

1 MANITOBA PUBLIC UTILITIES BOARD

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7 Re: MANITOBA PUBLIC INSURANCE

8 LOSS TRANSFER HEARING

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12

13 Before Board Panel:

14 Graham Lane - Board Chairman

15 Denyse Cote - Board Member

16 Eric Jorgensen - Board Member

17 Len Evans - Board Member

18

19 HELD AT:

20 Public Utilities Board

21 400, 330 Portage Avenue

22 Winnipeg, Manitoba

23 May 11th, 2005

24

25 Pages 227 to

1 APPEARANCES

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24 Canada

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1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	230
4	List of Undertakings	
5		
6	ROBERT RAMSAY, Resumed	
7	LIAM MCFARLANE, Resumed	
8		
9	Continued Cross-Examination by Mr. Walter Saranchuk	233
10	Cross-Examination by Mr. Kevin McCulloch	293
11	Cross-Examination by Mr. Byron Williams	350
12	Cross-Examination by Mr. Raymond Oakes	364
13	Continued Cross-Examination by Mr. Byron Williams	372
14	Re-Cross-Examination by Mr. Walter Saranchuk	427
15		
16	Evening presentations	441
17		
18	Certificate of Transcript	538
19		
20		
21		
22		
23		
24		
25		

1	LIST OF EXHIBITS	
2	No.	Description
		Page No.
3	20	Resume of Mr. McFarlane.
		289
4	21	Province of Ontario table.
		289
5	22	E-mail between Mr. Ramsey, the Insurance
6		Corporation of British Columbia and the
7		BC Coalition of Motorcyclists. ICBC, Mr.
8		Chris Vauxhall (phonetic) dated November
9		21st, 2004.
		342
10	23	Comparison of Street Motorcycle Sales
11		2002-2004; MMIC Document.
		344
12	24	Retail Motorcycle Sales by Province;
13		MMIC. Table 1.17.
		345
14	25	Winnipeg Sun Article, Dated April
15		25th, 2005.
		345
16	26	March 30th Letter from SGI to Mr. Barron
		346
17	27	Document entitled, Statement of Work.
		347
18	28	E-mail exchange involving Mr. Ramsay
19		and ICBC.
		411
20	29(a)	Internet Search.
		410
21	29(b)	Internet Search.
		410
22	29(c)	Internet Search.
		410
23	29(d)	Internet Search.
		410
24	29(e)	Internet Search
		410
25		

1 LIST OF EXHIBITS (cont'd)

2 Exhibit No.	Description	Page No.
3 30	Letter dated February 21st, 2005, to	
4	Ms. Everard, from Mr. Al Robertson.	453
5 31	E-mail consisting of three (3) pages,	
6	the top e-mail on the first page	
7	being dated Tuesday, March 22nd, 2005,	
8	at 12:37 p.m., the main body of the	
9	document being a presentation, in	
10	writing, sent on March 17th, 2005, at	
11	9:42 a.m., via e-mail, by Mr. Dave	
12	Wilton; e-mail follows	457

13

14

15

16

17

18

19

20

21

22

23

24

25

1 LIST OF UNDERTAKINGS		
2 No.	Description	Page No.
3 1	Give breakdown of those injured	
4	riding motorcycles by age.	253
5 2	Statistics from Insurance	
6	Bureau of Canada.	258
7 3	Engagement Letter, Documentation	
8	and Report from University	
9	of Manitoba.	286
10 4	Mr. McFarlane to provide to Mr.	
11	Williams whatever rate increases were	
12	sought by Primmum for the 2003/04,	
13	2004/05 or '05/'06 insurance years.	358
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 --- Upon convening at 9:05 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.

4 Before we begin I'll just point out that because the

5 Manitoba Moose is doing well in the playoffs there's a

6 hockey game tonight, so, those of you that are parked in

7 the parking garage will have to pay the owners a further

8 stipend after six o'clock, but just lot.

9 The building will be open so there will be

10 no problem getting up here for the presenters, there's

11 seven (7), I'm assured of that.

12 So, we'll return to the examination of

13 Motorcycle and Moped Industry Council representatives.

14 Mr. Saranchuk...?

15 MR. WALTER SARANCHUK: Thank you, Mr.

16 Chairman.

17

18 ROBERT RAMSAY, Resumed:

19 LIAM MCFARLANE, Resumed:

20

21 CONTINUED CROSS-EXAMINATION BY MR. WALTER SARANCHUK:

22 MR. WALTER SARANCHUK: Just a few

23 supplementary questions of the actuary, Mr. McFarlane.

24 Mr. McFarlane, we talked yesterday about

25 the BI threshold inclusion in your report and the

1 reference to it and I asked you the reasons for that and  
2 you responded.

3 I just wanted to draw your attention to  
4 the report of FSCO and Appendix II thereof which is at  
5 Tab 2 in the Book of Documents. The last page of their  
6 report is number 7 and then two pages in is Appendix II  
7 and it talks about the summary of the current Ontario  
8 system.

9 I just wanted to draw your attention to  
10 the section dealing with tort right to sue and the  
11 reference to the non-economic pain and suffering aspect  
12 of the plan that is available in that jurisdiction.

13 And you see that, do you?

14 MR. LIAM MCFARLANE: Yeah.

15 MR. WALTER SARANCHUK: And so that was  
16 essentially one (1) of the reasons why you were asked why  
17 there was the inclusion of the BI threshold and so you  
18 can see where we were coming from on that score can you?

19 MR. LIAM MCFARLANE: Yes. Sorry, the --  
20 yes, the BI threshold, there are recoveries in excess of  
21 -- if the claim -- the injury meets the threshold, there  
22 are recovery for non-economic losses and also excess  
23 economic losses.

24 MR. WALTER SARANCHUK: Right. And you  
25 know that that's not available in Manitoba?



1 MR. LIAM MCFARLANE: The non-economic  
2 loss, yes.

3 MR. WALTER SARANCHUK: Thank you. Now,  
4 turning to page 10 of your report, at the bottom, sir.  
5 We talked about this briefly yesterday. The last  
6 paragraph talking about the impact in Ontario, and then  
7 your reference to Exhibit 6 in your report.

8 And, there's reference to the impact on  
9 quote, "total lost costs" , end of quote, in Manitoba.

10 "Assuming similar savings by coverage  
11 as experienced in Ontario".

12 How do you define loss costs as compared  
13 to premiums, for example?

14 MR. LIAM MCFARLANE: Loss costs are the  
15 element of the premium that is to provide for the pure  
16 loss and loss adjustment expense indemnity. The other  
17 elements of the premium are -- are, you know,  
18 distribution costs, premium tax, other -- other operating  
19 costs, et cetera, that are not directly paid in the form  
20 of claims and claims adjustment expenses.

21 MR. WALTER SARANCHUK: And -- and of  
22 course in your last sentence on that page, you say that

23 "The result is a 42 percent reduction  
24 in motorcycle premiums, and an increase  
25 in private passenger premiums of 1.2

1 percent."

2 With reference to the motorcycle premiums,  
3 42 percent reduction, are you meaning premiums or are you  
4 meaning loss costs?

5 MR. LIAM MCFARLANE: The estimate is  
6 certainly on loss costs. I guess the assumption there is  
7 that if premiums, if the -- the other expenses were  
8 directly variable related to loss costs then it would be  
9 a 42 percent impact on premiums to the extent that there  
10 are fixed costs associated with the distribution and  
11 other expenses, that number could be modified, that's --  
12 that's true.

13 MR. WALTER SARANCHUK: Yes. So, in terms  
14 of that 42 percent reduction, can you give us just a  
15 overview as to how you got to that figure?

16 MR. LIAM MCFARLANE: Yes. I guess in  
17 simple terms, we looked at Manitoba as a pure -- pure,  
18 no-fault environment, Ontario as a partial no-fault  
19 environment where part of the claims cost is paid through  
20 those no-fault accident benefits claims.

21 Some of the other claims costs are paid  
22 through the threshold bodily injury coverage, and from  
23 our perspective, trying to compare the -- the pure no-  
24 fault to the Ontario, we've added the two pieces together  
25 as we believe that gives the 100 percent comparison.

1           We have through that estimated a  
2 reduction, an aggregate reduction in loss costs. If you  
3 related it to, solely, the Ontario accident benefits,  
4 i.e., putting -- modifying the Ontario as if it was one  
5 100 percent no-fault by adding back in the loss transfer,  
6 adding back in the threshold claims, that would be the  
7 case in -- in Ontario if it were 100 percent pure no-  
8 fault.

9           This analysis indicates that there was a  
10 reduction of accident benefit claims costs of, I believe,  
11 some 47 percent.

12           Taking that 47 percent of -- we applied  
13 that to the total accident benefits claims costs in  
14 Manitoba, and calculated that of the total loss costs it  
15 ended it up at 42 percent.

16           MR. WALTER SARANCHUK: And of course,  
17 there were a number of factors that do enter into the  
18 picture; differences in the systems, difference --  
19 differences in the environments, if you will, that really  
20 impinge upon that conclusion and have not taken -- been  
21 taken into account; isn't that correct?

22           MR. LIAM MCFARLANE: They have not been  
23 explicitly considered, that's true.

24           MR. WALTER SARANCHUK: Thank you, sir.  
25 Now, moving on to some questions for you, Mr. Ramsay.

1 And your report is at Tab 3B in the Book of Documents,  
2 being exhibit 19.

3 I'd ask you to harken back to that example  
4 you gave yesterday of the little kid on the playground.  
5 And I take it, you were obviously meaning to make your  
6 point vis-a-vis motorcycles.

7 And I would ask you whether -- if that  
8 little kid on the playground were a private passenger  
9 vehicle and the bully were a Mac truck, would the same  
10 conclusion apply?

11 MR. ROBERT RAMSAY: Well, that was not  
12 the intention of the short analogy. The intent of the  
13 short analogy is that the people of Manitoba, the people  
14 of Canada, are judged and do judge themselves by how they  
15 treat the most vulnerable in society.

16 And that was the analogy. It was how do  
17 we treat the most vulnerable, whether they're on the  
18 playground or on the roadway. And so whether you're a  
19 motorcyclist or bicyclist or even pedestrian, we tend to  
20 treat the most vulnerable with greater degrees of  
21 protection than we do those are not vulnerable.

22 MR. WALTER SARANCHUK: So, if that little  
23 kid on the block were a Firefly private passenger vehicle  
24 and the bully were a Mac truck, does the same -- same  
25 conclusion apply?

1 MR. ROBERT RAMSAY: Probably not  
2 precisely because there are protections built into the  
3 Firefly; there could be air bags, there could be seat  
4 belts. And so it is a degree. And I think that's what  
5 we're talking about. A matter of degree. This is not an  
6 area of being black and white, where there is absolutes.

7 It is a matter of judgment of professional  
8 judgment. And when it comes to policy, we have to make  
9 those professional judgments.

10

11 (BRIEF PAUSE)

12

13 MR. WALTER SARANCHUK: So, in your view,  
14 are you saying that any loss transfer system if it were  
15 to be imposed in Manitoba, should be restricted to  
16 motorcycles?

17 MR. ROBERT RAMSAY: No, that's not what  
18 I'm suggesting. What I'm suggesting is that, as -- as a  
19 policy development organization which I'm including  
20 everyone around this forum now, we have to look at all  
21 aspects of it and that's why yesterday during our  
22 submission, I mentioned about the different types of  
23 insurance available.

24 That there are pure no-fault, there are  
25 choice no-fault, there loss transfer mechanisms and there

240

1 are Tort systems. And so as we move forward and consider  
2 all the different options on the table, we need to make  
3 the best decisions for the interests of all people of  
4 Manitoba.

5 And so what I'm suggesting is, there are  
6 different ways of looking at that. And from the MMIC  
7 perspective, we think the best way is a loss transfer  
8 mechanism.

9 MR. WALTER SARANCHUK: Not excluding --  
10 not excluding all vehicles other than motorcycles?

11 MR. ROBERT RAMSAY: Well, we have to be  
12 careful what we define as, all vehicles. And if you're  
13 talking just private passenger vehicles, that's probably  
14 the case. What we're looking at however, as was  
15 mentioned by other Intervenors yesterday, there are other  
16 vehicles on the road other than private passenger  
17 vehicles.

18 MR. WALTER SARANCHUK: Why would you  
19 exclude private passenger vehicles?

20 MR. ROBERT RAMSAY: Oh, I'm not  
21 suggesting we exclude private passenger vehicles, what  
22 I'm suggesting is there may be reason to exclude other  
23 vehicles.

24 MR. WALTER SARANCHUK: Can you give us an  
25 example?

241

1 MR. ROBERT RAMSAY: Sure, there are in

2 other jurisdictions, examples of vehicles that have been  
3 excluded and so an example may be an exclusion for  
4 commercial vehicles; long haul commercial vehicles.

5 MR. WALTER SARANCHUK: That's the extent?

6 MR. ROBERT RAMSAY: Oh, no, there's --  
7 you know, policy is a matter -- it's not defined. Policy  
8 is -- there's no such thing as an expert in policy. It's  
9 a matter of bringing forward the information. It's a  
10 matter of understanding the issues and it's a matter of  
11 making best decisions possible.

12 So, from that standpoint I gave an  
13 example, but, around this table, you know, an in-depth  
14 analysis may come up with other examples and may come  
15 with a mechanism that is even better.

16 MR. WALTER SARANCHUK: From MMIC's  
17 standpoint, what are you recommending policy wise?

18 MR. ROBERT RAMSAY: From MMIC's  
19 standpoint, we're recommending a system similar to  
20 Ontario with a loss transfer mechanism similar to  
21 Ontario.

22 However, we recognize there is a  
23 difference between Ontario and Manitoba and we recognize  
24 that the Public Utilities Board might want to consider  
25 those differences. But, we think that a mechanism very  
242

1 similar to Ontario, is in the best interests of all  
2 people.

3 MR. WALTER SARANCHUK: So, essentially  
4 what you're thinking is, as I understand it, a one-way  
5 system, vis-a-vis motorcycles; one-way out, if you will,  
6 one-way in vis-a-vis commercial vehicles and both ways so  
7 far as private passenger vehicles go, in terms of loss  
8 transfer?

9 MR. ROBERT RAMSAY: Conceptually that's  
10 correct but there's always opportunities to fine tune  
11 everything.

12 MR. WALTER SARANCHUK: But, that's what  
13 you would recommend?

14 MR. ROBERT RAMSAY: That's what we would  
15 look -- recommend. Based on our analysis we've worked  
16 with ICBC in British Columbia, we've worked with LESAAQ  
17 in Quebec. We've looked at all of those systems, you  
18 know.

19 I don't think we'd want to recommend a  
20 meat chart for Manitoba, but yet that's what they have in  
21 Quebec. And in Quebec's opinion that's the best way of  
22 proceeding. So having looked at the -- the universe of  
23 insurance, we feel this is the best approach.

24 MR. WALTER SARANCHUK: What do you mean  
25 by 'meat chart'?

243

1 MR. ROBERT RAMSAY: Well, 'meat chart' is  
2 a term that the media often uses to define if you have a  
3 certain injury, no matter whether you're a professional



4 pianist or someone who doesn't use their hands, they get  
5 the same amount of compensation. And it's a very limited  
6 amount of compensation.

7 MR. WALTER SARANCHUK: Now, in terms of  
8 motorcycles and vehicular traffic, does the Quebec system  
9 enter into this picture in any way dealing with loss  
10 transfer?

11 MR. ROBERT RAMSAY: It enters into the  
12 system very directly in our analysis when we review the  
13 different systems across Canada and across North America  
14 as far as that goes and even in other jurisdictions  
15 outside of North America. When we look at it we try to  
16 do what we feel is going to benefit the people of that  
17 particular jurisdiction based on the decisions already  
18 made within that framework.

19 And so the answer would be that when we  
20 looked at that -- the system in Quebec it didn't seem to  
21 apply to what we wanted to do in Manitoba, what was in  
22 the best interests of the people of Manitoba.

23 So, we felt -- and part of the reason the  
24 analysis was done the way it was, is that we can compare  
25 to all different jurisdictions but lets be as fair as  
244

1 possible. Let's try to find a mechanism that works for  
2 the citizens of Manitoba.

3 MR. WALTER SARANCHUK: You've indicated  
4 that you've worked with ICBC with SAAQ; are you

5 suggesting that you would work with MPI?

6 MR. ROBERT RAMSAY: Oh, absolutely. We  
7 work very closely with FSCO, with LESAAQ with ICBC.  
8 We're more than pleased to work with anyone who has an  
9 open mind and a fair-minded approach.

10 MR. WALTER SARANCHUK: And when you say  
11 you have worked with, in the past tense, ICBC and SAAQ,  
12 have you worked with SGI?

13 MR. ROBERT RAMSAY: Not directly  
14 recently, let's put it that way; not on their most recent  
15 changes that were made in 2003. So, going back to the  
16 late '80's, yes.

17 MR. WALTER SARANCHUK: In any of the  
18 jurisdictions in Canada, save for Ontario, and with  
19 particular reference to the ones that you've worked with,  
20 has there been a loss transfer concept implemented?

21 MR. ROBERT RAMSAY: Absolutely. With  
22 ICBC, for instance, and I brought some testimony from the  
23 British Columbia legislature, a Mr. Jensen, who was the  
24 NDP MLA at the time; this is in 1994. We worked very  
25 closely with him and with the motorcyclists group because  
245

1 they had a problem, which I think is somewhat similar to  
2 Manitoba, in the assignment of fault and the assignment  
3 of claims costs.

4 And they were, to a large extent, not  
5 allocating claims costs based on fault. And from that

6 standpoint we worked with Mr. Jensen who was the MLA at  
7 that point with ICBC to better clarify assignment of  
8 fault to get in place fault rules and that's the approach  
9 we took.

10 We used the same approach in Quebec, by  
11 the way, and worked on a committee that was reviewing how  
12 assignment of fault and claims costs was done in Quebec.  
13 And, again, the answer was almost identical. Both  
14 British Columbia and Quebec, and they have very different  
15 governments and that, as I mentioned, as I mentioned in  
16 BC it was an NDP government, in Quebec it was a Parti-  
17 Quebecois government, but they came to basically the same  
18 conclusions; is that you assign claims costs based on  
19 fault.

20 MR. WALTER SARANCHUK: And what was the  
21 result in BC?

22 MR. ROBERT RAMSAY: The result in BC was  
23 that ICBC did implement the changes requested. And they  
24 have been following that process.

25 MR. WALTER SARANCHUK: So they have loss  
246

1 transfer in BC?

2 MR. ROBERT RAMSAY: No, not loss  
3 transfer.

4 MR. WALTER SARANCHUK: That's what I'm  
5 referring to.

6 MR. ROBERT RAMSAY: Sorry, I

7 misunderstood. I thought you were saying about  
8 assignment of claims costs based on fault, they have that  
9 mechanism. As you are probably, well aware, ICBC is  
10 government insurance, but, it has a Tort system.

11 MR. WALTER SARANCHUK: What about  
12 Saskatchewan did you -- you say you worked with them. Is  
13 a loss transfer implemented in Saskatchewan?

14 MR. ROBERT RAMSAY: There is a choice  
15 mechanism currently in Saskatchewan. A choice mechanism  
16 allows the insured party to choose the loss transfer  
17 through choosing Tort.

18 MR. WALTER SARANCHUK: The great  
19 majority, as I understand it, in Saskatchewan choose the  
20 no-fault system. Is that your understanding, as well?

21 MR. ROBERT RAMSAY: Well, it would  
22 surprise me since the choice system was only implemented  
23 in 2003, that it would be otherwise because it came from  
24 a system of that nature. And, you know, if that same  
25 decision was made on policy here in Manitoba, I would  
247

1 suspect it would be the same result.

2 The people that would choose that, would  
3 be the motorcyclist, because it would be in their best  
4 interest to choose it. The people that would not choose  
5 it would be the automobile drivers because it would not  
6 be in their interest to choose it.

7 And so if we look at private passenger

8 vehicles making up the vast majority of party insured,  
9 then yes, it should be that way and it makes sense for  
10 Saskatchewan as well and I think it just demonstrates the  
11 point exactly.

12 MR. WALTER SARANCHUK: And is there loss  
13 transfer in Saskatchewan?

14 MR. ROBERT RAMSAY: Again, through the  
15 option of -- or sorry -- through the option of Tort, yes  
16 there is. We consider that Tort assigns the claims  
17 costs, not through a formal mechanism like Ontario has,  
18 but, through the Court system, to the proper at-fault  
19 party.

20 MR. WALTER SARANCHUK: If I were to  
21 suggest to you that more than 99 percent, and I don't  
22 mean 100 percent, but, more than 99 percent of the  
23 motorist or yes, the insureds in Saskatchewan, have  
24 chosen the no-fault plan, would that surprise you?

25 MR. ROBERT RAMSAY: Absolutely not. As

248

1 I just explained it would make absolute sense from an  
2 automobile driver's standpoint to choose that, but not  
3 from a motorcyclist standpoint.

4 MR. WALTER SARANCHUK: So, in respect of  
5 the great majority of the motorists insured by SGI, the  
6 Tort system does not apply and so my question to you is,  
7 is there a loss transfer that was implemented in respect  
8 of the coverage that is total no-fault?

9 MR. ROBERT RAMSAY: Well, I haven't read  
10 the legislation, but, I'll take your wording on that that  
11 if you define loss transfer as strictly a mechanism as  
12 employed in Ontario, then that mechanism does not exist.

13 If you define loss transfer as including a  
14 Tort system where there is Court systems to assign the  
15 proper claims costs to the proper party, then I would  
16 suggest, yes, loss transfer does exist.

17

18 (BRIEF PAUSE)

19

20 MR. WALTER SARANCHUK: I guess what we  
21 can do is agree, I take it, that Tort is a mechanism of a  
22 transfer of risk or of fault -- determination of fault  
23 and loss transfer is as well; do you agree with that?

24 MR. ROBERT RAMSAY: Well, I'd want to be  
25 very clear that it is not an assignment of risk, it's an

249

1 assignment of claim costs and there's a very big  
2 difference. That risk term gets thrown around a lot  
3 without people understanding risk.

4 So it's not an assignment of risk, it's an  
5 assignment of claims costs.

6 MR. WALTER SARANCHUK: And your  
7 distinction between risk and costs?

8 MR. ROBERT RAMSAY: Well risk is not an  
9 easy term to define and I go back to my experience

10 dealing with safety organizations and with statisticians  
11 across country. Risk -- and I'm glad you really asked  
12 this question.

13 Risk for a motorcycle is actually, in many  
14 ways, much less than for an automobile. Risk is defined  
15 as how manoeuvrable a vehicle is, how safe a vehicle is,  
16 how many frequencies a vehicle will have on claims costs.

17 So, if you look at all of those factors,  
18 in many cases, in fact in all cases in Canada that I'm  
19 aware, the frequency of claims costs with motorcycles is  
20 actually much lower than automobiles.

21 So, if frequency is an issue, and many  
22 people associate risk with frequency of an accident, then  
23 motorcyclist would be deemed much more risk free. Now,  
24 the question goes back to vulnerability of the person,  
25 whether it's a pedestrian, a bicyclist, a motorcyclist, a  
250

1 person in a car or a person in a truck.

2 That's a different issue. And so there  
3 has to be very clear that risk does not relate to claims  
4 costs, and does not relate to severity.

5 MR. WALTER SARANCHUK: What about in the  
6 case of bodily injury?

7 MR. ROBERT RAMSAY: Well as I said, if -  
8 - I was thinking of an example last night. And I'm in a  
9 hotel at the main intersections Main and Portage and if I  
10 had three (3) cars lined up at that intersection and

11 another vehicle came along and ran into the back of those  
12 three (3) cars, would I suggest that those cars are a  
13 greater risk because they got ran into?

14 I would not suggest that. If I had three  
15 (3) motorcycles lined up at the back of the same  
16 intersections and three (3) vehicles ran into them, would  
17 I suggest a motorcycle is a greater risk? I would not  
18 suggest that.

19 So, a lot of information unfortunately  
20 gets tabulated because they're using the wrong basis to  
21 determine it. They're using the basis of severity rather  
22 than frequency.

23 And so if you look at safety studies  
24 around the world and that, you'll find that frequency for  
25 motorcycles is much less because they're more  
251

1 manoeuvrable, they have the ability to avoid collision  
2 better and they lower cost from the standpoint of  
3 incidental costs.

4 MR. WALTER SARANCHUK: What about in an  
5 accident involving low speed impact; five (5) miles an  
6 hour; ten (10) miles an hour.

7 A motorcycle being struck at that speed  
8 and a passenger vehicle being struck at that speed; is  
9 there a difference risk wise?

10 MR. ROBERT RAMSAY: Risk wise, no. From  
11 the standpoint of vulnerability, absolutely. If you're a



12 pedestrian standing on a corner and you get hit by a car,  
13 you have no protection. If you're a motorcyclist and get  
14 hit on a motorcycle by a car, you have a little bit of  
15 protection.

16 If you're in a vehicle, an automobile and  
17 you get hit by a car, you have a lot more protection.

18 But, from a risk standpoint absolutely not. From a  
19 vulnerability standpoint, absolutely.

20 MR. WALTER SARANCHUK: So, you wouldn't  
21 equate vulner -- vulnerability with inherent risk?

22 MR. ROBERT RAMSAY: Absolutely not. The  
23 term, inherent risk is a misnomer.

24 MR. WALTER SARANCHUK: Why?

25 MR. ROBERT RAMSAY: Because Transport  
252

1 Canada and all the other jurisdictions in this country  
2 say that motorcycles are safe, motorcycles have to meet  
3 certain standards, automobiles are safe, they have to  
4 meet certain standards. So as long as they're  
5 manufactured and sold at those standards, they are safe  
6 vehicles.

7 MR. WALTER SARANCHUK: So, on the 401,  
8 would you feel safer driving a Mac truck or a motorcycle?

9 MR. ROBERT RAMSAY: Actually I wouldn't  
10 feel safe driving a Mac truck because I don't have my Mac  
11 truck license so --

12 MR. WALTER SARANCHUK: Well, I'm using

13 the example, sir.

14 MR. ROBERT RAMSAY: Yes. No, I  
15 understand what you're saying. From my standpoint, I  
16 would be safer on a motorcycle, absolutely. And I'll  
17 give you an example why.

18 My daughter and I were driving back from  
19 cadets, she was in Navy cadets, and we're driving along  
20 the 401 and the traffic came to a very sudden stop. And  
21 I was in my car at that time and I came to a sudden stop,  
22 but I could see in my mirror that the guy behind me was  
23 not going to stop. There was no out for me in my car and  
24 -- for myself and my daughter.

25 But, if I was on a motorcycle that same

253

1 thing happened, then there is an out for me. In fact,  
2 I've avoided two (2) collisions from being rear ended for  
3 that very reason. That if you're a smart rider, if you  
4 know how to ride, if you anticipate risk awareness, then  
5 from that standpoint, you're a much better and safer  
6 driver.

7

8 (BRIEF PAUSE)

9

10 MR. WALTER SARANCHUK: Can you give us  
11 any idea of the percentage of motorcyclist injured and  
12 killed each year compared to occupants of passenger  
13 vehicles?

14 MR. ROBERT RAMSAY: To occupants? No, I  
15 cannot, sorry.

16 MR. WALTER SARANCHUK: Do you have any  
17 breakdown of those injured riding motorcycles by age?

18 MR. ROBERT RAMSAY: We do, I did not  
19 bring that with me.

20 MR. WALTER SARANCHUK: Can you give us  
21 any idea of what your recollection is, in terms of those  
22 stats?

23 MR. ROBERT RAMSAY: I'm very hesitant to  
24 speculate. The difficulty with those stats is, they tend  
25 to over represent young children in cars. The zero to  
254

1 four (4) age is a passenger in a car, but, very seldom a  
2 passenger on a motorcycle.

3 And when a car gets into an accident they  
4 tend to be over-represented, vis-a-vis other vehicles.  
5 So, I wouldn't want to speculate.

6 MR. WALTER SARANCHUK: Would you be able  
7 to access that information relatively quickly and  
8 undertake to file it with the Board?

9

10 --- UNDERTAKING NO. 1: Give breakdown of those  
11 injured riding motorcycles by  
12 age.

13

14 MR. ROBERT RAMSEY: I can access the

15 information relatively quickly. It will mean involving a  
16 couple of other parties. The parties that we use quite  
17 often are Transport Canada who collects this data as well  
18 as Canada Safety Council who also has data of this  
19 nature.

20           So the data is available but I would --  
21 and we can assure that it would get here, I just can't --  
22 sure exact timing of that data.

23           MR. LEN EVANS: Excuse me. I wonder if I  
24 could, following up from what our Board Counsel has just  
25 asked, just a very simple question for clarification, do  
255

1 you have data on what percentage of the motorcycle  
2 population, whether it be in Canada or Ontario or maybe  
3 Manitoba, is involved in accidents, say in a particular  
4 year, versus the percentage of, say, automobile passenger  
5 cars that are involved; forgetting about the people, just  
6 the vehicles?

7           MR. ROBERT RAMSEY: Yes. I don't have it  
8 with me but, again, that information is available from  
9 Transport Canada and it is readily available, yes.  
10

11 CONTINUED BY MR. WALTER SARANCHUK:

12           MR. WALTER SARANCHUK: So, perhaps you  
13 can undertake, sir, to gather that information and file  
14 it with the Board at your earliest opportunity?

15           MR. ROBERT RAMSEY: Yes, I will make that

16 undertaking.

17 MR. WALTER SARANCHUK: Thank you very

18 much.

19

20 (BRIEF PAUSE)

21

22 MR. ROBERT RAMSEY: And if I may, this

23 information is actually published annually by Transport

24 Canada so it is readily available for many, many years.

25 MR. WALTER SARANCHUK: Is it available

256

1 on-line; do you know?

2 MR. ROBERT RAMSEY: I know it used to be.

3 I believe it still is but I -- I just don't know that

4 absolutely.

5 MR. WALTER SARANCHUK: Well, if you get

6 any information on that perhaps you can let Mr. Barron or

7 Mr. Singh know?

8 MR. ROBERT RAMSEY: Absolutely, yes. And

9 just a second please, Liam just tapped me on the shoulder

10 here.

11 MR. LIAM MCFARLANE: I have in front of

12 me, at least in Ontario, all industry claim counts and

13 exposures. So I know for Ontario what the all industry

14 frequency for private passengers would be versus

15 motorcycles and, you know, just on per thousand vehicles

16 over the last five (5) years. I'm just going to

17 calculate that across all of the coverages.

18 But for private passenger, if you'd bear

19 with me, frequency is thirteen point six (13.6) --

20 MR. WALTER SARANCHUK: 13.6 percent --

21 MR. LIAM MCFARLANE: -- claims -- yeah,

22 but that -- what -- there's some bias in that, in that a

23 claim that gives rise to more than one (1) coverage would

24 be counted in that.

25 But, on the same basis, that's the private

257

1 passenger and I'll give you the same number -- and this

2 is reported by the Insurance Bureau of Canada, the same

3 statistic for motorcycles is 4 percent.

4 Now, the -- that's across all coverages.

5 I think for motorcycles you have to consider seasonality

6 and a mix of coverage --

7 MR. LEN EVANS: Excuse me, just to

8 clarify, when you talk about private cars you said

9 thirteen point six (13.6) per thousand --

10 MR. LIAM MCFARLANE: Per thousand.

11 MR. LEN EVANS: -- and now you're talking

12 about 4 percent?

13 MR. LIAM MCFARLANE: No, no, sorry.

14 thirteen point six (13.6) per hundred.

15 MR. LEN EVANS: Oh, per hundred.

16 MR. LIAM MCFARLANE: Per hundred for cars

17 and four (4) per hundred for motorcycles.

18 MR. LEN EVANS: I see. So, they're both  
19 percentages?

20 MR. LIAM MCFARLANE: Right. But, as I  
21 said, there's a mix of coverages in there and there's a  
22 seasonality aspect to motorcycling. I think if you  
23 normalize for that you would find that the motorcycle is  
24 still lower. It's not -- it's not that degree of lower,  
25 but it's definitely lower.

258

1 You know, the point is, if you consider  
2 risk, the number of claims and incidents, they have less.

3 MR. ROBERT RAMSEY: Thanks, Liam.

4

5 CONTINUED BY MR. WALTER SARANCHUK:

6 MR. WALTER SARANCHUK: Of course, you  
7 don't have any information on the severity, or do you?

8 MR. LIAM MCFARLANE: Yes, we have --  
9 again, this -- sorry, again this is the severity in  
10 Ontario across all coverages. The average claim cost per  
11 earned vehicle over the five (5) year period for private  
12 passenger automobiles is nine hundred and fifteen dollars  
13 (\$915); that's a claim cost per earned vehicle.

14 So, that -- you know, that -- that your  
15 collision, your comprehensive, your et cetera, et cetera.  
16 That same statistic for private passenger motorcycles is  
17 seventeen hundred (1,700) -- sorry, seven hundred and  
18 seventeen dollars (\$717).

19           So, it's somewhat lower. Again, you've  
20 got a different mix of coverages in there and deductibles  
21 and other elements. Motorcycles may, because of the  
22 value of those vehicles is, on average, lower than cars,  
23 they may choose mandatory coverages, et cetera.

24           But, again, that is the average that is  
25 reported by the statistics across the -- the -- by the  
259

1 Insurance Bureau of Canada. If you relate that to the  
2 frequency what you get is less claims but more severe.

3           MR. WALTER SARANCHUK: And that includes  
4 bodily injury and loss transfer?

5           MR. LIAM MCFARLANE: That includes the  
6 accident benefits and bodily injury but for motorcycles  
7 that would be net of loss transfer. Loss transfer would  
8 not be in there. That would include -- the private  
9 passenger automobile would have the loss transfer in it;  
10 that's where those losses are coded.

11           MR. WALTER SARANCHUK: And is -- did you  
12 say that for motorcyclists it's net of loss transfer?

13           MR. LIAM MCFARLANE: Yes. And that --  
14 sorry, just to be clear, that's a five (5) year period  
15 ending December 2003. I mean, these are -- these are  
16 industry available statistics. We can file these with  
17 the Board if they -- they choose.

18           MR. WALTER SARANCHUK: If you could do  
19 that during the break that would be fine?



20 MR. LIAM MCFARLANE: Sure.

21

22 --- UNDERTAKING NO. 2: Statistics from Insurance

23 Bureau of Canada.

24

25 MR. WALTER SARANCHUK: Thank you.

260

1 THE CHAIRPERSON: What's it before the

2 loss transfer for motorcycles?

3 MR. LIAM MCFARLANE: We would have to

4 start adding that back. But if you accept that the loss

5 transfer, as I've indicated yesterday, five (5) years,

6 again, that's the industry actuary, the net impact of

7 loss transfer, I believe, was, just flipping through the

8 report, for motorcycles was an estimated 68 million. So

9 if I add that back -- just bear with me.

10

11 (BRIEF PAUSE)

12

13 MR. LIAM MCFARLANE: That would be -- it

14 would shift the motorcycle from seven hundred and

15 seventeen dollars (\$717) to eight hundred and sixty

16 dollars (\$860).

17 But, you know, further to my testimony,

18 that's not it. That's -- that's loss transfer. There's

19 also dollars that are transferred due to the threshold in

20 -- in Ontario. So, you know, in my view you've got to

21 add that back and if you add that back, I believe that  
22 was another 110 million, I can give you that number too.

23 That makes it one thousand and ninety-one  
24 dollars (\$1,091). So, you're starting to get into the  
25 realm of Manitoba loss costs.

261

1

2 CONTINUED BY MR. WALTER SARANCHUK:

3 MR. WALTER SARANCHUK: Just on that  
4 point, sir, do you have any of the industry stats as at  
5 that date of December 31st, 2003 for private passenger  
6 vehicles and motorcycles in Manitoba?

7 MR. LIAM MCFARLANE: I do not have these  
8 for Manitoba. I'm not sure if Manitoba reports these  
9 through to the Insurance Bureau of Canada.

10 Perhaps someone could inform me of that.

11 No, I do not have these numbers for Manitoba.

12 MR. WALTER SARANCHUK: Well, we'll ask  
13 MPI.

14 Mr. Ramsay, on page 4 of your report,  
15 actually it's been numbered in a handwritten form there,  
16 on page 4 you indicate in the second paragraph in the  
17 first sentence, quote:

18 "We believe the adoption of no-fault in  
19 Manitoba has resulted in inequitable  
20 treatment of motorcyclists since cost,  
21 formerly attributed to others by our

22 judicial system, are now borne by  
23 motorcyclists." End of quote.  
24 It's not the adoption of the no-fault plan  
25 per se, that you say is having resulted in inequitable  
262

1 treatment, is it; or is it the particular manner in which  
2 the no-fault concept has been adopted?

3 MR. LIAM MCFARLANE: That -- that could  
4 well be argued that yes, it's the manner in which it  
5 functions, rather than the actual adoption.

6 From -- from the standpoint of the MMIC,  
7 we believe no-fault has many positive aspects to it, and  
8 so it's no-fault per se, it -- it is the manner in which  
9 it -- it functions.

10 MR. WALTER SARANCHUK: So, we're talking  
11 about the delivery system, essentially?

12 MR. LIAM MCFARLANE: We're talking about  
13 the delivery system, but also the -- the -- in --  
14 inherent aspect that there is no recognition for the  
15 smaller party in a no-fault system.

16 MR. WALTER SARANCHUK: In the Tort system,  
17 eligibility for indemnification was subject to  
18 demonstrating that the other party was at fault, whereas,  
19 under the plan that we have in Manitoba, PIP benefits are  
20 paid without regard to fault; so we're talking about the  
21 delivery system.

22 So, let me ask you, does the change in the

23 delivery system also change what's fair and reasonable?

24 MR. LIAM MCFARLANE: I would argue yes, it  
25 does change what is fair and reasonable in the sense that

263

1 the no-fault system does not recognize the aspect that,  
2 if all vehicles were the exact same size, and all parties  
3 were exactly the same fault level, then there would be  
4 absolutely no problem, and -- and no shifting of costs  
5 from one area to another.

6 But because that doesn't occur, because we  
7 have different sized vehicles, because we have people who  
8 sometimes are more likely to cause an -- an accident, and  
9 other people who are more likely to be a victim of an  
10 accident, then it does tend to shift for those people who  
11 are one (1), more likely to be a victim of an accident,  
12 and two (2), a smaller and -- and more vulnerable to bear  
13 a higher cost of -- of claims.

14 MR. WALTER SARANCHUK: Still, on page 4,  
15 in the fourth paragraph from the bottom, the last line,  
16 this is a paragraph that starts with the words, "In  
17 Canada".

18 In the second sentence there, you  
19 indicate, quote,

20 "The injury benefits in Quebec are  
21 typically much lower than in Manitoba,  
22 and there's also an allocation of  
23 losses between vehicles when the rate

24 making exercise is undertaken, and  
25 hence the issue is not as material in  
264

1 Quebec."

2 Expand on what you mean by allocation of  
3 losses between vehicles?

4 MR. LIAM MCFARLANE: Yes, as I indicated  
5 earlier, we worked with LESAAQ, and -- and not just  
6 ourselves, I don't want to make it seem like it was only  
7 us. It was other Ministries, as well as other groups,  
8 other motorcyclist groups and -- and that, to better  
9 define how their system treats all -- all road users, in  
10 the sense that they had what was recognized by the -- the  
11 Minister of Transport at that -- or, sorry, the Minister  
12 responsible for SAAQ at that point, as maybe some  
13 challenges in their data quality.

14 And the -- what was held was a task force  
15 of stakeholder groups, and -- and we were one of the  
16 members on this task force of stakeholder groups, and the  
17 main point coming forward was that the claims costs were  
18 not being properly proportioned to the at-fault vehicle  
19 party -- vehicle owner.

20 And so, that was an exercise that they  
21 undertook to clarify, to ensure that it was being  
22 attributed more equitably, in their opinion. That was, I  
23 think, one of the words they actually used, was to make  
24 sure it's a more equitable apportionment of the claims

25 costs to the at-fault vehicle party.

265

1 MR. WALTER SARANCHUK: Do they have loss  
2 transfer in Quebec?

3 MR. LIAM MCFARLANE: As I exclaimed -- or,  
4 explained earlier, if we're defining loss transfer as a  
5 mechanism similar to Ontario, no they do not.

6 If we're defining loss transfer as a  
7 mechanism to shift or apportion costs based on at-fault,  
8 they do that internally in LESAAQ.

9 MR. LEN EVANS: And Mr. Chairman, I wonder  
10 if I could interject here, just to again supplement  
11 questions asked by Board Counsel.

12 You refer to the word, 'mechanism' many  
13 times and I read it in the last paragraph, page 4, just  
14 above the -- the last paragraph above "other  
15 jurisdictions". It's the second paragraph on the page,  
16 and the last sentence, you say:

17 "mechanisms should be implemented in  
18 order to restore the equitable balance  
19 achieved by the Tort system while  
20 retaining the cost advantages  
21 associated with the no-fault delivery  
22 system."

23 And then later, you also talk about a loss  
24 transfer mechanism in Ontario. As a layperson, I would  
25 really like to get your advice, and perhaps explanation,

1 as to just what kind of a mechanism. What is a mechanism  
2 in this context? How would you describe it?

3 MR. ROBERT RAMSAY: Thank you. Well I  
4 also am a layperson, and so sometimes maybe my wording  
5 isn't as absolutely clear as it would be.

6 When we're talking about a mechanism, all  
7 we're talking about is a approved policy regulation or  
8 policy position that has been implemented either  
9 internally within the existing insurance -- government  
10 insurance in the case of Quebec and government insurance  
11 in the case of British Columbia.

12 Or in the private system, such as in the  
13 case of Ontario, where there is a formal legislative  
14 provision that states, this is how it shall be done. And  
15 so we wanted to be fairly broad in our terminology in  
16 that we didn't want to say it must be exactly this way,  
17 but that the concept is this way.

18 And so the use of the word, mechanism, I  
19 appreciate can be maybe somewhat confusing. But, all it  
20 is, is a policy or regulation that indicates how this  
21 will be done and it's a formal procedure that is -- that  
22 does that. So whether it be MPI, it would be a formal  
23 procedure on how that is done, or Ontario, where it's a  
24 legislative procedure where it's done.

25 MR. LEN EVANS: So just to clarify --

1 thank you -- just to clarify. So this is not necessarily  
2 arithmetical calculation, not an arithmetical formula  
3 that's set in place?

4 MR. ROBERT RAMSAY: That's right. In  
5 fact, you know, from an actuarial standpoint, they would  
6 probably try to determine it on that basis, but, like  
7 yourself, being a layperson, it's a concept; that's  
8 basically what it is. It's a policy -- an approved, in  
9 my opinion anyway, a sound approved policy that works in  
10 most jurisdictions around the world.

11 MR. LEN EVANS: Thank you.

12

13 CONTINUED BY MR. WALTER SARANCHUK:

14 MR. WALTER SARANCHUK: Are you aware of  
15 how SAAQ in Quebec allows for subsidization of the  
16 motorcycle class?

17 MR. ROBERT RAMSAY: Well, first of all,  
18 I disagree with your terminology using the word,  
19 subsidization. I think that's the inappropriate usage of  
20 that word. It's not subsidization, it's proportioning  
21 costs, based on fault, within their system.

22 So I think if you ask that question to  
23 senior management of SAAQ, they would be maybe a little  
24 bit indignant that it's perceived as a subsidization,  
25 because in their opinion after many years of working on



1 this, they agree that it's appropriate apportioning of  
2 cost.

3 MR. WALTER SARANCHUK: Just to let you  
4 know where I'm --

5 MS. DENYSE COTE: How do they do it?--

6 MR. WALTER SARANCHUK: Just to let you know  
7 where I'm -- I'm sorry --

8 MS. DENYSE COTE: How do they do it? Do  
9 you know how they do it?

10 MR. ROBERT RAMSAY: To be absolutely  
11 frank, a black box system of government doesn't allow me  
12 to see absolutely how they do it. What was agreed upon,  
13 was that based on fault rules, which are used in many  
14 jurisdiction, I believe they're not used here in  
15 Manitoba, there is a formalized system of fault rules.

