESBRECHT: Yes. Okay.

--- UNDERTAKING NO. 13: MPI to advise what the two eighty-three (283) represents in dollar numbers.

THE PANEL CHAIRPERSON: Okay, thank you. Thank you Ms. Low and welcome back to Mr. Giesbrecht and Mr. Gandhi of benchmarking and I believe Mr. Patton is joining you as well.

We have canvassed the Board and our advisors. We can certainly extend today to 4:30, if that's acceptable to everyone else in the room.

MR. STEVE SCARFONE: That works for MPI.

THE PANEL CHAIRPERSON: Okay. Thank you.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: The Benchmarking Panel is on their way, bear with us.

(BRIEF PAUSE)

THE PANEL CHAIRPERSON: Thank you. Mr. Scarfone, if you could introduce the new people from MPI, who are here for the rate-making Pan -- or, sorry, Benchmarking Panel?

MR. STEVE SCARFONE: Yes, Madam Chair. This is the Operational Benchmarking Panel. So, of course, Mr. Gandhi, at the far end, and Mr. Giesbrecht, and we have Scott Patton beside Mr. Giesbrecht.

Mr. Patton is the manager of Customer Insights and Analytics and, in the back row -- and there's a couple back row support people, attending virtually, but, in the back row, we have Curtis Prystupa, I, myself, Customer Value Proposation -- Proposition Lead, and, then, a Director of Value Proposition. Yes, thank you, Mr. Smithson, Robert Smithson.

MPI OPERATIONAL BENCHMARKING PANEL:

MARK GIESBRECHT, Resumed

MICHAEL GANDHI, Resumed

SCOTT PATTON, Sworn

THE PANEL CHAIRPERSON: Mr. Scarfone...?

EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE:

MR. STEVE SCARFONE: Yeah. So, this presentation was just recently revised and, so, we have an updated version that's corrected an outdated Slide 8, I believe but, Mr. Patton, are you delivering the presentation for the panel here this afternoon?

MR. SCOTT PATTON: I believe Mr. Gandhi is delivering the presentation.

MR. STEVE SCARFONE: Okay. Mr. Gandhi, this particular presentation will form of your -- form part of your examination-in-chief, sir, your direct examination, your evidence?

MR. MICHAEL GANDHI: Yes.

MR. STEVE SCARFONE: Yes, thank you. And Mr. Patton just brought to my attention there is a -- a correction yet on Slide 8.

So, perhaps, Ms. Schubert, can you go to slide 8 and we'll just address that now, on the record. Go ahead, Mr. Patton.

MR. SCOTT PATTON: Sorry. So, at -- that actually now has been updated. That's perfect. Sorry. On line number 10, Item Number 7, it was missing three zeros on the end of the SGI number and it appears that that is now correctly displaying so.

MR. SCOTT SCARFONE: Very good. Okay, with that, I think we're ready to proceed, if the Board is ready.

MR. MICHAEL GANDHI: First off, good afternoon. Thank you so much for spending the time with us today. We'll be revealing through the benchmarking.

So, we will be going through our current state, overall, on the benchmarking side. There were some take-aways from last year. I wanted to make sure we address that with -- with the Board.

Average premium growth rate and vehicle rate comparisons, how we're servicing Manitobans, our operational efficiencies. We'll get into the benchmarking and then the IT benchmarking pieces. Next slide, please.

So, overall, our benchmarking and our company mandate is focussed on servicing Manitobans. That's something that bleeds through overall in our entire organization on having a mindset of continuous improvement and accountability.

Our mandate is very simple. It's to ensure service to Manitobans, then, at a high level of fiduciary management, finances and operational excellence. As such, we will be reviewing benchmarking, which is an important exercise, where we learn quite a bit from our counterparts on the Crown side and how we will evolve that is something we will get into.

Currently, MPI uses a hybrid approach to our benchmarking. We look for where we can get data points that help us improve our overall operations. Currently, we're using many of the key benchmarking best practices out there: our Canadian vehicle rate comparisons, voice of the customer.

We physically go out and ask customers, are we doing a good job and what can we do better? That's something we learn from and that we build on.

Our operational efficiencies from our Crown benchmarking overall focus in on making sure that we are aligned for our loss ratios, our financials, and we also use, on our IT side, which our IT Panel will get into, Gartner surveys that look at public company views and KPIs that we can learn from.

The IT benchmarking questions -- the IT

benchmarketing questions will be with the IT Panel overall. Next slide, please.

