CAC Exhibit _______

MPI 2013/14 General Rate Application

Excerpts from the record, PUB order 110/96 and the Transcript from the 2012/13 GRA

October 3, 2012

Public Interest Law Centre
of Legal Aid Manitoba
3rd floor – 287 Broadway
Winnipeg, MB R3C 0R9

- Flexible and adaptable for the future
- Acceptable in a regulatory context
- Consistent with any industry standards
- Symmetric.

Among the above principles, "fair and reasonable" as defined by Deloitte captures the concept of cost causality. This means that the allocation of costs should reflect the drivers of cost within the business. Symmetry captures the idea that allocations used for one part of the business (e.g. expense allocation) should similarly be used for others (e.g. the allocation of assets and liabilities).

Our Approach to the Review

In undertaking our work, we undertook the following activities:

- Reviewed financial documentation to ensure that the supporting calculations can be followed, that they adhere to the methodology outlined, and that they make logical sense.
- Considered the appropriateness of the criteria used to select allocators, and the conformance of the selected allocators with those criteria.
- Reviewed the evidence presented by Deloitte with respect to accepted practice in other jurisdictions and at other regulated entities.

In our work, we also took into account our own experience with, and knowledge of, accepted regulatory practice.

KPMG Findings

KPMG finds that the proposed allocation methodologies are reasonable, and result in a fair allocation of costs, and assets and liabilities, among the relevant COBs and LOBs at MPI.

In making this conclusion, it is important to note that the process of cost allocation requires the application of judgment. There are generally no firm standards or guidelines with respect to many of the individual decisions that must be made in the development of an overall cost allocation methodology. In other words, there is an element of subjectivity in a cost allocation exercise. This has a number of implications:

- In evaluating among potential options, reasonable arguments may be made for and against any particular decision at a detailed level, and reasonable parties may come to different conclusions as to the best approach in any instance.
- It is also true, however, that certain other approaches may *not* be acceptable under accepted principles for cost allocation. In other words, there is a "zone of reasonableness" within which knowledgeable parties may differ, but there are also approaches that are unlikely to be permissible under accepted cost allocated approaches.

3.3.2 Saskatchewan Auto Fund

Company overview

SAF is a fund managed and administered by Saskatchewan General Insurance Company ("SGI"). SGI also manages SGI Canada Insurance Services, Coachman Insurance Company and the Insurance Company of Prince Edward Island. The ultimate parent of SGI is the Crown Investments Corporation of Saskatchewan. SGI is a fully competitive insurance company selling a broad range of property and casualty insurance products that vastly exceed those available through MPI. SGI's products include home, farm, and business insurance and extended automobile coverage. SGI Canada currently operates in Saskatchewan, Alberta, Manitoba, Ontario, Prince Edward Island, Nova Scotia and New Brunswick.

SAF is a fund of the Province of Saskatchewan and as such its financial results are not reported in the consolidated financial statements of SGI. It should be noted that while it is a fund of the Province, it does not receive any money from or pay any dividends to the Province.

Products and services

Similar to MPI's position in Manitoba, SAF is the sole provider of compulsory universal vehicle insurance required of all Saskatchewan automobile owners. SAF's mandate for this is provided by the *Automobile Accident Insurance Act.* Consistent with the Manitoba experience, due to its monopoly position in this product line, SAF is regulated by the Saskatchewan Rate Review Panel with respect to the rates that it can charge for this basic level of insurance.

SAF's compulsory insurance product is referred to as Licence Plate Insurance ("LPI") and is very similar to the Basic insurance offered by MPI. LPI provides an insured with the following:

1. **Personal injury coverage:** This covers injuries sustained by the insured as a result of a vehicle crash. LPI differs from MPI's Basic insurance in this coverage area in that Saskatchewan purchasers have the ability to elect between "No Fault Coverage" and "Tort Coverage". The former is consistent with the MPI personal injury insurance coverage (i.e. comprehensive benefits are received by an insured who is injured as a result of a collision regardless of fault) while the latter provides a basic level of benefits and then allows the injured party to sue for additional expenses as well as pain and suffering.
2. **Core collision coverage:** This protects the insured against damage to his or her vehicle, subject to the required deductible (LPI carries a deductible of $700).
3. **Third party liability insurance:** This protects the insured against claims made by those who have been injured or whose vehicle or property may have been damaged through the use of the insured's automobile. The maximum claim insured by LPI for a single accident is $200,000.

SAF's operations also extend beyond insurance products. SAF is responsible for driver licensing and vehicle registration, and also administers safety initiatives aimed at "keeping customers safe". SAF is not permitted to compete in the market of optional or supplemental insurance products. Such extended coverage is offered by SGI.

Summary of financial allocation process

SGI operates each of its insurance operations in a separate fund or subsidiary. Consequently, there is no allocation of assets or liabilities between the different insurance operations as discrete balance sheets are maintained for each operation.

SGI's 2009 annual report has stand-alone financial statements for the overall SGI operations, and merely discloses segmented financial information including "Total Assets" and "Shareholder's Equity" by province or group of provinces. That information is derived from individual entity balance sheets and does not include the SAF.

More recent developments

In response to BCUC's November 2003 Decision, ICBC retained consulting firm Elenchus Research Associates to assist in conducting a complete review of its financial allocation methodology. A resulting financial allocation methodology report was filed with BCUC on July 5, 2004.

BCUC released a Decision on the 2004 financial allocation methodology report in January 2005 which requested further detail on seven specific allocators (to be included in ICBC's next revenue requirement filing).

ICBC provided this detail in a separate filing. BCUC's July 2006 Decision on this filing accepted the detail as filed but further indicated:

- BCUC was taking the view that for one cost centre that is common to both the basic and optional segments, it should be split 50/50 after directly costing the Non-insurance segment; and
- BCUC ordering ICBC to allocate 'auto crime prevention costs' between basic and optional based on the percentage of comprehensive insurance market share held by ICBC.

The January 2005 Decision also requested an analysis on seven other allocators and allocation percentages which were included in the financial allocation methodology filing. ICBC filed for a workshop for these seven allocators within 60 days of the decision. The purpose of the workshop was to further clarify the calculations of these allocators.

ICBC presented its due diligence on this second set of seven selected allocation functions used in its financial allocation methodology in a Filing made March 10, 2005 which was presented at the ICBC Financial Cost Allocation Workshop on March 16, 2005. Following the Workshop, ICBC, BCUC staff, and interveners commenced a Negotiated Settlement Process.

A Negotiated Settlement Agreement regarding the methodology and these seven allocators was reached which contained a clause for an updated work effort study of the Regional Claim Centres.

This updated work effort study was completed in October 2007. The study discusses how regional claim centre costs are allocated between basic and optional insurance lines based on 5 job categories and 10 claims transaction types.

BCUC's 2008 Decision on the Regional Claim Centres Application (RCCA) agreed with the information provided for all allocations but one. The Decision indicated that ICBC re-examined the allocation of costs within the Marketing and Broker Support Services department instead of considering alternative means to allocate these costs. ICBC has been asked again to comply with the request.

The 2008 Decision also included a direction for ICBC to prepare and file an application for approval of a Proposal Plan for the identification and selection of an independent third party to review, report on, and make recommendations with respect to ICBC's financial allocation methodology. ICBC filed the application in October 2008. ICBC also filed an application with revised terms in February 2009. BCUC accepted the February 2009 application which indicated that "the scope of the review will consist primarily of an examination of the RCCA work effort study, but will also include a limited review of the allocators used for specified allocation functions."

Since the submission of its August 2003 allocation methodology, ICBC has been directed to undertake considerable additional detailed work to revisit specific allocators. The specific allocators that were to be revisited related to the allocation of costs between the basic and optional insurance lines. Discussions with ICBC personnel confirmed that ICBC has invested significant amounts of time and resources in this process during this period. This work has resulted in significant expansion in the complexity of the allocation methodology.

3.4.4 Companies subject to review panels

A search and review of information that was publicly available from various companies, primarily energy companies, that are subject to review panels was conducted. With the exception of one particular filing with Alberta Utilities Commission, references to the allocation of assets pertained to the allocation of investment assets within an investment portfolio. No references to the allocation of liabilities were identified.

The Alberta Utilities Commission findings pertained to the reorganization of two privately held gas distribution and consumer supply entities and the requirement for the potential allocation of assets and liabilities was in the preparation of a beginning balance sheet for the reorganized entities. Findings indicated acceptance of an account by account approach either by direct assignment, if appropriate, or allocation based on ratios or percentages. The approach also included the designation of a short term investment/borrowing account as a "balancing account" containing an amount determined by allocations of all other items on the balance sheet.

While not identified through our research, we also made specific enquiries with Manitoba Hydro regarding its approach to any allocation of assets and liabilities. While Manitoba Hydro has two distinct lines of business, electric and gas, our findings indicate that there is no allocation of assets or liabilities allocated between the lines of business; rather each line of business is accounted for as a separate entity with its own general ledger. Any assets that are jointly used are minimal, kept on the balance sheet for the electricity line of business and a charge levied for use of the asset (e.g. information technology). Manitoba Hydro does disclose total assets and liabilities for both of its lines of business in its annual report.

3.5 Conclusion

Based on our research and analysis of publicly available information related to primary and secondary comparators we note the following:

3.5.1 Primary comparators

As primary comparators both SAF and ICBC are similar in that they offer mandatory insurance to the citizens of their respective provinces. However, there are significant differences in the basic mandatory insurance offered by these comparators and the fact that driver and vehicle licensing function is considered part of their basic insurance lines of business.

SAF has no requirement to allocate its assets and liabilities to specific lines of business as the entire fund relates to the basic line of business. The balance sheet of SAF represents the balance sheet of its basic insurance.

ICBC does not prepare a segmented balance sheet for its basic line of business. ICBC does pool its investments related to all lines of business, so allocation of that pool is required to allocate investment income. For this purpose ICBC calculates an allocator for the investment pool based on the combined ratio of the three primary balance sheet accounts which give rise to the investments which are unearned premiums, unpaid claims and retained earnings. Each of these three accounts is directly assignable to a line of business. ICBC has utilized this methodology since its initial filing of the policy in 2003.

