MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2024/2025 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, K.C. - Board Member

Susan Boulter - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

Oct 12, 2023

Pages 613 to 893

APPEARANCES

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Charlotte Meek	) CMMG
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--- Upon commencing at 9:01 a.m.

PANEL CHAIRPERSON: Good morning, everyone. We will carry on this morning to conclude the IT Benchmarking Value Management Panel.

Ms. Dilay...?

IT, IT BENCHMARKING AND VALUE ASSURANCE PANEL:

LANI EDWARDS, Resumed

SHAYON MITRA, Resumed

SHAWN CAMPBELL, Resumed

CHAD MUIR, Resumed

CROSS-EXAMINATION BY MR. KATRINE DILAY:

MS. KATRINE DILAY: Thank you, Madam Chair. Good morning. My name is Katrine Dilay. I'm legal counsel to the Manitoba branch of the Consumers Association of Canada, and I'll refer to my clients as CAC (Manitoba).

I'll address my questions generally to the panel, and then I'll invite whoever is best suited to respond.

I have questions first on IT business cases, and then towards the end I will have questions as well on IT Benchmarking.

At a high level, you'll agree that, for large corporations, significant decisions involving monetary expenditures are typically rooted in a comprehensive business case.

Would that be fair?

MR. SHAWN CAMPBELL: Shawn speaking. Yes.

MS. KATRINE DILAY: And you'll agree that standard business case practices typically include a decision-making criteria with a financial analysis?

MR. SHAWN CAMPBELL: Yes.

MS. KATRINE DILAY: And this financial analysis will typically require a defined return on investment?

MR. SHAWN CAMPBELL: Not always 'cause your business case itself may be risk based, so you're dealing with a vitality issue versus an addition of capability that you would look for return on investment.

MS. KATRINE DILAY: For those business cases that do include a defined return on investment, you'll agree this is referred to as a positive net present value?

MR. SHAWN CAMPBELL: Yes.

MS. KATRINE DILAY: And standard business cases will typically stipulate a reasonable payback period as well?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And just going back to -- when we refer to a positive net present value, it means that a project's financial return will be more than the current investment, correct?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And typically, a positive net present value is a good thing because it means the company will get more benefits from the project or asset than the amount it is spending on a project or asset, correct?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And for MPI in particular, you'll -- you will agree that funds that MPI spends on a specific project are then not available to spend on another project?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And those funds that are spent on a project are also not available to reduce premiums for ratepayers, correct?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And you'll agree

that MPI funds come from premiums that are paid by Manitoba ratepayers?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And just to clarify, in terms of MPI funds, a portion of MPI funds also come from investment income, correct?

MR. SHAWN CAMPBELL: Yes.

MS. KATRINE DILAY: And looking to -- prior to the year 2022/'23, the capital master summary annual budget was supported by detailed business cases and supporting financial analysis business cases for each initiatives (sic), correct?

MR. SHAWN CAMPBELL: Yes.

MS. KATRINE DILAY: And in that previous framework, before 2022/'23, the tools that were used were a value management thin and detailed business case template?

MR. SHAWN CAMPBELL: Yes.

MS. KATRINE DILAY: And that detailed business case document presented project objectives, costs, and benefits?

MR. SHAWN CAMPBELL: Yes.

MS. KATRINE DILAY: And you'll agree that, in 2022/'23, MPI shifted its methodology for project management of IT initiatives to the Scaled

Agile Framework?

MR. SHAWN CAMPBELL: Yes, it did.

MS. KATRINE DILAY: And this is also referred to as the S-A-F-E or SAFE Frame -- Framework?

MR. SHAWN CAMPBELL: Yes, that is correct.

MS. KATRINE DILAY: And this is a method -- methodology intended to guide enterprises who use lean portfolio management, correct?

MR. SHAWN CAMPBELL: Yes. Lean portfolio management is part of the mechanism for SAFE.

MS. KATRINE DILAY: Thank you for that clarification. And so for the year 2022/'23, the shift in methodology meant that MPI identified key focus areas for investment as part of the corporate strategic planning process?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And then established corresponding high-level funding envelope amounts for MPI board approval?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And just to take you to an example of what we mean here, Ms. Schubert, could we turn to the -- part 5 of the GRA information technology. And if we look at -- my apologies. Just one minute.

(BRIEF PAUSE)

MS. KATRINE DILAY: Ms. Schubert, if we could turn to page 11 of this -- the IT chapter. Thank you.

And so at the -- the first half of the page we see that this is an example of those high-level funding envelope amounts where the funding allocations are established for various initiatives for the year 2022/'23, correct?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And then the year 2023/'24 towards the bottom half of the page, correct?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And this new process since 2022/'23 involves the creation of an Epic hypothesis statement?

MR. SHAWN CAMPBELL: For every initiative we create an Epic hypothesis statement, and that's also accompanied with a lean business case.

MS. KATRINE DILAY: And so it would be fair to say, and I think you've just confirmed that,

that MPI now employs Epics to justify specific initiatives?

MR. SHAWN CAMPBELL: A lean business case that's associated with the Epic is at the part that actually justifies the business case. The Epic is just a high-level definition of what the business case is going to cover.

MS. KATRINE DILAY: Thank you. And just to -- for -- for our understanding of what an Epic is, you'll confirm that an Epic is essentially a body of work that can be broken down into specific tasks?

MR. SHAWN CAMPBELL: Yes, that is correct.

MS. KATRINE DILAY: And those specific tasks are called user stories?

MR. SHAWN CAMPBELL: Yes, that is correct.

MS. KATRINE DILAY: And those stories are based on the needs of the Corporation or the overall strategic direction of the Corporation?

MR. SHAWN CAMPBELL: They are the fundamental lowest layer of what that looks like, but, yes. So an Epic decomposes into typically feature sets. The features then decompose into user stories.

And the user stories are the small tasks that the individual developer would work on to build out the change.

MS. KATRINE DILAY: Thank you for that. And the new methodology since 2022/'23 also includes providing a weighted shortest job factor?

MR. SHAWN CAMPBELL: Yes.

MS. KATRINE DILAY: And that's a document that helps define the priority of the work and compares into all other potential projects?

MR. SHAWN CAMPBELL: That is correct.

MS. KATRINE DILAY: And you've already referred to this, but for each specific initiative there is also a lean business case provided, correct?

MR. SHAWN CAMPBELL: Yes.

MS. KATRINE DILAY: And this lean business case describes in greater detail the anticipated project outcomes and costs, including short-term outcomes that prove the viability of the overall project?

MR. SHAWN CAMPBELL: Yes, that is correct.

MS. KATRINE DILAY: And the allocation within the funding envelopes to epics or to specific initiatives are approved by the lean portfolio management committee meeting?

MR. SHAWN CAMPBELL: Yes, that is correct.

MS. KATRINE DILAY: And that approval is based on the epics that are created for the specific initiatives, correct?

MR. SHAWN CAMPBELL: Yes, that is correct.

MS. KATRINE DILAY: And you've already canvassed this yesterday with my friend, Ms. McCandless, but funds can also be reallocated across focus areas, correct?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And so, based on what we have reviewed, you'll agree that one (1) change in MPI's methodology has been going from a detailed business case to a lean business case?

MR. SHAWN CAMPBELL: Yes, that is correct.

MS. KATRINE DILAY: And switching gears a little bit, I can bring you to a reference if you need, but you'll agree that MPI is currently working on a number of other IT projects apart from Project NOVA?

MR. SHAWN CAMPBELL: Yes, that is

correct.

MS. KATRINE DILAY: And, again, I can take you to a reference if we need, but MPI has indicated that since May 2023, it has discontinued IT projects that are unrelated to Project NOVA or deemed not critical?

MR. SHAWN CAMPBELL: Can you pull up that reference?

MS. KATRINE DILAY: Of course. Ms. Schubert, could we go to CAC/MPI-2-1, at page 3 of that response.

And if we look here, so the -- I guess, the first sentence before the bullets, you see there, it says:

> "Examples of actions taken by the Board of Directors since May 2023."

And then, if we look at -- sorry, you see that, Mr. Campbell?

MR. SHAWN CAMPBELL: Yes.

MS. KATRINE DILAY: And if you look at the fifth bullet, you see that it refers to discontinuing IT projects unrelated to Project NOVA or deemed not critical?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And this is

projected to save 11.6 million in the current fiscal year?

MR. SHAWN CAMPBELL: Yes. Correct.

MS. KATRINE DILAY: And can you confirm that this would be in recognition of the Corporation's significant resource commitment to NOVA?

MR. SHAWN CAMPBELL: Yes. Correct.

MS. KATRINE DILAY: And when we talk about resource commitment to NOVA, that would include both financial as well as staffing resources?

MR. SHAWN CAMPBELL: Yes, it would.

MS. KATRINE DILAY: And you'll agree that it's possible that some of these projects that have been discontinued related to in these IRs might have a higher return on investment than Project NOVA for MPI and for ratepayers?

(BRIEF PAUSE)

MR. SHAWN CAMPBELL: It would depend on the project itself. So we would have to do a detailed dive into which projects.

MS. KATRINE DILAY: Thank you. So without a detailed analysis, we can't say for sure, but it's possible, that there may be some within these projects that may have a higher return on investment than Project NOVA. Correct?

MR. SHAWN CAMPBELL: There is a chance. Yes.

MS. KATRINE DILAY: Thank you, Mr. Campbell. I'll turn now to the subject of IT benchmarking, so I think that might be for Mr. Muir.

MR. SHAWN CAMPBELL: That's correct.

MS. KATRINE DILAY: Thank you. At a high level, you'll agree that benchmarking compares overall spend levels and IT maturity as compared to a selected peer group?

MR. CHAD MUIR: Yes.

MS. KATRINE DILAY: And at a high level again, the IT benchmarking activities can assist MPI Board and executive to determine whether IT spending and investments are appropriate at MPI?

MR. CHAD MUIR: Can you repeat the question?

MS. KATRINE DILAY: Of course. At a high level, MPI's IT benchmarking activities can assist the MPI Board and its executive to determine whether IT spending and investments are appropriate for MPI?

MR. CHAD MUIR: I wouldn't completely

agree with that statement. The benchmarking provides generally what the spend level is or what the staffing level is. But it doesn't get project specific.

And the results of the report from Gartner would not influence the executive or Board to approve or disapprove a project.

MS. KATRINE DILAY: Understood. So -- so, sir, you're referring here to whether the IT benchmarking activities would influence decisions on specific projects?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: In terms of overall IT spending and investments, is the IT benchmarking activities a tool that can be used to look at overall, whether IT spending and investments are appropriate at MPI?

MR. CHAD MUIR: Yes, correct.

MS. KATRINE DILAY: And you've already referenced to this, but you'll agree that MPI retains Gartner to conduct its benchmarking as it relates to information technology?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And Gartner provided its final report to MPI for the last benchmarking exercise in July of 2023?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And this was the fourth report in a series spanning four (4) years to date?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And I think you referred to this yesterday, but there is going to be one more report for a fifth year, if I remember correctly?

MR. CHAD MUIR: No, this was the last year. Sorry, this is --

MS. KATRINE DILAY: Thank you.

MR. CHAD MUIR: -- the fifth year. Yeah.

MS. KATRINE DILAY: This is the fifth year?

MR. CHAD MUIR: Correct, yeah.

MS. KATRINE DILAY: And you'll agree that Gartner provides detailed recommendations to MPI based on its analysis?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And my friend, Ms. McCandless, went into this yesterday so I won't go into detail.

But just to confirm, historically, MPI

reviews Gartner recommendations and then decides whether or not to accept them?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And for example, this year, MPI has accepted and reviewed the detailed recommendations provided by Gartner, correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And MPI has prepared and provided, in this proceeding, an implementation status and plan?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And so, at a high level, you'll agree that the Gartner benchmarking exercise provides value to MPI?

MR. CHAD MUIR: Yes, I do agree.

MS. KATRINE DILAY: Again, at a high level, you'll agree that MPI is a Crown corporation?

MR. CHAD MUIR: I agree.

MS. KATRINE DILAY: Meaning, it is owned by the Government of Manitoba?

MR. CHAD MUIR: That's correct.

MS. KATRINE DILAY: And it's accountable to Manitobans?

MR. CHAD MUIR: It is.

MS. KATRINE DILAY: And so, you'll

agree that MPI is not a private sector auto insurance company?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And you'll agree that MPI is a monopoly service provider when it comes to Basic insurance. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And one (1) key difference between MPI, and private sector auto insurance companies, is that MPI does not compete with other firms to get the business of customers for Basic insurance products. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And you'll agree that this legislative framework under which MPI operates for Basic insurance, also means that it does not compete with Insurtech firms?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And -- and briefly, for -- for those of us, including me, who may not be familiar with Insurtech, is that your understanding that Insurtech refers to the use of technology innovations designed to find cost savings and efficiency from the current insurance industry model?

MR. CHAD MUIR: Yes, it would be parallel to FinTech.

MS. KATRINE DILAY: And just briefly, can you indicate what FinTech would be?

MR. CHAD MUIR: For that -- that would be the financial equivalent, so banking.

MS. KATRINE DILAY: Where -- where the use of technology innovations designed to find cost savings and -- and efficiency would be applied in the financial sector, such as banking?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And you'll agree that in the report by Gartner, filed on the -- the record -- the record of this proceeding, pardon me, the peers to which MPI is being compared operate in the private sector. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And could we please turn, Ms. Schubert, to CAC/MPI 2-38. And you see that the Information Request reference at the top there?

MR. CHAD MUIR: I do.

MS. KATRINE DILAY: And if we look to exactly this -- the -- before us Part E of that Information Request response -- so you'll agree there, the first -- the first sentence there essentially confirms that the current Gartner Report does not include Crown corporations and public sector organizations. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And the reasoning provided by Gartner for the exclusion of these organizations, is that the levels of IT intensity and efficiency for public sector organizations, has diverged from insurance industry peers. Correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And so Gartner indicates that the benchmark could be steered by the inclusion of those peers in the peer group. Correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: But at the last part of Part E here, to this IR, Gartner also indicates that public sector organizations could be shown as a separate benchmark upon request with an applicable scope change order. Correct.

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And just to confirm our understanding, the applicable scope change order would have to come from MPI. Correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: I'd like to look at a few specific results of the Gartner Benchmarking Report. Ms. Schubert, could we turn to the Gartner Report which is at GRA Part 5 IT and it's Attachment A.

And if we look to page 11, which Ms. Schubert already has before us, in the bottom left corner, on this screen, you'll agree this is a summary of MPI's IT expenses as a percentage of operating expenses, as compared to industry peer average?

MR. CHAD MUIR: Yes, correct.

MS. KATRINE DILAY: And so, there's three (3) numbers displayed here. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: So at -- if we look at the top number, you'll agree that this is the percentage for MPI with NOVA included?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And so with NOVA included, that percentage for MPI is 10.3 percent.

Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And if we look at the description above the numbers provided by Gartner, Gartner characterizes this as significantly higher than the peer average?

MR. CHAD MUIR: Including NOVA, correct.

MS. KATRINE DILAY: Thank you. And then looking to the, I guess, the middle number, this is the MPI percentage without NOVA. Correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And that's 5.6 percent?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: Which is 0.5 percent higher than the peer average?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: Which is 5.1 percent.

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And can you confirm that the benefit of having the percentage for MPI expressed both including and excluding NOVA is that many of the NOVA costs are a one time cost rather than ongoing cost?

MR. CHAD MUIR: There are absolutely one-time costs related to NOVA in terms of implementation of the solution. There will be some costs that will carry over, but there will also be a decrease from the existing costs.

The -- the intent of showing the numbers, with and without NOVA, provide context. Again, NOVA is a once in a generation transformation project. So, it -- it's not a cost or a -- a level of spending that would continue on past Project NOVA.

We wanted to make sure that in last year's submission we showed not just a jump from, as an example, if we had just shown ten point six (10.6), there would be no context to show the pre-NOVA numbers and the -- and the with-NOVA numbers. Going forward, though, it is beneficial to show with and without.

MS. KATRINE DILAY: Thank you for that explanation. Very helpful. You also confirmed that there -- there are going to be ongoing implementation costs associated with NOVA. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: Which are in addition to the one-time costs. Correct?

MR. CHAD MUIR: I'll let NOVA speak to that. The one-time costs, I think, would be the implementation costs, but that would be a better question for NOVA.

MS. KATRINE DILAY: Thank you. And, at a high level, you'll agree that MPI's IT expenses must be recovered from ratepayers. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: Including all of Project NOVA costs?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: Both one dtime and ongoing NOVA costs. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And, if we look to, again, page 11 of Attachment A to Part 5 of the GRA, in the section just to the right of the one we were looking to, so the second one from the left, that relates to IT staffing as a percentage of enterprise employees. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And, here, again, when NOVA is included, that's the top number, the MPI percentage is 24.9 percent?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And looking, again, at the Gartner definition or, rather, description, Gartner characterizes this as significantly higher than the peer average?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And without NOVA,

the MPI percentage is 19.2 percent?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: Which is 2 percent higher than the peer average. Correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And, if we could turn, Ms. Schubert, to page 13 of this document and, again, you did go through some of these numbers yesterday, but I'm hoping to confirm a few -- a few items with you this morning.

So, if we look at the bottom of the page, looking at MPI's maturity levels, you'll agree that two of -- that the two (2) lowest scores here are for strategy and execution, at one point three two (1.32) and for program and portfolio management at one point zero (1.0)?

MR. CHAD MUIR: Yes. Correct.

MS. KATRINE DILAY: And then, Ms. Schubert, if we could turn to page 16 of this document. Just looking at IT spending, historically, which you'll agree is what we see on this page?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: So, the light grey line here represents the IT spending as a percentage of operating expenses, excluding NOVA?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And for 20 -- 2021/'22, it was 5.6 percent, as we've seen previously. Correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And, then, the darker line is for IT spending as a percentage of operating expenses, including NOVA?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And, so, that went from 7.4 percent in 2020/'21 to 10.3 percent in '21/'22. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: So IT spending, including NOVA, went up just under 3 percent of operating expenses in one year. Correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And if we could turn to page 33 of this document. Thank you, Ms. Schubert.

You'll agree this relates to MPI's maturity score for strategy and execution?

MR. CHAD MUIR: Yes.

MS. KATRINE DILAY: And, at a high level, are you able to explain what Gartner means by this category?

MR. CHAD MUIR: So, this is related to the IT security and execution and this is what I mentioned yesterday, which was something I could have done better.

So, we put this to -- I provided Gartner with the contact for our Enterprise Strategy and Execution Group, which was not the correct contact. The questions really related to the IT strategy and execution and, so, we're taking a look at how we get this evaluated by the correct group.

MS. KATRINE DILAY: Thank you for that. And, so, just to confirm the numbers we see here and, then, I'll -- I'll follow up a little on what you just said, so, you'll agree here that, for this report, MPI's overall score was one point three two (1.32)?

MR. CHAD MUIR: Yes, correct.

MS. KATRINE DILAY: Which is lower than the peer benchmark, correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And it was also lower than last year's overall score, correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And then if we

look at the various functions, so in the -- in the graph if we look at the various functions at the very bottom that comprise this area, you'll agree that MPI's maturity is below the peer benchmarks across all functions, correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And MPI's maturity has also decreased against all functions since last year, correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And you just spoke to this yesterday, and then -- and then just now.

So, you indicated that the evaluation for this -- for this area did not go to the right team, in your view, correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: But you'll agree that we don't currently have the information from the team that -- that you would consider to be the right team, correct?

MR. CHAD MUIR: Agreed.

MS. KATRINE DILAY: And if we turn to page 39 of this document, Ms. Schubert, thank you.

You'll agree that this relates to MPI's maturity score for program and portfolio management?

MR. CHAD MUIR: Yes.

MS. KATRINE DILAY: And at a high level, are you able to explain what Gartner means by this category?

MR. CHAD MUIR: For this category, it's the -- it's the maturity in order to manage IT projects and make sure that there is an understanding of how projects are assessed, brought in, prioritized and funded.

MS. KATRINE DILAY: Thank you for that. Similarly here, MPI's overall maturity at 1.0 is below the peer benchmark?

MR. CHAD MUIR: That is the correct.

MS. KATRINE DILAY: If we look to the top left. And MPI's overall maturity has decreased since last year?

MR. CHAD MUIR: That is correct, with the clarification, we're talking years, so it -- not years being evaluated. Not physically last year, that this is for '21/'22.

MS. KATRINE DILAY: Thank You. So, for the last year evaluated?

MR. CHAD MUIR: Yes.

MS. KATRINE DILAY: Exactly. Thank you for that clarification.

And MPI's maturity, if we look again at the functions that are at the bottom of the graph, MPI's maturity in all the various functions that comprise this area have decreased since last year?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And are below the peer benchmark?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And just going back to a response that you gave to my friend, Ms. McCandless yesterday, or -- or pardon me, I think it might have been in your direct examination, you indicated that this score here does not include Project NOVA, correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: But you'll agree, we don't have a Gartner Assessment for program and portfolio management as it relates for NOVA, correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: Or -- or any other third-party evaluation of maturity as it relates to NOVA?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: Thank you. And finally, if we could turn to page 41 of the...

MR. CHAD MUIR: Sorry, for clarification, there has been a third-party governance vendor for NOVA.

MS. KATRINE DILAY: Yes, thank you for that, which is -- which is now, as of recently, MNP LLP, correct? Perfect, Ms. Schubert. Thank you. So, before us we have page 41 of the Gartner Report.

Do you see that?

MR. CHAD MUIR: Yes, I do.

MS. KATRINE DILAY: And this relates to vender management?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: In here, if we look at the top left, you'll agree that MPI's overall maturity has decreased from the previous year's maturity levels?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And if we look at the various functions in the graph that comprise this area, MPI's score has gone down since last year?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: And I should clarify, in two (2) of those four (4) functions the score has gone down, correct?

MR. CHAD MUIR: Yes. Thank you.

MS. KATRINE DILAY: And you'll agree that vendor management is especially crucial, given the majority of NOVA's costs are with vendors?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And I just have a few -- a few more questions on Gartner's IT benchmarking. Ms. Schubert, could we turn to CAC/MPI-2-38, Attachment E to that response?

And you see that reference at the top right, for the IR response?

MR. CHAD MUIR: Yes, I do.

MS. KATRINE DILAY: And you'll agree that this is the Gartner report from June 13th, 2023?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And so we confirmed earlier that the report -- the Gartner report that was included with the General Rate Application was from July 2023, correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: So are we correct in understanding that this would have been one (1) of the versions essentially before the last version that was included as part of the GRA?

MR. CHAD MUIR: That's correct, a draft version.

MS. KATRINE DILAY: A draft version, correct?

MR. CHAD MUIR: Correct, yeah.

MS. KATRINE DILAY: But you'll -- you'll agree it does say, under 'Findings and Recommendations,' reported as a final version, 13 June, 2023?

MR. CHAD MUIR: It does state that, yes.

MS. KATRINE DILAY: And could we turn to page 5 of this report.

You'll agree this is a slide entitled 'Considerations for Project NOVA'?

MR. CHAD MUIR: Yes.

MS. KATRINE DILAY: And subject to check, this page does not appear in the Gartner report that was filed with the General Rate Application from July 2023, correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And just to confirm our understanding, if we look at the third bullet on this page, Gartner says here that their report does not provide an evaluation of Project NOVA spend efficiency or effectiveness dimensions, correct?

MR. CHAD MUIR: That is correct.

MS. KATRINE DILAY: So is it fair to say that Gartner is confirming that it is not providing independent evidence on the reasonableness of costs of Project NOVA?

MR. CHAD MUIR: That is correct. That is the intent of a third-party vendor, a governance vendor.

MS. KATRINE DILAY: Thank you. And Gartner is not providing an opinion on whether Project NOVA will be delivered on time and on budget, correct?

MR. CHAD MUIR: Correct.

MS. KATRINE DILAY: And I just have a few -- and my last area here will be on Cityplace renovations. I'm not sure who will be best placed for those questions.

(BRIEF PAUSE)

MR. ANTHONY GUERRA: Sorry. Ms. Dilay, just -- just a brief warning: We may not have the expertise necessary to answer some of those questions in this panel, so we'll do our best, but if necessary, we may have to defer them to the Financial Forecasting Panel for Monday.

MS. KATRINE DILAY: Thank you, Mr.

Guerra. So perhaps what we can do is -- is we can -- we can try. There is some information in -- in IR responses that may be sufficient to respond to questions, but of course, if there's any desire to -- to delay these questions, we can of course do that.

CONTINUED BY MS. KATRINE DILAY:

MS. KATRINE DILAY: So at a high level, expenses relating to buildings and Cityplace are one (1) of the key inputs in the 2023/'24 capital budget. And we could go to -- to a reference if that helps.

MR. SHAWN CAMPBELL: That is correct.

MS. KATRINE DILAY: And if we could go, Ms. Schubert, to PUB/MPI-2-1, Appendix 2, page 5 of this appendix.

And so you'll agree here this is a summary of the capital budget request for 2023/'24, or part of it?

MR. SHAWN CAMPBELL: Shawn speaking. Yes, that is correct.

MS. KATRINE DILAY: And if we look at Cityplace including space plan, which is that first item line in the table, you'll agree it's listed at 13.5 million?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And, Ms. Schubert, if we could turn to PUB/MPI-CI-2-1 -- so it's a public response to a confidential IR -- and looking to page 2 of this IR specifically, the response to part D.

So if you look at the top of that response, MPI confirms there that in May of 2023 the flexible work program was enhanced whereby hybrid, remote, and on-site work types were introduced?

MR. SHAWN CAMPBELL: Yes, I see that.

MS. KATRINE DILAY: And to confirm the response, just after this -- the Figure 1, so MPI confirms that:

> "Presently, approximately 30 percent of all staff are hybrid and 50 percent are remote, but it's anticipated that the number of remote positions will drop to approximately 30 percent and the number of hybrid positions will increase to 50 percent over the next year."

MR. SHAWN CAMPBELL: Yes, that is what it states.

MS. KATRINE DILAY: And looking at the

top of page 3, MPI states that:

"The current Cityplace space plan assumes a 50 percent in-office occupancy. So MPI would -- would expect space to be inadequate if 100 percent of Cityplace staff would attend in-office 60 percent or more of the time."

(BRIEF PAUSE)

MR. ANTHONY GUERRA: Sorry, Ms. Dilay. We're just -- we're just concerned that -- we just want to make sure that this was not still a confidential IR response.

It does say 'Public' there. I just don't know exactly if -- if that was later unredacted or -- so I just want to just -- just double-check to make sure. Like I'm assuming that you confirmed that it was, but I just -- can we just take a moment?

MS. KATRINE DILAY: Sure.

MR. ANTHONY GUERRA: Okay. Thank you.

(BRIEF PAUSE)

MR. ANTHONY GUERRA: Okay. I'm sorry. Yeah, the clarification was it was initially a Confidential Information Request but the response was -- was public, so we're -- we're okay. Thank you.

MS. KATRINE DILAY: Thank you for confirming. We -- we do -- yes. Anyways, we do try to obviously be careful.

CONTINUED BY MS. KATRINE DILAY:

MS. KATRINE DILAY: And so just going back to the top of page 3, so MPI states there that:

> "The current Cityplace space plan assumes a 50 percent in-office occupancy, and so MPI would expect space to be inadequate if 100 percent of Cityplace staff attend in-office 60 percent or more of the time."

Correct?

MR. SHAWN CAMPBELL: Shawn answering. Yes, correct.

MS. KATRINE DILAY: And that is a possibility, right, that 100 percent of Cityplace staff could attend in-office 60 percent of the time or more? That's what MPI is essentially saying here,

correct?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And this would be a material shift in occupancy requirements from the current design, correct?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And so, at a high level -- and I believe you've indicated this in your response -- you'll agree that MPI has not landed yet on a specific direction for how often staff will be required to attend in-office?

(BRIEF PAUSE)

MR. ANTHONY GUERRA: Ms. Dilay, this is probably a question that's best responded to by way of an undertaking.

MS. KATRINE DILAY: Mr. Guerra, that's fine. I was just confirming -- it's actually right in the IR response as well.