16 And so based on those fault rules, they  
17 determine if a vehicle is 50 percent at fault, 100  
18 percent at fault, 0 percent at fault, wherever, and then  
19 they base the proportionment of costs on those rules.

20 But -- but, I -- I physically don't go --  
21 or no one physically goes in there and watches them do  
22 this, we take them at their word.

23 MS. DENYSE COTE: Okay. So once they  
24 determine fault, they switch that fault over to the other  
25 class of vehicles? Is that --

1 MR. ROBERT RAMSAY: For assignment of  
2 claims costs, yes. Yeah.

3

4 CONTINUED BY MR. WALTER SARANCHUK:

5 MR. WALTER SARANCHUK: If I were to  
6 suggest to you that SAAQ charges an additional premium  
7 levied against all private passenger vehicles, at least -  
8 - sorry, that they take that amount out of surplus --  
9 SAAQ takes some out of surplus to make up for the  
10 motorcycle costs so as not to be forced into levying  
11 additional premium upon private passenger vehicles; would  
12 you -- would you have any knowledge of that?

13 MR. ROBERT RAMSAY: I'm not aware of  
14 that, no.

15 MR. WALTER SARANCHUK: Yeah, well, I'm  
16 going to suggest to you that that is the case and I would  
17 suggest to you that if it is, that it's cross-  
18 subsidization; would you agree?

19 MR. ROBERT RAMSAY: It depends. Many  
20 government insurance organizations end up with surpluses  
21 and sometimes they want to draw down the surplus. And so  
22 if the surplus is too high, they may draw it down by not  
23 having increases on a particular year.

24 So if that was the situation then I would  
25 suggest, no, that's not a cross-subsidization. It's  
270

1 normal business practice of a well-run government

2 insurance operation. You do not want too high of surplus  
3 and at the same time, you want to make sure you are  
4 properly reserved.

5           So without knowing the actual numbers, I  
6 cannot comment on that. I would find it -- I would find  
7 that approach not a very wise business approach because  
8 if you constantly do that then you're going to end up in  
9 a deficit.

10           So, you know, these people at LESAAQ are  
11 very smart people, just as the MPI people are very smart  
12 people. So, I don't foresee that as a long-term winnable  
13 strategy.

14           MR. WALTER SARANCHUK: And that's why  
15 they are now, if you don't know, they are now addressing  
16 the problem because they're in a real dilemma?

17           MR. ROBERT RAMSAY: Yes. But I believe  
18 the only aspect from LESAAQ is the proper rating of all  
19 vehicles and it has very little to do with a particular  
20 vehicle type.

21           MR. WALTER SARANCHUK: In Michigan  
22 there's reference, as you will recall, to the plan that  
23 they have there.

24           Were you aware or are you aware that they  
25 have an across-the-board additional premium assessment to  
271

1 subsidize motorcyclists?

2           MR. ROBERT RAMSAY: I was aware at the

3 time of the -- the discussions on loss transfer in  
4 Ontario. This was an aspect that was brought forward.  
5 To be very frank, I'm not sure that's still in -- in  
6 existence.

7 I don't know. We haven't looked at that  
8 for a number of years. So I'll -- if you are suggesting  
9 that's in place, then I'll agree with you.

10 MR. WALTER SARANCHUK: Well, whether it  
11 is now or whether it was, the fact is, it was a concept  
12 that was utilized and you're aware of that?

13 MR. ROBERT RAMSAY: Yes. Yes.

14 MR. WALTER SARANCHUK: On page 5 of your  
15 report, sir, at the bottom, the last paragraph. The  
16 first sentence under "classification" says quote:

17 "It appears that MPI is of the view  
18 that loss transfer must be implemented,  
19 not only at the major class level but  
20 also within major class by other rating  
21 variables such as territory use and  
22 vehicle rate group. We do not share  
23 this view."

24 End of quote. What is your position or  
25 MMIC's position with respect to extending loss transfer  
272

1 to encompass rating territory and insurance use?

2 MR. ROBERT RAMSAY: Well, from our  
3 perspective, we believe that's not really necessary. We

4 heard from the gentleman from IBC yesterday that the  
5 CLEAR mechanism that many insurance companies use is  
6 really not affected by loss transfer whatsoever.

7           And I must say, from my own background, as  
8 I think has been mentioned, the MMIC has a very large  
9 program, it's for motorcyclists in that I believe there's  
10 approximately forty thousand (40,000) policies across the  
11 country in those jurisdictions in which we operate and  
12 loss transfer operates in Ontario in the sense of a  
13 formal approach.

14           And so from -- from our standpoint, having  
15 first-hand experience, it's not necessary to go down to  
16 the most minute level. In fact, it probably works better  
17 by keeping at a very high level.

18           MR. WALTER SARANCHUK: On page 6 of your  
19 report in the second paragraph under the heading "fault  
20 rating" the last two (2) sentences appear as follows,  
21 quote:

22           "Merit rating is prospective in nature  
23           and it is intended to match the rate  
24           charged with the risk, in that a driver  
25           with a history of accidents may have

273

1           more accidents. It is not associated  
2           with the allocation of costs between  
3           drivers at fault."

4           Merit rating, would you agree, a merit

5 rating results in those with poor at fault accident and  
6 conviction records paying more for coverage than those  
7 with good records?

8 MR. ROBERT RAMSAY: In general that  
9 comment is correct; but the key point of that statement  
10 is, it is not associated with the allocation of costs  
11 between drivers at fault. So it doesn't -- insurance --  
12 the very nature of insurance is that not all the costs  
13 associated with drivers at fault are transferred to the  
14 driver.

15 So merit rating, in and of itself, does  
16 not affect the costs allocation. So, yeah -- it's --  
17 thank you -- Liam helped me on this one. It's more  
18 frequency. So if I have six (6) accidents or claims then  
19 there may be little or no costs with those six (6).

20 Whereas somebody else who has one (1), may  
21 have very significant claims. But, again, even if you  
22 had one (1) claim and that the costs of one (1) claim for  
23 one (1) person may be couple of thousand dollars, for  
24 another person it may be a million dollars.

25 And so the merit, in and of itself, does

274

1 not effectively address the issue of allocation of costs.

2 MR. WALTER SARANCHUK: In terms of, quote  
3 "universal test" end of quote; that you've heard and read  
4 about as being of relevance to this Board in deciding the  
5 issue of loss transfer, you have addressed the

6 components, namely fair and equitable, reasonable, non-  
7 preferential and not unfairly discriminatory.

8           At the bottom of page 6, you have referred  
9 to an example under the criterium of quote, "reasonable",  
10 end of quote. And you talk in terms of the motorcyclist  
11 knocked off his vehicle and run over by another vehicle,  
12 rendering the rider severely disabled.

13           And the driver of the first car has an  
14 increase in rates due to the merit rating system. And by  
15 contrast the rates of motorcyclists are increased  
16 materially since it's a large claim over a relatively  
17 small group.

18           If one were to change that example and  
19 talk in terms of a private passenger vehicle, like a  
20 Firefly, being run off the road by a Mac truck, would --  
21 would you say that loss transfer should apply to private  
22 passenger vehicles, as well?

23           MR. ROBERT RAMSAY: Well, the nature of a  
24 loss transfer mechanism in Ontario would apply in that  
25 situation. If that's the policy that the Public  
275

1 Utilities Board recommends, then it would apply.

2           But, let's be very -- let's be very  
3 careful here. We're not suggesting that it be identical  
4 to this system or that system. What we're suggesting is  
5 as a concept, this is the best way of approaching.

6           There may be fine tuning and you know,

7 that's what policy is all about, is making sure it works  
8 in the best interests of everybody. So while, yes, in  
9 concept that's how it would work, you know, there are  
10 always opportunities to fine tune to make a system  
11 better.

12 MR. WALTER SARANCHUK: Let me ask you,  
13 sir, in last years Board Order, at page 51, there was  
14 reference to the relatively minor, if I can use the term,  
15 impact loss transfer would have on the overall motorcycle  
16 experience.

17 And you'll recall what I was talking to  
18 your confrere, Mr. McFarlane, about, and essentially  
19 asking his view about that minimal impact, again. When  
20 you talk in terms of out of \$55 million in motorcycle  
21 losses reviewed by MPI, MPI indicated that only \$10.5  
22 million would be subject to loss transfer.

23 Would you agree that that is a relatively  
24 minimal impact?

25 MR. ROBERT RAMSAY: I would agree if that  
276

1 was the actual situation. I find that the -- the  
2 information brought forward by MPI is -- is, from my  
3 standpoint, quite startling based on all our other work  
4 in all other jurisdictions.

5 It -- it seems very inconsistent with what  
6 we have found in almost every other jurisdiction. So,  
7 from the standpoint of whether this information is



8 absolutely correct, I do not know that because I do not  
9 have access.

10 Now, if MPI would give us access to that  
11 information we'd be more than happy to review the  
12 information in detail through an independent third-party,  
13 not myself, I'm not an expert, but through an independent  
14 third-party to make sure that that information is  
15 absolutely correct.

16 MR. WALTER SARANCHUK: Why do you find it  
17 startling?

18 MR. ROBERT RAMSAY: I find it startling  
19 because, first of all, based on some of the testimony I  
20 heard last year was that MPI does not have fault rules.  
21 And so one adjuster could interpret something one (1)  
22 way, another adjuster could interpret it another way,  
23 that was my -- from some different testimony.

24 Now, I'm sure at one (1) level they have a  
25 basic standard but nothing is spelled out clear and

277

1 precise. And we've found in other jurisdictions where  
2 it's not spelled out clear and precise there is ambiguity  
3 and there is discretion on a person's part.

4 And so if there's discretion on a person's  
5 part it can result in mis-diagnosis. Now, I don't know  
6 if this is true or not, but somebody advised me that MPI  
7 only reviews all cases in about 30 percent of cases, and  
8 I stand corrected if that's not correct.

9 MR. WALTER SARANCHUK: Give me that  
10 again, sir? What did you just say?

11 MR. ROBERT RAMSAY: I was -- during  
12 conversation, I was advised that when it comes to  
13 accident information and determining at-fault, that MPI  
14 only looks at about 30 percent of the cases and assigns  
15 costs based on at-fault because it's one -- it's a  
16 government system.

17 If I'm in government and the insurance is  
18 all coming out of the same pocket then there's really,  
19 unless there is a reason for it, no need to assign fault.  
20 Assignment of fault is based on merit so, therefore, it  
21 has application to driver's licence but it has very  
22 little application, in fact currently it has no  
23 application, to assignment of costs to vehicle type.

24 So why would I, as a -- as an appraiser  
25 and adjustor, spend a lot of time trying to determine  
278

1 where fault should be apportioned based on claims costs?

2 I would not.

3 And so based on what I've read in both the  
4 transcripts from previous years and testimony, it appears  
5 as if fault determination rules, a standard, precise  
6 approach to fault determination rules are not used by  
7 MPI.

8 MR. WALTER SARANCHUK: You're aware that  
9 whenever there is an accident and there is a claim made

10 to MPI that the driver's record is impacted. And there's  
11 also a determination of fault made, not only in that  
12 regard, but also as to, for example in the event of a  
13 property damage claim or a collision loss rather, in  
14 respect of the assignment of payment of the deductible.  
15 Are you aware of that?

16 MR. ROBERT RAMSAY: I'm not aware of all  
17 the precise mechanisms. I was reading from the  
18 transcripts last year and I'm trying to find the quote.

19 MR. WALTER SARANCHUK: You didn't get the  
20 30 percent from a transcript of these proceedings; did  
21 you? When you were talking about 30 percent?

22 MR. ROBERT RAMSAY: That's correct. I  
23 did not get that from the transcript.

24 MR. WALTER SARANCHUK: You got that from  
25 somebody and who was that somebody?

279

1 MR. ROBERT RAMSAY: I'm not sure. It's  
2 from a person that's not party to this particular  
3 Hearing.

4 MR. WALTER SARANCHUK: Somebody not from  
5 MPI.

6 MR. ROBERT RAMSAY: Not presently from  
7 MPI, that's correct.

8 MR. WALTER SARANCHUK: In Manitoba,  
9 according to MPI, the vast majority of motorcycle serious  
10 losses occur in single vehicle accidents - a situation

11 where loss transfer would not be applicable. What do you  
12 say to that, sir?

13 MR. ROBERT RAMSAY: Again, this is a very  
14 unusual situation and seems to be unique to Manitoba. If  
15 you look at studies that were done by the Hert (phonetic)  
16 Commission which is from the National Highway Safety  
17 Institute.

18 If you look at studies done by the Traffic  
19 Injury Research Foundation of Canada; if you look at  
20 studies done in Europe, to a large degree they're all  
21 suggesting that single vehicle accidents for motorcycles  
22 represent between 30 and 25 percent, not 50 percent.

23 And, in fact, even if you look at the  
24 claims costs produced by MPI, going before 1999 you'll  
25 see that single vehicle accidents are very low. But, if  
280

1 I remember correctly, in 1999 MPI changed the mechanism  
2 for which claims costs are -- are handled.

3 And it suddenly jumps up to a much higher  
4 figure in that period. So, there appears to be a  
5 discrepancy in the information at that point. And there  
6 appears to be a huge discrepancy between what MPI is  
7 finding and other jurisdictions and other studies by  
8 safety experts have found.

9 MR. WALTER SARANCHUK: Where did you get  
10 your information about the mechanism in 1999?

11 MR. ROBERT RAMSAY: Well, I believe

12 that's common knowledge is that they changed their  
13 claims' approach in '99.

14 MR. WALTER SARANCHUK: That's your  
15 understanding?

16 MR. ROBERT RAMSAY: That's my  
17 understanding, yes, I stand to be corrected, but, I  
18 believe that's what occurred.

19 MR. WALTER SARANCHUK: How do other  
20 jurisdictions assign fault in single vehicle mishaps, do  
21 you know?

22 MR. ROBERT RAMSAY: Most other  
23 jurisdictions assign 100 percent fault to the at fault --  
24 - or to the single vehicle party, yes.

25 MR. WALTER SARANCHUK: And you don't need  
281

1 rules to -- or fault rules to make that assignment, do  
2 you?

3 MR. ROBERT RAMSAY: Well, normally you  
4 would think you wouldn't need rules, but, in the case of  
5 a hit-and-run situation, sometimes rules are important.

6 Because in a hit-and-run situation where  
7 they can't identify a second party, there are situations  
8 that do occur and so from that standpoint, while it's a  
9 single vehicle situation, at least from the standpoint of  
10 reporting, it can result in assignment of costs to a  
11 party that may not be -- may not be at fault for an  
12 accident.

13 And this happens quite regularly -- not  
14 quite regularly, sorry, that's the wrong word. It  
15 happens occasionally, with motorcyclist where because a  
16 motorcyclist if hit from behind or hit from the side,  
17 will do very little damage to the other party, and the  
18 other party may be out on a joy ride, it might be a  
19 stolen car, it could be a drunk driver, will tend to not  
20 stick around for that so.

21 MR. WALTER SARANCHUK: Do you know  
22 whether the rules that you're aware of, the fault rules  
23 in other jurisdictions actually address single vehicle  
24 accidents and fault apportionment?

25 MR. ROBERT RAMSAY: By and large, the  
282

1 general approach is, yes, they do address it. If you're  
2 100 percent at fault and there can be no other  
3 information brought forward, then it's -- it's  
4 apportioned 100 percent to the single vehicle rider or  
5 driver.

6 MR. WALTER SARANCHUK: So the great  
7 majority, the great majority of cases involve situations  
8 where fault in single vehicle accidents are -- is  
9 attributed to that particular motorist?

10 MR. ROBERT RAMSAY: That's correct.  
11 And I only gave a few examples of situations where there  
12 are extenuating circumstances. But, you're right, the  
13 vast majority are like that.

14 MR. WALTER SARANCHUK: Now you talked --  
15 just to wrap up from my standpoint, you talked about  
16 Manitoba's stats being unique, startling.

17 If those figures are borne out by  
18 additional information to be filed by MPI or to be  
19 elicited from MPI, what does that say to you about this  
20 jurisdiction?

21 Maybe indeed it is so unique that loss  
22 transfer is or would be totally irrelevant or of minimal  
23 impact?

24 MR. ROBERT RAMSAY: Even if all of that  
25 information was borne out and I would -- and one (1) of  
283

1 the things we asked for in our submission was an  
2 independent review, because we found that that works the  
3 best in other jurisdictions.

4 But, even if that was borne out, there  
5 would still be significant benefit and a significant  
6 impact with the implementation of a loss transfer policy  
7 mechanism, however you want to define that.

8 MR. WALTER SARANCHUK: What do you mean  
9 "significant"?

10 MR. ROBERT RAMSAY: Well, based on the  
11 analysis performed by Mr. McFarlane, it appears to be  
12 very significant.

13 MR. WALTER SARANCHUK: So that's what  
14 you're relying on?

15 MR. ROBERT RAMSAY: Yes. He's the expert  
16 in this area, and so he's done the analysis, and he's  
17 done it not only in Manitoba, but in other jurisdictions  
18 for other -- other purposes and from that standpoint,  
19 that's what I would rely on.

20 MR. WALTER SARANCHUK: Do you know  
21 whether the proportion of single-vehicle accidents in the  
22 motorcycle class in Manitoba is greater than a proportion  
23 of single-vehicle accidents in private passenger class?

24 MR. ROBERT RAMSAY: I'm not absolutely  
25 aware of that. From the standpoint of the information

284

1 brought forward that you had mentioned earlier from MPI,  
2 you seemed to be suggesting that would be the case, but  
3 I'm not absolutely aware of that.

4 The -- the concern was with the -- the  
5 study that was done last year by MPI, and I reviewed that  
6 study in -- in some detail, and I'm not an expert in this  
7 area; I do have lots of experience. But I have  
8 commissioned a study by the University of Manitoba to  
9 review the MPI study and, in fact, I was kind of hoping  
10 that we'd have those results before we got here today,  
11 but unfortunately we don't.

12 But we should have them within the next  
13 couple of weeks, and I would be very pleased to provide  
14 that to the Public Utilities Board because it is a review  
15 by an independent third group, the University of



16 Manitoba, well known; and I think it does identify a lot  
17 of problems with that particular study.

18           And from my standpoint it's a major  
19 problem because they have been, you know, putting this  
20 study on the front page of their website. You go in  
21 there and other jurisdictions tend to pick things, of  
22 this nature, up without critically analysing the data.

23           And so when I reviewed the data, and it  
24 appeared to be inconsistent with data from most other  
25 jurisdictions in Canada, and most other jurisdictions

285

1 around the world, I felt it was very important to have an  
2 independent party review this data.

3           So when that study is completed by the  
4 University of Manitoba, I'd be happy to share that with  
5 everyone.

6           MS. DENYSE COTE: Mr. Ramsay, do you mean  
7 the Ernst & Young Report, is that what you're referring  
8 to by "you reviewed a report"?

9           MR. ROBERT RAMSAY: No. I'm referring to  
10 the risk analysis study that was completed by MPI and, I  
11 believe, it was dated -- I can't remember the precise  
12 date, but it was last year in October, November  
13 timeframe, I believe. I could be mistaken on that.

14

15 CONTINUED BY MR. WALTER SARANCHUK:

16           MR. WALTER SARANCHUK: If you just take a

17 look at Tab 4 in the book of documents, you'll see MPI's  
18 loss transfer position paper and attached is Exhibit A,  
19 essentially being the report prepared by MPI in response  
20 to a request by the Board that it provide such a report.

21 Is that the one that you're talking about  
22 as having been analysed by the University of Manitoba?

23

24 (BRIEF PAUSE)

25

286

1 MR. ROBERT RAMSAY: Please give me a  
2 second, I'll double-check that.

3 MR. WALTER SARANCHUK: Just to save time,  
4 sir, if you just don't have that information readily  
5 available --

6 MR. ROBERT RAMSAY: No, it's not. I --  
7 I've found it here and I've found it here. So, no,  
8 they're not the same. The study I was talking about was  
9 the "Motorcycle Risk Study", that's the title of it, and  
10 it was undertaken under the Board order 173/03 Number 4  
11 where:

12 "the Manitoba Insurance gather data and  
13 study the causes of motorcycle risk to  
14 assist in the categorization of  
15 motorcycle accidents and investigate  
16 whether a form of graduated licencing  
17 and or mandated training for

18           motorcyclists would be appropriate, and  
19           report back to the Board at the next  
20           general rate application."

21           So it's not the same. No.

22           MR. WALTER SARANCHUK: All right. Now,  
23 that you've identified that report I wonder, sir, if  
24 you'd be good enough upon your receipt of the study from  
25 the University of Manitoba, if you would be good enough  
287

1 to provide the Board and each and every one of the  
2 intervenors, you've dealt with them already, the  
3 intervenors as well as MPI, with a copy of A) the  
4 engagement letter and B) any documentation that was  
5 provided to the University of Manitoba to assist in its  
6 study and a copy of the report then that results from  
7 that -- from the University of Manitoba.

8           Can you give us that undertaking?

9           MR. ROBERT RAMSAY: I can give that  
10 undertaking. I do not have the addresses of all the  
11 intervenors, but, I would provide it to the Board  
12 Secretary and if he could have it distributed, that would  
13 be the approach I would suggest.

14

15 ---UNDERTAKING NO. 3: Engagement Letter,  
16           Documentation and Report from  
17           University of Manitoba.

18

19 MR. WALTER SARANCHUK: That would be  
20 fine. Thank you very much, sir.

21 MS. DENYSE COTE: Mr. Saranchuk, I wonder  
22 if we would get the terms of reference before -- because  
23 I don't know when the report will be. You said it could  
24 be a couple of weeks, could be longer, right?

25 MR. ROBERT RAMSAY: I've been given the  
288

1 draft copy, but, I've been told that it's not been vetted  
2 yet for a number of different approaches. So from that  
3 standpoint, it was suggested to me it could be as early  
4 as a week or two (2), but, I don't have a precise  
5 deadline. I didn't suggest it would be, you know,  
6 absolutely this was the deadline.

7 I'm more than happy to provide you with a  
8 copy of the engagement contract, yes.

9

10 CONTINUED BY MR. WALTER SARANCHUK:

11 MR. WALTER SARANCHUK: So we can have  
12 that in the meantime?

13 MR. ROBERT RAMSAY: Yes, yes.

14 MR. WALTER SARANCHUK: Thank you.

15

16 (BRIEF PAUSE)

17

18 MR. WALTER SARANCHUK: Those are all my  
19 questions, Mr. Chairman.

20 THE CHAIRPERSON: Thank you Mr.  
21 Saranchuk. We'll have a 15 minute break now and then  
22 we'll return.

23 Thank you.

24

25 --- Upon recessing at 10:20 a.m.

289

1 --- Upon resuming at 10:40 a.m.

2

3 THE CHAIRPERSON: Okay, welcome back  
4 everyone.

5 Before we move on -- while we're waiting  
6 for Mr. McCulloch, accept into evidence two (2) exhibits,  
7 a resume of Mr. McFarlane's and a table from the Province  
8 of Ontario data.

9 The resume will be Exhibit 20, the table  
10 will be Exhibit 21.

11

12 --- EXHIBIT NO. 20: Resume of Mr. McFarlane.

13

14 --- EXHIBIT NO. 21: Province of Ontario table.

15

16 THE CHAIRPERSON: With respect to Mr.  
17 Ramsay's reference to a commission study from the  
18 University of Manitoba, the Board wants to see it and we  
19 will then determine, whether or not, we consider it to be  
20 relevant to this proceedings.

21           If we decide the answer is, yes, that it  
22 is relevant to these proceedings, we will provide for an  
23 IR process involving the various parties to allow  
24 everyone an opportunity to participate.

25           We will not consider the material without  
290

1 having a process for everyone's involvement. The Board  
2 wants to have a look at it, because we remain determined  
3 to meet the objectives that we set for this particular  
4 proceeding to deal with the matter that's before us.

5           Returning now to Mr. Ramsay and Mr.  
6 McFarlane. Mr. McCulloch, do you have questions?

7           MR. KEVIN MCCULLOCH: Yes, Mr. Chairman.

8           MR. ROBERT RAMSAY: Chairman, just  
9 before that, is it possible to correct something I said  
10 just few minutes ago?

11          THE CHAIRPERSON: By all means.

12          MR. ROBERT RAMSAY: Okay. Thank you. I  
13 didn't mean to, but I think I spoke in a little bit too  
14 broad of terms when I was talking about the Insurance  
15 Bureau or the Insurance Corporation of British Columbia.

16          And I want to read directly -- we had  
17 asked this question to them and I'll read out the  
18 question:

19          "Can you tell me or is there someone  
20          you can refer me to that can tell me  
21          who no-fault motorcycle claims costs

22 are assigned to, i.e. the at-fault  
23 other vehicle driver, or the not-at-  
24 fault motorcycle rider."

25 And the response to that question was:

291

1 "How claims costs are assigned depends  
2 on the coverage. For example, in a  
3 single vehicle motorcycle accident 100  
4 percent of the collision coverage  
5 repair and third-party liability  
6 coverage injury would stay with the no-  
7 fault motorcycle policy and be factored  
8 into collision and third-party  
9 liability motorcycle rates.

10 In an accident with an automobile where  
11 the motorcyclist was not at fault, then  
12 100 percent of the collision coverage  
13 payments and third-party liability  
14 payments for injury to the motorcyclist  
15 and the rider, if there's a passenger,  
16 would be transferred over to the at-  
17 fault automobile and be considered in  
18 auto premium ratings. On a split  
19 liability decision, the degree of  
20 transfer would be done according to the  
21 liability split. For example, in a  
22 50/50 split, using the second example,

23 the coverage -- coverage injuries would  
24 be transferred to the automobile  
25 policy, while 50 percent would stay  
292

1 with the motorcycle and the same would  
2 be true for any damage or injury to the  
3 automobile and driver/passengers.  
4 Other coverage would generally stay  
5 with the motorcycle and be considered  
6 in the overall motorcycle rate premium  
7 calculation."

8 And I think when I spoke, I didn't clarify  
9 clearly enough how those coverages, I -- I made a general  
10 statement that it was all transferred over. And I  
11 apologize for that, because obviously here, there are  
12 certain aspects that are transferred over, but, not all  
13 aspects.

14 THE CHAIRPERSON: Thank you, Mr. Ramsay.

15 We certainly want the record to be correct.

16 Mr. Saranchuk, do you have anything on  
17 this?

18 MR. WALTER SARANCHUK: No sir.

19 THE CHAIRPERSON: Mr. McCulloch...?

20 MR. BYRON WILLIAMS: Mr. Chairman, good  
21 morning. Byron Williams.

22 THE CHAIRPERSON: Mr. Williams...?

23 MR. BYRON WILLIAMS: Yes, thanks for



24 recognizing me. Just to note that one (1) of my clients

25 Ms. Gloria Desorcy is in the front row listening

293

1 attentively this morning.

2 THE CHAIRPERSON: Thank you and welcome.

3 Mr. McCulloch...?

4 MR. KEVIN MCCULLOCH: Thank you Mr.

5 Chairman.

6

7 (BRIEF PAUSE)

8

9 CROSS-EXAMINATION BY MR. KEVIN MCCULLOCH:

10 MR. KEVIN MCCULLOCH: Mr. McFarlane, I

11 think following the lead of Board Counsel, I'll start

12 with you and try to avoid duplication of questions or

13 issues that have been canvassed by Board Counsel.

14 But there are a few things that I would

15 like to go back to, particularly the discussion that you

16 had with Mr. Saranchuk, with respect to Exhibit 5(e) and

17 the inclusion of the tort threshold payments in

18 calculating the Ontario calculation, that it would only

19 be relevant comparing that to Manitoba if, in fact, the

20 Manitoba PIPP benefits were equal to the combination of

21 those two (2) Ontario benefits; is that correct?

22 MR. LIAM MCFARLANE: Yes.

23 MR. KEVIN MCCULLOCH: And that any

24 difference -- any reduction, say, from the total Ontario

25 benefits when compared to the Manitoba benefits, if the  
294

1 Manitoba benefits happened to be less, that that would  
2 make your 42 percent calculation lower than 42 percent?

3 MR. LIAM MCFARLANE: Yes.

4 MR. KEVIN MCCULLOCH: And in looking at  
5 what is included in bodily injury threshold benefits, I  
6 just want to refer to certain types of heads of damages.  
7 And I'm going to be asking you whether, in fact, you know  
8 that those sort of benefits would be recoverable under  
9 PIPP; are you comfortable with that?

10 MR. LIAM MCFARLANE: Certainly my  
11 knowledge of the Ontario product is somewhat stronger  
12 than PIPP but I have knowledge of PIPP.

13 MR. KEVIN MCCULLOCH: And what about your  
14 knowledge of the sorts of damages that are liable to be  
15 awarded in a tort jurisdiction?

16 MR. LIAM MCFARLANE: I'm reasonably  
17 comfortable with that.

18 MR. KEVIN MCCULLOCH: Okay. You'll agree  
19 with me, will you not, sir, that in a tort case the  
20 plaintiff is entitled to recover full loss of wages?

21 MR. LIAM MCFARLANE: Yes.

22 MR. KEVIN MCCULLOCH: There's no  
23 reduction for income tax or for CPP or EI benefits?

24 MR. LIAM MCFARLANE: I believe so. Yes.

25 MR. KEVIN MCCULLOCH: Are you aware of

1 the fact that the income replacement benefit in Manitoba  
2 under the PIPP plan is paid on the basis of 90 percent of  
3 net income after deduction of income tax and CPP and EI  
4 premiums?

5 MR. LIAM MCFARLANE: Yes.

6 MR. KEVIN MCCULLOCH: Okay. That could  
7 work out to be a significant difference, particularly in  
8 a large catastrophic claim; is that correct?

9 MR. LIAM MCFARLANE: In an individual  
10 claim, yes, it could be a difference.

11 MR. KEVIN MCCULLOCH: Are you aware that  
12 under the Tort jurisdiction or in a Tort environment  
13 plaintiffs are entitled to recover losses for pain and  
14 suffering?

15 MR. LIAM MCFARLANE: Yes.

16 MR. KEVIN MCCULLOCH: And although it's  
17 been a while since I've been involved in the Tort  
18 environment, the Supreme Court of Canada, through its  
19 trilogy dating back to the 1980's, set a cap for pain and  
20 suffering that, with the impact of inflation, would be  
21 approximately three hundred thousand dollars (\$300,000)  
22 at the current --

23 MR. LIAM MCFARLANE: Yes, I'm aware of  
24 that?

25 MR. KEVIN MCCULLOCH: Would that be

1 right? And are you aware of the fact that under the PIPP  
2 plan there is awards made -- or there are awards made for  
3 permanent impairment, but those were capped at a hundred  
4 thousand dollars (\$100,000) back in 1994, subject to  
5 increase to reflect inflation?

6 MR. LIAM MCFARLANE: Yes.

7 MR. KEVIN MCCULLOCH: Again --

8 MR. LIAM MCFARLANE: Sorry. I think also  
9 in Ontario there are deductibles under the pain and  
10 suffering awards as well that would close those  
11 differences somewhat as well.

12 MR. KEVIN MCCULLOCH: Right. And those -  
13 - those deductibles are -- are demonstrated in the  
14 material that was filed through FSCO?

15 MR. LIAM MCFARLANE: Yes.

16 MR. KEVIN MCCULLOCH: Are you also aware,  
17 sir, that in a Tort environment where lump sum awards are  
18 made to reflect future damages, say loss of future  
19 earnings or -- cost of future care, that the courts are  
20 also inclined to award a tax gross-up to reflect the  
21 impact that the recipient would suffer if he had to pay  
22 income tax on the interest that those lump sum awards  
23 attract?

24 MR. LIAM MCFARLANE: Yes. I'm aware of  
25 that.

1 MR. KEVIN MCCULLOCH: As an actuary, have  
2 you been involved in calculating what that tax gross-up  
3 figure might be for lump sum awards?

4 MR. LIAM MCFARLANE: No.

5 MR. KEVIN MCCULLOCH: No? Are you aware  
6 of people in your firm who might be involved in that sort  
7 of calculation?

8 MR. LIAM MCFARLANE: No. We're not  
9 income tax experts.

10 MR. KEVIN MCCULLOCH: Okay. And would  
11 you agree with me then though that the -- the tax gross  
12 up in some instances, if we're talking a long period of  
13 time, say a young plaintiff who might be facing this tax  
14 burden over a considerable period of time, that the tax  
15 gross up could come close to equalling the lump sum  
16 present value of the loss of future income.

17 MR. LIAM MCFARLANE: I'm not aware of  
18 that, no.

19 MR. KEVIN MCCULLOCH: All right. So the  
20 -- again, the -- the figure that you use, the projection  
21 that you give on page 10 of your report, of a projected  
22 premium savings to motorcyclists in Manitoba through loss  
23 transfer of 42 percent, would be adversely impacted, if  
24 in fact the Manitoba plan doesn't provide these same Tort  
25 threshold benefits?

1 MR. LIAM MCFARLANE: There are other  
2 elements of the Manitoba plan, for example within the  
3 PIPP where there are not limits on care costs and  
4 rehabilitation costs, et cetera, that are in Ontario that  
5 may offset that.

6 So to make the conclusion solely on the  
7 elements that you've outlined, there may be elements that  
8 are -- that -- that go the other way.

9 So what I would suggest to you is that the  
10 -- the 42 percent, if you will, certainly I think the  
11 loss transfer piece speaks for itself, but that the  
12 element related to the -- the threshold, there can be  
13 pluses and minuses that would offset that.

14 The -- the additional component, it's  
15 without going through on a line by line basis, and the  
16 various elements of that, and adjusting for the  
17 differences in the two environments, it's difficult to  
18 conclude what that additional element due to that  
19 threshold would be.

20 In my view it would be positive, certainly  
21 would it add to the components would be 42 percent; I do  
22 not know that.

23 MR. KEVIN MCCULLOCH: So all we can agree  
24 on is that the 42 percent is probably not correct?

25 MR. LIAM MCFARLANE: It is, I would

299

1 think, the -- it -- it's a guide to the MMIC that the

2 number is material.

3 MR. KEVIN MCCULLOCH: In your evidence,  
4 you seem to be suggesting when you were talking about the  
5 300 plus percent of increase in motorcycle rates over the  
6 last ten (10) years, that this was all attributable to  
7 PIPP or the no-fault plan.

8 Is that -- is that your position?

9 MR. LIAM MCFARLANE: The -- looking at  
10 the -- the increase to -- if you look at contrasting the  
11 increase in motorcyclists to private passenger vehicles,  
12 and I think if you took the costs across all vehicles,  
13 you would find that the -- the impact of -- of PIPP  
14 across all vehicles has -- has been nominal.

15 However, for motorcycles it has been  
16 significant. You know, so I see no increase in -- in --  
17 from what I understand in -- in claims frequency. I -- I  
18 don't see anything that has been provided to me that  
19 would indicate that motorcycle experience has  
20 deteriorated.

21 Looking at it compared to pre PIPP and the  
22 pre PIPP has been adjusted to -- by -- by the Board's  
23 actuary, and through the trending, to be on the same  
24 level as the PIPP, i.e., it's all trended to the same  
25 point in time. Therefore, looking at those differences  
300

1 in loss costs, it would -- my view is that that's largely  
2 attributable to PIPP.

3 MR. KEVIN MCCULLOCH: Sir, did you also,  
4 in making this finding, did you look to see whether the  
5 motorcycle rate prior to the introduction of -- of PIPP  
6 was adequate?

7 MR. LIAM MCFARLANE: No.

8 MR. KEVIN MCCULLOCH: And I would suggest  
9 to you, sir, that in the 1992 General Rate Application,  
10 covering 1993 rates, the actuarially indicated rate for  
11 motorcycles, this is pre PIPP, called or indicated an 80  
12 percent increase was required in motorcycle premiums?

13 MR. LIAM MCFARLANE: I looked at loss  
14 costs that were calculated again by the Board's actuary  
15 at the same point in time, which I -- these are -- these  
16 are, from what I understand, to be 100 percent loss  
17 costs, or absolutely nothing to do with the rates that  
18 were promulgated or selected by the -- by MPI and are  
19 put, as far as I understand it, the same level and the  
20 same point in time.

21 So the -- whether or not, MPI had a rate  
22 inadequacy or not, these are loss costs.

23 MR. KEVIN MCCULLOCH: But, the particular  
24 chart that appears on page 4 of your report, is dealing  
25 with rate increases?

301

1 (BRIEF PAUSE)

2

3 MR. LIAM MCFARLANE: Yes, that's a chart



4 that deals with the rate increases that have been  
5 approved, yes.

6 MR. KEVIN MCCULLOCH: So it's not a chart  
7 that sets out the loss costs?

8 MR. LIAM MCFARLANE: No, there are other  
9 charts within there and the loss costs that would  
10 certainly, if you looked at the sum of the injury loss  
11 costs and the accident benefits loss costs on the same  
12 basis, pre-PIPP and post-PIPP for motorcycles and private  
13 passenger cars, you would see the significant increases  
14 to motorcycles, which would be directly attributed to --  
15 to in my view, PIPP.

16 MR. KEVIN MCCULLOCH: You could actually  
17 only attribute that rate increase to PIPP if, in fact,  
18 there had been rate adequacy back in 1993; isn't that  
19 correct?

20 MR. LIAM MCFARLANE: The rate increase  
21 due to PIPP, assuming that the Board hasn't carried that  
22 inadequacy forward. I understand they're not charging  
23 fully adequate rates today.

24 So of the 368 percent, if they determine  
25 they, in perpetuity want to charge rates that are 80  
302

1 percent deficient, then that's their decision.

2 MR. KEVIN MCCULLOCH: But, again, you  
3 don't dispute the fact that the 1993 rate indicator  
4 required a -- from an actuarial viewpoint would require

5 an 80 percent increase in motorcycle rates?

6 MR. LIAM MCFARLANE: No, I will take that  
7 for your word. I guess the point I'm trying to make is  
8 that if you adjust for that, perhaps the cumulative  
9 increase is 250 percent and still it's 18 percent for  
10 private passenger cars.

11 It doesn't change the conclusion that in  
12 my view, the impact of PIPP has been material.

13 MR. KEVIN MCCULLOCH: I want to ask you,  
14 whether my general view of the approach and the evidence  
15 that you have given yesterday and today, is correct.

16 And when you talk about motorcyclist being  
17 disadvantaged, am I correct in assuming that you're  
18 talking about disadvantaged in the manner in which loss  
19 costs are charged to that group in order to calculate a  
20 rate requirement?

21 MR. LIAM MCFARLANE: Yes, yes.

22 MR. KEVIN MCCULLOCH: Thank you. So  
23 you're certainly not suggesting that the motorcyclists  
24 have been disadvantaged by the introduction of a no-fault  
25 system and the benefits that they get under that system?

303

1 MR. LIAM MCFARLANE: No, no, I have no  
2 quibble whatsoever with the no-fault system. I think  
3 that's fine. I think as I said, I believe in the  
4 introduction or at one (1) point in the report. The --  
5 there's significant benefits of no-fault system from the

6 Tort that -- that should accrue to everyone.

7           Just what has happened is that there's  
8 been a change between classes that have -- has dinged  
9 motorcyclists particularly, relative to others. So it's  
10 really an issue of, of not no-fault, it's the  
11 implementation didn't recognize that there would be some  
12 classes that would be particularly hard hit.

13           MR. KEVIN MCCULLOCH: And am I correct in  
14 assuming, as well, that you take issue with the fact  
15 that, MPI since the introduction of PIPP in 1994, has  
16 chosen to treat no-fault accident benefits as first-party  
17 benefits and charge them to the vehicle class who  
18 received those benefits; is that correct?

19           MR. LIAM MCFARLANE: I'm saying that the  
20 decision that the Board has taken to do that, has turned  
21 out mathematically providing these sorts of indications.  
22 I'm not taking issues with decisions that people make.  
23 These are the numbers that are the result of that  
24 decision.

25           MR. KEVIN MCCULLOCH: And will you agree  
304

1 with me, sir, that from an actuarial point of view,  
2 charging those accident benefit costs to the vehicle  
3 class to which they were paid or the vehicle class which  
4 received those benefits is an actuarially sound method of  
5 rate making?

6           MR. LIAM MCFARLANE: Yes. It's a public

7 -- this is a public policy debate. It's not an actuarial  
8 issue.

9 MR. KEVIN MCCULLOCH: And after a day and  
10 a half of hearing from actuaries, we're back to where we  
11 were in square one that this is really a personal -- I  
12 mean, a public policy issue not an actuarial issue?

13 MR. LIAM MCFARLANE: I agree. I said  
14 that right from the start.

15 MR. KEVIN MCCULLOCH: Moving to the  
16 comment in your report, page 7 I believe, and it was  
17 touched on a bit by Mr. Saranchuk, you talked about the  
18 Saskatchewan experience, that in January of 2003  
19 Saskatchewan introduced an option system whereby  
20 individuals, when they came to register and insure their  
21 vehicles, could choose between a no-fault and a Tort  
22 option; have I stated that correctly?

23 MR. LIAM MCFARLANE: Yes.

24 MR. KEVIN MCCULLOCH: And partway through  
25 that second last paragraph you make the statement:

305

1 "As a result, consumers have the  
2 ability to choose the product that  
3 meets their needs and, in the case of  
4 motorcyclists, we believe that the  
5 majority will opt for Tort."

6 Now, that, sir, is a personal opinion as  
7 opposed to an actuarial opinion?

8 MR. LIAM MCFARLANE: That's a personal  
9 opinion based on, you know, I've been looking and  
10 consulting on motorcycle insurance for a decade and I've  
11 certainly seen other jurisdictions where these choices  
12 are there and the motorcyclists typically, once they  
13 understand the implications of their choices, are  
14 choosing Tort.

15 MR. KEVIN MCCULLOCH: And did you check  
16 with Saskatchewan Government Insurance to find out  
17 exactly how many motorcyclists have opted for Tort?

18 MR. LIAM MCFARLANE: No, this is  
19 subjective opinion of my own. I said that we believe  
20 that that's the case.

21 MR. KEVIN MCCULLOCH: And I'm going to  
22 indicate to you, sir, that -- and it will be given in  
23 evidence later today, that out of nine thousand and  
24 eighty-three (9,083) registered motorcycles in  
25 Saskatchewan, one hundred and two (102) or 1.1 percent  
306

1 have opted for Tort.

2 If those figures are correct, what does  
3 that do to your personal opinion that motorcyclists would  
4 largely opt for Tort?

5 MR. LIAM MCFARLANE: My personal opinion,  
6 it's likely that most consumers don't understand Tort or  
7 no-fault. And given the renewal I suspect they will have  
8 to take a positive action to get the Tort product,

9 they're likely accepting the renewals.

10 My personal opinion is, I -- if -- given a  
11 full review of the -- the actual Tort versus no-fault  
12 products within those jurisdictions and the implications,  
13 you know, we may change that.

14 But my view is they just likely don't  
15 understand it and they're accepting what is presented to  
16 them.

17 MR. KEVIN MCCULLOCH: So it's your  
18 assumption that the motorcyclists in Saskatchewan are  
19 mis-informed and have not been given a proper explanation  
20 as to what this option entails?

21 MR. LIAM MCFARLANE: I've no idea what  
22 they've been provided in Saskatchewan. Again, my view of  
23 jurisdictions where this has been in place over a longer  
24 period of time, it would seem to me that more motorcycles  
25 are choosing Tort.

307

1 MR. KEVIN MCCULLOCH: I wanted to ask you  
2 some -- some questions about statements that appear, both  
3 in your report and in your -- in your evidence. You've  
4 made the statement that "Tort will eventually put the  
5 dollars in the right bucket"; that's the statement and  
6 the phrase that you've used; is that correct?

7 MR. LIAM MCFARLANE: I believe so.

8 MR. KEVIN MCCULLOCH: And does that, sir,  
9 indicate a personal view of yours that relying on a Tort

10 system to compensate injured parties is fairer and a  
11 better system than a pure no-fault system?

12 MR. LIAM MCFARLANE: No. What it says is  
13 that through the Tort system, the justice system, that  
14 folks who have been -- been wronged or they're the  
15 innocent parties that the -- the system will -- will  
16 correctly define that. That's what it says.