3.5.2 Secondary comparators

We investigated the existence of industry standard methodologies or allocators through the research of industry associations and the publicly available information related to regulated industries. Professional standards provided some general guidance with respect to the allocation of assets and expenses; however, no specific guidance was found.

Findings from research of other regulated entities in other jurisdictions did identify one specific instance of asset and liability allocation which was subjected to the review of a regulator. In that case, a line by line approach to the assets and liabilities, either assigning amounts or utilizing various allocators relevant to each line, with one line designated as a "balancing account" was an accepted approach.

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The Public Utilities Board

2nd Floor
280 Smith Street
Winnipeg, Manitoba
R3C 1K2

MANITOBA	)	Order No. 110/96
	)	
THE PUBLIC UTILITIES BOARD ACT	)	November 4, 1996

BEFORE: G. D. Forrest, Chairman
D. L. Barrett-Hrominchuk, Member
W. E. Chiswell, Member

PUBLIC HEARING TO REVIEW THE GUIDELINES
FOR ACCEPTABLE CONDUCT BETWEEN CENTRA GAS MANITOBA INC.
AND ITS AFFILIATED COMPANIES

8.0 Board Findings

The Board recognizes that the appropriate relationship between Centra and its affiliates is a cause of great concern to interested parties. The Board is also cognizant that the appropriate relationship between Centra and its affiliates must be in the best interest of the ratepayers and also must strike a balance between permitting Centra's affiliates to engage in competitive ventures and retaining a level playing field for all competitors.

Since the issuance of Order No. 49/95 and the establishment of Centra Energy Services, Centra has curtailed market opportunities and market promotion of its unregulated energy services pending the Board's decision regarding this matter. The Board appreciates Centra's decision in this regard.

Since the signing of the Western Accord in 1985 between the Federal Government and the producing provinces of Saskatchewan, Alberta and British Columbia, the deregulation of natural gas has been an evolutionary process for all Canadians. In Manitoba, consumers have been able to buy natural gas at the retail and wholesale levels. At the retail level, Centra continues to be an option for consumers. While the generic proceeding in its entirety will deal with Centra's future role in the retail market, this decision as noted earlier will only deal with Centra's relationship with its affiliates.

This is an important consideration in the evolutionary process of deregulation, as Centra's relationship with its affiliates may impact on the cost and deliverability of the service of the regulated entity. It is important to ensure that Centra does not subsidize unregulated competitive activities or accept any of the financial risk of its affiliates. A related issue of concern is whether Centra's relationship with its affiliates detracts from the competitive marketplace.

In the Board's opinion a code of conduct and a set of principles which are set out below are needed to govern this relationship. However, the Board recognizes that the market is still developing and that such codes and principles may need adjustment from time to time.

8.1 Code of Conduct

There is general agreement among interested parties that a code of conduct is required to govern the relationship between Centra and its affiliates. There is also general agreement with respect to the formation of a working committee comprised of interested parties to develop the details of this code of conduct. The Board accepts the need for the development of a code of conduct and believes the formation of an industry working committee to complete this task will best result in a code of conduct that balances fairly the diverse interests of all participants in the Manitoba natural gas marketplace. The Board will not participate directly in the working committee, choosing instead to examine, and if necessary, vary the proposed code of conduct in the approval process.

By way of this Order the Board directs Centra to form a working committee of interested parties to formulate a code of conduct to govern the relationship between Centra and its affiliated companies. It is the Board's expectation that a consensus code of conduct will be established by the working committee and that this code will be presented to the Board for its approval as soon as possible but by no later than February 28, 1997. Until the code of conduct is approved by the Board, Centra shall not engage in any new arrangements with its affiliated companies, unless previously approved by the Board. Any existing arrangements with affiliated companies shall be reported to the Board as noted later in this Order.

The Board believes that FERC Order 497 and the principles enunciated by Centra and Enron in their evidence could form the basis of the code of conduct. The working committee is to consider the following:

- The purpose of this code of conduct should be to ensure that Centra treats its affiliates as it would any third party in order to allow for fair competition for all participants in the competitive elements of the natural gas market or related services.

- The code of conduct should be broad enough to encompass all current and anticipated affiliate company relationships and should allow for monitoring and enforcement by the Board.

- The tenor of the code of conduct should be strict rather than permissive. Redress provisions for a breach of the code of conduct should be specified and should be severe. The Board should be charged with the responsibility for reviewing the actions of Centra under the code of conduct and determining redress for breaches.

- The code of conduct should contain a provision for the reporting of complaints of alleged breaches to the Board. This could include an analysis of all new, resolved and pending complaints in quarterly filings of Centra to the Board.

- The code of conduct should contain a provision that recognizes that the Board on its own initiative or on the application of others, may reexamine the code.

- In principle, the additional costs of regulation in respect of the code of conduct will not be assumed by the ratepayers of Manitoba, but by the shareholders of Centra or the party alleging the complaint subject to the discretion of the Board.

8.2 Transfer of Assets and Information

The Board expects that the transfer of information between Centra and its affiliates will be governed by the code of conduct. In the Board's view much of the information held by Centra may have market advantages to other providers of energy services and further, the distribution of customer related information raises issues of privacy. Accordingly, the Board will order that Centra not disclose any confidential information about its customers that would jeopardize a customer's privacy and with respect to any other information should only disclose same with the Board's approval. In making such application to the Board, Centra shall provide details of the information, a statement as to privacy, a statement as to who shall have access to the information and the fee it will charge to its affiliates or any other requested party for access to such information.

The Board believes that any transfer of assets from the regulated utility to an affiliate is a transaction as defined by Section 82(1)(i) of the Public Utilities Board Act, and as such, requires that the utility file with the Board full details of the proposed transaction. The utility must, under Section 82(1)(i), receive written acknowledgement from the Board before proceeding with the transaction. The Board expects that in the normal course, such transactions would take place at fair market value.

While the Board in Order No. 49/95 dealt with the costs associated with the ERP as it affected rate base and revenue requirement, the Board did not deal directly with the fair market value of the contracts themselves. Centra's October 31, 1995 report indicates these contracts will be assigned to CES. No information was provided as to the value of such contracts. In the Board's view this is a matter over which it has jurisdiction under Section 82 of the Public Utilities Board Act and is a matter to be investigated at the upcoming general rate application.

8.3 Shared Services and Facilities

The Board recognizes that there may be benefits related to economies of scale and scope in the provision of energy services to Manitobans on a shared basis. The evidence in this proceeding however, suggested that the potential savings related to such economies would be minimal.

It is the Board's view there should be no shared facilities and, in principle, no shared services. In the Board's opinion such sharing, while possibly resulting in minimal savings to the ratepayers of Centra, could provide substantially more benefits to the unregulated affiliate. These benefits may create an unlevel playing field and will require substantial regulatory oversight at the expense of the ratepayer. The Board believes that a regulated entity the size of Centra must have the full attention of all of its human resources and customers should not be exposed to any financial or other risks of the affiliate through any shared responsibilities. The Board encourages affiliates to rely on the resources and services of other Westcoast affiliates or the marketplace.

To clearly delineate the division between Centra and its affiliates, the Board directs that the following principles guide Centra in its relationship with its affiliates:

1. There should be no shared facilities;

2. There should be no shared executives;

3. There should be no shared staff or employees;

4. There should be separate Boards of Directors;

5. There maybe up to 25% of those directors shared.

Where shared services are being proposed or where existing shared services are being continued, the Board will require Centra to ensure that the following criteria are clearly met:

(a) the exact nature of the economies of scale and scope must be determined by means of cost benefit analysis;

(b) the shared service must not be to any detriment of the regulated utility. The provision of services should not be the driver in increased staffing, capital expansion or technology choices;

(c) the shared service must not result in undue disadvantage to any competitors in the market;

(d) the terms and conditions for utilizing the shared service shall not be structured in such a manner which discourages utilization by those other than affiliates;

(e) the shared service cannot be provided by the parent company of the affiliate or the marketplace at the current time or at some time in the future in a reasonable and cost effective manner;

In setting down these principles the Board recognizes that Centra Gas Manitoba Inc. will need to reassess its existing shared services. Centra shall ensure that it provides no undue preference to an affiliate operating in the same marketplace.

The Board believes that shared service offerings should be provided on a tariffed basis approved by the Board. Such tariffed services shall be offered to any requesting party. Those tariffed services shall be based on fully allocated costs. The Board may wish to revisit this issue with a view of determining whether those tariffed services should be offered on a fair market value basis.

While the decision of this Board is effective immediately, the Board recognizes that a period of adjustment may be required to comply with the Board's directive with respect to existing shared service arrangements. Accordingly, Centra must:

1. Within 30 days of the date of this Order identify all shared services or facilities with all affiliates including, for example, shared arrangements with Westcoast Energy Inc., Westcoast Gas Inc., Minell Pipeline Ltd. and Centra Gas Services Inc.

2. Within 30 days of the date of this Order confirm that all shared services effective the date of this Order are being provided on a fully allocated cost basis and all shared facilities are being provided at fair market value.

3. Within 60 days of the date of this Order provide details of any shared services related to the ERP for fiscal years 1995 and 1996 with a comparison of the costing arrangement that existed prior to the date of this Order and the costing arrangement set out in this Order using fully allocated costs or fair market value as the case may be.

4. Within 60 days of the date of this Order make application to the Board for the continuation of any existing shared service consistent with the criteria previously set out by the Board.

5. Within 60 days of the date of this Order provide a plan to phase out all shared facility arrangements within 90 days of the date of this Order.

8.4 Use of a Common Name

The issue of the affiliate's use of the Centra name was the source of much debate among the interested parties at the hearing. The Board agrees with the view of many participants that if the use of a common name inhibits or constrains competition, Centra and its affiliates should be prohibited from using a common name. The Board is of the opinion that it has the jurisdiction under sections 74 and 82 of the Public Utilities Board Act to order the prohibition of the use of the Centra name by the affiliates of Centra. While the Board would prefer that Centra not share a common name with affiliates, it will not prevent it because no evidence was presented that conclusively proved that use of a common name would significantly impede competitors from participating in the Manitoba natural gas market or other related services.

The Board is concerned that consumers may not understand that, while affiliated companies may share the same name as the utility, these affiliated companies are not subject to the regulatory oversight afforded the utility.