Ms. Schubert, if you could scroll down a bit towards the middle of that paragraph, you'll see there it says:

> "MPI has not landed on a specific direction currently."

MR. ANTHONY GUERRA: Correct. And, you know, we can still take that by way of an undertaking. I -- I don't think --

MS. KATRINE DILAY: That would be --

MR. ANTHONY GUERRA: -- it's going to change, but we can just confirm that's the case. So if you'd like, what we could do is we can undertake to provide an updated response, if any, to PUB-CI-2-1, question part (e).

--- UNDERTAKING NO. 6: MPI to provide an updated response, if any, to PUB-CI-2-1, question part (e).

MS. KATRINE DILAY: That would be very helpful, Mr. Guerra. Thank you. And I do have just two (2) more questions on this topic, so maybe I'll pose them and if they're -- if it's appropriate to include them in the undertaking, perhaps we could do it that way?

CONTINUED BY MS. KATRINE DILAY:

MS. KATRINE DILAY: And if we look at the bottom of this paragraph here, Mr. Campbell, you'll see towards the bottom:

"MPI confirms that there is a material difference in the cost profile depending on the direction taken by MPI."

MR. SHAWN CAMPBELL: Yes, agreed.

MS. KATRINE DILAY: And while MPI then states that further investments at Cityplace will likely be at 1.5 million, you'll agree that there is significant uncertainty there, correct?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: And that costs could potentially be higher than that 1.5 million?

MR. SHAWN CAMPBELL: Correct.

MS. KATRINE DILAY: Thank you. Those are all my questions for this Panel. Thank you for your time.

PANEL CHAIRPERSON: Thank you, Ms. Dilay. Mr. Gabor...?

BOARD CHAIR GABOR: As I understand it, the Gartner contract ended July of 2023?

MR. SHAWN CAMPBELL: Yes, that is correct.

BOARD CHAIR GABOR: Okay. Has the RFP been prepared for a new consultant?

MR. SHAWN CAMPBELL: Not as -- at this

time.

BOARD CHAIR GABOR: Any idea when it will be prepared?

MR. SHAWN CAMPBELL: It should be before Christmas. Again, this is dependent on labour interruption.

BOARD CHAIR GABOR: Okay. And any idea how long it will take to evaluate the proposals and select a new consultant?

MR. SHAWN CAMPBELL: The process would be approximately three (3) months.

BOARD CHAIR GABOR: Okay. So the -- the last document you had was for '21/'22.

Is there -- is the -- is it anticipated the new consultant would do a report for '22/'23?

MR. SHAWN CAMPBELL: That is correct.

BOARD CHAIR GABOR: Any idea when it would be available?

MR. SHAWN CAMPBELL: It would be available for submission to the PUB for 2025.

BOARD CHAIR GABOR: In the next year?

MR. SHAWN CAMPBELL: Correct.

BOARD CHAIR GABOR: Okay. Would Gartner be able to file a proposal for that contract?

MR. SHAWN CAMPBELL: Yes, they would.

It'll be open market, so it'll be open to any vendor.

BOARD CHAIR GABOR: Okay. Sir, you said that when discussing the maturity levels, you thought that the information went to the wrong team.

Is that correct?

MR. SHAWN CAMPBELL: That was for one (1) particular area, for strategy and execution.

BOARD CHAIR GABOR: Okay. Was Gartner told that?

MR. SHAWN CAMPBELL: I have had conversations with Gartner on this, yes, correct.

BOARD CHAIR GABOR: And was there any proposal to redo that portion of the report?

MR. SHAWN CAMPBELL: Yes, that is the intent.

BOARD CHAIR GABOR: And is it being done now?

MR. SHAWN CAMPBELL: It has not started yet, but we've identified who it should go to and working with Gartner.

BOARD CHAIR GABOR: So Gartner would be the one to do that aspect of the report?

MR. SHAWN CAMPBELL: That's correct. There's two (2) components for the maturity; one is a questionnaire and the second is an interview.

BOARD CHAIR GABOR: Okay. I'm going to be sort of very careful in this. I see a lot of new people here this year, and there seems to be quite a bit of turnover.

In terms of the maturity level, was that affected by the turnover of people?

MR. SHAWN CAMPBELL: The maturity wasn't affected by the turnover of people. It -- as stated yesterday, it was really around actually taking a more critical look at our level of maturity based on some of the shifts in strategy to move -- with a move towards cloud, as well as a fresh perspective coming in that has a different view or response to the questions with that external lens.

BOARD CHAIR GABOR: The decision to move from a more detailed business case to a lean business case, who made the decision?

MR. SHAWN CAMPBELL: The decision itself -- sorry -- Shawn speaking. The decision itself was ultimately made by the -- the Executive Group at MPI as part of the adoption of an agile framework for delivery.

It bubbled up into we need to right set our processes that we followed to align to what the scaled Agile framework recommends in order to be effective. And that, in turn, brought about the changes to the -- detailed business case into the lean business case.

And as part of that transformation, we look to bring in the artifacts out of that detailed business case into the lean business case where it made sense; a simple example would be the financial analysis spreadsheet that comes with our business cases.

When you take a look at what scaled Agile framework gives for a lean business case, it does not call out that financial analysis component. So we brought that component into that lean business case.

BOARD CHAIR GABOR: Okay. And -- and what do you lose when you go from a detailed business case to a lean business case?

(BRIEF PAUSE)

MR. SHAWN CAMPBELL: Shawn speaking. So when you do that transition there's pros and cons that happen. So when you do a traditional business case, it tends to go for waterfall model where it says I want all of this. I list out a hundred things. I want all of it, and you're expected to deliver all of it. And the project ends when you deliver all of that.

In addition to that, that level of detail gives you all the -- the nuances to track out what are the benefits of the -- the business case.

When you move into a lean business case, the idea is to embrace Agile, in which case, you do a little bit of work. You prove out that that work is actually what you believe it will do and it is -- does have that benefit. And then you move on to another section of that work.

So when you go into a lean business case, you take a look in there. It'll have scope statements, but it'll also have something called a minimum viable product identified, and that's that first litmus test on whether or not the project has merit, if you made a mistake or missed assumption along the way.

The idea is to learn upfront whether or not your business case has legs and continue with it or pivot and move a different direction versus the old style, where you had a large business case, and you did not get that insight until you were done. So you could have made a very large financial mistake with that business case.

BOARD CHAIR GABOR: Mr. Campbell, when did -- when did MPI move to Agile?

MR. SHAWN CAMPBELL: Agile's been a journey for MPI since -- I believe it was 2018 we started doing small increments of Agile within our software support group, and then it's evolved over that time.

2020 was when we started to build out larger teams, as -- and it coincided with the adoption of NOVA. And now we're at the -- the state where the majority of our delivery is Agile.

BOARD CHAIR GABOR: Okay. And the move from a detailed business case to a lean business case occurred in the last year, or was it prior to that?

MR. SHAWN CAMPBELL: It was prior to that. We moved that in -- sorry, I just have -- need to check.

So we started using the lean business case in the '21/'22 fiscal year.

BOARD CHAIR GABOR: Okay. Thank you. Those are my questions.

PANEL CHAIRPERSON: Thank you. Ms. Boulter...?

BOARD MEMBER BOULTER: Hi. We -- we've had some discussion in -- in this session about the senior change, all the staff turnover. And on page 903 of the GRA you talk about the people and culture project being closed.

And I'm wondering, was this the best time to shut down something that would be helping and -- staff through all this churn that's going on?

(BRIEF PAUSE)

MR. SHAYON MITRA: It's Shayon here. So the project was closed because the effort associated with the tasks were completed. We haven't stopped working on our culture.

So, right now, we are -- so the -- the people in culture team continues to work on a competency model and the changes needed coming out of labour interruption and going forward.

So short answer is it was operationalized and did not need project resources to continue.

BOARD MEMBER BOULTER: Thank you very much.

PANEL CHAIRPERSON: Ms. Nemec...?

BOARD MEMBER NEMEC: Hi. I've got a couple questions. One about maybe Gartner report. And the Gartner report talked a lot about change and maturity levels in a vast majority of all the areas that were analyzed.

I understand you've addressed the strategy and the execution area.

And one of the significant changes, I think, where I think the maturity went down to one-point-zero (1.0) was the portfolio -- program and portfolio management.

And we talk about a new external lens, but I'm assuming -- and you've agreed -- that all of the -- you've agreed to all of the recommendations so that you would implement change in all the recommended areas, I believe, that Gartner has required.

But if we just take an example of the program and portfolio management, what -- what was the change? Were there change in staff? Were there change in methodologies that would impact that area, as an example?

MR. CHAD MUIR: Yeah. So the -- the change is that previously there were pockets of program and project management throughout the organization. So NOVA, as an example, had their own

PMO office.

This move was to create an enterprise project management office. And so, with that lens, when they took a look at the questions that were being asked by Gartner, saying, Do you have a complete enterprise program management system, the answer was no. Because it was being stood up by -- by the new hire.

Shawn, do you have anything to add to that?

MR. SHAWN CAMPBELL: Shawn speaking. So as part of this -- this is also the time when we started to evolve our Agile adoption and the frameworks that we were doing.

So prior to '21/'22, we had a mixed model of waterfall projects and most of our methodologies were around how to deliver in a waterfall world.

As we are looking to grow our Agile framework, our scale Agile framework, and implementation, that required a significant reset of those processes. And as such, in the '21/'22 year, when you take a look at what were all the documented processes around scaled Agile framework delivery, there was limited documentation at that time.

So this individual, when they came in, they took a look at that and said, If you want to be an Agile shop, you need to make sure that you have all these processes in place. As such, at this point in time, we do not.

And so, now in order to fix this, we are setting out a plan and a roadmap for EPMO, or Enterprise Program Management Office, to right set all of that.

BOARD MEMBER NEMEC: So if those questions are asked today, would that maturity level change?

MR. SHAWN CAMPBELL: Yes, you would have a different score. A higher -- much higher score.

BOARD MEMBER NEMEC: Okay. Another question about the reallocation of funding in the Capital Management Project.

And I believe that reallocation of funding -- I believe it was between envelope -- not sure if I'm using the right word about the envelope funding -- funding envelopes.

That approval is made at a group called the lean portfolio -- is it the lean portfolio management group. Can you just describe that and explain who's on that group and just the level of that group compared to where the capital master project would be -- would have been approved initially.

So who approves the Capital Master Project, and then what level is the lean portfolio management group that can approve the re-allocations?

(BRIEF PAUSE)

MR. SHAWN CAMPBELL: Shawn speaking. So the capital master itself is reviewed by the executive, the CFO, the CEO, and goes to the Board for approval.

The lean portfolio management committee is comprised of the executive council members, so the -- both the CEO, the C-suite -- or the VPs within the organization -- and a number of key directors within the organization that are responsible for bringing about change within the organization.

BOARD MEMBER NEMEC: Okay. Thank you. Question about the RFP that will be coming out as Gartner's term has now completed its five (5) years.

One of the questions was just asked about public sector organizations not being part of the eleven (11) that would be in the Gartner review.

When you re-analyze the scope for the upcoming RFP, will that be a consideration as to who's included in that grouping?

MR. CHAD MUIR: Yes -- it's Chad speaking. Yes, it will be contemplated.

BOARD MEMBER NEMEC: Okay. Another question on the -- there was a list of projects that were deemed not critical. I think that was just brought up in -- in a question.

That 11.6 million, is there a list of those? And can you just high level explain -- I believe that there was still some IT projects in the HR area and the finance area.

Were those two (2) of the areas that were deemed not critical, or are those still continuing?

MR. SHAWN CAMPBELL: Shawn speaking. So when we drew down the 11.9 million, I believe it was, what we did is we limited the number -- or the -- the ability to bring in new projects. We didn't actually cancel any existing projects that were in flight.

So what we did is we took a look at where programs were in their journey to see whether or not there was -- they were ready to be closed out.

Anything new that needed to be brought in, we would then go through a higher level of scrutiny to make sure that whatever funds were left in the funding envelopes were appropriately assigned to the highest priority task or changes that the organization wanted to bring about.

So essentially -- sorry, just to clarify or summarize what I'm trying to say -- is that when we did the -- the financial draw down, we didn't stop any projects themselves. Rather, what we did is we just reduced the ability to bring in new projects due to the amount of projects that were already in flight, as well as making sure that we were focused on program NOVA.

BOARD MEMBER NEMEC: Did you decrease the total cumulative funding envelopes down by 11.6 or 11.9 million?

(BRIEF PAUSE)

MR. SHAYON MITRA: This is Shayon here. So we reduced our capital master summary by 11.9 million. So when you think of it, essentially, the CMS was reduced by that amount. We didn't change the funding envelopes. So under each funding envelope you would have multiple epics or individual projects. If the project was in flight, we continued. Where we had the ability to stop or -- or stop the start of a new epic, we have gone ahead and done that.

And that's how we derived the reduction of 11.9 million.

BOARD MEMBER NEMEC: Thank you. And my last question is under the -- when Gartner does its review, does it define the definition of staffing or -- I think, in the IT department, sometimes staffing could be internal, external, contract.

Is there a definition so that when they are making the comparatives between the different organizations is there actually defined what 'staffing' means?

MR. CHAD MUIR: Yes. So staffing includes both internal FTEs as well as external contractors.

PANEL CHAIRPERSON: Thank you, Mr. Guerra.

MR. ANTHONY GUERRA: Thank you, Madam Chair. Just a few re-direct questions.

RE-DIRECT EXAMINATION BY MR. ANTHONY GUERRA:

MR. ANTHONY GUERRA: This first

question will be directed towards Mr. Mitra and Ms. Edwards. Yesterday there were questions asked by My Friend from the PUB respecting the recommendation put forward for a reporting threshold of 50,000 for epics in the 2025 GRA.

Do you recall that line of questioning?

MR. SHAYON MITRA: Shayon here. Yes, I do.

MR. ANTHONY GUERRA: And perhaps just for the benefit of the Panel, can either of you or both of you, highlight the -- the rationale and the reason why it would be most beneficial for that threshold to be in place for the next GRA?

MR. SHAYON MITRA: Simplistically, but the effort it took us in -- in listing all of the initiatives that are under the funding envelope and reporting on it. I think it was close to, subject to check, a hundred and fifty (150) pages. And so we had to list every project and epic under a fund -- funding envelope.

So the request was to increase that threshold to $50,000 to reduce effort at our end.

MR. ANTHONY GUERRA: And -- and more importantly then, if -- if one were to increase the threshold, is it from thirty thousand (30,000) to fifty thousand (50,000)?

MR. SHAYON MITRA: Sorry, could you repeat that question?

MR. ANTHONY GUERRA: Would the -- the threshold be moved up from thirty thousand (30,000) to fifty thousand (50,000)?

MR. SHAYON MITRA: I believe it is all initiative. So, it starts at -- so it could be as low as ten (10), $15,000. So, we are requesting to roll it up to fifty thousand (50,000), in light of where the Corporation's at and going forward.

MR. ANTHONY GUERRA: And do we have a sense as to what that might mean in terms of the -- the level of production for the next year? You had mentioned something around the -- you know, the basis of a hundred and fifty (150) pages.

What does that look like for next rate application?

MR. SHAYON MITRA: I -- I couldn't comment, but hopefully a lot less than a hundred and fifty (150) pages.

MR. ANTHONY GUERRA: And my next question is for Mr. Muir.

In respect of the Gartner Report, perhaps I can ask Ms. Schubert to bring up the Gartner

Report -- MPI Exhibit No.5, page 11, please.

You recall this line of questioning from Ms. Dilay this morning in regards to IT spending being significantly higher than peers?

MR. CHAD MUIR: Yes, I do.

MR. ANTHONY GUERRA: In terms of the peers, which we understand there are eleven (11) of them, are you aware of whether or not the other peers -- well, first of all, let me ask the first question which is: The Gartner Report, when it analyzes the spending of MPI, it does so on a corporate-wide basis or just in relation to its automobile insurance lines of business.

MR. CHAD MUIR: This is corporate wide.

MR. ANTHONY GUERRA: So, this would include the Driver and Vehicle Administration line of business as well. Correct?

MR. CHAD MUIR: Yes, it would. Correct.

MR. ANTHONY GUERRA: And are you aware of whether or not the eleven (11) other peers analyzed by Gartner also provide services other than automobile insurance?

MR. CHAD MUIR: Subject to check, I do

not believe they do.

MR. ANTHONY GUERRA: And then, finally -- Ms. Schubert, if you can pull up slide 41 of this presentation.

And Ms. Muir -- Mr. Muir, my apologies, you recall this line of questioning from my friend, Ms. Dilay, regarding vendor management maturity levels decreasing?

MR. CHAD MUIR: Yes, I do.

MR. ANTHONY GUERRA: And, can you help us understand what the impact of the decrease in the maturity levels might mean for -- for Project NOVA?

MR. CHAD MUIR: Yes. So, for the two (2) areas that decreased, I think the context is really around the change to Cloud, so software as a service, platform as a service.

So, when we talk about developing and managing talent, it's really taking that group through the increase in skills to address Cloud.

As well as with the partner stakeholders, so as we move to Cloud, there is more involvement internally stake -- with stakeholders for security, privacy, et cetera. So, that's where the -- the decrease comes in.

Within NOVA, NOVA has its own vendor

management governance and strategy approach, as well as relationship management, contract deliverables and escalations within the program.

So, the -- the change in maturity in this slide doesn't affect NOVA.

MR. ANTHONY GUERRA: Okay. Thank you very much. No further questions.

PANEL CHAIRPERSON: Mr. Gabor...?

BOARD CHAIR GABOR: Sorry, just following up on -- on Mr. Guerra's comment.

Mr. Muir, in terms of one (1) of the reasons that was sited for the reduced maturity was movement to the Cloud. Correct?

MR. CHAD MUIR: Correct.

BOARD CHAIR GABOR: Okay. Do you expect next year that, since you've already started in it, that your maturity level would go up or remain the same or go down?

MR. CHAD MUIR: It will go up.

BOARD CHAIR GABOR: Thank you.

PANEL CHAIRPERSON: Thank you very much. And I'd like to thank the MPI IT, IT Benchmarking Value Management Panel for your attendance and presentations.

Though you're certainly excused at this

point, Mr. Guerra, we would like to have a discussion now with regard to the motion.

(PANEL STANDS DOWN)

PANEL CHAIRPERSON: So, just to put a little bit of the emails that have been going back and forth amongst counsel on the record, I think it might be helpful just to note that the motion for confidential treatments of the E -- E&Y and Deloitte reports were received by Public Utilities Board counsel and Intervener counsel, I believe, on October the 9th, which was the Thanksgiving Monday, the day before this hearing started.

Yesterday, we had set the motion to be heard at the end of the day today and I believe that MPI counsel has been advised by E&Y and Deloitte that they are looking for an adjournment of that to Tuesday.

There was a suggestion made that perhaps we could have the CSI IT panel moved to Monday. To try and comply with that request, counsel for the Public Utilities Board has -- has had conversations with our consultants and, unfortunately, they are unavailable and cannot move their schedule so we have to proceed with that panel on Tuesday.

So, it would mean that we would be proceeding with this motion on Tuesday, after that panel has concluded. But, I understand that that will have some impact on MPI's presentation on Monday, which is the Financial Forecasting Panel.

So, we -- we need to proceed. We need to have the motion heard, but we have a couple of questions for you, Mr. Guerra.

The first one is and, hopefully, you can provide us with a response to this by end of today, if possible, but certainly end of tomorrow.

Is there a way that those documents can be revised to remove the information that those two (2) consultants claim as proprietary, so that we can proceed without having to use the resources that will be required to hear this CSI motion?

If not, I would ask whether the consultants are aware that the onus is on them to prove that, in fact, that information is commercially sensitive or confidential.

And, we would like to have the opportunity to cross-examine the witnesses for E&Y and Deloitte and I expect that there may be Interveners who would appreciate that opportunity as well.

One final question for you is: Did those consultants know that they were providing those documents to you and that they would be included in the General Rate Application for 2024?

So, if you can provide that information now or at some other time, as I say, preferably by the end of day -- today, or tomorrow, we would appreciate it.

MR. ANTHONY GUERRA: Sure, Madam Chair, I can do my best to answer those -- those four (4) questions.

So, in respect to the first question, can the documents be revised or edited so that confidential information is removed?

We did have those discussions with -- with the consultants and -- and both indicated they're -- they're -- that they -- they would not be sufficiently -- it could not be sufficiently redacted so as to remove the confidential information and still make the document accessible or usable by members of the public. So that was their concern.

Or that the redactions might actually confuse and that may actually make things worse. So, their -- their position is that the entire document needs to be redacted, otherwise the information left is -- is not usable, or potentially creates bigger problems for them.

They are aware of the onus, so that responds to the second question.

The -- the indication that indication that we've received so far from counsel is that they intend to present additional evidence from the consultants. There was an expectation that we might receive some -- some affidavits from them, but I can certainly let them know that the expectation is that they will have witnesses.

I believe one of them is outside of the country at the moment. So, there may be some difficulties practically, getting the -- the writers of those two (2) reports available.

I understand that both counsel would be requesting to appear virtually, 'cause they're both in Toronto. We'll see if we can make those similar arrangements for -- for their witnesses, as well, so that they can be cross-examined, and, in respect of the fourth question -- sorry -- I've lost my train of thought. Yeah. What was the fourth ques?

PANEL CHAIRPERSON: It was did -- were they aware that these documents were going to be filed in the GRA?

MR. ANTHONY GUERRA: The short answer is yes. They were aware that this was the purpose of the -- the en -- the endeavour was to get information that would be used in this public system.

They were made aware that there's a confidentiality process in play and, that, if there were claims of confidentiality over the documents, that they would have to be resolved through this process.

PANEL CHAIRPERSON: Okay. Yeah. So, we will proceed, then, with that motion, late Tuesday. I'm assuming that that provides CAC with sufficient time to provide mat -- materials to counsel for MPI and the PUB?

MR. CHRIS KLASSEN: CAC Manitoba's position and written materials were filed late yesterday afternoon.

PANEL CHAIRPERSON: Okay. Thank you very much.

MR. ANTHONY GUERRA: And I can just advise, 'cause there was a question asked this morning by my friend, Mr. Klassen, MPI has no issues with the material being filed publicly, the material from the CAC.

PANEL CHAIRPERSON: Okay. Ms.

McCandless...?

MS. KATHLEEN MCCANDLESS: Just one (1) comment. Because of the -- the need to keep the Schedule for Financial Forecasting and Capital Management Plan as they are, to proceed on Monday. So, I'll just wait a minute, while MPI counsel are conferring.

So, the -- the carve-out or the compromise, pending hearing of the motion, would be that any questions about the IFRS-14 opinion be deferred, pending the outcome of the motion, also, with respect to the FCT.

So, we would still proceed with financial forecasting and capital management on Monday, but there may need to be portions that get deferred until it's decided whether or not they'll be proceeding on the public record or in camera.

And the CAC comments were provided yesterday. I believe that Ms. Schubert was waiting to hear from MPI as to their position as to whether it was going to be a public document or not before circulating it and putting it on line. So, I -- I think that should be available shortly.

PANEL CHAIRPERSON: Okay. Thank you very much. It's quarter after 10:00, so, I think what we'll do is take a break for the morning now, and ask that MPI have its Claims Forecasting Panel -- sorry -- attending here. Thank you.

--- Upon recessing at 10:13 a.m.
--- Upon resuming at 10:30 a.m.

PANEL CHAIRPERSON: Good morning, everyone.

Mr. Scarfone, would you introduce your panel and then we'll have them sworn, please.

MR. STEVE SCARFONE: Yes. Good morning, Madam Chair. The Claims Forecasting Panel is comprised of Cara Low, and Cara, you'll recall from last year, is vice-president, chief actuary, and chief risk officer.

And beside her appearing again this year is Christine Zhou. She is director of business insights and analytics.

And just before the -- the two (2) witnesses are sworn, I'll introduce the back-row support. Behind me is Christie Way. She is the senior director of ICM -- that's our Injury Claims Management. And beside her on the Physical Damage side is senior director Steve Lupky.

Tyler Clearwater is beside Mr. Lupky. He is the Business Insights and Analytics analyst. And beside Mr. Clearwater is Alina Rogozhnikova, manager of Business Insights and Analytics.

PANEL CHAIRPERSON: Thank you.

CLAIMS FORECASTING PANEL:

CARA LOW, Affirmed

CHRISTINE ZHOU, Affirmed

EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE:

MR. STEVE SCARFONE: Thank you, and good morning, Ms. Low. I understand you have a presentation that both you and Ms. Zhou will share in its presentation, and that MPIC will mark, if we haven't already, as Exhibit number 64 in this proceeding.

--- EXHIBIT NO. MPI-64: Claims Forecasting Presentation

MR. STEVE SCARFONE: And if you're ready to go, please proceed.

MS. CARA LOW: Good start in the morning. Good morning. It's nice to be here again on the front row and to talk about claims forecasting. So if we could flip over to the agenda slide.

I'm going to just start off the presentation by talking about a few key messages, and then I'm going to hand it over to Ms. Zhou in order to talk about methodology enhancements that we've been working on this past year, and then to finish off with the actual claims forecast.

So if we can skip to the next slide. So let's talk first of all about why claims forecasting is so important. If you look at the pie chart on the left-hand side, that's a composition of the projected average premium for the '24/'25 rating year, which is what we're seeking approval for.

You'll see the different coverages. You'll see the third-party liability, which is property damage and bodily injury, comprehensive, collision, and PIPP benefits composing 73 percent. That's seventy-three (73) cents on every premium dollar we collect would go to pay for claims coverages.

And then you see the additional twenty-seven (27) -- the remaining 27 percent is allocated to expenses. Almost half of that would be to claims-related expenses, and then of course you have broker commission, premium taxes, operating expenses, other expenses.

And of course, when you look at the coverages, collision by far is the largest component because that's the highest volume of claims that come in every year to the MPI claims team.

So for the '24/'25 rating year, the projected claims dollars is well over $900 million. That's a big number. So in the next few hours, you're going to hear the actuaries talking about claim rates -- or trend rates, I should say -- and maybe talking about 2 percent versus 2.1 percent.

And it doesn't seem significant, but these rates are applied to very large numbers. So it's the most critical assumption in the entire rating process, especially when we look at collision trends. A small change in the claims trends can have a significant shift in the indicated rates and what we need to charge consumers.

These trend rates are so critical, we have formed a new actuarial group at MPI called the Business Insights Analytics Team. And they're dedicated to monitoring, reviewing, and projecting claims trends.

So we know that claims trends is the

biggest driver of the rates being charged to Manitobans, so this is why this specific panel here this morning is one (1) of the most important panels of these proceedings. Next slide, please.

So actuaries are trained professionals. We're trained in quantifying risk. Claims forecasting isn't just a simple exercise where we take the data, throw it into a model, and out pops a claims trend. It is truly an art and a science. The science is the math that goes into the modelling, and the art is understanding and interpreting the data and making correct selections.

There are many considerations an actuary should really consider when they're doing claims trending, and I've put on just a few of the most common ones.

When you look at historical claims data -- so the data we put into the model -- of course we have to make sure it's accurate and complete, but we also have to make sure that it's relevant.

So sometimes, historical data is no longer relevant. So a prime example would be our base deductible changed a few years ago from five hundred (500) to seven fifty (750), so you have to understand your data and how it needs to be adjusted.

The second one on the slide there is the responsiveness to recent claims trends but balanced with rate stability. This is where an art comes in. If you see an emerging trend -- so you have one (1) data point. Does one (1) data point make a trend?

If we respond too quickly to the emerging patterns, then we may have to reverse that selection the following year. So we have to balance with rate stability, but being responsive to what's happening in our claims environment.

When we look at past trends, are they predictive of what's going to happen in the future? Actuaries are boring. We do not like change. If there is consistent trends and patterns, it's easy to say it's always been a 3 percent increase, it's going to be a 3 percent increase next year.

And that would be easy, but we have to take the new information that we're gathering and we have to incorporate that into the future trend selections.

A prime example here is we had a minimum wage increase for October 1st of this month. Well, that's not in our data because that hasn't even happened yet until just a few days ago. So it's taking that information and incorporating it in.

Then the actuaries run a variety of models, and we have to look at the statistical measures. Is the model predictive or not predictive?

