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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE
2008 GENERAL RATE APPLICATION
PRE-HEARING

Before Board Panel:

Graham Lane	- Board Chairman
Eric Jorgensen	- Board Member
Alain Molgat	- Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
June 22nd, 2007
Pre-Hearing
Pages 1 to 26

APPEARANCES

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2
3 Walter Saranchuk) Board Counsel
4 Candice Everard)
5
6 Kevin McCulloch) MPI
7
8 Bryon Williams (np)) CAC/MSOS
9 Myfanwy Bowman)
10
11 Robert Dawson) CBA/MBA
12
13 Peter Miller) TREE
14
15 Nick Roberts) MUCDA
16
17 Raymond Oakes) CMMG
18
19 Michael Mager) CAA Manitoba
20 Jeanie Dalman)
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1 --- Upon Commencing at 9:03 a.m.

2

3 THE CHAIRPERSON: Good morning everyone
4 and welcome to the pre-hearing conference for the fall
5 hearing of MPI's 2008/'09 rate application. I am Graham
6 Lane, the Chairman of the Public Utilities Board and
7 joining me today is Mr. Alain Molgat for the first year
8 on this panel and Mr. Jorgensen.

9 Mr. Molgat is new to the Board's MPI
10 panel, but he's not familiar with the issues that are
11 expected to come before us. Also with us today is Mr.
12 Walter Saranchuk, Board counsel, Ms. Candice Everard, co-
13 counsel and Mr. Gerry Gaudreau, Board Secretary and
14 Executive Director.

15 Manitoba Public Insurance has applied to
16 the Board for approval of '08/'09 premiums and fees.
17 Corporation seeks a revised hearing process, one that
18 would involve a three (3) years cycle and places before
19 us a number of other proposals and matters.

20 This hearing and process will be conducted
21 in accordance with the provisions of the Crown
22 Corporation's Public Review and Accountability Act and
23 the Public Utilities Board Act. We will employ the
24 Board's rules of practice and procedures.

25 I encourage those who have not yet done so

1 to visit the website, our website, to review the rules or
2 contact Mr. Gaudreau if you have any questions.

3 In its application, MPI also proposes new
4 premium rates to take effect March 1st, 2008, with those
5 premiums involving no overall increase in premium
6 revenue.

7 MPI also proposes a premium rebate of 7
8 3/4 percent based on premiums paid in 2006/'07 to be
9 refunded during calendar year 2008. Of particular
10 interest will be the Corporation's proposal for a revised
11 regulatory process. MPI suggests major public rate
12 hearings occur only every third year as opposed to the
13 current annual process.

14 As premiums expire at the end of February
15 of each year to be replaced by new premiums, as may be
16 established by this Board, the three (3) year hearing
17 proposal includes a proposal involving actuarially based
18 calculations and other conditions.

19 The Corporation's application also
20 includes references to various reports requested by the
21 Board, including those pertaining to auto theft
22 initiatives, investment strategies, pay-as-you drive
23 insurance concept and the business process review.

24 MPI indicates that the proposed driver
25 safety rating program expected to replace the Bonus/Malus

1 system is not ready for review or implementation. I
2 imagine this is a very complex matter, one that everyone
3 desires MPI to, as they say, strike the right balance.
4 In any case, this matter will be held over for another
5 day.

6 Our objectives for this pre-hearing
7 conference are limited: A) to identify Intervenors and
8 to learn the reasons for those seeking to intervene; to
9 learn of and gain an appreciation of the cost awards to
10 be sought and then the quantum of such; and finally, to
11 arrive and confirm a timetable for the orderly exchange
12 of evidence and information.

13 So I'll now call on MPI Counsel Mr.
14 McCulloch to introduce MPI's representatives.

15 MR. KEVIN MCCULLOCH: Good morning, Mr.
16 Chairman, members of the Board. With me this morning on
17 my right, Marilyn McLaren, President and CEO of Manitoba
18 Public Insurance, to my far left, Candice -- oh, sorry,
19 Kathy Kalinowsky -- very far left, Candice Everard. But
20 to my left, Cathy Kalinowsky, Senior Solicitor in the
21 Legal Department at Manitoba Public Insurance, and to my
22 immediate left, Mr. Don Palmer, who's the Director of
23 Actuarial Services and the Chief Actuary at MPI.

24 THE CHAIRPERSON: Thank you, Mr.
25 McCulloch.

1 I'll now call on Board co-counsel, Ms.
2 Candice Everard for a Board Counsel's reports and
3 documents to file and processes to be agreed on. Ms.
4 Everard...?