The Board, therefore, will order that Centra not allow any Centra affiliate operating in Manitoba to advertise its relationship with Centra and Centra ensure that its affiliates operating in Manitoba clearly state in all media, correspondence and contracts that its activities are not regulated by the Board.

8.5 Power to Alter, Change or Vary

Subsequent to the issuance of this Order and any other Order of the Board dealing with a Code of Conduct, the Board pursuant to Section 44(3) of The Public Utilities Board Act reserves the right to review, rescind, change, alter or vary any decision of the Board related to this matter.

9.0 IT IS THEREFORE ORDERED THAT:

1. Centra form a working committee of interested parties to formulate a code of conduct to govern the relationship between Centra and its affiliated companies and file the code of conduct with the Board by no later than February 28, 1997.

2. Until the code of conduct is approved by the Board, Centra shall not engage in any new arrangements with its affiliated companies unless approved by the Board.

3. Centra not disclose any confidential information about its customers that would jeopardize a customer's privacy and only disclose any other information subject to the prior approval of the Board.

4. Transfers of assets shall be at fair market value.

5. Centra be prepared to discuss the transfer of the customer contracts related to ERP made out in the name of Centra Gas Manitoba Inc. at the 1997 General Rate Application proceeding

6. Centra not enter into any new shared facility arrangements between Centra and its affiliated companies.

7. With respect to existing shared services or facilities Centra shall:

    i) within 30 days of the date of this Order, identify all shared services or facilities with all affiliates including, for example, shared arrangements with Westcoast Energy Inc., Westcoast Gas Inc., Minell Pipeline Ltd. and Centra Gas Services Inc.

    ii) within 30 days of the date of this Order, confirm that all shared services effective the date of this Order are being provided on a fully allocated cost basis and all shared facilities are being provided at fair market value.

    iii) within 60 days of the date of this Order, provide details of any shared services related to the ERP fpr fiscal years 1995 and 1996 with a comparison of the costing arrangement that existed prior to the date of this Order and the costing arrangement set out in this Order using fully allocated costs or fair market value as the case may be.

iv) within 60 days of the date of this Order, make application to the Board for the continuation of any existing shared service consistent with the criteria previously set out by the Board.

v) within 60 days of the date of this Order, provide a plan to phase out all shared facility arrangements within 90 days of the date of this Order.

8. With respect to any proposed or existing shared service arrangement Centra shall provide a statement ensuring that the criteria set out in Section 8.3 are met.

9. Centra shall not allow any Centra affiliate operating in Manitoba to advertise its relationship with Centra.

10. Centra shall ensure that its affiliates operating in Manitoba clearly state in all media, correspondence and contracts that its activities are not regulated by the Board.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"
Chairman

"G. O. BARRON"
Secretary

Certified a true copy of Order No. 110/96 issued by The Public Utilities Board

Secretary

5 Allocation methodology

5.1 Overview

In developing an overall approach to the review of MPI's asset and liability allocation methodology we first considered the nature of MPI's core business. Even though MPI has in recent years become a provider of other services, MPI is at its core a provider of compulsory automobile insurance products to Manitobans. Other services provided are complimentary in that they leverage existing MPI customer records and customer points of contact. As an insurance company, the nature of MPI's business is that it is information and people intensive. Information is a cornerstone of an insurance operation as the collection and maintenance of information is a key component in development of product offerings, policy rates, processing of claims and management of claims. Equally important are the people who design the products, underwrite the policies, adjudicate the claims, manage the settlements and case manage injury rehabilitation.

From a financial position perspective, consistent with the nature of the insurance industry, the largest component of MPI's assets are investment assets. These assets fund the largest components of MPI's liabilities, unearned premiums and claims reserves, as well as accumulated retained earnings. A differentiating aspect of MPI is that it performs services on behalf of Manitoba in the administration of driver licensing and motor vehicle registration.

MPI also collects the fees related to driver licensing and vehicle registration, however amounts collected are not considered revenues of MPI, nor are the amounts remitted to Manitoba considered expenses.

Consequently, when examining the financial structure of MPI and reviewing its asset and liability allocation methodology we continued to revisit the relationship between the nature of a service and the quantum of assets and liabilities required to deliver that service.

5.2 Current methodology overview

We began our work with a review of the existing MPI asset and liability allocation methodology. MPI currently has in place a defined approach, methodology and allocators for the allocation of assets and liabilities. This current methodology had been in place since prior to the merger with DVL. While the approach and methodology had not been changed since the merger, a number of the allocators applied to various accounts requiring allocation have been changed, first to reflect the merger of DVL account balances into the existing MPI general ledger ("GL") and secondly to reflect changes in account content as operations and accounting processes have changed.

MPI's current allocation methodology is based on the pro-rata approach where accounts requiring allocation are allocated on a pro-rata basis between the LOBs and COB reflected in the account activity or balance. The methodology is to address each asset and liability GL account separately, first determining whether the account is directly related to a specific LOB or the Non-insurance COB, and if so assigning the account to that LOB or COB. Included in this first step is the assignment of retained earnings accounts to their respective LOB or COB. These accounts can be assigned as they are each directly related to a LOB or COB and determined annually by adding the current year's operating surplus or deficit to the prior years ending balance by LOB or COB.

Secondly, the remaining accounts require allocation and MPI has adopted a series of allocators based on GL and other system reporting data which are to be applied to specific accounts. The designated allocator is then applied to the appropriate remaining account balances resulting in an allocation of each of those

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to the City of Winnipeg and to the RCMP and perhaps the
Brandon Police in terms of enhanced traffic en --
enforcement, particularly at the holiday season?
MS. MARILYN MCLAREN: Vacation season
primarily, summer season. The Christmas holiday season
has always been a period where the police forces have
provided enhanced initiative on their own. But the
enhanced enforcement that we fund through the Road Watch
program is primarily spring through fall.
MR. BYRON WILLIAMS: And, Ms. McLaren,
your memory is far superior to mine. Are there any other
initiatives like that which might traditionally be
thought of as public -- as taxpayer-funded initiatives
where the Basic program of MPI makes some contribution?
MS. MARILYN MCLAREN: Additional Winnipeg
Police Service officers to investigate and -- and charge
people with theft. Again, another theft-related
initiative.
MR. BYRON WILLIAMS: Okay. Thank you for
that
Ms. McLaren, would it be accurate to say
that when MPI does cross that -- that boundary between
what has traditionally been thought of as taxpayer versus
traditionally more insurance company's role, would it be
accurate to say that it -- it requires a well-founded

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business case to do so?
MS. MARILYN MCLAREN: I think in the
examples that we've been talking about it was all
predicated on the reduction in auto theft. So a business
case -- and to align with some of the conversation and
language used in discussions with Mr. Gosselin and myself
also, in terms of the focus of loss prevention.
MR. BYRON WILLIAMS: And one (1) further
-- and I'll -- I'll go so far as to suggest to you that
in terms of the WATSS program, when it first began MPI
not only considered a business case, but it also would
have looked at the results of an analogous program in --
in the City of Regina. Would that be fair?
MS. MARILYN MCLAREN: That's right. It
was really founded on a very similar program in Regina.
There was an expectation, I think, of about six (6)
dollar to one (1) payback at that time. But it's also
important to say that it was done in conjunction with the
immobilizer strategy as well. It was not embarked on as
a stand-alone initiative.
MR. BYRON WILLIAMS: Thank you for that.
Ms. McLaren, I'm going to -- this is
probably, again, directed to you. And it's a follow-up
both to some of the conversation you had with Board
member Evans this morning, as well as -- I may be testing

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your memory -- some other conversation you had with Board
counsel, Ms. Hamilton, last -- last Wednesday.
But, let's -- I believe you -- let's start
with the big picture of MPI. And -- and I believe you
used language this morning such as the "overarching
monopolies."
Do you recall using words to that effect?
MS. MARILYN MCLAREN: Yes.
MR. BYRON WILLIAMS: And this is
certainly not contentious, but I think it's important
just as a -- as a set-up. When -- I'm going to suggest
to you that when we look at the big picture of the Basic
auto insurance program, we have to -- have to start by
recognizing -- and you'll agree with me, that's it a --
there is a legislated monopoly in terms of compulsory
Basic auto insurance, correct?
MS. MARILYN MCLAREN: Yes, there is.
MR. BYRON WILLIAMS: And since the onset
of that legislative monopoly, it's been integrated to --
to a significant degree, with -- with licensing and --
and vehicle registration, correct?
MS. MARILYN MCLAREN: Absolutely. That
was one (1) of the -- the founding approaches/principles
right back in 1971.
MR. BYRON WILLIAMS: And I always get

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nervous when I mention the word "extension" in your
presence, Ms. McLaren. But there's no dispute that,
whether it's 90 percent, or 95 percent, or 96 percent,
that currently in the -- in the Extension market in
Manitoba, along with the monopoly on Basic, MPI has a
dominant mark -- market position, correct?
MS. MARILYN MCLAREN: No dispute.
MR. BYRON WILLIAMS: That was easy. And
within the context of the program administered by
Manitoba Public Insurance, another important reality, and
again Board member Evans discussed it with you this
morning, is that in terms of the personal injuries, we're
operating under a -- a no-fault system, with the -- under
the acronym of PIPP.
MS. MARILYN MCLAREN: Yes.
MR. BYRON WILLIAMS: And, Ms. McLaren,
Board member Evans, quite properly noted this morning
that we often talk about the negatives. So I -- for a
couple of moments I am going to ask you to -- to talk
about some of the advantages of that system if you'll --
you'll bear with me. I don't think you'll mind that
conversation too much.
But you make this report -- you make this
point in your -- your annual report and you do not need
to turn there. But a significant advantage, I'll suggest

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to you, and ask you to agree, for all Manitobans, flowing from the legislative monopoly on Basic and the integration with driver and vehicle licensing, is -- is that it significantly reduces the likelihood of uninsured drivers on the roadway, by insuring that all licensed drivers are insured drivers and all registered vehicles are insured vehicles.
MS. MARILYN MCLAREN: Yes, I can agree with those words.
MR. BYRON WILLIAMS: They sound familiar?
And I'll suggest to you as well that certainly -- arguably -- it's arguable that there is an advantage to customers from the integration between Basic and Extension and driver and vehicle licensing, in terms of customer convenience. Essentially, there's a one (1) stop shop for registration, compulsory insurance and, if they choose, Extension, correct?
MS. MARILYN MCLAREN: That's true. But, you know, I do want to point out in terms of the narrow use of the phrase "one (1) stop shop." One (1) of the requirements of being an -- an appointed Autopac agent is that you offer multiple lines of insurance. So the one (1) stop shop is true for Extension regardless where someone buys the Extension.
It's closer to being one (1) process when