I also have on there claim severity, which is the average cost of a claim, and also the claim frequency, the probability of having a claim. If you look at them separately, they can be two (2) very different stories, but we look at them separately. We combine them to what's called a loss cost or pure premium, which is the average cost per vehicle, to make sure it's still reasonable.

And then forecasting to the best estimates. When we look at our claims forecast, we're looking at what we think is our best estimate. We're not adding a lot of conservatism, nor are we adding a lot of optimism. Conservatism isn't good for the ratepayers; optimism can lessen a rate deficit, but you gain -- it gets away from rate stability.

And the most important one is on the bottom. All insurance companies have to deal with macro-economic factors. So that's things like inflation, supply chain issues, or even the lingering impacts of a pandemic.

However, each company has their own

unique issues that they have to deal with. Maybe it's changes to the claims reserving process. Maybe it's changes to the product. There could be all kinds of things in there.

So internal actuaries have a good sense of what's going on within the MPI operations, and they can marry this up within the macro-economic factors. Next slide, please.

So last year when I was here, I spoke about the evolution of the actuarial function at MPI and building a strong, experienced team and moving away from having one (1) qualified actuary.

And one (1) of the areas I spoke about was the Business Insights and Analytics Team, and it had just been newly created.

It is now fully staffed with five (5) team members, two (2) of which are fully qualified actuaries that bring extensive Canadian and global experience to the team, and a third member of the team has been doing claims forecasting at MPI for well over a decade. The other two (2) are new grads who are analysts who are supporting the team.

So the business insights and analytics team, they meet on a regular basis with senior leaders in the claims department to understand what's happening in the operations and the processes. They understand the backlog of claims. Because we understand the longer a claim is open, the more it costs to pay out that claim.

So they're having regular communication with the claims team. They also meet with the two (2) other actuarial departments, the pricing team and the valuation team, so they fully understand what's going on on those -- in those areas, as well.

In a few minutes you're going to be hearing from Mrs. Zhou, who will be talking about the improvements as BI and 'A' team has made in the last year. She is a much more technical actuary than I ever hope to be and has made some significant changes which has improved the claims forecasting.

But before we hand it over, I do have one (1) more slide I want to speak to. Even though the actuarial team has put forward a strong and robust claims forecast that we stand behind, we know there's a lot of uncertainty in the claims forecast because we live in uncertain times.

The team believes that we have put together our best estimate with the knowledge that we had at that point in time, but that knowledge changes almost on a daily basis. We have more knowledge now than we did a few months ago.

We have a labour interruption internally and external as we watch the auto industry workers across the continent who are on labour interruption, as well, and we think both of those are going to drive up severity.

There's still uncertainty about how many Manitobans are going to return to the downtown core of Winnipeg, which has a big impact in our collision frequency.

And we also see a re-acceleration of inflation, the CPI has risen in July and August. So there's still uncertainty about the CPI and where that's going ahead for the '24/'25 rating year.

So the sophistication and the improvements that you're going to hear about in a minute are being introduced to balance responsiveness of what is happening within claims along with the rate stability.

It's always great when we're in this room and things are going down and we can offer a decrease to auto insurance rates for Manitobans because that is great news. However, if we react too quickly to one (1) data point or not fully understanding the claims trends, then we're not in that situation and we will have to be looking at a rate increase because then we'll have to move backwards.

This is why it's important that we truly understand the claims forecast and respect the work that's been done by this dedicated team. I'm going to turn it over to Ms. Zhou now.

MS. CHRISTINE ZHOU: Before we talk about the technical enhancements to the trending analysis and forecasting, we will start by highlighting the design changes we made in 2024 GRA.

PANEL CHAIRPERSON: Excuse me, Ms. Zhou. Could you please move your microphone closer to yourself.

MS. CHRISTINE ZHOU: Cara led the teams and redesigned the chapters to improve the content and flow. This year, we split the old claims incurred chapter into two (2) parts because a rate filing deserves a standalone chapter on loss trends and the application of the selected trend rates.

Part 6, the new claims forecasting chapter, focusses on accident year claim forecasts. Part 9, the new claims forecasting, the new claims incurred chapter, takes the accident year claim forecast from part 6, and then transform the figures into fiscal year claims incurred, which is used for financial forecasting.

As Cara indicated, future claim costs drive the AAP rate indication, which is covered in part 7, ratemaking.

As a Crown insurer with this GRA redesign, we aim to improve transparency by fully disclosing the analysis, key assumptions, and why and how judgment is applied. The new claims forecasting chapter contains sixteen (16) sections, a hundred thirty-five (135) pages, excluding appendices, and it covers our end-to-end analysis and claim forecasting process.

Current events that impact claims, such as inflation and continued work-from-home pattern changes, were analyzed at length. All the underlying data, exhibits, and summary of selected trend rates provided in the appendices are added to enhance the external review process, as well.

We welcome any feedback the Board or other parties may have on how to better organize the chapter and present MPI's analysis.

MPI adopted industry-best practice in claim forecasting. In this GRA, a two (2) step claims forecasting process was introduced. Step 1 is to assess and select past loss trend, that is past change in historical loss levels, with fit and analyzed regression models, including time and working from home factors, with start period data back to 2009.

All of the regression models, fit stats, and indicator trends are disclosed in the GRA to facilitate external review. The second half of loss trending analysis is to select future trend; that is expect a change in future cost levels of the rating year.

In the case of vehicle repair severity, recent five (5) to seven (7) years average growth rate split by a cost type, such as labour rates, part costs, is used as a guideline to determine future repair costs.

In the case of vehicle total loss, MPI has the view that used vehicle values are to revert to pre-2020 growth rate. However, the timing and how long it takes to normalize used vehicle value is extremely uncertain and difficult to predict as it is subject to macroeconomic and supply chain conditions.

As a result, MPI took a long-term forecast approach, assuming an average of 3 percent increase per year for the next five (5) years aligned with the long-term growth rate prior to 2020.

Step 2 is about application of the selected trend rates from step 1. We call it loss cost projection. Historical loss cost are trended to the current cost level, which is 2022 in this GRA.

A weighted average loss cost is derived using five (5) years of experience. We will provide a step-by-step example in the next slide to show you why and how the calculation is done.

The very last step of claims forecasting is to forecast into future years by applying future trend rate to the weighted average loss cost.

This two (2) step claims forecasting process is disclosed in detail in the GRA from section 6 to sections 14 for each coverage. We believe the process enhancements described here increases accuracy, reliability of claim forecasting and, more importantly, improve rate stability from one GRA to another, which will be covered in the next two (2) slides.

Loss cost is formally introduced in this claim chapter this year. In prior GRA, claims forecasting focusses on total claims dollar rather than unit cost. Loss cost is total claims divided by vehicle counts. It is a unit cost.

Accident year, also called loss year based on the date of loss. All the claims occurred in the particular year are grouped together and forms a data point here.

In forecasting into future years, MPI used historical loss costs from 2017 to 2020 in 2024 GRA. Historical loss cost is defined as an estimate of final cost to insure a vehicle as true cost is only known to MPI after all claims are settled, usually around two (2) to three (3) for short-tail coverage, such as collision.

Usually, loss cost increases over time, especially on the long-term basis. As you can see, the blue line has an upward slope with loss cost ranging from roughly three hundred dollar ($300) per vehicle in 2009 to five hundred dollar ($500) in 2022.

Next, trended loss cost. By applying selected past trends, we will bring all historical years' loss cost to a common cost level, that is, accident year 2022.

We will know how much a loss occurred in 20 -- in 2017 would cost if the same loss occurs in 2022. The purple trended line show -- showing all historical loss cost trended to the same cost level sits on top of the untrended line, and it's much flatter. It's called being "unlevelled."

Next, loss cost is adjusted to reflect working from home pattern changes. Less people worked from home in 2017 than in 2020. That is why 2017 to 2019 loss cost were reduced or you can see dropped down vertically in the green line.

On the other hand, more people worked from home in 2020 and 2021 compared to 2022; that is why those two (2) years loss cost were lifted upwards.

With historical years loss cost being adjusted to the same cost level and working from home level, we can now take an apple-to-apple comparison and tell which year is a bad year and which year is a good year.

Set aside 2022. 2021, being the worst year, is roughly 15 percent higher in loss cost than 2019, which is the best year in recent history; that 15 percent in actuarial terms is called variability. And that variability is expected.

Next, historical loss cost can then be combined and averaged out for the purpose of forecasting into future years.

Averaging is achieved by applying select accident year rates. MPI selected equal rating, used five (5) years of experience. In other words, MPI assumed 2017 experience is as likely to re-occur in the future as 2022.

It also means that a recent bad year is introduced slowly in ratemaking and wrote off slowly after five (5) GRAs.

Selecting accident year rates rely on judgment, especially for the first time.

But once the rates are approved by the Board, objectivity could be achieved by adopting same selection for future GRAs.

Extreme events, such as COVID, severely distort loss experience and will call for special treatment. In this case, it was removed in forecasting loss cost.

From the previous slide, you see how four-ninety-five (495) for 2024 GRA is calculated. It is the weighted average collision loss cost.

Now, if we use the same average method in prior GRAs, that is average in rolling five (5) years of experience, average loss cost only vary by ten dollars ($10) per vehicle from one GRA to another.

Compared to solely based on the last accident year's experience in forecasting into future, using five (5) years average, smoothed the actual experience and improved rate stability.

The longer the experience period, the more stable but less reflective of the current book. Five (5) years offers a good balance between rate stability and responsiveness.

Last slide before we shift to 2024 GRA claims summary, we would like to point out that the reason we exclude accent year 2020 in forecasting claims.

It is not due to concern related to working from home data or regression model results. Working from home adjustment factors are derived from the regression model going through the same level of due diligence as time based trend factors.

We exclude 2020 because it is the year most impacted by stay at home orders. Working from home adjustment and one's impact of working from home, but did not account for the full impact of stay at home orders. We don't believe 2020 claims experience is relevant in forecasting future years' claim costs.

Now we have two (2) more slides that we will go over on accident year claims. A summary of 2024 GRA claims estimates.

As you can see from the table on the left side, between 2023 GRA and 2024 GRA, there's little change in total Basic claims for the middle two (2) accident years. That is accident year '24/'25 and accident year '25/'26.

We will highlight three (3) main inflationary related drivers that increase claim costs from last year's GRA estimate. And then, on the opposite side, two (2) main assumption changes that offset the large increases.

On the adverse side, we have minimal wage and labour rates driving claims up. In 2023 GRA, we did not factor in any -- any minimal wage increases. It was unknown when the rate filing was prepared.

2024 GRA, we reflected three (3) minimum wage increases from October 1st, 2022 to October 1st, 2023.

Rising inflation, as we all feel daily, severely impacted insurance costs. Vehicle related CPI once surpassed general CPI and peaked at 9.3 percent last summer.

Two (2) changes in this GRA reduced claims. First, working from home. In 2023 GRA, we factor in a 5 percent working from home adjustment. In this GRA, we refine our working from home adjustment using Google mobility data and regression analysis and that working from home adjustment was used. And it was roughly minus 8.4 percent. And that reduced collision -- for example, reduced collision claims forecast by $18 million.

Changes in PIPP trending assumption also reduced claims for -- forecasted claims.

The reduced claims from both assumption changes, being working from home or PIPP trending approach, are expected to be one-time only in 2024 GRA. Not to be expected in future GRA. We do not expect further large reductions in claims from refined trending or forecasting approach.

This is the waterfall chart (INDISCERNIBLE) 2023 GRA estimates on the left side to 2024 GRA estimates to the right side, breaking down by coverage.

PIPP, the majority of the reduction is due to the enhancement to trending approach. The trending approach change is described in claim forecasting chapter 4.7.

Both collision and the comprehensive are subject to similar inflationary cost pressures. However, collision benefited from a higher working from home adjustment, a higher negative frequency, lower than expected total claims to repairable claims ratio.

On the other hand, comprehensive has a higher frequency, driven by glass and theft claims. Severity is also higher. Partially due to more total claims from total vehicle theft and water damage losses.

And this concludes our presentation.

PANEL CHAIRPERSON: Mr. Scarfone...?

CONTINUED BY MR. STEVE SCARFONE:

MR. STEVE SCARFONE: Thank you, Madam Chair. And thank you for that presentation, Ms. Zhou and Ms. Low. Just a -- I do have a couple of follow up questions for you.

Last year -- so on the collision side, physical damage claims, last year and in recent years, we've heard that the trending would suggest that the safer vehicles, the more sophisticated vehicles, are resulting in less frequency.

And I'm wondering -- because, Ms. Low, you indicated that having just one (1) or two (2) data points is -- is problematic when trending.

And I'm wondering how that trend -- meaning the sophistication of vehicles resulting in less accidents -- is that reflected in the -- in today's trending?

MS. CHRISTINE ZHOU: As of now, it's impossible to isolate the driving forces behind our continuous downward trending collision frequency in Manitoba. It's actually very unique.

And we've been gradually reducing rates in the past several years. And one of the main reasons is collision frequency continued to drop slowly and gradually.

And the safety vehicle features, such as ADAS, could contribute to that downward trend. And that would be reflected in our experience.

MR. STEVE SCARFONE: It is. Thank you.

MS. CARA LOW: Just one thing to add. Overall, for quite a number of years in the industry across Canada, you do see dropping collision frequency because you do have safer vehicles with a crash avoidance technology.

MR. STEVE SCARFONE: Thank you. And at slide 11 of the presentation -- and so, I want to put Ms. Zhou on the spot here because, Ms. Low, you have indicated that she's brought significant changes to your improved claims forecasting model.

So I'm looking at this particular

slide, Ms. Zhou. And is it the step 2 that's -- that's new to MPIC? The loss cost projection? Is that what we can -- where we can find the improvements to claims forecasting?

MS. CHRISTINE ZHOU: Yes, we made improvement in both steps and we call out Step 2 as a distinct step as part of claim forecasting. And we made improvement in Step 2.

MR. STEVE SCARFONE: Okay. Thank you. And then we saw at the outset that -- and rightfully so, this presentation deals largely with physical damage claims, 'cause they're about three (3) times the amount of our PIPP claim cost. Correct?

MS. CHRISTINE ZHOU: Correct.

MR. STEVE SCARFONE: But I -- I was interested in slide 17, where the PIPP trending assumptions show a, what I would say, is a dramatic improvement, but you've indicated that that is a one time deal.

Can you explain why you're only expecting that improvement for one year?

MS. CHRISTINE ZHOU: Absolutely. We have refined our training approach and is fully disclosed in the GRA.

And, once its approved by the Board, we

do not expect further technical changes or improvement on this particular part of trending analysis. That's why we benefit the reduction this year in 2024 GRA, but once it's approved, we will continue to use the 2024 GRA approach.

MR. STEVE SCARFONE: And where would we expect the PIPP trends to go next year? Or can you say that at this point?

MS. CHRISTINE ZHOU: No, I'm not able to comment on future trend.

MR. STEVE SCARFONE: Okay. Thank you. And at slide 13, I heard you indicate that going back further than five (5) years isn't recommended and that there's a balance that's struck using five (5) years.

Is that correct?

MS. CHRISTINE ZHOU: Five (5) data points.

MR. STEVE SCARFONE: Five (5) data points, okay, thank you.

And is that an industry standard or is that something that's employed by MPIC as a policy?

MS. CHRISTINE ZHOU: It is an industry standard, but there are different options that's suitable for the type of rate indication that we speaking to.

For the size of Manitoba's Basic insurance portfolio, five (5) years is a good balance.

MR. STEVE SCARFONE: Okay, thank you. Those are my followup questions for the presentation.

PANEL CHAIRPERSON: Thank you. Ms. McCandless...?

CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. Good morning, Ms. Low, Ms. Zhou. I'm Kathleen McCandless, counsel to the Board. Thank you for being with us this morning.

I'm not going to direct my questions to any particular witness, but please feel free to jump in where appropriate.

And, I'm going to start by asking some questions on accident year weights in claims incurred. So, first going to CF-1.3, here the Corporation comments on some enhancements from the last GRA and I'm looking at line 7 to 11.

MPI now explicitly applies accident year weighting for projecting loss cost used in claims forecasting, instead of projecting from the last data point of the experience period. MPI improves the forecasting methodology by applying future trends to a weighted average loss costs calculated from the selected experience period, generally, the most recent five (5) accident years.

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: Then if we go to CF 5.5, and this is a discussion about accident year weighting.

Starting at line 5, MPI states that for coverages where COVID-19 impacted frequency, accident year 2020 was excluded from the experience period in estimating future loss costs, and we heard you speak about that Ms. Zhou.

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: MPI's work-from-home adjustment is intended to adjust for mobility changes related to commuting to workplaces and it doesn't account for reductions in the other mobility categories, for example, groceries and pleasure?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: But the mobility adjustment factor was considered appropriate for determining trends. Is that correct?

MS. CHRISTINE ZHOU: Working-from-home mobility data.

MS. KATHLEEN MCCANDLESS: So that's "yes"?

MS. CHRISTINE ZHOU: Yes.

MS. KATHLEEN MCCANDLESS: Okay. And can you please explain why the mobility adjustment factor was acceptable for purposes of including accident year 2020 in the trending, but not sufficient to give any weight to the accident year for the loss costs calculation?

MS. CHRISTINE ZHOU: Yes. Because we leveraged Google Mobility Data and the data is split by type of mobility but there is not a blended total mobility per se for us to use in the trending process.

As a result, we -- we chose to focus working from home. We believe that shift to work from home is just not a temporary trend. It will continue in the future and we want to capture that in our experience. We want to isolate the working from home and from the time serious trend factors.

And we model that. We did not massage any data, so we took the mobility data for 2020 -- '20, 2021, 2022. The data stopped at October 2022.

So, it's -- it's the same category of data used. It's not like for one year we used mobility and the other year we used, you know, total mobility.

So, we don't treat one accident year different than the other accident year.

MS. KATHLEEN MCCANDLESS: If MPI does not believe 2020 is predictive of the future, why did MPI not exclude it from all of the trending analysis for the coverages that were deemed to be affected by COVID?

MS. CHRISTINE ZHOU: Because we would like to understand the working home -- working-from-home effect on 2020 accident year results.

And there is no technical reason not to include 2020 in our analysis, in our trending analysis.

MS. KATHLEEN MCCANDLESS: Thank you. If accident year 2020 was included instead of 2017 in the weighted average loss costs, using even 20 percent weightings for each of the five (five) most recent accident years, would you agree, subject to check, that the resulting rate indication would be negative 1.41 percent?

MS. CHRISTINE ZHOU: Yes. In that magnitude, yeah.

MS. KATHLEEN MCCANDLESS: And that's using the -- the March 31, 2023 yield?

MS. CHRISTINE ZHOU: Yeah. In that range.

MS. KATHLEEN MCCANDLESS: Thank you. And so, if we go to PUB/CAC Information Request Response 1, this is just to confirm here that based on something that MPI asked Oliver Wyman to -- to do, PUB asked Oliver Wyman to do, the estimated loss cost indication would be negative 1.4 percent and the rate indication would be negative 1.41 percent. 1.54 percent and rate indication to be negative 1.41 percent. Correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: And so that's a decrease of negative 1.28 percent then?

MS. CHRISTINE ZHOU: Can you please repeat that?

MS. KATHLEEN MCCANDLESS: Right. So, from a starting point of negative 0.13.

MS. CHRISTINE ZHOU: Can you please repeat the entire question?

MS. KATHLEEN MCCANDLESS: Okay. So from a starting point of negative 0.13 looking at the change to the rate indication of negative 1.41, that would be then, a decrease of negative 1.28 percent?

MS. CHRISTINE ZHOU: In that range,

yes.

MS. KATHLEEN MCCANDLESS: And using the weight suggested by Oliver Wyman which is the CAC evidence and that's CAC Exhibit 5, if we go to table 7, which is at page 37, Ms. Zhou and Ms. Low, are you familiar with this document?

MS. CHRISTINE ZHOU: Yes.

MS. KATHLEEN MCCANDLESS: Thank you. So then using the -- the weight suggested by Oliver Wyman, the rate indication would reduce by negative 2.52 percent?

We see that here at --

MS. CHRISTINE ZHOU: Yes, I see that, based on their analysis.

MS. KATHLEEN MCCANDLESS: And do you have any views on the Oliver Wyman proposed weights?

MS. CHRISTINE ZHOU: Yes, I do.

MS. KATHLEEN MCCANDLESS: Yes. Please share them.

MS. CHRISTINE ZHOU: The approach introduced in this report has never been seen in the actuarial literature that I came across and, in my view, it blended the variability and volatility trending process is try to capture with another important process called accident year weighting.

And the accident year weighting approach, they introduced penalized volatility and the accident year weighting system they introduced is the opposite of the rate stability that we're hoping to achieve because, based on their approach, by nature, every year, depending on the last data point you introduce, the weights shift around, based on the standard deviation, the means.

We do not agree with the approach that's introduced and we will recommend a more traditional approach, a simpler approach, easy to understand, more transparent, and totally separate loss trending analysis, and accident year weighting, a loss cost projection. That's just some of my views. There are others, but those are the most important ones.

MS. CARA LOW: And to just add to that as well, MPI -- when we do our claim forecasting, we want to look at rate stability. So, when 2019 drops off, if you agree that it's going to be five (5) data points, when 2019 drops off, then, we're going to see rate increases.

So, we really took the view that it was a abnormal year and shouldn't be included -- or 2020, I should say, not 2019.

MS. KATHLEEN MCCANDLESS: Thank you. On the working-from-home issue, if we could go to CF 2.2 and we're looking at page 16, starting at line 17, MPI notes that Google discontinued publishing the mobility data on October 15, 2022?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: And, so, MPI was unable to rely on this data for projecting out mobility?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: How did MPI complete the estimated mobility for the remainder of the 2022/'23 year to be able to use it as a variable in its trending?

MS. CHRISTINE ZHOU: We continued our customer survey which was done, initially, for the 2023 GRA and in this -- February of this year, we followed the same approach, and there is a decent amount of respondent and we surveyed their mobility levels in November 2019, November 2022, and their expected mobility level at November 2023.

And from those data points, we look at the average number of commuting days per week and, also, their estimated kilometres per se for those three (3) data points, and we were able to capture the change -- the future change -- the expected change in 2023, and we used that forecasting out to -- for the forecasting years.

MS. KATHLEEN MCCANDLESS: So, for -- from the October 15 level of mobility, what was the expectation for the remainder of 2022/'23?

MS. CHRISTINE ZHOU: 2022/'23 is the current year. That's we use three point six (3.6) commuting days per week and, in forecasted years, meaning '23 and onwards, we expect three point six (3.6) -- three point eight (3.8) days per week in commuting. That's an increase of approximately five six point -- 5.6 percent.

MS. KATHLEEN MCCANDLESS: In the regression, MPI has a mobility factor for 2022/'23?

MS. CHRISTINE ZHOU: '22/'23?

MS. KATHLEEN MCCANDLESS: Yes.

MS. CHRISTINE ZHOU: Yes.

MS. KATHLEEN MCCANDLESS: And is that regression based on the enti -- is it based on -- on Google data to October 15, 2022 or do they -- do you project the Google data to the end of 2022/'23?

(BRIEF PAUSE)

MS. CHRISTINE ZHOU: We assumed the same level of mobility post-October 15, 2023 for the remaining accident year.

MS. KATHLEEN MCCANDLESS: Post-October 15, 2022?

MS. CHRISTINE ZHOU: 2022. Correct.

MS. KATHLEEN MCCANDLESS: And can MPI, by way of -- oh, we don't need this. Okay. Thank you.

And you mentioned that MPI had conducted a survey of Manitobans. I think that was through the voice of the Customer E Panel?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: And there was also social media advertising?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: Subject to check, MPI would confirm that it received two thousand fifty-eight (2,058) responses?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: And, so, if we look at -- you had mentioned that the re -- three point six (3.6) days per week here. We see that at line 22. That was expected average number of days travelling to school or work?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: Three point six (3.6) days per week and, then looking at expecting to commute three point eight (3.8) days per week, in November of 2023?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: Were there any more decimal places captured, beyond the first digit, for these averages?

(BRIEF PAUSE)

MS. CHRISTINE ZHOU: Three eight days -- three point eight (3.8) days and three point six (3.6) days are rounded to one decimal places in our Excel worksheet.

MS. KATHLEEN MCCANDLESS: Does MPI have the additional data?

MS. CHRISTINE ZHOU: Such as?

MS. KATHLEEN MCCANDLESS: More decimals?

MS. CHRISTINE ZHOU: No.

MS. CARA LOW: We could get it from our Customer Insights Team. They would have it. The -- the information our team has was already rounded.

MS. KATHLEEN MCCANDLESS: So, yes,

that would be helpful. If we could have an Undertaking to provide the average of the three point six (3.6) days for November '22 and three point eight (3.8) days for Novem -- November 2023 with the two decimal points instead of one. Thank you.

MR. STEVE SCARFONE: Yes, we can make that Undertaking, Ms. McCandless.

MS. KATHLEEN MCCANDLESS: Thank you.

--- UNDERTAKING NUMBER 7: MPI to provide the average of the three point six (3.6) days for November '22 and three point eight (3.8) days for November 2023 with the two decimal points instead of one.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. So, the indicated increase of 5.56 percent from November 2022, that would be the source of the increase used for the work-from-home adjustment?

MS. CHRISTINE ZHOU: Correct. Future working-from-home adjustment factors.

MS. KATHLEEN MCCANDLESS: Then, if we

go to CF Attachment A, page 10, and this reflects the results of the survey. Correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: So, on page 10, here, we see that the total kilometres driven for all household veh -- household vehicles for the sample, and I'm looking at the middle column -- middle row, the year 2022, was -- nope -- we can go back up -- thank you -- thirty five million three hundred and sixty-seven thousand four hundred and thirty-one (35,367,431) kilometres?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: And, for 2023, thirty-seven million one hundred and sixty-four thousand fifty-seven (37,164,057) kilometres?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: And that translates into an increase, from 2022 to 2023, of 5.08 percent?

MS. CHRISTINE ZHOU: Yep.

MS. KATHLEEN MCCANDLESS: So, that's similar to the 5.56 percent MPI selected, but this reflects total mileage changes?

MS. CHRISTINE ZHOU: Yes. It's aligned.

MS. KATHLEEN MCCANDLESS: Would this not have been adjusted for any drift in the number of vehicles in the fleet?

MS. CARA LOW: Overall, the MPI fleet tends to be very, very stable. There's very low growth.

MS. KATHLEEN MCCANDLESS: So, that -- that means that it was adjusted for any --

MS. CARA LOW: It was not adjusted. It wouldn't be material.

MS. KATHLEEN MCCANDLESS: Why was the number of days travelling to work or school used, instead of the total kilometres driven? ...

MS. CHRISTINE ZHOU: We're talking about estimates here. And those kilometres are aggregated for all the respondents together.

And in my personal experience, when we analyze the self-reported kilometres by drivers, it does not tend to be a reliable indicator. We end up using more higher level number of days, rather than the kilometres.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you.

I'm moving on now to accident benefits other non-indexed frequency trend selection.

And, Kristen, if we would go to claims forecasting.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Page 56. We've got that here. If we just scroll to the bottom for a minute. All the way, please. Thank you. Okay.

So it's noted here, at line 11, that MPI selected a past claim frequency trend rate of negative 4.9 percent.

This would be a more negative frequency trend than selected for any of the other driving-related coverages. Is that right?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: All the other driving-related coverages have selected future trends that are statistically significant and less than zero (0)?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: Why does MPI believe that the best estimate of the future frequency trend of zero percent for this coverage is higher than that of any other driving related coverages?

MS. CHRISTINE ZHOU: First, we don't believe a high negative trend of four-point-nine (4.9) will continue indefinitely, even during the five (5) year forecasting period. That level of negative frequency is very unusual.

And also, as we pointed out in our GRA, in the same section, there is lots of volatilities in the actual year-over-year frequency.

And we reviewed the recent Intervener request and we understand the concerns of this zero percent judgment call. We did more loss cost regression analysis, which we didn't do a loss cost regression analysis directly because we did frequency and severity.

And after PUB raised the question, we did loss cost models to validate selected trends for frequency and severity. We did that because loss cost models implicitly account for correlations between frequency and severity, partially reducing volatilities of the data points.