So, this is something Mr. Giesbrecht showed, something that when I joined the company in talking with Mr. Patton very proud of, it shows in here we're the very -- at the very bottom there, which is a good thing. It shows our overall rate changes over 20 years. Our rate changes in Manitoba have been the lowest overall. You see other provinces overall, you know, having significant cost drivers. With the cost drivers we've had in the last 20 years, our rates have relatively remained consistent and that, overall, this slide tells a picture of what MPI's purpose is to do is to ensure overall rate stabilization, low rates for Manitobans overall. Next slide, please.

Here we go through a vehicle rate comparison and we perform our own rate comparison and we use publicly-available information to search and compare vehicle rates and profiles for Manitobans overall.

The parameters we use are all-purpose insurance with $2 million third-party liability. Here, we see the vehicle rate comparisons across Canada for driving profiles representing varied -- various driving experiences and, what you can see here, is we have some of the lowest rates overall in Canada, which is one ag -- once again, our main purpose overall. Next slide, please.

These are some very important customer centric items and they let us evaluate how are we servicing and completing our mission. And our mission is exceptional coverage and service, affordable rates, safer roads through public auto insurance, and, here, you can see some significant betterment overall.

For instance, on the exceptional coverage, we have 83 percent of Manitobans telling us that they agree or strongly agree with us that we are providing exceptional coverage. On its service mandates, 82 percent are in concurrence on that. Affordable rates, overall, 73 percent agree, and safer roads, overall, are at 74 percent.

So, these are something to be very proud of and also help us learn through our benchmarking through these surveys and how -- areas we need to focus in on the operational side and on the -- the compliance, safer roads side, whatever it might be, that's something that we all hold in high regard. Next side, please.

In servicing Manitobans, so, this is the value proposition we provide. So, work towards excellence and that is, you know, it's -- it's significantly on the betterment there and it's something that -- you can see these. I won't get too much into this. It's something that we look at. How are we servicing and how are we providing value to our -- our customers overall and we are in strong agreement or agreement overall that we are achieving those value propositions. Next slide, please.

On the Crown benchmarking overall, we've spent a lot of time with SGI, ICBC and we'll be maturing our benchmarking Crown comparatives overall. We've engaged, through Mr. Giesbrecht's guidance, to engage from Aon, who is a third-party consultant, that will, then, provide us additional information. It's something that a -- a -- when we were here last year, that it was requested that we go outside of just looking at what ICBC and SGI are doing. So, that's something that we are actively working on and that we will ensure to execute on.

We do have areas of improvement overall, and those are aligning measurements and understand allocation methodologies between SGI. SGI uses -- they have two (2) tiered companies, structure one for their private organization, or their profit centric organization, my apologies, and one (1) of the

Auto Fund, which is akin to our Basic line.

The way that they segregate costs and break those up, they don't have a significantly refined process around that and that's something, based on our discussions, that they're actively working towards. So, a lot of our benchmarking questions are still to be worked on and that's a good opportunity for us also.

We also have within the organization a balance score carding approach under Mr. Giesbrecht's guidance of sixty (60) key benchmarks overall throughout the organization using Portage (phonetic) best practices. And just to simplify that, it's getting outside of just looking at finances, but looking at how we're impacting learning and growth, our overall processes, and those are items that we continue to build on.

Overall, a -- a key item for us from the last year was to look at our ratio of management and FTE controls and that's something that we have looked at in our span of controls to make sure that it's in line.

Our IT costs will be reviewed through our IT panel overall. Next slide.

So just to reiterate how we're going to

go through and increase and advance our operational benchmarking is to use the SGI, ICBC Crown comparatives.

We've -- we've done actually a decent amount of collaboration with SGIC -- SGI and ICBC to really learn from them. We had a few working group sessions together with their CFO, with Mr. Giesbrecht's guidance, and also with the controllership functions there to really learn about how we vary -- what -- what areas we need to refine within our side and, obviously, to continue to look at outside of the Crown comparatives through AON is an item that we're working towards.

And obviously, once again, is to learn from that and execute our learnings, our areas that we will continue to work on. Next slide.

The IT benchmarking, third time. My sincere apologies. That will be with the IT panel. And that is it for the presentation.

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

CONTINUED BY MR. STEVE SCARFONE:

MR. STEVE SCARFONE: Thank you, Mr. Gandhi. Ms. Schubert, could you just back it up one

(1) slide, please? Thank you.

Just one (1) question, Mr. Gandhi, with respect to the Crown benchmarking exercise, are there any concerns or difficulties that the -- that the Corporation has revealed in comparing itself against SGI and ICBC in -- in evaluating those -- those metrics that we saw earlier in the -- in the deck?