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it's MPI, but it's still one (1) stop shopping no matter where they buy the Extension.
MR. BYRON WILLIAMS: So if I amended my statement to a one (1) stop process you'd agree with that wholeheartedly?
MS. MARILYN MCLAREN: I would agree with that.
MR. BYRON WILLIAMS: And I believe it's something adverted to by Mr. Palmer earlier in the hearing. Arguably, there's also an advantage, and perhaps by yourself as well, for all Manitobans in terms of -- that they have a relatively high quality of compulsory insurance and a protection flowing from that as compared to some other jurisdictions?
MS. MARILYN MCLAREN: Did the -- yeah, the legislated compulsory insurance is broadly based and very high quality for sure.
MR. BYRON WILLIAMS: And without naming names or jurisdiction, we -- we can justifiably say that, as compared to some other jurisdictions, it's in Mani -- in Canada, it's of a higher quality in terms of compulsory auto insurance?
MS. MARILYN MCLAREN: Yes, I think particularly we would point to the injury coverage as being higher quality. When it comes to the issue of

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physical damage coverage, that is much more straightforward. Ours is broader. More things are compulsory here than they are in other places, but the legislated goal of making it compulsory is also to guarantee access so people have guaranteed access to coverage for their vehicles which they do not have in other jurisdictions.
MR. BYRON WILLIAMS: I thank you for that. Just -- just a couple -- a couple more. I'll suggest to you and ask you to -- to agree that there is certainly an advantage for MPI and potentially for its customers in terms of the efficiencies, I'm going to use a term -- some terms of economics, the -- i.e., the economies of scale and scope that flow from the monopoly and its dominant market po -- position?
MS. MARILYN MCLAREN: I'm going to take issue a little bit with the concept of advantageous to MPI. You know, I mean, we administer programs as specified in legislation. We -- we don't have an inherent advantage. The advantage absolutely flows to and -- and the one that has to be achieved is that to customers, to ratepayers.
MR. BYRON WILLIAMS: You mentioned this this morning. I -- I'm going to suggest that this one is an advantage to MPI as compared to private sector

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companies in other jurisdictions, is that in the event of adverse events which can put upward pressure on prices, the advantage of the MPI monopoly for the Corporation is that there is no private sector compa -- competitor for customers of the Basic insurance monopoly to flee to?
MS. MARILYN MCLAREN: If I can maybe paraphrase that back to you to be sure that I understand what you're saying. You're suggesting that it's an advantage to the Corporation that the Basic line is a monopoly?
MR. BYRON WILLIAMS: Let me try it again and -- and let's -- let's see if this works better. In the context of risk, in the context of stability, an advantage to this Corporation is that if it has a material adverse event, such as the negative retained earnings situation of which you -- you spoke of in the 1990s, it has time to recover, and in -- in recovering it doesn't ha -- run the risk that as it raises its prices consumers can go to alternative vendors of the...
MS. MARILYN MCLAREN: That's true.
MR. BYRON WILLIAMS: And I think you may have mentioned this already in our discussion, and certainly Board member Evens did, has done so on a couple of occasions in this hearing, arguably, there's an ad -- advantage for Manitobans flowing from the no-fault system

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in that they're eligible for a significant level of
personal injury benefits regardless of faults and there -
- there's less legal wrangling.
MS. MARILYN MCLAREN: No, that's fair.
MR. BYRON WILLIAMS: And we'll move off
this topic soon, Ms. McLaren, and to my -- towards my
point.
In terms of conceptually what might be
seen as disadvantages of -- of the -- the monopoly,
you'll agree that one (1) -- one (1) conceptual
disadvantage is the loss of choice for consumers in terms
of that basic monopoly?
MS. MARILYN MCLAREN: Yes.
MR. BYRON WILLIAMS: And conceptually
you'll agree with me as well that a disadvantage in terms
of the no-fault program might be seen as the loss of a --
of the right to sue?
MS. MARILYN MCLAREN: Yes.
MR. BYRON WILLIAMS: Ms. McLaren, I -- I
don't think you'll disagree with me, I -- I'm going to
suggest you'll agree with me, that given the many
potential advantages associated with the public insurance
monopoly and its synergies, whether with Extension or
with driver and vehicle licensing, expectations of it
from Manitobans are quite high?

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MS. MARILYN MCLAREN: I'll agree with the
fact that Manitobans do have very high expectations of it
-- of the Corporation. I think for the most part that
stems from our public ownership status. They expect a
lot from government entities, they expect a lot when they
are in a -- you know, as we've used this language and we
talk about who is the shareholder and all of that, but --
but Manitobans have a high sense of ownership in Manitoba
Public Insurance, they expect responsiveness, they expect
good service.
So I don't know that it's so much that
they think about it in terms of, Oh, MPI has an advantage
because they have a monopoly. They believe that MPI is
there to serve them and they have an expectation that we
do it.
MR. BYRON WILLIAMS: And we're agreed
it's a high expectation, whatever the source?
MS. MARILYN MCLAREN: Yes.
MR. BYRON WILLIAMS: And I believe you
reminded us in a conversation with Board counsel last
week that one (1) of the founding objectives of MPI was
to ensure that Manitobans are not disadvantaged by their
lack of choice in compulsory auto insurance.
MS. MARILYN MCLAREN: Yes.
MR. BYRON WILLIAMS: Ms. McLaren, I -- I

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gave your Board counsel this reference earlier today. I
-- I'm sure you don't need to turn to it or the Board,
but you'll recall a conversation with Board counsel last
week in which you discussed some of the -- what matters
to Manitobans in terms of the -- the auto insurance that
they receive from MPI?
MS. MARILYN MCLAREN: Yes, that's right.
MR. BYRON WILLIAMS: And you suggested to
Board counsel that what matters to Manitobans is the
rates they pay, the coverage they have, and the quality
of their service.
Do you recall that statement, Ms. McLaren?
MS. MARILYN MCLAREN: Yes.
MR. BYRON WILLIAMS: Would you also agree
with me, Ms. McLaren, that Manitobans see Manitoba Public
Insurance as a steward of their auto insurance rates?
MS. MARILYN MCLAREN: As a steward of
their auto insurance program, I think, more broadly.
MR. BYRON WILLIAMS: You'll agree with me
that they -- they look to it to fill those broad
objectives of which we've just discussed, but they also
expect it to do so in a manner that is prudent and
reasonable?
MS. MARILYN MCLAREN: Yes, definitely.
MR. BYRON WILLIAMS: I want to turn to

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the RSR. I -- I'll -- we'll come back to some of those
scenes that I've discussed in a few minutes.
But I want to come back -- discuss the
RSR. And again, this can go to either Mr. Palmer or Ms.
McLaren. It -- and Madam Chair, there will be a slight
duplication in terms of prior cross, but it's -- you
know, I -- I strive to minimize it, but there will be
some natural duplication.
Ms. McLaren, in terms of the use of RSR
targets for rate setting, it's accurate to say that,
while the Public Utilities Board and MPI have differed on
the method of determining the maximum required RSR, in
this application and in -- in the one the year previous,
the Corporation, for the purposes of rate setting, will
continue to base its Public Utilities Board rate
applications on the maximum of the Public Utility Board
RSR target.
Is that right?
MR. DONALD PALMER: That would be
correct, yes.
MR. BYRON WILLIAMS: Thank you, Mr.
Palmer. And -- and, Mr. Palmer, given that position, our
clients won't spend a lot of time talking about the RSR
in this hearing, but in your opening evidence to the
Board, you recall providing a bit of a history of the

The fact that Manitoba Public Insurance is a monopoly insurer puts added pressure on the Corporation to meet evolving customer needs head-on. The Corporation is cognizant of the fact that customers do not have the option to "shop around", and works extra hard to remain relevant in their eyes, and not risk being tagged as a monolithic bureaucracy with a captive audience.

Management has been following the trends and realities and has been cognizant of these for a while. In response, it initiated its Future Vision Initiative to better address Manitoba Public Insurance's role in maintaining its relevancy for its customers in this important area.

Many of the business changes expected by customers are technology driven. This is why it is critical to have and maintain a functional, effective, reliable IT environment. IT Optimization will allow the Corporation to remain relevant to its customers by satisfying customer demand in much the same fashion as the Corporation did when implementing the aforementioned business improvements.

AI.15.4 Operating Expenses

As a public monopoly insurer, Manitoba Public Insurance is able to manage its operating expenses to achieve economies of scale in a number of areas, including infrastructure, promotion, claims processing and repair, and distribution. The economies of scale achieved through Manitoba Public Insurance's market position impacts the bottom line by keeping expenses down and vertical integration of services enables the service delivery model to function efficiently and effectively.

AI.15.5 Claims Costs

Claims costs is one area in which the Corporation is able to leverage its monopoly position. As part of its claims control strategy to reduce the severity of claims incurred, the Corporation has developed strong relationships with the automotive trades industry. It liaises with vehicle repair trade interest groups including the Automotive Trades Association, Manitoba Car and Truck Rental Association and the Manitoba Motor Dealers Association, and negotiates fair and favourable rates on labour, automotive parts, etc. These partnerships are becoming increasingly more important today as vehicle design, manufacture and repair become increasingly more complex and "high tech". Automobile systems and repairs are much more complicated and costly than they were 20 years ago. With technology advancing at a rapid speed, our partnerships will continue to take on added significance in the Corporation's efforts to manage and control claims costs and drive value for ratepayers.

Partnership activities centered around cost control with respect to claims management include:

- Establishment of an accreditation program for the collision repair industry to ensure high quality, safe repairs at a reasonable cost. This requires shops and the technicians within shops to meet standards for facilities, equipment and annual training
- Delivery of high quality training programs to the collision repair industry to ensure repairs are performed by highly trained technicians to high standards using current technologies

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- Use of estimating compliance software to ensure all repair estimates are accurate and consistent, and that only required repairs are performed
- Use of lower cost, high quality aftermarket and recycled parts in vehicle repair
- Negotiated labour rates that are fair and reasonable
- Discounted pricing on glass replacement
- Negotiated non-contract towing and storage charges via a tender process
- Collection of claims costs owed by other insurers and at fault parties (subrogation)
- A team-based approach to managing bodily injury claims intended to assist individuals in achieving as full a recovery as possible, as quickly as possible, with appropriate tools, guidelines and controls in place.