5 MS. CANDICE EVERARD: Thank you, Mr.
6 Chairman. For the record, to my right is Walter
7 Saranchuk, Q.C., my colleague at Pitblado LLP.

8 At this stage, Mr. Chairman, we are
9 seeking to have marked as an exhibit, the first exhibit
10 in this proceeding, the Public Utilities Board Notice of
11 Public Hearing and Pre-hearing Conference.

12 Secondly, as Exhibit 2, we are looking to
13 mark the Board's rules of practice and procedure as the
14 second Exhibit.

15 And lastly, for the time being, Exhibit 3,
16 we seek to add -- or enter the proposed timetable. And,
17 Mr. Chairman, those are my comments at this stage.

18 THE CHAIRPERSON: Very good, thank you.
19 The documents she's cited and comments may be placed on
20 the record.

21

22 --- EXHIBIT NO. 1: Notice of Public Hearing and
23 Pre-hearing Conference

24

25 --= EXHIBIT NO. 2: Board's rules of practice and

1 procedure

2

3 --- EXHIBIT NO. 3: Proposed Timeable.

4

5 MR. CHAIRPERSON: With that task
6 completed, I'll now call on the other parties that are
7 present. I'll start with those indicating an interest in
8 intervening and then we'll go back to MPI to seek their
9 initial view.

10 Please identify yourself and your
11 organization, indicate whether you've completed a written
12 request to intervene or filed an estimate as to any cost
13 award that may be sought.

14 To begin with, Ms. Bowman...?

15

16 OPENING COMMENTS BY CAC/MSOS:

17 MS. MYFANWY BOWMAN: Thank you, Mr.
18 Chair, and good morning.

19 For the record, my name is Myfanwy Bowman
20 and I'm here from the Public Interest Law Centre on
21 behalf of the Consumers Association of Canada Manitoba
22 chapter and the Manitoba Society of Seniors.

23 Mr. Williams regrets that he was not able
24 to be here today, but sends his regards.

25 We have filed an Intervenor request form.

1 I can indicate now that, in fact, we're going to need to
2 correct it, there's a typo, and there two (2) pages that
3 should have been attached but were not, in error, so a
4 new one (1) will be circulated and filed in the next few
5 days.

6 I can tell you that CAC/MSOS would like to
7 intervene in a fairly comprehensive way in order to test
8 the reasonableness of the -- of the Corporation's cost
9 forecasting, to assess the reasonableness of the revenue
10 requirement and the rates sought.

11 We hope to review specific elements of the
12 application, including investment strategy, the
13 immobilizer incentive funds, the PIPP, the forecasted
14 OM&A, business plans, road safety and loss prevention,
15 and environmental issues.

16 We also would like to consider the
17 reasonableness of the proposed multi-year rate
18 application, for a variety of reasons, and also to
19 consider the Corporation's record on forecasting costs
20 and revenues.

21 We do intend to appear throughout the
22 hearing, participate in production of evidence and
23 testing of evidence, and present final argument. We've
24 not yet determined whether we expect to call witnesses or
25 not, but we hope to get back to the Board and the parties

1 later in July to confirm that one (1) way or the other
2 and to provide a revised budget if we intend to -- to
3 call experts.

4 I can indicate that Mr. Williams has had
5 preliminary discussions with Mr. Dawson for the Bar
6 Association in order to make sure that we are not
7 duplicating effort or time, and we're maximizing
8 efficiency and will continue to do that, of course.

9 There is a budget attached. It does
10 provide a bit of a range in terms of what we anticipate
11 we would be spending in terms of time and money. I can
12 indicate that the low end reflects a shorter hearing of
13 five (5) days and the high end reflects a longer hearing
14 of eleven (11) days, since we're not quite sure how this
15 is all going to shape up.

16 THE CHAIRPERSON: Have you provided for
17 the witness in this one?

18 MS. MYFANWY BOWMAN: No, I don't believe
19 it does. I think this is just a consultant.

20 The -- I can indicate there is a typo in
21 the disbursements. We don't anticipate spending four
22 thousand dollars (\$4,000) on accommodations. I think it
23 will probably be more in the range of five hundred
24 dollars (\$500), so, that's the error that will be
25 corrected.

1 THE CHAIRPERSON: Super 8 instead of the
2 Fairmont?

3 MS. MYFANWY BOWMAN: I wasn't involved
4 in the preparation of this document so I can't quite say
5 what was -- how that came to be, but, I don't anticipate
6 the four thousand dollars (\$4,000) will be the number
7 that will be seen at the end of the day.

8 There will also be a two (2) page more
9 detailed summary of the time that we expect to spend both
10 for our consultant and for legal counsel and that should
11 have been attached but wasn't so I apologize for that --
12 that error and it will be submitted shortly.