MR. MICHAEL GANDHI: You know, it's -- the major item there is looking at ICBC being significantly larger. They have a lot of economies of scale and, you know, we -- we asked them, what do you guys see as differences, and when we were going through our discussions with them and they're saying that there's a lot of economies of scale that they have in their enterprise.

Being three (3) times the premium base will allow you to absorb a lot of additional work efforts overall. So, that was one (1) side.

On the SGI side, they have a two (2) company structure. One a prof -- profit entity and one a non-profit entity. So, it beco -- comparatives become a little bit harder to do. How they break out the FTE analysis overall, those do create challenges, because it doesn't allow the -- the exact science of having an apple-to-apple comparative, are items that we faced overall.

MR. STEVE SCARFONE: Thank you for that. And is there other efforts underway in terms of benchmarking outside of the -- the two (2) provinces to the west?

MR. MICHAEL GANDHI: Yeah, we've engaged with AON Consulting. They're obviously a -- a large company that does benchmarking throughout the world.

And what we've engaged with them to do is provide us guidance in terms of what other companies and the insurance P&C space are doing and how we compare against them with both our operational metrics and our people metrics overall.

So, that's an activity that we're doing this year and then for our next rate filing, that's something that we'll be able to see, you know, what's private industry doing, what are Crown comparatives and then continue to build on our internal mandates that Mr. Patton leads from the voice of the customer overall.

MR. STEVE SCARFONE: Thank you for that. Those are my questions for the panel, Madam Chair.

THE PANEL CHAIRPERSON: Thank you, Mr.

Scarfone. Ms. McCandless...?

CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. Good afternoon to the panel, and particularly to you, Mr. Patton, who just joined. Not that I'm not wishing you all a good afternoon. I'm pretty sure I already did that.

So, I just want to get an overall understanding of Crown benchmarking and how MPI is using it.

Does it intend to use the results of its Crown benchmarking exercise in managing its operations?

MR. MICHAEL GANDHI: Definitely, that is the route that we take.

MS. KATHLEEN MCCANDLESS: And MPI met with ICBC and SGI and vetted metrics that were used for benchmarking for comparative purposes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And did MPI agree to common calculations and methodologies to ensure there was consistency?

MR. MICHAEL GANDHI: That's an area of refinement. We do have a -- a start to that, but we do have some refinements to go.

MS. KATHLEEN MCCANDLESS: Well, we will go to the particular metrics in a little bit, but the -- since last year, MPI has normalized some of its metrics in benchmarking. Is that correct?

MR. MICHAEL GANDHI: We have met with ICBC and SGI to make sure we can understand the key differences within the organization so that -- that is leading us down there. And these are items that are an evolution of time.

So, it will take some time. It's two (2) years into the benchmarking process and we just continue to evolve it.

MS. KATHLEEN MCCANDLESS: Okay. Can we please go to PUB-MPI-1-73.

And this Information Request was getting at the refinements to the methodology that MPI was undertaking with SGI and ICBC?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And if we scroll down, there's mention there of -- of meetings and a meeting with the CFO that you mentioned in your direct testimony.

One (1) of the other issues that was reviewed was increased discussions with SGI and ICBC in terms of the loss ratios to understand if there are any significant differences within operations that are causing the very loss.

And there were no significant -- no significant differences, correct?

MR. MICHAEL GANDHI: That is -- that is correct. It is basically, and I think Mark -- Mr. Giesbrecht can attest to that too, it was a discussion that really revolved around those are hard to predict and hard to align overall. It's based on driving experience and all sorts of other parameters.

MS. KATHLEEN MCCANDLESS: You also mentioned in your direct testimony that ICBC has the benefit of economies of scale.

So, in terms of the best comparator to MPI's operations, would that be SGI?

MR. MICHAEL GANDHI: It would be SGI.

MS. KATHLEEN MCCANDLESS: Now, if we go to figure BMK-7, it's actually on benchmarking slide 8 as well, so we can probably just work with that. Thank you.

So, I'm going to ask you about head-count analysis, span of control, and premium metrics, primarily. So, with head-count analysis, these relate to basic full time equivalents, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And how did MPI determine the number of basic FTEs to complete the analysis?

MR. MICHAEL GANDHI: What we looked at is the proportionate amount of Basic staff that we have overall. SGI used a high level assumption based on a percentage split between the Auto Fund and SGI.

And they had also highlighted, you know, we're not really capturing the correct accurate allocation. That was something that we had agreed that we would ref -- that they would refine in the next Crown benchmarking.

MS. KATHLEEN MCCANDLESS: I'm going to go to PUB-MPI-71 -- 171(b). And if we could keep scrolling down, please to the response at (b). So this is with respect to the head count ana -- head count analysis.