While being a monopoly public insurer provides Manitoba Public Insurance the opportunity to carry out these activities, it is the focus on the value equation that drives the Corporation to perform these activities. The savings from these initiatives are significant and are passed directly on to customers in the form of lower insurance premiums which currently, are among the very lowest in Canada.

AI.15.6 Claims - High Frequency/Low Severity

A monopoly public auto insurance company can achieve economies of scale. And by managing its incurred claims through its own system of appraisers, adjusters and quality inspectors, and by working closely with industry partners to reduce the severity of its incurred claims, promotes an affordable system of auto insurance where deductibles can remain low and the Corporation can still return 85 cents on the dollar to its customers in the form of benefits. Customers can make claims without fear of punitive consequences such as inordinately higher rates and surcharges, or outright cancellation of coverage. In short, it makes financial sense for customers to repair their vehicles. While this results in a higher claim frequency, it also allows the Corporation to:

- Ensure vehicles remain in good working order to perform safely on the road
- Ensure vehicle repairs are made in accordance to approved standards

Allocator	2008/09	2009/10	2010/11	2011/12	4 Yr Avg
Claims Incurred					
Basic	85.8%	84.0%	79.6%	87.2%	84.2%
Extension	10.5%	9.4%	13.7%	7.3%	10.2%
SRE	3.7%	6.6%	6.7%	5.5%	5.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Premiums Written					
Basic	80.6%	81.5%	81.6%	81.3%	81.3%
Extension	13.4%	13.0%	13.0%	13.2%	13.2%
SRE	6.0%	5.5%	5.4%	5.5%	5.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

d) Refer to Attachments.

e) Refer to Attachment.

CAC (MPI) 1-10

Reference: Referring to AI.11 page 18 of the DCAT report it is not usual to assume a drop in equity assets without a subsequent market recovery. Equity market values tend to drop and rebound at least partially to their post drop values relatively quickly.

Why does the Decline in Equity Markets scenario assume a decline in equity asset value of 40% in 2013/14 with that reduced value remaining level for the entire forecast period?

RESPONSE:

As per the amended 2012 DCAT Report, AI.11, page 19, the historical analysis was conducted using the cumulative four year returns on the TSX from 1919 to present. Four year returns were used to partially account for the impact of sudden decline/recovery scenarios. The four year outlook period (2013/14 to 2016/17) is also used for DCAT purposes.

The fifth percentile of the cumulative four year returns on the TSX from 1919 to present was -43.2%. The Corporation selected a -40% cumulative four year return based on the historical information and judgment. The 40% decline was assumed to occur in 2012 with no recovery over the following four years (i.e. a four year cumulative return of -40%).

CAC (MPI) 2-2 Reference: CAC (MPI) 1-3 Response (b)

Subject: DCAT methodology and the RSR

Preamble: "Examples where historical data may not be relevant: . . . (iii) hail experience from 10-20 years ago."

a) Please explain why hail experience from 10-20 years ago is no longer relevant.

b) Please provide statistical evidence that the incidence or extent of damaging hail has changed in the last 10 years compared to previous years.

RESPONSE:

a) Hail experience from 10 to 20 years ago *may not* be relevant because of changing weather patterns. Although there is some statistical evidence (see part b) that the Corporation's hail losses have increased in recent years, the Corporation decided to use all available hail experience when building the stochastic hail model.

For forecasting purposes the Corporation forecasted hail losses based on the five-year average net hail experience. The forecast is based on a relatively longer term average (five years) while still providing some responsiveness to the latest hail experience (TI.17, page 37).

b) As per the attached exhibits, there is no conclusive statistical evidence that the mean or variance of hail claims per 1,000 units (i.e. frequency) has changed significantly in the past ten years or the past five years (relative to experience prior to those periods).

When historical net hail losses are adjusted to current cost and exposure levels (which is what is done when building the stochastic hail model), there is also no conclusive statistical evidence that the mean or variance of net hail losses has changed significantly in the past ten years (relative to prior experience). However, there is relatively strong evidence that average net hail losses (adjusted to current cost and exposure levels) have increased in the past five years (p-value = .0262). As stated in part (a), the hail claims forecast is based on the five-year average net hail experience.

MANITOBA PUBLIC INSURANCE

MAJOR CLASSIFICATION – REQUIRED RATE CHANGES

Financial Forecasting Method

	Overall	Private Pass	Comm	Public	Motor-Cycle	Trailer	ORV
13/14 Units	1,077,000	775,000	45,200	11,400	13,900	171,600	59,900
Claims	598.10	754.53	539.80	1,405.11	771.93	42.83	14.86
Claims Expense	113.93	143.73	102.83	267.66	147.05	8.16	2.83
Road Safety	12.65	16.11	16.11	16.11	16.11	0.00	0.00
Operating Expense	63.01	80.26	80.26	80.26	80.26	0.00	0.00
Commission: Vehicle	22.78	28.71	20.90	51.82	28.36	1.86	0.53
Prem Tax: Vehicle	21.64	27.27	19.85	49.22	26.94	1.77	0.50
Comm & Prem Tax: Driver	2.54	3.24	3.24	3.24	3.24	0.00	0.00
Commission Flat Fee	4.92	6.27	6.27	6.27	6.27	0.00	0.00
Reins: Casualty	2.55	3.24	3.24	3.24	3.24	0.00	0.00
Reins: Catastrophe	10.16	10.91	10.91	10.91	0.00	10.91	0.00
Fleet Rebates	12.88	16.69	16.69	16.69	0.00	0.00	0.00
Anti-Theft Discount	3.43	4.77	0.00	0.00	0.00	0.00	0.00
Driver Prem	41.32	52.63	52.63	52.63	52.63	0.00	0.00
Service Fees	19.35	24.65	24.65	24.65	24.65	0.00	0.00
Inv Inc: Driver	4.70	5.99	5.99	5.99	5.99	0.00	0.00
Inv Inc: Vehicle	82.02	103.39	75.24	186.60	102.13	6.69	1.91
Req Rate (Raw)	721.20	909.08	661.59	1,640.67	898.01	58.83	16.81
Req Rate (Bal)	721.20	909.08	661.59	1,640.67	898.01	58.83	16.81
12/13 Average Rate	677.35	851.24	670.47	1,524.64	893.80	51.37	13.86
Major Class Drift	6.8%	7.1%	5.4%	3.0%	0.7%	7.0%	0.0%
13/14 Average Rate Without Rate Change	723.45	911.61	706.89	1,569.93	899.80	54.95	13.86
Full Cred Req Change	-0.3%	-0.3%	-6.4%	4.5%	-0.2%	7.1%	21.3%
Applied for Change	0.0%	0.0%	-6.1%	4.8%	0.1%	7.4%	21.7%
Credibility		99.2%	88.3%	65.5%	69.8%	96.6%	90.9%
Cred Wtd Change		0.0%	-5.4%	3.2%	0.1%	7.2%	19.7%
Cred Wtd Req Rate		911.91	668.72	1,619.63	900.51	58.88	16.59
Cred Wtd Req Rate (Bal)	723.45	912.05	668.82	1,619.87	900.64	58.89	16.59
Cred Wtd Change (Bal)		0.0%	-5.4%	3.2%	0.1%	7.2%	19.7%

MANITOBA PUBLIC INSURANCE

MAJOR CLASSIFICATION – REQUIRED RATE CHANGES

Exponential Method

	Overall	Private Pass	Comm	Public	Motor-cycle	Trailer	ORV
13/14 Units	1,077,000	775,000	45,200	11,400	13,900	171,600	59,900
Claims	592.74	747.68	533.39	1,391.05	736.28	45.17	16.28
Claims Expense	113.93	143.71	102.52	267.37	141.52	8.68	3.13
Road Safety	12.65	16.11	16.11	16.11	16.11	0.00	0.00
Operating Expense	63.01	80.26	80.26	80.26	80.26	0.00	0.00
Commission: Vehicle	22.54	28.41	20.60	51.29	27.03	1.94	0.58
Prem Tax: Vehicle	21.41	26.98	19.56	48.72	25.67	1.85	0.55
Comm & Prem Tax: Driver	2.54	3.24	3.24	3.24	3.24	0.00	0.00
Commission Flat Fee	4.92	6.27	6.27	6.27	6.27	0.00	0.00
Reins: Casualty	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reins: Catastrophe	10.16	10.91	10.91	10.91	0.00	10.91	0.00
Fleet Rebates	12.88	16.69	16.69	16.69	0.00	0.00	0.00
Anti-Theft Discount	3.43	4.77	0.00	0.00	0.00	0.00	0.00
Driver Prem	41.32	52.63	52.63	52.63	52.63	0.00	0.00
Service Fees	19.35	24.65	24.65	24.65	24.65	0.00	0.00
Inv Inc: Driver	4.70	5.99	5.99	5.99	5.99	0.00	0.00
Inv Inc: Vehicle	81.17	102.30	74.17	184.69	97.33	7.00	2.10
Req Rate (Raw)	713.69	899.48	652.12	1,623.96	855.79	61.55	18.45
Req Rate (Bal)	713.69	899.48	652.12	1,623.96	855.79	61.55	18.45
12/13 Average Rate	677.35	851.24	670.47	1,524.64	893.80	51.37	13.86
Major Class Drift	6.8%	7.1%	5.4%	3.0%	0.7%	7.0%	0.0%
13/14 Average Rate Without Rate Change	723.45	911.61	706.89	1,569.93	899.80	54.95	13.86
Full Cred Req Change	-1.3%	-1.3%	-7.7%	3.4%	-4.9%	12.0%	33.1%
Applied for Change	-1.0%	-1.0%	-7.5%	3.8%	-4.6%	12.4%	33.6%
Credibility		99.2%	88.3%	65.5%	69.8%	96.6%	90.9%
Cred Wtd Change		-1.0%	-6.7%	2.1%	-3.5%	11.9%	30.4%
Cred Wtd Req Rate		902.28	659.47	1,603.01	868.10	61.49	18.07
Cred Wtd Req Rate (Bal)	715.92	902.27	659.46	1,602.99	868.09	61.49	18.07
Cred Wtd Change (Bal)		-1.0%	-6.7%	2.1%	-3.5%	11.9%	30.4%