We're not saying that we will convert to do loss cost modelling in future GRAs, for this particular case, because working-from-home mobility adjustment is not required, and there is a change in our ultimate claim counts. So that added additional volatility in our frequency trend.

Because we started to recognize the operational changes that we made in recent years in 2024 GRA. All those were documented in our GRA.

So to assess future trends, one of the approach the actuary took is to look at recent experience. You can see our past experiences dated back to 2009. So to assess future trend, we look at shorter time frame.

In this case, based on our loss cost regression analysis, loss cost trend starting was 2018 and 2019. Our reliable regression models significant 'P' values and they produced an annual loss cost trend between 5 to 8 percent.

And just to brief on the nature of the coverage on the severity side, the maximum amounts payable for ABO (phonetic) and then index benefit increased annually. At Manitoba, CPI rate lack by one (1) year, so future severity is expected to be higher than recent levels.

And why we say that? Because we look at MPI's trend, the implied trend, looking at a combination of frequency and severity. And then we compare to CPI expected, forecast the CPI in the forecast years, and then we look at Oliver Wyman's proposed trend.

And we try to look at the loss cost trend. As I said, it's between 5 to 8 percent, so that's loss cost trend based on recent experience starting with 2018. And then we back out the CPI impact. That CPI is a certainty, is a severity, and by the nature of the coverages, and we realize 2 percent is the average CPI for that duration.

So we're talking about 5 to 8 percent. Let's just say five (5), for example. You take out the 2 percent, which is the certainty on the severity side, and then you have 3 percent implied loss cost.

And then you add it back the anticipated CPI, lack by one (1) year, of course, which, for example, for 2024 is 4 percent. Then 3 percent plus 4 percent, that's 7 percent anticipated loss cost trend.

So we look at this logic as a validation, and we look at MPI's trend, one column. We look at Oliver Wyman as proposed trend, and their trend, in our view, starting '24 to '27, is very low. Their loss cost trend is 2.48 percent to 50 basis point in 2027.

We don't believe tempering the past

trend by half to two point four seven (2.47), it's reasonable in the sense of, in our profession, we don't usually jump from minus four point nine (4.9) to zero. I acknowledge that. And we acknowledge the concern.

And 50 percent is a reasonable approach, but then we will look at the loss cost, and when we look at the recent actual year-over-year volatility and frequency and then we look at our loss cost regression analysis, we don't believe minus two point five (2.5) frequency assumption to be used in the next five (5) years is reasonable.

MS. KATHLEEN MCCANDLESS: Thank you.

MR. STEVE SCARFONE: Could you repeat that, Ms. Zhou?

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: So if you were to pick something other than zero, given the historical frequency trend of a negative 4.9 percent and considering the other driving-related coverage frequency trends, what would that be? What would that number be, other than zero?

MS. CHRISTINE ZHOU: I would not pick anything other than zero. In this case, we definitely need a few more years of data to emerge before we can make better selections.

MS. KATHLEEN MCCANDLESS: Thank you. Now, with collision severity trend selection, if we go to the Oliver Wyman report -- and we'll be looking at Figure 14, but before we do that, I just want to go up one (1) page, so Figure -- yes, thank you.

Just a narrative of what Figure 14 presents. It's the trend models used by MPI in forecasting collision claims. The upper panel -- we'll look at it in a second -- presents the historical frequency data and the MPI model to fit to the observations from accident years 2010 through 2022.

The middle panel presents severity data and the MPI piece-wise model fit to the observations from accident years 2010 through 2022.

And the lower panel presents loss cost data and the model implied by MPI's frequency and severity models.

And then we can go down and have a look at these three (3) figures.

And, Ms. Low and Ms. Zhou, are you familiar with -- with these figures?

UNIDENTIFIED SPEAKER: (NO AUDIBLE

RESPONSE).

MS. KATHLEEN MCCANDLESS: Thank you. And when we look at Figure 14, would you agree that the line for Model 1 and Model 2 for severity -- so we're looking at the middle figure -- do not connect at 2020?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: Sorry. I might need to zoom in. Okay. You -- you agree. Thank you.

If instead of two (2) separate models a second time parameter was incorporated in the model to trend from 2020 onward, would you agree that the resulting graph would likely look like Figure 16 -- so that's down a few pages; thank you.

And would generate -- first of all, would you agree that the resulting graph would likely look like Figure 16?

MS. CHRISTINE ZHOU: Agreed.

MS. KATHLEEN MCCANDLESS: And it would generate a slightly lower loss trend rate of 9.59 percent rather than the ten point six eight (10.68) selected?

MS. CHRISTINE ZHOU: Yes.

MS. KATHLEEN MCCANDLESS: And this

model would be contiguous?

MS. CHRISTINE ZHOU: With regards to the misalignment concern, yes, correct. This model does not have misalignment concern, meaning the prediction of the first model is different, slightly off, from the prediction of the second model.

MS. KATHLEEN MCCANDLESS: Would you agree that the estimate of the impact of this to be negative .72 percent to the overall rate indication as a reasonable estimate? So we can look at Table 7.

MS. CHRISTINE ZHOU: Yes, it's reasonable.

MS. KATHLEEN MCCANDLESS: Okay. Thank you. Then I don't think we need to go there.

MS. CHRISTINE ZHOU: The -- the difference is reasonable, yes.

MS. KATHLEEN MCCANDLESS: Now, with respect to comprehensive hail years of experience used, at CF page 89 from the filing -- thank you -- if we scroll down.

Here MPI notes that the repair costs of hail claims were reduced significantly after MPI adopted paintless dent repair, PDR, in 2017.

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: MPI believes

that the future cost of hail claims -- and we can scroll down to the next page -- is likely to be represented by the experience in accident years 2017 and thereafter?

MS. CHRISTINE ZHOU: Correct.

MS. KATHLEEN MCCANDLESS: Does MPI have any meteorol -- meteorological information available on the relative frequency of hail in 2017 and thereafter versus earlier years so that it can determine if there is any bias in the use of only six (6) years of history?

MS. CHRISTINE ZHOU: The answer is no.

MS. KATHLEEN MCCANDLESS: Now, with respect to property...

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Was there something that you wanted to add or...?

MS. CARA LOW: Right now, with the recent hail storms, we are using a scanning mechanism that's been in the media. It's yet to see what the severity is going to be with this different way of estimating hail claims, and that's still an uncertainty that we're needing to quantify, so.

MS. KATHLEEN MCCANDLESS: Thank you. With respect to the severity trend for property damage, third-party loss of use, if we look at the Oliver Wyman report -- and this is Figure 20 on page 26.

And we're again looking at the severity, so that's the middle figure, would you agree that the lines for Model 1 and Model 2 do not connect at 2020?

MS. CHRISTINE ZHOU: Yes.

MS. KATHLEEN MCCANDLESS: If instead of two (2) separate models, a second time parameter was incorporated in the model to trend from 2020 onward, would the indicated trend for either the prior period of 2010 to 2020 be more negative, or the indicated trend for the period of 2020 to 2022 be smaller, or some combination of that?

MS. CHRISTINE ZHOU: Yes.

MS. KATHLEEN MCCANDLESS: And are you able to estimate what the impact this change in trend would have on the overall rate indication?

MS. CHRISTINE ZHOU: Yes, we could.

MS. KATHLEEN MCCANDLESS: So, by way of undertaking then, we'd be looking at a response to, if instead of two (2) separate models, a second time parameter was incorporated in the model to trend from 2020 onwards, what the estimated impact of that change in trend would have on the overall rate indication.

--- UNDERTAKING NO. 8: For MPI to provide, if instead of two (2) separate models, a second time parameter was incorporated in the model to trend from 2020 onwards, what the estimated impact of that change in trend would have on the overall rate indication

MR. STEVE SCARFONE: Yes, that's -- and just to clarify, Ms. McCandless, that's only from the years 2020 to 2022?

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: No. I'm not sure if we need to maybe just clarify that off the record. I believe the way it was asked is probably understandable for the actuaries, but I may be mistaken. So if we need to correct it after a break, we can do so.

MR. STEVE SCARFONE: Okay. Thank you.

MS. KATHLEEN MCCANDLESS: Thank you.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Now, with respect to claims expenses, if we could go to figure RI-1. Thank you. And so what we have on the screen in front of us here is the rating year 2024/'25, discounted claims costs.

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And line 16 has claims incurred expenses of $35.9 million?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And then, in previous years, we can go to figure RM-2 of the 2023 GRA, line 16. This was labelled, "ULAE," so unallocated loss adjustment expenses?

MS. CARA LOW: Correct. Yes.

MS. KATHLEEN MCCANDLESS: Okay. And then if we go back to the previous schedule, and just going down to the narrative, here we have a section titled, "Unallocated loss adjustment expenses"?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And then scrolling to the next page, at the top of the following page, it indicates that the selected ULAE ratio from part 10 external actuary review EAR attachment B, and we can go there.

So that is -- it's MPI Exhibit 6, and it's page 82 of Exhibit 5 within this document. I believe it's 3,953 of the PDF. Kristen's got it.

So, first, the -- the selected ULA ratio from the external actuary report was 18.50 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: MPI has selected as ratio of 18.00 percent?

MS. CARA LOW: That is correct, yes, for pricing, for ratemaking purposes.

MS. KATHLEEN MCCANDLESS: And that has been applied to line 14 of RI-1?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: Okay. And that -- that generates then -- so that's -- maybe we can go back to RI-1 for the minute. Thank you.

So here we see line 14 has incurred claims of 869.1 million?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: Okay. And then, if we go -- and that excludes the impact of PIPP enhancement and claims incurred expenses, yes?

MS. CARA LOW: Yes. I could clarify this claims incurred expenses because I know it's kind of confusing, and we tried to clarify it. I think maybe we made it more confusing for the reader.

But ULAE, which is not directly attributed to any specific claim, it's really running the over -- the overhead of running a claims team, they have proportional and non-proportional.

So 19 percent is proportional through the claims costs. So, if the claims costs go up, the 18 percent is still applied and the expenses go up. The non-proportional are flat amounts, and the vast majority of that is the Manitoba health service costs that we pay to the Provincial Government, so it's a flat amount.

So it doesn't matter what the claims cost does, it -- it's flat. So it's proportional and non-proportional ULAE, but the labelling I don't think was corrected in all the spots in the GRA.

MS. KATHLEEN MCCANDLESS: Thank you. So the ratio of 18 percent applied to the 869.1

million in claims -- in incurred claims would generate 156.4 million, subject to check?

MS. CARA LOW: Subject to check, yes.

MS. KATHLEEN MCCANDLESS: Now then, if we look at line 6 of the external actuary report, page 82, that we were just looking at, at line 6, on the far right column for March 2023, unallocated loss adjustment expenses paid was $146.9 million for March 2023?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: Does this include any of the claims incurred expenses that make up the 35.9 million in figure RI-1?

MS. CARA LOW: No, it does not. It's a proportional ULAE --

MS. KATHLEEN MCCANDLESS: Thank you.

MS. CARA LOW: -- paid on a fiscal year basis.

MS. KATHLEEN MCCANDLESS: So then, if we go to PUB/MPI-1-3(a).

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Go to response A. Thank you. Okay, keep -- keep scrolling down, please. Thank you.

MPI determined that using the average incurred claims expense ratio for 2025 fiscal and 20 -- or forecast -- pardon me -- and 2026 forecast combined resulted in 15.03 percent. So we see that here in the paragraph starting, "Nevertheless," end line 2 of figure 1.

MS. CARA LOW: I see that.

MS. KATHLEEN MCCANDLESS: And that resulted in a full credibility required change of negative 2.46 percent, and that's -- we can scroll down here. We may have to jump to another... Yeah, at line 23.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Yeah. So line -- line 23 says -- has a full credibility require -- or required change of negative 2.5 percent.

So that's just 2.46 percent rounded up?

MS. CARA LOW: Sorry. Could you repeat that.

MS. KATHLEEN MCCANDLESS: Okay. So the -- MPI determined that using the 15.03 percent resulted in a full credibility required change --

MS. CARA LOW: Oh.

MS. KATHLEEN MCCANDLESS: -- of negative 2.5 percent?

MS. CARA LOW: Correct. Yes.

MS. KATHLEEN MCCANDLESS: And that was confirmed by MPI in PUB/MPI-2-4, as well?

MS. CARA LOW: Yes. Correct.

MS. KATHLEEN MCCANDLESS: So that would be a decrease of negative 2.33 percent, so that would be from the negative .13 percent to the negative 2.46 or 2.5 percent?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: And that's a decrease in the overall rate indication.

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: Due to a decrease in the claims expense ratio of 2.9 percent. So that's 18 percent down to 15.03 percent?

MS. CARA LOW: Correct. Yes.

MS. KATHLEEN MCCANDLESS: Thank you. And then, if we go to pro forma 1 from PUB/MPI-1-3; it's page 5 of 7, on line 34 it indicates what the net income for rate-setting purposes in 2025 would be. And so we see the second column at line 34; that would be 30. -- or 30.99 million?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: And for 2026, would be 28.9 million?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: Then if we can go to MPI's response to 1-3A at page 2 of 7, please.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: MPI indicated that:

"The financial statement incurred claims include the time value of money and risk adjustment which way materially understate the ULAE ratio."

And that's on the middle of the screen, yes?

MS. CARA LOW: I see that, yes.

MS. KATHLEEN MCCANDLESS: And MPI goes on to state that:

"The incurred claims are driven by movement in provisions that may vary considerably year over year."

MS. CARA LOW: That is true. Because a fiscal year accounting standards, we're looking at transactions in and out. So you have movement in prior years, you recognize the time value of money, and you do the contingency provision called risk adjustments under IFRS-17.

MS. KATHLEEN MCCANDLESS: MPI goes to say that:

"MPI believes that using the paid-to-paid method provides a more consistent and comparable basis year over year."

MS. CARA LOW: Agreed. And it is very standard in the industry.

MS. KATHLEEN MCCANDLESS: Thank you. Then moving to PUB/MPI-2-3, which was a continuation of the exploration from PUB-1-3, we can see here, at the question, additional information was requested breaking down the incurred claims into components in figure 1. And the claims incurred expenses into components in figure 3.

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And if we scroll down to the response. Thank you. We're going to go to figure 4, please. Thank you.

So using the average ratio of undiscounted claims expenses to undiscounted claims incurred for '25 and '26, which is shown in figure 4, yes?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: So line 3, for 2025, we have a ratio of 16.54 percent?

MS. CARA LOW: In between five (5) -- yes, that's correct.

MS. KATHLEEN MCCANDLESS: And then, for 2026, the ratio is 16.23 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: For an average of 16.38 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And that results in a full credibility required change of negative 1.40 percent as shown as line 23 of figure 5?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: On the -- the left-hand column?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: So that would be a decrease of negative 1.27 percent, so that's the -- from the negative .13 percent to the negative 1.4 percent we see on the screen?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: And that's to the overall rate indication?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: Resulting from a decrease in the claims expense ratio of 1.62 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And just to confirm for the record, that's the 18 percent down to the 16.38 percent?

MS. CARA LOW: Right. So instead of using a pay to pay, using an incurred method.

MS. KATHLEEN MCCANDLESS: Thank you. However, in Response F, at PUB/MPI-2-3 -- and that's at page 4 -- thank you -- MPI indicates that:

> "The claims expenses incurred includes changes in the ULAE provision, which may not be appropriate for projection of claims expenses paid."

And that's at the beginning of 'F'?

MS. CARA LOW: I see that.

MS. KATHLEEN MCCANDLESS: MPI goes on

to state that:

"Also for projection of rating year claims expenses, the average -- the use of average of the next two (2) years may not be appropriate as claims runoff for the year 2024. It may take several years."

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: From figure 3, on page 4 of 12, we have the paid claims expenses for each fiscal year?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: And if we could go back to figure 2, at the bottom of page 3 of 12, we have the paid claims for east fiscal year from 2023 to --

MS. CARA LOW: For each fiscal year. That's correct.

MS. KATHLEEN MCCANDLESS: If we start with 2025, we have -- and we'll have to go back down to the previous figure, so figure 3, I believe -- 2025, line 1, we have paid claims expenses of 146.4 million?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And then

maybe, Kristen, if there's a way to shrink the screen a little bit so we don't have to keep -- you don't have to keep going back and forth. Thank you. Perfect.

And then, we have paid claims at figure 2, line 1, of 892.2 million.

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And if we perform a calculation dividing the first number by the second number, we should get 16.43 percent, subject to check?

MS. CARA LOW: Sorry, so taking paid claims divided by claims incurred?

MS. KATHLEEN MCCANDLESS: Yeah. Expenses divided by paid claims.

MS. CARA LOW: Oh, so paid ULAE divided by claims incurred. And then you would get -- by paid -- so paid to paid -- okay. Subject to check.

MS. KATHLEEN MCCANDLESS: So just for the record then, we are looking at paid to paid. So from figure 3, one-forty-six-point-four (146.4) divided by the eight-ninety-two-point-two (892.2)?

MS. CARA LOW: Sorry, could you repeat that?

MS. KATHLEEN MCCANDLESS: I just

wanted to repeat the calculation of the 16.43 percent. That was from dividing line 1 from figure 3 for 2025 by line 1 from figure 2 for 2025.

MS. CARA LOW: For forecasted paid to paid, rather than based on historical paid to paids. And we know that has shifted over time because expenses didn't change during the pandemic when we weren't having claims coming in.

MS. KATHLEEN MCCANDLESS: Okay. Thank you.

Similarly, if we take 2026 at figure 3, line 1, paid claims expenses of 147.6 million, and divide by the paid claims at figure 2 of 920 million, we would get 16.04 percent, subject to check?

MS. CARA LOW: Subject to check.

MS. KATHLEEN MCCANDLESS: And again, subject to check, if we perform the same exercise for 2027, we would get 14.81 percent?

MS. CARA LOW: Subject to check, yes.

MS. KATHLEEN MCCANDLESS: And for 2028, if we perform the same exercise, we would get 14.3 percent, subject to check?

MS. CARA LOW: Subject to check. Yes.

MS. KATHLEEN MCCANDLESS: There is no projection for claims paid in 2029 or thereafter.

Correct?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And these are all paid claims expensed to paid claims ratios?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: All of them less than 18 percent?

MS. CARA LOW: Sounds like it, yes. Correct.

MS. KATHLEEN MCCANDLESS: And so, can you explain why MPI is using 18 percent in its ratemaking, but 16 percent or lower in its financial forecasting?

MS. CARA LOW: Can we go back to the external actuary report that shows the selection of the eighteen-and-a-half (18 1/2) for financial reporting purpose, where we mitigated it down to 18 percent for ratemaking?

So these are half numbers. You have to double them. But historically, you can see 18 percent has been very consistent year over year.

MS. KATHLEEN MCCANDLESS: Thank you. Now, as MPI has said in PUB/MPI-2-3, Response F, we should not just be using the average of the next two (2) years as claims; runoffs take several years?

MS. CARA LOW: Very true.

MS. KATHLEEN MCCANDLESS: To get the claims runoff, we would need to have the rating year claims incurred and a payment pattern for each coverage?

MS. CARA LOW: Yes. And that, we do have. The amount of claim expenses -- so the time the injury adjustors spend on different claims tied back to loss years, that would be the difficulty.

MS. KATHLEEN MCCANDLESS: Now, would the most up to date payment pattern be from the external actuary report that we were just looking at, but we would be going ahead four (4) and five (5) pages. So to sheets 3 and 4.

That's sheet 4 and that's sheet 3?

MS. CARA LOW: Yes, that would be the most recent. We only do them once a year.

MS. KATHLEEN MCCANDLESS: And it shows for a given accident year, the percentage paid for each coverage at the end of the first year, so twelve (12) months, the second year twenty-four (24) months and so forth?

MS. CARA LOW: Correct. Yes.

MS. KATHLEEN MCCANDLESS: If we are to account for the fact that the rating year claims occur over to successive accident years --

MS. CARA LOW: M-hm.

MS. KATHLEEN MCCANDLESS: -- half of the payments would have to be pushed out one year further. Right?

MS. CARA LOW: Correct. Yes, agreed.

MS. KATHLEEN MCCANDLESS: Now, if we take the rating year claims incurred from figure CF-1, line 1, and that starts with -- so, on the far right column, column 3 - 2024/'25 rating year, line 1, it starts with ninety five point one seven (95.17) million of weekly indemnity claims?

MS. CARA LOW: Reclaimed indemnity, yes, that is correct.

MS. KATHLEEN MCCANDLESS: And then, down at line 6 we see it goes to one hundred and eighteen million (118) of comprehensive claims?

MS. CARA LOW: Hundred and seventeen point eight (117.8) is what I see.

MS. KATHLEEN MCCANDLESS: To be precise, yes, hundred and seventeen point 8 (117.8). If we were to apply the payment pattern from Exhibit 6, sheet 3 and 4 that we just looked at --

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: -- with half

the claims pushed out one year, we would have a projected claims payment pattern for all coverages combined for the 2025 rating year?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: As an undertaking, could MPI calculate the proportion of claims for rating year 2025 that would be paid in each of 2025, 2026, 2027 and 2028 and thereafter?

MR. STEVE SCARFONE: Yes, Ms. McCandless, we'll take that undertaking.

--- UNDERTAKING NO. 9: MPI to calculate the proportion of claims for rating year 2025 that would be paid in each of 2025, 2026, 2027 and 2028 and thereafter.
To follow on that undertaking, MPI then apply the paid-to-paid ULAE ratios for 2025 through 2028 to each of these four (4) portions to generate an average paid ULAE ratio for the 2025

rating year. Then apply
that average paid ULAE
ratio to generate a
revised RI-10, performer
1, 2 and 3

MS. KATHLEEN MCCANDLESS: Thank you. And to follow on that undertaking, as part of the undertaking, could MPI then apply the paid-to-paid ULAE ratios for 2025 through 2028 as we calculated a few minutes ago, to each of these four (4) portions to generate an average paid ULAE ratio for the 2025 rating year?

MR. STEVE SCARFONE: Yes, I see Ms. Low nodding her head.

MS. CARA LOW: Yes, we can.

MS. KATHLEEN MCCANDLESS: Okay. And then, following on that undertaking, then apply that average paid ULAE ratio to generate a revised RI-10, performer 1, 2 and 3?

MS. CARA LOW: Yes, we can do that.

MR. STEVEN SCARFONE: Yes.

MS. KATHLEEN MCCANDLESS: Thank you. Thank you. I have no further questions for this panel.

MS. CARA LOW: Thank you.

PANEL CHAIRPERSON: Thank you. Ms. Dilay, have you an estimate of how long you might be cross-examining this panel?

MS. KATRINE DILAY: My rough estimate would be forty-five (45) to sixty (60) minutes.

PANEL CHAIRPERSON: Thank you for that. I think we'll take our noon hour break then now and come back at one o'clock, please. Thank you.

--- Upon recessing at 11:58 a.m.

--- Upon resuming at 12:59 p.m.

THE PANEL CHAIRPERSON: Good afternoon. Ms. Dilay...?

MS. KATRINE DILAY: Thank you, Madam Chair. I think Mr. Scarfone has a few exhibits to enter before I start.

THE PANEL CHAIRPERSON: Mr. Scarfone?

MR. STEVE SCARFONE: Thank you, Madam Chair. Just -- yeah, just a couple that the Corporation would like to mark. I think I did so this morning or -- with claims forecasting presentation was MPI Exhibit No. 64.

And then we've also just circulated

Exhibit -- MPI Exhibit No. 65 which is the ratemaking presentation. And I also just wanted to read into the record a response -- and we'll provide this in writing as well -- but for Ms. McCandless in case she wants it for the Undertaking Panel.

Undertaking number 7 was the rounding -- the rounding undertaking for the 2023 driving behaviour study.

So the numbers of three point six (3.6) were rounded from three point five nine (3.59), and the three point eight (3.8) number was rounded from three point eight two (3.82).

--- EXHIBIT NO. MPI-65: Ratemaking Presentation

MS. KATHLEEN MCCANDLESS: Thank you. And just perhaps one (1) matter of housekeeping while I have Mr. Scarfone. I -- when I approached you just before, it was actually about the pre-asks that were sent last week, and -- and Board counsel is just wondering when MPI might be expected to provide an answer to the pre-asks.

MR. STEVE SCARFONE: On the MCT?

MS. KATHLEEN MCCANDLESS: Well, there -- it was on MPI Exhibit number 50.

MR. STEVE SCARFONE: Okay. Yeah. Thank you.

PANEL CHAIRPERSON: Anything further?

MR. STEVE SCARFONE: Nothing further. Thank you, Madam Chair.

PANEL CHAIRPERSON: Okay. Thank you. Ms. Dilay...?

MS. KATRINE DILAY: Thank you, Madam Chair.

CROSS-EXAMINATION BY MS. KATRINE DILAY:

MS. KATRINE DILAY: Good afternoon, Ms. Low and Ms. Zhou. My name is Katrine Dilay, and I'm legal counsel to the Manitoba branch of the Consumers Association of Canada, and I'll be asking you a few questions today.

And actually, before I start, if I could also enter an exhibit on behalf of CAC (Manitoba). We -- we filed CAC's response to MPI's confidentiality motion regarding the E&Y report and the Deloitte report which should be marked as Exhibit CAC-9.

--- EXHIBIT NO. CAC-9: CAC (Manitoba) response to MPI's confidentiality

motion regarding the E&Y
report and the Deloitte
report

CONTINUED BY MS. KATRINE DILAY:

MS. KATRINE DILAY: Good afternoon. So I'd like to start at a -- a pretty general level with a few questions about MPI's procedure for developing the future accident year claim projections. So I'll start with a pretty dense statement, and then hopefully break it down with both of you.

At a high level, you'll agree that, for each coverage, MPI develops trends that are based on the results of a regression analysis of adjusted historical loss costs?

MS. CHRISTINE ZHOU: Agreed.

MS. KATRINE DILAY: And just to define some of those terms, given that not all of us in the room are actuaries, you'll agree that regression analysis is a statistical method that attempts to determine the strength or character of the relationship between one (1) dependent variable and one (1) or more independent variable?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And one (1)

example of a dependent variable would be frequency, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And another example would be severity?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And one (1) example of an independent variable would be time.

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And a regression model is able to show whether changes that we see in the dependent variable are associated with changes in one (1) or more of the independent variables, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: So essentially, whether they are moving together.

MS. CHRISTINE ZHOU: Their relationship.

MS. KATRINE DILAY: Their relationship. Thank you. And the regression model does this by, essentially, fitting a best-fit line and seeing how the data is dispersed around this line?

MS. CHRISTINE ZHOU: Yeah.

MS. KATRINE DILAY: In order for regression results to be properly interpreted, you'll agree that there are several assumptions about the data and the model itself that have to be made?

MS. CHRISTINE ZHOU: Yeah.

MS. KATRINE DILAY: And from MPI's regression analyses, trend factors are developed, correct?

MS. CHRISTINE ZHOU: Yes.

MS. KATRINE DILAY: And the trend factor that MPI develops from the results of the regression analysis provides a measure of change over time?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And so the trend factor is, essentially, telling the general direction that the data is taking during a specified time period.

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And in this GRA, in particular, MPI develops a past trend as well as a future trend, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And for the past trend, the data in the experience period under consideration is adjusted to reflect observed changes in cost conditions that have taken place?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And for the future trend the data is further adjusted -- sorry. One (1) second.

(BRIEF PAUSE)

MS. KATRINE DILAY: So for the future trend, the data is further adjusted to reflect future changes in cost conditions that are expected to occur between the end of the experience period and the period the new premiums will be in effect?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And MPI relies on regression analysis to determine past trend rates that are applicable to the cost level changes occurring in the experience period?

MS. CHRISTINE ZHOU: Correct. It's a starting point.

MS. KATRINE DILAY: Thank you. And past trends are required to trend the relevant experience period to the current accident year's cost level?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And this year --

so in this GRA, it's accident year 2022 that we're talking about?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And then selected accident year weights are applied to derive a weighted average loss cost?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: So that's about past trends. Then for future -- future trend, MPI has to select one, correct?

MS. CHRISTINE ZHOU: Yes.