"SGI uses an approximation for the number of FTEs it allocates to Saskatchewan Auto Fund, and SGI committed to performing an analysis of the allocations based on discussions with MPI because it did not previously allocated enough

full-time equivalents to the Auto
Fund."

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And MPI uses cost centres and an allocation methodology to allocates its FTEs to Basic, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And is that analysis readily available?

MR. MICHAEL GANDHI: In terms of the allocation methodology, that would be in filings with the PUB.

MS. KATHLEEN MCCANDLESS: The question at 171(d) was -- if we could just scroll there. MPI was asked for a table of data used to support the calculation of the metrics for MPI, SAF, and ICBC. And so, you -- you know, FTEs, gross expenses, loss adjustment expenses, policies in force. And the response at (d) was to refer to BMK Appendix 4, the Crown Auto Benchmarking Report.

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: But the benchmarking report does not provide the specific information requested. You would agree with that?

MR. MICHAEL GANDHI: You looking at

this question, I can see you're looking for more the calculations that form that and that's something that we can provide, right? But bear with me. Let me check with our counsel.

(BRIEF PAUSE)

MR. STEVE SCARFONE: No, that's -- that's an appropriate undertaking, so long as we can provide those calculations, you know, in a -- in a timely manner before the end of the Hearing.

MS. KATHLEEN MCCANDLESS: Thank you. So that would be simply to undertake to provide the response to PUB-MPI-171(d).

MR. STEVE SCARFONE: Yes.

--- UNDERTAKING NO. 14: MPI to provide calculations for response to PUB-MPI-171(d)

MS. KATHLEEN MCCANDLESS: Thank you.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Jumping back to Figure BMK-7 on the presentation. Now looking at the first metric, which is under, "Head count analysis, full-time equivalents per $100 million of gross premiums written."

Just to confirm, this ratio reflects the relative total Basic staffing to deliver services?

MR. MICHAEL GANDHI: That is our gross premium written for our Basic line over the total FTEs for Basic.

MS. KATHLEEN MCCANDLESS: And we see that MPI's full-time equivalents per 100 million are the highest among the comparators.

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Metric -- Metric 3 is staff full-time equivalents per 100 million of gross premiums written?

MR. MICHAEL GANDHI: Yeah.

MS. KATHLEEN MCCANDLESS: Yes?

MR. MICHAEL GANDHI: Yeah.

MS. KATHLEEN MCCANDLESS: And this represents non-management full-time equivalents?

MR. MICHAEL GANDHI: Number -- line 3 would be the management, line 4 would be the staff, correct, yeah.

MS. KATHLEEN MCCANDLESS: Sorry. I'm looking at the numbers under "performance measurement"

--

MR. MICHAEL GANDHI: Oh.

MS. KATHLEEN MCCANDLESS: -- and not the line number. There are two (2) numbers there. It is confusing.

MR. MICHAEL GANDHI: Yeah.

MS. KATHLEEN MCCANDLESS: So number 3 is staff FTEs under --

MR. MICHAEL GANDHI: Yeah. Sorry about that --

MS. KATHLEEN MCCANDLESS: Yeah.

MR. MICHAEL GANDHI: -- correct.

MS. KATHLEEN MCCANDLESS: No worries.

MR. MICHAEL GANDHI: It's what happens when it's late in the -- in the day and you've been talking for the entire day.

MS. KATHLEEN MCCANDLESS: So Performance Measurement 3 is staff -- those are staff, and they're non-management full-time equivalents, right?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And at a hundred and ten point four (110.4) per 100 million of gross premiums written, MPI is again significantly higher than peers, correct?

MR. MICHAEL GANDHI: That is correct. That does need refinement through how staff are allocated in the Auto Fund also that we'll have additional data points for, along with the Aon study also. That will allow us to really look through that measurement also.

MS. KATHLEEN MCCANDLESS: Is MPI developing any target full-time equivalent or staff full-time equivalent per 100 million of gross premiums written?

MR. MICHAEL GANDHI: Currently, we do not have a target, yeah.

MS. KATHLEEN MCCANDLESS: Are there plans to develop a target?

MR. MICHAEL GANDHI: Let me just consult on that one.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: Currently, there's not a target for the staff FTE per 100 million. We do have additional staff that we'll see within the next few years related to build-ups of NOVA and the transformation pieces. Our key driver there -- like there are countervailing metrics that go on the oppo -- opposite side that show our overall expense base is one (1) of -- really -- compares really well to SGI.