MANITOBA PUBLIC INSURANCE

MAJOR CLASSIFICATION – REQUIRED RATE CHANGES

Linear Method

	Overall	Private Pass	Comm	Public	Motor-cycle	Trailer	ORV
13/14 Units	1,077,000	775,000	45,200	11,400	13,900	171,600	59,900
Claims	587.50	741.01	529.03	1,378.63	732.63	44.65	16.27
Claims Expense	113.93	143.70	102.59	267.35	142.08	8.66	3.16
Road Safety	12.65	16.11	16.11	16.11	16.11	0.00	0.00
Operating Expense	63.01	80.26	80.26	80.26	80.26	0.00	0.00
Commission: Vehicle	22.38	28.21	20.47	50.92	26.94	1.93	0.58
Prem Tax: Vehicle	21.26	26.79	19.44	48.36	25.59	1.83	0.55
Comm & Prem Tax: Driver	2.54	3.24	3.24	3.24	3.24	0.00	0.00
Commission Flat Fee	4.92	6.27	6.27	6.27	6.27	0.00	0.00
Reins: Casualty	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reins: Catastrophe	10.16	10.91	10.91	10.91	0.00	10.91	0.00
Fleet Rebates	12.88	16.69	16.69	16.69	0.00	0.00	0.00
Anti-Theft Discount	3.43	4.77	0.00	0.00	0.00	0.00	0.00
Driver Prem	41.32	52.63	52.63	52.63	52.63	0.00	0.00
Service Fees	19.35	24.65	24.65	24.65	24.65	0.00	0.00
Inv Inc: Driver	4.70	5.99	5.99	5.99	5.99	0.00	0.00
Inv Inc: Vehicle	80.60	101.58	73.70	183.35	97.00	6.94	2.10
Req Rate (Raw)	708.70	893.12	648.04	1,612.13	852.85	61.04	18.46
Req Rate (Bal)	708.70	893.12	648.04	1,612.13	852.85	61.04	18.46
12/13 Average Rate	677.35	851.24	670.47	1,524.64	893.80	51.37	13.86
Major Class Drift	6.8%	7.1%	5.4%	3.0%	0.7%	7.0%	0.0%
13/14 Average Rate Without Rate Change	723.45	911.61	706.89	1,569.93	899.80	54.95	13.86
Full Cred Req Change	-2.0%	-2.0%	-8.3%	2.7%	-5.2%	11.1%	33.2%
Applied for Change	-1.7%	-1.7%	-8.0%	3.0%	-4.9%	11.4%	33.6%
Credibility		99.2%	88.3%	65.5%	69.8%	96.6%	90.9%
Cred Wtd Change		-1.7%	-7.3%	1.4%	-4.0%	11.0%	30.4%
Cred Wtd Req Rate		895.91	655.29	1,591.50	864.16	60.98	18.07
Cred Wtd Req Rate (Bal)	710.91	895.91	655.29	1,591.51	864.17	60.98	18.07
Cred Wtd Change (Bal)		-1.7%	-7.3%	1.4%	-4.0%	11.0%	30.4%

- The corporation's annual financial statements have been prepared in accordance with generally accepted accounting principles and have been accompanied by unqualified audit opinions. MPIC, moreover, has accepted usually the specific advice prepared by the auditors on detailed procedural changes.

- The corporation employed a consulting actuary to make a report on October 31, 1987. MPIC accepted all the actuary's recommendations for changes to its financial reserving practices and adjusted its financial statements for 1987 accordingly. MPIC has expressed its intention to employ either a consulting actuary or a staff actuary on a regular ~~basis.~~ It is regrettable this was not done ~~sooner~~.

- The $62 million reported loss in 1986/87 is attributable to three roughly-equal factors alone: a budgeted loss of $22 million, a further loss of $19 million due to exceptional weather conditions over the winter of ~~1986/87~~, and adjustments of $21 million called for by the Tillinghast actuary employed in 1987. To avert such exceptionally large losses in any single future year, the corporation should avoid budgeting for losses and hereafter employ the services of an actuary.

- Relative to the Canadian insurance industry, MPIC has low administrative expenses, which enable it to return to policyholders, as claims paid and claims expenses, an amount about equal to premiums. This benefit arises because, as a monopoly, MPIC enjoys economies of scale in service and need not pay commission rates as high as those of private insurers.

- There would be no net financial benefit to Autopac or to the Manitoba government if the government injected equity capital. However, MPIC should restore its financial flexibility by building, over three to five years, a surplus

Recommendation 7.10: That the government of Manitoba not provide equity capital to MPIC. (Page 27)

Recommendation 7.11: That the government of Manitoba issue a public directive to the corporation setting an Autopac retained surplus target of about 15 percent of premiums. (This would amount to $40 to $50 million at prevailing premium levels.) The government directive should indicate that, if the Autopac surplus falls below ten percent or exceeds 20 percent of premiums, the corporation should and would be expected to take remedial action. (Page 30)

Recommendation 7.12: That the corporation not budget deliberately for losses in any year, but budget for surpluses where reserves have been reduced below target levels, and that budgeting for surpluses should be such as to result in depleted reserves being returned to the target range over a period of not more than five years, depending on the degree of depletion. (Page 30)

Recommendation 7.13: That, in the public interest, yield and maturity dates of MPIC investments be published in the annual report. (Page 34)

Recommendation 7.14: That MPIC calculate the lost interest costs on the reinsurance treaties pertaining to Autopac and include this in reports showing re-insurance profits/losses. (Page 36)

Recommendation 7.15: That MPIC develop a consistent and comprehensive historical claims database to assist in claims analysis. (Page 37)

Recommendation 7.16: That MPIC conduct a study of the merits and drawbacks of discounting to present value all long term claims where a definite term and amount are determined. (Page 38)

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	Notes	February 29, 2012	February 28, 2011 [1]	March 1, 2010 [1]
Assets				
Cash and investments	4	**1,550,606**	1,776,096	1,804,144
Equity investments	4	**502,675**	526,972	387,092
Investment property	4&5	**190,990**	123,521	38,541
Due from other insurance companies	6	**2,545**	11,971	10,656
Accounts receivable		**304,155**	292,035	289,711
Prepaid expenses		**996**	949	981
Deferred policy acquisition costs	7	**40,547**	46,950	43,143
Reinsurers' share of unearned premiums	17	**3,340**	9,760	11,853
Reinsurers' share of unpaid claims	17&18	**31,291**	42,407	59,489
Property and equipment	8	**123,266**	123,137	111,323
Deferred development costs	9	**36,799**	38,232	34,618
		2,787,210	2,992,030	2,791,551
Liabilities				
Due to other insurance companies	10	**5,791**	13,386	23,386
Accounts payable and accrued liabilities	11	**57,849**	361,579	49,482
Financing lease obligation	12	**4,536**	4,586	–
Unearned premiums and fees	14	**479,592**	460,587	449,554
Provision for employee current benefits	15	**21,109**	19,174	18,833
Provision for employee future benefits	16	**301,261**	257,812	226,834
Provision for unpaid claims	17&18	**1,485,445**	1,441,145	1,628,528
		2,355,583	2,558,269	2,396,617
Equity				
Retained Earnings				
Basic Insurance Retained Earnings				
Rate Stabilization Reserve		**155,700**	140,525	154,000
Retained Earnings		**57,983**	–	89,348
Information Technology Optimization Fund	20	**–**	65,000	–
		213,683	205,525	243,348
Non-Basic Retained Earnings				
Retained Earnings		**139,060**	101,457	87,744
Extension Development Fund	21	**20,769**	43,227	48,279
		159,829	144,684	136,023
		373,512	350,209	379,371
Accumulated Other Comprehensive Income	22	**58,115**	83,552	15,563
Total Equity		**431,627**	433,761	394,934
		2,787,210	2,992,030	2,791,551

[1] Refer to Note 33 for effects of adopting IFRS

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors:

Jake Janzen
Chairperson

Kerry Bittner
Vice-Chairperson

CAC (MPI) 2-50 Reference: CAC (MPI) 1-42

Preamble: In reference to the Corporation's response to CAC (MPI) 1-42, the initial incurred tail factor of 1.06 as described on page 26 of the October 31, 2011 actuarial report is chosen by judgment.

Please explain what factors went into this judgmental selection.

RESPONSE:

In the valuation process, we recognized the need for an incurred tail factor for Accident Benefits – Other Indexed. The justification for this is documented on page 27 of the October 31, 2011 Actuarial Report.

We judgmentally selected an initial incurred tail factor of 1.0600, similar to that used in the February 28, 2011 valuation. This was a prudent selection in light of the lack of historical experience to support the selection of factors for later development periods. Based on our current methodology, we then adjust factors to "*reflect the recent experience if there were at least five observed factors.*" This essentially dropped the incurred tail factor to 1.0345. The incurred tail factor will be continually adjusted (using this methodology) as more experience becomes available.

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method for insurance years more than 10 years old (2001/02 and prior). For the seven insurance years thereafter (2002/03 to 2008/09), we selected the IBNR based on the Incurred Bornheutter-Ferguson method. Finally for the three most recent insurance years (2009/10 to 2011/12), we selected the IBNR based on the higher of the Incurred Bornheutter-Ferguson method and Paid Bornheutter-Ferguson method. This "higher of" selection is to recognize the uncertainty among the methods in the more recent insurance years (especially as it pertains to the case reserve levels for serious losses), while reflecting consistency with MPI's reserving practices for the last five years.

f) Accident Benefits - Other Indexed (Appendix F)

Historical payments and case reserves are restated to reflect current benefit levels prior to performing the analysis. Earned premiums are restated to match the indexing of loss costs.