MS. KATRINE DILAY: And the starting point of how MPI selects the future trend is the selected past trend that we just talked about based on the regression analysis?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: Then MPI assesses additional information that's available, and that provide -- that provides guidance on future cost levels?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And you'll agree that, in some cases, actuarial judgment is applied to select the most appropriate future trend rate for the forecast period?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And in addition to the past and future trends, MPI also develops mobility factors, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And you had a bit of a discussion about this this morning, but the mobility factor that MPI develops as a result of the regression analysis is considering the effect of reduced traffic volumes during the COVID-19 pandemic?

MS. CHRISTINE ZHOU: The -- the reduced mobility due to working from home.

MS. KATRINE DILAY: Thank you. And so you'll agree MPI has introduced a mobility variable to reflect the impacts of working from home on claims incurred?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And we talked about this a bit this morning, and I won't go into detail, but MPI introduced this mobility variable by using Google's COVID-19 community mobility report to account for COVID-19 impact from historical data?

MS. CHRISTINE ZHOU: To account for working from home mobility pattern changes.

MS. KATRINE DILAY: And MPI then

adjusts future trended loss costs to the degree the -- the pandemic or the working-from-home impact is expected to impact claims costs during the proposed rate program period, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: So in order to come up with the claims forecasts that form the rating period for this GRA, MPI applies its previously-determined trend parameters to its final projected accident year 2022 loss costs to then project loss costs for accident years 2024 through 2026?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: Thank you for that. I'd like now to turn to just a few questions on accident year weights.

Ms. Schubert, could we go to part 6 of the GRA, which is Claims Forecasting, and specifically page 33. Thank you.

And so looking at this -- this paragraph that Ms. Schubert has before us, at the bottom of -- of page 33, you'll agree here that MPI indicates that after adjusting all historical years to the same cost levels as the most recent accident year, equal weight of 20 percent were applied to the most recent five (5) accident years?

MS. CHRISTINE ZHOU: Yes.
MS. KATRINE DILAY: And then MPI goes on to say:

"For coverages where COVID-19 impacted frequency, accident year 2020 was excluded from the experience period in estimating future loss costs."

Correct?
MS. CHRISTINE ZHOU: Correct.
MS. KATRINE DILAY: And, Ms. Zhou, you'll agree that, where a regression model over-predicts, that means that the fitted model values applied to project future years exceed the actual data values from historical years?
MS. CHRISTINE ZHOU: Over-estimate versus under-estimate.
MS. KATRINE DILAY: Over-predicts.
MS. CHRISTINE ZHOU: Yes.
MS. KATRINE DILAY: And conversely, where a model under predicts, that means that the fitted values applied to project future years are less than the actual data values from historical years?
MS. CHRISTINE ZHOU: Yeah.
MS. KATRINE DILAY: And at a high

level, Ms. Zhou, you'll agree that one (1) of the impacts of the COVID-19 pandemic was that more people worked from home?

MS. CHRISTINE ZHOU: Yeah.

MS. KATRINE DILAY: And you'll agree this was due to government restrictions and recommendations to avoid unnecessary contact with others to avoid the spread of COVID-19?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And you'll agree that government restrictions were in place for much of the calendar year 2020?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And you'll agree that government restrictions continued into the calendar year 2021?

MS. CHRISTINE ZHOU: Not complete lockdown. My understanding, based on our research, is the full stay-at-home lookdown, meaning all the businesses that's nonessential were shutting down, zero capacity, that happens mostly in 2020. 2021 is more going back and forth in terms of capacities.

MS. KATRINE DILAY: And, based on your recollection, as late as November and December of 2021, additional restrictions were being announced by the government of Manitoba, given the rise in cases of the Omicron variant of COVID-19?

MS. CHRISTINE ZHOU: We have an appendix capture the various government orders, yeah.

MS. KATRINE DILAY: Thank you. That's -- that's helpful. Thank you.

MS. CHRISTINE ZHOU: Okay.

MR. STEVE SCARFONE: So perhaps Ms. Dilay could repeat that last question with the assistance of this visual.

MS. KATRINE DILAY: Based on your recollection, Ms. Zhou, as late as November and December of 2021, do you recall additional restrictions were being announced given the rise in cases of the Omicron variant?

MS. CHRISTINE ZHOU: I'm not able to comment or confirm at the moment.

MS. KATRINE DILAY: Thank you. I now have a few questions about accident benefits weekly indemnity.

Ms. Schubert, could we turn to part 6 of the GRA claims forecasting, Appendix 3, at page 2.

And so here you'll agree that the -- the graph we see at the bottom -- in the bottom half of this page provides the trend for weekly indemnity frequency?

MS. CHRISTINE ZHOU: Agreed.

MS. KATRINE DILAY: And if we look at the two (2) lines that are sort of pale pink in colour right above the graph, and if we look at the one that has -- that says, "current method," where Ms. Schubert has her cursor -- do you see that?

MS. CHRISTINE ZHOU: Yeah.

MS. KATRINE DILAY: So you'll agree here MPI is indicating that the current model is that the trend for frequency is based on fourteen (14) years of data starting 2009 and ending in 2022, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And if we go to the same document but page 4, and if we look at the graph here, you'll agree this provides the trend for weekly indemnity severity?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And, again, looking at the current method line that is pale pink in colour above the graph, you'll agree that this is the current method, right?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And MPI is

indicating that the current method is that the trend is based on eleven (11) years of data starting in 2012 and ending in 2022, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And so to confirm the two (2) pages we just looked at, the time period selected for severity and frequency for accident benefits weekly indemnity are different?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: One being from 2009 to 2022 and the other being from 2012 to 2022, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And at a high level, you'll agree that if MPI had chosen to use the 2009 to 2022 time period for severity rather than starting with 2020 -- 2012, pardon me -- the fit or the regression coefficient will be different?

MS. CHRISTINE ZHOU: It will be.

MS. KATRINE DILAY: Thank you. If we could go to page 6, still in this same document.

So here you'll see at the top of the page we are talking about accident benefits other indexed, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And looking at the graph in the bottom half of the page, this is the frequency trend for accident benefits other indexed?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And, again, looking at the current method two (2) lines above the graph, MPI indicates that the trend is based on fourteen (14) years of data, starting 2009 and ending in 2002, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And, Ms. Schubert, if we could go to page 8.

So we're still looking at accident benefits other indexed, but for severity, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And two (2) lines above the graph you will agree MPI indicates that the trend is based on ten (10) years of data starting in 2012 -- 2012 and ending in 2022, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And so to confirm, for accident benefits other indexed MPI used different time periods for severity and frequency, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And, again, at a

high level, you'll agree that if the 2012 to 2022 time period was considered for frequency like it was for severity, the fit or the regression coefficient would be different, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: I have a few questions on accident benefits other non-indexed. And I do -- I do remember that Ms. -- my friend, Ms. McCandless, did ask you some questions this morning, so I'll try not to repeat those questions. I think I'll be going in a bit of a different direction.

Ms. Schubert, if we could turn to part 6 of the GRA claims forecasting at page 56. And towards the bottom of this page -- thank you.

You'll agree that the past claim frequency trend selected by MPI for accident benefits other non-indexed is negative 4.90 percent?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And we see there that's based on experience starting from 2009, so fourteen (14) years of data, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And then if we go to the next page, page 57, at lines 13 and 14, we see there MPI selected a zero percent future claim frequency trend judgmentally, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And the rationale that is provided there is due to the volatility in recent experience period?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And to follow up on that, could we turn to page 55 of this document at Figure CF-35. And so this is the frequency experience, correct --

MS. CHRISTINE ZHOU: Yeah.

MS. KATRINE DILAY: -- for accident benefit other non-indexed?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And so if we look visually at the line, you'll agree -- at the graph rather -- visually, one can see a decrease in the experience from the beginning of the graph, 2009 to 2010, correct?

MS. CHRISTINE ZHOU: Yeah.

MS. KATRINE DILAY: And, again, visually we can see a decrease in experience from about 2011 until 2014, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: That represents

approximately a three (3) year period?

MS. CHRISTINE ZHOU: Yeah.

MS. KATRINE DILAY: And then we see another period of decrease from approximately 2016 to 2020, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: Representing approximately a four (4) year period?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: So subject to check, but in approximately eight (8) out of the fourteen (14) years of data here there was a decrease in experience, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: I now have a few questions on collision claims forecasting.

Ms. Schubert, if we could go to page 80 of the claims forecasting chapter at lines 9 to 14.

So just to -- to sort of summarize what is said here, you'll agree that MPI selected one (1) severity trend for accident year up to 2019, and then a different severity trend for accident years 2020 to 2022?

MS. CHRISTINE ZHOU: Past trend one is based on data up to accident year 2020. Past trend

2 starting point is accident year 2020.

MS. KATRINE DILAY: Until 2022?

MS. CHRISTINE ZHOU: Yes, correct.

MS. KATRINE DILAY: And so you'll agree that MPI uses two (2) separate collision severity trend models to come up with these two (2) different trends?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And if we look at the next few lines, specifically lines 15 to 16, MPI acknowledges that it typically does not rely on a trend established based on only three (3) data points due to lack of credibility, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: But then MPI goes on to -- to justify their selection. And to summarize, you'll agree MPI finds its approach reasonable given the recent macroeconomic environment?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And if we could turn to the Information Request CAC/MPI-168. And Ms. Schubert, if we could go to the question. Thank you.

And you'll agree here MPI was asked to consider fitting a single model with a Time 1 variable, which would be from 2010 through 2020, and a

Time 2 variable, which would be 2020 through 2022. That's what was asked of MPI, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And if we look at page 3, which is MPI's response, you'll agree that this change would have a small -- would have a small impact on the selected trend for 2009 to 2019, reducing it from 5.67 percent to 5.56 percent?

MS. CHRISTINE ZHOU: Yesterday, we have a meeting going over and prep for this rate hearing. We find out that there are -- some of the numbers here need to be revised slightly. And I do have the -- the numbers.

It's the starting period. So there was an error in the starting period for line number 1. And I do have the latest number.

MR. STEVE SCARFONE: Yes, if you can just read that in and we can correct the figure with -- with a new version once that's read into the record.

MS. KATRINE DILAY: Thank you.

(BRIEF PAUSE)

MS. CHRISTINE ZHOU: We're here to advise -- to revise the ultimate -- the alternative severity trend showing Figure 1 on the screen. And the starting point in our trend analysis should be 2010, same as our GRA past trend one. The original number you see in here was based on 2009.

So if we -- using starting period 2010, under the alternative severity column, it should be 5.66 percent, instead of 5.56 percent.

And the second number, line 2, rather than 9.59 percent, it should be 9.38 percent.

MS. KATRINE DILAY: Thank you for that, Ms. Zhou.

So with these revised numbers, you'll confirm that the difference for the 2010 to 2020 period is relatively small from 5.67 percent to 5.66 percent?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And you'll agree the change would have a more significant impact on the selected trend for 2020 to 2022, reducing it from 10.68 percent to 9.38 percent?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And you'll confirm that -- that this option of fitting a single model with two (2) time variables -- variables is one that MPI did not use for purposes of its rate application,

correct?

MS. CHRISTINE ZHOU: Correct.

MR. STEVE SCARFONE: Ms. Dilay, sorry to interrupt. I think you may have indicated for line 2, 2020 to 2022. I don't know that that was corrected. It's 2021 to 2022, just for the record. I believe that was -- you have indicated two (2) years.

MS. KATRINE DILAY: Yes. Thank you. Yeah. Just one moment.

(BRIEF PAUSE)

MS. KATRINE DILAY: Thank you for that, Mr. Scarfone.

I now have a few questions on comprehensive coverage, excluding hail.

Ms. Schubert, if we could turn to the claim forecasting chapter at page 99.

And we can go back to the subtitle of this chapter if you'd like, but is it your understanding that this part of the chapter talks about severity for comprehensive coverage excluding hail? And the subtitle is on page 95.

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And so, if we turn

back to page 99, at line 11, you'll agree MPI selected a future severity trend of 4 percent for 2023?

MS. CHRISTINE ZHOU: Yes. Agreed.

MS. KATRINE DILAY: And then, just a bit later, two (2) lines below, MPI indicates that's slightly higher than the 3.29 percent past severity trend, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And MPI also indicates that it assumes a drop in the future trend to plus 2.5 percent for 2024 through 2027?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And that's due to a drop in forecasted Manitoba Consumer Price Index?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And if we go just a little bit higher on this page, at lines 1 to 3, MPI indicates that there was a trend change for comprehensive severity that was observed in 2017 as a result of MPI management actions aimed to reduce rodent and glass only claims, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And so MPI confirms it does not believe this is representative of the current experience?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: At a high level, you'll agree that inflation has been high in the last two (2) years?

MS. CHRISTINE ZHOU: Yes.

MS. KATRINE DILAY: If we look at page 98, at the very bottom, you'll agree there MPI states that:

"The 'P' value for time indicates it is not deemed a significant parameter due to the underlying observed data volatility"?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And just to break that up a little bit, a 'P' value statistic indicates whether the variable used in regression is statistically significant, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And the 'P' value is measured between zero and one (1), correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And MPI considered 'P' values of less than zero-point-zero-five (0.05) to be significant?

MS. CHRISTINE ZHOU: Yes. More or

less the industry benchmark.

MS. KATRINE DILAY: But you'll agree the MPI selected trend for 2017 to 2022 are all positive, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And generally, at a high level, you'll agree that where the 'P' value is insignificant but the trend is going up or positive, that could mean that the trend is overstated?

MS. CHRISTINE ZHOU: No, I don't agree.

MS. KATRINE DILAY: Are you able to explain why?

MS. CHRISTINE ZHOU: Well, 'P' value is a relative measure. A 5 percent is a certainty that the parameter used in the regression model is significant. But that does not mean anything higher than five (5) is not significant.

You know, when we do regression model GLM (phonetic), we also look at parameters that's between 5 to sometimes 18 percent. So that does not mean -- if we select a trend when the trend 'P' value is over 5 percent, does not mean that the indicated rate, trend rate, is over-estimated or under-estimated or over-fitting.

MS. KATRINE DILAY: Thank you. I -- I appreciate that answer.

Turning now to property damage third party loss of use. Ms. Schubert, if we could turn to the claim forecasting chapter at page 108, at the very bottom.

And so here you'll agree that, similarly to collision that we talked about previously, MPI has selected a two (2) stepped past severity trend for property damage third-party loss of use?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And one (1) trend is selected for the years 2009 to 2020?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And another trend for 2020 to 2022?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And similarly here, if we look at page 109, lines 9 to 10, MPI acknowledges that it does not typically rely on a trend established based on only three (3) data points due to lack of credibility, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: But here, MPI

finds this approach reasonable to account for periods of increased -- increase in duration of third-party loss of use claims experienced in 2021 and 2022 accident years?

MS. CHRISTINE ZHOU: Correct, because when we need some growth rate to -- you know, in order to bring the historical loss cost to the current level, considering the hyperinflation.

So -- and we picked the two (2) stepped process, similar to collision, although we acknowledge that the FIT (phonetic) stats, when we use the two (2) step approach, loss of use, in particular is more poor, than the FIT stats of collision, following the same process.

MS. KATRINE DILAY: And at a high level, you'll agree that another option could be to consider a single model with additional parameters to isolate the impact of the most recent years?

MS. CHRISTINE ZHOU: Yeah, that -- that would be an alternative.

MS. KATRINE DILAY: And you'll agree, this is not an option that MPI selected for purposes of its rate application, correct?

MS. CHRISTINE ZHOU: It was not an option that we considered but we did review it, yeah, when the evidence was presented to us.

MS. KATRINE DILAY: But you'll agree that's not the option that was used in your rate application?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: I have a few questions on property damage, third-party deductible transfer.

If we can look at claims forecasting chapter, page 113, and Figure CF-97.

And so you'll agree this is the observed property damage, third-party deductible transfer frequency experience?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And I just want to -- to confirm two (2) things we see on this graph. So, visually, if we look at the graph, you'll agree that starting in about 2014 and until 2020, we see a relatively stable period then a very sharp decrease, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And then we see an increase in 2020 until 2021, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: Thank you. Moving

on to a few questions on property damage other. Ms. Schubert, if we could go to Appendix 3 to the claims forecasting chapter, page 43.

You'll agree this is the graph showing the frequency trend for property damage other?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And, similarly to what we did before, if we look at the current method, two (2) lines above the graph, you'll confirm that the trend is based on twelve (12) years of data, starting in 2011 and ending in 2022, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And then if we look at page 45 of this document, this is now the severity trend for property damage other, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And the current method, just above the graph, confirms that the trend is based on fourteen (14) years of data, starting in 2009 and ending in 2022, correct?

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And we saw -- we saw this previously on two (2) other coverages, but you'll agree that MPI selected different time periods for frequency and severity for property damage other.

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: And at a high level, you'll agree that if 2009 to 2022 time period was considered for frequency like it was for severity, the fit or regression coefficient would be different.

MS. CHRISTINE ZHOU: Correct.

MS. KATRINE DILAY: Moving on to vehicle count Highway Traffic Act units, I can take you to a reference, or you could take this subject to check, but you'll agree that MPI forecasts total Highway Traffic Act policy year earned units to grow by 0.86 percent from 2023/'24 to 2027/'28?

MS. CARA LOW: Could we defer that one to the Ratemaking?

MS. KATRINE DILAY: Sure. Questions, essentially, on vehicle counts would be better for Ratemaking?

MS. CARA LOW: That would be better.

MS. KATRINE DILAY: Yeah. That's fine --

MS. CARA LOW: That is done by the present team.

MS. KATRINE DILAY: Okay. Thank you for that. So, I just have a few last questions or a last -- one (1) last area of questioning for this panel.

At a high level, you'll agree that MPI has been faced with increases in repair costs over the past few years?

MS. CARA LOW: Correct.

MS. KATRINE DILAY: And some of these increases have been -- due to inflation?

MS. CARA LOW: Some of them have been, yes.

MS. KATRINE DILAY: And some of them have also been due to increasing complexity of vehicles?

MS. CARA LOW: Yes.

MS. KATRINE DILAY: And you'll agree that for a variety of reasons, some consumers choose to purchase electric vehicles as opposed to gas powered vehicles?

MS. CARA LOW: That would be correct.

MS. KATRINE DILAY: And you'll agree that as the price of electric vehicles becomes more competitive, it is possible that more consumers will choose to purchase electric vehicles?

MS. CARA LOW: We can't really say that for sure, but I guess you --

MS. KATRINE DILAY: The possibility --

MS. CARA LOW: It's a possibility, for sure.

MS. KATRINE DILAY: And as far as you're aware, one (1) reason that some consumers choose to purchase electric vehicles, is the lower carbon footprint of those vehicles?

MS. CARA LOW: I would think so.

MS. KATRINE DILAY: And would it be fair to say that more electric vehicles on the road may lead to increases in repair costs, as parts may be less readily available?

MS. CARA LOW: I would think that would be true.

MS. KATRINE DILAY: And are you aware that electric vehicles are heavier on average than gas powered vehicles?

MS. CARA LOW: I did not know that, but -- I've learned something.

MS. KATRINE DILAY: And at a high level, you'll agree that heavier vehicles can cause more damage to other vehicles in an accident?

MS. CHRISTINE ZHOU: I heard about -- the theory on the trucks, heavier trucks, definitely cause more damage on the other party, bodily injury, yes.

MS. KATRINE DILAY: In terms of bodily injury?

MS. CHRISTINE ZHOU: Yes. We haven't done study like that in MPI.

MS. KATRINE DILAY: Thank you. I think those are all my questions for this panel. I appreciate your time. Thank you.

PANEL CHAIRPERSON: Thank you, Ms. Dilay. Mr. Gabor...?

BOARD CHAIR GABOR: I have a few questions.

Ms. Dilay went into my area so I'm just going to ask the one (1) question about electric vehicles because I was interested as well.

Are -- are electric vehicles more expensive to repair than non-electric vehicles?

MS. CARA LOW: We have not done a deep dive or a study on this, but that is definitely my understanding.

BOARD CHAIR GABOR: Okay.

MS. CARA LOW: It is on our to do list for the present team to do a look at electric vehicles over the next couple years.

BOARD CHAIR GABOR: Okay. Are newer cars more expensive to repair than older cars?

MS. CARA LOW: Yes, because they're more complex.

BOARD CHAIR GABOR: Right. So, my -- my understanding is from the studies I've seen that, as a result of legislative changes, they're expecting more electric cars on the road, more newer cars on the road. Is that your understanding as well?

MS. CARA LOW: Yes.

BOARD CHAIR GABOR: Okay. Well, when you're doing your projections going forward, in terms of the cost for repairs would be, are you going based on previous data or are you adjusting that data with a -- a different projection as a result of electric cars and more newer cars?

MS. CHRISTINE ZHOU: That's a very good question. For our vehicle repair cost, we look at the different cost component, the labour rates.

And with regards to the trend that you talk about, the vehicle being more complex and more expensive parts are used and things like that, we do hear that as a industry trend, from our claims vendors, and we do track them.

The number of parts required to repair a vehicle, our understanding is, some electric vehicle is harder to repair, in the sense that you need to take out pretty much the entire section of the car in order to do a proper repair job.

So the number of parts used to -- per claim is increasing and also that's related to number of man hours required to finish the repair is also increasing.

So, the trend that you talk about is not one year from another. It's more gradual, because we are Basic and the shift in the mix of fleets, in terms of vehicle age, and, as the vehicle age -- average age reaches somewhere around 2015 to 2016, we were told that it was those several years, the technology has changed drastically that will require more parts and it's harder to repair things like that, and that the average age of MPI's fleet is around 10 to 11 years.

So, I think that we are going to be getting to that average vehicle age around 2015 in the next four, five years and, to answer your question, how we consider it? We will add more recent data point every GRA and that's definitely one trend that we're actively watching for, because the past repair cost severity trend is not just due to hyperinflation, we're seeing due to COVID.

The industry has experienced a high

severity a few years prior to pandemic and it was -- it was exactly the reason more EVs on the road and a newer fleet, more expensive vehicles, and harder to repair.

If you recall, our past trend for collision, up to 2020, is close to 6 percent and it's higher than CPI during that. So, that part of the trend, we don't believe it's going to come down. Even the general CPI is normalized. That's why we used five to seven years' of experience and this is a key severity trend that we'll continue to monitor.

BOARD CHAIR GABOR: So -- so, it take it, though, that what -- what you do is you catch up?

MS. CHRISTINE ZHOU: Yes.

BOARD CHAIR GABOR: You're going back and you've got a short number of years. If -- if -- if -- you're not doing artificial projections going forward, eventually, you'll catch up because there will be more and more electric vehicles in the marketplace?

MS. CHRISTINE ZHOU: Correct.

BOARD CHAIR GABOR: Okay. Ms. Low, I'm -- I'm interested in your -- your -- your opening about the business insights and analytics team and what it does.

How many people are in the team?

MS. CARA LOW: Five.

BOARD CHAIR GABOR: Okay. And, to date, what have you seen as the -- the benefits of having this team?

MS. CARA LOW: Well, I think the biggest benefit we've seen in the past year, 'cause the team's only been around for the year, is the sophistication and the vigour and the disclosures that Ms. Zhou spoke about.

The biggest one, and we kind of didn't dive into it that much, was that one benefit for the PIPP trends in the waterfall slide. I don't know which slide that is, but we talked about that being a one-time benefit and, so, that, itself, was a lot of work, 'cause what they did is they split wage inflation from CPI because the model before just always assumed that, if someone was going to be injured next year, the average wage was going to go up by CPI and we all know that Manitoba CPI was 8 percent and not many people got 8 percent bump up in their salary and they're two (2) very different things. So, right there, was a huge benefit for the rating process.

BOARD CHAIR GABOR: Okay, and would I

be correct in thinking that it should lead to more accurate and dependable data?

MS. CARA LOW: Yes.

BOARD CHAIR GABOR: Okay. And you -- you'd be able to look at special projects, from year to year, on -- on areas where you could do deep dives?

MS. CARA LOW: Well, I would agree with that. It relates back to the data. I mean, they only spend so much analyzing the data. I mean, they are not the ones inputting the data. That's on the claims team, inputting the data, but they will be working with the claims department, hoping to refine data.

They are also doing a lot of work on our SRE book of business and, also, our Extension book of business and, then, eventually, this was an overall trend analysis and, so, the next step will be to look at motorcycle trends versus taxi trends because (INDISCERNIBLE) taxi is getting a benefit from work from home. They never worked from home. Right.

And, so, we really need to look at the different trends. There will be other projects too. Eventually, we want to do more work on the exposure trends as well.

BOARD CHAIR GABOR: So, I assume that,

in terms of planning, you're expecting it will give you better analysis and more accurate information so you can plan better?

MS. CARA LOW: Yes. And, then, another big project is they're going to be working on quarterly claims monitoring reports, that can go up to the Executive Committee, as well as -- and, as well, to the Board as well, I should say. So, that the management can have a better insight into what's going on with claims in order to run the business.

BOARD CHAIR GABOR: Okay. Thank you. Those are my questions.

PANEL CHAIRPERSON: Ms. Boulter...?

BOARD MEMBER BOULTER: Hi. On your Slide 16, you say that minimum wage increases mean higher claim costs for repairs and some PIPP benefits. So, I'm going to break that into two (2) things.

I don't think mechanics make minimum wage. So, I'm just wondering why that would be a prob -- an increased cost there?

MS. CARA LOW: I just don't want to misspeak, but I'll be corrected, if I'm wrong. It's tied to the apprenticeship of the mechanic. So, when the apprentices get a higher wage that's tied to minimum wage, then the mechanics also get a higher increase, and that's tied to our Light Vehicle Accreditation Agreement. So, that was reopened with the higher rates in there.

BOARD MEMBER BOULTER: Okay. Thanks.

MS. CARA LOW: I'll look to my back row to confirm.

BOARD MEMBER BOULTER: That makes sense. So --

MS. CARA LOW: Yep.

BOARD MEMBER BOULTER: -- so --

MS. CARA LOW: Yep.

BOARD MEMBER BOULTER: -- thank you very much on that but, also, when it says PIPP benefits, if you go to page 17, it shows that they're going down. There's the -- it's the only one with a decrease.

So, I'm wondering why that would be forecast to be increasing, when this says decrease?

MS. CARA LOW: So, this is a one-time benefit, by splitting out. This is for -- if you've been injured in an accident, so, your weekly indemnity -- it's tied back to Manitoba CPI.

So, after you're on benefits, it goes up every year, one-year lag, it's tied to Manitoba CPI, but last year was 8 percent. We did cap it at 6 percent but, usually, it's tied to the Manitoba CPI.

But, next year, people are going to get injured and their wages are necessarily going up by 6 percent or 8 percent, but, when we talk about the minimum wage increases, that really impacts the care-giver benefits.

BOARD MEMBER BOULTER: Okay.

MS. CARA LOW: So, if your loved ones have been injured in a car accident and you're staying at home, looking after them, they get paid the minimum wage, and that is impacted every April 1st and, again, I'll look to my back row, to make sure I didn't misspeak.

(BRIEF PAUSE)

MS. CARA LOW: Okay. Yeah. They -- they don't wait until April 1st. If they -- it's effective October 1st, the minimum wage increase, that would be immediately. Yeah.

BOARD MEMBER BOULTER: Yeah. You weren't here, but that was one of my questions, either yesterday or the day before, was how low the care-giver price was, and I can't remember the name of the lady. She was in the back row and she indicated that they were reviewing that because the care-giver rate was so low, especially in the four -- when you are taking care of four (4) injured people --

MS. CARA LOW: Right.

BOARD MEMBER BOULTER: -- it was pretty -- pretty low.

MS. CARA LOW: Right.

BOARD MEMBER BOULTER: Okay, and I have more. Hold on. The deductible has gone up to seven hundred and fifty (750). What I'm wondering is the impact on -- on owners and people, you know, who -- who are in accidents.

Have you seen less claims? People have figured I'm not going to put in a claim, if I've got to pay a seven hundred and fifty (750) deductible?

MS. CARA LOW: Well, if you're not at fault and they -- no one party is -- if the at-fault party is known, you don't have to pay your deductible.

BOARD MEMBER BOULTER: Yeah.

