

OPENING STATEMENT OF THE PUBLIC
INTEREST LAW CENTRE ON BEHALF OF
THE CONSUMERS' ASSOCIATION OF
CANADA (MANITOBA BRANCH)

2017/2018 MPI GRA

October 14, 2016

CAC Manitoba

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- Over two decades of rate hearings
- Core Consumer Rights:
 - ▣ to be informed
 - ▣ to choose
 - ▣ to be heard
 - ▣ to consumer education



Developing the CAC Manitoba Position

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- ❑ Day to day consumer contact
- ❑ Focus groups/stakeholder advisory panels
- ❑ CAC Manitoba Board

The Test

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- ❑ MPI Onus

- ❑ Just and Reasonable Rates
 - ❑ *PUB Act, s. 77*
 - ❑ *CCPRAA, s. 26 (4)*
 - ❑ *Order 98/14, p. 28*

Setting Just and Reasonable Rates

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- Forecasts reasonably reliable
- Actual and projected costs – necessary and (required)
- Reasonable revenue needs of an applicant in the context of its overall general health (including reserves)
- Appropriate allocation of costs between and within classes
- Just and reasonable rates in accordance with statutory objectives.

Order 98/14, p. 28

Forecasts Reasonably Reliable

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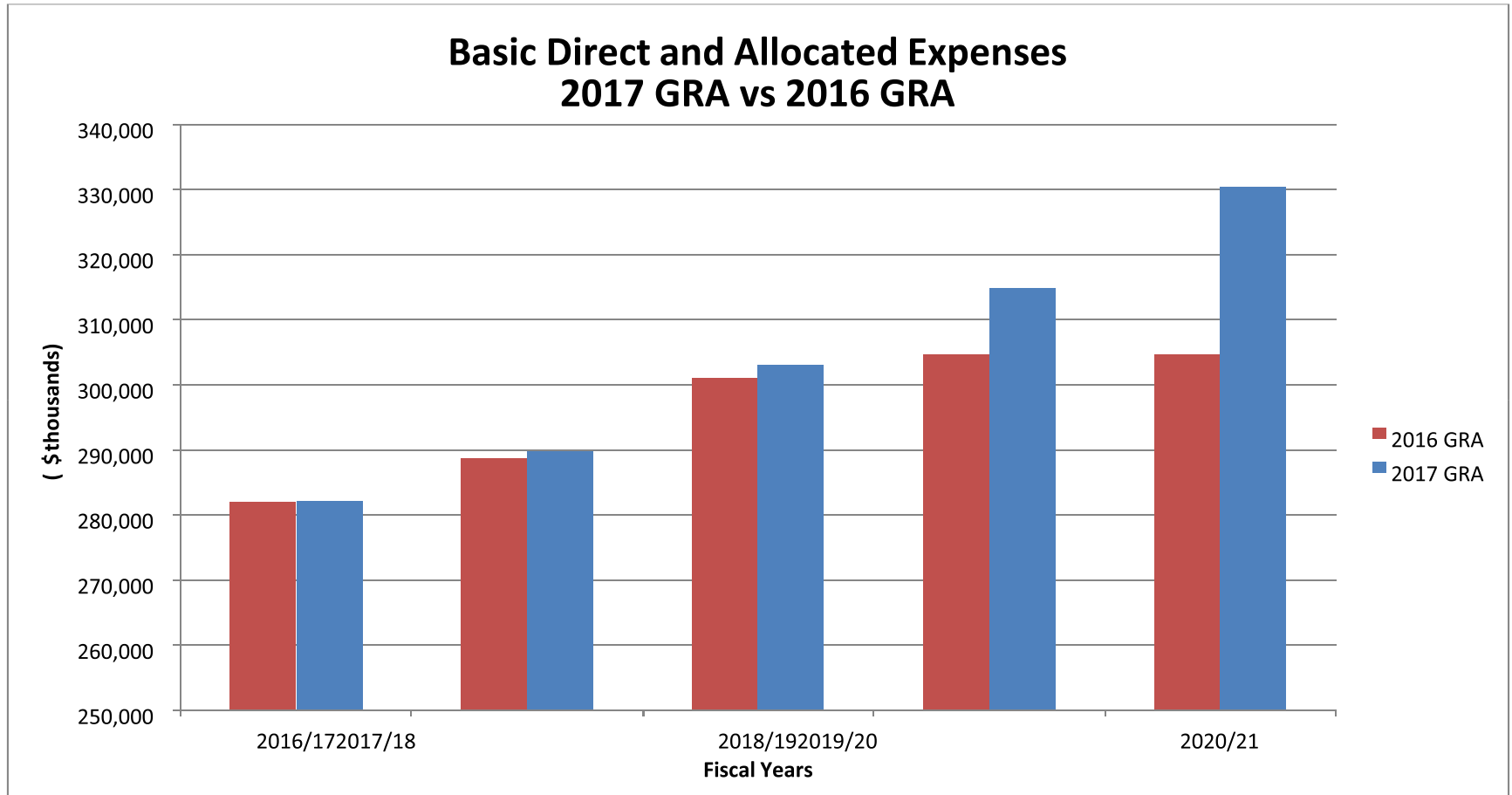
- ❑ Accident Benefits
 - ❑ AB WI
 - ❑ AB Other
- ❑ Collision Severity
- ❑ Investment Income (including the implication of heavy concentration on Canadian equities 2015/16, 2016/17, 2017/18)
- ❑ Interest Rates
- ❑ Trending Methodology