13 THE CHAIRPERSON: No problem. Thank you.

14 MS. MYFANWY BOWMAN: Thank you. Oh,
15 there was one (1) other comment that Mr. Williams asked
16 me to make and that was to comment on the fact that I
17 understand Mr. Dick is going to be retiring and that he
18 wished to convey that CAC/MSOS will miss Mr. Dick not
19 only in terms of his professional capacity but in terms
20 of the cookies he so kindly shared. Thank you.

21 THE CHAIRPERSON: He can still come to
22 the hearings and bring his cookies.

23 MS. MYFANWY BOWMAN: We can only hope.

24 THE CHAIRPERSON: Thank you, Ms. Bowman.
25 Mr. Dawson from Manitoba Bar

1 Association...?

2

3 OPENING COMMENTS BY MANITOBA BAR ASSOCIATION:

4 MR. ROBERT DAWSON: Good morning, Mr.
5 Chairman. My name is Robert Dawson of Dawson Law
6 Chambers here in Winnipeg and I appear on behalf of the
7 Manitoba Bar Association which seeks standing as an
8 Intervenor in these proceedings.

9 The Bar Association has filed an
10 Intervenor request form and it proposes its participation
11 should take the form of filing and reviewing information
12 requested of the applicant, testing the evidence, and
13 otherwise taking part in the hearing process itself and
14 making closing arguments.

15 The Intervenor request form sets out two
16 (2) broad areas that interest my client. First, the
17 Manitoba Bar Association proposes to continue its
18 scrutiny of the way in which the applicant handles claims
19 for personal injury arising out of the operation of motor
20 vehicles. At least as this Board will know, for as long
21 as I've had conduct of this matter, my client has always
22 been asking that question, namely, are persons entitled
23 to benefits whether under the laws of Manitoba or their
24 insurance contracts with MPI receiving what they should,
25 when they should and in a way that they should or in the

1 language that a public utility commission might prefer,
2 is the applicant expending revenues relating to personal
3 injury claims in a cost-effective way as the applicant is
4 required to do?

5 As My Learned Friend Ms. Bowman indicated,
6 I've already begun attempting to work closely with my
7 colleagues at the Public Interest Law Centre and I can
8 also indicate that I had a brief telephone conversation
9 yesterday with My Learned Friend Mr. Oakes seated next to
10 me. I'm pleased to indicate that we're, again, going to
11 work together to avoid, of course, duplication in any
12 areas, as well as to make sure that this Hearing moves
13 ahead as efficiently as possible.

14 The second area in which the Manitoba Bar
15 Association's intervention is proposed is to look at
16 public policy and legal issues that might arise out of
17 the applicant's operations, however, keeping in mind the
18 very limited jurisdiction that the Legislature has
19 delegated to this Board only some of those issues, of
20 course, are appropriate to raise in this forum.

21 Examples of these include, the notion of
22 approving a multi-year rate application, the delays that
23 the applicant brings in providing this Board with
24 information about driver safety rating programs and its
25 proposed changes to the PIPP claims' handling

1 infrastructure.

2 Other topics include the expansion or --
3 the expansion of subrogation issues, the MPI arbitration
4 process, and the way in which the applicant has
5 unilaterally adapted the directions of this Board in such
6 areas as the rate-making methodology by which collision
7 costs are assigned to the motorcycle major classification
8 for rate-making purposes.

9 With respect to all of these, I am able to
10 say, again, that I intend to work with the other
11 Intervenors to coordinate our efforts and avoid
12 duplication.

13 Those then are the chief areas of
14 intervention that the Manitoba Bar Association proposes.
15 It is not my client's intention to call any witnesses or
16 file any written evidence.

17 As requested on behalf of my client, I
18 filed an Intervenor request that includes a budget and a
19 cost summary. The Board will note that that summary is
20 identical to the budget that I submitted last year and as
21 I did last year, I intend, subject to any direction from
22 the Board, to attend in person throughout the Hearing
23 instead of merely reading the transcript as last hearing
24 -- last year's hearing showed issues of relevance to my
25 client's intervention tended to arise throughout the

1 hearing schedule and given the scope of our intervention,
2 or proposed intervention this year, I do not expect a
3 different approach would be possible.

4 Accordingly, I ask the Board and the
5 Applicant to consider my client's budget as submitted,
6 keeping in mind that I intend to be present throughout
7 the hearing unless it's obvious that some topic has no
8 bearing on my client's interest before this Board.

9 Lastly, on the subject of the timetable,
10 it would be most helpful if, like last year, the Board
11 could publish not only the starting dates of the hearing,
12 but the actual hearing dates to the extent that it's
13 possible and as early as possible.