MS. CARA LOW: Otherwise, I'll look over to Ms. Zhao. Do we have that data? Does it show a reduction?

MS. CHRISTINE ZHAO: That kind of claiming behaviour is very difficult to be isolated out, but it's a possibility.

BOARD MEMBER BOULTER: And the other thing -- a corollary of that was my concern that, if somebody damages their car, they might not even get it repaired. So, we'd have less -- more unsafe cars on the road, with that higher deductible.

So, I'll be interested in seeing the impact of that higher deductible because you've talked about the CPI. Everything is going up and prices of everything is going up. So, for the -- the ratepayer, that's a big expense. So, that's one thing that I'll keep an eye on, and...

Oh, the final question I have in -- in this little round here is accidents ass -- damage assessments right now are being done by body shops. You -- you take your car in there.

Is this -- since they're doing this for people and -- and not taking them to MPI assessors, is this a significant cost saving and how is that extrapolated over the future? Is that going to be something that you can say, oh, we don't need as many assessors looking at vehicles?

MS. CHRISTINE ZHOU: Just let us talk to the back row.

BOARD MEMBER BOULTER: Okey-doke.

(BRIEF PAUSE)

MS. CARA LOW: So before labour interruption, there was the Direct Repair Program, so you could go into a shop and get estimates. So this isn't anything new. We're just allowing more estimates to be done and higher authority limits.

So is there going to be impacts on severity? There could be a little bit because maybe there's a little bit less of a control there, and it's something we're aware of and we will monitor.

When it comes to FTEs, we don't feel like this is the time and place to be discussing that since labour interruption is ongoing.

BOARD MEMBER BOULTER: Okay. I appreciate your discretion there. And my good friend on the Panel has pointed out that, if you could -- how do I ask for an undertaking for that?

BOARD CHAIR GABOR: I think what Ms. Boulder wants -- and I don't know -- is an undertaking to see how the claims experience has changed as a result of moving the deductible --

MS. CARA LOW: Yeah, yeah.

BOARD CHAIR GABOR: -- seven fifty (750).

BOARD MEMBER BOULTER: Thank you so much for clarifying that. Yes, I do. Thank you. And then I'm done.

MR. STEVE SCARFONE: So just to -- just to clarify, Ms. Boulter, then since CERP was introduced and the deductibles were increased, how the claims experience has -- has tracked since then?

BOARD MEMBER BOULTER: Yes. Thank you very much.

--- UNDERTAKING NO. 10: MPI to advise how the claims experience has tracked since CERP was introduced and deductibles were increased

PANEL CHAIRPERSON: Ms. Nemec...?

BOARD MEMBER NEMEC: I have one (1) question for you, Ms. Low. On page 7 of your presentation -- sorry -- you've noted under 'Uncertain Future' that you have to consider the potential impacts of the labour interruption on the severity of claims.

Is it the labour interruption, per se, or the potential for an increase in salaries following

--

MS. CARA LOW: No.

BOARD MEMBER NEMEC: -- this matter being settled?

MS. CARA LOW: Yeah. No, this has nothing to do with salaries 'cause that would be in their operating expenses. This is solely in claims.

We know the longer a claim stays open, there's more months of severity -- or inflation happening, so it will cost us more if the claims are staying open longer.

We also do -- and this is uncertain. We haven't quantified anything. We do wonder about the new -- having more of the estimation done by the bodyshops, what this means for the severity as well.

BOARD MEMBER NEMEC: Okay. Thank you very much for that.

Mr. Bass...? Sorry.

BOARD MEMBER BASS: Yeah. No problem. Ms. Low, you're familiar with the property and casualty insurance concept of claims ratio plus expense ratio equal -- equalling combined ratio, right?

MS. CARA LOW: Yes, I am.

BOARD MEMBER BASS: And sometimes the

combined ratio goes above 100 percent --
MS. CARA LOW: Yes.
BOARD MEMBER BASS: -- in which case the insurer has sustained a financial loss, correct?
MS. CARA LOW: Correct.
BOARD MEMBER BASS: Except for taking into account investment income.
MS. CARA LOW: Right. That would be an underwriting loss 'cause it's before your investment income.
BOARD MEMBER BASS: Okay. Kristen, could you take us to slide 4 of the presentation.
This basically shows that, doesn't it? The -- the bit on the -- the left but for the 27 percent would be your -- your claims ratio, and 'Other' would be your expense ratio, wouldn't it?
MS. CARA LOW: Yes, it is, correct.
BOARD MEMBER BASS: Okay. And the only other component then -- because those two (2), 73 percent for claims and 27 percent for the expense ratio, would take you to a hundred (100).
MS. CARA LOW: Correct.
BOARD MEMBER BASS: So that's underwriting breakeven.
MS. CARA LOW: Sorry. Just one

minute.

(BRIEF PAUSE)

MS. CARA LOW: Premium wasn't brought in here. We just took all the expenses and then we divided the expenses, so claims and expenses. So it's not as a ratio. Like the percentage is as a percentage to the total, so there is nothing in there that has your premium dollars.

BOARD MEMBER BASS: So the confusion that I have is the heading -- well, 'Premium Dollar Breakdown', and also '24/'25 rating year premium.

MS. CARA LOW: It would be your pure premium dollar breakdown.

(BRIEF PAUSE)

MS. CARA LOW: Okay. I understand what my colleague was saying now. This is the projected average pre -- this is a projected composition, but it's not necessarily saying that you're rate adequate 'cause we don't have the premium component in here.

So this is just saying, hey, if these

are the projected claims and expenses, what percentage is made up of each of these components?

BOARD MEMBER BASS: Try it again.

MS. CHRISTINE ZHOU: This is a pie chart, and my under -- my understanding is every renewal Manitoba driver will show on their renewal notice to showing the breakdown, how -- where does your premium dollar go.

This is -- it doesn't necessarily break down into coverage -- that's my understanding -- but it does break -- breaking down into expenses. Let's say 20 percent of your premium dollar goes into expenses, and the other 73 percent goes into claims.

And, sir, I believe your question is this four (4) combined ratio contains expense component and then claims component. If the car is over 100 percent, that means an insurer is making -- is not making an underwriting profit.

BOARD MEMBER BASS: Right.

MS. CHRISTINE ZHOU: Yes. If it's less than 100 percent, it is making an underwriting profit, and then the entire profitability is also driven by investment income.

But just because of the fact that all the number adds up to one hundred (100) does not mean from this chart alone we can say it's breakeven. This chart is to break down the different cost components. It always add up to one hundred (100).

This is to show, if you pay a hundred dollar ($100) in premium, 70 percent of your one hundred dollar ($100) goes to cover expected claims. The other 27 percent goes to cover the various expenses. It always adds up to 100 percent. It's a composition chart. It's not a financial measure.

MS. CARA LOW: But in theory, if you were rate adequate, you would get to the same place, but the difference is, when you're looking at financial reporting, you still have the runoff of older claims, you have your risk adjustment, and you also have the time value of money in there as well.

BOARD MEMBER BASS: So those additional elements have to be taken into account in setting the rate?

MS. CARA LOW: Yes.

BOARD MEMBER BASS: Got it. Thank you.

PANEL CHAIRPERSON: Thank you. Mr. Scarfone...?

RE-DIRECT EXAMINATION BY MR. STEVE SCARFONE:

MR. STEVE SCARFONE: Thank you, Madam Chair. Ms. Schubert, a couple of questions. If you could pull up -- oh, you did already.

So, Ms. Zhou, Ms. McCandless was asking some questions of you about this table, and this table is from CAC-5, which is the report that was filed by Oliver Wyman, correct?

MS. CHRISTINE ZHOU: Correct.

MR. STEVE SCARFONE: And in this particular table -- and I'll be honest with you, I didn't understand much of your response, but I did hear that Oliver Wyman reintroduced this and blended that.

But what I did take from your response was that the Corporation prefers what you called the more traditional and simpler, transparent approach than the Oliver Wyman approach.

Is that -- is that a fair paraphrase of your response?

MS. CHRISTINE ZHOU: That's correct.

MR. STEVE SCARFONE: And I guess I -- I would ask because you did say at the outset that your department, which is the Business Insights and Analytics Department, correct?

MS. CHRISTINE ZHOU: Correct.

MR. STEVE SCARFONE: Which we've just heard has five (5) individuals including yourself?

MS. CHRISTINE ZHOU: Correct.

MR. STEVE SCARFONE: -- have made changes to improve the Corporation's claims forecasting --

MS. CHRISTINE ZHOU: Correct.

MR. STEVE SCARFONE: -- to -- to be more robust. Is that fair?

MS. CHRISTINE ZHOU: Yes.

MR. STEVE SCARFONE: And more sophisticated?

MS. CHRISTINE ZHOU: Yes.

MR. STEVE SCARFONE: So how does the Corporation reconcile that with taking a more -- and I'm not trying to cross-examine you here, but when you say you prefer a more traditional, simpler, transparent approach with the robustness and sophisticated approach of the business insight and analytics department.

How do you reconcile those two (2)?

MS. CHRISTINE ZHOU: Accident year weighting traditionally for pricing actuaries is a judgment call. And we tend to stick to consistent weighting. Based on my experience, other regulators in other jurisdictions in Canada, they prefer consistent accident year weighting, as well. They prefer insurers not to play with accident year weighting from one filing to another.

And once the accident year weighting is approved by the rate regulators, objectivity could be achieved if you stick to it by both sides, by regulators and by insurers.

MR. STEVE SCARFONE: And what is it about the accident year weighting approach that the Oliver Wyman group took that you and your team take issue with?

MS. CHRISTINE ZHOU: It's -- as I said in the morning, this is the first time that I read such methodology. And based on Oliver Wyman's response to one of PUB's IR --

MR. STEVE SCARFONE: Yes.

MS. CHRISTINE ZHOU: -- they're not aware that it was used anywhere, and it's the opposite side of try to achieve improved rate stability, and it's very unconventional, and I don't understand the logic behind it, what it tried to serve by introducing this methodologies.

The accident year weighting, you know, if you debate five (5), seven (7), ten (10) years, that's one thing, but to introduce this somewhat convoluted method, it's very hard for someone to defend that or say against that, you know.

MR. STEVE SCARFONE: It is -- let me back up just a bit if I could. Can you just explain for the lay people in the room just what -- what the accident year weighting -- what's the -- the import of that when it comes to claims forecasting?

Why is that important and why does the Corporation not agree with the Oliver Wyman methodology?

MS. CHRISTINE ZHOU: Accident year weighting's very important because when you look at one (1) of slide, as I pointed out, even for the experience period that we're using loss cost projection, when -- the worst year and the best year, the loss cost varies by 15 percent.

So if you -- and it's -- as you can see, by having different sets of accident year weighting, it definitely impact. On this chart, it's the most significant impact on the rate indication.

And because accident weighting is so important, and when we introduce for the first time, we debated even internally what -- how many years to use, what's the accident year weights to each accident year. And the equal weighting is used by our ratemaking team, as well; that's one (1) factor.

And the other factor is, in the private sector, sometimes, let's say 20, 30, 50 is used, so assigned the highest weighting to the most recent year to reflecting the current book, but in the private sector, from one year to another the inforce book could change drastically, and that's not the case for MPI.

You know, we have organic mix of business change, so we don't necessarily see the need to assign the latest accident year the highest weight. So 20 percent, we put a lot of thoughts into that, and that's what we come up with, and we validate it.

We kind of did some kind of back testing, you know, and that's one (1) of the slide we shared, as well.

By having accident year weights, the weights that we selected, it really improved the smoothness of the loss cost before we apply a future trend.

MR. STEVE SCARFONE: And so that -- I think what I've just heard you describe is there's some judgment that's been applied there where it concerns accident year weighting?

MS. CHRISTINE ZHOU: Absolutely, there's judgment.

MR. STEVE SCARFONE: And -- and would that also include the decision whether to include or exclude a year during the pandemic?

MS. CHRISTINE ZHOU: Yes.

MR. STEVE SCARFONE: And another question following up on Ms Dilay's questions.

You'll recall that she showed you a bunch of coverages, and she put to you that different time periods, if used, for example, on accident benefits other indexed, the Corporation used different time periods for severity than it did against frequency, correct?

MS. CHRISTINE ZHOU: Correct.

MR. STEVE SCARFONE: And she can -- she had you confirm that if you were to adjust those time periods in some way, that you would get a different regression model coefficient?

MS. CHRISTINE ZHOU: Correct.

MR. STEVE SCARFONE: Why did the Corporation make use of the time periods it did versus having similar time periods, so, for example, that coverage, ABO indexed, accident benefits other? Is there a particular reason behind that?

MS. CHRISTINE ZHOU: Our starting point of selecting trending period is not to force the periods to be the same, either driven by frequency or for severity. We look at the merit of each regression model, and we pick the best fit stats.

However, we do consider the experience peer used for frequency and severity, and we do acknowledge sometime they do have offsetting, you know, impact.

And for the ones that we tried to deviate, there is gain by picking the best fit regression model. And we look at the gap in the experience period. The maximum three (3) years, so -- in our view, is acceptable.

Having the same experience period is not the only consideration in our trending analysis. It's one (1) of the considerations.

MR. STEVE SCARFONE: And, again, are those judgmental considerations or are they fixed by industry standard?

MS. CHRISTINE ZHOU: They're more industry standard. There is no standard to say you have to use the same experience period.

MR. STEVE SCARFONE: And would that apply equally to other coverages? Because Ms. Dilay also asked you about property damage other and the time periods for that coverage.

MS. CHRISTINE ZHOU: Yeah.

MR. STEVE SCARFONE: That applies across all the coverages?

MS. CHRISTINE ZHOU: Yes.

MR. STEVE SCARFONE: Thank you. Those are my questions. And -- and the Corporation will, Madam Chair, make a correction to CAC/MPI-1-68 that we spoke of earlier.

PANEL CHAIRPERSON: Thank you, Mr. Scarfone. And -- and I'd very much like to thank the Panel for your presence here this afternoon. And we will now move into MPI ratemaking.

So perhaps this is the right time to take the afternoon break so that you can switch panels. Thank you.

MR. STEVE SCARFONE: Yes. Thank you, Madam Chair. What time?

PANEL CHAIRPERSON: It's ten (10) after. 2:25.

MR. STEVE SCARFONE: Thank you.

(PANEL STANDS DOWN)

--- Upon recessing at 2:08 p.m.
--- Upon resuming at 2:28 p.m.

PANEL CHAIRPERSON: Mr. Scarfone, would you please introduce your -- I'm sorry -- Ratemaking Panel.

MR. STEVE SCARFONE: Yes.

PANEL CHAIRPERSON: And then, we'll have them sworn? Or maybe not. I think everybody is still under oath, is that right?

MR. STEVE SCARFONE: Yeah, I do believe that both witnesses, Ms. Low and Mr. Masud, have been sworn.

PANEL CHAIRPERSON: Correct. Okay.

MR. STEVE SCARFONE: And so, we have Khurram Masud, our Director of Pricing, and Ms. Low will be presenting our ratemaking evidence this afternoon.

And providing back row support for the panel is the Manager of Pricing Transformation, Kyle Cassalla, and the Manager of Pricing, Ngoc Ly.

And -- yeah. Let's -- let's proceed with the presentation.

PANEL CHAIRPERSON: Thank you.

MPI RATEMAKING PANEL:

CARA LOW, Resumed

KHURRAM MASUD, Resumed

EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE:

MS. CARA LOW: Okay. In today's -- or this afternoon's panel, we're going to be talking about the ratemaking procedures for the GRA.

So our ratemaking is made of -- of three (3) major steps. The first step is forecasting our claims and expenses, and to make sure that we have an overall adequate average premium. So we kind of talked about that at the end of the last panel.

Then our second step is we take our accepted actuarial practice rate indication and we allocate it down to the six (6) major classes.

Then our third step is going through every rating cell. So that would be, like, your territories, your DSR, your type of vehicle, how you use your vehicle. Unfortunately, that third step, we are not able to complete without some of our team members who are, unfortunately, out because of the labour interruption.

I'm going to speak to the first (2) items and then I'm going to hand it over to the expert, Mr. Masud.

So as introduction, the MPI's Ratemaking framework is based on the corporate value of providing value to Manitobans through maintaining affordable rates.

This also needs to be balanced with fiscal responsibility to ensure that we're adequately priced. So kind of like we talked about before, rate stability versus having financial prudence in there.

We do our rate settings through accepted actuarial practice. And then, of course, you guys, the PUB, provide oversight to make sure that we're achieving these objectives.

After we look at the overall balance, and we look at risk classification to ensure the specific rates are covering the expected costs from that group of individuals or that group of exposures.

We can go as refined as we can as actuaries and get very sophisticated risk classification, but there's always going to be some form of cross-subsidization. I know this was a question that was talked about on Wednesday with our CEO.

For example, myself, I've been driving for well over thirty (30) years and have never had at fault accidents, so why should I be paying premium?

No matter how refined we get in a risk classification, there is always going to be an element of cross-subsidization because that's the concept of insurance. It's a pooling of risks.

So on the next slide, this is a summary of what we are applying for. We are applying for an overall rate change of zero percent. That does mean that individuals would get a rate change of zero percent. It really varies on all the rating factors.

Our overall rate indication updated, just for last week when we filed, was an AAP of minus 1.48 percent.

As we just talked about in the Claims Forecasting Panel, there's still a lot of uncertainty around our claims. And we have been monitoring the claims in the last few months since we filed in June. And we do see severity continuing to climb.

We also worry -- worry about the fact that we have a naive yield curve in our pricing. And that happened to be high at the end of August, so we have a new money yield of 5 percent in there.

So what I would like to say, even though our accepted actuarial practice rate indication is minus 1.48 percent, as pricing actuaries, we are actually very comfortable with the filed rate indication of zero percent.

We are also looking to improve how we allocate our net fleet rebates. So when we say 'net', it's how much rebate less how many surcharge dollars that go out. So net fleet surcharges.

Historically, that's been allocated based on number of vehicles in each of the major classes 1, 2, 3. What we are proposing is a better allocation based on the number of fleet vehicles in each of those major classes.

Then we are looking to expand the DSR scale by adding a new DSR level 18, as well as move towards indicated actuarial DSR levels or discounts, which are much higher.

And then, other changes that we have is we -- in our naive ratemaking yield, we are looking to move towards a premium liability duration, rather than a claims liability duration. This was discussed last year at the Ratemaking Panel.

And this is because claims haven't happened yet. We haven't even sold these policies yet. So therefore, premium duration makes a lot more sense than claims duration.

A claims duration comes from your

balance sheet and it's a build up of claims over a number of years, especially the long-tail PIPP claims that build up.

The vast majority of our claims are collision claims. They come in the door, they get paid out of cash. And so, it's a lot shorter of a duration. So that is one change there.

And one other change that didn't make it on here on the slide is we did add commercial mortgages to our new money yield.

The investment team is busy working on trying to get commercial mortgages into our Basic claims portfolio by the end of this fiscal year. So the plan is to have them in place -- and that's 5 percent of our portfolio that will be in place in time for this rating year. And that gives us a significant lift on the curve -- on the yield.

Now I'm going to hand it over.

MR. KHURRAM MASUD: Thank you. And good afternoon, everyone. As Cara alluded to earlier, so I'll just continue on and provide you more details on the specifics.

So as Cara indicated, we are applying for a zero percent overall rate change. And the allocated the overall claims expenses and other items from the overall rate indication down to individual major classes.

For the current year, we determined the AAP rate indication, including AAP for each major class, and we then scaled it back to achieve an overall zero percent rate change.

The table here shows the projected average premium for each major class at the end of the current rating period.

The next two (2) columns show the rate indication by major class to achieve an overall zero percent rate change. And the overall averages, you can see, remain unchanged at the beginning of the next rating period.

At this stage, due to the ongoing labour interruption, we are unable to provide rates for insurance use, territories, vehicle groups. Next slide, please.

PUB had ordered MPI to fix the cost/causation under the fleet program. Fleet program is meant for any single owner, whether corporate or individual, having ten (10) or more vehicles.

The fleet customers are charged the same vehicle premium as other non-fleet policies. However, they do not receive a DSR discount.

Instead, they receive a retroactive adjustment to the premiums, which could be a rebate or a surcharge, based on their own loss experience determined by the loss ratio.

The loss experience, though, feeds into the ratemaking process; that is their good or bad experience influences the premium rates for the entire major class they belong to. Therefore, their experience -- if it's better than other vehicles in the same major class -- that would drive down the rates for all other customers in the major class as well and vice versa.

Given the fleet program has consistently been in a rebate situation, this implies that fleet experience is more favourable than the premiums they were charged for.

As explained, this affects our reduction in the premium for all vehicles in the same major class. The non-fleet customers, therefore, benefit by paying lower premiums.

However, not all major classes benefit to the same extent. Major classes with more fleet vehicles benefit more than other major class with fewer fleet vehicles.

MPI has, therefore, allocated the

overall fleet rebates -- net fleet rebates, I might add -- based on the proportion of the fleet vehicles within each major class.

MPI used the actual population of the fleet vehicles within each major class to determine this allocation. And then express this allocated fleet rebate or as per unit vehicle insured.

The table here shows you the breakdown of the vehicle distribution under the fleet program and the allocation of the overall rebates and the projected units for the year '24/'25.

We believe this is a more equitable way of allocating fleet rebates to individual customers.

However, we understand that the fleet program requires a more detailed review, including other project features. MPI is undertaking a full review of the fleet program commencing this year. We will provide you with more updates on this in the next year's GRA.

As per the MPI order, oh, sorry, PUB Order, MPI has expanded the DSR scale and moved one forward the way towards the actually indicated discounts.

MPI conducted a more thorough review of the DSR discounts this year. The actual data contains

DSR levels 1 to 15. DSR 16 for a little over a year and DSR 17 only for a few months, as they were very recently introduced.

It is not possible to determine the DSR discounts for DSR 16 to 20, using the actual data. Therefore, MPI in the previous GRA had recommended use of same level of discount for all the newly introduced DSR levels, that is DSR 16 to 20, had all -- all those DSR levels are the same level of discount.

This year MPI used the actual driving history and created a synthetic data for all DSR levels as if DSR level 1 to 20 were present from 2015.

We analyzed this five (5) year synthetic data to determine the discount for DSR levels 1 to 20. We used this discount scale, this newly built discount scale, as the actually indicated data -- actually indicated discounts, and are proposing one-fourth the way this year and subsequently so on, one-third, one-second and the -- until we reach the full actual discount.

The additional discounts from this DSR scale naturally leads to a reduction in revenue. This is estimated to be 4.95 percent.

In order to achieve a zero percent overall rate indication, the vehicle premium requires a 5.21 percent increase to offset this loss in revenue.

The combined effect would result in customers at high DSR levels paying lower premiums. However, at lower end of the -- customers at the lower end of the DSR scale, may see an increase in their overall premiums.

MPI had applied for a zero percent rate indication. We also filed a provision -- APP rate indication in the original submission of negative .13 percent.

Sorry, after updating the (INDISCERNIBLE) for inflation, investment yield and expenses, the rate indication comes to a negative 1.48 percent.

We did not update the claims prediction for the update to the rate indication, which would have resulted in the positive movement to the rate indication that is either a lower reduction or maybe a marginal increase.

The increase in the year from 4.22 percent to 5.04 percent, both negative expenses, results in a reduction of 1.35 percent in the rate indication.

The higher inflation assumption and the

lower expense prediction, almost offset each other leading to a revised APP rate indication of negative 1.48 percent.

The APP is based on best estimates at a point in time, neither it includes a provision for profit nor it includes any buffer for deviation in expedience.

Just like in the other -- estimate, the predictions would continue to move as more experience unfolds and given the uncertainties of current times, any estimates will be vulnerable, including directionally.

A heavier or lighter actual experience would -- would put pressure on the best estimates.

MPI is, hence, more comfortable with a zero percent rate indication, given the degree of uncertainty in current times.

Any shortfall or -- or excess would be supported by the RSR and the Capital Management Plan. Next slide, please.

The last topic I had -- I have for this presentation is the -- the update to the GLM implementation.

MPI has purchased and installed the tool for GLM implementation and the staff responsible for the implementation, also received training on the use of the tool.

GLM requires data at the high level of granularity, including the historic data. We have worked on the preparation of the data and consider it fit for use after an (INDISCERNIBLE) validation tests. However, this is an ongoing process, and further improvements may still be required, as we further progress on the development of the model.

We have built an initial model for all major classes, with the focus on private passenger vehicles. We are currently validating the model and expect the preliminary results or relatively -- relatively shortly.

These relativities would then feed into the rate model to determine the dislocations. There are still various intricacies include -- including the manner in which potentially large dislocations would be handled. There is an expectation that some segments of the book may see substantial dislocations, which will need smooth over time.

Another possible challenge is to allow for the caps and the flows on the rate change or individual rating cells.

If we store the relativities instead of

the dollar amounts, the implied caps and flows on the relative, these would need to be worked backwards from the premium dollar tables.

We are currently working internally and we may require external consultant from market expect to see how this is handled by other companies.

Given we are the sole provider for Basic insurance, our position is not entirely comparable to a commercial insurer who, at times, may deliberately use different shelled rates as a mechanism for portfolio selection.

But we were already committed to provide stability to the rates as best as possible and we may seek guidance from PUB, perhaps, during the process itself, as opposed to bringing the results at the next year's GRA.

We look forward to working collaboratively with PUB on introducing this chain and would welcome any mutual consultation on this matter.

This concludes the -- the slides I have for today.

MR. STEVE SCARFONE: Thank you for that. Ms. Low, could you, just at a high level, explain the relationship between ratemaking using accepted actuarial practices and the Capital

Management for the Corporation and how -- how the Corporation manages capital vis a vis its ratemaking process?

MS. CARA LOW: In theory, if the pricing actuaries get it right, you forecasted your claims properly, your expenses for -- properly and you have the right premium and then doesn't impact your capital reserves at all, because money in and money out would net to zero.

We don't always get our investment income on our capital, but the -- you -- capital position shouldn't change if you price it correctly.

MR. STEVE SCARFONE: Okay. Thank you -- thank you for that.

And, as it concerns the new money yield and the Corporation's preferred use of a premium liabilities duration, what impact would that have generally on the overall rate indication versus a claims liability duration?

MS. CARA LOW: Right now, the curve tends to be in -- is inverted, so there's actually a very minimal impact, but usually if you have a duration on the curve at ten (10) years, compared to two (2) years, you would have a higher yield.

Now a higher yield, would give you a

lower rate indication.

MR. STEVE SCARFONE: And when you indicated in the presentation that the Corporation was comfortable with the zero percent applied for rate, given the uncertainties, I think that -- that we're alluded to which uncertainties are those this -- specifically that the Corporation is looking to?

MS. CARA LOW: As we talked about in the Claim Forecasting, there's uncertainty around the CPI, the re-emergence in the last couple months of the CPI going up. The internal labour interruption. Extreme on labour interruption with auto workers.

You also have the higher interest rates, so the higher naive yield -- or new money yield pushing down the rate indication.

MR. STEVE SCARFONE: With the modifications to the fleet program, will those customers, in addition to the rebates under the program, also receive rebates generally when the RSR exceeds 120 percent MCT?

MS. CARA LOW: The Capital Management Plan that we are proposing, does exclude experienced rated vehicles, so that would be the fleet program and if we get a blanket policy, it would exclude the blanket policy for Vehicles For Hire, as well.

And that's because they're already rebated back to their breakeven, so therefore, they haven't had -- they haven't contributed to any build up of capital so they shouldn't receive any of the build up of capital.

MR. STEVE SCARFONE: Thank you. And last question, what's synthetic data?

MR. KHURRAM MASUD: I can -- I can explain that. So, the actual data is based on the actual driving history and placement of those drivers include the DSR levels that existed at the various points in time.

But since, we are calculating the discounts for DSR levels that don't currently exist, so what we did was we went back and using the actual driving history, we placed those drivers into DSR levels 15 all the way to 20, as if those DSR levels existed.

And that data is what we refer to as synthetic or simulated data in our GRA and in the IRs that we responded to.

MR. STEVE SCARFONE: And, that, I expect, sir, is just by virtue of not having actual data to place those customers in those spots?

MR. KHURRAM MASUD: Correct. Correct,

and we used the actual data, like we did last year. We had given same level of discount to all the newly-introduced DSR levels.