In terms of our build-up over the next few years, that is something, that we'll take under consideration. Thank you.

MS. KATHLEEN MCCANDLESS: MPI today and historically has stated that its staffing is higher than the Crown comparators because its business model is different. Is that right?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: Metric 2 is -- and that's line 3, Metric 2, "management full-time equivalents per $100 million of gross premium written," yes?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And under that metric, MPI has the lowest level of management staff relative to the peers, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: How did MPI satisfy itself on the definition of 'management' under -- among the Crowns?

MR. MICHAEL GANDHI: Under 'management', it would be if they are -- you know, if you're a people leader, that would be the primary driver for being a management employee.

MS. KATHLEEN MCCANDLESS: With respect to Performance Measurement 4, "ratio of staff to management or a span of control analysis," so that's the ratio -- the -- the ratio of staff to management, obviously. So -- and MPI has the highest ratio of staff to management among the group, yes?

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And does MPI have any -- any comment on the reason for that difference?

MR. MICHAEL GANDHI: You know, it's always been a big overall HR mandate and internal company mandate to make sure we have a flattened organizational hierarchy. And that has been something that we pride ourselves on. And that's it.

MS. KATHLEEN MCCANDLESS: Does MPI have an internal target for span of control?

MR. MICHAEL GANDHI: We do not.

MS. KATHLEEN MCCANDLESS: Now, with respect to Performance Measurement item number 6, "average gross written premiums," yes?

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: You would

agree that, when compared to ICBC and SGI, MPI's average gross written premiums is slit -- is similar but slightly higher -- pardon me, lower than -- sorry, I'm looking at the wrong -- it has been a long day. Line 6. So similar but slightly higher to SGI, yes?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: 1.1 million to just under a million, and then ICBC is significantly higher?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And then Metric 7, "gross written premiums per full-time equivalent," it appears when one looks at the relative size of book of business, MPI has a more significant staff complement than ICBC and SGI, relative to premiums written.

MR. MICHAEL GANDHI: Yes.

MS. KATHLEEN MCCANDLESS: Would that be fair?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And what does MPI take away from that, relative to its peers?

MR. MICHAEL GANDHI: That we have some work to do, first off to understand the rationale why that is happening. I -- I glean back towards the SGI example. SGI also had the same questions in -- and that's something that we'll be working on our -- on -- in our Crown comparatives.

Another data point we are going to use to refine is through the Aon study, and that'll give us additional parameters around how does that compare to industry overall.

MS. KATHLEEN MCCANDLESS: How does MPI see this trending in 2022 and forward?

MR. MICHAEL GANDHI: For the years that we're building up Project Nova overall, and just in terms of what we're doing on a transformational side with NOVA with IFRS, these are significant undertakings that we'll see pressure on this metric that will then dissipate in '26/'27 as we see the value business case pieces for NOVA start to kick in.

MS. KATHLEEN MCCANDLESS: And I'm assuming that, at this point, MPI does not have an internal target for this type of metric, based on your previous answers?

MR. MICHAEL GANDHI: It does not, yeah.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Now, if we look down to item number 11, line 15, under "policy metrics; adjusted policies enforced per full-time equivalent."

So, this is the number of employees per policy issued?

MR. MICHAEL GANDHI: Correct.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: And given the forecast changes in staffing, can MPI indicate the trend in this metric going forward?

MR. MICHAEL GANDHI: So, our adjusted policies will remain relatively the same for our FTE numbers overall. Just bear with me one (1) moment.

(BRIEF PAUSE)

MR. MICHAEL GANDHI: So, as you'll see the FTE numbers increase, you'll see that number change. We don't have the quantum of that number though.

MS. KATHLEEN MCCANDLESS: And just to confirm, a high -- higher ratio is favourable under this metric, correct? The bigger the number, the better?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And so, compared to peers, MPI is not comparing favourably to peers?

(BRIEF PAUSE)

MR. MICHAEL GANDHI: My apologies, can you repeat that question.

MS. KATHLEEN MCCANDLESS: So, based on that, the Metric number 11 would be an unfavourable comparison to peers. They -- they are performing better under that metric, correct?

MR. MICHAEL GANDHI: That is correct.

MR. MARK GIESBRECHT: I did just want to elaborate on that. That's purely in the -- the financial sense. So, you'd also want to make sure that service levels and customer experience, assuming that all equal, then the -- the higher the number here, then the better, of course.

MS. KATHLEEN MCCANDLESS: I understand that MPI attributes this difference to its need to have more staff because of the vertically integrated nature of its business. Is that correct?

MR. MICHAEL GANDHI: That is correct.