17 There's no reason under a no-fault system  
18 -- or pure no-fault system that that mechanism can't be  
19 put in place that also provides for the same allocation  
20 of costs.

21 MR. KEVIN MCCULLOCH: But you'd agree  
22 with me, sir, that in the Tort system, the recovery, the  
23 dollar recovery by the successful plaintiff, is largely  
24 limited to the amount of third-party liability cover that  
25 the responsible party carried?

308

1 MR. LIAM MCFARLANE: There's no reason  
2 why the -- the system can't provide something in excess  
3 of the policy limits that the person has. Why is that --  
4 no, I mean, it's -- if the Court decides to look at the  
5 person's auto policy, I imagine they can do that, but --

6 MR. KEVIN MCCULLOCH: No, you  
7 misunderstand what I'm saying. What I'm suggesting is  
8 that the successful plaintiff in a Tort action, who  
9 recovers a \$2 million judgment against a liable defendant  
10 who carries two hundred thousand dollars (\$200,000) of

11 public liability will only get two hundred thousand  
12 dollars (\$200,000) of public liability from that person's  
13 insurer?

14 MR. LIAM MCFARLANE: From that person's  
15 insurer. That does not limit their recovery to two  
16 hundred thousand dollars (\$200,000).

17 MR. KEVIN MCCULLOCH: No, they have the  
18 option to try to collect directly from the individual.

19 MR. LIAM MCFARLANE: Yes.

20 MR. KEVIN MCCULLOCH: And do you think  
21 from a personal point of view, and from your  
22 understanding of the Tort system, that there's much  
23 prospect of recovering that excess judgment?

24 MR. LIAM MCFARLANE: I have no opinion on  
25 that one (1) way or the other. I mean, I think that you  
309

1 know, you're -- you're asking me, it seems to me, that  
2 the view is between Tort and -- and no-fault, and you  
3 know, in -- in Tort, folks have choices in terms of  
4 coverage they put together. They -- they're -- it's not  
5 just the -- the -- you know, the -- the -- that the  
6 insurance policy or whatever, provides for all the  
7 damages to the extent that they're injured. Excess  
8 coverages, whatever, may be provided through the health  
9 systems, et cetera.

10 It's -- it's a complicated question in my  
11 mind, and therefore I think it's -- it's difficult to



12 draw a -- you know, a straight forward conclusion as to  
13 whether in fact, because there's an unlimited no-fault  
14 benefit, that it's better than somebody who's chosen to  
15 purchase a liability insurance limit that they find to be  
16 acceptable to them.

17 MR. KEVIN MCCULLOCH: My question wasn't  
18 whether it was better, my question was whether you would  
19 agree that the recovery in many Tort actions, is limited  
20 to the liability coverage carried by the responsible  
21 party.

22 And in fact, many Tort actions are settled  
23 on the basis of paying out policy limits, even though  
24 they may be inadequate to fully compensate the injured  
25 party.

310

1 MR. LIAM MCFARLANE: That may be true.

2 MR. KEVIN MCCULLOCH: And you'll agree  
3 with me, sir, that when in 1994, the Government of  
4 Manitoba decided to introduce a pure no-fault system,  
5 that that was a public policy decision on the part of the  
6 Government?

7 MR. LIAM MCFARLANE: Yes.

8 MR. KEVIN MCCULLOCH: Is it a public  
9 policy decision that you take issue with?

10 MR. LIAM MCFARLANE: No.

11 MR. KEVIN MCCULLOCH: So it's your  
12 suggestion that the only public policy issue before, or

13 that you would propose now, would be to correct what you  
14 see as an inadequacy or a disadvantage in the way the  
15 motorcycle premiums are calculated, or the way their loss  
16 experience is calculated?

17 MR. LIAM MCFARLANE: The way their losses  
18 are allocated, correct that inequity within the -- the  
19 system, yes.

20 MR. KEVIN MCCULLOCH: Those are all the  
21 questions I have for Mr. McFarlane.

22 I'm going to move to Mr. Ramsay, and  
23 again, Mr. Ramsay, I'll try not to revisit areas that Mr.  
24 Saranchuk has already covered. But there are a number of  
25 statements and comments contained in the submission that  
311

1 you prepared on behalf of the Motorcycle and Moped  
2 Industry Council, that I will be directing your attention  
3 to.

4 One (1) bit of clarification; the MMIC is  
5 a Council of moped and motorcycle manufacturers?

6 MR. ROBERT RAMSAY: That's correct,  
7 although it goes a little bit beyond that as well.

8 Sorry, that's correct, in the sense that  
9 our members are the manufacturers and distributors, but  
10 we also have what -- a class called affiliate members,  
11 and those include after market manufacturers and  
12 distributors, as well as retailers across the country.  
13 So, from that standpoint the members are the voting

14 members, the affiliate members also participate in the  
15 Council.

16 MR. KEVIN MCCULLOCH: So, motorcycle  
17 dealers can become members of your Council?

18 MR. ROBERT RAMSAY: They can become  
19 affiliate members, yes.

20 MR. KEVIN MCCULLOCH: Thank you for that  
21 clarification.

22 As I say, I'm just going to hit some --  
23 some highlights here. First of all from -- from your  
24 written report, and unfortunately the copy that I have,  
25 the pages aren't numbered, but I'm moving to page 3 --  
312

1 MR. ROBERT RAMSAY: I'm sorry, could you  
2 give me the tab please?

3 MR. KEVIN MCCULLOCH: I'm not working  
4 from --

5 MR. ROBERT RAMSAY: Oh, sorry.

6

7 (BRIEF PAUSE)

8

9 MR. KEVIN MCCULLOCH: Do you have that  
10 report?

11 MR. ROBERT RAMSAY: Yes.

12 MR. KEVIN MCCULLOCH: Okay. This would  
13 be the third page if you count the title page as page 1.  
14 And in your -- your listing for conclusions from Mr.

15 McFarlane's report. And -- and I put this question to  
16 Mr. McFarlane, and I'd like your view on it.

17 In point number 1, when you say:

18 "The introduction of no-fault insurance  
19 in Manitoba has had a favourable impact  
20 on automobile drivers, and an adverse  
21 impact on motorcyclists."

22 You're talking not about benefits, but  
23 about premiums?

24 MR. ROBERT RAMSAY: Premiums is one (1)  
25 aspect of it, yes. But I think the greater aspect is the  
313

1 allocation of -- of costs.

2 MR. KEVIN MCCULLOCH: Right. The  
3 distinction I was -- I was trying to draw there is that  
4 you're not suggesting that the benefits payable to  
5 motorcyclists under the no-fault program, create a  
6 disadvantage for those -- for those individuals?

7 MR. ROBERT RAMSAY: No, and in fact, as  
8 we mentioned earlier, from -- from the standpoint of no-  
9 fault, we -- we think that the Manitoba system is a very  
10 good system, and has served automobile drivers very, very  
11 well.

12 So from the benefits standpoint, yes, I --  
13 you know, I'm a strong supporter of that. I grew up in a  
14 family of nine (9) children without any insurance. So,  
15 this is -- this is a good program overall.

16 MR. KEVIN MCCULLOCH: And I'd refer you  
17 to the last or second last paragraph on that same page.  
18 You were talking about frequency versus severity in the  
19 pre-PIPP and the PIPP world. So pre 1994 and post 1994.

20 And you make the statement:

21 "Claims frequency for motorcyclists has  
22 not changed dramatically from the Tort  
23 environment, and hence, increases in  
24 claims costs are directly related to  
25 increase severity, and in particular

314

1 increased costs of injury claims."

2 Now, as I understand that, what you're  
3 saying is that the -- the number of accidents or crashes  
4 involving motorcyclists pre-PIPP and post-PIPP hasn't  
5 changed significantly?

6 MR. ROBERT RAMSAY: Not necessarily the  
7 number, but the frequency on a per hundred (100) basis.

8 MR. KEVIN MCCULLOCH: Okay. Frequency on  
9 per hundred (100) basis. And yet the benefits that had  
10 been paid, the injury costs or the injury benefits paid  
11 to these people has increased significantly; is that  
12 correct?

13 MR. ROBERT RAMSAY: Looking at the tables  
14 that are supplied by MPI, yes, that -- that would be  
15 correct.

16 MR. KEVIN MCCULLOCH: And would it be

17 fair then to draw the conclusion that under a Tort  
18 regime, motorcyclists were being under-compensated, or  
19 inadequately compensated?

20 MR. ROBERT RAMSAY: I don't think you can  
21 necessarily draw that conclusion. Again, as -- as we've  
22 stated, we've looked at different systems across Canada,  
23 and each system has strengths and -- and weaknesses, and  
24 there is the opportunity under a Tort system to fairly  
25 compensate similar to there is the opportunity under a  
315

1 no-fault system.

2 But, if -- if you remember right, a -- a  
3 no-fault system in some of the US jurisdictions, provide  
4 very, very little benefits. And so from that standpoint  
5 it's more the system itself.

6 So, in Manitoba you have a very good no-  
7 fault system that provides those benefits, rather than  
8 the type of system, whether it's Tort or no-fault. I  
9 happen to believe that the Manitoba system is a very good  
10 system, provides very good benefits overall.

11 MR. KEVIN MCCULLOCH: But this statement,  
12 you would agree with me, does indicate that the amount of  
13 benefits being paid to motorcyclists under the Tort  
14 regime were less than the amount of benefits being paid  
15 to them under this current Manitoba no-fault regime?

16 MR. ROBERT RAMSAY: Well again, I -- I  
17 would rely on the expertise of -- of an actuary or

18 someone else with that expertise. Just looking at the  
19 numbers, they would appear that way, but I -- again, I  
20 don't know how those numbers were calculated.

21 MR. KEVIN MCCULLOCH: You make the point  
22 over on the next page that a public policy decision was  
23 made that prodec -- protects pedestrians and cyclists  
24 from liability, notwithstanding that in some cases, they  
25 may have caused the collision. Are you familiar with any  
316

1 system, either in Tort or no-fault, that charges premiums  
2 to pedestrians and cyclists?

3 MR. ROBERT RAMSAY: I'm not aware of any  
4 system that charges premiums to pedestrians or -- or  
5 bicyclists, no.

6 MR. KEVIN MCCULLOCH: And, when the  
7 Government of Manitoba made a public policy decision to  
8 include all Manitobans, pedestrians and cyclists in the  
9 pure no-fault program, you'll agree with me that they --  
10 they certainly had the -- the right and the authority to  
11 make that public policy decision?

12 MR. ROBERT RAMSAY: Oh, absolutely, and I  
13 support that 100 percent.

14 MR. KEVIN MCCULLOCH: You, on the next  
15 page, talk about for hundreds of years on all societies  
16 there's been a principle that the wrongdoer should be  
17 held accountable for his or her actions and our justice  
18 system is based on that principle; is -- is that your

19 position?

20 MR. ROBERT RAMSAY: That is the  
21 position of -- if you look back and -- and I happen to  
22 be an avid reader of philosophy and read such books as  
23 Jean Jacques Rousseau and -- and others of that nature  
24 and -- and if you look at our natural justice system and  
25 where it evolves out of Western Europe and -- and  
317

1 England, then that is the basis of -- of today's justice  
2 system in Canada, yes.

3 MR. KEVIN MCCULLOCH: But, you'll agree  
4 with me, sir, that there's a distinction between the  
5 criminal justice system and the civil justice system?

6 MR. ROBERT RAMSAY: Yes, of course.

7 MR. KEVIN MCCULLOCH: And, will you also  
8 agree with me that punishment of wrongdoers is more  
9 appropriately left with the criminal justice system as  
10 opposed to a civil law system?

11 MR. ROBERT RAMSAY: I would not agree  
12 with that statement, that is a statement of opinion and  
13 there would be people that would argue both sides of --  
14 of that. It's -- it's not as black and white as you  
15 would suggest in the sense that many civil cases are  
16 exactly that.

17 For -- for instance, a -- a retired person  
18 gets defrauded out of money and it may not be a criminal  
19 case, but it may be reimbursing that retired person their



20 -- their savings. And so, from that standpoint, it is  
21 righting a wrong.

22 MR. KEVIN MCCULLOCH: But, of course,  
23 here we're talking about the automobile insurance system,  
24 not the compensation of victims of fraud.

25 I'm suggesting to you, sir, that the  
318

1 liable driver of an automobile who causes two  
2 hundred thousand dollars (\$200,000) injury to an innocent  
3 party and who carries third-party liability coverage of 5  
4 million is hardly being punished when the injured party  
5 succeeds in a Tort action and collects the two hundred  
6 thousand dollars (\$200,000) from the liable party's  
7 insurer. There's no element of punishment there, is  
8 there?

9 MR. ROBERT RAMSAY: Well, the basis of  
10 insurance is to allow people to -- one (1) aspect of it  
11 is to allow people to be fairly compensated for  
12 inappropriate actions done to them, whether they be a  
13 wronged action or another action and so the very nature  
14 of insurance is such that a party that is at fault is not  
15 totally held responsible for the costs that may be  
16 involved.

17 So, under a no-fault system, if a party --  
18 and -- and I'll give you an extreme example. Let's say a  
19 person goes out and -- and has more than he should have  
20 to drink and gets in a car and rear ends another person

21 in a car, from that standpoint is it correcting a wrong?

22 Person -- my personal belief and -- and that of the

23 Association is yes, it is.

24 Is it fully penalizing the person who is

25 at fault? No, but, then insurance isn't that natur --

319

1 isn't the body to do that. Insurance is a body to cover

2 the costs associated with that.

3 MR. KEVIN MCCULLOCH: I'm not sure from

4 that example, are you suggesting that the drunk driver

5 would not have coverage for the damage that he caused to

6 the innocent party?

7 MR. ROBERT RAMSAY: No, what I'm

8 suggesting is the innocent party may not be totally

9 compensated for all aspects and the guilty party -- in

10 the insurance -- just in the insurance framework, is not

11 totally held accountable for his or her actions.

12 MR. KEVIN MCCULLOCH: Would you agree

13 with me that in an insurance scheme and certainly in the

14 scheme that exists in Manitoba, there is a system of what

15 we call, Bonus/Malice charges and surcharges that operate

16 to penalize the wrongdoer?

17 MR. ROBERT RAMSAY: I'm aware of that,

18 yes.

19 MR. KEVIN MCCULLOCH: So, the fact that,

20 I can -- if I'm responsible for an automobile accident, I

21 can lose my 25 percent merit discount on my insurance

22 premium?

23 MR. ROBERT RAMSAY: Strictly speaking,  
24 yes, that occurs.

25 MR. KEVIN MCCULLOCH: And I can also be  
320

1 surcharged when I renew my drivers licence, surcharges  
2 that go up as high as, I believe the evidence last year  
3 was nine hundred and ninety-nine dollars (\$999) for bad  
4 drivers; are you aware that that exists in Manitoba?

5 MR. ROBERT RAMSAY: Yes, I'm aware. I'm  
6 not aware of the dollar amount or how it actually  
7 applies. But, I guess my comment was, not so much that  
8 this exists or doesn't exist. We acknowledge that  
9 obviously it exists. We acknowledge that it is in place.

10 But, that it doesn't fully address the  
11 issues of costs. And insurance as -- as it's meant to  
12 apply, obviously doesn't fully address the costs in many  
13 systems. But, the Manitoba system seems to be working  
14 very well for automobile drivers, but from the standpoint  
15 of the innocent motorcyclist, doesn't seem to be working  
16 very well.

17 MR. KEVIN MCCULLOCH: And again, you say  
18 the reason it's not working very well, is the impact that  
19 its had on the motorcycle premiums?

20 MR. ROBERT RAMSAY: The premiums are a  
21 results of claim costs as I understand it, that that was  
22 the discussion you just had with Liam, and so it --

23 premiums are only a result of that.

24           The real issue is, how claim costs are

25 proportioned.

321

1           MR. KEVIN MCCULLOCH: Yes, perhaps I  
2 skipped a step. I mean clearly, the whole thing we're  
3 talking about and have been talking about for many years,  
4 when it comes to motorcyclists, is the way the claims  
5 costs are allocated and the impact that that allocation  
6 has on the premiums that MPI says they have to pay?

7           MR. ROBERT RAMSAY: Yes, that's the  
8 issue at hand.

9

10           (BRIEF PAUSE)

11

12           MR. KEVIN MCCULLOCH: I want to go to  
13 some of the things you said this morning in your  
14 evidence. And in particular, you had some comments about  
15 what you referred to as a meat chart, which is, you said  
16 applied in the Province of Quebec as part of their no-  
17 fault scheme; is that correct?

18           MR. ROBERT RAMSAY: That's correct, yes.

19           MR. KEVIN MCCULLOCH: And would you agree  
20 with me that most insurance companies or providers of  
21 accident benefits would probably refer to that as a  
22 permanent impairment schedule, as opposed to a meat  
23 chart?

24 MR. ROBERT RAMSAY: You're most likely  
25 right. It's commonly in the media as a meat chart. But,  
322

1 you're right, to be more professional that's the way it  
2 should be addressed.

3 MR. KEVIN MCCULLOCH: And are you aware,  
4 sir, that under the MPI no-fault benefit plan, claimants  
5 who receive a permanent impairment or suffer a permanent  
6 impairment are compensated by virtue of a permanent  
7 impairment schedule that pays them damages?

8 MR. ROBERT RAMSAY: I'm not aware of  
9 that, no. No.

10 MR. KEVIN MCCULLOCH: So, you didn't know  
11 that and I presume my colleagues will forgive me for  
12 saying this, that Manitoba had a meat chart?

13 MR. ROBERT RAMSAY: Not in that sense,  
14 no.

15 MR. KEVIN MCCULLOCH: You talked about  
16 how ICBC allocated claims costs and then after the break,  
17 you provided a clarification to Mr. Saranchuk. And as I  
18 understand the clarification is that, ICBC does not  
19 allocate accident benefits on a fault basis, whereas they  
20 do allocate third-party liability and perhaps collision  
21 damage on a fault basis; is that correct?

22 MR. ROBERT RAMSAY: I don't know if they  
23 use that -- sorry, I don't know if they use that same  
24 terminology because, obviously, in -- in BC they have a

25 different system, they do not have a no-fault system, so  
323

1 there may be different terminologies that they use. So,  
2 I can't specifically address that in terms of those  
3 terminologies.

4 MR. KEVIN MCCULLOCH: Are you aware that  
5 ICBC in their system does have no-fault accident benefits  
6 that are paid to claimants?

7 They do have a system of no-fault accident  
8 benefits?

9 MR. ROBERT RAMSAY: I'm generally aware  
10 of that. Yes. I can't address particularly what they  
11 are, but I am generally aware of it.

12 MR. KEVIN MCCULLOCH: Right. No, it was  
13 just the fact that they do exist and that those benefits,  
14 as I understood your clarification, those benefits are  
15 not allocated on the basis of fault when claims costs are  
16 being calculated?

17 MR. ROBERT RAMSAY: Well, again, I'm  
18 referring to correspondence that was sent to us from a  
19 representative of ICBC so, from that standpoint, I can  
20 only reiterate exactly what he said.

21 MR. KEVIN MCCULLOCH: In that regard,  
22 perhaps we can refer to a letter that ICBC did provide to  
23 the Board and this letter doesn't appear in the Board's  
24 Book of Documents. It's a letter dated March 30th, 2005  
25 and I only discovered that this morning that it wasn't

1 included in the Book of Documents.

2 And perhaps I should wait for Board

3 Counsel to clarify whether, in fact, this was a

4 communication from ICBC?

5 MR. WALTER SARANCHUK: I have, in my

6 material, a copy of that letter, but let me just confirm

7 that it's not in the Book of Documents.

8 Sorry, I'm advised that, indeed, it wasn't

9 included. It was not included.

10

11 CONTINUED BY MR. KEVIN MCCULLOCH:

12 MR. KEVIN MCCULLOCH: In any event, what

13 I -- to clarify this issue of ICBC and accident benefits,

14 I want to read you one (1) paragraph -- one (1) brief

15 paragraph from that letter, that letter dated March 30th,

16 2005 from Mr. Wing (phonetic), Senior Vice President

17 Insurance Marketing and Underwriting, states:

18 "Accident benefits are a first-party

19 coverage that pays some wage

20 replacement, medical rehabilitation and

21 death benefits regardless of who was at

22 fault. Claims are used in rating based

23 on the first-party's rating variables."

24 Now, does that not mean, Mr. Ramsay, that

25 as far as accident benefits are concerned, ICBC does not

1 allocate them based on fault?

2           And if you need to -- to see the letter I

3 can pass it over to you.

4           MR. ROBERT RAMSAY: I guess I'm not in a

5 position to -- to directly answer that because I'm not

6 fully aware of everything that would be entitled under

7 accident benefits in British Columbia.

8           What I indicated was the correspondence

9 that we had received from a Mr. Vauxhall (phonetic) at

10 ICBC and he was indicating how claims costs were assigned

11 based on fault.

12           And so from that standpoint I can't

13 particularly address the issue that you've brought

14 forward.

15           MR. KEVIN MCCULLOCH: Thank you. You

16 spoke in your evidence about claims risk and risk

17 generally and you felt, as I understood it, that people

18 were, perhaps, using the word "risk" incorrectly. I want

19 to ask you, from an insurance perspective, would you not

20 agree that claims risk and claims costs are -- equate

21 directly?

22           MR. ROBERT RAMSAY: No. And let me

23 explain why. From the standpoint of the issue of no-

24 fault insurance, that may be how it's being treated in

25 Manitoba, but from the standpoint of -- of claims across



1 the Country, that is not necessarily how it's determined.

2           And let me give you an example of that.

3 If claims risk is identified as frequency times severity,

4 then basically all you're doing is calculating claims

5 costs.

6           And so, by definition, if you use that as

7 -- as -- it becomes a circular logic. Claims risk has to

8 be claims costs, claims costs has to be claims risk.

9           Well, that's not really the issue, the

10 issue is, what is the frequency of the vehicle being

11 involved in an accident? Risk is more associated with

12 the likelihood of an accident, rather than the severity

13 of an accident, from the standpoint of how safety is

14 generally understood.

15           Unfortunately within the context of some

16 insurers, they've narrowly defined risk as simply this

17 circle, and it's going to go around, and you can never

18 get out of that circle because the definition, by

19 definition, has to be the same all the time.

20           And it's not addressing -- if I changed a

21 whole bunch of things on -- in regard to risk, such as

22 now the -- the motorcycle is only in a lane by itself,

23 and now the motorcycle is only the one on the road.

24           By definition, you still have risk exactly

25 the same, even though you've taken away all the other

1 vehicles. And, so what I would say to -- to you, and  
2 what I've said to many insurers before, is that the  
3 definition you use is totally logically -- totally  
4 logical, but doesn't mean anything.

5           Because as long as you define it as  
6 frequency times severity, you're always going to get the  
7 same result.

8           MR. KEVIN MCCULLOCH: In -- in one of  
9 your -- in one of your previous answers, you -- you  
10 generously prefaced it by saying that you stood to be  
11 corrected.

12           Might I suggest that this is an issue  
13 depending on how MPI defines risk, that perhaps you stand  
14 to be corrected?

15           MR. ROBERT RAMSAY: Yes, and I agree from  
16 the standpoint of how MPI defines risk, you're absolutely  
17 right. But that is my point, absolutely. Other people  
18 would define it other ways, and other insurance people  
19 may define it other ways, so by definition MPI is  
20 defining risk as frequency times severity; you'll never  
21 get out of the -- the circle of logic.

22           MR. KEVIN MCCULLOCH: Perhaps I can jump  
23 back to Mr. McFarlane, who wasn't expecting another  
24 question, but from -- from an actuarial point of view,  
25 Mr. McFarlane, would you agree with me that in the

328

1 insurance perspective, claims risk does equate to claims

2 costs?

3 MR. LIAM MCFARLANE: No, absolutely not.

4 Further, I've never heard the term inherent risk in my

5 life until -- until I've come here. But I -- I see risk

6 as a measure of variability around, you know, an expected

7 cost; what you have just defined is expected cost. I

8 think, following your logic, or perhaps not your logic,

9 but the logic that says that, is that the folks who are

10 wealthy people, driving expensive cars are the riskiest.

11 I don't see that. I -- I don't see that

12 at all. I see risk as a measure of variability and

13 expected costs.

14 MR. KEVIN MCCULLOCH: Okay, we'll move

15 back to Mr. Ramsay where, perhaps, I should have stayed.

16 Mr. Ramsay, your -- your comment about

17 Manitoba, or Manitoba Public Insurance only looking at

18 approximately 30 percent of the cases to determine fault.

19 Are you aware that in Manitoba, all perils

20 collision coverage is mandatory?

21 MR. ROBERT RAMSAY: I'm not aware of

22 that, no.

23 MR. KEVIN MCCULLOCH: Well, you are now,

24 and I can tell you that every vehicle in Manitoba,

25 insured by Manitoba Public Insurance carries all perils

329

1 collision coverage with a deductible ranging anywhere

2 from five hundred dollars (\$500) down to one hundred

3 dollars (\$100).

4           Given that information, would you now not  
5 agree that in all instances involving collisions between  
6 two (2) Manitoba vehicles, the corporation would have to  
7 make a finding of fault in order to determine who pays  
8 his deductible, and who gets his deductible paid from the  
9 other party's third-party liability coverage?

10           MR. ROBERT RAMSAY: In the narrow  
11 definition that you're using, yes, but what I would like  
12 to add, and maybe I -- I misspoke, but I don't believe I  
13 did. I believe the issue that I was trying to bring  
14 forward was that from the standpoint of government  
15 insurance, in this case, there is less requirement to  
16 assess the -- the fault action and I was given a precise  
17 example where a person was in a claim, they were going to  
18 be charged 50 percent of the fault for that claim.

19           They said they were not at fault, they  
20 were prepared to take it to Court. Immediately upon  
21 taking it to Court, it was dropped.

22           And so from -- from my experience working  
23 with the Insurance Bureau -- or, sorry, the Insurance  
24 Corporation of British Columbia and my experience working  
25 with LESAAQ and that, what we've found time and time  
330

1 again in those situations, is that there was very poor  
2 assessment of fault, there might have been assignment of  
3 fault, but the issue was assessment of fault, and that's

4 where I maybe misspoke.

5           The issue is a matter of assessment of  
6 fault, rather than assignment of fault. Assignment of  
7 fault is quite easy to do because as an adjuster and --  
8 and I know a little bit about this because my wife has  
9 many years of experience in the insurance industry, the  
10 assignment of fault is very to do, the assessment of  
11 fault is not.

12           MR. KEVIN MCCULLOCH: Have you done any  
13 study into how adjusters at Manitoba Public Insurance  
14 assess fault?

15           MR. ROBERT RAMSAY: No, but again, I  
16 would like to ask that we are prepared to work with MPI.  
17 We've worked with these other organizations, they have  
18 been generous in providing information on how that is  
19 done, and we have worked with them to clarify rules.

20           It has worked very well in other  
21 jurisdictions and with that provision of that information  
22 and with the provision of the -- the rules used for  
23 assigning fault, I -- I -- I'm told, but I -- you -- you  
24 can correct me if I'm wrong, I'm told that there are not  
25 a standard set of charts for faulty termination used by  
331

1 MPI and so, if that is the case, then it does allow  
2 discretion.

3           MR. KEVIN MCCULLOCH: Again, this is  
4 information that you'd received from an individual in

5 some conversation?

6 MR. ROBERT RAMSAY: With previous  
7 experience at MPI, yes.

8 MR. KEVIN MCCULLOCH: I want to move on  
9 to a situation that you were talking about, motorcycles  
10 involving or involved in hit and run accidents. In a  
11 loss transfer model, if there is a hit and run in which  
12 the other driver is not identified, how are those lost  
13 costs apportioned? What -- what class of vehicles  
14 carries those lost costs?

15 MR. ROBERT RAMSAY: If there is no  
16 evidence that another vehicle was involved, then they are  
17 assigned to the single vehicle. If there is evidence  
18 that another vehicle was involved, but did not remain at  
19 the scene, or was not identifiable, then there are  
20 mechanisms for dealing with that as well.

21 MR. KEVIN MCCULLOCH: What are those  
22 mechanisms?

23 MR. ROBERT RAMSAY: Well, maybe Liam can  
24 address that a little bit better. From -- from my  
25 understanding and -- and Liam asked me -- or, correct me

332

1 if I'm wrong here, from my understanding, in a situation  
2 in Ontario where the loss transfer comes into play is  
3 that the -- the -- because of -- because the two (2)  
4 companies involved -- let's say there's the -- the first-  
5 party insurer of the motorcycle and the second party

6 insurer, they can take it to arbitration and have a  
7 declaration of how the fault should be assigned.

8 MR. KEVIN MCCULLOCH: But if you have a  
9 hit and run, how do you have a second party insurer?

10 MR. ROBERT RAMSAY: The hit and run  
11 sometimes allows for other parties to be -- I don't know  
12 the -- the best legal terms for it -- to -- to be  
13 identified, so there can be a -- a secondary insurer.

14 That's -- that's my understanding and --  
15 in that, so from the standpoint of claims assignment,  
16 there is the arbitration mechanism for the first-party,  
17 but I believe it is the responsibility of the first-party  
18 insurer to bring that forward.

19 MR. KEVIN MCCULLOCH: How about a  
20 situation where a motorcyclist alleges that the driving  
21 conduct of another vehicle without collision between the  
22 motorcycle and vehicle, the conduct or -- or the  
23 behaviour of the other driver caused him to put his bike  
24 down, I think is -- is the -- the expression that's often  
25 used.

333

1 In -- in that situation, how are those  
2 loss costs apportioned?

3 MR. ROBERT RAMSAY: Again, it would  
4 depend on if there's a police report provided so that  
5 there is some evidence of the involvement of -- of  
6 another instigator -- and again, sometimes there is, they

7 might not come in direct contact, but -- but there is  
8 evidence of who it was, witnesses, so on and so forth.  
9 So, from my -- again, my understanding is that goes to  
10 arbitration, at that point.

11 MR. KEVIN MCCULLOCH: In the pure  
12 situation where we only have the word of the  
13 motorcyclists with no backup evidence or corroborating  
14 evidence, would you agree with me that in that situation  
15 the costs would have to be allocated to the  
16 motorcyclists?

17 MR. ROBERT RAMSAY: Yes, I agree with  
18 that.

19 MR. KEVIN MCCULLOCH: Both you and Mr.  
20 McFarlane have -- have taken issue with the use of the  
21 term inherent risk, as it applies or would be applied to  
22 motorcycles.

23 You did, however, talk about  
24 vulnerability. Would you agree with me that motorcycles  
25 or motorcyclists are inherently vulnerable on the  
334

1 roadway, to suffer injury, compared to occupants of other  
2 vehicles?

3 MR. ROBERT RAMSAY: I'm not absolutely  
4 sure what inherently vulnerable is. I'll agree that they  
5 are more vulnerable, yes.

6 I'm just not familiar with the term  
7 inherently vulnerable.



8 MR. KEVIN MCCULLOCH: Inherently would  
9 indicate that by virtue of their circumstances, being  
10 largely unprotected, riding a motorized machine, that  
11 that would be an integral part of that activity, and  
12 therefore inherently vulnerable. Might you agree with  
13 that?

14 MR. ROBERT RAMSAY: With that definition  
15 and understanding that that definition would apply to  
16 other road users, such as bicyclists and pedestrians,  
17 yes, I would agree.

18 MR. KEVIN MCCULLOCH: Now, Mr. Ramsay,  
19 you talked about the impact that motorcycle rates over  
20 the last ten (10) years had had on the number of  
21 registered motorcycles, or the number of -- of vehicles,  
22 motorcycles being operating in Manitoba.

23 Do you have current statistics on that?

24 MR. ROBERT RAMSAY: If you're looking for  
25 the actual number of vehicles in operation in Manitoba,

335

1 we have only the numbers that were provided by MPI,  
2 because we don't have an option.

3 Our analysis is done on sales, and the  
4 impact of -- of -- on sales in Manitoba, so that's the --  
5 that's the approach we're using.

6 MR. KEVIN MCCULLOCH: And what was the  
7 last information that you had with respect to the sales  
8 of motorcycles in Manitoba?

9 MR. ROBERT RAMSAY: Well, I have the  
10 information right with me, so if you can give me a  
11 second, I'll -- I'll pull that out.

12

13 (BRIEF PAUSE)

14

15 MR. ROBERT RAMSAY: Okay, what we have  
16 done in this analysis is I've asked to do analysis of  
17 year over year sales. So it's for the last couple of  
18 years, 2003 sales over 2002 sales. And then 2004 sales  
19 over 2003, and then the accumulative 2004 over 2002.

20 The most recent complete data that we have  
21 is for the end of 2004. So using those years and we've  
22 done the analysis based on Manitoba versus Canada, the  
23 rest of Canada, or actually Canada, including Manitoba.

24 So 2003 sales divided by 2002 sales, there  
25 was a reduction in Manitoba of 3 percent. By comparison

336

1 across Canada, there was an increase of 8.9 percent.

2 2003 -- or 2004 sales divided by 2003  
3 sales, there was a reduction in Manitoba of 7.0 percent,  
4 and an increase in Canada of 9.1 percent.

5 The total decrease in Manitoba for those  
6 two (2) years, 2004 divided by 2002, is 9.8 percent, and  
7 the total increase in Canada was 18.8 percent.

8

9 (BRIEF PAUSE)

10

11 MR. KEVIN MCCULLOCH: Just looking at --  
12 at the bare figures for those years, as -- as I have  
13 them, on a table showing retail sales by Province, it  
14 would appear that in -- in the year 2002, there new unit  
15 sales in Manitoba were nineteen hundred and forty-eight  
16 (1948), in 2003 they moved up to two thousand two hundred  
17 and twenty-six (2,226), and then in 204 -- 2004, fell to  
18 two thousand one hundred and thirty-eight (2,138). Are  
19 those the figures that you were working from?

20 MR. ROBERT RAMSAY: I'm not sure -- I'm  
21 not sure where those figures are from. I can tell you  
22 where our figures are from. Our figures are from street  
23 motorcycles. So from the standpoint of those motorcycles  
24 requiring insurance to operate on the street, that's  
25 where ours are coming from.

337

1 If those are total sales for the industry,  
2 they would include off-road motorcycles, competition  
3 motorcycles, mini-bikes, and many different bikes that  
4 don't require insurance.

5 MR. KEVIN MCCULLOCH: Now, do you have  
6 any figures for 2005?

7 MR. ROBERT RAMSAY: Well, I have the  
8 same comparison for 2005, on a year to date. The year to  
9 date was at the end of March, so I do not have year to  
10 date at the end of April.

11 I will caution that because of the timing  
12 of this in the spring, these years -- these particular  
13 information can be -- not necessarily be reliable in the  
14 sense it's very early in the season, until we see results  
15 from April, May, June, then we have a much better handle.  
16 But, yes, I do have the year to date for 2005.

17 MR. KEVIN MCCULLOCH: I'm going to ask  
18 you, sir, whether you were familiar or are familiar with  
19 an article that appeared in the Winnipeg Sun, a local  
20 newspaper, April 25th, 2005 headlined, Motorcycles are  
21 Hot Again, City Shops Report Revved Up Sales.

22 And in that article, a number of local  
23 motorcycle dealerships are quoted as saying among other  
24 things:

25 "Cruisers, sport bikes, dirt bikes and

338

1 four wheelers are flying out of the  
2 shop in equal numbers. They're all  
3 going nuts. The sun is shining and  
4 everybody is raring to go."

5 Would that indicate to you, sir, that the  
6 dire predictions that you made for the sale of  
7 motorcycles in Manitoba might not be correct?

8 MR. ROBERT RAMSAY: No, what it would  
9 indicate to me is that these people are very  
10 enthusiastic, very supportive in that there are lots of  
11 people interested in motorcycling.

12           Since I do have the sales statistics for  
13 that time period, I can relate those and I will indicate  
14 that sales, year to date, in Manitoba are down another  
15 3.5 percent.

16           So while the dealers tend to be  
17 enthusiastic and this time of year it's sunny and nice  
18 out and so the people coming into their shops are very  
19 enthusiastic, a look at the actual sales indicates a  
20 further reduction of 3.5 percent year to date.

21           MR. KEVIN MCCULLOCH: So you would  
22 disagree with these three (3) motorcycle retailers who  
23 have talked about the fact that their sales are certainly  
24 increasing?

25           MR. ROBERT RAMSAY: Yes, I wouldn't want  
339

1 to rely on the media for my stats regarding facts of  
2 sales because as an industry, we're the source for  
3 collecting them across the country.

4           And so, you know, from a dealer  
5 standpoint, I know how you want to pump up things and be  
6 really enthusiastic and go out there and make things --  
7 but, without actually having the actual number of sales,  
8 it can be quite misleading.

9           MR. KEVIN MCCULLOCH: So even though  
10 these include quotes from dealers who may or may not be  
11 members of your organization, you would still caution  
12 reserve in looking at them?

13 MR. ROBERT RAMSAY: No, I'm absolutely  
14 certain of my numbers, because our numbers come from the  
15 manufacturers and distributors. All dealers must, it's  
16 not a -- not a request, it's a must, supply sales  
17 statistics. So we get absolute sales statistics. I know  
18 the numbers exactly.

19 MR. KEVIN MCCULLOCH: What I'm suggesting  
20 is, is that you're putting the positive spin in this  
21 newspaper down to the enthusiasm of the dealers, as  
22 opposed to the actual sales?

23 MR. ROBERT RAMSAY: To operate in this  
24 market, you have to have lots of enthusiasm, because it's  
25 been very hard the last three (3) or four (4) years  
340

1 because of insurance rates.

2 MR. KEVIN MCCULLOCH: I have no further  
3 questions of Mr. Ramsay. Thank you.

4 MR. WALTER SARANCHUK: If I could just  
5 make one (1) request on behalf of the Board. If copies  
6 of these documents that were just referred to, the  
7 newspaper article on the statistics or the paper that Mr.  
8 McCulloch was referring to and also the document that you  
9 were referring to, Mr. Ramsay, relative to the sales,  
10 could be provided to Board Secretary.

11 But, at this stage -- well maybe after  
12 that has been done, then we can have them marked in the  
13 evidence. In other words, copies distributed. Is that

14 okay? Everyone agreed on that?

15 MR. ROBERT RAMSAY: I agree yes.

16 MR. KEVIN MCCULLOCH: Yes, Mr. Saranchuk.

17 And it's my understanding that the sales figures that I  
18 was quoting for 2002/03 and '04 for Manitoba, comes from  
19 information supplied by MMIC.

20 MR. WALTER SARANCHUK: That's confirmed,  
21 Mr. Ramsay?

22 MR. ROBERT RAMSAY: Well, I haven't  
23 looked at them, but they could well be. My -- my  
24 indication was that those are sales statistics for all  
25 motorcycles including off-road and most of them do not  
341

1 require -- or many of them do not require insurance.

2 Whereas my statistics are for street legal  
3 bikes that do require insurance.

4 THE CHAIRPERSON: This may be a secondary  
5 issue or not, but Mr. Ramsay had offered his assistance  
6 to MPI at one point. If, during the luncheon break, you  
7 two (2) gentlemen want to get together and see if you can  
8 resolve your numerical problems, that would certainly be  
9 all right with us.

10 There was a reference that Mr. Ramsay made  
11 to a letter from ICBC dated March 30th, 2005, that's been  
12 circulated to everyone. I'm just going to number that  
13 one as Exhibit 22 just so we have that part straight.

14 MR. RAYMOND OAKES: Mr Chairman, if I

15 might interrupt. I believe that that was a document that  
16 was circulated by Mr. McCulloch not Mr. Ramsay.

17 MR. ROBERT RAMSAY: Yes.

18 THE CHAIRPERSON: Mr. Ramsay, your letter  
19 was dated March 30th too; wasn't it?

20 MR. ROBERT RAMSAY: I was not referring  
21 to a letter, per se.

22 THE CHAIRPERSON: Oh, you weren't.

23 MR. ROBERT RAMSAY: The information from  
24 ICBC?

25 THE CHAIRPERSON: Yes.

342

1 MR. ROBERT RAMSAY: That's the  
2 information you're asking -- sorry, the information  
3 you're seeking is with regard to the correspondence we  
4 had with ICBC?

5 THE CHAIRPERSON: Yes.

6 MR. ROBERT RAMSAY: Yes. The actual date  
7 of that, give me a second please.

8 THE CHAIRPERSON: I may have  
9 misunderstood something we had a letter distributed  
10 amongst us and I assume this was the letter Mr. Ramsay  
11 was talking about but apparently not.

12 MR. ROBERT RAMSAY: No, no. This was not  
13 the letter I was. The information I was talking about,  
14 I'm just flipping to that now, it was an e-mail between  
15 myself, the Insurance Corporation of British Columbia and



16 the BC Coalition of Motorcyclists, the gentleman  
17 responding was from ICBC, Mr. Chris Vauxhall (phonetic)  
18 and there's two (2) e-mails involved here, the one from  
19 Mr. Vauxhall is dated November 21st, 2004.

20 THE CHAIRPERSON: If you wouldn't mind,  
21 sir, if you could provide a copy to Mr. Barron who will  
22 make sure everyone has it.

23 MR. ROBERT RAMSAY: I'm happy to do so.

24

25 --- EXHIBIT NO. 22: E-mail between Mr. Ramsey,

343

1 the Insurance Corporation of  
2 British Columbia and the BC  
3 Coalition of Motorcyclists.  
4 ICBC, Mr. Chris Vauxhall  
5 (phonetic) dated November  
6 21st, 2004.

7

8 MR. RAYMOND OAKES: Mr. Chairman, if I  
9 might make one other comment. Mr. Ramsay isn't  
10 represented by counsel, so on an animus curiae basis I  
11 just wish to point out that the documents that Mr.  
12 McCulloch wishes to file pursuant to this recent  
13 direction of the Board are not documents that MMIC has  
14 adopted.

15 In a court of law they would only be  
16 admissible for the purposes of identification, not as

17 exhibits. And so I do want to caution and make clear for  
18 the record that they're not documents adopted by the  
19 MMIC.

20 In fact, Mr. Ramsay hasn't even had the  
21 opportunity during the cross-examination to see any of  
22 them.

23 THE CHAIRPERSON: Thank you, Mr. Oakes.

24 At this stage, we were going to move on to  
25 Mr. Williams. I'm wondering, Mr. Williams, do you have  
344

1 questions for these gentlemen?

2 MR. BYRON WILLIAMS: Yes, I do. And I  
3 think they'll take more than five (5) minutes, Mr.  
4 Chairman.

5 THE CHAIRPERSON: Then I think what we'll  
6 do is we'll break for lunch and we'll return at 1:30.  
7 Thank you.

8

9 --- Upon recessing at 11:55 a.m.

10 --- Upon resuming at 1:35 p.m.

11

12 THE CHAIRPERSON: Mr. Saranchuk, if you  
13 wouldn't mind introducing these new Exhibits?

14 MR. WALTER SARANCHUK: Yes, sir. The  
15 first one (1) which is to be marked as Exhibit 23, is  
16 entitled, Comparison of Street Motorcycle Sales 2002-  
17 2004. And that's MMIC's document that Mr. Ramsay

18 referred to in his evidence during cross examination by  
19 Mr. McCulloch.

20

21 --- EXHIBIT NO. 23: Comparison of Street  
22 Motorcycle Sales 2002-2004;  
23 MMIC Document.

24

25 MR. WALTER SARANCHUK: To be marked as

345

1 24, is the Table 1.17, entitled, Retail Motor Sales --  
2 Motorcycle Sales by Province, that was referred by Mr.  
3 McCulloch, during his cross-examination of Mr. Ramsay.

4

5 --- EXHIBIT NO. 24: Retail Motorcycle Sales by  
6 Province; MMIC. Table 1.17.

7

8 MR. WALTER SARANCHUK: And my  
9 understanding following it up to Mr. Oakes' caution  
10 relative to this particular document, my understanding is  
11 that MMIC has now acknowledged that this is indeed its  
12 document and from its records, so to speak.