14 Merely indicating a start date can pose
15 considerable scheduling challenges for those of us in
16 smaller offices and to the extent that it's possible to
17 accommodate my own personal schedule this year, if we can
18 possibly not sit on Thursday, October 11th, it would
19 greatly suit my schedule.

20 However, I understand that I'm only one
21 (1) of many people at this table and my needs may not be
22 able to be met. And so failing any questions, those
23 conclude my comments. Thank you, Mr. Chairman.

24 THE CHAIRPERSON: Thank you, Mr. Dawson.
25 We will take into account your scheduling comments, I'm

1 sure, try to see what can be worked out.

2 Mr. Oakes, for the Coalition of Manitoba
3 Motorcycle Groups...?

4

5 OPENING COMMENTS BY CMMG:

6 MR. RAYMOND OAKES: Thank you, Mr.
7 Chairman. For the record, my name is Raymond Oakes, I'm
8 an attorney with the firm of Booth Dennehey and as for
9 the past fifteen (15) years, I'm here seeking Intervenor
10 status for the Coalition of Manitoba Motorcycle Groups.

11 To that end, we have filed the Intervenor
12 Request Form; that was filed in the old-fashion paper
13 way. If someone requires any electronic versions, we're
14 happy to provide those.

15 With respect to the elements of the CMMG
16 intervention, there's a number of pressing issues this
17 year of great concern to CMMG, the first, being the
18 multi-year rate application which was -- will be
19 something that CMMG will oppose vigorously and
20 strenuously for the reasons that will be produced in
21 cross-examination and argument.

22 As well, we have concerns over the fact
23 MPI has not filed a Bonus/Malus Plan.

24 We have concerns relative to the RSR.
25 Again, the concern of the CMMG is that the Corporation

1 may inflate reserves and PFADS (phonetic) as another way
2 of having a reserve bank and so we wish to probe RSR
3 levels for -- for those in -- in that context.

4 As well, lost transfer, the Corporation
5 has made application for changes relative to a formulaic
6 basis for the collision damages since we'll be wanting to
7 review that, as well as monitoring the changes in single
8 versus multi-vehicle claims and related inconsistent
9 data.

10 Rate levels, of course, motorcyclists are
11 the ones, again, most affected by the application and no
12 surprise, rates going up 9.2 -- or applied for at 9.2
13 percent for motorcyclists. We wish to probe into the
14 data and look at the sport bike issue as well in that
15 context.

16 Rate groups, there's a number of issues
17 arising from the engine displacement categories. We're
18 going to be reviewing whether there's enough ranges in
19 those rate groups.

20 With respect to pleasure use, we want to
21 look at the load differential between pleasure and all
22 purpose in Manitoba for motorcycles.

23 As well as, in past years, safety issues
24 are a high priority for CMMG and we'll want to review how
25 effective the MPI programs are related specifically to

1 motorcycles.

2 There's a number of other issues that
3 we'll address during the hearing but, Mr. Chairman, as
4 you can see there are a number of very important issues
5 that we wish to deal with comprehensively.

6 We filed a budget. There's both a legal
7 budget and that for Dr. Hickson who has appeared before
8 this Board in previous years hearings. He's indicates a
9 range. I haven't indicated a range. I do wish to make
10 the argument, at the conclusion of the hearing, that the
11 Intervenors' counsel should be on a rate parity with the
12 Board counsel.

13 In my case, I've been an attorney for
14 twenty-four (24) years and have been at these hearings
15 for about fifteen (15), so, I think that given the
16 comprehensive nature of our intervention and the detail
17 of the cross-examination the Board saw last year that
18 that parity is -- is well deserved.

19 With respect to the schedule that had been
20 the proposed timetable, we don't have any difficulty
21 with those and those would be my comments this morning,
22 Mr. Chairman.

23 THE CHAIRPERSON: Thank you, Mr. Oakes.

24 Mr. Roberts, from Manitoba Used Car
25 Dealers' Association...?

1 OPENING COMMENTS BY THE MUCDA:

2 MR. NICK ROBERTS: Thank you, Mr.
3 Chairman, Members of the Board. For the record my name
4 is Nick Roberts. I'm the Executive Director of the
5 Manitoba Used Car Dealers' Association.

6 The Manitoba Used Car Dealers' Association
7 has filed an Intervenor request form and it proposes that
8 its participation should take the form of filing and
9 reviewing information requested, the applicant testing
10 the evidence and, otherwise, taking part in the Hearing
11 process itself and making closing arguments.

12 MUCDA will not be making any application
13 for costs for these proceedings. Failing any questions,
14 those conclude my comments.