MR. STEVE SCARFONE: Thank you. Those are my questions for the Panel, Madam Chair.

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

CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. Good afternoon, Ms. Low, Mr. Masud. Nice to see you again.

I'm going to start my questions this afternoon by going back to DSR rate-making questions that were deferred yesterday to today's Panel.

And, so, just to confirm, for the record, the DSR discount change sought is one-quarter of the actuarially-indicated change, rounded down for each discount level, in accordance with the Board Order?

MR. KHURRAM MASUD: That's correct.

MS. KATHLEEN MCCANDLESS: And if we go to RC Appendix 6, Figure RC APP. 6-3 -- 6-3 -- thank you.

This is the estimate of the

actuarially-indicated discounts?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: Okay. And looking at line number 1, Calculated Discount, the calculated discount for DSR level 20 is 73.1 percent?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: Now, Kristen, could we please scroll down to the next figure, App. 6-4. Thank you.

So, this figure depicts the indicated two (2) proposed discounts by DSR level?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: For registered owners that would fall under the new DSR level of 18, their current discount would be 40 percent, so, they're moving up from 17 to 18?

MR. KHURRAM MASUD: Oh, yes. Okay. Yeah. Currently, because there's no one in 18 at the moment. Yes.

MS. KATHLEEN MCCANDLESS: Okay, and the rounded discount would be 66 percent and we see that at line 1?

MR. KHURRAM MASUD: That's the actuarially-indicated discount. So, they won't get that 66 percent next year.

MS. KATHLEEN MCCANDLESS: Right. That's the indicated discount. So, it's a difference of 26 percent from the 40 percent?

MR. KHURRAM MASUD: That's correct. The indicated sum that they will eventually get.

MS. KATHLEEN MCCANDLESS: One-quarter rounded down of 26 percent would be 6 percent?

MR. KHURRAM MASUD: I -- Yeah.

MS. KATHLEEN MCCANDLESS: And that would translate to a discount of 46 percent instead of the 48 percent shift?

MR. KHURRAM MASUD: That's right. Yes.

MS. KATHLEEN MCCANDLESS: Yes. What would be the change in the impact of the DSR discount if DSR level 18 had a discount of 46 percent instead of 48 percent?

MR. KHURRAM MASUD: Can you repeat that question?

MS. KATHLEEN MCCANDLESS: Relative to the 5 percent overall, what would be the change in the impact of the DSR discount, if DSR 18 had a discount of 46 percent instead of 48 percent?

(BRIEF PAUSE)

MR. STEVE SCARFONE: Ms. McCandless, we can take that by way of Undertaking, if it's okay.

MS. KATHLEEN MCCANDLESS: To confirm, for the record, then, relative to the overall 5 percent, what would be the change in the impact of the DSR discount, if DSR 18 had a discount of 46 percent instead of 48 percent. Thank you.

--- UNDERTAKING NUMBER 11: MPI to confirm, relative to the overall 5 percent, what would be the change in the impact of the DSR discount, if DSR 18 had a discount of 46 percent instead of 48 percent.

MR. STEVE SCARFONE: Thank you.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Scrolling back up to Figure App. 6-3.

So, this -- this schedule was based on determining what DSR level existing drivers would have if they could have had up to a DSR discount level or positive discount -- DSR level of 20.

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: Correct?

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: And what would be the average discount for DSR 50 -- 15 through 20 in this analysis?

MR. KHURRAM MASUD: Just a second. We have that number. I just need to --

MS. KATHLEEN MCCANDLESS: Sure.

MR. KHURRAM MASUD: You mean 16 to 20, the new DSR levels are you mean 15 to 20? Fifteen --

MS. KATHLEEN MCCANDLESS: Fifteen to 20.

MR. KHURRAM MASUD: It's 64 percent.

MS. KATHLEEN MCCANDLESS: Is that weighted by the number of vehicles?

MR. KHURRAM MASUD: Yeah, number of earned units. Yeah.

MS. KATHLEEN MCCANDLESS: Thank you. Now, if we go to Figure DSR, Appendix 3, App. 1-4 from last year's GRA, and that's Figure -- or page 10 of 15. And if -- if, Ms. Schubert, that's going to take -- if it's too -- sure -- it's Appendix 3 from DSR and it's page 10 of 15 in -- in Appendix 3. So, Figure App. 1-4. It's 1-4 but it's Appendix 3. There we go.

Okay. Perfect. Thank you.

So, this is from last year's GRA and for DSR Level 15 from last year, that showed a calculated discount of -- at line 1, 56 percent?

MR. KHURRAM MASUD: Correct.

MS. KATHLEEN MCCANDLESS: And this would be, roughly, the same group of drivers that would fall into 15 through 20, in the 2024 GRA analysis?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: Why is the average discount significantly increased from last year?

MR. KHURRAM MASUD: We fitted a curve here. So, the actual discount for 15, which will be made up of -- if we were to use, say, assimilated data, the drivers between 15 to 20. Let me just get that number for you.

The ev -- the actual discount from the raw calculation would be -- just a second -- would be 66 percent, had we not fitted the curve, which is fairly close to the average discount from the synthetic data.

MS. KATHLEEN MCCANDLESS: Thank you. If we move to -- back to this GRA, PUB/MPI 1-73 and

Figure 1. Thank you, Kristen.

This shows the existing and anticipated DSR discounts?

MR. KHURRAM MASUD: Correct.

MS. KATHLEEN MCCANDLESS: And they are based on the current actuarial indications. So, they may change over time?

MR. KHURRAM MASUD: Yes. It is possible.

MS. KATHLEEN MCCANDLESS: They assume that, next year, MPI would move one-third of the remaining distance to the actuarial indication?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And, then, half of the remaining distance the following year?

MR. KHURRAM MASUD: That's right. Yes.

MS. KATHLEEN MCCANDLESS: And, although not shown, the current assumption would be that, in the year following that, MPI would move to the fully actuarially indicated discount. Correct?

MR. KHURRAM MASUD: Yes. Yes.

MS. KATHLEEN MCCANDLESS: Thank you. Now, within Figure RI-10 -- thank you.

And this is the rating year '24/'25,

major classification required rate changes for break even rates?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: Do the average premiums, by major class, reflect the impact of the current average DSR discount in each major class?

MR. KHURRAM MASUD: Just one second.

(BRIEF PAUSE)

MR. KHURRAM MASUD: Yes. It's -- it's -- it's in there. Yes.

MS. KATHLEEN MCCANDLESS: Thank you. Since a larger portion of commercial and public major class are fleet vehicles and, therefore, not eligible for the DSR discount, that would mean that the average DSR discount built into the base rates for private passenger and for motorcycle would be larger than for commercial and public. Is that fair?

MS. CARA LOW: Could you repeat that, please?

MS. KATHLEEN MCCANDLESS: Because there's a larger portion of commercial and public major class in -- in fleet vehicles, which are, therefore, not eligible for DSR discounts, then that would mean that the average DSR discount built into the base rates for private passenger and motorcycle, we would expect, would be larger for commercial -- and for commercial --

MS. CARA LOW: Yes. Yes. That would be true. Yeah.

MS. KATHLEEN MCCANDLESS: Thank you. Then if we could go to PUB/MPI-1-4, please. And there are three (3) impacts of the DSR discounts on the required base rates. Is that right? There's the DSR drift which is --

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: -- if we can go down to page 4 of 4. So there's DSR drift estimated to be -- okay. One (1) page. Pardon me.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: We can scroll down back to where we were. There's a reference here to a DSR upgrade factor of negative .07 percent?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And so

that's also referred to as DSR drift?

MR. KHURRAM MASUD: Yes, the natural transition of people moving to higher DSR levels.

MS. KATHLEEN MCCANDLESS: And then if we go to Appendix 2 of this IR response.

And so there's the impact of the change in the discount rates, excluding the movement to DSR 17 or 18, of minus 2.46 percent. And that would be shown -- as shown by the difference between the --

MR. KHURRAM MASUD: Right.

MS. KATHLEEN MCCANDLESS: -- 1.14 billion and the --

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: -- 1.11 billion.

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: So with the existing and with -- without movement in DSR and with movement in DSR?

MR. KHURRAM MASUD: That's right, yes.

MS. KATHLEEN MCCANDLESS: Is this amount reflected in the current premium level in RI-10?

MR. KHURRAM MASUD: Can you just go back to RI-10, please.

(BRIEF PAUSE)

MR. KHURRAM MASUD: Yes. It's there. It's not split out, but the combined effect is in there.

MS. KATHLEEN MCCANDLESS: Thank you. And then going back to the table we were just looking at, the summary of overall premiums, there is the impact of the movement to DSR 17 and 18 of negative 4.88 percent.

And that would be the difference between the 1.11 billion and the 1.06 billion in the bottom two (2) lines?

MR. KHURRAM MASUD: Yes, yeah.

MS. KATHLEEN MCCANDLESS: Okay. Thank you. So taking those two (2) percentages then, subject to check, that would be a combined impact of about a negative -- of seven (7) -- negative 7.29 percent?

MR. KHURRAM MASUD: Subject to check.

MS. KATHLEEN MCCANDLESS: And the base rates are required to be offset by this impact which varies by major class?

MR. KHURRAM MASUD: That's right, yes.

MS. KATHLEEN MCCANDLESS: If we move

to Figure RMO-2 -- thank you. And this depicts the projected 2024/'25 average premium. It's also MPI Exhibit number 2.

We can see that the impact from DSR change -- changes is negative 5 percent overall. We see that at line 8?

MR. KHURRAM MASUD: That's right.

MS. KATHLEEN MCCANDLESS: And that varies by major class as some vehicles such as those in fleets or trailers or off-road vehicles, they're not eligible for DSR discount -- or DSR, correct?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: Okay. And after offset for the DSR impact, most of the major class base rates will be seeing an increase based on what we see at Figure RMO-2?

MR. KHURRAM MASUD: After the offset?

MS. KATHLEEN MCCANDLESS: After the offset, yes.

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: After considering the impact of the DSR change, it would be a zero overall change, correct?

MR. KHURRAM MASUD: That's right.

MS. KATHLEEN MCCANDLESS: And if the

final overall rate change was, for example, negative 3 percent, this impact of the DSR change would still need to be applied.

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: Yes?

MR. KHURRAM MASUD: Yeah, to get to zero percent?

MS. KATHLEEN MCCANDLESS: Pardon me?

MR. KHURRAM MASUD: Are you saying the overall rate indication becomes something else?

MS. KATHLEEN MCCANDLESS: Yes.

MR. KHURRAM MASUD: Yes, yes. Combined effect would be whatever the rate indication turns out to be.

MS. KATHLEEN MCCANDLESS: Okay. So, for example, if -- if it's negative 3 percent, the impact of the DSR change would still need to be applied.

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: Yes. And therefore, the base rates on average would still be increasing?

MS. CARA LOW: It's -- the calculation's always going to be revenue neutral. If we're going to give away more discounts, then we have to offset it. So the rates are going up 'cause we're giving away more discount, and that's always going to be a revenue-neutral calculation.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: But many of the better drivers would be seeing a decrease?

MR. KHURRAM MASUD: You mean now or if --

MS. KATHLEEN MCCANDLESS: In this illustration.

MR. KHURRAM MASUD: Yes, yes.

MS. KATHLEEN MCCANDLESS: Thank you. Now moving to PUB/MPI-1-4(b), Appendix 2. So if we go down to the bottom -- and I believe there are a number of tables in this appendix. At the bottom of the table, moving to the distribution of vehicles by -- by DSR by major class -- we can use the first one I think in this appendix.

And looking down at the bottom of the table, we see "not ME". What does that refer to?

MR. KHURRAM MASUD: Merit eligible.

MS. KATHLEEN MCCANDLESS: Not merit eligible?

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: And that's because the value for private passenger is significantly less than the number of fleet vehicles?

MR. KHURRAM MASUD: It could be one (1) of the contributing factors.

MS. KATHLEEN MCCANDLESS: Are there others?

(BRIEF PAUSE)

MR. KHURRAM MASUD: There's some insurance uses that are not eligible for DSR.

MS. KATHLEEN MCCANDLESS: Sorry, I didn't catch the first part of what you said.

MR. KHURRAM MASUD: There's some insurance uses within private passenger vehicles that are not eligible for DSR discounts.

MS. KATHLEEN MCCANDLESS: Thank you. So, Kristen, could we please go to the PowerPoint presentation, slide 6, from the Ratemaking Panel. Thank you.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Thank you. So, Mr. Masud, here we see slide 6 of the presentation from a few moments ago, and I'm looking at major class 1, so that would be private passenger?

MR. KHURRAM MASUD: That's true, yes.

MS. KATHLEEN MCCANDLESS: And the fleet policies total is thirty-three thousand two hundred and twenty-seven (33,227)?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And then, Kristen, could we please go back to the table we were just looking at and maybe just scroll to the top for one (1) second. So we see private passenger, and then go down to 'not ME', so not merit eligible.

So there's obviously a significant difference there between the number of fleet policies and the number of private passenger policies that are not merit eligible. Can you explain?

MR. KHURRAM MASUD: Individuals who -- individuals who belong to the fleet program are still merit eligible, and yet within the private passenger vehicles, there may be many individuals who have more than -- ten (10) or more vehicles and they belong to the fleet program, so they are still considered merit eligible.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: So does that mean that fleet vehicles are eligible for a DSR?

MR. KHURRAM MASUD: Individuals are eligible for DSR, so that they are considered merit eligible, but once they enroll into the Fleet Program, then they do not receive a DSR discount.

MS. KATHLEEN MCCANDLESS: All right. Thank you for that clarification. Just one (1) last question on DSR ratemaking.

If MPI re-rated all vehicles at DSR zero and compared the premium to the actual forecast, would MPI agree that the overall discount is about 33 percent?

MR. KHURRAM MASUD: Thirty-three percent is --

MS. KATHLEEN MCCANDLESS: Overall weighted average.

MR. KHURRAM MASUD: Is it in any of the appendices, the 33 percent, or...? Okay.

MS. KATHLEEN MCCANDLESS: Subject to check, would you agree --

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: -- accept

that? Okay. Thank you.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: I'm now moving on to some questions about the overall rate indication, and starting with figure RI-10. Thank you, Kristen.

And referring to line 23, overall, based on this figure, the overall rate indication was a reduction of .1; that's rounded down from .13 percent?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: The overall apply for change at line 24 was zero?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And although the overall rate change proposed is zero, there are changes proposed that vary for each major class, yes?

MR. KHURRAM MASUD: Yes, that's right.

MS. KATHLEEN MCCANDLESS: And within each major class that vary by each use insurance and territory?

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: And there

are changes proposed for the DSR vehicle premium discounts?

MR. KHURRAM MASUD: That's true.

MS. KATHLEEN MCCANDLESS: The overall increase in those discounts requires an offsetting base rate increase for each major class?

MR. KHURRAM MASUD: That's true, yes.

MS. KATHLEEN MCCANDLESS: Thank you. Now, with respect to the investment yield, and this is section RI -- it's -- Kristen, it's page 6 of 28. Thank you.

At line 21, MPI suggests the use of duration of the premium liabilities instead for the current GRA?

MR. KHURRAM MASUD: That's true, yes.

MS. KATHLEEN MCCANDLESS: And that's as the basis of the naive interest yield?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And this was estimated by MPI to be two point six seven (2.67)_ years, subject to check?

MR. KHURRAM MASUD: Yes. Subject to check, yeah.

MS. KATHLEEN MCCANDLESS: And then if we scroll down to the next page, we see the two point six seven (2.67) years at line 12.

MR. KHURRAM MASUD: M-hm.

MS. KATHLEEN MCCANDLESS: Starting at line 9, the investment return of 4.35 percent gross of investment expenses reflects the best estimate projected yield as at the time when the average policy is written during the rating year '24/'25?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And that's based on the target weights for government bonds, corporate bonds, and commercial mortgages as per the investment policy statement?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And the yield of the relevant short-term FTSE bond indices as of March 31, 2023?

MS. CARA LOW: Correct, yes.

MS. KATHLEEN MCCANDLESS: Then if we could go to PUB/MPI-1-5, figure 1. Thank you, Kristen.

And so, if we're looking at the new money yield here at figure 1 and the IPS target weights, so the third column in, line 4, this is using only 70 percent of the investment policy statement target weights?

MS. CARA LOW: That would be correct.

MS. KATHLEEN MCCANDLESS: And then at PUB/MPI-1-6, figure 2 -- thank you, Kristen. And now we're looking at the investment expense ratio for the Basic claims portfolio, fixed income.

So the ratio based on -- oh, pardon me -- the asset classes that we see here in figure 2 for this GRA is at line 9, .124 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And the resulting yield net of investment expenses was 4.22 percent?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: And then MPI updated this figure at Exhibit 50, page 19 of 33, to August 31, 2023, market yields?

MS. CARA LOW: Yes, we did.

MS. KATHLEEN MCCANDLESS: And thank you, Kristen. We see with that update at line 4, total, the short-term benchmark yields before expense is 5.16 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And then after the expense of .12 percent for investment management fees, the new money yield is calculated at

5.04 percent?
MS. CARA LOW: Correct. Yes.
MS. KATHLEEN MCCANDLESS: Now, if we could go to figure RMO-1 from the rate update -- thank you, Kristen -- page 1.
The impact of this increase of 82 basis points on the rate indication reduced the rate indication, as we heard at the outset in your comments, to negative 1.48 percent, which is rounded up to 1.5 here at line 8?
MS. CARA LOW: That is correct.
MS. KATHLEEN MCCANDLESS: And so that increase yield of 82 basis points translated to a decrease in the rate indication of minus 1.35 percent, correct?
MS. CARA LOW: If you get more money for investment income, you have to collect less from the insurance premium.
MS. KATHLEEN MCCANDLESS: Thank you. Figure INV-11 -- thank you, Kristen.
This shows the asset allocation targets for Basic claims?
MS. CARA LOW: Yes. This was for the new April 1st, 2023, investment policy, yes.
MS. KATHLEEN MCCANDLESS: Okay. Thank

you. And this includes MUSH bonds --

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: -- with a 20 percent weight at line 4?

MS. CARA LOW: Correct. Yes.

MS. KATHLEEN MCCANDLESS: And MUSH is municipalities, universities, schools, and hospitals?

MS. CARA LOW: Right.

MS. KATHLEEN MCCANDLESS: Okay. And line 13, Canadian real estate is weighted at 10 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: MPI chose not to implement the short-term Basic portfolio as the benefits would have been limited? And for reference, that would be investment section of the filing, page 25 of 85.

MS. CARA LOW: Sorry, what -- what -- what was the statement, that we --

MS. KATHLEEN MCCANDLESS: That MPI chose -- oh, yeah, if we -- if we scroll down here.

That MPI -- MPI chose not to implement the short-term Basic portfolio as the benefits would have been limited?

MS. CARA LOW: No. Correct. Yes,

yes.

MS. KATHLEEN MCCANDLESS: Then if we jump to figure INV-19 -- thank you, Kristen.

The claims duration as well as the marketable and nonmarketable bond duration seen here at figure INV-19 for the year ended March 24, line 2, is eight point six (8.6) --

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: -- years? Okay.

MS. CARA LOW: Yeah.

MS. KATHLEEN MCCANDLESS: And forecast to be eight point five (8.5) years ending -- for the years ending 2025 and thereafter?

MS. CARA LOW: Agreed. Yes.

MS. KATHLEEN MCCANDLESS: And MPI's reinvestment strategy is designed to match the claim liability duration?

MS. CARA LOW: Duration and convexity and dollar, but not cashflows.

MS. KATHLEEN MCCANDLESS: There's no separate investment portfolio for the new rating year?

MS. CARA LOW: No.

MS. KATHLEEN MCCANDLESS: Okay. And that's the year in which investments would be made in assets with a duration of two point six seven (2.67) years?

MS. CARA LOW: Correct. But the majority of those claims are paid through the cash dollars.

MS. KATHLEEN MCCANDLESS: Thank you. If we go to PUB/MPI-1-7 next, we can see at figure 1 -- thank you, Kristen.

So here, if MPI used the asset allocation weights by asset class, the resulting yield at line 6 is 4.45 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And if we go down to figure 2, then the corresponding investment expense ratio, we see as a percentage, line 11, it would be .190 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And that results in a yield after investment expense ratio of 4.26 percent?

MS. CARA LOW: Correct. Yes.

MS. KATHLEEN MCCANDLESS: This was based on March 20 -- March 31, 2023 market yields?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: And sticking

with this IR response, but going down to figure 3. Thank you.

So the impact of this four (4) basis point increase in yield, at line 23, we would see a decrease -- thank you -- in the rate indication of .07 percent to an overall rate indication of -- a decrease of .2 percent.

MR. KHURRAM MASUD: It's rounded, so it may not be exactly .07 percent but, yeah, thereabout.

MS. KATHLEEN MCCANDLESS: Okay. And then, jumping back to MPI Exhibit 50, the update from October 4th and page 20. Thank you.

And this was actually filed in response to a PUB Information Request from Round 2.

And the corresponding yield, based on August 31, 2023, we see, at line 6, is 4.81 percent before expense?

MS. CARA LOW: That is correct.

MS. KATHLEEN MCCANDLESS: And the next page shows the management expense is .19 percent?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: So if we subtract the management expense, then the yield would be 4.62 percent?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: And that's then a corresponding rate indication of -- keep scrolling to line 23 -- a decrease of .8 and I think that's .81 percent rounded down?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: Thank you. A forty (40) point basis -- point increase in yield translated to a decrease in the rate indication of minus .68 percent?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And the 4.62 percent value is lower than the value of 5.04 percent, that we saw earlier, primary due to the current inverted yield curve where short-term rates are higher than long-term rates?

(BRIEF PAUSE)

MS. CARA LOW: Sorry, what was the 4.8 percent number that you were referring to? Because the August yield that was used was five-point-zero-four (5.04).

MS. KATHLEEN MCCANDLESS: It's the 4.62 percent that we just referred to, which was the updated yield minus the investment expense, which comes to 4.62 percent.

MS. CARA LOW: By choosing all the asset classes.

MS. KATHLEEN MCCANDLESS: Yes.

MS. CARA LOW: Rather than the 70 percent of the fixed income portion. Okay.

MS. KATHLEEN MCCANDLESS: So the question was that that 4.62 percent is lower than the 5.04 percent.

MS. CARA LOW: Right.

MS. KATHLEEN MCCANDLESS: Mainly because of the current inverted yield curve?

(BRIEF PAUSE)

MS. CARA LOW: Could we take that away?

(BRIEF PAUSE)

MR. STEVE SCARFONE: Ms. McCandless, we could either take that last one on the inverted yield curve by way of undertaking or you can put it to the Investments Panel will have an answer for you.

MS. KATHLEEN MCCANDLESS: I won't give the undertaking if I have an assurance that the Investments Panel will be able to provide the answer.

MS. CARA LOW: We can prepare an answer for the Investment Panel because it will be Mr. Bunston and myself.

MS. KATHLEEN MCCANDLESS: Okay. Thank you. We'll do it that way then.

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: In normal market -- market conditions, short-term rates are lower than long-term rates?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: So one would expect the yield based on the asset allocation to be higher than based on MPI's suggested approach?

MS. CARA LOW: For using the claims duration, in theory, it should be higher than the premium duration, yes.

MS. KATHLEEN MCCANDLESS: And going back to figure 1 from PUB/MPI-1-7. Or maybe from the rate update. Yes, from the rate update.

Would you agree that MPI did not update the MUSH yield or the mortgages yield or the real estate yield to reflect the increase in market yields?

MS. CARA LOW: I would agree, yes.

MS. KATHLEEN MCCANDLESS: Thank you. And just for the record, there are a couple of pre-asks that have been provided to MPI following up on this, one being, what the -- if -- if you were to reflect the increase in market yields on these three (3) asset classes, what the corresponding yield would be. And what would be the corresponding rate indication. But those are pending, so we'll leave that for now.

If we move to figure INV-45. Thank you. The Basic claims investment income, line 8, shows Investment income for 2023/24 of $87.6 million through 2027/28 of 95.7 million?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And these amounts are after investment fees paid as shown in line 5?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: Then moving down to the next investments figure 46. And this shows the Basic claims asset allocation?

MS. CARA LOW: Yes, it does.

MS. KATHLEEN MCCANDLESS: Line 7 shows

total assets of 1,999,000,000 at the end of 2023/24?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And that increases to 2.17 million at the end of -- billion, pardon me -- 2.17 billion at the end of '27/'28?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: Then Kristen, if we could pull up -- and I understand that this was -- this issue has been raised in a pre-ask. And this is an excerpt from the OSFI P&C commentary.

And I'm looking at the calculation of the investment yield, line 46. It's at the bottom of the screen. Maybe we could move up.

MS. CARA LOW: Yes, I see it.

MS. KATHLEEN MCCANDLESS: Thank you. And either Ms. Low or Mr. Masud, are you familiar with this?

MR. KHURRAM MASUD: With this formula?

MS. KATHLEEN MCCANDLESS: Yes.

MS. CARA LOW: I have seen it before.

MS. KATHLEEN MCCANDLESS: Okay. Now, if you're able to, at this time, if we were to apply the -- this Investment yield calculation to the 2025/26 year with -- that has an investment -- forecast investment return of 90.3 million and an opening balance of 2.01 billion and a closing balance of 2.04 billion, that would result in an investment yield of 4.55 percent?

MS. CARA LOW: Was this -- is that number a result of the IR? Or is that...

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Okay. So I think what I would do then is I have a series of questions on this issue that would be best answered by way of undertaking.

MS. CARA LOW: Sure.

MS. KATHLEEN MCCANDLESS: It's a lot of math to do on the fly.

So -- and rather than read it all right now, maybe what I can do is we can provide it in writing to your counsel and then we can read it into the record tomorrow?

MR. STEVE SCARFONE: Yeah. That sounds better than doing it now.

(BRIEF PAUSE)

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. So, I'll move on to then questions about benefits and, Kristen, could we go to figure EXP-38.

And this table shows basic normal operations by category, a six (6) year summary. Yes?

MS. CARA LOW: Yes, it does.

MS. KATHLEEN MCCANDLESS: And looking at line 4, that shows compensation benefits for basic normal operations, looking at 2024/'25 of $25.9 million?

MS. CARA LOW: Correct.

MS. KATHLEEN MCCANDLESS: And then for 2025/'26, $26.3 million?

MS. CARA LOW: Yes.

MS. KATHLEEN MCCANDLESS: Those benefits would include employee future benefits?

MS. CARA LOW: I think that's a question for our CFO.

MS. KATHLEEN MCCANDLESS: Okay.

MS. CARA LOW: I would think so, but I'm not 100 percent sure. So, maybe the Financial Forecasting Panel.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: Okay. All right, thank you. I have some questions in that area, but I see, Ms. Low, that you are on the Financial Forecasting Panel and you'll have Mr. Kolaski with you, so probably best that we defer those questions to next week.

So, then, with respect to the fleet rebate allocation. And I'm looking at RC Appendix 7, page 3 and, yes, figure RC-APP-71.

This shows the allocation of fleet customers by major class?

MR. KHURRAM MASUD: Correct.

MS. KATHLEEN MCCANDLESS: And MPI has allocated the fleet rebates in proportion to the number of fleet vehicles within each major class.

MR. KHURRAM MASUD: That's right.

MS. KATHLEEN MCCANDLESS: And that's what we see here on the figure?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And, looking at line 2 for private passenger, that results in a per unit cost of $11.52?

MR. KHURRAM MASUD: Correct. Yes.

MS. KATHLEEN MCCANDLESS: And for commercial, $130.25?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And for the public class, $249.26?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: And, if we look at the approach that MPI used in last year's GRA, so that's -- from the 2023 GRA figure RM-13, the total unit per cost would have been $21.18?

MR. KHURRAM MASUD: Are you referring to fleet rebates at line 13?

MS. KATHLEEN MCCANDLESS: Sorry, 20 point -- $20.36.

MR. KHURRAM MASUD: Yes. Yes.

MS. KATHLEEN MCCANDLESS: So, if it had been calculated the same way this year as it was last year, then the total per unit cost would be $21.18?