13 THE CHAIRPERSON: The reference on it  
14 then is, again?

15 MR. WALTER SARANCHUK: Table 1.17;  
16 Retail Motor Sales by Province.

17 THE CHAIRPERSON: Who is the source of  
18 it?

19 MR. WALTER SARANCHUK: MMIC.  
20 The next document to be marked in the  
21 Exhibit is 25, it is the April 25th, 2005, Winnipeg Sun  
22 article that was referred to by Mr. McCulloch.

23

24 --- EXHIBIT NO. 25: Winnipeg Sun Article, Dated  
25 April 25th, 2005.

346

1 MR. WALTER SARANCHUK: As Exhibit 26, the  
2 March 30th, 2005 letter from SGI to Mr. Barron here at  
3 the Board. It was not referred during testimony, but,  
4 the fact is that on retrieving the March 30th letter that  
5 has been marked in the evidence as Exhibit 22, that was  
6 the one from ICBC, this letter was noticed.

7 And it had perhaps been circulated amongst  
8 all of the participants and Intervenors, but, out of an  
9 abundance of caution, we -- it -- had additional copies  
10 made and it's now to be marked in the evidence as the  
11 next Exhibit. And I believe that is 26.

12

13 --- EXHIBIT NO. 26: March 30th Letter from SGI to  
14 Mr. Barron.

15

16 MR. WALTER SARANCHUK: And then, finally  
17 as Exhibit 27, this document entitled, Statement of Work,  
18 provided to me by Mr. Ramsay during the break. This  
19 addresses the request by the Board for the engagement

20 letter of the University of Manitoba, that was requested  
21 of MMIC.

22           And Mr. Ramsay advises that this document  
23 indeed sets forth the terms of reference and the --  
24 essentially the work activity that was requested of the  
25 University of Manitoba. And I think that is the  
347

1 information that was being sought, when the request was  
2 made for the engagement letter.

3           So, this is to serve in lieu of that  
4 particular engagement letter, and will give the Board, to  
5 my understanding, an indication as to the nature of the  
6 engagement of the university by MMIC.

7           And on that score I would just refer to  
8 number 2 at the bottom of the page, which is -- actually  
9 number 2. But the fact is it's the first page of this  
10 document that's being marked as Exhibit 27.

11

12 --- EXHIBIT NO. 27:     Document entitled, Statement  
13                           of Work.

14

15           MR. WALTER SARANCHUK: That's the update  
16 on the exhibits, sir.

17           THE CHAIRPERSON: Thank you, Mr.  
18 Saranchuk, I'd just like to acknowledge and welcome Ms.  
19 Hamshaw (phonetic), who represents CAA, and she's  
20 observing. Nice to see you.

21 MS. DENYSE COTE: I wonder if I could  
22 just ask a point -- a question before Mr. Williams  
23 begins.

24 On Exhibit 24, Mr. Ramsay, is that  
25 motorcycle sales of street licensed motorcycles, or does  
348

1 this also include, as you had clarified, or tried to  
2 qualify with Mr. McCulloch, that this was total sales of  
3 all motorcycles?

4 MR. ROBERT RAMSAY: That's correct. The  
5 -- that particular document is total sales of all  
6 motorcycles, so it includes competition, off-road, mini-  
7 bikes, all sorts, not just street legal motorcycles and  
8 scooters.

9 MS. DENYSE COTE: Thanks. Thank you.

10 THE CHAIRPERSON: Mr. Saranchuk, do we  
11 have the e-mails from ICBC to Mr. Ramsay, that would be  
12 accepted on the terms that Mr. Oakes was referring to?

13 MR. WALTER SARANCHUK: No, we don't.

14 MR. ROBERT RAMSAY: May I -- may I answer  
15 that. I -- I have it with me, but I haven't pulled it  
16 out because it's in my meeting binder. I can give it  
17 to --

18 THE CHAIRPERSON: To Mr. Barron and he'll  
19 make copies.

20 MR. ROBERT RAMSAY: Okay.

21 THE CHAIRPERSON: Thank you.

22 MR. WALTER SARANCHUK: And just one (1)  
23 final point before we proceed. Mr. Byron Williams on  
24 behalf of CAC/MSOS will be next up in terms of the cross-  
25 examination. He will be cross-examining Mr. McFarlane,  
349

1 the MMIC actuary first.

2 And then with the approval by the -- the  
3 Chair, he will stand down and allow Mr. McFarlane to be  
4 examined by Mr. Oakes, with a view to enabling Mr.  
5 McFarlane to catch a plane, which would require him to  
6 leave here in about an hours time.

7 So, I'm advised that there's that  
8 cooperation that is to be extended to him, and that is an  
9 agreed -- that is an agreement reached between Mr. Oakes  
10 and Mr. Williams.

11 THE CHAIRPERSON: Nothing wrong with  
12 cooperation. Thank you, Mr. Saranchuk.

13 Mr. Williams, do you want to begin now?

14 By the way I should note that Mr. Williams  
15 distributed this book of references, I believe, yesterday  
16 afternoon.

17 MR. BYRON WILLIAMS: Just a couple points  
18 of clarification before I start, Mr. Chairman. The book  
19 of references, I don't think I will be referring to them  
20 in terms of the MMIC witnesses. But out of an abundance  
21 of caution, I had left them on Mr. Baron's desk  
22 yesterday. I anticipate using them when I speak with

23 MPI.

24 We're always glad to be cooperative,  
25 especially when there's a cost awards at the end of the  
350

1 day. So, that's always a good inducement for us, besides  
2 my genial nature as well.

3 And just in terms of -- I don't have many  
4 questions for Mr. McFarlane, but if you'll forgive me,  
5 Mr. McFarlane, I actually have some of my -- I'm going to  
6 just go in my original order of cross-examination, so I  
7 will have a few for Mr. Ramsay, once he returns, just by  
8 way of preamble.

9 So, the bulk of my questions for Mr.  
10 Ramsay will follow my questions to you, but I have a few  
11 just by way of introduction.

12 MR. ROBERT RAMSAY: Sorry.

13 MR. BYRON WILLIAMS: Mr. Ramsay, you are  
14 forgiven.

15

16 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

17 MR. BYRON WILLIAMS: Just out of  
18 curiosity, do you drive and own a motorcycle?

19 MR. ROBERT RAMSAY: I currently do not  
20 own a motorcycle, but I do ride a motorcycle, yes.

21 MR. BYRON WILLIAMS: Okay. And, Mr.  
22 McFarlane, do you drive a --

23 MR. LIAM MCFARLANE: No, I do not.



24 MR. BYRON WILLIAMS: No. Okay. Now, in  
25 terms of the -- the report of Dion Durrell, dated  
351

1 November 12th, 2004, Mr. Ramsay, you filed that with the  
2 Public Utilities Board on March 14th, 2005; is that  
3 right?

4 MR. ROBERT RAMSAY: That's correct, yes.

5 MR. BYRON WILLIAMS: Prior to filing it  
6 with the Public Utilities Board, was there any other  
7 official or organization in Manitoba, with which you  
8 filed that document or provided that document to?

9 MR. ROBERT RAMSAY: The -- the complete  
10 document, no, parts of the document, yes.

11 MR. BYRON WILLIAMS: And who did you file  
12 that with?

13 MR. ROBERT RAMSAY: We supplied parts of  
14 the document as -- as backup for a covering letter to the  
15 Minister responsible for insurance.

16 MR. BYRON WILLIAMS: So, you used part of  
17 the documents as part of your information interaction  
18 with the Minister responsible; is that correct?

19 MR. ROBERT RAMSAY: That's correct.

20 MR. BYRON WILLIAMS: Now, Mr. McFarlane,  
21 I -- in terms of the May 10th, 2005 submission of MMIC --  
22 I take it you've reviewed that?

23 MR. LIAM MCFARLANE: Yes, I have.

24 MR. BYRON WILLIAMS: You didn't author

25 it, is that right?

352

1 MR. LIAM MCFARLANE: No, I did not.

2 MR. BYRON WILLIAMS: Okay. And yesterday  
3 you were wearing both your hat as an actuary and your hat  
4 as a person with personal views and --

5 MR. LIAM MCFARLANE: Yes, actuaries have  
6 the personal views.

7 MR. BYRON WILLIAMS: You know, I've not  
8 noticed in -- in my interaction with Mr. Pelly, but --

9 MR. LIAM MCFARLANE: No, no, he's -- he's  
10 a little stonier than I am.

11 MR. BYRON WILLIAMS: But, when you  
12 reviewed that document with your actuary's hat on and you  
13 personal hat on, did you take issue with any of the  
14 statements in that document?

15 Are there any that leave you uncomfortable  
16 or that you would not endorse?

17 MR. LIAM MCFARLANE: Nothing immediately  
18 jumped out at me, no.

19 MR. BYRON WILLIAMS: Mr. Ramsay, and just  
20 jumping back now to the November 12th, 2004 reports of --  
21 prepared by Dion Durrell which is at Tab 3(a) of the Book  
22 of Documents at -- of the -- generously provided by the  
23 Board.

24 I'd direct your attention to page 3 of  
25 that -- that report and you'll see at the second last

1 paragraph on page 3, being the Executive Summary; I'm

2 just going to read to you the -- the first sentence:

3 "The nature of motorcycling..."

4 I'm referring to the Executive Summary of

5 the Dion Durrell report page 3, the second last

6 paragraph.

7 Now Mr. McFarlane -- or excuse me, Mr.

8 Ramsay that sentence reads:

9 "The nature of motorcycling is such

10 that in a collision between a

11 motorcycle and a car, the motorcyclists

12 will, due to the much lower level of

13 protection, generally be injured more

14 severely than the driver of the car

15 regardless of who is at fault."

16 Without inviting a great deal of debate, I

17 take it that's a statement you would endorse?

18 MR. ROBERT RAMSAY: Yes.

19 MR. BYRON WILLIAMS: In fact you would

20 suggest that motorcyclists, like bicyclists and

21 pedestrians, are not encased in a rigid body such as a

22 car and they don't have air bags or seat belts so they're

23 more vulnerable when a collision takes place, correct.

24 MR. ROBERT RAMSAY: That's correct.

25 MR. BYRON WILLIAMS: So, I understand you

1 take issue with the -- the words, "inherently risky", and  
2 I understand that. Would perhaps you phrase it in a  
3 different way namely, in the event that a motorcycle is  
4 involved in a crash, the likelihood of an injury is -- is  
5 enhanced?

6 MR. ROBERT RAMSAY: That's correct.

7 MR. BYRON WILLIAMS: And that would  
8 extend not only when there's a crash between a motorcycle  
9 and another vehicle, but I think you'd accept the same  
10 conclusion in terms of just a single vehicle accident  
11 involving a motorcycle; would that be fair?

12 MR. ROBERT RAMSAY: That's correct, yes.

13 MR. BYRON WILLIAMS: Thank you.

14 Now, Mr. McFarlane, I have a few questions  
15 for you before I stand down and in favour of My Friend,  
16 Mr. Oakes.

17 In your testimony yesterday, you described  
18 Dion Durrell as an independent actual firm which has a  
19 long standing relationship with the MMIC; is that  
20 correct, sir?

21 MR. LIAM MCFARLANE: Yes.

22 MR. BYRON WILLIAMS: And I'm presuming  
23 that that relationship was at least in part with regard  
24 to the open roads insurance program --

25 MR. LIAM MCFARLANE: Yes.

1 MR. BYRON WILLIAMS: -- offered by MMIC?

2 MR. LIAM MCFARLANE: Yes, in part.

3 MR. BYRON WILLIAMS: And in terms of the  
4 nature of the relationship between Dion Durrell and  
5 yourself and the MMIC, I wonder if you can give me some  
6 sense of the intensity -- for how many years has this  
7 been a business arrangement?

8 MR. LIAM MCFARLANE: Well Dion Durrell  
9 has as a firm has been in existence in fact this Fall  
10 will be our -- our 10th anniversary and prior to that  
11 some of the principals of the firm were with another  
12 large -- actual consulting firm and that predecessor firm  
13 also had a relationship with MMIC.

14 And the relationship was -- was really  
15 predicated on the fact that at that time motorcyclists in  
16 Ontario and in other jurisdictions were seeing rates  
17 increase.

18 There were potential regulatory reforms  
19 being looked at in various jurisdictions and MMIC felt  
20 that they required the services of an actuarial firm from  
21 a quantitative perspective to -- to try and understand  
22 these potential changes, the impact on motorcyclists, et  
23 cetera and, you know, therefore the engagement.

24 So, over that history there has been that  
25 involvement on a consulting basis in terms of, you know,

1 the quantitative aspects of motorcycle insurance impacts  
2 on motorcyclists.

3 MR. BYRON WILLIAMS: So, just to -- just  
4 so I understand it's a relationship that's extended  
5 beyond ten (10) years; is that right?

6 MR. LIAM MCFARLANE: Yes.

7 MR. BYRON WILLIAMS: Okay. And in terms  
8 of the intensity of that relationship is -- is the work  
9 provided to you by MMIC an important part of your  
10 personal work or of the work of Dion Durrell?

11 MR. LIAM MCFARLANE: All our clients are  
12 important to us.

13 MR. BYRON WILLIAMS: No doubt. In terms  
14 of time-wise, can you give me some idea?

15 MR. LIAM MCFARLANE: Yeah, it's a  
16 reasonable significant client to me and to others in our  
17 firm in that we -- MMIC as a client -- insurance is a  
18 strategic -- of strategic importance to their  
19 constituents in that, you know, stable insurance  
20 environment enables them to -- to sell motorcycles.

21 So, from their perspective, they are  
22 invest at times in -- you know, significant time and  
23 effort in ensuring that as much as possible. So they --  
24 we have a significant relationship with them.

25 MR. BYRON WILLIAMS: Okay. Now, you

357

1 described your relationship yesterday. You provide

2 consulting services, you review pricing analysis and you  
3 assist in regulatory issues; is that right, sir?

4 MR. LIAM MCFARLANE: Yes.

5 MR. BYRON WILLIAMS: Now, in terms of the  
6 open road insurance program is -- is the major  
7 underwriter for that a firm known as Primmum, P-R-I-M-M-  
8 U-M; is that right?

9 MR. LIAM MCFARLANE: Yes, Primmum  
10 Insurance Company is the only underwriter of that  
11 program.

12 MR. BYRON WILLIAMS: Okay. When Primmum  
13 comes in for a rate increase to our friends in Ontario  
14 does your firm have any involvement in that -- that?

15 MR. LIAM MCFARLANE: Yes. Yes. They  
16 would -- we've done -- or typically they would provide us  
17 data. We may provide the actuarial analysis that would  
18 underlie the rate filing that would eventually be  
19 submitted by their actuaries or vice versa. Their  
20 actuaries may, you know, prepare the filing, we review it  
21 provide our input and -- and try to agree on an  
22 appropriate approach given the perspectives of the  
23 various individuals involved.

24 MR. BYRON WILLIAMS: Now, Primmum, in  
25 just the last year or two (2), has filed for a fairly  
358

1 significant rate increase in Ontario with regard to  
2 motorcycles; is that right?

3 MR. LIAM MCFARLANE: Yes.

4 MR. BYRON WILLIAMS: And that would be in  
5 the range of 33.2 percent; would that be correct?

6 MR. LIAM MCFARLANE: In the last year, I  
7 do not believe they filed a rate change for 33.2 percent.  
8 I believe the last filing that Primmum implemented was in  
9 January of 2004 and of, on average, I believe it was  
10 fifteen (15) -- sorry, 25 percent.

11 MR. BYRON WILLIAMS: But that was a -- a  
12 two-stage rate increase. So there --

13 MR. LIAM MCFARLANE: There was some  
14 capping. Some individuals would have got more than 25  
15 percent. But, it was not in aggregate more --  
16 significantly more than 25 percent.

17 MR. BYRON WILLIAMS: Okay. So, you've  
18 got a 25 percent rate increase in January 2004 with  
19 individual cap being up and down; is that right?

20 MR. LIAM MCFARLANE: Yes.

21 MR. BYRON WILLIAMS: And within a --  
22 within the one (1) year period prior to that rate  
23 increase was there also not another significant rate  
24 increase by Primmum?

25 MR. LIAM MCFARLANE: There was another  
359

1 increase by Primmum. I don't know what it is at this  
2 point. I can't recall.

3 MR. BYRON WILLIAMS: Could you undertake



4 to provide that to me, sir?

5 MR. LIAM MCFARLANE: Yeah. Yes, I can do  
6 that.

7 MR. BYRON WILLIAMS: And that covers the  
8 -- and could you also undertake to within the -- perhaps  
9 let's do it this way, within -- if you could provide  
10 whatever rate increases were sought by Primmum within the  
11 2003 -- for the 2003/04, 2004/05 or 05/06 insurance  
12 years; that would be helpful?

13 MR. LIAM MCFARLANE: Certainly.

14

15 --- UNDERTAKING NO. 4: Mr. McFarlane to provide to

16 Mr. Williams whatever rate  
17 increases were sought by  
18 Primmum for the 2003/04,  
19 2004/05 or '05/'06 insurance  
20 years.

21

22 CONTINUED BY MR. BYRON WILLIAMS:

23 MR. BYRON WILLIAMS: Now, just from  
24 reviewing your -- your resume, I understand you work with  
25 MMIC and Primmum in Ontario and I also understand that

360

1 you work with the Farm Mutual Re-Insurance plan; is that  
2 correct, sir?

3 MR. LIAM MCFARLANE: Yes.

4 MR. BYRON WILLIAMS: And that's an auto

5 insurer in Ontario?

6 MR. LIAM MCFARLANE: It's a re-insurer.

7 Now, its members are -- there's forty (40) or so owning  
8 members in Ontario that are farm mutuals that write auto  
9 insurance. So we provide the fee setting and asp --  
10 valuation aspects associated with that for their members.

11 MR. BYRON WILLIAMS: And in terms of --  
12 you also do work, some work in New Brunswick; is that  
13 correct sir?

14 MR. LIAM MCFARLANE: Yes, one (1) of --  
15 we have a mutual client who writes auto insurance in New  
16 Brunswick.

17 MR. BYRON WILLIAMS: And that would be  
18 the United General --

19 MR. LIAM MCFARLANE: Yes.

20 MR. BYRON WILLIAMS: -- is that right?

21 And in terms of the auto insurance  
22 business, apart from your work with MMIC, Farm Mutual Re-  
23 Insurance and United General, do you have any other  
24 significant clients?

25 MR. LIAM MCFARLANE: The -- in auto

361

1 insurance I consult to a number of professional  
2 associations who sponsor auto insurance programs. For  
3 example, the CBA, insures lawyers, the Canadian Council  
4 of Professional Engineers, I provide consulting services  
5 to CAA clubs.

6 I've provided consulting services to Bank  
7 of Nova Scotia, in their plan; a number of entities in  
8 that regard.

9 MR. BYRON WILLIAMS: Okay. Thank you.  
10 Now, in terms of -- just a few more questions. In terms  
11 of your report itself, November 12th, 2004, at the time  
12 it was prepared you were not aware that the Public  
13 Utilities Board was going to be initiating a special  
14 Hearing into loss transfer; is that right sir?

15 MR. LIAM MCFARLANE: I do not believe I  
16 was aware of that at the time, no.

17 MR. BYRON WILLIAMS: So, you weren't  
18 preparing that report specifically for the purposes of a  
19 regulatory Hearing; would that be fair?

20 MR. LIAM MCFARLANE: Yes, that would be  
21 correct.

22 MR. BYRON WILLIAMS: I recall in your  
23 conversation yesterday with Mr. Saranchuk, you had a bit  
24 of a discussion around the word, "equitable".

25 Do you remember that discussion?

362

1 MR. LIAM MCFARLANE: Sure.

2 MR. BYRON WILLIAMS: And I believe, you  
3 indicated that as an actuary, you're not really in the  
4 business, or usually in the business of determining  
5 equity or whether something is equitable; is that  
6 correct?

7 MR. LIAM MCFARLANE: I think I'd probably  
8 want a bit more context around that. I mean before  
9 somebody is saying that, you know, we're not doing  
10 something that is not equitable.

11 MR. BYRON WILLIAMS: As an actuary your  
12 primary considerations of the -- in terms of the say --  
13 the rates, are the four (4) rate making principles; is  
14 that right?

15 MR. LIAM MCFARLANE: The -- what we're  
16 trying to do is, there's a structure in place that, you  
17 know, is it some sort of delivery mechanism of insurance,  
18 whether it fault based, Tort based, whatever based; we  
19 can provide the expected costs associated with that  
20 without, you know, forming an opinion as to whether it's  
21 equitable or appropriate. There's not a conflict through  
22 that, through those analyses, if you will.

23 MR. BYRON WILLIAMS: You're not setting  
24 out to do anything inequitable, but that's just -- you're  
25 just trying to look at the appropriate allocation and

363

1 transfer of risk?

2 MR. LIAM MCFARLANE: Right, absolutely.

3 MR. BYRON WILLIAMS: Now, in your  
4 testimony yesterday and I commend you on this, you were  
5 very careful about distinguishing between what were your  
6 professional views and what were your personal views;  
7 you'd agree with me on that?

8 MR. LIAM MCFARLANE: Yes.

9 MR. BYRON WILLIAMS: And would it be fair  
10 to say that in your paper as well, while much of that  
11 paper relates to your professional views as an actuary,  
12 some of it relates, as well, to your personal views, in  
13 terms of the equity of the matter; would that be fair?

14 MR. LIAM MCFARLANE: Yes, I think that is  
15 fair.

16 MR. BYRON WILLIAMS: So, at some point,  
17 or at some times in the course of your paper, you were  
18 stepping outside your role as an actuary and offering  
19 your role, or your views, as a person; would that be  
20 fair?

21 MR. LIAM MCFARLANE: Is that --

22 MR. BYRON WILLIAMS: I think that's  
23 allowed, by the way --

24 MR. LIAM MCFARLANE: -- yeah -- yes, and  
25 I think that the scope of the engagement wasn't limited

364

1 to providing some thoughts on views.

2 MR. BYRON WILLIAMS: Thanks I'll see if I  
3 can do the same with Mr. Pelly and see what he -- he  
4 terms that.

5 Anyways, Mr. Chairman, in terms of my  
6 questions to Mr. McFarlane, those are all my questions.  
7 So I'll stand down and reserving the right to resume with  
8 Mr. Ramsay.

9 THE CHAIRPERSON: Thank you, Mr.

10 Williams.

11 Mr. Oakes...?

12 MR. RAYMOND OAKES: Thank you, Mr.

13 Chairman. I am as well cognizant of the timelines that

14 Mr. McFarlane has, not only in the flight today, but in

15 some if you'd call them connecting flights tomorrow out

16 of the country.

17 So with a view to expediting, I just want

18 to ensure and this will cut out a number of questions.

19 Is -- or all parties or is the Board at all concerned

20 with Mr. McFarlane's qualifications as an expert, because

21 if there still remains any need to qualify Mr. McFarlane,

22 I'll certainly do that at this time.

23 THE CHAIRPERSON: No problem.

24

25 CROSS-EXAMINATION BY MR. RAYMOND OAKES:

365

1 MR. RAYMOND OAKES: Thank you, Mr.

2 Chairman, then moving right along as they used to say in

3 this town.

4 Mr. McFarlane, I understand that by the

5 very nature of actuarial work, actuaries, whether it's

6 you, Mr. Palmer, Mr. Pelly, or even Mr. Christie, have to

7 make assumptions and judgments in preparing analysis; is

8 that correct?

9 MR. LIAM MCFARLANE: That is correct.

10 MR. RAYMOND OAKES: Similar to  
11 accountants and lawyers have to make professional  
12 judgments?

13 MR. LIAM MCFARLANE: Yes.

14 MR. RAYMOND OAKES: And does the report  
15 that you've filed with this Board that you have prepared,  
16 meet the professional standards required by the Canadian  
17 Institute of Actuaries?

18 MR. LIAM MCFARLANE: I would believe so.

19 MR. RAYMOND OAKES: Overall, sir, is it  
20 your opinion that you expect loss transfer to reduce the  
21 rate requirements for motorcycles in Manitoba?

22 MR. LIAM MCFARLANE: Yes.

23 MR. RAYMOND OAKES: And in that same  
24 expert opinion, would you expect loss transfer to have a  
25 very minor affect on rates for private passenger

366

1 vehicles?

2 MR. LIAM MCFARLANE: Yes, I would.

3 MR. RAYMOND OAKES: There was a reference  
4 to, I believe, the first witness produced, and that was  
5 from IBC, and if I could refer you to Tab 1(a), the  
6 report that's contained there. And I'm looking at the  
7 second page.

8 That report from the Insurance Bureau of  
9 Canada, indicated at the second page that the effect on  
10 loss -- as a result of loss transfer, there's the base

11 scenario and the assimilations scenario, showed a change  
12 in private passenger rates; base scenario is of course  
13 one (1), the assimilation scenario, point nine nine nine  
14 (.999) or a change of point zero -- .1 percent.

15           Would that be something in the order of  
16 what you would be thinking in terms of a very minimal  
17 effect on private passenger?

18           MR. LIAM MCFARLANE: That's a very  
19 minimal effect. I have trouble with this table in terms  
20 of -- I don't believe it's been prepared, you know,  
21 reflecting you know, as -- as was indicated yesterday by  
22 the gentleman, and also by Ms. Hall afterwards, ultimate  
23 costs. And so I would not, from my perspective, that has  
24 not been prepared by, you know IBC's actuary or someone  
25 who is -- who is subject to -- to the standards and

367

1 rigour, and therefore would -- personally would not rely  
2 on those figures.

3           MR. RAYMOND OAKES: Okay. And similarly  
4 it indicates a change as a result of the loss transfer of  
5 about 5.1 percent for motorcycles.

6           Do those same concerns cause you to  
7 question that conclusion?

8           MR. LIAM MCFARLANE: Yes.

9           MR. RAYMOND OAKES: And what -- what  
10 effect would those concerns have on that conclusion, if  
11 you could elaborate on that please?



12 MR. LIAM MCFARLANE: The -- the IBC, the  
13 Insurance Bureau of Canada, provides information by kind  
14 of loss to their consulting actuary, a gentleman by the  
15 name of Mr. Ron Miller, who's been you know, reviewing  
16 this information for -- for a long period of time.

17 And -- and the actual, you know, impact of  
18 loss cost is -- is calculated by -- or loss transfer is  
19 calculated by Mr. Miller, which is the -- the same  
20 numbers that I've -- I've used in my report, which are,  
21 you know, produce material differences from what you're  
22 seeing here, therefore I reject those numbers.

23 MR. RAYMOND OAKES: And the effect on the  
24 motorcycle premiums would be, in your opinion, more  
25 accurately portrayed in your report filed with this

368

1 Board?

2 MR. LIAM MCFARLANE: Yes.

3 MR. RAYMOND OAKES: You've mentioned some  
4 of the difficulties if material is not prepared by  
5 actuaries, according to the standards, professional  
6 standards required by the Canadian Institute of  
7 Actuaries, and your training.

8 Is data error a concern that actuaries  
9 would have in the production of materials on insurance  
10 rates?

11 MR. LIAM MCFARLANE: Absolutely. I mean,  
12 I think one of the precepts of the work that we do is we

13 have to ensure that the data that we're basing it on is  
14 appropriate for the analysis that we are undertaking.

15           And you know, there is -- you know, we  
16 look to the sources of that data and the controls and  
17 what not, checks that are put in place to ensure that it  
18 is appropriate.

19           And certainly if there's a data quality  
20 issue it alerts us and question -- we question the  
21 results of analysis that are based on data where there  
22 may be issues.

23           MR. RAYMOND OAKES: And if you were told  
24 that last year MPI reported to this Board that a  
25 significant data error with respect to dealer plates had  
369

1 occurred, would that cause you concern, perhaps, over the  
2 reliability of MPI's data in other areas?

3           MR. LIAM MCFARLANE: It would cause us  
4 concern to investigate the data to ensure that, you know,  
5 similar errors aren't there elsewhere. I mean, if  
6 somebody alerts us to an error over here and we say,  
7 well, is this data clean, we'd have to -- we'd have to go  
8 through a process of ensuring that the data is  
9 appropriate.

10           MR. RAYMOND OAKES: And certainly bad  
11 data could be one explanation of a -- of one (1) of the  
12 conclusions produced by MPI on this Hearing as to the  
13 rate effect of loss transfer on motorcyclists?

14 MR. LIAM MCFARLANE: Certainly. I mean,  
15 if the data's not quality, yes, that could be true.

16 MR. RAYMOND OAKES: If the rates were  
17 based on questionable data, would the rates be considered  
18 actuarially sound?

19 MR. LIAM MCFARLANE: Again, it's the  
20 degree of the inaccuracy in the data. I mean, we --  
21 we're all aware of situations where there could be a  
22 coding error or odd error.

23 So, we have to look at it in the context  
24 of the how material is that error for the analysis. I  
25 mean, we really have to assess that. And it's -- it's  
370

1 not cut and dried. I mean, it's -- it's the  
2 professional's judgment who's using the data.

3 MR. RAYMOND OAKES: In your experience,  
4 are there procedures that insurance companies put in  
5 place to ensure the data that they have is 100 percent  
6 correct?

7 MR. LIAM MCFARLANE: There's definitely  
8 procedures they put in place to ensure correct data,  
9 absolutely.

10 MR. RAYMOND OAKES: Mr. Chairman, those  
11 are all of my questions. Thank you.

12 THE CHAIRPERSON: Thank you, Mr. Oakes.

13 Mr. Evans...?

14 MR. LEN EVANS: Thank you, Mr. Chairman.

15 Just a brief question of clarification of Mr. McFarlane.

16 He said in his statement that the -- or in  
17 answer to a question, just now, that the implementation  
18 of a -- some kind of a loss transfer mechanism would have  
19 a minor impact on rates of other vehicles.

20 And I wonder if you could elaborate; what  
21 do you define as minor?

22 MR. LIAM MCFARLANE: Well, if in -- in  
23 simple terms, the -- the -- you know, if you're looking  
24 at -- what we've seen in Ontario is the largest loss  
25 transfer is between private passenger automobiles and  
371

1 motorcycles.

2 Roughly speaking there are -- you know,  
3 there's -- there's -- motorcycles are 1 percent of the --  
4 the population. So, there's one (1) motorcycle for every  
5 hundred (100) cars. So, you know, if the -- if you take  
6 losses from motorcycles you spread it over a pool that  
7 is, you know, a hundred (100) times the size.

8 So, you know, if the -- you take a 20 or  
9 30 percent as we've shown in the analysis, a 30 percent  
10 reduction for motorcycles, and you spread it back over  
11 across automobiles, it's within -- you know, it's 1  
12 percent.

13 I don't believe the estimates -- we do  
14 make estimates. I don't believe our estimates of rates  
15 are that precise that they will be accurate to 1 percent.

16 Therefore, I don't consider the 1 percent to be -- to be  
17 significant. I would consider that minor.

18 MR. LEN EVANS: Just -- thank you. So,  
19 this 1 percent, this is 1 percent of the rate scale of  
20 passenger automobiles or --

21 MR. LIAM MCFARLANE: Private passenger  
22 automobiles.

23 MR. LEN EVANS: Private passenger  
24 automobiles.

25 MR. LIAM MCFARLANE: So, if the average

372

1 premium is a thousand (1,000) it goes up to a thousand  
2 and ten (1,010) and the, you know, motorcycle premium may  
3 save 25 percent, may save four hundred dollars (\$400).

4 So, you know, you're paying ten dollars  
5 (\$10) over here to -- to save four hundred dollars (\$400)  
6 over there; that sort of scale is what we're talking  
7 about.

8 MR. LEN EVANS: Okay. Thank you.

9 THE CHAIRPERSON: Thank you, Mr. Evans.

10 Mr. Williams...?

11 MR. BYRON WILLIAMS: Mr. Chairman, in my  
12 haste to get Mr. McFarlane on his way I missed a page of  
13 notes. They're not central to my conclusions and they  
14 don't, in any way, act as re-direct after Mr. Oakes, but  
15 with the Board and Mr. McFarlane's permission I wouldn't  
16 mind pursuing about three (3) minutes worth of questions?

17 THE CHAIRPERSON: I think that's fine. I  
18 was going to make a swing through all the Intervenors in  
19 any case.

20 MR. BYRON WILLIAMS: And I apologize for  
21 that, Mr. McFarlane.

22

23 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

24 MR. BYRON WILLIAMS: Just in terms of the  
25 -- you indicated some private sector firms that you have

373

1 -- auto insurance firms that you have worked directly  
2 for. Can you indicate if you have worked at any time  
3 directly for public insurers in Quebec, Manitoba,  
4 Saskatchewan or British Columbia?

5 MR. LIAM MCFARLANE: I have never acted  
6 for any of the insurers.

7 MR. BYRON WILLIAMS: Okay. In terms of  
8 your preparation for the Hearing, I noted at page 5 of  
9 your evidence, you don't need to turn there, but, you had  
10 before you the June 2004 Rate application of Manitoba  
11 Public Insurance, correct?

12 MR. LIAM MCFARLANE: Yes.

13 MR. BYRON WILLIAMS: And you extracted  
14 data from it, correct?

15 MR. LIAM MCFARLANE: Yes.

16 MR. BYRON WILLIAMS: Now, in terms of  
17 your preparation with regard to Manitoba, did you review

18 the rounds of interrogatories relating to that  
19 application information request?

20 MR. LIAM MCFARLANE: I reviewed the  
21 various pieces of information that were circulated to me,  
22 relative to this Hearing, so I believe whatever was  
23 provided from various groups to the Board Secretary that  
24 was sent around, I was privy to that information.

25 MR. BYRON WILLIAMS: Yeah, and I'm being  
374

1 imprecise.

2 In terms of the June 2004 rate application  
3 of Manitoba Public Insurance, apart from the rate filing,  
4 there were of course, many volumes of information  
5 requests or interrogatories filed with regard to it. Did  
6 you have a --

7 MR. LIAM MCFARLANE: With respect to the  
8 2004?

9 MR. BYRON WILLIAMS: Yeah, 2004 --

10 MR. LIAM MCFARLANE: No, no --

11 MR. BYRON WILLIAMS: -- did you have  
12 occasion to review it?

13 MR. LIAM MCFARLANE: -- all I got was the  
14 six (6) binder, two and a half (2 1/2) foot thick stack  
15 of the MPI filing.

16 MR. BYRON WILLIAMS: Which was enough.

17 MR. LIAM MCFARLANE: That was enough.

18 MR. BYRON WILLIAMS: In terms of the

19 transcript from the Hearing, the 2004 Hearing, did you  
20 have an opportunity to review that transcript with regard  
21 to loss transfer?

22 MR. LIAM MCFARLANE: I did not.

23 MR. BYRON WILLIAMS: Okay. And did you  
24 review the record from any previous years, in which the  
25 subject of loss transfer has been discussed before the  
375

1 Manitoba Public Utilities Board?

2 MR. LIAM MCFARLANE: I did not.

3 MR. BYRON WILLIAMS: Okay. Now, did you  
4 review the Board Orders of the Manitoba Public Utilities  
5 Board in 2004 or in previous years, in which reference  
6 has been made to the concept or principle of loss  
7 transfer?

8 MR. LIAM MCFARLANE: I reviewed a  
9 document which seemed to summarize Board directions or  
10 conclusion, in respect of loss transfer, you know, from  
11 various Hearings in the past. And I believe, the last  
12 item was where the Board had determined that a Hearing  
13 should be taking place to deal with this issue.

14 So, it was really excerpts from various  
15 Hearings in the past, with you know, the Board decisions  
16 in regard of that.

17 MR. BYRON WILLIAMS: Thank you. Now,  
18 just finally in terms of going back to the 2004 Rate  
19 Application, you had the opportunity presumably to review



20 Tab TI-20, which describes the -- in exhaustive detail  
21 the basic Autopac program, rate making methodology; is  
22 that correct?

23 MR. LIAM MCFARLANE: I'll take you work  
24 for it that it's TI-20, but, I did look -- review the  
25 technical, you know, appendices related to the rate  
376

1 making exercise, yes.

2 MR. BYRON WILLIAMS: Would you  
3 characterize your level of familiarity with it as very  
4 familiar or somewhat familiar?

5 MR. LIAM MCFARLANE: Somewhat familiar.  
6 It's reasonably standard rate making work. It's  
7 something that we've seen, you know, for the last twenty  
8 (20) years. It's not that -- didn't go through to  
9 intimate detail.

10 MR. BYRON WILLIAMS: Okay. Thank you  
11 Mr. Chairman. And this time I promise I have no further  
12 questions.

13 THE CHAIRPERSON: It's just fine, Mr.  
14 Williams.

15 I'm wondering whether anyone else has  
16 anything to ask of Mr. McFarlane. I'll just go through  
17 the list.

18 Mr. Oakes, I presume you're satisfied at  
19 this point?

20 MR. RAYMOND OAKES: Yes Mr. Chairman.

21 THE CHAIRPERSON: Mr. Roberts...?  
22 MR. NICK ROBERTS: No questions.  
23 THE CHAIRPERSON: Okay. Mr. Dawson...?  
24 MR. ROBERT DAWSON: I have no questions  
25 for this Witness.

377

1 THE CHAIRPERSON: Okay. Mr. Miller...?  
2 Oh he's not here.  
3 MS. CHARLENE OLAFSON: I'm Charlene  
4 Olafson, I'm representing the MCTRA this afternoon.  
5 THE CHAIRPERSON: Oh, very good. Do you  
6 have anything to ask?  
7 MS. CHARLENE OLAFSON: We have nothing to  
8 add, thank you.  
9 THE CHAIRPERSON: Thank you very much.  
10 I'll just make a note.  
11 Mr. Saranchuk...?  
12 MR. WALTER SARANCHUK: No questions, sir.  
13 THE CHAIRPERSON: Thank you, Mr.  
14 Saranchuk.  
15 Well, Mr. McFarlane, I think you're going  
16 to get your leave at this point in time.  
17 I want to thank you very much for your  
18 contribution for coming out to Winnipeg.  
19 MR. LIAM MCFARLANE: Thank you. I've  
20 enjoyed it and thanks to everyone for accommodating my  
21 schedule, I certainly appreciate that.

22 THE CHAIRPERSON: Well, we certainly  
23 appreciate your contributions. Thank you very much.

24

25 (WITNESS LIAM MCFARLANE STANDS DOWN)

378

1 THE CHAIRPERSON: Mr. Williams, are you  
2 ready to recommence?

3 MR. BYRON WILLIAMS: Yes, thank you, Mr.

4 Chair -- Mr. Chairman.

5

6 CONTINUED BY MR. BYRON WILLIAMS:

7 MR. BYRON WILLIAMS: Mr. Ramsay, I'd like  
8 your assistance, and I'm going to ask you some questions  
9 related to the auto insurance climate in Ontario in 2004.

10 And just to kind of lay the foundation for  
11 your knowledge, you would be quite familiar with the auto  
12 -- the auto insurance climate for motorcyclists, at least  
13 in Ontario in 2004, based upon your work both as a policy  
14 person for MMIC, also in terms of your work with the  
15 insurance plan, Open Roads, offered by MMIC; is that  
16 correct?

17 MR. ROBERT RAMSAY: I believe so, yes.

18 MR. BYRON WILLIAMS: And in those dual  
19 roles you have served as a lobbyist with -- with the  
20 Government in Ontario on insurance issues; is that  
21 correct?

22 MR. ROBERT RAMSAY: Yes.

23 MR. BYRON WILLIAMS: And you've acted on  
24 behalf of MMIC and served as a media spokesperson for  
25 them on insurance issues related to motorcyclists as  
379

1 well; is that right?

2 MR. ROBERT RAMSAY: That's correct.

3 MR. BYRON WILLIAMS: And you're often  
4 quoted in the media, and you're often writing letters to  
5 the media; would that be fair?

6 MR. ROBERT RAMSAY: I try to keep it as  
7 low profile as possible, but unfortunately that's  
8 correct, yes.

9 MR. BYRON WILLIAMS: Yes. And I've  
10 shared with you, just to refresh your memory, a series of  
11 newspaper articles from Ontario in 2004, which relate to  
12 the insurance climate in Ontario in that point in time;  
13 is that right, sir?

14 MR. ROBERT RAMSAY: That's correct.

15 MR. BYRON WILLIAMS: And also as part of  
16 your role -- your role with MMIC, you have to have some  
17 familiarity with the filings with the Ontario Financial  
18 Service Commission in terms of insurance rates being  
19 offered, or insurance packages being offered to  
20 motorcyclists; would that be fair?

21 MR. ROBERT RAMSAY: In regard to the Open  
22 Road Program, yes, that would be fair.

23 MR. BYRON WILLIAMS: And in your role as

24 a lobbyist, or as a spokesperson for MMIC, you would also  
25 be aware of how the offerings of other insurance

380

1 companies were affecting motorcyclists in Ontario as well  
2 in 2004; would that be fair?

3 MR. ROBERT RAMSAY: General -- generally  
4 speaking, yes, that's correct.

5 MR. BYRON WILLIAMS: Now, with regard to  
6 motorcyclists, you'd agree with me that in 2004, a number  
7 of individuals were portraying the insurance situation  
8 for motorcyclists as being in crisis; would that be fair,  
9 in Ontario in 2004?

10 MR. ROBERT RAMSAY: That would be  
11 correct, yes.

12 MR. BYRON WILLIAMS: In fact, you were  
13 one of those people who was portraying it as a crisis in  
14 the media; is that correct?

15 MR. ROBERT RAMSAY: I would have to check  
16 if I ever use the word crisis, but in general that's  
17 correct, yes.

18 MR. BYRON WILLIAMS: Okay. And in terms  
19 if we look to the roots of that crisis, or what was, you  
20 know, using those words, we would look to rate increases,  
21 which you've suggested in 2002, were between 15 to 20  
22 percent on average; would that be correct?

23 MR. ROBERT RAMSAY: I believe those are  
24 the numbers I used, yes.

25 MR. BYRON WILLIAMS: And in 2003, rate  
381

1 increases in the range between 18 and 25 percent; would  
2 that be right?

3 MR. ROBERT RAMSAY: I believe again those  
4 are the correct numbers, yes.

5 MR. BYRON WILLIAMS: And presumably when  
6 there's a -- a sense of crisis, one looks to examine what  
7 lies at the -- the roots of that crisis; would that be  
8 fair?

9 MR. ROBERT RAMSAY: That'd be very fair,  
10 yes.

11 MR. BYRON WILLIAMS: Now, in your role in  
12 the industry in Ontario, would you be familiar with Mr.  
13 Rob Carter (phonetic), Chief Executive of the Independent  
14 Brokers Association of Ontario?

15 MR. ROBERT RAMSAY: No, I'm not familiar  
16 with him.

17 MR. BYRON WILLIAMS: Would you be aware  
18 of concerns that were being raised in Ontario in 2004, in  
19 terms of motorcyclists, with the -- with the fact that  
20 the real driver of this crisis in the industry were  
21 accident benefits. Are you aware of those concerns being  
22 expressed in the -- in the media?

23 MR. ROBERT RAMSAY: Absolutely, and in  
24 fact just to expand on that, because I think we might be  
25 getting a little bit of a -- a misrepresentation of the

1 picture, the issue was not only motorcyclists, it was  
2 right across the Board for all motor vehicles.

3           And in fact, if you look at the -- the  
4 media at that time, there was even a larger outcry  
5 amongst automobiles, mainly because they're a larger  
6 group, but also they were experiencing the exact same  
7 sort of increases as -- as motorcyclists.

8           MR. BYRON WILLIAMS: Well, you'll agree  
9 with me that in the Ontario industry, with specific  
10 reference to motorcyclists, concerns were being expressed  
11 that -- that the real driver of costs were accident  
12 benefits because motorcyclists were far more likely to be  
13 badly injured in an accident than car drivers; that was a  
14 concern expressed in that public debate, correct?

15           MR. ROBERT RAMSAY: That's correct. Yes.

16           MR. BYRON WILLIAMS: And likewise the  
17 point was made that if a motorcycle, for example, lays  
18 down a bike on the road, the likelihood of injury is far  
19 higher than for a driver behind the wheel wearing a seat  
20 belt; those concerns were expressed in the context of  
21 this debate as well, is that correct, sir?