Actual and Projected Costs – Necessary and Required

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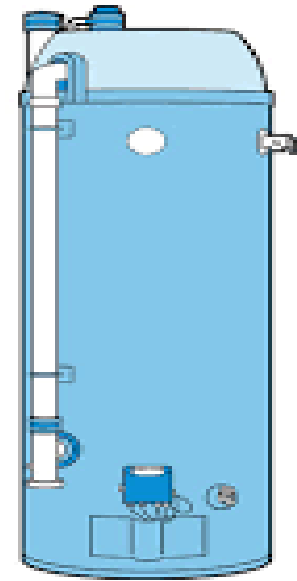
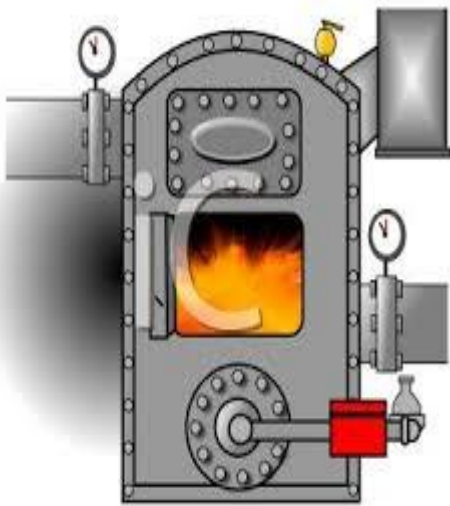
- Management of Information Technology Investment Portfolio
 - BI3
 - PDR
 - Finance Re-engineering Projects
- Road Safety and Loss Prevention Portfolio

Are IT Expenses a Major Cost Driver?



Can MPI demonstrate that the IT Portfolio is being managed in a way that provides good value for consumer investments?

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Reasonable revenue needs of an applicant in the context of its overall general health (including reserves)

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- ❑ Has MPI appropriately defined the risks presented by its investment portfolio for current and future consumers?
- ❑ Can MPI justify the risk/reward trade-off in its current investment portfolio?
- ❑ To the extent that MPI has accepted excessive risk in its investment portfolio for the potential return, what implications should this have for the RSR?
- ❑ Should the RSR be set using evidence-based risk tolerances, or should the MCT be incorporated at the upper range?
- ❑ What are the implications for the DCAT of using an interest rate forecast other than third party forecasts?

Appropriate allocation of costs between and within classes

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- Implications of Driver Safety Rating (DSR) levels and movements
- Is it time to review the fleet rebate methodology?

Just and Reasonable rates in accordance with statutory objectives

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- Is the rate proposed the actuarially indicated rate?
- If not, what would be the implications of implementing an actuarially indicated rate on today's consumers and future consumers?
- What effect, if any, would using an actuarially indicated rate have on deviations from the interest rate forecast?

Expert witnesses who are highly qualified

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- Mr. Valter Viola, MBA, CFA, CPA, CA investment risk management, former VP, CPP and Ontario Teachers
- Ms. Andrea Sherry, FCAS, FCIA, CPA, CMA actuarial practice with property and casualty insurers, VP private sector, extensive experience with Crown public insurers
- Wayne Simpson, PhD, MSc, applied econometrics and applied micro-economics, nationally recognized 2014 recipient of the McCracken award for the development and analysis of economic statistics from the Canadian Economics Association

Independence of Expert Witnesses

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- It is my duty to provide evidence that:
 - is fair, objective and non-partisan;
 - is related only to matters that are within my area of expertise; and
 - provides such additional assistance as the Public Utilities Board (“PUB”) may reasonably require to determine an issue.
- I understand that my duty in providing assistance and giving evidence is to help the PUB. This duty overrides any obligation to CAC Manitoba.

Thank you