Loss development factors (both incurred and paid) were revised to reflect recent experience. For the selection of the tail (116 month-Ultimate) factor;

- The incurred tail factor was initially selected as 1.0023 ^ (25 + 1/3) i.e. incurred will grow annually by 0.23% for 25 more years beyond the first 10 years (120 months). The growth factor of 0.23% was judgmentally selected so that initial incurred tail factor would equal 1.0600. Loss development factors after 116 months were then revised to reflect the recent experience if there were at least five observed factors, resulting in a final incurred tail factor of 1.0345.
- A similar process was used for the paid tail factor. It was assumed that paid will grow at an annual rate of 1.75% for 25 years beyond the first 10 years (120 months). The growth factor of 1.75% was judgmentally selected, based on the selected loss development factors in the February 28, 2011 report[6]. The final paid tail factor, after revisions to reflect the recent experience, is 1.5680.

[6] The six loss development factors selected from 144 to 216 months is 1.018, 1.0180, 1.0180, 1.0175, 1.0175, and 1.0175.

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In prior reports, a 6% load was added to both the incurred and paid tail factors i.e. adjusted tail factor = selected tail factor * (1 + 6%). The 6% load was the result of a 2005 analysis that indicated minor adverse development in the tabular reserving process. **For the current report, the 6% load is still implicit in the initial selection of the incurred tail factor. However, the process in place will now adjust this load as more experience becomes available. (Note that for the current report, the load is 3.45%.) The 6% load is no longer applicable to the paid tail factor.**

The justification for keeping the load (of 3.45%) is based on a review, done by the Corporation, of claims more than 10 years old which have personal care reserves. The review revealed the following observations:

- Only approximately 27% of open claims have personal care reserves.
- Of the group of claimants with personal care reserves, the average claimant is receiving 39% of their maximum entitlement.
- The amounts paid to claimants are volatile (unlike weekly indemnity claims). As claimants age, their personal care needs changes. Therefore, it is reasonable to assume that;
  - Of the 73% of open claims without personal care reserves, some claimants will require personal care as they age.
  - Of the group of claimants with personal care reserves, their entitlement will increase as they age.

It is difficult to assess the likelihood and magnitude of the above two assumptions. However, the process is now in place to adjust this load as more experience becomes available.

The revisions made to the loss development factors resulted in a decrease in undiscounted IBNR of $11.03 million.

As in prior reports, for the three most recent insurance years (2009/10 to 2011/12), we selected the IBNR based on the higher of the Incurred Bornheutter-Ferguson method and Paid Bornheutter-Ferguson method. This "higher of" selection is to recognize the uncertainty among the methods in the more recent insurance years (especially as it pertains to the case reserve levels for serious losses), while reflecting consistency with MPI's reserving practices for the last five years. For all other preceding insurance years, we selected the IBNR based on the Incurred Bornheutter-Ferguson method.

In September 2010, a new claims management system (FINEOS/BI3) was implemented. The new system required that case reserves be set up to pay for expenses. However, the development on these expenses is already included in both the incurred and paid historical triangles. As such, the additional expense reserves (see Appendix F, page 7) were removed from the incurred triangle prior to analysis. The selected IBNR was then reduced by the current expense reserve of $13.0 million.

Further, the new claims management system was improperly handling the auto-reserving and auto-closing of new claims, resulting in excess reserves for certain benefits. We have presented these excess reserves in page 8 of Appendix F. We have applied the same adjustment to these excess reserves as to the expense reserves; excess reserves were removed prior to analysis and the selected IBNR was reduced by $16.7 million. Note that this adjustment was not included in the February 28, 2011 report as it was identified subsequent to the preparation of the report.

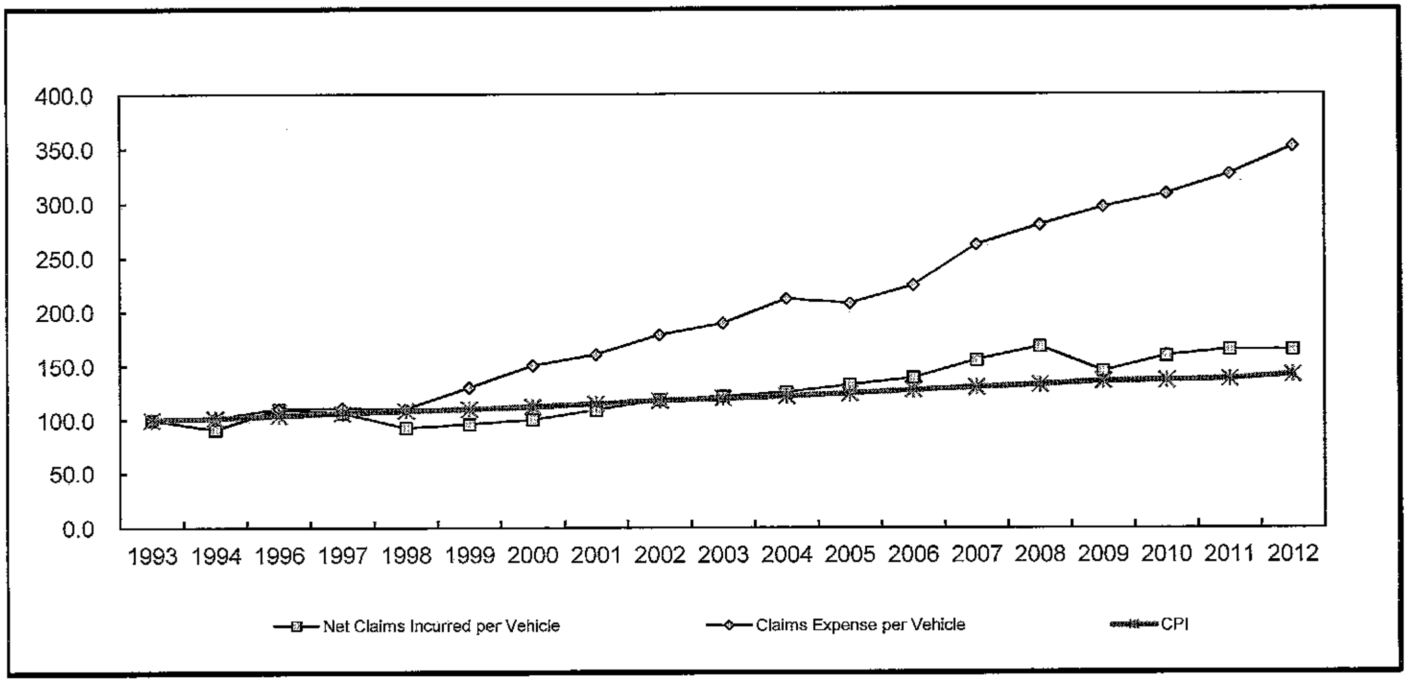
g) Accident Benefits - Other Non-Indexed (Appendix G)

As in prior reports, we selected the IBNR based on the Incurred Bornheutter-Ferguson method for all insurance years.

Loss development factors (both incurred and paid) were revised to reflect recent experience. Late in fiscal year 2010, the Corporation clarified its policy in regards to the payment of interests on permanent impairment benefits – interest is now payable from the date of loss instead of the date of determination of permanent impairment. In light of this, permanent impairment

Chart 1

FISCAL YEAR	Net Claims Incurred per Vehicle	Claims Expense per Vehicle	CPI
1993	100.0	100.0	100.0
1994	91.2	101.8	101.4
1996	110.2	110.6	104.1
1997	106.5	111.3	106.4
1998	92.8	110.3	108.6
1999	96.1	130.1	110.0
2000	100.3	150.5	112.2
2001	109.4	160.6	115.0
2002	118.8	178.7	118.1
2003	121.8	189.6	119.9
2004	125.8	211.9	122.0
2005	132.6	207.9	124.4
2006	139.0	224.5	127.8
2007	155.4	262.3	130.2
2008	167.7	280.3	132.8
2009	145.2	296.7	135.9
2010	159.4	308.8	136.7
2011	165.0	327.0	137.8
2012	164.9	352.2	141.9



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CAC (MPI) 2-76 Reference: CAC (MPI) 1 – 165 (Claims and Operating Expenses Statistics)

Please recalculate Tables 1 through 4 using Claims Expenses (excluding Road Safety Expenses) and Operating Expenses (excluding Regulatory Appeal Expenses) as reported on TI.7.B in the current Rate Application. For values prior to fiscal year 2010/11 please use the values from the similar TI.7.B schedule from prior Rate Applications.

RESPONSE:

Refer to attached schedule.

Summary of Basic Claims and Operating Expenses

Table 1

Basic Claims Expenses (excluding Road Safety) $000					
Year	Amount	Inc (Dec)	Basic Earned Vehicle Units		
				Avg Exp/unit	Inc (Dec)
	$	%	#	$	%
2007/08	73,146		898,408	81.42	
2008/09	77,620	6.12%	930,077	83.46	2.50%
2009/10	84,012	8.23%	951,585	88.29	5.79%
2010/11	97,182	15.68%	974,707	99.70	12.93%
2011/12	105,924	9.00%	1,006,627	105.23	5.54%
2012/13	112,622	6.32%	1,034,309	108.89	3.48%
2013/14	114,682	1.83%	1,062,752	107.91	-0.90%
2014/15	119,069	3.83%	1,091,978	109.04	1.05%
2015/16	124,652	4.69%	1,122,007	111.10	1.89%
2016/17	126,797	1.72%	1,152,862	109.98	-1.00%

Table 2

Basic Operating Expenses (excluding Regulatory Appeal) $000					
Year	Amount	Inc (Dec)	Basic Earned Vehicle Units		
				Avg Exp/unit	Inc (Dec)
	$	%	#	$	%
2007/08	41,582		898,408	46.28	
2008/09	41,261	-0.77%	930,077	44.36	-4.15%
2009/10	45,904	11.25%	951,585	48.24	8.74%
2010/11	52,569	14.52%	974,707	53.93	11.80%
2011/12	62,879	19.61%	1,006,627	62.47	15.82%
2012/13	61,879	-1.59%	1,034,309	59.83	-4.22%
2013/14	63,166	2.08%	1,062,752	59.44	-0.65%
2014/15	65,894	4.32%	1,091,978	60.34	1.53%
2015/16	67,412	2.30%	1,122,007	60.08	-0.43%
2016/17	69,629	3.29%	1,152,862	60.40	0.52%