22           MR. ROBERT RAMSAY: That's correct. Yes.

23           MR. BYRON WILLIAMS: Now, in your role on  
24 behalf of MMIC in terms of what some described as a  
25 crisis with regard to motorcycle insurance rates in 2004,

1 you met with the Provincial Government and also with  
2 representatives from the Ontario Financial Services  
3 Commission; is that right, sir?

4 MR. ROBERT RAMSAY: That's correct. Yes.

5 MR. BYRON WILLIAMS: And in terms of a  
6 remedy to the concerns with the, in quotation marks,  
7 "crisis in the motorcycle insurance rates", you  
8 suggested, on behalf of MMIC, was that there may need to  
9 be alterations in Ontario's mandatory structure for  
10 accident benefits; is that correct, sir?

11 If it will refresh your memory, I would  
12 refer you to a National Post article dated May 7th, 2004  
13 which, in your package of materials, is number 2A. And  
14 if you go to the second page, the second last paragraph  
15 there, sir.

16 And, Mr. Chairman, I do have a package of  
17 this material prepared if the Board would like to follow  
18 along with me. I'm certainly prepared to provide it. I  
19 leave that to your -- your judgment as whether it would  
20 be of assistance or not.

21 MR. ROBERT RAMSAY: Just if I'm reading  
22 this correctly, and I want to make sure I'm actually  
23 addressing the quote from the news article that you're  
24 referring to. If it's the one that says:

25 "Mr. Ramsay says, 'noting the



1 commission has a good handle on what's  
2 needed to remedy the situation, one of  
3 the changes needed', he says are  
4 'alterations to Ontario's mandatory  
5 structure for accident benefits.'"

6 Is that what you're referring to?

7 MR. BYRON WILLIAMS: Yes, that is, Mr.  
8 Ramsay.

9 MR. ROBERT RAMSAY: Yes. I would say  
10 that's an accurate reflection of our overall position.  
11 It was one of many different recommendations we had  
12 brought forward.

13 MR. BYRON WILLIAMS: So, one of your  
14 concerns in terms of the, again, in quotation marks "the  
15 crisis in the insurance -- motorcycle insurance industry  
16 in Ontario" was that accident benefits were -- were too  
17 high and that was driving rates; is that correct?

18 MR. ROBERT RAMSAY: No, that's not  
19 correct. We weren't concerned that accident benefits  
20 were too high, we were concerned that the way some  
21 accident benefits were being charged to -- to  
22 motorcyclists and all motor vehicles as far as that goes,  
23 and I'll give you an example.

24 Automobile drivers and motorcycle riders  
25 were, if they had retired, were still being charged for

1 wage in their premium and so we had suggested that they  
2 shouldn't be charged for wage loss. And so that would  
3 have changed accident benefits.

4           So, no, we were not necessarily concerned  
5 about the level of accident benefit, we were concerned  
6 that there were some anomalies within the accident  
7 benefit that over-charged people for benefits they could  
8 never receive.

9           MR. BYRON WILLIAMS: Just going back to  
10 the quote which, I believe, you acknowledged -- or the  
11 statement which was attributed to you which I believe you  
12 acknowledge was accurate.

13           Going to the last couple of -- the last  
14 line there, it suggests that you commented that the only  
15 way rates are going to go down is with heftier  
16 deductibles and the availability of policies with reduced  
17 benefits; would that be reflective of the position taken  
18 by MMIC in -- in 2004, sir?

19           MR. ROBERT RAMSAY: Again, within the  
20 context of that entire statement, it is one (1) of the  
21 changes. We had put together a suite of changes to  
22 assist both the new government in Ontario as well as  
23 FSCO, identify areas that would help reduce duplication  
24 of expenses and that.

25           And so one (1) of the items was allowing

386

1 people who had other insurance coverages that were --

2 that preceded the automobile insurance coverage not have  
3 to pay for them twice.

4           So, in that regard, that's what this is  
5 referring to.

6           MR. BYRON WILLIAMS: Thank you, Mr.  
7 Ramsay. And just moving from Ontario for just a second,  
8 I'm going to direct you to the Document number 3 in the  
9 material I provided to you, which is a story attributed  
10 to the National Post, titled, No Easy Rides for  
11 Motorcycle Insurance; dated June 12th, 2004.

12           Do you have that, sir?

13           MR. ROBERT RAMSAY: Yes, I do.

14           MR. BYRON WILLIAMS: If you go to the  
15 second page of that document, near the top, you'll see a  
16 question saying, "so what gives?".

17           And then immediately underneath that  
18 question, you'll see again something being attributed to  
19 you, a state -- or a suggestion that:

20           Motorcycle riders across Canada have  
21           seen their insurance premiums soar more  
22           than 50 percent over the past three (3)  
23           years.

24           Would that be an accurate reflection of  
25 your understanding of the issue, sir?

387

1           MR. ROBERT RAMSAY: At that particular  
2 time, that was reflective of what was occurring right

3 across the Country, yes.

4 MR. BYRON WILLIAMS: If I just address  
5 your attention now, to the bottom of that page, sir.  
6 When we look at the -- I'm referring to the second last  
7 paragraph.

8 It seems to me that you're expressing the  
9 concern that not many insurers were actually offering  
10 motorcycle coverage, being fewer than 1.5 percent of  
11 insurers; would that be correct, sir?

12 Would that figure be correct?

13 MR. ROBERT RAMSAY: No, that's not  
14 correct. I'm not sure where they got that from.

15 MR. BYRON WILLIAMS: That's fair and I  
16 accept that. Would it be fair, just going on within that  
17 quote, you're -- it's been attributed to you that only  
18 three (3) companies, Primmum, Kingsway General and Jevco  
19 Insurance Company will ensure bikes on a stand alone  
20 basis, meaning that they don't require that you insure  
21 your car and home with them, as well.

22 Would that be in accord with your  
23 understanding of the situation in Ontario?

24 MR. ROBERT RAMSAY: In Ontario that's  
25 correct. And in fact, in most jurisdictions that offer

388

1 private insurance, that is correct.

2 MR. BYRON WILLIAMS: Now if I could turn  
3 you I guess now, Mr. Ramsey, to document number -- or the

4 article number 4, which is numbered 4 in the top right-  
5 hand corner, and the title is, Bikers Insurers Rev For  
6 Higher Rates for 2005; do you have that, sir?

7 MR. ROBERT RAMSAY: Yes I do.

8 MR. BYRON WILLIAMS: Again, this is  
9 attributed to a Toronto Star article, April 16th, 2005.  
10 And it's an article by Allan Johnson (phonetic), who I  
11 believe you're familiar with; is that right?

12 MR. ROBERT RAMSAY: That's correct. I  
13 know Allan, yes.

14 MR. BYRON WILLIAMS: Okay. Going towards  
15 the bottom of that page, there's a reference to the TD  
16 Meloche Monnex group; do you see that, sir?

17 MR. ROBERT RAMSAY: I do, yes.

18 MR. BYRON WILLIAMS: And this suggests  
19 that they sell motorcycle insurance through Primmum  
20 Security National Insurance and Liberty Mutual. Would  
21 that be your understanding, as well?

22 MR. ROBERT RAMSAY: I believe they sell  
23 motorcycle insurance. Our particular group plan is only  
24 through Primmum.

25 MR. BYRON WILLIAMS: Okay. So, just

389

1 going to the next paragraph there, it suggests that  
2 Security National was granted an average rate increase of  
3 33.6 percent by the OFS.

4 Would that be in accord with your

5 understanding, as well, sir, or do you have any knowledge  
6 of that?

7 MR. ROBERT RAMSAY: I do not have  
8 knowledge of that, no.

9 MR. BYRON WILLIAMS: Okay. Fair enough.  
10 Moving down to the bottom of the next page, there's a  
11 suggestion at the second last paragraph that the facility  
12 association, that the risk pool for motorcyclist who have  
13 been refused insurance elsewhere raised its rates an  
14 average of 15.7 percent in mid-2004.

15 Would you have any knowledge of that  
16 situation, sir?

17 MR. ROBERT RAMSAY: I do not, no.

18 MR. BYRON WILLIAMS: Thank you.

19 MS. DENYSE COTE: Before you leave that  
20 document, can you clarify, does Security National sell  
21 insurance, other than motorcycle insurance?

22 Does it sell auto insurance?

23 MR. BYRON WILLIAMS: I'm not sure, I'm  
24 first of all able to give evidence or -- perhaps Mr.  
25 Ramsay could, Ms. Cote.

390

1 The -- the reference to Security National  
2 Insurance, is that it's selling motorcycle insurance for  
3 the TD Meloche Monnex Group. And I guess you're asking  
4 whether the -- the 33.6 percent quote relates to auto  
5 insurance or to motorcycle insurance; is that what you're

6 asking?

7 MS. DENYSE COTE: Well, I guess I'm  
8 wondering whether the 33.6 percent is -- is an increase  
9 that they received for all of their rates, or -- and they  
10 insure more than just motorcycles?

11 MR. BYRON WILLIAMS: Right. And I'm -- I  
12 don't think either Mr. Ramsay or I are in a position to -  
13 - to answer that.

14

15 CONTINUED BY MR. BYRON WILLIAMS:

16 MR. BYRON WILLIAMS: Mr. Ramsay, just if  
17 we look at the kind of a high level picture of the  
18 Ontario insurance picture for motorcyclists, at least in  
19 2004, it was an industry that some would describe as  
20 being in crisis with -- with motorcyclists restricted to  
21 a relatively small number of competitive options, where  
22 there weren't sales tied to auto -- auto insurance or to  
23 house insurance; would that be fair?

24 MR. ROBERT RAMSAY: That's correct, and  
25 maybe I should expand on that a little bit, because it's  
391

1 a concept that many people may not be familiar with in  
2 Manitoba.

3 In -- in Ontario, as was heard yesterday,  
4 there are three (3) companies that basically have 75  
5 percent of the market for motorcycle insurance and those  
6 are the same three (3) companies listed in that group.

7 And those are the only three (3) companies in Ontario  
8 that offer stand-alone motorcycle insurance. And by  
9 stand-alone motorcycle insurance, it means you can  
10 purchase motorcycle insurance without purchasing home or  
11 auto.

12 A lot of companies offer motorcycle  
13 insurance, but it's only on the basis that you also put  
14 your car or your home insurance with them. We've had  
15 ongoing issues on that, because there's some belief that  
16 that's called tied selling, and you'll see articles of  
17 that nature.

18 And of course many insurance companies  
19 would argue that it's not tied selling, it's packaging of  
20 the products together, and so there's economies of scale.

21 My position is not to -- to judge that,  
22 but I do want everyone to be aware of the situation. And  
23 that's why when we talk about there's only three (3)  
24 major insurance companies that have 75 percent of the --  
25 the business for motorcycles in Ontario, that's -- that's

392

1 the scenario under which it's operating.

2 MR. BYRON WILLIAMS: I thank you, Mr.  
3 Ramsay, and just to follow-up, I think we've also  
4 identified that, within this atmosphere, one (1) of the  
5 concerns raised was the role of accident benefits of a  
6 driver of -- of costs for motorcycle insurance, the  
7 motorcyclist; is that fair?



8 MR. ROBERT RAMSAY: That was one (1)  
9 aspect, but it wasn't the major aspect, let's put it that  
10 way. To -- if -- if I could just remind everyone that in  
11 2003/2004, in Ontario and in many other jurisdictions,  
12 insurance as a whole was a problem.

13 And in fact, several governments almost  
14 lost their mandate, if we look at New Brunswick and Nova  
15 Scotia, because of insurance. Other Provinces were  
16 scrambling to make changes. So entire insurance  
17 environment in the private sector was really up -- in  
18 upheaval.

19 And so whether it's motorcycle insurance  
20 or automobile insurance or even other insurance such as  
21 trail insurance or -- or liability insurance, there were  
22 significant disruptions in the market, and -- and  
23 problems, and so Governments were taking active policy  
24 issues and policy steps to address this.

25 The good thing about Manitoba is you have

393

1 a very stable market here as it applies to the vast  
2 majority of -- of users. So, hats off to MPI in that  
3 regard.

4 MR. BYRON WILLIAMS: Mr. Ramsay, thank  
5 you for that answer.

6 I want to move to your evidence now, which  
7 in the -- the Board's Book of Documents, provided by  
8 Board Counsel, appears at Tab 3(b), and specifically I'm

9 going to ask you when you get there, to turn to the page  
10 number 4 in the bottom right hand side. Do you have  
11 that, sir?

12 MR. ROBERT RAMSAY: I do.

13 MR. BYRON WILLIAMS: And both to Mr. --  
14 Mr. Ramsay and to the -- to the Board, Mr. McCulloch had  
15 a few questions with you about one (1) of these quotes  
16 here and I'm going to have some questions as well, but I  
17 will try not to duplicate the path that he travelled to  
18 any great degree.

19 But I -- I'll direct your attention to the  
20 top of page 4, the first line, where you indicate that:

21 "A fundamental principle in all  
22 societies is that the wrongdoer should  
23 be held accountable for his or her  
24 actions."

25 Is that correct, sir?

394

1 MR. ROBERT RAMSAY: That's correct, yes.

2 MR. BYRON WILLIAMS: And generally, in  
3 your view, the Tort system did result in -- or does  
4 result in a proper allocation of claims to -- to the  
5 wrongdoer; without wanting to get into a great deal of  
6 debate that's summarizing your position fairly?

7 MR. ROBERT RAMSAY: A qualified yes.

8 Yes. There are problems with the Tort system. I don't  
9 deny that, but qualifying it, yes.

10 MR. BYRON WILLIAMS: That's fair enough.  
11 And I'm not anxious to walk down that part of the  
12 discussion. But the -- the argument you make in this  
13 paragraph is that the Tort system should accomplish the  
14 same thing, which is to hold wrongdoers accountable for  
15 their actions, correct?

16 MR. ROBERT RAMSAY: To the --

17 MR. BYRON WILLIAMS: Excuse me. The no-  
18 fault system should accomplish the same thing --

19 MR. ROBERT RAMSAY: Oh, okay.

20 MR. BYRON WILLIAMS: -- which is to hold  
21 the wrongdoer accountable for their actions, correct?

22 MR. ROBERT RAMSAY: In the sense of  
23 applying costs, yes.

24 MR. BYRON WILLIAMS: And, again, without  
25 elaborating on your general position, but in -- in

395

1 Ontario and in the Manitoba context, you see loss  
2 transfer as a mechanism through which the no-fault system  
3 can ensure this accountability principle; would that be  
4 fair?

5 MR. ROBERT RAMSAY: That is one option  
6 and that's the option that we suggest would be best but  
7 there are other options, yes.

8 MR. BYRON WILLIAMS: Right. So, just to  
9 summarize, you've identified this accountability  
10 principle as a fundamental principle. And your

11 recommendation to this Board is, in order to achieve that  
12 principle, one option they should look seriously at is  
13 loss transfer, correct?

14 MR. ROBERT RAMSAY: Correct. Yes.

15 MR. BYRON WILLIAMS: Now, I'm mindful of  
16 the discussion you had today with Mr. McCulloch in terms  
17 of bonus malice and loss transfer and I do want to walk  
18 down a similar path with you by way of hypothetical.

19 I want to keep it at a high level because  
20 you're not an actuary, unless I'm mistaken, and I'm  
21 certainly not one. So, I'll keep it at a very -- a very  
22 high level.

23 And I'm going to pose it to you as a  
24 hypothetical and if you want to keep a pen at hand you  
25 may find that -- find that useful.

396

1 And just for your information, you don't  
2 need to turn to -- turn to it but I'm going to do it as a  
3 hypothetical but I am going to use actual Manitoba  
4 numbers which I understand you're not personally familiar  
5 with.

6 So what I'd like you to assume, first of  
7 all, is to take a look at the private passenger class and  
8 I'd like you to assume that in terms of all purpose  
9 passenger vehicles in Territory 1, being Winnipeg, there  
10 are one hundred and ninety-three thousand, five hundred  
11 and eighty (193,580).

12           And for the Province as a whole, I'd ask  
13 you to assume that for all purpose passenger vehicles  
14 there's a total of three hundred thousand, nine hundred  
15 and thirty-seven (300,937). And --

16           MR. ROBERT RAMSAY: Three hundred  
17 thousand (300,000)?

18           MR. BYRON WILLIAMS: Three hundred  
19 thousand, nine hundred and thirty-seven (300,937).

20           MR. ROBERT RAMSAY: Thank you.

21           MR. BYRON WILLIAMS: And for the private  
22 passenger class, as a whole, I'm going to ask you to  
23 assume that there are six hundred and thirty-five  
24 thousand, seven hundred and twenty-two (635,722). Six  
25 three five seven two two (635722).

397

1           In hindsight, I could have chosen six  
2 hundred thousand (600,000), that would have made things a  
3 little easier, but I want to use the real numbers.

4           And I'd like you also to assume for the  
5 purposes of this hypothetical that for all purpose  
6 motorcycles the size of the class is seven thousand, nine  
7 hundred and ninety-three (7,993).

8           And in your -- we're going to turn to the  
9 bonus malice system, and you've confirmed in your  
10 discussions, both with Mr. Saranchuk and with Mr.  
11 McCulloch, that you're aware of the -- the principle of  
12 the system although you may not be aware of the fine

13 details; would that be fair?

14 MR. ROBERT RAMSAY: That's fair. Yes.

15 MR. BYRON WILLIAMS: In general terms,  
16 you're aware that it -- it provides certain discounts for  
17 vehicle owners and drivers with good records and that's  
18 the bonus side; would that be right?

19 MR. ROBERT RAMSAY: Yes.

20 MR. BYRON WILLIAMS: And on the malice  
21 side, it imposes certain penalties surcharges or loss of  
22 discounts for those with bad records or accidents; in  
23 general terms, would that be your understanding?

24 MR. ROBERT RAMSAY: Yes.

25 MR. BYRON WILLIAMS: And for the purpose

398

1 of the hypothetical, I'd ask you to assume that you get a  
2 insurance premium merit discount of 25 percent, for a  
3 certain period of claims-free driving; that's 25 percent.

4 MR. ROBERT RAMSAY: Hmm hmm.

5 MR. BYRON WILLIAMS: A driver license  
6 merit-rate discount of up to twenty-five dollars (\$25).

7 And on the malice side, I'd like you to  
8 assume that for a first accident, at-fault accident, a  
9 surcharge of two hundred dollars (\$200) is applied.

10 And that for a second accident within  
11 thirty-six (36) months, a vehicle owner would lose their  
12 merit discount of 25 percent. And also face an accident  
13 surcharge of four-hundred (400).

14 I see your pen working a little slower as  
15 we go along, Mr. Ramsay, but you're with me so far?

16 MR. ROBERT RAMSAY: I think I am, yes.

17 MR. BYRON WILLIAMS: I'll hold your hand  
18 through this process.

19 MR. ROBERT RAMSAY: Okay.

20 MR. BYRON WILLIAMS: I'll make it --  
21 thanks.

22 I'd like you to assume that we have a  
23 registered vehicle owner, driving an all-purpose vehicle  
24 in Winnipeg, who was accident free for eight (8) years --  
25 and you probably don't need to write it -- write this  
399

1 down -- and that his vehicle insurance is two thousand  
2 dollars (\$2,000) per annum.

3 And I'm going to ask you to, given this  
4 record, to assume that this person enjoys two (2)  
5 discounts: The first is the driver license merit-rate  
6 discount of twenty-five dollars (\$25); the second is the  
7 insurance premium merit discount of 25 percent.

8 And 25 percent of two thousand (2,000),  
9 you'll agree with me, is five hundred dollars (\$500); is  
10 that right, sir?

11 MR. ROBERT RAMSAY: Yes, if it's applied  
12 for --

13 MR. BYRON WILLIAMS: We don't have to be  
14 actuaries either, you or I, to do this --

15 MR. ROBERT RAMSAY: Yeah, exactly.

16 MR. BYRON WILLIAMS: So, if I add the  
17 twenty-five dollars (\$25) to the five hundred dollars  
18 (\$500), we come up with a total discount for this person,  
19 because of her or his good behaviour of five hundred and  
20 twenty-five (525); is that right?

21 MR. ROBERT RAMSAY: That's correct, yes.

22 MR. BYRON WILLIAMS: Let's assume this  
23 vehicle owner, let's -- let's make it me, in -- in a  
24 moment of carelessness or recklessness, has his first  
25 accident and he hits a motorcyclist and is at fault,  
400

1 causing two thousand dollars (\$2,000) damage to the  
2 vehicle, to his own vehicle, and eight thousand dollars  
3 (\$8,000) in terms of injuries and damage to the  
4 motorcyclist and his vehicle.

5 Do you have that, sir?

6 MR. ROBERT RAMSAY: Yes.

7 MR. BYRON WILLIAMS: Just going back to  
8 the accountability principle, by your definition, whether  
9 I was grossly -- grossly reckless or a bit careless, I'm  
10 the wrongdoer in this situation. I'm the vehicle owner  
11 who -- who hit the -- the motorcycle.

12 MR. ROBERT RAMSAY: You're at -- yeah,  
13 at-fault vehicle, yes.

14 MR. BYRON WILLIAMS: Yeah. Okay. Now  
15 just work this through me with the bonus -- in terms of



16 the bonus malice form of accountability, sir. This  
17 driver -- this vehicle owner, I, first of all, you'll  
18 agree with me that I'd lose my twenty-five dollar (\$25)  
19 driver's license discount?

20 MR. ROBERT RAMSAY: That's correct, yes.

21 MR. BYRON WILLIAMS: And you also agree  
22 with me that because it's my first accident, I'll pay a  
23 one-time surcharge of two hundred dollars (\$200),  
24 correct?

25 MR. ROBERT RAMSAY: I believe that's

401

1 correct, yes.

2 MR. BYRON WILLIAMS: Yeah. So, when I go  
3 to pay my driver's license renewal next time, the -- I'll  
4 be facing an increase of two hundred and twenty-five  
5 dollars (\$225) as a direct consequence of my act as a  
6 wrong-doer; would that be fair?

7 MR. ROBERT RAMSAY: That's fair, yes.

8 MR. BYRON WILLIAMS: And again, you and I  
9 are not actuaries. So that's the bonus malice side of  
10 the picture.

11 I'm going to ask you to assume in a very  
12 simplified form, that loss transfer takes place, at the  
13 major class level, and because that accident was my  
14 fault, my class of vehicle as being private passenger,  
15 would assume responsibility not only for my two thousand  
16 dollars (\$2,000) in claims, but the eight thousand

17 (8,000) associated with the injury to the motorcyclist  
18 and his vehicle; would you assume that, sir?

19 MR. ROBERT RAMSAY: That is one option --

20 MR. BYRON WILLIAMS: Yeah.

21 MR. ROBERT RAMSAY: -- that's not  
22 necessarily the only option.

23 MR. BYRON WILLIAMS: Okay. Well, let's  
24 take that option, or, is that fine with you?

25 MR. ROBERT RAMSAY: Sure.

402

1 MR. BYRON WILLIAMS: Okay. So, just  
2 spreading those losses across the private passenger  
3 class, which we agreed before was -- or, for the purposes  
4 of the hypothetical is, six hundred and thirty-five  
5 thousand, seven hundred and twenty-two (635,722).

6 I'm not asking -- I'll ask you to accept  
7 this, subject to check. If I divided that ten thousand  
8 dollar (\$10,000) loss over six three five seven two two  
9 (635722), I, the driver, or the vehicle owner, would be  
10 personally accountable for about two cents (2¢) of the  
11 costs.

12 MR. ROBERT RAMSAY: Subject to a check,  
13 yes.

14 MR. BYRON WILLIAMS: And if we worked on  
15 -- if we could -- if we decided to assign it not at the  
16 major class level, but move it to the all-purpose usage,  
17 for private passenger vehicles, you'll recall that we

18 agreed that that figure for this purposes of this  
19 hypothetical would be three hundred thousand, nine  
20 hundred and thirty-seven (300,937), correct?

21 MR. ROBERT RAMSAY: I accepted that, yes.

22 MR. BYRON WILLIAMS: And again, I'll do  
23 the math and you can accept it subject to check.

24 If we spread that ten thousand dollar  
25 (\$10,000) loss over three hundred thousand nine hundred  
403

1 and thirty-seven (300,937), I, as a wrongdoer, would be  
2 personally accountable for about three (3) cents of that  
3 -- that cost?

4 MR. ROBERT RAMSAY: I'll take your word  
5 on it, yes.

6 MR. BYRON WILLIAMS: Subject to check.

7 MR. ROBERT RAMSAY: Yes.

8 MR. BYRON WILLIAMS: Thank you. If we go  
9 down one (1) more level and we assigned it to the --  
10 excuse me -- one (1) second --

11 MR. ROBERT RAMSAY: Territory one?

12 MR. BYRON WILLIAMS: -- yes thank you.

13 I'm glad you're on top of this.

14 All purpose private passenger in territory  
15 one, that we agreed was a figure of one hundred and  
16 ninety-three thousand, five hundred and eighty (193,580),  
17 is that correct, sir?

18 MR. ROBERT RAMSAY: That's correct, yes.

19 MR. BYRON WILLIAMS: And that ten  
20 thousand dollar (\$10,000) loss spread over that figure  
21 would account for about five (5) cents of the costs?

22 MR. ROBERT RAMSAY: Again, subject to  
23 check, yes.

24

25 (BRIEF PAUSE)

404

1 MR. BYRON WILLIAMS: Let's just, and we  
2 won't go through the painful exercise again, but let's  
3 just assume that instead of a ten thousand dollar  
4 (\$10,000) cost, it was a hundred thousand dollar  
5 (\$100,000) cost being assigned to my private passenger  
6 all purpose, territory one (1), as a result of my  
7 wrongdoing.

8 So, ten (10) times the amount. If we  
9 assigned -- divided the one hundred thousand (\$100,000)  
10 loss over -- by one hundred and ninety-three thousand,  
11 five hundred and eighty (\$193,580), you'll agree with me  
12 that each individual within that class would be  
13 responsible for about fifty -- within that territory and  
14 usage, would be responsible for about fifty (50) cents of  
15 that cost?

16 MR. ROBERT RAMSAY: That's correct, yes.

17 MR. BYRON WILLIAMS: Okay. I just want  
18 to follow up this principle of accountability for the  
19 wrongdoer, a little bit more. You don't need to turn to

20 this, but, Mr. Pelly is the independent Board actuary, he  
21 was asked a question and he was asked about the -- in  
22 responding to an information request, was describing the  
23 concept of pooling, in terms of insurance.

24 And he indicated that policyholders are  
25 impacted by the experience of all those in the same  
405

1 rating categories. That is fundamental to the pooling  
2 principles of insurance. I take it you'd agree with that  
3 statement?

4 MR. ROBERT RAMSAY: In general, yes.

5 MR. BYRON WILLIAMS: So I want to go back  
6 to the -- to that driver -- I seem strangely attracted to  
7 Dr. Hicks in the course of his cross-examination, I keep,  
8 I have to change mic's now. Yeah, perhaps it is time for  
9 a break.

10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: Let's go back to  
14 this centre driver, or to this driver who has found at  
15 fault for the accident involving the motorcyclist.

16 When we look at this driver, and vehicle  
17 owner, and this person who caused the damage and  
18 suffering to the motorcyclist, and to the motorcyclist  
19 vehicle; in terms of the specific accident, if there is a  
20 wrongdoer, it's the driver of that specific vehicle who

21 is a wrongdoer, would you agree with me, sir?

22 MR. ROBERT RAMSAY: All other factors --  
23 all other factors being equal, yes I would agree with  
24 you.

25 MR. BYRON WILLIAMS: And again I don't  
406

1 want to invite a debate, but, certainly the motorcyclist  
2 who was injured certainly isn't the wrongdoer, correct?

3 MR. ROBERT RAMSAY: If they have done  
4 nothing to contribute to it, that's correct.

5 MR. BYRON WILLIAMS: And the members of  
6 the motorcyclist class, the seven or eight thousand  
7 (7,000 - 8,000) within that class, they're not  
8 wrongdoers, in terms of this specific incident either,  
9 are they?

10 MR. ROBERT RAMSAY: That's correct.

11 MR. BYRON WILLIAMS: And if we turn to  
12 the -- within that class of one hundred and ninety-three  
13 thousand, five hundred and eighty (193,580) vehicles,  
14 private passenger all purpose in Winnipeg, of that total,  
15 in terms of this specific accident, there's only one (1)  
16 who is a wrongdoer, correct?

17 MR. ROBERT RAMSAY: That's correct, yes.

18 MR. BYRON WILLIAMS: The other -- over a  
19 hundred and ninety thousand (190,000) people within that  
20 class, they had no responsibility for the individual  
21 accident, correct?

22 MR. ROBERT RAMSAY: That's correct, yes.

23 MR. BYRON WILLIAMS: And many of them,  
24 most of them probably don't even drive the same type of  
25 vehicle as the person who caused that injury, is that  
407

1 correct?

2 MR. ROBERT RAMSAY: That could well be  
3 the case, yes.

4 MR. BYRON WILLIAMS: So when we look at  
5 the big picture, when you look at the -- the private  
6 class, in terms of the specific accident, you would say  
7 that it's wrong to assign the costs of that accident to  
8 the motorcycle class, because they are not wrongdoers in  
9 this specific case, would that be right?

10 MR. ROBERT RAMSAY: That would not be the  
11 reason I would give, no.

12 MR. BYRON WILLIAMS: Well, in terms of  
13 accountability, you'd agree with me that there's only one  
14 (1) -- one (1) person who's accountable for this  
15 accident?

16 MR. ROBERT RAMSAY: In that particular  
17 accident, yes.

18 MR. BYRON WILLIAMS: What I'm going to  
19 suggest to you that really when we -- when we look at the  
20 concept of loss transfer, we're really talking about  
21 transferring costs from one (1) group of innocents, in  
22 terms of the specific accident, to another group of

23 innocents, within the specific accident, would you agree  
24 with that, sir?

25 MR. ROBERT RAMSAY: That is, by

408

1 definition I guess, something that could be implied. I  
2 would not necessarily agree with the definition of -- of  
3 innocence in the sense that obviously within this one (1)  
4 group of people who drove these vehicle types, there was  
5 someone who was actually at fault for the accident, yes.

6 MR. BYRON WILLIAMS: So, and just to go  
7 back to that point of these roughly one hundred and  
8 ninety thousand (190,000) people within that group, there  
9 was one wrongdoer, and in terms of the specific accident,  
10 about a hundred and ninety thousand (190,000) who would  
11 be innocent of that specific accident?

12 MR. ROBERT RAMSAY: That were not  
13 involved with it, that's correct. But my understanding  
14 of insurance is that insurance does pool risk over  
15 certain groups. And -- and so if we have a territory or  
16 we have other mechanisms by which we define groups, then  
17 if you fall within that group, that's the nature of  
18 insurance. So this is no different than any other, I  
19 guess application within the insurance field.

20 MR. BYRON WILLIAMS: Now, I just want to  
21 follow this up. I wonder if you'll agree with me that,  
22 me as a driver, in terms of my personal accountability, I  
23 feel a much greater impact, as a vehicle owner, excuse



24 me, in term -- in terms of my accountability, I feel a  
25 much greater direct personal impact on account of the  
409

1 bonus malice penalty, than I would in terms of the loss  
2 transfer penalty spread out over so many other  
3 individuals within my territory usage and class.

4           Would you agree with that?

5           MR. ROBERT RAMSAY: From the -- from the  
6 standpoint merely if it was one (1) case that would be  
7 right. But we're talking not about one (1) case, we're  
8 talking about what happens over a period of time, and  
9 over a period of time as we've saw, there's many cases.

10           And so as we saw with the actuarial study,  
11 there's a significant amount of funds that we're talking  
12 about here, that are being applied to innocent parties of  
13 a certain vehicle type, whereas the at-fault parties of  
14 another vehicle type are not having those same costs  
15 applied to them.

16           So you know, I can design an example any  
17 way I want to, which will show what you have shown, but  
18 I'm not sure that is the proper way of doing it.

19           MR. BYRON WILLIAMS: Yeah, I'm trying to  
20 get at the issue of this accountability and this moral  
21 culpability, and -- and, Mr. Chairman, I wonder -- I have  
22 maybe about twenty (20) -- twenty (20) minutes to go in  
23 terms of costs. But it might be a convenient time for me  
24 to take a very brief ten (10) minute break or so and then

25 resume.

410

1 THE CHAIRPERSON: Very good, Mr.

2 Williams, we'll take a ten (10) minute break then.

3 While we're getting up I should note that

4 this collage of internet searches, Mr. Williams, we could

5 entitle it Exhibit 29(a) through (e); there's five (5) of

6 them.

7 Thank you.

8

9 --- EXHIBIT NO. 29(a): Internet Search.

10

11 --- EXHIBIT NO. 29(b): Internet Search.

12

13 --- EXHIBIT NO. 29(c): Internet Search.

14

15 --- EXHIBIT NO. 29(d): Internet Search.

16

17 --- EXHIBIT NO. 29(e): Internet Search.

18

19

20 --- Upon recessing at 2:50 p.m.

21 --- Upon resuming at 3:13 p.m.

22

23 THE CHAIRPERSON: Mr. Saranchuk has just

24 reminded me that the e-mail exchange involving Mr. Ramsay

25 and ICBC needs to be given an exhibit number. So,

1 Exhibit number 28.

2

3 --- EXHIBIT NO. 28: E-mail exchange involving Mr.

4 Ramsay and ICBC.

5

6 THE CHAIRPERSON: Mr. Williams...?

7 MR. BYRON WILLIAMS: Thank you, Mr.

8 Chairman, Members of the Board. I have now re-

9 established appropriate separation from Dr. Hickson, and

10 I can advise you that I have three (3) relatively small

11 areas to -- to go through. I'm just glad Mr. Mayer's not

12 on the Panel, because he always catches me when I suggest

13 that I only have a bit more to go.

14

15 CONTINUED BY MR. BYRON WILLIAMS:

16 MR. BYRON WILLIAMS: Mr. Ramsay, oh so

17 long ago, before Mr. McFarlane left, we had chatted

18 about, and you had basically accepted a statement within

19 his evidence, the one being that:

20 "The nature of motorcycling is such

21 that in a collision between a

22 motorcycle and a car, the motorcyclist

23 will, due to the much lower level of

24 protection, generally be injured more

25 severely than the driver of the car,

1           regardless of who was at fault."

2           Do you remember that, sir?

3           MR. ROBERT RAMSAY: I do, yes.

4           MR. BYRON WILLIAMS: And I just want to  
5 explore that -- that concept in terms of the severity,  
6 and we can actually assume that the driver of the car is  
7 at fault, if that helps you.

8           When we look at the consequences, and in  
9 many case -- far too many cases the tragic consequences  
10 of the accident, some of the factors that might be in  
11 play, one (1) of the factors would be the actions of that  
12 driver, how fast she or he was going, how carelessly they  
13 were driving. You'd agree with me that in terms of  
14 looking at the severity, that would be one (1) of the  
15 factors?

16          MR. ROBERT RAMSAY: That could be, yes.

17          MR. BYRON WILLIAMS: And to -- to go to  
18 the -- the discussion perhaps you had previously with  
19 Mr. Saranchuk, another fact that -- that might impact the  
20 seriousness or severity of the impact upon the -- the  
21 motorcyclist, would be what the at-fault driver was  
22 driving, whether it was a -- my little Nissan, or whether  
23 it was a Suburban, or whether it was a Mac truck, you'd  
24 agree with that?

25          MR. ROBERT RAMSAY: That can be a factor,

1 yes.

2 MR. BYRON WILLIAMS: Another factor that  
3 might be in play, and you've acknowledged this before is  
4 the -- from the motorcyclist perspective, the -- the lack  
5 of protection that they have, when they're involved with  
6 an accident; would that be fair?

7 MR. ROBERT RAMSAY: That would be fair,  
8 yes.

9 MR. BYRON WILLIAMS: And you've noted in  
10 your own evidence, no seat belt, no air bags; those are  
11 some of the protections that are available to many car  
12 drivers that are not available to motorcyclist, correct?

13 MR. ROBERT RAMSAY: At this particular  
14 point in time, that's correct.

15 MR. BYRON WILLIAMS: I want to go back to  
16 this accountability principle. And again, let's assume  
17 that there's a serious accident between a car and a  
18 motorcycle -- serious consequences for the motorcyclist,  
19 which those consequences we all regret. The car is at  
20 fault and the costs from that at-fault accident are  
21 transferred over to the private passenger class.

22 And you've been very helpful, Mr. Ramsay,  
23 in helping us to understand the perspective both of the  
24 industry and also fo the motorcyclist who benefit from  
25 the product of the industry. And I'm going to get you to

1 walk in the shoes of my clients for a couple of seconds.

2           If we're transferring a loss to the  
3 private passenger class, the first thing they would say  
4 probably is, in terms of the actions of the driver who  
5 caused the accident, they weren't responsible for his  
6 actions.

7           They should not be held accountable, for  
8 what one (1) careless, reckless or unlucky driver did.  
9 You'd agree with me on that?

10          They had no role in -- or no role to play  
11 in that driver's actions?

12          MR. ROBERT RAMSAY: From the standpoint  
13 that they themselves did not have a role, I -- probably a  
14 lot of people think that way. Whether I agree with that,  
15 that is another question.

16          MR. BYRON WILLIAMS: I appreciate that.  
17 And the second factor we discussed which might impact the  
18 severity of an accident, would be the choice that that --  
19 vehicle that that at-fault driver made, whether it was a  
20 Nissan or a Suburban or a Mac truck, you recall that?

21          MR. ROBERT RAMSAY: It can be, as I said  
22 earlier, it can be. It doesn't have to be, but, it can  
23 be.

24          MR. BYRON WILLIAMS: And from the  
25 perspective of the private passenger class, again they  
415

1 had no say in terms of the particular vehicle selection

2 of the at-fault driver; is that right?

3 MR. ROBERT RAMSAY: That's correct, yes.

4 MR. BYRON WILLIAMS: And then we go to  
5 the third factor that might be in play in terms of the  
6 severity of the accident, which is the natural lack of  
7 protection, whether in the form of seatbelts or air bags,  
8 in terms of the motorcycle.

9 And you'll agree with me again that the  
10 private passenger class who to -- to which this loss is  
11 being transferred had no say in the choice that the  
12 motorcyclist made, in terms of, their vehicle that they  
13 chose to drive; you'd agree with that?

14 MR. ROBERT RAMSAY: Yes, I would agree  
15 with that.

16 MR. BYRON WILLIAMS: So, from the  
17 perspective of the private passenger class again, dealing  
18 with this specific accident, they are at the whim of the  
19 careless driver, both in terms of what he chooses to  
20 drive and what vehicle he drove; you'd agree with that?

21 MR. ROBERT RAMSAY: Yes.

22 MR. BYRON WILLIAMS: And they may also be  
23 vulnerable to the choice made by the motorcycle driver in  
24 terms of the vehicle that he choose or she choose to  
25 drive, correct?

416

1 MR. ROBERT RAMSAY: In the sense that it  
2 offers less protection than a car or a truck, that's

3 true.

4 MR. BYRON WILLIAMS: I thank you for

5 that.

6 Just to move on to -- to your evidence

7 again and we're nearing the end, whether you believe me,

8 or not. I'm an officer of the Court, I can't mislead

9 you.

10 As I understand the recommendation of MMIC

11 to the Public Utilities Board, in terms of the loss

12 transfer from motorcyclists to the private passenger

13 class, you would be prepared to accept it at the major

14 class level and MMIC does not believe it's necessary to

15 go to territory usage or rate group?

16 That to you would be an acceptable result

17 from your perspective?

18 MR. ROBERT RAMSAY: What we were

19 suggesting is, it's not necessary to break it down to the

20 most minute area, and in fact as you break anything down

21 to the most minute area, the sample size gets smaller and

22 smaller and so the reliability gets less and less.

23 And so no matter what -- how you're

24 evaluating and assessing insurance rates, and

25 particularly how it's done in Ontario, it doesn't need to

417

1 be broken down to the most minute level. It can be done

2 at a higher level.

3 MR. BYRON WILLIAMS: So, again, just to



4 confirm, from the perspective of MMIC it's acceptable if  
5 it's done at the major class level, correct?

6 MR. ROBERT RAMSAY: If that is -- is the  
7 will of MPI, I would say, yes.

8 MR. BYRON WILLIAMS: We'd probably leave  
9 that up to the will of the Board, but you'd agree with  
10 that?

11 MR. ROBERT RAMSAY: Maybe that's a better  
12 place to leave the decision up to.

13 MR. BYRON WILLIAMS: Now, as I look to  
14 your evidence at the bottom of page 5, and this is your  
15 evidence -- I guess that's perhaps not the right word,  
16 but your submission dated May 10th, 2005 appearing at Tab  
17 3(b) of the Book of Documents provided by the Board?

18 MR. ROBERT RAMSAY: Yes.

19 MR. BYRON WILLIAMS: And actually I'm  
20 directly you to the top of page 6. You seem to be saying  
21 there that in terms of the loss transfer, it -- if the  
22 amount of costs being transferred from the private  
23 passenger class to the motorcycle class is not material,  
24 then you would recommend not having that transfer take  
25 place; is that correct?

418

1 MR. ROBERT RAMSAY: I'm not sure I would  
2 agree with that interpretation, no.

3 MR. BYRON WILLIAMS: Okay. Let me start  
4 again. In terms of loss transfer, you believe it should

5 only be implemented in areas where the impact is  
6 material, correct?

7 MR. ROBERT RAMSAY: No, that's not what  
8 that says at all.

9 MR. BYRON WILLIAMS: Well, if I read the  
10 -- the last sentence, just above, "fault rating", you  
11 indicate:

12 "We believe it should only be  
13 implemented in areas where the impact  
14 is material."

15 Did I misunderstand you?

16 MR. ROBERT RAMSAY: I think in the  
17 context of the entire paragraph, what we're saying is  
18 that loss transfer does effect and that it is material.  
19 And if it can be shown that it's absolutely not material  
20 in any sense, then it might not need to be considered.

21 But, in the context of it is material,  
22 then it should be considered. And -- and -- and let me  
23 just go a little step further than that, is it may not be  
24 material in one application but may be material in  
25 another application.

419

1 And since we're not quite sure what loss  
2 transfer, how it would be structured and how it would be  
3 implemented, it would be -- it could be implemented  
4 theoretically in a way where it would have absolutely no  
5 impact, theoretically.

6 And so if it has absolutely no impact,  
7 then why would you go through the exercise.

8 MR. BYRON WILLIAMS: And perhaps I've  
9 approached this in an awkward manner and for that I  
10 apologize. In Ontario loss costs are transferred from  
11 the motorcycle class to the private passenger class,  
12 correct?

13 MR. ROBERT RAMSAY: That is correct.

14 MR. BYRON WILLIAMS: There is not, in  
15 Ontario, a symmetrical transfer from the private  
16 passenger class to the motorcycle class; is that right?

17 MR. ROBERT RAMSAY: That's correct. The  
18 loss transfer mechanism in Ontario recognizes the  
19 vulnerability of motorcyclists vis-a-vis the larger  
20 vehicles and, therefore, attributes based on fault the  
21 costs associated with the -- with the at-fault vehicle  
22 and those larger vehicles.

23 MR. BYRON WILLIAMS: And your preference,  
24 on behalf of MMIC, unless I'm mistaken, is for some --  
25 for some sort of asymmetrical loss transfer; is that  
420

1 wrong?

2 MR. ROBERT RAMSAY: The preference, as  
3 outlined in this document, is such that it would be  
4 asymmetrical. However, we have stated all the way  
5 through that the final analysis, we want to work with the  
6 Board to determine what is best for Manitoba.

7 Just because that is the very best system  
8 for Ontario, or at least has been deemed that by the  
9 policy and procedures I went through, each province is  
10 slightly different, as we've heard a lot in the last  
11 couple of days and, therefore, there may be slight  
12 differences that would need to be taken into account here  
13 as well.

14 MR. BYRON WILLIAMS: So, in trying to  
15 understand your rationale, kind of the philosophical  
16 underpinnings for an asymmetrical transfer, part of that  
17 hinges on the definition -- upon materiality; is that not  
18 correct?