15 THE CHAIRPERSON: Thank you, sir.

16 I also notice CAA, Mr. Mager?

17

18 OPENING COMMENTS BY CAA:

19 MR. MICHAEL MAGER: Thank you, Mr.
20 Chairman. Good morning, my name is Mike Mager. I'm the
21 president and CEO of CAA Manitoba and I'm here with my
22 colleague Jeanie Dalman and we're here on behalf of our
23 members seeking Intervenor status.

24 We have filed a formal request form and
25 we're seeking status for a watching brief and we are not

1 seeking any costs.

2 THE CHAIRPERSON: Thank you, sir.

3 I also see Professor Miller. Professor
4 Miller, RCM/TREE.

5

6 OPENING COMMENTS BY RCM/TREE:

7 PROFESSOR PETER MILLER: Yes, I am Peter
8 Miller and have been representing RCM/TREE in a number of
9 proceedings before the PUB.

10 We're not in a position, at this point, to
11 say whether we will be Intervenors. There are basically
12 two (2) alternatives: one (1) is to pursue an
13 intervention and with that perhaps get legal counsel and
14 expert testimony. The other, though, that I'm more
15 inclined to, subject to conversations with the
16 Corporation, is to take up Ms. McLaren on her commitment.

17 And I'll just read the summary and the
18 closing argument there. On the general RCM/TREE issues
19 of sustainable development I guess, I -- I again want to
20 reiterate what Ms. McLaren put on the record. She did
21 indicate there was no direction from government as to the
22 role that was to be played by MPI but, on the other hand,
23 MPI is committed to further investigation of some of the
24 issues raised by Professor Miller, particularly, the
25 experience of Norwich Union in Great Britain and with the

1 insurer in Holland that operates a pay-as-you-drive
2 program there.

3 And she also made the commitment to
4 continue collaboration or perhaps we should say commence
5 collaboration with interested parties. So that
6 commitment is on the record and we'll see where that
7 takes us by the time of next year's General Rate
8 Application.

9 Well, neither of us have followed up on
10 that and there's still time before the -- the oral
11 hearing and when this adjourns, I would like to have a
12 conversation. I did put in a request to Mr. McCulloch
13 yesterday to find out the terms of reference and who's
14 doing the -- the investigation mentioned under
15 Recommendation 15 which is research into the PAYD and
16 that was due -- I mean, it was promised for September 1st
17 which puts it beyond, you know, the normal interrogatory
18 process and so on.

19 So, I don't want to have us just run in
20 the same circles again in this forum. I'm looking for a
21 way in -- in which the issues can be advanced. And I'm
22 inclined to think a collaborative approach might due it
23 if, you know, there's suitable research opportunity and
24 I'm not talking about myself because I'm not an expert in
25 this but, I mean, if -- if the issues can be properly

1 obviously, to CAC/MSOS or any of the other parties being
2 granted Intervenor status.

3 THE CHAIRPERSON: Maybe Ms. Bowman or Mr.
4 Williams has been following the Black trial, with all the
5 words that are used there? Thank you, Mr. McCulloch.

6 So, Ms. Everard, do you have any wrap-up
7 comments?

8 MS CANDICE EVERARD: Just one brief
9 comment, Mr. Chairman.

10 In response to Mr. Dawson's request with
11 respect to October 11th, just for the purposes of the
12 record, Mr. Saranchuk and I anticipate that's probably
13 not something that will be able to be decided very
14 quickly and, more likely, will be determined as the
15 Hearing unfolds.

16 We've got the three (3) hearing days the
17 week of October the 3rd, then the following Monday is, of
18 course, the Thanksgiving holiday. So the 11th would be
19 day 6. So I just thought Mr. Dawson should have a
20 response on that point but, unfortunately, I don't think
21 they'll be anything more concrete until the date looms
22 closer.

23 THE CHAIRPERSON: Well, we can understand
24 scheduling problems, so we'll try and see what we can do
25 as we approach the date.

1 Okay. Well, thank you all for your
2 participation. Looking forward to the spirit of
3 cooperation that's been displayed today following through
4 the full Hearing.

5 The Board will consider the matters it
6 heard this morning, wait for the outcome of Professor
7 Miller's discussions with MPI and Board Counsel, and then
8 we will publish an Order granting Intervenor status as
9 soon as possible. So there being nothing more for us to
10 deal with today, thank you for attending.

11 We look forward to seeing you in the fall.
12 This concludes the pre-hearing conference.

13

14

15 --- Upon Adjourning at 9:29

16

17

18

19 Certified Correct,

20

21

22

23

24 _____
Ashley Guillemin

25