Summary of Basic Claims and Operating Expenses

Table 3

Basic Claims Expenses (excluding Road Safety) $000						
Year	Basic Earned Vehicle Units					
	Manitoba CPI %	Average Claims Expense per Unit	Number	CPI Claims Expense	MPI Claims Expense	Inc (Dec)
1	2	3	4=(col.4 Table 1)	5= (3 X 4)	6=(col.2 Table 1)	7= (6 - 5)
2007/08	2.0%	81.42	898,408	73,146	73,146	-
2008/09	2.3%	83.29	930,077	77,466	77,620	154
2009/10	0.6%	83.79	951,585	79,733	84,012	4,279
2010/11	0.8%	84.46	974,707	82,324	97,182	14,858
2011/12	3.0%	86.99	1,006,627	87,566	105,924	18,358
2012/13	2.0%	88.73	1,034,309	91,774	112,622	20,848
2013/14	2.0%	90.50	1,062,453	96,152	114,682	18,530
2014/15	2.0%	92.31	1,091,979	100,801	119,069	18,268
2015/16	2.0%	94.16	1,122,008	105,648	124,652	19,004
2016/17	2.0%	96.04	1,152,863	110,721	126,797	16,076

Table 4

Basic Operating Expenses (excluding Regulatory Appeal) $000						
Year	Basic Earned Vehicle Units					
	Manitoba CPI %	Average Operating Expense per Unit	Number	CPI Operating Expense	MPI Operating Expense	Inc (Dec)
1	2	3	4=(col.4 Table 2)	5= (3 X 4)	6=(col.2 Table 2)	7= (6 - 5)
2007/08	2.0%	46.28	898,408	41,582	41,582	-
2008/09	2.3%	47.35	930,077	44,039	41,261	(2,778)
2009/10	0.6%	47.63	951,585	45,324	45,904	580
2010/11	0.8%	48.01	974,707	46,796	52,569	5,773
2011/12	3.0%	49.45	1,006,627	49,778	62,879	13,101
2012/13	2.0%	50.44	1,034,309	52,171	61,879	9,708
2013/14	2.0%	51.45	1,062,453	54,663	63,166	8,503
2014/15	2.0%	52.48	1,091,979	57,307	65,894	8,587
2015/16	2.0%	53.53	1,122,008	60,061	67,412	7,351
2016/17	2.0%	54.60	1,152,863	62,946	69,629	6,683

Schedule 1

	2007	2008	2009	2010	2011
Claims incurred	525,287	519,541	515,788	333,071	612,037
Claims expense	73,146	77,620	84,012	97,182	109,760
Loss prevention/Road safety	24,528	25,770	23,578	16,758	12,982
	622,961	622,931	623,378	447,011	734,779
Premiums earned	665,011	697,151	727,088	749,534	761,677
Rebates	(62,565)	54		(321,678)	(14,120)
	602,446	697,205	727,088	427,856	747,557
Percentage of permium dollars returned to motorists	103% (Note 1)	89%	86%	104%	98%

Note 1: Calculation has been updated to reflect the reduction due to premium rebates.

STATEMENT OF OPERATIONS
For the Fiscal Year Ended February 29,

BASIC | **Unaudited**

2012 - GRA 2011/12 Forecast	(Dollars in Thousands)	2011/12 Actual	Increase (Decrease)	
$		$	$	%
	Net Premiums Written			
741,707	Motor Vehicles	760,039	18,332	2.47
23,858	Drivers	26,593	2,735	11.46
(6,657)	Reinsurance Ceded	(6,679)	(22)	0.33
758,908	Total Net Premiums Written	779,953	21,045	2.77
	Net Premiums Earned			
739,145	Motor Vehicles	748,948	9,803	1.33
22,309	Drivers	24,037	1,728	7.75
(11,296)	Reinsurance Ceded	(11,308)	(12)	(0.11)
750,158	Total Net Premiums Earned	761,677	11,519	1.54
21,343	Service Fees & Other Revenues	18,736	(2,607)	(12.21)
771,501	Total Earned Revenues	780,413	8,912	1.16
585,436	**Net Claims Incurred**	612,037	26,601	4.54
106,064	Claims Expense	105,924	(140)	(0.13)
16,789	Road Safety/Loss Prevention	15,038	(1,751)	(10.43)
708,289	Total Claims Costs	732,999	24,710	3.49
	Expenses			
59,961	Operating	62,879	2,918	4.87
42,163	Commissions	41,033	(1,130)	(2.68)
22,352	Premium Taxes	22,766	414	1.85
3,540	Regulatory/Appeal	3,433	(107)	(3.02)
128,016	Total Expenses	130,111	2,095	1.64
(64,804)	**Underwriting Income (Loss)**	(82,697)	(17,893)	
80,854	Investment Income	101,243	20,389	25.22
	Gain(Loss) on sale of property	88		
16,050	**Net Income (Loss) for Rating Purposes**	**18,634**	2,496	

166,834	Normal Operations Expenses	172,155	5,321
8,269	Initiative Related Expenses (Ongoing)	7,704	(565)
11,251	Initiative Related Expenses (Implementation)	7,415	(3,836)
186,354	Total Basic Expenses *	187,274	920

* Comprised of Claims, Road Safety/Loss Prevention, Operating, and Regulatory expenses.

SUMMARY OF BASIC EXPENSES BY CATEGORY
For the Fiscal Years Ended February 28/29,

Total	CLAIMS EXPENSES					OPERATING EXPENSES					ROAD SAFETY EXPENSES				
	10/11	11/12	12/13	13/14	14/15	10/11	11/12	12/13	13/14	14/15	10/11	11/12	12/13	13/14	14/15
Expense Category	Actual	Actual	Forecast	Projected	Outlook	Actual	Actual	Forecast	Projected	Outlook	Actual	Actual	Forecast	Projected	Outlook
Compensation	70,875	74,972	74,238	75,306	76,247	28,288	32,092	30,305	30,882	31,301	2,286	2,595	2,494	2,629	2,660
Data Processing	5,342	5,344	11,278	10,223	11,360	6,272	7,333	8,010	7,416	8,259	-	-	-	1	1
Special Services	1,584	2,961	3,022	2,708	2,402	3,164	2,444	2,307	2,450	2,497	278	262	392	427	436
Building Expenses	6,145	6,144	5,811	6,047	6,176	2,497	2,374	2,087	2,186	2,235	176	160	142	157	160
Amortization-Capital Assets	4,349	3,806	4,678	4,512	4,541	1,924	1,253	1,742	1,809	2,057	208	213	239	131	104
Amortization-Deferred Development	2,507	5,015	5,368	8,001	10,099	2,724	2,634	2,930	3,950	4,641	-	55	37	37	37
Safety/Loss Prevention Programs	-	-	-	-	-	-	-	-	-	-	8,489	5,844	5,387	4,158	3,702
Telephone/Telecommunications	1,448	1,502	1,850	1,882	1,922	626	654	801	821	840	23	23	27	27	28
Public Information/Advertising	46	55	34	35	36	795	413	515	527	539	1,740	1,675	1,685	1,710	1,745
Printing, Stationery, Supplies	969	925	1,312	1,341	1,369	573	479	681	700	715	106	118	116	118	120
Postage	452	825	900	915	934	1,348	973	947	969	991	10	98	103	105	107
Regulatory/Appeal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel and Vehicle Expense	898	885	1,054	1,084	1,107	316	312	447	460	471	12	9	30	31	32
Driver Education Program	-	-	-	-	-	-	-	-	-	-	3,006	3,444	3,696	3,751	3,828
Grants in Lieu of Taxes	1,022	1,334	1,240	1,274	1,301	106	105	104	109	111	7	7	7	8	8
Furniture & Equipment/DP Equipment	878	1,503	558	299	572	501	1,751	585	347	507	48	5	5	6	6
Merchant Fees	-	-	-	-	-	-	6,182	6,036	6,157	6,280	-	-	-	-	-
Other	667	653	1,279	1,055	1,003	3,435	3,880	4,382	4,383	4,450	369	530	474	482	492
Total	**97,182**	**105,924**	**112,622**	**114,682**	**119,069**	**52,569**	**62,879**	**61,879**	**63,166**	**65,894**	**16,758**	**15,038**	**14,834**	**13,778**	**13,466**

Total	REGULATORY APPEAL EXPENSES					TOTAL BASIC EXPENSES				
	10/11	11/12	12/13	13/14	14/15	10/11	11/12	12/13	13/14	14/15
Expense Category	Actual	Actual	Forecast	Projected	Outlook	Actual	Actual	Forecast	Projected	Outlook
Compensation	-	-	-	-	-	101,449	109,659	107,037	108,817	110,208
Data Processing	-	-	-	-	-	11,614	12,677	19,288	17,640	19,620
Special Services	-	-	-	-	-	5,026	5,667	5,721	5,585	5,335
Building Expenses	-	-	-	-	-	8,818	8,678	8,040	8,390	8,571
Amortization-Capital Assets	-	-	-	-	-	6,481	5,272	6,659	6,452	6,702
Amortization-Deferred Development	-	-	-	-	-	5,231	7,704	8,335	11,988	14,777
Safety/Loss Prevention Programs	-	-	-	-	-	8,489	5,844	5,387	4,158	3,702
Telephone/Telecommunications	-	-	-	-	-	2,097	2,179	2,678	2,730	2,790
Public Information/Advertising	-	-	-	-	-	2,581	2,143	2,234	2,272	2,320
Printing, Stationery, Supplies	-	-	-	-	-	1,648	1,522	2,109	2,159	2,204
Postage	-	-	-	-	-	1,810	1,896	1,950	1,989	2,032
Regulatory/Appeal	4,078	3,433	3,231	3,297	3,363	4,078	3,433	3,231	3,297	3,363
Travel and Vehicle Expense	-	-	-	-	-	1,226	1,206	1,531	1,575	1,610
Driver Education Program	-	-	-	-	-	3,006	3,444	3,696	3,751	3,828
Grants in Lieu of Taxes	-	-	-	-	-	1,135	1,446	1,351	1,391	1,420
Furniture & Equipment/DP Equipment	-	-	-	-	-	1,427	3,259	1,148	652	1,085
Merchant Fees	-	-	-	-	-	-	6,182	6,036	6,157	6,280
Other	-	-	-	-	-	4,471	5,063	6,135	5,920	5,945
Total	**4,078**	**3,433**	**3,231**	**3,297**	**3,363**	**170,587**	**187,274**	**192,566**	**194,923**	**201,792**

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