MS. KATHLEEN MCCANDLESS: And MPI also is of the view that the SGI full-time equivalent count is understated. Is that right?

MR. MICHAEL GANDHI: We don't know that for certainty. That's what we've heard from SGI. This next round of benchmarking will really get into core operational differences. And then we'll also have that Aon study done as another data point that'll allow us to refine and really come back with a more mature answer.

There is -- there is definitely work that we have to do on our Crown benchmarking as -- as we evolve it.

MS. KATHLEEN MCCANDLESS: If we could go back to PUB-MPI-171, please, and to the preamble. I'm not going to read everything into the record.

But, just to paraphrase, last -- this is taken from last year's GRA, and at that time MPI indicated that it was going to try to understand the difference between it and SGI?

MR. MICHAEL GANDHI: Correct.

MS. KATHLEEN MCCANDLESS: And has MPI gained a better understanding of the differences between its operations and those of Saskatchewan Auto Fund?

MR. MICHAEL GANDHI: We -- we've identified additional work required, and that is where we've gotten to. What SGI and ICBC have committed to is continuing the collaboration and then getting into more of the operational differences between our -- our entities.

MS. KATHLEEN MCCANDLESS: And if we can scroll down to 'A'.

Thank you. So, here MPI comments on the difference in internal mandates between it and Saskatchewan Government Insurance. And we see here that SGI Auto Fund based its breakdown of its full-time equivalents on a high-level breakout performed by management which SGI appreciates does not fully capture its true operating costs.

MR. MICHAEL GANDHI: That's correct.

MS. KATHLEEN MCCANDLESS: And so, SGI is committed to MPI to conduct a more detailed review of their full-time equivalents. Is that right?

MR. MICHAEL GANDHI: That is correct. It's something we'll be doing in collaboration with.

MS. KATHLEEN MCCANDLESS: When does MPI expect to have that information from SGI?

MR. MICHAEL GANDHI: That would be available for the next filing.

MS. KATHLEEN MCCANDLESS: Thank you. Just lastly, when you gave your presentation, you mentioned work being done by Aon Consulting?

MR. MICHAEL GANDHI: Very preliminary. Right now we've engaged with them and they've asked for information from us. And that's what we're working on, is finalizing with them.

MS. KATHLEEN MCCANDLESS: And is it MPI's intent to -- or pardon me, how do -- how does the Aon engagement compare with the previous engagement with Ward Group?

MR. MICHAEL GANDHI: My sincere apologies, I was not there for that -- that time. Mr. Giesbrecht...

MR. MARK GIESBRECHT: The Ward Group is a subsidiary or a member of the Aon Group, so it is one and the same.

MS. KATHLEEN MCCANDLESS: And so was this a process put out to RFP or...?

MR. MARK GIESBRECHT: It was not. It's a very small dollar contract. And, also, the -- the intent is to collaborate in years where SGI and/or ICBC also enter that study, so there is -- in sync and

-- and having them a part of that -- that peer group.

And so -- I forget which one, off the top of my head, but one (1) of the groups did enter this year, as well, so that was one (1) of our decision-making criteria, to also participate.

MS. KATHLEEN MCCANDLESS: Thank you. Is it MPI's intent to expand the comparative Crown metrics that it's using?

MR. MARK GIESBRECHT: I -- I think that it's always out intent to collaborate more, and maybe we do so on a less formal basis. A lot of groups have ongoing dialogue, whether it be within our -- our claims groups, our actuarial team, so there is collaboration. I know some of our staff that recently have been visiting ICBC on some of their salvage topics.

So we do have many groups that collaborate. Maybe not as in terms of a specific report, but definitely we collaborate on many topics throughout the course of the year.

MS. KATHLEEN MCCANDLESS: Thank you. Those are my questions.

THE PANEL CHAIRPERSON: Thank you, Ms. McCandless.

Mr. Williams, can you indicate how long

you might be?

DR. BYRON WILLIAMS: If I'm more than five (5) minutes, I'll be pretty shocked.

THE PANEL CHAIRPERSON: That's fine then. Please, go ahead.

CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

DR. BYRON WILLIAMS: Mr. Gandhi, make me look good, okay?

First of all, just in terms of total traffic safety expenses, would it be correct to suggest they're not included in the calculation of total gross expenses?

MR. MICHAEL GANDHI: So, we do see traffic safety measurements below in line 13 and 14 under the performance metrics.

DR. BYRON WILLIAMS: But my -- my question is: In terms of the calculation of total gross expenses, traffic safety is excluded from that calculation?

MR. MICHAEL GANDHI: Subject to check, I believe that is correct.