19 MR. ROBERT RAMSAY: In -- in practical  
20 terms, yes it does. But I would like to clarify, that's  
21 not necessarily just my rationale, it's the rationale of  
22 many different jurisdictions. So MMIC does not stand  
23 alone on this issue, it's been implemented in -- in many  
24 different jurisdictions.

25 MR. BYRON WILLIAMS: Now, in terms of  
421

1 your materiality, you judge materiality upon the impact  
2 of the class of which the costs are transferred from, is  
3 that correct, rather than the impact upon which the costs  
4 are transferred to?

5 MR. ROBERT RAMSAY: I -- I would need to  
6 rely on the guidance of an actuary on that, but I believe  
7 that essentially is correct, yes.

8 MR. BYRON WILLIAMS: So again, assuming -  
9 - going back to this principle of accountability,  
10 assuming that an asymmetrical loss transfer takes place,  
11 private passenger vehicles would be held accountable for  
12 the at fault damage that they inflicted upon, in  
13 quotation "inflicted" in quotation marks, upon the  
14 motorcycle class, is that right?

15 MR. ROBERT RAMSAY: Well, if you'll  
16 excuse me a minute, I disagree with your use of the term  
17 asymmetrical, because it's very symmetrical in the sense  
18 that it's the at fault party. And so the use of the term  
19 asymmetrical seems to indicate that it's based on some  
20 theory that does not have any basis in fact.

21 And so when we're talking about at fault,  
22 there is a very strong correlation, and in fact if it's -  
23 - it's a 100 percent, then it would be an absolute  
24 correlation between what's at fault. And in that case,  
25 and in my definition of asymmetrical, it's -- it's not

422

1 whatsoever, it's just the transfer of appropriate claims  
2 costs to the appropriate vehicle class.

3 MR. BYRON WILLIAMS: Would the word one  
4 (1) way loss transfer be more acceptable to you? How  
5 would -- how would you characterize Ontario? Would one  
6 (1) way be a word that you can live with, Mr. Ramsay?

7 MR. ROBERT RAMSAY: One (1) -- one (1)  
8 way is an appropriate word, I believe asymmetrical is

9 misleading.

10 MR. BYRON WILLIAMS: Thank you for that  
11 clarification.

12 Again, going to -- to the -- the -- excuse  
13 me, the one (1) way loss transfer, private passenger  
14 vehicles would be held accountable for the at fault  
15 accidents in which motorcyclists were injured, correct?

16 MR. ROBERT RAMSAY: If they were a 100  
17 percent at fault, that's correct, yes.

18 MR. BYRON WILLIAMS: And using this one  
19 (1) way mechanism, motorcyclists would not be held  
20 accountable for the at fault accidents in which damage  
21 was inflicted upon private passenger vehicles, is that  
22 correct?

23 So accountability's only going one (1) way  
24 as well?

25 MR. ROBERT RAMSAY: I'm not quite sure,  
423

1 give me an example. I'm not quite sure what you're  
2 saying on that.

3 Motorcyclists are responsible for their  
4 own costs if they're at fault, so...

5 MR. BYRON WILLIAMS: But they're not  
6 being held responsible for the costs of the private  
7 passenger class under a one (1) way loss transfer, is  
8 that correct?

9 MR. ROBERT RAMSAY: Depending on how the

10 loss transfer mechanism was structured, that could be  
11 correct, or --

12 MR. BYRON WILLIAMS: In Ontario  
13 motorcyclists are not held responsible for the damage  
14 they inflict to the private passenger class for accidents  
15 for which they are 100 percent at fault? Those costs do  
16 not flow back from the private passenger class to the  
17 motorcycle class.

18 MR. ROBERT RAMSAY: I'm just remembering  
19 all the different situations, so there -- there may be  
20 exceptions to that, but in general I think that's  
21 correct, yes.

22 MR. BYRON WILLIAMS: The one (1) way loss  
23 transfer proposal, Mr. Ramsay, without inviting a speech,  
24 but you certainly from the perspective MMIC would see, it  
25 is a way to enhance equity for motorcyclists,  
424

1 affordability for motorcyclists, would that be fair?

2 MR. ROBERT RAMSAY: Yes, among other  
3 items, yes, that's correct.

4 MR. BYRON WILLIAMS: And one (1) of your  
5 objectives in promoting a one (1) way loss transfer  
6 system would be to put more registered motorcycles on the  
7 roads in Manitoba, would that be fair?

8 MR. ROBERT RAMSAY: No, that's not  
9 correct, it's a by-product of a fair system, but it's not  
10 necessarily an objective of that.

11 MR. BYRON WILLIAMS: And I -- I'm not  
12 suggesting it would be an objective of the system, thank  
13 you for that clarification. But MMIC, one (1) of the  
14 reasons it's supporting loss transfer would be the  
15 objective to put more motorcyclists on the road in  
16 Manitoba. You can sell more motorcycles if there's more  
17 motorcycles on the road.

18 MR. ROBERT RAMSAY: No, MMIC is not a  
19 marketing body for the industry or anything of that  
20 nature. Our goal is to try to ensure that all consumers  
21 are -- are equally treated in a fair and equitable  
22 manner, in a reasonable manner, and that the premiums, in  
23 this case the insurance claims costs, being assigned to  
24 them, is done appropriately.

25 Whatever the bi-product of that is, is  
425

1 what comes. But that's not our objective.

2 MR. BYRON WILLIAMS: So, your objective  
3 is not to promote or support the motorcycle industry in  
4 Manitoba, through this mechanism?

5 MR. ROBERT RAMSAY: Not through this  
6 mechanism, no. No, this is a fairness issue, it's an  
7 issue of conceptually what is fair to all people, all  
8 consumers.

9 MR. BYRON WILLIAMS: Mr. Ramsay, I, and  
10 Mr. Chairman, if I could just review my notes, but I  
11 believe I'm -- I'm done with this witness. If you give



12 me a couple seconds, please.

13 THE CHAIRPERSON: That's fine.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: Actually, I'm -- I'm

18 glad I'm getting wiser in my old age, Mr. Chair.

19

20 CONTINUED BY MR. BYRON WILLIAMS:

21 MR. BYRON WILLIAMS: Mr. Ramsay, I do not

22 have the -- I was negligent, I do not have the exhibit

23 number, but in your discussion with Mr. McCulloch this

24 morning, there was a Table 1.7, which was Retail

25 Motorcycle Sales by Province. Do you have that document?

426

1 MR. ROBERT RAMSAY: If you're referring

2 to -- is it this document that you're referring to?

3 MR. BYRON WILLIAMS: He's -- I believe

4 we're talking about the same document, the transcript

5 can't pick up the visual, so I'm going to describe it as

6 Table 1.7, Retail Motorcycle Sales by Province in Number

7 of Units.

8 MR. ROBERT RAMSAY: Yes, then I do have

9 that document.

10 MR. BYRON WILLIAMS: Actually, Mr.

11 Chair --

12 THE CHAIRPERSON: It's Exhibit Number 24.

13 MR. BYRON WILLIAMS: Okay. Actually, Mr.  
14 Chairman, as I reflect the -- there's some confusion in  
15 terms of -- of these numbers and how much are street  
16 motorcycles, so I think I'll -- I'll close my questioning  
17 and not proceed any further on this. Sorry. So I am  
18 done now. I apologize for the inconvenience.

19 THE CHAIRPERSON: Okay, Mr. Williams, I  
20 will come back to you when we have finished the round,  
21 just in case you've got any other thoughts on this  
22 particular Table.

23 Thank you, Mr. Williams. Mr. Oakes...?

24 MR. RAYMOND OAKES: There will be no  
25 questions of this witness. Thank you, Mr. Chair.

427

1 THE CHAIRPERSON: Thank you, Mr. Oakes.  
2 Mr. Roberts...?

3 MR. NICK ROBERTS: No questions, Mr.  
4 Chairman.

5 THE CHAIRPERSON: Okay. Mr. Dawson...?

6 MR. ROBERT DAWSON: Thank you, Mr.  
7 Chairman. I have no questions of this witness.

8 THE CHAIRPERSON: Ms. Olafson...?

9 MS. CHARLENE OLAFSON: Thank you. There  
10 will be no questions.

11 THE CHAIRPERSON: Thank you. Mr.  
12 Saranchuk, do you have any last thoughts on this?

13 MR. WALTER SARANCHUK: Yes, I have one

14 question of Mr. Ramsay.

15

16 RE-CROSS-EXAMINATION BY MR. WALTER SARANCHUK:

17 MR. WALTER SARANCHUK: From MMIC's  
18 perspective, what public policy considerations would lead  
19 one to conclude that loss transfer should not be extended  
20 beyond the major class level; that is through the  
21 territory and use?

22 MR. ROBERT RAMSAY: Well there's a -- a  
23 number of potential factors, and -- and I'm not saying  
24 these are -- these are actual factors.

25 The potential factors are if the sample

428

1 size becomes too small as to result in trying to  
2 attribute that to -- to a very small sample size. And --  
3 and let me try, maybe, to explain it in -- in larger  
4 terms.

5 When we're talking about -- or in terms  
6 that maybe can be understood a little better, when we're  
7 talking in -- in terms of a territory, if a particular  
8 territory might have very, very few of a particular type  
9 of vehicle in it, in that -- it may not be necessary to  
10 take it that low to apply to a particular territory, it  
11 may be more appropriate to apply it on an across-the-  
12 board basis, and then based on the across-the-board  
13 basis, to assign it on different rating factors.

14 In other words, it doesn't have to be

15 applied to every rating factor, it could be assigned to -  
16 - to a territory rating factor or to some other rating  
17 factor, but it doesn't necessarily have to be assigned to  
18 all, as long as it's taken into account.

19           So, it might be easiest to apply it at the  
20 -- at the most high level, where you're transferring it  
21 between vehicle types. And what we're trying to do is  
22 offer alternatives for consideration. We're not  
23 suggesting it is necessarily better that way, but it can  
24 be viewed different ways on how to apply it.

25           MR. WALTER SARANCHUK: I'm sorry, I don't  
429

1 understand that answer, because from my -- my  
2 interpretation of MPI's rate making methodology, they  
3 take into account the driver, they take into account the  
4 territory where that vehicle's going to be used, they  
5 take into account the type of vehicle, and they take into  
6 account the use that's going to be put to that vehicle.  
7 So these are all intrinsic factors.

8           And in order to get the best possible  
9 rating, they have to assign these losses, in accordance  
10 with those criteria.

11           MR. ROBERT RAMSAY: Right.

12           MR. WALTER SARANCHUK: So now why do you  
13 say that it would be best to do it at the highest level?

14           MR. ROBERT RAMSAY: Well to -- to take  
15 your example of those four (4) particular aspects, rather

16 than applying it to all four (4), you can apply it to  
17 only one(1); for instance, territory. And let's say  
18 from the standpoint of you're transferring it between the  
19 motorcycle and the automobile at Territory 1, then you  
20 make that transfer then.

21           So you end up with your total -- total  
22 amount of money, and maybe it works a little bit easier  
23 if we use just -- just abstract figures.

24           So let's say for all of Manitoba there's  
25 five hundred thousand dollars (\$500,000) in loss transfer

430

1 between motorcycles and automobiles.

2           MR. WALTER SARANCHUK: Which way?

3           MR. ROBERT RAMSAY: From -- from the  
4 motorcycle to the automobile, five hundred thousand  
5 dollar (\$500,000) of claims costs being transferred to  
6 the automobile, okay. Everybody with me on this one (1)?

7           Okay, I have to use some of your approach  
8 here. So let's say it's five hundred thousand dollars  
9 (\$500,000) just at the maximum level, at the Provincial  
10 level. And then it could be broken down into the -- I  
11 believe there's five (5) territories in Manitoba, based  
12 on vehicle population bases.

13           So if Territory 1 is approximately 40  
14 percent, then of that five hundred thousand dollars  
15 (\$500,000), 40 percent could be applied to Territory 1.  
16 And so from that analysis you're getting actual

17 application. At that point the other factors that MPI  
18 uses could be -- I'm not sure of the exact word --  
19 wording for this, but could be put into the equation to  
20 generate the rates.

21 And so if you look at how it's done in  
22 Ontario, for instance, the one (1) I'm most familiar with  
23 is our own Open Road Program. We don't take it down all  
24 the way to the -- to the individual, we do it at a very  
25 high level, assign the costs, and then based on the  
431

1 rating equation, that's how it's -- how it's included,  
2 so...

3 Again, I'm not an actuary and this is  
4 something that an actuary can explain in much better  
5 language than I can.

6 MR. WALTER SARANCHUK: How would you  
7 categorize that in kind of an approach that you've just  
8 described in terms of fairness?

9 MR. ROBERT RAMSAY: I believe it's very  
10 fair.

11 MR. WALTER SARANCHUK: As opposed to, for  
12 example, assigning that cost not only to the territory,  
13 but also to the driver, but also to the type of vehicle--

14 MR. ROBERT RAMSAY: But -- but it is --

15 MR. WALTER SARANCHUK: -- and also to --  
16 to use.

17 MR. ROBERT RAMSAY: Maybe I'm not

18 communicating myself very clearly, but it is assigned  
19 based on -- it first gets assigned to one (1) place, but  
20 within that, then it gets distributed out, based on the -  
21 - the equation.

22           Mr. McFarlane, unfortunately is not here,  
23 could explain this in -- in better or an act -- in fact,  
24 almost any actuary that's done this on their own, could  
25 explain how this -- how this is applied.

432

1           MR. WALTER SARANCHUK: So if I can try to  
2 give my interpretation, and bear with me if I'm  
3 incorrect, please advise me. To what you've said you're  
4 saying that if there's a -- if there is a half a million  
5 dollar loss, that's transferred over from the motorcycle  
6 group to -- a motorcycle class rather to private  
7 passenger automobile class.

8           Then what you would do -- what you would  
9 suggest be done is that you would take that loss and if  
10 it were to be initially at the territorial level, you  
11 would determine what percentage of motorists are in each  
12 of these five (5) Territories and you would break that  
13 five hundred thousand dollar (\$500,000) loss accordingly  
14 on a pro rata basis.

15           Am I with you so far, or are you with me  
16 so far?

17           MR. ROBERT RAMSAY: I -- I believe I'm  
18 with you, yes.

19 MR. WALTER SARANCHUK: Okay. Is that  
20 what you're saying so far?

21 MR. ROBERT RAMSAY: What I'm suggesting  
22 is this is one (1) option that --

23 MR. WALTER SARANCHUK: No, I appreciate  
24 that, but I'm just trying to get what you're saying okay.  
25 So, we're ad idem so far.

433

1 Now, what you're saying is once you have,  
2 let's assume, 50 percent, because that's the makeup of  
3 Territory 1, City of Winnipeg, for example. I don't know  
4 what it is, but let's say --

5 MR. ROBERT RAMSAY: No.

6 MR. WALTER SARANCHUK: -- 50 percent. So  
7 once you have two hundred and fifty thousand dollars  
8 (\$250,000) assigned to Territory 1; then what's to  
9 happen?

10 MR. ROBERT RAMSAY: Well then the regular  
11 break down of how -- how a rate is set. So let's say  
12 you're setting normally rates, and you have claims costs  
13 of 9.5 --

14 MR. WALTER SARANCHUK: Well let's just go  
15 with this half a million dollars.

16 MR. ROBERT RAMSAY: Yeah. No, I -- I am,  
17 yeah, okay.

18 All you're doing is you're adding the  
19 additional costs to that group, and then everything else



20 remains the same, so it all gets applied appropriately  
21 everywhere else.

22 MR. WALTER SARANCHUK: So it goes to  
23 private passenger vehicles in Territory 1, across the  
24 board?

25 MR. ROBERT RAMSAY: Yes, based on, you  
434

1 know, the rate equation that is used on an individual  
2 basis.

3 MR. WALTER SARANCHUK: And then when  
4 you're assigning it to private passenger vehicles, you  
5 would then take that amount, 50 percent of private -- of  
6 the two hundred and fifty thousand dollars (\$250,000)  
7 assigned to private passenger vehicles in Territory 1,  
8 and then further in your example, allocate it according  
9 to the various uses of those vehicles?

10 MR. ROBERT RAMSAY: No, what I'm  
11 suggesting is that there's probably a logarithm, I do not  
12 know exactly how they use this, but there's probably an  
13 equation or a logarithm that they use to calculate a --  
14 an insurance premium. All you're doing is you're  
15 assigning the -- the costs at the -- at the top level,  
16 and then the equation goes into affect and it just  
17 ripples down like that.

18 So all you've done is change claims costs  
19 from 9 million to 9.5 million, everything else remains  
20 the same.

21 MR. WALTER SARANCHUK: Isn't that  
22 extending the loss through the system, along the lines of  
23 what one would do if you went past the major class, and  
24 then into the territory level and the insurance code  
25 level, as MPI, or at least someone has suggested?

435

1 MR. ROBERT RAMSAY: What I'm suggesting  
2 is -- is that is a method, you know, the Board has to --  
3 to weigh this, and it will be their decision. I'm  
4 suggesting it can be done anyway. This -- the beauty of  
5 this system is it's very flexible, it doesn't require --  
6 even someone like myself can understand it theoretically.  
7 How you put it into play is -- is another situation.

8 But all you're doing is taking the extra  
9 claims costs that is based on fault, attributing it to  
10 the at fault class, and then doing your rating. So it's  
11 a very simple system.

12

13 (BRIEF PAUSE)

14

15 MR. WALTER SARANCHUK: I know that we're  
16 talking about a one (1) way system in Ontario, but has  
17 there ever been given any consideration to a transfer in  
18 to motorcycle class, for example, in a situation where a  
19 motorcycle cuts off a vehicle, and an infant in that  
20 vehicle, as a passenger, is catastrophically injured.

21 Is there any -- was there any or has

22 there been any consideration then for a transfer of that  
23 loss to the motorcycle class?

24 MR. ROBERT RAMSAY: Categorically I -- I  
25 cannot answer that, but you -- I think everyone is aware  
436

1 that in Ontario there is a number of Commissions and  
2 Hearings on this very subject. There was the Slater  
3 Commission in I believe it was 1987, there was the  
4 Osborne Commission, I believe it was in 1990, and there  
5 has been public hearings on it.

6 And so it has been thoroughly examined,  
7 and I believe it probably would have come up at some  
8 particular point in time, because not everyone is as, I  
9 guess, desiring a -- a mechanism that I consider fair,  
10 because it would not benefit their particular users.

11 So, from that standpoint, although I  
12 cannot categorically say it was considered, I would  
13 suggest that it probably has been considered, because  
14 this was discussed at great length in many different  
15 hearings in Ontario.

16 MR. WALTER SARANCHUK: Would you consider  
17 a transfer into motorcycle class in that situation to be  
18 fair?

19 MR. ROBERT RAMSAY: Well, if -- if it was  
20 applicable right across the board in all instances, then  
21 basically what you're doing is you're doing a loss  
22 transfer for all vehicles in all situations where there

23 is an at-fault party. So, the entire claims costs would  
24 be to the at-fault.

25 So, yes, in that -- in that case we'd be

437

1 very open to that and -- and believe it would probably  
2 even benefit motorcyclists more, because in the vast  
3 majority of cases, the motorcyclists will have -- will  
4 benefit from a situation of -- of that nature.

5 MR. WALTER SARANCHUK: How would it  
6 benefit motorcyclists even more if there is no two-way  
7 transfer into the motorcycle class?

8 MR. ROBERT RAMSAY: I'm not sure that's  
9 what you indicated. You indicated that there would be  
10 transfer both ways in all classes. I thought that's what  
11 you were indicating.

12 MR. WALTER SARANCHUK: No, I was just  
13 talking about private passenger and the motorcycles. And  
14 so, and you'd -- right now in Ontario, and I don't mean  
15 to belabour the point but, in a situation where there's  
16 an accident involving a motorcycle and a vehicle, where  
17 the motorcycle is at -- this is in Ontario --  
18 motorcyclist at fault, there's no transfer of the costs  
19 from the private passenger vehicle victim or, if you  
20 will, or injured party, into the motorcycle class;  
21 correct?

22 MR. ROBERT RAMSAY: That's correct; yes.

23 MR. WALTER SARANCHUK: Now, the example

24 that I gave is, in that kind of a scenario, where you do  
25 have an injured occupant of a private passenger vehicle,  
438

1 in an accident caused by a motorcycle, there is no  
2 transfer, again, of the costs incurred on the -- on the  
3 private passenger's side to the motorcycle class. There  
4 is no transfer; is that correct?

5 MR. ROBERT RAMSAY: That's correct, as it  
6 currently stands.

7 MR. WALTER SARANCHUK: Well, are you  
8 suggesting that there's some thought being given to that?

9 MR. ROBERT RAMSAY: No, I'm suggesting  
10 that's how it currently stands and that policy decision  
11 makers can change policy at any time if there's a good  
12 reason to change policy.

13 MR. WALTER SARANCHUK: And, given your  
14 evidence about natural justice and the judicial system,  
15 and the Tort system, and what was accomplished there,  
16 wouldn't it be fair to have that kind of a transfer?

17 MR. ROBERT RAMSAY: Well, we heard from  
18 the representative from FSCO yesterday, that the system  
19 in Ontario seems to be working very well, it's well  
20 accepted by the population of Ontario, they seem to deem  
21 that it's fair and equitable, they seem to deem that it's  
22 not preferential so --

23 MR. WALTER SARANCHUK: Excuse me. I'm  
24 referring to your evidence, not FSCO'S.

25 MR. ROBERT RAMSAY: And -- and I'm  
439

1 relaying the information that I have. From my evidence I  
2 believe that it is fair the -- the system that we're  
3 proposing, based on all the additional evidence and plus  
4 our own evidence that has been presented.

5 MR. WALTER SARANCHUK: And so just to  
6 conclude, are you proposing a two-way transfer?

7 MR. ROBERT RAMSAY: No. It's in our  
8 submission that we're proposing a -- a mechanism similar  
9 to Ontario, obviously taking into account the -- the  
10 imperatives of -- of Manitoba.

11 So, from that standpoint, we're clearly on  
12 the record.

13 MR. WALTER SARANCHUK: Thank you, Mr.  
14 Ramsay.

15 MR. ROBERT RAMSAY: Thank you.

16 MS. DENYSE COTE: I wonder if I could ask  
17 Mr. Ramsay one question? I believe you indicated during  
18 your cross-examination by the -- the cross-examination by  
19 Mr. Williams, that if applying the loss transfer didn't  
20 result in a material change in premium rate, it might not  
21 be a worthwhile exercise.

22 So do you have an opinion as to what would  
23 be a percentage decrease to the motorcycle class that  
24 would be material? Because I'm -- there was this --  
25 there's an argument as to whether it would cause a

1 decrease of 6 percent or whether it would cause a  
2 decrease of 42 percent.

3           What, in your view, is a material decrease  
4 in -- your view?

5           MR. ROBERT RAMSAY: In my view, and thank  
6 you for asking, in my view I think any material increase,  
7 or decrease I should say, would be -- have an impact at  
8 the level of the consumer, and so it -- it's hard to give  
9 a precise number.

10           But, I -- I would suggest that if we could  
11 have a independent third party, neither necessarily MPI's  
12 numbers or our own numbers, but if we come to a  
13 conclusion that this is a mechanism that we want to use,  
14 and have someone develop and -- and see what those  
15 numbers really are, because I find it incredible the  
16 difference in -- in numbers and I'm -- you know, I have a  
17 hard time getting my head around that.

18           But I -- I think anything that is beyond 7  
19 percent, 8 percent, is material, because on -- on an  
20 annual basis, what we're talking about is year over year  
21 accumulation.

22           So on one (1) year it's probably not --  
23 not a significant issue. And as I was trying to point  
24 out earlier that, you know, for the first few years of --  
25 of PIPP there was a cumulative effect, but it's not until

1 you get a number of years out, that that cumulative  
2 effect gets very large. And the same as -- as with no-  
3 fault.

4           As we saw in Ontario, the further you get  
5 out, the more cumulative effect, and it adds up to be  
6 substantial, and so while one (1) year might only be 7 or  
7 8 percent, as you're talking ten (10) years, multiplied  
8 each year, that's 80, 90 percent.

9           MS. DENYSE COTE: Those are all my  
10 questions.

11           THE CHAIRPERSON: I don't see any other  
12 indication. Mr. Williams, you're fine with your  
13 schedule? Okay, thank you.

14           Well thank you again, Mr. Ramsay, thanks  
15 for coming back to Winnipeg, and appearing before us.  
16 Your contribution again is most appreciated.

17           MR. ROBERT RAMSAY: Thank you very much.

18           THE CHAIRPERSON: Thank you.

19           MR. ROBERT RAMSAY: And I wish the Board  
20 very -- very good hearings from here on out, and I'll  
21 stick around and just find out what happens, thank you.

22

23           (WITNESS ROBERT RAMSAY STANDS DOWN)

24

25           THE CHAIRPERSON: Thank you. The next



1 submission for cross-examination will be by MPI, and I  
2 imagine that we should probably hold that over and start  
3 fresh tomorrow at 9:00 a.m.

4           So, have a good evening everyone. Thank  
5 you.

6           I should say, by the way, that we're not  
7 finished tonight. Apparently, I don't know, Mr. Barron,  
8 do you have the count how many presenters are coming?

9           MR. GERRY BARRON: Eight (8).

10          THE CHAIRPERSON: Okay, well we have  
11 eight (8) presenters scheduled. We'll be starting here  
12 at seven o'clock. Again, we're assured that the building  
13 will be open and the elevators will be running. And the  
14 only problem anyone's going to have is with the parking  
15 lot, because the Moose will be doing their thing at the  
16 same time.

17          So, we'll see you later.

18

19 --- Upon recessing at 3:55 p.m.

20 --- resumed at 7:05 p.m.

21

22          THE CHAIRPERSON: Welcome to the special  
23 hearing of the Board, Public Utility Board. The subject  
24 is Manitoba Public Insurance, and by the way, you can  
25 move up if you like. There is no problem. Sit wherever

1 you like basically, other than up here.

2           So again, welcome to a special hearing of  
3 the Public Utility Board. The subject is Manitoba Public  
4 Insurance, and its approach to allocating the cost of  
5 accidents.

6           My name is Graham Lane and I am the  
7 Chairman of the Public Utilities Board, and I am joined  
8 here by three of my colleagues, Ms. Denise Cote, Mr.  
9 Jorgenson and Mr. Len Evans.

10          In 1994, by legislation a total no-fault  
11 benefit system was put in place for Manitoba public  
12 insurance. Prior to then, no-fault benefits were in  
13 place, but the Tort system was the dominating system.

14          The new system converted the benefit  
15 approach to a system where in all injured persons,  
16 whether drivers, passengers or pedestrians are treated  
17 the same regardless of fault.

18          Concurrently, and by Corporate policy, MPI  
19 determined that the cost of accidents would be allocated  
20 on a no-fault basis; that is, allocated on a first-party  
21 basis to the classification of the vehicles involved.

22          At the time the new system was brought in  
23 primarily to improve benefits, and benefited  
24 administration, while taking pressure off what was then  
25 considerable upward pressure on rates.

444

1           From testimony of prior MPI hearings, it

2 has been the Board's observation that MPI and its benefit  
3 system has, on an overall basis, met its objectives.  
4 Compared to many other jurisdictions, rates in Manitoba  
5 are low, benefits are good, claims administration is  
6 timely and efficient.

7           From the Board's perspective, and again a  
8 view that is formed through years of hearings, for most  
9 persons and parties there appears to be general  
10 satisfaction with the system with the notable exception  
11 of motorcycles.

12           Unlike the case for other vehicles,  
13 premiums for motorcycles have risen dramatically, soared  
14 in fact.

15           Even with the increases from 1994 levels  
16 of 300 percent or more, the average motorcycle rate has  
17 still to reach the level prescribed by actuarial data.

18           And, as asserted by motorcyclists and the  
19 motorcycle industry, the premium increases have led to a  
20 substantial or a decline in the number of registered  
21 motorcycles since no-fault approach has been implemented.

22           We have learned that since that, it has  
23 stabilized and appears to be increasing again.

24           The decline in motorcycle registrations  
25 has been cited and regretted by motorcyclists and

445

1 motorcycle dealers.

2           Motorcyclists dissatisfaction with

3 motorcycle premium rates affects the owners of other  
4 vehicles as well, as most owners of motorcycles also own  
5 a passenger vehicle or truck, and of course there are  
6 also scooters and mopeds that have similar  
7 characteristics to motorcycles.

8           Motorcycle owners attribute the high rates  
9 applied to motorcycles to MPI's first-party claims  
10 allocation methodology, and claim that approach to be  
11 unfair to motorcycles based on the fact that motorcycle  
12 cost arising out of accidents where the motorcyclist is  
13 not at fault is nonetheless attributed to motorcycles.

14           Motorcyclists have claimed that if  
15 accident costs were allocated to vehicle classifications  
16 on the basis of fault, the upward pressure on motorcycle  
17 rates would diminish and may even fall.

18           Motorcyclists have suggested that having a  
19 no-fault benefit system does not require no-fault  
20 accident cost attribution, and have gone further to  
21 assert that no-fault accident cost attribution is not in  
22 the public interest.

23           Motorcyclists have claimed that the first-  
24 party claim allocation approach fails to provide  
25 appropriate incentives to poor driving to drivers of  
446

1 passenger vehicles and trucks.

2           Motorcyclists have also claimed that other  
3 jurisdictions, including at least one other major no-

4 fault benefit jurisdiction provides for some element of  
5 accident cost allocation on the basis of fault.

6           It is also important to note that issues  
7 that are dealt with with respect to the motorcycle issue  
8 also potentially affect other vehicle classifications.

9           On the other hand, supported by its  
10 internal and external actuaries, and the Board in past  
11 hearings, MPI asserts that the no-fault first-party  
12 claims allocation approach is fair and results in  
13 actuarially sound, statistical, credible insurance rates.

14           As a second line of defence to its  
15 approach, MPI has asserted over the years that  
16 motorcycles are inherently dangerous, and that motorcycle  
17 rates reflect and should reflect that fact and risk, and  
18 that in essence MPI has suggested that its approach is  
19 fair and more reflective of the public interest than  
20 would be a fault based approach.

21           The cost of opposing and defending MPI's  
22 first-party accident cost attribution system against  
23 ongoing criticism, mounted mainly by motorcyclists, has  
24 been high over the past ten (10) years.

25           Yet despite considerable testimony by  
447

1 expert witnesses, and arguments mounted by both  
2 motorcyclists and MPI, the Board, this Board, has never  
3 managed to resolve the issue for once and for all.

4           Accordingly, the Board determined in last

5 year's MPI General Rate Application proceedings that a  
6 special hearing would take place, and at that hearing,  
7 evidence and positions would be sought and obtained from  
8 all interested parties, and at that hearing the practices  
9 and philosophies of other jurisdictions would be  
10 considered; this is that hearing. It has been going on  
11 now for, it is the second day now I guess, and the  
12 Board's resolve remains exactly that.

13           Arising out of this hearing, the Board  
14 intends to reach a final conclusion on the merits of  
15 MPI's first-party accident cost attribution approach.  
16 And again, the case goes beyond motorcycles. With a  
17 notable exception of the absence of a pre-hearing  
18 conference prior to this Hearing, the Board has and is  
19 employing its normal practice to public proceedings.

20           Past participants in MPI General Rate  
21 Application hearings were advised of the hearing, invited  
22 to make presentations and participate.

23           Public notice of this Hearing was  
24 provided, other parties that the Board considered as  
25 being potential providers of useful information and

448

1 comments were invited and have been participating through  
2 the last two days.

3           And the Board instituted its award of cost  
4 provisions to allow certain organizations without  
5 sufficient funding to participate. And information was

6 shared amongst all parties that registered to  
7 participate.

8           This Board would not have instituted this  
9 approach of re-opening and dealing with this issue now if  
10 there was a statute or a legislative base for the  
11 requirement of the approach taken by MPI, but there is no  
12 such basis.

13           MPI's first-party claims cost attribution  
14 approach is in place by means of a policy that has been  
15 consistently applied since it was adopted.

16           Notwithstanding Board findings and  
17 comments in past hearings, this Board has no bias towards  
18 any particular outcome other than wanting that the  
19 hearing result in an outcome representing a perspective  
20 fairly representative of the public interest.

21           A secondary goal is to bring about a  
22 fuller understanding of the merits of the differing  
23 positions.

24           The Panel before you will be very  
25 attentive to what is said, placed before us at the  
449

1 hearing, and our decision will be based on the evidence  
2 placed before us.

3           In the end, our decision will be based on  
4 a number of criteria.

5           The criteria include the answer to a  
6 number of questions; will the premium system in place

7 that is based on claim costs attribution approach, the  
8 one that is selected be representative of an actuarially  
9 sound and statistically based approach, in other words, a  
10 logical, statistical way of setting a rate.

11           2. Is a system that is in place fair.

12           3. Can the system be changed on a going  
13 forward basis in a way that would provide for the chance  
14 of lower number of accidents with lower severity of  
15 accidents.

16           Next, would the system be administrative  
17 feasible as it is now. Will the system -- would such a  
18 system be comparable to approaches taken in other  
19 jurisdictions and would the approach be acceptable to the  
20 majority of MPI's policy holders.

21           Whether we will be able to satisfy each  
22 and every one of these criteria remains to be seen.  
23 Clearly there will be tensions between the various  
24 criteria.

25           I should note to the presenters, the group

450

1 that you represent, I will just give you a quick idea of  
2 who has been involved with the last two days and will be  
3 back again tomorrow.

4           Representing various groups in society are  
5 the following parties. Of course, the corporation  
6 itself, Manitoba Public Insurance of which there are  
7 representatives across from me.



8           The Consumer Association of Canada,  
9 Manitoba Inc., The Manitoba Society of Seniors are  
10 present and active. The Coalition of Manitoba Motorcycle  
11 Groups, CMMG, is active; that is Mr. Oakes.

12           The Manitoba Used Car Dealers Association  
13 is involved, the Canadian Automobile Association, the  
14 CAA; The Manitoba Bar Association, the Lawyers.

15           Scootering Manitoba, Manitoba Car and  
16 Truck Rental Association has also been involved and is  
17 involved.

18           In addition to that, we have heard one way  
19 or another from a number of other parties that include  
20 the Insurance Bureau of Canada, The Financial Services  
21 Commission of Ontario, The Motorcycle and Moped Industry  
22 Council, that is a Canadian group, and our Board Advisor,  
23 an actuary that advises directly to the Board.

24           And by correspondence, we have been in  
25 touch with and heard opinions from Saskatchewan

451

1 Government Insurance, The Insurance Corporation of  
2 British Columbia, and The Society de la Assurance  
3 Automobile du Quebec, SAAQ in short.

4           Each one of you was provided a scheduled  
5 time, and we will just start at the beginning by calling  
6 on each one of you to speak.

7           If you would not mind, when you are going  
8 to speak, these little gadgets in front of you, all you

9 do is hit the talk button and when you stop you hit it  
10 again and it goes off, because if two of them are on at  
11 the same time, you get this high peal squeal and after  
12 two days of this, I don't think we could take it up here.  
13 So, try and follow that.

14           The other thing, if you don't mind, and I  
15 hope you appreciate this fact that, I believe it was  
16 explained to you that we'd ask you to contain your  
17 remarks to fifteen (15) minutes, and when there's only a  
18 couple of minutes left, I will raise two fingers or  
19 something, to give you an idea, because I don't want to  
20 interrupt you.

21           If the worse comes to worst and you  
22 obviously need more time, you can always do what people  
23 have done before, is to file a written submission with  
24 us, and we assure you, we will read every line.

25           And, so before beginning, I'm going to ask

452

1 Mr. Saranchuk, who's Board Counsel over here to my right,  
2 if he wouldn't mind reading into the record, some written  
3 presentations we've received.

4           Mr. Saranchuk...?

5           MR. WALTER SARANCHUK: Thank you, sir.  
6 I'm joined, for the record, I'm joined by my colleague,  
7 Ms. Everard from our firm of Pitblado LLP, and also  
8 present this evening are representatives from MPI, as  
9 you've noted, and perhaps we could just have them

10 identify themselves, then we can proceed.

11 THE CHAIRPERSON: Mr. McCulloch...?

12 MR. KEVIN MCCULLOCH: Yes, Mr. Chairman.

13 My name is Kevin McCulloch. I appear as Counsel for  
14 Manitoba Public Insurance. Mr. John Douglas, who's the  
15 Vice President of Public Affairs, is with me at the front  
16 table. And we have Mr. Tom Strutt, who's senior  
17 solicitor in the Legal Department, also here this  
18 evening.

19 THE CHAIRPERSON: Thank you, sir.

20 MR. WALTER SARANCHUK: My comments are  
21 very brief, Mr. Chairman. I just ask that we have marked  
22 in the evidence as Exhibit 30, a document, and this is to  
23 be marked in the evidence as if read, a letter dated  
24 February 21st, 2005, to my colleague, Ms. Everard, from  
25 Mr. Al Robertson; so that would be Exhibit 30.

453

1 THE CHAIRPERSON: So be it.

2

3 --- EXHIBIT NO. 30: Letter dated February 21st,  
4 2005, to Ms. Everard, from  
5 Mr. Al Robertson; letter  
6 follows.

7

8 "A. Robertson

9 Candace Everard

10 Pitblado Barristers and Solicitors

11 2500 - 360 Main St

12 Wpg, MB R3C 4H6

13

14 re: Telecom Candace Everard/Al Robertson 10:30 Feb.

15 21/05

16

17 Dear Candace Everard:

18 I am submitting a brief to be included in the public

19 hearing May 10, 11, 12, 2005 for the PUB on MPIC's

20 premium setting with respect to the assignment of

21 accident costs by vehicle classification.

22 I have been riding motorcycles (M/C) for 40 years.

23 I am 59 years young and retired from the Canadian Forces

24 after a career of 25 years.

25 I have never had an accident with my M/C and have 5

454

1 merits on my driver's license. I also get the maximum

2 discount (25 percent) on my MPIC rates. I have a car,

3 truck and M/C, registered with MPIC for most of the year.

4 The rates for my car and truck I feel are fair.

5 But, it's the rate for the motorcycle that I disagree

6 with. My rates for the M/C have increased 136.5 percent

7 from policy year 95/96 to policy year 05/06. My rates

8 have increased by the amount for each policy year:

9 95/96 +8 percent

10 96/97 +17 percent

11 97/98 +15 percent

12 98/99 +14 percent  
13 99/00 +14 percent  
14 00/01 +9.5 percent  
15 01/02 +0 percent increase (surplus discount)  
16 02/03 +15 percent  
17 03/04 +14 percent  
18 04/05 +15 percent  
19 05/06 +15 percent new rate to be confirmed when I renew  
20 in July  
21 Total increase from Policy Year 95/96 to Policy Year  
22 05/06 = 136.5 percent.  
23  
24 That is a tremendous increase any way you look at  
25 it. But it is especially aggravating when you consider  
455

1 that I have had no accidents, traffic tickets or claims  
2 in that time frame. Also my motorcycle is a 1986 model  
3 year and during the above time (95/96-05/06) the  
4 motorcycle has increased in age by 10 years, so  
5 replacement value has gone down. I have owned this M/C  
6 since new and moved here from Ontario. you would think  
7 that an older M/C's premium would go down.  
8 I also dispute MPIC's numbers (I know it sounds like  
9 the NHLPA). They say before Loss Transfer, motorcycle  
10 rate changes are +29.7 and after Loss Transfer motorcycle  
11 rate changes would be +23.6, a difference of only 6.1  
12 percent. I don't see how this is possible. What does

13 credibility rated mean? I think that all their files on  
14 motorcycle rates should be submitted to an independent  
15 auditor not one they use, or that is used by the  
16 Government.

17 Just because someone rides a motorcycle should not  
18 mean that they are 100 percent responsible for all rate  
19 increases every time a car hits them or injures them.

20 What MPIC is saying is park your motorcycle as we will  
21 keep increasing rates until every M/C is off the road.

22 There are only 6500 motorcycles registered in Manitoba  
23 (not including scooters or mopeds in the total). Before  
24 MPIC started their attack on M/Cs there was 21,000  
25 motorcycles registered in Manitoba. MPIC is killing this  
456

1 industry slowly. They are also cutting into my enjoyment  
2 of motorcycles.

3 In conclusion, I feel that MPIC is targeting  
4 motorcycles unfairly and should not be allowed to  
5 continue to set such abusive rates. Thank you for your  
6 attention in this matter.

7

8 Yours truly,

9

10 Al Robertson

11 P.S. I do not belong to any interest group. I'm  
12 submitting this as a concerned motorcyclist, who is tired  
13 of watching MPIC destroy an industry and the enjoyment of

14 motorcycling for myself, present and future riders."

15

16 MR. WALTER SARANCHUK: And I'd ask as  
17 well that it be marked in the evidence as if read, a  
18 series of e-mail messages. But in particular, this is  
19 consisting of three (3) pages.

20 And this is a presentation with the top  
21 e-mail on the first page being dated Tuesday, March 22nd,  
22 2005, at 12:37 p.m., the main body of the document being  
23 a presentation, in writing, sent on March 17th, 2005, at  
24 9:42 a.m., via e-mail, by Mr. Dave Wilton, W-I-L-T-O-N,  
25 that would be Exhibit No. 31.

457

1 --- EXHIBIT NO. 31: E-mail consisting of three  
2 (3) pages, the top e-mail on  
3 the first page being dated  
4 Tuesday, March 22nd, 2005, at  
5 12:37 p.m., the main body of  
6 the document being a  
7 presentation, in writing,  
8 sent on March 17th, 2005, at  
9 9:42 a.m., via e-mail, by Mr.  
10 Dave Wilton; e-mail follows.

11

12

13 FROM: FEUER, DEBBIE (CCA)

14 SENT: Tuesday, March 22, 2005 12:37 p.m.

15 TO: Everard

16 Subject: FW: Motorcycle insurance

17

18 Hi Candace,

19 Further to our e-mail of March 21st, please note Mr.

20 Wilton's request in the last paragraph to forward a copy

21 to MPI and specifically Don Palmer. Please advise if you

22 will be forwarding to Messer's McCulloch and Palmer or if

23 we should.

24

25 Thanks

458

1 Debbie Feuer

2 The Public Utilities Board

3

4 FROM: Feuer, Debbie (CCA)

5 SENT: Monday, March 21, 2005 1:10 p.m.

6 TO: Lane, Graham (CCA); Cote, Denyse; Eric Jorgensen;

7 Leonard

8 CC: Everard; Saranchuk; FCIA FCAS Brian G. Pelly; FCA

9 B. J. McLean

10 Subject: FW: Motorcycle Insurance

11

12 Debbie Feuer

13 The Public Utilities Board

14

15 FROM: Barron, Gerald (CCA)



16 SENT: Monday, March 21, 2005 8:55 a.m.

17 TO: Feuer, Debbie (CCA)

18 Subject: FW: Motorcycle insurance

19

20 Please share with the members and advisors.

21

22 Gerry Barron

23 Executive Director and Secretary

24 Manitoba Public Utilities Board

25

459

1 FROM: Singh, Hollis (CCA)

2 SENT: Monday, March 21, 2005 8:36 a.m.

3 TO: Barron, Gerald (CCA)

4 Subject: FW: Motorcycle insurance

5

6 Gerry, I spoke to this person while you were away, you

7 may want to move this forward as you see fit.

8

9 H.M. Singh

10

11 FROM: Dave Wilton

12 SENT: Thursday, March 17, 2005 9:42 a.m.

13 TO: Hsingh

14 Subject: Motorcycle insurance

15

16 Dear Mr. Singh,

17

18 You very kindly took my telephone call a couple of weeks  
19 ago when we spoke of motorcycle insurance.

20

21 As discussed here are a few of my thoughts:

22 1. Cycle classification - some should be placed in  
23 categories more reflecting their risk and performance.

24 Quite a few BMW models are low powered, large  
25 displacement and are priced higher than some high

460

1 performance sport bikes. Don Palmer, Chief Actuary of  
2 MPI, in a recent conversation with me agrees this needs  
3 to be examined in more depth. Someone knowledgeable  
4 about the bikes on the market needs to help with this.