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: Okay. Thank you. So, the new approach that MPI is using assumes that the average fleet rebate per fleet vehicle is comparable for each major class?

MR. KHURRAM MASUD: Sorry, I didn't understand the question.

MS. KATHLEEN MCCANDLESS: Okay. The -

- so MPI's approach in this GRA --

MR. KHURRAM MASUD: Okay.

MS. KATHLEEN MCCANDLESS: -- is based on an assumption that the average fleet rebate per fleet vehicle is comparable for each major class?

MR. KHURRAM MASUD: It's different for each major class, that's what we are suggesting.

MS. KATHLEEN MCCANDLESS: But the -- the rebate is being allocated based on the number of vehicles and not the amount of premium per vehicle.

MR. KHURRAM MASUD: That's correct, number of vehicles, yes.

MS. CARA LOW: It's all to do with the allocation, 'cause we project what we believe the net rebates going to be and it -- it's how it's allocated back.

MS. KATHLEEN MCCANDLESS: Is the average premium by class, comparable or is public higher than private passenger, which is higher than commercial?

MR. KHURRAM MASUD: That's difficult to guess, but we may have something in the -- in -- in -- in the exhibits. We have the average here, right there.

MS. CARA LOW: Are we talking about

the average rebate that goes back?

MR. KHURRAM MASUD: Talking to the average pay -- talking about the average premium.

MS. CARA LOW: Oh, the average premium.

MR. KHURRAM MASUD: So, they're ready, yes, by major classes. They're not identical.

MS. KATHLEEN MCCANDLESS: Okay, so, public is higher than private passenger?

MS. CARA LOW: Right and that's on row 19.

MS. KATHLEEN MCCANDLESS: Right. And then private passenger is higher than commercial?

MR. KHURRAM MASUD: Yes, it seems that way. Yeah.

MS. KATHLEEN MCCANDLESS: So, assuming that the average fleet rebate per fleet vehicle is comparable, seems -- it seems that that would be unlikely -- an unlikely assumption.

MR. KHURRAM MASUD: Correct. If the -- if the -- because the average premium varies by -- by major class, yes.

MS. KATHLEEN MCCANDLESS: Thank you. In PUB/MPI 2-10 Response A -- oh, first perhaps, we could go to the question just for context, thank you, Kristen.

So, here MPI was asked to provide the actual historical fleet rebates for each of the last ten (10) years, by major class and at a more granular level by insurance use and territory --

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: -- and then if we see the response at A -- thank you -- MPI advised that it is unable to provide the rebate/surcharges for major classes, territories and insurance uses.

MR. KHURRAM MASUD: Correct.

MS. KATHLEEN MCCANDLESS: Now, looking at figure REV-11. Thank you.

So relative to total premiums, as shown in REV-11, the rebates appear to be about 25 percent for fleet vehicles on average?

MR. KHURRAM MASUD: Are relative to fleets premiums --

MS. KATHLEEN MCCANDLESS: Relative to total premiums.

MR. KHURRAM MASUD: Relative to total fleets premiums, right, yeah, I'd say -- what -- what's the number you said, twenty-five (25) -- I think it's closer to 20 percent, if I remember right.

The -- the vehicle premiums goes to a hundred (100) and the fleet vehicles are close to twenty (20) million approximately.

MS. KATHLEEN MCCANDLESS: Is the total premium in the far right column net of rebates?

(BRIEF PAUSE)

MS. CARA LOW: We need to go back and check the data source, but we believe it's net of rebate, right? 'Cause it's less --

MR. KHURRAM MASUD: It's less than what we thought, yeah.

MS. CARA LOW: -- but we have to check the data source.

MS. KATHLEEN MCCANDLESS: So, if MPI could then just undertake to advise as to whether the total premiums found in the far right column in figure REV-11 are net of premium -- net -- net of rebate, pardon me.

--- UNDERTAKING NO. 12: MPI to advise as to whether the total premiums found in the far right column in figure REV-11 are net of rebate

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: So, assuming the rebates -- for the purpose of my question, assuming the rebates appear to be about 25 percent, or 20 percent, either way, that would be less than the average DFR -- DSR discount of approximately 33 percent.

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: Currently, premiums in the rate model, reflect the DSR discount but do not reflect the fleet rebate or surcharge.

Correct?

MR. KHURRAM MASUD: In the rate -- in the rate model you said?

MS. KATHLEEN MCCANDLESS: The premiums in the rate model, yes.

MS. CARA LOW: That's true. The rate model does not have the fleet rebates in there.

MR. KHURRAM MASUD: Okay.

MS. KATHLEEN MCCANDLESS: Okay.

MR. KHURRAM MASUD: Yes. Yes.

MS. KATHLEEN MCCANDLESS: Yes. The change proposed by MPI is designed to reflect the relative weight of fleet vehicles in each major class?

MR. KHURRAM MASUD: Yes. Yes.

MS. KATHLEEN MCCANDLESS: You have to speak up a little --

MR. KHURRAM MASUD: Yes.

MS. KATHLEEN MCCANDLESS: Thank you. Just a handful of more questions and one is, some follow up from Ms. Dilay's cross-examination.

The correction, Ms. Low, that you had made to CAC/MPI-1-68. And perhaps, Kristen, we could pull up what I'm talking about so you have a reference point -- and the impact of that correction on the rate indication.

(BRIEF PAUSE)

MS. KATHLEEN MCCANDLESS: So we're looking for a figure here. Thank you. Okay.

So, Ms. Low, you'll recall that you mentioned that the change in severity for accident year -- insurance year 2021/'22, based on the correction, would be 9.38 percent rather than 9.59 percent as shown in Figure 1?

MS. CARA LOW: I believe that was the number that was from Ms. Zhou -- Ms. Zhou.

MS. KATHLEEN MCCANDLESS: Oh, was it Ms. Zhou?

MS. CARA LOW: Yeah.

MS. KATHLEEN MCCANDLESS: Pardon me. It was, yeah.

MS. CARA LOW: But it does ring a bell.

MS. KATHLEEN MCCANDLESS: Okay.

MS. CARA LOW: I believe that is the correct number.

MS. KATHLEEN MCCANDLESS: And has -- has MPI estimated what the impact of the change in collision severity down to 9.38 percent would have on the overall rate indication?

MS. CARA LOW: No, we have not.

MS. KATHLEEN MCCANDLESS: Okay. Do you know if it differs from the negative .72 percent impact that Oliver Wyman had calculated?

MS. CARA LOW: No. I believe it is different.

MS. KATHLEEN MCCANDLESS: Okay. Would it be possible to have an undertaking for a revised RI-10 based on the correction to the severity trend for accident insurance year 2021/'22?

MR. STEVE SCARFONE: Yes, we can make

that undertaking, Ms. McCandless.

--- UNDERTAKING NO. 13: MPI to provide revised RI-10 based on correction to the severity trend for accident insurance year 2021/'22

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: Thank you. Now, with respect to the rate indication for the blanket policy, if we could go to RC Appendix 11. Thank you. And pages 3 and 4 speak to the methodology.

And this indicates that the formula for the per -- rate per kilometres is based on the difference between the expected revenue from passenger Vehicles For Hire and the expected revenue from all-purpose passenger vehicles divided by the expected kilometres driven on P2 and P3?

MR. KHURRAM MASUD: That's right.

MS. KATHLEEN MCCANDLESS: And rates for passenger Vehicles For Hire in application rate tables are based on DSR level, time banned, and vehicle rate group?

(BRIEF PAUSE)

MR. KHURRAM MASUD: Yes. Yes.

MS. KATHLEEN MCCANDLESS: Thank you. Since there is a rebate -- rebate or surcharge for the TNC blanket policy, then is it fair to assume that DSR level 0 would be used as the input for the passenger Vehicles For Hire rate given that DSR discounts are not permitted in any fleet policies?

MR. KHURRAM MASUD: Yeah. Yeah. That makes sense, yeah.

MS. KATHLEEN MCCANDLESS: Thank you. What DSR level would be used for the all-purpose revenue as drivers would be eligible for DSR discounts for their all-purpose passenger vehicle rate?

(BRIEF PAUSE)

MR. KHURRAM MASUD: So to start -- to start the policy, the blanket policy, the all-purpose and VFH both are based on the current level of DSR discounts.

But as we move forward, we will have the actual experience coming from the per-kilometre rate and the actual kilometres driven. So we'll transition to their own rate indication, their own appropriate rate.

It might not be rate indication because there is this adjustment of premium that takes place afterwards for their own loss experience, but their per-kilometre rates would be driven by their own experience based on the number of kilometres driven and their claims incurred.

MS. KATHLEEN MCCANDLESS: So would it be fair to assume that four (4) time bans would be used for the -- time ban 4, pardon me, would be used for the passenger Vehicle For Hire rate?

MR. KHURRAM MASUD: Yes. Yes.

MS. KATHLEEN MCCANDLESS: What vehicle rate group would be used?

(BRIEF PAUSE)

MR. KHURRAM MASUD: It is really the total premium, so it's not really in a single rate group that would be used.

MS. KATHLEEN MCCANDLESS: How would MPI calculate the revenue if it doesn't know what rate group is being used?

MR. KHURRAM MASUD: We have that...

(BRIEF PAUSE)

MR. KHURRAM MASUD: It's based on the actual premiums, historic premiums, and then we estimate the next year's total premiums. So it's not really based on individual vehicles premiums, and it's not ground up.

MS. KATHLEEN MCCANDLESS: Is it based on the average rate group?

MR. KHURRAM MASUD: It's based on the aggregate, so that's one (1) way of putting it.

MS. CARA LOW: So in theory, you could drill down to what the average rate group is, but it's a total revenue.

MR. KHURRAM MASUD: Yeah.

MS. KATHLEEN MCCANDLESS: You'd acknowledge that MPI already has passenger VFH rates?

MR. KHURRAM MASUD: Correct.

MS. KATHLEEN MCCANDLESS: And all-purpose passenger vehicle rates?

MR. KHURRAM MASUD: Correct.

MS. KATHLEEN MCCANDLESS: So what was the relevance of the external actuarial analysis as MPI's standard methodology has already generated the indicated rates for the rating year '24/'25 for passenger VFH and all-purpose passenger vehicles?

MS. CARA LOW: We first kicked off -- the external review was back right after I started when there was limited actuarial resources, and there wasn't any expertise in house really how to calculate a per-kilometre rate. So that's where it started. It took a while 'cause we kind of stopped working on it for a little while.

MS. KATHLEEN MCCANDLESS: Since MPI has the rates that you just acknowledged, what is the purpose of the actuarial analysis then?

MR. KHURRAM MASUD: The basis -- the basis itself of calculating the per-kilometre rate? Since we did not have resources at that point in time, that's before I joined in, and that's when Cara started, and we had very limited resources internally.

MS. KATHLEEN MCCANDLESS: All right. Thank you. Those are all my questions for this panel.

PANEL CHAIRPERSON: Thank you, Ms. McCandless.

It's ten (10) to 4:00. Ms. Dilay, I assume that you will be longer than a half an hour?

MS. KATRINE DILAY: No. Actually, I have some questions and Mr. Klassen has some questions, but all in all, especially given Ms.

McCandless's questions, I think we're going to be about twenty (20) minutes.

PANEL CHAIRPERSON: Okay. Then please proceed.

MS. KATRINE DILAY: Thank you.

CROSS-EXAMINATION BY MS. KATRINE DILAY:

MS. KATRINE DILAY: Good afternoon. It's nice to see you both again. I'd like to start by taking you to Board Order 4 of '23.

And so you'll acknowledge that's what's before us on the screen?

MS. CARA LOW: Yes.

MS. KATRINE DILAY: And you'll confirm your understanding that this is PUB Order from the last General Rate Application, the 2023 Rate Application?

MS. CARA LOW: Correct.

MS. KATRINE DILAY: And could we go to page 39, please, Ms. Schubert.

So you'll confirm, if we look at -- sorry, Ms. Schubert, can back up, thank you.

The second full paragraph on this page, you'll confirm your understanding as referred to in this PUB Order, they're referring back to Order 162 of

'16, that the PUB approved the rate indication prepared by the Corporation based on accepted actuarial practice in Canada?

MS. CARA LOW: Correct. Yes.

MS. KATRINE DILAY: And there the Board also directed the Corporation to follow AAP as the basis for its rate indications in future rate applications, correct?

MS. CARA LOW: Correct.

MS. KATRINE DILAY: And there the Public Utilities Board confirms that -- or -- or indicates that the Corporation commenced doing this in the 2018 application?

MS. CARA LOW: Correct.

MS. KATRINE DILAY: And MPI has continued to file its rate application based on AAP as recently as last year, in the 2023 GRA, correct?

MS. CARA LOW: Correct.

MS. KATRINE DILAY: And you'll agree that, in this GRA, MPI is seeking a zero percent rate change?

MS. CARA LOW: We are, yes.

MS. KATRINE DILAY: As per a government of Manitoba directive?

MS. CARA LOW: Correct.

MS. KATRINE DILAY: But you'll agree MPI has also filed the AAP rate indication, correct?

MS. CARA LOW: Yes.

MS. KATRINE DILAY: And subject to check, you'll agree that, as per the October update, the AAP rate indication overall is minus 1.5 percent?

MS. CARA LOW: Minus 1.48, yes.

MS. KATRINE DILAY: Thank you. Minus 1.48. And so you'll agree that MPI's Application is not requesting the AAP rate indication?

MS. CARA LOW: That is correct.

MS. KATRINE DILAY: And you'll confirm your understanding that the Public Utilities Board sets just and reasonable rates?

MS. CARA LOW: Yes.

MS. KATRINE DILAY: And you'll agree your understanding that the PUB is not bound by government of Manitoba directives, correct?

MS. CARA LOW: I have been told that, yes, by the legal team, yeah.

MS. KATRINE DILAY: I have just a few questions on generalized rate modelling. Could we turn, Ms. Schubert, to Taxi Coalition/MPI-1-25 at page 4.

And if we look at the response to part

'F', there are no -- you'll -- you'll see there there it says:

"There are no anticipated onetime or ongoing costs at this stage related to debt acquisition and management solely attributable to the implementation of GLM-based ratemaking."

MR. KHURRAM MASUD: That's correct.

MS. KATRINE DILAY: You see that?

MR. KHURRAM MASUD: Yeah.

MS. KATRINE DILAY: And if we kind of keep that in mind and turn to a different IR response, TC/MPI-2-4 at page 2, you see there MPI responded to this question.

"There are no anticipated additional costs associated with generalized linear model that are attributable to GLM in combination with other initiatives."

MR. KHURRAM MASUD: Correct.

MS. KATRINE DILAY: And as a third reference point, could we turn to CAC/MPI-1-19 at page 3. And there you see MPI responded for 2023/'24 forecast budget:

"The external appointed actuary fees are included, plus additional costs, due to external consulting to help with the implementation of GLMs and external consulting fees for a review of the enhancement to claims forecasting."

You see that?

MR. KHURRAM MASUD: Yes.

MS. KATRINE DILAY: And so, given the three (3) responses we looked at, are you able to clarify for the record whether there will be additional costs associated with the implementation of generalized linear modelling and what those costs are?

MS. CARA LOW: We don't expect any further costs. We did have a consultant, and it was not our appointed actuary. But we did have a consulting -- consultant working with us for halftime, for about five (5) months, to help us set up GLMs, and this was before we were able to hire a manager or pricing transformation.

And as Kyle has joined us, we transitioned it from the consultant over to Kyle.

MS. KATRINE DILAY: Thank you for that, Ms. Low. I just have a few questions that I had started with on the Claims Forecasting Panel relating to vehicle counts under the Highway Traffic Act.

Ms. Schubert, could we go to part 9 of the DRA under "Revenues" -- or "Chapter Revenues," page 9, lines 10 to 11. Thank you.

So you'll see there MPI forecasts total Highway Traffic Act policy year earned units to grow by 0.86 percent from 2023/'24 to 2027/'28?

MR. KHURRAM MASUD: Correct.

MS. KATRINE DILAY: Thank you. And this reflects the aggregated of the forecast unit growth my major class?

MR. KHURRAM MASUD: You mean aggregate or by -- yeah.

MS. KATRINE DILAY: Yes.

MR. KHURRAM MASUD: Aggregate, yes.

MS. KATRINE DILAY: Aggregate --

MR. KHURRAM MASUD: Yeah.

MS. KATRINE DILAY: -- of the forecasted unit growth by major class?

MR. KHURRAM MASUD: Correct.

MS. KATRINE DILAY: And for each major class MPI based its selections on averages, excluding the 2021/'22 accident year and, in some cases, the 2022/'23 accident year, which were heavily impacted by the COVID-19 pandemic, correct?

MR. KHURRAM MASUD: Yes.

MS. KATRINE DILAY: And so, generally, you will agree that it will be important for MPI to continue to monitor the Highway Traffic Act unit growth forecast to account for updated information post-COVID-19 pandemic?

MR. KHURRAM MASUD: Absolutely. Yes.

MS. KATRINE DILAY: And could we turn, Ms. Schubert, to CAC/MPI-1-65.

And if we look at the preamble here, you'll agree that this IR references a government of Canada announcement regarding an immigration plan for Canada?

MR. KHURRAM MASUD: Yeah.

MS. KATRINE DILAY: And just generally, this -- this immigration plan essentially sets out its -- Canada's plan to welcome a permanent resident -- permanent residents in 2023, '24, and '25?

MR. KHURRAM MASUD: Yes.

MS. KATRINE DILAY: And if we look at the response on page 2, MPI indicates that it did not adjust for potential increases in immigration levels in the forecast Highway Traffic Act unit, correct?

MR. KHURRAM MASUD: Yes, we did not

incorporate this factor into our growth assumption.

MS. KATRINE DILAY: Thank you. And you'll agree that it will be important for MPI to continue to monitor the Highway Traffic Act unit growth forecast to account for changes in immigration in the future?

MR. KHURRAM MASUD: Yes, we will continue to monitor that effect of immigration.

MS. KATRINE DILAY: Thank you. Mr. Klassen will now have a few questions for this panel.

PANEL CHAIRPERSON: Thank you, Ms. Dilay. Mr. Klassen...?

MR. CHRIS KLASSEN: Thank you, Madam Chair.

CROSS-EXAMINATION BY MR. CHRIS KLASSEN:

MR. CHRIS KLASSEN: Good afternoon, witnesses. My questions will relate predominantly to the vehicle premium discounts offered through the Driver Safety Rating Program. And I can indicate that my questions have been significantly short -- shortened thanks to the work of Ms. McCandless.

Ms. Schubert, if we could begin by displaying figure RC-5 on the screen, please, and that's at page 33 of 44 in this chapter, if I'm not mistaken. Thank you very much.

And just to confirm so we're all on the same page, witnesses, I'll ask you to confirm that we have figure RC-5 on the screen before us. And in the first column on the left we see information presented by DSR, level. Is that correct?

MR. KHURRAM MASUD: Yes, that's correct.

MR. CHRIS KLASSEN: The next column presents the current vehicle premium discounts that are offered to customers in this rating year?

MR. KHURRAM MASUD: That's correct.

MR. CHRIS KLASSEN: And next to that, the proposed discounts that MPI seeks approval for in this Application, correct?

MR. KHURRAM MASUD: That's true, yes.

MR. CHRIS KLASSEN: And lastly, the difference between the two (2)?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And I believe Ms. McCandless drew your attention to the top part of this chart earlier this afternoon. We're going to focus a little bit further down at line 11.

I'll ask you to confirm that line 11 gives us information about DSR level 8. Is that

correct?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And one above that is level -- line 10, referring to DSR level 9, correct?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And moving across, we see the current discount offered to DSR level 9 is 27 percent?

MR. KHURRAM MASUD: Correct.

MR. CHRIS KLASSEN: Proposed is 28 percent?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And the difference is 1?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And that 1 percent change is the smallest change being made to DSR vehicle premium discounts in this Application, correct?

MR. KHURRAM MASUD: Yes. If you ignore zero, yes.

MR. CHRIS KLASSEN: Sure. Thank you. And not getting into the question of whether or not a zero percent change is in fact a change, you'll confirm that DSR levels 8 and below are receiving a zero percent change?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: Ms Schubert, if we could now turn our attention to RC Appendix 6, figure RC Appendix 6-3. Thank you.

You'll confirm, again, that this is a figure before you from Appendix 6 to this chapter of MPI's Application?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And still keeping our attention on DSR level 8, you'll confirm that we see information about DSR 8 at line 13.

Is that correct?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: Thank you. And with respect to the information presented in the other columns and leaving aside the column labelled, "Overall relatively," we see next a column labelled, "Calculated discount," correct?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And next, "Current discount"?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And following that

"Variance"?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And to confirm the meaning of those columns, Calculated Discount is what we've also referred to today as actuarially-indicated discount. Correct?

MR. KHURRAM MASUD: Yes. Yes.

MR. CHRIS KLASSEN: And Current, again, is what's presently being charged or offered to customers?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And, again, Variance being difference between the two?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: You will recall, Mr. Masud, that the direction given by this Board, in Order 4 of '23, was that vehicle premium discounts would be moved one-fourth of the way toward actuarially-indicated discounts, rounded down to the nearest whole number. Correct?

MR. KHURRAM MASUD: That's true. Yes.

MR. CHRIS KLASSEN: And, so, if we look again to line 13, DSR Level 8, we see the difference between the calculated and current discounts is 3.2 percent. Correct?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And, if we do easier math than you've been asked to do already today, we can do one-fourth of 3.2 and confirm, generally, that that's less than 1. Correct? And, so, when we round that down, we get to zero?

MR. KHURRAM MASUD: That's true. Yes.

MR. CHRIS KLASSEN: And I'll ask you to confirm that that's the reason that DSR Level 8 is not receiving a change to the vehicle premium discount, despite the fact that we see here that there's a 3.2 percent variance between current and calculated?

MR. KHURRAM MASUD: That's true. Yes. That's the reason. Eventually, they will get what they deserve, but, because it's rounded to zer -- to the -- to not the next to the not nearest -- what's -- what's the other one -- to the whole number that's less than. So, that's why it's getting a zero percent.

MR. CHRIS KLASSEN: I understand and thank -- thank you for that, Mr. Masud.

Ms. Schubert, could we please turn now to the response to PUB/MPI 172 and, if we could just scroll up to the first page, to confirm the request.

Mr. Masud, I see your mic is still on. I'll ask you to confirm that this Information Request from the Board to MPI asked for a comparison of current and indicated rates by DSR levels, both in terms of dollars and percentages?

MR. KHURRAM MASUD: Correct. Yes.

MR. CHRIS KLASSEN: And, now, to the table, Ms. Schubert. Thank you.

And, so, again, like the other charts we've seen today, Mr. Masud, we see DSR presented on the left, followed by current and indicated discounts, and the next two (2) columns present current discounted premiums and indicated discounted premiums.

Correct?

MR. KHURRAM MASUD: Correct.

MR. CHRIS KLASSEN: And that information, under Current, is what customers at each DSR level is actually paying in the current year.

Correct?

MR. KHURRAM MASUD: Correct.

MR. CHRIS KLASSEN: And the indicated discounted premium is what they would pay, if the DS -- if -- if the vehicle premium discounts offered were those that are actuarially indicated?

MR. KHURRAM MASUD: Correct.

MR. CHRIS KLASSEN: And, again, the difference between the two, in terms of dollars and percentage points. Correct?

MR. KHURRAM MASUD: That's true. Yes.

MR. CHRIS KLASSEN: And, just keeping your attention on -- let's look at lines 5 and 6, presenting information about DSR levels 16 and 15, starting, first, with 15, under Current Premium Discount, you'll see that DSR Level 15 are currently paying an average of $897.52?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And the difference between current and indicated for DSR level 15 is $224.38?

MR. KHURRAM MASUD: Correct.

MR. CHRIS KLASSEN: And so, sir, would it be fair to say that vehicle owners with DSR Levels 15 are overpaying by 25 percent?

MR. KHURRAM MASUD: Eventually, as I said, because we cannot immediately move because these are large dislocations. So, they will transition to what they are entitled to based on the analysis that we carried out.

MR. CHRIS KLASSEN: Yes. As MPI makes progress in this --

MR. KHURRAM MASUD: Correct.

MR. CHRIS KLASSEN: -- five-year plan that it's on, but, currently, sir, you'll confirm the information presented on the table is that those drivers in the current year are overpaying by 25 percent?

MR. KHURRAM MASUD: Correct. Yes.

MR. CHRIS KLASSEN: And for drivers that work -- sorry -- for vehicle owners at DSR level 16, the margin by which they are overpaying is 30 percent?

MR. KHURRAM MASUD: Correct. Yes.

MR. CHRIS KLASSEN: Thank you, sir. I'll ask the panel to confirm that MPI's assignment of vehicle premium discounts through the DSR Program is intended to preserve revenue neutrality. Correct?

MR. KHURRAM MASUD: Yes.

MR. CHRIS KLASSEN: And this means that where MPI offers greater discounts to drivers at the higher end of the DR -- DSR scale, it still needs to set rates in order to collect its required revenue. Correct?

MR. KHURRAM MASUD: Right. Yes.

MR. CHRIS KLASSEN: And one way that MPI has proposed to achieve this revenue neutrality in the past has been to allocate the overall rate decrease to those drivers at the higher end of the DSR scale. Is that correct?

MR. KHURRAM MASUD: By increasing the vehicle premium. That's what we are suggesting this year. By increasing the vehicle premium but -- but, implicitly, offer higher discounts to the people on higher end of the DSR scale and premium increases for those at the lower end of the DSR scale.

MR. CHRIS KLASSEN: You've answered my next question, Mr. Masud, which I appreciate but before we get there, you'll confirm that in la -- in the last GRA, for example, MPI's proposal wasn't to increase the base rate but was to allocate the requested overall rate decrease to the veh -- vehicle owners with higher level DSR ratings.

Is that correct?

MS. CARA LOW: At least the last two (2) GRAs I've been involved in, there was a negative indicated and we used that negative to provide the higher discounts, rather than doing a complete off-balancing, but a decision was that was going to take a long time to get to where we needed to be.

So, we still need to have -- we still pay out the same claims, we pay out the same expenses, but people pay less, 'cause they're good drivers. Someone has to pay more.

MR. CHRIS KLASSEN: Ms. Low, you've, I think, answered my next four (4) questions at once and, so, I thank you -- you and Mr. Masud, both, for your responses and, Madam Chair, those are my questions for today.

(PANEL RETIRES)

PANEL CHAIRPERSON: Thank you, Mr. Klassen. Thank you very much to the panel and we will see you back here again tomorrow morning at 9:00 and we will start with Ms. Meek for CMMG.

Mr. Scarfone...?

MR. STEVE SCARFONE: Yeah. Thanks, Madam Chair. I just wanted to update the Board with respect to its pre-ask.

So, I had a discussion with Ms. McCandless, specifically, as it concerns MPI Exhibit Number 50, which was the MPI update, and there were a number of pre-asks, I think seven (7) in total, related to that exhibit, and, so, we -- we will be able to provide PUB/MPI Pre-ask 1. That one's done.

There's six (6) that are still being

worked on and, so, just like in previous years, they go through an approval process, once they're -- once they're completed and, so, Mr. Kolaski has approved it. Ms. Low has to approve it, myself, Mr. Guerra, and, then, we -- they get circulated.

MS. KATHLEEN MCCANDLESS: Based on tomorrow's schedule, it looks like we will be finished fairly early in the day and the next panels aren't ready until Monday, so, there may be some opportunity, after that to -- for staff to be --

MR. STEVEN SCARFONE: Yes. Available to do --

MS. KATHLEEN MCCANDLESS: -- doing other things. I'm not going to dictate how they spend their time, obviously, but I don't think we'll be all that long tomorrow, probably done by the mid-morning break or a little bit later.

Ms. Meek has some cross-examination, I believe, then Ms. Wittman or Ms. Nelko as well, and, then, there will be questions from the Panel and re-examination and that would be it for tomorrow.

PANEL CHAIRPERSON: Yeah. That's fine. So, we'll start tomorrow, then, at nine o'clock and -- and we'll be done sooner than anticipated. So, thanks very much.

MR. STEVE SCARFONE: Thank you.

--- Upon adjourning at 4:10 p.m.

Certified correct,

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Wendy Woodworth, Ms.