DR. BYRON WILLIAMS: Okay. And in terms of your methodology, there's no adjustment for cost of -- of living, agreed?

MR. MICHAEL GANDHI: There is no inflation adjustment. However, SGI and ICBC also had none so it would allow comparative. There was -- there was no inflation adjustment done throughout the Crown benchmarking process.

DR. BYRON WILLIAMS: Sorry, my -- my question was imprecise. In terms of the relative cost of living in different jurisdictions, there's no adjustment for that?

MR. MICHAEL GANDHI: There was no adjustment, correct.

DR. BYRON WILLIAMS: And perhaps following up on a point made by Mr. Giesbrecht, and -- and, in the future, do you aspire to have a common benchmark -- a comparative benchmark in terms of customer satisfaction?

(BRIEF PAUSE)

MR. SCOTT PATTON: Could you rephrase the quest -- question, please?

DR. BYRON WILLIAMS: Yes. Thank you. MPI measures for customer satisfaction different ways. SGI does. ICBC does. We -- we've seen those studies before.

And I'm wondering, for the purposes of this study and the benchmarking exercise, if you anticipate putting in a common metric for customer satisfaction?

MR. SCOTT PATTON: I won't speak to the Crown benchmarking. I'll let Mr. Gandhi speak to that. But we do have already comparative measures that are reported through our Forester (phonetic) report, which was filed confidentially, yes.

DR. BYRON WILLIAMS: And just the -- my last question -- this is a comparative benchmarking exercise for the 2020 to '21 year, agreed?

MR. MICHAEL GANDHI: It is for 2021. Just, you know, we had some advice last year also to provide some additional information, so we also did a December '21 comparative across the Crowns also to provide additional data.

DR. BYRON WILLIAMS: So what will not be reflected in here are the, for example, the growth of FTEs in '22/'23 or '23/'24, agreed?

MR. MICHAEL GANDHI: These are at a point in time, and that is correct.

DR. BYRON WILLIAMS: Thank you. Madam Chair, I have no more questions.

THE PANEL CHAIRPERSON: Thank you, Mr.

Williams.

Mr. Weinstein...?

MR. MICHAEL WEINSTEIN: No questions for this panel. Thank you, Madam Chair.

THE PANEL CHAIRPERSON: Thank you. The Board? Ms. Nemec...?

BOARD MEMBER NEMEC: One (1) question on the survey and the results. Were those positive results for MPI?

MR. MICHAEL GANDHI: Ms. Nemec, you're referencing the survey --

BOARD MEMBER NEMEC: Six -- page 6 survey.

MR. MICHAEL GANDHI: Bear with me. If you guys can bring that up.

MR. SCOTT PATTON: Yes.

BOARD MEMBER NEMEC: Okay. And the reason I ask is I thought you said that it was a positive. And so the exceptional service, exceptional coverage, and just trying to liken that to additional FTEs that are going to be required in these areas over the -- the coming years.

Are you setting a higher target for '23/'24 and '24/'25 to match, sort of, additional resources you're looking to?

(BRIEF PAUSE)

MR. MARK GIESBRECHT: So I can't speak to this -- this exact survey, but we do track to our overall customer experience index.

That's not what this one is, is that right?

MR. SCOTT PATTON: It's -- it's collected at the same.

MR. MARK GIESBRECHT: Okay.

MR. SCOTT PATTON: But yeah, there's different metrics, different scores.

MR. MARK GIESBRECHT: Right. So -- so we track to an overall CX index and then we publish that in our annual business plan, and then we have a target for -- for that. And so that would be one (1) input that we would seek to -- to achieve. And part of that would be addressing the service levels we're having in many different -- to our functions and transactions right now.

BOARD MEMBER NEMEC: Sorry, the service levels today different than the service levels in 2021 that were addressed at the time of this survey? Has there been a change in service levels?

MR. MARK GIESBRECHT: There -- there

has been more stress put on a number of those functions and they are taking longer, yes.

Now there are some ebbs and flows based on, obviously, seasonality and when there's peak seasons for, you know -- for collision, for example, obviously, there's more collisions in the winter months. But, generally speaking, yes, we are seeing -- especially coming out of the pandemic and seeing much more transactions and -- and claim counts.

BOARD MEMBER NEMEC: Thank you, Madam Chair. That's all.

THE PANEL CHAIRPERSON: Thank you. Mr. Bass...? Ms. Boulter...?

BOARD MEMBER BOULTER: Yes. Surveys fascinate me. So MPI -- so I have two (2) questions on that.