5

6 2. New classification - There needs to be at least two  
7 more categories in which various model are placed and  
8 premiums assigned. I would suggest a Sport Touring  
9 (Yamaha FJR & BMW K1200GT for example) and a "Standard"  
10 class which would include as good examples the Suzuki  
11 Bandit series and the Yamaha FZ1. These types of bikes  
12 need to be separated from the all-encompassing "Sport  
13 Bike" designation. These types of bikes are bought by a  
14 different type of rider for a different purpose than the  
15 Sport bikes and are operated with a different mind set  
16 than the operators of sport bikes.

17

18 3. Horsepower restrictions for new riders - As it is now  
19 someone can go do the written exam and get a learner's  
20 permit, go and operate a 600cc sport bike of 100+  
21 horsepower with a dry weight of 400 pounds or less  
22 without any formal hands-on practical training. This  
23 600cc +/- size of bike often out performs bikes with  
24 twice the displacement as the engines characteristics can  
25 be pretty radical, coupled with the light weight, lack of  
461

1 experience, and you have a potential situation for MPI  
2 being in a position of making a massive payout when the  
3 inevitable happens. Then all of us experienced riders  
4 who ride responsibly have to foot the bill when this type  
5 of thing contributes to our higher premiums. It should  
6 be examined.

7

8 4. Horsepower restrictions for newly licenced riders -  
9 Some sort of restriction again should be in place here  
10 for a given time frame. The 500cc or less range might be  
11 a thought here though I imagine my suggesting this will  
12 not make me popular. If it saves lives and reduces  
13 insurance costs then it would be worthwhile.

14

15 5. Higher available deductibles - Make a higher  
16 deductible available (\$1000-\$2000) with a reduction of  
17 premium. This would reduce some of MPI's payouts and  
18 save a rider some premium dollars. Personally I would go

19 with the higher deductible.

20

21 6. Greater Discount for good drivers - BC public

22 insurance has available up to a 40 percent discount for

23 drivers with a good record. As drivers with a good

24 record are probably not causing payouts, this would place

25 on those will (sic) less desirable driving records the

462

1 requirement to shoulder a more fair amount of the costs.

2 Perhaps something like this should be available after a

3 minimum of 10 years driving experience - that way no one

4 could claim discrimination based on age as it would be an

5 experience requirement regardless of age.

6

7 7. Loss Transfer - That is being looked at this year

8 (again) by the PUB and MPI. While no-fault insurance

9 works in principal it has its flaws in

10 motorcycle/automobile collisions especially where the

11 auto driver is at fault. Also the loss transfer should

12 be looked at re the large truck/commercial sector as far

13 as shouldering their fair share of the MPI costs.

14

15 Mr. Singh, thank you for agreeing to receive this email

16 and for passing it on to wherever in the MPI system it

17 needs to go. If you would forward a copy of this on to

18 Mr. Don Palmer I would appreciate it.

19

20 Sincerely,  
21 Dave Wilton

22

23

24 THE CHAIRPERSON: Thank you, Mr.

25 Saranchuk.

463

1 First on our roster, it is 7:15 p.m., is  
2 Mr. Ron Arjoon, I apologize if I pronounce it wrong, East  
3 St. Paul. Mr. Arjoon, would you mind identifying  
4 yourself and you can begin your presentation at your  
5 pleasure.

6 MR. RON ARJOON: Yes, sir. Good evening.  
7 I will be brief. I'm here because I've -- I've been  
8 whining about this for years and people have told me,  
9 Stop whining about it, go do something about it, so here  
10 I am.

11 I've never appeared at any of the public  
12 hearings before, so this is new to me. If I stray,  
13 correct me, please.

14 I just -- I want to address a few points.  
15 You brought up earlier in your introductory speech, about  
16 the -- it's gotta follow a logical -- there's a pattern  
17 of logic that all this should follow.

18 What I find inherently illogical about it  
19 is, well, I'll anecdotally relate my story: Two years  
20 ago I was on my way to work, it was about seven o'clock

21 in the morning, I was going down Selkirk Avenue, and at a  
22 distance of from here to the Counsel across from me, a  
23 gentleman pulled out across from me, and I hit him at --  
24 at approximately 50 kilometres an hour.

25 I had no chance to brake, I hit the car, I

464

1 flew over, did a couple flips in the air, landed. My  
2 bike was written off, I was off for three (3) months  
3 approximately, and I've come out of it pretty well, I've  
4 had no lasting injuries.

5 My question is: He caused the accident,  
6 he had to pay my deductible, he had to pay his  
7 deductible, he got points on his license. That's  
8 logical.

9 What I find illogical is, then when it  
10 came time to pay my wages, and for the replacement cost  
11 of my motorcycle, it came out of our pool.

12 That I find inherently illogical, it does  
13 make no sense to me at all. Because, they apportioned  
14 blame two (2) ways, and then the third leg of the  
15 three(3) left-sided stool, so to speak, ends coming back  
16 on my foot. And for the life of me, I can't understand  
17 where the logic is in that.

18 Number 2 is: The fact of the matter is,  
19 in my opinion, most of the accidents, most of the real  
20 bad accidents on motorcycles, are caused by cars. This  
21 is from talking with fellow riders, listening to people's

22 experiences.

23           And yes, we understand that what we do is  
24 -- is dangerous. What in life isn't dangerous, but it --  
25 it's a simple fact; if you cause the accident, it -- it  
465

1 should be coming out of your pocket, it shouldn't be  
2 coming out of my pocket.

3           And I've talked to Brian Smiley, and he  
4 gave me a bunch of jargon, and -- and techno speak and  
5 everything, and I just -- I just want a straight answer,  
6 where is the logic in it.

7           It -- as you say, it should follow logical  
8 progression.

9           The other thing is, we pay -- we pay a  
10 rider for our fire and theft every year. Ever since 19 -  
11 - 1997 I think it was when there was thirty (30)  
12 something Harley's stolen in Winnipeg that year, I -- I  
13 can't for the life of me think of -- of a motorcycle  
14 that's been stolen since.

15           So, I have a suggestion. All that money  
16 that they're putting in that pool, why don't they just --  
17 why can't they apply it against our premiums; that's just  
18 a question.

19           It might not make any sense to anybody at  
20 MPIC, but it sort of makes sense to me as an everyday  
21 man.

22           The other thing is, in my opinion also is

23 -- is Manitoba Public Insurance being a Government  
24 corporation. They should be -- in my opinion, they  
25 should be encouraging people to -- to ride motorcycles,  
466

1 scooters, et cetera, visa- vie Kyoto, the Environment  
2 department -- the -- their own Government department is -  
3 - I think they're giving credits to people who are  
4 driving environmentally friendly vehicles.

5 I don't think you can get much more  
6 environmentally friendly than a scooter or a motorcycle.  
7 It costs me ten dollars (\$10) a week to fill my bike, and  
8 I go to work back and forth every day.

9 Just a suggestion, have they ever thought  
10 about maybe giving us a -- a -- a credit for that, an  
11 environmental credit?

12 We're at -- at this point, we're willing  
13 to take whatever we can to bring our rates down. We're  
14 grasping at straws basically, sir.

15 And that's -- that's about all I have to  
16 say.

17 THE CHAIRPERSON: Thank you, Mr. Arjoon.

18 Do any of you have anything that you want to...

19 We will take your comments into  
20 consideration. We don't get in, as you will appreciate,  
21 a debate with you because our role is to listen and  
22 reflect and come to a considered opinion.

23 I can tell you, at the end of the day and



24 of course you are always welcome to attend, it is on  
25 again tomorrow morning. It will probably be over by  
467

1 noon, maybe, hard to tell.

2 In any case, at the end of the day our  
3 decision is a publically available document, and we have  
4 a website, and everything is put up on the website as  
5 well.

6 And I think you can even read, if you  
7 want, the transcripts of the hearings. They are  
8 reachable some way and the Board's staff could explain it  
9 if you want to.

10 But thank you for coming, and thank you  
11 for attending and you are welcome to stay and listen to  
12 the others if you wish.

13 We will now move on to Mr. Wilf Bach; is  
14 Mr. Bach there? Okay, I hope I pronounced your name  
15 properly. Okay, would you like to begin, sir?

16 MR. WILF BACH: Yes, well I'll just -- my  
17 points are similar to Ron's here.

18 I've been a motorcyclist for thirty-two  
19 (32) years, and I find the rates getting prohibitively  
20 high. I'm almost -- I'm cutting my driving down to about  
21 three (3) or four (4) months a year, whereas I used to  
22 drive, you know, six (6), seven (7) months of the year.

23 I know I seen Mr. Smiley's quotes in the  
24 paper about a ton of steel protecting you and all that.

25 Well, that's all relative because in this day and age of  
468

1 massive SUV's and vans and trucks, and we have university  
2 kids out there and that driving small, economy type cars.  
3 Well, they don't have the big massive amounts of steal  
4 protecting them either, and they shouldn't be penalized  
5 or discriminated against because of the proliferation of  
6 large SUV's.

7           And -- and a motorcycle of course, it is  
8 inherently danger, we don't have that big protection but  
9 neither do bicyclists or pedestrians and they all have a  
10 right to the road, just as much as we should have a right  
11 to the road.

12           Like Ron said, in the spirit of  
13 conservation and overcrowding of our streets and  
14 highways, we should be encouraging more smaller vehicles  
15 instead of discouraging them for conservation, and also  
16 for the congestion on the roads, so that's one point I  
17 wanted to make.

18           And another point I wanted to make is,  
19 I've heard also from MPIC Public Relations, Mr. Smiley  
20 saying the public doesn't want to foot the bill for  
21 motorcycle collisions.

22           Well, I've been speaking to many people in  
23 the public over the last ten (10) years, and when I tell  
24 them of the mythology -- methodology used by MPIC to  
25 assess motorcycle rates, by putting the full blame on the

1 motorcycle, they just find that so unfair and  
2 preposterous.

3           And most of the -- the vast majority of  
4 public is ignorant of that, the way the rates are set.  
5 From my speaking with the people, and I've spoken to a  
6 lot of people regarding this issue.

7           So, I just want to clarify that. And,  
8 let's see, what else.

9           Also, I just wanted to say that many  
10 motorcyclists, they -- and a lot of other drivers of  
11 vehicles, we own multi-vehicles, so the motorcyclist,  
12 when he's driving his bike in the summertime for five  
13 (5), six (6) months, his other vehicle is parked probably  
14 75 or 90 percent of the time, which is at zero risk, but  
15 MPIC doesn't offer us any multi-vehicle coverage plans.

16           So, they are raking in all this money from  
17 vehicles that are sitting at zero risk for collision, and  
18 yet there's no -- they don't have it in their insurance  
19 policies that you can buy a multi-vehicle policy.

20           So, I feel, as a matter of fact, we always  
21 hear, we're subsidizing car drivers, but by us driving  
22 our motorcycles in the summer and our vehicles are parked  
23 for a great deal of the time, we are actually subsidizing  
24 the other pool of vehicles that are out there, by paying  
25 on our trucks and cars that aren't being driven, and are

1 at zero risk. And yet we're paying the full -- the full  
2 risk insurance coverage.

3           So I wanted to bring that up. And,  
4 another thing, I -- yeah, I was wondering about other  
5 provinces; Saskatchewan, BC, which is public insurance,  
6 and with private insurance, Alberta and Ontario.

7           I read the motorcycle magazines, the  
8 Canadian editions, and I don't seem to hear there's a big  
9 beef with these other provinces, whether it's private or  
10 public. I just hear in Manitoba there's such a thing  
11 going on. So I -- I wonder why Manitoba has such a  
12 problem with it, when I don't see the other provinces  
13 having such a problem.

14           And, and I guess that's maybe -- well, I  
15 wanted to bring up one (1) thing, because they're  
16 speaking about making maybe vehicles responsible, like  
17 the vehicles that are involved in crashes.

18           Well, I feel MPIC should make drivers more  
19 at fault, drivers that are at-fault more responsible for  
20 their driving; high risk drivers and accident-causing  
21 drivers. They should be paying, I think, a far greater  
22 insurance cost than what they are paying.

23           And that would benefit the public by  
24 keeping them off the road, deterring them from going on  
25 the road, and -- and it would also deter them from

1 carrying on the high-risk behaviour which would cause  
2 their premiums to escalate.

3           And it would be safer for everybody, get  
4 the bad drivers off the road, instead of the -- the way  
5 it is done now.

6           And, oh yeah, I was gonna say about the --  
7 blaming the vehicle that causes the crash, well, that is  
8 in itself flawed too, because a lot of them -- now  
9 there's the Tuner crowd out there who favour the import  
10 cars, the small economy cars, the Hondas and such.

11           So, now if they go to this other method of  
12 blaming the vehicles at crashes, well, again, they're  
13 looking at vehicles and not the drivers. And so if some  
14 university student or elderly lady wants to buy an  
15 economical Honda, she's going to be penalized because the  
16 Tuner street-racing crowd drives that vehicle, and so  
17 they'll have to cover, you know. So I find that flawed.

18           I feel that MPIC, they should first go  
19 after the drivers instead of the vehicles. And that's  
20 all I have to say.

21           MS. DENYSE COTE: I wonder if you could  
22 just clarify what do you mean by, "Tuner"?

23           MR. WILF BACH: Well, the Tuner cars are  
24 the small import cars that a lot of the young people are  
25 getting into the scene, the street-racing scene and the -

1 - that type of thing. Not a lot -- not all...

2

3 (BRIEF PAUSE)

4

5 THE CHAIRPERSON: Thank you, Mr. Bach. I  
6 should have mentioned to Mr. Arjoon at the same time, the  
7 other reason we use these things is that everything gets  
8 recorded.

9 MR. WILF BACH: Hmm hmm.

10 THE CHAIRPERSON: So when you read the  
11 transcript, you can find what you said and what everyone  
12 else said, right there. So, it's for the public record.

13 MR. LEN EVANS: Yeah. Just a question of  
14 Mr. Bach. What about these really small motorcycles? I  
15 know somebody who, he's got this small motorcycle, he  
16 thinks it's great. He doesn't need a license, he says,  
17 because I guess the horsepower is slow enough.

18 MR. WILF BACH: Well. Yeah.

19 MR. LEN EVANS: Do you find a lot of  
20 people are -- they're pretty limited, I guess, in their  
21 range, but at least they go.

22 MR. WILF BACH: Well, I don't know too  
23 much about, like, the -- I guess what you're referring to  
24 -- yeah. I don't know too much. I think that's referred  
25 to the mopeds, 50cc and less.

473

1 At one time, I don't know about now, but

2 you didn't even have to have a license; maybe -- maybe  
3 just a written test. I'm not sure. But, yes, they are -  
4 - they're out there now and I see -- I think MPIC propose  
5 108 percent increase on them last year. I don't know if  
6 it went through or not.

7           But, I guess because there's more and more  
8 around, I guess, now MPIC will start eyeing them. But,  
9 again, my argument for motorcycles holds the same for  
10 mopeds; if -- if a person's sitting at a red light and  
11 gets rear-ended by some guy on a cell phone in a five  
12 thousand (5,000) pound SUV not paying attention, why  
13 should that person on a moped or a bicycle or a  
14 pedestrian crossing the street or anybody be held  
15 responsible for it.

16           It doesn't make any sense to me.

17           MR. LEN EVANS: This is not a moped.  
18 It's some kind of a small motorbike and he doesn't have  
19 to get a license. So, I shouldn't talk because I don't  
20 have the detail, but I thought maybe you did.

21           MR. WILF BACH: No, I didn't know about  
22 it. The only small motorbikes I know are like mopeds or  
23 scooters.

24           THE CHAIRPERSON: It may be that he's  
25 supposed to get a license. I know you need a license for  
474

1 a moped because I used to have one.

2           Yes, Mr. Arjoon...?

3 MR. RON ARJOON: Are we allowed to make  
4 comments on someone else's statements?

5 THE CHAIRPERSON: Not normally but we'll  
6 permit it.

7 MR. RON ARJOON: I just wanted to know  
8 the ground rules.

9 THE CHAIRPERSON: Go ahead. If you've  
10 something to say, say it.

11 MR. RON ARJOON: No, I just -- are you  
12 done? Sorry.

13 The other thing I get when I -- when I  
14 discuss this MPI thing, they say, well, it doesn't matter  
15 because, like you said earlier, motorcycle purchase  
16 levels have seemed to even -- not only have they levelled  
17 off they seem to be increasing.

18 And anybody who's paying attention can see  
19 a lot of those motorcycles on the road now are brand new,  
20 very -- very expensive motorcycles.

21 Now, in my general observation the reason  
22 for that is if you look at those guys, they're not young  
23 guys. These are all guys, middle aged guys, boomers,  
24 shall we say, the equivalent of the little red sports  
25 car, the middle age crisis, kind of thing.

475

1 And that's who's buying these motorcycles.  
2 If you look at whose riding now, the demographic is a lot  
3 older than it used to be. There's guys that are in their



4 20's -- I was lucky, I bought my motorcycle when I was in  
5 my 30's and even at that time I was one of the youngest  
6 ones.

7           You don't -- you hardly see any guys in  
8 their 20's any more except for -- except for the racing  
9 style motorcycles. And that's -- to me that's why the  
10 motorcycle levels are increasing and -- or stabilize  
11 because the older demographic has the money to spend now  
12 and they're spending a bike they couldn't -- they've  
13 buying a bike they couldn't afford in their youth and  
14 they're buying it now in their middle age.

15           That's who's buying it because, you know  
16 what, they basically priced the average working-class  
17 gentleman out of the market. You know, the Harley  
18 culture used to be a youthful vibrant kind of -- well,  
19 some people look at it as a little shady, but you know,  
20 people who get into this lifestyle get into it pretty  
21 deep.

22           They get into it pretty deep and a lot of  
23 people -- your life pretty well begins to -- even though  
24 you don't want to, it starts to revolve around it every  
25 month of the year, even when you're not riding, you're  
476

1 thinking about it. You're associating with the people  
2 you ride with in the summer.

3           And I know too many people that have had  
4 to park their motorcycles. I know people that took the

5 bus all winter so they could afford the plates on their  
6 bike. They can't even do that any more. They've  
7 basically priced the average joe out of the market -- out  
8 of the sport.

9 THE CHAIRPERSON: Thank you, Mr. Arjoon.  
10 I think we'll -- I notice Mr. Houghton is here now and  
11 he's up next.

12 Mr. Houghton, do you want to find a  
13 microphone there because it's...

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: Because we made  
18 arrangements to have the doors left open.

19 Mr. Barron, do you mind attending to that?  
20 Thanks. We don't want to lose our audience to a locked  
21 door approach.

22 Mr. Houghton, I'll just give you a quick  
23 update. We've met for two (2) days. The various groups  
24 of parties and Intervenors have been presenting evidence  
25 and being cross-examined. So, tonight was the day that  
477

1 was set up tonight for the presentations and we're  
2 holding each of the presenters, I think you've probably  
3 been informed, to fifteen (15) minutes so that we can  
4 work our way through the list.

5 And everything is being recorded and will

6 be put on the transcript that you'll be able to reach one  
7 way or another, either through our website in eventually  
8 the order that it comes out.

9           Okay. Mr. Houghton, any time you want to  
10 begin.

11

12           (BRIEF PAUSE)

13

14           MR. DOUG HOUGHTON: Is this on now? It's  
15 still warm in here. I think I'll take this off.

16           So, good evening, Mr. Chairman, Board  
17 Members. For the record, my name is Doug Houghton and  
18 I'm Vice-President and Public Relations Chair of the  
19 CMMG, Coalition of Manitoba Motorcycle Groups.

20           I've been a Member of CMMG for over ten  
21 (10) years, serving as Director, Vice-President and  
22 President, and back to Vice-President again.

23           Although I wholeheartedly support the  
24 position of CMMG in this matter, some of the views  
25 expressed will be my own and not necessarily that of the  
478

1 CMMG.

2           Before proceeding further, I'd like to  
3 thank the Board for initiating such a comprehensive  
4 review of MPI's current rate-setting methodology, and  
5 once again, for providing the opportunity to speak on  
6 this very important issue, one which affects thousands of

7 Manitoba citizens who enjoy motorcycling.

8 I apologize that some of today's  
9 presentation will be a reiteration of my October  
10 presentation, but the issue is still current, and my  
11 concerns still relevant. I will, however, attempt to  
12 move some extraneous materials.

13 A little background about myself: I've  
14 been a motorcycle enthusiast for more than forty (40)  
15 years, I live and work in Bouseger (phonetic), have been  
16 employed by the Province of Manitoba for thirty-six (36)  
17 years. I'm a father of four (4) grown children, two (2)  
18 are also motorcyclists.

19 It is these young people who are finding  
20 it increasingly difficult to continue riding, due to high  
21 insurance costs. In fact, my daughter and her fiancée  
22 have yet to renew their insurance this year for this  
23 reason alone. If you're a young couple, and enjoy riding  
24 together, you will pay two (2) motorcycle premiums, not  
25 just one (1).

479

1 Now, motorcycling is not just about riders  
2 and their bikes, it's a major Manitoba industry whose  
3 future is threatened by escalating insurance rates.

4 At the 2003 Hearings, Mr. Bob Ramsay, who  
5 you've already heard from this week, of the Motorcycle  
6 and Moped Industry Council, explained that motorcycle and  
7 motorcyclists' demographics have changed significantly.

8           The average motorcyclist is now forty-two  
9 (42) years of age, has an income and education above the  
10 national average, and has been riding for a minimum of  
11 seven (7) years. I think our previous witness, or  
12 presenter, eluded to that.

13           Mr. Ramsay also indicated that the  
14 motorcycle industry in Canada represents approximately  
15 4.6 billion on an annual basis. In Manitoba, the size of  
16 the industry is approximately 96 million.

17           In my observation, even though there has  
18 been a slight increase in motorcycle registrations over  
19 the past five (5) or six (6) years, it's probably a  
20 reflection of the growing population of empty nesters in  
21 their early forty's and a proliferation of early retiring  
22 baby boomers, such as myself, in their mid-fifties, or  
23 older, with the financial means to purchase and insure  
24 new motorcycles.

25           We will probably never again reach the

480

1 levels of the late '60s, the '70s and '80s, when  
2 motorcycling was an economical form of recreation and  
3 transportation for students and other young adults.  
4 Insurance costs are putting motorcycling out of the reach  
5 of many low and middle-income Manitobans.

6           According to the 2005 Approved Rate Table,  
7 the five (5) month seasonally adjusted premium, this is  
8 in Winnipeg for mopeds, ranges from forty-six dollars

9 (\$46) to a thousand and two (1,002).

10 But this is not typical. New touring  
11 bikes and sport bikes may pay two thousand, four hundred  
12 and eighty-five (2,485) and two thousand, seven hundred  
13 and sixty-eight (2,768) respectively.

14 These latter figures are five (5) month  
15 seasonally adjusted rates, and equate to an annual rate  
16 of six thousand, six hundred and forty-three dollars  
17 (\$6,643), and does not include comprehensive coverage for  
18 fire and theft, which must be purchased as an additional  
19 cost.

20 The average five-month seasonally adjusted  
21 premium for motorcycles is somewhere in the twelve  
22 hundred dollar (\$1,200) range. Now, as a resident  
23 Bouseger, and I'm fortunate enough to enjoy a lower rural  
24 rate. Still the five (5) month fully discounted --  
25 sorry, sorry, the fully discounted five (5) month rate

481

1 for my five (5) year old touring bike, is twelve hundred  
2 dollars (\$1,200).

3 My 1999 extended cab four-wheel drive  
4 pickup truck would pay only three hundred and ninety  
5 eight dollars (\$398) for the same May to September  
6 period.

7 Now Manitoba motorcyclists reflect a  
8 typical cross-section of the Manitoba population. As a  
9 group, motorcyclists are very generous and dedicated

10 members of the communities, as motorcycle organizations  
11 have raised hundreds of thousands of dollars per year to  
12 very charitable groups.

13         The Ride for Sight is the longest running  
14 motorcycle charity and the single largest fund-raising  
15 initiative for vision research in the entire world. It  
16 also is the largest motorcycle charity event in Canada,  
17 raising 1.3 million in 2003 alone.

18         In three (3) short years in Manitoba, the  
19 Manitoba Breast Cancer Freedom Ride has raised over a  
20 hundred thousand (100,000), enabling the purchase of  
21 mobile breast screening units for rural and remote areas  
22 of Manitoba.

23         So, motorcycling isn't just about riding,  
24 it's about participating, about being involved in your  
25 community.

482

1         A lot of changes have occurred with  
2 motorcycle insurance. As a Canadian in Manitoba, and I  
3 cherish my freedoms and like many other Manitobans,  
4 motorcycling is my personal expression of the freedom.

5         In 1971, when Manitoba Public Insurance  
6 was established, we traded some of this freedom in  
7 exchange for a compulsory universal insurance system,  
8 which in its founding principles guaranteed access to  
9 coverage and access to compensation for everyone injured  
10 by automobiles.

11 That time, motorcycle premiums were still  
12 reasonable, relative to other vehicle classes, as we were  
13 still under the Tort system.

14 The Tort system required a determination  
15 of fault, and often lengthy lawsuits before benefits were  
16 paid. But, in spite of its shortcomings, loss transfer  
17 was automatically built into the methodology.

18 Under this system, the at-fault vehicle  
19 was responsible to pay the damages of the other vehicle  
20 and its occupant. If that vehicle belonged to a vehicle  
21 class to be found at fault more often than the motorcycle  
22 class, the cost of such accidents were reflected in the  
23 premiums of the offending vehicle classification.

24 Now, I've been a strong supporter of  
25 public insurance since its inception and for the most

483

1 parts, supporter of the basic principles of no-fault  
2 insurance. I'm old enough to have been insured under the  
3 private section system and its discriminatory rates with  
4 respect to young unmarried drivers.

5 We now have universally available auto  
6 insurance and unlike the former private sector, MPI does  
7 not discriminate on the basis of age, gender, sex, race  
8 or marital status, and for the most part has generally  
9 been fair in its determination of premiums. Excuse me.

10 MPI states its current mission as  
11 protecting Manitobans from the human and economic cost of



12 automobile accidents. I believe, for the most part, MPI  
13 has lived up to its mission. However, in the area of  
14 motorcycle insurance, MPI has failed to meet its mandate.

15         Manitoba Public Insurance boasts the  
16 lowest auto insurance rates in Canada. Yet with the  
17 implementation of no-fault system, motorcycle premiums  
18 have skyrocketed, increasing that average of 14 percent  
19 each year for the past seventeen (17) years.

20         With the current year's increase of  
21 15 percent, this cumulative increase is approaching  
22 400 percent. These increases are partly due to  
23 experience rate adjustments, based on accident data, and  
24 guaranteed injury compensation; the latter are generally  
25 higher for motorcycle collisions, but also due to the

484

1 fact that MPI has failed to make adjustments to reflect  
2 the real dynamics of motorcycle accidents, and the  
3 disproportional at-fault ratio that exists between  
4 motorcycles and other vehicles.

5         In fact, rather than being a leader and  
6 identified and mitigating these inequities, MPI has  
7 remained vehemently opposed to such adjustments.

8         How can we expect MPI to be on bias with  
9 respect to loss transfer when it has openly stated that  
10 it is philosophically opposed to its implementation?

11         Again, MPI is giving mixed messages. Only  
12 recently an MPI media person was questioned about MPI's

13 demand for a twenty-five hundred dollar (\$2,500) payment  
14 from a teenage bicyclist, which we probably all heard  
15 about, who had been at fault when involved with a  
16 collision with an automobile.

17           According to the Free Press article, the  
18 MPI rep was quoted as saying, "The responsible person has  
19 to be held accountable, this is what the taxpayer wants."

20           Why does accident accountability only  
21 apply to a teenage bicyclist and not to large commercial  
22 vehicles?

23           Loss Transfer. There's a systemic  
24 discrimination in the current methodology of no-fault  
25 insurance. As a motorcyclist, I expect to pay my fair  
485

1 share of auto insurance and generally do not dispute the  
2 number or the cost of all motorcycle accidents,  
3 regardless -- excuse me -- but question a methodology  
4 which establishes premiums based on the cost of all  
5 motorcycle accidents, regardless of fault.

6           This methodology, which assigned cost to  
7 the vehicle class receiving the benefits, favours the  
8 large commercial and public vehicle class with low rates,  
9 while at the same time contributes to the higher rates of  
10 motorcycle premiums.

11           Motorcyclists feel that it is unfair to  
12 charge motorcyclists additional premiums, as it is  
13 relative accidents were caused or attributable to the

14 irresponsible actions of drivers of other major classes.

15           As well, I'm sure that passenger vehicle  
16 owners would be surprised to find out that they may also  
17 be subsidizing the accident costs of commercial and  
18 public vehicles.

19           Appendix A to my report, which I'll  
20 provide later, is a copy of a table prepared by MPI. It  
21 describes claims information by vehicle class for a five  
22 (5) year period, beginning March 1st, 1988 to February  
23 28, 2003.

24           From this table one can extrapolate the  
25 at-fault percentages for multi-vehicle accidents.

486

1 Summarized, commercial vehicles are at fault 69 percent  
2 of the time, passenger vehicles are at fault only  
3 45 percent of the time, and motorcycles are at fault only  
4 30 percent of the time.

5           Based on this same data, the following  
6 table shows that 70 percent or more than two-thirds (2/3)  
7 of multi-vehicle accidents are the fault of the other  
8 vehicle, and motorcycle premiums do not reflect this  
9 disproportionate ratio.

10           Motorcyclists seek a loss transfer system  
11 that assigns vehicle accident costs and associated  
12 premiums to the vehicle class at-fault, thereby spir --  
13 stabilizing spiralling motorcycle rates. Other provinces  
14 such as Ontario, have recognized this inequity and have

15 legislated adjustments in their rate structures.

16           No-fault insurance was intended to insure  
17 that there doesn't have to be a determination of fault in  
18 order for Manitobans to receive compensations for their  
19 injuries and their vehicle damage. I don't believe,  
20 however, that no-fault was ever intended to absolve any  
21 particular vehicle class of responsibility for accidents  
22 it causes.

23           I believe the implementation of a loss  
24 transfer methodology will create a balance in the no-  
25 fault environment. It retains the benefits of the no-  
487

1 fault system -- system, while at the same time applying  
2 accident costs to the vehicle classes which have a  
3 disproportional at-fault accident rate.

4           Now, is there a bias against  
5 motorcyclists? In my opinion, MPI appears to project a  
6 bias against motorcyclists in its public relations and  
7 media statements. I can't help feel that MPI's media  
8 statements, even though not maliciously intended, at  
9 least I hope they're not, tend to discredit motorcyclists  
10 and create adverse public opinion towards motorcyclists  
11 by over emphasizing high injury costs, without the  
12 corresponding balance of placing such costs in their  
13 true, overall perspective.

14           Media comments often refer to motorcycles  
15 -- motorcycles as inherently risky. There is also

16 considerable publicity given to the high claims costs and  
17 bodily injury incurred, but never a mention of the  
18 disproportional at-fault ratio between motorcycles and  
19 other vehicles.

20 I will not go into any more detail of  
21 these examples, because they were cited in my October  
22 2004 presentation which I've attached as information, as  
23 Appendix B.

24 Such statements create a public perception  
25 of motorcycle carnage on the streets and highways of  
488

1 Manitoba, thus contributing to high passenger vehicle  
2 rates, when in fact, motorcycle injuries and claim costs  
3 are a relatively small part of the total insurance  
4 payout.

5 As well, such statements do not reflect  
6 the fact that many of these accidents are the fault of  
7 the other vehicle, and that the lower average car rates  
8 are somewhat skewed by the many smaller hail and  
9 windshield claims, not normally incurred by  
10 motorcyclists.

11 Let's put motorcycle insurance claims in  
12 perspective. Let's take a closer look at the accident  
13 data.

14 I refer again to Appendix A, Claims  
15 Information by Vehicle Class. This table was prepared by  
16 MPI and attached to CMMG 2-123, Second Round Information

17 Request, of the 1994 Rate Application.

18           Although motorcycles represent 1 percent  
19 of the total vehicle population, they had only one  
20 thousand, one hundred and fifty three (1,153) or  
21 .29 percent, about one-quarter (1/4) of 1 percent of a  
22 total of three hundred and sixty-eight thousand, one  
23 hundred thirty-seven (368,137) collision claims.

24           Of the bodily injury claims, motorcycles  
25 account for only 1.2 percent, just slightly more than our  
489

1 representative population. By contrast, passenger  
2 vehicles represent only 78.4 percent of the total vehicle  
3 population, but account for 92 -- 4.2 percent of injury  
4 claims.

5           THE CHAIRPERSON: Mr. Houghton, I don't  
6 mean to interrupt, but in fairness to everyone, can you  
7 give us an estimate of how much longer it is going to  
8 take you?

9           MR. DOUG HOUGHTON: About five (5)  
10 minutes, I hope, yeah.

11           THE CHAIRPERSON: Okay. Well, I'm afraid  
12 we will have to hold you to that.

13           MR. DOUG HOUGHTON: Okay.

14           THE CHAIRPERSON: Okay.

15           MR. DOUG HOUGHTON: Now, also this claims  
16 table shows that the total costs of motorcycle personal  
17 injury claims to be about three (3) times the

18 representative population, but that still is only  
19 3.2 percent of total PIPP claims.

20 Motorcyclists recognize that our injuries  
21 usually involve more severe and cost more for  
22 rehabilitation, lost wages, et cetera, but this fact  
23 becomes irrelevant when the accident is the fault of the  
24 other vehicle. Rates should reflect this factor.

25 Even if we look at overall fatalities,  
490

1 even though a singular fatality is only too much,  
2 motorcycle deaths account for only 2.3 percent of all  
3 fatalities.

4 THE CHAIRPERSON: By the way, this won't  
5 cost you any seconds, but I just want to let you know,  
6 you don't have to be afeared, because you can always, of  
7 course table it with us and we will go through it. So  
8 you don't have to overly rush if you want to summarize --

9 MR. DOUG HOUGHTON: Okay.

10 THE CHAIRPERSON: -- things of that  
11 nature. And it will go on the transcript too.

12 MR. DOUG HOUGHTON: Okay. If we include  
13 only the major vehicle class from this data, they  
14 correspond with the fatalities of only 2.8 percent for  
15 motorcycles and 91 percent for passenger vehicles.

16 The Cost of Loss Transfer. I'll not  
17 attempt to guess as to what effect loss transfer might  
18 have had upon motorcycle premiums, because that's a

19 matter that can be actuarially determined, based on  
20 accident data and the type of loss transfer system  
21 implemented.

22           The system can be as complex or simple as  
23 a need to offset the inequity. Losses can simply be  
24 transferred to other vehicle classes as a whole, and  
25 applied on a pro-rata basis, or alternatively applied on  
491

1 a vehicle-to-vehicle basis.

2           I do agree with MPI that it will still be  
3 necessary to implement experience raised adjustments to  
4 bring all motorcycles in all rate groups to the  
5 theoretical 100 percent or full actuarial rate, but not  
6 without the application of the fair equitable loss  
7 transfer methodology.

8           This would not only have lower value  
9 motorcycles assuming a fair share of PIPP costs in their  
10 premiums, but also result in -- in high at-fault vehicle  
11 classes paying their fair share of accident costs.

12           There is still apprehension that loss  
13 transfer will have a devastating effect on the premiums  
14 of other vehicle classes. This simply is not true. As  
15 the following scenarios indicate, loss transfers, if  
16 implemented fairly, will have a minimal impact.

17           If one excludes trailers and off-road  
18 vehicles, we have six hundred and ninety-three thousand  
19 (693,000) vehicles in the combined passenger, commercial,



20 and public vehicle classes and about ninety-one hundred  
21 (9100) motorcycles.

22 For illustration purposes, let's assume  
23 for a moment that the average premium for motorcycles is  
24 twelve hundred dollars (\$1,200), and that loss transfer  
25 would be applied equally across all other major vehicle  
492

1 classes.

2 A hundred dollar (\$100) loss transfer for  
3 motorcycle, equates only to about a dollar thirty-one  
4 (\$1.31) throughout other vehicle classes. A two hundred  
5 dollars (\$200) equates only two point -- two dollars and  
6 sixty-two cents (\$2.62) per vehicle.

7 If we take an extreme position, even if  
8 MPI were in a gracious mood and then decided it were in  
9 the public interest to take advantage of an extreme  
10 position and give all motorcyclists free basic insurance  
11 coverage, it would only amount to a fifteen dollars and  
12 seventy-five cent (\$15.75) increase in all other vehicle  
13 classes.

14 Of course if losses were also transferred  
15 from motorcycles and private passenger vehicles, to  
16 commercial and public vehicles with a high fault rate,  
17 the average passenger vehicle may experience little or no  
18 premium increases. In this manner, all premiums would  
19 reflect the true nature of vehicle collisions.

20 As well, it would be consistent with the

21 other public policy initiatives of encouraging smaller  
22 more environmentally friendly vehicles. The present  
23 methodology favours those who purchase heavier gas  
24 guzzling vehicles capable of inflicting greater damage to  
25 others yet still enjoying relatively low insurance rates.

493

1 That's why I drive a large 4 X 4, as well as a motorcycle  
2 and lose -- gain at one end, lose at the other.

3 MPI has always maintained that loss  
4 transfer will not -- will not affect driving habits. Of  
5 course we won't really know this unless it's tried; one  
6 can speculate though. For example, let's take a look at  
7 the commercial vehicle class which has a very high at-  
8 fault rate.

9 I would assume that many of these vehicles  
10 are employee or not owner driven. At present, there is  
11 no disincentive for the commercial vehicle owner to hire  
12 responsible employees, with a good driving record, or to  
13 implement safe driving policies.

14 If an employee is at fault in an accident,  
15 it only affects the driver's insurance, and not the class  
16 of commercial vehicle. In my opinion, if commercial  
17 vehicle owners as a group were to incur higher rates as a  
18 result of employee at-fault accidents, they would  
19 certainly be more proactive in determining who is  
20 operating their vehicles and the manner in which they  
21 were driven.

22 MPI has always cited many barriers to the  
23 implementation of loss transfer making the process seem  
24 much more complicated and proactive than it need be. MPI  
25 often cites the high number of single vehicle accidents,  
494

1 and the severity of injury involved in motorcycle  
2 accidents, as a reason for not implementing loss transfer  
3 implying that some such costs would generally be picked  
4 up by the general motoring public.

5 Loss transfer has little to do with the  
6 total number or rate of motorcycle accidents. In a loss  
7 transfer system, the motorcycle class, as at present,  
8 would still bear the costs associated with at-fault  
9 single and multi vehicle accidents.

10 Loss transfer will only be applicable to  
11 the disproportionate ratio of multi vehicle accidents,  
12 which are the fault of the other vehicles. A more  
13 comprehensive loss transfer methodology could also be  
14 applied to offset the disproportionate at-fault ratio of  
15 commercial and public vehicles, relative to both  
16 passenger and -- vehicles and motorcycles.

17 Other jurisdictions have not found the  
18 transition to loss transfer that difficult. In Ontario  
19 with a hundred (100) private insurers and twelve (12)  
20 times the number of vehicles, it can manage to implement  
21 a simple loss transfer system.

22 Certainly MPI, as a single insurer and

23 licensing agent -- agent -- agency, excuse me, with a  
24 single database can accomplish this methodology with  
25 little or no cost. MPI stated, in its 2004 Rate

495

1 Application, that there are no legislative barriers to  
2 the implementation of loss transfer but remains for the  
3 philosophically opposed to implementing this system.

4           It sees loss transfer as a form of cross-  
5 subsidization, from one vehicle class to another. This  
6 term has been thrown about so much that one might think  
7 it was coined as means to legitimize the current unfair  
8 methodology.

9           The Board has already heard evidence from  
10 the Financial Service Commission of Ontario that loss  
11 transfer was implemented to partly offset the cost  
12 subsidization of large commercial vehicles, which being  
13 bigger and heavier cause a lot of damage to smaller  
14 vehicles and their occupants, while the truck occupants  
15 would be less likely to be seriously injured and incur  
16 minimal rate increases.

17           I don't think we should fear the word  
18 subsidization. From what I understand, the basic  
19 foundation of all insurance programs is subsidization.  
20 Essentially, those who don't have accidents subsidizes  
21 those who do.

22           Sometimes current methodologies become  
23 entrenched for such long periods that it's inequities

24 become the norm, and people accept it as the proper way  
25 of doing things. There's a natural resistance and fear  
496

1 of change by large bureaucracies, and they become  
2 defensive of existing policies and processes, and rather  
3 than being proactive in implementing reforms and  
4 improvements, they stick to the same process.

5           There are already many adjustments built  
6 into the auto insurance system to offset inequities that  
7 occurred. Some of these examples include differential  
8 premiums between country and town.

9           Extra-provincial trucking, who don't have  
10 to pay premiums in Manitoba, but get the benefit of -- of  
11 personal injury protection. This is about a 1.5 dollar -  
12 - million dollar cost to other motor vehicles in the  
13 province and about a hundred thousand (100,000) to  
14 motorcyclists.

15           The clear rating system adjusts rates  
16 based on the type of motor vehicles, repair costs, and  
17 propensity to be involved in accidents, there are fleet  
18 vehicle ratings. And group -- vehicles are grouped into  
19 major classes such as motorcycle, passenger vehicle, and  
20 so on, as a reflection of their variable claims costs.

21           So there are adjustments in the system.  
22 Loss transfer is simply another adjustment to offset the  
23 inequities of fault between vehicle classes. Fault  
24 should also be to determine the risk in setting these

25 vehicle premiums. It is unfair to charge the victims of  
497

1 accidents additional premiums for the disproportional at-  
2 fault rate of other vehicle classes.

3           And I'm on my last page.

4           Motorcyclists are aware of higher injury  
5 and many of the contributing factors to accidents. In  
6 the end, it's not about total cost of claims, but which  
7 vehicle class is to bear those costs, and whether there  
8 will be a recognition of fault in the assignment of these  
9 costs.

10           Loss transfer is not the only insurance  
11 inequity facing motorcyclists, but loss transfer is our  
12 major issue. We'll leave the rest for another venue.

13           As I stated in the October Hearing, any  
14 inequity and unfairness in insurance methodology becomes  
15 a chink in the armour of public insurance, opening it to  
16 criticism by supporters of a private insurance system,  
17 which includes many of my motorcycling colleagues.

18           In Manitoba, motorcyclists represent only  
19 1 percent of insured vehicles, making motorcyclists the  
20 visible -- visible minority of the auto insurance  
21 program. We feel discriminated against by a methodology  
22 which continues to emphasize cost and injuries, rather  
23 than responsibility for fault.

24           I'm sure that the Board has already heard  
25 considerable evidence related loss transfer methodology.

1 Both the current system, and the loss transfer metho --  
2 excuse me, methodology can be actuarially sound. But in  
3 the end, it's a matter of public policy.

4 In this respect, I cannot fathom a public  
5 agency that would perpetuate a methodology which favours  
6 certain vehicle classes with high at-fault accident  
7 rates, while applying penalizing premium increases to  
8 vehicle classes with low at-fault rates.

9 And I'm not alone in my support of loss  
10 transfer; I have in my possession as Appendix C, many  
11 hundreds of letters signed by Manitoba motorcyclists, and  
12 motorists, and they're not all motorcyclists, who agree  
13 with this -- with our position, and support loss transfer  
14 methodology.

15 I certainly await the Board's positive  
16 decision and thank you very much for your attention to  
17 this matter. Thank you.

18 THE CHAIRPERSON: Thank you, Mr.  
19 Houghton. You have a very extensive brief there, and I'm  
20 hoping that you could provide a copy to Mr. Barron, so he  
21 can make copies for us. Thank you again for your --

22 MR. DOUG HOUGHTON: Yes, I will. The  
23 cause for action is implemented, you don't have to reply  
24 to the letters.

25 THE CHAIRPERSON: -- comments. Thank

1 you, sir.

2

3 (BRIEF PAUSE)

4

5 MR. DOUG HOUGHTON: Shall I give the

6 whole package to Mr. Barron?

7 THE CHAIRPERSON: Please. Thank you.

8 He's right behind you, sir. Thank you. Thank you.

9 MR. DOUG HOUGHTON: Thanks again.

10 THE CHAIRPERSON: And of course you're

11 welcome to attend tomorrow when the discussion continues.