MPI has a whole gamut of areas. You have drivers licensing, drivers testing, vehicle registration, renewals, claims, vehicle standards. And you have claimants in all different areas: personal, survivor, catastrophic, vehicle.

Do you have a breakdown by area, because I'm sure people who go in and have a quick renewal are much more satisfied? And so I want to know if you've got a breakdown by business area satisfaction. And also I want to know how do you get this data from them. Is it administered by a third party and is it done over a whole year, or is it just some quick hits, or are they handed out, are they randomly called?

So -- and I have one (1) more question after that.

MR. MICHAEL GANDHI: That's a great question. I'm going to pass that to Mr. Patton.

MR. SCOTT PATTON: Great. So my -- thank you. My overall answer would be yes to all of your questions.

So we do ongoing tracking throughout the year of specific interactions with our customers. We do an annual index study that Mr. Giesbrecht referenced. And all of those are available and drillable down to the specific interaction and customer segment or persona who is responding.

There is a mix of methodologies in terms of when and how those are collected. So some of them are collecting on a weekly basis, some are collected on a monthly basis, some are collected on an annual basis.

We use telephone survey methodology. We use online survey methodology. And we use panel survey methodology to provide the fullest understanding that we possibly can to operational units who then are trying to take action on gaps that are identified in that survey.

BOARD MEMBER BOULTER: But MPI does that? It administers it? It's themself? They don't hire a third party?

MR. SCOTT PATTON: We use some third party for data collection. We do use a third party for our annual index scoring because it's based on a methodology that's developed by that third party.

But in terms of administration of the voice of the customer program overall, that's what I do.

BOARD MEMBER BOULTER: Okay. And this is an area that really fascinates me --

MR. SCOTT PATTON: Yeah.

BOARD MEMBER BOULTER: -- so that -- I'll probably return to

MR. SCOTT PATTON: And I -- I'll gladly continue to talk about it, yeah.

BOARD MEMBER BOULTER: I don't know if everyone here will be as thrilled.

My final question is: Is there -- this is, sort of, awkward for me to ask -- but you're going through a lot of turbulence. You're going through a lot of stress. You're having a high turnover. Your staff, are you surveying them, and do you -- or do you have a third party doing surveys, interviews, panels, whatever?

MR. SCOTT PATTON: Of our staff?

BOARD MEMBER BOULTER: Yes.

MR. SCOTT PATTON: So I -- I will not -- yes, we do. We do have a program for our employee experience which is actually a parallel to our customer experience program, and that is evolving as we speak.

THE PANEL CHAIRPERSON: Thank you. I have two (2) questions. The first is in relation to page 4 of the presentation.

I just wondered where there -- the average premium growth rate for Manitoba has been adjusted to take into consideration the rebates that were issued?

(BRIEF PAUSE)

MR. MARK GIESBRECHT: I -- I can't say for certain. My assumption is that this would be exclusion -- excluding the rebates. But that would be

-- that's an assumption at this point.

THE PANEL CHAIRPERSON: Okay. Thank you. And my second question relates to the next page, and that's the vehicle rate comparison. And I noticed, on the right-hand side, you've described the -- the insureds here.

And I just wondered whether the forty (40) year old couple, both claims and conviction free, with a sixteen (16) year old son, is something that actually relates to Manitoba, given that it's the registered owner that is -- is paying the rate. And you may not know that they've got a sixteen (16) year old son who's claims free.

MR. SCOTT PATTON: Sorry, Could you repeat the question? I...

THE PANEL CHAIRPERSON: My question relates to the -- the legend on the right-hand side.

MR. SCOTT PATTON: Right.

THE PANEL CHAIRPERSON: So you've referred to a forty (40) year old -- forty (40) year old couple, both claims and conviction free, with a sixteen (16) year old son, who's also claim and conviction free.

Is it not accurate to say that really the only thing you know is that you've got a forty

(40) year old registered owner?

MR. SCOTT PATTON: That is the important part for the -- the Winnipeg and Brandon accounting numbers. But that profile specifically is developed so that we can actually compare a Manitoba situation to a Toronto situation, for example, which doesn't have the same model.

THE PANEL CHAIRPERSON: Okay. Thank you.

Thank you, everyone, for your indulgence at staying to 4:30 on the dot. So we'll adjourn now and come back tomorrow morning with the rate-making panel.

MR. STEVE SCARFONE: Yes. And, Madam Chair, I had -- I had no re-direct questions that arose from there so you -- you were lucky on that one.

You're welcome. See you in the morning.

(PANEL STANDS DOWN)

--- Upon adjourning at 4:35 p.m.

Certified Correct,

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Wendy Woodworth, Ms.