12 MR. DOUG HOUGHTON: When are the closing -

13 THE CHAIRPERSON: We start again at nine,

14 there's no indication yet of when we'll close.

15 MR. DOUG HOUGHTON: So it could go on

16 another day or are you pretty well wrapping it up.

17 THE CHAIRPERSON: I don't know.

18 MR. DOUG HOUGHTON: Okay then, thanks.

19 THE CHAIRPERSON: The longer forecast.

20 As you know, you can follow the proceedings on the

21 website or through the transcript service.

22 MR. DOUG HOUGHTON: Thank you.

23 THE CHAIRPERSON: Thank you. Is Ms.

24 Johnson here? Very good. Would you mind coming up to

25 the front? It would be easier. Thank you.

500



1 Welcome, Ms. Johnson, if you wouldn't  
2 mind, just proceed at your own pace.

3 MS. MARY JOHNSON: On? All right. Thank  
4 you and thank you for hearing me. I -- my -- my  
5 presentation will be briefer. I'm Mary Johnson, I work  
6 as a Union Representative for United Food and Commercial  
7 Workers, and I'm a Member of the Coalition Manitoba  
8 Motorcycle Groups. I am not, however, speaking on behalf  
9 of either of those groups, but as a private citizen.

10 I won't pretend for a minute to be an  
11 expert on insurance and insurance calculations; I do,  
12 however, know the amount of monies I pay for insurance on  
13 my motorcycle and on my leased work vehicle, and my rates  
14 have just recently changed because I've moved from  
15 Region "2" into Winnipeg.

16 A monthly comparison on my motorcycle to  
17 my leased vehicle, I own a 2004 Harley Davidson, it's a  
18 Heritage Soft Tail Classic, and it's got a maximum  
19 insured value of thirty thousand dollars (\$30,000).

20 I carry the two -- the 2 million dollar  
21 third-party liability, a two hundred dollar (\$200)  
22 comprehensive deductible and a hundred dollar (\$100)  
23 collision deductible. The annual cost for that coverage  
24 is two thousand six hundred and seventy-nine dollars  
25 (\$2,679).

1 My costs with my discount of three hundred  
2 and forty-three dollars (\$343) for 2005, will be two  
3 thousand three hundred and thirty-six dollars (\$2336).  
4 My monthly payments for May, June, July, August and  
5 September for the five (5) months is three hundred and  
6 seventy-six dollars and eighty (\$376.80) cents per month.

7 On my lease vehicle it's for my work, for  
8 my job, it's a 2003 Chrysler PT Cruiser, maximum insured  
9 value of fifty thousand dollars (\$50,000), I carry the \$2  
10 million third-party liability on it, one thousand one  
11 hundred and seventy-five dollar (\$1,175) auto loss of  
12 vehicle use and two hundred dollar (\$200) damage  
13 deductible.

14 The annual for the coverage on it is one  
15 thousand seven hundred and ninety-eight dollars (\$1,798).  
16 The cost with my discount of two hundred and seventy  
17 dollars (\$270) is one thousand five hundred and twenty-  
18 eight dollars (\$1,528).

19 So, the difference you're looking at  
20 between those two (2) vehicles is just a little over  
21 eight hundred dollars (\$800) for insuring those two (2)  
22 vehicles. One valued at twenty thousand dollars  
23 (\$20,000) more than the other one.

24 The -- my monthly cost then for driving  
25 the Cruiser for work is about a hundred a fifty dollars  
502

1 (\$150) a month. I put on over three (3) times as many

2 kilometres on my car in a year as I do on the motorcycle.  
3 All my motorcycle miles are pleasure, they're my stress  
4 relief program.

5 For the change in premium Region 2 to  
6 Winnipeg -- I recently moved and I just -- just got all  
7 this paperwork done recently. So -- I have attached them  
8 so you can actually see what -- what it looks like.

9 The move increased my motorcycle insurance  
10 premium on my -- on my Harley by eight hundred and  
11 seventy-four dollars (\$874) for the year. And had I  
12 still owned -- I just -- I had a 1998 BMW R1200 Seek  
13 (phonetic) motorcycle and that premium would have  
14 increased by seven hundred and thirty-nine dollars (\$739)  
15 for the year to two thousand one hundred and sixty  
16 dollars (\$2,160) would have been on that when had I not  
17 just sold it.

18 And the premium for my lease vehicle  
19 decreased by fifty-two dollars (\$52) with the move from  
20 Region 2 to the City of Winnipeg.

21 I'm definitely recommending that you look  
22 very seriously at the loss transfer system. I believe a  
23 review in the manner in which the premiums are determined  
24 is a necessity. Stats I've shown and I don't -- I  
25 haven't taken time to study huge amounts. My basic

503

1 figures are what I see in front of me and what comes out  
2 of the pocket to pay.

3           The stats show that 60 per cent of the  
4 accidents motorcycles are involved in aren't by motor --  
5 aren't caused by motorcyclists but by someone hitting  
6 them. And the motorcyclists absorb the cost of those  
7 accidents.

8           And if those costs of those accidents are  
9 charged back to the groups causing the accidents, the  
10 premiums would be more reasonable for all. The large  
11 number of vehicles in the other classifications would  
12 result in only minor increases to the rates.

13           Most motorcyclists also on vehicles and I,  
14 as one believe we would be paying for our shares -- fair  
15 share if we've hurt a motorcycles we should be helping  
16 cover those injuries. Thank you.

17           THE CHAIRPERSON: Thank you very much,  
18 Ms. Johnson.

19           Mr. Evans...?

20           MR. LEN EVANS: Thank you for your  
21 presentation, Mr. Johnson. I just have one question and  
22 that is regarding the premium amounts.

23           MS. MARY JOHNSON: Hmm hmm.

24           MR. LEN EVANS: The figures that you  
25 quote on page 1 --

504

1           MS. MARY JOHNSON: Hmm hmm.

2           MR. LEN EVANS: -- are those in the

3 Winnipeg region, I mean --

4 MS. MARY JOHNSON: Yes, in the Winni --

5 MR. LEN EVANS: -- or do we have to add

6 the other numbers to these?

7 MS. MARY JOHNSON: No, those are the

8 Winnipeg region costs. Those are the ones -- are my

9 costs now.

10 MR. LEN EVANS: Yeah. So the ones -- the

11 one in where you were in the -- in rural Manitoba would

12 have been diminished by these numbers on page 2?

13 MS. MARY JOHNSON: Yes. Yeah. And I'm

14 not saying -- like even the rural numbers are really

15 high.

16 MR. LEN EVANS: Hmm hmm.

17 MS. MARY JOHNSON: Like the amount, when

18 you look at it comparatively even with the rural numbers,

19 if you look at those costs and look at what the cost for

20 a vehicle that is used for work every single day and on

21 the highway for probably -- my average mileage would be

22 about probably thirty (30) to forty (40) kilometres a

23 year.

24 And if you look at that compared to the

25 kilometres that you're using for pleasure riding on a

505

1 motorcycle, it's -- it's hard to -- it's hard to justify

2 the difference in the costs.

3 MR. LEN EVANS: Yeah. Just one other

4 question. I have, at our cottage we have a vehicle but

5 we only insure it for part of the year. The winter we --

6 we pay the minimum security insurance --

7 MS. MARY JOHNSON: Yes.

8 MR. LEN EVANS: -- leaving it on the lot

9 and never using it --

10 MS. MARY JOHNSON: Hmm hmm.

11 MR. LEN EVANS: -- but what about your

12 motorcycle?

13 MS. MARY JOHNSON: The motorcycle rates  
14 have been pro-rated now so for the balance of the year,

15 it's about six dollars and thirty-eight cents (\$6.38) to

16 carry the insurance through the rest of the year. So,

17 it's covered -- the whole year is covered in that plus

18 about six dollars and thirty (\$6.30) a month for the

19 balance of the year for the other seven (7) months.

20 MR. LEN EVANS: Yeah. So, this is your

21 annual cost?

22 MS. MARY JOHNSON: Yeah. Plus -- plus

23 about thirty-five dollars (\$35) or forty dollars (\$40) to

24 that, yeah.

25

506

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: Please.

4 MR. WILF BACH: This annual cost, to me

5 that's just smoke and mirrors because everybody knows in

6 Winnipeg we don't drive our motorcycles twelve (12)  
7 months of the year. So, you know, like with me for four  
8 (4) months I'll have to pay twelve hundred and sixty  
9 dollars (\$1,260) and that's without fire and theft on my  
10 touring motorcycle. I just got a rate last week and I  
11 inquired about it.

12           And so when you hear, like, twenty five  
13 hundred (2,500) a year and all that, I mean, essentially  
14 that's only for whatever -- I -- I figure what the window  
15 is seven (7) months or whatever?

16           MS. MARY JOHNSON: Five (5).

17           MR. LEN EVAN: Five (5) months.

18           MS. MARY JOHNSON: Five (5) months.

19           MR. LEN EVAN: So, you know, but then you  
20 can stretch it out maybe seven (7) on a good year. So,  
21 by saying, "yearly rates" to me that's just smoke and  
22 mirrors. It sounds more attractive than what it is  
23 because nobody drives a motorcycle twelve (12) months of  
24 the year.

25           THE CHAIRPERSON: Thank you, Mr. Bach?

507

1           MS. MARY JOHNSON: Okay.

2           THE CHAIRPERSON: Ms. Johnson, do you  
3 have anything else?

4           MS. MARY JOHNSON: No, that's it.

5           THE CHAIRPERSON: Thank you for coming,  
6 thank you for the presentation and thank you also for

7 leaving you -- leaving us with a copy; it's helpful. Is

8 Mr. Stieben here? Have I pronounced it properly?

9 MR. CRAIG STIEBEN: Yeah.

10 THE CHAIRPERSON: Oh.

11 MR. CRAIG STIEBEN: You're the first

12 person that ever has.

13 THE CHAIRPERSON: I'm not doing so bad,

14 it's probably pure fluke. Okay, please proceed.

15 MR. CRAIG STIEBEN: Hi. My name is Craig

16 Stieben, I've been a motorcyclist now since 1990 and I

17 actually started out on a motorcycle when I started going

18 to university. And the reason I chose a motorcycle was

19 because at that time it was a cheap method of

20 transportation to and from school.

21 The University of Manitoba actually

22 charged only forty dollars (\$40.00) for a parking pass,

23 so that was great. The cost of fuel was incredibly low

24 and I think my insurance the first year I started riding

25 was probably a hundred and twenty-five dollars (\$125) or

508

1 two hundred dollars (\$200) because it was a fairly small

2 motorcycle. So, it was quite reasonable.

3 Now that I've riding for fifteen (15)

4 years I've seen over and over and over through the years,

5 of course, the claim -- the cost of the insurance has

6 been increasing steadily. This is the first year I'm,

7 unfortunately, having to say I'm not going to be riding



8 my motorcycle.

9           Last year I moved out of town so that I  
10 could try to take advantage of the lower rates out of  
11 town. I chose a town south of Winnipeg by about twenty  
12 (20) minutes so that I could try to take advantage of  
13 some of the lower rates there. However, I just cannot no  
14 longer afford to ride. I am faced with a three hundred  
15 and five dollar (\$305) monthly payment out of town. And  
16 I'd probably be looking at about a four hundred and fifty  
17 dollar (\$450) payment in the city.

18           So, this year I had to make the choice to  
19 -- to take my motorcycle off the road and basically I'm  
20 quite upset about it to say the least. Motorcycling has  
21 been a huge, huge part of my life since 1990. It's  
22 responsible for me being introduced to my spouse who also  
23 rides a motorcycle.

24           Basically, all the friends I have acquired  
25 over the last fifteen (15) years have been as a result of

509

1 meeting people on a motorcycle. I have proceeded to tour  
2 across the country, across the US on the bike. And  
3 having this taken away from me because of the cost of  
4 insurance is -- is -- is to -- to say the least, a very  
5 upsetting -- upsetting situation.

6           You know, I like to laugh and joke about  
7 it, but it's pretty funny when I sit down and tell my  
8 friends that I have to eat Kraft Dinner so that I can

9 afford to ride a motorcycle. When you start to make  
10 choices like that because the costs are so high, it's --  
11 it's quite ridiculous.

12           Basically, I think one (1) thing that  
13 maybe some of the other Speakers have spoke about here is  
14 -- earlier this evening -- was that motorcycles,  
15 originally they were -- they were looked as being a -- a  
16 reasonable cost transportation. It used to be cheap to  
17 operate a motorcycle, cheap to buy one, cheap to insure  
18 one. They are taking it out of the hands of the common  
19 man. I make less than thirty thousand dollars (\$30,000)  
20 a year, I can't afford to do it anymore.

21           Part of my career, I actually work in a  
22 motorcycle dealership. I am seeing, on the sales floor,  
23 the lack of sales coming because of the cost of  
24 insurance. We've actually seen deals lost where a  
25 person's come in, done a deal on a motorcycle, turned

510

1 around, checked on the MPI site to find out how much it  
2 costs to ensure the motorcycle and turned around and  
3 cancelled the deal.

4           It's starting to affect -- as well as my  
5 personal life, it's also now affecting my career. I  
6 could potentially be out of job -- out of a job. Our  
7 dealership currently employs probably about twenty (20)  
8 people in the province of Manitoba. So, needless to say,  
9 I'm quite concerned about that in addition.

10           Getting to the loss transfer issue,  
11 basically I think -- I -- I did a little bit of research  
12 and I did some -- did some online searching for the  
13 words, "fair." And basically, I'm just going to read you  
14 out the couple of definitions that I -- I received. And  
15 it was characterized by frankness, honesty, impartiality  
16 or candour, open, upright, free of suspicion or bias,  
17 equitable, just, said of a person's character or conduct  
18 as a fair man or a fair deal and a fair statement, just  
19 to all parties, equitable.

20           I'm going to relay a little story to you  
21 regarding a friend of mine who I've known for a number of  
22 years and, again, because of motorcycling. He was -- had  
23 gotten married, given up motorcycling for a while, had a  
24 couple of children. His bike sat parked for a number of  
25 years. After -- after a while he decided he was going to  
511

1 get his motorcycle back out on the road, proceeded to  
2 insure it.

3           Had the motorcycle on the road for only a  
4 week and was proceeding down Arlington with his  
5 girlfriend and his kids in his minivan behind him when a  
6 car driver turned left in front of him. And the young  
7 driver of the car was a seventeen (17) year old lady who  
8 did not have a licence and was driving her boyfriend's  
9 parents' minivan.

10           She turned left in front of him, he was

11 catapulted over the hood of the van, landed on the curb,  
12 basically damaged his knee and his groin, was off work  
13 for over a year and spent quite a bit of time in  
14 physiotherapy to rehab his leg and -- so that he could  
15 get back to work.

16           The claim essentially turned out to be --  
17 I've talked to him extensively about it -- he estimates  
18 and -- and has given me figures of approximately a sixty  
19 thousand dollar (\$60,000) claim for a cost of this  
20 accident where that included writing off his motorcycle  
21 and his replacement of lost wages and things like that.  
22 And his -- that doesn't include the cost, of course, of  
23 the rehab and any of that, just -- just talking wages and  
24 his cost of his motorcycle.

25  
512

1           Now, the driver got off with a fifty  
2 dollar (\$50) ticket for driving unlicensed; fifty (50) to  
3 seventy dollar (\$70) ticket and is now currently being  
4 sued for approximately four thousand dollars (\$4,000)  
5 over half of the value of his motorcycle.

6           So, I ask you, going back to the  
7 definition of fair, how does that fall under the  
8 definition of fair? Any person in their right mind  
9 cannot sit here and tell me that that's fair.

10           On a personal note, I have had a claim as  
11 a result of someone backing through a fence and smashing

12 my motorcycle. No one wasn't even near the motorcycle at  
13 any time and -- and, of course, this is another cost that  
14 goes against the motorcyclists.

15           Basically, I think the system needs to be  
16 changed. There needs -- there needs -- as -- as well as  
17 loss transfer, there needs to be a number of things that  
18 MPI has to look at.

19           I think they need to be progressive about  
20 it. The bonus/malice system needs to be changed. It  
21 needs to be more aggressive against poor drivers. I hate  
22 to say it and as -- as far as I'm concerned the system  
23 needs to start discriminating against people with poor  
24 driving records and maybe younger people who are causing  
25 some accidents out there.

513

1           In addition, you know, basically that --  
2 that bonus/malice system is -- is -- is in severe need of  
3 -- of a -- an overhaul. There also needs to be some  
4 things done to encourage motorcyclists to start taking  
5 better care of themselves and to wear proper gear and  
6 things like that.

7           I had a really bad phone call this morning  
8 that got me quite infuriated at work. It was a gentleman  
9 who had purchased a motorcycle and had indicated -- had  
10 indicated that, ironically, he didn't have a motorcycle  
11 licence. Then proceeded to tell us well, he's now moving  
12 and he needs to sell the motorcycle and that he was going

13 to have to see it privately, he thought, but maybe he  
14 should just write it off and get the money from MPI.

15           So, these are the sorts of things that  
16 need to stop happening, but needless to say, when -- when  
17 I got to come here and sit in front of this Board and  
18 explain why loss transfer needs to happen, I think it --  
19 it may not be a lot of money that it saves motorcyclists,  
20 but if it's a step in the right direction, you know,  
21 maybe that can help.

22           That's pretty well all I have to say.

23           THE CHAIRPERSON: Thank you, sir. Thank  
24 you for coming and -- and making your presentation, it's  
25 greatly appreciated. Is a Mr. Zubrycki here? Would you  
514

1 mind coming up to the front, it'll be easier. Thank you.

2

3           (BRIEF PAUSE)

4

5           THE CHAIRPERSON: Okay. Okay. Good.

6           MR. PHILIP ZUBRYCKI: Hello, Mr.

7 Chairman, Members and fellow -- fellows.

8           Just one (1) comment about the --

9 cancelling the motorcycle insurance for the winter. The  
10 -- the premium is based on a year, but the majority of  
11 the cost is during the five (5) months which are deemed  
12 to be the riding season, so if you cancel it out of that  
13 period, you get very little back.

14 Who is subsidizing whom, a case for loss  
15 transfer. I've heard Manitoba Public Insurance  
16 Corporation representatives say car drivers should not  
17 have to subsidize motorcycles. Nothing could be further  
18 from the truth, as I believe motorcycles are now  
19 subsidizing car and commercial vehicles and their  
20 drivers.

21 A recent letter to the editor of the  
22 Winnipeg Free Press I received by email:

23 "It has been interesting to follow  
24 Lindor Randall's column regarding an  
25 accident between a bicycle and a car.

515

1 MPIC has deemed it their responsibility  
2 to go after the person on the bicycle  
3 for costs.

4 I refer to the quote by Mr. Smiley [or  
5 Smilley; how is that pronounced?]  
6 Smiley of MPIC in Lindor's February 4th  
7 column.

8 Media relations officer Brian Smiley  
9 says that the Corporation is just doing  
10 what Manitobans want, the responsible  
11 person has to be held accountable, he  
12 said. If a bike without breaks crashes  
13 into your car and you are stuck with  
14 the deductible, how happy will you be?

15 This is what the taxpayers want.  
16 If, in fact, as he says, the  
17 responsible person should be held  
18 accountable, then why is MPIC so  
19 against loss transfer in the motorcycle  
20 accidents?  
21 A study by Ernest Young commissioned by  
22 MPIC showed that there would be  
23 significant savings to motorcyclists  
24 while a small overall rise to  
25 automobile rates. This would, as Mr.

516

1 Smiley says, make the responsible  
2 person accountable. Or does MPIC and  
3 the PUB only want to do that  
4 occasionally?"

5 And, the fellow who originally wrote that  
6 is at the bottom.

7 Study after study concludes the  
8 responsibility for an accident between two (2) vehicles,  
9 one (1) of which is a motorcycle and the other is a dual  
10 track vehicle, the proportion is at least 70 percent and  
11 in some studies it has been as high as 85 percent the  
12 fault of the dual track vehicle.

13 Now, I know that Autopac, just to digress  
14 from this a little bit, Autopac uses, I believe, an  
15 outfit from California to base their repair costs. They



16 use statistics from across Canada in assessing risk, so I  
17 mean, these other studies have taken place in other  
18 jurisdictions and they vary and I guess it also varies as  
19 we'll read later on as to the -- how the study is done.

20           With loss transfer, the motorcycle group  
21 would be charged for only the crashes that were their  
22 fault, and which they already pay for. Presently, they  
23 pay for the 70 to 85 percent of the crashes they are  
24 victims to.

25           The now -- they now use loss transfer,

517

1 meaning Autopac, for out-of-province claims and they did  
2 so for many years for all claims. The loss transfer  
3 system is not new to them, meaning Autopac. I believe  
4 that the use of first-party or loss transfer will not  
5 mean an overall cost increase or even change to the  
6 overall cost as MPIC pay -- MPIC pays all claims now.

7           I guess one (1) problem I have with how  
8 the claims are paid is with the medical and long-term  
9 disability. You know, when we come to who pays Medicare  
10 or does Medicare get paid? And, if a person is injured  
11 in an accident, why should they have to wait in the same  
12 line as someone who's getting the medicare that they  
13 would get if they were, say, hurt themselves skiing?

14           Why can't they go to -- out of province  
15 and be fixed faster than waiting as one (1) fellow I know  
16 and I know it's anecdotal but, you know, I guess we all

17 talk about anecdotal things -- who waited two (2) years  
18 to get an operation to ease the pain in a broken  
19 collarbone from a serious accident that was not his fault  
20 where someone T-boned him.

21 MPIC assigns blame all the time.  
22 Excepting in the clearest cases, it is often 50 percent  
23 each. The customer is then forced to go to Small Claims  
24 Court if not satisfied and I don't suppose that would  
25 change either.

518

1 Over twenty (20) years ago, Harry Hurt --  
2 Harry Hurt did a study and it was recognized as the  
3 definitive study on motorcycle accidents and causes and  
4 it was used quite extensively for the helmet portion  
5 which was cited time and time again, to justify making  
6 people wear helmets. However, the rest of the report was  
7 pretty well ignored.

8 Now, other than that report and a report  
9 which was done, I believe, in Thailand, financed by  
10 Honda, there has been no other -- yes -- Thailand --  
11 there's been no other definitive studies done on  
12 motorcycle accidents.

13 There's things that are assumed, but, they  
14 don't always hold true. Harry Hurt said over twenty (20)  
15 years ago, Harry Hurt discovered that he had built up --  
16 he had built up a terrible concern that motorcyclists  
17 were getting the bad rap in traffic accident

18 investigations.

19           And the famous motorcycle accidents cause  
20 factors and identification of counter measure, better  
21 known as the Hurt report, was his effort to counter that  
22 bias with objective, accurate analysis.

23           That same passion for scientific accuracy  
24 and unbiased motorcycle research still drives him today.  
25 Recently Hurt sat down with several people, I've got

519

1 their names here if it matters, and discussed the state  
2 of contemporary motorcycle research.

3           In fact, I believe MPIC might fund some  
4 proper research into accident causes if the need became  
5 apparent. If the true causes of the crashes were known,  
6 proper prevention could be practised. Properly  
7 determining the causes of the crash will be important for  
8 the insurance rates to be valid.

9           As a motorcyclist with over forty (40)  
10 years of riding, I could tell you of many instances of  
11 wrong conclusions or perceptions that are commonly  
12 believed to be true. But I'm not going to bore you with  
13 all my war stories.

14           What is the problem with the present  
15 research? What would be proper research? Some further  
16 comments by Dr. Harry Hurt, studying the anatomy of crash  
17 studies. Beyond the helmets though, motorcycle safety  
18 and crashes are poorly understood.

19           That's poorly understood. Hurt  
20 passionately believes that's because many investigators  
21 don't understand the difference between single track and  
22 dual track vehicles. And they approach the subject with  
23 a car-centric bias, instead of looking to find what's  
24 there, rather than with seems to have happened.

25           He used the common example of a bike  
520

1 running off the road, when in reality, it may have been  
2 forced off the road for some reason.

3           He insists that investigators also need to  
4 be riders themselves. If they aren't motorcyclist they  
5 can't accurately evaluate motorcycle accident cause  
6 factors. To that end, his -- that means Dr. Harry Hurt -  
7 - his life work has been to develop a common  
8 international methodology or OECD for investigation in  
9 cooperation with Dynamic Research Inc.

10           If it's followed and doesn't exclude  
11 something simply because of financial issues, or a pre-  
12 conceived agenda, it should produce accurate data. It  
13 may be hard to the uninitiated to appreciate how critical  
14 this point is, but just remember the old saying, junk in,  
15 junk out.

16           Another thing with loss transfer, I  
17 believe there would be no need for any vehicle to carry  
18 comprehensive or collision insurance, except if it's  
19 being financed I guess and the finance company would

20 insist on it, as we would no longer be self-insured or  
21 rather insuring ourselves.

22           So someone with a two thousand dollar  
23 (\$2000) who is paying eight hundred dollars (\$800) a  
24 year, might find their rate drop substantially if they  
25 were not forced to carry comprehensive insurance.

521

1           Now, I guess we all would like to think  
2 that we're good drivers. I know I'm a lousy one, even  
3 though I got four (4) or five (5) merits. But the fact  
4 is, we all assume it's going to be the other guy's fault.

5           I guess if it's going to be the other  
6 guy's fault, he's going to have to pay to fix my bike or  
7 car. So why would I want to carry comprehensive --  
8 unless I had something very valuable and I had the  
9 deductible up high enough, that if it was my fault, I  
10 could pay the five hundred (500) or a thousand dollars  
11 (\$1,000), if it's going to cost me ten thousand dollars  
12 (\$10,000), I might want to insure that.

13           If the comprehensive or collision was  
14 optional we could have some choice in that area, I think,  
15 I don't know, I'm no insurance expert. I know that's the  
16 way it used to work with private insurance.

17           Now it seems to me that the MPIC quite  
18 often says that they don't want to open their books, they  
19 don't want to let anything out because of competition,  
20 because of the business climate, because of other insur -

21 - I don't understand that. They're the only insurance  
22 company.

23           So to get exact figures of what this would  
24 cost or all it would be -- excuse me, my throat's getting  
25 a bit dry.

522

1           THE CHAIRPERSON: Mr. Barron will get you  
2 some water.

3           MR. PHILIP ZUBRYCKI: Thanks. But, you  
4 know, the -- the thing is we can't really say what the  
5 rate should be. I think they're probably doing the best  
6 they can in their view.

7           I -- I think Autopac is probably doing the  
8 best they can in their view. But then again, it's their  
9 figures, it's their assumptions. Like they say, junk in,  
10 junk out.

11           Now I would like to repeat that loss  
12 transfer would also need proper crash investigation to be  
13 fair. I think that maybe with public insurance as a  
14 Crown corporation I guess there's a lot of things that  
15 they can't contribute to.

16           But I'm sure if they wanted to do  
17 something for the universities, which they tried to do a  
18 few years ago, I could not see anything that the public  
19 would object to if they establish say for instance, a  
20 chair at the university for accident study, with the  
21 emphasis on motorcycles, I hope.

22 I can't see why they wouldn't want to  
23 spend some money on good research, maybe world renowned  
24 research that would get them the name as the leaders in  
25 research. It might put Manitoba on the map.

523

1 But all I've got to say is, let's have  
2 loss transfer. It seems that it would be fair to the  
3 motorcyclists. I know we're hard to see and all these  
4 other things that people have all these excuses, but  
5 let's face it, a motorcycle is a small manoeuvrable  
6 vehicle and as far as I'm concerned, in my experience, I  
7 would say it's closer to 90 percent that the motorcyclist  
8 is not in the wrong.

9 Sometimes they act pretty stupidly. But  
10 usually they can get out of it because, you know,  
11 especially when I was younger. You got the reflexes, you  
12 got a bike that handles, you know, usually they can do  
13 some pretty stupid things and get out of it.

14 But the thing is when a car hits you or a  
15 car comes through a red light and nails you as you're  
16 coming through the intersection, you've had it. A friend  
17 of mine was in a car, he was just about killed.

18 But anyhow, that's just rambling on. Do  
19 you -- that gentlemen have any questions for me?

20 MR. LEN EVANS: I guess we have lots of  
21 questions. We've been doing this for two (2) days now.  
22 There was one statement -- one piece of information given

23 to us earlier today, maybe you could comment.

24           And -- and that statement was that a

25 person driving a motorcycle had -- had better knowledge

524

1 of road conditions. He or she could see better and

2 therefore manoeuvre better than a person driving a car.

3 And he or she driving the motorcycle could therefore

4 possibly avoid accidents just by virtue of the nature of

5 being out there and --

6           MR. PHILIP ZUBRYCKI: I -- I think that -

7 - that there's two (2) things you have to consider. That

8 number 1, on a motorcycle you are on a single track

9 vehicle. So if it's raining or if it's slippery out,

10 you're very aware of it, especially if the road's a bit

11 muddy.

12           I know when I'm riding, especially on a

13 trip or something, if I, you know, if I'm going to work

14 it's a different story of course. But if I'm on a trip

15 and it starts raining, I'll usually pull over and have a

16 cup of coffee or something, let the highways wash off so

17 you get that grease off it and then you get reasonable

18 traction back.

19           As far as wind conditions, all those

20 things, yes, I think you're out there in the environment.

21 I mean that's one of the pleasures of riding a

22 motorcycle. It's sort of like having a horse that will

23 go sixty (60) miles an hour. You're right out there.



24 MR. LEN EVANS: Could you give the Board  
25 an indication as to how many months of the year you'd  
525

1 normally use your motorcycle. I know it depends on  
2 weather conditions but --

3 MR. PHILIP ZUBRYCKI: Well, it also  
4 depends on how quickly I get it repaired and how quickly  
5 I can afford to buy parts and things like that.

6 But, I was a teacher, I was a school  
7 teacher and what I would usually do, is I wouldn't do too  
8 much riding -- the last few years -- I mean when I was  
9 younger, when I first started riding, I'd rush home from  
10 work, gobble something down, be at the corner hangout, at  
11 the restaurant where we all met and we'd go to Bouseger,  
12 we'd go to Rockport, we'd -- it was nothing to put on two  
13 hundred (200) miles in one (1) evening, you know.

14 But, in -- recently what I would do, is I  
15 would use my summer holidays and I'd go on extensive  
16 trips in the United States, usually, you know, sometimes  
17 I'd use two (2) sets of tires in one (1) summer.

18 MR. LEN EVANS: Just one further area of  
19 questioning. And that is the sidecar type of motorcycle  
20 I --

21 MR. PHILIP ZUBRYCKI: Yes --

22 MR. LEN EVANS: --- haven't seen many  
23 lately, but when I was a kid you used to see a lot of  
24 them around and people -- the cyclist could carry, bring

25 his wife or his kids or whatever.

526

1 MR. PHILIP ZUBRYCKI: Yeah.

2 MR. LEN EVANS: And, of course, a lot of  
3 police used motorcycles with -- and with sidecars.

4 MR. PHILIP ZUBRYCKI: I think that's a  
5 sign of the times. What some people do now, especially  
6 people who say got hurt in a motorcycle accident and they  
7 still like the sport, is they will get what they call a  
8 trike that's got two (2) wheels on the back and one (1)  
9 wheel on the front something like the old police servy  
10 (phonetic) cars, where they used to mark the tires with.

11 But, I think with the sidecars, it's  
12 totally different than riding a motorcycle. I mean the  
13 whole handling is different, the steering is different,  
14 it's a whole different technique. And I guess at one  
15 time, I know when I first started riding and I -- you  
16 know, that was -- there were a few fellows who didn't  
17 have a car. The motorcycle was their only means of  
18 transportation. So in the wintertime, they put the  
19 sidecar on and they used it.

20 I guess now, we're more affluent and most  
21 of the people I know who have a motorcycle also have a  
22 car. And so it seems -- and you know, and the thing is,  
23 we've got people with two (2) motorcycles or three (3)  
24 motorcycles.

25 And it seems kind of a shame or maybe not

1 a shame, but there should be some provision and certainly  
2 at some increased cost, but for a fellow who has got two  
3 (2) or three (3) motorcycles, he can't ride them all at  
4 the same time.

5           And if he certifies he's the only one (1)  
6 driving them, he should be able to use one (1) plate to  
7 be able to use all those motorcycles. It's kind of a  
8 hardship now if you're paying -- even a motorcycle that's  
9 a couple of thousand dollars is going to cost you seven -  
10 - seven hundred dollars (\$700) to insure.

11           And if you cancel it for the winter,  
12 you're going to get a minimal amount back, maybe -- I'd  
13 just be guessing, because -- you just leave it on.

14           But the thing is now if you've got to  
15 ensure two (2) or three (3) motorcycles, it's really  
16 making it -- well, you can say, well, okay who needs two  
17 (2) motorcycles or three (3) motorcycles. But, you know,  
18 there's a system that used to work on need and they don't  
19 exist any more.

20           MR. LEN EVANS: What do you think of the  
21 environmental argument, someone earlier this evening and  
22 I've heard it elsewhere too, argue that motorcycles  
23 should be given a premium because they are not polluting  
24 the atmosphere as much, they're using less gas.

25           I heard David Suzuki last week and he's

1 very concerned about pollution and everything else. You  
2 know the arguments and --

3 MR. PHILIP ZUBRYCKI: Well, I certainly  
4 wouldn't -- I don't know -- I guess no matter what I say  
5 on that, somebody is going to come up with a counter. I  
6 mean you know, they say using a lawnmower, a two (2)  
7 cycle lawnmower for an hour, will put out more pollution  
8 than a hundred cars or something into the air.

9 So, you know, I don't know, I guess it  
10 depends on the motorcycle and a lot of things. But,  
11 generally, I guess the motorcycles are easier on the  
12 roads. They don't make potholes and things like these  
13 heavy trucks do and things like that.

14 So on that kind of -- on the  
15 infrastructure they're a lot easier. If everyone rode  
16 motorcycles there would be no traffic jams, in the summer  
17 anyhow. You know, so I guess in that way, they would be  
18 better.

19 Yeah, I think they're easier on the  
20 environment, plus you enjoy the environment when you're  
21 on one (1).

22 MR. LEN EVANS: I should advise you, I  
23 drive a bike, but it's a pedal bike.

24 MR. PHILIP ZUBRYCKI: You're not one (1)  
25 of these guys that rides it all winter though, are you?

1 MR. LEN EVANS: No, my doctor like what

2 I'm doing, in the summer.

3 MR. PHILIP ZUBRYCKI: No doubt.

4 THE CHAIRPERSON: Thank you very much for

5 your presentation, sir.

6 MR. PHILIP ZUBRYCKI: You're welcome.

7 Glad to be here.

8 THE CHAIRPERSON: Mr. Hilder

9 (phonetic)...?

10 Mr. Dolynuck (phonetic)...?

11

12 (BRIEF PAUSE)

13

14 THE CHAIRPERSON: Did I pronounce your

15 name properly?

16 MR. BOB DOLYNIUK: Close, Dolyniuk.

17 THE CHAIRPERSON: I'll try again later.

18 Welcome, and you can begin your presentation any time you

19 wish.

20 MR. BOB DOLYNIUK: Mr. Chairman and

21 Members of the Board, thank you for the opportunity to

22 speak this evening. My name is Bob Dolyniuk, as I said,

23 and I'm General Manager of the Manitoba Trucking

24 Association.

25 Our Association is an industry

530

1 association, it was formed in 1932, has approximately  
2 three hundred (300) corporate members comprised of  
3 carrier members and associated trades members.

4           We also have an individual-based vehicle  
5 maintenance counsel comprised of approximately two  
6 hundred (200) individuals. Together with our sister  
7 associations across the country, we formed the Canadian  
8 Trucking Alliance, our National Federation.

9           Currently the Manitoba trucking industry,  
10 directly and indirectly, employs approximately thirty-  
11 three thousand (33,000) Manitobans, or about 5 percent of  
12 our labour force. Our industry expends approximately  
13 655 million dollars a year in salaries, wages and  
14 benefits, and contributes about 1.18 billion dollars to  
15 Manitoba's GDP on an annual basis.

16           There's approximately four hundred and  
17 fifty (450) for-hire trucking companies headquartered in  
18 Manitoba, and they range in size from one-truck operators  
19 to fleets operating hundreds and hundreds of vehicles,  
20 twelve (12) of these companies are amongst the largest in  
21 Canada, and we operate as a Manitoba industry  
22 approximately fifteen thousand (15,000) power units, and  
23 nineteen thousand (19,000) trailers.

24           To help put this in perspective, while  
25 many of our services are tendered outside the province,

531

1 95 percent of the goods moved within Manitoba depend on

2 trucks. Virtually everything in our homes, offices,  
3 stores, cottages, were brought to us somewhere along its  
4 journey by truck.

5           The Manitoba Trucking Association supports  
6 the belief that the issue of loss transfer versus first-  
7 party cost allocation is not an actuarial issue, but a  
8 public policy issue. They also support the notion that  
9 first-party cost allocation is the policy that Manitoba  
10 Public Insurance should retain.

11           MPI has stated that this system treats all  
12 motorists and vehicles similarly and equitably, that it  
13 makes the appropriate use of generally accepted means of  
14 assessing the likelihood of claims, cost frequency and  
15 severity, that ensures motorists will have the greatest  
16 impact on how much they pay for automobile insurance by  
17 the choices they make. We support that concept.

18           At the same time, MPI addresses driver  
19 behaviour through its driver risk rating component, which  
20 responds to the risk of varying likelihood of accident  
21 frequency.

22           MPI encourages the safe operation of  
23 vehicles by rewarding good drivers through discounts and  
24 by sanctioning bad drivers with loss of discounts,  
25 additional premiums, and surcharges.

532

1           As well, drivers must pay insurance  
2 deductibles and may face Highway Traffic Act related

3 fines for their actions. Conversely, vehicle owners with  
4 a clean record receive significant discounts.

5           We are fortunate in Manitoba that we have  
6 the compulsory universal automobile insurance program,  
7 which all Manitobans have guaranteed access to, and which  
8 encompasses an injury compensation system that is no-  
9 fault.

10           As with any such guaranteed group  
11 insurance plan, costs should be allocated to, and  
12 collectively shared, by the appropriate categories,  
13 dependent on risk. This is contrary to the policy and  
14 practices in place in Ontario today, where a one-way loss  
15 transfer mechanism limits motorcyclist injury insurance  
16 costs, and these costs are therefore borne by other  
17 vehicle categories.

18           This appears to be a policy designed to  
19 artificially create lower motorcycle insurance premiums  
20 at the expense of other categories. Similarly, the  
21 Ontario loss transfer policy and practices related  
22 collisions involving heavy trucks, is an inequitable  
23 policy and can place unwarranted costs on the operators  
24 of heavy trucks.

25           The Manitoba Trucking Association does not  
533

1 support loss transfer. It is our belief that such a  
2 system would discriminate against larger vehicles.

3           Regardless of fault, when there is a



4 collision between vehicles of differing mass and size,  
5 the resulting consequences may differ significantly,  
6 along with the associated damage and injury costs.

7           In other words, if a motorcycle is  
8 involved in a collision with a Cavalier, Lincoln Town  
9 Car, Chevy Blazer, Ford F250 or a five (5) ton commercial  
10 truck. Motorcycle and motorcyclist will suffer  
11 significantly greater risk of damage and injury.

12           Similarly if a Cavalier is involved in a  
13 collision with a Ford F250, the Cavalier will typically  
14 suffer significantly greater risk of damage and injury.  
15 This is a result of basic physics and kinetics.

16           While we are cognisant that collisions  
17 generally occur as a result of human error, Transport  
18 Canada's report Road Safety 2001, informs us that while  
19 tractor trailers accounted for less than 8 percent of the  
20 vehicles involved in collisions, they counted for an  
21 average of 19 percent of all road user fatalities in  
22 Canada.

23           The same report also informs us that while  
24 there is one motorcycle for every fifty-seven (57) motor  
25 vehicles registered in Canada, motorcyclists accounted  
534

1 for almost 5 per cent of Canada's road user fatalities in  
2 2001.

3           And I apologize for the date of that  
4 information but that's the most current information

5 available from Transport Canada.

6           Additionally, another Transport Canada  
7 report, Heavy Truck Collisions 1994 and 1998, determine  
8 that drivers of automobiles, light trucks, and vans were  
9 recorded as having driver condition other than apparently  
10 normal, four and a quarter (4 1/4) times more frequently  
11 than the drivers of heavy trucks in fatal collisions.

12           The report also noted that in fatal  
13 crashes of drivers of automobiles, light trucks, and vans  
14 were recorded as having a driver action, other than  
15 driving properly, two and three quarter ( 2 3/4) times  
16 more frequently than drivers of heavy trucks.

17           According to another report titled  
18 'Traffic Collisions Statistical Report 2003' published by  
19 Driver and Vehicle Licensing Branch of MPI, heavy trucks  
20 were involved in 5.2 percent of collisions and 17.3  
21 percent of fatalities in Manitoba.

22           Both the Transport Canada and the MPI  
23 statistics underscore the severity of impacts between  
24 vehicles of dissimilar mass and size. They provide a  
25 clear indicator of risk associated with choice of

535

1 vehicle. Additionally, the Transport Canada statistics  
2 also provide an important comparative on driver condition  
3 and driver action.

4           It's also important to know and understand  
5 that while commercial vehicles traditionally operate

6 significantly more kilometres per year in comparison to  
7 other vehicle categories, a distance based statistical  
8 comparison is not available.

9           However, as an example, the average  
10 personal vehicle operator may drive an average of twenty  
11 thousand (20,000) kilometres a year. While a heavy truck  
12 operating on a highway may drive an average of a hundred  
13 and sixty thousand (160,000) kilometres per year. Almost  
14 nine (9) times further the distance in the same period of  
15 time.

16           Obviously, as a result, heavy truck  
17 operators are subject to a higher exposure rate. We  
18 appreciate the fact that the attributes of MPI's first-  
19 party cost allocation mechanism fairly assesses the  
20 claims cost frequency and severity as determined, in a  
21 larger part by the vehicle owners through their choice of  
22 vehicle, how the vehicle is used and where it is used.

23           We are confident that the risk is less for  
24 a vehicle operator with a pleasure policy operating in  
25 rural Manitoba with certain makes of vehicles than a  
536

1 vehicle operator with an all purpose policy operating in  
2 urban Manitoba.

3           When at-fault is determined and applied,  
4 the appropriate driver receives the appropriate  
5 sanctions, while we as a community that have embraced a  
6 mandatory guaranteed public insurance program, must share

7 the cost of damages for the types of vehicles we choose  
8 to drive.

9 This is the system we have today that  
10 provides Manitobans with a guaranteed coverage that is  
11 non-preferential, not unfairly discriminatory, rewards  
12 good drivers, and sanctions bad drivers.

13 Our review of this subject leads us to  
14 understand that most jurisdictions in Canada do not have  
15 loss transfer -- a loss transfer mechanism. The two (2)  
16 jurisdictions that do employ some variations of a loss  
17 transfer mechanism appear to have created inequities, and  
18 do not treat all motorists and vehicles in a non  
19 preferential manner. We would not support the  
20 introduction of those mechanisms or similar mechanisms in  
21 Manitoba.

22 In closing, it is the position of the  
23 Manitoba Trucking Association that the Manitoba public  
24 insurance's current policy of first-party cost allocation  
25 is appropriate. It is our recommendation that the  
537

1 corporation retain this policy and practice. Thank you.

2 THE CHAIRPERSON: Thank you, sir. Thank  
3 you, sir. As you know the Hearings have gone on for two  
4 (2) days now and we're back at it again tomorrow. And  
5 the -- the eventual outcome of it all will be in a public  
6 report that's accessible to everyone.

7 And in addition to that, one can follow

8 the proceedings basically through our website or through  
9 the transcript of the transcript service.

10           So, we appreciate your coming, and we'll  
11 take your brief under advisement, and thank you very  
12 much.

13           Mr. Saranchuk, I believe that brings us to  
14 a conclusion?

15           MR. WALTER SARANCHUK: Yes, sir.

16           THE CHAIRPERSON: I want to thank  
17 everyone for coming. We greatly appreciate your  
18 participation and your comments, which we'll take into  
19 account. Thank you very much. Good night.

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21 --- Upon adjourning at 8:45 p.m.

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